



Ninth session of the Africa Regional Forum on Sustainable Development

“Accelerating the inclusive and green recovery from multiple crises and the integrated and full implementation of the 2030 Agenda for Sustainable Development and Agenda 2063”

28 Feb – 2 Mar 2023, Niamey, Niger (hybrid)

Background Report on SDG 9

Progress, challenges, opportunities and priority actions to accelerate the achievement of SDG 9

(ECA/RFSD/2023/7)

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- PIDA PAP 2 adopted in 2021; 69 projects: transport (28), energy (18), water (12) and ICT (11)
 - Estimated cost: US\$ 160.8bn
- Commitment to infrastructure investment in Africa: 10% lower in 2020 than 2019
 - COVID-19 impact; restrained Chinese financing
- Africa's annual infrastructure financing needs: US\$ 137-177bn; financing gap: US\$ 59-96bn
- Governments provide largest share of commitments to infrastructure investment
- Private sector commitments: US\$ 19bn in 2020; US\$11.8bn in 2018
 - 27 PPP projects closed in 2019 and in 2020
 - Commitment to transport increased from 32% in 2018 to 42% in 2020

Source: AfDB, 2022

Trends in Financing Gap by Sector, 2017-2020 (Source: AfDB, 2022)



Sector	Financing Gap (\$ BN)			
	2017	2018	2019	2020
Transport	3-15	4-16	3-15	4-16
Water	45-55	43-53	46-56	49-59
Energy	8-23	5-20	4-19	6-21
ICT	2-5	0-3	Zero	Negative

- Universal Service and Access Funds (USAFs) established in many countries
 - To expand digital connectivity
- Progress in elaborating universal service strategies; establishing community networks; promoting PPPs, infrastructure sharing; skills development
 - As a result, 82% of African population has access to at least 3G network
- However, 67% of the population is offline
- Multiple challenges exacerbate digital divide:
 - Sparse rural population makes it expensive to extend services
 - Limited power supply for ICT infrastructure, unaffordable services, inadequate digital skills, insufficient attention to people with special needs

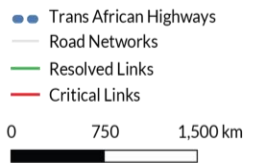
Impact of AfCFTA

Road freight doubles from 201 to 403 million tonnes by 2030

61,540km of critical links



The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations. Final boundary between the Republic of Sudan and the Republic of South Sudan has not yet been determined.



Effect of COVID-19 on infrastructure investments

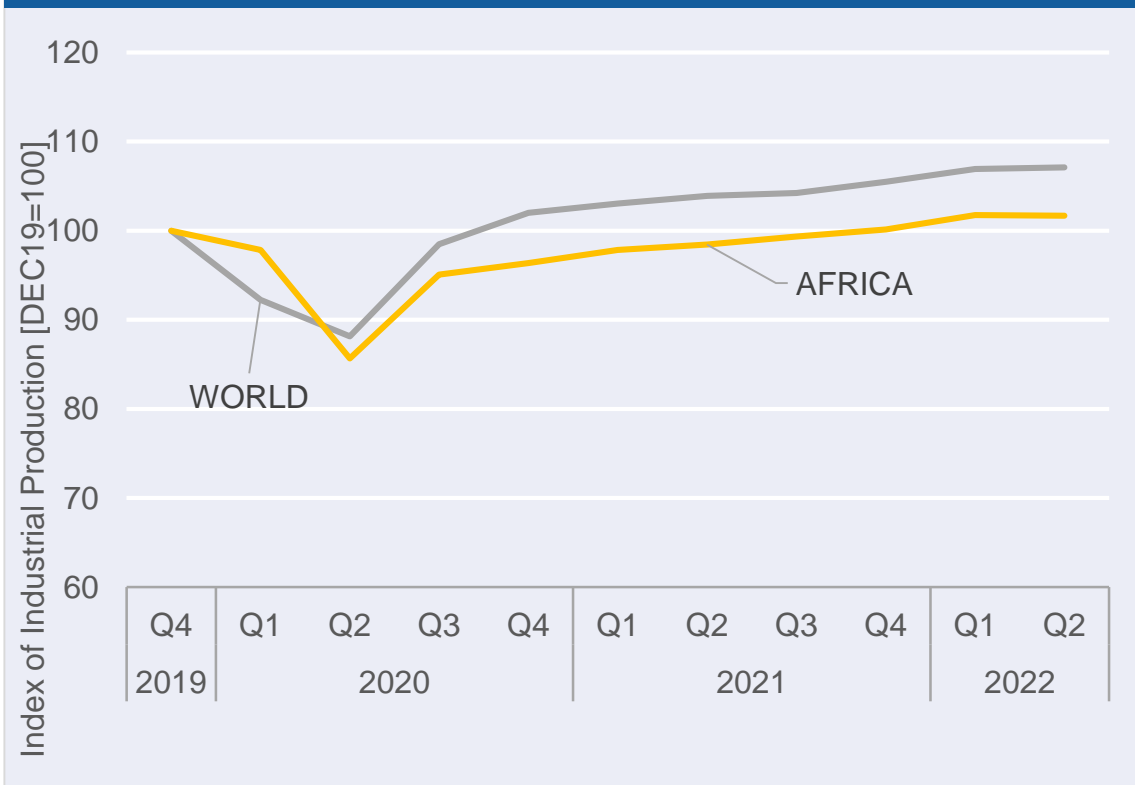


- Resources diverted to health, social issues, economic stimulus
- Investor concerns about financial risks arising from COVID
 - Decline in infrastructure commitments from US\$ 85bn in 2019 to US\$81 bn in 2020
- Difficulty to obtain finance due to rating downgrades
 - 56% of rated African countries downgraded: global average (31.8%); the Americas (45%), Asia (28%), Europe (9%)
- Project delays due to travel restrictions and lockdowns
 - Supply chain disruptions and price increases affected projects
 - Foreign contractors left continent
- Decline in economic activity led to job losses, reducing ability of consumers to pay tariffs
- About 30 million people lost electricity access
 - Affecting finances of electric utilities
 - Source: AfDB

Multiple crises compounding Africa's industrialization challenges



Industrial production during the COVID-19 pandemic.
Seasonally adjusted index (DEC 2019 - JUN 2022)

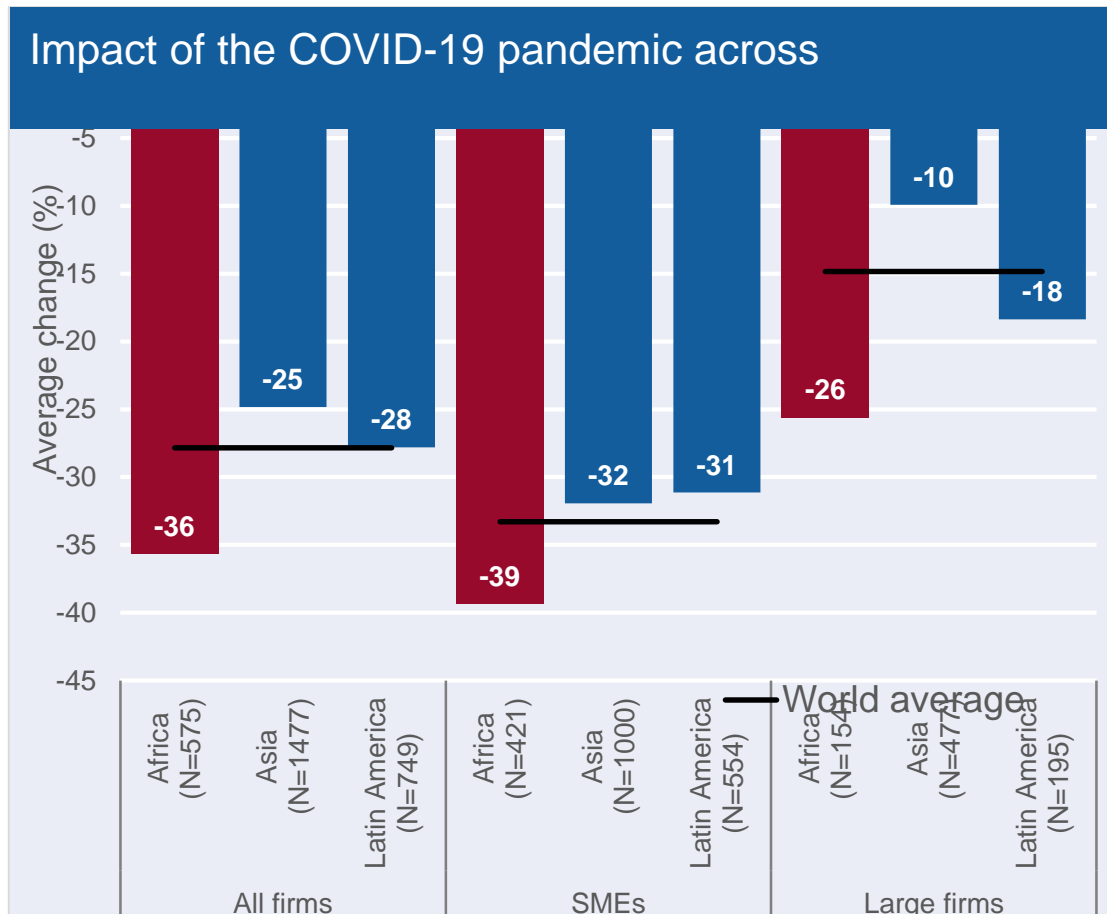


- Africa lagging in industrialization
- Manufacturing accounts for 10.5% of African GDP; below other developing regions; world share: 16.9%
- COVID-19 worsened critical situation in Africa
- Global industrial production recovered rapidly; reached pre-pandemic levels by end of 2020
- Much slower recovery in Africa: post-pandemic levels reached only by end of 2021

Source: Industrial Development Report 2022: The Future of Industrialization in a Post-Pandemic World. Available at <https://www.unido.org>. Vienna: UNIDO.

Source: UNIDO elaboration based on Quarterly Index of Industrial Production (IIP) Database.

Impact of the COVID-19 across manufacturing firms



- Strong impact at aggregate industrial level confirmed at firm-level
- African firms experienced 36% decline in profits compared to pre-pandemic levels
- Impact much more significant in SMEs than large firms (39% versus 26%)
- African firms reported larger losses than firms in other developing regions – Asia, Latin America
- https://www.unido.org/covid19_surveys

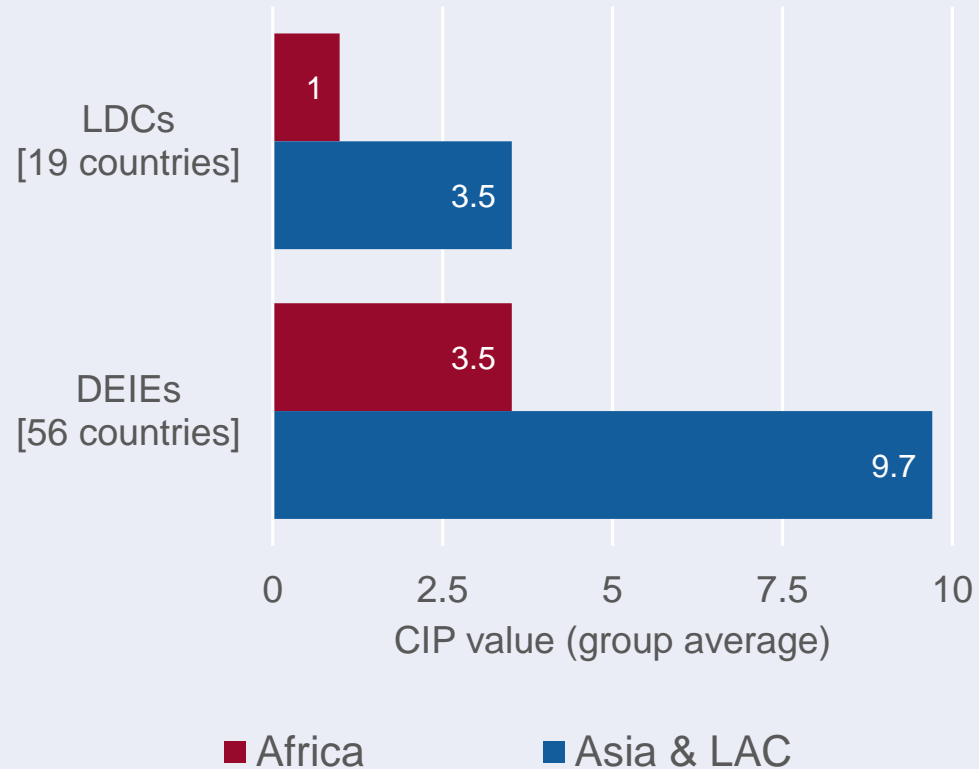
Source: UNIDO elaboration based on UNIDO COVID-19 Firm-level survey

War in Ukraine and Africa's industrialisation



- War in Ukraine endangering recovery of African countries from COVID-19
- Creating new tensions: debt distress, food security
- Inflation in commodity prices, particularly food & gasoline
- Disruption of global supply chains of critical goods such as fertilizers
- Compounds challenge for Africa's industrial sector

Industrial capabilities

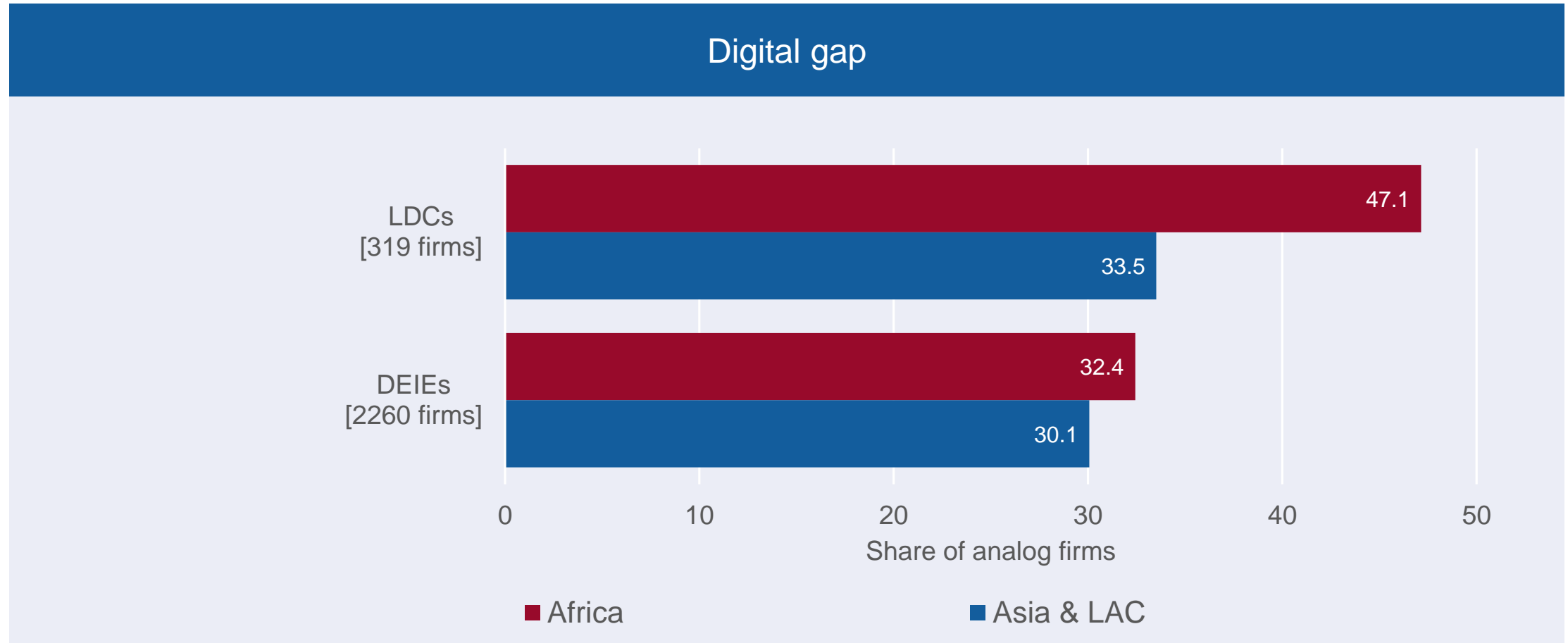


- Goal 9 requires industrial capabilities and digitalization of manufacturing firms
- African countries lag behind in both aspects compared to countries in other regions
- UNIDO's Competitive Industrial Performance reflects a country's industrial capabilities
- CIPs for Africa's LDCs and DEIEs are about 1/3 those of Asia and Latin America countries

Source: UNIDO elaboration based on UNIDO CIP 2021 Database (CIP Index 2019 score)

Note: CIP scores were multiplied by 100 for better visualization

Share of firms not using digital technologies in Africa higher than in other regions (UNIDO,2022)



Overcoming industrialization challenges in Africa



- Implement coherent industrial and trade policies
- Remove non-physical barriers to trade
- Strengthen productive capacity through intra-Africa investments
- Increase foreign capital flows; improve investment regulations
- Prioritize implementation of PIDA
- Enhance capacity of regional & continental financial institutions
- Improve payment systems
- Create enabling environment for financial service providers
- Establish trade information exchange platforms
- Digitilise industrial activities
- Operationalise free movement of people/labour migration policies
- Articulate agreements on mutual recognition of qualifications
- Strengthen statistical capabilities & enhance availability of statistics

- Multiple challenges stifle private investment in Africa:
 - Financial market depth, governance, project-specific characteristics, enabling skills and infrastructure
- Harnessing investment opportunities in Africa requires innovation in financing structures
- Strategic deployment of public capital to ‘crowd-in’ private investment
- Inadequate concessional finance to meet Africa’s financing needs
 - Green and sustainable products gaining momentum
- Impact investments
 - Investors seeking long-term investments with strong environmental, social and governance characteristics
- Liquidity and Sustainability Facility launched by ECA
- Options to improve comfort of private investors in Africa’s infrastructure projects
 - Blended finance instruments; Risk-mitigation instruments such as guarantees

Key Messages



- Attract private partners to Universal Service and Access Funds (USAF)
- Build resilient regional value chains in the context of AfCFTA, Agenda 2063 and SDGs
- Embrace manufactured exports, industrial agglomeration, and innovative industrial financing as core strategies for Africa's industrial development
- Deploy innovative finance to crowd-in private investment in infrastructure development
- Harness green financing and impact investments to implement PIDA projects



THANK YOU!

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Ideas
to
Action