01

AFRICA'S ECONOMIC RECOVERY: FINANCING ROBUST POST-PANDEMIC GROWTH

ESSAY

VIEWPOINTS

GOVERNANCE CALL-OUT

Africa’s pandemic recovery requires investments that build the foundation for the region’s future

MAKHTAR DIOP

Managing Director,
International Finance
Corporation (IFC)

@Diop_IFC

Africa’s future never looked brighter than it did during my time serving as the World Bank’s vice president for Africa from 2012 through 2018. The continent was home to the world’s fastest-growing economies—a growth fueled by high commodity prices. Free trade was becoming a reality with the rapid approach and realization of the African Continental Free Trade Agreement. Political instability was largely under control. And, even in the midst of an Ebola outbreak, the continent largely succeeded in containing the worst health and economic impacts of that virus.

Today, from my position as the managing director of the International Finance Corporation (IFC), I still see Africa’s potential clearly—a global economic driver, digital innovation hub, and model for green, resilient infrastructure. But I am also concerned about Africa’s future, especially for the young people coming of age in a time of great uncertainty. Conflict is on the rise, and the number of countries falling into instability is increasing. The impacts of climate change are worsening each year. And while COVID-19 has affected everyone, it has not affected everyone equally: This truth is especially salient for Africa, which saw decades worth of economic and social progress erased almost overnight.

Millions of people on the continent have already been pushed into poverty. Millions more are teetering on the brink. Africa’s youth is Africa’s biggest asset, but only if they have the opportunities and skills needed to build a better future.

If we do nothing, we risk losing them.

We cannot allow this to happen.

The path forward is clear: We must come together, as public and private actors, to ensure an inclusive, resilient recovery. We must unite around one shared and audacious goal: To create a more equitable and resilient world coming out of the pandemic than the one we had going into it.

We must unite around one shared and audacious goal: To create a more equitable and resilient world coming out of the pandemic than the one we had going into it.

As someone who has focused on the Africa region and broader development issues, both professionally and personally, I believe in this vision for our future. I especially believe in it for Africa. And I know private financing will play an essential role in getting us there.

Private sector investments have been critical to Africa’s pandemic response. In the last fiscal year alone, IFC helped mobilize more than $6 billion in investments that helped develop vaccine manufacturers,[1] boost financing access for small businesses,[2] support regional trade, and fund green and digital projects on the continent. These efforts saved lives and jobs during the height of the crisis.

But much more will be needed in the months and years ahead. The pandemic exposed and exacerbated existing vulnerabilities in many countries’ physical and social infrastructures. Addressing these vulnerabilities will be key to ensuring no one is left behind as we move from response to recovery. Moreover, it will also safeguard against future global crises that could otherwise derail hard-fought development gains.

1 “IFC, Proparco, DEG and DFC Support South African COVID-19 Vaccine Maker, Aspen.” International Finance Corporation, 2021.
2 “Africa: IFC Announces $2 billion Investment in SMEs and Trade to Support Recovery from COVID-19.” International Finance Corporation, 2021.

A few issues in particular require our urgent attention.

First, a healthy and resilient economy relies on healthy and resilient people, which vaccines help to support. While important progress is being made in this space in response to COVID-19, there are larger gaps in Africa's immunization coverage that still need to be filled. Consider this: Almost 10 million African children each year do not receive the final dose of the diphtheria, tetanus, and pertussis (DTP) vaccine.

We need more partnerships between the private and public sectors that can help reduce the continent's reliance on vaccine imports. Increasing regional production will support more affordable and widely available vaccines—saving lives and protecting Africa's valuable human capital. (For more on strategies for increasing vaccine manufacturing in the region, see the viewpoint on page 39.)

The pandemic demonstrated that digital access is no longer a luxury reserved for a privileged few, but a necessity for all.

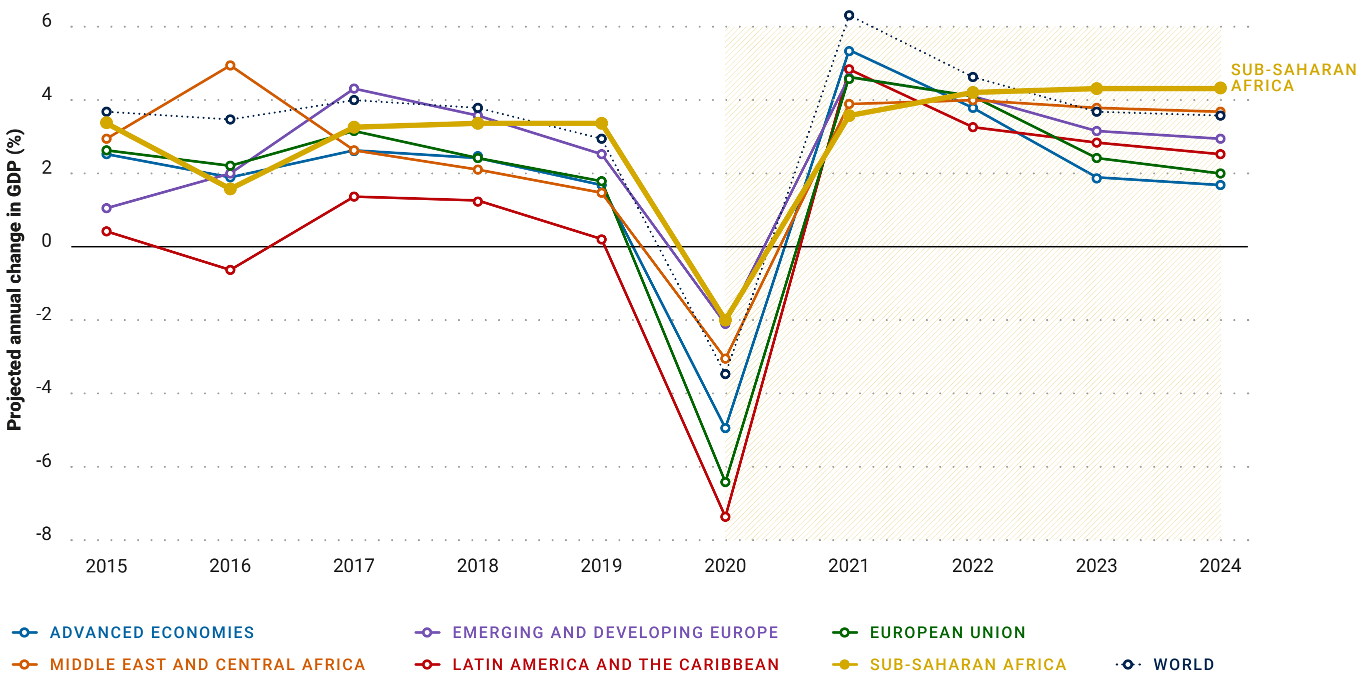
Second, we all know that trade is the lifeblood of any economy—but a lack of trade finance is holding Africa back from reaching its full economic potential. The continent's trade finance gap was more than $80 billion before COVID-19, and it is certainly larger today. This gap makes it harder for goods to move across borders and for businesses to innovate, create jobs, and drive economic growth.

Development finance institutions like IFC have an important role to play in increasing the availability of trade financing in Africa. But these commitments must be supported by both the public and private sectors to ensure that demand is being met and money keeps flowing.

Third, the pandemic demonstrated that digital access is no longer a luxury reserved for a privileged few, but a necessity for all. The next "Bill Gates" may very well come from Africa—but only if we close the digital divide.

FIGURE 1.1. THE PANDEMIC WILL NOT DETER SUB-SAHARAN AFRICA'S LONG-RUN GROWTH PATH

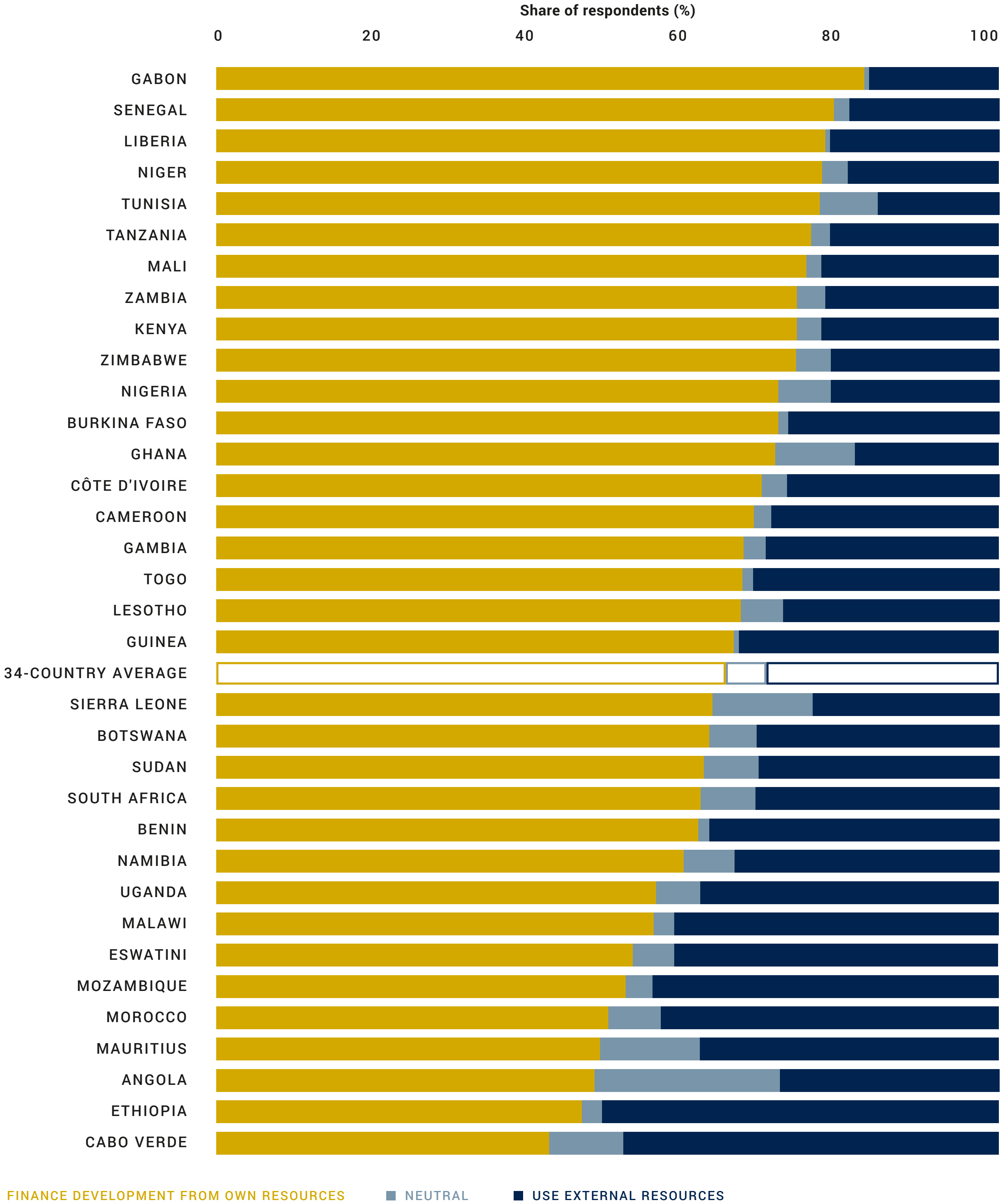
In 2020, sub-Saharan Africa suffered the weakest contraction of any world region (-1.9 percent reduction in GDP). Its recovery is projected to be robust, averaging an annual growth rate of 4.0 percent from 2022 to 2024, suggesting that the region will maintain its pre-pandemic growth path.



SOURCE: World Economic Outlook, International Monetary Fund. June 2021.

FIGURE 1.2. HOW SHOULD YOUR COUNTRY FINANCE ITS DEVELOPMENT?

Africans strongly believe that they should rely on their own resources to finance their development: In fact, nearly two-thirds of those surveyed by Afrobarometer across 34 countries prefer using domestic resources over external resources.



NOTE: Respondents were asked: Which of the following statements is closest to your view?
Statement 1: It is important that as an independent nation, we finance development from our own resources, even if it means paying more taxes.
Statement 2: We should use external loans for the development of the country, even if it increases our indebtedness to foreign countries and institutions.
SOURCE: Afrobarometer. (2021). Public Attitude Surveys. Afrobarometer.

Creating secure, reliable digital infrastructure is an urgent priority for the continent—and harnessing the power of the private sector is the fastest and most effective way to accomplish it. Universal and affordable broadband access is within reach for Africa, but we must act with intention and coordination to seize it.

Finally, and perhaps most importantly, private sector financing will be essential to addressing both climate change and Africa's growing energy needs. We cannot forget that 578 million people in Africa still lack energy access—cutting them off from educational opportunities and the entire digital economy.

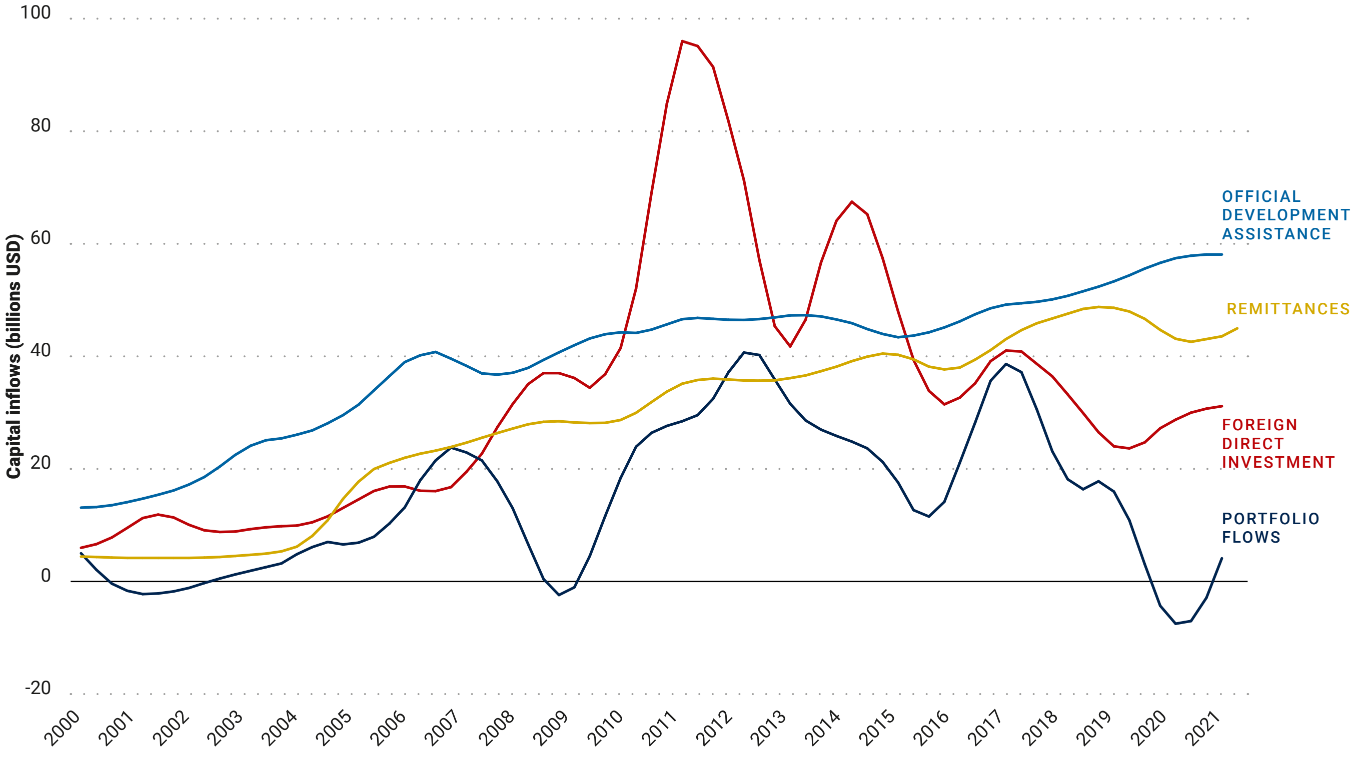
Building infrastructure, lifting up small businesses, nurturing people—these are the investments that pay off for generations to come.

Electrifying Africa is not up for debate. It needs to happen, and it needs to happen as quickly as possible. But how it happens is just as important. By supporting blended financing options, creating a pipeline of bankable projects, and embracing innovative mitigation and adaptation solutions, we can get power to every household in every country—sustainably.

We find ourselves at a once-in-a-generation moment of possibility. We have the chance to create a better, greener, and more inclusive future for Africa. That vision is within reach. But we will only be able to seize it by prioritizing long-term investments over short-term fixes. Building infrastructure, lifting up small businesses, nurturing people—these are the investments that pay off for generations to come. They are the investments that will build the foundation for Africa's future.

FIGURE 1.3. CAPITAL INFLOWS TO SUB-SAHARAN AFRICA SHOW SIGNS OF RECOVERY

Throughout the pandemic, official development assistance (ODA) remained the most significant source of capital entering sub-Saharan Africa. Like ODA, foreign direct investment (FDI) increased in 2020, led in part by an uptick in mergers and acquisitions. Remittances to the region fell primarily due to a 28 percent decrease in Nigeria, the region's primary recipient of remittances. All sources of capital inflows showed signs of recovery in late 2020 or early 2021.



NOTE: Values for 2021 are estimates. The data underlying the figure are smoothed using three-year averages.
SOURCE: Knomad. (2021). "Recovery: COVID-19 crisis through a migration lens." Migration and Development Brief 35. World Bank Group.

Zambia's success will be Africa's success

H.E. HAKAINDE HICHILEMA

President of the Republic of Zambia

@HHichilema

The year 2021 has been a landmark year for Zambia. Two important events occurred. The passing of the first president of independent Zambia, Dr. Kenneth Kaunda, was mourned in June. Then, in the election in August 2021, the people of Zambia voted decisively for change.

I mention the passing of Dr. Kaunda because Zambia has strong roots. He was a person who sought to serve ordinary Zambians and, even if some of the policy decisions his party made did not have optimal outcomes, his intention was to place ordinary Zambians at the center of the country's development.

Sadly, Zambia has not lived up to its promise. Over the last decade, we have witnessed the erosion of our economy and the corruption of our politics. As a consequence, our debt has risen to unsustainable levels, reducing the country's capacity to invest in productive areas of our economy and its ability to address the gaps in health care, education, and other social services.

Our national budget has been overwhelmed by debt servicing, emoluments, and consumption, when there should have been greater room for investment and growth. The scourge of corruption has eroded our much-needed resources including the debt itself, robbing us further of the opportunity for growth. This slide towards debt, disaster, and dependency set our country on a bleak course.

Fortunately, the people of Zambia that decided to change direction and the election—notably under difficult COVID-19 conditions—saw a change of government and the opportunity for a new beginning.

It was our third peaceful, democratic transfer of leadership since the advent of multi-party democracy three decades ago. It was an African success. Notably, Zambia's transition is an example of Africa's success in addressing its own challenges: The African Union played an instrumental role in ensuring our smooth transfer of power.

Notably, Zambia's transition is an example of Africa's success in addressing its own challenges: The African Union played an instrumental role in ensuring our smooth transfer of power.

This transition also sends a clear message that Africa embraces the right to democratic choice. It comes after the historic stand taken by the courts in our neighbor, Malawi, where a rigged election outcome was rejected, and new elections were successfully held in 2019.

In both these cases, it was Africans who held the election, contested it, and adjudicated on its fairness. We can say with pride that Africans own democracy on the continent.

The road ahead will not be without challenges but, with a clear vision and plan, and with relentless determination, we will deliver on the aspirations of our people.

My administration's focus over the next five years will be on restoring macroeconomic stability and promoting the growth of the economy.

We will pay special attention to lowering the fiscal deficit, reducing public debt, and restoring social and market confidence. We will also promote national unity and good governance by strictly adhering to the rule of the law and democratic accountability.

Our priority is a simple one: We must find a way to include the jobless youth in our economy. In order to do that, we need to build our economy by encouraging new investment and giving our young people the skills they need to participate fully in the economy.

Growing the economy requires agile thinking that uses all the levers at our disposal. We must urgently attend to restoring our mining sector to its rightful place as a leading global producer of copper by ensuring regulatory fairness and attending to obstacles that stand in the way of new investment. We must strive to increase the production of copper and other minerals so that Zambia can reclaim its place as one of Africa's leading mining countries.

We need to make Zambia a preferred investment destination by cutting red tape and reducing policy uncertainty which cause investors to hesitate.

Our priority is a simple one: We must find a way to include the jobless youth in our economy.

We must encourage the growth of new businesses. We need 1,000—perhaps even 10,000—entrepreneurs to bloom, igniting our small business sector as a key employer and source of innovation and growth.

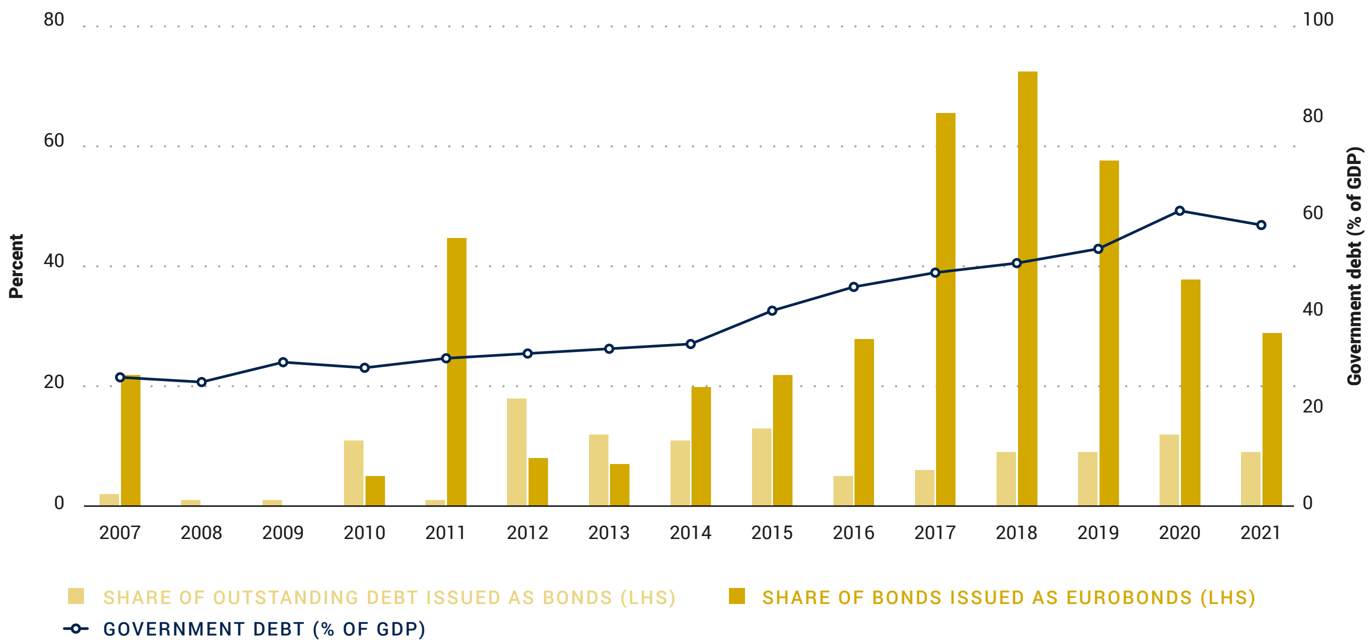
To do this, we must make it easier for small businesses to gain access to capital. Government must understand the challenges that entrepreneurs and investors face, and do its part to welcome investment, growth, and innovation.

None of this will happen without clean and purposeful governance. The institutions mandated to investigate and prosecute will be given unfettered autonomy to act without fear or favor and without political bias. Malpractice and mismanagement must be rooted out.

From the election to economic recovery, Zambia's success will, in this way, be Africa's success.

FIGURE 1.4. ROLE OF DOMESTIC BONDS AND EUROBONDS IN GOVERNMENT DEBT, SUB-SAHARAN AFRICA

Eurobonds in sub-Saharan Africa exploded in popularity in the aftermath of the Great Recession, growing from just 5 percent of bond issuance in 2010 to nearly 75 percent in 2018. During the pandemic, however, eurobond issuance declined rapidly, and Africa instead turned to domestic bonds to finance stimulus packages and economic recovery.



NOTE: Eurobonds include bonds denominated in dollars, euros, or British pounds.
SOURCE: Bloomberg. (2021). Sovereign bond holdings data. Bloomberg terminal. IMF. (2021). "World Economic Outlook 2021." International Monetary Fund.

Africa's youth are already leading the way to economic success

IFEYINWA UGOCHUKWU

CEO, The Tony Elumelu Foundation

@IfeyinwaUgo

Promising sectors such as financial services and the tech ecosystem remind us of the many young African entrepreneurs creating transformative solutions and continuing to be innovative within these sectors and beyond.

With Africa's ever-increasing youth population projected to double by 2050,[1] the need for innovative and sustainable ways to support youth employment only continues to grow in importance. While the challenge is daunting, it also has inspired so many of Africa's creative and diligent young people to take charge of their own futures, coming up with innovative solutions to keep themselves employed and actively engaged. Consequently, training young people in entrepreneurship—how to create, run, and manage businesses—so that their creativity and efforts will bear fruit is central not only for improving individual lives, but for bolstering the entire region's economic gains.

As evidenced by the Tony Elumelu Foundation Entrepreneurship Programme,[2] African youth continue to show that they are innovative, creative, and diligent in seeing their ideas come to life. With adequate support, young entrepreneurs will create jobs, provide value, and innovate—which our continent desperately needs.

Young people are equipping themselves with skills beyond the classroom while being exposed to new and different career paths; this presents an opportunity to transform the continent in the catalytic ways. Platforms such as TEFConnect—our proprietary digital marketplace for African entrepreneurs—is one of such tools serving this purpose. With continued expansion, more young Africans will be able to access opportunities, learn, and explore intra-regional opportunities.

Promising sectors such as financial services and the tech ecosystem remind us of the many young African entrepreneurs creating transformative solutions and continuing to be innovative within these sectors and beyond. To accomplish all of these, challenges of irregular policy regulation, access to power and electricity, as well as in improving the logistics supply chain must be addressed.

The future is indeed bright: With the digital advancements of the last decade, the proliferation of digital technology and skills has drastically improved the lives of young people and offered unprecedented access to opportunities once hard to reach. The effects of the COVID-19 pandemic have shocked the continent, and building resilient businesses that can withstand uncertainties is a crucial way to support African youth. Moreover, the establishment of the African Continental Free Trade Area presents an opportunity to solve these issues and to improve entrepreneurship on the continent in a catalytic way. By building and streamlining business registration, operation, and regulatory processes, the future of entrepreneurship on the continent can be sustainable, efficient, and monumental.

1 Kariba, F. "The Burgeoning Africa Youth Population: Potential or Challenge?". Cities Alliance. 2020.
2 "The Tony Elumelu Foundation Entrepreneurship Programme." The Tony Elumelu Foundation, 2022.

Investment in science and technology is key to an African economic boom

AMEENAH GURIB-FAKIM

Former President, Republic of Mauritius

Distinguished Advisor, Global Network for Africa's Prosperity

@aguribfakim

LANDRY SIGNÉ

Senior Fellow, Africa Growth Initiative, Global Economy and Development, Brookings Institution

Professor and Managing Director, Thunderbird School of Global Management

@landrysigne

The African continent represents 20 percent of the earth's surface and is home to 1.3 billion people—likely reaching 2.53 billion people by 2050. It boasts 60 percent of the world's arable lands, large swathes of forests, 30 percent of the world's reserve of minerals, and the youngest population of any continent. Yet, despite these riches, it produces only 3 percent of global GDP, accounts for less than 3 percent of international trade (mainly primary commodities and natural resources), and shoulders 25 percent of the global disease burden. The picture is particularly bleak when it comes to research and innovation: Africa contributes just 2 percent of world research output, accounts for only 1.3 percent of research spending and produces 0.1 percent of all patents.[1]

How can a continent that has fueled the world's industrial revolutions, that helped drive the dominance of the mobile phone industry, and whose large store of rare earth minerals are integral to the global green energy transition tolerate such dismal statistics?

A lack of investment in science and technology has undermined Africa's economic transformation at both the structural level (the shift of workers and resources from low- to higher-productivity sectors) and the sectoral level (the growth of productivity within sectors). This lack of investment has had far-reaching consequences: Without the economic and scientific infrastructure necessary for innovation, the continent has continued to rely on the colonial development model of resource extraction, which is both unsustainable and largely responsible for its debilitating poverty and aid dependency. These challenges have been compounded by economic fragmentation, as smaller markets constrain the long-term investments and patient capital that would foster innovation and drive technology transfer in the context of globalization.

The silver lining is that there is potential here with growing recognition by policymakers of the role that science and technology can play in achieving national development goals and transforming Africa's economic growth story. Moreover, given the positive correlation between growth and environments that beget competition and innovation, competitiveness must be fostered.[2,3]

Thus, African countries must create an enabling environment through pro-innovation, pro-science, and pro-technology policies dedicated to overcoming barriers related to regulation, corruption, and investment, while enabling private-sector innovation, adaptation, and adoption. At the same time, African governments must also invest in creating an ecosystem that facilitates investment in science and technology in a way that will not just accelerate discovery but allow innovations to enter the marketplace more quickly.

Bridging the skills deficiency gap in science, technology, and innovation is vital to unlocking Africa's potential and accelerating economic growth and prosperity. The best-trained, most talented researchers gravitate to environments where their work is leveraged by modern equipment, reliable utilities, and sufficient funding for supplies—and, perhaps most critically, where they can benefit from the presence of other talented people. Thus, the tide of Africa's brain drain must be reversed by creating a world-class education

1 Kariuki, T., and Kay, S. (2017). There are not enough scientists in Africa. How can we turn this around? World Economic Forum.

2 OECD. (2019). *Measuring external factors influencing innovation in firms* in Oslo Manual 2018: Guidelines for Collecting, Reporting and Using Data on Innovation, 4th Edition, OECD Publishing, Paris.

3 Notably, Mauritius, Tunisia, South Africa, Botswana, Egypt, and Morocco consistently rank among the top 12 Africa countries in the most recent editions of the Global Innovation Index, the Global Competitiveness Report, and the Human Development Index.

The tide of Africa's brain drain must be reversed by creating a world-class education and research infrastructure that will keep the best minds on the continent and attract new ones.

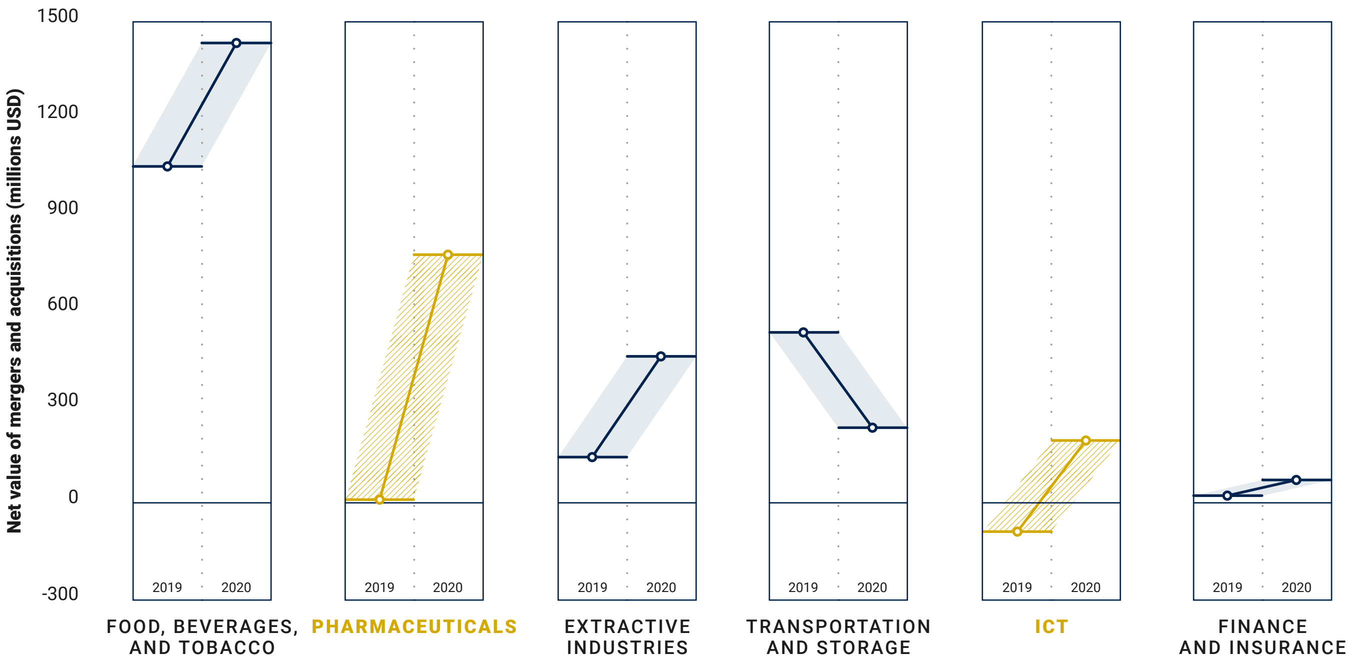
and research infrastructure that will keep the best minds on the continent and attract new ones. Already, South Africa leads the way here, with a robust research system comprised of excellent universities and science facilities that allow it to be a full-fledged contributor to the global scientific community and an integral participant in international collaborations.[4]

As human talent is developed across the continent, investment in research, science, and innovation will increase dramatically across various sectors, including manufacturing, which will be a significant factor in helping Africa realize its development potential and narrow its income and welfare gaps. In fact, business-to-business spending in manufacturing in Africa is projected to reach $1 trillion by 2050[5]—a trend that creates a massive opportunity for the continent's overall growth.[6]

Creating an ecosystem where scientific culture can be central to economic transformation and policymaking decisions is a long-term investment that must not be at the mercy of either political or business cycles. Success will require effective tripartite (public-private-academia) collaborations and partnerships that will need to be sustained over time. If Africa can do this in the era of the African Continental Free Trade Area, the benefits of science, technology, and innovation can be marshaled for greater economic, social, and environmental sustainability, both on the continent and beyond.

FIGURE 1.5. NET M&A IN AFRICA INCREASED NOTABLY IN ICT AND PHARMACEUTICALS IN 2020

Mergers and acquisitions (M&A) are often countercyclical, serving as a source of capital inflow in emerging markets when other types of equity leave. A positive M&A value indicates that investors, whether in Africa or outside Africa, are taking a special interest in African companies. In sub-Saharan Africa, the value of M&A transactions increased significantly in 2020, particularly in the information and communications and pharmaceutical sectors.



SOURCE: UNCTAD. (2021). "World Investment Report 2021." United Nations Conference on Trade and Investment.

4 Indeed, South African scholars continue to play a key role in detecting and sharing information about emerging COVID-19 variants.
5 Signé, L. (2020). *Unlocking Africa's business potential: Trends, opportunities, risks, and strategies*. Brookings Institution Press.
6 In particular, for countries such as South Africa, Egypt, and Nigeria (all regional outperformers on the Global Manufacturing Competitiveness Index) and rising players such as Ethiopia, Morocco, Rwanda, and others that have recently adopted promising policies for boosting manufacturing and industrial development.

Addressing Zimbabwe's inflation: The role of the digitalization of financial transactions

MTHULI NCUBE

Minister of Finance and Economic Development, Republic of Zimbabwe

@MthuliNcube

When I was sworn in as Zimbabwe's minister of finance and economic development in September 2018, our economy was characterized by sustained fiscal imbalances, financial sector vulnerabilities, and cash shortages. Since 2013, the Government had been incurring budget deficits as high as 12.9 percent in 2017, up from 1.3 percent of GDP in 2013. As a result, I immediately introduced a set of economic and structural reforms to stabilize the economy.

Indeed, through a combination of fiscal consolidation and widening of the tax base, we were able to turn these perpetual deficits into surpluses during the periods 2019 and 2020, setting the stage for stability.

More specifically, after years of hyperinflation, the country officially dropped the Zimbabwean dollar in 2015 and introduced a temporary multi-currency platform, which ended up bringing confusion into the system. In 2019, we introduced a new Zimbabwe Dollar as the domestic currency alongside a foreign exchange foreign currency auction system in 2020 to improve transparency in the foreign currency market and facilitate the discovery of a market-based exchange rate.

Consequently, prices of goods and services have stabilized, with annual inflation dropping from a peak of 761 percent in August 2020 to 50 percent in August 2021 and is expected to close the year within the range of 45 percent to 55 percent. While the system has secured relative price stability, we will continue to monitor the system to ensure it achieves the twin objectives of supporting domestic currency and eliminating arbitrage opportunities.

DIGITALIZATION OF FINANCIAL TRANSACTIONS IN ZIMBABWE

Alongside these reforms, Zimbabwe had already been looking to adopt and promote a number of digital payment systems, which included the Real-Time Gross Settlement (RTGS), Electronic Funds Transfer (EFT), mobile money, and electronic cards (both local and international), among others.

Notably, this shift towards digital transactions reduced the demand for hard cash—which had been the norm during the hyper-inflationary era.

Indeed, in recent years, the growth in digital transactions in Zimbabwe has been astronomical: The number of mobile money agents increased significantly from 38,745 in December 2015 to 59,218 at the end of 2019, while the number of active mobile subscriptions increased from 3.3 million in 2016 to 7.67 million as of March 31, 2020.

In addition, the number of point-of-sale (POS) devices in Zimbabwe has grown dramatically from 16,363 in December 2015 to 121,413 in 2019—driven mainly by Government efforts to promote electronic payments and introduce POS devices to micro, small, and medium enterprises (MSMEs).

Notably, this shift towards digital transactions reduced the demand for hard cash—which had been the norm during the hyper-inflationary era.

LESSONS AND CHALLENGES

The introduction of digital financial transactions in Zimbabwe has brought numerous transformational benefits: First, it saved the country from the burden of continuous money printing to meet demand, especially in such a hyperinflationary environment.

Second, it dramatically added to increased financial inclusion for marginalized citizens, particularly rural folks. Because informal businesses or startups struggle to access funding from normal banking services, the flourishing of products that enable digital financial transactions has somewhat increased access to the financial sector.

This financial digitization process also contributed to transformation and increased uptake of information and communications technologies in the country.

Third, to some extent, this financial digitization process also contributed to transformation and increased uptake of information and communications technologies in the country, including ramping up demand for internet services. In essence, the process created other economic opportunities through the creation of new and innovative businesses, generating employment opportunities in the process.

The major challenge in rolling out the digital financial system was limited coverage of network, especially in rural areas where there is no electricity, this then requires costly diesel-powered generators for network boosters. Furthermore, the country being under sanctions, has limited options for external financing, therefore, ICT companies were finding it difficult to undertake the necessary investment to expand network coverage to meet demand.

Africa’s latent assets

JAMES A. ROBINSON

Professor of Global Conflict Studies & Institute Director of The Pearson Institute for the Study and Resolution of Global Conflicts at the University of Chicago Harris School of Public Policy

SOEREN J. HENN

Postdoctoral Research Fellow, The Pearson Institute at the University of Chicago

@SoerenHenn

Will Africa finally begin a sustained convergence to the living standards of the developed world in the way China has done in the last 40 years? If so, on what basis will that happen?

While many scholars and commentators see few similarities between the Chinese and African economic experiences, we argue that, in fact, there are profound similarities, which Africa can draw from. Prior to Deng Xiaoping’s 1978 reforms, China suffered for 200 years. The country was convulsed by civil wars, corruption, colonialism, state failure, and disastrous, misguided economic policies like the Great Leap Forward. But it turned out that China had many latent assets and hidden social strengths on which economic prosperity could be built. A central one was a social norm that, as Confucius put it, one should “promote those who are worthy and talented,” (2003, p. 138). Meritocracy turned out to be a powerful asset on which to build an inclusive market economy once Deng Xiaoping initiated his reform plan.

In the modern period, Africa has similarly suffered from many of the same adverse shocks and syndromes. Then again, we believe, also like China, Africa has deep latent assets, of which we focus on three. If properly recognized and harnessed, such assets can not only evoke a new way of thinking about the future of economic development in the continent, but turn Africa’s economic potential into economic success.

MERITOCRACY

Data shows that Africans' perceptions and anticipations of social mobility are the highest in the world.

Like China, the majority of African societies are built on achieved, not ascribed status: Indeed, data shows that Africans' perceptions and anticipations of social mobility are the highest in the world. These expectations are important for behavior and policy preferences. Why are Africans so optimistic? One reason is that they see that their lives and futures are under their control: More than any anywhere else, Africans are more likely to say that the way to get ahead economically is through hard work, not luck and connections. These are also exactly the values they wish to transmit to their children.[1]

COSMOPOLITANISM

This second asset is distinct from the Chinese experience. Because of the heterogeneous and small-scale nature of African society, Africans endlessly deal with differences: different languages, different cultures, and different histories. Africans are the least mono-lingual people in the world and, interestingly, the word for "stranger" and "guest" are the same in most African languages. This experience makes Africans the most able culturally to cope with our modern globalized world—and people who can deal with differences and adapt will succeed.[2]

SKEPTICISM TOWARDS AUTHORITY

The final asset, also different from China, is Africa's political culture, which features a deep skepticism towards authority. Historically, this tendency kept the size of African polities small. Today, it can form the basis for effective inclusive states that work in the national interest because people are skeptical and thus attuned to the abuse of power. The difficult political terrain that the colonial powers bequeathed the region has prevented the formation of such states. But the latent skepticism holds significant promise: Africa will not fall foul of the types of charismatic populists that one sees in Latin America.

Africa's latent talents are sociological, as China's were, and they point to the real reason to be optimistic about the future: Not the extent of natural resources, but the talents and character of Africa's peoples. For them to bear fruit, some basic institutional problems have to be solved, but China's history is again revealing. Deng did not solve all the institutional problems for China's latent assets to lead to an economic take-off. Critically, he knew, even in a challenging context, which areas could best take advantage of the latent assets the society possessed.

Such is the task for African policymakers: To stop focusing on shopping lists of Western best practices and, instead, become attuned to where the constraints that stop the latent assets of their societies from flourishing are.

Such is the task for African policymakers: To stop focusing on shopping lists of Western best practices and, instead, become attuned to where the constraints that stop the latent assets of their societies from flourishing are.

Here is an example: On July 20, 2014, a Nigerian-American infected with Ebola landed in Lagos, Nigeria from Liberia. He collapsed and died four days later, having lied about having been in contact with Ebola patients. He was initially treated for malaria, and, before people understood the true problem, he had infected medical staff who infected others. An insuperable problem for a state with weak capacity, no? Not at all. Within a matter of days, the Nigerian state contact traced and quarantined over 500 people. Ebola was stopped in its tracks. The Nigerian state may be weak in many dimensions, but in personal connections to society, critical for something like contact processing, it is far stronger than the U.S., which was never able to implement such a system during the COVID-19 pandemic. A latent asset of most African states is that they are deeply embedded in society. Maybe this cannot be leveraged to do many of things they are "supposed" to do, but perhaps it can be used to do many other things which are critical to sustaining economic growth.

1 Robinson, James A and Henn, Soeren. "Africa's Latent Assets," Working Paper, 2021.

2 Ibid.

Philanthropy plays a vital role in meeting development challenges and mitigating crises in sub-Saharan Africa

UNA OSILI

Associate Dean for Research and International Programs, IUPUI Lilly Family School of Philanthropy

@IUPhilanthropy

Not only have private donors increased their giving, African countries have also witnessed the rapid advancement of new tools and vehicles for giving, including impact investments, collective giving, and pooled funds.

The outpouring of generosity on the African continent in response to the COVID-19 pandemic has been tremendous.[1] Not only have private donors increased their giving, African countries have also witnessed the rapid advancement of new tools and vehicles for giving, including impact investments, collective giving, and pooled funds.

Despite this progress, addressing the urgent humanitarian issues in the region requires an acceleration of efforts to harness private sector resources from individual donors, foundations, and corporations.

Still, as the most recent Global Philanthropy Environment Index (GPEI)[2] reveals, significant challenges to expanding philanthropic flows in sub-Saharan Africa persist (Figure 1.6). The index, which measures the global philanthropic environment by using a standard instrument completed by country-based experts, examines the incentives and barriers that could impact individuals' and organizations' philanthropic efforts.

In the most recent index, the country-level experts based in sub-Saharan Africa submitted scores below the global average on all five components,[3] including ease of operating a philanthropic organization (3.47), tax incentives (3.33), cross-border flows (3.00), and socio-cultural environment (3.50). The political environment for philanthropy (2.75) also imposes constraints. While the experience of these six countries should not be generalized to the entire continent, it is worth noting some broad themes experts reported, including: increasing barriers to cross-border flows; lack of government support for civil society organizations; increasing scrutiny of philanthropic organizations focusing on advocacy, democratization, and human rights; and political instability, among others. Additionally, in some countries, cross-border giving faces significant challenges due to changes in policies or regulations, often to meet international requirements on anti-money laundering and combating financing of terrorism.

While the index primarily measures the environment for institutionalized philanthropy, it is important to highlight that, despite the low scores, generosity and informal philanthropy are significant on the African continent. The various religious roots, as well as traditional and cultural heritages contribute to a culture of generosity across societies.

Another positive trend in philanthropy is the emergence of tools to encourage and facilitate such giving. Indeed, technology has led to new ways of giving through social media, crowdfunding platforms, and mobile giving.[4] Such tools could facilitate fundraising activities and serve as a catalyst for domestic giving.

In addition, diaspora communities have contributed both philanthropic flows and volunteer talent in key areas such as education, health, and climate mitigation. For example, universities are connecting with African donors throughout the continent—not just

1 In addition to intergovernmental funds, we have seen an outpouring of generosity by individuals, corporations, and foundations in Africa in response to the crisis. For details by country, see Indiana University Lilly Family School of Philanthropy. (2021). Global Philanthropy Indices.

2 Indiana University Lilly Family School of Philanthropy. (2018). The 2018 Global Philanthropy Environment Index. *https://globalindices.iupui.edu*

3 Based on data from 6 economies, which were scored on a 1–5 scale based on the five factors listed above.

4 Indiana University Lilly Family School of Philanthropy. (2020a). Global Philanthropy Tracker.

Generosity and informal philanthropy are significant on the African continent. The various religious roots, as well as traditional and cultural heritages contribute to a culture of generosity across societies.

alumni—and these new donors are in turn engaging their professional networks to support African universities.[5]

Given these emerging and unprecedented trends in giving, policymakers, researchers, and givers need new analytical capacities to fully understand the scope of global private giving in such an unprecedented context and ensure that a well-functioning philanthropic ecosystem allows givers to make a difference.

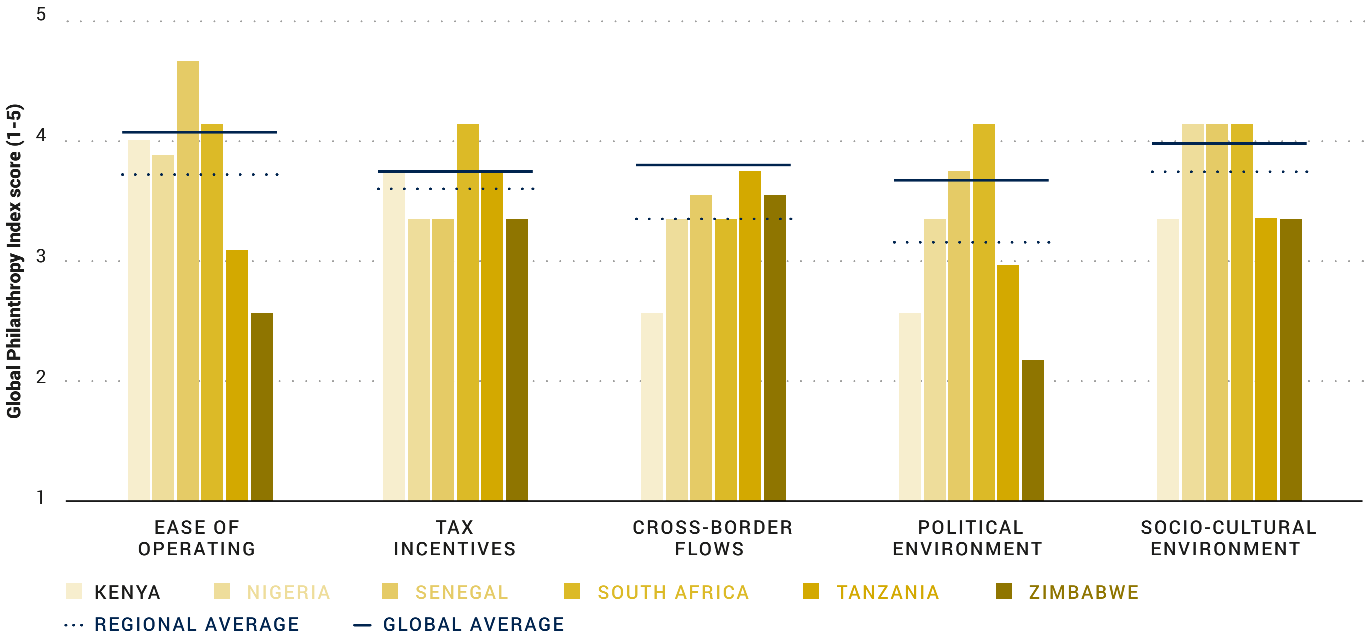
KEY INSIGHTS AND RECOMMENDATIONS

While giving in Africa by both internal and external groups is on the rise, such efforts still encounter obstacles in cases where national policies constrain the ease of operating (such as Zimbabwe) or ability to send or receive funds across borders (as in Kenya). With the additional complexity of the COVID-19 pandemic, the Lilly Family School of Philanthropy asked an international group of experts working in nonprofits, academic institutions, foundations, corporations, and government to share insights on national-level responses to the crisis. Their insights and recommendations are below:

- **We need to strengthen cross-sector collaborations.**
  Increased, intentional partnership across sectors—between nonprofit sectors and governments, but also regional and global partnerships—will be critical to societies' ability to respond to the cascading health and economic crises brought about by the pandemic.

FIGURE 1.6. GLOBAL PHILANTHROPY ENVIRONMENT INDEX, SUB-SAHARAN AFRICA, 2018

The Global Philanthropy Environment Index documents the state of global philanthropy along five dimensions critical to givings' success. The six countries covered by the data are closely aligned to other countries in the world with respect to their tax incentives, but are inhibited by the political environment and by fiscal and regulatory issues that impede donations across borders.



NOTE: The most recent update of the index covers the period between January 2014 and March 2018.
SOURCE: IUPUI. (2021). Global Philanthropy Environmental Index. Indiana University-Purdue University Indianapolis.

5 Indiana University Lilly Family School of Philanthropy. (2020b). Higher education and diaspora philanthropy in Sub-Saharan Africa.

- **Funders should actively engage grassroots organizations and leaders.** Grassroots organizations, local communities, and volunteers have spearheaded initiatives, especially when lockdowns or tightened restrictions prevented nonprofits from reaching out.

- **Nonprofit organizations can benefit from less restrictive funding sources.** Nonprofit sectors need more flexible funding sources, reporting requirements, and unrestricted funding to drive change. Many funders pledged to make funds available quickly, and experts recommend that these changes should remain in place.

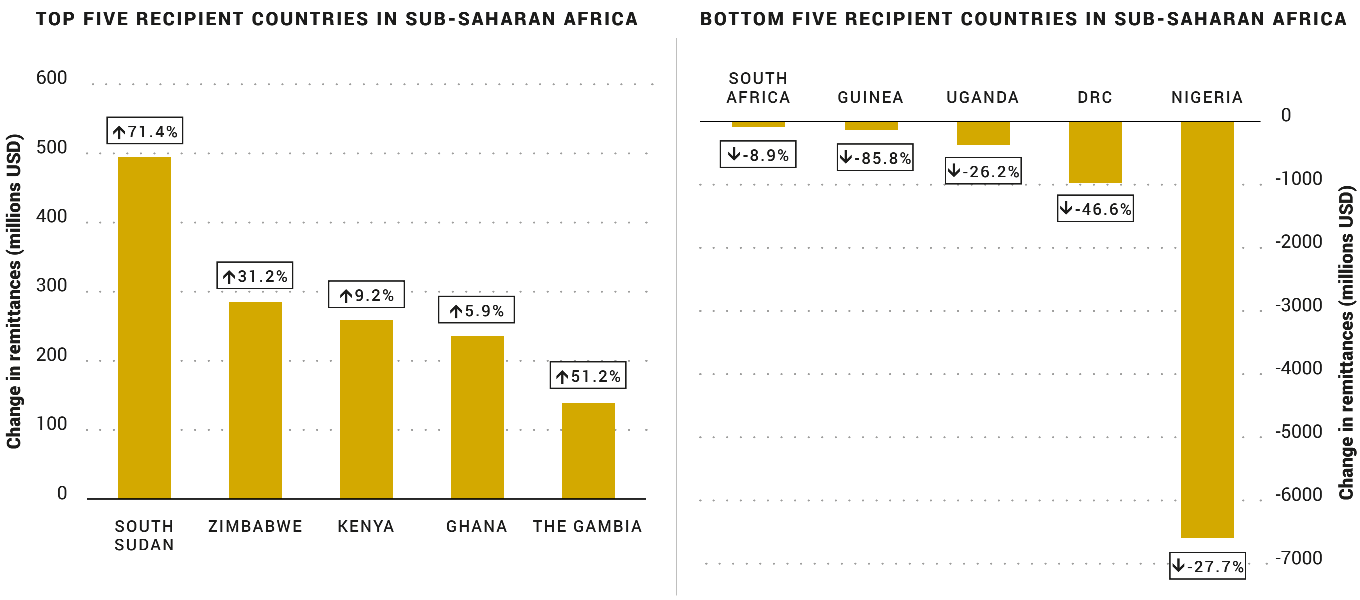
- **Funders must address long-standing disparities.** The pandemic has disproportionately impacted vulnerable groups, including women and girls. Unrestricted funding will help organizations respond quickly to areas of greatest need.

These recommendations emphasize the need for bold action to catalyze private giving: We must expand effective governmental collaborations with nonprofits and funders, enlist the assistance of grassroots organizations, and reduce barriers to private and collective giving.[6]

Drawing on a long culture of giving in sub-Saharan Africa, COVID-19 provides unprecedented opportunities to boost recovery by accelerating the movement towards a just, equitable, and prosperous continent.

FIGURE 1.7. CHANGE IN REMITTANCES, SELECT COUNTRIES, 2019-2020

Remittances continue to be an important form of financing in Africa. Despite early warnings of a decrease in remittances to the region during the COVID-19 pandemic, remittances (excluding those from Nigeria) fell by only 1.4 percent from 2019 to 2020. In fact, changes in remittances varied by country. For some, such as South Sudan, Zimbabwe, and Kenya, remittances provided a valuable source of economic stimulus during a time when other types of capital were leaving. For others, Nigeria in particular, remittances fell remarkably.



SOURCE: Knomad. (2021). "Recovery: COVID-19 crisis through a migration lens." Migration and Development Brief 35. World Bank Group.

6 Garcia, S., Carrigan, C., & Osili, U. (2021). Global Philanthropy Response to the COVID-19 crisis during the first months. Association for Research on Nonprofit Organizations and Voluntary Action. Atlanta, Georgia, November 18, 2021.

Managing COVID-19 response public resources with accountability in Africa

OBIAGELI "OBY" EZEKWESILI

Founder/CEO, Human Capital Africa

Senior Economic Adviser, Africa Economic Development Policy Initiative

@obyezeks

African countries cannot continue to create ad hoc mechanisms fit for emergencies; they need to institutionalize accountability across the entire public finance chain.

Africa's challenge with the COVID-19 pandemic goes beyond the health implications that have plagued the world, as the severe impact of the pandemic on global trade flows, investment opportunities, and commodity prices has also created unprecedented human and economic challenges.

While Africa might have the lowest relative incidence of COVID-19 among continents, there is a far more gory picture with the humanitarian disaster that has pervaded the crisis.[1] It is the pandemic of mistrust and poor accountability that has governed use of domestic stimulus packages.

Throughout the pandemic, several entities—domestic and international—rallied to provide significant funding for Africa, which reached $51 billion in support over the last two years.[2,3] However, evidence on how hurriedly distributed resources intended for COVID relief were abused for private gain litters Africa. For example, in Nigeria, a state lawmaker included palliatives in souvenir party packs.[4] In Malawi, a minister was sacked due to corruption issues related to COVID-19 resources.[5] While the pandemic should have deepened trust between the citizens and the government, it has widened the divide.

African countries cannot continue to create ad hoc mechanisms fit for emergencies; it needs to institutionalize accountability across the entire public finance chain. This ties into my previous experience with the Nigerian government where I placed significant emphasis on procurement reform through the establishment of the Budget Monitoring and Price Intelligence Unit.[6] Africa needs to revamp its procurement framework by adopting the unit's Open Contracting Principles that liberalizes access to public spending in a transparent and inclusive manner.

In addition, African governments must embrace the agility that comes with technology in the delivery of its services. Running distribution schemes through human networks provides easy pathways to corruption. The continent of young people needs to accelerate civic-tech, through empowerment of young individuals with ideas in using machine learning, creative design, artificial intelligence, and other technologies to improve efficiency and ensure delivery.

The challenge of seeking more funds without commensurate accountability is that it further distorts the relationship between the citizen and state, leaving the people without expectations, thereby leading to a perpetual state of apathy on the side of the citizens. The pandemic represents a period for African governments to rebuild trust and reaffirm the social contract. It needs to make haste to truly ensure that resources in these unprecedented periods optimally work for the people.

1 "Amid Recession, Sub-Saharan Africa Poised for Recovery." Press release. World Bank. March 31, 2021.
2 This amount includes money from private donations, multilaterals, and public sector funding.
3 According to COVID Fund Africa, a platform developed by BudgIT and Connected Development. See Omolaoye, Sodiq. "CSOs query utilisation of $51billion fund for COVID-19 fight in Nigeria." The Guardian, 2021.
4 "Nigerians Expose How Lagos Assembly Member, Alli-Macaulay, Used COVID-19 Palliatives As Birthday Gift." Sahara Reporters, 2020.
5 Masina, Lameck. "Malawi President Fires Cabinet Minister Over COVID Funds." Voice of America, 2021.
6 For more on the success of the unit, see: Eze, Nwosu M. "Due Process in The Procurement System: The Nigeria Experience." Internatio-nal Journal of Engineering Sciences & Research Technology, vol. 4, no. 4, 2015.