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B20 INDIA 2023

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ACTION COUNCIL ON

African Economic Integration: An Agenda for Global Business

Policy Paper

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Published by

Confederation of Indian Industry (CII)
The Mantosh Sondhi Centre; 23, Institutional Area,
Lodi Road, New Delhi 110003, India

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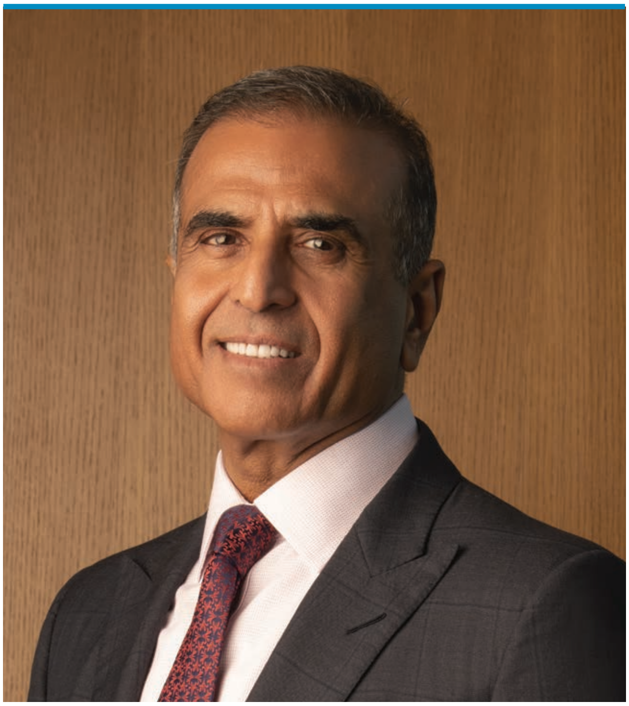


SUNIL BHARTI MITTAL
Chair, B20 India Action Council on African Economic Integration: An Agenda for Global Business, Founder & Chairman Bharti Enterprises

Over the years, the B20 has evolved into a critical pillar of the G20's deliberations, vocalizing the perspective of global businesses to enhance and strengthen the international trade order. The Government of India this year has committed itself to significantly intensifying the discourse pertaining to African economic development, as a part of its undertaking to amplify the voice of the Global South. The B20 Action Council on African Economic Integration: An Agenda for Global Business demonstrates this keen focus.

In its G20 Presidency, India has recognized the significance of African Economic Integration, not only for the continent's development and prosperity but also for larger global progress and business competitiveness. Indeed, the regional integration of Africa holds great promise in ensuring the stability and resilience of our global economic order, which currently is in the midst of notable tectonic shifts.

Led by India's appeal to her fellow members of the G20, this year's Presidency has seen historic endorsements towards the inclusion of the African Union into the G20 fold. The Action Council on African Economic Integration too has showcased unanimous support to this endeavour since the convening of its Inception Meeting. It is our firm belief that such measures will lead to an introspection on other leading multilateral congregations, strengthening them and broadening the base of their membership - particularly with regards to the African Union.

With 30% of the world's mineral reserves, 12% of its oil and 8% of global natural gas being housed in Africa, it is both imperative and beneficial for businesses to steer investments towards the continent. Over 50% of the world's projected population growth of 1.7 billion people in 2050 is anticipated to originate solely from Sub-Saharan African nations, underscoring the pivotal role that the African youth, its workforce and economy will assume in times to come.

The policy paper provides insights into how best the global business community can harness these natural endowments while strengthening existing economic activity in sectors such as agriculture. It also aims to deliver an understanding on the significance of digital and physical infrastructure for socio-economic progress, and offers indicators for public and private sector leaders to accelerate action on the most significant challenges and opportunities in Africa. I am grateful to the Co-Chairs and Members of the Action Council for lending their perspectives and valuable inputs in developing these recommendations.

Messages from Co-Chairs

With climate consciousness and clean energy as the future of our planet, Africa has the single largest opportunity to show the path to the world. As a continent with immense untapped renewable energy potential, it can meet the ambitions of its people while simultaneously leveraging the power of renewables. With only a few years left for the 2030 target of SDG 7 of the United Nations – "Ensure access to affordable, reliable, sustainable and modern energy for all" – global fora should come together to enable the universal energy access goal for the African continent – setting the primary base for larger economic integration.

PRATIK AGARWAL
Managing Director and CEO, Sterlite Power

In the pursuit of a more interconnected world, the African continent has emerged as a focal point for fostering economic integration and regional cooperation. This policy paper delves into the strategies and collaborative efforts required to enhance African economic integration, emphasizing the pivotal role of the global community and the transformative impact it can have.

This ambitious endeavor seeks to dismantle trade barriers, encourage cross-border investments, and foster closer collaboration in critical areas such as infrastructure development, trade facilitation, and policy harmonization.

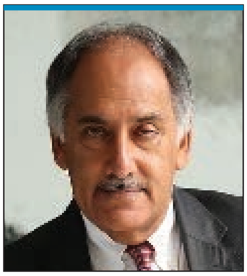
At the forefront of this integration drive lies the African Continental Free Trade Area (AfCFTA). By eliminating tariffs, streamlining customs procedures, and facilitating the movement of goods, services, and people, the AfCFTA represents a significant leap forward in African economic integration.

However, unlocking the full benefits of African economic integration demands concerted action and collaboration. The international community, including the G20, plays a vital role in supporting this endeavor. Through financial assistance, technical expertise, and capacity building, the G20 can empower African nations to implement integration initiatives effectively.

Moreover, advancing African economic integration necessitates a multifaceted approach. Strengthening infrastructure connectivity, promoting investment and private sector engagement, and cultivating regional value chains are pivotal steps toward fostering an integrated economic landscape. By harmonizing policies and regulations, investing in human capital and innovation, and prioritizing inclusive and sustainable development, African nations can unlock the full potential of economic integration.

By embracing cooperation, inclusivity, and sustainable practices, African nations can forge a path to increased trade, investment, job creation, and shared prosperity.

MAURO BELLINI
Chairman, Marcopolo's Board of Directors



I am honoured to serve as a Deputy-Chairman for the: "B20 India Action Council on African Economic Integration – An Agenda for Global Business."

I am the CEO of Business Unity SA (BUSA) and grateful that the B20 recognises the potential of the African continent. This work is critical as an input into the ongoing initiatives to enable integrated economic development and growth in Africa, including promoting and achieving substantively increased intra-African trade. It is particularly pertinent at a time when actors in Africa are implementing the Africa Continental Free Trade Agreement and we are preparing for negotiation on the continuation of AGOA.

The five areas of focus are very germane to Africa's growth and development, being:

- Accelerating human capital development
- Transforming agriculture and food systems
- Structural transformation of the African economy
- Trade facilitation and reduction of barriers to trade
- Physical and digital connectivity

BUSA is fully committed to work with the B20 and African partners in impressing on the G20 the criticality of these interventions, making progress towards implementing these and demonstrating tangible results and impact. These are all important for addressing some of the structural issues impeding the realisation of the full potential of Africa and it is playing the leading role it must in its own development and positioning on the global socio-economic stage. Africa is a continent with abundant human resource, minerals, agricultural opportunities and the possibility of leapfrogging in areas of digital solutions for access to finance and other areas.

We look forward to following through on the excellent work undertaken by the B20 India Action Council on African Economic Integration and will play our role in enabling our continent to achieve its full potential and make its contribution to global development.

CAS COOVADIA
CEO, Business Unity South Africa

It is only right that B20 India has placed African economic integration squarely on the G20 Agenda.

As an entrepreneur and philanthropist, investing in people and businesses across Africa, I see every day the potential of our continent. As a realist, I am only too aware of the barriers to trade and business, within and, equally importantly, beyond Africa. When I created the Tony Elumelu Foundation, Africa's leading philanthropy empowering thousands of young African entrepreneurs from all countries in Africa, I wanted to catalyse change. In just over a decade, we have touched and transformed thousands of entrepreneurs.

We need to see the same dynamic, sense of urgency and mission taken up by African policy makers and our international partners. As a Co-Chair of the B20 Action Council on African Economic Integration, I am delighted by the way in which our Action Council, led by Sunil Mittal, has championed the task of developing robust policy recommendations, geared towards the effective integration of Africa into the global system.

With my experience in the African private sector, I know where our focus needs to be:

1. Accelerating human capital development: Skilling and upskilling the young African workforce, so we can deepen our value chains in Africa.
2. Transforming agriculture and food systems: We know Africa can feed itself and many others. We need to see a genuine and sustainable green revolution in Africa.
3. Structural transformation of the African economy: This cuts across critical sectors: power, infrastructure and human capital. There is a need to focus on entrepreneurship and the creation new businesses. Young Africans are increasingly entrepreneurial, there is an urgent need to create and design policies that support this growing ecosystem and the realities of being an African entrepreneur.
4. Trade facilitation and reduction of barriers to trade: With the ratification of the Africa Continental Free Trade Agreement (AfCFTA), the continent must take advantage of what is now the largest free trade area in the world to accelerate development, build comparative advantage and better integrate with itself and the rest of the world.
5. Physical and digital connectivity: The world is going through a 4th Industrial Revolution. We have seen rapid advances in technology, data and AI. Africa must leverage technology to accelerate its development trajectory, it is the backbone and enabler of the continent's economic growth. Therefore, it is imperative that the physical and soft infrastructure needed for the continent to take advantage of technology receives the required investment.

Africans and friends of Africa must focus efforts in addressing the largest stakeholder group in Africa, our young people. Africa's youth population is about 65-70% of the population. Solutions that do not effectively address this group will simply not work. Africa has unmatched potential, whether it be in natural resources or human capital. That is why we must all come together to ensure that the continent realizes the significant gains from its unique demographic dividend.

My economic philosophy of Africapitalism advocates that we must think long-term and be strategic, if we are to transform the continent. The private sector and public sector must work in tandem to unlock the real potential of continent.

TONY ELUMELU
Chairman, Heirs Holdings Ltd

It is our great pleasure to issue this report of the Action Council on African Economic Integration to the G20 leadership as well as the global business community

It is an urgent time for the African continent: while growth has somewhat returned post-pandemic, we must keep an eye beyond the present day. We have seven short years remaining to achieve the 2030 SDGs: as this report lays out, this period will be crucial to move from an "aid for Africa" mentality to strengthen the foundations of resilient, self-sustaining growth befitting 1.4 billion people especially given our young demographic.

To assure Africa's full participation in the global economy, the strengthening of human capital outcomes across health and education; the transformation of agriculture; enhancement of existing and new trade facilitation initiatives for intra-continental and global integration of the African single market and finally, the enhancement of physical and digital connectivity of the content, are paramount.

Trade –both intra-continental as well as international – will be essential to bring this vision to fruition. The good news is that four years after the African Continental Free Trade Area (AfCFTA) entered into force, and with the world looking for new sources of growth post pandemic, there has never been a better time than now to talk about trade in Africa.

In this report we lay out the key pillars to creating trade fit for the future for Africa covering capacity building and financing for key sectors; building digital infrastructure to drive inclusion and efficiency, particularly for SMEs; trade facilitation for seamlessness and connectivity; and an enabling policy environment.

All of these are within reach. We look forward to working with the G20 leadership to move swiftly towards implementation.

VALENTINA MINTAH
Executive Board Member, ICC

African women have been trading across borders for generations, and their role in Africa's economic integration cannot be underestimated.

Women in Africa are driving the great reset and transformation towards sustained change through their leadership in emergency response, delivering equitable and inclusive health systems, and strengthening social and economic systems amidst all kinds of threats like the COVID-19 pandemic, wars, climate change, etc.

However, despite their contributions, the majority of African women are still impoverished, with limited access to education, employment, and government positions.

African women are seeking ways to overcome obstacles and demand action to address the marginalisation of women and ensure accountability for agreed-upon goals.

In order to achieve sustainable economic development and integration in Africa, it is essential to reduce poverty among women, stop violence, provide access to education and healthcare, and reduce economic and political inequality. African countries and forums like this one must recognize and reward women's work, contributions, and leadership during the pandemic, and involve women in decision-making and leadership positions at all levels.

In conclusion, women have a crucial role to play in Africa's economic integration. Their contributions need to be recognized and rewarded, and they need to be involved in decision-making and leadership positions at all levels. Organizations and forums that work towards empowering women in Africa need to be supported, and efforts need to be made to reduce poverty, stop violence, provide access to education and healthcare, and reduce economic and political inequality. Many thanks.

PATRICIA NZOLANTIMA
Founder, Bizzoly Holding

As for most developing economies, Africa's reliance on agriculture continues to remain high. With more than 55% of the population engaged in agriculture, particularly emerging farmers, there is immense scope to improve livelihoods as food systems mature and the continent continues to industrialize. Given its abundant arable land and favourable soil quality, the continent has the potential to become the breadbasket of the world. Through development programs on sustainable and improved farming practices, Africa has the ability to participate in international value chains, significantly improve livelihoods through increased income and improve its food production to contribute to global food security.

Recognizing the importance of agriculture, the Action Council has prioritized this sector in its discussions, and the recommendations put forth serve as a roadmap for the agricultural progress of the continent.

BIRJU PATEL
Joint CEO, ETG World

As a business group with a strong presence across several African nations, we have firsthand experience of the challenges and immense potential of the continent. Its vast landscape and the significant distance between key cities make transport infrastructure a key enabler of intra-continental development and regional integration. Moreover, accelerated infrastructural development would set the base for multi-sectoral integration into global value chains. Having a strong mix of recommended business-oriented and social development initiatives, it is exciting to think of the potential impact of this council's recommendations.

SUDARSHAN VENU
Managing Director, TVS Motor Company

BETHLEHEM TILAHUN ALEMU
Founder and CEO, Solerebels

Recommendations: Executive Summary

Recommendation 1 – G20 should support the African continent's ambition of strengthening human capital outcomes, with particular emphasis on women empowerment, across health and education

Policy action 1.1: Enable mobilization of private capital in the health sector in Africa

Policy action 1.2: Support formulation of national education strategies and plans to improve primary, secondary and tertiary education outcomes

Recommendation 2 – G20 should introduce new or support existing initiatives to transform the agriculture sector in Africa through empowering smallholder farmers and increased mechanization

Policy action 2.1: Set the base for agricultural transformation through farmer education initiatives, ensuring availability of high-quality inputs and promoting sustainable agricultural practices

Policy action 2.2: Accelerate farming productivity through increasing penetration of irrigation systems, driving adoption of mechanized solutions and technologies and creating a global market for African agri-products

Policy Action 2.3 – Enable access to capital across the larger value chain and empower African nations to meet CAADP targets

Recommendation 3 – G20 should support the structural transformation of Africa through initiatives that encompass 3 key policy actions

Policy action 3.1: Support industrialization through facilitating private investment and technology adoption

Policy action 3.2: Support the growth of MSMEs in Africa, specifically through formalization and improving access to finance

Policy Action 3.3 – Accelerate the pace of enabling universal electricity access in Africa, with a focus on driving investments in renewable energy

Recommendation 4 – G20 should enable existing and introduce new trade facilitation initiatives for intra-continental and global integration of the African single market

Policy action 4.1: Maximize potential of AfCFTA through initiatives accelerating its implementation and supporting intra-continental trade in Africa

Policy action 4.2: Reduce trade barriers and implement trade facilitation initiatives to support global trade with African nations

Recommendation 5 – G20 should support the African Union's vision of improving physical and digital connectivity, through developing the continent's transport and ICT infrastructure

Policy action 5.1: Bridge the transport and ICT infrastructure financing gap by facilitating an increase in private finance and FDI

Policy action 5.2: Accelerate universal access to affordable high-speed broadband and internet infrastructure. Empower the private sector to build digital capabilities and foster an enabling ecosystem for digital businesses

Recommendation 6 – G20 should facilitate coordination and channelization of resources towards customized initiatives for African nations, driven by need and demand from within the continent

Policy action 6.1: Set up a G20 Centre on African Economic Integration that would act as a nodal point in identifying opportunities to accelerate economic integration of Africa and would bring a concerted effort to channelize multiple or fragmented development initiatives

Introduction

Currently home to over 1.3 billion people, Africa's population is poised to nearly double by 2050, reaching 2.5 billion. This demographic growth translates into an expanding consumer base and a growing young workforce, presenting vast market opportunities for goods and services. As disposable incomes rise and the middle class expands, consumer spending is expected to increase, fueling economic growth. By recognizing Africa's economic potential, fostering trade and investment, investing in human capital and innovation, and promoting larger sustainable development, the international community can forge partnerships that benefit not only Africa but the global community as a whole. The subject of African Economic Integration is apt for addressal by the global business community through the Business20 (B20), which is one of the most significant private sector engagement groups the world over.

The African continent has the potential to participate in the global economy much more than it currently does, as indicated by its relatively low share in global production and trade (Africa currently has <3% share in both global manufacturing[1] and trade[2]). Most African economies have low per capita incomes, with Sub-Saharan Africa's GDP per capita (PPP) at about USD 3,900 as compared to the global average of about USD 18,000[3].

African countries have come together in the African Union (AU) to identify development opportunities and devise a roadmap for intra-continental cooperation and growth, primarily in the form of Agenda 2063 and the African Continental Free Trade Area (AfCFTA), keeping in mind the Sustainable Development Goals (SDGs) of the United Nations and the 2030 target for their achievement. It is imperative for the G20 along with B20 to support and enable this journey. There are already several noteworthy initiatives running across the continent – on a bilateral and multilateral basis as well as through global philanthropic communities and the private sector – to enable the overall socio-economic development of Africa. G20 and B20 efforts should focus on augmenting and catalyzing these existing efforts.

This Action Council on African Economic Integration is a newly formed forum under India's 2023 Presidency. The focus of the agenda on Economic Integration is intended to dispense a wide range of benefits, while addressing primary challenges faced by the continent and its businesses. The recommendations of this council focus on bridging structural gaps to achieve trade promotion and overall socio-economic development through a harmonized and competitive market, with increased participation of the private sector from across the world. While the specific agenda of African Economic Integration is novel to G20-B20, the focus on the African continent has formed some part of discourse historically. The "G20 Compact with Africa (CWA)", initiated under the German G20 Presidency (2017), was introduced with the aim of promoting private investment in Africa. It intended to bring together reform-minded African nations and bilateral partners from G20 and beyond to coordinate country-specific reform agendas, especially through encouraging policy reform measures and increasing awareness of private sector investment opportunities.

The latest CWA monitoring report was released in May 2022 as a collaborative effort between the World Bank Group (WBG), the International Monetary Fund (IMF), the African Development Bank (AfDB) and the governments of the CWA nations. This report highlights that the 12 African nations that have signed up to the CWA have fared relatively better than their peers in the continent, in standing up to global challenges. The report also brings out the fact that there is a lot more that the G20 as well as the global business community can do to support economic integration initiatives in Africa, which is what this Action Council aims to spearhead.

Going forward, the G20 must promote the inclusion of the development agenda of Africa in the G20 process through strategic focus on global

1 Industrialize Africa, African Development Bank Group, www.afdb.org

2 Greater and More Diverse Participation in Global Trade is Key to Achieving Africa's Economic Transformation, February 2022, World Bank Group press release – www.worldbank.org

3 World Bank Development Indicators – www.data.worldbank.org

initiatives that complement the phase wise agenda the African continent sets for itself. It should endorse the agenda of the African Common Market and accordingly, G20's joint efforts should be directed towards integrating the African continent with the wider global economic ecosystem by fostering an enabling environment for overall growth and development.

The B20 thus unequivocally echoes the stand of India's G20 Presidency on inclusion of the AU in the G20 by bringing it in as a permanent member, enabling inclusion of over 1.3 billion additional people into this forum that is a beacon of multilateral cooperation and development. This idea of potentially extending the G20 to form the G21 through inclusion of the AU has also been endorsed by several world leaders, the private sector, academia, media and think tanks time and again over the recent years - the B20 supports this call for inclusion.

We propose five key priorities for B20 India, to facilitate economic integration of the African continent:

- Accelerating human capital development
- Transforming agriculture and food systems
- Structural transformation of the African economy
- Trade facilitation and reduction of barriers to trade
- Strengthening physical and digital connectivity

These priorities are in line with the primary goals of the African Union's Agenda 2063 and the SDGs of the United Nations.

Recommendation 1

G20 should support the African continent's ambition of strengthening human capital outcomes, with particular emphasis on women empowerment, across health and education

Policy actions

Policy action 1.1 Enable mobilization of private capital in the health sector in Africa

Policy action 1.2 Support formulation of national education strategies and plans to improve primary, secondary and tertiary education outcomes

SDGs impacted

3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

SDG 3 – Good health and well-being: Ensure healthy lives and promote well-being for individuals of all ages

SDG 4 - Quality education: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

Indirectly, the recommendations also contribute to SDG 8 (promoting inclusive and sustainable economic growth, and decent work for all) and SDG 10 (reducing inequalities among the countries).

Indicative KPIs to track

	Current	2025 target
Sub-Saharan Africa: Human Capital Index (HCI) score Source: World Bank	**0.4 (2022)**	**0.45**

CONTEXT

a. Demographic overview

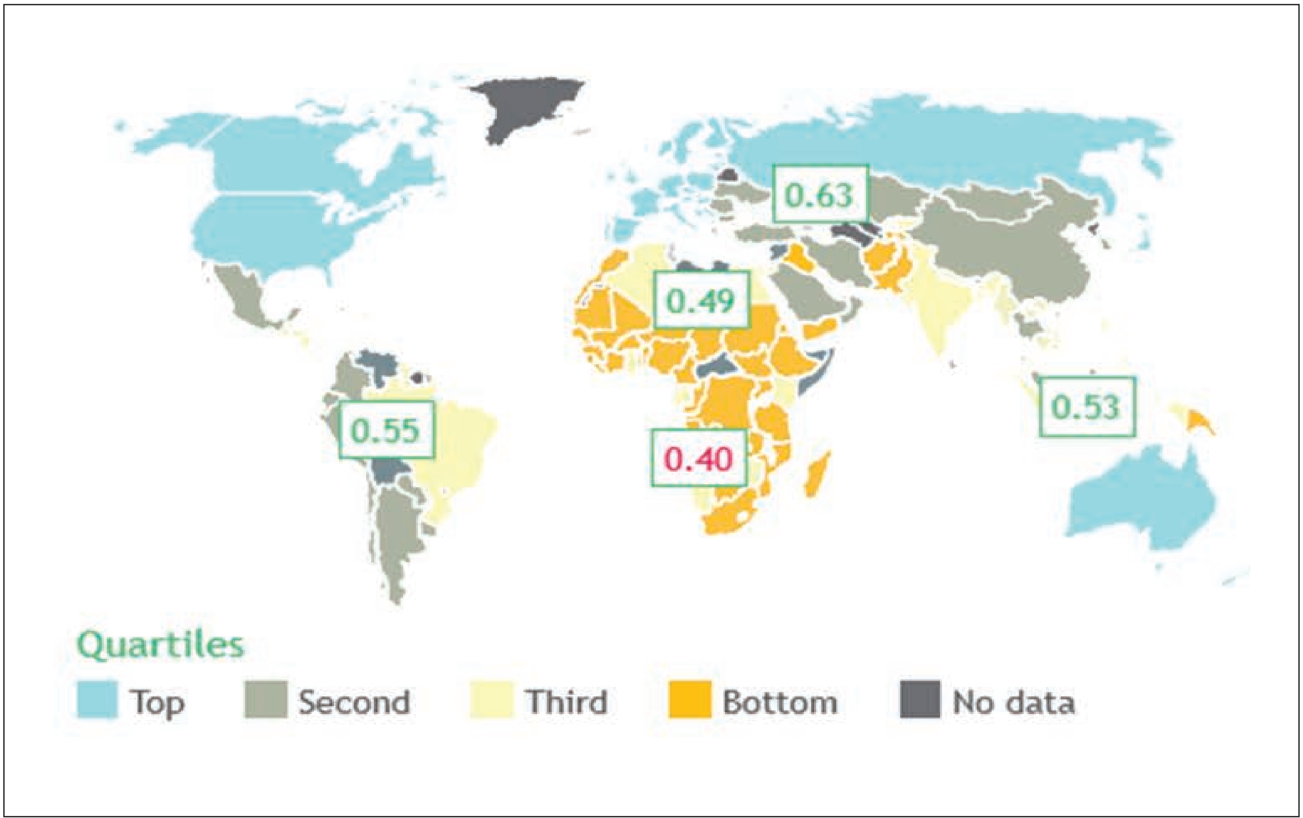
With 3 of every 5 people under the age of 25, and half of its population between 3 and 24 years of age, Africa has the youngest population of any continent. In 2020, the population under the age of 25 was nearly 800 million, with 677 million between 3 and 24 years old. AfDB reports that while 10 million to 12 million youth enter the workforce in Africa each year, only 3 million formal jobs are created annually[4].

Human capital index

The World Bank's HCI measures the potential productivity of the next generation based on health and education outcomes. Africa's HCI score was 0.4 (2019), compared to a global average of 0.57. This means that under current conditions, children born in Sub-Saharan Africa today will be only 40% as productive when they grow up as they could be if they had complete education and full health (as defined by the index)[5]. Africa's human development indicators present a challenge and indicate the need for more rapid improvement, especially with the constant risk of population growth outpacing progress.

Human capital is an important pillar of economic integration for Africa. Human capital investments and interventions create an enabling environment for economic development by nurturing the link between growth and human well-being, through holistic interventions that focus on leaving no one behind.

Exhibit 1 I Human Capital Index (HCI) scores across regions



Source: Africa Human Capital Plan, Powering Africa's Potential Through Its People, July 2022, The World Bank Group - www.worldbank.org

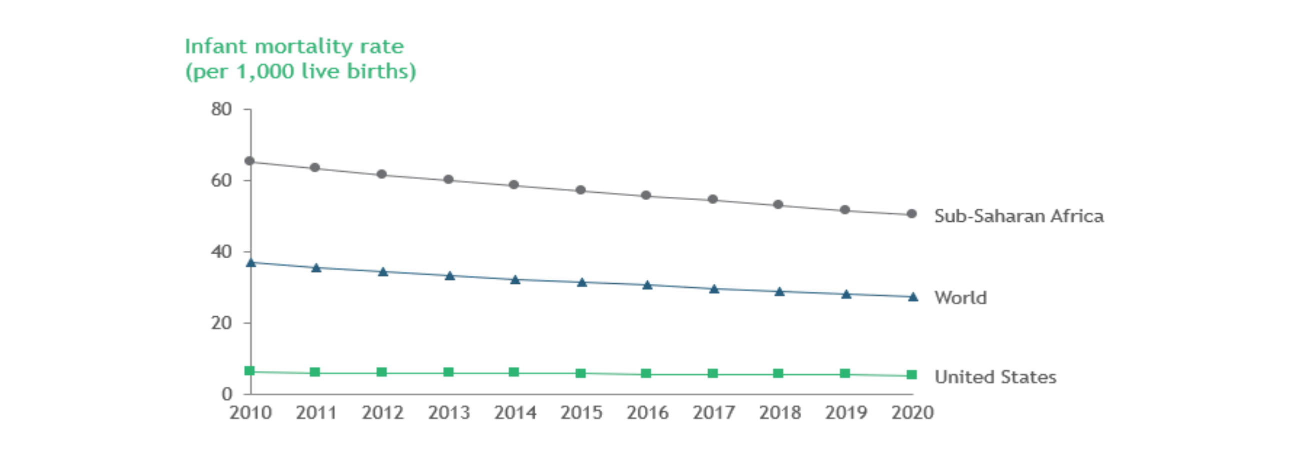
4 Jobs for Youth, African Development Bank group - www.afdb.org

5 Africa Human Capital Plan, Powering Africa's Potential Through Its People, July 2022, The World Bank Group - www.worldbank.org

b. Health

With 15% of the world's population, Africa accounts for 50% of global deaths from communicable diseases and 24% of the overall global disease burden[6]. It accounts for around 2% of global health expenditure[7]. Sub-Saharan Africa sees poor health metrics in many areas. For example, infant mortality, although gradually decreasing, stands at 50 deaths per 1,000 live births, with the global average at 27.

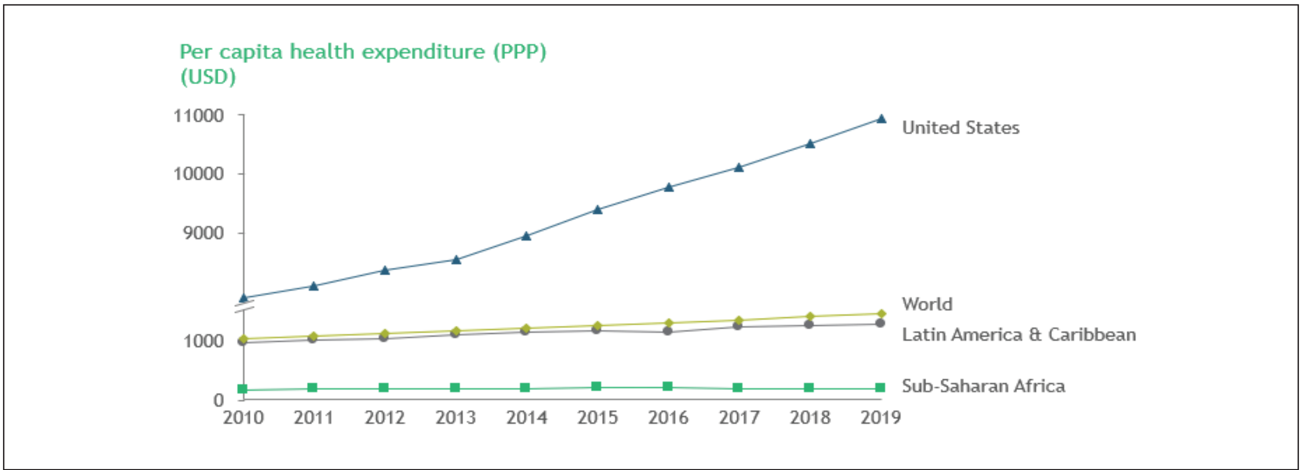
Exhibit 2 I Infant mortality rate (per 1,000 live births)



Source: World Bank Development Indicators - www.data.worldbank.org

The average annual capital expenditure in the health ecosystem in Africa currently stands at ~USD 4.5 billion. This indicates a considerable gap compared to the ~USD 26 billion per annum estimated requirement to meet evolving health needs over the next decade[8]. Per capita health expenditure (PPP) in Sub-Saharan Africa is amongst the lowest in the world, at ~USD 190, as compared to the global average of ~USD 1,500. Across Africa, only 10-20% of investment in health service delivery infrastructure is currently mobilized by the private sector[9].

Exhibit 3 I Per capita health expenditure (PPP)



Source: World Bank Development Indicators - www.data.worldbank.org

6 Strategy for Quality Health Infrastructure in Africa (2022-2030), May 2022, African Development Bank group - www.afdb.org

7 Investing in Health - Investments in HIV, health and pandemics are vital for economic recovery in Africa, 15 February 2022, www.unaids.org

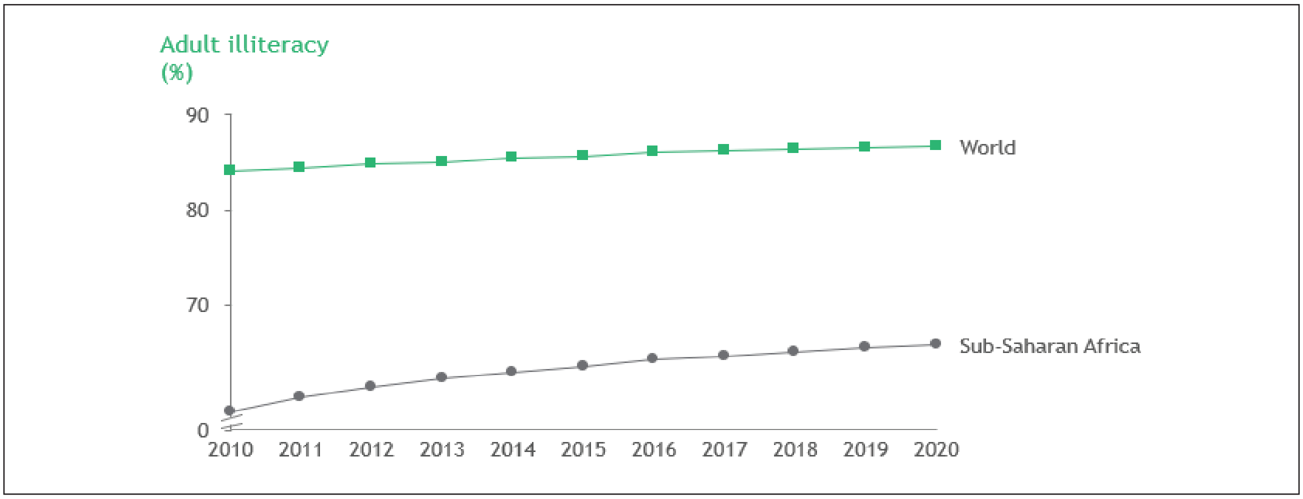
8 Strategy for Quality Health Infrastructure in Africa (2022-2030), May 2022, African Development Bank group – www.afdb.org

9 Strategy for Quality Health Infrastructure in Africa (2022-2030), May 2022, African Development Bank group - www.afdb.org

c. Education

Africa has achieved progress in improving basic literacy outcomes over recent years, however, efforts are still required to bridge the gap. In 2020, the adult literacy rate in Sub-Saharan Africa stood at 66%, with 87% being the global average. Youth literacy in Sub-Saharan Africa came in at 77%, with 92% being the world average[10].

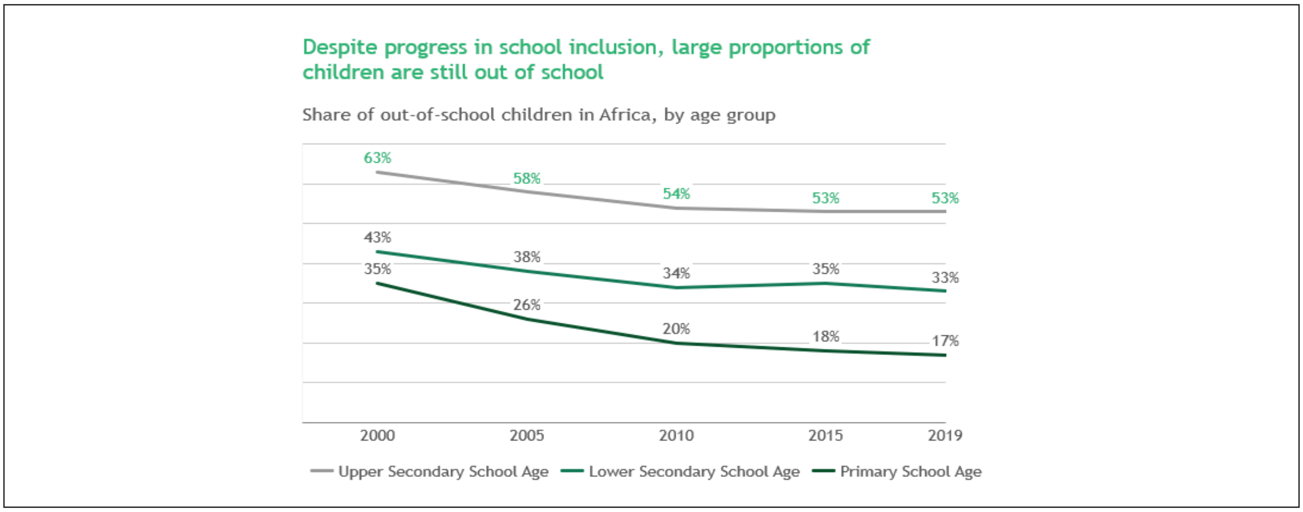
Exhibit 4 I Adult illiteracy (% of adults)



Source: World Bank Development Indicators - www.data.worldbank.org

Africa has the largest return on education of any continent, with each additional year of schooling raising earnings by as much as 11% for boys and 14% for girls[11] – indicating immense potential. The continent has achieved progress in recent years in reducing the percentage of children out-of-school for primary and secondary education, as seen in the graph below.

Exhibit 5 I Share of out of school children in Africa by type of schooling



Source: Transforming Education in Africa, An evidence-based overview and recommendations for long-term improvements, September 2021, UNICEF and The African Union Commission – www.unicef.org

10 World Bank Development Indicators - www.data.worldbank.org

11 The Human Capital Project in Africa: Stories of Progress (English). Washington, D.C., World Bank Group – www.worldbank.org

However, it is estimated that the absolute number of out-of-school children has been increasing since 2010 largely on account of population growth outpacing progress. In 2019, there were 105 million children of primary and secondary school age who were not enrolled in school[12]. Girls in Africa are also disproportionately affected by reduced access to education. The COVID-19 pandemic aggravated dropouts for adolescent girls. In a bid to keep girls enrolled, G7 leaders in 2021 pledged USD 2.75 billion to support the education of 40 million girls over the next 5 years[13].

Apart from primary human capital indicators that factor in foundational levels of learning, Africa also needs to focus on equipping its population with employable skills and making it job ready. In most industrialized countries, technical and vocational education and training (TVET) plays a very important role in producing the skilled workforce that underpins industry and propels economic growth. With the requisite practical training, the growing population comprising the youth of Africa can benefit greatly through skilled work opportunities.

Policy Action 1.1: Enable mobilization of private capital in the health sector in Africa

1.1.a Work to support policy changes and consider incentives enabling rapid mobilization of capital from private investors, DFIs (Development Finance Institutions) and philanthropists into health infrastructure and services

With broadening fiscal deficits, African governments now have diminished capacities to address health infrastructure deficits in the short to medium term. African governments can leverage their wide-reaching global diaspora, drawing inspiration from developed economies like India who enabled fiscal and non-fiscal incentives, attracting FDI into the health sector through systemic reforms and easing of regulations. Such reforms included easing foreign equity participation approval norms, duty exemptions, tax holidays and free-treatment clauses to balance investor as well as consumer needs[14].

Similar incentive schemes could be replicated in Africa, to propel private investment in Africa's healthcare ecosystem. Development partners, including private foundations, could also thus increasingly contribute to the financing of health infrastructure.

1.1.b Introduce measures to reduce out-of-pocket healthcare spending through fostering risk-pooling schemes including private insurance

Risk-pooling schemes can be immensely beneficial, not only to reduce the burden on households but also to give impetus to skilled employment and increase investment in sectors like insurance, ultimately contributing to an increase in the overall funding pool for health spending and infrastructure, attracting private investment throughout the healthcare value chain.

G20 nations can support the African continent in several ways:

a. Support individual governments in formulating national schemes and strengthening regulatory frameworks, bringing out customized risk pooling strategies in national plans through a combination of governmental spending, social security measures and private sector participation

b. Leverage philanthropic communities to channel aid towards private risk pooling organisations to give impetus to the private sector in this space. This could be in the form of subsidized premiums for the poorest communities

c. Promote and support the expansion of insurance service providers into Africa

12 Transforming Education in Africa, An evidence-based overview and recommendations for long-term improvements, September 2021, UNICEF and The African Union Commission – www.unicef.org

13 G7 leaders jointly announce at least USD 2.75 billion for GPE, June 2021, www.globalpartnership.org

14 African Development Bank Group, Strategy for Quality Health Infrastructure in Africa 2022-2030, 18 May 2022, www.afdb.org

d. Promote technical knowledge transfer and support to facilitate creation and maintenance of statistical systems to enable real-time access to all relevant health data for policymakers.

1.1.c Bring together development partners, social impact funds and similar organisations to support or introduce healthcare focused funds such as the Health in Africa Fund and bolster funding to small and medium healthcare focused enterprises such as clinics, diagnostic labs and small hospitals

The Health in Africa Fund, for example, was a private equity fund set up by joint contributions from International Finance Corporation (IFC), a member of the World Bank Group, AfDB, the Bill & Melinda Gates Foundation, and the German DFI - DEG. This fund invested in small and medium-sized companies in Sub-Saharan Africa, such as health clinics and diagnostic centres, with the goal of helping low-income Africans gain access to affordable, high-quality health services.

Collaborative funding structures can help catalyze the Public-Private Partnership model in African healthcare, whereby project funding can be shared by stakeholders such as African governments, global DFIs, private investors and donors, thus growing the available pool of resources and mitigating risks. Innovative finance measures such as blended finance (covered in detail later in this policy paper) can also be leveraged to reduce risks to increasingly attract private capital.

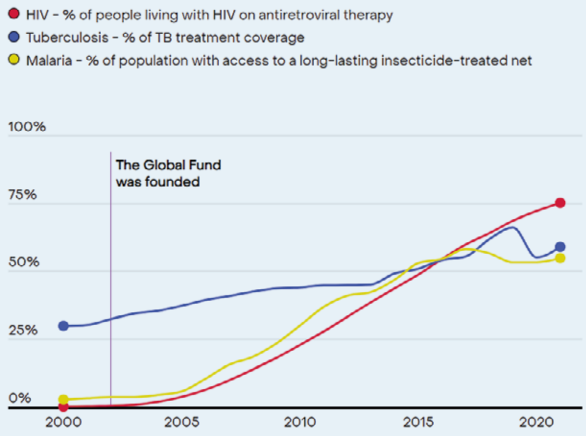
Case study: The global fund

In 2002, in an act of "extraordinary global solidarity and leadership," the world came together to create the Global Fund to fight what were then the deadliest pandemics confronting humanity. Over the 20 years that followed, the Global Fund partnership has disbursed and invested more than USD 55 billion in the fight primarily against 3 diseases – HIV (Human Immunodeficiency Virus), TB (Tuberculosis) and Malaria. The Fund has also immensely supported COVID-19 relief measures across the world's least developed countries (LDCs). The African continent continues to be one of the primary focus regions of the Fund.

The Global Fund is a prime example of the potential of impact when stakeholders - ranging from governments and philanthropic donors to private organisations, academia and civil society - come together with efforts focused on solving targeted problems. Contributions are not limited to funding alone but also encompass leveraging unparalleled on-ground networks to implement initiatives.

The Fund's 2022 Results Report highlights that health programs supported by the Global Fund partnership have saved over 50 million lives as of the end of 2021. Over 23 million people are successfully on antiretroviral therapy for HIV, over 5 million people have been treated for TB and over 130 million mosquito nets have been distributed.

The below chart illustrates the extent of progress made globally on combating these diseases since the inception of the Fund.



Malaria coverage for 38 African countries for which data is available from WHO/ Malaria Atlas Project estimates in countries where the Global Fund invests. HIV and TB estimates are based on all aountries where the Global Fund invests. Based on published data from WHO (2022 release for TB and Malaria) and UNAIDS (2022 release).

Replication of a structure like the Global Fund for other health initiatives - and even beyond health to cover education, skilling, etc., can have unparalleled benefits, bringing the power of capital and specialization together to solve existing challenges.

Source: The Global Fund Results Report 2022; www.theglobalfund.org

Policy Action 1.2: Support formulation or improvement of national education strategies and plans to improve primary, secondary and tertiary education outcomes

1.2.a Support formulation or strengthening of national education strategies and masterplans for all African nations, along with reliable statistical systems ensuring careful monitoring and periodic reporting of data on learning outcomes, investments, initiatives, and programs, amongst others

African nations would gain from initiatives by G20 nations, such as knowledge-sharing programmes, in setting of national visions and formulation of high-level policies including:

a. Defining standards and setting national level education targets across primary, secondary, and tertiary education

b. Introducing policies and systems for real-time monitoring and reporting

c. Budget and resource management to optimize and maximize allocation to education

d. Set out stringent norms for education expenditure audits, to increase transparency, prevent leakages and drive future decisions.

1.2.b Encourage initiatives to boost school enrolment and attendance and lower dropout rates

There is a need to ensure carefully updated school textbooks and curriculum, with relevant, up-to-date, research-backed, and practical knowledge for students, which would contribute to boosting enrolment. G20 nations could support African governments through helping curate strategies to transform education systems. This can be through contracting education experts and leveraging global best practices through knowledge-sharing initiatives, amongst others.

Another priority for Africa is to reduce dropout rates and ensure attendance. African nations may introduce innovative measures to improve outcomes, such as expanding coverage and expenditure on school meal programmes and further supplementing these with the provision of anti-worm medicines and vitamin and iron supplement tablets to students, thus contributing to their basic health and nutrition requirements as well. Closer monitoring of school dropouts, especially girls, by village councils could also be encouraged, with real-time root-cause analysis at the micro-region level supplementing decision making and investment determination. Embedding mechanisms like conditional cash transfers into running multi-stakeholder development programmes could be another way to support continued education

1.2.c Strengthen focus on upskilling and right-skilling by promoting TVET programs to build practical skills in line with market needs

On average, the percentage of young people between the ages of 15 and 24 enrolled in vocational education is estimated at only 3% in Africa[15]. G20 nations can support African governments to formulate or improve their national TVET strategies and grow TVET adoption through:

1. **Public education:** Educating students and parents on the transformational effects of TVET and their historical role in the development of global economies is paramount. There should be an additional focus on educating students on the potential of digital skills and literacy

2. **Gap identification:** Each country could customize its TVET strategy based on its relative strengths, priority sectors and market demand. Skill gaps need can then be identified on a regional basis within each nation to formulate an overall TVET strategy in partnership with the private sector

15 African Union, Digital Education Strategy, 25 November 2022, www.au.int

3. **Monitoring and reporting mechanisms:** It is essential for every TVET strategy to have a corresponding monitoring mechanism that tracks and reports on initiatives and success metrics to facilitate decision-making at the highest levels

4. **Multilateral and bilateral initiatives:** G20 nations can announce dedicated support programs to promote TVET either bilaterally or through multilateral institutions. For example, the World Bank in 2020 approved a USD 104 million grant from the International Development Association (IDA) in support of skill development programs for Mozambican youth to create quality TVET systems in priority sectors such as industrial maintenance, agriculture, ICT, and construction

5. **Additional initiatives to boost digital literacy and skills:** In addition to the above, African nations with G20 support can introduce several initiatives focusing on ICT education and upskilling
   a. Build or strengthen National Research and Education Networks (NRENs) in each nation to facilitate teaching, learning and research collaboration nationally and internationally
   b. Integrate theoretical ICT education into school and university curriculums. Practical education can be propelled through programs such as Kenya's "One lab per school" initiative
   c. Undertake teacher-training initiatives at scale to help teachers develop ICT expertise that will eventually be passed on to students

Case study: Employment and skills for development in Africa (E4D)

E4D is an initiative of GIZ (Germany), aimed at bridging the major skill demand-supply gap in Sub-Saharan Africa. The program propagates the PPP/Private-Public Cooperation model, leveraging the resources and know-how of private companies and not-for-profit foundations. E4D designs and implements development projects to increase demand and bridge the skill gap for human resources across sectors such as tourism, energy, agriculture, food processing, transportation and construction.

Some examples of successful E4D projects:

a. **Mimi Niko Kazi (which translates to "I am at work" in Swahili)**

   E4D partnered with Moz Parks – an industrial park provider – to locally develop skills. The project supports the transition of Mozambican youth from education to employment - from learning to earning – by providing critical work experience through a proven internship model.

b. **VET (Vocational Education and Training) Toolbox**

   The European Union, in collaboration with 5 nations, launched the VET Toolbox program, to bridge skill gaps across 11 African nations, specifically covering skilling requirements linked to the green economy.

c. **WE4A (Women Entrepreneurship for Africa)**

   WE4A is enhancing business capacities of African women entrepreneurs, improving their access to formal financial services and contributing to closing gaps in the labor market, enabling women-led businesses to integrate into local, regional and international value chains. The project is run by E4D in collaboration with the Tony Elumelu Foundation, co-financed by the EU, the Organisation of African, Caribbean and Pacific States and the German Federal Ministry for Economic Cooperation and Development.

The E4D program has already shown tremendous impact on-ground.

All E4D projects that prove to be successful can be replicated in other sectors, regions or contexts and scaled up through the involvement of additional private and public sector actors.

Source: Employment and Skills for Development in Africa (E4D), www.giz.de; Employment for Sustainable Development in Africa (E4D), Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), www.oecd.org

1.2.d Facilitate programs to boost primary, secondary, and higher education outcomes for girls in Africa

G20 nations could resolve to fund and strengthen initiatives like the Education Plus Initiative (2021-2025), which is a joint program of UNAIDS, UNESCO, UNFPA, UNICEF and UN Women. The initiative is an advocacy program that supports Sub-Saharan African leaders and policymakers to recognize the right to health and education for every woman and act on achieving equitable access. Innovative solutions would also be needed to facilitate bringing girls into educational institutions and reducing dropout rates.

The support of the G20 can strengthen and extend the scope of such initiatives to cover national-level root cause analysis and planning for each African nation to determine the causes of dropouts and low enrolment of girls, which can then be addressed with customized policy initiatives like cash allowances and public funded scholarships to enhance learning outcomes. The official involvement of the G20 forum would also help bring significant philanthropic capital from across the world to fund such initiatives.

1.2.e Enable technological interventions and initiatives in bringing the power of global education to Africa's youth to improve tertiary education outcomes

The tertiary enrolment rate in Sub-Saharan Africa is below 10%, while the corresponding global average stands at almost 40%[16]. An extremely effective short- and mid-term solution could be for G20 nations to empower their domestic educational institutions to launch remote-learning programmes for the African youth, structured as any other regular online or even offline course. This can empower the youth to not only gain knowledge but also earn recognized degrees that can potentially help them gain national or even international employment.

A good example is India's e-VidyaBharati initiative for Africa – a project that links 48 African nations to India on the education front whereby several renowned Indian universities cumulatively offer over 500 of their courses to African students. Ancillary initiatives such as the e-AarogyaBharati and the Pan African e-Network Project (PAeNP) provide telemedicine consultations for patients in Africa and digital examinations to skill and certify doctors and nurses, thus creating an entire suite of digital cooperation projects.

Such programmes coordinated and offered at scale by G20 nations can also be linked to additional benefits for students, such as seed capital for starting small businesses, job and placement support for meritorious students and invitations to global youth exchanges, amongst others.

16 One Africa Tertiary Education and Covid update - Tertiary Education in Sub-Saharan Africa, November 2021, www.worldbank.org

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Recommendation 2

G20 should introduce new or support existing initiatives to sustainably transform the agriculture sector in Africa through empowering smallholder farmers and increased mechanization

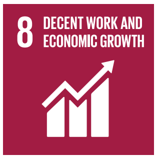
Policy actions

Policy action 2.1 Set the base for agricultural transformation through farmer education initiatives, ensuring availability of high-quality inputs and promoting sustainable and climate-friendly agricultural practices

Policy action 2.2 Accelerate farming productivity through increasing penetration of irrigation systems, driving adoption of mechanized solutions and technologies and creating a global market for African agri-products

Policy action 2.3 Enable access to capital across the larger value chain and empower African nations to meet CAADP targets and respond to effects of climate change

SDGs impacted



SDG 2 – Zero hunger: End hunger, achieve food security and improved nutrition and promote sustainable agriculture

SDG 8 – Decent work and economic growth: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Indirectly, the recommendation also contributes to SDG 12 (ensuring sustainable consumption and production patterns).

Indicative KPIs to track

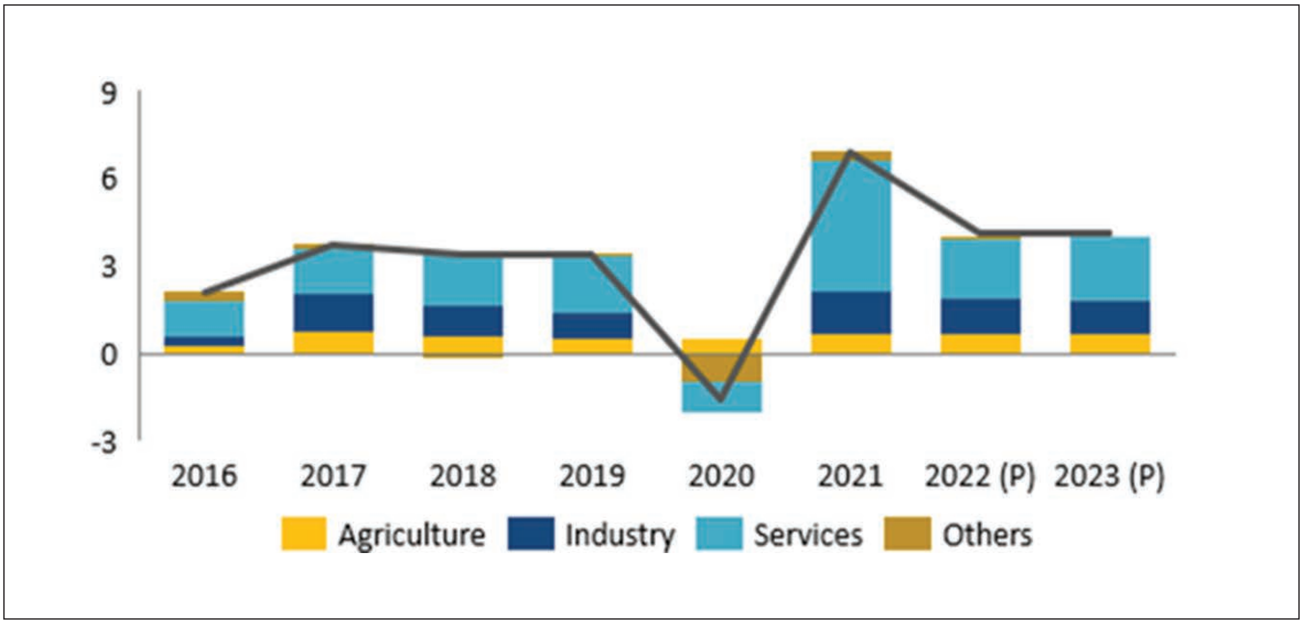
	Baseline	2025 target
Increase in agricultural productivity: Cereal yield (kg per hectare) Source: World Bank development indicators	1.6k (2021)	1.9k
Percentage of employment in industrial activities Source: United Nations	14% (2021)	18%
Percentage of children under the age of 5 affected by stunting Source: United Nations	32% (2020)	28%

CONTEXT

While about 50% of the African workforce is directly employed in agriculture[17], up to 70% of the population is directly or indirectly reliant on agriculture, forests and woodlands for their livelihood[18]. Agriculture contributes anywhere from 15-20% of GDP for Sub-Saharan Africa, exceeding 30% in several nations[19].

However, as illustrated in the below graph, an analysis of the sectoral distribution of GDP growth that agriculture contributes only marginally.

Exhibit 6 I Sectoral decomposition of GDP growth



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

Transforming Africa's agriculture and food systems landscape requires a systemic approach, focusing on the supply side, the demand side as well as over-arching decision-making drivers. All of these elements are significantly interconnected too.

1. **Supply side (farmer perspective):** Inputs (like fertilizers, irrigation and land-use), production processes and productivity (yields), food processing and value add, etc
2. **Demand side (consumer perspective):** Nutritional needs and demands, purchasing power, public and donor spending on food aid, etc
3. **Overarching drivers:** Climate and environment, public spending, access to capital, etc

Supply side:

If the average farmer owns 2 hectares or less of land, either farm productivity or output prices need to be extremely high, for the farm to be viable, which is not the case in Africa. Land fragmentation and lack of access to inputs like water and fertilizers make the prospects for realizing benefits challenging.

17 IRENA and AfDB (2022), Renewable Energy Market Analysis: Africa and Its Regions, International Renewable Energy Agency and African Development Bank, Abu Dhabi and Abidjan

18 Work in Africa, United Nations Environment Programme - www.unep.org

19 World Bank Development Indicators - www.data.worldbank.org

The table below illustrates the split of farmers across Sub-Saharan Africa (SSA)[20]:

Type	% of all farmers in SSA	Nature	Average plot size	Average productivity	Access to inputs and finance
Subsistence smallholders	~60%	Consume all that is grown; usually staple food crops	<1 hectare	<25% of national average	Almost no access
Semi-commercial smallholders	~30%	Consume some of what is grown and sell excess locally; usually staple food crops	1-5 hectares	<50% of national average	Limited access
Commercial smallholders	~8%	Sell majority of crop in more developed marketplace; cash or food crops	5-20 hectares	>100% of national average	Extensive access
Advanced farmers	~2%	Grow crops for sale and not consumption; majority of land used for cash crops	>20 hectares	>125% of national average	Extensive, high-quality access

Africa's use of fertilizers has been very low – at only ~17kg per hectare, v/s a world average of 135 kg[21] - due to gaps in awareness, accessibility and affordability. Moreover, only about 5-6% of cultivated land in Africa is irrigated, the balance entirely constituting rain-fed cultivation[22]. As per the World Economic Forum, over 250 million people across the continent face hunger, on account of the food security challenge caused by multiple factors including climate incidents and low levels of productivity.

It is also essential to look beyond crop production to cover processing and value addition. The majority of agri-commodities across Africa are exported raw, or with minimal processing. For example, several countries in Africa see only 10-30% of exports having mid-to-high degrees of processing, as compared to ~60% in developing South-East Asian nations[23]. Smallholder farmers as well as processors face several challenges, including lack of knowledge of policies and available support, lack of awareness of technologies and modernized solutions, unaffordability of inputs and lack of capital, amongst others.

Demand side:

Across Sub-Saharan Africa, a majority of consumers spend the greatest part of their income on food and beverages – which stands at 40%+ of total consumer expenditure on average (2019)[24]. The continent also sees a significant nutrition deficit.

20 "Smallholder Agriculture, Sustainability and the Syngenta Foundation" Syngenta (2010); "The Number, Size, and Distribution of Farms, Smallholder Farms, and Family Farms Worldwide" Lowder, Sarah K., Skoet, Jakob, Raney, Terri (2016); BCG analysis

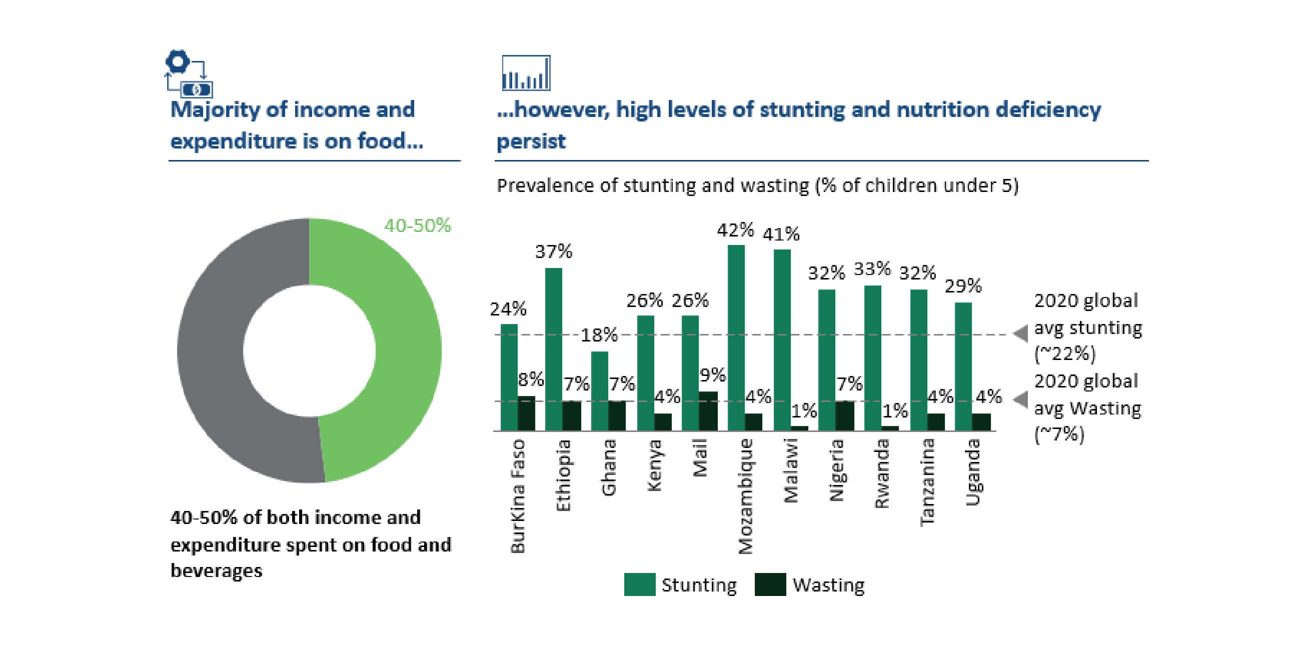
21 Africa's fertilizer sector and the Bank's High 5s, 13 July 2020, African Development Bank Group – www.afdb.org

22 Irrigation doubles African food production, 07 January 2019, AGRA – www.agra.org

23 The Atlas of Economic Complexity; BCG analysis (sample set of 11 Sub-Saharan African nations)

24 Oxford Economics 2019 database

Exhibit 7 I Overview of food expenditure and nutrition deficiency on the African continent



Source: World Bank Development Indicators - www.data.worldbank.org; Oxford Economics (2019) database; UNICEF – Malnutrition in children (2020); BCG analysis

Thus, a demand side focus on nutrition is critical. The 2022 Technical Report on the Sharm-el-Sheikh Adaptation Agenda also highlights the importance of the larger Global South needing to focus on improving nutrition outcomes, with malnutrition expected to increase with the increasing population across regions.

Overarching drivers:

Climate and environment are among key overarching drivers impacting agricultural productivity (yields) and food security. As temperatures continue to rise, yields of staple crops and agricultural commodities will further decrease, not only in Africa but across the world. Yields of cereals in Africa are more than 60% below the global average[25], exacerbated by climate shocks like the current droughts across Africa, leading to spikes in food prices. Resilient and sustainable yield gains can be achieved through a gradual shift in consumption of food types.

In 2003, AU and New Partnership for Africa's Development (NEPAD) founded the Comprehensive Africa Agriculture Development Programme (CAADP). The commitments to prioritize food security, nutrition, and corresponding economic growth and prosperity were further strengthened in the 2014 Malabo Declaration and are an integral part of the larger vision of achieving the Agenda 2063 targets. This programme is primarily aimed at nations pursuing an agriculture-led growth strategy, while targeting to double productivity by focusing on inputs and mechanization. Under CAADP, member states agreed to a spending goal of 10% of total public spending, for the agriculture sector. However, actual spending has been less than far below this target.

G20 can play a significant role in empowering the continent's agricultural transformation. The meeting of the Agriculture Deputies of G20 nations in Indonesia in 2022 identified a four-point agenda to address global challenges based on evolving global and regional trends in the agriculture sector, with 2 primary areas of focus being crop productivity and food and nutrition security. The recommendations of this Action Council focus on meeting these very goals through a coordinated multilateral effort.

25 FAOSTAT database, 2008-2018

Policy Action 2.1: Set the base for agricultural transformation through farmer education initiatives, ensuring availability of high-quality inputs and promoting sustainable and climate-friendly agricultural practices

2.1.a Make knowledge of regenerative practices and other modern technologies available to farmers, especially smallholders, through AET (Agricultural Education Training) programmes

Lack of adequate agriculture education and training has been one of the primary drivers leading to underutilized benefits of modern technologies and resources by farmers in Africa. Several G20 nations have historically seen noteworthy success of their AET programmes and can leverage this experience to coordinate a continent-wide AET programme for Africa, to set the base for agricultural transformation.

a. **Customize an Africa-specific approach:** AET programmes need to be designed to promote essential basic knowledge and awareness, focused on reaching experienced smallholder farmers to advance their knowledge and provide learning support to empower them to tackle challenges

b. **Create a network of institutions:** AET programmes should not operate in isolation. The systems and institutions should be allowed and enabled to communicate with one another, across the continent, to promote skill-sharing, best practice-sharing and produce innovative results

c. **Establish strong teacher training programmes:** Certified teacher training programs are vital in producing qualified educators to ensure best possible outcomes

d. **Funding for AET:** The setup of a dedicated AET programme supported or funded by the G20 would significantly catalyze investments and donations from global philanthropic communities as well as influence multilateral institutions to increase focus on this space

Case study: Farmer field schools (FFS)

FFS is a relatively common term often used to address practical training programmes dedicated to farmers. The FFS programme by the Food and Agriculture Organisation (FAO) has been one of the most successful models within the ambit of AET. Today active in over 90 nations across the world (Africa and beyond), the programme empowers up to 1 million farmers, pastoralists, and fisher folk every year.

A single FFS group operates in numbers as small as 20-30 smallholder farmers, delivering customized and practical training and solutioning for challenges at the micro-market level. FFS help develop both skills and knowledge of producers, for them to create more efficient and sustainable production systems contributing to the achievement of all the SDGs. The benefits of FFS to help smallholders increase agricultural productivity and incomes (SDG 2.3) are well documented. For example, in Kenya, the value of crop productivity per acre for FFS members increased by 80% (and by 200% for female households).

FFS can in fact contribute to the achievement of all SDGs, whether directly or indirectly. As long as the key principles governing FFS are followed rigorously, new modules and priorities can easily be added or customized to adapt FFS to local needs.

Source: Farmer field school approach, www.fao.org; Farmer Field Schools (FFS) - Sustainable Development Goals, www.sdgs.un.org;

2.1.b Expand access to yield-increasing inputs like high-yielding seed varieties and high-quality fertilizers as part of High Yield, Resilient & Adaptive Practices (HYRAP) implementation

Several developed and developing G20 nations see high levels of agricultural productivity through use of regenerative practices and can support African nations in this transition. HYRAP constitutes simultaneous interventions such as usage of hybrid seeds, synthetic and organic fertilizers, pesticides and crop rotation. Although HYRAP could result in an increase in cultivation costs for farmers, it has the potential to nearly triple resultant net income – thus outweighing any risk of increase in costs.

There are 2 primary areas of HYRAP where the G20 can support and catalyze efforts to set the base for effective agricultural transformation:

a. **High yield hybrid seeds:** Access to high-quality seeds of improved varieties is a foundation for enhanced crop productivity. They are additionally drought, heat and pest resistant, thus posing immense benefit for smallholder farmers. Initiatives such as PASS (Program for Africa's Seed Systems) and ASIF (African Seed Investment Fund) have seen active participation by several global development agencies, development partners and philanthropists, with hundreds of millions of dollars in investment towards funding seed companies, technologies and research. G20 nations can undertake collaborative efforts to launch new or support existing programmes across the continent

b. **Affordable access to fertilizers:** Challenges such as those concerning globally disputed fertilizer supply chains have adversely impacted accessibility and affordability of fertilizers. G20 nations can support African governments in formulating strategies leveraging subsidization and removal of tariff and non-tariff barriers, amongst others, to facilitate affordable access to high-quality fertilizers. G20 nations can also leverage their business communities to facilitate setting up of fertilizer manufacturing units across the continent to reduce trade costs and consequently end prices of fertilizers

A good example of targeted crop focus programmes is India's Technical Assistance Programme for cotton, with initiatives ranging from training, capacity building, post-harvest practices and value-add methodologies. The programme has enormously benefitted participating African countries by providing a unique platform for sharing knowledge, experience, and transfer of technology across segments of the cotton value chain. Similar G2G programmes launched by G20 nations for Africa, with crop-specific focus could have tremendous on-ground benefit.

2.1.c Make available climate information and early-warning systems to facilitate adaptation and mitigation measures

G20 can support mitigation measures by making climate information and early warning systems available for African nations. Africa is the World Meteorological Organisation (WMO) region with lowest coverage[26], with only ~4 out of 10 people covered. Investments are required in end-to-end drought and flood early warning systems especially in at-risk LDCs. There should be prioritization by stakeholders to co-develop and operationalize climate services to better support adaptation. G20 nations can support African nations through sharing of climate information, technology transfer, capacity building initiatives and funding implementation of early warning systems and technologies.

2.1.d Facilitate inclusion of agricultural efficiency and sustainability initiatives through carbon offset programmes

Agricultural activities contribute about 30% of all greenhouse gas emissions across the world[27], with Africa having a ~15% share of this[28]. G20 nations can potentially collaborate to introduce a carbon offset programme for African agriculture, whereby organisations and individual nations from across the world intending to subscribe to any kind

26 State of the Climate in Africa 2021, World Meteorological Organisation – www.wmo.int

27 Greenhouse gas reduction, International Atomic Energy Agency – www.iaea.org

28 To Unlock Climate Action Potential, Africa Needs High-Impact Agriculture Investment, 11 June 2021, International Institute for Sustainable Development – sdg.iisd.org

of carbon offset programmes, can be given the option to participate in a customized one, designed to support Africa's agriculture sector. Such funds could then be directed to initiatives either run by G20 nations or otherwise, that are focused on improving agricultural productivity in the continent through sustainable practices.

The global carbon offset market is currently valued at USD 400 billion+, poised to grow at a staggering 30%+ CAGR to reach USD 1.3 trillion+ by 2031[29].Tapping into this market in the wake of growing calls for sustainability could have immense benefit for not only Africa's agriculture sector but its economic development too. G20 nations could potentially leverage existing platforms like the UN's Carbon Offset Platform and integrate such a proposed African Agriculture Carbon Offset programme within its ambit.

Policy Action 2.2: Accelerate farming productivity through increasing penetration of irrigation systems, driving adoption of mechanized solutions and technologies and creating a global market for African agri-products

2.2.a Enable growth of Farmer Led Smallholder Irrigation (FLSI) across the continent through best practice-sharing and financing programmes

In Africa, less than 5% of cultivated land is irrigated. Estimates suggest that adequate irrigation alone could boost productivity by as much as 50%[30]. The World Bank Group's report on Accelerating Irrigation Expansion in Sub-Saharan Africa and other such pieces of thought leadership suggest some key areas of enabling growth of FLSI:

a. **National vision and proactive policies:** Most Sub-Saharan African nations do not have well-articulated national-level plans or policies that support smallholder irrigation. G20 nations like India can leverage their past experience to support individual nations in customization of such policies, including programmes to educate farmers on tools and technologies available

b. **Leverage groundwater irrigation:** The total size of groundwater-irrigated land in Sub-Saharan Africa is at less than 1 million hectares[31]. G20 nations can enable technical knowledge transfer through bilateral or multilateral programmes to conduct large-scale hydrogeological surveys across Africa to identify regions that have excess groundwater reserves that can be leveraged to improve farmer livelihoods, while ensuring drinking water security is not threatened

c. **Improve affordability:** Cost of boring and equipment in Sub-Saharan Africa is very high and largely driven by international donors who procure high-quality systems from global manufacturers at high costs. The irrigation revolution across several regions of Asia has brought out the learning that mass-manufactured, low-cost irrigation equipment is a base for enabling FLSI. G20 nations can support African nations to design manufacturing and other incentives for equipment manufacturers and also leverage their business communities to potentially drive greenfield investment in the sector in Africa.

2.2.b Support formulation of national-level mechanization programmes and creation of centres of excellence

According to a 2019 report by the African Agricultural Technology Foundation (AATF), African farmers have only one-tenth the number of mechanized tools per farm area than farmers in other developing regions, and access has grown at

29 Carbon Offset and Carbon Credits Market, June 2023, www.marketsandmarkets.com

30 What is the irrigation potential for Africa?, International Food and Policy Research Institute, discussion paper – www.ifpri.org

31 Accelerating Irrigation Expansion in Sub-Saharan Africa, January 2020, World Bank Group – www.worldbank.org

slower rates than elsewhere in the world. Governments, donors and the private sector need to come together and build partnerships to increase mechanization.

The role of governments would focus on farmer education, training, R&D investment and policy reform such as reduction of duties and designing financial incentives. Donors can provide part or whole of the financing to build and sustain such programmes. Private sector partners can bring the technical and business know-how. One or more public or private institutions in a country or region can be designated as a Center of Excellence, which would be responsible for the region's agricultural productivity growth and would shape the roadmap for other institutions. Efforts of G20 countries can be focused on supporting such centres of excellence.

2.2.c Accelerate mechanization through supporting start-ups and local businesses engaged in developing scalable technologies and solutions

Efforts to mechanize Africa's agriculture sector can be focused on promoting and growing emerging companies to additionally harness ancillary socio-economic benefits that come along, such as an increase in FDI, private equity and venture capital funding and generation of skilled employment, amongst others. There are hundreds of noteworthy companies doing incredible work across the continent.

SunCulture, for example, is a company that has devised an off-grid technology to provide farmers with solar power that they can use to pump water for irrigation, light homes, and charge mobile phones, increasing crop yields exponentially while reducing water usage. Hello Tractor is a technology start-up, expanding an Uber-like programme that gives farmers temporary access to tractors on demand. Twiga Foods is a B2B platform that streamlines fresh produce supply chains, delivering from rural farmers to small and medium sized vendors and retailers. Several agrifood FinTechs are facilitating financial inclusion for farmers, agribusinesses, food vendors and retailers.

Funding for such companies is currently concentrated in a handful of nations like Egypt, South Africa, Kenya and Nigeria. G20 nations can leverage their DFIs and private business communities to set up dedicated investment funds focusing on such investments pan-Africa. There can also be bilateral or multilateral G2G forums that create formal channels to encourage leading start-ups from G20 nations to expand to Africa.

2.2.d Add value to smallholder production including through enabling value-added markets' access and using agro-processing companies as change agents

Africa is yet to harness the full potential value of what it grows - agricultural exports have low levels of value addition. Both smallholder farmers and Africa's agri-processing sector would immensely benefit from creation of better market linkages to achieve economic integration into global and regional value chains.

a. **Formalization of processing units:** Most food processors across Africa are Micro, Small and Medium Enterprises (MSMEs) – generally informal, small, localized and family-run, catering to neighborhood needs. Bringing these units into the fold of the formal ecosystem would enable better access to markets, governmental incentive schemes and credit (We further discuss formalization of MSMEs under recommendation 3 of this report)

b. **Coaching rural processors:** Formal programmes to teach smaller rural food processors business skills and enabling them to upgrade processes to attain ISO-compliant phytosanitary, technical, and logistical standards, and enabling these SMEs to compete in both domestic and international value-added food markets

c. **Bringing smallholders together through co-operatives:** Creating regulations supporting growth of co-operatives would enable smallholders to come together and achieve scale, ultimately helping in better negotiation of prices, better contract negotiation for produce and sharing of skills and knowledge. G20 nations can introduce initiatives that encourage food processing companies to expand facilities to Africa and buy from such Co-operatives, not only creating incentive for smallholders to collaborate and grow but also enabling integration into global value chains

d. **Creating a global market for grown-in-Africa agricultural products:** African governments could leverage marketing campaigns, trade fairs, and expositions, while easing export norms to increase demand for African produce. G20 nations can support such programmes not only through participation but also through helping African nations identify strengths and focus areas, meet market requirements and design strategies accordingly

e. **Contract farming:** Contract farming can link smallholders directly to large scale food processors, who otherwise often import a significant proportion of their requirements. Moreover, it enables them to avail of technical and monetary assistance driven by the private sector contractors. G20 nations can work with African nations to formulate contract farming regulations that ensure smallholder farmers are not exploited and that the processing industry gets the raw material it needs.

Case study: Nespresso east African coffee project

In 2003, Nespresso launched the "Nespresso AAA Sustainable QualityTM Program" with the penultimate objective of sourcing 100% of its coffee in the form of "green coffee" – ethically and sustainably grown and sourced. This program was first launched with Latin America and the Caribbean as initial target geographies, eventually moving to Africa and Asia to cover nations of Kenya, Ethiopia, Uganda, DRC, India and China, amongst others.

East Africa has over 5 million smallholder coffee farmers, who struggle with numerous challenges ranging from access to finance to the impact of adverse climate events. These challenges directly affect not only the quality and quantity of produce but also overall farmer livelihoods. The Nespresso program was aimed at promoting and inculcating sustainable and regenerative agricultural practices to not only significantly bolster the quality of coffee output but also improve prosperity for farmers and their families. It goes beyond smallholder farmers to empower wet mill businesses with the modern tools and technologies to significantly improve efficiency and quality control. The project thus influences the entire supply chain ranging from production to processing and deploys on-ground a number of initiatives such as:

a. Deployment of sensors and technologies to monitor metrics across the supply chain

b. Accelerating innovation by introducing new flavors and varieties

c. Introducing modern processes for testing of contaminants

d. Agronomical innovation to refine production processes

e. Tree plantation to create an agroforestry ecosystem

f. Regenerative and organic model development across the supply chain; amongst several others

The project has benefited over 70,000 smallholder farmers cultivating over 150,000 hectares and hundreds of wet mills across both nations, increasing improved productivity practices by as much as 50% and near tripling the share of high-quality coffee in several regions. With initial support from philanthropic foundations like the Bill and Melinda Gates Foundation, financial support from multilateral bodies like the World Bank, commitments of a global MNC like Nespresso (Nestle) and technical support from specialized partners like TechnoServe, the Nespresso East Africa project is model initiative suitable for replication across geographies and industries in Africa.

Source: Nespresso East African Coffee Project, www.ifc.org; AAA Sustainable Quality Program, www.sustainability.nespresso.com

2.2.e Promote usage of data analytics and tools to enable formulation of customized policies and plans to drive a differential approach

A thought piece by Quartz Africa highlights, "The scarcity of high-quality, timely agricultural data is directly complicating countries'. Plans for economic growth and efforts to reduce poverty."[32] Africa has over 65% of the world's remaining uncultivated arable land, abundant freshwater to meet agricultural needs and over 300 days of rich sunshine each year[33]. With different nations and regions within the African continent possessing varied agricultural potential, there is a need to customize solutions through a data-driven, differential approach to optimally harness potential. Enabling effective implementation of such an approach would essentially constitute 3 major interventions:

a. Determining varying data needs across regions and geographies

b. Putting in place standardized data collection systems and infrastructure to capture data on weather, soil, water levels, topography, etc., amongst others to optimize agricultural investments and capitalize on distinct advantages

c. Analyzing data to determine the most suitable approach across regions

G20 nations could support African nations in implementing a data-driven differential approach at the policy and strategy formulation level, by leveraging their experience and technological capabilities right from implementation of technologies and systems to capture data, to analytics-driven insights and corresponding policy formulation. Such a data-driven approach would also help philanthropic and private investors in providing support and investment on a need basis for each micro-market or micro-region. Some of these data analytics technologies and systems can also be open-sourced, to enable farmers, agribusinesses and other stakeholders avail of the benefits at low or no cost.

32 A lack of basic agricultural data is holding African countries back, 30 April 2021, QUARTZ – www.qz.com,

33 Feed Africa – Strategy for agricultural transformation in Africa 2016-2025, African Development Bank Group – www.afdb.org

34 Agriculture Public Spending Report – WTO Agriculture Symposium, www.wto.org; BCG analysis

35 DFC to Commit USD 50m To Aqua Capital Fund, USD 25m To GEF Latam Climate Solutions Fund & USD 22.5m To Ashmore Avenida Real Estate Fund, 08 September 2022, Dfc.gov press release

Policy Action 2.3: Enable access to capital across the larger value chain and empower African nations to meet CAADP targets and respond to effects of climate change

2.3.a Leverage public and private capital to improve access to finance for smallholder farmers as well as for climate resilience and adaptation

There are several ways G20 nations can support financing initiatives for Africa's agriculture sector:

a. **Support African nations to meet CAADP targets:** Actual CAADP spending has been less than 20% of the target, at ~2-4% of public expenditure[34]. Moreover, most of this expenditure has been focused on meeting recurring expenses and not earmarking expenses for investments e.g. storage and irrigation infrastructure. G20 can support African nations to customize roadmaps to meet the spending goal, that would have an immense direct benefit across the food system value chain

b. **Leverage DFIs and public sector financial institutions:** G20 nations can mandate their DFIs and public sector financial institutions to provide de-risking facilities to commercial banks, NBFCs and microfinanciers that engage in last-mile lending in Africa. DFIs could also invest in agriculture-focused funds. For example, the US International DFC in 2022 provided USD 50 million in equity to Aqua Capital Fund II[35] that targets business development for enterprises in Latin America focused on agriculture and food value chains. Similar initiatives can be launched at scale for Africa

c. **Partner with existing local funding organisations:** Organisations like the One Acre Fund and Babban Gona are models of social impact driven smallholder farmer engagement and financing in Africa, which could benefit from G20 nations' assistance and funding

Recommendation 3

G20 should support the structural transformation of Africa through initiatives that encompass 3 key policy actions:

Policy actions

Policy action 3.1 Support industrialization through facilitating private investment and technology adoption

Policy action 3.2 Support the growth of MSMEs in Africa, specifically through formalization and improving access to finance

Policy action 3.3 Accelerate the pace of enabling universal electricity access in Africa, with a focus on driving investments in renewable energy

SDGs impacted

SDG 7 – Affordable and clean energy: Ensure access to affordable, reliable, sustainable and modern energy for all

SDG 8 – Decent work and economic growth: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

SDG 9 – Industry, innovation and infrastructure: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

Indirectly, the recommendation also contributes to SDG 10 (reduce inequalities within and among the countries).

Indicative KPIs to track

	Baseline	2025 target
MVA (Manufacturing Value Add) as a percentage of GDP Source: World Bank Development Indicators	11% (2021)	13% (2025)
Energy access rate as a percentage of population (Sub-Saharan Africa) Source: African Development Bank Group	48% (2020)	55%

CONTEXT

"Structural transformation" is the transition of an economy from low productivity and labor-intensive economic activities like agriculture and resource-extraction to higher productivity and skill intensive activities[36]. Skill intensive activities include manufacturing and information technology services, amongst others.

The objective of economic integration of the African continent can be furthered through prioritization of 3 primary pillars of structural transformation:

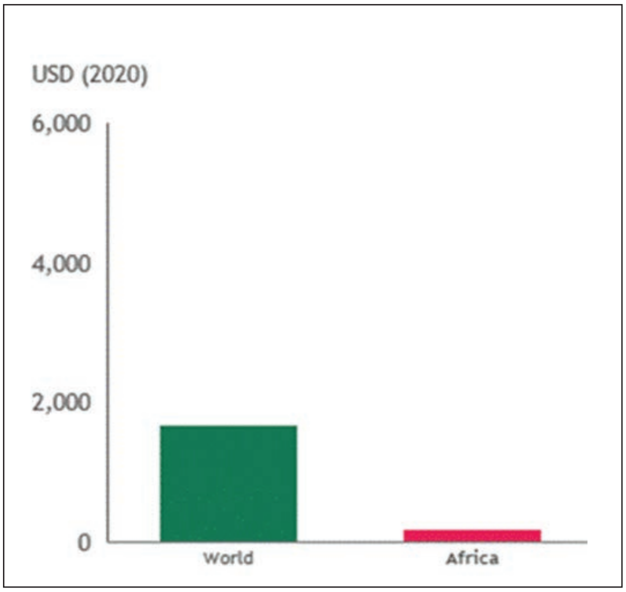
a. Manufacturing-based industrialization

b. Growth of MSMEs

c. Enabling universal energy access

With only ~14% of population employed in industrial activities[37], Africa still has a long way to go in its industrialization journey when compared to other regions across the world. Manufacturing-based industrialization is at the centre of the African Union's Agenda 2063[38], with several member states individually having identified the same as the lever to transform their economies. Africa has immense potential to boost levels of Manufacturing Value Add (MVA), on account of its rich natural resources[39].

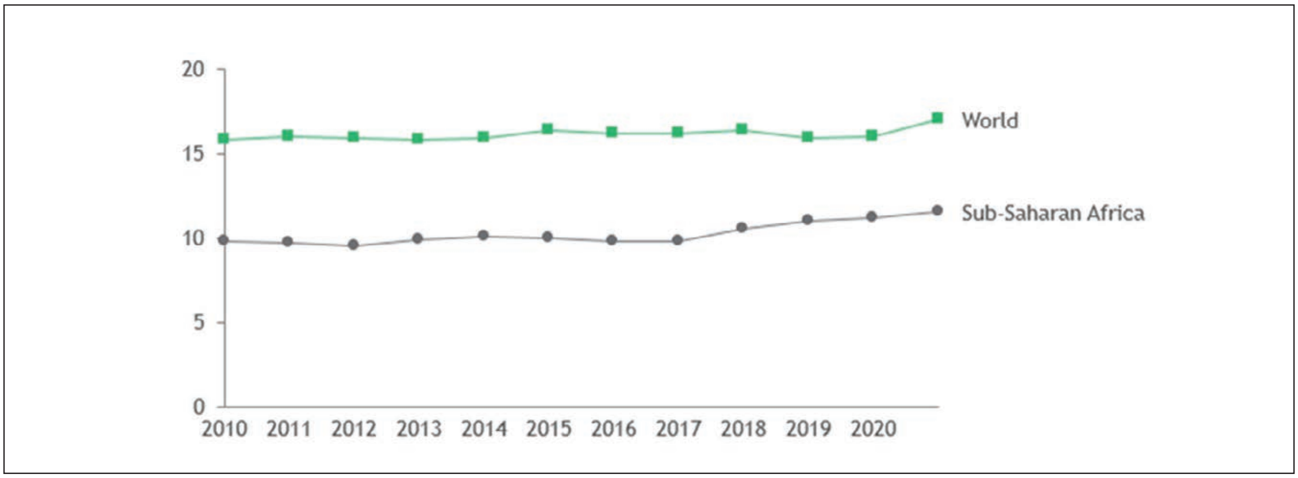
Exhibit 8 I Manufacturing Value Add (MVA) per capita, 2020



Source: IRENA and AfDB (2022), Renewable Energy Market Analysis: Africa and Its Regions, International Renewable Energy Agency and African Development Bank, Abu Dhabi and Abidjan

As a percent of GDP, MVA in Sub-Saharan Africa has stood in the range of 9-11% over the past decade, as compared to 15-17% being the global average, going as high as 25-35% in Asian nations that are noteworthy global manufacturing hubs[40].

Exhibit 9 I Manufacturing Value Add (MVA) as a % of GDP



Source: World Development Indicators, World Bank

36 Structural Transformation in Developing Countries: Cross Regional Analysis, UN Habitat – www.unhabitat.org

37 IRENA and AfDB (2022), Renewable Energy Market Analysis: Africa and Its Regions, International Renewable Energy Agency and African Development Bank, Abu Dhabi and Abidjan

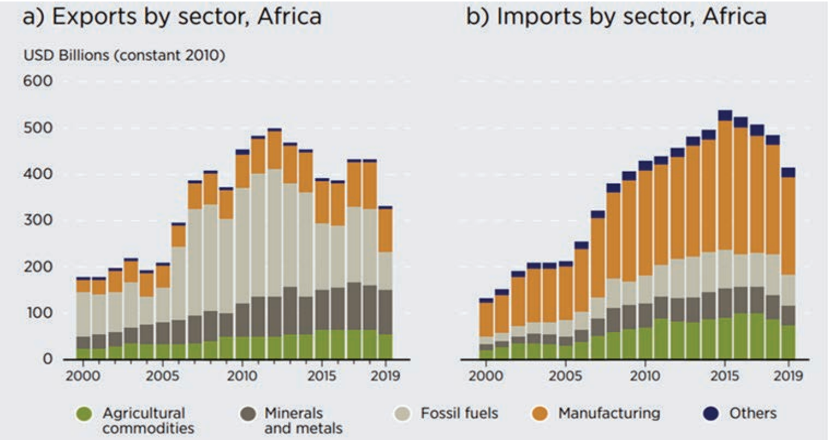
38 Industrialization in Sub-Saharan Africa - Seizing Opportunities in Global Value Chains, 23 November 2021, AfDB and World Bank Group – www.worldbank.org

39 IRENA and AfDB (2022), Renewable Energy Market Analysis: Africa and Its Regions, International Renewable Energy Agency and African Development Bank, Abu Dhabi and Abidjan

40 World Bank Development Indicators – www.data.worldbank.org

More than 80% of exports outside the continent constitute raw materials and unprocessed goods, with little-to-no MVA within the continent. As seen in the graph below, primary goods (agricultural products, minerals and metals, and fossil fuels) constitute the bulk of Africa's exports, while manufactured goods make up the bulk of its imports[41].

Exhibit 10 I African continent exports and imports by sector (2000-2019)



Source: IRENA and AfDB (2022), Renewable Energy Market Analysis: Africa and Its Regions, International Renewable Energy Agency and African Development Bank, Abu Dhabi and Abidjan

MSMEs also play a crucial role in economic development and integration through industrialization. They not only generate large employment with relatively lower capital but also support industrialization in non-urban and backward regions. MSMEs in Africa constitute more than 90% of businesses and employ about 60% of all workers[42], many of whom are women and youth. Sub-Saharan Africa has more than 44 million formal MSMEs, ~97% of which are micro enterprises while ~80% of all MSMEs are estimated to be of informal nature in most regions of Africa[43].

MSMEs in Africa face 3 primary challenges:

a. **Financing gap:** Estimated at more than USD 136 billion annually[44], MSMEs report lack of access to credit as among the biggest constraints on their growth

b. **Lack of formalization:** MSMEs in Africa continue to operate in the informal ecosystem. African MSMEs see failure rates as high as 50-90%[45], largely attributed to their informal nature and lack of access to facilities otherwise available to formal enterprises

c. **Lack of access to and awareness of technologies:** There is a shortage of access to innovative platforms and digital tools with the potential to scale businesses, meet new customers and meet operational cash flow needs. Digitization is key to achieving economic integration

Access to reliable, affordable, and sustainable modern energy is also a key enabler for Africa's structural transformation. Modern energy plays a pivotal role in keeping households and industries running. Around half of Africa's population lacks

41 IRENA and AfDB (2022), Renewable Energy Market Analysis: Africa and Its Regions, International Renewable Energy Agency and African Development Bank, Abu Dhabi and Abidjan

42 Best Practices – Formalization of Micro-, Small and Medium-sized Enterprises (MSMEs) in Africa, United Nations - sdgs.un.org

43 Best Practices – Formalization of Micro-, Small and Medium-sized Enterprises (MSMEs) in Africa, United Nations – www.sdgs.un.org

44 Best Practices – Formalization of Micro-, Small and Medium-sized Enterprises (MSMEs) in Africa, United Nations – www.sdgs.un.org

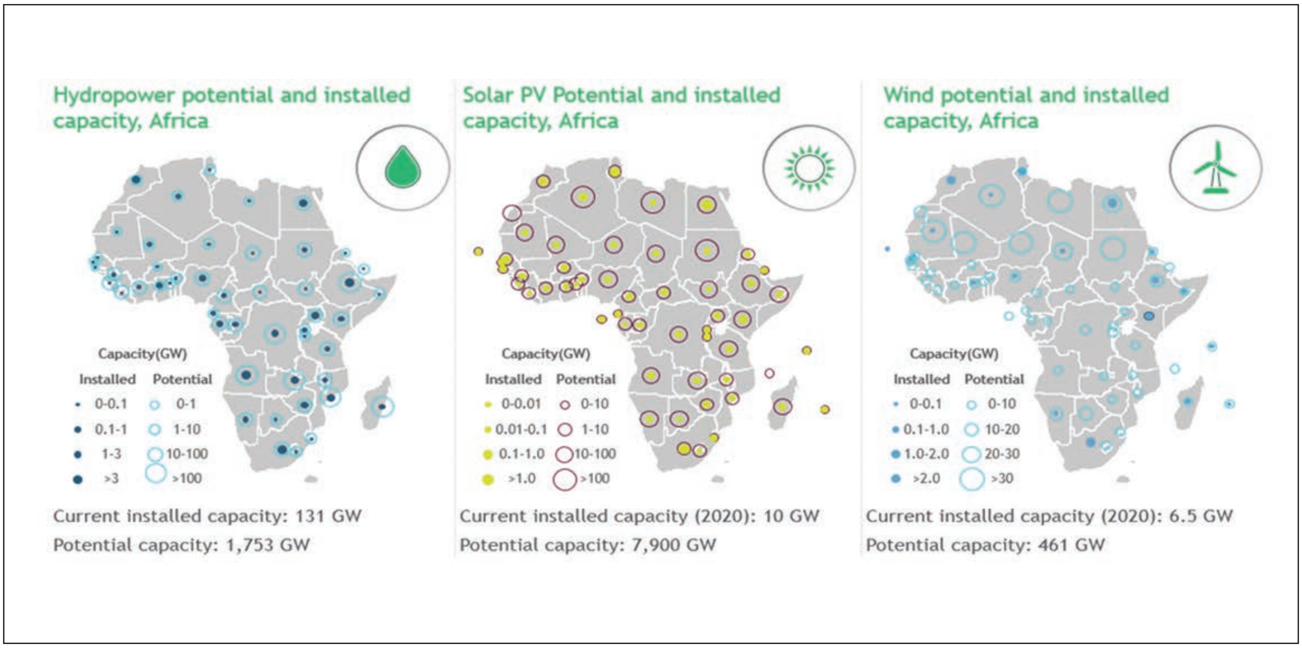
45 Best Practices – Formalization of Micro-, Small and Medium-sized Enterprises (MSMEs) in Africa, United Nations – www.sdgs.un.org

access to electricity. Although North and South Africa see high electrification rates, Sub-Saharan Africa has over 600 million people without access[46]- one of the lowest electricity access rates in the world.

Achieving full access to modern electricity in Africa by 2030 would require an investment of at least ~USD 20-25 billion per year, primarily on grids (mainly distribution networks), generating plants and off-grid solutions[47]. Some estimates also suggest these annual investment requirements could go as high as USD 500 billion leading up to 2030, constituting over USD 40 billion per annum for electricity and clean cooking combined[48]. While grid-based solutions may be ideal to electrify urban and some semi-urban areas, mini-grids and off-grid solutions like solar PV, solar home systems and biofuels are the ideal means to electrify the masses. Almost 70% of all people gaining access (grid and non-grid) leading up to 2030 are expected to do so through renewable energy sources[49].

Almost all African nations have already submitted their Nationally Determined Contributions (NDCs) as required in the Paris Agreement. As part of the NDCs, most nations have themselves listed bold ambitions for achieving universal access through clean and renewable energy (including biofuels), for enabling universal access through a just energy transition. Africa's vast and untapped renewable energy potential holds unparalleled capacity to enable the continent to leapfrog the electricity value chain and bring prosperity to its people.

Exhibit 11 I Installed capacity v/s potential – Hydropower, Solar PV and Wind



Source: IRENA and AfDB (2022), Renewable Energy Market Analysis: Africa and Its Regions, International Renewable Energy Agency and African Development Bank, Abu Dhabi and Abidjan

46 Africa Energy Outlook, June 2022, International Energy Agency (IEA) – www.iea.org

47 Africa Energy Outlook, June 2022, International Energy Agency (IEA) – www.iea.org

48 Songwe V, Stern N, Bhattacharya A (2022) Finance for climate action: Scaling up investment for climate and development. London: Grantham Research Institute on Climate Change and the Environment, London School of Economics and Political Science

49 Africa Energy Outlook, June 2022, International Energy Agency (IEA) – www.iea.org

There are several initiatives running in Africa to achieve the goal of universal access by 2030, such as the African Single Electricity Market (AfSEM). AfSEM is an initiative of the AU, covering planning and policy initiatives across the entire electricity value chain, ranging from generation and transmission to distribution and end-use. Launched in 2021, it paves the way towards the formation of the largest single electricity market in the world, covering a population of over 1.2 billion people[50]. It ultimately intends to facilitate the overall socio-economic development of the African people through leveraging the available renewable energy resources.

G20 efforts should focus on enabling these ambitions of the African continent.

Policy Action 3.1: Support industrialization through facilitating private investment and technology adoption

3.1.a Industrialization schemes - Formulation and roll out of initiatives like thematic industrial parks and manufacturing incentive schemes

Thematic industrial parks create business-conducive clusters with high quality facilities, enabling targeted ecosystem development - a strategy especially relevant for developing economies with limited resources.

Several case studies / model examples of industrial parks catalyzing growth lie within Africa itself. One such example is the Gabon Special Economic Zone (SEZ). Gabon has always been known for its plywood industry and used to export logs at ~USD 150 per cubic metre in 2010. The setting up of the Gabon SEZ to promote export of manufactured plywood products coupled with governmental regulation banning export of logs to encourage local manufacturing of end-products has significantly boosted the plywood industry in Gabon, making it one of the largest plywood exporters in the world today. Manufactured products now sell for thousands of dollars per cubic meter and have given significant impetus to ancillary industries - like promoting local entrepreneurship in the glue and packaging spaces[51].

African economies with the highest ratio of inward FDI to GDP all have strong SEZ programs. For example, in Ethiopia, the FDI inflows increased ~3x from when the first SEZ was opened in 2010 until the third zone became operational in 2013. In Morocco, 22 zones created ~500,000 new industrial jobs and in Nigeria, 10 zones have created ~300,000 new industrial jobs[52]. To expand the industrial parks program to benefit all African countries, G20 nations could support vision-setting, policy reform and capacity building initiatives.

Manufacturing incentive schemes have also seen good traction in the recent past in attracting manufacturers and foreign capital in developing economies across the world. G20 should support African nations in customizing such schemes per their strengths, requirements and priority sectors. These schemes constitute giving tax and other incentives to manufacturing enterprises, such as:

a. **Deploying tax incentives:**

- Incentives for manufacturing in priority sectors: Nations like Brazil offer tax incentives in the form of financial credits to companies manufacturing certain IT and communication devices and products while also investing in R&D[53]
- Incentives for manufacturing in industrial parks: Several countries including India and Kenya offer substantial tax holidays or concessional tax benefits to manufacturers operating out of industrial parks like SEZs or Free Trade Zones

50 Kyriakarakos, G. Harmonizing the Electricity Markets in Africa: An Overview of the Continental Policy and Institutional Framework towards the African Single Electricity Market. Sustainability 2022, 14, 10924. https://doi.org/10.3390/ su141710924

51 Do special Economic Zones work in Africa?, 04 November 2022, www.african.business

52 African Economic Zones Outlook, Africa Free Zones Organisation – www.africaeconomiczones.com

53 Brazil to offer tax incentives for manufacturers of IT and communication products, 09 February 2020, International Tax Review - internationaltaxreview.com

- Conditional incentives: Nations like Malaysia offer tax incentives to pharmaceutical manufacturers fulfilling a variety of conditions such as collaborating with local higher education institutions, hiring a minimum number of local employees, and undertaking research and development (R&D) activities, among others[54]

b. **PLI (Production Linked Incentive) scheme**: This is a unique scheme introduced by India in recent years to promote domestic manufacturing in sectors such as electronics, auto components, specialty steel and batteries, amongst others. India's PLI scheme offers more than USD 30 billion in incentives for 14 sectors, leading up to 2027 and has already garnered a significant response, with several leading MNCs having committed to invest and manufacture in India. Reports indicate that manufacturing activities directly linked to the PLI scheme can contribute up to 4% to India's GDP annually in terms of incremental revenue, if fully realized[55].

3.1.b Promote adoption of Industry 4.0 technologies through strategic national level initiatives for each African nation

G20 nations could introduce initiatives to enable African governments and the private sector to make the most of NextGen opportunities, by fostering the innovation ecosystem through ambition planning, regulatory reform, incubation programs, etc. Some initiatives that could be introduced to promote 4IR are:

a. **4IR vision:** Policymakers and regulators of every African nation may be assisted to set national visions and targets with 4IR as a strategic priority

b. **Regulatory reform:** Introducing or strengthening laws protecting investors, intellectual property, data monetization and data security would benefit from the G20's facilitation, particularly from developing economies in the group. The AU can also look at introducing collaborative and adaptive regulations, which entail:

a. **Collaborative regulation:** Dedicated policy formulation around public-private interplays and infrastructure-sharing amongst players

b. **Adaptive regulation:** Agility in higher-level decision-making, and flexibility in adapting regulation to suit changing environments in real-time

c. **Prepare the NextGen workforce:** Establish strategies to accelerate digital literacy and advanced digital skills. We discuss digital upskilling in detail further into this report

d. **Increase awareness of 4IR technologies:** Lack of awareness is a primary constraint for businesses in Africa today, eespecially for small businesses. African nations may be supported to form consumer education strategies to increase awareness of both mass technologies like digital payments and advanced technologies like robotics and automation. Incentives specific to 4IR adoption could also be introduced. For example, the Malaysian government has launched the "Industry4wrd National Policy on Industry 4.0" to support manufacturing companies through incentives, infrastructure, human capital development and technology facilities. The government provides outcome-based incentives such as tax incentives to manufacturing firms developing and deploying Industry 4.0 technologies and businesses using these technologies[56]

G20 nations could work with Africa in developing effective industrialization strategies tailored to specific economies and share best practices, while supporting the industrial reform agenda.

54 Tax Incentives for Pharmaceutical Manufacturers in Malaysia: How Can Businesses Qualify?, 21 April 2022, ASEAN Briefing – www.aseanbriefing.com

55 Emkay Enlazar Investment Solutions, July 2022, Emkay - www.emkayglobal.com

56 Industry4wrd National Policy On Industry 4.0, www.Malaysia.gov.my

Policy Action 3.2: Support the growth of MSMEs in Africa, specifically through formalization and improving access to finance

3.2.a Support innovative means of financing to enable adequate access of funds to MSMEs

In order to bridge the significant MSME financing gap, African nations can implement the following measures, with the support of the G20 and global business community:

a. **Strengthen and expand the banking and financial services ecosystem:** African governments can ease regulations to make the traditional banking sector more attractive for new entrants. This increases the number of players and available financing pool, benefitting not only MSMEs but large businesses as well

   They can also evaluate introduction of policies such as concessional tax schemes and seed capital support to attract FinTechs. Innovative means of lending employed by FinTechs such as P2P lending, real-time loan disbursements and crowdfunding are key to bridging the funding gap left by banks and traditional **investors in the MSME space**

b. **Introduce and promote innovative financing such as blended finance vehicles:** Blended finance constitutes public, philanthropic, or bilateral sources offering below market rate finance as catalytic capital and can take the form of concessional debt, loan guarantees, concessional equity and grants, amongst others. Formal blended finance vehicles can access wider capital markets on account of their higher ratings and thus increase their investable pool[57]

   For example, in India, the United States Agency for International Development (USAID) and the U.S. International Development Finance Corporation (DFC) have jointly sponsored a USD 50 million loan portfolio guarantee to a private sector bank to support increased access to finance for women borrowers and MSMEs across India. The junior tranche has also seen capital support from the Michael and Susan Dell Foundation. The fund invests in capital market instruments like Non-Convertible Debentures (NCDs) issued by smaller NBFCs and other lenders that extend last-mile finance to MSMEs, micro-entrepreneurs and low-income households

c. **Direct investments by G20 nations:** G20 nations can also directly provide financing support for African MSMEs through setting up focused investment funds, which can either be done bilaterally (such as through sovereign wealth funds and DFIs), or through multilateral institutions like the World Bank.

   For example, the Coalition for a Sustainable and Inclusive Recovery of the Private Sector, an international group of 20 DFIs, came together in 2020 and announced commitments of over USD 4 billion for financing to African MSMEs between 2020 and 2021. They eventually exceeded their target by 40% bringing the pool to USD 5.5 billion, used to help MSMEs face the impact of the pandemic[58].

3.2.b Support regulatory reform to enable MSMEs to reap the benefits of the formal ecosystem

MSME formalization is essential not only for adequate monitoring and reporting and to avail of governmental incentives but also to access the financial services ecosystem, primarily banking and insurance facilities.

57 Blended Finance - MSME Sector Supplement, India Blended Finance Collaborative, IIC, USAID and Vivriti Asset Management – www.blendedfinanceindia.org

58 Global development finance coalition commits over USD5.5 billion for MSME financing in Africa, 16 February 2022, African Development Bank Group press release – www.afdb.org

African governments which have set up a dedicated ministry / department / committee or national level strategy for MSME formalization have benefited greatly. For example, in Kenya, the MSEA, which is an apex authority, manages the tackling of issues of MSME support. In 2020, the UN Department of Economic and Social Affairs supported the formulation of the MSEA Strategic Plan 2020-2024, under which MSME formalization was included as a strategic priority. This formalization policy will expand access to business development services, financial resources, innovative technologies, and linkages with markets of higher value for MSMEs. As a result, it would improve capital and technical accumulation among MSMEs, improving their productivity and contributions to inclusive economic growth and sustainable development[59].

Dedicated government focus to enable and support MSMEs through several ancillary reforms such as tax concessions, easy business registration procedures with minimal documentation, zero business registration fees, setting up of local business clinics to aid with regulatory compliance at minimal cost, enhancing ease of doing business through increasing awareness of digital technologies and overall consumer education Would incentivise formalization of MSMEs. There should be additional focus on promoting digital adoption amongst MSMEs, that not only allows them to access a wider set of customers to grow their business but also amplifies formalization by enabling digitized access to facilities like licensing, registrations and compliance filings.

3.2.c Accelerating structural transformation through entrepreneurship:

Alongside supporting MSMEs, it is essential to lay specific focus on youth entrepreneurship as well. Young Africans continue to be increasingly entrepreneurial, there is hence a need to create an enabling environment that supports this growing innovation ecosystem. As entrepreneurs face different challenges of access to finance, access to mentorship support and inadequate access to markets, the role of all actors - private sector, public sector, development sector and foundations cannot be overstated in empowering young African entrepreneurs through grants and mentorship support amongst others, enabling such businesses to grow and scale. Such initiatives also prove to be the necessary catalyst for financing and growing women-owned businesses too.

An example of philanthropic effort in empowering MSMEs is the work of the Tony Elumelu Foundation (TEF). TEF's flagship Entrepreneurship Programme promotes 'small businesses for sustained livelihoods.' The Programme accepts applications from across the continent, selects high-potential entrepreneurs, trains and mentors them and finally also provides seed capital to selected enterprises. Through this initiative, TEF has helped create over 4,00,000 jobs across Africa over the past decade, while empowering entrepreneurs with the skills and resources needed to create thriving businesses.

Such initiatives when scaled across the continent could have immense direct and indirect socio-economic benefits, by creating sustainable livelihoods and quality jobs at the micro-market level.

Policy Action 3.3: Accelerate the pace of enabling universal electricity access in Africa, with a focus on driving investments in renewable energy

3.3.a Set up a dedicated body to support long-term energy planning and investment management for all African countries

Various international organisations have highlighted the importance of structured and scientific energy planning in meeting Africa's access needs. G20 nations, with the participation of African nations, could set up an integrated, independent, one-stop planning and advisory body that would leverage deep knowledge and scientific methodologies like geospatial least cost analysis to bridge this planning gap.

59 Micro-, Small and Medium-sized Enterprise (MSME) Formalization through the Co-operative Enterprise Model, 11 March 2021, United Nations Department of Economic and Social Affairs – www.sdgs.un.org

Electrification plans would primarily integrate both:

1. The most suitable electrification solution – grid / non-grid, renewable / non-renewable
2. The volume of capital investment needed – across generation, transmission, distribution and operation

It is proposed that this body should:

a. **Be autonomous:** The body should be accorded complete autonomy in execution of its recommendations, per the most favorable path – in terms of cost, time and impact. This should also consider climate justice principles, thus extending adequate leeway to freely embed non-renewable sources of energy into recommendations, if found the most suitable in specific circumstances. It should also have the flexibility and agility to extend its mandate, as needed

b. **Provide advisory:** In addition to statistical and scientific recommendations on electrification solutions, this body should also serve in advisory capacity to individual nations, covering recommendations on policy reform, subsidies and incentives, licensing provisions, tariff setting and project financing on a micro-market and regional basis, thus offering high quality integrated solutions to African nations

c. **Facilitate knowledge sharing:** The body should promote knowledge-sharing amongst G20 nations, with Africa. Nations like India have achieved significant progress in energy access in recent years, not only electrifying hundreds of millions of households but also giving impetus to efficient LED adoption, boosting solar power capacity, and increasing access to clean cooking fuels

d. **Maintain private investor networks**: Establishing and maintaining relationships with private investors, pitching energy projects for investment, designing financing structures, amongst others to help to bring in private investments in energy including renewable energy. The body can also work with multilateral entities, multinational donors and nation-wise ministries to evaluate outlays and coordinate efforts.

3.3.b Promote the African Union's vision of an African Single Electricity Market (AfSEM) through dedicated technical and planning support, while also supporting formulation of related policy reform measures

AfSEM is an initiative aimed at facilitating harmonization of the African electricity market, creating a base to not only enable universal electricity access by 2030 but ultimately to also foster energy trade within the continent and beyond.

The recommended institutional structure can integrate or partner with the AUDA-NEPAD, which has commenced work on the formulation of the African Continental Power Systems Masterplan (CMP). The CMP will lay the base of the AfSEM by establishing a continent-wide, data-driven technical planning process which lays guidelines and best practices for electrification planning. This can subsequently be incorporated into region- or micro-market-wise electrification strategies.

Strong energy planning can also be supplemented by the right policy measures to create an enabling environment. G20 nations can also add immense value on this front, helping African nations rejig existing or introduce new policies across areas to facilitate energy access and the growth of renewables:

1. **Formulation of labor laws and policies:** To address issues of misalignment of labor in the event of energy transition from fossil fuel-based industries to renewables
2. **Regulatory support to Renewables Industry:** Regulatory policies, fiscal measures and financial incentives to accelerate adoption of renewables, including biofuels
3. **Policies to strengthen local value addition:** Support local manufacturing through introduction of policies promoting manufacturing of energy equipment and infrastructure within the continent, thus also reducing dependence on raw material exports

3.3.c Promote innovative finance measures to boost private investment in renewable energy infrastructure

Globally, renewable energy has been financed predominantly by the private sector, with public finance accounting for just 14% of direct investments in renewable energy assets, mostly via DFIs[60]. Public financing however, continues to play a dominant role in Africa due to limited private participation. Although private capital flows are gradually increasing, more needs to be done to facilitate and catalyze this flow.

G20 nations can use their experience and expertise to introduce dedicated knowledge sharing and capacity building initiatives for Africa, to bring innovative solutions that can significantly contribute to bringing in private capital and FDI in the energy sector, including renewables, such as:

a. **Green Bonds:**

- The global green bond market grew at a CAGR of ~60% from 2015-2020, exceeding USD 270 billion in 2020. The market in Africa is nascent, with total issues only at ~USD 3 billion[61]
- This is an effective tool for mobilizing capital from institutional investors and large private investors that prefer to invest indirectly via bonds or funds than directly into renewable energy projects
- G20 nations should work with African policymakers, DFIs like AfDB and green bond organisations like the Climate Bonds Initiative to increase awareness of this instrument, support issuances and mobilize global capital through DFIs, philanthropic sources and business communities to invest in them

b. **Blended finance:**

- G20 nations can leverage their DFIs and multilateral institutions like the World Bank to offer concessional funding for renewable energy projects. This would attract private capital from across the world – on account of both an increased pool of available funds and the trust and experience brought by global DFIs and multilateral institutions

c. **Project bundling:**

- Renewable energy projects require complicated groundwork ranging from technical planning to legal advisory and other services, which is an expensive affair. Bundling smaller projects together enables leveraging economies of scale to reduce transaction costs and attract institutional investors
- An example is the 752 MW Nubian Suns Solar PV project in Egypt, costing USD 653 million and bringing together 13 smaller solar PV projects. The project adopted bundling to reduce transaction costs and attracted 11 strong investors including DFIs and international banks[62]

d. **Measures to improve project viability and reduce risk:**

- Feed-in Tariffs (FiT):
    i. FiT schemes refer to renewable energy suppliers getting a pre-decided fixed tariff rate to hedge their risks. Such schemes contribute to bringing in both energy players to set up projects as well as financial institutions to invest in them

    ii. (FiTs) are not yet widely implemented in Africa. Till now, they have resulted in meaningful utility-scale investments in only a few countries

    iii. As an example, Egypt's Nubian Suns renewable energy feed-in tariff (REFiT) program in 2014 leveraged FiTs. All project developers involved signed their power purchase agreements (PPAs) with the government at a firm tariff of USD 8.4/kwh. All projects reached financial closure in the same year, commencing commercial operations 2 years later. The program was backed by several DFIs including the International

60 IRENA and AfDB (2022), Renewable Energy Market Analysis: Africa and Its Regions, International Renewable Energy Agency and African Development Bank, Abu Dhabi and Abidjan

61 IRENA and AfDB (2022), Renewable Energy Market Analysis: Africa and Its Regions, International Renewable Energy Agency and African Development Bank, Abu Dhabi and Abidjan

62 IRENA and AfDB (2022), Renewable Energy Market Analysis: Africa and Its Regions, International Renewable Energy Agency and African Development Bank, Abu Dhabi and Abidjan

Finance Corporation, the Multilateral Investment Guarantee Agency (MIGA) and the European Bank for Reconstruction and Development[63]

- Insurance

  i. Risk mitigation is important for private investors and lenders to be comfortable with financing energy projects. DFIs and multilateral institutions play an important role in the provision of insurance cover and should be strengthened to safeguard investors

  ii. G20 nations can empower their DFIs to support Africa's energy access journey through provision of risk mitigation facilities such as natural disaster risk covers, currency risk covers, policy risk covers, political risk covers, amongst others

Case study: Nigerian Green Bond Market Development Programme

The Nigerian Green Bond Market Programme was established in 2017 by the Debt Management Office (DMO) of Nigeria in collaboration with various stakeholders, including the Securities Exchange FMDQ, Climate Bonds Initiative (CBI) and Financial Sector Deepening Africa (FSD Africa - a UK-funded entity that promotes financial market development in Africa) to explore and implement initiatives geared towards accelerating the development of a green bond market and to support broader debt capital markets reforms that impact green bonds.

The Programme used 4 primary means to develop the green bond market:

a. Training and capacity building in the issuance and use of green bonds

b. Implementing risk mitigation tools and processes

c. Developing of a steady pipeline of green opportunities; and

d. Fostering collaboration among market participants

The programme has already scored several market firsts. Nigeria's first green bond was a sovereign green bond issued by the federal government in December 2017 to fund projects that contribute to meeting the country's Nationally Determined Contributions (NDCs). Corporate issues soon followed, raising tens of millions of dollars in funding.

In October 2019, the Nigerian Stock Exchange and the Luxembourg Stock Exchange, the largest global platform for listing of green bonds, signed an MoU to promote cross-listing and trading of green bonds in Nigeria and Luxembourg while sharing best practices and cooperating in joint initiatives. In 2020, Nigeria's Access Bank issued a first dual-listed bond on the Luxembourg Stock Exchange and the Nigerian Stock Exchange. Access Bank will be using the funds for projects in flood defence, solar generation and agriculture.

The Nigerian Green Bond Market Programme plays a crucial role in mobilizing capital for environmentally friendly projects and promoting sustainable development in Nigeria. It has facilitated the issuance of green bonds, supported market development, and contributed to the country's transition towards a low-carbon and resilient economy.

Source: IRENA and AfDB (2022), Renewable Energy Market Analysis: Africa and Its Regions, International Renewable Energy Agency and African Development Bank, Abu Dhabi and Abidjan; Nigeria Green Bond Programme - FSD Africa, www.fsdafrica.org;

63 IRENA and AfDB (2022), Renewable Energy Market Analysis: Africa and Its Regions, International Renewable Energy Agency and African Development Bank, Abu Dhabi and Abidjan

Recommendation 4

G20 should enable existing and introduce new trade facilitation initiatives for intra-continental and global integration of the African single market

Policy actions

Policy action 4.1 Maximize potential of AfCFTA through initiatives accelerating its implementation and supporting intra-continental trade in Africa

Policy action 4.2 Reduce trade barriers and implement trade facilitation initiatives to support global trade with African nations

SDGs impacted

8 DECENT WORK AND ECONOMIC GROWTH

17 PARTNERSHIPS FOR THE GOALS

SDG 8 – Decent work and economic growth: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

SDG 17 – Partnerships for the goals: Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development

Indirectly, the recommendation also contributes to SDG 2 (end hunger, achieve food security and improved nutrition and promote sustainable agriculture) that talks about trade and market facilitation in its targets and SDG 10 (reduce inequalities within and among the countries).

Indicative KPIs to track

	Baseline	2025 target
Number of African nations with AfCFTA strategies either under implementation or entirely implemented Source: United Nations	**16 (2022)**	**40+**

CONTEXT

Trade facilitation is one of the most important drivers of African economic integration. The creation of the AfCFTA provides a unique opportunity to achieve this integration ambition, in turn facilitating economic growth, reducing poverty, creating employment opportunities, and reducing Africa's dependence on commodities and natural resources. The agreement contains trade facilitation measures tailor-made to the African context and aims to make import, export, and transit procedures more efficient. AfCFTA entails negotiations extending beyond trade in tangible goods, to include services, investment, competition policy, digital trade, and intellectual property rights. This provides for holistic regional integration of the continent.

It is expected to lift over 50 million people from extreme poverty by 2035, while creating significant employment opportunities and boosting household incomes[64]. There are several initiatives that are required to accelerate the complete implementation and roll-out of AfCFTA, catalyzing its benefits.

In addition to diversifying Africa's exports and building a more resilient economy, AfCFTA holds significant potential to increase the competitiveness of African economies and foster their integration into global value chains (GVCs), including through increasing economies of scale and attracting FDI into the continent. As developing countries participate in increasingly complex production processes, they gain knowledge on modern techniques from foreign companies and investors. GVCs offer opportunities to engage bigger markets, gain new skills, and innovate. Initiatives to give impetus to external trade are thus equally essential and should be executed in parallel to AfCFTA reforms. This would facilitate GVC integration, offer valuable trade opportunities to African businesses and bring global capital to the continent.

Another challenge to flourishing intra-African trade has been the lack of a single, interoperable and intra-continental payment mechanism. African companies and their local banks have historically had to use correspondent banks – often outside of Africa. This correspondent bank would act as an intermediary to settle payments between two African currencies in a third currency, creating liquidity constraints for individual African Central Banks.[65] However, the advent of Pan-Africa Payment and Settlement System (PAPSS) is expected to significantly contribute in bridging this gap and facilitating trade, catalyzing the benefits of AfCFTA and improving ease of business.

Policy Action 4.1: Maximize potential of AfCFTA through initiatives accelerating its implementation and supporting intra-continental trade in Africa

4.1.a Support completion of all pending AfCFTA negotiations and undertake capacity building and training initiatives to enable capitalizing on the opportunities brought by the free trade area

Key stakeholders including the Special Adviser on Africa of the United Nations and the CWA monitoring group have made several recommendations towards achieving economic integration through unleashing the full potential of the AfCFTA. These recommendations primarily encompass the following themes:

1. **Concluding pending AfCFTA negotiations:** There is a need to complete the few pending negotiations on rules of origin and tariff schedules. Moreover, several AfCFTA reforms are to be rolled out in multiple phases over the coming years, necessitating ongoing assistance

64 Free Trade Pact Could Help Lift Up to 50 million Africans from Extreme Poverty, June 2022, World Bank press release – www.worldbank.org

65 Pan-African Payment and Settlement System, 11 May 2022, International Trade Administration – www.trade.gov

G20 nations have historically supported AfCFTA negotiations and tariff setting for African nations, amongst other elements. However, this has been done largely independently, on a bilateral basis. G20 nations could combine their efforts to leverage joint expertise and announce a dedicated program to support all African nations and Regional Economic Committees (RECs) with tariff setting, negotiation and knowledge support on an ongoing basis as newer interventions are discussed and rolled out

2. **Capacity building and institutional support:** It is imperative to build trade and productive capacities and train businesses on tools and means available to leverage. This would facilitate an increase in productivity of businesses and knowledge of AfCFTA coverage

Multilateral institutions such as the UN currently run capacity building workshops and programmes in some countries for MSMEs and women-led businesses on various tools and means available under AfCFTA. G20 nations could fund and support implementation of such capacity building programmes at a pan-Africa level, customized to the requirements and priorities of each nation

4.1.b Create Technical Assistance Facilities (TAFs) to support African nations with technical expertise for AfCFTA implementation

Fully implementing the AfCFTA will involve more than complying with national, regional, and continental requirements and obligations listed in the agreement. Only 16 African countries have the implementation of their national AfCFTA implementation strategies either ongoing or to start soon.

Exhibit 12 I Status of development of AfCFTA national strategies

AfCFTA implementation strategies work at the inception phase	AfCFTA implementation strategies work at the drafting / consultations phase	AfCFTA implementation strategies validated	Implementation ongoing or to start soon
Countries: Benin, Central African Republic, Equatorial Guinea, Eswatini*, Guinca- Bissau, Liberia, Libya, Cabo Verde, Sao Tome & Principe, Seychelles, Somalia, Sudan, South Sudan*, **RECs:** ECCAS, UMA	**Countries:** Algeria, Botswana*, Comoros, Mozambique, Nigeria and Rwanda* **RECs:** EAC, ECOWAS, IGAD	**Countries:** Burkina Faso*, Burundi*, Cameroon, Chad*, Cote d'Ivoire, Djibouti,Democratic Republic of Congo, Guinea, Kenya, Malawi*, Mauritania, Mauritius, Namibia, Niger*, Senegal, Sierra Leone, The Gambia, Togo, Tunisia, Zambia*, Zimbabwe*	**Countries:** Burkina Faso*, Cameroon, Congo, Cote d'Ivoire, DRC, Gabon, Guinea, Kenya, Mauritania, Niger*, Nigeria, Senegal, Sierra Leone, The Gambia, Togo, Zambia*

Note: *identifies the LLDCs

Source: Tracking Africa's progress in figures, African Development Bank Group; 2022 African Report of the Secretary General - Implementation of the Vienna Programme of Action for Landlocked Developing Countries for the Decade 2014-2024, United Nations, www.un.org

TAFs vary in mandates and can undertake a range of technical support functions ranging from support on implementation of new technologies and processes to policy reform and regulatory changes. In the trade facilitation context, a good example is of the Team Europe TAF. It constitutes multiple program management units that support nations with research and technical expertise to solve for a range of challenges. The Team Europe AfCFTA TAF is an initiative by Europe supported by 3 implementation partner agencies - GIZ (German Agency for International Cooperation), Expertise France and FIAAP (Spain). Contributions to the TAF also come from European Commission, BMZ (Germany), AFD (France) and Sweden. The key objective of the TAF is to strengthen capacities of targeted African institutions and countries to successfully implement the priority areas of AfCFTA and manage next steps towards a single market.

G20 nations can come together to introduce such TAFs with a larger pan-Africa level focus and coverage, to ensure scientific and practical knowledge-based support for all stakeholders and across all African nations, to accelerate the implementation of AfCFTA and catalyze its impact[66]. Such specialized units can potentially go beyond AfCFTA support to also support ancillary trade facilitation initiatives such as the COMESA-EAC-SADC Tripartite. The role of such a TAF (or multiple TAFs) would primarily encompass:

1. Policy planning and implementation support on end-to-end execution of the provisions of AfCFTA
2. Analytical and advisory support towards policy agility across African nations, based on the progress and impact of the AfCFTA
3. Capacity building and raising awareness of AfCFTA and its benefits, ensuring that the entire spectrum of small to large businesses are able to avail of its benefits

4.1.c Strengthening or setting up of Trade Coordination Committees or TFCs (Trade Facilitation Committees) across Africa

Most African nations have signed the World Trade Organisation (WTO) Trade Facilitation Agreement (TFA), in addition to Protocol Trade in Goods of the AfCFTA. It is hence important to ensure harmonious linkage between implementation of these reforms alongside several other national / regional initiatives, especially in terms of sequencing of reforms. Harmonized formalities across regions would reduce business transaction costs and create an environment conducive for the development of regional and global value chains. TFCs are the institutions responsible for coordinating such trade facilitation reforms at national and regional levels. They facilitate regular interactions between policymakers, the private sector, and the civil society specifically on trade facilitation measures and play a crucial role in enabling the planning and implementation of successful trade facilitation reforms[67].

66 EU AfCFTA Technical Assistance Facility (TAF), 2021-2024, Open Government Data of Swedish Aid – www.openaid.se

67 Database for National Trade Facilitation Committees, United Nations Conference on Trade and Development – www.unctad.org

G20 nations could support the formation of such TFCs for every African nation where currently absent, and strengthen existing institutions through knowledge-sharing, capacity building and policy formulation support, either bilaterally or multilaterally. G20 can also provide technical expertise on staggering or sequencing key AfCFTA and WTO/TFA reforms. These TFCs can also present to be an important platform for driving private sector engagement on an ongoing basis in Africa. Since the scope of TFCs is typically limited to trade facilitation alone, they can be housed under wider Trade Coordination Committees that could undertake a number of additional initiatives as well, such as expanding access to trade credit.

4.1.d Endorse and support the PAPSS while introducing initiatives to additionally promote global payments interoperability

Payments interoperability can go a long way in facilitating international trade. Africa currently has over 42 individual currencies across the continent - PAPSS would enable companies and individuals to settle transactions in their local currency itself and is expected to significantly reduce transaction costs and accelerate settlement. Considered by many to be a game changer for intra-African trade, PAPSS aspires to save businesses across the continent over USD 5 billion in transactions costs each year[68] .

PAPSS however, is still in its trial phase. All African central banks and commercial banks are expected to sign up only by 2024 and 2025 respectively, with discussions currently ongoing with several African banks and financial institutions.

1. A strong endorsement by G20 nations could facilitate timely closure of discussions and enable a timely pan-African roll-out of this initiative
2. G20 nations along with the B20 can also create official channels of engagement with PAPSS to encourage FinTechs, remittance channels, card service providers, payment service providers, private banks and other such businesses across the value chain to set up shop in Africa and contribute to strengthening the PAPSS infrastructure, while availing of the

68 Pan-African Payment and Settlement System, 11 May 2022, International Trade Administration – trade.gov

eventual financial incentive brought by increased business in the continent

3. Additionally, G20 nations can work with the AU, individual member states and the PAPSS Secretariat as needed, to support ongoing efforts to harmonize essential policies and regulations across the continent, such as standardized rules of payment, governance arrangements, harmonized KYC and anti-money-laundering procedures, payment confirmation norms and settlement norms, amongst others

In the longer term, G20 nations could also evaluate integration of the PAPSS infrastructure with their respective national or continental infrastructures, potentially creating a globally interoperable payments infrastructure that enables trustworthy and instant settlement. A good example of global payments interoperability is the integration of India's United Payments Interface (UPI) system with Singapore's PayNow. At both ends, this infrastructure is available to all participating banks and financial institutions, enabling instantaneous, cost-effective, and transparent payments across borders empowering not only businesses but individual users too. While this is only an example of a bilateral interoperability arrangement, it is encouraging to think of the benefits that such multilateral arrangements could bring, especially when they aim to integrate entire continents.

Policy Action 4.2: Reduce trade barriers and implement trade facilitation initiatives to support global trade with African nations

4.2.a Facilitating global trade through removal / reduction of barriers

Trade agreements can help significantly reduce tariffs, anchor domestic reforms, and open the domestic economy to foreign investment. There are only a few G20 member nations currently offering any form of preferential access to the African continent. Most of such agreements with G20 nations are bilateral or cover only a few select African nations, like the South African Customs Union (SACU) member states.

G20 nations could resolve to execute customized preferential trade agreements with African nations, supporting select industries on a need basis and fostering integration into global value chains. The United States' African Growth and Opportunity Act (AGOA) for example, has facilitated billions of dollars of trade and has directly created tens of thousands of jobs since its roll out in the year 2000 through provision of preferential market access for African nations meeting certain norms. In December 2022 at the US-Africa Leaders' Summit, the US also announced a commitment of USD 55 billion to Africa over the next three years to further enhance bilateral trade.

In cases where agreements of some form may already be in existence, strategic heightening or strengthening of such agreements could be considered. True economic integration can only be achieved through actively facilitating trade with the African continent.

4.2.b Promoting both global and intra-continental trade by facilitating seamless and digitized cross-border trade through adoption and implementation of the Model Law on Electronic Records (MLETR)

Adopted by United Nations Commission on International Trade Law (UNCITRAL) in 2017, the MLETR provides a legal basis for using electronic transferable records both domestically and internationally. By adopting MLETR, governments can create a favorable policy environment that supports the growth of digital trade and further catalyzes the foreseen impact of the AfCFTA. This additionally involves enacting laws to protect data privacy and cybersecurity, promoting digital skills development, and fostering cross-border cooperation in digital trade – thus impacting several areas outside of trade facilitation too.

In the G7 economies alone, MLETR is expected to reduce time spent on cross-border trade by about 80%, while cutting the number of days associated with border compliance from an average of 25 days to less than one day[69].

Thus, digitizing the trade ecosystem is also expected to boost trade within G7 nations by over 40% over the coming years. Similar or even higher benefits can be expected in a region like Africa, both in terms of facilitating trade within the continent and with economies beyond, by paving the way for digital trade, reducing bureaucratic barriers, simplifying cross-border transactions, and enhancing overall efficiency through the adoption of harmonized customs procedures and simplified documentation requirements.

Alongside MLETR implementation, the Key Trade Documents and Data Elements Digital Standards Analysis and Recommendations (KTDDE), launched in March 2023 by the ICC Digital Standards Initiative, could also be made a part of trade digitization in Africa. KTDDE provides recommendations for harmonization of policies by identifying gaps, overlaps, and inconsistencies among multiple varying standards.

69 G7 I Creating A Modern Digital Trade Ecosystem, International Chamber of Commerce - iccgermany.de

Recommendation 5

G20 should support the African Union's vision of improving physical and digital connectivity, through developing the continent's transport and ICT infrastructure

Policy actions

Policy action 5.1 Bridge the transport and ICT infrastructure financing gap by facilitating an increase in private finance and FDI

Policy action 5.2 Accelerate universal access to affordable high-speed broadband and internet infrastructure. Empower the private sector to build digital capabilities and foster an enabling ecosystem for digital businesses

SDGs impacted

SDG 9 – Industry, innovation and infrastructure: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

SDG 17 – Partnerships for the goals: Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development

Indirectly, the recommendation also contributes to SDG 11 (make cities and human settlements inclusive, safe, resilient and sustainable).

Indicative KPIs to track

	Baseline	2025 target
Annual private investment in infrastructure projects in Africa Source: World Bank Private Participation in Infrastructure database	**USD 10 billion (2012-2021 average)**	**USD 25 billion+**
Individuals using the Internet (% of population) - Sub-Saharan Africa Source: World Bank Development Indicators	**36% (2021)**	**46%**

CONTEXT

Transport infrastructure (physical connectivity)

Overview

Transport infrastructure and logistics networks play a key role in the regional integration and economic growth of Africa. The lack of adequate infrastructure in Africa affects productivity, raises production and transaction costs and affects FDI flows. In Sub-Saharan Africa, poor infrastructure cuts national economic growth by 2% every year and reduces productivity by as much as 40%[70]. Apart from transport infrastructure linked to commercial activities, public transport infrastructure in Sub-Saharan Africa also lags behind the rest of the world, with only ~30% of the population having convenient access to public transport facilities in urban areas[71].

Africa as a market is fragmented. The average distance between major cities is 4,100 kms (compared to 1,300 kms for Europe and 3,700 kms for East Asia) leading to an average flight time of 12 hours (3 hours for Europe and 7 hours for East Asia) resulting in high travel costs, trade costs and cost of doing business across the continent[72]. Despite many new infrastructure initiatives, Africa lacks major road (~200 km of roads per 1,000 sq.km v/s world average ~950 km) and rail (~3km of railway per million sq.km of area v/s ~47km in developed regions like Europe) networks to connect people and businesses across the continent[73]. Building quality transport infrastructure systems is essential in building physical connectivity within the continent as well as increasing resilience particularly for landlocked developing countries (LLDCs) in the face of adversity.

AfDB estimates suggest that Africa has total infrastructure investment requirements of more than USD 130 billion per annum. A third of this is required for transport infrastructure and ~10% for ICT[74]. Closing the infrastructure deficit is vital for Africa's economic prosperity and sustainable development.

Programme for Infrastructure Development in Africa (PIDA)

PIDA is a multi-sector continental initiative, dedicated to helping close the infrastructure gap on the African continent. 5 of the top 12 regional priorities of the African Union as per its Agenda 2063 are also PIDA projects[75], indicative of the continental commitment to infrastructure. It aims to solve many of the challenges by introducing an integrated and democratic continental planning mechanism and lays down a 30-year plan to transform infrastructure in Africa. PIDA is expected to cost around USD 360 billion between 2011 and 2040[76]. Such costs are beyond the financing capacities of governments and public entities alone.

Attracting private sector participation including through Public-Private Partnerships (PPPs) is therefore essential, not only for infrastructure projects within PIDA but for those outside its coverage as well.

Importance of facilitating private finance in infrastructure

Lack of availability of finance is the primary reason for the continent's infrastructure deficit, with low private investment flows including FDI and most infrastructure projects carried out by the public sector.

As per the World Bank's Private Participation in Infrastructure (PPI) database, cumulatively less than USD 100 billion of private finance over the 2012-2021 decade went into infrastructure projects in Africa. Over 65% of this went only to energy projects, with the balance divided unevenly across other infrastructure projects. Transport infrastructure – being roads, railways, airports and ports – received only ~23% of all private investment, the majority going to ports and thus leaving LLDCs behind. This is illustrated in the graph below[77].

70 Addressing Africa's Infrastructure Challenges, Deloitte – www.deloitte.com

71 The Sustainable Development Goals Report 2022, 07 July 2022, United Nations – www.unstats.un.org

72 Pioneering One Africa: The Companies Blazing a Trail Across the Continent, April 2018, Boston Consulting Group – www.bcg.com

73 Tracking Africa's progress in figures, African Development Bank Group; 2022 African Report of the Secretary General - Implementation of the Vienna Programme of Action for Landlocked Developing Countries for the Decade 2014-2024, United Nations, www.un.org

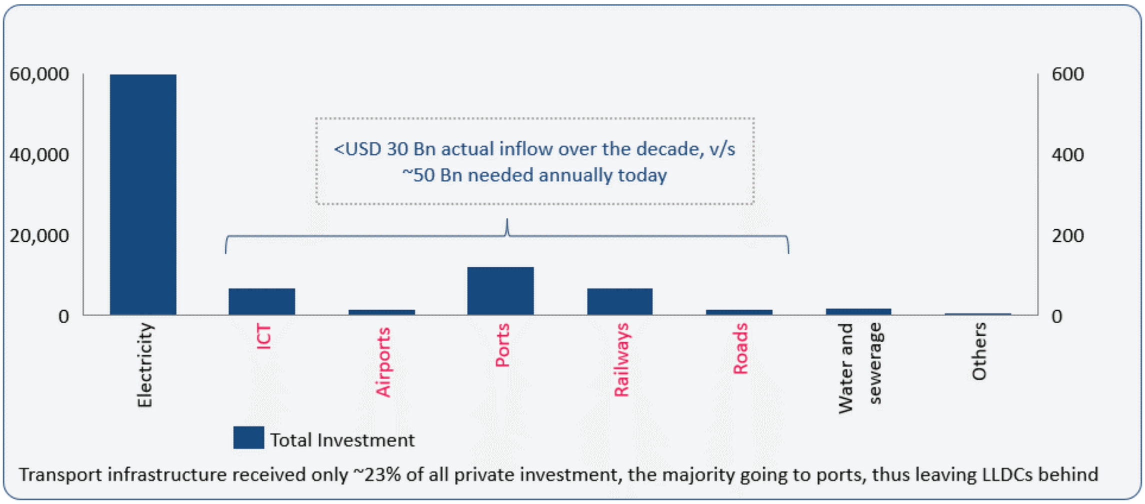
74 African Economic Outlook 2018, African Development Bank Group – www.afdb.org

75 Elaboration of the 2021-2030 Priority Action Plan for the AU Program for Infrastructure Development in Africa (PIDA), 27 February 2020, African Union – www.au-pida.org

76 PIDA - Closing the Infrastructure Gap Vital for Africa's Transformation, African Development Bank Group – www.afdb.org

77 Note: ~93% is the financial element attributable to private investors. The balance ~7% was met by public sources

Exhibit 13 I Total private infrastructure investment by sector, 2012-2021 (USD million)



Source: World Bank PPI (Private Participation in Infrastructure) database; imf.org; BCG analysis

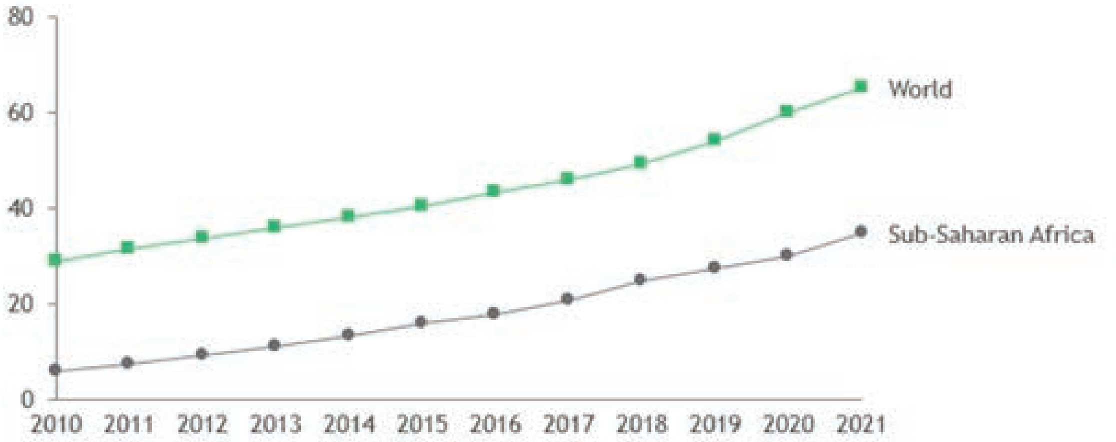
Continental initiatives like the PIDA are working to bridge the primary gap of a lack of planning by establishing project selection mechanisms that bring together all nations and RECs. These are steps in the right direction to bringing a flow of private investment.

Universal and inclusive digital connectivity:

Overview:

By the end of 2021, ~35-40% of the population in Sub-Saharan Africa subscribed to mobile internet services. Although this figure is a 4x increase from the mere 10% a decade ago in 2012, it still lags the global average of ~70% by a considerable margin.[78]

Exhibit 14 I Individuals using the internet (% of population)



Source: World Bank Development Indicators - www.data.worldbank.org

78 World Bank Development Indicators – www.data.worldbank.org

85%+ of the African population lives in areas covered by mobile broadband networks[79]. However only ~35-40% use mobile internet services (the usage gap)[80]. This can largely be attributed to a lack of digital literacy, lack of consumer education on the benefits of digital and overall unaffordability for poor households. Smartphones are the route to accessing the internet for most Africans. The smartphone user base is expected to from from 49% of all mobile users in 2021 to 61% in 2025[81]. The increasing penetration of smartphones is a good sign not only for digital commerce but also for mass delivery of essential services like healthcare and education to remote areas of the continent. By 2030, the pace of 5G adoption is also expected to pick up, with over 20% of mobile connections being 5G connections[82], significantly contributing to digital transformation efforts.

Contribution to GDP and employment:

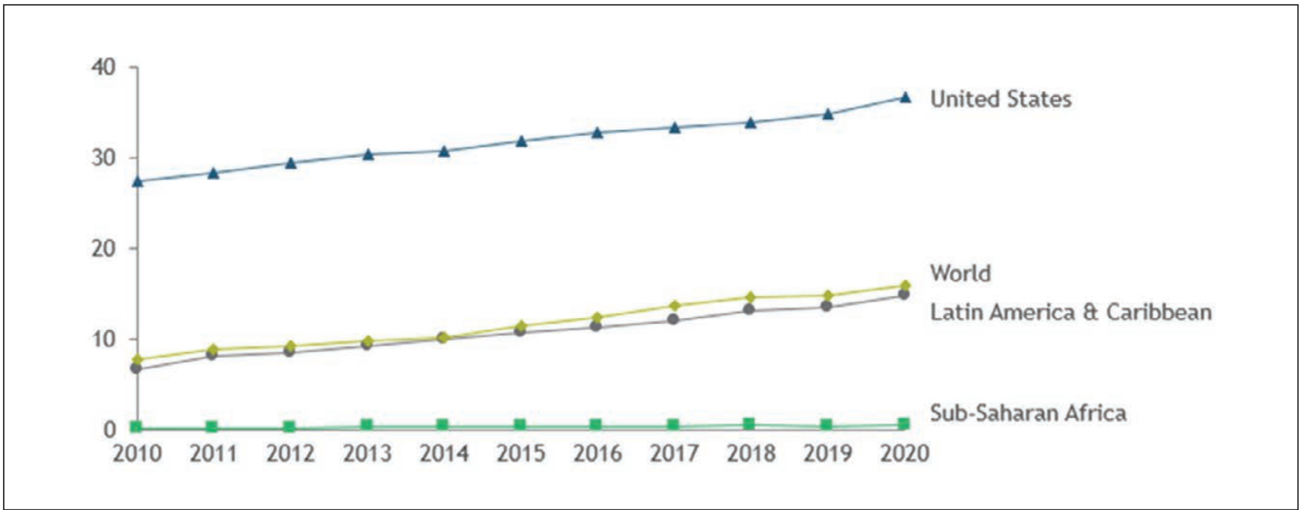
In 2021, mobile technologies and services generated around 8% of GDP across Sub-Saharan Africa, a contribution that amounted to almost USD 140 billion of economic value added. The mobile ecosystem also supported more than 3.2 million jobs (directly and indirectly) and made a substantial contribution to the funding of the public sector, with USD 16 billion raised through taxes on the sector. By 2025, this contribution is expected to grow by approximately USD 15 billion to almost USD 155 billion, as countries benefit from productivity and efficiency gains brought by the increased take-up of mobile services. It is also estimated that mobile operators will invest ~USD 30 billion from 2022 to 2025 in their networks[83].

This indicates immense scope for contribution to economic growth by the digital sector, which will only be supplemented by proactive transformation initiatives.

ICT infrastructure gap and scope for investment:

Africa needs investment into essential digital infrastructure such as high-speed fixed broadband networks. Although progress is being made in increasing internet usage through mobile devices, the coverage of high-speed fixed broadband in the AU is still amongst the lowest in the world. In Sub-Saharan Africa, it stands at 0.6 subscriptions per 100 population v/s ~16 as the world average and ~15 in other developing regions like Latin America and the Caribbean[84].

Exhibit 15 I Fixed broadband subscriptions (per 100 people)



Source: World Bank Development Indicators - www.data.worldbank.org

79 The Sustainable Development Goals Report 2022, 07 July 2022, United Nations – www.unstats.un.org

80 The Mobile Economy, Sub-Saharan Africa 2022, Global System for Mobile communications Association – www.gsma.com

81 The Mobile Economy, Sub-Saharan Africa 2022, Global System for Mobile communications Association – www.gsma.com

82 5G in Africa: realizing the potential, Global System for Mobile communications Association – www.gsma.com

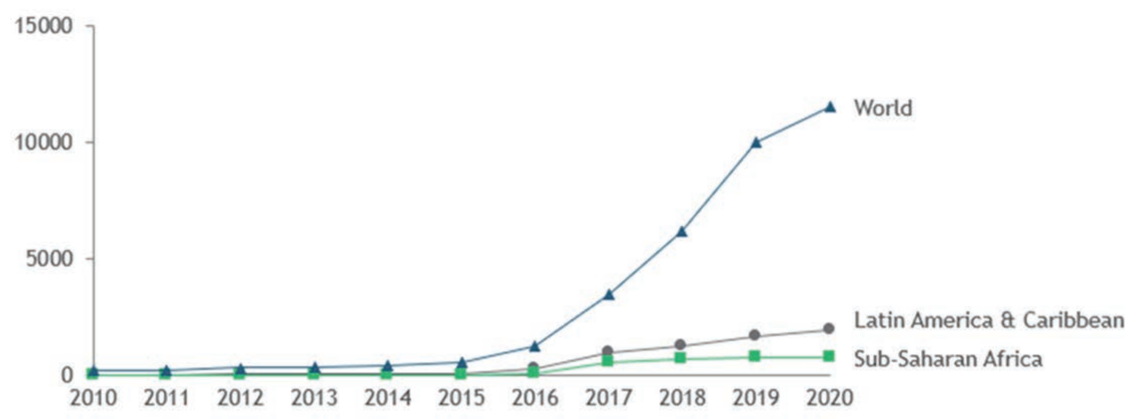
83 The Mobile Economy, Sub-Saharan Africa 2022, Global System for Mobile communications Association – www.gsma.com

84 World Bank Development Indicators – www.data.worldbank.org

Nearly 300 million Africans live more than 50 km from a fibre or cable broadband connection[85], hence the lack of widespread availability of high-speed broadband internet remains a significant hurdle for Africa to fully harness the potential of digital transformation. Dedicated internet connections to homes and offices (such as with fiber-to-the-premise) are mostly absent, except in some capital cities. It is estimated that for every 10% increase in broadband internet penetration in low and middle-income countries (LMICs), there is a commensurate increase of as much as 1.38% of GDP[86].

Other digital infrastructure elements such as internet servers, powerlines, submarine cables, etc., are also in relatively short supply in Africa. For example, in 2020, Sub-Saharan Africa had an average of 800 secure internet servers per million population, compared to ~1,900 in Latin America & Caribbean and 11,500 as the world average.

Exhibit 16 I Number of secure internet servers (per million people)



Source: World Bank Development Indicators - www.data.worldbank.org

Policy Action 5.1: Bridge the transport and ICT infrastructure financing gap by facilitating an increase in private finance and FDI

5.1.a Foster private investments in infrastructure in Africa, primarily transport infrastructure constituting ports, roadways, railways, airports, and ICT infrastructure

The Dakar Financing Summit for Africa's Infrastructure held in 2014 placed significant emphasis on private investment, especially Public-Private Partnerships being the key to sustainable infrastructure growth and development in the continent; and to the success of PIDA.

G20 nations can support African governments to address gaps and introduce measures to promote the required flow of private investment and FDI, such as:

a. **Support structural regulatory reform:** Most countries require enabling laws and regulation specific to PPPs and do not have dedicated ministries or ministerial units for attracting and managing private investment. This results in inefficiently structured project plans, which are then subject to several existing public

85 Africa's digital infrastructure transformation, 26 May 2022, White & Case – www.whitecase.com

86 World Development Report 2016 - Digital Dividends, Exploring the Relationship Between Broadband and Economic Growth, The World Bank Group – www.worldbank.org

investment laws and procurement regulations on a case by case basis. There is also a need to improve the ease of doing business by introducing reform to make regulatory compliances more transparent and with more effective dispute resolution mechanisms, ensuring that private investors can focus on their core businesses through reduced compliance hassles

b. **Co-investing with Performance Based Contracts (PBCs):** This entails one or more public sector entities partnering with one or more private sector entities. The management of the utility remains the primary responsibility of the public sector partner while it benefits from private sector finance and expertise. Further, payments to the private sector partner are linked to them meeting certain performance standards, to ensure quality. Co-investment by public entities is a guarantee of trust and governmental focus for private investors

c. **Encourage life-cycle cost procurement:** This entails better cost planning to enable governments shifting away from the traditional lowest-bid approach towards a life cycle costing model in infrastructure tendering. The approach ensures that the project's operational and maintenance costs are fully reflected in the whole project life cycle costing. While this may slightly increase infrastructure project costs in the short run, benefits would far outweigh costs by attracting investors and supporting project completion

d. **Strategy formulation to refocus resources:** To increase availability and access to basic services, African governments can reallocate public resources to the extent possible from projects like energy that attract more private sector investors towards lower-return infrastructure projects like transport that currently attract less interest from the private sector. This refocus can in fact boost private trust and participation as well

Case study: The Private Infrastructure Development Group (PIDG) and the Emerging Africa Infrastructure Fund (EAIF)

The Emerging Africa Infrastructure Fund Ltd (EAIF) is a blended multi-donor fund that operates as a specialized DFI. EAIF sees its roots in the USD 100 million of grant capital from the United Kingdom's Department for International Development (DFID). DFID eventually roped in other leading development agencies such as Swiss State Secretariat for Economic Affairs (SECO), Swedish International Development Cooperation Agency (Sida), and Dutch Directorate-General for International Cooperation (DGIS) to create the Private Infrastructure Development Group (PIDG). EAIF is one of the primary and foremost facilities within the ambit of PIDG, focused on the pure financing element for infrastructure projects.

Over time, several institutional investors also joined in to the PIDG, as the EAIF established a track record of financing large-scale deals and demonstrating viability. EAIF has been successful in not only funding and seeing through several infrastructure projects across energy, power, ICT, social infrastructure and transportation, amongst others, but has also successfully leveraged innovative financing models to attract private capital:

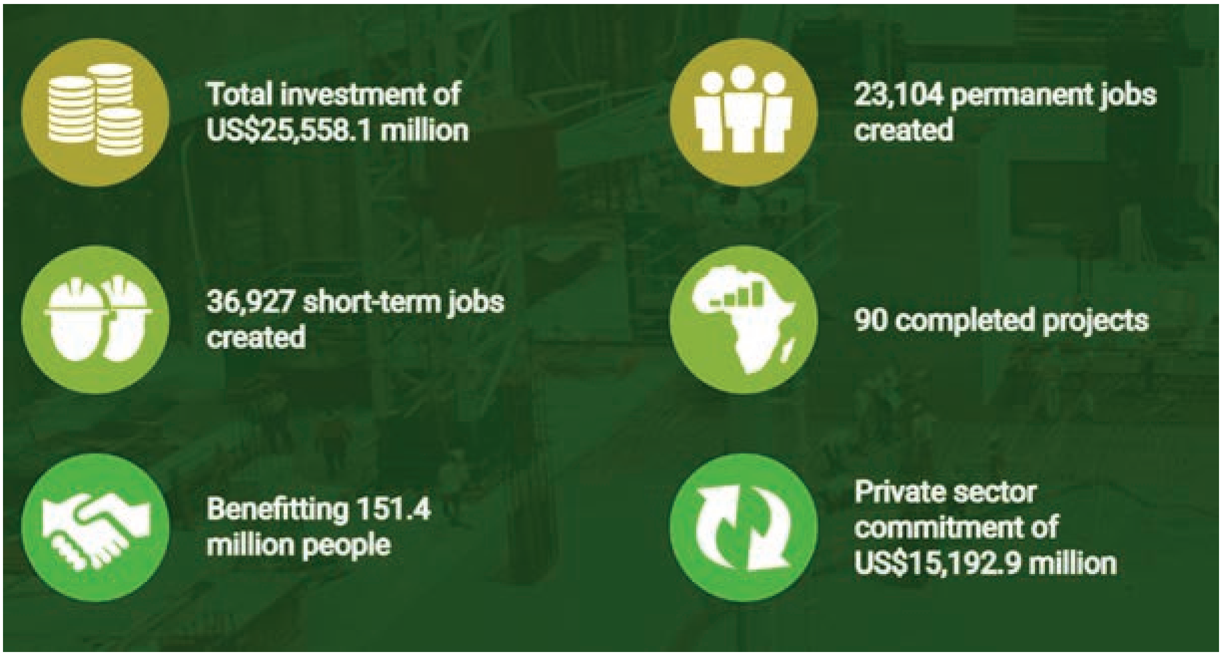
a. **Blended finance:** Catalytic, low-cost capital to attract private investors

b. **Signaling effect:** Acting as a lead lender to repose private investor faith in new projects

c. **Gap funding:** Filling the debt financing gap in cases where DFIs or private sector lenders have exhausted their credit limits

d. **Co-financing:** Traditional co-financing with other lenders to increase resource pool

Impact driven by the EAIF:



The EAIF has demonstrated ability of financing and supporting execution of large-scale infrastructure projects across Sub-Saharan Africa, with over 60% of resources focused on LDCs. Given the continent's increasing infrastructure financing gap, multilateral forums like the G20 and B20 can come together to resolve to further strengthen such institutions or initiatives, to widen the base of impact. The existing expertise of the EAIF can be leveraged without organisations or investors having to start from scratch.

Source: The Emerging Africa Investment Fund, Convergence Finance, www.convergence.finance; The Private Infrastructure Development Group, www.eaif.com

5.1.b Organize financial support specifically to bridge project planning finance gaps, while fostering knowledge sharing mechanisms and rendering need-based support to African nations to mitigate key risks faced by infrastructure investors

Learnings from the first phase of the PIDA as well as research by international organisations like the IMF indicate a set of primary structural risks and challenges that act as deterrents to private participation in infrastructure in Africa:

a. Planning challenges and consequent completion risk
b. Macroeconomic risks
c. Exit risk

Project planning, cost estimations, financing roadmaps, feasibility studies, design, etc., require significant technical support and costs can run up to tens of millions of dollars for each project with long lead times. Although constituting a small portion of overall project finance requirements, high quality planning is essential to build visibility, reliability of completion and attract investors. Special bilateral or multilateral programs to share technical knowledge and expertise and fund project planning can have benefits multiple times the costs. This would reduce project risk especially in cases of unfamiliar environments for investors and thus build trust to attracting private capital.

Macroeconomic risks, especially currency risks, are a matter of concern for several investors. Exchange rate guarantees by governments and hedging instruments through financial institutions like DFIs and multilateral institutions can help significantly mitigate these risks. Insurance provisions discussed earlier in this policy paper can help address these infrastructure risks as well.

Exit risks refer to the ability of investors to exit their investments, through partial or complete sale of stake. Visible exit opportunities are essential to attract private investors. Several measures can be adopted to mitigate exit risks, such as:

a. Introduction of policies to facilitate increased liquidity in secondary equity and debt capital markets

b. Removal or phasing out of capital account restrictions to liberalize capital flows

c. Leveraging the international business community and G20 nations' support to attract institutional investors with the capacity to fund mega projects

Regulatory reforms can also be introduced to strengthen investor protection laws. Over the decade leading up to 2021, only about 25% of the infrastructure projects that saw private participation were directly supported by African governments in some form[87] – be it capital subsidies, debt guarantees, exchange rate guarantees, tariff guarantees, etc. It is essential for governments to be more involved through direct assistance programs to repose investor interest and faith, especially in the infrastructure sector.

Policy Action 5.2: Accelerate universal access to affordable high-speed broadband and internet infrastructure. Empower the private sector to build digital capabilities and foster an enabling ecosystem for digital businesses

5.2.a Create masterplans at national, regional, and continental levels. Also support regulatory reform to create an enabling environment for digital innovation and technology deployment

Realizing the vision of digital transformation for Africa first requires appropriate policies and an enabling environment with major reforms to drive digital transformation. Every nation needs to keep pace with advances in technology, address the new regulatory frontiers and create the foundation upon which digital transformation can achieve its full potential. Policy reforms should encompass formulation of harmonized digital strategies and masterplans, implementation of data protection and cybersecurity laws and legislations to support private investment and IT ecosystems, amongst others.

G20 nations could also conduct knowledge sharing initiatives for African policymakers in spectrum management and harmonization and formulation of spectrum roadmaps, to ensure adequate availability of spectrum to meet the growing needs of the continent while being conscious of cost implications and solving for technological limitations, if any.

5.2.b Promote manufacturing of smart devices through subsidization and other such measures. Also roll out hardware device access programs to ensure mobile devices, especially smartphones, achieve universal and inclusive penetration

Access to modern devices especially smartphones when coupled with increased internet access and the creation of an ecosystem conducive to digital businesses, can be the simplest and single largest driver of Africa's digital inclusion journey. G20 nations can collaborate with African governments to introduce programmes to increase access to smartphones and other digital devices, especially for students and the youth. This can also be linked to students completing a minimum degree of education to achieve the dual objective of increasing digital penetration and contributing to human capital outcomes as well.

For example, in 2020, Vietnam announced its ambition of achieving universal smartphone penetration through affordable devices. The government rolled out manufacturer subsidies, which when put together with the subsidy of USD 10 per phone announced by telecom carriers,

87 World Bank PPI (Private Participation in Infrastructure) database

lowered the price of an affordable smartphone to only ~USD 20. Vietnam now ranks in the top 10 nations globally in terms of smartphone penetration.

5.2.c Enable African nations to make the most of the potential of digital through leapfrogging the digital value chain and enabling digital identities, digital payments and other technologies

With only about 7 years left to realize the SDGs, it has become increasingly essential for nations to address today's problems through innovation. Digital is likely to be the primary driver of innovation, and a means to realize socio-economic benefit for the masses, reducing dependence on traditional models of development and enabling rapidly scalable, high-impact solutions. Enabling digital identities, digital payments, online banking and several other such use cases would significantly help African nations leapfrog the value chain into the digitally connected world.

For example, India's JAM Trinity of Jan Dhan, Aadhaar and Mobile has accrued immense benefits across public service delivery be it in terms of financial inclusion, digital adoption or access to direct benefits transfers.

1. Jan Dhan refers to creation of low-cost, no-frills bank accounts for all citizens, including the rural and marginalized populace
2. Aadhaar is India's unique identification number allotted to each citizen, that forms the base for both online and offline identity verification
3. Mobile refers to the increase of smartphone and internet usage penetration, that has grown almost 6x over the past decade

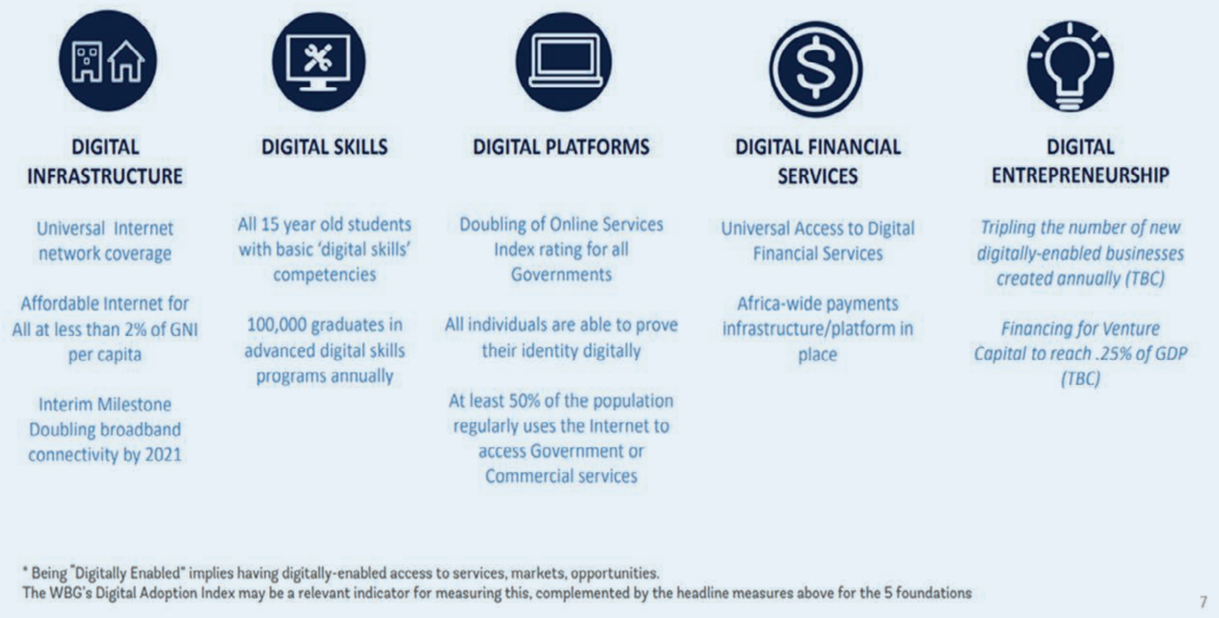
Within Africa as well, initiatives like M-PESA present to be great examples of the power of digital payments and technologies. A mobile money service providing FinTech platform, M-PESA reportedly increased consumption levels over its initial six years to the extent of enabling an estimated 186,000 families, or as many as 2% of Kenyan households, move out of poverty. Since then, M-PESA has been made available in over 9 African nations, bringing significant benefits to the people.

In addition to national digital identity and payment strategies, there are several global examples of highly successful use cases of Digital Public Infrastructure (DPI). For example, India's COWIN platform helped monitor and regulate the COVID-19 vaccination campaign for almost 1.4 billion Indians. India's United Payment Interface (UPI) platform is a government-owned open-source digital payments platform, that allows integration with financial institutions to provide digital payment solutions to end users and customers.

G20 nations like India that have seen tremendous socio-economic benefits driven by digital infrastructure and homegrown technology stacks, can come together, leveraging their technological prowess and experience in implementation of such use cases to benefit African nations.

Case study: The Digital Economy for Africa (DE4A) initiative

DE4A is a relatively recent initiative (launched in 2019) spearheaded by the World Bank Group that aims to bring the power and potential of digital to the masses across the African continent, supporting the AU's Digital Transformation Strategy for Africa. The initiative has the potential to not only help attain several of the UN SDGs but also aims to accelerate achievement of the World Bank's twin goals - [1] Eradicating extreme poverty (ending USD 2.15 poverty by 2030) and [2] Boosting shared prosperity (raising the incomes of the bottom 40% in each country).



Some examples of ongoing and successfully completed initiatives led by the World Bank Group under the DE4A umbrella, that can be replicated or extended at scale to benefit all African nations:

1. **Agile regulations for digital transformation**

   To equip policymakers and regulators in Africa with the knowledge and tools to regulate digital markets in Africa to support digital transformation. Results so far have reportedly been promising, with customized training events facilitating a knowledge exchange within and for Africa

2. **West Africa Regional Communications Infrastructure Program (WARCIP)**

   To increase the geographical reach of broadband networks and reducing the costs of communications services in West Africa. An ideal example is the success story of broadband penetration in Mauritania. Driven by a credit facility from the IDA (International Development Association) of the World Bank Group and several other private partners, Mauritania successfully laid down over 1,700 km of fibre optic cables, establishing the backbone for quality internet. Average monthly price of wholesale broadband access decreased from USD 7,000 a month at the beginning of the project to USD 55 at project closure, as compared to a target of USD 250 (for 2 megabits [Mbit/s]) - far exceeding all expectations

3. **Furthering digital skills**

An example of supporting digital transformation while creating high-quality jobs is the case of Madagascar. In December 2023, IFC, the Malagasy Ministry of Digital Development and several non-profit stakeholders partnered to improve access to - and the quality of - advanced and specialized IT skills training in the country. Under the partnership, IFC will work with Madagascar's government and local industry to define the digital skill needs of the nation, design curriculum, and attract international education technology providers to work with local institutions and universities to deliver trainings

Recommendation 6

G20 should facilitate coordination and channelization of resources towards customized initiatives for African nations, driven by need and demand from within the continent

Policy actions

Policy action 6.1 Set up a G20 Centre on African Economic Integration that would act as a nodal point in identifying opportunities to accelerate economic integration of Africa and facilitate concerted efforts in integrating multiple or fragmented development initiatives

CONTEXT

There is no doubt that the economic integration of Africa is crucial for the global economy in more ways than one. More than 50% of of the projected increase in global population up to 2050 (8 billion → 9.7 billion) will be concentrated in just 8 countries out of which 5 are in Africa. At the same time, over 50% of this projected increase in global population is expected to come from Sub-Saharan Africa alone[88]. In a way, the workforce and economy of Africa will have an increasingly greater socio-economic impact on the world in the near future. With a rapidly growing economy of over USD 3 trillion, Africa offers significant business opportunities across dimensions that currently lie untapped or under-tapped – as has been brought out throughout this policy paper.

Africa is one of the few regions in the world that has official aid inflows exceeding private investment inflows[89] which is not the ideal route to sustained long-term development. Currently, over two-thirds of global population categorized in the "extremely poor" bracket continues to be in Sub-Saharan Africa[90]. While this policy paper highlights the importance of private investment in Africa, it simultaneously brings out potential areas of development and aid-based support as well. Most of the aid and investment flowing into the continent is concentrated on a smaller number of nations, leaving others especially LLDCs behind.

In order to enable the continent to achieve sustained growth, there is a need to:

1. Channel both aid and investment initiatives that are otherwise fragmented across multiple bilateral, multilateral, private and philanthropic sources
2. Focus larger global efforts on a set of high-priority and high-impact areas
3. Ensure prominence of the AU's voice in identifying needs with G20 nations with regards to formulating, expanding or strengthening initiatives

88 World Population Prospects 2022, United Nations – population.un.org

89 International aid to Africa needs an overhaul, 17 May 20201, The Conversation – theconversation.com

90 Poverty and Shared Prosperity 2022, The World Bank Group – worldbank.org

Policy Action 6.1: Set up a G20 Centre on African Economic Integration that would act as a nodal point in identifying opportunities to accelerate economic integration of Africa

Concept:

1. Set up of a G20 Centre for African Economic Integration (or "The Centre") potentially as an Inter-Governmental Organisation (IGO) that channelizes collaborative, multilateral initiatives for the African continent through capacity building, knowledge-sharing, policy reform support, coordinating private, philanthropic and DFI-based investments and other such programmes would act as a new paradigm for global cooperation
2. The Centre would serve as a nodal point in identifying opportunities and overseeing implementation of multiple initiatives
3. The Centre could constitute G20 nations as its members or signatories, with individual African member states potentially signing up as partners, to avail of the benefits of one or more cooperation initiatives
4. For the purpose of initial incorporation, the Centre can start with a specific set of 3-4 key priorities or mandates most closely linked to economic development and integration, say:
   a. AET (Agricultural Education and Training)
   b. TVET (Technical and Vocational Education and Training) for skilling and
   c. Establishment of a fund investing in select priority sectors across Africa (such as energy access, MSMEs, etc)

5. The charter of the body should ensure initial focus on 3-4 such priority areas, while providing the flexibility for gradual inclusion of other initiatives basis need, consensus and maturity of initial programmes
6. Focus would remain on execution of high-impact programmes, most directly linked to economic integration and development

Benefits for the African continent:

1. The Centre would serve as an institution where global subject-matter expertise, policy intent and investment opportunities can find synergies
2. Creation of a single channel for all aid and investment-based initiatives - coordinated efforts can increase global focus on a limited set of initiatives to drive maximum impact
3. The pan-Africa focus of the Centre would ensure inclusive development of the wider array of nations (including LLDCs)

Cooperation with existing bodies and organisations:

1. The Centre is not intended to overshadow or overlap with any of the several organisations from across the world currently doing appreciable and impactful work in Africa but is intended to be supplementary and complementary to them
2. The Centre could partner with several such organisations from across the world, ranging from development agencies, IOs and philanthropies to sector-specific coalitions, diaspora and the larger private sector amongst others - acting as a nodal point to better channel resources into high-impact initiatives

The primary Secretariat of the Centre can be housed either:

a. **In India:** India as a nation has faced similar challenges and houses potential in a broader construct similar to Africa - in terms of population growth, job creation, investment trends and economic growth, amongst others. India has also leveraged the power of technology to bring socio-economic development to the masses, a model that could have immense benefit upon replication pan-Africa
b. **In Africa:** An 'African-owned, African-led' multi-year initiative with the ability to drive initiatives from within the continent, in close partnership with the AU, AfDB, AfCFTA Secretariat and several other key stakeholders

The Centre could have multiple regional offices across key locations in Africa.

The primary intent of this B20 Action Council is to highlight the need and potential benefit of cooperation at the G20 level to form such a Centre. Should the G20 see merit in this and choose to pursue the idea further, the private sector community through the B20 would be more than happy to extend its support in envisioning and executing the set up of such a Centre.

Action Council Members

Name	Organization	Country
Abhishek Agrawal	Accion	India
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Adewale-Smatt Oyesola Oyerinde	Nigeria Employers' Consultative Association	Nigeria
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Amit Raman Pathare	Feyn Partners	United Kingdom
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Asif Iqbal	Indian economic trade organization	India
Atin Aggarwal	Boston Consulting Group	India
Atul Hemani Hemani	1008 Digital Health Pvt. Ltd.	India
Avinash Gyan	UP Industries and Infrastructure Form	India
Aysha Sanober	Ammara Exports	India
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Paulo Rogerio Lino	Shelter Global Associates	Brazil
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Sanjay Nayak	Tejas Networks Ltd.	India
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Shea Gopaul	International Organisation of Employers IOE	United States
Simon Hess	World Trade Organization	Switzerland
Sudarshan Venu	TVS Motor Company	India
Sunil Bharti Mittal	Founder & Chairman, Bharti Enterprises	India
Sunil D Desai	Richfield Engineering India Private Ltd	India
Suresh Sethi	Protean eGov Technologies Limited	India
Sushil Aggarwal	Avro India Ltd	India
Sushil Lodha	Miracle Ingredients LLP	India
Swayam Prakash Baral	Swadesh Infra Marketing Private Limited	India
Tariq Lutfallah Alturkestani	Saee Solutions for Logistic Services	Saudi Arabia
Tony Elumelu	Heirs Holdings Ltd	Nigeria
Vaibhav Mittal	Reliance Model Economic Township	India
Valentina Mintah	ICC	France
Vimal Kumar Kumar	Finovista	India
Vineet Vijayavargia	Boston Consulting Group	India
Vinod Agrawal	Arunaya Organics Private Limited	India
Vivek Gandhi	Indiabulls	India
Xiaofeng None Li	China Council for the Promotion of International Trade	China
Yassin Saeed Al Suroor	A'amal Group	Saudi Arabia
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About B20 India

Business 20 (B20) is the official G20 dialogue forum with the global business community. Established in 2010, B20 is among the most prominent Engagement Groups in G20, with companies and business organizations as participants. The B20 leads the process of galvanizing global business leaders for their views on issues of global economic and trade governance and speaks in a single voice for the entire G20 business community.

Each year, the G20 Presidency appoints a B20 Chair (an eminent business leader from the G20 host country), who is supported by a B20 Sherpa and the B20 secretariat. The B20 aims to deliver concrete actionable policy recommendations on priorities by each rotating presidency to spur economic growth and development.

The B20 bases its work on Task Forces (TFs) and Action Councils (ACs) entrusted to develop consensus-based policy recommendations to the G20 and to international organizations and institutions. The B20 officially conveys its final recommendations to the G20 Presidency on the occasion of the B20 Summit.

As India holds the Presidency of G20 in 2023, India will host the eighteenth G20 Summit in New Delhi. The Confederation of Indian Industry (CII) has been appointed as the B20 India Secretariat for India's Presidency. CII, as the B20 India Secretariat, will host the B20 India Summit in New Delhi from 25-27 August 2023.

For queries, **reach us at b20secretariat@cii.in**