

“How has the Big Funding Squeeze changed the landscape for  
Policymakers?”

Reflections, Challenges and Emerging Themes

**IMF African Training Institute 10<sup>th</sup> Anniversary Conference**

Mauritius, 23 January 2024

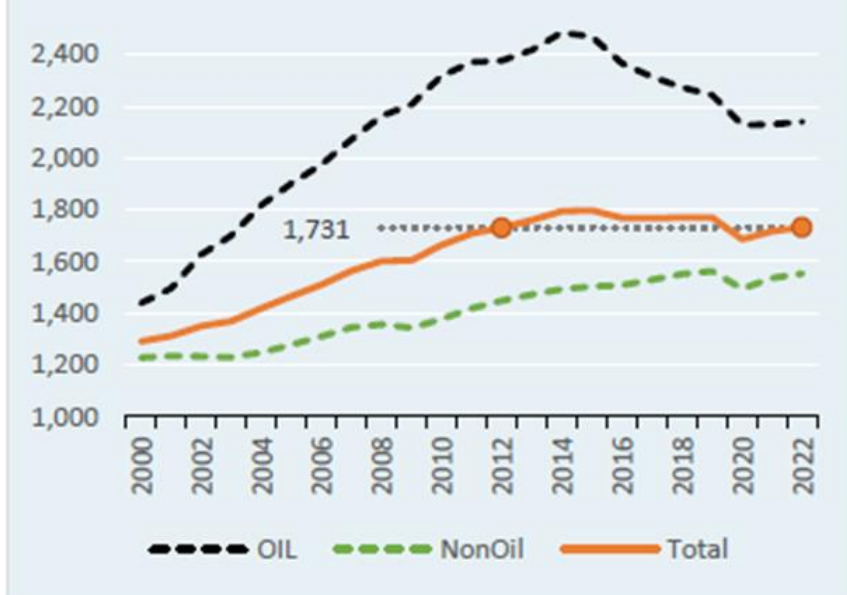
Christopher Adam, University of Oxford

# Reflections

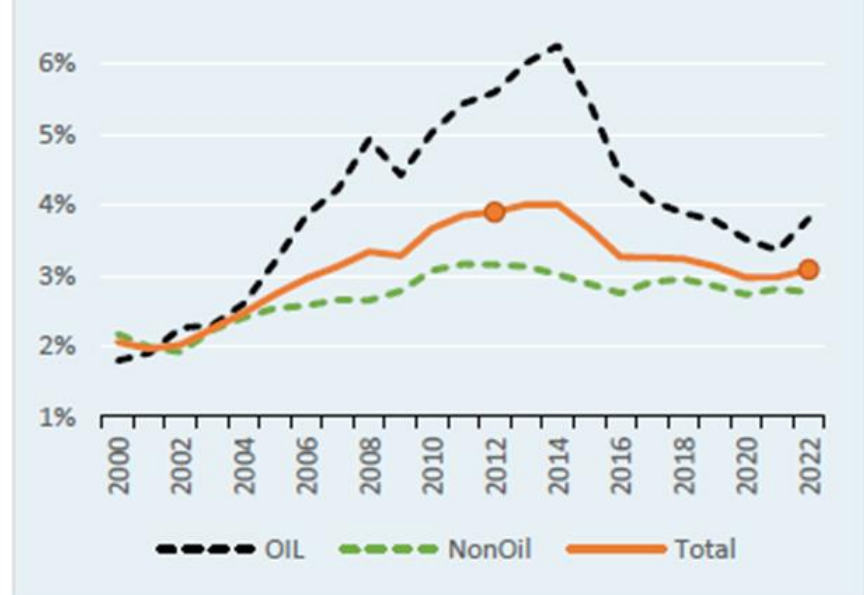
# Progress through early 2000s has stalled out

**Over the last decade, average per capita growth in Sub-Saharan Africa has been zero**  
Over the same period, per capita GDP in India rose by 54%, in Cambodia by 55%, in Vietnam by 59% and in China by 76%.

**Figure 1 - SSA GDP per capita**  
(const 2022 US\$, IMF WEO data)



**Figure 2 - Widening gap between SSA & G7**  
(SSA / G7 GDP per capita)



**Source:** Nick Lea and Anna Rudge “Africa’s Foreign Exchange Constraint” *FCDO (March 2023)*

...but many challenges were brewing before Covid-19 appeared...

April 2016



Christopher Adam, Professor of Development Economics, University of Oxford  
Benno Ndulu, Governor, Bank of Tanzania

**African governments must  
act decisively to restore  
macroeconomic balance**



**Note**  
April 2016



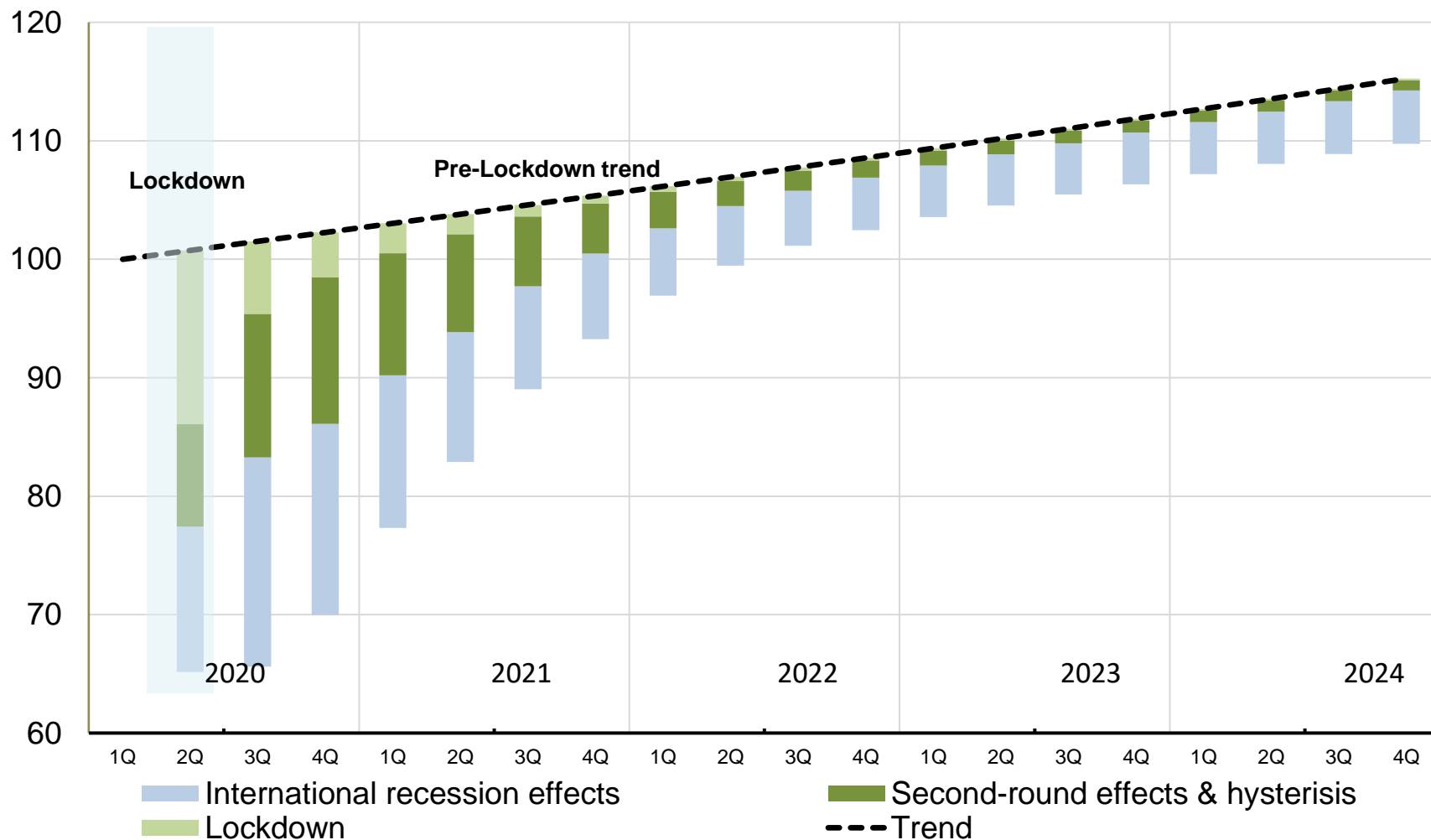
*“...African policymakers are having to play a hand over the coming months and years that will not only challenge their technical expertise but will place the institutions of economic policymaking under considerable stress...*

*...economic reforms over the last two decades mean policymakers currently have more effective macro policy instruments at their disposal than before, but in the end success will depend on how well they make difficult political choices on fiscal policy.”*

## Current challenges

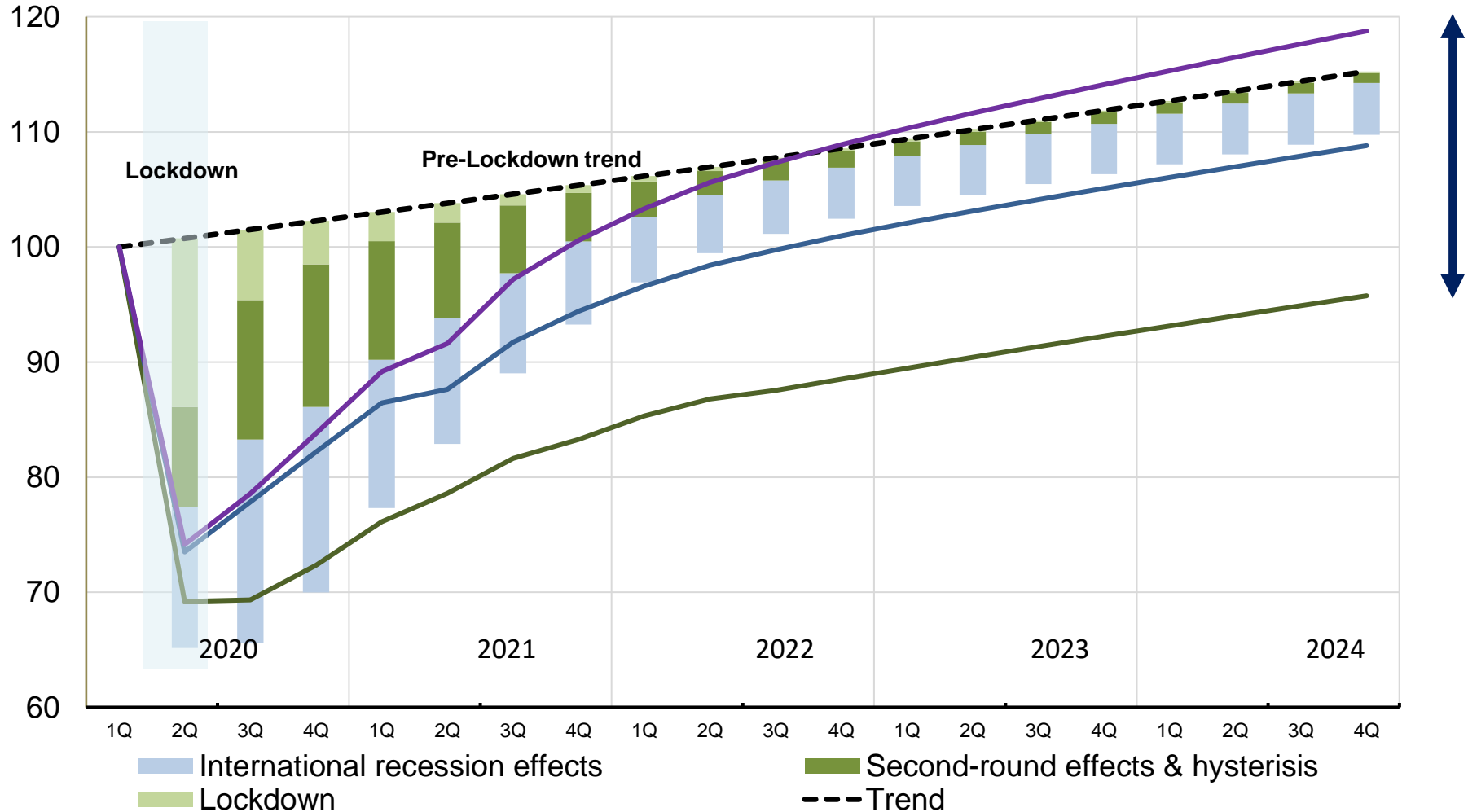
# 2020 and the Covid-19 pandemic what we thought we were dealing with...

Simulated Aggregate Private Sector Consumption



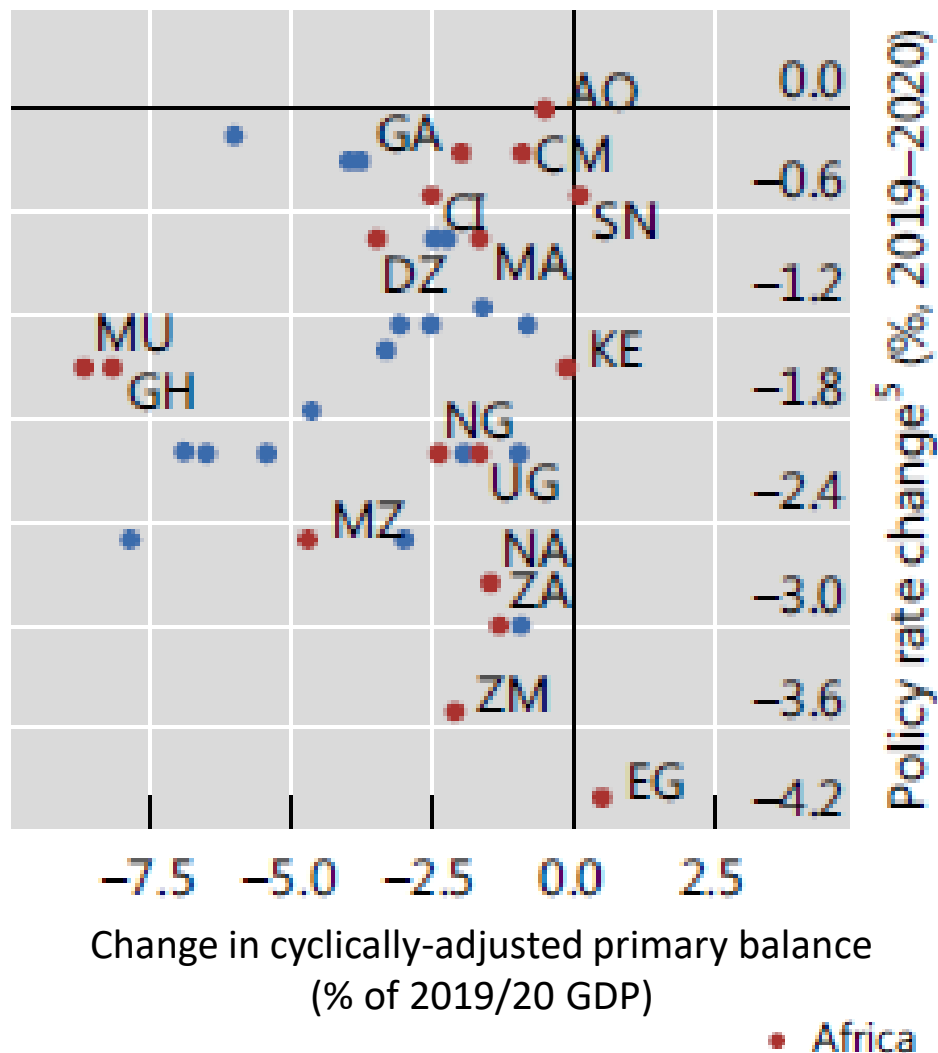
# 2020 and the Covid-19 pandemic what we thought we were dealing with...

Simulated Aggregate Private Sector Consumption





Central banks and finance ministries moved quickly to loosen fiscal and monetary stance.



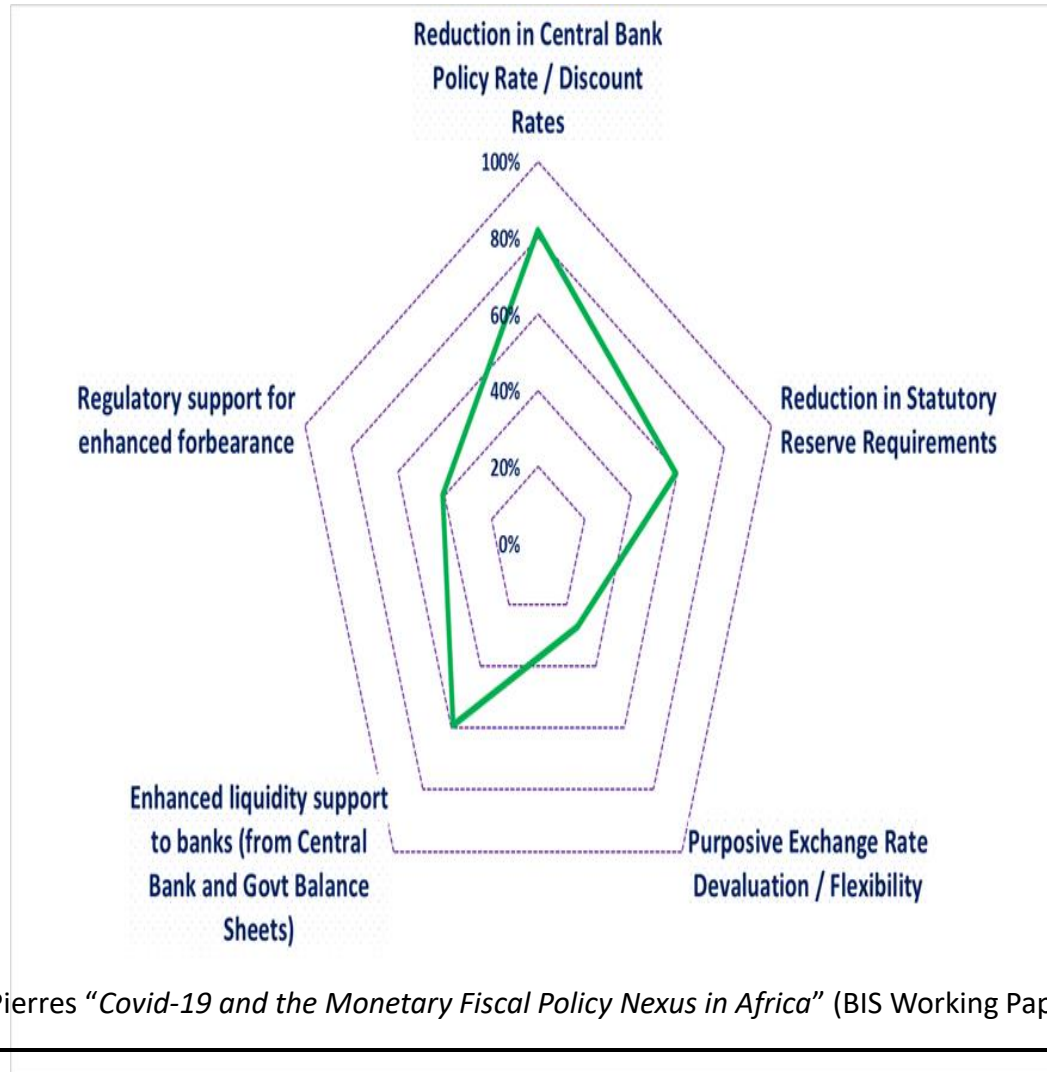
C. Adam, E. Alberola and A. Pierres

*“Covid-19 and the Monetary Fiscal Policy Nexus in Africa”*

(BIS Working Paper 121, Feb 2022)

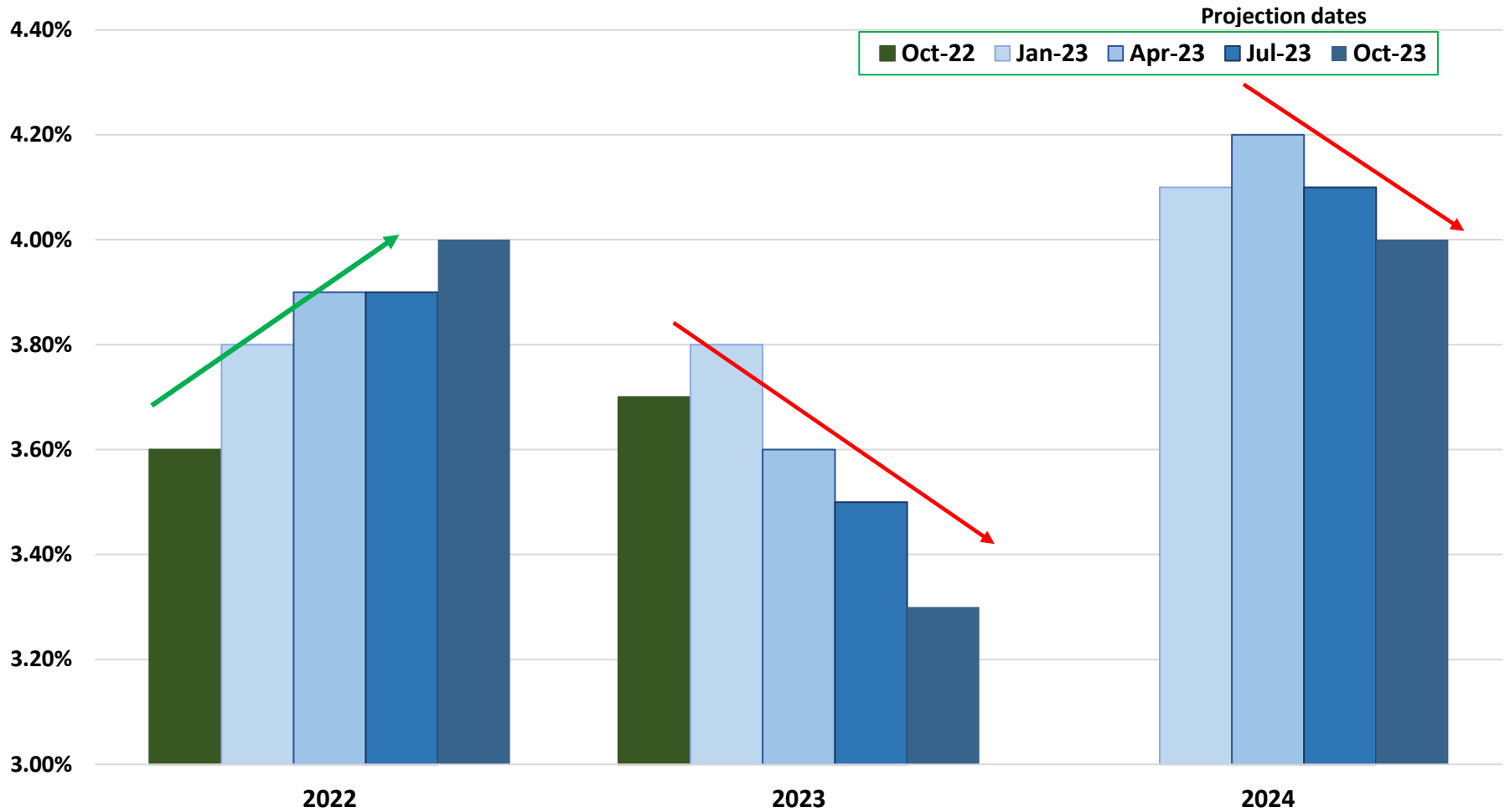
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## Monetary and exchange rate actions

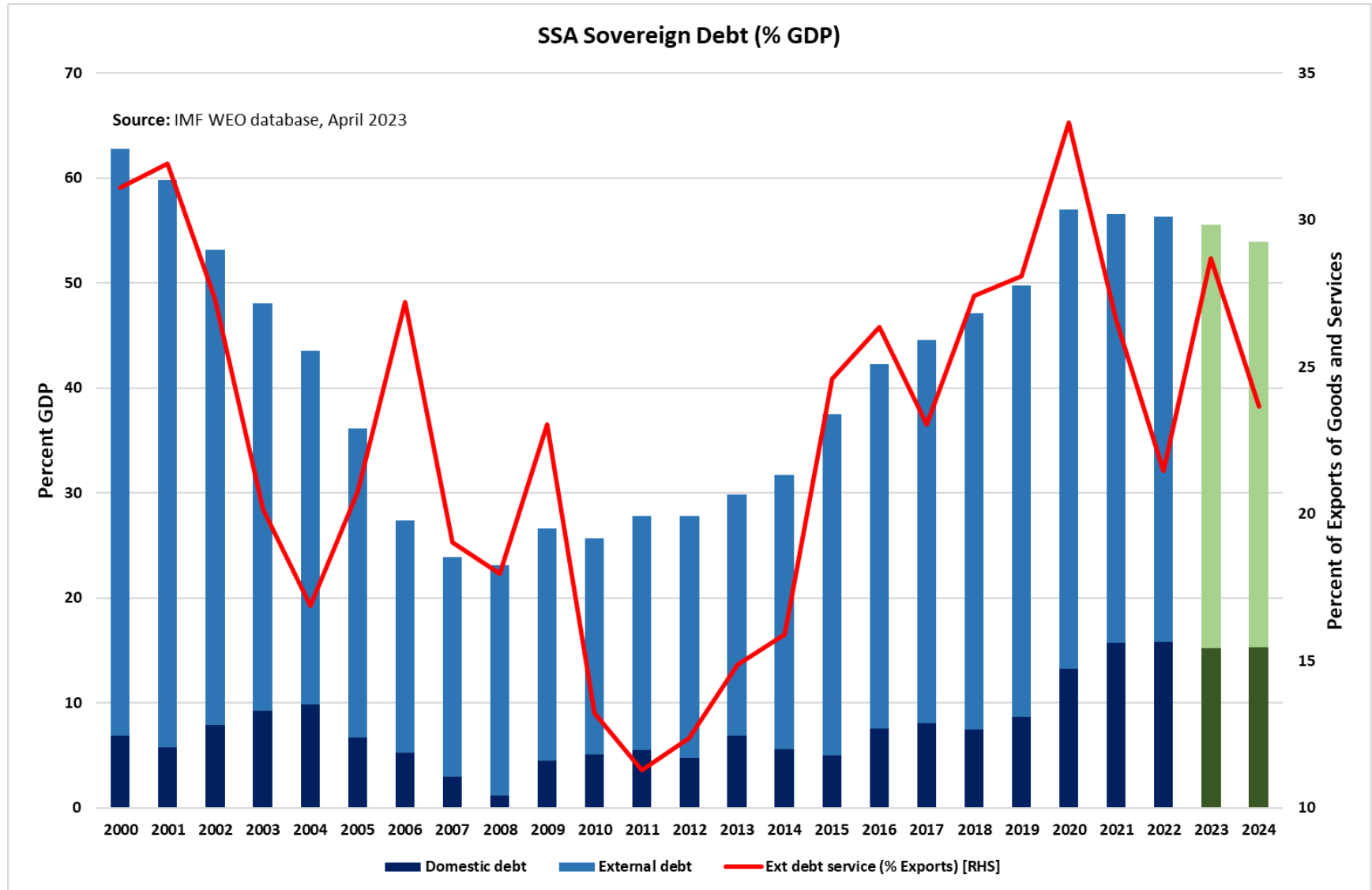


C. Adam, E. Alberola and A. Pierres "Covid-19 and the Monetary Fiscal Policy Nexus in Africa" (BIS Working Paper 121, Feb 2022)

## IMF WEO Growth Projections for SSA Region



...the region faces an already difficult public debt position, including on domestic debt, severely constraining fiscal space.



## Priorities, challenges and implications for policy

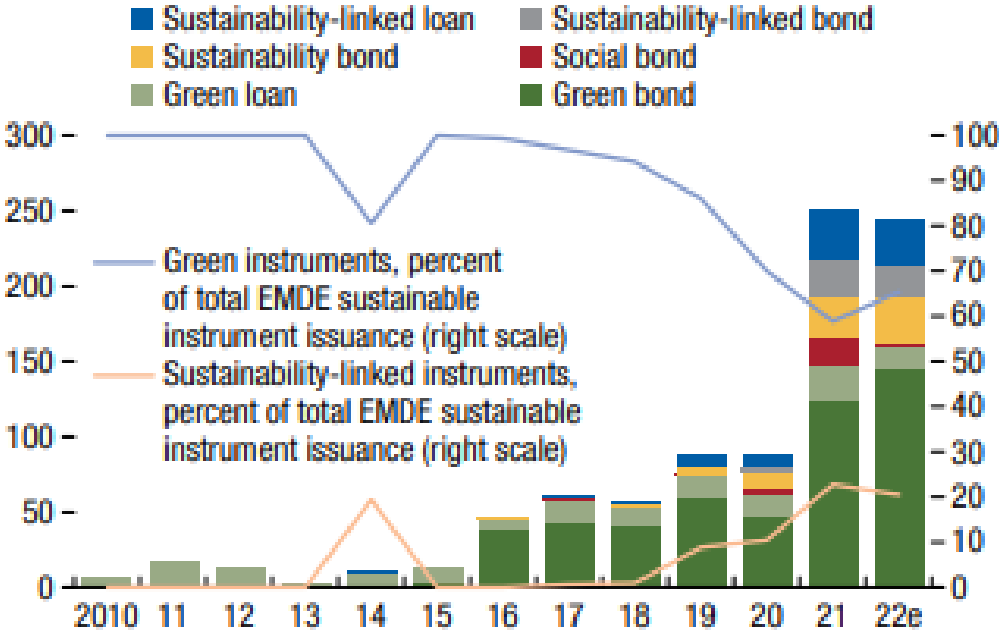
# Green financing instruments are growing world-wide but LIC share still very small.



Sustainable debt issuance in EMDEs grew strongly in 2021, with a notable rise in sustainability-linked instruments.

### 1. Sustainable Instrument Issuance in EMDEs, by Type (Billions of US dollars; percent)

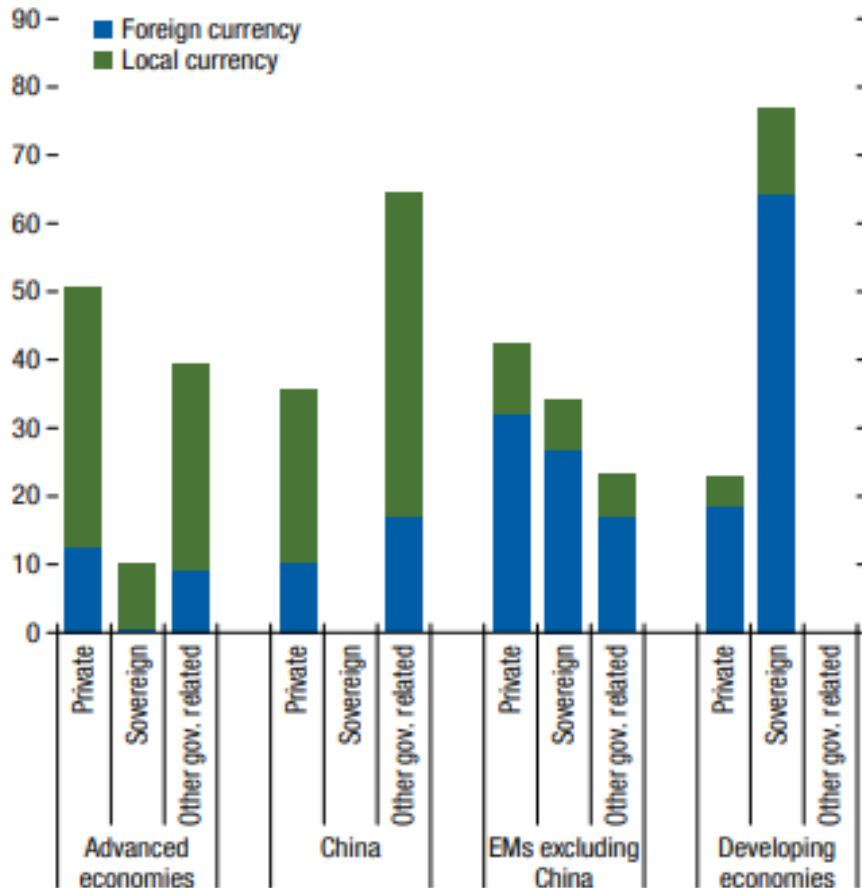
Growth has been driven predominantly by issues in Asia-Pacific Region



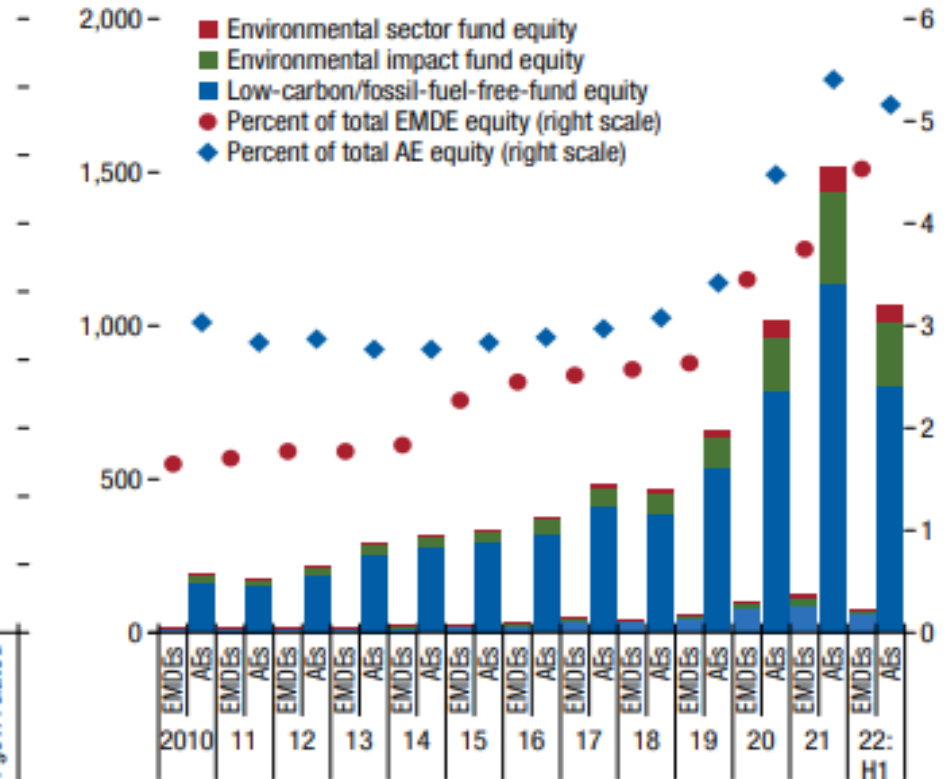
Source: IMF Global Financial Stability Report, 2022

# Green financing instruments are growing world-wide but LIC share still very small.

**1. Cumulative Issuance of Sustainable Bonds in Foreign and Local Currency (Percent, since 2008)**



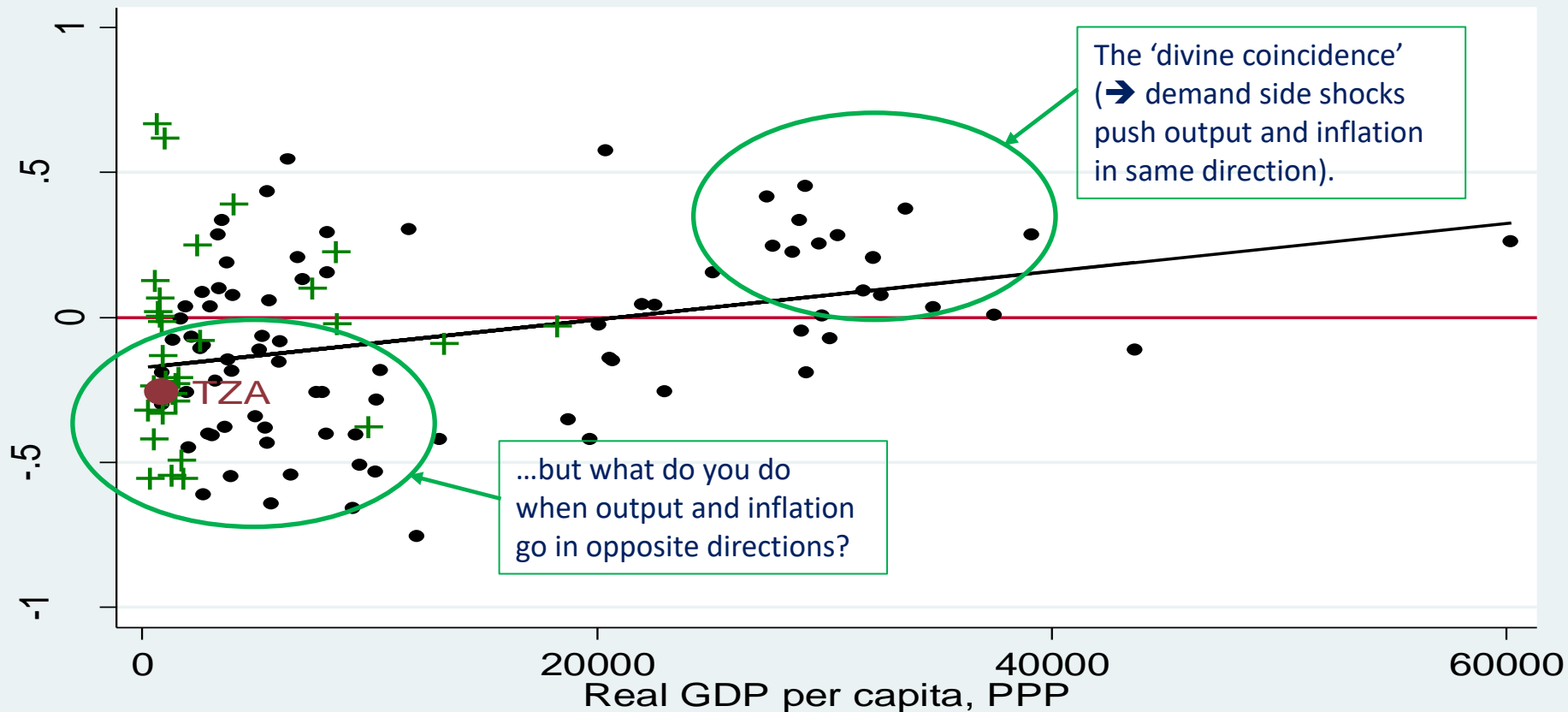
**2. Sustainable Equity Assets under Management for Selected Climate Fund Types (Billions of US dollars; percent)**



Sources: Bloomberg Finance L.P.; Morningstar Direct; and IMF staff calculations.

Source: IMF Global Financial Stability Report, 2022

## Correlation between real GDP and inflation



HP-filtered variables. All countries with 17 or more yrs of data starting in 1990.  
Source: Adam et al. (2010).