

Executive summary

COVID-19 poses an unprecedented threat to financing Africa's development by creating new risks and exacerbating pre-existing vulnerabilities. The amount of financing per capita decreased over 2010-18 for both domestic revenues and external financial flows, by 18% and 5%, respectively. Between 2019 and 2020, the ratio of tax to gross domestic product (GDP) is expected to decrease by about 10% in at least 22 African countries; total national savings could drop by 18%, remittances by a fourth and foreign direct investment by 40%. Donors have pledged to maintain official development assistance at their pre-crisis levels, although their capacity may depend on economic trends. This negative shock is increasing fiscal expenditure to support health and economic activities, which will probably double fiscal deficits. As a result, Africa's debt will soar to about 70% of GDP in current US dollars, with debt exceeding 100% of GDP in at least seven countries. The G20 debt moratorium that began in April 2020 provides a necessary respite for African countries, but it remains insufficient. Suspending and, in some cases, restructuring the debt may prove necessary to free up resources that are critical to achieving the African Union's Agenda 2063: The Africa We Want. Where possible, debt negotiations should include the growing group of private sector lenders.

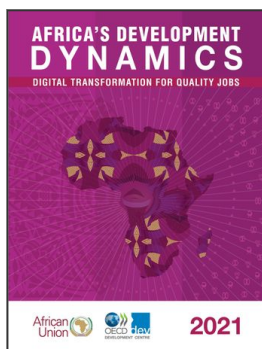
The COVID-19 crisis strengthens the role of digitalisation in contributing to Africa's productive transformation and in fulfilling Agenda 2063, the African Union's vision for the continent's development. The digital transformation is expanding to almost all economic sectors, most rapidly to healthcare due to COVID-19. The continent boasts headline digital successes. The mobile money revolution is a well-known example: with the world's highest number of accounts – 300 million – it is altering local job markets, starting in East Africa. More than 500 African companies provide technology-enabled innovation in financial services (fintech). Some African start-ups' valuations now exceed a billion dollars. Over 640 tech hubs are active across the continent. However, digital innovations must expand far beyond these islands of success to achieve Agenda 2063 objectives and create a mass number of jobs for the youth.

Moving forward, governments can drive Africa's digital transformation and trigger large-scale job creation, including outside the digital sector, through four complementary actions:

- **Promote the dissemination of digital innovations beyond large cities through place-based policies.** Ensuring universal access to digital technologies calls for enhancing coverage, affordability and the availability of suitable content. Internet access has expanded thanks to the growing prevalence of mobile phones: 72% of Africans now use them regularly, with the highest number in North Africa (82%) and the lowest in Central Africa (63%). However, digital adoption remains unequal across genders, income groups and other groupings. Only 26% of the continent's rural dwellers use the Internet regularly, compared to 47% of its urban inhabitants.
- **Prepare Africa's workforce to embrace digital transformation and guarantee social protection.** By 2040, own-account and family workers will represent 65% of employment under current trends. The share of own-account and family workers will be the highest in West Africa, accounting for 74% of employment in 2040, and the lowest in North Africa at 25%. Presently, 45% of youth feel their skills are inappropriate for their jobs. The apparition of new livelihoods on the web requires setting solid regulatory schemes and providing social protection for informal iWorkers.

- **Remove barriers to innovation that prevent smaller firms from competing in the digital age.** Dynamic small and medium-sized enterprises (SMEs) need support to adopt the most appropriate digital tools for innovation and trade. For example, having a website is positively associated with a 5.5% increase in the share of direct exports in firms' sales. Only 31% of firms in Africa's formal sector have a website, compared to 39% in Asia and 48% in Latin America and the Caribbean. Today, only 17% of Africa's early-stage entrepreneurs expect to create at least six jobs, the lowest percentage globally. Enticing these firms to scale up is critical for job creation.
- **Deepen regional and continental co-operation for digital transformation.** Digital technologies pose new challenges to national regulators. Supranational co-operation can provide solutions in areas such as digital taxation, digital security, privacy, personal data protection and cross-border data flows. Harmonising continental and regional regulations is an important complement to national laws. As of today, only 28 countries in Africa have personal data protection legislation in place, while 11 have adopted substantive laws on digital security incidents.

Region	Main policy areas for digital transformation
Central Africa	<ul style="list-style-type: none"> • Co-ordinate investment in digital infrastructure regionally to expand coverage and ensure inclusive and reliable access. • Equip the workforce with the adequate skills to facilitate the school-to-work transition and reduce the skills mismatch. • Leverage digital technologies to promote entrepreneurship and foster the digital transformation of regional value chains. • Implement, monitor and evaluate digital strategies at the regional and national levels.
East Africa	<ul style="list-style-type: none"> • Facilitate the school-to-work transition, notably through digital literacy and technical and vocational education and training (TVET) programmes, and monitor technological developments to anticipate future skills requirements. • Nurture digital entrepreneurship and innovation by adapting the regulatory environment, and promote technology parks, notably through easier financing. • Strengthen regional co-operation on digitalisation, and mobilise public and private resources for regional infrastructure. • Set up a single digital market by promoting seamless connectivity, harmonising regulations and facilitating the interoperability of cross-border payments.
North Africa	<ul style="list-style-type: none"> • Support the development of financial technology by loosening regulatory constraints and experimenting with new regulations (e.g. sandboxes). • Modernise education and training systems by monitoring and evaluating digital literacy and programmes for science, technology, engineering and mathematics, and promote lifelong learning and reskilling of the workforce. • Encourage digital entrepreneurship by fostering innovation through public-private partnerships and improving governance in the region.
Southern Africa	<ul style="list-style-type: none"> • Reduce the digital divide by developing reliable and affordable digital infrastructure beyond urban centres. • Improve the quality of education and promote lifelong learning to meet future skills demand. • Harmonise existing digital initiatives at the national and regional levels, and accelerate their implementation, targeting the digital transformation of strategic value chains.
West Africa	<ul style="list-style-type: none"> • Strengthen government support to technology parks and start-up incubators, and monitor progress. • Implement supportive regulatory frameworks to develop fintech, foster financial inclusion and diversify sources of financing for private sector development. • Support entrepreneurs and SMEs in using digital technologies, especially in agricultural sectors, to strengthen their integration into regional and global value chains. • Invest in human capital to align skills with future market needs, and promote TVET through strategic partnerships with the private sector.



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