THE RETHINKING DEVELOPMENT PROJECT

Old Problems and New Realities in Africa

- and the role of Development Cooperation

Edited by Nikolai Hegertun and Ottar Mæstad

Norad

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Introduction and summary

‘Is development cooperation closely attuned to the challenges and problems facing African countries?’ This question sparked the work behind this report. In a time of multiple global crises, we need to revisit our diagnosis of the continent at the frontlines of the most acute economic, social, and environmental crises.

In recent years, the global development landscape has undergone important transformations as countries and development actors have had to deal with new layers of challenges in addition to ‘old problems’. In addition to global shocks like the covid-19 pandemic and the Russian war on Ukraine, we’ve seen a series of long-brewing crises which also pose grave challenges to global stability and prosperity. These include increasing and unsustainable debt, the accumulated effects of the climate and nature crisis, demographic trends out of step with labour markets, inflation and recession, and the slowdown of the impressive poverty reduction from recent decades. We believe this necessitates a stockpiling and re-consideration of development cooperation strategies.

Nowhere is this need more evident than in African countries, which face a complex set of challenges ranging from conflict and human security, via economic, demographic, and technological transitions, to climate change and extreme weather events. This happens at a time when the field of external actors interested in deepening relations to Africa is increasing. In addition to China, EU and the US, countries like India, Russia, Turkey, Brazil, and the Gulf States are pursuing new relations and engagements across the continent.

As noted by the G20 Eminent Person Group Report on Global Financial Governance (2018: 14):

> [...] to bend the arc of history, we must succeed in Africa, where the poverty, demographic and environmental challenges are the largest – and so too the opportunities to contribute to world growth and the global commons.

In 2022, the Norwegian Agency for Development Cooperation’s *‘Rethinking Development’* project embarked on a series of roundtable discussions and consultations with expert communities and researchers in Kenya, Uganda, Ghana, Malawi, and South Africa in order to tap directly into discussions on pressing issues and development challenges in Africa. This report synthesizes and discuss important insights from these deliberations. The central question driving this work was whether donor countries are attuned to the realities of countries and populations in Africa, or whether we need to recalibrate our problem definitions and efforts.

Genuine *rethinking* of ones views and positions is hard to do without the input from others and the novelty and distance an exercise such as roundtables provides.[1] Knowledge is intrinsically linked to power and politics, especially in the foreign aid sector where the structural imbalance has taken the form of 'white saviour complex' and discriminatory practices – very much challenged by the 'decolonizing aid' and 'localization' debates in recent years. Are we still guided by conventional wisdom insufficient to address the multidimensional and evolving challenges faced by African countries today? Are we genuinely committed to understand Africa "on its own terms"?[2] Recent findings from the OECD highlights how foreign aid has shifted from country-level development priorities to global cross-border threats and refugee challenges at home. Are donor countries no longer in step with traditional development partners in Africa? How is our development agenda perceived by knowledge providers and experts across Africa?

While some of the major development problems addressed in this report are long-standing, they are now intertwined with new realities and new constellations of actors. Structural economic transformation, for instance, remains a pressing concern – as does the population growth. However, the former is now strongly coupled with the constraints posed by climate change, while the latter is contingent upon uncertain trends linked to automatization, foreign direct investments, and a reshaping of global value chains. Africa's young population is the fastest growing working force in the world, yet the labour market is nowhere close to absorb it.[3] Issues of politics, institutions and governance are linked to all aspects of sustainable development in African countries. How policy decisions are made, who is included, the independence of institutions, how policies are implemented, and rules enforced are key issues to consider. While Africans in general wants more democracy and accountability, the development literature also highlights the need to foster 'development bargains' with existing elites.[4]

The purpose of this report is twofold: first it highlights and explores a selection of the most pressing development challenges affecting African countries, and secondly, the contributors discuss possible solutions and implications for development cooperation. By doing so, our hope is to contribute an enlightened conversation and a more effective and relevant development cooperation that builds on priorities and engagement in African countries.

The report is structured by into three parts, covering the three distinct challenges identified.

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[1] Müller, Ulrich (2023): "Rethinking Development. Four questions for a mindset change". *Transcience* (2023) Vol. 14, Issue 2.

[2] Chelwa, Grieve (2023): Development, Development Cooperation and Africa in the Twenty-First Century. CODESRIA Bulletin Online, No. 9, p. 3.

[3] «Adding about 3 million jobs a year will not come close to absorbing the 10-12 million people entering the labor market annually» (Afrobarometer Dispatch No. 402: 1).

[4] Dercon, Stefan (2021): *Gambling on Development. Why some countries win and others lose*. Hurst Publishers.

The first article by Jakkie Cilliers addresses the fundamental questions of population trends and its contribution to economic growth and development. Africa is still decades away from a 'demographic dividend' due to its high fertility rate. However, when it reaches this stage – around 2050 – the size of its labour force will most likely accelerate economic growth for decades to come. However, crucial and interlinked questions related to education, industrial and trade policies, health care, and governance must be addressed for Africa's demographic development to propel economic development.

The second article from Acet and Isser addresses the equally fundamental importance of structural economic transformation for inclusive development. Inclusive development requires the creation of more jobs in sectors with high productivity and decent wages. The current trend is however for labour to move from low productive agriculture to low productive services. Periods with high economic growth have not resulted in increased income opportunities for large groups of the population. There is a need for policies that encourage economic diversification, export competitiveness, productivity increases and technology upgrades. Educational reform which emphasized vocational training is also key.

The third article by Karuti Kanyinga and Paul Kamau addresses a different, yet nevertheless fundamental theme, namely institutions and governance. It discusses how African countries navigates and negotiates its development through the interconnected web of political settlements, governance issues, institutional arrangements domestically, regionally and at the international level. The backdrop of colonial legacies, geopolitical tension, tribal and ethnic affiliations both formal and informal dynamics shapes the stability and capabilities of institutions. Development partners must find ways to support these institutions by balancing their governance ideals and the contextual realities of African countries.

Major development challenges

"What will be the most important development challenges for countries in Sub-Saharan Africa in the coming decade?"

Through the project *Rethinking Development,* we posed this question to representatives of knowledge communities in five sub-Saharan countries. In collaboration with the Institute for Development Studies (IDS) at the University of Nairobi, the Institute of Statistical, Social, and Economic Research (ISSER) at the University of Ghana, and Makerere Institute for Social Research at Makerere University we organized roundtables in Kenya, Ghana and Uganda. In addition, we conducted interviews at research institutions and think tanks in Malawi and South Africa.

This section reports main messages emerging from these discussions and thus sets the stage for subsequent chapters which delve deeper into the main topics.

We also present results from two sets of surveys, from the Afrobarometer and the World Bank Country Opinion Surveys, which elicit views on what are the main development challenges facing Sub-Saharan Africa.

Highlights from roundtables and interviews

Three main issues were raised during the roundtables and interviews:

Economic transformation

The most important challenge is to achieve economic transformation with productivity growth, jobs, and higher incomes for the general population.

Many African countries experienced relatively strong economic growth in the period 2000-2014, driven largely by high commodity prices. This was however not accompanied by corresponding growth in employment, and there were few signs of real restructuring of economies.

There is considerable scope for increasing productivity and incomes from agriculture. This requires transition to more efficient production technologies, including more large-scale farming. A fundamental challenge is how this can be achieved while at the same time strengthening the livelihoods of the poor who currently own the land.

Many new jobs must be created in the manufacturing and services sectors. To succeed in this, investments in infrastructure (energy and transport) are essential. Several informants also pointed to the importance of strengthening regional cooperation.

The challenge of economic transformation is well-known, and a host of solutions have been introduced ranging from better infrastructure, regional integration, improving power and electricity, fixing market failures, 'big push' programs for ending poverty traps to common standards, formalizing property rights and improved governance.

Youth bulge and relevant education

The youth bulge that currently is sweeping across the continent puts these challenges even more to the fore. Large cohorts of young people provide a massive opportunity for economic development if they are engaged in productive work, but if not, it is a giant lost opportunity and a potential threat to stability.

The challenge of finding work for the young people is reinforced by the limited focus on development of practical skills in education systems. This makes young people less attractive on the labor market and weakens their opportunities to create their own career or businesses. There is a need for stronger focus on vocational education and relevant skills. In general, the transition from education to labour markets must receive increased attention. A mismatch between education and labour markets, or young people's expectations and the actual job opportunities, is a grave concern for many countries.[5]

The challenge of finding work and securing a future is leading to frustration and aspirations to migrate. The fact that the commodity super cycle of the first decade of the 2000s did not result in a larger and more absorbing labor market is leading to concerns of the direction the countries are

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[5] Banerjee, Abhijit and Duflo, Esther (2019): *Good Economics for Hard Times*. Public Affairs, New York.

taking. The feeling of exclusion and political disenfranchisement is only fuelling this frustration among many young Africans.

Politics, governance, and institutions

What kind of policies and institutions are effectively providing welfare and basic public goods? The issue of governance, corruption, and elite-capture was recognized as major challenges. There is considerable distrust in the ability of political elites to implement policies that promote growth and welfare for most people.

Elites that enjoy the spoils of office, lack of transparency and accountability, and clientelist policies erodes the trust in public institutions and weaken the will to invest. There are significant hinders and costs involved in overcoming the collective actions problems, which tend to move elites towards short-term solutions and behavioral patterns that can be socially harmful. Society wide reforms that will improve the public goods provision for the entire country may be disruptive and gains may not be noticeable in years, perhaps decades. Power-hungry politicians may find targeted hand-outs and selective inclusion as a cheaper and more efficient way to retain power[6].

When authorities do not deliver on sound policy nor let its institutions implement according to their standards people may lose faith in democracy as an institution. There is still a demand for democracy, but the idea that democracy will lead to development is eroded. At the same time, there is interest in alternative governance models, including more consensus-based models and more authoritarian-style models.

What to surveys find?

The participants in our roundtables and interviews are not necessarily representative of the populations to which they belong, and they represent only a few of the countries on the continent. It is therefore useful to compare the main messages from these dialogues with results from surveys covering more countries and respondents.

World Bank Country Opinion Surveys

The World Bank Country Opinion Surveys are conducted regularly to track the perceptions of development practitioners at country level, including what they think are the most important development priorities in the country.

Respondents include the World Bank Group's traditional counterpart – government officials and employees of state-owned enterprises, as well as the private sector, nongovernment organizations, religious and youth groups, members of the academia, media, and of other organizations working in development in the country.

The graph below displays results from the last surveys in 41 countries in Sub-Saharan Africa, conducted between 2018 and 2022. Respondents were asked to indicate the three most important

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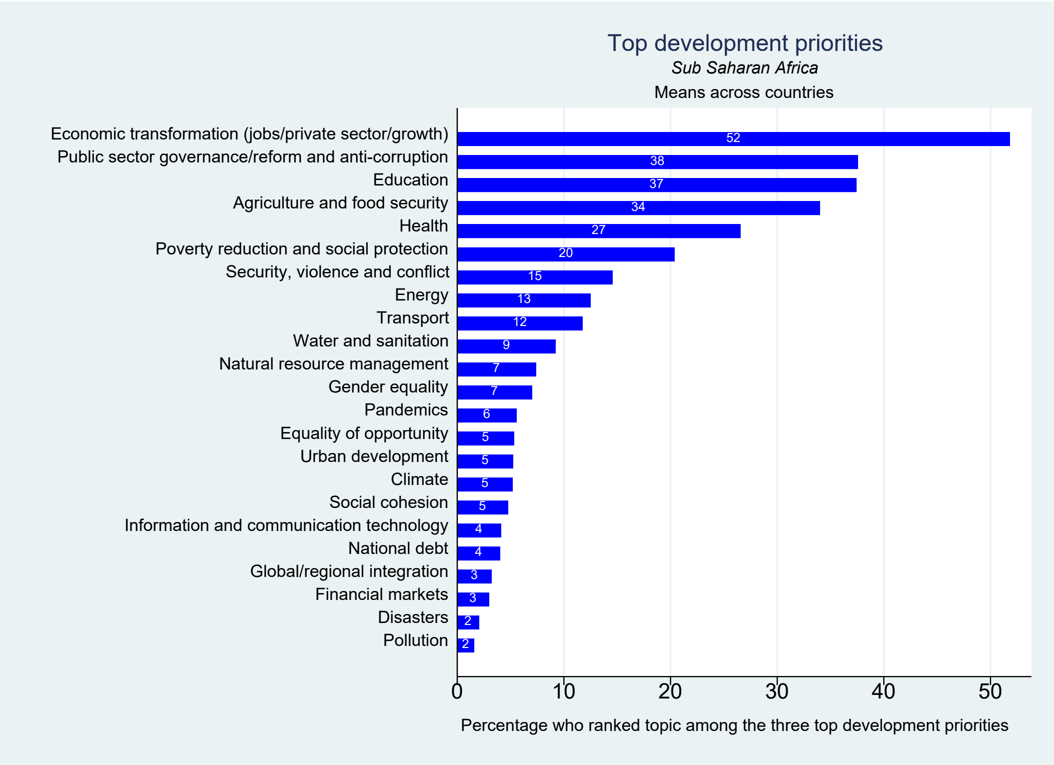
[6] Booth, David and Cammack, Diana (2013): Governance for Development in Africa. Zed Books.

development challenges for the country. The bars represent the share of respondents who indicated each of the challenges among their top three priorities.[7]

The results are quite similar to the messages conveyed during our roundtables and consultations. Economic transformation is the highest priority, ranked among the top three priorities by 52 percent of the respondents. The main items in this category are jobs and private sector development, but it also includes economic growth, trade, and tourism. Next on the list are public sector governance, education, and agriculture and food security, included among the top three priorities by 38, 37 and 34 percent of the respondents.

FIGURE 1: World Bank Country Opinion Survey



Afrobarometer

In the Afrobarometer surveys, respondents are asked what the most important problems their governments should address are. Responses to this question are likely to reflect top development priorities, but focused on issues that people believe their governments potentially can address.

[7] The figures are computed by giving each country the same weight. Only challenges that were asked about in more than one third of the countries are reported. Some of the challenges in the original datasets are quite overlapping and have been combined in broader categories: Trade and exports, diversification and tourism are included within economic transformation; gender-based violence is within gender equality; crime and violence is within security, violence and conflict; disease is within health; digital development is within information and communication technology; nutrition is within agriculture and food security; local governance, judiciary reform and government accountability are within public sector governance and anti-corruption.

One advantage with the Afrobarometer data is that they are collected from a representative sample of the populations.

Below we report results from the eight wave of the Afrobarometer surveys, conducted between 2019 and 2022. The dataset includes 32 countries in Sub-Saharan Africa. Respondents are allowed to mention up to three important problems, and the figures presented are the percentage of the respondents that mention a particular problem (mean across countries).[8]

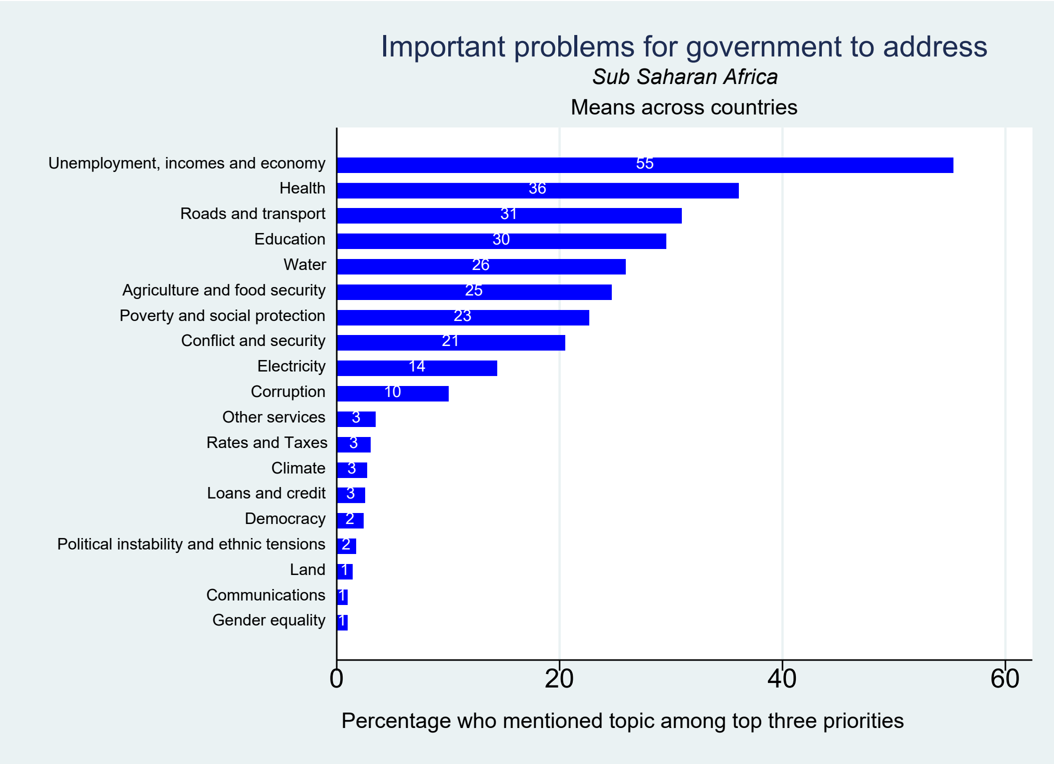
Noticeably, there is a high overall degree of consistency between the results from the Afrobarometer surveys and the World Bank County Opinion Surveys. The Afrobarometer surveys confirm that issues related to economic transformation (unemployment, wages, and management of the economy) are a top priority for a large share of the population. Health, education, and agriculture and food security are also top priorities for many.

There is less focus on governance issues in the Afrobarometer responses than in the Word Bank surveys. This is natural since the framing of the question may lead respondents to think more on what the government can *provide*, rather than how it *operates*. Nevertheless, corruption is mentioned as a top priority by quite a few.

We also note that a representative sample of respondents seems to put higher priority on basic infrastructure like roads and water than the development practitioners interviewed in the World Bank surveys.

[8] Some of the challenges in the original datasets are quite overlapping and have been combined into broader categories: AIDS and sickness/disease are included within health; orphans and homeless children, housing and discrimination are within poverty and social protection; drought is within climate; crime and security, political violence and civil and international war are within conflict and security; agricultural marketing is within agriculture and food security.

FIGURE 2: Afrobarometer



From this glimpse into the results from broader surveys, it seems clear that the issues that emerged as main topics during our dialogues reflects the views among development practitioners and among the public. The main challenges are related to economic transformation, including the need to create productive and decently paid jobs for large groups of the population and development of the agricultural sector. A suitable education system is needed to support this development and turn the demographic development into a demographic dividend. Public sector governance and addressing corruption is also very high on the list of top development priorities.

Chapter 1: Demographics is Destiny[9]

Jakkie Cilliers, ISS

Africa will enter a potential demographic dividend around mid-century - around the same time China will fall out of its demographic sweet spot. Europe is set to fall below this threshold in just two years. Most developed Western countries stayed within a positive demographic threshold for almost a century and became the wealthiest and most powerful countries in the world. How will this pan out for Africa? Many trends are pointing towards huge challenges, but the fact that Africa's population will likely account for almost a quarter of the world's in 2047 also bears a huge potential. The keys for making the demographic development a force for good are deeply interlinked and requires among other things a rapid demographic transition, better education, low-end manufacturing transition, and increased trade among African countries.

The oft-repeated insight on the importance of demographics, captured in the title of this piece, is generally attributed to the 19th-century French sociologist, mathematician and author Auguste Comte. The size, age structure and fertility rate of a population today reveal as much about the future evolution of society as it did two centuries ago when Comte formulated and wrote about positivism - a social doctrine based on science.

Population trends are relatively predictable and change only slowly. Because the contribution of labour to economic growth is vital in considering economic growth, a forecast of changes in a population's median age or fertility rate allows basic estimations of economic growth, particularly at low levels of development.

Today, most economists agree that economic growth is generally considered the result of contributions from labour, capital and technology, with the importance of the latter two having increased over time. Developing countries typically have rapidly growing populations, and the associated increase in the size of the working-age population means that the labour force expands quickly. If governments invest in health and education, it propels rapid economic growth and, ideally, incomes per capita. In time, as economies mature, capital becomes more important for growth, and in mature economies, such as in much of Europe today, technology makes the largest contribution to

[9] This contribution draws upon the analysis presented on the African Futures website, particularly its themes on Africa's Current Path and the Combined Agenda 2063.

economic growth. To put this another way, as the contribution to economic growth from an expanding labour force moderates over time following slower population growth, it is replaced (or compensated) by the contributions from capital and, later, technology.

Much of the writing on the contribution that labour makes to economic growth is either about dependency ratios (which are increasing in China, the Asian Tigers and the West) or the potential of a demographic dividend, which is particularly important when considering the future of Africa. Dependency ratios are essentially the inverse of a demographic dividend. The former compares the number of children and elderly to the size of the working-age population. The demographic dividend simply looks at it the other way around.

There are many ways to conceptualise and measure a potential demographic dividend, such as fertility rates and median age. In the forecasting done at the African Futures & Innovation program, we have settled on using the ratio of working-age persons (ages 15 to 64) to dependents, i.e. children (below 15 years of age) and the elderly (aged 65 and above). A country enters a potential dividend when that ratio gets to 1.7 working aged person to every one dependent. When it falls below that ratio, often several decades later, as populations age, labour's contribution to economic growth has declined to the extent that larger contributions from capital or technology are required to compensate for the declining contribution from labour.

Because of high fertility rates, Africa is several decades away from experiencing a demographic dividend, at which more working-age persons relative to dependants, together with other supporting policies, contribute to more rapid economic growth. On average, Africa will enter a potential dividend around mid-century and likely stay in that sweet spot beyond the end of the century. On the other hand, the EU, where populations are ageing, will fall below the 1.7:1 ratio in about two years. China, too, is facing that problem, but only much later. It falls below the 1.7:1 ratio around 2040. For that reason, Chinese economic growth will average close to 4% per annum to mid-century, declining over time; growth in the EU is likely just below 1%, and that of Africa is just shy of 5%.[10] Given its promising demographic dividend, Africa's economic growth rates will steadily accelerate after 2050, as the growing size of its labour force relative to dependents makes its effects felt.

Chart 1 compares the dividend opportunity in China, Africa and the EU. The chart area is coloured to reflect where a positive dividend ratio of 1.7:1 and above would occur. In modern history, only the Asian Tiger economies and China have experienced an extraordinarily high ratio of around 2.7 working-age persons to every dependent. Policies and leadership are important, but their large demographic dividend contributed substantially to the unprecedented rates of economic growth that these countries experienced. The higher the peak ratio and the longer a country stays in this positive area above 1.7 working-age persons to every dependent, the more rapid the associated economic growth.

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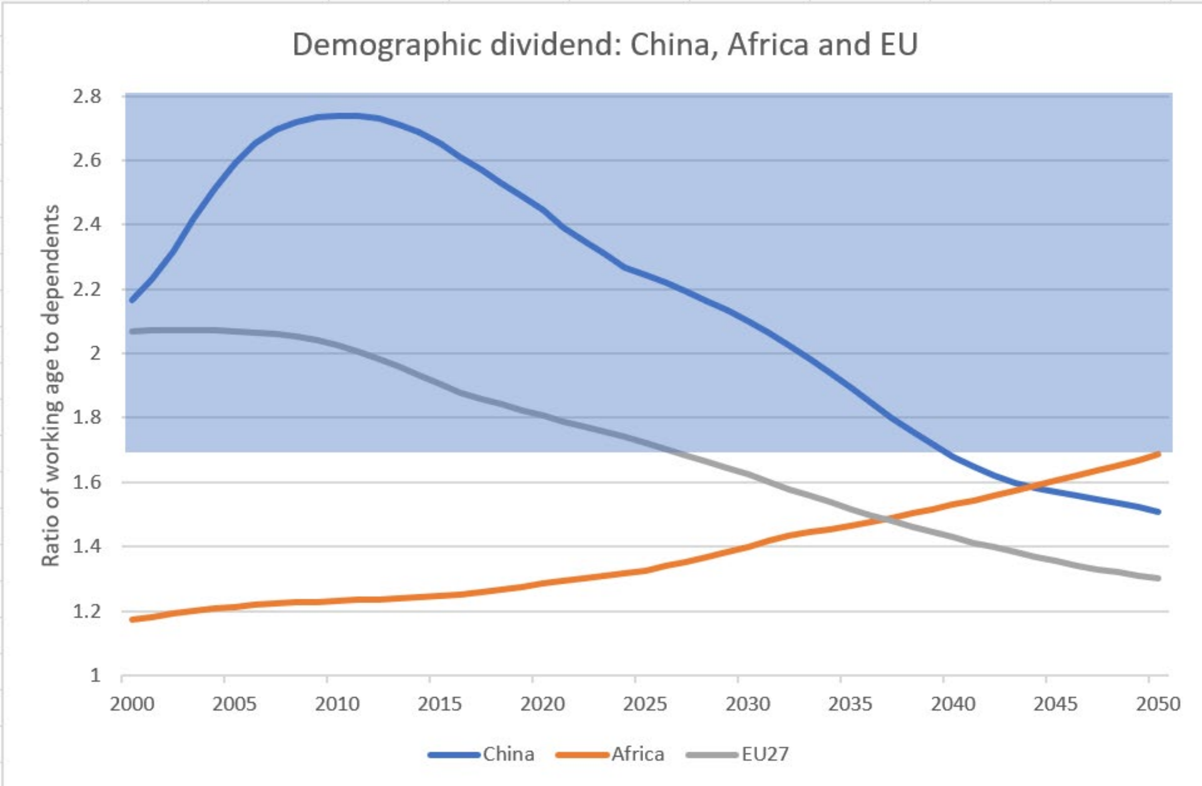
[10] Currently, the ratio of working-age persons to dependents in China is 5:1 (but declining rapidly); in the EU it is at 2.4:1 (declining slowly), and in Africa, it is 3.8:1 but increasing. Africa, as indicated previously, will get to 1.7:1 by around 2050.

Chart 1: Demographic dividend in China, Africa and the EU with forecast to 2050



Source: International Futures v7.84 initializing from UNPD data

There are some indications that total fertility rates globally may be declining more rapidly than previously expected by organisations such as the UN Population Division, which could accelerate these trends.[11] Still, the general storyline is virtually irreversible without a fatal global pandemic or other cataclysmic events which is why the phrase demographics is destiny is so powerful.

Historically its positive demographic dividend explains a large part of the economic growth rates and high-income status of the US and much of Europe. Contrary to the Asian Tigers and China, most developed Western countries did not have the very high ratio of 2.7 working-age persons to every dependent but just stayed in positive territory (i.e. with a ratio of working age of 1.7 and above) for up to a century. Over time they graduated to become the wealthiest and most powerful countries globally.

Although the ratio of Africa's working-age population to dependents is growing, it is late and slow. Sub-Saharan Africa also has a much larger, younger and more rapidly growing population compared to North Africa, pointing to the large differences between African regions and countries.

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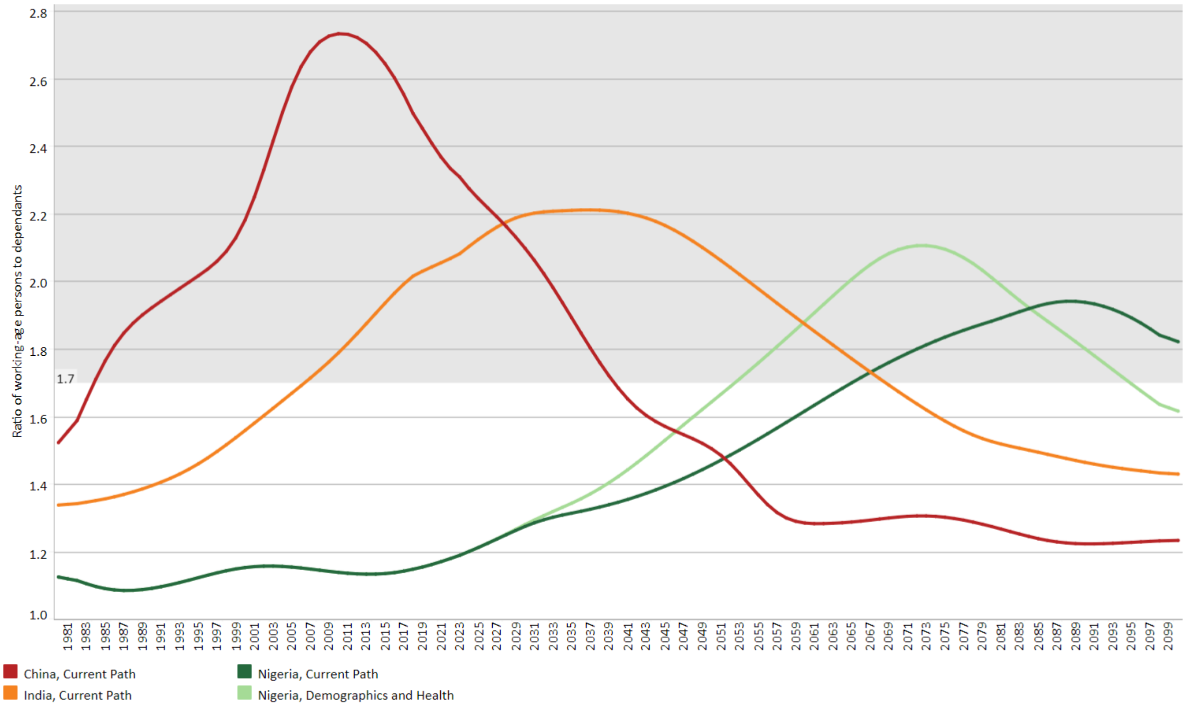
[11] See, for example, various articles in the Economist paper of 3rd July 2023, The Baby-Bust Economy.

We can illustrate these relationships by comparing the demographic dividend of three countries, China, India and Nigeria, in Chart 2.

Chart 2: Demographic Dividend for China, India and Nigeria



Source: International Futures v7.84 initializing from UNPD data

China will spend around 50 years in its demographic window of opportunity (from about 1984 to 2037) — roughly half that of the US. This partly explains why China is unlikely ever to approximate the income levels of the US, reflected in the oft-repeated mantra that China will grow old before it gets rich.

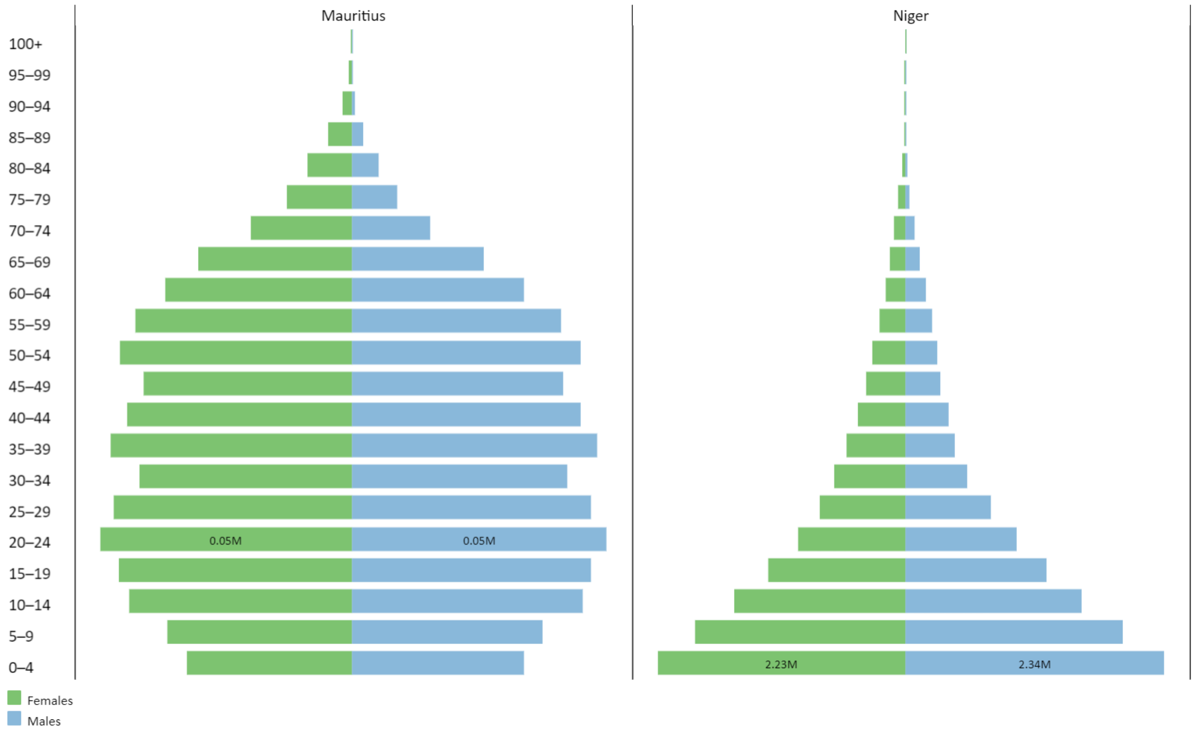
Eventually, India will spend around 60 years in this window, having only recently attained a ratio of 1.7 working-age persons to every dependant. However, while China experienced a peak demographic dividend ratio of 2.7 to one, India will likely peak at about 2.2 to one by around 2037. By this metric, India could experience a modest income growth catch-up with China, but only in the second half of the 21st century.

By around 2040, the size of Nigeria's population will overtake that of the US to become the country with the third largest population globally, after India and China. But Nigeria will only progress to the 1.7:1 ratio by about 2060. It is expected to peak within 30 years at a ratio of 1.9:1 and to exit the favourable demographic window early in the next century. Given this long-term horizon, it is virtually impossible to speculate responsibly on Nigeria's long-term future growth prospects, also because the region is expected to experience significant impacts from climate change at a time of rapid technological advances. But what is sure is that current demographic forecasts condemn Nigeria to only moderate income growth and, even then, only over extended time horizons.

In summary, sub-Saharan Africa is experiencing a slow demographic transition driven to a large extent by its continued high fertility rates that are, in turn, a function of low levels of urbanisation and female education, and high communicable disease burden. The effect is slow economic growth.

Because the population pyramid of sub-Saharan Africa is broad at the base and narrow at the top, the potential contribution that labour can make to economic growth is limited. The relationship can be illustrated by comparing the population pyramid of the African country with the highest and the lowest median age, Mauritius and Niger, reflected in Chart 3. Because Mauritius has more working-age persons in the 15 to 64 age bracket, it has many advantages compared to other African countries.

Chart 3: 2019 population pyramid for Mauritius and Niger



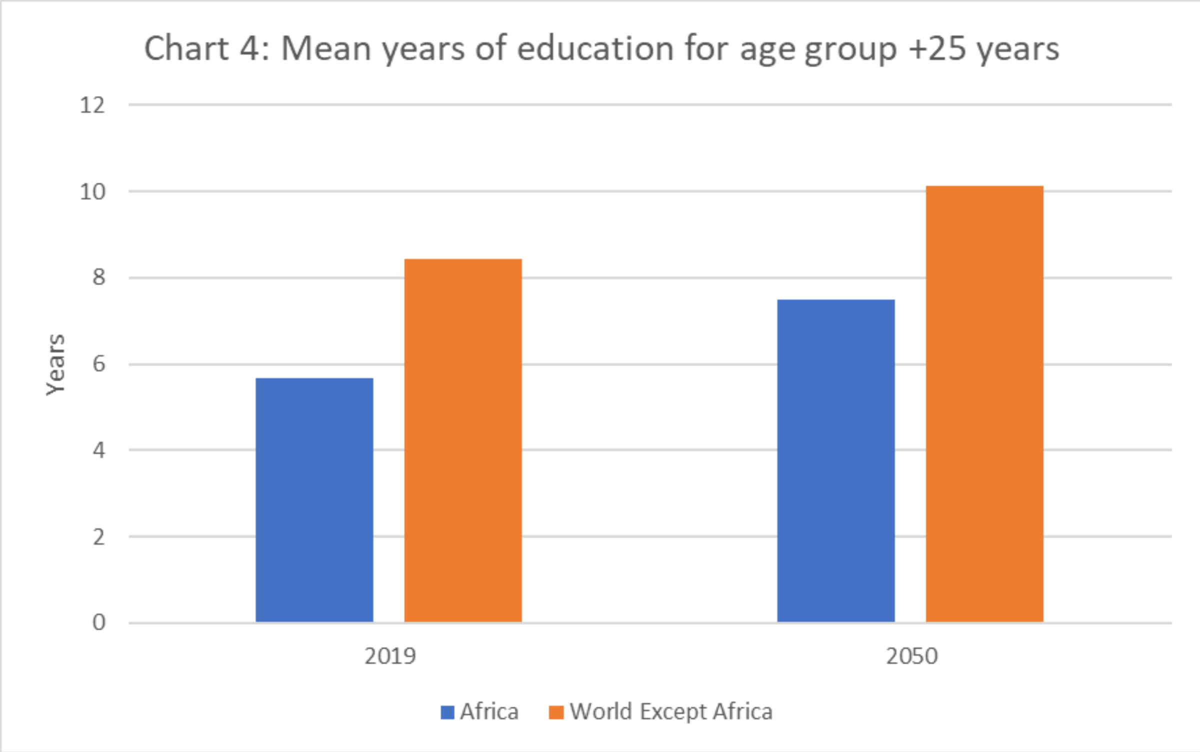
Source: IFs 7.84 initialising from UNPD data

The result of this ratio is that while the economy of Niger will expand because of its rapid population growth, incomes will only grow slowly. Because incomes grow slowly, the government of Niger has a limited budget to spend to provide more and better education and healthcare for its rapidly growing population. In fact, with its limited state budget, it could keep pace with building more schools and primary health facilities. Still, it cannot invest in improving education quality and providing better healthcare. Modern technology and good governance can also contribute, of course. Once fertility rates start declining and the surge of additional children that require more schools and healthcare decreases, the situation will change, but in the case of Niger, that only occurs in the second half of this century. Therefore, lower fertility rates are generally associated with improved human capital, such as better education and health, leading to higher productivity.

Africa faces many challenges in this regard. Its population is poorly educated and generally in bad health compared to other regions, although there are improvements in both dimensions.

Chart 4 compares the mean years of education in Africa in 2019 with the average for the rest of the world and includes a forecast for 2050. Put another way, the average adult African has barely completed primary education, while adult populations elsewhere would have completed at least lower secondary education. Although things will improve by 2050, Africa will not start closing the gap with the average for the rest of the world.

Chart 4: Mean years of education for age group +25 years



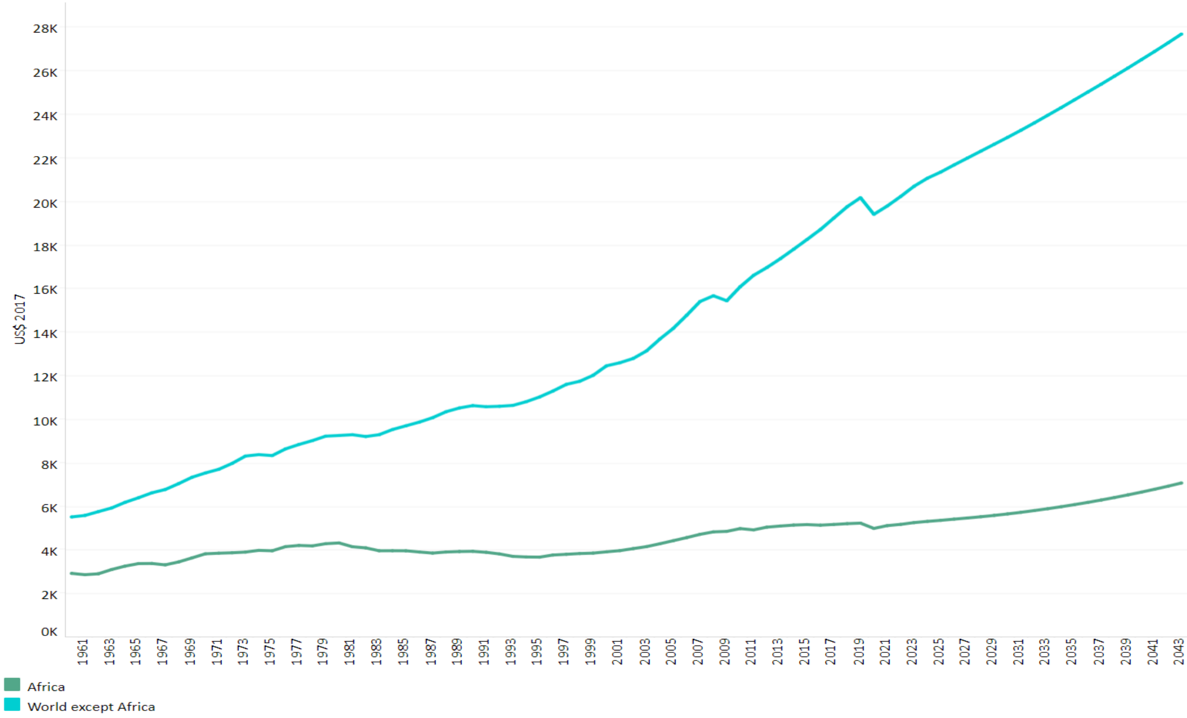
Source: International Futures v7.84 initializing from UNESCO data

Whereas average life expectancy, a good indicator of health, in sub-Saharan Africa, is currently at 65 years, the average for the rest of the world is almost ten years higher. Again, there is little evidence that the continent will start closing the gap. An important additional consideration that is complicating things is that non-communicable disease deaths are increasing rapidly in sub-Saharan Africa and are closely tracking the disease burden of more advanced and richer societies. The effect will be to push up health costs.

Instead of dealing with infectious diseases like respiratory infections and diarrhoea, sub-Saharan Africa's poor health systems must prepare to cope with more expensive non-communicable diseases such as cancer and diabetes.

For these and other reasons, Chart 5 reflects the growing gap between GDP per capita in Africa compared to the average for the rest of the world. It includes a forecast to 2043. Things are improving in Africa but more slowly than in the rest of the world, and that story will continue unless Africa can change its demographic future, amongst others.

Chart 5: GDP per capita for Africa vs Rest of the World, 1960 to 2022 with forecast to 2043



Source: International Futures v7.84 initializing from WDI data

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. In 1960, Africa accounted for 3% of the global economy. Sixty years later, that share remains unchanged, even though Africa's 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), and its contribution to the global economy will have almost tripled to 8%.

Something drastic is needed to change these trends. Doing more of the same will not lead to tangible progress. Some health indicators — such as declining infant mortality rates — 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 and sub-Sahara Africa will not meet most of the Sustainable Development Goals in 2030.

The potential contribution from Africa's growing labour pool is insufficient to guarantee productive economic growth without adequate investment in appropriate education for the Fourth Industrial Revolution, sufficient nutrition and access to healthcare, and industrial policies that incentivise and absorb graduates. Africa trails significantly in all three areas compared to global averages. Since investments in human capital provide the most enduring contribution to sustainable economic growth over long time horizons, the continent needs to invest in the associated enablers.

To explore the development prospects for Africa, we modelled eight sectoral scenarios, covering all development aspects using the International Futures forecasting platform from the University of Denver. Our forecast horizon is 2043, the end of the Second Ten Year Implementation Plan of the African Union's Agenda 2063 long-term development plan. Each scenario is explained in various themes on the African Futures website, and the impact is compared with the Current Path forecast. The eight scenarios are:

- A more rapid demographic transition and investments in better health and WaSH infrastructure, the focus of this piece
- Better and more education (looking at quantity, quality and relevance)
- Large infrastructure and leapfrogging (the impact of renewables, ICT and the more rapid formalisation of the informal sector)
- Improved food security reflected in an agriculture revolution scenario
- A low-end manufacturing transition
- The full implementation of the African Continental Free Trade Area (AfCFTA)
- More inward financial flows (consisting of aid, foreign direct investment, remittances and reduction in illicit financial flows)
- Better governance (consisting of stability, capacity and inclusion)

These sectors are not isolated but deeply interlinked. For instance, infrastructure, health and education are crucial for industrialisation and economic diversification. Similarly, providing rural roads is vital for food self-sufficiency and agriculture commercialisation. Agriculture can also pave the way to manufacturing through agro-processing while improving governance cuts across all sectors. Thus, a holistic approach or a coordinated policy push across sectors is required to propel Africa to prosperity.

Sustained and rapid growth is difficult to achieve. Each African country needs to develop policies tailored to its domestic conditions. 'Countries become successful,' argues Lant Pritchett, 'by means of an ugly, messy, contested hard slog that takes decades. And then, after they become successful, they create myths about how wonderful it was and the reasons why they did it, when the reality was just that it was a hard slog.'[12]

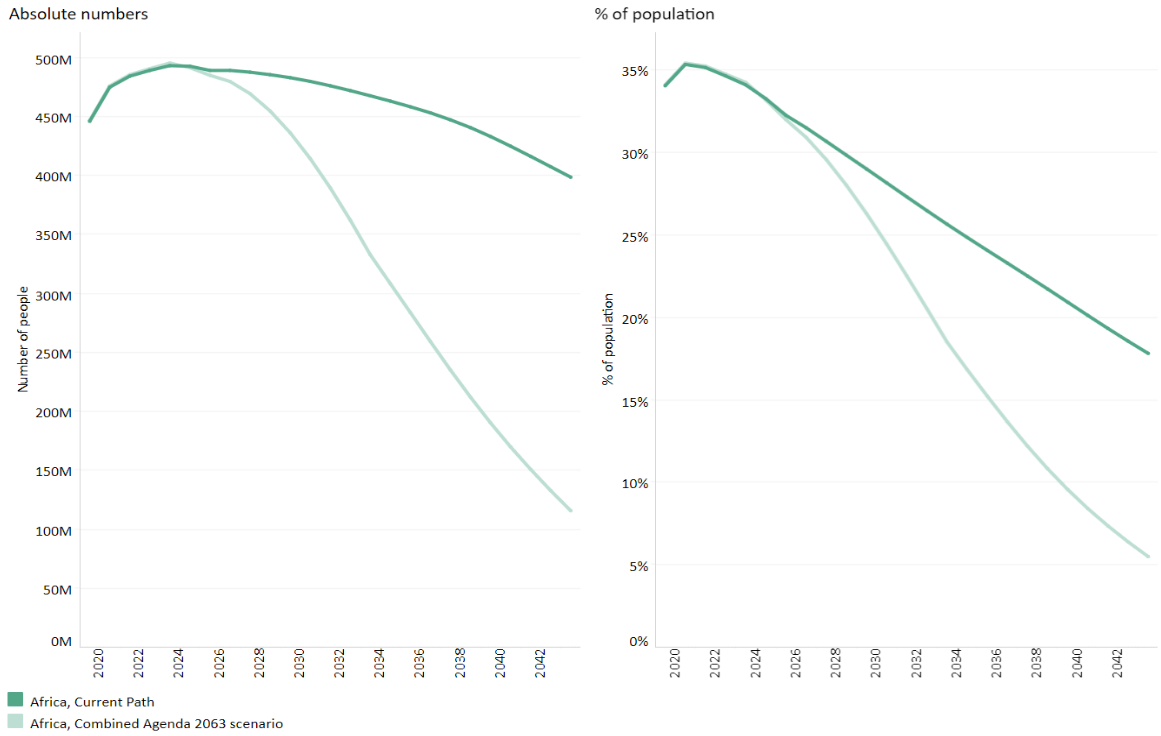
[12] Prof Lant Pritchett in conversation with Ann Bernstein, Centre for Development and Enterprise, June 2021.

It is perhaps best to view societies like living organisms. To grow, an organism does not need only a single nutrient; it needs a combination of different nutrients in a proper balance. Increasing any one of them too much provides diminishing or even negative returns. Societies become productive by linking different inputs and eventually being able to do more with each input.

Our Current Path forecast for 2043 is that 18% or 406 million Africans will still live in extreme poverty. When we combine our eight sectoral scenarios in a Combined scenario, extreme poverty could drop to 5% in 2043, equivalent to 116 million poor people in the Current Path forecast. GDP per capita would be 59% higher, and the African economy 78% larger.

The extreme poverty forecast for the Current Path and the Combined scenario is presented in Chart 6, in absolute numbers and per cent of Africa's population.

Chart 6: Extreme poverty 2019 to 2043, using US$1.90



Source: International Futures v7.84 initializing from WDI data

It is clear that even in the Combined scenario, Africa will miss the SDG target of eliminating extreme poverty by 2030 by a very large margin. Although the COVID-19 pandemic has contributed to these depressing forecasts, the key reason is that Africa's economies are not growing rapidly enough, given population growth. Although Africa (and Southern Africa in particular) has relatively high levels of inequality, the continent has to find ways of growing its economies much more rapidly if it intends to increase incomes, provide jobs and dramatically reduce poverty.

Underlying much of this is the need for Africa to progress more swiftly through its demographic transition by empowering women, rolling out modern contraceptives, investing in female education and preparing for rapid urbanisation in a planned and preparatory way so that urban Africans eventually have water, sanitation and electricity, in addition to healthcare and education. Although Africa is urbanising, it is generally not planned or maximised.

To conclude, on a structural level, many of Africa's challenges can be traced back to the process of imposed state formation, which started with imperialism and lasted through the colonial period. Borders are arbitrary, meaning that cross-border cooperation, trade, communications and mobility are an inevitable part of the society and its economy. Decades later, the end of the Cold War released Africa into an international state-based system when its constituent states had not yet been able to consolidate their domestic stability, build capacity or become sufficiently inclusive to spur sustainable growth. The result is a hobbled continent, and growth policies that do not deal with the underlying or structural challenges, including the importance of a more rapid demographic transition.

Eventually, neither Western donors nor trade with China or India will develop Africa; only Africans can. Although Africans should understand how the past has impacted their current situation, leaders must accept responsibility for shaping the future, manage debt levels and carefully allocate resources to maximise development progress. Instead, in many African states, governing consists of a continuous process of bargaining and patronage among numerous traditional, ethnic, family and other groupings to retain power. That is changing, but slowly. African countries need modern, capable leadership that can connect with the aspirations of their youthful populations. Leaders must move on after a set term, look to the future rather than fixate on the past, and rely on evidence-based policymaking, not ideology. When it comes to demographics, the evidence is overwhelming - the need for much lower fertility rates over successive generations that would unlock the continent's demographic dividend.

Africa does not need excellent governance, superb education, or top hospitals; what transforms a country is typically governance that is 'good enough', strong local low-tech health programmes, and decent education and jobs for men and women. That is the essence of the call by Nelson Mandela that we should not 'seek to place blame for our condition elsewhere or to look to others to take responsibility for our development', but to become the masters of our fate.[13]

[13] NR Mandela, Address by Nelson Mandela at gala banquet celebrating Africa's 100 best books of the 20th century, 23 July 2002

Chapter 2: Economic Transformation in Africa: challenges, solutions, and the role of development partners

ACET & ISSER

Africa's challenge is clear: the economy needs structural transformation with creation of jobs in sectors with high productivity and high value added. The current trend for African economies is to move labour from farming to low-productive services like retail trade, while the proportion of people working in high-productive manufacturing is declining. Even countries with some of the highest economic growth rates in the world during the past 20 years have not been able to create the much need economic transformation. In this chapter, we present the challenge and outline what needs to happen to change the current trajectory.

Economic transformation in Africa

Economic transformation is essential for achieving sustainable, resilient, and inclusive development in Africa. Economic transformation may be defined as a shift in the structural composition of the economy from low-value-added to high-value-added sectors. The African Centre for Economic Transformation (ACET) defines economic transformation as growth with DEPTH (D-Diversification, E-Export Competitiveness, P-Productivity Increases, T-Technological Upgrading, and H-Improved Human Well-Being). This is not a new problem. Since the beginning of the 21st century, many African countries have struggled to make gains in many areas of economic transformation. Largely, African countries are moving from rural subsistence farming to urban informal employment in low-productive services. With the current trends, sub-Saharan Africa's economic future is likely to consist of a large subsistence agricultural sector in rural areas and low-end, informal services in urban areas that generally consist of wholesale and retail trade.[14][15] According to the World Bank,[16] the services sector

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[14] Newman, C., Page, J., Rand, J., Shimeles, A., Söderbom, M., Tarp, F., (2016). *Manufacturing transformation: comparative studies of industrial development in Africa and emerging Asia* (p. 336). Oxford University Press.

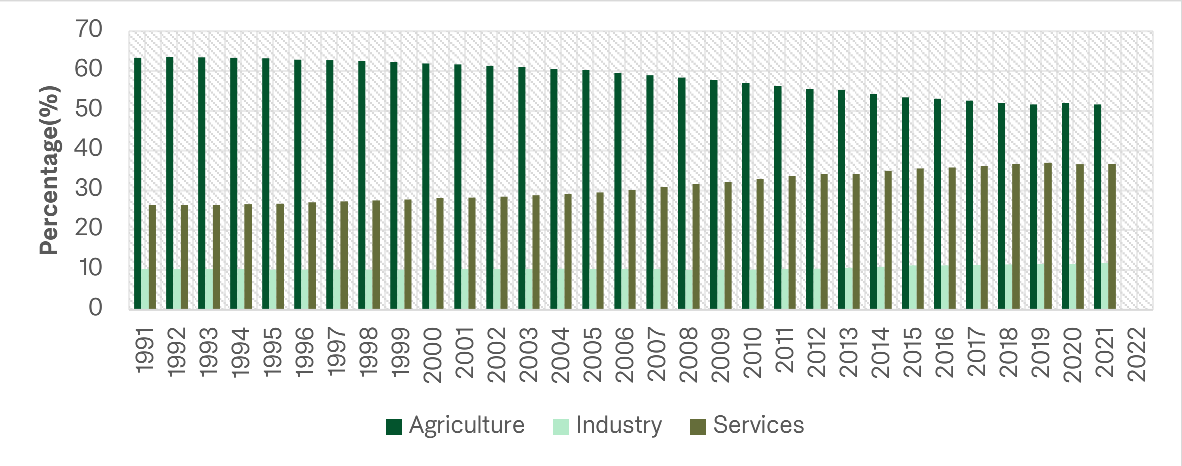
[15] Fox, L., Thomas, A. H., and Haines, C., 2017. *Structural Transformation in Employment and Productivity: What Can Africa Hope For?* Washington: International Monetary Fund.

16 World Bank Open Data at https://data.worldbank.org/.

constituted half of GDP in sub-Saharan Africa in 2022, while industry constituted 28 percent (including manufacturing at 11 percent) and agriculture constituted 15 percent.[17]

Given the above trends, it is suggested that rather than a shift towards increased productivity, Africa's structural change is from low-productivity (small-scale farming) to low-productivity informal sector retail services and is occurring at a slow pace. Figure 1 presents the proportion of sectorial employment as a proportion of total employment in Sub-Saharan Africa. Since 1991, the contribution of the agricultural sector to employment has been decreasing (from 63.4 percent in 1991 to 51.6 percent in 2021), although the sector continues to employ more than half of the total workforce. Employment in industry has remained very low (10.2 percent in 1991 and 11.7 percent in 2021). Clearly, much of the labour exiting the agricultural sector is finding its way into the service sector, whose contribution to employment has grown from 26.4 percent in 1991 to 36.7 percent in 2021.

Figure 1: Ratio of Sectorial Employment to Total Employment in sub-Saharan Africa (percent).

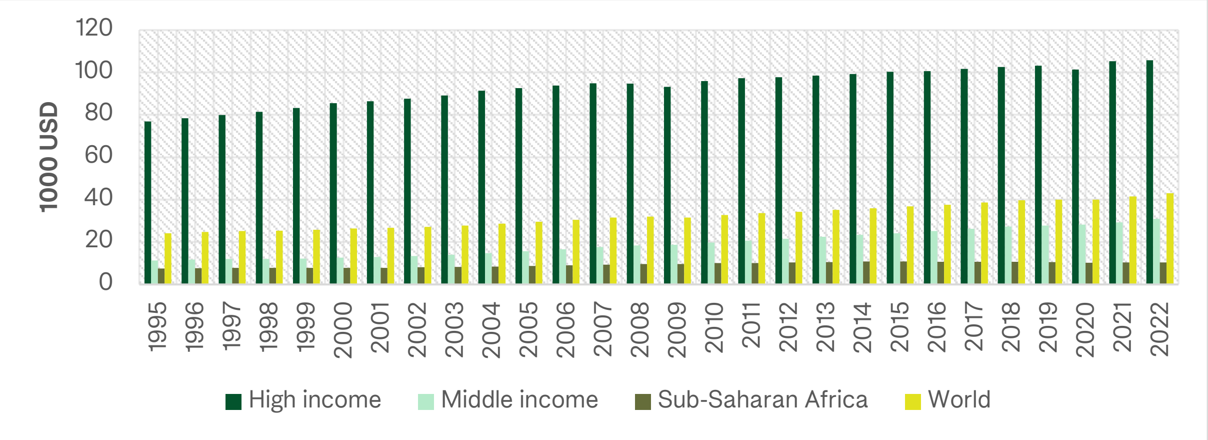


Source: World Development Indicators (2023).

Starting from a base where the majority of workers engage either in subsistence farming or informal services, Africa has more to gain from structural transformation than other developing regions, but to date it has not managed to achieve this. Indeed, the per-worker contribution to GDP remains low and virtually unchanged (see Figure 2).

17 Industry includes manufacturing, mining, electricity, water and gas. Agriculture includes livestock and crop production, forestry, hunting and fishing.

Figure 2: Gross Domestic Product per person employed (1,000 USD).



Source: World Development Indicators (2023). Figures are constant 2017 USD (PPP).

The reason why it is so crucial to grow Africa's manufacturing and high-end services sector is not only because of the potential that manufacturing has to create more formal sector jobs, but because it would change the productive structures of African economies and unlock more rapid growth. Eventually, more rapid growth translates into higher employment, especially in LMICs. Manyika et al. (2012) remind us that the contribution of manufacturing to an economy shifts as a nation matures and that in advanced economies, 'manufacturing promotes innovation, productivity, and trade, more than employment'.[18]

It is worth noting that while trade has increased significantly, there is little export of high value-added goods and services from Sub-Saharan Africa. Cilliers (2021)[19] explains that access to agricultural markets outside of Africa has actually worked well as a distraction from other, more crucial trade-related issues, such as programs to encourage value-added exports, low-end manufacturing, and the improvement in the quality and value of its substantial mineral exports. Above all, Africa has not been successful in promoting intra-regional commerce to appreciable levels; this is the case for a myriad of commodities including food. Figure 3 shows the value of trade (imports and exports) within Africa and between Africa and the rest of the world. Since 2010, the value of intra-African trade has hovered around an average which is less than a quarter of the average value of the trade between Africa and the rest of the world.

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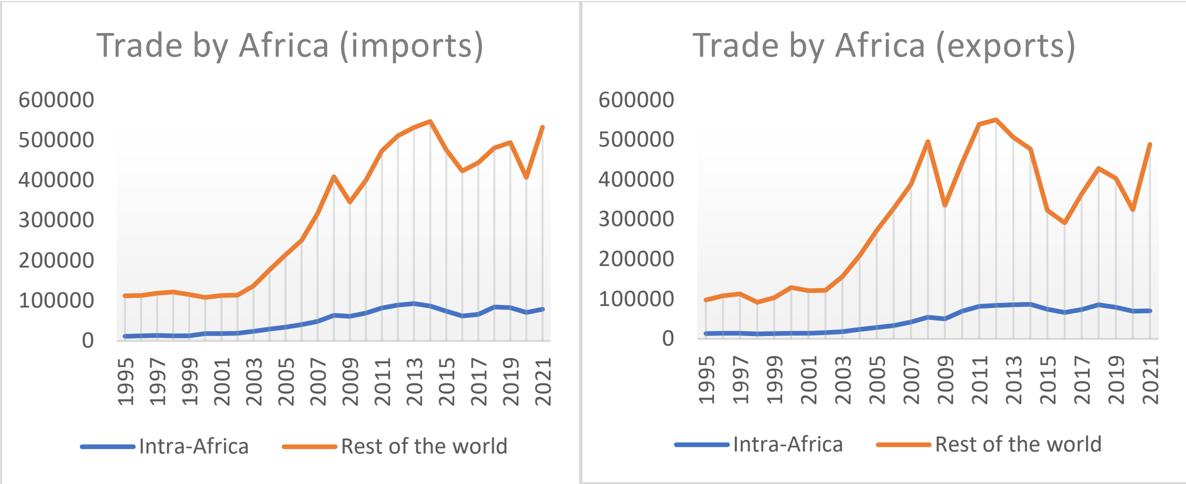
18 McKinsey et al. (2012). *Manufacturing the Future: The Next Era of Global Growth and Innovation*. New York: Mckinsey Global Institute.

19 Cilliers, J. (2021). *The future of Africa: Challenges and opportunities* (p. 421). Springer Nature.

Figure 3: Intra-African trade and trade with the rest of the world (million USD).



Source: UNCTADstat (2023).

Countries that specialize in providing raw materials, unprocessed agricultural products, or low-end services generate a lower return on every unit of labour or capital invested in comparison to the production of items with a high value-added (Cilliers, 2021; Banga et al., 2018). Indeed, Banga et al. (2018) bemoans the fact that, despite being the world's largest producer of hides and skins, Africa adds very little value to its exports.[20] Typically, Africa exports raw materials at very low prices and imports finished goods at very high prices.

In addition, productivity is not increasing as expected, even with the impact of information and communication technology, artificial intelligence and digitization. Sharma (2016) argues that labour productivity decreased persistently between 2006 and 2016 as the labour force shrank (especially in high- and middle-income countries). Cilliers (2021) explains that with a shrinking labour force as a proportion to total population, the effect of automation and artificial intelligence needs to be great enough to offset the debilitating effect of the shrinking labour force. Besides, the usual trajectory of transformation has been the movement from subsistence agriculture to manufacturing (low-end manufacturing followed by increasingly complicated industrial items) and then to services. However, current trends have witnessed a jump from agriculture to services, neglecting the manufacturing sector. It can be observed in Figure 4 below that the growth rate of the value addition in services in sub-Saharan Africa has been decreasing, while the growth rate of the value addition in the manufacturing sector has been virtually constant within the last three decades.

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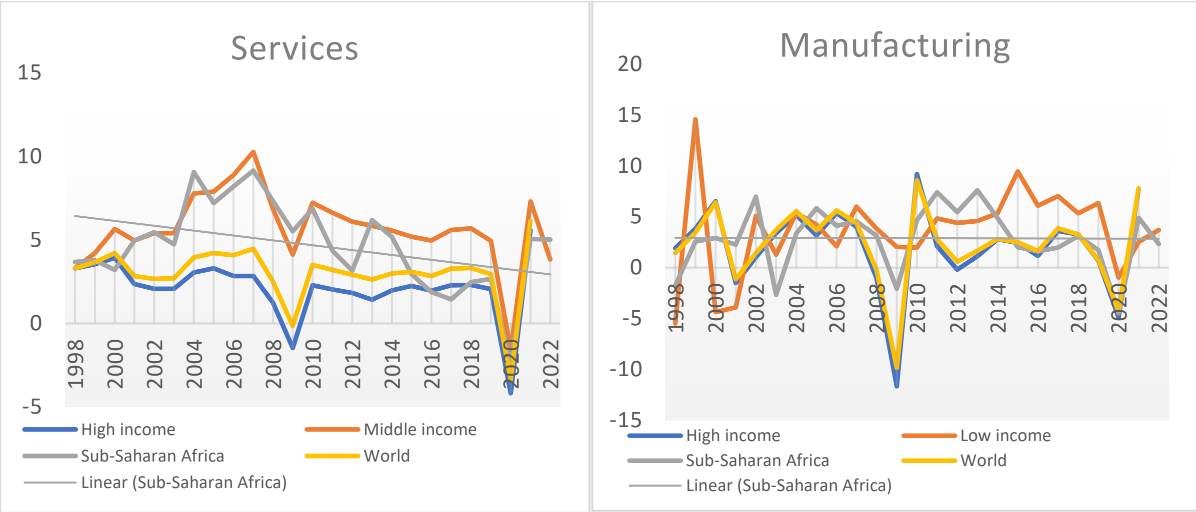
20 Banga,. R., Kumar, D., and Cobbina, P., (2018). *Identifying and Promoting Regional Value Chains in Leather and Leather Products in Africa.* Geneva: United Nations Conference on Trade and Development.

Figure 4: Growth in value addition (manufacturing and services).



Source: World Development Indicators (2023). Figures are annual percentage growth in value added.

The case of Ghana

Ghana is one example of a country that has failed to transform its economy despite high growth rates over time. This can be attributed to dependence on commodity exports, limited value addition, weak infrastructural development, poor educational quality and skills mismatch as well as governance and institutional challenges. We discuss the case of Ghana as a unique case because many other African countries can relate to the issues and arguments being made.

Ghana's economic growth

Except for the times of the COVID-19 epidemic, the Ghanaian economy has maintained a steady growth rate over the past few decades with an average GDP growth of roughly 6 percent (see Figure 5). With the exception of two instances where GDP growth slowed and fell below 5 percent, Ghana saw considerably stronger growth than many other developing nations between 2003 and 2020, with growth exceeding 8 percent in 2008, 2010–2012, and 2017. It is important to remember that Ghana's industrial sector saw one of its greatest growth rates in 2011, which coincided with the country's start of crude oil production in commercial quantities. However, this development began to slow down in 2012 as a result of the decline in crude oil output as well as subpar results from the industrial and electrical sectors. Between 2014 and 2016, changes in rainfall patterns due to climate change and the ensuing energy crisis negatively impacted on the agricultural and industrial sectors, and more recently, the COVID-19 epidemic was to blame for the growth slowdown in 2020 and 2021. There was a mild post-pandemic recovery, leading to positive growth in agriculture, services and GDP while the industry grew at a rate of -0.5 percent (an improvement from the -2.5 percent recorded in the previous year). This recovery was short-lived as the performance was worsened due to the onset of the Russian-Ukraine war. This led to a reduced growth in agriculture, services and overall GDP.

Figure 5: Overall and sectoral GDP growth in Ghana.

Source: World Development Indicators and Budget Statements.

Economic transformation in Ghana

Although Ghana has seen some of the highest economic growth rates in the world during the past 20 years, second only to some Asian and other rising nations, this has not been reflected in employment or structural change. This is due to the fact that Ghana's growth pattern, which is driven by the services sector, contrasts with the industrial export-led transformation that has taken place in East Asia, where jobs were provided to low- to medium-skilled people. This is underlined by Aryeetey et al in their study from 2021. Despite continuing to employ a larger portion of the labour force than services, agriculture and agro-processing do not contribute as much to growth as would be expected according to the "empirical regularity" discussed in the growth literature. In other words, agriculture does not contribute much to growth despite a high employment share, as a result of low productivity in the sector. Consequently, it is implied that Ghana's recent growth patterns are at odds with the empirical regularity of structural transition.[21]

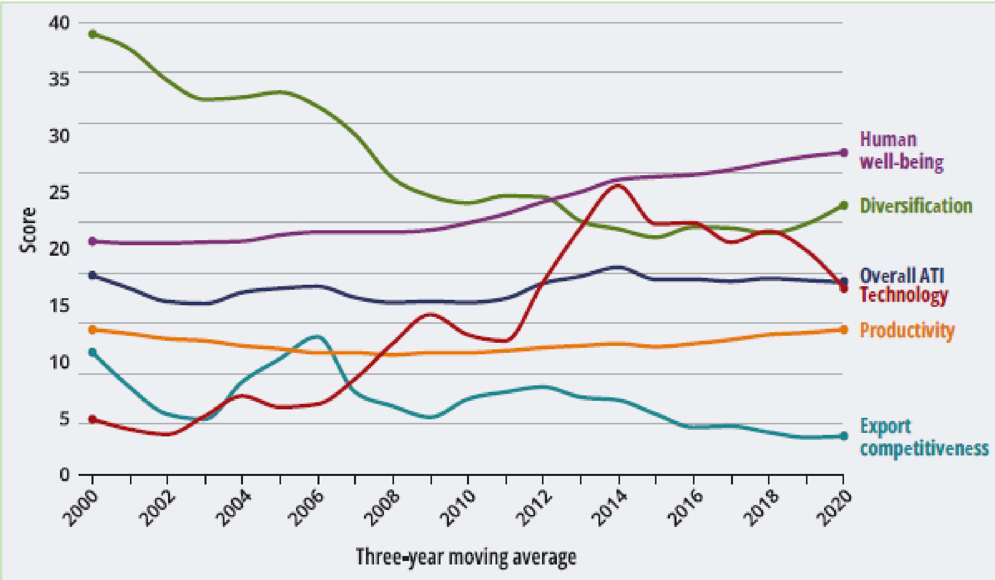
To further discuss Ghana's transformation, we draw heavily on the African Transformation Index (ATI), a comprehensive and comparative assessment tool to assess whether or not Ghana's growth has DEPTH (D-Diversification, E-Export Competitiveness, P-Productivity Increases, T-Technological Upgrading, and H-Improved Human Well-Being).

According to the ATI, Ghana's progress on economic transformation has been weak and unstable for the last two decades. The latest ATI ranks Ghana as a low transformer, with an overall score of just 19.1 out of 100 in 2020. Since 2000, the country's transformation score has hovered far below the African average of 30.3, only reaching a high of 20.6 in 2014. The country's overall performance

[21] Aryeetey, E., Baffour, P. T., & Turkson, F. E. (2021). Employment creation potential, labour skills requirements, and skill gaps for young people: Ghana case study. *AGI Working Paper #30*, June 2021, Brookings Institute, Washington.

across the DEPTH dimensions has been weak and declining, with the notable exception of the human well-being dimension (see Figure 6).

Figure 6: Progress in Economic Transformation in Ghana, 2000-2020.



Source: African Transformation Report 2023.

Diversification, a major catalyst for economic transformation, remains weak and on a decline. The economy has become significantly less diversified since 2000, even as the economy shifted from farming to services, aided by the restructuring of the banking sector and a boost from accelerated ICT development and innovations in financial technology. There have been some new economic activities and export products, but the country has failed to diversify and attract more sophisticated production and value chain linkages to any significant extent. Moreover, exports have become increasingly reliant on a few major products, with the share of the top five products (crude oil, cocoa, gold, wood products, and fruit and nuts) rising from 70 percent in 2000 to 89 percent in 2020.

Ghana's **export competitiveness** is weak and has also declined between 2000 and 2020. Poor progress in export competitiveness reflects the country's limited integration into global and regional value chains. A lack of product diversification and export sophistication constrains Ghana's competitiveness. Even though the value of Ghana's exports increased significantly from USD 1.2 billion in 1980 to USD 14.1 billion in 2021, the complexity of Ghana's economy has stayed virtually the same or even slightly declined, with 94 percent of exports being low-technology products. The Product Complexity Index (PCI) for Ghana's top 10 export activities shows that Ghana ranks 37 out of 44 in Sub-Saharan Africa.

The economy has experienced significant changes in its structure over the past two decades, but not in a way that has enhanced its **productivity**. The productivity score recovered to its 2000 level of 14.4 in 2020 after reaching a minimum of 11.9 in 2011, but this was mainly driven by improvements within sectors rather than by shifts between sectors. The abysmal performance in the productivity dimension suggests that Ghana is not adequately transformed in terms of labour productivity (see the ATI 2023 report for more information on 30 African countries).

One of the main features of structural change in the economy is the decline of the manufacturing sector. The sector's share of employment increased by 4.2 percentage points from 1991 to 2021, but its share of GDP decreased sharply by 20.9 percentage points (See Table 1). This implies that the sector has lost its dynamism and competitiveness, as it faces challenges such as low quality, high costs, weak infrastructure, and limited access to finance and markets. As a result, manufacturing value added per worker dropped by 37 percent from US$ 6,528 in 2012 to US$ 4,118 in 2020.

Table 1. GDP, employment and relative productivity levels, Ghana, 1991–2021.

	Gross value added (percent)			Persons engaged (percent)			Relative productivity levels		
	1991	*2005*	*2021*	*1991*	*2005*	*2021*	*1991*	*2005*	*2021*
Agriculture	**32.5**	**31.1**	**22.7**	**63.4**	**54.7**	**39.5**	**0.5**	**0.6**	**0.6**
Industry	**39.2**	**28.2**	**34.8**	**9.8**	**14.4**	**19.1**	**4.0**	**2.0**	**1.8**
Mining & utilities	2.1	4.8	13.8	0.6	1.1	1.9	3.4	4.5	7.4
Manufacturing	33.9	17.9	13.0	8.0	11.3	12.2	4.2	1.6	1.1
Construction	3.3	5.4	8.0	1.1	2.0	5.0	2.9	2.7	1.6
Services	**28.3**	**40.7**	**42.5**	**26.8**	**31.0**	**41.4**	**1.1**	**1.3**	**1.0**
Wholesale, retail, hotels	10.7	16.0	13.2	15.4	15.8	20.9	0.7	1.0	0.6
Transport, storage, comms	5.1	7.0	10.7	1.9	3.1	3.6	2.7	2.3	3.0
Other services	12.5	17.6	18.6	9.5	12.0	17.0	1.3	1.5	1.1
Total economy	**100**	**100**	**100**	**100**	**100**	**100**	**1**	**1**	**1**

Notes: (a) Based on constant prices in US dollars. (b) Derived by calculating labour productivity levels (gross value added at constant prices divided by number of persons employed) and expressing the result as a ratio of total economy labour productivity. (c) 'Other services' include public services, finance and real estates, other community, personal and household services.

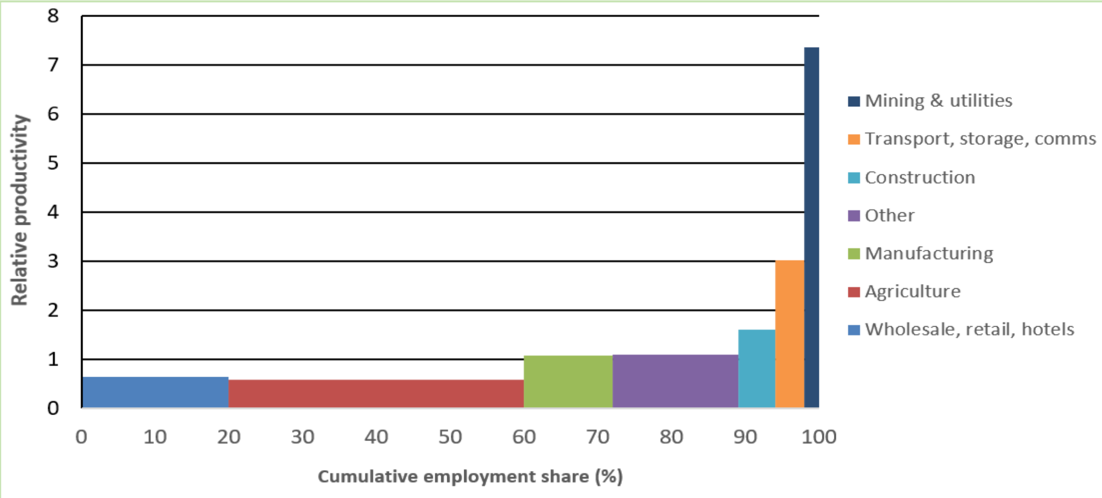
Source: Authors' calculations using the UN national aggregate and ILO databases.

Agriculture's share of employment and value-added dropped from 63 percent and 33 percent in 1991 to 40 percent and 23 percent in 2021, respectively. However, agricultural productivity has been steadily improving due to constructive efforts of the government to revamp and modernize agricultural production through the Planting for Food and Jobs program. Agricultural value added per worker increased from US$1,442 in 2007 to US$3,208 in 2019.

The service sector has become the dominant sector in the economy. The sector's share of employment and GDP grew from 26.8 percent and 28.3 percent in 1991 to 41.4 percent and 42.5 percent in 2021, mainly due to the growth of market services such as distribution. However, most of these services are low-skilled and informal, with limited value addition and linkages to other sectors. Service productivity has not increased much due to high informality and low skills. The services sector saw its labour productivity increase from US$3,488 in 2006 to US$4,324 in 2013, but this declined to US$3,866 in 2019.

Figure 7 illustrates the average relative productivity across sectors in the economy from 1991 to 2021. The average productivity of the whole economy is set to 1 as a reference. Overall, there are large, but narrowing productivity gaps between sectors (see Table 1 for changes over time). Transport, storage, and communications are over five times more productive than agriculture, and construction is three times more productive than agriculture. These productivity gaps reveal the low level of development in the agricultural sector.

Figure 7: Productivity gaps, 1991–2021.



Source: Authors' calculations using UNSD National Accounts Main Aggregates data on 'gross value added by kind of economic activity' (https://unstats.un.org/unsd/snaama/basic#) and ILO World Employment and Social Outlook (WESO) – Trends 2023 supporting dataset' employment by sector and sex' (ILO Data Explorer).

As shown in Table 1, the proportion of workers in different sectors changed significantly from 1991 to 2021. Agriculture lost the most (–23.9 percentage points), while services gained the most (+14.6 percentage points). Industry also increased its share by 9.3 percentage points.

Figure 7 also shows that the sectors with more workers are not the most productive. While mining and utility have a much higher productivity than the average of the economy, this is a sector with considerable resource rents compared to other sectors. The limited and exhaustible nature of these resources makes it hard to expand this sector to absorb more labour. However, Ghana's economic growth and productivity could be enhanced if more workers moved from agriculture and services such as retail trade, which is largely informal, to manufacturing.

Ghana has a relatively brief history of modern **technology** application as evidenced in its manufacturing activities. Ghana scores significantly below the African average in this dimension, though it has begun to catch up with its peers. The technology upgrading score, which measures the intensity of technology use in production and exports, shows a significant rise from a minimum of 4 in

2002 to 18.6 in 2020 after reaching a maximum of 28.7 in 2014. The generally poor technology content of production and mechanized exports partly reflects the country's industrial policy and the small and declining manufacturing sector's inability to access highly skilled and innovative workers capable of applying more complex production technologies.

The only dimension of transformation that saw significant and steady improvement is **human well-being**, mostly due to favorable market outcomes. Robust growth and significant improvement in per capita incomes—from $852.4 in 1990 to $2040 in 2022 (constant 2015 USD)—contributed to a substantial reduction in poverty from 51.7 percent in 1990 to 23.4 percent in 2016. Still, income inequality was high and rising, increasing from 38.4 to 43.5 over the same period. While there has been progress in formal sector employment, doubling from 15.9 percent in 2000 to 31.4 percent in 2020, the vast majority of workers, especially female workers, remain in the informal sector – with only 18.9 percent of the female labour force employed formally as of 2020.

The way forward

The biggest challenges

So far, we have seen that Africa's structural change is from low-productivity (small-scale farming) to low-productivity informal sector retail services growth and is occurring at a slow pace. The region is experiencing a decline in the proportion of people working in higher-productivity industries like manufacturing, leading to a decline in the average output per worker. This needs to be addressed; it is

crucial to grow Africa's manufacturing and high-end services sector because it would change the productive structures of African economies and unlock more rapid growth. In addition, the manufacturing sector has the potential to create more formal sector jobs. There are other challenges that are connected to economic transformation:

- **High population growth and unemployment among the youth**: Africa will have the highest population growth in the world in the next 50 years. This population is progressively moving to the cities. We must plan for this population in the next 50 years. We are churning out a lot of young guys with energy but not directing them into gainful employment, and that has security implications. The young are showing signs of impatience, which may have political implications and cause instability. However, the growing population could offer a large consumer base and create opportunities for increased market demand, encourage investment and promote business growth if harnessed tactfully. It can also offer a substantial talent pool and a greater diversity of skills and knowledge.

- Is the **education system fit for purpose**? There are concerns that the labour market and the educational system are not in sync. There is much too little focus on technical and vocational education and training, higher-order cognitive and analytical abilities, and appropriate training in science, technology, engineering, and math. Because most job searchers lack the skills that companies want, there is a significant skills gap. This gap can limit the ability of individuals to secure employment, hinder productivity growth, and restrain economic transformation.

- **Debt levels in many countries are rising**. Unsustainable debts, coupled with very high interest rates is prevalent in many African countries. Debt service usually amounts to a large proportion of countries' revenues. Other challenges such as high inflation and a very weak currency are quite prevalent. These challenges result in poor credit rating. The dilemma is that there is a dire need to attract finance while also managing huge debts.

- The issue of **climate change**. The availability of resources and the sustainability of industries like forestry, fishing, and mining can be impacted by climate change. Extreme weather conditions can also disrupt the power supply, which is essential for manufacturing and industrial operations, and harm energy infrastructure. Climate change-related heatwaves and extreme temperatures can lower labour productivity and increase fatality rates. There are many countries that cannot adjust to climate change unless something is done and done urgently.

What are the possible solutions?

1. Prioritize economic transformation.

- Focus on policies and initiatives to promote sustainable, inclusive growth through enhanced economic diversification, export competitiveness, productivity increases, and technology upgrades, all in the pursuit of improved human economic well-being.

- Encourage the reallocation of investments and labour to activities with higher relative productivity—such as moving from agriculture to agro-industry, manufacturing, and modern services—to raise economy-wide productivity, generate better jobs, and increase incomes.

- Improve human economic well-being by expanding formal sector employment, increasing female labour market participation in paid employment, and increasing shared economic prosperity.

2. **Formulate a modern and coherent industrial policy.**

    - Promote context-specific policies (i.e., macro-fiscal, credit, investment, labour, technology, infrastructure, and monetary policies) to support structural transformation and to efficiently reallocate resources from low to high productivity activities.

    - Adopt systematic approaches and methods for industrial policy design, learning from other countries that have already successfully done so, and mobilize the assistance of dedicated international organizations for support.

    - Strengthen the coordination, management, and financing of key industrial policy organizations in both the public and private sectors, such as national development banks, investment and export promoting agencies, technical and vocational training institutions, industrial policy coordination units, and a variety of other institutions and agencies. In this regard, governments should prioritize the following:

        - Promote strategic labour-intensive manufacturing based on each country's comparative advantage.

        - Establish a support system for tradeable services to enhance productivity growth across the services sectors.

        - Modernize agriculture, increase investments in entrepreneurial capabilities, and strengthen supply and value chains.

        - Strengthen the capacity of national research systems to develop knowledge-based agricultural and industrial/manufacturing sectors.

        - Remove labour market rigidities to help labour transition into higher productivity activities such as manufacturing and tradable services.

3. **Educational reform:** Cilliers (2021) has noted that in the very, very long run, education is the great equalizer when it comes to giving impoverished people greater options, and there is a clear correlation between higher levels of education and higher levels of income.

    - Embark on targeted education, in line with market needs, to make people recruitable.

- Technical and Vocational Education and Training (TVET) might be a viable option to tailor education to our needs. Also, "second-chance training"/education (speed schools/quick retraining) for young people who have lost their jobs would be helpful.

4. **Digitisation presents new opportunities and risks for the future**.

    - Africa needs to prepare for the rapidly broadened use of modern systems and technologies.

The role of development partners

In the 80s, many of the bilateral and multilateral institutions were supporting African governments to improve the macroeconomic fundaments with budget support and sector support. Recently, however, many countries in the region are moving up the growth ladder in terms of GDP per capita. Thus, there has been a growing shift in the nature of development finance from Official Development Assistance (ODA), which was mainly grants, to loans that increasingly are from the private sector. A look at the structure of Ghana's debt, for instance, shows that less than 10 percent of the debt is owed to multilateral and bilateral public institutions; the majority is private debt. Ghana needs to negotiate refinancing and restructuring of its debt, in which the private actors are not particularly interested.

Being a lower middle-income country, the grant or the soft loan window of the World Bank (Industrial and Development Association (IDA)) will be replaced by IBRD loans. Thus, less support is now being received from the multilaterals. Ghana now basically goes to the capital market to borrow, although the interest rates have become a bit more punitive, around 9 percent and 10 percent due to the risk.[22] This reduces the country's ability to refinance old debts with new loans. Also, borrowing to finance public investment has been curtailed. This is a core development challenge because if the government is not financing public roads, bridges, infrastructure, and energy in particular, then it becomes difficult to stimulate supply and support from the private sector which is meant to be the anchor that drives employment.

The current development landscape is such that the role of ODA, the grant financing element of development cooperation, declines as countries' per capita incomes increase. Donors are also looking for other ways to finance public investments, particularly, those that have high social returns like education, health, and supporting vulnerable groups. For instance, in 2017 the G20 came up with the Compact with Africa (CWA) which covered 12 African countries. These countries were supposed to be undertaking two basic policy reforms, namely; (i) macroeconomic reforms (to be able to create a stable macro-economic environment) and (ii) a friendly environment for private sectors to do business. If the 12 countries involved in the Compact, including Ghana, were able to meet those requirements, the G20 countries would promote foreign direct investments into these countries. For example, Germany was actively encouraging German factories to come to the CWA countries to support the private sector. The US and France were doing the same thing. During this period, there was a growth in development finance institutions which were the "private sector arms" of bilateral

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[22] This risk premium is not anchored in sound macroeconomic fundamentals. Africa being deemed a risky region makes it difficult to attract FDI. African countries must be proactive in dealing with the macroeconomic fundamentals and creating friendly business environment.

agencies, like the IFC is for the World Bank. So, through that process, there has been a shift in bilateral financing to support the private sector.

In summary, development cooperation has played a key role in Africa's efforts at transforming their economies. Development cooperation (for instance, bilateral and multilateral institutions) has helped many countries achieve improved macroeconomic fundaments using budget support and sector support facilities. With many countries experiencing high per capita GDP growth and therefore moving into the higher income brackets, less support is now being received from the multilaterals, while the economic structures and institutions in the respective countries are not changing. Debts are becoming more expensive, curtailing debt refinancing and borrowing to finance capital expenditure, with the implication that there is lack of a conducive environment wherein the private investor would thrive.

Development cooperation has a role to play in helping to relieve the constraints faced by Africa in the quest to transform. However, the influence of donors in stimulating the fundamental political and economic transformation needed has been limited. Also, donor and aid volatility is a threat to long-term coherence. Periodically, donors come up with a new strategy (social sectors, good governance, and so on). Often, these changes are determined by leadership in their own countries. Donors should look more to proven context-specific interventions with proven effects, documented through research. All stakeholders must ensure coherence among donors' efforts. In addition, the rapid population growth and rising youth unemployment rate are major issues for development cooperation to address, especially by providing the environment for the private sector to flourish and create more employment avenues.

Development partners should also consider supporting countries who pass the income threshold. This support should be geared towards helping such countries to transition from low-end products and services to high-end products with high value-addition. Development cooperation should encourage governments of Africa to think about the youth and develop policies that are designed to create jobs in a sustainable manner.

Chapter 3: The Crucial Role of Institutions for Development in Africa

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Institutions often stand between fragile democracies and the allure of authoritarianism in Africa. Democracy, in and of itself, is not the silver bullet to the multifaceted challenges of development facing the continent. Development hinges on finding ways to ensure the independence and robustness of institutions while at the same time allow for the particularity and uniqueness of different countries' development journeys.

Introduction and background

Governance and institutions are critical in shaping development partnerships between the global north and global south. Indeed, research suggests that governance, politics and institutions, influence outcomes in international trade, interventions in climate change, geopolitics and international political order, urbanization, and demographics in the global south. As Africa's developmental landscape is undergoing continuous change and significant transformation, the envisioned outcomes may not be realized unless more attention is given to the nature of governance and the institutions that guide these relationships (Fous, 2018; Janus, 2015; Kamau et al 2020). Ironically, until these three issues (governance, institutions and politics) are integrated into development approaches, resources channeled to the global south may not achieve the intended societal benefits (Moyo 2009). It is important to note that Africa is not a country and therefore it is quite heterogeneous in terms of these three facets. Each country is experiencing developmental challenges and opportunities in different ways. Some have prospered while others are witnessing developmental reversals. The pressing question then is: how can the most vulnerable countries, often embroiled in instability and conflict, align with the trajectory of emerging African economies?

At the recently concluded Norad roundtable discussions in East and West Africa (ISSER, 2022; Kamau & Kanyinga, 2022), it was noted that developmental partnerships still play a pivotal role in this evolution and that partnerships will remain central to effective cooperation between the North and the South. Indeed, the nature of these partnerships, both old and new, is central to Africa's development narrative and Africa's future and standing in the changing global order of things. Traditional development partners find themselves at a crossroad when promoting partnerships with African countries due to divergence of interests, which at times are marred with conflicts. As the continent and individual countries grapple with the practical challenges of development, there is an evident shift in how countries and the continent focus on the future. There is growing recognition regarding the need to broaden the focus from the national challenges to global challenges as boundaries are rapidly collapsing and interlinkages are deepening (World Bank 2016, Wanyande and

Okumu-Ojiambo 2023). This transition, however, demands alignment with individual African nations' development plans to ensure regional specificity and relevance. This is especially important because the local is increasingly intertwined with the external, surrounding economic and political context, including international political and economic dynamics.

Amidst these discussions, the role of governance and leadership emerges as a particular important dimension in furthering development partnerships (Kamau and Kanyinga 2022). Effective governance, rooted in the respect for citizens' voice and rights, transparent leadership, rule of law, and accountable institutions, is indispensable. While governments primarily drive this, non-state actors, ranging from civil society groups, interest groups including private businesses, play an instrumental role in ensuring that development systems align with their intended objectives (Bello, 2011). This has also raised the need to secure the integrity of institutions for purposes of delivering many development outcomes. As institutions shape *inter alia* the rules of engagement, their credibility and ethical grounding is paramount (Moyo, 2009). Accordingly, as Africa navigates its development partnerships, the interplay of politics, governance, and institutions remain crucial both at regional and international level. Overall, this underscores the need to recognize that the continent's journey towards growth and prosperity is nuanced and multifaceted (Collier, 2009; Schiere, 2011; McEwan, 2012). Development partners need to reassess their roles, objectives and practices in the development discourse for African countries, so as to ensure that they remain relevant and effective in the new African development paradigm. The necessity for this introspection is clear: there are aspects of the current development cooperation paradigm that are not functioning well. Addressing these inefficiencies is paramount to ensuring that partnerships truly foster growth and sustainability.

The call for reform in development cooperation is not only about efficiency, but also equity (UNESCO, 2022). It is also about forging partnerships that stand on the pillars of equality and mutual respect. The past asymmetries in global development partnerships must give way to collaborations that recognize the agency and aspirations of all, both in the global south and global north. It is also about inclusion of the previously marginalized voices in the global south whose voices rarely count because of the structural hindrances of the global order. We need to recognize that development cooperation has not always been effective in strengthening inclusion at country level due to its inherent structures. Finally, internal governance and structures in global south have exacerbated exclusion.

The roundtable discussions served as a timely reminder of these realities. The discussions pointed at the complex interplay of politics, governance, and institutions in Africa's development narrative (ISSER, 2022). The discussions emphasized that for development partnerships to truly succeed, they must be rooted in an understanding of Africa's unique challenges and opportunities, and be guided by principles of equality, mutual respect, inclusion and adaptability (Kanyinga and Kamau, 2022). This is precisely because governance in Africa presents its own distinct set of challenges and opportunities. As observed by Collier (2009), the continent witnesses a unique interplay between democratic and autocratic forces, with electoral rivalries and leadership dynamics shaping the course of individual nations. These governance challenges, in turn, are deeply influenced by the socio-economic undercurrents of the continent. For instance, rapid urbanization, though potentially an economic catalyst, tends to deepen inequalities. Many African cities struggle with the dichotomy of burgeoning growth, which elites are benefitting from, and significant urban poverty among ordinary citizens. This dynamic inevitably influences political decisions and governance with elites having the upper hand in decision-making processes. On the whole, rapid urban growth presents challenges for African leadership. Governance structures will need to adapt to cater for the growing and expectant urban population, whose increasing demand for better service delivery, infrastructure development, and economic opportunities is unprecedented across the continent. The balance between meeting immediate urban needs and ensuring long-term sustainable growth will be pivotal (Cilliers, 2020).

The Nature of Politics and Governance in Africa

The African continent, with its rich history, cultural diversity, and vast geographical expanse, has witnessed significant changes in political and governance systems. The post-colonial era, in particular, has been characterized by a struggle for identity, addressing inequalities through socio-economic development, and securing political stability (Bayeh, 2015). At the outset, many African countries set out to establish their own systems of governance alongside addressing the legacies of colonialism (Ndhlovu & Mhlanga, 2023; Wanyande & Okumu-Ojiambo, 2023, Kamau et al. 2020). The Cold War period placed challenges on these efforts. The divisions between the East and the West spilled over to the continent and affected how different countries would pursue international partnerships. The end of the Cold War ushered in a wave of democratization, with many countries transitioning from single-party rule to multiparty systems. The call for democratic governance has been a dominant theme since then. Multiparty elections, media freedom, freedom of association, and respect for human rights have been hallmarks of this quest. Indeed, many countries have returned to liberal democratic practises with periodic elections in which many parties compete for power. There are more countries holding elections as per their constitutions than those failing to do so – holding elections is the norm today compared to the past. Countries such as Botswana, Ghana, Kenya, Senegal, Malawi and Zambia are examples where democratic processes have led to transitions from one regime to another.

Nonetheless, the challenge lies in ensuring that these democratic processes are not mere cosmetic but lead to tangible and concrete improvements in the lives of citizens. That is, elections on their own are not an end; they are a means to improving people's wellbeing if the leadership resolves the developmental challenges facing ordinary people. Democracy must be functional in terms of promoting rule of law, freedom of speech, and respect for minorities even when the majority carry the day. This is the only way that democratic processes would lead to better outcomes in the long term. All the same, Africa has also witnessed instances where there is competitive authoritarianism where countries hold regular elections without conditions for free and fair electoral outcome. In this hybrid instance, the playing field is skewed in favour of the government and ruling party, and there is extensive use of state resources to maintain the dominance of the ruling party. Opposition parties exist but operate under constraints. Zimbabwe under Robert Mugabe, and Uganda under Yoweri Museveni stand as examples. Even in Tanzania, where the Chama cha Mapinduzi (CCM), has ruled since independence, evidence has shown that elections are seldom free and fair.

Another governance model in Africa is the consensus-based governance, which emphasizes broad-based decision-making, involving various stakeholders. It is geared towards ensuring stability, especially in societies with deep-seated ethnic or religious divisions. Examples can be found in Tanzania and South Africa, where the political culture emphasizes unity and consensus.

Alongside the evolving democratic governance practice, is developmental authoritarianism. Citing the need for political stability and provision of development benefits to all, leaders in these countries have moved towards authoritarian politics. The arising regimes often prioritize economic growth over political freedoms, rights, and the voices of all citizens. Opposition politics is constrained and civil society groups are gagged, co-opted or simply refused to operate. Rwanda and Ethiopia are often cited in this category. Post the 1994 genocide, Rwanda, under the leadership of Paul Kagame, has pursued economic development priorities including women's empowerment and infrastructural growth, but limited operations of opposition parties and genuine popular participation in development and political processes. The governance structures in this country are largely focused on submission to the president, and power is highly centralized. Thus, while Rwanda's socio-economic indicators have improved dramatically, critics argue that this has come at the cost of political freedoms. The Rwandan Patriotic Front (RPF) maintains a tight grip on power, and dissent is not tolerated.

Ethiopia too has pursued authoritarian policies, especially during the regime of the late Meles Zenawi. The Ethiopian People's Revolutionary Democratic Front (EPRDF) adopted a developmental state model, guiding the economy and ensuring stability (Collier, 2009). While Ethiopia witnessed significant economic growth, concerns regarding political freedoms, press censorship, and the treatment of opposition persisted. However, the recent political reforms under Prime Minister Abiy Ahmed have shown a shift towards greater democratization. All the same, as the civil war has shown, the reform continue to face challenges including arousing ethnic conflicts and tensions between the quest for federalism and regionalism and inherent powers.

In sum, while countries like Rwanda and Ethiopia have showcased significant economic progress under authoritarian models, there are concerns regarding the sustainability of such models. The key concerns include lack of political freedoms, succession crises, and economic vulnerabilities (Cilliers, 2021; Long et al 2013). Centralized and authoritarian models often suppress dissent, leading to a lack of genuine political pluralism. Over time, this leads to political unrest and instability, as citizens demand greater freedoms. Importantly, strong centralized and authoritarian systems revolve around charismatic leaders – and depend on such leaders for sustenance. The question of what happens after such leaders depart remains a significant concern. Succession crises in such instances lead to political instability and conflict.

On the whole, the nature of politics and governance in Africa is diverse. This corresponds to the continent's rich tapestry of cultures, histories, and aspirations. While models like that of Rwanda and Ethiopia offer lessons in socio-economic development, they are no guarantee to stability. Accordingly, the quest for a balanced approach that ensures both development and political freedoms remains ongoing. As Africa charts its future, the challenge lies in crafting governance models that not only address present challenges but are also adaptable to the evolving aspirations of its people.

Institutions and Development Partnerships in Africa

Institutions play a pivotal role in shaping the trajectory of any nation and by extension, development partnerships. An institution is defined as a humanly devised structure of rules and norms that shape and constrain individual behavior. Institutions generally entail that there is a level of persistence and continuity. In this regard, institutions are both formal and informal and operate in both formal and informal contexts. Policies, laws and regulations are example of formal rules that order behavior. But there are other rules, social conventions, traditions and norms that also shape behavior including in relationships (Kamau et al 2020).

In the African context, institutions are embedded in complex webs of these formal rules and informal norms, greatly influenced by the continent's colonial past, socio-cultural factors, and contemporary political and economic pressures. African institutions have evolved against the backdrop of a rich mosaic of tribal and ethnic affiliations, interspersed with colonial legacies. Post-independence, many countries strived to build formal institutions modelled after their colonial masters, while also preserving indigenous norms and practices. This juxtaposition sometimes led to contradictions and complexities, as formal institutional roles and informal norms collided. As a result of this, same institutions such as ombudsman, anti-corruption agencies and judiciary in different African countries do not work the same.

While striving to anchor development plans, democracy, and governance, these institutions often grapple with challenges such as turn-over of leaders and personnel, dominance of informal networks, and the delicate balance between independence and political influence, and instability and backsliding (Levy et al., 2021;). Frequent alterations in leadership or crucial personnel positions, which is quite common in Africa, can be detrimental to institutional stability. Such changes disrupt long-term strategies and ultimately diminish the institutions overall efficacy. The African continent, known for its occasionally volatile political environment, more often than not experience institutional instability. This is particularly evident in roles that are directly connected to political appointments. Evidence has shown than any time there are political regime changes, institutions become shaky as their leaderships are also changed drastically.

In many African nations, informal networks exert significant influence over even the formal institutions. These networks, deeply rooted in ethnic, tribal, or political ties, frequently become pivotal players in decision-making processes (Kamau and Karuti, 2022). On the one hand, the intimate nature of these networks can occasionally foster rapid consensus-building, tapping into shared cultural or communal values. However, the dominance of these networks nevertheless presents considerable challenges to operations of formal laws and policies. Norms and values may countermand operations of the law. Because of this, there is a lurking danger of institutions undermining merit principles and giving way to the pitfalls of nepotism and favouritism. This in turn leads to hindering institutions from achieving their best outcomes.

Institutional robustness can be heavily tested in regions marked by political instability, frequent regime turnovers, and state fragility (Fosu, 2018; Cilliers 2021). Such challenging environments pose a constant threat to the smooth operations of institutions. In extreme cases of conflict or civil unrest, these establishments don't just face operational interruptions. They can become direct targets, resulting in significant setbacks in their mandates, erasing progress made over years, and even challenging their very existence. In these tumultuous scenarios, even the most resilient institutions find it challenging to maintain their mandate and serve the populations that rely on them.

The true strength of an institution, especially those in pivotal sectors like governance, finance, and justice, lies in its independence. This autonomy ensures that decisions and actions are taken based on principle, merit, and in alignment with the institution's core mandate. However, this ideal is not always the reality in several African countries as many find themselves operating under the looming shadow of political influence (ISSER 2022, Kamau & Kanyinga, 2022). This influence, whether overt or covert, undermines their autonomy and operational integrity. Furthermore, when institutions are perceived as extensions of a particular political faction or as a biased tool of the state, their credibility in the eyes of the public diminishes. The erosion of trust that follows can be catastrophic for both the institution and the broader populace it seeks to serve.

Across the vast and diverse continent of Africa, the appetite for democracy, coupled with a strong desire for transparency and accountability, remains fervent (Bayeh 2015; Collier, 2009; Afrobarometer 2023). This collective yearning reflects a broader global trend that values political freedoms and representation as fundamental rights. However, as various African nations navigate their unique developmental paths, a salient realization has begun to crystallize: democracy, in and of itself, is not the silver bullet to the multifaceted challenges of development. For democratic systems to truly bear fruit and bring about tangible socio-economic benefits, they must be anchored in a bedrock of resilient and competent institutions.

Because of this, the relationship between democracy and development has been a subject of intense debate and scrutiny (Collier, 2009). Democracy, with its emphasis on freedoms and representation, is undoubtedly a cherished ideal. Yet, its efficacy as a direct catalyst for development is under the scrutiny. It is not uncommon to find democratic nations within Africa wrestling with pressing socio-economic challenges. The persistent struggles in sectors like health, education, and economic growth, even in democratic settings, have sometimes sown seeds of disillusionment among the populace (Levy et al 2021). This scenario has gradually eroded the once unshakeable belief in the direct nexus between democracy and development.

For those African countries championing democratic values, well-functioning and independent institutions constitute a beacon of hope. Robust institutions serve as the lifeblood of any thriving democracy. These entities, whether they are electoral commissions mandated to ensure the sanctity of elections, judiciaries that staunchly uphold the rule of law, or financial bodies that judiciously steer a nation's economic trajectory, are pivotal. Their robustness, integrity, and efficacy have a direct bearing on the vitality of the democratic fabric. When institutions function optimally and transparently, they bolster public confidence and reinforce the foundations of democratic governance.

At the heart of the democratic promise is the expectation of efficient service delivery. The citizenry looks to democratic systems in the hope that they will bring about meaningful changes in their day-to-day lives. Here again, institutions, as the primary machinery of governance, are at the forefront (Cheeseman et al 2020; Levy et al. 2021). Civil servants and professionals in local and national institutions shoulder the hefty responsibility of translating democratic ideals into tangible services. Whether it is provisioning quality healthcare, ensuring access to education, or rolling out vital infrastructure projects, the onus largely falls on these institutional mechanisms. Their success or failure in these domains profoundly influences public sentiment and faith in the democratic paradigm. In essence, for democracy to be perceived as effective and relevant, institutions that operate within its framework must not only function but excel in their respective mandates of service delivery. This is where the apparent appeal of authoritarian regimes is most acute: the effective provision of services may make the citizenry forgetful about democracy.

Thus, central to the transformative journey in Africa is the imperative of capacity building of institutions. Indeed, institutions are only as strong as the people within them and the tools at their disposal. By investing in comprehensive training and capacity-building initiatives, African countries can ensure their institutions are anchored by a cadre of skilled personnel – the agency which is empowered to take decisive roles in transforming the continent. Such an approach, coupled with the adoption of modern technologies such as digital practices and alignment with global best practices, can significantly enhance the effectiveness and responsiveness of institutions.

Another crucial step is to ensure institutions' resilience and ability to insulate from political processes that undermine growth. Political patronage and the influence of informal norms combine to weaken institutions across the continent. The potential of even the most well-equipped institution can be stifled if it falls prey to the quagmire of political entanglements. As the credibility and independence of institutions are sacrosanct, we need to preserve these attributes and shield institutions from political influence (Levy et al 2021). A multi-pronged approach, encompassing mechanisms like assured tenure security, transparent and merit-based appointment processes, and legislative checks and balances, can help in depoliticizing these vital entities.

Parallel to these endeavours, the digital revolution offers a unique opportunity for institutional renaissance. In an age where technology has permeated every facet of human existence, its application to governance can be transformative. Embracing digital tools and platforms can exponentially enhance the transparency, efficiency, and outreach of institutions. Whether it is the rollout of e-governance initiatives that simplify administrative processes or the adoption of digitized record-keeping for enhanced accountability, technology stands poised to be a linchpin in the institutional strengthening narrative. These digital public goods can ensure crucial access to social and financial services and therefore support the institutions in living up to the expectations of citizens. Essentially, technology and digital revolution in provision of government services strongly reduce corruption in some cases.

It is important to note that institutions do not operate in isolation. They are, after all, created to serve the citizens, and as such, the role of the citizenry cannot be understated. Fostering a culture of public participation and oversight infuses institutions with a sense of purpose and accountability (Lopes, 2021). By institutionalizing mechanisms like public hearings, feedback loops, and participatory budgeting, a direct channel of communication and collaboration can be established between institutions and the people they serve. Such approaches not only bridge trust deficits but also ensures that institutions remain attuned to the evolving needs and aspirations of the citizenry.

Development Partners in African Politics, Governance, and Institutions

It is recognized that the nature of governance directly impacts how countries interact with their development partners (Fosu, 2018). For instance, nations with transparent governance approaches tend to foster more open, accountable relationships with partners. On the other hand, authoritarian governments negotiate differently, often prioritizing sovereignty and control, guided by a centralized view point of the 'big man'. In these situations, the relationship between international donors and national authorities often become estranged.

The approach of donors and development partners is questionable due to the interference by politics and governance challenges in the global south. While the overarching objective may be to promote development, the conditions set for the recipient countries sometimes impede development. For example, the sectoral funding and channelling of funds through northern based CSOs constrain redevelopment (UNDESA 2020, Moyo 2009). The power imbalances between the donor partners and the recipient countries sometimes lead to mistrust. Literature has shown that countries with strong governance institutions often find it easier to secure funds from western based development partners due to shared values and mutual trust, compared to less democratic countries in the global south.

But even with this in mind, there is a tendency to place conditions on these relations. However, conditioning aid and development partnerships on Western-centric governance ideals sometimes fail to deliver results. African nations, each with its unique history, socio-cultural landscape, and challenges, might find certain imposed governance ideals incongruent with their realities. Moreover, viewing governance solely through the lens of democracy might oversimplify the intricate nuances of African political systems, leading to partnerships that, although well-intentioned, could miss the mark in fostering true development (Long et al 2013; Cerna, 2013). Furthermore, the politicization of development aid can sometimes lead to power plays, where aid becomes a tool for exerting influence rather than fostering genuine development. This can lead to mistrust, with African nations viewing development partnerships with scepticism, as mere instruments for furthering the geopolitical interests of donor nations (World Bank, 2016).

It is not all criticism. Many development partners are realizing the need for a more nuanced approach, recognizing that governance in Africa cannot be painted with a broad brush. The context of each country matters. There is need to treat Africa not as one homogenous country but an amalgamation of different nations with diverse interests and capabilities. Secondly, initiatives are increasingly focusing on capacity-building, institution strengthening, and grassroots development, aiming for sustainable impacts that resonate with the realities of African nations. Thirdly, development cooperation should still be geared towards strengthening governance institutions in the south rather than sidelining and giving up on those countries and governments where governance and institutions are weak.

Conclusion

Politics and governance models of African countries play an important part in shaping international development partnerships. Both development partners and recipient countries have unique interests that shape relationships. This raises the need to approach partnerships with mutual respect, understanding, and a shared vision for sustainable progress. A one-size-fits-all approach, be it in governance or development, will simply not work given the diverse nature of the content.

The developmental journey of Africa is multifaceted, marked by both immense potential and daunting challenges. As the continent stands at the crossroads of transformation, partnerships emerge as a beacon of hope, driving forward the narrative of progress. These partnerships, both traditional and novel, need to be reframed and reimagined in the current context, ensuring that they align with the unique developmental blueprints of individual African societies and nations. Development partners need to support latent national practices and pockets of effective institutions where they can. More concerted and consultative efforts, as opposed to each development partner doing their own interventions, is highly recommended.

It is important to note that, beyond partnerships, the bedrock of Africa's developmental aspirations lies in robust governance and influential leadership. The integrity and transparency of governance mechanisms, coupled with the proactive role of non-state actors, can catalyse the continent's journey towards sustainable development. Furthermore, the credibility of academic and research institutions plays a pivotal role, bridging the gap between research, policy, and ground-level implementation.

Finally, as Africa charts its course in the realm of development partnerships, the intertwined dynamics of politics, governance, and institutions are central. The continent's future, teeming with promise, hinges on the collaborative efforts of state actors, civil societies, and academic entities, all working in unison towards a shared vision of prosperity and progress.

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Epilogue: Implications for Development Cooperation

This initiative grew out of a strong feeling of being at a crossroads. Although development cooperation continuously evolves with new events and trends, there is also a sense of inertia and institutionalization of ideas, perceptions, practices, and systems. However, if the world is going through a moment in time characterized by disruptive punctuations and changes, development institutions need to adapt – or they will be liable to decay.

As such, development cooperation is currently stretched between original objectives – some of which are getting increasingly hard to achieve – and a co-evolving stream of new objectives related to changing realities.[23]

Both *events* – such as the covid pandemic and the wars in Ethiopia, Sudan and Ukraine – and new *initiatives* – such as Chinas Belt and Road Initiative or EU's emerging Global Gateway – have already ushered in a new order of development. Although global inequality persists, the 20th century's model of 'development assistance' seems anachronistic in a world that is no longer neatly divided into a global North of 'providers' and a global South of 'receivers. Indeed, as we feel the increased connectivity between countries and even between human societies and nature, traditional demarcation lines can be increasingly difficult to draw.

If we apply a global sustainability lens to our analysis, we need to ask fundamental questions related to what constitutes 'progress' and to what extent we can clearly distinguish between rich countries' problems and poor countries' problems. The emergence of common global problems may challenge the very premise of traditional foreign aid. Today, 'development' entails far more than what used to be associated with 'aid'.

Still, different countries, sectors, and segments of society are moving at different speeds. Within development, we can therefore talk of 'old problems' such as poverty and hunger, 'recurrent problems' like debt and conflict, and 'systemic problems' ingrained in our way of life, our economy, the way we produce goods, and even the way we have structured the world into sovereign nation-states. The latter affects our ability to secure the supply of global public goods (GPGs) like the climate, the oceans, nature, and stability, and represent the latest addition to development cooperation.

Concurrently, the political eco-system in which development cooperation is situated is also rapidly evolving. As a true multipolar world has emerged, soft power, national interests, and geopolitical tension is yet again encroaching on development cooperation, whether it is the 'securitization' of aid, the 'Europeanization' of aid following the Ukraine war and the in-donor refugee costs, or the trend towards financing GPGs with development finance. All these trends are to some extent the results of

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[23] Tjønneland, Elling (2022): "Norwegian Development Aid: A Paradigm Shift in the Making?" in: *Forum for Development Studies*, vol. 49, 2022.

political shifts in donor countries, but also a reflection of trends in Africa – such as the fact that the number of conflict-related deaths in Africa increased nearly tenfold from 2010 to 2020.[24] On top of this, there are clear signs that the trust in – and legitimacy of – existing multilateral institutions is weakened and fraying.[25]

In the midst of this, this report offers a timely reminder: although the world is changing, many problems persist – or indeed, are getting worse. The UN Secretary General warns that we are leaving half of the world's population behind as the progress on the Sustainable Development Goals (SDGs) has stalled (just 12 per cent of the SDGs are on track to 2030).[26] We're at the same level of extreme poverty we were four years ago, the level of conflict-related deaths is at a 28-year high,[27] the number of forcibly displaced people reached 108 million in 2022, up from 42 million in just a decade.[28] Hence, the title of the report, 'old problems and new realities'.

We have arguably reached an inflection point where "the aid sector is running out of road", as poignantly noted by Patrick Watt.[29] Development cooperation stands to lose both legitimacy and effectiveness if we continue down this road. If we cannot prioritize the most pressing problems on the continent facing some of the direst development challenges going forward, we are playing into the hands of critics and those governments in Africa who are losing faith in aid. If, as emphasized by Ibrahim Mayaki – former Prime Minister of Niger – Africa is shifting its focus inwards and prioritizing its own development aspirations in lieu of the universal SDGs, we need to pay attention.[30] If we cannot help solve the 'old problems' still affecting hundreds of millions of people, especially throughout the

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[24] OECD (2023): Development Co-operation Report 2023, p. 50. The Ethiopian civil war that erupted in 2020 has since resulted in an estimated 600 000 deaths: Ethiopia's forgotten war is the deadliest of the 21st century, with around 600,000 civilian deaths | International | EL PAÍS English (elpais.com)

[25] High-Level Advisory Board on Effective Multilateralism (2023): A Breakthrough for People and Planet. A Breakthrough for People and Planet (highleveladvisoryboard.org)

[26] UN Secretary-General Press Release: SG/SM/21776 25 APRIL 2023: Warning Over Half of World Is Being Left Behind, Secretary-General Urges Greater Action to End Extreme Poverty, at Sustainable Development Goals Progress Report Launch | UN Press

[27] New figures show conflict-related deaths at 28-year high, largely due to Ethiopia and Ukraine wars – Peace Research Institute Oslo (PRIO)

[28] UNHCR (2023) Global Trends Report 2022: https://www.unhcr.org/global-trends-report-2022

[29] GPIN (2023): Time for Global Public Investment, p. 78: Report: Time for GPI - Global Public Investment Network

[30] Development Cooperation Review Vol. 6, No. 3, July-September 2023 Special Issue New Hopes, New Horizons and G20.

African continent, we cannot expect to foster the partnership and collective effort needed to solve new global and systemic problems, such as the green transition.

So, what can be done?

First, we need to recognize two important caveats. Firstly, all development aid in the world cannot solve any of these fundamental challenges, whether they emanate from internal affairs inside African countries or from external structures and forces. Official Development Assistance (ODA) is relatively limited and has only ever been a small part of the solution (which requires much more than money). The influence of traditional development partners is waning. Countries across the Global South have a far greater variety of partners and channels from whom they can draw on support and expertise. However, this only makes the question of prioritization among development partners even more important. The small contribution of countries like Norway and other development partners need to be invested in a way that makes the most difference for development. Secondly, development cooperation continues to be an integral part of many countries' foreign affairs, which may make an alignment of priorities set forward in this report a challenge. Nevertheless, any form of development cooperation that does not support the self-determination of African countries is doomed to fail.

Nevertheless, development cooperation should as a minimum avoid undermining efforts to solve these challenges. As noted by the contributors in this report, aid volatility, 'aid fads', incoherence among donors, and policy fragmentation risk undermining long-term investments and commitments to reforms in African countries. Similarly, lack of context specific knowledge may undermine trust, tailored approaches, and relevant policies, whether it is within education, labour markets, institutional collaboration. In a time where new global challenges arise, and the geopolitical landscape is changing, donors need to recognize that African countries may need to navigate and find entirely new paths to development. African countries are facing a dynamic conglomerate of challenges, and the fact that some donor countries have a high GDP per capita – built on a very specific history of development – does not qualify them to provide any recipe to these challenges. We need more circular forms of cooperation and draw on all experiences.

However, to do no harm should be a low bar to clear. Thus, to stay relevant, development cooperation needs an unassertive flexibility and ability to adapt, yet concomitantly commit to sustained long-term partnerships. Pressure from domestic audiences and groups critical to spending abroad is a genuine challenge for many traditional donor countries. As such, donors will have to foster a frank and open dialogue with African partner countries on how to find realistic compromises on priorities – in particular mutual gains – and not just frame these discussions in unrealistic and rosy ambitions. A closer dialogue may also help move the relationship from the context and framing of aid and solidarity to a more 'normal' long-term relationship. This may also strengthen long-term commitments and ease the 'graduation' many African countries face in going from low-income status and concessional development finance to slightly higher income status and the prospect of unsustainable debts with high interest rates. As we have seen in this report, structural vulnerabilities often persist despite the economy as a whole crossing a certain threshold of per capita income.

Development partners need to revisit their models and tools and update these to fit the range of challenges and a time of unprecedented needs and crises. This will entail a much more ambitious level of financing and investing, but also new innovations within the development architecture to deal more specifically with global challenges. The latter can safeguard and reaffirm the international development cooperation's commitment to the 'old problems' identified in this report.

More specifically, development partners will need to continue its support in the areas of domestic resource mobilization, inclusive economic growth, and incentivising private investments – nationally and internationally. This includes risk sharing instruments, blended concessional financing, trade preferences and support to policy reforms to improve the business climate. Support intra-regional trade will be a first crucial step. In particular, the World Bank's International Development Association (IDA), which is active in 38 countries in Sub-Saharan Africa and has a specific focus on inclusive economic transformation and greater regional connectivity will be key.

When it comes to institutional strengthening, politics and governance in Africa, external actors have limited influence, and yet, have often embarked on reform initiatives based on unrealistic ambitions and "ideological purity".[31] A more incremental and pragmatic approach where development cooperation seeks to support inclusive political settlements, elites committed to moving the country towards development, and "good enough" governance systems makes more sense in the diverse multifaceted political landscape of Africa, as noted by both Kanyinga, Kamau and Cilliers.

One specific modality that bears promise of harmonization among donors, improved fiscal management, predictability, closer dialogue on policies and priorities, genuine ownership – while always keeping a keen eye on governance issues – is budget support.[32] Both of these broader thematic areas should keep a keen eye to creating opportunities for women and girls and empowering them through investing in education for girls and increasing female labor-market participation as this remains a crucial response to the demographic development and related challenges discussed in the first chapter.

[31] Sen, Kenal (2023), «Aid and the development bargain: What should development partners do?» in: *What role for aid in countries with and without a development bargain? A written symposium on the contribution of Gambling on development: Why some countries win and others lose by Stefan Dercon.* Development Policy Review, Volume 41, Issue 3, May 2023.

[32] Fardoust et al. (2022): *Retooling Development Aid in the 21st Century. The Importance of Budget Support*. Oxford University Press.

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