Pathways to Green African Industrialisation

Executive Summary

1. **African economic development has been characterised by uneven progress and persistent challenges.** Despite recent social and economic progress, Africa remains the least industrialised continent, facing persistent poverty, limited development of productive sectors, and over-reliance on a limited range of low-value-added natural resource-based exports.

2. **African countries should focus on achieving structural transformation**, shifting from raw material exports and subsistence agriculture to more productive and diversified sectors in manufacturing, modern agriculture, value-addition to its minerals, and high-value services.

3. **Appropriate industrial policies are necessary to achieve this structural transformation, and are central** to eradicating poverty and taking advantage of a growing youthful population, largely through the creation of higher value and better-quality jobs.

4. **African countries should prioritise growth and structural transformation through industrial policies, while maximising the opportunities of the green transition as far as possible.** This recommendation recognises that African countries have contributed far less than more developed countries to greenhouse gas (GHG) emissions and, in addition, have an urgent need to transform their economies and create jobs at scale to support their rapidly growing populations. **Neither "degrowth" nor "grow now, clean up later" strategies are appropriate.** The former risks perpetuating poverty, at best ameliorated at the margins. The latter risks path-dependent lock-in to dead-end fossil fuel industries. However, **African countries need flexibility on their path to net-zero**, such as using natural gas as a transitional energy source.

5. **African green industrialisation is set to be pursued in a rapidly changing geo-political environment.** This environment is characterised by a **proliferation of unilateralism, widespread departure from the principle of a rules-based multilateral order**, increasing abandonment of climate goals, and ongoing reductions in concessional finance as advanced economies pivot from "energy transition" to "energy security".

6. As a result, **the policy space is wider**, and African countries should seize this moment to adopt a "possibilist" approach and implement ambitious industrial policies. The return of industrial policy, the rise of regional value chains, and the erosion of old trade disciplines open **a window for African countries to align the African Countries Free Trade Area (AfCFTA) with a renewed, green industrial agenda**.

7. Limited sectoral diversification during the commodity "supercycle" and borrowing to address Covid-19 has contributed to the **external debt constraints** many African countries currently face. The **global financial architecture has not proven fit for purpose**, as it is unable to meet either sustainable development targets or climate finance goals, and is in urgent need of reform.

8. Africa has numerous opportunities for **green industrialisation**. It has abundant **renewable energy resources**, including solar, wind, hydro and geothermal, which can both power green industrialisation and service the demand of the estimated 600 million Africans who currently lack access to electricity. It holds over 60% of the world's uncultivated arable land, meaning that there are enormous opportunities for **agricultural modernisation**. This could include narrowing the agricultural productivity gap in field crops and taking advantage

of a massive and growing international demand for fresh fruit and other high-value agricultural products through the "industrialisation of freshness". It is well placed for greener production of a range of **labour-intensive and medium-technology manufactured** products, including clothing and textiles, food and beverages, and various consumer goods and industrial inputs. **Green industrial parks and special economic zones** can serve as hubs for manufacturing based on green and circular economy principles. Collectively, African countries hold a significant yet unevenly distributed share of **minerals critical for the green and digital transitions**. These present opportunities for **value capture and addition** through further processing of these minerals prior to export.

9. To realise this opportunity, **the AfCFTA should be leveraged as a powerful platform from which to assert Africa's right to industrialise, doing so with a unified voice**. This is especially so in light of the continent's minimal contribution to global greenhouse gas emissions. Its message to the world should encompass common continental positions on key areas of green industrialisation, advocacy for the use of the full range of policy tools necessary to drive structural transformation and establish globally competitive green industries, and a rejection of inappropriate externally formulated paradigms such as degrowth.

10. The green transition highlights the critical role of research and development (R&D) and science, technology, engineering and mathematics (STEM) skills. **African countries should increase their investment in applied R&D, with a strong emphasis on the commercialisation of innovation** and research embedded within a strong industry–academia–public ecosystem. There is a strong need for all African countries to urgently **address the shortage of engineers and scientists** by investing in talent retention, diaspora engagement, and hands-on industrial partnerships.

11. African countries need a step-change increase in the **mobilisation of finance for green industrialisation, and an increasing share of domestic finance**. African countries should continue to motivate reforms to the global financial architecture and for wealthy economies to meet their climate finance obligations, in line with their disproportionate contribution to climate change. While it would be perilous to wait for a fairer global financial architecture and climate finance commitments from advanced economies to materialise, African countries should pay attention to a loosening of constraints and pivots within international financial institutions. The shifting climate finance landscape yields opportunities for Africa to source and direct concessional finance towards productivity-enhancing investments on the continent. **African development banks are critical institutions** in this regard, and should be leveraged to mobilise finance for green industrialisation and to support the technical skills needed for sector and project development and "de-risking".

12. **The success of Africa's green industrialisation agenda hinges on strong state capabilities.** Governments should be able to set strategic direction; shape markets through active engagement and problem-solving with the private sector; adapt as technologies and market needs evolve; and negotiate or enter into mutually beneficial rather than one-sided international partnerships. Without robust and responsive institutions, even the best-designed strategies will remain mere ink on paper, with limited green structural transformation.