



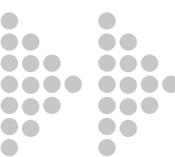
THE AFRICAN CAPACITY
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Securing Africa's future through capacity development | Assurer l'avenir de l'Afrique en renforçant les capacités

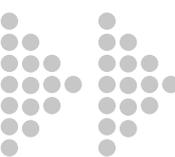


Policy Brief N° 7 2024 : **Bridging the Capacity Gap:** Priority Areas for Sustainable Development in Africa **2024**



Key takeaway

To achieve sustainable development, African countries need to address the capacity gaps that hamper their ability to implement their development goals and deliver quality services to their citizens. This policy brief identifies six priority areas for capacity development: human capital development, good governance, finance and resource mobilization, infrastructure development, trade and regional integration, environment and climate change. It provides recommendations for enhancing capacity in each area and suggests ways to leverage existing opportunities and partnerships. The brief underscores that these challenges are interlinked, necessitating cross-sectoral collaboration, cohesive policy-making, and sustained commitment to bridge the capacity gap, enabling effective implementation of development objectives and improved service delivery.

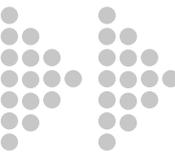


The issue

Africa's development journey presents a complex picture, marked by both encouraging advancements and persistent challenges. The continent has witnessed impressive economic growth rates, with Sub-Saharan Africa averaging 3.1% GDP growth in 2022, according to the World Bank. In spite of the tough economic conditions globally and regionally, fifteen African nations have achieved growth rates exceeding 5% according to the African Development Bank in the Africa's Macroeconomic Performance and Outlook 2024. Additionally, poverty reduction efforts have yielded positive results, with the number of people living in extreme poverty declining from 43% in 2015 to 32% in 2020 although part of this progress has been lost afterwards because of crises and shocks. Furthermore, technological advancements in sectors like mobile money have transformed financial inclusion and communication across the continent.

However, despite these strides, significant hurdles impede further progress towards sustainable development. One critical factor hindering Africa's development trajectory is the deficit in capacity. This manifests in various forms, including limited skilled human resources, weak institutional frameworks, and inadequate financial resources. As a result, many African countries struggle to effectively implement their development plans, strategies, and policies, hindering their ability to translate national visions into tangible improvements for their citizens.

This policy brief aims to address this critical challenge by outlining key capacity development priorities crucial for propelling Africa's sustainable development. Drawing insights from various capacity development assessments, including a comprehensive study conducted by the African Capacity Building Foundation (ACBF) in 2022, this brief identifies six focus areas: Human Capital Development, Good Governance, Finance and Resource Mobilization, Infrastructure Development, Trade and Regional Integration, and Environment and Climate Change.



Capacity development priorities for African countries

Human capital development

Investing in human capital development, encompassing education, health, and skills, is critical for Africa's economic and social transformation. A skilled and healthy workforce fuels economic growth, fosters social inclusion, reduces poverty, and improves overall well-being. However,

significant challenges hinder Africa's progress in this crucial area. The World Bank's Human Capital Index (HCI) in 2020 paints a concerning picture, with Sub-Saharan Africa scoring 0.40, far below the global average of 0.56. This translates to a learning gap of 5.3 years and an earning gap of 54% compared to a potential worker with complete education and full health.

The main capacity development challenges include the following:

- **Skills mismatch:** While educational attainment is improving, a glaring disconnect exists between the skills graduates possess and the demands of the labor market. A report by the African Development Bank (AfDB) highlights that nearly 70% of employers in Africa struggle to find workers with the skills they need. This acute skills gap is particularly pronounced in technical fields like engineering, information technology, and data science, crucial for driving Africa's economic diversification and technological advancement. This challenge stems from several factors, including outdated curricula, limited industry engagement in education, and inadequate career guidance.
- **Inadequate quality of education:** Despite strides in enrollment rates, the quality of education remains a major concern. Learning outcomes are often poor, with many students graduating without the necessary foundational skills. A UNESCO report reveals that only 20% of primary school students in Sub-Saharan Africa achieve minimum proficiency in reading. This hinders their ability to progress to higher education and acquire relevant skills for the workforce. Ineffective teaching methods, large class sizes, and a lack of resources contribute to this challenge, limiting students' potential and perpetuating the cycle of underachievement.
- **Limited investment in early childhood development (ECD):** Investing in ECD is crucial for building a strong foundation for lifelong learning and future potential. However, ECD programs remain underfunded and inaccessible for many African children. The World Bank estimates that only 10% of children under five in Sub-Saharan Africa benefit from organized early learning programs. This missed opportunity at the critical early stages has long-lasting consequences for cognitive development and future employability. Limited government funding, coupled with a lack of awareness about the importance of ECD, exacerbate this challenge.

Good governance

Effective governance is the cornerstone of sustainable development and progress in any nation. It underpins economic growth, social equity, and the rule of law, fostering an environment conducive to peace, security, and stability. In Africa, however, challenges related to good governance pose a significant barrier to achieving these goals.

The current state of governance in Africa paints a mixed picture. While some countries have made commendable strides in strengthening democratic institutions and upholding the rule of law, others continue to grapple with corruption, weak accountability mechanisms, and limited citizen participation. According to the Ibrahim Index of African Governance, the average score for Sub-Saharan Africa in 2022 was 48.8 (out of 100), indicating significant room for improvement. This weak governance environment is often linked to issues of peace, security, and stability. Fragile states with inadequate public service delivery, limited access to justice, and widespread corruption are more susceptible to conflict, insecurity, and radicalization, creating a vicious cycle that hinders development efforts.

Several interconnected capacity development challenges contribute to the current state of governance in Africa:

- **Inadequate policy development and regulatory frameworks:** Many African countries struggle to formulate effective public policies and establish robust regulatory frameworks that guide development programs and ensure transparency and accountability. This often stems from limited technical expertise, weak institutional capacity, and a lack of stakeholder engagement in the policymaking process.
- **Weak rule of law and accountability mechanisms:** Upholding the rule of law and ensuring effective accountability mechanisms are crucial for deterring corruption and promoting good governance. However, weak judicial systems, inadequate law enforcement capacity, and limited oversight mechanisms often hinder progress in these areas. This creates an environment where impunity thrives, eroding public trust and hindering sustainable development.
- **Limited citizen participation and political inclusivity:** Meaningful citizen participation and inclusive political processes are essential for ensuring that governance reflects the needs and aspirations of the population. However, limited civic engagement, exclusion of marginalized groups, and weak electoral systems often hinder these aspects of good governance. This can lead to political instability, social unrest, and ultimately, impede development efforts.

Finance and Resource Mobilization

Effective and sustainable finance and resource mobilization are cornerstones of Africa's development. They provide the necessary resources to invest in critical areas like infrastructure, education, healthcare, and social protection, ultimately fostering economic growth, reducing poverty, and improving the lives of millions. However, several capacity development challenges hinder Africa's ability to mobilize and manage its financial resources effectively.

The current state of finance and resource mobilization in Africa presents a complex picture. While some countries have made commendable strides in recent years, significant challenges persist across the continent. One of the key issues is low tax effort. According to the African Development Bank, the average tax-to-GDP ratio in Africa is 15.2%, which is significantly lower than the global average of 25%. This translates to limited domestic revenue generation, constraining the fiscal space available for governments to finance public programs and investments.

Finance and resource mobilization on the continent is confronted with various capacity development challenge.

- **Limited institutional capacity:** Many African countries face weak domestic institutions with limited capacity for efficient tax collection and resource mobilization. The World Bank estimates that 40% of tax revenue in Sub-Saharan Africa is lost due to inefficiencies and corruption. This includes inadequate human resources, outdated technological infrastructure, and complex bureaucratic procedures. These limitations hinder the ability of governments to identify and register taxpayers, enforce tax laws, and collect taxes effectively.
- **Weak public financial management and governance:** Inefficiencies and weaknesses in public financial management (PFM) systems pose another significant challenge. Transparency International's 2021 Corruption Perception Index reveals that more than half of African countries score below 45 on a scale of 0 (highly corrupt) to 100 (very clean). This indicates a widespread prevalence of corruption and weak

accountability mechanisms, which erode public trust, discourage investment, and ultimately hinder sustainable development efforts.

- **Limited diversification of revenue sources:** Reliance on a narrow tax base, often heavily concentrated on resource extraction or trade taxes, makes African economies vulnerable to external shocks and fluctuations in commodity prices. The African Tax Policy Forum reports that resource rents account for over 70% of government revenue in some African countries. This lack of diversification exposes governments to revenue volatility and limits their ability to generate predictable and sustainable income streams.
- **Inefficient public expenditure management:** Ineffective allocation and utilization of public resources further exacerbate the challenges. The African Development Bank estimates that up to 30% of public expenditure in Africa is lost due to mismanagement and corruption. This can involve poor budgeting practices, inadequate prioritization, and weak monitoring and evaluation mechanisms. Such inefficiencies lead to misallocation of resources, hindering their impact on development outcomes.

Infrastructure development

Infrastructure development is crucial for Africa's progression, as it underpins economic growth, enhances connectivity, and improves the quality of life for its rapidly expanding population. The continent's demographic boom, with numerous countries seeing their populations double in recent decades, coupled with an economic transformation driven by global demand for its natural resources, necessitates a robust and modern infrastructure network to sustain and accelerate growth.

However, the current state of infrastructure in Africa presents a mixed picture. While there have been notable advancements in sectors like telecommunications, where Africa has emerged as one of the fastest-growing mobile phone markets globally, other areas lag significantly. Transportation infrastructure, including roads, railways, and ports, often remains outdated and poorly maintained, leading to increased trade costs and limited accessibility. The energy sector also faces challenges, with vast disparities in access to electricity across the continent, severely impacting both urban and rural communities' development potential. These issues are compounded by a substantial infrastructure financing gap, estimated to require up to \$170 billion annually by the African Development Bank.

Several interconnected capacity challenges contribute to the current state of infrastructure development in Africa:

- **Limited skilled workforce:** Addressing the shortage of qualified engineers, planners, and project managers is a critical bottleneck. The complex nature of modern infrastructure projects demands a skilled workforce equipped with technical expertise, project management skills, and knowledge of emerging technologies. However, many African countries face a skills gap in these crucial areas, hindering their capacity to effectively plan, implement, and manage large-scale infrastructure projects.
- **Inadequate financing:** Bridging the substantial infrastructure financing gap, estimated at \$170 billion annually by the African Development Bank, requires innovative financing mechanisms. While traditional sources like public funding play a role, limited domestic revenue generation in many African countries necessitates exploring alternative options. This includes public-private partnerships (PPPs), leveraging diaspora remittances, and attracting foreign direct investment. However, complex bureaucratic procedures, weak institutional capacity, and perceived investment risks often hinder the effective utilization of these alternative financing mechanisms.

- **Inefficient maintenance and governance:** Inadequate maintenance of existing infrastructure assets leads to rapid deterioration, ultimately requiring costly repairs or complete replacements. This shortens the lifespan of infrastructure and diverts resources away from new development projects. Furthermore, weak governance frameworks, corruption, and a lack of transparency in procurement processes can further hinder efficient resource allocation and project implementation.
- **High debt burden:** Many African governments grapple with high debt-to-GDP ratios, limiting their fiscal space for investing in new infrastructure projects and maintenance. This creates a vicious cycle where inadequate infrastructure hinders economic growth, making it challenging to generate the revenue needed to address the existing debt burden and invest in further development.

Trade and Regional Integration

Trade and regional integration hold immense potential to propel Africa's economic growth and development. By fostering closer economic ties, they can boost intra-African trade, attract foreign investment, and create a larger, more competitive market. However, despite significant efforts, progress towards deeper regional integration remains slow and uneven due to several interconnected capacity challenges.

The current state of trade and regional integration in Africa presents a mixed picture. While the continent boasts numerous regional economic communities and have launched an African Continental Free Trade Area (AfCFTA), intra-regional trade remains significantly lower compared to other regions. Alarming, intra-regional trade in Africa accounts for only about 15% of total trade, compared to over 50% in regions like Europe and Asia. This stark disparity highlights the limited economic integration within Africa.

Furthermore, reliance on a narrow range of exports poses a significant challenge. The top three export products account for more than 50% of total exports in over half of African countries, according to the World Bank. This overdependence on primary commodities, such as oil, minerals, and agricultural products, makes African economies vulnerable to price fluctuations and hinders their ability to diversify and participate in complex global value chains. This is further reflected in Africa's low share of manufacturing value added, which stands at around 10%, compared to the global average of around 16%.

These concerning figures underscore the urgency of addressing the key capacity issues hindering trade and regional integration in Africa:

- **Limited productive capacity:** Many African countries lack the industrial infrastructure and skilled workforce necessary to produce a wider range of competitive goods. This skills gap impedes their ability to diversify exports and participate in complex manufacturing processes.
- **Weak institutional capacity:** Inadequate institutional frameworks and limited expertise in trade policy formulation, negotiation, and implementation hinder effective regional integration efforts. This includes weak customs administrations, inefficient regulatory frameworks, and inadequate trade facilitation mechanisms.
- **Fragmented infrastructure:** Poor transport, communication, and energy infrastructure create significant barriers to trade. Inadequate logistics networks, lengthy customs procedures, and unreliable power supplies increase trade costs and discourage cross-border trade.

- **Limited access to finance:** Access to financing for trade-related activities, such as working capital and export credit, remains a significant challenge for many African businesses, particularly small and medium-sized enterprises (SMEs). This hinders their ability to participate in regional and global trade.

Environment and Climate Change

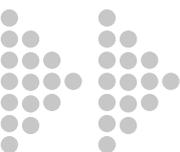
Africa faces a unique and complex challenge at the intersection of environment and climate change. While the continent is endowed with rich natural resources and diverse ecosystems, it also bears the brunt of the consequences of environmental degradation and a changing climate. Addressing these interconnected issues requires urgent action and robust capacity development to ensure a sustainable future for Africa.

The state of environment and climate change in Africa presents a concerning picture. The continent is particularly vulnerable to the impacts of climate change, experiencing rising temperatures, erratic rainfall patterns, and more frequent extreme weather events such as droughts, floods, and cyclones. These changes have devastating consequences, leading to land degradation, water scarcity, food insecurity, and displacement, further jeopardizing livelihoods and exacerbating existing vulnerabilities.

Furthermore, environmental degradation, driven by factors like deforestation, unsustainable land use practices, and pollution, poses a significant threat. These issues not only contribute to climate change but also undermine ecosystem services critical for food security, water resources, and biodiversity. The degradation of natural resources can also fuel conflicts over scarce resources, creating a vicious cycle of environmental, social, and economic instability.

Several key capacity challenges hinder effective action on environment and climate change in Africa:

- **Limited technical expertise:** Addressing complex environmental and climate challenges requires a skilled workforce equipped with scientific knowledge, data analysis capabilities, and policy development expertise. However, many African countries lack the necessary human resources to effectively manage their natural resources, conduct climate risk assessments, and implement sustainable development strategies.
- **Inadequate institutional capacity:** Weak institutions with limited resources and fragmented governance structures often struggle to effectively enforce environmental regulations, promote sustainable practices, and coordinate climate change adaptation efforts. This hinders progress in implementing environmental policies and achieving long-term environmental sustainability.
- **Limited access to finance:** Mobilizing adequate financial resources is crucial for investing in renewable energy, climate-resilient infrastructure, and ecosystem restoration initiatives. However, many African countries face limited domestic resources and complex bureaucratic procedures, making it difficult to access international climate finance and private sector investments.



Main policy recommendations

Invest in comprehensive human capital development. This approach entails prioritizing the expansion of quality early childhood development programs, particularly in underserved regions, through increased government funding and educator capacity building efforts. Additionally, aligning educational curricula with the evolving needs of the labor market,

in collaboration with industry experts, is crucial for ensuring that graduates are adequately prepared for employment opportunities. Strengthening teacher training programs to emphasize pedagogical skills, technology integration, and data-driven teaching methods further enhances the quality of education. Moreover, fostering collaboration between educational institutions and industries to bridge the skills gap through work-integrated learning programs, internships, and tailored vocational training initiatives is essential.

To promote good governance in Africa, it is imperative to implement comprehensive reforms across various fronts. This includes fostering participatory policymaking processes by engaging stakeholders such as civil society, academia, and the private sector. Strengthening policy development and regulatory frameworks requires targeted training programs and knowledge-sharing initiatives to enhance technical expertise within government institutions, alongside ensuring transparency and accountability through robust monitoring and evaluation mechanisms. Upholding the rule of law and accountability entails investing in judicial infrastructure, training judges and prosecutors, and improving law enforcement capacity while establishing effective anti-corruption mechanisms. Additionally, promoting citizen participation and political inclusivity involves supporting civil society organizations, facilitating citizen dialogue, and addressing discriminatory practices, alongside strengthening electoral systems through investments in voter education and transparent registration processes.

Broaden the tax base, improve collection efficiency, and enhance transparency and accountability in public spending. To strengthen finance and resource mobilization in Africa, a two-pronged approach is recommended. Firstly, broaden the tax base through progressive reforms targeting wealth and high-income earners while ensuring fairness and efficiency. Invest in technology, streamline procedures, and combat tax evasion by strengthening tax administration capacity to improve collection efficiency. Secondly, enhance transparency and accountability in public spending by implementing performance-based budgeting, strengthening internal audits, and publishing regular financial reports. Additionally, adopt efficient budgeting practices through cost-benefit analyses and prioritize resource allocation based on development needs. Finally, implement robust monitoring and evaluation mechanisms to track the impact of public spending and ensure accountability for results. This comprehensive approach will ensure sustainable and responsible financial management for Africa's development.

Invest in infrastructure skills, explore PPPs and diaspora remittances, and create an attractive investment environment to bridge Africa's gap. To address the critical infrastructure gap hindering Africa's development, a multifaceted approach is necessary. Firstly, investing in skills development is crucial. This involves strengthening training programs for engineers, planners, and project managers, equipping them with specialized skills relevant to modern infrastructure development. These skills should encompass sustainable construction practices, cutting-edge project management methodologies, and the effective utilization of innovative technologies. Secondly, exploring innovative financing mechanisms is key. This requires building capacity within government institutions to develop and implement public-private partnership (PPP) models effectively. Additionally, attracting private sector investment is crucial. This can be achieved by creating an enabling investment environment characterized by clear regulations, streamlined procedures, and robust legal frameworks that mitigate risks and foster investor confidence. Furthermore, leveraging diaspora remittances presents a significant opportunity. Establishing mechanisms to channel these resources towards infrastructure projects can provide a stable and sustainable source of funding.

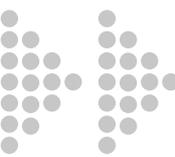
Develop capacities to unlock the full potential of the African Continental Free Trade Area (AfCFTA). Building expertise is paramount. Equipping government officials with the necessary knowledge and skills through specialized training programs and establishing centers of excellence dedicated to trade issues will be instrumental. This will empower them

to effectively formulate, negotiate, and implement trade policies within the AfCFTA framework. Also, enhancing customs efficiency is crucial. Investing in modern technologies, streamlining procedures, and harmonizing regulations across regional blocs will significantly reduce trade barriers and expedite the movement of goods within the AfCFTA. This will create a more seamless and conducive environment for businesses to operate and contribute to regional economic growth.

Invest in green skills development and strengthen environmental institutions.

Equipping individuals with the knowledge and expertise to tackle environmental issues requires targeted training programs in areas like renewable energy, sustainable resource management, and climate change adaptation. Additionally, promoting environmental education at all levels will foster responsible practices and raise awareness amongst the population, creating a more environmentally conscious citizenry. Moreover, strengthening environmental institutions is crucial. This involves enhancing the capacity of environmental agencies through training for regulators, investing in monitoring and enforcement equipment, and establishing effective data collection and management systems. Furthermore, fostering collaboration between government agencies, civil society, and the private sector through multi-stakeholder platforms will ensure comprehensive and coordinated climate action. By adopting these strategies, Africa can empower its workforce, strengthen environmental governance, and build resilience in the face of environmental challenges, paving the way for a sustainable and prosperous future.

A **holistic approach to capacity development is crucial.** While each recommendation addresses a specific area, their true impact lies in their interconnectedness. Investments in education empower citizens, fostering good governance and attracting investment for infrastructure and environmental protection. Efficient financial management fuels these sectors, while transparency strengthens trust in institutions. Similarly, AfCFTA's success relies on a skilled workforce, efficient trade facilitation, and sustainable infrastructure. Addressing environmental challenges through green skills and strong institutions contributes to a healthy environment that supports human capital development. This synergy requires cross-sectoral collaboration, integrated policymaking, and a long-term commitment. By embracing this holistic approach, African nations can maximize their resources, address complex challenges comprehensively, and ultimately achieve sustainable and inclusive development for all.



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