European Bank
for Reconstruction and Development

Life in Transition Survey

Getting to know the EBRD's new countries of operation in sub-Saharan Africa

Notes

In this report, "sub-Saharan Africa" (SSA) refers to the six economies in which the European Bank for Reconstruction and Development (EBRD) has started or is expected to start operating in 2025-26: Benin, Côte d'Ivoire, Ghana, Kenya, Nigeria and Senegal. In some charts, they are referred to as "EBRD SSA" to distinguish them from other economies in the region. "Central Asia" refers to Kazakhstan, the Kyrgyz Republic, Mongolia, Tajikistan, Turkmenistan and Uzbekistan. "Eastern Europe and the Caucasus" (EEC) refers to Armenia, Azerbaijan, Georgia, Moldova and Ukraine. "EBRD economies in the EU" refers to Bulgaria, Croatia, Czechia, Estonia, Greece,[1] Hungary, Latvia, Lithuania, Poland, Romania, the Slovak Republic and Slovenia. "Southern and eastern Mediterranean" (SEMED) refers to Egypt, Iraq, Jordan, Lebanon, Morocco, Tunisia, and the West Bank and Gaza. "Western Balkans" refers to Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia. "Emerging Europe" refers to EBRD economies in the EU, the EEC region and the Western Balkans.

Regional averages are calculated as simple averages across the economies in the relevant region. All charts based on data from the *Life in Transition Survey*, a large representative household survey that the EBRD has been conducting in collaboration with the World Bank since 2006, use survey-weighted observations. Chart notes provide further information about the variables and datasets used in the analysis.

[1] As of 1 January 2026, Greece is no longer an EBRD investee economy.

Foreword

The EBRD was established after the fall of the Berlin Wall to support the transition of countries in emerging Europe and Central Asia to well-functioning market economies that are competitive, well governed, inclusive, green, resilient and integrated. In 2025, the EBRD expanded its remit to Benin, Côte d'Ivoire, Iraq, Kenya, Nigeria and Senegal and is expected to start working in Ghana in the near future.

This brief report outlines the challenges of economic development in these new countries of operation, highlighting the differences and similarities to those faced by the economies of emerging Europe and Central Asia in the 1990s, as well as today.

The report builds on a unique representative household survey that the EBRD has conducted in more than 45 economies since 2006, covering economies where the Bank invests and a number of comparators. It is the fifth in the series of EBRD special reports that draw on the results of the *Life in Transition Survey*.

In the first wave of the survey, per capita incomes in Central Asia and the Caucasus had just surpassed the average values of per capita income in sub-Saharan Africa (SSA) today. Since then, Central Asia and the Caucasus have seen considerable income convergence towards the living standards of advanced economies, while income convergence in SSA has been minimal.

Notwithstanding some similarities, the challenges of building sustainable market economies in the two regions are quite distinct.

As observed in the EBRD's *Transition Reports* over the last 30 years, the economies of emerging Europe and Central Asia emerged from central planning with strong endowments of skills and physical capital. In the absence of a vibrant private sector, however, these factors of production were used inefficiently. The key challenge was to introduce markets and privatise inefficient, oversized public enterprises.

Over subsequent decades, as markets developed, the efficiency with which capital and labour were combined improved considerably. Economies in the region experienced rapid convergence towards the income levels of G7 economies, but the speed of this convergence eventually slowed, in part owing to the fact that progress in the area of governance has been somewhat modest.

In contrast, development in SSA is largely held back by the poor quality of skills and infrastructure, and persistently high levels of informality, both in subsistence agriculture and the services sector. The key challenge in these economies is to provide quality jobs for rapidly growing workforces with limited education and build formal financial markets, as well as markets for goods and services, in economies with very large informal sectors.

The experience of emerging Europe and Central Asia shows that if obstacles to building well-functioning markets can be overcome, income convergence can be rapid. Yet overcoming those obstacles is by no means easy. As the EBRD starts to invest in SSA, this report will inform the Bank's early work in its new countries of operation.

Beata Javorcik, Chief Economist

Executive summary

This short report provides a broad overview of the challenges faced by the EBRD's new countries of operation in sub-Saharan Africa (SSA) – Benin, Côte d'Ivoire, Ghana, Kenya, Nigeria and Senegal – when it comes to building economies that are competitive, well governed, inclusive, green, resilient and integrated. It compares and contrasts these challenges with those of economies in emerging Europe and Central Asia on their journeys from the legacy of central planning towards sustainable market economies.

The report builds on rich sources of data, including a unique representative household survey, the *Life in Transition Survey*, which has been conducted by the EBRD in collaboration with the World Bank since 2006. The four waves of the survey to date have covered 50 economies in emerging Europe, Central Asia, the southern and eastern Mediterranean (SEMED), select comparators and, in 2023, the aforementioned six economies in SSA.

Today, the average per capita incomes of the SSA economies are comparable to those observed in eastern Europe and the Caucasus (EEC) and Central Asia in the early 2000s. Since then, economies in emerging Europe and Central Asia have experienced relatively fast income convergence towards the levels enjoyed by major advanced economies, while the pace of income convergence in SSA has remained slow.

Building on the first wave of the *Life in Transition Survey* conducted in emerging Europe and Central Asia in 2006 and the latest, 2023 wave of the survey, which covered SSA, Chapters 2 and 3 of this report examine factors that might explain the differences in growth patterns observed across these regions before drawing forward-looking policy implications.

The strengths and weaknesses of the SSA economies bear some similarities to those of emerging Europe and Central Asia, but there are important differences. Whereas economies in emerging Europe and Central Asia enjoyed relatively high levels of skills that were deployed inefficiently by state-owned enterprises under central planning, the quality of skills in SSA economies tends to be low and educational progress has been slow by global standards. The results of the *Life in Transition Survey* show that 32 per cent of those who have finished primary school in SSA cannot read or write. Absolute educational mobility – the share of children attaining a higher level of education than their parents – is low and, unlike other emerging markets, has yet to start rising.

The poor quality of infrastructure also weighs on growth in SSA. For instance, more than a quarter of survey respondents report not having access to electricity, compared with near-universal access in EEC and Central Asia in the mid-2000s.

Levels of informality remain high, both in subsistence agriculture and in the services sector, well above those observed in emerging Europe and Central Asia in the 1990s, while the quality of economic institutions is broadly in line with economies' levels of gross domestic product (GDP) per capita.

Constraints on economic growth in SSA are partly offset by exceptional dynamism. While less satisfied with the present, for instance, survey respondents are more optimistic about the future. Such optimistic attitudes are not only associated with better physical and mental health and subjective well-being, but also greater willingness to start a business and better corporate performance.

SSA stands out for its high levels of entrepreneurship and people's willingness to move in search of economic opportunities. Startups are growing across Cape Town, Johannesburg, Lagos and Nairobi, while Accra, Addis Ababa, Dakar and Kigali are emerging as new hotspots. Technology-enabled startups in the areas of agritech, fintech and biotech tend to grow faster than the average firm.

In some economies in the region, private investment has been rising fast. In Benin and Senegal, it is now estimated at more than 30 per cent of GDP, a level associated with high-growth episodes in the past.

High levels of digitalisation (reflected in the widespread use of smartphones and online payments) point to the region's ability to "leapfrog" and embrace new technologies.

With a median age of just 19, SSA's potential demographic dividend from an increasing share of the working-age population could be substantial. Reaping this dividend will require patient work to improve the quality of education, promote the transition to formal private enterprises, build infrastructure and, as economies develop, strengthen institutions.

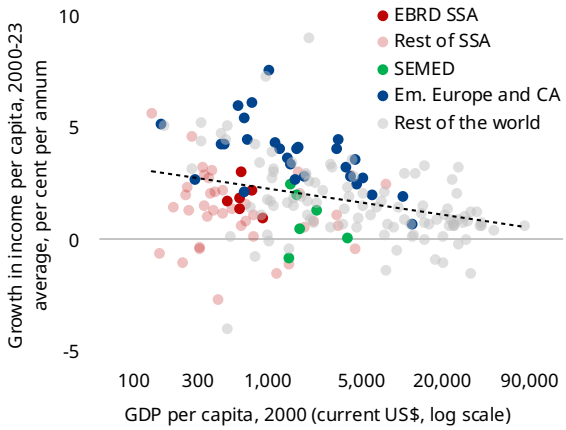
Chapter 1
Taking stock of growth

The economies of Central Asia and the Caucasus emerged from the transition recession of the early 1990s with income per capita levels below those of the SSA economies today and surpassed those levels in the early 2000s. Since then, economies in Central Asia and the Caucasus have seen rapid income convergence towards the levels enjoyed by major advanced economies, while income convergence in SSA has been limited, at best.

Lower-income economies tend to enjoy faster economic growth

Lower-income economies tend to grow faster than their richer peers (see Chart 1.1).[2] For lower-income economies, it tends to be easier to copy techniques developed elsewhere and increase the quality of skills and physical capital from a relatively low base. As a result of these growth-rate differentials, incomes per capita tend to converge towards the levels enjoyed by advanced economies, albeit slowly and not universally.

Chart 1.1. Lower-income economies tend to enjoy faster economic growth



Source: IMF WEO database (October 2025) and authors' calculations.

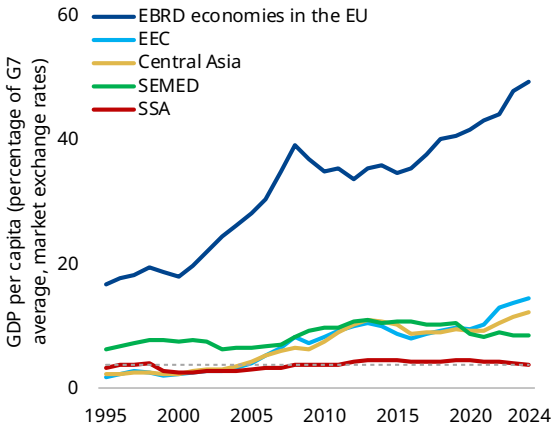
Note: GDP per capita at market exchange rates deflated by national GDP deflators.

However, economies in SSA have, on average, underperformed in growth terms compared with other economies at similar levels of GDP per capita (see Chart 1.1). Consequently, income convergence in SSA has been limited at best.[3] On average, GDP per capita in Benin, Côte d'Ivoire, Ghana, Kenya, Nigeria and Senegal has increased from around 3.3 per cent of the average of the G7 economies in 1995 to 3.7 per cent of the G7 average 30 years later when measured in current US dollars at market exchange rates (see Chart 1.2, panel 1).[4]

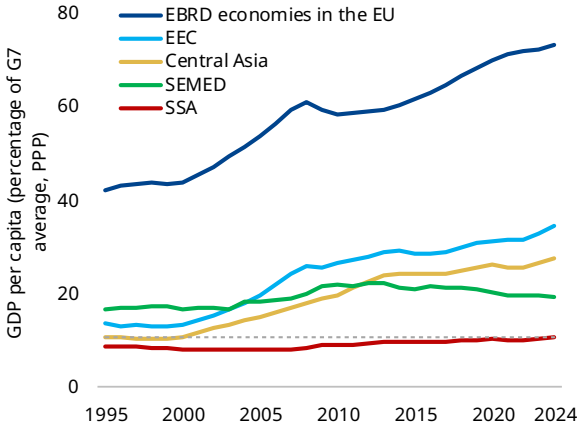
In the SEMED region, the rate of economic convergence has been similarly slow, although the levels of income per capita are somewhat higher than in SSA (see Chart 1.2).

Chart 1.2. SSA and SEMED economies have seen limited convergence towards G7 income levels

Panel 1. Market exchange rates



Panel 2. Purchasing power parity (PPP)



Source: IMF WEO database (October 2025) and authors' calculations.

Note: The dashed horizontal line represents the level of GDP per capita in SSA economies in 2024 as a percentage of the G7 average. In panel 2, ratios are based on GDP per capita in constant 2024 international dollars.

These slow rates of income convergence stand in stark contrast to the rapid, though incomplete, convergence in emerging Europe and Central Asia, where average GDP per capita rose from 10 per cent to 32 per cent of the G7 average over the same period. In part, this reflected rapid convergence in those EBRD economies that are members of the

[2] See also EBRD (2019a).

[3] See also, for instance, Nchor and Rozmahel (2025) and Paprotny (2021).

[4] The G7 comprises Canada, France, Germany, Italy, Japan, the United Kingdom and the United States of America.

European Union (EU).[5] However, some economies in eastern Europe (Moldova and Ukraine), the Caucasus and Central Asia have also seen their per capita incomes converge towards those in advanced economies.

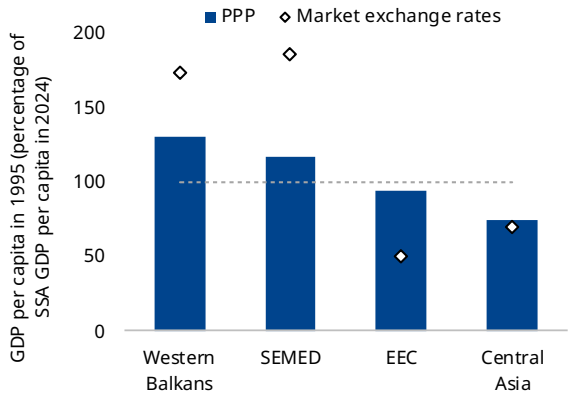
Incomes in SSA are somewhat higher when expressed in purchasing power parity (PPP) terms. Unlike market exchange rate-based measures, PPP calculations take into account differences in the price of the same basket of goods and services in various economies.

However, PPP measures point to similarly limited convergence in the SSA economies. In PPP terms, GDP per capita in SSA increased from 8.6 per cent of the G7 average in 1995 to an estimated 10.5 per cent in 2024, while in emerging Europe and Central Asia, it rose from 28 per cent to 53 per cent over the same period (see Chart 1.2, panel 2).

SSA GDP per capita around levels of EEC and Central Asia in the early 2000s

The economies of Central Asia and the EEC region emerged from the transition recession of the early 1990s with income per capita levels below those of the SSA economies today (in 1995, GDP per capita in Central Asia was around 70 per cent of the GDP per capita of SSA today, while in EEC, it was around half, both at market exchange rates). In 2024, average incomes per capita in the EEC region and Central Asia were 3.9 times and 3.3 times higher than those of the SSA economies, respectively (see Chart 1.3).

Chart 1.3. Central Asia and EEC had lower incomes per capita in 1995 than the SSA economies today



Source: IMF WEO database (October 2025) and authors' calculations.

Note: Bars show GDP per capita in constant 2024 international dollars. Diamonds show GDP per capita in 2024 prices, derived by multiplying GDP per capita in current US$ in 1995 by accumulated consumer price index (CPI) inflation in the United States of America from 1995 to 2024.

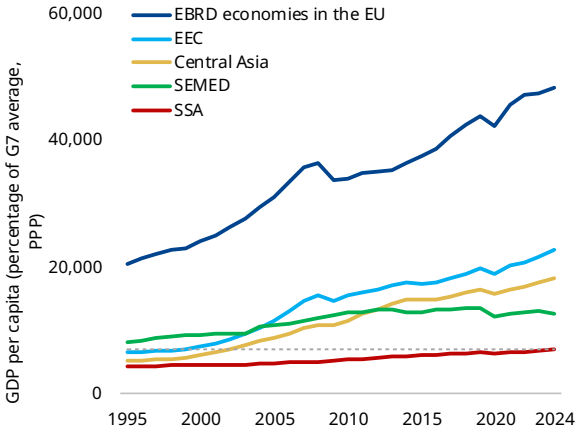
On their income convergence journey, Central Asian economies surpassed today's SSA income level in 2002 in PPP terms. EEC surpassed SSA's current income level in 2000 (see Chart 1.4). Calculated at market exchange rates, the results are similar: Central Asia passed the current SSA income level in 2004, while the EEC region surpassed it in 2005.

This was shortly before the first wave of the *Life in Transition Survey,* a large representative household survey conducted in 2006 by the EBRD in collaboration with the World Bank. That survey provides unique comparisons between Central Asia and the EEC region in 2006 and SSA in 2023, when the latest, fourth wave of the survey was conducted, as GDP per capita in SSA at the time was broadly comparable to that of the EEC region and Central Asian economies in the early 2000s.

Chapters 2 and 3 build on those comparisons and examine factors that might explain the differences in growth patterns observed across these geographies and time periods.

[5] See also EBRD (2024a) on convergence 20 years after EU accession.

Chart 1.4. GDP per capita in SSA economies today is broadly comparable to that of EEC and Central Asia in the early 2000s



Source: IMF WEO database (October 2025) and authors' calculations.

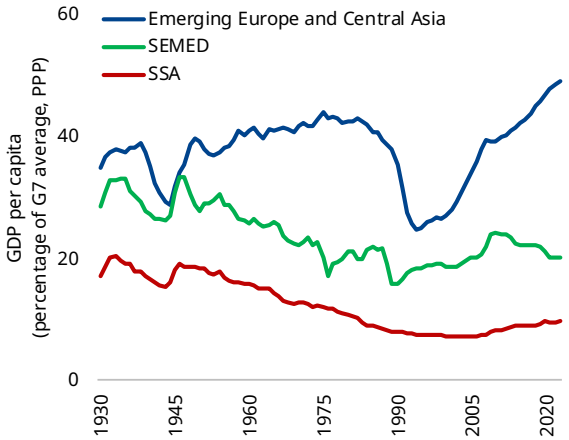
Note: GDP per capita series in constant 2024 international dollars.

Lack of income convergence in SSA in the longer term

Longer-term GDP estimates are less precise, yet they suggest that incomes in SSA, as well as in SEMED, may have actually diverged from advanced economy income levels (see Chart 1.5). GDP per capita in SSA declined from an estimated peak of 20 per cent of the G7 average in 1933 to a low of 7 per cent of the G7 average in 2000. While such measurements, including adjustments for differences in price levels, are subject to great uncertainty, they are indicative of the lack of income convergence in the region not being limited to the most recent decades.

The next chapter briefly examines the potential constraints on growth in SSA, looking, in turn, at skills and physical capital, as well as market structures. The subsequent chapter explores the unique strengths of the SSA economies.

Chart 1.5. Longer term, SSA economies diverged from advanced economy income levels



Source: Gapminder data and authors' calculations.

Note: The chart shows average GDP per capita in each region in constant international dollars (PPP) relative to the G7 average. Combined, emerging Europe and Central Asia comprise 29 economies.

Chapter 2
Constraints on growth

Weak skills, a lack of quality infrastructure and high levels of informality are constraining productivity growth in SSA. Low levels of education in SSA stand in stark contrast to the relatively strong skills characterising emerging Europe and Central Asia in the 1990s. Progress on education has been slow by global standards, with low and stagnant intergenerational mobility in education. Weaknesses in skills are compounded by poor infrastructure, while the quality of institutions is broadly in line with economies' levels of GDP per capita.

Economic growth can be thought of as improvements in human and physical capital and the efficiency with which they are combined to produce final output (total factor productivity growth).[6] Total factor productivity, in turn, reflects the prevailing technology, the quality of management and the quality of governance in an economy. Sluggish growth in SSA reflects weaknesses across all three domains – skills, physical capital and total factor productivity.[7]

Progress on education in SSA has been slow by global standards. Weaknesses in skills are compounded by poor infrastructure. While institutions are also weak, they are broadly in line with economies' levels of GDP per capita, unlike in emerging Europe and Central Asia where poor quality of governance stood out relative to income levels.

The analysis builds on rich sources of data including a unique representative household survey, the *Life in Transition Survey*.

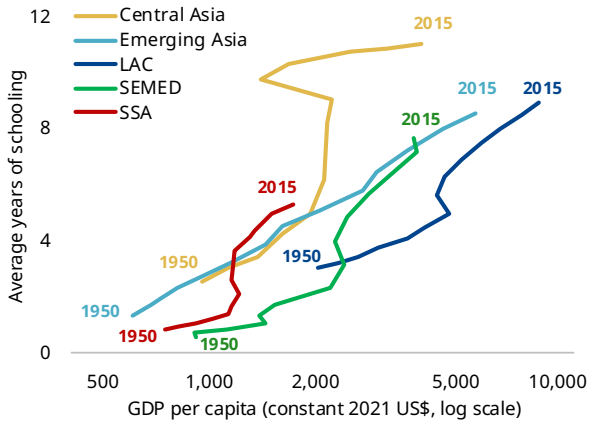
Low levels of education

Slow progress on educational attainment

Low levels of education in SSA stand in stark contrast to the relatively strong endowment of skills that characterised emerging Europe and Central Asia in the 1990s.

This largely reflects very slow progress on education by global standards over the last 70 years.[8] The average adult in SSA has five years of schooling, up from less than one in 1950. In contrast, in emerging Asia, years of schooling rose to an average of around nine years from similar starting levels in the 1950s (see Chart 2.1). In SEMED, years of schooling increased to around seven over the same period, again from a similar starting position.

Chart 2.1. SSA economies have seen slow progress on education



Source: Barro-Lee dataset, Gapminder data, World Bank WDI data and authors' calculations.

Note: "Central Asia" comprises Kazakhstan, the Kyrgyz Republic, Mongolia and Tajikistan. "SEMED" comprises Egypt, Jordan, Morocco and Tunisia. "SSA" comprises Benin, Côte d'Ivoire, Ghana, Kenya and Senegal. "Emerging Asia" includes China, Indonesia, India, Malaysia, the Philippines and Thailand. "LAC" comprises 18 economies in Latin America and the Caribbean. Average years of schooling refers to the average number of years spent in formal education by the population aged 25-64 in a country. Data points are shown in five-year intervals.

The African Development Bank highlighted in a 2020 report that while Africa's educational spending as a share of GDP was high among developing countries, spending per student was low and the efficiency of educational spending was also much lower in Africa than in developing and emerging Asia.[9]

Low quality of education

Low school enrolment is compounded by low quality of education. While literacy has increased across generations, around 35 per cent of respondents in SSA economies say they cannot read or write, according to the results from the most recent wave of the *Life in Transition Survey* (see Chart 2.2).

Strikingly, the survey results indicate that illiteracy remains high even for those who have completed

[6] See Solow (1956).

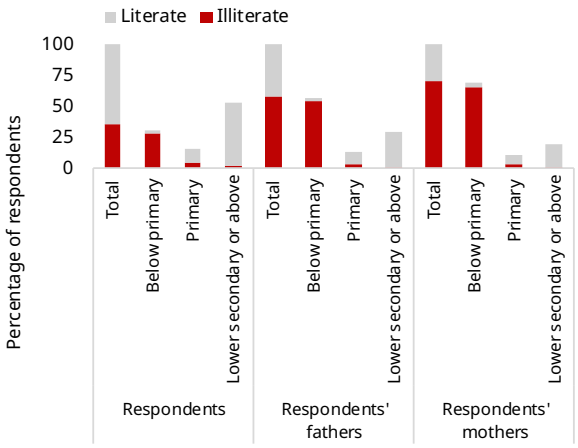
[7] See also EBRD (2019a and 2019b), which highlight strong skills but weak governance in emerging Europe and Central Asia. Ibourk and Elouaurti (2023) and Villar-Roldan, Galiano and Martín-Álvarez (2025) emphasise weak skills, physical capital and institutions as key constraints on development in Africa.

[8] In part, this reflects educational disruptions due to conflict. For instance, Dabalen and Paul (2012) find that armed conflict in Côte d'Ivoire reduced the average period of education by up to 0.9 year.

[9] See AfDB (2020).

some education: 32 per cent of those who finished primary school say they cannot read or write.

Chart 2.2. Almost one-third of those who finished primary school say they cannot read or write



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

Note: Based on the sample of respondents in six economies in SSA over the age of 25.

Low quality of education reflects large class sizes, a lack of textbooks, teacher absenteeism and poor learning conditions, as documented in a large number of studies zooming in on education in African economies. For instance, a study drawing on Demographic and Health Survey data from 31 African countries, focusing on women, documents a weak relationship between schooling and literacy. Many women with several years of primary school education cannot read while, in some African countries, large proportions of women who never went to school can read. This weak correlation between educational attainment and literacy is not limited to older cohorts, but is also observed among younger women.[10]

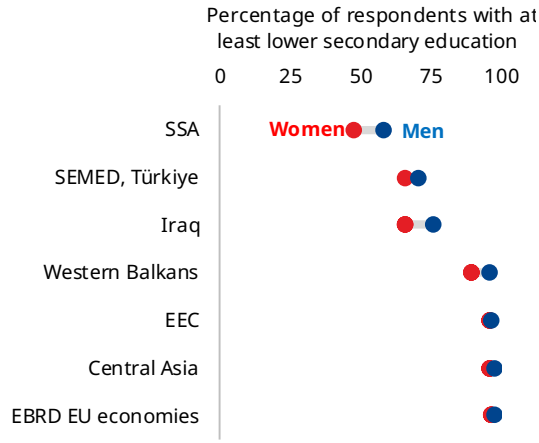
Similarly, a recent study by the United Nations Educational, Scientific and Cultural Organization (UNESCO) highlights not only limited progress in terms of enrolment but, even more alarmingly, a lack of improvement and even backtracking in terms of learning outcomes. The average school student in Africa today is about as likely to have a qualified teacher and access to basic facilities at school, such as water and electricity, as their peers a decade earlier. The levels of learning outcomes were found to be decreasing rather than increasing.[11] The Africa Learning Barometer published by the Brookings Center for Universal Education and the *Financial Times'* *This is Africa* publication estimates that half of children of primary school age will reach their adolescent years unable to read, write or perform basic numeracy tasks, even though more than half of these children will have spent at least four years in the educational system.[12]

Gender gaps in literacy and education

Progress on closing gender gaps in literacy and education has been modest. Women are about 10 percentage points less likely to be literate than men, based on self-reported literacy by respondents in the *Life in Transition Survey*, down from a difference of around 13 percentage points for respondents' parents.

Gaps in terms of completed formal education are estimated to be similar. *Life in Transition Survey* results suggest that fewer than half of women in SSA have at least lower secondary education, compared with 58 per cent of men (see Chart 2.3).

Chart 2.3. Significant gender gaps in education remain



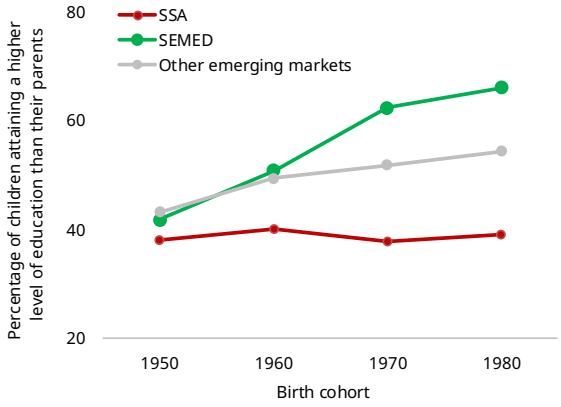
Source: Life in Transition Survey IV data and authors' calculations.

Low intergenerational mobility in education

Intergenerational mobility in education – measured as the share of children attaining a higher level of education than their parents – remains much lower than in other emerging markets. Unlike elsewhere, it has also not started to rise yet (see Chart 2.4). Intergenerational educational persistence is especially strong from mothers to children and more pronounced for daughters than for sons.[13]

[10] See Smith-Greenaway (2015).
[11] See UNESCO (2025).
[12] See Watkins (2013).
[13] See Azomahou and Yitbarek (2016).

Chart 2.4. Intergenerational mobility has yet to pick up



Source: Van der Weide et al. (2024) and authors' calculations.

Note: The vertical axis shows the percentage of children in a given birth cohort that attain a higher level of education than their parents, conditional on the parents not having tertiary education. Samples are balanced within each country group. "SSA" comprises Benin, Ghana, Kenya and Nigeria. "SEMED" comprises Egypt, Jordan, Morocco and Tunisia. "Other emerging markets" encompasses economies outside Africa and SEMED that were not classified as high income by the World Bank as at July 2020.

Low levels of skills limit economies' ability to attract foreign direct investment (FDI) and absorb technologies developed elsewhere – historically a key driver of economic convergence for lower-income economies.

Significant brain drain

The deficit of skills is exacerbated by emigration. Around 6.4 million people from the six SSA economies live abroad, equivalent to 3 per cent of their population, on average (based on data from the United Nations Department of Economic and Social Affairs for 2024). This compares with around 15 per cent of the populations, on average, in emerging Europe and Central Asia.

The results of the *Life in Transition Survey* suggest that emigrants from SSA economies are more educated than the general population, indicating significant "brain drain": 38 per cent of emigrants have tertiary education, compared with 12 per cent of all survey respondents in the region.[14]

While the overall level of emigration in SSA is lower than in emerging Europe and Central Asia, the educational gap between those emigrating and the rest of the population is larger (in emerging Europe and Central Asia, on average, 33 per cent of migrants have tertiary education compared with 27 per cent of the general population, according to the survey).

Afrobarometer surveys indicate that, on average, across the 24 African economies surveyed, 47 per cent of respondents have considered moving to live in another country, including 27 per cent who have given this "a lot" of thought. While a higher proportion of the population expresses migration intentions than the share that actually migrates, the two tend to be highly correlated, and migration intentions are often seen as the first step to migration.[15]

International migration intentions are highest in Liberia, the Gambia, Cabo Verde and Ghana. The share of people expressing intentions to move abroad has also increased significantly since 2016-18, particularly in Nigeria. The most popular destinations for potential emigrants are North America (31 per cent) and Europe (29 per cent), though almost a quarter (22 per cent) would move to another country within the region or elsewhere on the African continent. Among those who have considered migrating, 49 per cent cite finding work as the most important reason, while 29 per cent are motivated by a desire to escape economic hardship or poverty.[16]

Evidence from the *Life in Transition Survey* points to similarly high willingness to move among respondents in the six economies in SSA, both to other regions of the country and internationally (see Chart 2.5). Eleven per cent of respondents in the six economies in SSA expressed an intention to move internationally within the next 12 months, with the highest shares in Ghana (22 per cent), Nigeria (13 per cent) and Côte d'Ivoire (12 per cent). This is almost double the average share of other economies covered by the survey and is comparable to the shares seen in economies with particularly high emigration rates, such as Tunisia (where 27 per cent of respondents express an intention to move abroad), Albania (15 per cent),

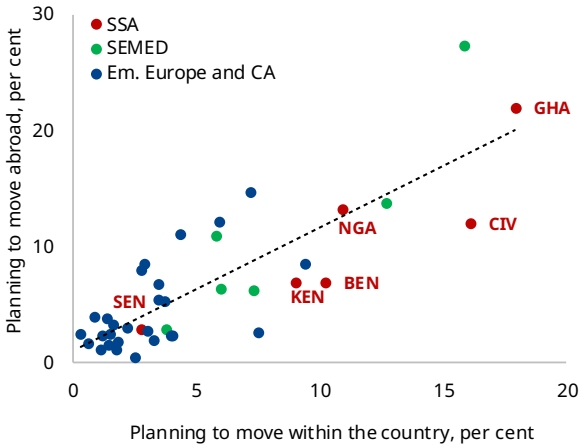
[14] The survey asks households whether they have a current or former member of the household who moved abroad. Respondents are then asked follow-up questions about this migrant (if several, then about the one who left most recently).

[15] See Tjaden, Auer and Laczko (2019).

[16] See Afrobarometer (2024).

Jordan (14 per cent), Kosovo (12 per cent) and Tajikistan (11 per cent).[17]

Chart 2.5. High proportion of respondents in SSA express an intention to move, both within the country and abroad



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

Note: The chart shows the percentage of respondents who replied "yes" to the question "Do you intend to move elsewhere in this country/abroad within the next 12 months?".

While migration results in a loss of skilled labour, it is often associated with remittance flows to relatives who remain in the migrants' countries of origin. Remittances can allow recipient households to improve children's health and educational outcomes, increase their savings, spend more on consumer durables, better absorb shocks and support recoveries in the aftermath of natural disasters.[18] At country level, they can act as an automatic stabiliser, a source of hard currency and additional savings for economic development. Migration and remittances can also reduce income inequality.[19] In Africa, remittances have emerged as a crucial source of financial inflows, surpassing official development assistance and FDI.[20]

Data from Findex, a representative survey of individuals conducted by the World Bank Group, focused on finance, suggests that 21 per cent of households in the average economy in SSA received remittances from abroad in 2024. On average, remittances accounted for 5 per cent of GDP in these economies.[21] Findings from the *Life in Transition Survey* suggest that around half of households with family members abroad receive remittances, a share similar to that seen in emerging Europe, Central Asia and SEMED.

Around half of household members who ever left SSA economies have returned at some point, according to the survey, compared with around 39 per cent in emerging Europe and Central Asia.

Return migration may open up significant opportunities for development in the longer term if migrants return with capital, skills and ideas acquired abroad.[22] Indeed, return migration is associated with a higher likelihood of starting a business.[23] It can also facilitate international connections in the form of trade, FDI and transfer of technology.[24]

Results from the *Life in Transition Survey* further suggest that return migrants to SSA economies are significantly more educated than the general population (although they are less educated than migrants who do not return). Male migrants are somewhat more likely to return. Almost half of return migrants were away for up to two years, while 30 per cent spent six years or more abroad.

Low quality of infrastructure

Lack of access to electricity, water and other utilities

High-quality infrastructure connects people and markets, facilitating the efficient allocation of resources, while inadequate infrastructure hinders productivity. Evidence from successful episodes of sustained high growth suggests that investment remains the single most important determinant of exceptional growth performance over the long term. High investment, in turn, relies on quality skills as well as good governance.[25]

In SSA, weaknesses in terms of skills are compounded by low capital stocks and, in particular, poor infrastructure. The World Bank estimates that sub-

[17] The Gallup World Poll last asked the same question in 2015. Those earlier surveys also point to high migration intentions.

[18] See, for instance, Malpass (2022) for a review.

[19] See Koczan and Loyola (2021).

[20] See Okara et al. (2025).

[21] Authors' calculations based on World Bank WDI data.

[22] See Bucheli and Fontenla (2025); Bahar et al. (2024); and Song (2025).

[23] See Batista, McIndoe-Calder and Vicente (2017) and Wahba (2015).

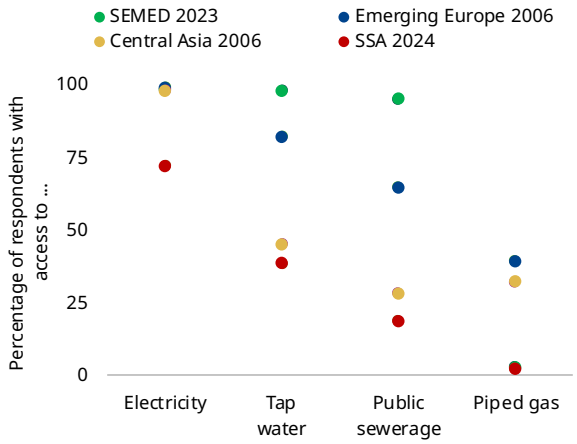
[24] See Koczan et al. (2021).

[25] See EBRD (2017, 2019a and 2019b).

Saharan Africa as a whole would need to more than double its investment in infrastructure as a share of GDP each year to meet its sustainable development goals.[26]

Access to basic utilities is much more limited than it was in emerging Europe and Central Asia at similar levels of development (based on responses from the first and fourth waves of the *Life in Transition Survey*). For instance, 28 per cent of households in SSA report lacking access to electricity, compared with near-universal access in EEC and Central Asia in the mid-2000s (see Chart 2.6).

Chart 2.6. Incomplete access to electricity and other utilities



Source: Life in Transition Survey data (waves I and IV) and authors' calculations.

In some areas, improvements are under way. Mission 300, an initiative led by the World Bank Group and the African Development Bank, bringing together African governments, the private sector and development partners, aims to connect 300 million people in broader sub-Saharan Africa to electricity by 2030. The World Bank Group connected more than 21 million people across Africa to electricity between 2023 and 2025, with further projects being implemented that aim to reach nearly 100 million people.[27]

Better ports required to support maritime trade

Infrastructure constraints also weigh on trade and integration into global supply chains. The SSA economies are heavily reliant on exports of low-value-added commodities, typically to the EU and other economies in Africa. These include, for instance, cotton, nuts and soybeans in Benin, cocoa, gold and rubber in Côte d'Ivoire, gold, crude oil and cocoa in Ghana, tea, flowers and petroleum in Kenya, crude oil and gas in Nigeria, and petroleum and gold in Senegal. Commodity exports account for an average of 57 per cent of total exports and 11 per cent of GDP in these economies, compared with 37 and 14 per cent, respectively, in EEC and Central Asia in the early 2000s (the comparison is based on data from UN Comtrade for the latest available year). Commodity dependence is highest in Nigeria, where commodity exports account for 26 per cent of GDP (compared with around 36 and 32 per cent of GDP in Azerbaijan and Kazakhstan, respectively, in the early 2000s, for instance). Commodity dependence has decreased moderately in SSA since 2006 (the first year when all these economies reported to UN Comtrade), from around 63 per cent of total exports and 12 per cent of GDP.

Most SSA economies also rely on imported petroleum products and food staples, such as rice and wheat, typically from China or the EU.[28]

Globally, around 80 per cent to 90 per cent of trade by volume and 40 per cent to 50 per cent of trade by value takes place by way of maritime routes, according to data from UN Trade and Development (UNCTAD). Commodities tend to be bulky (with a high volume-to-value ratio) and transporting them cost effectively relies on quality infrastructure, in particular, railways and ports.

Owing both to geography and the structure of trade, SSA economies also rely heavily on maritime routes (see Chart 2.7). At the same time, the quality of port infrastructure remains relatively low, weighing on economic competitiveness and trade integration.[29]

Recent analysis suggests that container port efficiency is higher in Tema (Ghana), Lome (Togo) and Abidjan (Côte d'Ivoire) ports than in Apapa (Nigeria), Cotonou (Benin) and Dakar (Senegal). On average, operational efficiency scores point to resource overuse and inconsistency. While total factor productivity has improved in some ports (in particular, Tema, Cotonou

[26] See Zivanemoyo, Dessus and Dreyhaupt (2023).

[27] See World Bank (2025b).

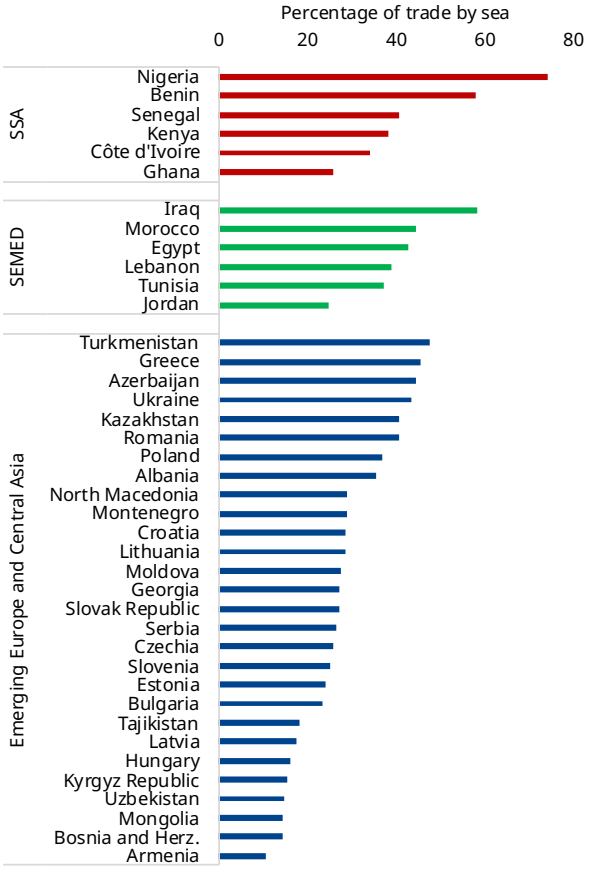
[28] Based on data from UN Comtrade, as reported by exporters. See also Das and Drine (2020), who show that reliance on raw materials exports hinders technology adoption.

[29] See Mlambo (2021).

and Apapa), it is estimated to have declined in others, such as Abidjan.[30]

Containerised traffic remains limited compared with other regions (in part reflecting SSA's focus on commodity trade), but has grown faster than in any other region of the world over the past five years, underscoring the demand for investment in better transport infrastructure.[31]

Chart 2.7. SSA economies are heavily reliant on maritime trade



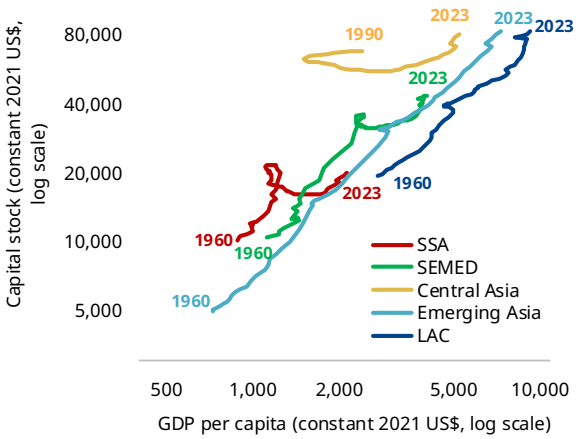
Source: UNCTAD data and authors' calculations.

Note: The share of trade by sea transport is calculated as the sum of the free-on-board value of trade by sea (both as origin and destination) divided by the total free-on-board value of trade across all transport modes. The chart also includes estimates for landlocked countries, as the mode of transport refers to the means used in the main international leg of the journey (the dominant, long-distance segment of the journey), irrespective of the location of loading or unloading ports.

More generally, stocks of physical capital, including infrastructure, tend to be low in SSA, based on estimates in the Penn World Table.[32] The railway networks are sparse both relative to population and land area (according to data from the International Union of Railways), and roads are often of poor quality.

Prior episodes of rapid growth in lower-income economies were typically accompanied by a sharp rise in capital stocks per capita, notably in emerging Asia (see Chart 2.8). Central Asia in the 1990s, like many post-communist economies, stood out for its high levels of capital stock per capita.

Chart 2.8. Prior episodes of rapid growth in lower-income economies were typically accompanied by a sharp rise in capital stocks



Source: Penn World Table and Gapminder data, IMF WEO database (October 2025) and authors' calculations.

High self-employment and informality

Challenge of strengthening institutions

Alongside human and physical capital, institutions – typically defined as the "rules of the game" in a society – also matter for economic growth.[33] The positive relationship between income per capita and the quality of governance tends to be strong. Moreover, as incomes rise, economic development becomes more governance intensive, as good governance underpins the security of intellectual property rights and innovation ecosystems.[34]

While the economies in emerging Europe and Central Asia emerged from years of central planning with

[30] See Ibeh (2025).

[31] See World Bank (2017).

[32] See Feenstra, Inklaar and Timmer (2015).

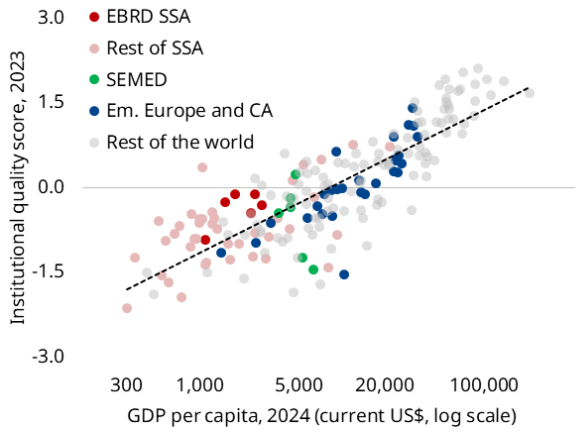
[33] See also EBRD (2019a) on the importance of good governance for growth.

[34] See EBRD (2019a).

relatively strong endowments of human capital and, in many cases, physical capital, improving governance presented a particular challenge. Their quality of economic institutions was, on average, lower than that of other emerging markets with similar income levels. Despite some progress in this area, institutional quality continues to lag, especially outside the EU (EU accession having acted as a strong external anchor facilitating institutional development in economies that joined the bloc in 2004-14).[35]

In SSA, institutional quality – measured here as an aggregate of the World Bank's Worldwide Governance Indicators of control of corruption, rule of law, government effectiveness and regulatory quality – while weak, is broadly in line with levels that could be expected based on these economies' GDP per capita (see Chart 2.9).

Chart 2.9. Institutions in SSA are broadly in line with levels of GDP per capita



Source: IMF WEO database (October 2025), World Bank WDI data and authors' calculations.

Note: The institutional quality score is a simple average of indices of (i) regulatory quality, (ii) rule of law, (iii) government effectiveness and (iv) control of corruption.

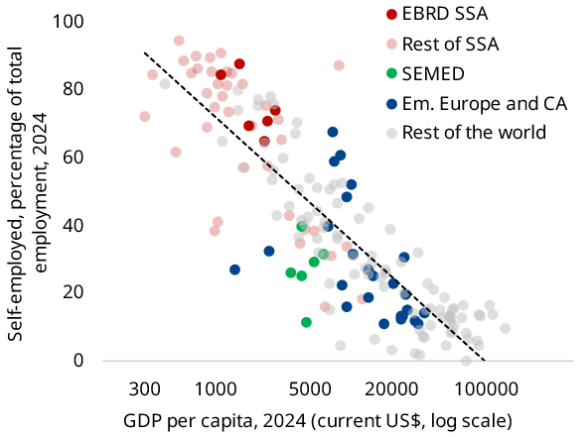
High self-employment

Economies in SSA have much higher levels of self-employment than emerging Europe, Central Asia and SEMED (see Chart 2.10). Survey respondents are also significantly more likely to be employed informally, without a written contract, compared with survey respondents in emerging Europe and Central Asia.

These differences stand out relative to some economies in Central Asia, despite similar levels of GDP per capita. The results of the latest wave of the *Life in Transition Survey* show that only 62 per cent of employees in SSA have a written contract, compared with 69 per cent of employees in EEC and 79 per cent of employees in Central Asia in 2006 when the first wave of the survey was conducted (these shares had risen to 79 and 81 per cent, respectively, in the most recent survey wave). Rates of self-employment are also significantly higher than in SEMED.

Part of this informal employment is down to "necessity entrepreneurship", that is, entrepreneurship driven primarily by a lack of formal employment opportunities rather than by attempts to pursue novel business opportunities.[36]

Chart 2.10. High rates of self-employment in SSA



Source: IMF WEO database (October 2025), World Bank WDI data and authors' calculations.

The "missing middle" in the distribution of firms

Among those who are working and not self-employed, micro firms (those with fewer than five employees) account for a larger share of employment in SSA than in emerging Europe and Central Asia: 27 per cent of employees in SSA surveyed as part of the *Life in Transition Survey* said that they worked for micro enterprises, comparable with the share in SEMED (25 per cent), but more than double that in emerging Europe and Central Asia.

As a result, small enterprises (with 5-19 workers) and, in particular, medium-sized enterprises (with 20-99

[35] See EBRD (2019a and 2019b).

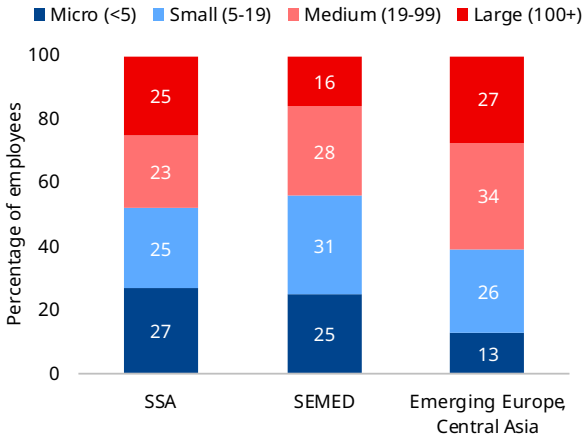
[36] See, for instance, Weber et al. (2022) for more on "necessity" versus "opportunity" entrepreneurship in emerging and developing economies. See Awodun, Ajonbadi and Bamkole (2024) for a recent study of entrepreneurship in Nigeria.

workers) are relatively less common, though large enterprises (with more than 100 employees) still account for about a quarter of employment (see Chart 2.11, panel 1).

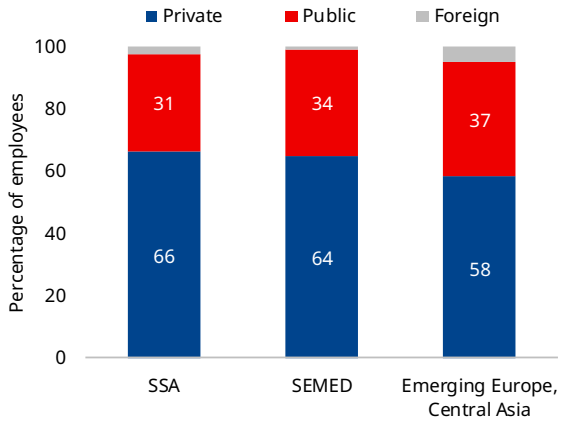
In 2006, a larger share of employees in emerging Europe and Central Asia worked in large firms (31 per cent; comparison for other brackets is obscured by the use of different bracket sizes in the first wave of the *Life in Transition Survey*).

Chart 2.11. The "missing middle" of small and medium-sized enterprises in SSA

Panel 1. Employment by firm size



Panel 2. Employment by firm ownership



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

Note: Micro firms are those with fewer than five employees, small with 5-19 employees, medium with 20-99 employees and large with 100 or more employees.

While state- and foreign-owned firms have slightly lower employee shares than in emerging Europe, Central Asia or SEMED, the differences, once self-employment is excluded, are quite modest (see Chart 2.11, panel 2).

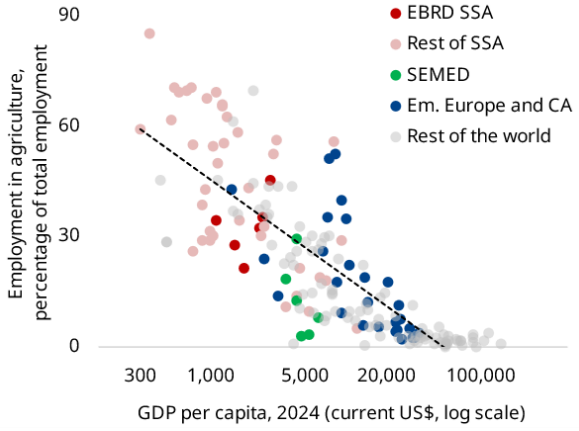
Attitudes on the expansion of private ownership versus public ownership are mixed. As part of the *Life in Transition Survey*, participants were asked to note on a scale from 1 to 10 whether they supported the expansion of private ownership or public ownership of business and industry.

Around 56 per cent of respondents in SSA supported the expansion of private ownership (choosing 1 to 5 on the scale), a higher percentage than in EEC and Central Asia (50 per cent). Still, in some economies, such as Nigeria, support for the expansion of public ownership exceeded 50 per cent, perhaps reflecting the perception of failure of the private sector to generate quality jobs. Data from the World Values Survey also suggest that support for the expansion of private ownership has been weakening since the 2000s, based on a similar question asked in a smaller set of economies.[37]

Low-productivity agriculture

High levels of informality and self-employment also reflect widespread employment in agriculture, including informal employment in low-productivity subsistence agriculture. Agriculture accounts for around a third of employment in SSA (compared with 23 per cent in Central Asia, see Chart 2.12).

Chart 2.12. High employment in agriculture in SSA



Source: IMF WEO database (October 2025), World Bank WDI data and authors' calculations.

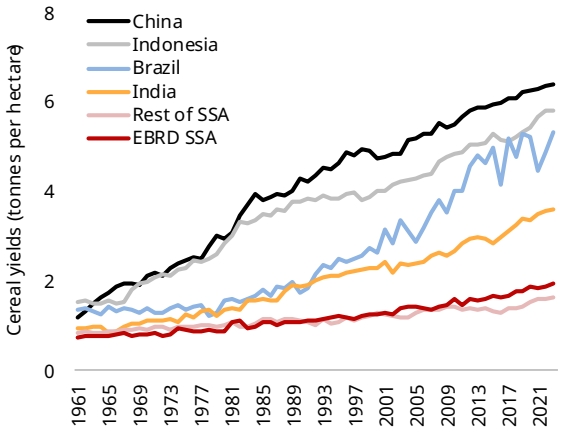
In rural areas, 43 per cent of survey respondents in SSA rely on land for own consumption. In contrast,

[37] See also Koczan and Plekhanov (2023) and EBRD (2020) for a discussion of growing support for public ownership.

only 16 per cent grow produce to sell on the market (based on responses in the *Life in Transition Survey*).

Land productivity in SSA remains lower than in other regions, and increases in productivity over the last 60 years have been relatively modest compared with trends in Asia or Latin America (see Chart 2.13).

Chart 2.13. Land productivity in SSA has been growing more slowly than in other regions

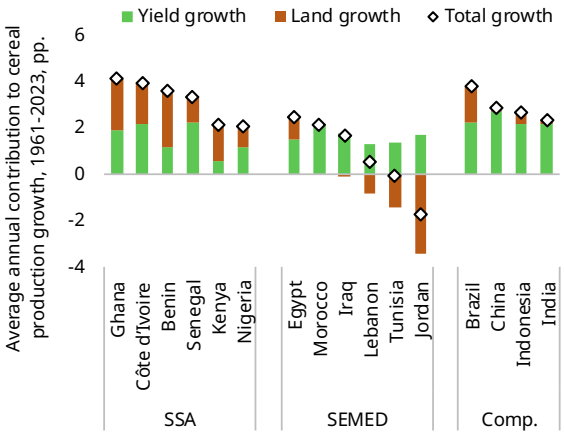


Source: FAOSTAT data and authors' calculations.

Note: Cereals include wheat, rice, maize, barley, oats, rye, millet, sorghum, buckwheat and mixed grains.

Total growth in cereal production can be broken down into changes in total area harvested (land growth or the extensive margin) and changes in land productivity (yield growth or the intensive margin). Most of the increase in cereal production in SSA has come from the extensive margin, at the cost of turning forests and other natural habitats into arable land, based on analysis drawing on data from the Food and Agriculture Organization of the United Nations (FAO) (see Chart 2.14). This contrasts with patterns observed in some of SEMED and some large economies in Asia, such as China, India and Indonesia, where the bulk of increased production comes from yield growth, while the share of arable land has declined.

Chart 2.14. Most of the increase in cereal production in SSA has come at the cost of turning natural habitats into arable land



Source: FAOSTAT data and authors' calculations.

Note: Cereals include wheat, rice, maize, barley, oats, rye, millet, sorghum, buckwheat and mixed grains. The chart breaks down average annual growth in cereal production between 1961 and 2023 into contributions from yield improvements (output per hectare) and expansion of harvested land area.

In sum, while economies in emerging Europe and Central Asia are characterised by strong skills, but relatively weak governance, in SSA, levels and quality of education are low and progress has been limited, while the levels of informality remain high, both in subsistence agriculture and the services sector, well above levels observed in emerging Europe and Central Asia in the 1990s.

The next chapter explores factors that partially offset these drags on growth, looking at SSA's exceptional dynamism.

Chapter 3
Economic dynamism

The various constraints on economic growth in SSA are partly offset by its exceptional dynamism. Residents of these economies are optimistic about the future. They embrace digital technology, with widespread use of smartphones and online payments. Startups are growing in a number of hubs on the continent. And while capital stocks tend to be low, private investment has been on the rise in recent years. With a median age of just 19, the potential demographic dividend from the rising share of the working-age population could be substantial.

Dynamism offsets some of the constraints on growth

The weaknesses associated with poor skills, inadequate infrastructure and high informality are in part offset by the exceptional dynamism of the economies in SSA. Residents of the region are predominantly young, feel optimistic about the future and are keen to embrace digital technologies. Startups have been growing and private investment has recently been on the rise. The following sections delve into each of these factors in turn.

"Afro-optimism"

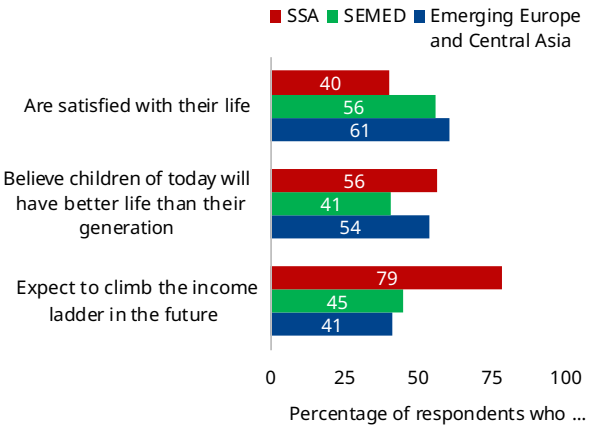
Lower life satisfaction in line with lower incomes

Results from the *Life in Transition Survey* suggest that respondents in SSA are typically less satisfied with their lives than their peers in emerging Europe, Central Asia and SEMED (see Chart 3.1). This is consistent with lower living standards and a slow rate of economic convergence in the SSA economies, as discussed in Chapter 1. Indeed, life satisfaction and income tend to be positively correlated, even if the relationship is far from perfect. In post-communist economies, for instance, the deep recessions of the 1990s weighed strongly on reported levels of life satisfaction for the following two decades.[38]

Exceptional optimism about the future

Despite being less satisfied with the present, residents of SSA economies are more optimistic about the future than their counterparts elsewhere.[39] They are more likely to believe that the children of today will have a better life than their generation. They are also much more optimistic about their own social mobility: 79 per cent of respondents expect to climb the income ladder over the next four years – that is, fall into a higher income distribution decile in four years' time than now. In contrast, only 41 per cent of respondents in emerging Europe and Central Asia expect to climb the income ladder (see Chart 3.1).

Chart 3.1. Respondents in SSA are more optimistic about the future



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

Note: "Are satisfied with their life" are those who agree or strongly agree with the statement "All things considered, I am satisfied with my life now". "Believe children of today will have a better life than their generation" shows the percentage of respondents agreeing or strongly agreeing with "Children who are born now will have a better life than my generation". "Expect to climb the income ladder in the future" shows the percentage of respondents placing their household at a higher level on a 10-step income ladder (1 = poorest, 10 = richest) four years from now than today.

Views about the future differ significantly from those about current affairs in such survey questions. They matter in their own right, as optimistic attitudes are not only associated with better physical and mental health and subjective well-being,[40] but have also been found to be associated with greater willingness to start a business[41] and improved firm performance.[42]

Optimism differential declining somewhat

Optimism has declined somewhat across cohorts in SSA, however. The analysis presented in Chart 3.2 shows the levels of optimism among people born around the same time (for instance, Baby Boomers

[38] See EBRD (2016).

[39] The term "Afro-optimism" has increasingly been used to describe these patterns. See Havnevik (2015) on the shift in the tone of Africa's news coverage abroad, including the Economist's "Africa Rising" cover in 2011. See also LeGrand, Paterson and Wiegratz (2023) on "Afro-optimism" on fintech in African newspapers.

[40] See Conversano et al. (2010) and Forgeard and Seligman (2012).

[41] For instance, a meta-analysis of other studies by Luan and Zhang (2025) identifies optimism as the second most influential factor in explaining variance in entrepreneurial intention, ranking below risk propensity but above the 'big five' personality traits.

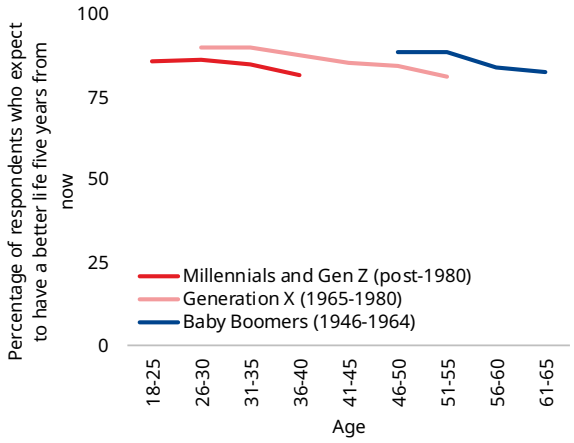
[42] For instance, Segerstrom and Solberg Nes (2006) find that optimism can influence firm performance by encouraging entrepreneurs to be more open to taking risks, more willing to persevere and better able to recognise new opportunities after launch.

versus Millennials) over their lifecycles as generations age and respond to later waves of the survey (generations are represented by lines, while age at the time of the survey is shown on the horizontal axis in Chart 3.2). These calculations are based on a similar question in the Gallup World Poll, a representative survey of individuals conducted regularly in more than 160 economies.[43] Multiple survey waves allow responses of people born at a certain point in time to be tracked over their life cycle. The levels of optimism expressed by more recent generations are slightly lower than those expressed by previous generations at the same age (for instance, the line for Millennials and Gen Z is below the line for Generation X in panel 1). Optimism tends to decline naturally somewhat with age (lines are downward sloping), though the gradient of that decline is, if anything, smaller in SSA than elsewhere. The Afrobarometer survey, another representative survey of households covering Africa, points to similar trends as far as optimism is concerned.[44]

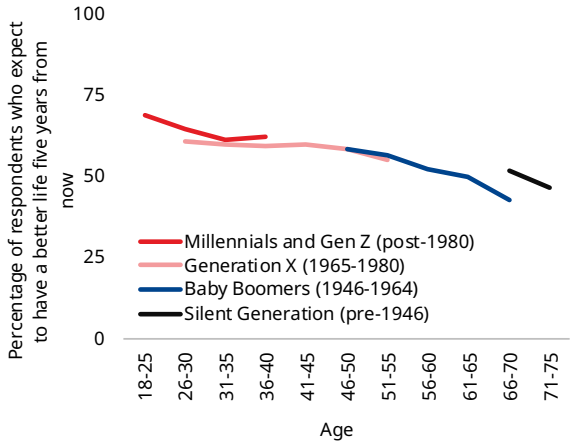
At the same time, the (lower) levels of optimism expressed by Gallup survey respondents have remained broadly stable across generations in emerging Europe and Central Asia, as well as in SEMED (the lines for younger generations broadly overlap in panels 2 and 3). As a result, the optimism differential between SSA and other economies has narrowed somewhat over time.

Chart 3.2. Optimism has declined somewhat across cohorts in SSA

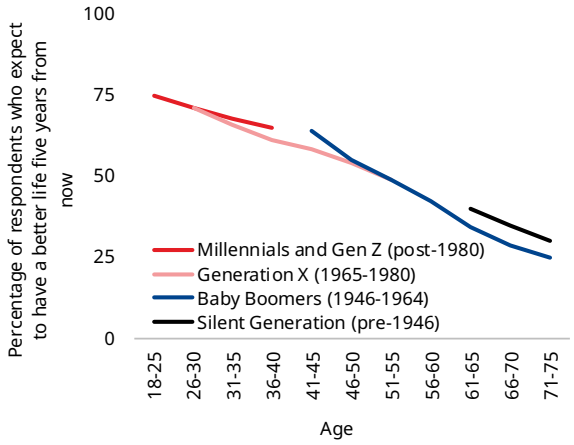
Panel 1. SSA



Panel 2. SEMED



Panel 3. Emerging Europe and Central Asia



Source: Gallup World Poll data and authors' calculations.

Note: The chart draws on the survey questions "Please imagine a ladder, with steps numbered from 0 at the bottom to 10 at the top. The top of the ladder represents the best possible life for you and the bottom of the ladder represents

[43] See Gallup (2023).

[44] Authors' calculations based on Afrobarometer microdata.

the worst possible life for you. On which step of the ladder would you say you personally feel you stand at this time/five years from now?" and shows the percentage of respondents whose expectations are strictly higher than their current evaluation. The sample is restricted to age-cohort cells with at least 1,000 respondents and data from all economies within each regional group. "SSA" is an average of six economies. "Emerging Europe and Central Asia" is an average of 29 economies. "SEMED" is an average of seven economies.

Embracing digital technologies

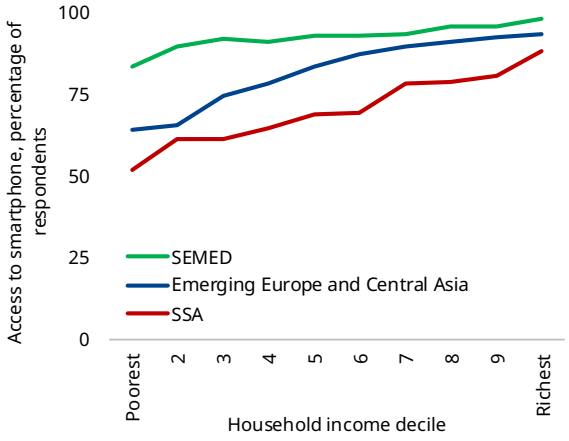
Widespread use of smartphones

SSA stands out relative to its level of development when it comes to the use of digital technologies such as online payments, primarily facilitated by smartphones. The associated skills are increasingly important in a modern economy and can be acquired outside the formal education system.

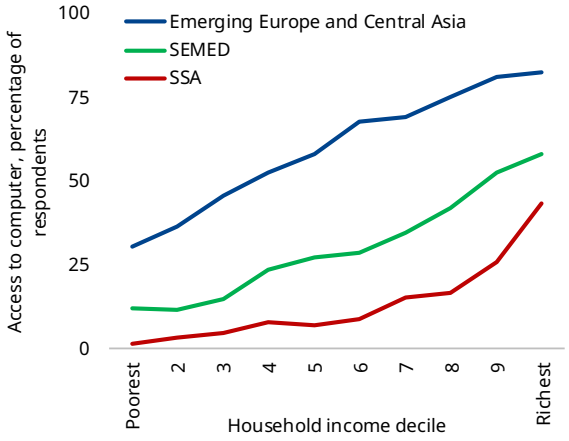
Among households in the bottom decile of income distributions in SSA economies, on average, 52 per cent have smartphones, while only 2 per cent have computers, based on results from the *Life in Transition Survey* (see Chart 3.3, which plots the levels of access to smartphones and personal computers depending on the relative income of a given household). This compares with 68 per cent for access to smartphones in the respective bottom deciles of income distributions in emerging Europe, Central Asia and SEMED, and 27 per cent for laptops (such rates naturally tend to be higher among top income deciles, converging on 100 per cent).

Chart 3.3. Smartphones are common, even among poorer households

Panel 1. Access to smartphones



Panel 2. Access to computers



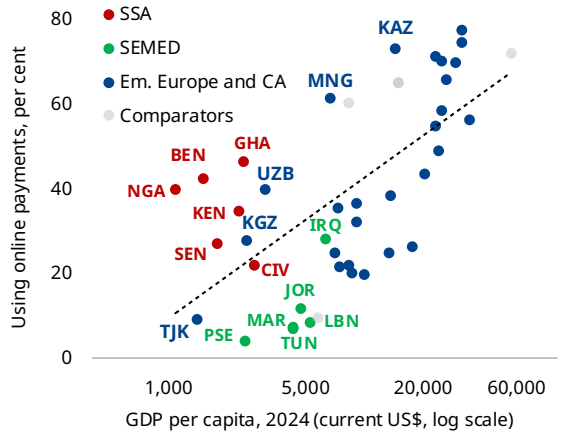
Source: Life in Transition Survey IV data and authors' calculations.

Note: This chart shows the percentage of respondents who say they have access to a smartphone (Panel 1) and computer (Panel 2) within each equivalised household income decile, calculated on a country basis using the OECD-modified equivalence scale.

Embracing mobile payments

Notably, making and receiving online payments is more common in SSA than in other economies with similar levels of GDP per capita (see Chart 3.4). Well-known mobile payment providers include, for instance, M-Pesa, Orange Money and Wave. Around 36 per cent of respondents to the *Life in Transition Survey* say they made or received an online payment in the last three months, compared with 11 per cent in SEMED and 42 per cent in Central Asia (driven by a high share in Kazakhstan).

Chart 3.4. SSA stands out for its high use of online payments



Source: Life in Transition Survey IV data, IMF WEO database (October 2025) and authors' calculations.

Note: Economies in SSA, Central Asia and SEMED labelled.

Data from Findex, a representative survey focused on finance, also point to the high use of mobile phone-based products in SSA. Furthermore, 69 per cent of respondents in the six economies in SSA who have used such products in the last 12 months say that mobile money meets all of their financial needs.[45]

Mobile phones are commonly used to pay utility bills and to receive payments for agricultural goods sold: 58 per cent of respondents in SSA say they have used mobile phones to pay utility bills in the last 12 months, compared with 60 per cent in Central Asia, 37 per cent in EEC and 8 per cent in SEMED. A third of respondents say they have received payments from the sale of agricultural products, crops, produce or livestock through a mobile phone – a share comparable to that in Central Asia (32 per cent), but far higher than in EEC (6 per cent) and SEMED (2 per cent).[46]

Digital remittances, particularly mobile money, have also emerged as the most cost-effective way for families to send and receive money. The development of user-friendly mobile applications compatible with basic smartphones in many African countries has fuelled this growth, expanding the reach of digital remittance services to areas lacking traditional banking infrastructure.[47] Globally, remittances sent digitally are estimated to cost an average of 5 per cent, while those sent via other means cost 7 per cent.[48]

In contrast to emerging Europe, Central Asia and SEMED, in SSA, mobile phones are also a common way of receiving payments from the government (such as pensions or benefits), with 48 per cent of Findex respondents reporting such transfers, compared with 26 per cent in Central Asia, 12 per cent in SEMED and 7 per cent in EEC.

The survey also asks people who did not use mobile phone products over the last 12 months about the reason for not doing so: 56 per cent say they do not have enough money for it, followed by a lack of necessary documentation (30 per cent) and mobile money agents being too far away (28 per cent; the shares can sum to more than 100 as multiple reasons could be selected).[49]

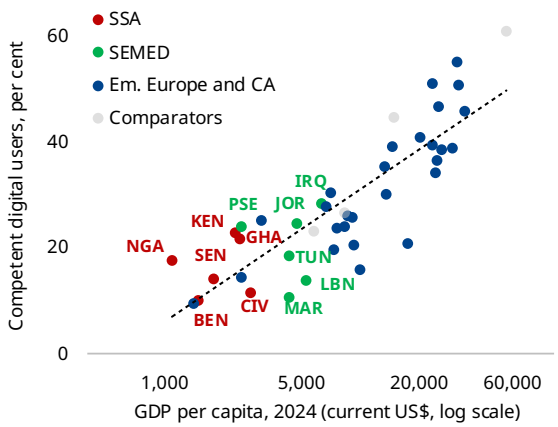
Broader digital skills

When it comes to the use of personal computers, the levels of basic digital skills in SSA economies are lower and more in line with their levels of development (see Chart 3.5). As part of the latest round of the *Life in Transition Survey*, respondents were asked whether they were able to (i) send emails with attachments, (ii) copy or move files and (iii) install or update software. Seventeen per cent of respondents in SSA said they could do all three basic computer-based tasks, compared with 19 per cent in SEMED and 23 per cent in Central Asia.

In addition to the three questions on basic digital tasks, survey respondents were also asked if they could write a computer program: 7 per cent of respondents in SSA are "digital creators" (that is, are able to write a computer program), comparable to the share observed in SEMED, though below the self-reported share in Central Asia (13 per cent). Of the six economies in SSA, Kenya has the highest share of digital creators, with 12 per cent of respondents able to write a computer program. This is also reflected in Kenya's "Silicon Savannah", which hosts a prospering information technology (IT) sector and some of the continent's most cutting-edge start-ups.[50]

[45] See Global Findex Database 2025.
[46] Ibid.
[47] See Fliss (2024).
[48] See Migration Data Portal (2023).
[49] See Global Findex Database 2025.
[50] See World Bank (2021).

Chart 3.5. Low incidence of basic digital skills in SSA, broadly in line with countries' levels of development



Source: Life in Transition Survey IV data, IMF WEO database (October 2025) and authors' calculations.

Note: A "competent digital user" is a respondent who is able to (i) send emails with attachments, (ii) copy or move files and (iii) install or update software.

Rising private investment and entrepreneurship

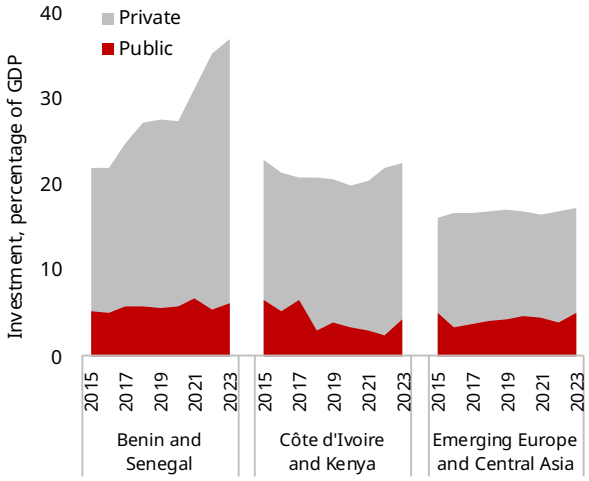
Rising private investment

While stocks of physical capital, including infrastructure, tend to be low in SSA, as discussed in the previous chapter, in Benin and Senegal, overall investment has recently been rising fast as a percentage of GDP (see Chart 3.6).

Higher levels of investment reflect a sharp increase in private investment, as governments' ability to scale up capital spending remains constrained by limited revenue capacity, relatively high borrowing costs and, in some cases, elevated levels of public debt.

As a result, the overall levels of investment in these economies during the post-Covid years, at around 30-35 per cent of GDP, are approaching levels of investment seen during past episodes of rapid economic growth and income convergence, for example, in emerging Asia since the 1980s to 1990s and in central Europe in 1998-2008.[51]

Chart 3.6. Private investment has increased sharply in Benin and Senegal



Source: AMECO database, IMF, OECD and World Bank data and authors' calculations.

Note: Simple averages across Benin and Senegal, Côte d'Ivoire and Kenya and economies in emerging Europe and Central Asia (Bulgaria, Croatia, Estonia, Georgia, Greece, Hungary, Latvia, Poland, Romania, the Slovak Republic and Slovenia). Public versus private investment estimated based on the International Monetary Fund's (IMF) Capital and Investment Database (covering most economies until 2019), OECD national accounts (based on total and general government gross fixed capital formation (GFCF)), IMF databases (total investment = GFCF + inventories from the World Economic Outlook and investment in non-financial assets by general government from the Government Finance Statistics), AMECO Database (GFCF by general government and private sector) and World Bank World Development Indicators (private and total GFCF).

In Benin, the rise in private investment has been supported by ongoing improvements in transport corridors, port capacity, electricity supply and digital infrastructure, as well as a number of reforms aimed at reducing the cost of doing business (such as a fully digital firm registration platform, monentreprise.bj, and the Investment and Export Promotion Agency, which operates as a one-stop shop for investor services).[52] In Senegal, investment was boosted by construction in the energy sector, as two offshore oil and gas projects came online in 2024 (the Sangomar oil field and Greater Tortue Ahmeyim gas field).[53] Greenfield FDI inflows into both economies have also risen (according to data from the *Financial Times* fDi Markets database, the IMF and World Bank).

[51] See EBRD (2019b).

[52] See, for instance, US Department of State (2025a) for an overview.

[53] See, for instance US Department of State (2025b).

The recent pickup in private investment in Benin and Senegal is in line with patterns seen in many other low-income and developing economies (data from the EU's Annual Macroeconomic (AMECO) database, the IMF, the Organisation for Economic Co-operation and Development (OECD) and the World Bank show that private investment also picked up in Bangladesh, the Democratic Republic of the Congo, Djibouti, Ecuador, Madagascar and Sierra Leone, for instance). At the same time, it is in stark contrast to recent trends in emerging Europe and Central Asia, where the average share of private investment fell sharply after the global financial crisis of 2008-09 and did not recover, with investment levels remaining modest.[54]

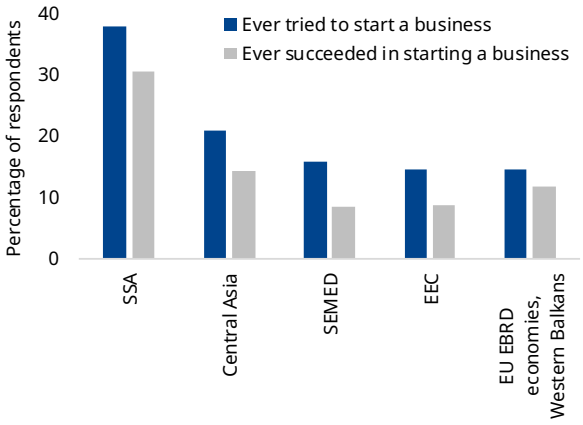
Based on more limited data, in Côte d'Ivoire and Kenya, investment levels remain lower, at around 20 per cent, and arguably below the levels that are needed to boost income convergence (see Chart 3.6).

High-growth entrepreneurship

The economic dynamism of SSA is also reflected in its high rates of entrepreneurship.[55] As many as 38 per cent of SSA respondents to the *Life in Transition Survey* say they tried to start a business at some point, compared with 21 per cent in Central Asia and 16 per cent in SEMED.

Furthermore, 31 per cent of respondents in SSA say they succeeded in setting up a business, again a much higher share than in Central Asia (14 per cent) or SEMED (8 per cent; see Chart 3.7).

Chart 3.7. SSA stands out for its high levels of entrepreneurship



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

The Global Entrepreneurship Monitor survey points to similarly high levels of entrepreneurship in the region: about 31 per cent of respondents aged 25-34 in SSA report owning a business with at least one employee and plans to grow in the following five years, compared with 7 per cent of individuals of the same age in advanced Europe.[56]

While many SSA entrepreneurs may engage in "necessity entrepreneurship", as discussed in Chapter 2, a vibrant startup scene has also emerged in the region, concentrated in urban hubs such as Cape Town, Johannesburg, Lagos and Nairobi. Accra, Addis Ababa, Dakar and Kigali are also emerging as new hotspots, aided by the presence of universities and research and training centres. Technology-enabled startups in the areas of agritech, fintech and biotech are found to grow faster than the average firm.[57]

Technology and returning diasporas have fostered an ecosystem of promising young firms comparable to startups in developed economies. Nearly half of African entrepreneurs running those startups earned their degrees outside their home country, compared with fewer than 23 per cent of business founders in Europe and North America (as of 2023), again underscoring the potential importance of return migration.

African tech startups also depend more heavily on foreign capital, as founders typically secure seed funding and venture capital funding from the countries where they obtained their tertiary education,

[54] See EBRD (2025).

[55] This section draws in part on EBRD (2025), Chapter 3.

[56] See Global Entrepreneurship Research Association (n.d.).

[57] See EBRD (2025).

while local capital markets remain considerably less developed. In Benin, for example, all funding for startups is estimated to come from outside the country. In Kenya, Ghana, Côte d'Ivoire, Nigeria and Senegal, foreign sources account for an estimated 67 to 85 per cent of funding, well above the shares observed in higher-income economies.[58]

High domestic mobility

In addition to their strong willingness to start a business, respondents in SSA stand out for their willingness to move within the country in search of economic opportunities.

Twenty-nine per cent of SSA respondents to the *Life in Transition Survey* now live in a different place to their place of birth, compared with 19 per cent in SEMED and Türkiye, and 25 per cent in emerging Europe and Central Asia (these calculations exclude international migrants).

Moving is more common for those born in rural areas: around 32 per cent of those born in rural areas have moved, compared with 26 per cent of those born in urban areas. This pattern is similar to that observed in emerging Europe, Central Asia and SEMED.

Most moves are from rural areas to other rural areas (10.5 per cent of respondents), followed by urban-to-urban moves (7.5 per cent), rural-to-urban moves (7 per cent) and urban-to-rural moves (4 per cent). Women are generally more likely to move than men, in SSA as elsewhere, and this is particularly pronounced for rural-to-rural moves.

On average, 11 per cent of respondents expressed an intention to move domestically over the next 12 months, compared with 3 per cent in emerging Europe and Central Asia (see Chart 2.5). In Côte d'Ivoire and Ghana, 16 per cent to 18 per cent of respondents expressed such intentions – higher shares than in any other economy covered by the survey. Outside SSA, domestic migration intentions are highest in Tunisia (16 per cent of respondents) and Jordan (13 per cent).

In-country mobility can facilitate matching between skills and jobs and help labour markets adjust to regional economic shocks.[59] When workers can relocate from areas with few labour-market opportunities to higher-productivity regions, job losses can be absorbed more quickly and regional disparities are less likely to become persistent.[60] In the United States of America, declines in the rate of internal migration over time have been linked to slower regional income convergence and longer-lived local employment shocks.[61]

In contrast, internal migration can also be the first step towards international migration. For instance, research based on data for 21 sub-Saharan African countries shows that individuals who migrated to urban areas are, on average, most likely to develop international migration intentions (followed by those who migrated to rural areas, those who live in urban areas and have not moved internally and, lastly, rural residents who have not moved internally). This highlights the role of migration to urban areas as a potential driver of international migration, where weakening attachment to the place of origin may be the dominant mechanism linking internal and international migration processes.[62]

Potential demographic dividend

Young economies

While many emerging markets, including those in emerging Europe, parts of Central Asia and SEMED, have been ageing rapidly or are about to start ageing rapidly, the SSA region has very young populations (see Chart 3.8).[63]

The median age in SSA is 19, compared with 26 in SEMED (excluding Iraq), 27 in Central Asia and 42 in emerging Europe.

[58] See EBRD (2025).

[59] Extensive international research shows that migration to larger and denser urban areas is associated with greater productivity and higher wages. See, for instance, De la Roca and Puga (2017), Glaeser and Maré (2001) and Puga (2010).

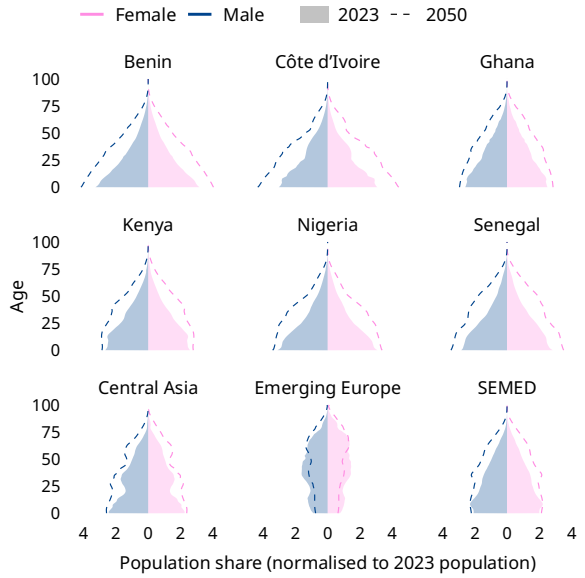
[60] See Blanchard and Katz (1992).

[61] See Jia et al. (2023).

[62] See Cirillo et al. (2022).

[63] See EBRD (2025).

Chart 3.8. The median age in SSA is 19



Source: UN World Population Prospects 2024 data and authors' calculations.

Note: Data refer to population estimates for the year 2023. Regional population pyramids are calculated using population weights.

Populations are also projected to continue to grow and, contrary to emerging Europe, population age structures are expected to retain pyramidal structures, with growing shares of young people (see, for instance, the dashed lines representing projections for Benin in 2050 in Chart 3.8).

The demographic dividend

At the moment, SSA economies have high dependency ratios, that is, high shares of children (under the age of 15) and older people (over the age of 64) relative to the working-age population. On average, this share is around 74 per cent in SSA (compared with 59 per cent in SEMED, 61 per cent in Central Asia and 54 per cent in emerging Europe).[64]

In other words, in SSA, on average, one working-aged person supports 0.7 dependent. One employed person supports 1.3 dependents. Even more strikingly given the high levels of informality, one person in formal employment supports 16 dependents (based on employment and informality data from ILOSTAT, the International Labour Organization's statistics database; informality is measured as informal employment as a share of total employment).[65]

As birth rates decline and larger cohorts of children and young people move into their prime working years, a window of opportunity arises where the working-age population grows faster than the number of dependents (children and elderly). The resulting temporary boost to economic growth is often referred to as a demographic dividend.

Economies in SSA have already been benefiting from such demographic shifts. As dependency ratios fell (from 98 per cent in 1990), the growth in the relative share of the working-age population contributed an average of 0.4 percentage point to the annual growth rate of GDP per capita from 1990 to 2023 (an effect similar to that observed in SEMED).[66]

United Nations projections suggest that dependency ratios in SSA could fall further to 57 per cent by 2050 (in the UN World Population Prospects medium variant scenario). This would increase the aggregate employment-to-population ratio in the region by 6 percentage points by 2050, assuming age-specific employment rates remain constant at current levels (see Chart 3.9).[67]

Further gains could arise from narrowing employment gaps between various demographic groups. In most economies in SSA, gender gaps in employment are relatively modest, with female employment rates approximately 11 percentage points below male rates, reflecting limited social safety nets to fall back on, as well as high rates of informal employment and self-employment, as discussed in Chapter 2. Nonetheless, in Senegal, the female employment rate remains 27 percentage points below the rate of employment for males. Increases in female labour-force participation in this case could boost the employment-to-population ratio in the long term (see the "gender gains" scenario in Chart 3.9).

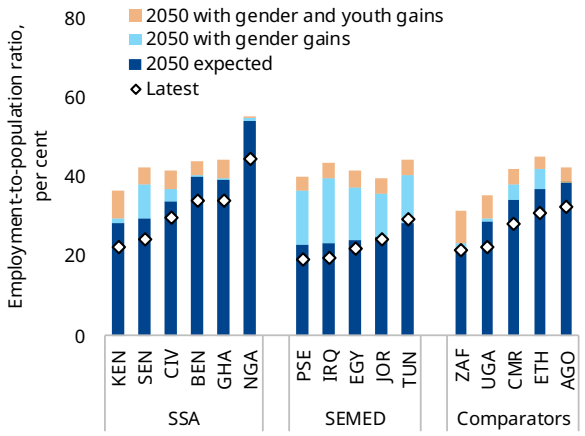
[64] Calculations based on UN World Population Prospects 2024 data.

[65] The informality rates used in this calculation range from 78 per cent (Ghana) to 96 per cent (Benin).

[66] Calculations based on the methodology outlined in EBRD (2025).

[67] Calculations based on UN World Population Prospects 2024 data.

Chart 3.9. Employment-to-population ratios in SSA could increase substantially by 2050



Source: ILOSTAT data, UN World Population Prospects 2024 data and authors' calculations.

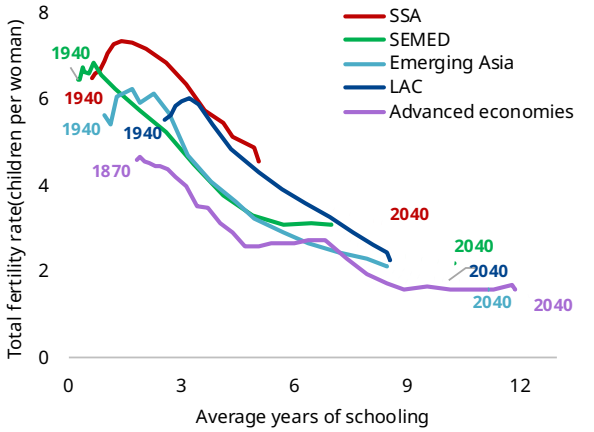
Note: The baseline scenario applies the latest age-specific employment rates by five-year age group to the 2050 demographic structures based on the UN World Population Prospects medium variant projections. The "gender gains" scenario further reduces gender employment gaps within each age group to the lower of the current gap and the 25th percentile of the age-specific cross-country distribution of gender employment gaps among OECD countries in 2023. In the "gender and youth gains" scenario, the employment rates for workers aged 20-24 and 25-29 are also raised to the higher of current rates and the 75th percentile of the age-specific cross-country distribution of employment rates in OECD countries in 2023. Employment-to-population ratios are standardised to the 19th International Conference of Labour Statisticians (ICLS) definition by applying country-specific scaling factors derived from the ratio of 19th to 13th ICLS employment rates for the 15+ age group in 2023. For countries where 19th ICLS data are unavailable, continental average scaling factors are applied. See ILO (2013).

The above scenarios hold employment rates constant for each age group, thereby implicitly assuming that new jobs will be created for the growing number of people entering labour markets. In SSA, currently around 48 per cent of those aged 20-24 are employed, rising to 68 per cent for those aged 25-29.

If employment rates of young people were to rise towards the levels observed in, say, Norway (83 per cent for those aged 25-29, which is the 75th percentile of the distribution of such employment rates in OECD economies), employment-to-population rates would rise further (see Chart 3.9). In this scenario, the gains would be largest in Kenya, with an additional increase in the overall employment-to-population ratio of 7 percentage points. Across the SSA economies, the average employment-to-population ratio would increase to 44 per cent – a gain of 12 percentage points from today's level.

Capitalising on labour-force growth in a context of poor education and high informality tends to be challenging, as taking advantage of demographic trends requires creating quality jobs for the numerous young entrants into labour markets (as discussed in the *Transition Report 2025-26: Brave old world*).[68] Yet demographic transitions in other regions that have involved rapid declines in fertility and an increase in employment-to-population ratios have also tended to start when average years of schooling were relatively low (see Chart 3.10).

Chart 3.10. Demographic transitions tended to start in various regions when average levels of education were low



Source: Barro and Lee (2015), Lee and Lee (2016), Gapminder data and authors' calculations.

Note: "Advanced economies" are those classified as high income by the World Bank's income classification in 1990, with data available for 1870-2023. "Emerging Asia" comprises China, India, Indonesia, Malaysia, the Philippines and Thailand. "LAC" comprises 18 economies in Latin America and the Caribbean. Average years of schooling refers to the average number of years spent in formal education in a country among the population aged 25-64. Data points are shown in five-year intervals. Dashed lines represent projections based on the data in Barro and Lee (2015).

The next chapter briefly discusses the preconditions and policies that could help economies reap the demographic dividend while boosting the quality of skills.

[68] See EBRD (2025) and World Bank (2023).

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]

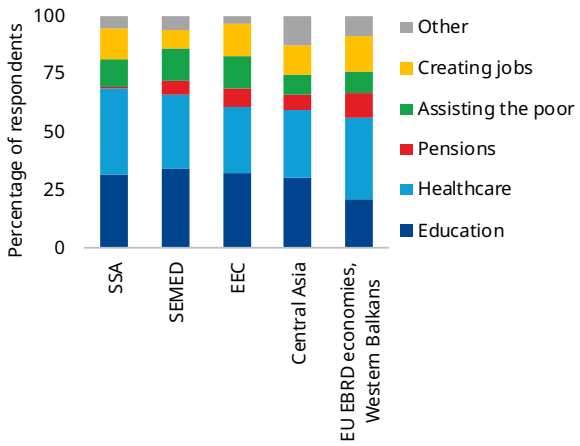
[69] See, for instance, EBRD (2025), IMF (2024) and UNICEF (2024).

[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).

Economy codes

Albania	ALB
Armenia	ARM
Azerbaijan	AZE
Benin	BEN
Bosnia and Herzegovina	BIH
Bulgaria	BGR
Côte d'Ivoire	CIV
Croatia	HRV
Czechia	CZE
Estonia	EST
Georgia	GEO
Germany	DEU
Ghana	GHA
Greece	GRC
Hungary	HUN
Jordan	JOR
Kazakhstan	KAZ
Kenya	KEN
Kosovo	KOS
Kyrgyz Republic	KGZ
Latvia	LVA
Lebanon	LBN
Lithuania	LTU
Moldova	MDA
Mongolia	MNG
Montenegro	MNE
Morocco	MAR
Nigeria	NGA
North Macedonia	MKD
Poland	POL
Romania	ROU
Senegal	SEN
Serbia	SRB
Slovak Republic	SVK
Slovenia	SVN
Tajikistan	TJK
Tunisia	TUN
Türkiye	TUR
Uzbekistan	UZB
West Bank and Gaza	PSE

Acronyms and abbreviations

AfDB	African Development Bank
CEB	central Europe and the Baltic states
CPI	consumer price index
EBRD	European Bank for Reconstruction and Development
EEC	eastern Europe and the Caucasus
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FDI	Foreign direct investment
GDP	gross domestic product
GFCF	gross fixed capital formation
IEA	International Energy Agency
ILO	International Labour Organization
IMF	International Monetary Fund
IOM	International Organization for Migration
LAC	Latin America and the Caribbean
OECD	Organisation for Economic Co-operation and Development
PPP	purchasing power parity
SEMED	southern and eastern Mediterranean
SSA	sub-Saharan Africa
UN	United Nations
UNCTAD	UN Trade and Development
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children's Fund
WEO	World Economic Outlook

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