Chapter 4
Conclusions and policy implications

Capitalising on the region's dynamism and young populations requires patient work that prioritises investments in quality education, promotes the transition to formal private enterprises, builds infrastructure, improves regional connectivity and, as economies develop, strengthens institutions. The recent decline in official development assistance flows underscores the importance of mobilising domestic savings and leveraging private investment.

This short report provides an overview of some of the distinct development challenges faced by economies in SSA and contrasts their experience with that of economies in emerging Europe and Central Asia on their journeys from the legacy of central planning towards sustainable market economies.

While the economies of emerging Europe and Central Asia were characterised by strong skills but relatively weak governance for their levels of development, in SSA, progress on education has been slow by global standards, weak infrastructure has been holding back trade integration and regional connectivity, and levels of informality have remained high, both in agriculture and in services.

The challenge, therefore, is to build a vibrant formal private sector to replace inefficient informal entrepreneurship and to create enabling conditions for private-sector development. In emerging Europe and Central Asia, in contrast, the key challenge was to build a vibrant formal private sector to replace inefficient large state enterprises.

The experience of emerging Europe and Central Asia suggests that improvements in the areas that constrain economic development take time. The relative advantages and disadvantages of economies in terms of their endowments tend to remain, even as the quality of skills, physical capital or institutions improves and supports income convergence.

SSA could benefit from the dynamism of its entrepreneurial populations and the willingness of its residents to embrace digital technologies, as reflected in the widespread use of smartphones and online payments. This experience suggests a broader possibility: economies' ability to leapfrog certain stages of technological development, for instance, the comprehensive roll-out of fixed telecommunications networks or widespread use of personal computers.

With a median age of just 19 (compared with 42 in emerging Europe), the potential demographic dividend from an increasing share of the working-age population could also be substantial in SSA economies. Reaping this dividend, however, would require patient work that prioritises investments in quality education,[69] promotes the transition to formal private enterprises,[70] builds infrastructure, improves regional connectivity (including through trade facilitation, efficient warehousing and improved customs procedures) and, as economies develop, strengthens institutions.[71]

Education spending as a top priority

As part of the *Life in Transition Survey*, respondents were asked to identify and rank the top two priorities for government spending from a menu of nine options, from education to assisting the poor and from digital infrastructure to climate change.

Respondents in SSA see investments in education and healthcare as the top priorities for governments (chosen by 31 per cent and 38 per cent of respondents, respectively, as shown in Chart 4.1). The emphasis on educational spending is generally stronger than in emerging Europe and Central Asia, and stronger than the preference for spending on job creation. In contrast, fewer than 1 per cent of respondents see pensions as the top priority, in contrast to 9 per cent in emerging Europe and Central Asia.[72]

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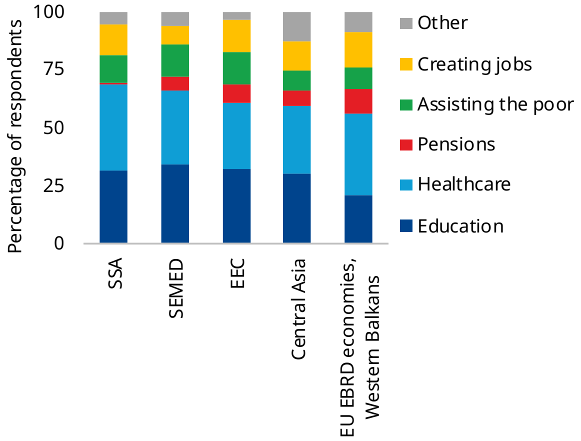
[69] See, for instance, EBRD (2025), IMF (2024) and UNICEF (2024).

[70] See, for instance, African Association of Entrepreneurs (2024), ILO (2009) and World Bank (2025c); see also Gerschenkron (1962) on the creation of a formal, industrial labour force.

[71] See, for instance, AfDB (2025a), OECD (2019), Calderon, Cantu and Chuhan-Pole (2018) and Zivanemoyo, Dessus and Dreyhaupt (2023).

[72] See also EBRD (2025) on pensions as a priority in ageing societies.

Chart 4.1. People in SSA see investments in education and healthcare as the top priorities for government spending



Source: Life in Transition Survey IV data and authors' calculations.

Note: The chart shows the percentage of respondents selecting each area as their first priority for additional government spending. 'Other' comprises housing, climate change, physical infrastructure and digital infrastructure.

Policy priorities

The short format of this report does not lend itself to a detailed discussion of policy levers that could be used to make progress in these crucial areas. On the challenges of improving the quality of education in Africa, see, for example, IMF (2024), which calls for greater spending to improve access to education, including the protection of educational budgets amid tighter fiscal constraints, to ensure that funds are used efficiently and to maintain continued support for education by donors and international organisations. The United Nations Children's Fund (UNICEF) emphasises the importance of improving pedagogical quality, strengthening teacher training pathways and offering ongoing pedagogical support, setting clear expectations for instruction hours, managing absences and reducing reliance on double-shift systems, focusing on early learning and capitalising on digital technologies.[73]

When it comes to investment in infrastructure, Calderon, Cantu and Chuhan-Pole (2018) point to large potential growth benefits from closing the infrastructure gap in Africa, not only calling for greater resource mobilisation from African governments, but also emphasising complementarities between private and public investment, including public-private partnerships as an alternative for infrastructure financing and improving the efficiency of public infrastructure spending (that is, the quality of public investment management systems and procurement methods) to increase the output multiplier of investment spending. The OECD (2019) highlights the need to further develop financial markets and to improve regulatory and investment policy frameworks to mobilise private investment at scale, focusing on increased local investment and better risk mitigation.

The recent decline in official development assistance flows further increases the importance of mobilising domestic savings and leveraging private investment.[74]

Improving connectivity is also key to enhancing Africa's integration into regional and global value chains. Effective and efficient transport networks enable companies to reach regional and international markets at lower cost. In addition to the faster delivery of goods from improvements to cross-border roads, railways, and international ports and airports, African countries could import raw materials and intermediate goods more cheaply and export manufactured products more competitively.[75]

In some cases, existing infrastructure gaps could be opportunities to leapfrog to new, more efficient technologies.[76] For instance, several economies in SSA support the development of renewable energy sectors: Ghana offers import duty and value-added-tax exemptions on solar panels, batteries and renewable energy equipment; Kenya's procurement laws encourage the local assembly of clean energy technologies (especially for electric vehicle fleets); and Nigeria has begun to develop a vertically integrated solar manufacturing facility.[77] Foreign direct investment inflows have also been shifting away from oil, coal and gas towards renewable energy.[78]

Digital technologies are helping to increase formality.[79] For instance, in Nigeria, mobile applications such as Gokada have revolutionised the transport sector by offering secure motorbike taxi services accessible via mobile applications. This

[73] See UNICEF (2024).

[74] See AfDB (2025a).

[75] See OECD (2019).

[76] See AfDB (2025b).

[77] See IEA (2025).

[78] Based on data from the Financial Times fDi Markets database.

[79] See African Association of Entrepreneurs (2024).

technology has not only improved access to transport for citizens but has also created new job opportunities for drivers. In South Africa, initiatives such as Spaza Online enable small traders to sell their products online, thereby extending their customer base beyond traditional geographical boundaries. In Ethiopia, online platforms such as EthioMarket connect farmers to national and international markets, offering greater traceability of products and facilitating access to credit for small-scale farmers. In Tanzania, government initiatives such as the TRA iTax online platform are simplifying the process of registering businesses and paying taxes for informal entrepreneurs. This simplification of administrative procedures encourages formalisation by reducing costs and bureaucratic obstacles.

Policies can support entrepreneurship – a powerful tool for creating jobs in young economies – through one-stop registrations; capital injections beyond microcredit; mentoring programmes for entrepreneurs; training focused on digital tools; export promotion efforts; and trade facilitation programmes aimed at boosting both exports and imports of necessary production inputs.[80]

The most effective programmes in developing countries tend to involve a substantial degree of targeting: for example, identifying entrepreneurs with high growth potential and offering them integrated support in the form of funding, mentorship and support programmes aimed at boosting market access.

Policymakers can also seek to tap further into the African diaspora. For instance, return migration could be encouraged by regimes offering expedited business registration for returning migrants, tax breaks and co-investment schemes where public funds could match returnees' capital injections.

The development of local venture-capital markets could be supported by the use of government-backed funds, investor tax credits or dedicated programmes run by development finance institutions. Innovation forums – such as Kenya's Innovation Week, organised by the national innovation authority – can further showcase local talent and foster collaboration between local innovators and international investors.

Many SSA economies have introduced policies to support the shift to higher-value-added, more complex products, as illustrated, for instance, by Ghana's shift from exporting cocoa to exporting chocolate. Industrial policies have also focused on targeting employment creation and agribusiness.[81]

The potential economic contribution of mineral production could also be increased by moving up the value chain towards processing, smelting and refining. A number of African economies mandate or promote local mineral processing and value addition to stimulate local industrial development. For instance, Kenya promotes local processing clusters and value-chain development, Ghana promotes domestic participation in mineral value chains and Nigeria has fiscal incentives to expand domestic processing industries and reduce raw mineral exports. Kenya wants to develop domestic capacity in steel and iron, as well as build up a low-emission fertiliser industry. Some economies undertake significant ammonia production (such as Algeria, Egypt and Nigeria) and could, therefore, be well-placed to benefit from their existing skilled workforce in the sector.[82]

Moving to higher value-added products and further development of the agribusiness sector could help mitigate some of the macroeconomic vulnerabilities associated with high dependence on commodity exports, create much-needed jobs in rural areas and, with improved transportation infrastructure, enhance the region's integration into the global economy.

[80] See EBRD (2025).

[81] See EBRD (2024b).

[82] See IEA (2025).