Regional aspects of transitioning to clean energy growth model and building green industrial capacities

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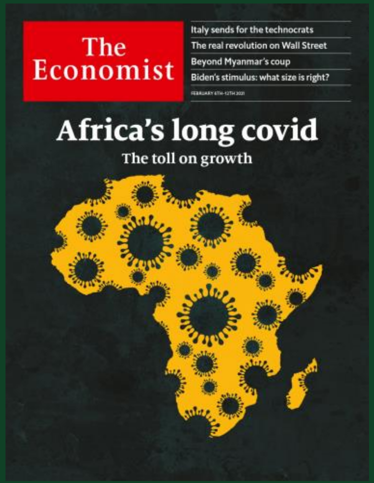
Africa's considerable progress and potential is obscured by a veil of prejudice, stereotype and generalization.

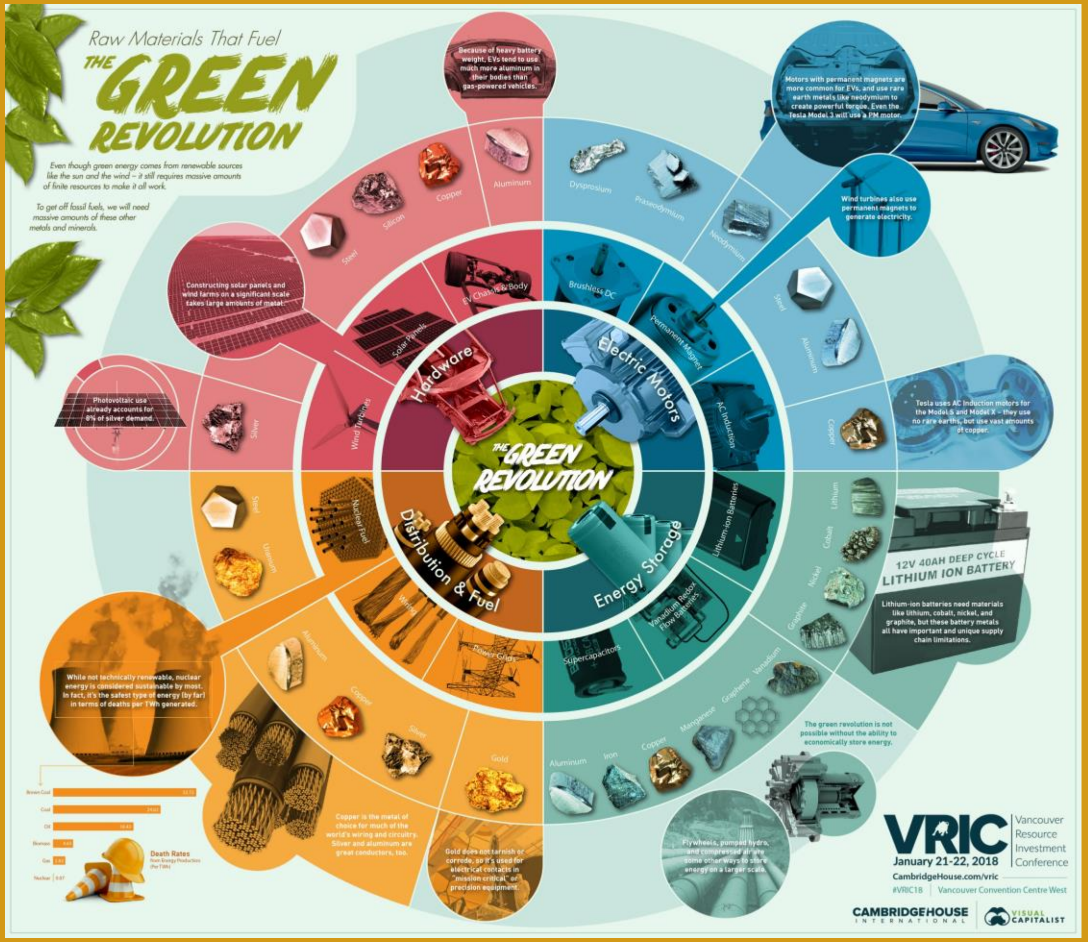
MARCH 2019



FEBRUARY 6, 2021

Slide adapted from October 2012 *Vulnerability, Macro Overview, Portfolio, Risk and Profitability Analysis* *Presentation by* IFC.

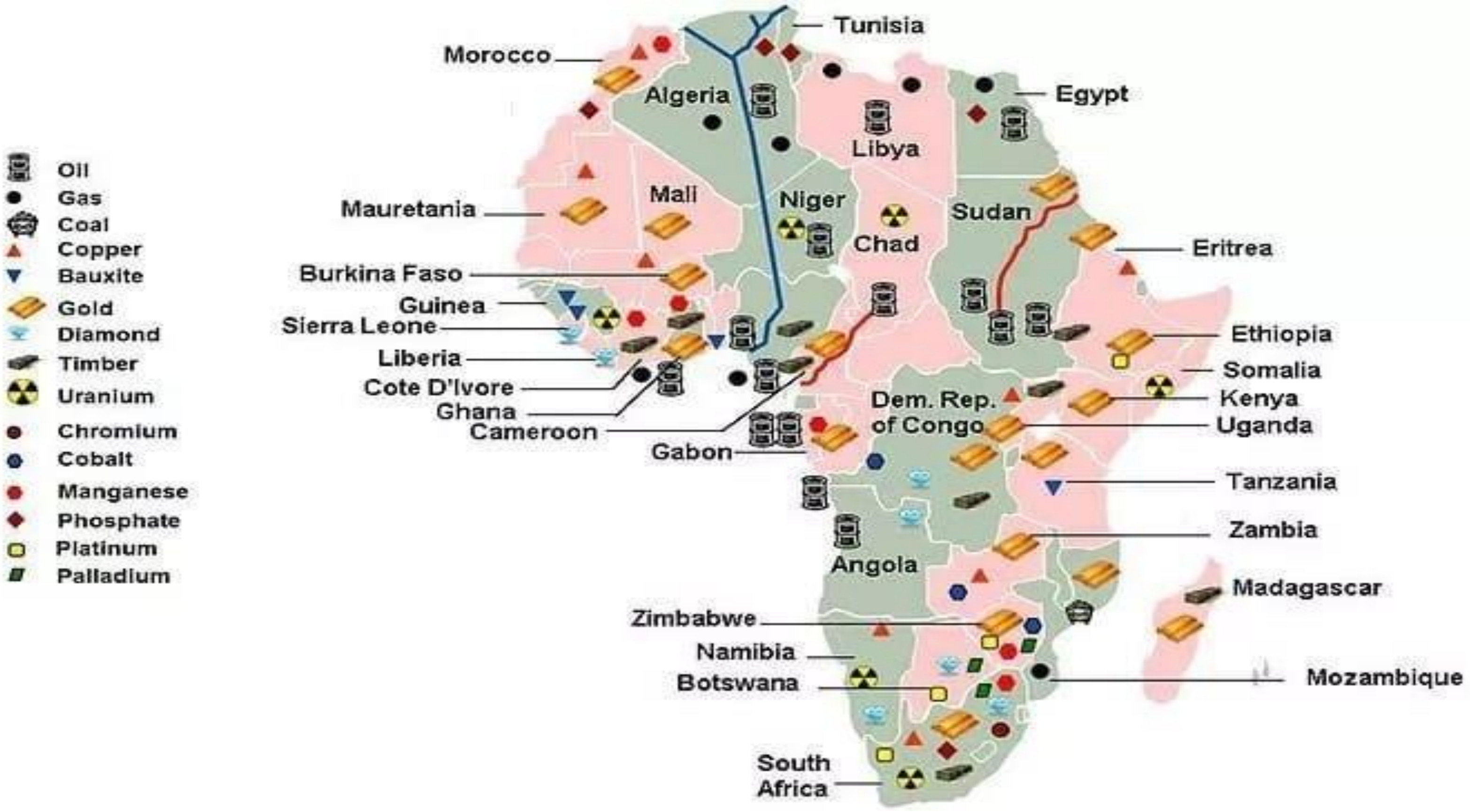
Africa is uniquely endowed with natural resources, a youth dividend, labour force explosion, market size and a digital culture



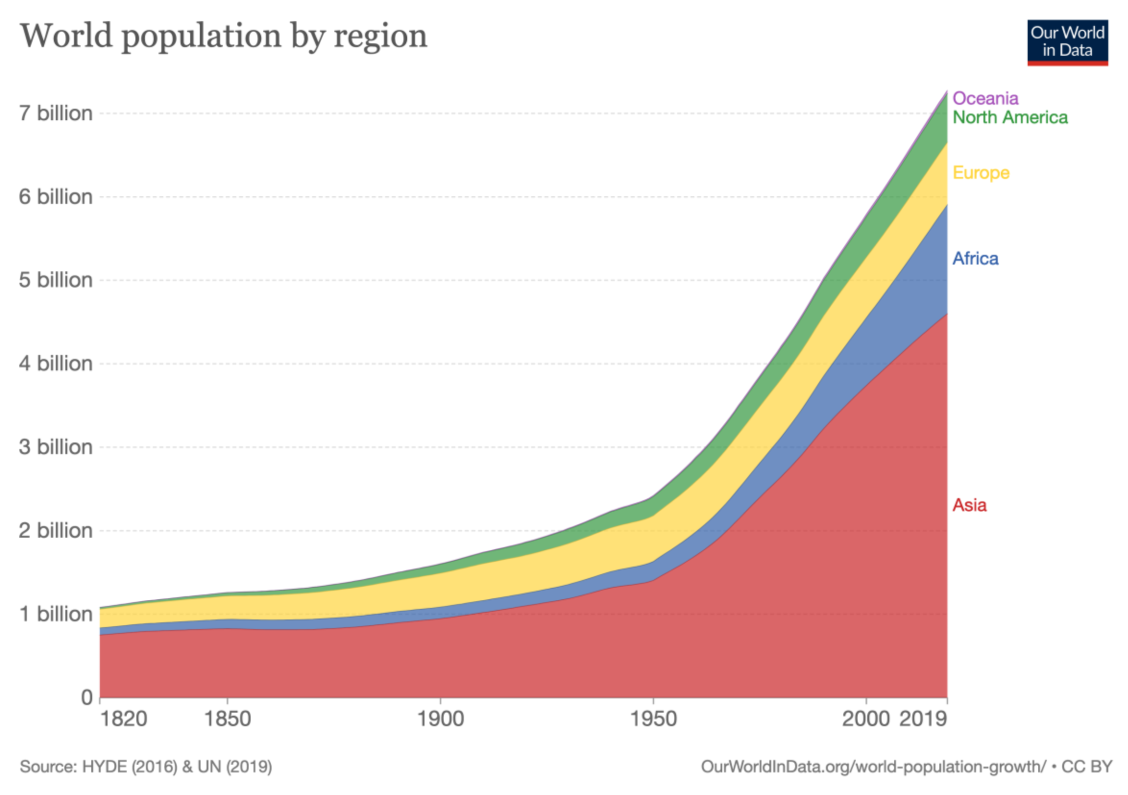
AFRICA'S NATURAL RESOURCES:

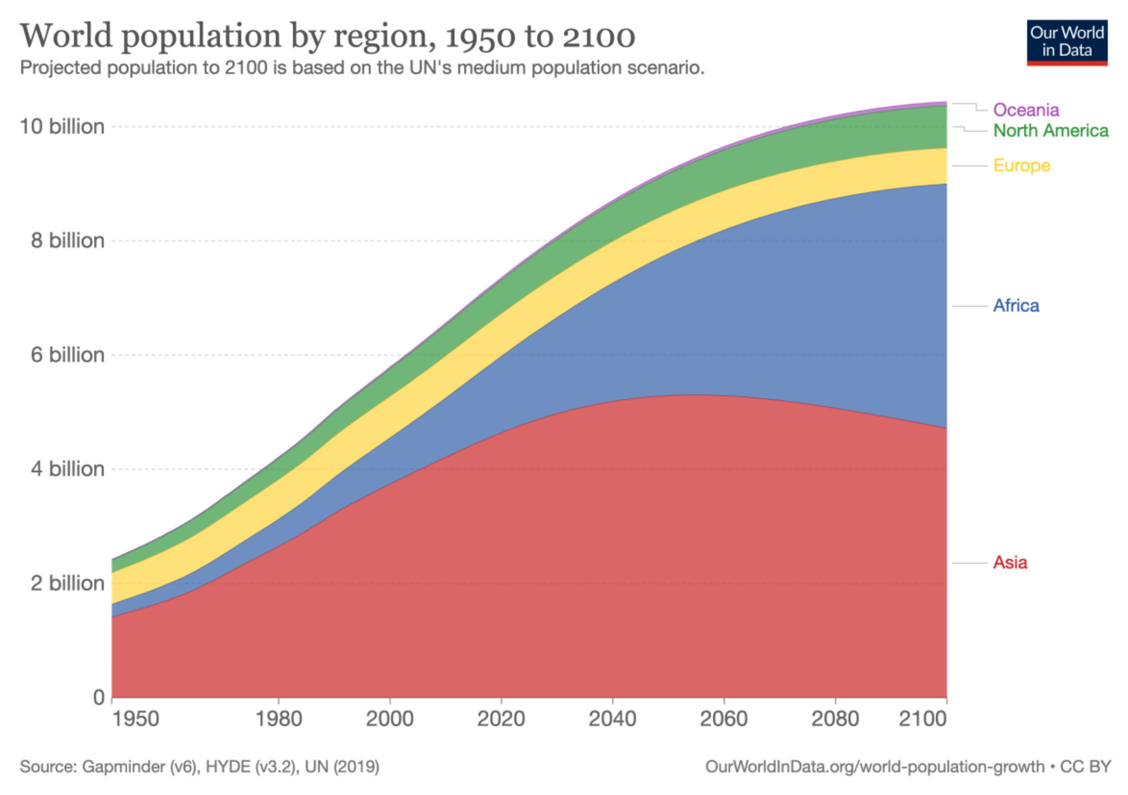
2019: Africa produced nearly1 billion tonnes of minerals worth $406bn.

Africa has 30 percent of the world's mineral reserves, 12 percent of the world's oil and 8 percent of the world's natural gas reserves



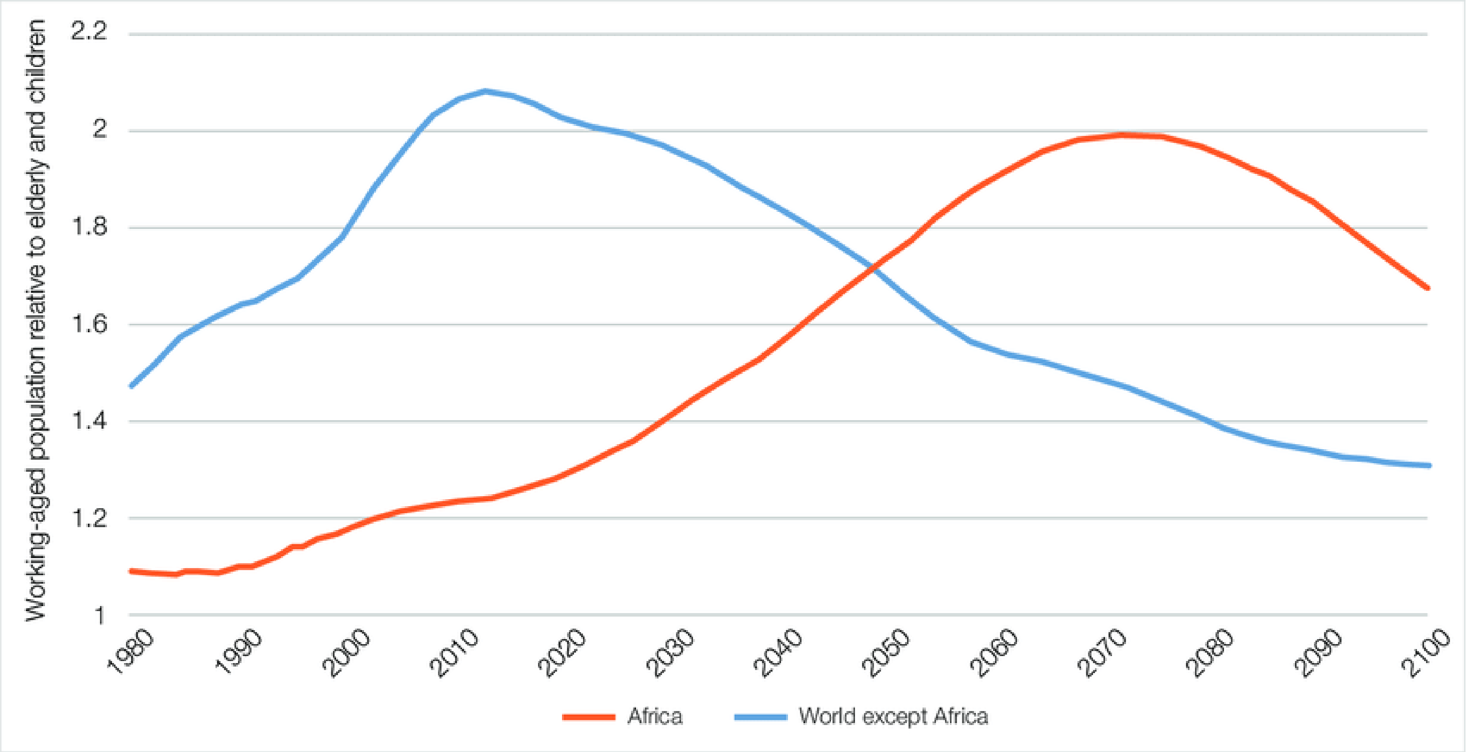
Plus all the minerals needed for the energy revolution



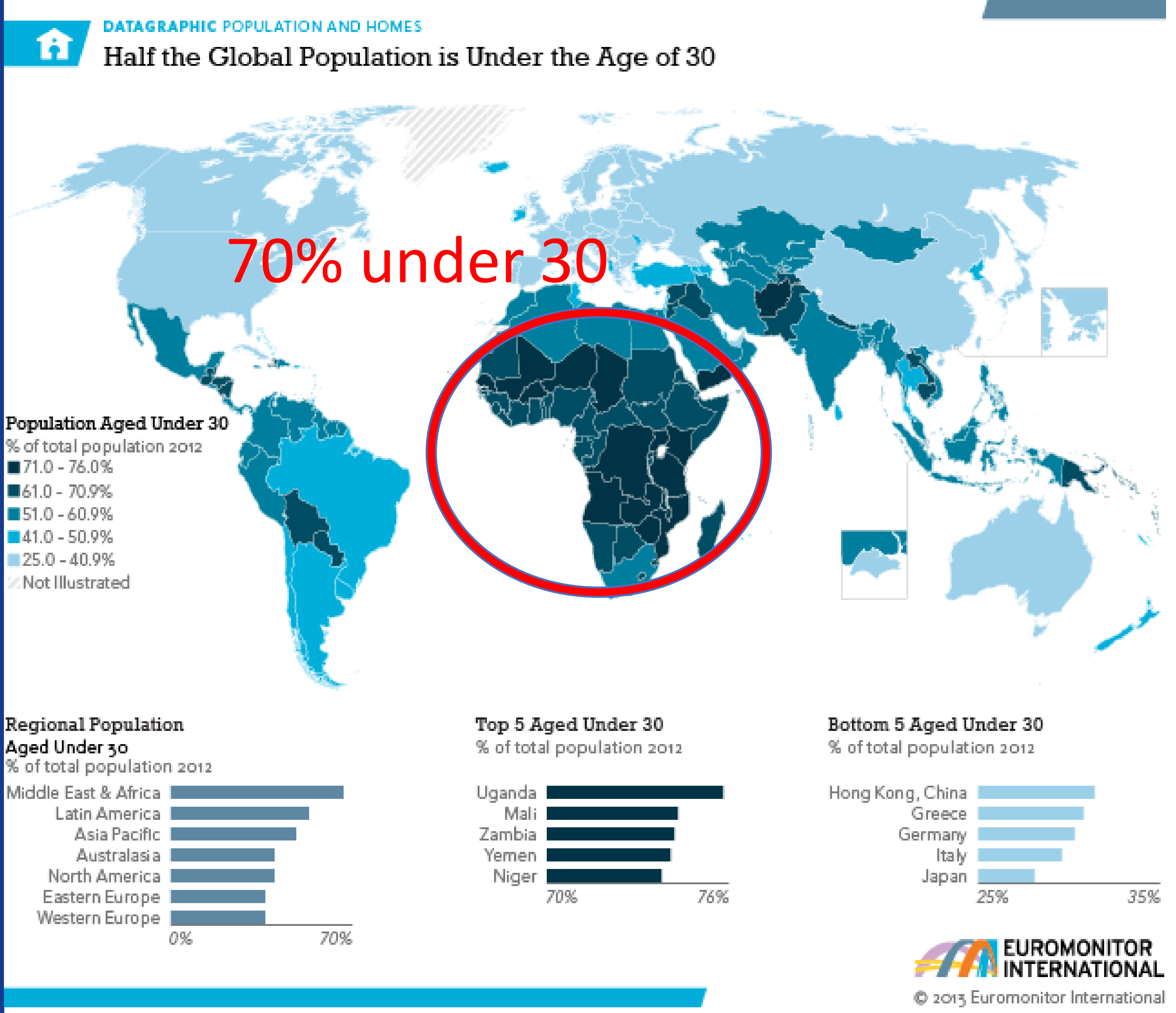


TODAY AFRICA HAS JUST OVER 17% OF THE GLOBAL POPULATION; BY 2100 THIS IS PROJECTED TO RISE TO 40%. ASIA WILL SEE A SIGNIFICANT FALL FROM ALMOST 60% TODAY TO JUST OVER 40% IN 2100.

AFRICA WILL HAVE THE LARGEST LABOUR FORCE BY 2060

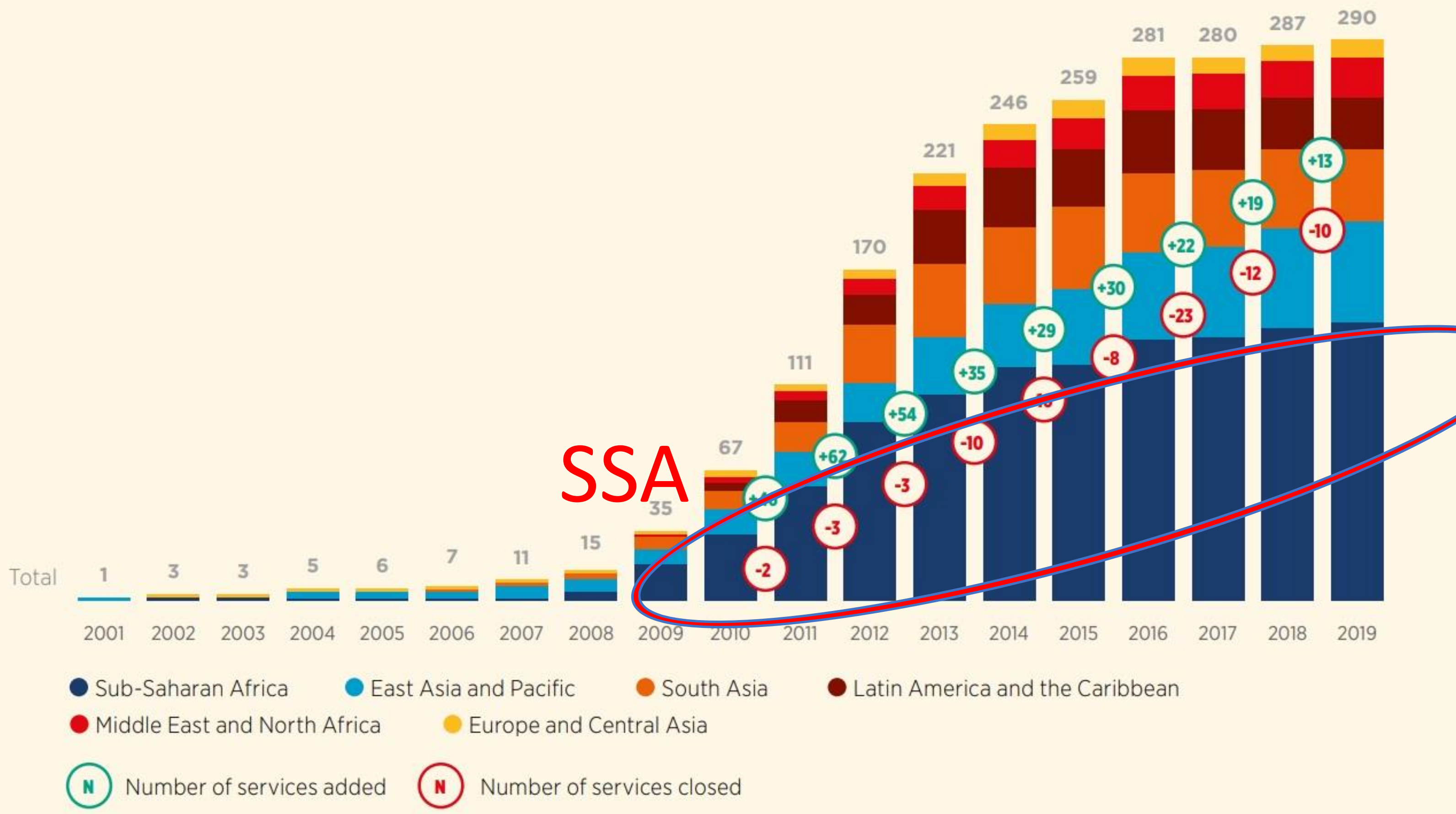


AFRICA WILL HAVE THE LARGEST SHARE OF YOUNG PEOPLE IN THE SECOND HALF OF THE 21ST CENTURY



SSA HAS THE LARGEST SHARE OF MOBILE MONEY TRANSACTIONS

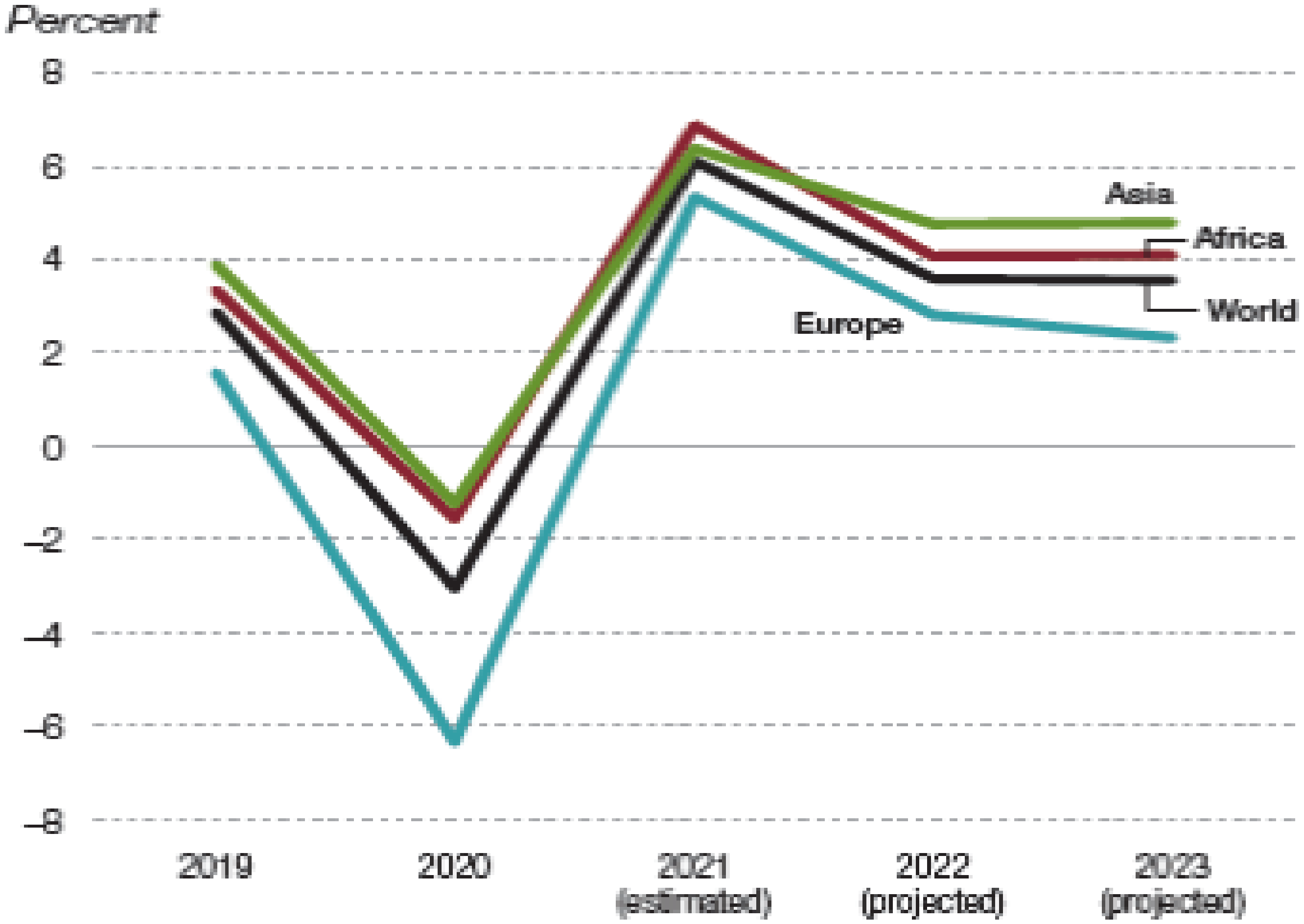
Evolution of the global mobile money landscape, 2001 to 2019



Source: GSMA Report: The state of mobile money 2020

Fastest growing economies by the start of 2020

FIGURE 1.1 Real GDP growth, 2019–23



Source: African Development Bank statistics and *World Economic Outlook*, April 2022.

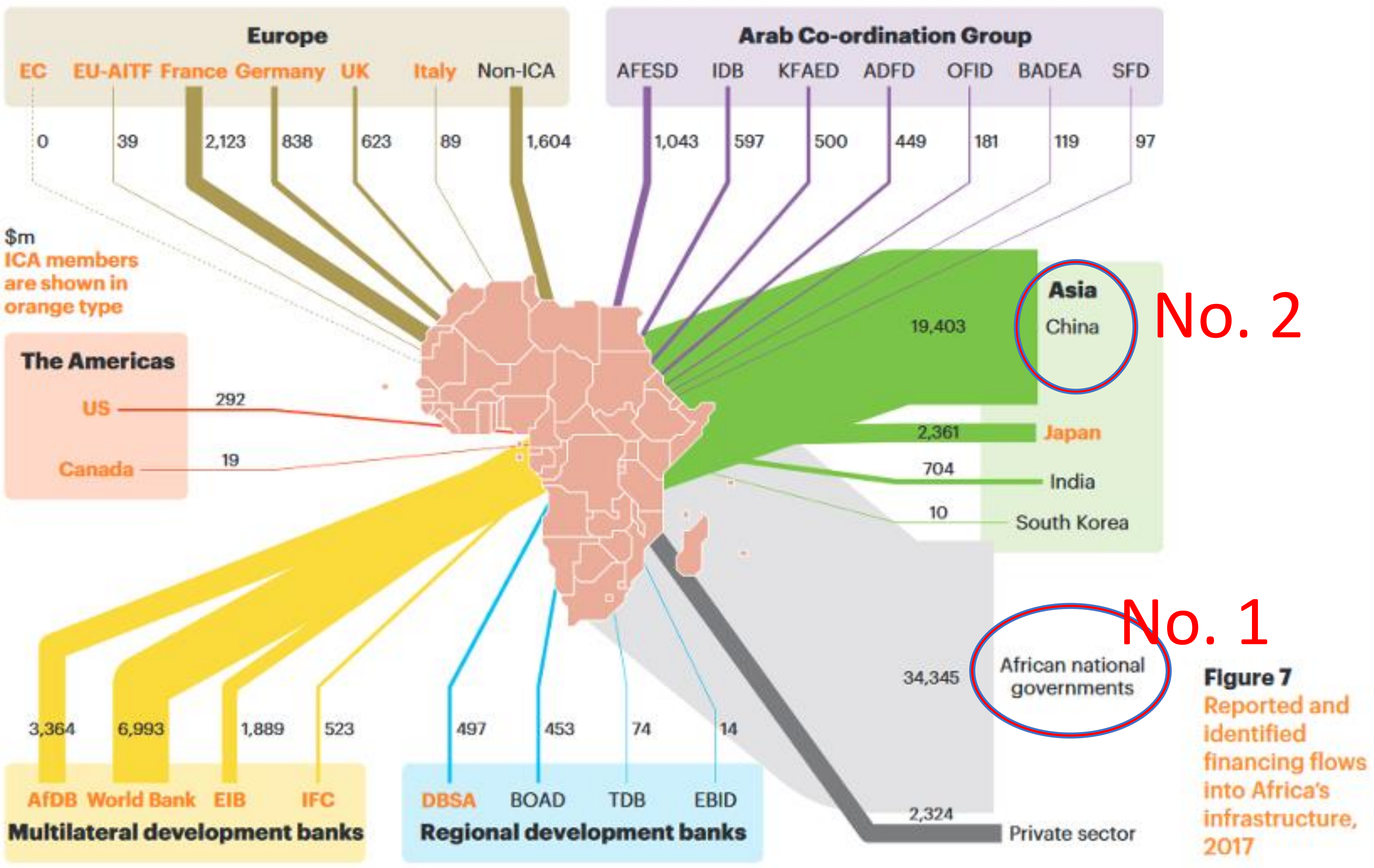


Figure 7 Reported and identified financing flows into Africa's infrastructure, 2017

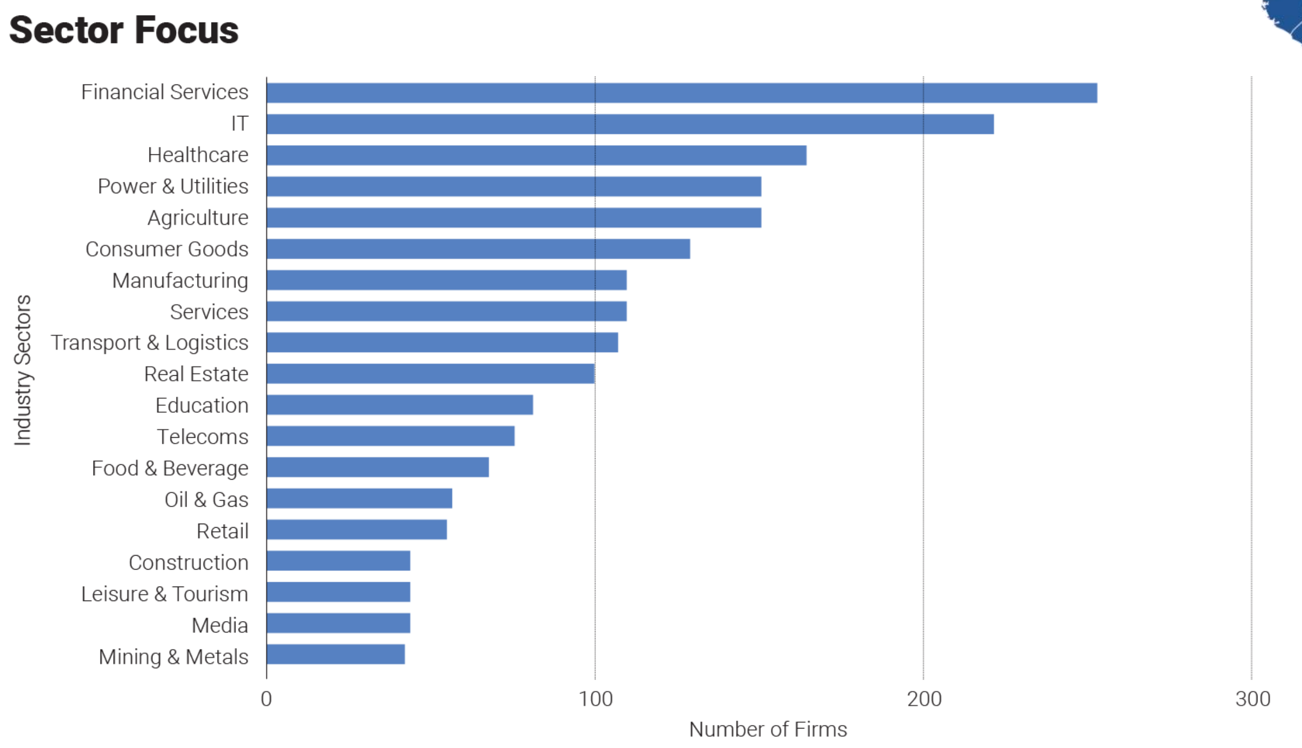
Source: Infrastructure Consortium for Africa, 2018

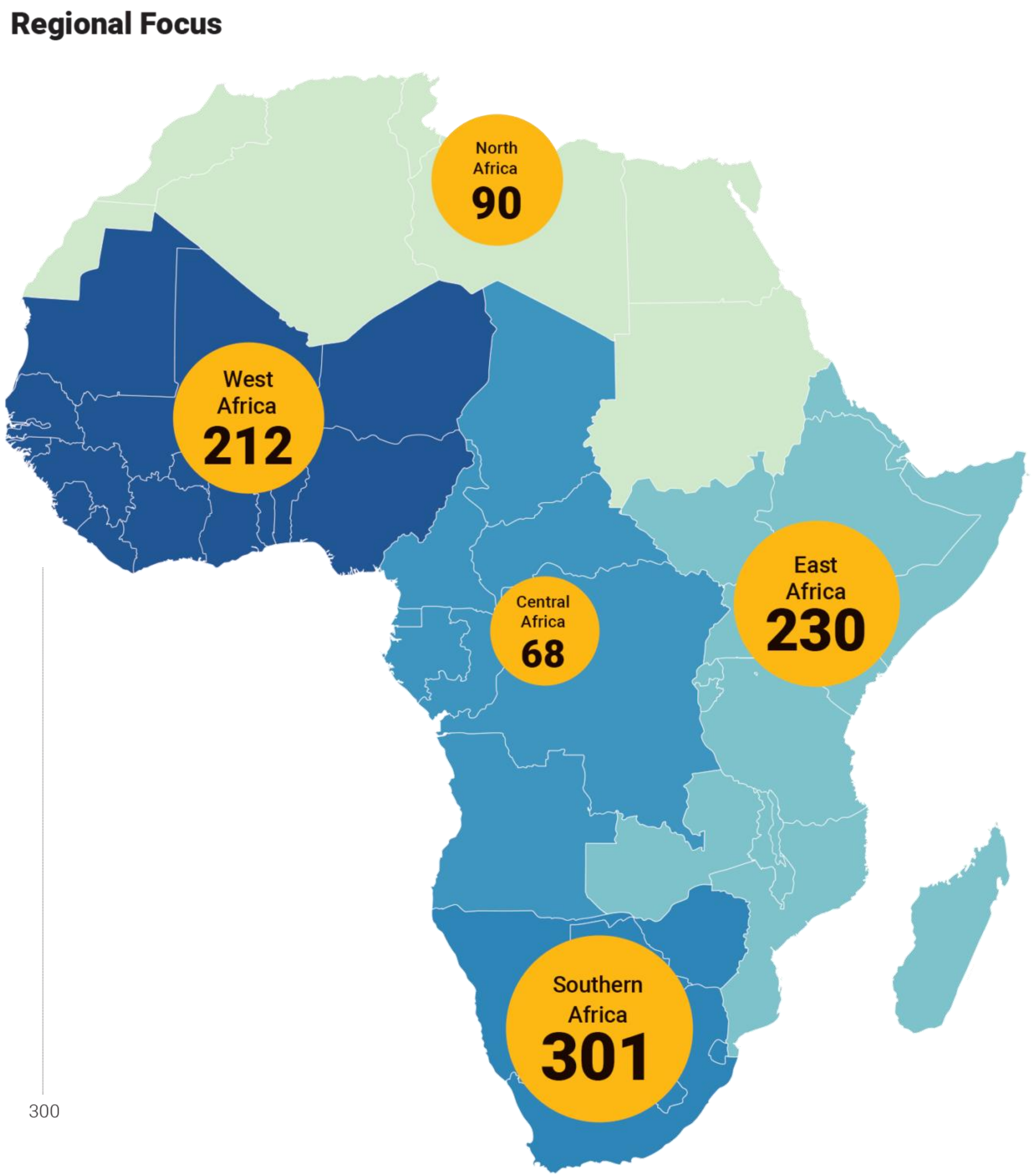
Africa's FDI relative to GDP compares favourably with other regions

Source: FDIMarkets (Financial Times), Oxford Economics, EY analysis.
GDP is in measured in nominal terms, FDI is the total capital invested in 'US$b'.

EY Africa Attractiveness Report, November 2021

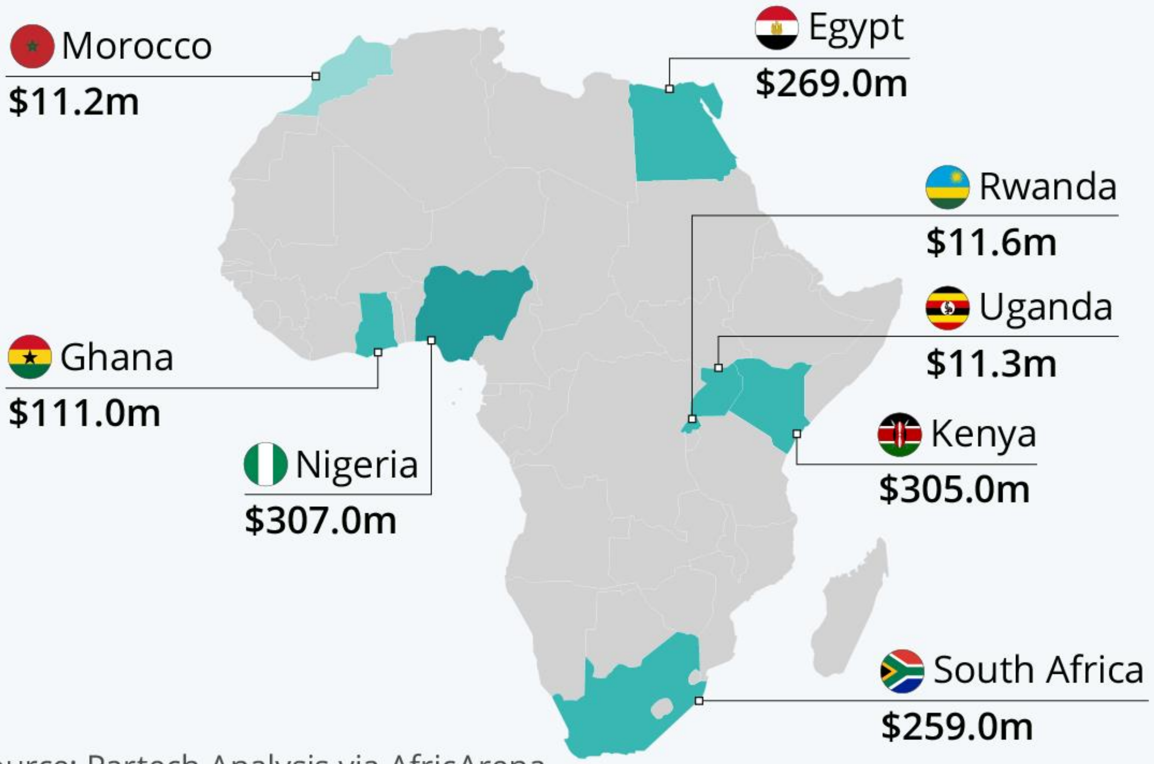
THE NUMBER OF PRIVATE EQUITY INVESTORS IN AFRICA – 70% ARE AFRICA-BASED





Where Africa's Startup Activity Is Concentrated

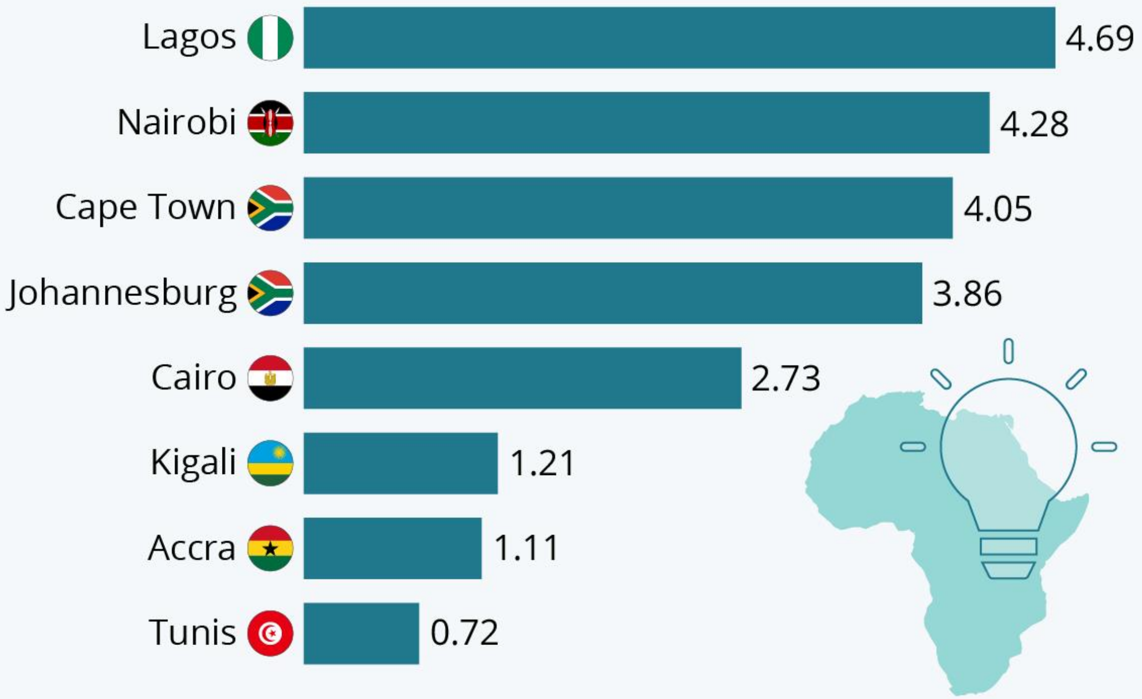
Top countries for VC investment in Africa in 2020 (in million U.S. dollars)



Source: Partech Analysis via AfricArena

Lagos Is Africa's Startup Capital

Leading cities for startups in Africa in 2021 (by total score)*



* Based on quantity (e.g. number of startups/accelerators), quality (e.g. number of unicorns, exits, pantheons) and business (national economic indicators) scores

Source: StartupBlink

statista

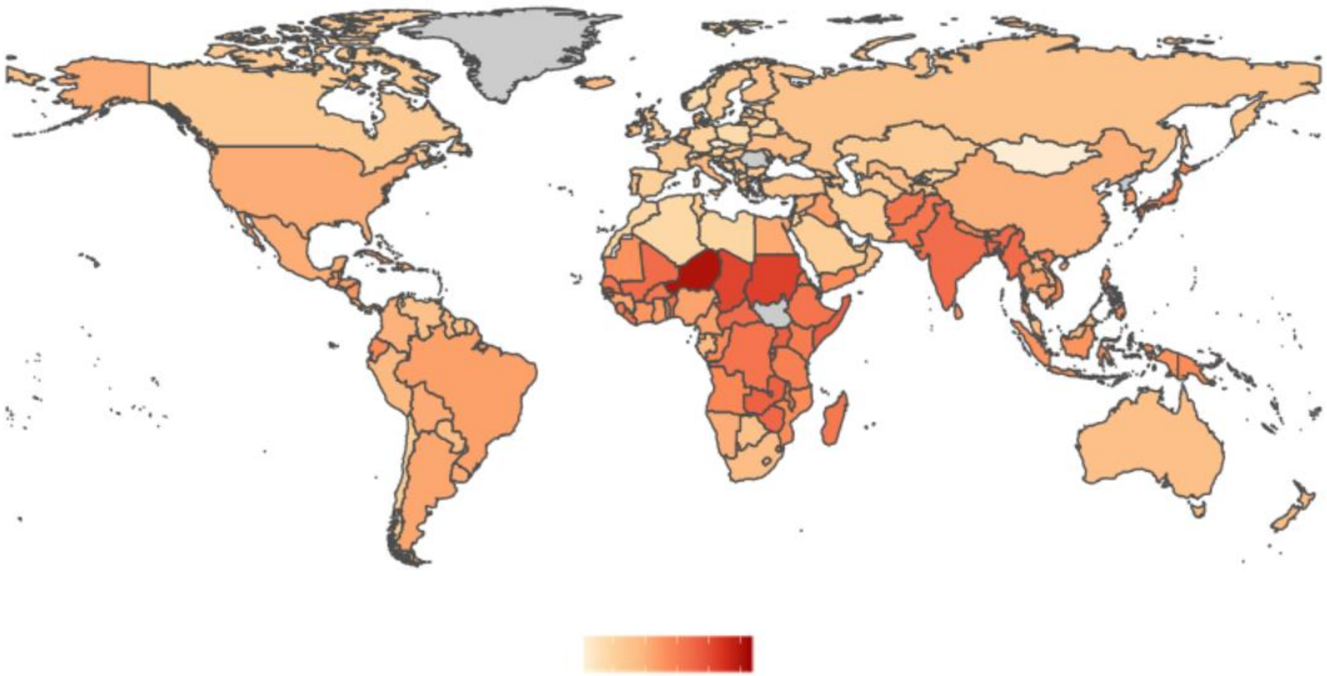
Africa’s installed generation capacity is equal to France – if Africa energises using fossil fuels, none of the Paris targets will be achieved and runaway global warming will result. The world has an interest in support the energy transition in Africa. Its happening.

Quarzazate (wa-za-zat), Morrocco

Climate shocks

Africa faces an outsized impact.

(index)



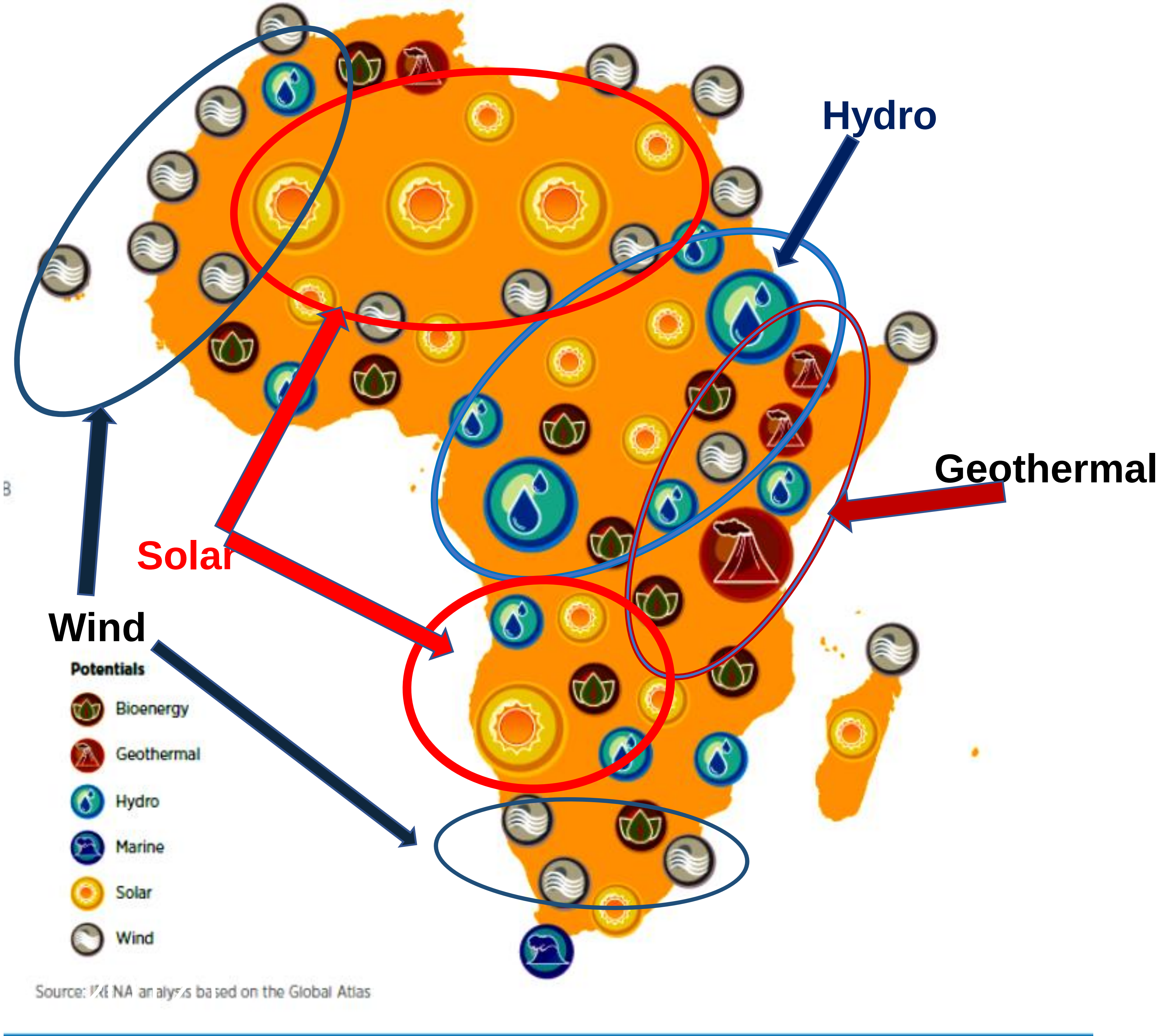
Sources: Notre Dame Global Adaptation Initiative, IMF, World Economic Outlook, and IMF staff calculations.

Notes: Index captures country-level exposure and sensitivity to climate shocks.

IMF

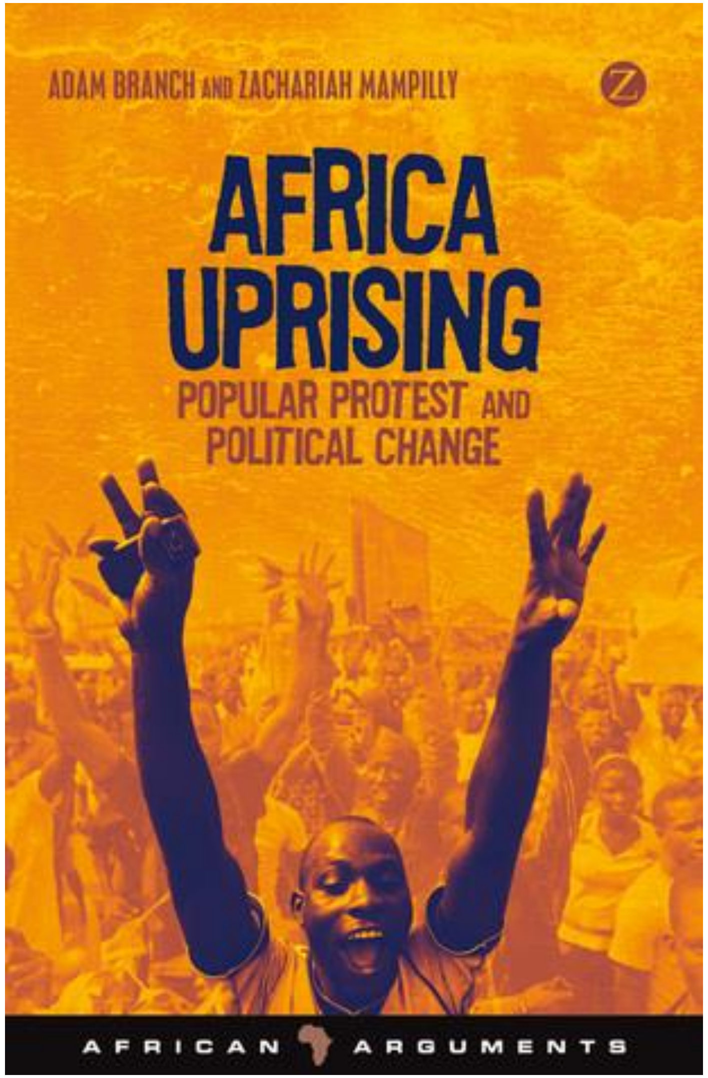
Africa's renewable energy resources

- Africa has the best solar resources in the world



TARGET:
300 GW BY
2050

Drivers of democratization – from the AU's African Peer Review Mechanism to Uprisings in 40 countries (hardly reported)



Third wave of uprisings: 1950s, 1990s and today – forces for democracy


AFRICAN CONTINENTAL FREE TRADE AREA
CREATING ONE AFRICAN MARKET
#AfCFTA2018 | 17-21 March 2018 | Kigali,Rwanda

Framing the Just Transition

1. Just low carbon – accelerate to RE asap to revive GDP growth, resulting in 'trickle down' wealth that will benefit the poor

2. Low carbon energisation plus social mitigation: accelerate RE, but with welfare interventions to mitigate negative impacts on coal & oil workers and their communities

3. Lower carbon plus social mitigation plus upstream industrialization: accelerated RE implementation should be used to instigate upstream industrialization wrt RE components, green hydrogen, electric vehicles, etc.

4. Just transition is only possible as part of a post-capitalist transition where the focus is public and social ownership of the means of energy production – 'energy democracy' movement

Greening industrialization means rethinking what industrial policy means……

- first generation IP: market failure, picking winners, state-driven, often resulting in rent seeking
- second generation: co-creation of value, setting the direction, facilitating joint strategies, political settlement making – not about picking winners or level playing fields to enable the market, but about tilting the playing field for directionality (i.e. green industrial transformation)

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Centre for
Sustainability Transitions

A TRIP TO 2030
Fostering Leadership and Transformative Change for Economic Diversification in Central Africa

Commissioned by UNECA

United Nations
Economic Commission
for Africa

But what about financing the transition?

Africa’s many financial challenges….

- 2% of $2.8 trillion of climate finance invested in RE for 2000-2020 went into Africa
- Cost of capital: 5-15%, compared to developed countries – 1-2%. 63% of all climate finance is debt, only 16% is concessional
- 37 of the 69 poorest countries are in debt distress – most in Africa
- 3-5% of African GDP is already spent on climate responses
- Capital flight: $2 trillion into tax havens, 1970-2014 – with interest = $2.4 trillion. 3 x African debt in 2018. Total ODA 1990-2015: $2.6 trn
-

Maybe its time for a rethink….

- CPI: $277 bn pa to achieve NDCs. Current level: $30 bn per annum, with most of this generated within Africa. Gap: $247 bn pa.
- Columbia Center on Sustainable Development: to achieve Net Zero by 2050 - $136 billion pa. Investment in all sources in 2018 was "less than US$4 billion". Funding gap: $132 bn.
- African Development Bank (AfDB): $1.4 trillion to fund Africa's NDCs over the period 2020-2030. Average of $127.8 billion pa. Current flows: $25-30 bn pa. Funding gap: $99.9 bn pa.
- Funding gap: $99 bn pa to $247 bn pa
- Maybe it is time for a new financial paradigm: not Keynesian (whether fiscal or monetary focus), and not market-centric. Alternative: monetary architecture approach – the financial eco-system is a web of interlocking balance sheets (Steffen Murau) – I lead the National Planning Commission's work on this


Can we dare to
break free from
old solutions to
new problems?