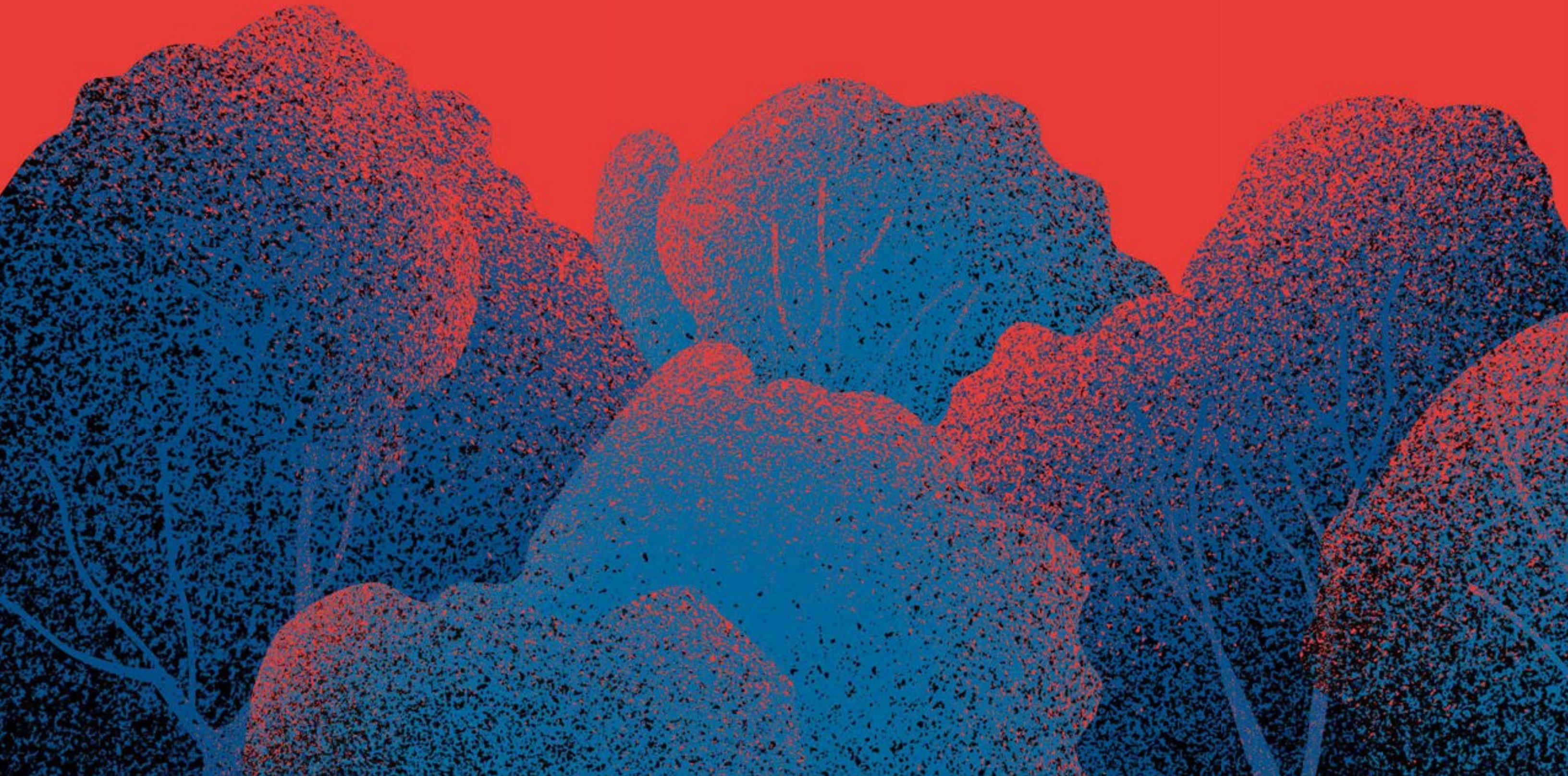
1 DEVELOPMENT FINANCING



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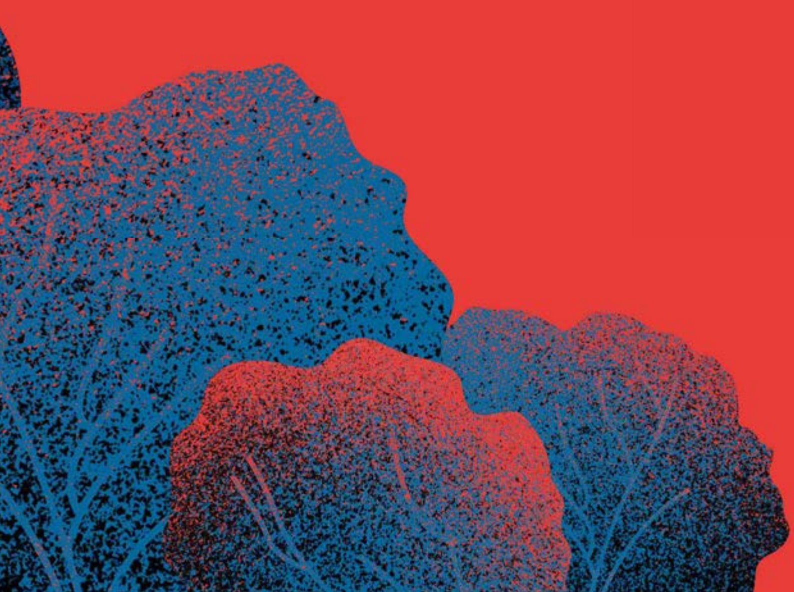

Perspectives on African sustainable development finance

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Over the years, African economies have undergone frequent turbulence—both economically and politically. Despite this tortured path, numerous countries have sustained growth over two decades with positive outcomes on livelihoods, including substantial poverty alleviation. Far from accidental, these outcomes are the result of genuine economic and financial sector reforms. The region has likewise witnessed an entrepreneurial spirit among the young and, home-grown innovations, such as M-Pesa, fueling growth of mobile banking around the globe.

Africa's integration into global financial markets has a dark side, however. African countries have witnessed a rapid buildup of debt, obligations that the pandemic amplified. The Russian-Ukrainian war further exacerbated the debt situation with the attendant rising costs. Africa's inflated debt levels and debt servicing costs would not have been such a big deal if all this borrowing had made a dent in the development financing gap. Recent estimates suggest it has not. According to UN data, the development financing required to achieve the Sustainable Development Goals runs close to USD \$3.3 – \$4.5 trillion per year, with the lion's share of the financing gap facing developing economies.[1] For Africa, the infrastructure requirements, including support of its climate change adaptation and mitigation, is estimated to cost between USD \$68 and \$108 billion per year.[2]

Therefore, urgent action is needed to adapt global financial networks to foster a robust, sustainable flow of development finance into Africa. Responsibility for shaping financial networks can be broadly shared among international actors and Africa's own domestic policies with home-grown solutions.

The role of the international community

In the short run, African economies can benefit from more efficient debt resolution and restructuring systems. At the global level, the G20 is already at the forefront of global coordination for the resolution of sovereign debt crises. It spearheaded the Common Framework for Debt Treatment in debt restructurings and resolution. While the Common Framework has faced many obstacles to becoming operational at scale, debt restructurings in Chad and Zambia offer hope for what is possible. Restructuring USD \$6.3 billion of Zambia's debt offers particular hope, as it resulted in a net present value reduction of outstanding debt.

Responsibility for shaping financial networks can be broadly shared among international actors and Africa's own domestic policies with home-grown solutions.

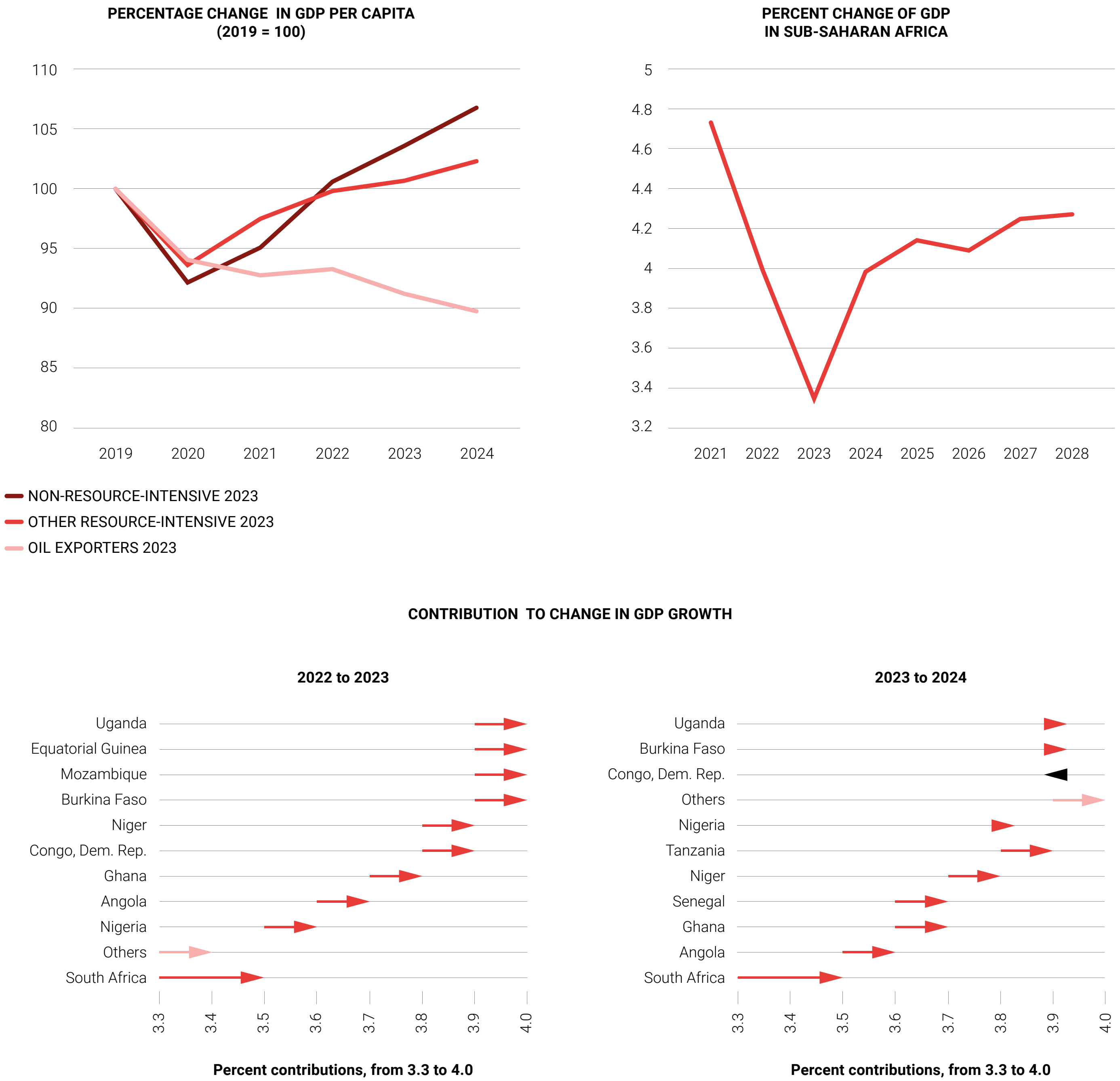
1 UN Sustainable Development Group. 2023. "Financing and Funding: The Way Forward." https://unsdg.un.org/2030-agenda/financing.

2 AFDB. 2022. "Africa Investment Forum: African investors asked to mobilize more for infrastructure in Africa." https://www.afdb.org/en/news-and-events/press-releases/africa-investment-forum-african-investors-asked-mobilize-more-infrastructure-africa-56051.

FIGURE 1

POST-PANDEMIC ECONOMIC RECOVERY ACROSS SUB-SAHARAN AFRICA DIVERGES AMONG COUNTRY GROUPS

The economic recovery after the COVID-19 pandemic differed across country groups in Sub-Saharan Africa, showing a sharper incline for non-resource-intensive economies, while oil exporters faced declining growth rates.



Countries are classified as:
Other resource-intensive: Botswana; Burkina Faso; Central African Republic; Congo, Democratic Republic of the; Eritrea; Ghana; Guinea; Liberia; Mali; Namibia; Niger; Sierra Leone; South Africa; Tanzania; Zambia; Zimbabwe.
Non-resource-intensive countries: Benin; Burundi; Cabo Verde; Comoros; Côte d'Ivoire; Eswatini; Ethiopia; Gambia, The; Guinea-Bissau; Kenya; Lesotho; Madagascar; Malawi; Mauritius; Mozambique; Rwanda; São Tomé and Príncipe; Senegal; Seychelles; Togo; Uganda.
Oil exporters: Angola; Cameroon; Chad; Congo, Republic of; Equatorial Guinea; Gabon; Nigeria; South Sudan.
Source: IMF. 2023. World Economic Outlook database, April 2023.

Overall, the development financing gap remains large and cannot be bridged by traditional sources of finance alone; it will require unlocking private capital at scale.

While developed countries have the potential to be a considerable source of direct financing for development, the volume of financial pledges has greatly exceeded financial commitments in this regard. A glaring example is climate funding. During COP15 in 2009, there was a bold agreement to provide climate funding of USD $100 billion annually by 2020. By 2020, an estimated USD $80 billion of the USD $100 billion had been met annually. It is encouraging, though, that the delivery gap in climate funding pledges received prominent attention at the Paris Summit with President Macron confidently announcing that the pledge gap in the delivery of USD $100 billion (per annum) would be bridged by the end of 2023.

Overall, the development financing gap remains large and cannot be bridged by traditional sources of finance alone; it will require unlocking private capital at scale. Currently, private capital is not flowing at the speed and scale commensurate with the huge development financing gap. Among the barriers is the dearth of bankable deal flows in Africa. As a result, unlocking private capital cannot be done without the enabler of the public sector. The role of the public sector is crucial in providing de-risking vehicles to incentivize the private sector. In view of global economic uncertainty and shocks, de-risking vehicles can incentivize the private sector to take on large-scale, risky projects.

Thus, an enabling environment is needed in Africa for innovative green financing through the development of a pipeline of bankable and investable projects. Regional initiatives, including AfCFTA, working in tandem with global institutions (e.g., the G20), can serve as facilitators of collective action continentally to secure development of bankable projects and private capital flows to these projects. In particular, the G20, with the AU as its new member, can use its considerable convening power to bring a consortium of investment fund providers to the table. Finally, this is an opportune time to accelerate financial sector development that is fit for purpose to unlock private capital at scale.

The role of African internal policies: The way forward

When accessing global initiatives, African countries should take proactive measures and home-grown solutions to bridge the financing gap and build capacity for financial resilience. Here are some measures for priority attention in 2024.

Accelerate domestic resource mobilization: Accelerating domestic resource mobilization (DRM) through speedy reforms of tax systems is urgent. At 16.5% of GDP, sub-Saharan Africa has a low tax revenue to GDP ratio vis a vis peer low-income countries outside the region.[3] DRM can be greatly enhanced through improved audits and compliance, mitigation of leakages, and expanding the tax base.

3 T20 Indonesia. 2022 "Resolving debt crises in developing countries: How can the G20 contribute to operationalising the common framework?" *Task Force 7. International Finance and Economic Recovery.* https://www.t20indonesia.org/wp-content/uploads/2022/10/TF7_Resolving-Debt-Crisis-in-Developing-Countries.pdf

Promote green revolution: Africa should be part of a climate solution and lead its own green revolution. Climate action includes exploiting its abundant endowment of green minerals and potential for renewable energy, minimizing dependence on carbon-heavy industrialization, and leapfrogging into a new global economy characterized by resilience and inclusivity. This should be supported by an enabling environment for home-grown climate finance solutions and start-ups.

Promote financial innovation and inclusion: Although African financial systems have recently grown both in quantity and depth, finance has not been inclusive in the region. This underscores the fact that financial system development is necessary but not sufficient for financial inclusion. Financial inclusion empowers the agents of inclusivity of development—youth, women, small farmers, SMEs—as they are among the most financially excluded in society. Africa is innovating in this regard. We have witnessed home-grown innovations which have received global attention, with Kenya at the center of this remarkable movement. Although the mobile money revolution spearheaded in Kenya is well known, less attention is given to an exciting banking sector innovation lead by Equity Bank. The Bank is a pioneering commercial bank that innovated a banking service strategy targeting low-income customers and traditionally underserved territories in Kenya. In our comprehensive study of Equity Bank we show strong evidence that an innovative banking business model focusing on the provision of financial services to population segments that are typically neglected by traditional banks can generate sustainable profits with social inclusion.[4]

Unlock financial entrepreneurship and fintech: African countries have huge unbanked and underserved populations—an opportunity for the rise of home-grown financial entrepreneurs. Financial entrepreneurship can be unlocked through fintech start-ups enabled by the digital revolution. The advent of fintechs in Africa is a relatively new and remarkable development. Fintech startups in Africa are mobilizing mass market access to a menu of financial services—savings, credit, insurance, and other digital financial services. In 2022, African fintech startups secured USD $1.45 billion in funding, a 39.3% increase from 2021.[5] It is also noteworthy that the fintech movement is venturing into the intersection of climate and finance with startups providing services in sustainable banking, climate insurance, impact investing, and ESG reporting. Strengthening fintech requires developing an enabling policy environment involving financial regulators and inclusive digitization.

4 Allen, F., et. al. 2020. "Improving Access to Banking: Evidence from Kenya." *Review of Finance, Volume 25, Issue 2, March 2021.*

5 Disrupt Africa. 2022. "The African Tech Startups Funding Report." https://disrupt-africa.com/wp-content/uploads/2023/02/The-African-Tech-Startups-Funding-Report-2022.pdf

Integrate and consolidate the disparate capital markets: Except for South Africa, financial systems in Africa are still thin and malfunctional, as evidenced by the stock exchanges around the continent. These exchanges are largely characterized by low capitalization and low trading activity, relative to peer low-income countries outside Africa. It is crucial that these markets be consolidated through regional cooperation and initiatives involving harmonization of trading laws and accounting standards and promoting convertibility of currencies such as the Abidjan-based Bourse régionale des valeurs mobiliéres and the proposed Africa Exchanges Linkage Project (AELP). A potential game-changer for the financial integration movement in the continent, the AELP was launched in November 2022 by the African Securities Exchanges Association in partnership with the African Development Bank and other stakeholders to facilitate cross-border trading and investment within African capital markets. Along with capital market integration initiatives, the region is witnessing the rise of Pan-African banks, many of which are domiciled in South Africa, Nigeria, Kenya, Morocco, and Togo.

Introduce digital financial regulation that is fit for purpose: African financial regulatory systems must catch up with the rapid pace of innovation and dynamism in financial systems. At the outset, it should be recognized that optimal regulation is an enabler, and not a stifler. The provision of inclusive financial services can be impeded by ill-designed regulatory systems. In particular, excessively tight financial regulation of entry and licensing requirements of mobile network operators can discourage them from using their networks to provide inclusive access to payments services by mobile phone subscribers. Financial regulatory policies should also resist the temptation of protecting vested interests against new entrants that provide innovative technology driven services.

Develop talented financial manpower: Finance and financial innovation have become increasingly complex and dynamic. As African financial systems develop and integrate into the global financial economy, there should be a commensurate development of talented financial power with capacity to manage and control risk. The financial capacity development strategy should include talent to regulate. At a basic level, African financial regulators need to develop a deeper understanding of how banks and other financial institutions take and manage risk. There is a potential for partnership here. African financial regulatory institutions and financial institutions can partner with local and international knowledge institutions to produce financial manpower and regulatory force that matches sophisticated and complex financial systems characterized by digitization and financial innovation.

Managing global economic headwinds: Lessons from Nigeria's policy responses

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Factors external to Nigeria have long been important influences on policy-making and economic outcomes. Export revenues, diaspora transfers, foreign direct, and portfolio investments provide the principal channels through which global impulses are transmitted to Nigeria's economy. As in many countries, a series of global events in recent years—ranging from the global financial crisis (2007-2009) through the COVID-19 pandemic and the more recent war in Ukraine—have left negative marks on the economy in Nigeria.

Macroeconomic stability is defined by the trio of economic conditions: output growth, at least, faster than the increase in population; the stability of prices—keeping devaluation and inflation below levels that adversely affect the economy; and adequate liquidity—positive current and capital account balances, growing foreign reserves, and a deep domestic financial system. Based on these, the economy in Nigeria has become increasingly illiquid, unstable, and stagnant since 2013/14. In other words, the impact of recent global headwinds has been to worsen both illiquidity and instability, rather being the cause. While the ongoing war in Ukraine created problems for Nigeria, however, as other nations, domestic policy responses were more detrimental.

The impact of recent global headwinds has been to worsen both illiquidity and instability, rather being the cause. While the ongoing war in Ukraine created problems for Nigeria, however, as other nations, domestic policy responses were more detrimental.

Two examples of poor policy choices come to mind—excessive growth in deficit financing and monetary repression. The sharp devaluation and rise in inflation—in my view, the largest contributory factors to economic instability—are largely the result of excessive money supply growth as the federal government aggressively borrowed from the Central Bank of Nigeria. Furthermore, the attempt to sterilize the effect of liquidity growth by imposing high reserve requirements on banks and administratively "defending" the external value of the Nigerian naira distorted financial markets, leading to negative inflation-adjusted yields and the erosion of confidence in the economy.

Removal of the subsidy on petrol was, from many perspectives, unavoidable. The Buhari Administration had been borrowing to maintain a subsidy regime which, being opaque and extending to fuel consumers beyond Nigeria, had long become unsustainable. Similarly, unification of exchange rates was inevitable as the market for foreign exchange had become a caricature—a badly distorted avenue for rent-seeking. The new administration had no choice but to introduce these policies.

In my view and notwithstanding being Chief Economic Adviser to President Muhammadu Buhari in the final eighteen months of the administration, the failure of domestic policymaking to understand markets and their imperatives is the standout lesson.

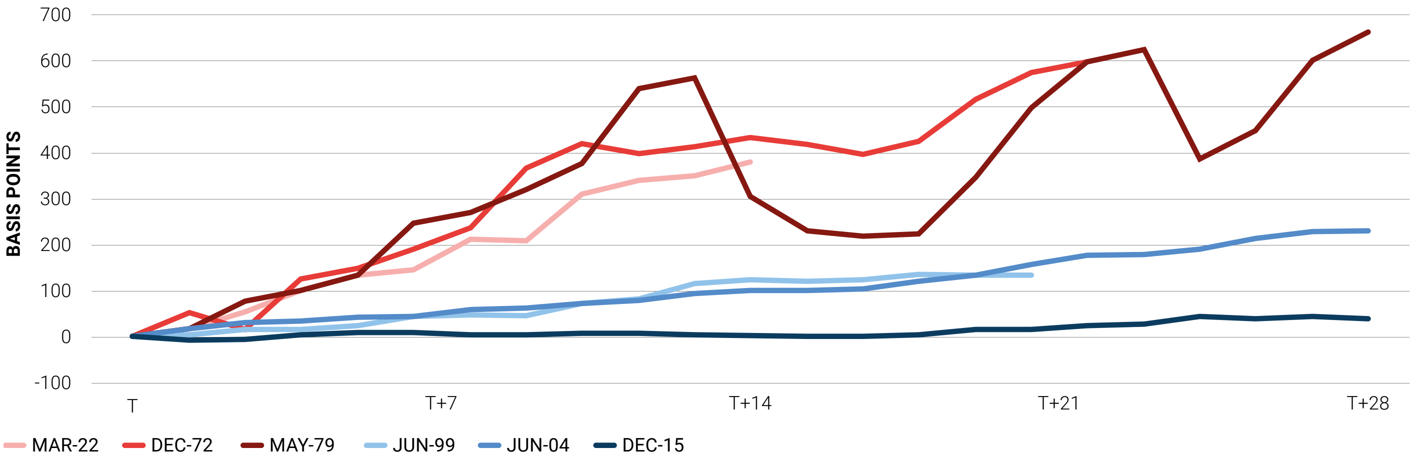
The argument of inevitability listed above is not to ignore the biting cost of reform—exacerbating an already bad cost of living crisis. It is important to note that these reforms have been long overdue and the delay in instituting them raised the associated adjustment costs and limited the room for maneuver.

In my view and notwithstanding being Chief Economic Adviser to President Muhammadu Buhari in the final eighteen months of the administration, the failure of domestic policymaking to understand markets and their imperatives is the standout lesson. Beyond this, the importance of taking advantage of opportunities when they present themselves cannot be ignored. In 2020, the opportunity to exit fuel subsidy, as crude oil prices collapsed to historic lows, was inexplicably spurned. While external headwinds for 2024 are already becoming clear, the primary challenge for economic policymaking in Nigeria will be to achieve stabilization of the economy; continue to implement meaningful reform—design, engagement with stakeholders, cost-efficient execution, and timely monitoring and review; and ensure that the cost of adjustment is borne by those most able while protecting the vulnerable.

FIGURE 2

G7 POLICY RATE VARIATION IN RESPONSE TO GLOBAL ECONOMIC CONDITIONS

Compared to past economic crises, interest rates on global reserve currencies increased rapidly in 2022 to curb inflation. In this sense, the monetary policy of G7 governments mirrors that of the 1970s in response to oil price shocks. Monetary policy since the 1970s has tended to rely on more gradual changes to interest rates in favor of economic stability. The rapid escalation of policy rates since the COVID-19 pandemic will remain a defining factor of the global economy for the rest of the decade.



Note: The short-term policy rate is weighted by nominal gross domestic product in current US dollars. "t" is the month before the US policy rate increases. The cycle ends when the G7-weighted policy rate peaks. Judgement was used to define "double-peak" cycles. The March 2022 cycle was extended using market-implied interest rate expectations from March 2023 onward, observed on February 21, 2023. G7 = Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States.

Source: World Bank. 2023. Africa's Pulse, April 2023. World Bank Group

Forging ahead: Challenges, opportunities, and lessons from Kenya's experience

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African economies have recently confronted multiple global and domestic shocks. These include the COVID-19 pandemic, the war in Ukraine, the prolonged drought that affected the horn of Africa, and high global inflation. Global inflation rose from 3.2% in 2020 to 8.7% in 2022[6], leading to aggressive monetary policy tightening in advanced economies. Over the same period, sub-Saharan Africa (SSA)'s inflation increased from an average of 10.1% to 14.5%[7]. In addition, the risks emerging from climate change are growing. Africa remains heavily exposed to the adverse effects of climate change despite contributing the least to global warming, and the continent is already feeling the weight of extreme weather phenomena, especially droughts and floods.

Despite the headwinds, the Kenyan economy has demonstrated remarkable resilience. The economy recovered from the devasting impact of the COVID-19 pandemic to grow by 7.6% in 2021. In 2022, the economy registered a respectable growth of 4.8%, overcoming the adverse impact of the global supply chain disruptions that arose from the war in Ukraine, and the poor weather conditions that led to a severe contraction of the agriculture sector. The economy grew by 5.6% in the first three quarters of 2023[8] and is expected to continue strengthening in 2024, supported by a rebound in agriculture following improved weather conditions, a resilient services sector, and government initiatives across key priority sectors.

The economy grew by 5.6% in the first three quarters of 2023 and is expected to continue strengthening in 2024, supported by a rebound in agriculture following improved weather conditions, a resilient services sector, and government initiatives across key priority sectors.

On the other hand, Kenya's inflation remained elevated in the second half of 2022 and first half of 2023, largely due to supply side constraints. Headline inflation rose from 5.1% in February 2022 to a peak of 9.6% in October 2022, mainly on account of higher food and fuel prices. Food inflation increased substantially from 8.7% to 15.8% due to drought conditions that adversely affected local food production, as well as higher international food prices triggered by the war in Ukraine. Following these sustained inflationary pressures, the Central Bank of Kenya (CBK) raised the policy rate (Central Bank Rate) cumulatively by 350 basis points from 7.0% to 10.5% over the period May 2022 through June 2023. This helped to anchor inflation expectations and mitigate second order spillover effects from the high food and energy prices. The monetary policy actions were complemented with government measures, such as zero-rating of import duties on select key food items and subsidizing fertilizer. These measures, combined with increased food production following improved weather conditions from March 2023, helped to ease inflationary pressures. Consequently,

6 IMF. 2022. "Near-Term Resilience, Persistent Challenges". International Monetary Fund.

7 Economist intelligence. 2022. "Inflation in Africa will ebb slowly in 2023".

8 Quarterly GDP Report, Third Quarter 2023, KNBS. Fourth Quarter 2023 GDP Report yet to be released.

Kenya has made great strides in advancing financial inclusion and distinguished itself as a leading regional hub for financial innovation. Access to formal financial services has expanded from 26.7% of the adult population in 2006 to 83.7% by 2021, largely driven by mobile-based financial services and mobile banking.

headline inflation returned to the inflation target band of 5 ± 2.5% in July 2023 and has since remained within the band. To further mitigate against inflationary pressures and the weakening of the domestic currency, the CBK increased the policy rate by 200 basis points in December 2023. In addition, the CBK has embraced a forward-looking monetary policy framework[9] and continues to implement reforms aimed at improving monetary policy transmission and effectiveness.

Kenya has made great strides in advancing financial inclusion and distinguished itself as a leading regional hub for financial innovation. Access to formal financial services has expanded from 26.7% of the adult population in 2006 to 83.7% by 2021, largely driven by mobile-based financial services and mobile banking. Kenya has the largest and most diversified banking sector in the region, with an asset base of KSh 7.413 trillion (USD $61 billion) as of end of September 2023, and a branch network of over 1,500 branches across the country. Despite the challenging global and domestic economic environment, the sector has remained buoyant, stable, and resilient. Kenyan banks have expanded their outreach in the East African Community region and beyond, thereby promoting regional trade and investments.

Although climate change remains a significant risk, it is embedded with opportunities for greening finance and investing in green growth. These include financing of climate-smart agriculture, renewable energy, and sustainable infrastructure. CBK is committed to greening the financial sector in line with best practices. In this regard, the CBK issued guidelines on climate-related risk management to the banking sector in October 2021 to facilitate the entrenchment of climate risk management in the operational framework and business models of commercial banks. The government of Kenya continues to champion sustainable solutions to climate change, including the recent hosting of the inaugural Africa Climate Summit.

As we look ahead towards 2024, significant challenges remain. The uncertainty within the global environment remains a risk factor for emerging market economies, including Kenya. Although global inflation has generally eased, the impact of rapid monetary policy tightening in advanced economies has resulted in a sharp tightening of global financial conditions, reflected in the prevailing high yields on sovereign bonds and depreciation of domestic currencies against the US dollar and other major currencies. These factors have exacerbated debt sustainability challenges in SSA amid tight budgetary constraints and pose a significant risk to inflation. Given the limited fiscal space, expenditures toward social sectors, public investment, and safety nets for poor and vulnerable groups have become highly constrained. Additionally, inclusive and sustainably higher growth is needed to effectively address widespread unemployment, particularly among the youth.

9 CBK. 2021. Modernization of the Monetary Policy Framework and Operations. The Central Bank of Kenya.

Several lessons can be gleaned from Kenya's policy responses to the multiple challenges faced in recent times. First, policy responses should be timely, targeted, and well-coordinated, with involvement of all key stakeholders including the government, central bank and financial sector players. **Second**, a robust monetary policy communication strategy serves to anchor market expectations and prevent excessive market volatility. This has improved the public understanding of monetary policy decisions, anchored market expectations, and prevented undue market dislocations[10]. **Third,** policies aimed at addressing supply-side constraints, combating climate change challenges, increasing employment, poverty reduction, and promoting food security are vital to resolve the structural challenges that monetary policy alone cannot address. **Finally**, there is need to enhance efficiency and financial inclusion through increased digitization. The CBK continues to be at the forefront in promoting and leveraging digital technology to improve efficiency and access to financial services. For instance, the recently upgraded Central Securities Depository infrastructure, *DhowCSD*, is a major step in enhancing efficiency in investment in government securities and transforming Kenya's financial markets[11].

10 The Governor, who also serves as the chair of the MPC, holds a post MPC press briefing that is livestreamed on all CBK social media platforms. The Committee meets with commercial bank and private sector CEOs to apprise them on the monetary policy decision.

11 CBK Press Release. 2023. "H.E. President William Ruto Launches DhowCSD". The Central Bank of Kenya. September 11, 2023.

Angola: Navigating turbulent times and building resilience for future shocks

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In the face of economic headwinds, Angola finds itself at a moment of striving for inclusive growth and sustainable development, after critical global events impacted the country´s efforts to grow.

Angola's economic landscape has been significantly affected by a confluence of factors, including external shocks on the oil price drop in 2014, driving the country into a 5-year economic recession since 2016, and the enduring effects of the COVID-19 pandemic from 2020 in such a way that the economy just started recovering gradually in 2021 with a growth rate of 1.2% of GDP.[12] These headwinds disrupted the nation's economic trajectory and also cast shadows on the inflation trajectory: The inflation rate reached 27% in December 2021, year-on-year, and subsequently fell to 16.5% in December 2023, year-on-year.[13] The Government successfully implemented an extended financing program with IMF's support that allowed macroeconomic stability to be restored; several structural reforms were also implemented leading to a stronger and more inclusive growth.

As African Finance Ministers grapple with the task of formulating policies, they face a delicate balance between addressing immediate challenges and building resilience for future shocks. In times of uncertainty, the Government of Angola has been implementing measures to fight the adverse scenario with fiscal measures to increase the fiscal space and to actively manage the public debt, strengthening the independence of the central bank, the exchange rate regime, and the social protection system as well as a reserve to fight food insecurity and reconversion of informal economy.

On the fiscal policies, the Government implemented several measures to improve and rationalize public expenditures, including limiting the purchase of nonessential goods and services, suspension of selected nonessential capital expenditures, adopting fuel subsidies reforms, and initiating a privatization program. To relieve the impact of these measures on the most vulnerable people, there were tax exemptions of value-added tax (VAT) and customs duties on goods imported under humanitarian aid and donations, VAT credit for imported capital goods and raw materials for producing essential consumption goods, and delayed payment option for social security contributions. Additionally, on the debt management side, the ratio of debt-to-GDP were elevated reaching higher than 120% at end of 2020, mostly due to

12 National Bank of Angola. Price Statistics and National Accounts. National Accounts statistics. https://www.bna.ao/#/pt/estatisticas/consultar-dados/estatisticas-preco-contas-nacionais/contas-nacionais.

13 National Bank of Angola. Price Statistics and National Accounts. National Consumer Price Index. https://www.bna.ao/#/pt/estatisticas/consultar-dados/estatisticas-preco-contas-nacionais/detalhe/1.

The choices made in these turbulent times will not only determine the immediate fate of nations but will also shape the resilience of economies to future shocks, highlighting the essential role of strategic policymaking in charting a course towards a more sustainable and inclusive future.

significant currency depreciation. Currently, due to subdued growth, fiscal prudence and conservative financing policy, debt-to-GDP ratio is on a declining path, although some macroeconomic risks persist.

Furthermore, the country introduced better mechanisms to offset the impact of future shocks, such as Adaptive Social Protection. The Government of Angola has been implementing a money transfer (Kwenda Program), under the National Strengthening Social Protection Program of USD 420 million, of which USD 320 million is financed by the World Bank. To date, over a million families are registered in the Kwenda program and most families have already received direct money transfer from Kwenda.[14] The Government is also taking measures to create conditions to reduce vulnerabilities of individuals and communities to shocks such natural disaster, economic downturns and health crises.

The government has been strongly focused on increasing the country's productive capacity with the main objective of strengthening food security and has been implementing several measures to support and boost the private sector, especially focusing on the value chain of the food sector and agriculture. For 2024, the focus of the growth strategy is on food security; the 2024 state budget includes a package of policy measures to support economic growth through private investment.

In conclusion, as Angola confronts the repercussions of economic headwinds, the pursuit of inclusive growth and sustainable development stands at a critical juncture. The choices made in these turbulent times will not only determine the immediate fate of nations but will also shape the resilience of economies to future shocks, highlighting the essential role of strategic policymaking in charting a course towards a more sustainable and inclusive future.

14 The World Bank. 2023. "Strengthening the National Protection System Project (Cash Transfer)." https://documents1.worldbank.org/curated/en/099051523121012762/pdf/P16977904e900c0d80b32404a8ee9fbdeb6.pdf.

Building macroeconomic and financial management capacity for resilience and growth

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Sub-Saharan Africa (SSA) has been hit by a multitude of shocks over the decade or so. In the recent past, the region has had to grapple with the significant build-up of macroeconomic imbalances in the wake of the COVID-19 pandemic and the Russia-Ukraine war. Fiscal positions have deteriorated, while surging import bills and higher debt burdens have heightened financing needs. The limited options to meet the governments' financing needs is increasingly a challenge owing to the rapid tightening of global financial conditions, shrinking foreign exchange reserves in some countries, and reduced donor support, among others. Median public debt increased by about 30 percentage points, from 28.8% of GDP to 59.1 percent, from 2012 to 2022 in the SSA region, increasing concerns about debt sustainability.[15] As at end August 2023, eight countries were in debt distress while 12 are at high risk of debt distress.[16]The cost of living remains high relative to GDP across the SSA region, partly owing to the effects of the rise in global food and energy prices in 2022. Annual food inflation has remained above 20% in several SSA economies (Ethiopia, Ghana, Rwanda), and in double digits in over 60% of the countries.[17] Furthermore, the effects of climate change, characterized by prolonged droughts and devastating floods as well as political instability in some countries, have compounded the unrelenting economic challenges.

The Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI)'s capacity-building interventions for 2024 in response to the vulnerabilities will be in line with its Phase VI Strategic Plan.[18] The Institute will support countries to strengthen their debt management through building requisite capacity in debt negotiation, debt strategy formulation, debt sustainability analysis, and institutional and legal reforms. Key to informing accurate debt policy formulation will be to ensure the availability of comprehensive debt databases in member countries through supporting the transition to new computer-based debt management information systems. The experience of Zambia in debt restructuring through the G20 common framework provides critical peer to peer learning and knowledge exchange for our membership and will inform interventions by MEFMI in support to countries. The interventions

15 IMF. 2023. Regional Economic Outlook: Sub-Saharan Africa: Light on the Horizon?, October 2023. International Monetary Fund.

16 IMF. 2023. List of LIC DSAs for PRG T-Eligible Countries, August 31, 2023. https://www.imf.org/external/pubs/ft/dsa/dsalist.pdf.

17 World Bank. 2023. Global Economic Prospects, June 2023.Washington, DC: World Bank. http://hdl.handle.net/10986/39846.

18 Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI). March 2022. Phase IV Strategic Plan: 2022-2026. https://mefmi.org/wp-content/uploads/2022/04/Phase-VI-Strategic-Plan-revised-22-March-2022-final.pdf.

MEFMI will support countries on aspects of fintech and digital financial services, including regulation, risk aspects, and legal frameworks as well as consumer protection issues.

will include facilitating training and awareness on alternative sustainable funding models, including climate financing.

In the past few years, MEFMI countries have faced challenges of appropriately responding to the evolving shocks while at the same time limiting consequences to macroeconomic and financial stability. The Institute will focus on enhancing skills of key officials in central banks and ministries of finance to make informed choices of frameworks and instruments that address emerging issues and support macroeconomic stability. MEFMI will build capacity in the countries on compilation and dissemination of monetary and financial statistics, as well as external sector statistics, which are prerequisite for effective monetary policy formulation. Technical assistance will also be provided to member countries to build models which will forecast the future course of inflation, taking into consideration the likely impact of shocks on the output gap. In addition, MEFMI intends to continue supporting work on incorporating gender-responsive budgeting in the macroeconomic frameworks.

The Institute will ensure that member countries leverage on the emerging ICT options. The proliferation of fintech companies and digital financial services and products across the globe, has caused disruptions in the financial sector. MEFMI will support countries on aspects of fintech and digital financial services, including regulation, risk aspects, and legal frameworks as well as consumer protection issues.

Since the COVID-19 pandemic, heightened volatility has plagued the financial markets, leading to negative asset valuations, reduction in the foreign exchange reserves, and weakening of domestic currencies. MEFMI will train officials on the use of derivatives to manage financial risk and fixed income strategies to diversify and grow foreign exchange reserves and to assist in meeting the respective countries' debt and foreign exchange obligations. MEFMI has developed an Internal Credit Risk Analysis Tool which is available for use by member countries to monitor credit risk of bond issuers to augment the credit analysis function amid the current volatile global environment. In all the programs to be implemented, MEFMI has prioritized the inclusion of climate change perspectives in its programming to align with the emergent issue that will shape fiscal and monetary policy going forward.

Navigating fiscal challenges in sub-Saharan Africa: Resilient strategies and credible anchors in turbulent waters*

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Public debt in sub-Saharan Africa has risen to levels not seen in decades, reaching almost 60% of GDP by the end of 2022. Repaying this debt has also become much costlier. The region's ratio of interest payments to revenue, a key metric to assess debt servicing capacity and predict the risk of a fiscal crisis, has more than doubled since the early 2010s and is now close to four times the ratio in advanced economies, according to the IMF's World Economic Outlook database. As of 2022, more than half of the low-income countries in sub-Saharan Africa were assessed by the International Monetary Fund (IMF) to be at high risk or already in debt distress.

In a recent paper, we discuss in detail policies needed to reverse these worrisome trends and preserve the sustainability of public finances, while also achieving the region's development goals.[19] In our view, one of the fundamental weaknesses that plagues the conduct of fiscal policy in Africa is the absence of clear medium-term strategy and an excessive focus on short-term fiscal deficit goals without a clear vision of where the debt trajectory should go. This weakness, which we describe in the paper as a "lack of anchoring," has resulted in frequent breaches of fiscal rules and ever-increasing public debt levels.

A more strategic approach to fiscal policy would be preferable by setting explicit debt targets that integrate key policy trade-offs between debt sustainability and development objectives. The paper suggests a novel methodology to estimate country-specific medium-term debt anchors, which ensures that debt service costs remain manageable. According to this methodology, the median debt anchor for sub-Saharan Africa is about 55% of GDP; slightly more than half of the countries were above their anchor at the end of 2022.

The analysis also shows that most countries in the region will need to reduce their fiscal deficits in the coming years. For a typical country, the amount of adjustment is estimated at about 2% to 3% of GDP, which seems feasible given historical experience. In the past, sub-Saharan African countries have been able to improve their primary balance by 1% of GDP a year over two to three years.

* The views expressed here are those of the author and should not be attributed to the IMF, its Executive Board, or its management.

19 Comelli, Fabio et al. 2023. "Navigating Fiscal Challenges in Sub-Saharan Africa." International Monetary Fund.

Sub-Saharan African countries tend to rely excessively on expenditure cuts to reduce their fiscal deficits. Although this may be warranted in some circumstances, revenue measures, like eliminating tax exemptions or digitalizing filing and payment systems, should play a greater role.

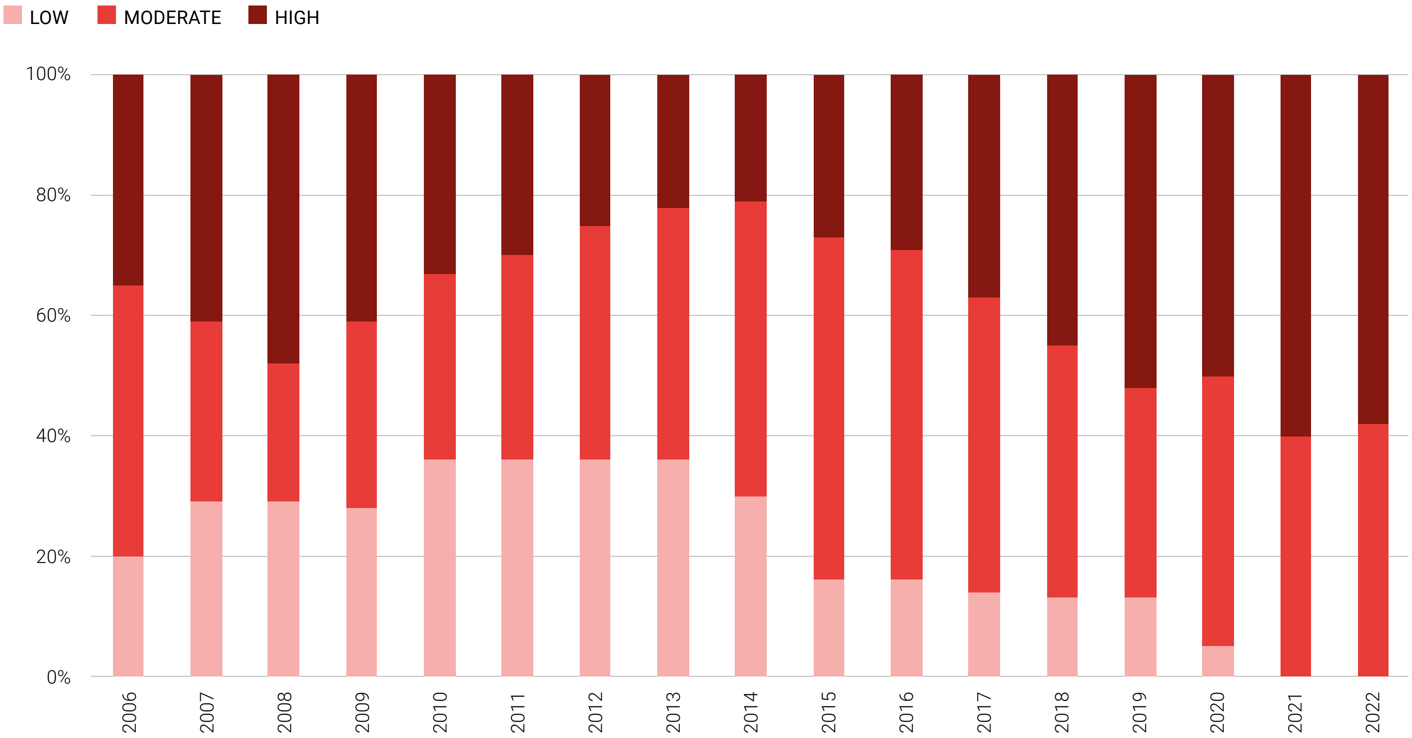
But not all countries face the same challenge. According to our estimates, about a quarter of the region's economies still have some fiscal space and can use it to maintain and even increase vital investments in human and physical capital. In contrast, a few countries have very large adjustment needs; for them, it is unlikely that fiscal consolidation alone will be enough to ensure fiscal sustainability. It may need to be complemented by debt reprofiling or restructuring.

Regarding the composition of adjustment, sub-Saharan African countries tend to rely excessively on expenditure cuts to reduce their fiscal deficits. Although this may be warranted in some circumstances, revenue measures, like eliminating tax exemptions or digitalizing filing and payment systems, should play a greater role. While difficult to achieve, large and rapid increases in revenue have been observed in some countries like Rwanda, Senegal, and Uganda, which relied on a mix of revenue administration and tax policy measures.

FIGURE 3

ALL LOW-INCOME COUNTRIES INCLUDED IN THE IMF'S LIC DSF ARE IN MODERATE OR HIGH DEBT DISTRESS

According to the World Bank and IMF debt sustainability framework (DSF), nearly four in ten low-income African countries were at low risk of external debt distress in 2013. As of 2021, all low-income African countries were in moderate or high risk. Policy actions are needed to raise domestic revenues in view of the elevated debt levels.



Note: The number of countries varies by year.

Source: World Bank. 2023. Africa's Pulse, April 2023. World Bank Group.

Making Africa's credit ratings more objective

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In recent decades, the financing for development landscape has changed dramatically, with aid flows declining relative to investment and borrowing on capital markets. This makes the cost of borrowing critical. African countries face some of the highest borrowing costs in the world for sovereign debt, partly due to low credit ratings. Only two African economies are currently rated at investment-grade levels, implying high interest rates and low borrowing volumes for the continent.

In contrast with previous analysis of the reasons for low credit ratings for Africa, a recent UNDP report focuses on the lack of sufficient hard data on African economies and the resulting subjective components included by global rating agencies in assessing the risk of lending to Africa. Compared to credit-scores based solely on macroeconomic and financial indicators, ratings by agencies sometimes overrate, sometimes underrate, and often contradict each other for the same country. In many cases, the ratings analysts of global agencies do not even visit the country in question.

This means that, even without any systemic bias, the sovereign credit ratings of African countries often deviate from what the (limited) data would otherwise suggest. The UNDP analysis quantifies both the financial and development costs of such credit-ratings idiosyncrasies, which reduces the resources available to achieve the Sustainable Development Goals (SDGs).

In purely monetary terms, subjectivity in credit ratings costs African countries (for which data was available) over $24 billion in excess interest and more than $46 billion in forgone lending,[20] over the life of various bonds (in both domestic and foreign currencies). This estimate of $75 billion loss is greater than the entire Official Development Assistance (ODA) to Africa in 2021 ($30 billion), more than twice the cost of reducing malaria by 90% (US$34 billion), and six times greater than the cost of vaccinating 70% of Africans (US$12.5 billion) to achieve herd immunity to COVID-19.

Reducing the cost of borrowing for Africa

What can be done to reduce the subjectivity of Africa's credit ratings, and thus reduce its borrowing cost and increase the funds available for its development?

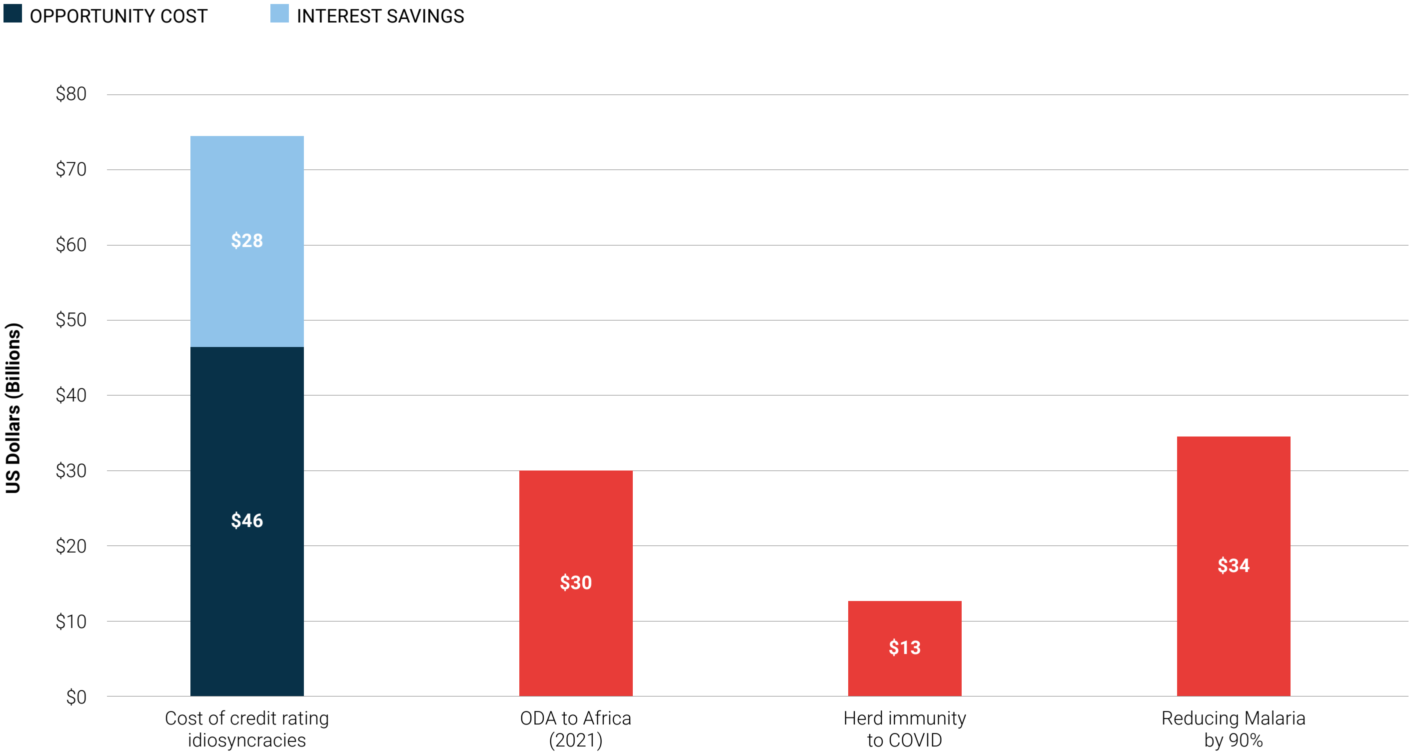
On the part of global credit agencies, there is a need for more transparency regarding their ratings process and what portion of it is subjective. UNDP, Brookings Institution, Africatalyst, and the African Union's African Peer Review Mechanism (APRM) can

20 UNDP, Regional Bureau for Africa. 2023. Reducing the Cost of Finance for Africa. The United Nations Development Programme.

FIGURE 4

SUBJECTIVITY IN CREDIT RATINGS IS EXTREMELY COSTLY FOR AFRICAN COUNTRIES

A recent UNDP report found that African economies lose $46 billion in potential investment and an additional $28 billion in interest payments due to subjectivity in credit ratings. These exceed the amount of ODA flows to Africa in 2021.



Source: UNDP. 2023. "Reducing the cost of finance for Africa: The Role of Sovereign Credit Ratings." Regional Bureau of Africa: April 2023.

open a conversation with the three leading agencies on this, as well as on the need for them to take a closer look at African countries, with more in-country presence.

In this context, several African credit rating agencies already operate on the continent and need to be involved in this conversation given their greater familiarity with the regional and country context of African economies and financial markets.

For African governments, there is a need to strengthen the amount and quality of data they submit to rating agencies, as well as their capacity to engage with these agencies more robustly. In response, a UNDP project was launched in the fourth quarter of 2023, which aims to deploy high-level experts and former ratings analysts to work with African government during the ratings process.

Battling global headwinds: Three lessons for Africa from East Asia

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The economic growth forecast for Africa over the next two years is no more than 4% per annum.[21] For a continent whose population, one-third of whom lives on less than U.S. $2.15 a day, is itself growing at more than 2.5% per annum, that is not such good news.[22,23] It means less revenues for governments and even less money in the pockets of everyday citizens whose incomes have been eroded by inflation. Africa faces multiple challenges as it looks to 2024. Here are three lessons it can take from East Asia as it braces for the headwinds ahead.

A well-regulated deep financial market is like a well-lubricated combustion engine. It may not be perfect, but once it fires up it can get capital from where it is available to where it is required without much friction.

First, reduce reliance on external sources of finance and mobilize domestic capital. A stronger U.S. dollar and high interest rates makes servicing debt much more difficult. It would be unwise to keep borrowing from international creditors: Africa needs to tap on its own pool of wealth. Start with the U.S. $2.3 trillion worth of investment funds, pension funds, and sovereign wealth funds that are locked overseas.[24] These could be ploughed back home if the capital market was deeper. South Korea financed its own industrialization by channeling much of its domestic retirement savings into national champions such as Samsung and Hyundai. It could do that because there was a well-regulated functional capital market to facilitate such transactions. One of the key factors why industrialization in Africa has remained stagnant is the underdeveloped state of its capital markets. It is perhaps the best available means to channel domestic private savings into productive sectors of the economy. Capital market is a catalyst for capital formation. It makes it possible to pool small savings into bigger investments. The wider the participation of citizens in the capital markets, the lesser is the need for the state to rely on foreign borrowings for development. The ability to borrow through financial markets is viewed by investors as a sign of competitiveness. The success of the African Exchanges Linkage Project—a pan-African experiment aimed at unifying seven regional stock markets—could, therefore, be transformative. A well-regulated deep financial market is like a well-lubricated combustion engine. It may not be perfect, but once it fires up it can get capital from where it is available to where it is required without much friction. If the Pan-African Payment and Settlement System, which enables near-instant cross-border payments in local currency is a success it will not only remove an important impediment to intra-African trade but could also end African trade dependency on hard currencies like the U.S. dollar and third-party banks in the U.S. or Europe.

21 IMF. 2023. "World Economic Outlook: Navigating Global Differences." https://www.imf.org/en/Publications/WEO/Issues/2023/10/10/world-economic-outlook-october-2023.

22 IMF. 2023. "Africa: Special Issue, October 2023. In Pursuit of Stronger Growth and Resilience." https://www.elibrary.imf.org/display/book/9798400254772/9798400254772.xml#:~:text=In%20the%20near%20term%2C%20there,is%20too%20early%20to%20celebrate.

23 The Economist. 2020. "Africa's population will double by 2050." https://www.economist.com/special-report/2020/03/26/africas-population-will-double-by-2050.

24 AFDB. 2023. "Mobilising capital for Africa's prosperity: Second Annual Meeting of Africa Sovereign Investors Forum highlights importance of strategic partnerships."

Second, build public grain reserves and incentivize farmers to produce more staple indigenous crops by subsidizing seeds and fertilizers, delivering extension services, and guaranteeing minimum price support for their output. Food security can neither be left to the whims of the market nor the dictates of the state.

Second, build public grain reserves and incentivize farmers to produce more staple indigenous crops by subsidizing seeds and fertilizers, delivering extension services, and guaranteeing minimum price support for their output. Food security can neither be left to the whims of the market nor the dictates of the state. Look at China: Having suffered the worst man-made famine in living memory, Beijing is so paranoid about food security that it now keeps enough rice and wheat in reserves to feed its 1.4 billion citizens for more than 18 months.[25] China's grain import dependence is no more than 19% of its requirement, while those of meat and dairy products are at 9% and 30% respectively.[26] IMF estimates suggest 158 million Africans are acutely food insecure. That is nearly 13% of its population.[27] African governments, on average spend less than 5% of their annual national budget on agriculture.[28] In 2003, the African Union called for African governments to at least double their public expenditure and allocate at least 10% of their annual budget to the agriculture sector. [29] Africa will also need to build strategic grain reserves if it is to counter harvest failures that will inevitably occur more frequently as the climate changes.

Third, industrialize at warp speed. Manufacturing is a time-tested path to economic transformation. When East Asia first plugged itself into the global manufacturing value chain, it did so at the bottom of the ladder, producing cheap toys, footwear, and garments. But as incomes grew, so did wages and those very same manufacturing jobs moved to South and South-East Asia where labor costs were far more competitive. Although manufacturing labor costs in Africa are still higher than those in South Asia, the gap appears to be closing.[30] With a few exceptions, African economies are dominated by low-productivity services sectors. According to the World Bank, the services sector constitutes almost 47% of economic activity in sub-Saharan Africa by value.[31] But these are typically low-productivity services that have done little to improve per capita incomes. No other sector can convert unskilled informal labor into a productive formal labor faster than manufacturing. 60% of African imports consist of manufactured goods by value.[32] If some of these goods are manufactured locally, then Africa will be able to keep a greater proportion of that value at home and create new jobs. As manufacturing ramps up, so will the demand for higher-value services. Nonetheless, Africa must position itself differently. China used wage arbitrage to industrialize at a time when labor was still a key factor cost in manufacturing. But robotics and AI may soon wipe out any wage cost advantage for industrial latecomers. As supply chains shift and global trade fragments along geopolitical lines, Africa has a short window of opportunity to industrialize.

25 Tang, Frank and Orange Wang. South China Morning Post (SCMP). 2022. "'China didn't hoard grains': stockpiling to ensure domestic food security has global implications." https://www.scmp.com/economy/china-economy/article/3173619/china-didnt-hoard-grains-stockpiling-ensure-domestic-food.

26 Ibid.

27 IMF. 2023. "Africa: Special Issue, October 2023. In Pursuit of Stronger Growth and Resilience."

28 McKinsey & Company. 2010. "Africa's path to growth: Sector by Sector." McKinsey Quarterly. https://www.mckinsey.com/featured-insights/middle-east-and-africa/africas-path-to-growth-sector-by-sector.

29 AU. 2003. "Agricultural Development."

30 Kelhofer, Kyle. 2023. Africa Singapore Business Forum.

31 World Bank. 2022. Services, value added (% of GDP) – Sub-Saharan Africa data.

32 Cilliers, Jakkie. 2021. ISS: African Futures. "The Future of Africa: Challenges and Opportunities."

Options for resolving Ethiopia's debt

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Ethiopia is one of the most important economies in East Africa and is Africa's second most populous country. While having a strong annual GDP growth rate between 2000 and 2020, it has suffered from the combined effects of economic shocks in recent years—the COVID-19 Pandemic, the Northern Ethiopia war, recurring droughts, and the Ukraine crisis.[33] These shocks have jeopardized its macroeconomic stability and adversely impacted its human development. In 2023, real GDP growth has reduced, and inflation averaged more than 30%.[34, 35]

Adverse shocks have led to a worsening of its twin current account and fiscal deficits. In 2023, the country imported more than USD 17.7 billion of goods and exported close to USD 3.6 billion, and there is compressed fiscal space. A large portion of the budget has been going to debt servicing and defense, eclipsing social expenditure. The stock of Ethiopia's public debt (domestic and external) at the end of December 2022 reached USD 59.3 billion equivalent, or close to 50% of GDP.[36] Since the debt/GDP metric is a necessary but insufficient measure in terms of assessing debt vulnerability, another metric—debt servicing costs—has been quite high, with the debt service to export ratio at about 22% and with at least USD 7 billion due from 2023-2025, including a USD 1 billion Eurobond principal payment in December 2024.[37] The country has been classified by the IMF at a high risk of debt distress.

In early 2021, Ethiopia, applied to the Common Framework (CF) for debt relief and became one of the four African countries to request a debt treatment, together with Ghana, Zambia, and Chad. The delay in the CF has been palpable. In December 2023, Ethiopia became the latest African country to default on its external debt as it indicated to bondholders it has been unable to make a USD 33 million coupon repayment on its USD 1 billion Eurobond for a combination of liquidity constraints and strategic considerations.

33 IMF. The Federal Democratic Republic of Ethiopia: Country data.

34 Ibid.

35 Ethiopian Statistical Service. 2023. Consumer price index data.

36 UNDP. 2023. "Quarterly Economic Profile: Ethiopia." https://www.undp.org/sites/g/files/zskgke326/files/2023-07/Quarterly%20economic%20profile_FINAL_July%202023.pdf.

37 UNDP. 2023. "From Debt to Development: What are Ethiopia's Choices?" UNDP Working Paper Series 3. https://www.undp.org/sites/g/files/zskgke326/files/2023-04/UNDP%20-%20Shock%20Document%20-%20Working%20Paper%20Series%203%20-%20Final%20April%2013%2023.pdf.

A second option is to provide debt relief that would reduce the total volume of debt service payments between 2024 and 2033 by 20%. It implies debt haircuts on outstanding debt. This option provides a smoother path to debt and fiscal sustainability and more finance for climate adaptation, but it would require creditor appetite, which has been reluctant.

Ethiopia has multiple ways to address shortfalls. On the one hand, Ethiopia has its own responsibilities for domestic resource mobilization that can be achieved through a widening tax base, improving tax efficiency, better public finance management, and mitigation of corruption. On the other hand, there are several debt relief and restructuring options and policy tools, each with their own advantages and implementation barriers, that Ethiopia can use to create extra fiscal room for post-conflict spending (including social protection and climate resilience), implementation of reforms, and restoration of peace.

Several options can be envisaged. The first option is to have a CF debt reprofiling involving maturity extension, where there is equitable burden sharing between China, the bilateral lenders, and the private creditors, together with an IMF program. The idea is to cap debt service payment at a ceiling of USD 1.75 billion per year with a payment extension until 2033.[38] This option requires government commitment to a stable macroeconomic framework and spending aligned with SDG goals. However, this reform might not get the full support of creditors as it could be perceived as slow. Also, a realistic debt sustainability assessment might indicate that Ethiopia has a solvency problem rather than a liquidity challenge. A second option is to provide debt relief that would reduce the total volume of debt service payments between 2024 and 2033 by 20%.[39] It implies debt haircuts on outstanding debt. This option provides a smoother path to debt and fiscal sustainability and more finance for climate adaptation, but it would require creditor appetite, which has been reluctant. A third option would be to have debt swaps involving debt exchange, in local currency, to finance development projects, but this requires government commitment, donor support, and rigorous monitoring. A final option would be to restructure its Eurobond, but there will be technical hurdles, difficulty enforcing comparability of treatment between creditors, and the need to find the right formula for Eurobond payments at a time of global escalating borrowing costs. In sum, Ethiopia has multiple options to handle its debt challenges.

38 Ibid.

39 Ibid.

Enabling African philanthropy

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The growing recognition of African talent, creativity, and resources has led to a renewed focus on the evolving landscape of African philanthropy **at home and abroad.**

For the last two decades, the role of African philanthropists in driving change on the continent has gained attention. Moreover, the growth of digital platforms has given visibility to informal philanthropy and mutual aid networks.[40] African funders and philanthropists include Afrobeats musician *Wiz Kid* as well as the Mo Ibrahim Foundation, the Tony Elumelu Foundation and the Higher Life Foundation, among others. Studies have also documented the importance of indigenous African organizations working on education, climate change, gender equity, health, and other causes.[41]

The data from the GPT suggests an alternative narrative on Africa that departs from division, strife, and scarcity. Instead, philanthropy offers a hopeful vision of Africa's future that builds on its talents and resources. Africa's most significant resource is its human capital, which includes the African diaspora living outside the continent.

The recent 2023 Global Philanthropy Tracker (GPT) examines formal philanthropic outflows of 47 countries around the globe and shows how African philanthropic flows can be harnessed within the larger context of remittances, official development assistance, and private capital investment.[42] **Five African countries: Kenya, Nigeria, South Africa, Tanzania, and Uganda—tracked USD 38 million in philanthropic outflows**. These countries dispersed nearly USD 7 billion in remittances, highlighting that remittances and diaspora populations play a vital role in cross-border financial flows.

The data from the GPT suggests an alternative narrative on Africa that departs from division, strife, and scarcity. Instead, philanthropy offers a hopeful vision of Africa's future that builds on its talents and resources. Africa's most significant resource is its human capital, which includes the African diaspora living outside the continent.

One critical question is how to maximize the power of philanthropy for Africa's development. What strategies can policymakers employ to support African philanthropists at home and abroad?

40 Indiana University: Lilly Family School of Philanthropy. 2023. "Digital for Good: A Global Study on Emerging Ways of Giving." https://globalindices.iupui.edu/additional-research/digital-for-good/index.html.

41 Moyo, Bhekinkosi, Mzukisi Qobo, and Nomfundo Ngwenya. 2023. "African Philanthropy: Philanthropic Responses to Covid-19 and Development Goals in Africa."

42 Indiana University: Lilly Family School of Philanthropy. 2023. Global Philanthropy Tracker. https://globalindices.iupui.edu/tracker/index.html.

The "2022 Global Philanthropy Environment Index: Africa Edition" explores how the climate for philanthropy is evolving in 13 African countries across six factors. Only six of the 13 countries had an overall favorable environment for philanthropy: Ethiopia, Ghana, Kenya, Morocco, Senegal, and South Africa.[43] For philanthropy to continue to grow, governments and civil society leaders must support policies that build on the strengths of Africa's traditions of generosity. These policies may include:

1. Supporting tax incentives, matching grants, and other joint initiatives that can serve as catalysts for African donors;

2. Reducing barriers to cross-border flows, as less restrictive regulations combined with more stable economic conditions can spur diaspora engagement;

3. Finally, encouraging the growth of an innovative philanthropic ecosystem is also vital. New approaches to philanthropy, such as crowdfunding, mobile giving, impact investing, and venture philanthropy are unique opportunities to engage the African diaspora.

The future will depend on harnessing the resources and talents of the African continent at home and abroad while supporting philanthropy and collaborative approaches.

43 Indiana University Lilly Family School of Philanthropy. 2023. 2022 Global Philanthropy Environment Index: Africa Edition. https://scholarworks.iupui.edu/server/api/core/bitstreams/9274b917-2684-474f-b5b7-09aea49fd98c/content.