

Concept note

Session 1: Accelerating productive transformation and regional integration to achieve Agenda 2063

The COVID-19 pandemic has amplified the urgency of accelerating productive transformation and continental integration to reduce Africa's extreme dependence on external markets and global supply chains. Even though the spread of the virus was relatively limited in Africa in 2020, no less than 41 African economies have experienced a decline in their gross domestic product (GDP). There have never been, in over 30 years, so many African countries in economic recession at the same time. During the global financial crisis of 2009, only 11 countries suffered a recession. To face this unprecedented situation, most African countries have taken temporary fiscal measures, but with limited flexibility to respond to actual needs. The informal economy - which accounts for the vast majority of jobs – acted as a "social buffer", taking in large numbers of workers who lost their jobs in the formal sector. However, the informal economy has also been hit hard by containment measures that have emptied streets and markets, put a halt to international activities such as tourism, and disrupted supply channels for a number of imported products.

Extreme dependence on global markets and the informal economy and employment are therefore two key factors in the post-Covid equation for Africa, and more specifically for productive transformation. Discussions on how to solve this complex equation always go back to the question of how to better integrate African markets and thus how to optimise the African Continental Free Trade Area (AfCFTA).

More fluid and more structured regional value chains, supported by better training and skills, would enable the continent to conquer its fast-growing domestic market and position itself more firmly against global competition by exporting more processed products. The potential is immense, particularly in agribusiness related sectors (from seed to plate) which represent an annual market of 250 billion dollars for West Africa alone. However, to unleash this potential, there needs to be better public policies and new tools, particularly in the areas of business linkages and regional value chains. Regional trade remains limited despite the high domestic demand and consumption of processed goods. The average level of regional sourcing in Africa remains below 15%, and intra-African accounts for only 7% of greenfield foreign direct investment inflows to Africa (AUC/OECD, 2019)¹.

Digital transformation in Africa - sometimes referred to as digitalisation – is already well underway and can be a powerful lever to accelerate both productive transformation and

¹ In comparison, intra-regional supply in South-East Asia represents more than 80 % of exports in sectors such as automobiles, textiles, computer, electronic and optical products.

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continental integration. Since the start of the mobile payment revolution in Kenya in 2007, African economies have made rapid progress in advancing the digitalisation process, with remarkable achievements in several countries (AUC/OECD, 2021). A growing number of start-ups and skilled youth are combining digital technologies and their in-depth knowledge of Africa's specific needs to create high-growth models in a wide range of activities like mobile payments, e-commerce, agricultural services, education and health. More than 640 technology hubs are active across the continent.

- However, to amplify the benefits of digitalisation, digital innovations need to reach populations beyond major cities, help informal workers increase their productivity, and empower businesses to compete in the digital age.
- Regional and continental coordination of digital services, data regulation and digital security are essential to create jobs.

Based on the findings of the latest "*Africa's Development Dynamics 2021: Digital Transformation for Quality Jobs*" report, the session will cover the following issues:

- How can we take full advantage of the digital momentum in Africa to accelerate the transition to modern food supply chains - that will in turn create more stable jobs?
- How can public and private stakeholders better bridge the spatial and social gaps in how the benefits of digital innovation are spread out today?
- What are the priority areas for accelerating the implementation of the AfCFTA?

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