Editorial

Investment is key to propel Africa's development, and to attain the African Union's Agenda 2063 and the Sustainable Development Goals. Yet, global crises have widened the African continent's sustainable financing gap. Africa needs an extra USD 1.6 trillion by 2030 – USD 194 billion annually – to achieve the Sustainable Development Goals. The sustainable financing gap can be bridged: it is equivalent to less than 0.2% of the value of global financial assets, or 10.5% of the African-held financial assets.

Since the turn of the 21st century, Africa has boasted the world's second-highest rate of economic growth after developing Asia. Yet despite this strong growth, global investment has shifted focus away from the continent. Greenfield foreign direct investment (FDI) has decreased from 12% of the world's total in 2017 to less than 6% in 2021 – compared to 15% for developing Asia and 10% for Latin America and the Caribbean.

Low sustainable investment is a tragic paradox, when so many opportunities exist. The continent boasts unique assets that should attract more investment to boost transformative and sustainable activities. Take the energy sector. Africa is endowed with 60% of the world's best solar resources, but only 1% of installed solar generation capacity. Africa also has the world's youngest population, with a median age of 19 years. By 2050 25% of the global population will reside in Africa. The world must therefore better invest in African youth now to fully realise its significant opportunities.

Low investor confidence and high cost of capital are holding back investment in Africa more than any other world region. In uncertain times, investors are more attentive to macroeconomic and political risks, like policy predictability and regulatory capacity. Scarce skilled labour and quality infrastructure can hinder investment, notably in technology-driven sectors or where large upfront investment is required. Investors' scepticism results in incongruity: the African continent boasts the world's lowest default rates for infrastructure, yet most projects go unfinanced.

Better policies can turn challenges into opportunities. Our analysis highlights three priorities. First, fit-for-purpose data will support informed investment decisions, better aligning risk perceptions to realities. Too many investors withhold decisions because of insufficient or costly information gathering. Second, African-led partnerships can optimise the impacts of sustainable finance on development and better catalyse investments into local sustainable activities. The deepening and integration of domestic capital markets, the development of local currency bonds and the strengthening of ESG compliance are part of the solution. Third, deepening African integration further, notably by implementing the African Continental Free Trade Area (AfCFTA) and its protocol on investment, will harmonise policies among countries and facilitate value chains development.

The growing partnership between the African Union Commission and the OECD, including through its Development Centre, provides an important venue to inform global narratives on Africa and bring the African continent from the frontier to the heart of global investment. Leveraging our policy dialogue platform on investment and productive transformation in Africa, we are committed to working together to monitor trends and identify good practices on the continent that mobilise greater investment for sustainable development and job creation. We are proud that this joint report, now in its fifth edition, contributes to enhanced global partnerships and an effective policy dialogue that benefits African people.

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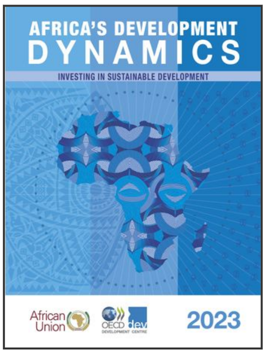

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