

Four Policy Shifts to Drive African Economies Towards Convergence

 Andrew Dabalen and Jacques Morisset

African economies have the ingredients to speed up their economic convergence toward high-income countries. The problem is rarely what is missing, but what to do first. Four policy shifts could change the arithmetic.

Foreword

In this note, Andrew Dabalen and Jacques Morisset aren't adding another list of what Africa lacks. Their argument is sharper than that: on skills, food, power, and public finance, the region has too often gotten the order wrong—training students for credentials instead of jobs, chasing export crops before feeding cities, extending the grid before making power affordable to the firms that could use it productively, and borrowing before anchoring that debt to growth. Getting the sequencing right, they argue, matters as much as the investment itself.

Sub-Saharan Africa is attempting that recalibration in one of the harder stretches in years. While the region came into 2026 off its fastest growth in a decade, the war in the Middle East has driven oil, gas, and fertilizer prices sharply higher, pushed up shipping costs, and disrupted trade and remittances. It's one more shock layered on the pandemic, the war in Ukraine, and now the sharpest retrenchment in foreign aid in a generation. The convergence math remains stark: over the medium term, per capita income growth in sub-Saharan Africa is [projected at just 2.3 percent](#), against 3.6 percent for other emerging and developing economies; and only 1.8 percent in the region's resource-intensive economies, where those gains are also the least widely shared.

That's what makes Dabalen and Morisset's piece a useful corrective to how this conversation usually goes. It's razor-focused on sequencing, and refreshingly hard-headed about the politics of actually pulling it off. It connects directly to work CGD has been doing across these same four fronts: on [technical and vocational skills for African youth](#)—where the priority is closing the gap between training and actual labor-market outcomes, through employer-linked partnerships and better data on what graduates actually earn, not just how many finish a program; on whether [agriculture, done right, can drive growth](#) rather than just export earnings; on why [affordable, reliable power](#) for productive users has to come before universal last-mile access—a lesson underscored by Power Africa's own record; and on debt, both on why [transparency](#)—closing the roughly \$1 trillion gap in unreported sovereign lending—has been shown to lower borrowing costs outright, and on [debt pause clauses](#) that suspend repayment after a shock, which could give exactly these economies room to breathe when the next one hits.

Catherine Pattillo
Senior Fellow
Center for Global Development

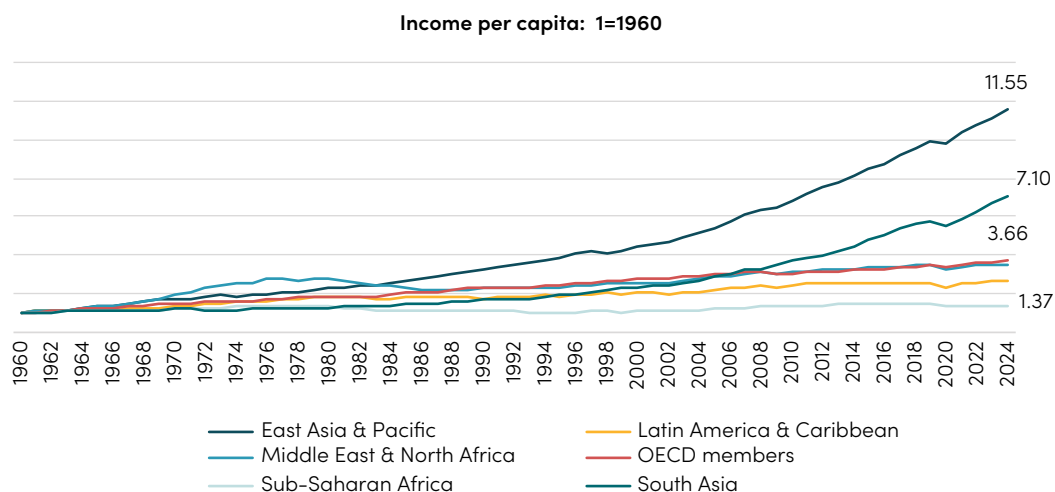
Introduction

Economist and Nobel laureate [Robert Solow](#) famously argued that poor countries should grow faster than rich ones. Where labor is abundant and capital scarce, returns on investment should be higher, attracting capital and allowing incomes to converge over time. It is an elegant theory, and in some parts of the world, it has worked spectacularly.

South Korea's income per head has multiplied by almost 40 since 1960. China has lifted hundreds of millions from poverty in what may be history's fastest economic transformation. Vietnam, starting from near-ruin after decades of war, has sustained growth that put it firmly on a convergence path—all evidence that the Solow mechanism works.

For most African countries, however, the story has been different. With few partial exceptions (such as Botswana and Mauritius), [convergence has simply not happened](#). Since 1960, real GDP per capita in OECD economies has grown 3.7-fold, while sub-Saharan Africa has managed just 1.4-fold over the same period—a stark contrast with East Asia, where output per capita is nearly 12 times its 1960 level. While the lack of convergence is not unique to African economies, the gap between the region and the world's leading economies has widened more than anywhere else over the past 60 years.

Figure 1. Asia is catching up. Much of the rest is falling behind, especially sub-Saharan Africa.



Source: WDI

Why convergence is not destiny

Robert Lucas Jr., also a Nobel laureate, showed why convergence is not automatic. For technology and investment to take root, workers must have the skills needed to operate new machinery and adapt to shifting production methods. Without sustained investment in human capital, the convergence mechanism breaks down. Capital flows toward where skills are available, not where capabilities are missing.

Lucas was right to start with the classroom. Skills are the foundation on which everything else rests: without workers who can operate machinery or computers, absorb new techniques, and adapt to changing methods, neither capital nor technology will take root. But the classroom is not the only precondition. For a country to grow, it must also feed itself reliably, supply affordable and reliable electricity, and manage its public finances with discipline. Many African countries have fallen short in these areas, largely because of ill-advised choices in sequencing policies. Schools focus on producing certificates over know-how, farms are oriented toward export crops before domestic food is secured, energy remains expensive and scarce, and public institutions borrow without restraint rather than invest in the engines of development.

Constraint 1. The classroom gap

28% Secondary completion

The share of young Africans who complete upper secondary school, against a global average above 60%. The gap has widened since 2010.

8.5% vs 44% Vocational training

Share of upper-secondary students in vocational programs: Sub-Saharan Africa versus the OECD average. In Kenya, Tanzania, and Sudan, the figure falls below 3%.

While spectacular progress has been made toward universal primary education, only **28 percent of young Africans complete upper secondary school**, against a global average above 60 percent. More worrying, the gap between Africa and the rest of the world has widened since 2010. The problem is not only how few students make it through secondary school, but what they learn when they do. At 18 years old, they emerge with general qualifications that bear little relation to what employers actually need. Firms cannot find workers with basic technical skills, and young people cannot find jobs that match their credentials. For many families, the returns to secondary schooling are too low to justify the cost, creating a vicious circle that threatens both livelihoods and long-term development.

Across OECD countries, roughly 44 percent of upper-secondary students are enrolled in vocational programs, rising to 68 percent in Austria. Germany's dual apprenticeship system steers a large share of teenagers into structured technical training that combines classroom and workplace learning. Africa's credential-heavy schools, built by colonial powers to produce administrators rather than technicians, have been left largely unreformed by local policymakers, often with the support of international institutions. As a result, less than one in ten African students receive technical and vocational training.

The case for reform was already strong; AI has made it urgent. Convergence theory assumes poor countries can leapfrog to frontier technologies. That was doubtful when technology was a tractor. It is untenable when emerging technologies reshapes jobs faster than schools can adapt. Without technical skills, young Africans will not navigate this transition. Instead, they will be pushed further to the margins of an economy organized around skills that their schools fail to teach.

The policy shift: Skills before certificates

- Shift the balance between general and technical secondary education toward vocational and technical programs—targeting at least 25 percent enrolment of secondary students within a decade.
- Adopt employer-led curriculum design so that qualifications reflect what firms actually need.
- Expand dual-apprenticeship models that combine classroom learning with structured workplace training, reducing the cost to families while raising labor-market relevance.

Constraint 2: The farm problem

\$2,000 vs \$6,000 vs \$30,000 The productivity gap

Output per agricultural worker per year: Africa, Asia, and OECD, respectively. Africa's farmers produce only a third as much as farmers in Asia, and a tenth as much as farmers in high-income countries.

\$80 billion a year The import bill

Africa's annual food import costs—up from 39% of household consumption in the late 1980s to almost 50% today, draining the foreign exchange that export strategies were meant to generate.

Half of Africa's workers are still in agriculture. Yet African farmers produce about a third of what their Asian counterparts do, and a tenth of what farmers in high-income countries manage. The consequence of this gap is felt beyond the productivity statistics. Africa's population is growing faster than any other region, and farms that cannot raise their yields cannot feed the cities swelling around them. Food imports have risen from 39 percent of household consumption in the late 1980s

to nearly 50 percent today—a bill of around \$80 billion a year, paid in scarce foreign exchange, and vulnerable to global price shocks. Low agricultural productivity is not just a growth constraint. It is an increasingly severe food-security risk, particularly as climate change intensifies.

Vietnam followed a different sequence. With the market reforms known as Doi Moi in the late 1980s, Hanoi first tackled a domestic challenge: feeding a country often near famine. Land decollectivisation, price liberalization, and investment in irrigation boosted food output and rural incomes. Exports followed. Within a decade, Vietnam became among the world's largest rice exporters, turning to foreign markets, only after securing domestic demand.

With a few exceptions, African countries have largely reversed that sequence. Governments and development partners, frequently with interventions from multinational companies that dominate global food markets, have directed agricultural investment toward export crops—cut flowers, coffee, cocoa, horticulture—in pursuit of foreign exchange and global markets. The instinct is understandable. The sequencing is not. Two forces have changed the calculus. Urbanization is concentrating millions of consumers in cities at a pace that gives dispersed rural producers a market they never had before. At the same time, digital infrastructure such as mobile payments, price-discovery apps, and logistics platforms is making it easier for rural producers to connect to domestic and regional markets. Together, they make a case that did not exist a generation ago: feed the cities first.

The better sequence, then, is to secure the home or the regional market before chasing global exports. A reliable domestic customer base does more than feed people. It aligns the interests of farmers and consumers—something Africa has too often lacked when pursuing land reform or financing the irrigation and transport networks needed to close the agricultural productivity gap. Politicians adopt reforms and investors build roads and canals when there is a market to serve and customers to satisfy. Supply follows demand, not the other way round.

The policy shift: Domestic food first

- Prioritize domestic food security over export crop promotion in early stages—secure the supply chain before chasing global markets.
- Invest in irrigation, research, and smallholder land rights to raise yields before pursuing scale via commercial farms.
- Treat rapid urbanization as an asset: cities concentrate demand, create economies of scale for rural producers, and justify investment in roads, logistics, and inputs that connect farmers to growing urban markets.

Constraint 3: The electricity trap

9% of annual income Affordability shock

The cost of 1,000kWh in Africa relative to income, compared with under 1% almost everywhere else, leaves most firms unable to compete with modern standards.

25% decline in electricity generated per capita Limited supply

Electricity generated per person is lower today than 25 years ago, helping explain why only half of households in sub-Saharan Africa have access to power.

At about \$0.14 per kilowatt-hour, electricity in Africa is cheaper than in Europe in absolute terms. Relative to income, however, it is among the [most expensive electricity in the world](#): the average cost of 1,000 kWh amounts to almost 10 percent of per capita income, compared with less than 1 percent in other regions. The East Asian Tigers built their manufacturing booms on cheap, reliable power—a deliberate policy choice, subsidized where necessary. Africa's firms face high operating costs, households use little electricity because they cannot afford it, and demand remains weak. Capital follows returns: when electricity investments cannot earn enough revenue, they do not materialize. That helps explain why only [about half of people in sub-Saharan Africa have access to electricity](#), and [why just 8 of 48 countries report access rates above 80 percent](#). [Despite rising real per capita incomes over the past two decades, electricity production per capita has declined by about 25 percent on the continent since the early 2000s.](#)

The electricity trap is often blamed on supply-side failures: inefficient state monopolies, too little investment, underdeveloped networks, and heavy technical and financial losses. These problems matter, but there's also [a strategic dilemma](#). The choice is not simply whether to produce more electricity but who should benefit first. Extending the grid to unconnected communities, as most donors prioritize, is the right moral instinct. But the last mile is also the most expensive. Connecting remote rural households can cost many times more than urban grid extension, while generating little additional revenue.

Rather than systematically extending access at costs that governments and consumers cannot sustain, [there is a case](#) for first making electricity genuinely affordable to strategic users in labor-intensive sectors such as garments, food processing, light manufacturing, and digital services. A textile plant or a call center that can afford to run its machinery and computers creates hundreds of jobs. Those workers earn wages. Those wages generate tax revenues that can, over time, finance the network expansion that reaches everyone else. The correct sequencing could therefore be: expand affordable and reliable electricity for productive use before universal coverage. Current policy runs the opposite direction: extending coverage while leaving existing industrial and service customers to absorb tariffs that make them uncompetitive. The result is a grid that grows in reach but not in productive use. Access and affordability are complementary objectives, but sequencing matters.

The policy shift: Affordable power for producers first

- Set differentiated industrial tariffs that make electricity competitive for labor-intensive manufacturers; use targeted instead of broad-based subsidies if necessary and fiscally sustainable, as East Asian governments did explicitly.
- Redirect capital toward grid reliability and affordability in existing connected areas before racing to extend coverage to the most expensive last-mile households.
- Use the revenue base created by productive industrial consumption to cross-subsidize eventual universal access.

Constraint 4: The debt overhang

6–8% vs 3–4% Unaffordable borrowing costs vs low returns

Real borrowing costs versus real GDP growth across much of sub-Saharan Africa since 2010. When debt costs exceed growth, debt does not merely accumulate. It compounds into crisis.

\$163 billion in 2024 Debt service explosion

Africa's total external debt service—up from \$61 billion in 2010 and now consuming roughly 31% of government revenue versus 10% 15 years ago.

Since 2010, the real cost of private borrowing on international markets (mainly bonds) by African governments in local-currency terms has averaged 6–8 percent, while real GDP growth has run at 3–4 percent over the same period. When borrowing costs stay above growth, debt does not just build up; it compounds into crisis. Governments are borrowing against future generations, but the returns are too weak to justify the bill.

The strain is now visible on government balance sheets. Since the early 2010s, debt service has more than doubled as a share of government revenue, rising from about 10 percent to roughly 31 percent, according to the African Development Bank. Not all governments are insolvent, but many are becoming illiquid—which, in practice, can be nearly as damaging. A state that cannot pay its bills, or that devotes too much of its revenue to debt service, cannot build infrastructure, fund classrooms, or subsidize the electricity that convergence requires. Around half of African countries spend today more on interest payments than on healthcare services.

Yet many African governments continue to seek non-concessional borrowing even as debt service consumes a growing share of revenue. This trend reflects short-term calculations by policymakers, as well as the structural decline in concessional financing and limited progress in raising tax revenues, which have stagnated at around 15 percent of GDP over the past decade. Two rules would help: respect debt ceilings and keep debt service within prudent limits, and borrow only for

investments that raise future growth and revenues. Vietnam's discipline in reserving external borrowing for infrastructure, and South Korea's independent appraisal of major projects through the Korea Development Institute, show the value of this approach. Too often, African debt has financed current spending or old obligations, crowding out the investment needed to make borrowing worthwhile.

The policy shift: Anchor borrowing to growth

- Adopt binding fiscal rules, relaxed only on pre-defined emergencies, linking borrowing ceilings to debt-sustainability thresholds and interest-to-revenue ratios.
- Restrict non-concessional borrowing explicitly to long term growth-enhancing infrastructure rather than current spending.
- Press international partners for expanded concessional financing and negotiate debt restructuring where service costs are already crowding out essential investment.
- Develop and deepen domestic or subregional capital markets to reduce outsized reliance on foreign currency-denominated debt

Conclusion: The policy shifts are clear—but not easy

None of these fixes is revolutionary. Equip young people with relevant skills. Raise agricultural productivity before relying on food imports. Make electricity affordable for producers. Borrow only for investments that generate growth. These are not moonshots. They are, as Robert Lucas argued so powerfully half a century ago, about getting the *mechanics of development* right, so that Solow-predicted convergence can finally take hold in Africa.

But mechanical does not mean easy, and simple does not mean separable. The four shifts are not a menu from which a finance minister might pick a favorite and leave the rest for later. The reforms reinforce each other. Better skills raise the returns to investment. Reliable and affordable electricity boosts industrial productivity. Higher agricultural productivity strengthens food security and releases labor for more productive activities. Sound public finances create the fiscal space needed to sustain these investments.

Timing is on Africa's side. Supply chains are being rewired, digital tools are lowering old barriers, and the continent's young workforce, often cast as a liability, could become its great advantage. Convergence is still not guaranteed, but the problem is not a lack of clarity about what works. It is the politics of doing it: building coalitions at home and abroad, including within international organizations, strong enough to shift money, rules, and attention away from vested interests and towards long-term development priorities.

This note was edited with assistance from Claude Sonnet 5 (Anthropic) to improve consistency and the flow of ideas. It was reviewed by the authors and a human editor before publication.

The views expressed are the authors' own and do not necessarily reflect those from their institution. Many thanks to Danny Leipziger, Markus Goldstein, Catherine Patillo, Vera Songwe, and Pierre Ngumkeu for their comments on an earlier version.

ANDREW DABALEN is the chief economist for the Africa Region at the World Bank.

JACQUES MORISSET is the lead economist for AECS1 (Botswana, Eswatini, Lesotho, Namibia, and South Africa) at the World Bank.

Suggested citation:

Andrew Dabalen and Jacques Morisset. 2026. "Four Policy Shifts to Drive African Economies Towards Convergence." CGD Note 403. Washington, DC: Center for Global Development. <https://www.cgdev.org/publication/four-policy-shifts-drive-african-economies-towards-convergence>



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