



Emerging analysis

Building resilience in African countries

Six emerging debates in the context of
the Russia–Ukraine War

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About this publication

This briefing presents a number of emerging debates emanating from the following six studies under a project led by the African Economic Research Consortium (AERC), the Economic Research Forum (ERF) and the Partnership for Economic Policy (PEP) and supported by Canada's International Development Research Centre (IDRC):

- Benayad, M. (2023) 'Cas du développement des échanges agricoles entre le Maroc et le Sénégal'
- Cororaton, C. (2023) 'The impact of the war in Ukraine: estimating the economic and welfare losses in Africa using a global CGE model'
- Geda, A. and Michael, P.M. (2023) 'Impacts of the Ukraine crises on food security in Kenya and Ethiopia: options for regional trade collaboration'
- Gurara, D., M'bouke S., Ngui Muchai, D. and Simeles, A. (2023) 'The echoes of conflict: analyzing the potential impacts of the Russia-Ukraine war on Africa'
- Ngepah, N. (2023) 'Food security effects of food and agricultural inputs trade shocks from the Russia-Ukraine region in South Africa and Mozambique: exploring the roles of the Maputo corridor, SADC, and continental sources'
- Zaki, C., Alhelo, A. and Suliman, K. (2023) 'Trade, food security, and the war in Ukraine: the cases of Egypt and Sudan'

The briefing is based on a detailed synthesis of these papers and related data and literature in Raga, S., Lemma, A., Papadavid, P. and te Velde, D.W. (2023).

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Introduction

In recent years, much attention has focused on the impact of global shocks and crises on African countries. This has included an analysis of the COVID-19 shock (Raga and te Velde, 2020, 2022). Other work examines the impact of food price shocks on food security in African countries (Wiggins, 2022). Our understanding of the impact of the Russia–Ukraine war (RUW) and how it affects Africa’s economic recovery and threatens long-term productivity and social development is currently evolving.

This briefing, based on a more detailed synthesis, uses an analytical framework to understand the transmission channels of the impact of the RUW at the country level in Africa, with evidence from selected African countries (Egypt, Ethiopia, Kenya, Morocco, Mozambique, Senegal, South Africa and Sudan) and the African region, secondary data and wider literature. It then presents a number of emerging debates on how crises such as the RUW affect African economies and what this means for resilience-building in Africa.

We incorporate the findings of six studies emanating from an ongoing project led by the African Economic Research Consortium (AERC), the Economic Research Forum (ERF) and the Partnership for Economic Policy (PEP) under a project supported by Canada’s International Development Research Centre (IDRC).

This briefing considers six emerging debates:

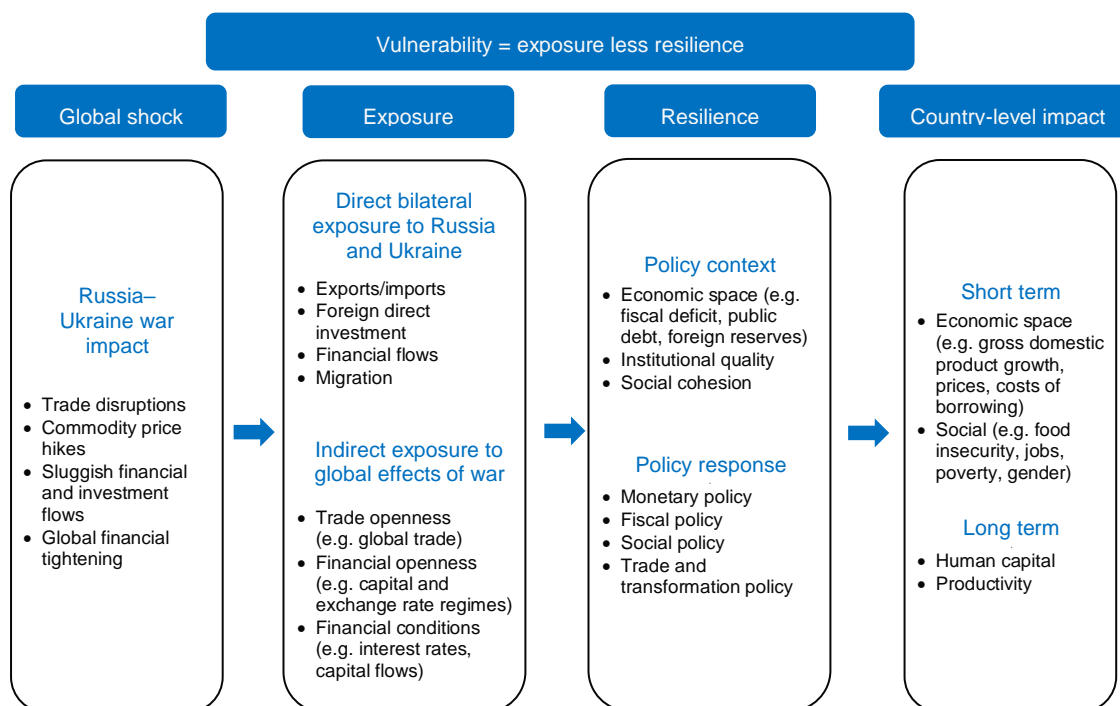
- Methodology. What are the transmission channels of the impact of the Russia–Ukraine war at the country level?
- Identification and magnitude of the shock. What do we know about the size of the Russia–Ukraine war shock?
- Exposure. What do we know about Africa’s exposure to the Russia–Ukraine war?
- Resilience. What do we know about Africa’s resilience to the Russia–Ukraine war?
- Overall country-level impact. What do we actually know about the impact of the Russia–Ukraine war on African countries?
- Policy. What are the policy issues (domestic and international) for resilience-building in Africa?

Debate 1: What are the transmission channels of the impact of the Russia–Ukraine war at country level?

As a large number of global economic shocks have affected African economies in recent years, it is important for policy to explore who is affected and why, and what can be done about it. With each shock, there come attempts to rapidly develop new methodological tools. However, there is now a good literature on which to draw to analyse shocks and assess vulnerability to crises, such as the global financial crisis.

Figure 1 provides an example of an analysis of vulnerability and impacts, in this case for the RUW. We define country-level vulnerability to shocks as a combination of (i) direct and indirect economic exposure to a shock and (ii) the ability of the countries to mitigate the impact of the shock ('resilience'). For instance, countries that have higher levels of bilateral trade and investment with Russia and Ukraine, and that are more globally integrated, may be affected more by the trade and financial disruptions caused by the war. This may or may not be bad for a country's development overall; for example, openness increases exposure to shocks but also the ability to capture spillovers from abroad. What is perhaps more important is that countries that have higher levels of fiscal deficits and public debt may have less room to deploy policy interventions, for instance, to expand social protection or support supply chains, to mitigate the impact of the crisis (Figure 1). That is, they may have less resilience.

Figure 1 Vulnerability to the economic and social impacts of the Russia–Ukraine war



Source: Authors

Debate 2: Identifying the shock. What do we know about the size of the Russia–Ukraine war shock?

Many different factors affect countries, and global shocks are among them. For example, both domestic and global factors can cause inflation. If we want to explore the policy responses to a specific global shock, we should first identify the *actual* initial shock. In the context of the RUW, many analyses are quick to point to direct trade links and others may point to indirect price effects but very few examine the global financial channels.

The global impact of the war has been evident through trade, commodity prices and financial conditions. Russia and Ukraine are major global suppliers of oil, wheat and fertilisers. The war has disrupted the trade activities of Russia and Ukraine, induced uncertainties in global supply chains, and prompted export food bans in a few countries. Consequently, annual prices of oil, food and fertilisers went up by 40%, 18% and 55%, respectively, between 2021 and 2022 (World Bank, 2023). This could be related to the shock of the RUW but we cannot be sure how prices would have evolved in the absence of the war. Prices were already increasing fast before the crisis and much (though not all) of the price increases over the past few years have been the result of domestic factors such as drought, war, etc. (Wiggins, 2022).

The global commodity price hikes put upward pressure on domestic prices, especially in countries that rely significantly on food and energy imports. Global inflation accelerated to 8.7% in 2022, the highest rate in more than two decades (IMF, 2023a). In sub-Saharan Africa, inflation is estimated to have reached 14.5%, the highest since 2001 (ibid.). To address inflation, advanced economies have increased their policy interest rates, which have in turn triggered capital outflows, currency depreciation and increased borrowing costs for many low- and middle-income countries (L&MICs), including in Africa.

We need to be much clearer with regard to identifying and assessing financial shocks, including through exchange rate effects. Africa's currency depreciations have been most pronounced against the US dollar, rather than in real effective exchange rate terms. The US dollar's appreciation has constituted a shock in Africa and elsewhere. Dollar appreciation has come at the expense of currencies deemed to be higher risk, including Africa's. Local currency depreciations have continued to exacerbate Africa's inflation acceleration from the war. Exchange rate pass-through to inflation is also asymmetric: depreciation pass-through is estimated to be eight times stronger than appreciation, suggesting that Africa's inflationary pressures may not subside quickly (IMF, 2023c).

African economies' currencies depreciated by between 5% and over 100% against the US dollar in the period between end-2021 and October 2023. The US dollar continues to appreciate, a development

that has come at the expense of multiple currencies, including Africa's. At 30%, the average depreciation between February 2022 and October 2023 for a subset of African economies has been significant and will exert knock-on impacts.

The likelihood of continued risk aversion, and higher US interest rates for a prolonged period of time, suggests further US dollar strength, given that the US dollar typically benefits from 'safe haven' flows (see McCauley and McGuire, 2009). These dynamics notwithstanding, sub-Saharan African currencies are likely to continue to weaken (and in some cases reach new lows) amid macroeconomic uncertainty, with some resource exporters likely to show some resilience. Most depreciations are likely to be against the US dollar with more muted trade-weighted depreciations.

Looking ahead, Africa's exchange rate dynamics – whether they be more pronounced in trade-weighted terms or against the US dollar – are important in mediating the economic impact of shocks from the RUW. Widespread depreciations are likely to continue to mean that there is a decline in purchasing power for economies that have large import shares, particularly for economies that import energy for transportation and fertiliser.

Currency developments will also exacerbate any trade disruption in Africa. With Africa's real effective exchange rates comparatively steady, and the bulk of the depreciation against the US dollar, currency risks will stem from US dollar debt rather than instigate export competitiveness effects. The FX impact on trade will largely support export revenues for commodity and fuel exporters; this will continue to have the opposing effect on importer countries, particularly at lower income levels and given Africa's resource dependence (UNDP, 2015; Wang et al., 2023).

Debate 3: What do we know about Africa's exposure to the Russia–Ukraine war?

Once we have identified the size of the shock, we can assess direct exposure to it. However, exposure goes beyond direct trade exposure, and includes price effects and also impacts of global monetary issues that we know less about (see above), especially around the role of global interest rates and exchange rates.

Africa has low average direct exposure to Russia and Ukraine through trade, financial flows and migration. Between 2011 and 2021, Africa's total goods trade (exports and imports) to Russia and Ukraine was equivalent to 1.6% of total trade.¹ The share of foreign direct investment (FDI) from Russia and Ukraine was just 0.01% of total FDI in Africa in 2021.² Remittances from warring countries comprised 0.04% of total remittances, and African migrants in Russia and Ukraine comprised 0.03% of total African migrant stocks abroad as of 2021.³

However, the devil is always in the detail. Africa is relatively exposed to Russia and Ukraine through food and fertiliser imports from these two countries, taking up 8% and 14% of Africa's total imports of food and fertiliser, respectively, in the past decade before the war.⁴ In Egypt and Sudan, up to 20% of food imports (and 67–92% of wheat imports) are from Russia and Ukraine.⁵ Wheat is a staple food in eight countries studied, contributing 8–40% of daily dietary requirements,⁶ such that reductions in imported wheat volumes and/or increases in prices have food insecurity implications. Meanwhile, between 11% and 41% of fertiliser imports in Egypt, Ethiopia, Morocco, Senegal and South Africa were sourced from Russia and Ukraine.⁷ In Ethiopia, war effects on global prices have been reported, contributing to increased domestic prices of fertilisers, pushing the cost of agricultural production up and contributing to domestic inflation (Geda and Michael, 2023).

We should also consider that different countries are exposed differently depending on their economic structures – for example whether they are net food and oil importers or exporters. The same shock can have very different impacts on countries simply because they have different economic structures (see the modelling undertaken by Cororaton, 2023).

In addition, Papadavid (2023, forthcoming) presents an analysis of the three categories of economic shocks stemming from the RUW and suggests that African women are particularly exposed to these,

¹ Authors' computations based on data from World Trade Integrated Solutions (WITS).

² Authors' computation based on data from United Nations Conference on Trade and Development (UNCTAD).

³ Authors' computations based on data from the World Bank/KNOMAD database.

⁴ Authors' computations based on data from WITS.

⁵ Authors' computations based on data from WITS.

⁶ Authors' computations based on data from the United Nations Food and Agriculture Organization (FAO).

⁷ Authors' computations based on data from WITS.

such as high inflation or large depreciations, for example because women consume relatively more food products or are engaged more in agricultural employment. But, even when discussing direct trade exposure, more detailed analysis is needed.

Evidence shows that Africa may be indirectly affected by the global effects of the RUW. For instance, a median African country's total trade in goods and services comprised 62% of gross domestic product (GDP) between 2010 and 2019.⁸ Africa's exports may decline if war-induced inflationary pressures in major export destinations weaken demand for exports; Africa's import bills may rise if countries heavily import products that are affected by global commodity price hikes. In 2022, sub-Saharan Africa's trade deficit had worsened by 1.5 percentage points (pp) of GDP to 2.4% of GDP. In Senegal, the trade deficit had widened by up to 10pp of GDP in 2022, driven by higher imports.⁹

Financial flows in Africa suggest declines in FDI flows and portfolio investment in 2022. FDI stock in Africa is equivalent to 35% of GDP over the past decade.¹⁰ However, this ratio ranges between 10% in Kenya and 40% in Senegal and South Africa and more than 300% in Mozambique.¹¹ There is the potential for losses from FDI (e.g. knowledge transfer, jobs, productivity) if the continuing war further decreases investment flows.

Policy tightening in advanced economies has put depreciation pressures on and accelerated inflation in Africa. Since early 2022, economies such as the US, the EU and the UK have increased their policy rates to arrest inflation. However, this has led to capital outflows, currency depreciation (against the US dollar) and widening sovereign spreads in many L&MICs, including in Africa. For example, the Kenyan shilling, the South African rand and the Egyptian pound depreciated against the US dollar by 25%, 21% and 97%, respectively, between January 2022 and July/August 2023.¹² Exchange rate depreciation has pass-through effects to inflation and pushes up the debt burden on foreign-denominated debt, worsening macro-fiscal imbalances in these countries.

The most recent food price shock was preceded by episodes in 2007–2008 and in 2010–2012. What makes the current food price shock particularly detrimental for food-importing developing countries is that, unlike in the first two spikes, where the value of the US dollar depreciated, making invoicing for imports cheaper, this recent food price shock has coincided with pronounced US dollar strength. Moreover, even when food prices remain the same, exchange rate impacts matter for affordability and are significant (UNCTAD, 2022).

⁸ Authors' computations based on data from the World Development Indicators (WDI).

⁹ Authors' computations based on data from WDI.

¹⁰ Authors' computations based on data from UNCTAD.

¹¹ Authors' computations based on data from UNCTAD.

¹² Authors' computations based on data from the International Monetary Fund (IMF) International Financial Statistics (IFS).

Debate 4: What do we know about Africa's resilience to the Russia–Ukraine war?

African economies have responded to the recent crises in various ways. This ability to address the effects of crises depends on resilience factors such as economic policy space (internal and external 'buffers') and policy responses and the institutional structures within which policies are designed and implemented. We need further analysis on why certain countries or groups are more resilient.

Economic policy space

COVID-19 had already squeezed fiscal deficits and raised public debt in many African countries, leaving less room to mitigate the compounding impact of the RUW. In 2020, sub-Saharan Africa's fiscal deficit widened to 6.4% of GDP, from 3.9% of GDP in 2019, and is estimated to have remained wider than pre-COVID levels in 2022 (IMF, 2023a). Similarly, public debt levels as a share of GDP remained higher in 2022 (56% of GDP) than pre-pandemic level (49.8% of GDP) (ibid.).

Foreign (exchange) reserves have also declined in some African countries, reflecting efforts to manage sharp depreciation pressures in 2022. Maintaining at least three months' worth of foreign reserves is considered the 'rule of thumb' level of reserve adequacy. In 2022, foreign reserves went down substantially in Egypt and Mozambique, reaching an equivalent of three months of imports by end of 2022 compared with around five months of imports in 2021.¹³

Policy responses

Trade policy in the form of export bans on food, fertiliser and oil products represented one of the early policy responses of some African countries during the onset of the RUW. Algeria, Burkina Faso, Cameroon, Egypt, Ghana and Tunisia imposed export bans on selected food products and oils, while Morocco implemented export licensing for tomatoes. However, most of these restrictions had been lifted by the end of 2022 (Laborde, 2023).

With increased inflation and exchange rate pressures, central banks in Africa tightened policy interest rates. Persistent exchange rate pressures led the central bank of Egypt to implement a series of devaluations (Zaki et al., 2023); other central banks (Ethiopia, Ghana, Nigeria) imposed foreign exchange controls and measures to manage foreign currency flows (IMF, 2023b).

¹³ Authors' computations based on data from IMF IFS and WDI.

Fiscal policies have been targeted to help those most vulnerable to food insecurity risks as a result of price pressures induced by the war. Egypt has expanded its conditional cash transfer programme while South Africa and Mozambique have maintained social safety nets and school feeding programmes initiated during the COVID-19 pandemic (Ngepah, 2023; Zaki et al., 2023).

To augment resources for policy response, African countries have sought access to multilateral financing, often with concessional terms. A few countries (Chad, Ethiopia, Ghana, Zambia) have applied for debt treatment under the G20 Common Framework and started some form of debt restructuring/negotiations with creditors.

Some policies have been directed to improve longer-term agricultural production and trade. For example, the Ethiopian government has initiated efforts aimed at improving wheat production to replace wheat imports and explored opportunities for exporting within the region (Geda and Michael, 2023). In Mozambique and South Africa, a Joint Agricultural Working Group facilitates cooperation on agricultural issues, including research, extension services, technology exchanges and transportation access (Ngepah, 2023).

We further need to consider whether policy responses are inclusive. Papadavid (2023, forthcoming) argues that a gender assessment of the fiscal response packages in Kenya, Mozambique and Uganda during the COVID-19 pandemic found gaps in the coverage for rural African women.

Few analyses consider policy quality and institutional quality (e.g. Papadavid, 2023, forthcoming). However, this is crucial to ensure effective responses that get implemented with the appropriate focus. For example, gender norms and other institutional contextual factors constrain women's ability to respond to crises. Most analyses instead look at the focus of policies (what to do) and economic space, even though quality of implementation and institutional quality (how to do it) can matter just as much.

Debate 5: Overall country-level impact. What do we know about the impact of the Russia–Ukraine war on African countries?

It is not easy to estimate the impact of the RUW even in the presence of data because we do not know what would have happened if the RUW had not happened. However, different types of models can be used to construct counterfactuals and estimate a likely impact.

Several studies attempt to do this. For example, based on simulations by Gurara et al., a 10% shock in oil, food and fertiliser prices lasting one quarter will lead to decline in Africa's GDP by 0.1%, 0.1% and 0.04%, respectively. The persistence of the effects is stronger for oil price shocks, remaining significant for up to six quarters, compared with the persistence of effects from food and fertiliser (one quarter). The combined impact through these shocks translates to roughly \$7 billion. However the actual impacts are likely to be higher, given that oil, food and fertiliser prices increased by larger amounts, at 40%, 18%, and 55%, respectively, between 2021 and 2022 (World Bank, 2023), and that other prices increased as well and that other effects may also have played a role.

The contribution of the RUW to economic and social performance in 2022 is difficult to disentangle, as multiple factors drive growth, employment, food insecurity and poverty. However, the war may have exacerbated the deterioration of macroeconomic and social performance from the pre-pandemic and pandemic years.

The International Monetary Fund (IMF) (2023a) estimates that, between 2020 and 2023, the continent lost an estimated 4.2 pp of growth compared with the pre-COVID forecast.¹⁴ Beyond output, the number of unemployed Africans was 1.8 million higher in 2022 than pre-COVID forecasts by the International Labour Organization (ILO, 2019, 2023), partly driven by the lack of productive employment opportunities and employment not growing as fast as population growth (ILO, 2023). A higher debt service burden comes at the expense of lower development financing in Africa, with interest rate payment outpacing spending in education, health and investment in Africa between 2010/12 and 2019/21 (UNCTAD, nd).

The overlapping shocks have slowed progress in achieving Africa's development goals, with millions of Africans being pushed into food insecurity and poverty in the past three years since COVID-19. In 2022, around 22% of Africans were facing high levels of food insecurity (FSIN and GNAFC, 2023). This ratio was higher – between 50% and 75% of the population – in Ethiopia, Kenya, Mozambique and Sudan as of 2022.¹⁵ Poverty has also increased, with estimates suggesting that 18 million new poor people were added in 2022 to

¹⁴ Authors' computations based on data from the IMF World Economic Outlook October 2021 and April 2023 databases. Cumulative output losses are computed based on the difference between the pre-COVID forecast and respective IMF estimates/forecasts as of October 2021 and April 2023.

¹⁵ Authors' computations based on data from FAO.

the 546 million people in poverty in 2021, comprising half of the total African population (UNECA, 2023a).

The impacts of the war have disproportionate effects on women. In Kenya, for instance, women-headed households in both rural and urban areas were found to be more affected by changes in wheat flour prices between February 2022 and May 2023 compared with households headed by men (Geda and Michael, 2023). Price shocks have also likely affected women more than men, as women spend a larger proportion of their income on food than men (Papadavid, 2023, forthcoming). Increased prices may also have reversed progress on women's access to modern energy, and caused a return to unhealthy biomass for fuel for cooking and heating (UN Women, 2022).

With increases in poverty, hunger and lower fiscal space for social services and investment, human development – based on indicators on life expectancy, schooling and income per capita – deteriorated for 44 African countries between 2019 and 2021 (UNDP, 2023).

The economic and social impacts of COVID-19 and the RUW will likely result in persistent output losses or 'scarring' effects. Cororaton (2023) has simulated that, under a scenario of the global effects of the RUW (e.g. on productivity, trade restrictions) combined with drought scenarios, output decline relative to the baseline would be highest in the first three years and may still be felt for up to ten years. For example, in Ethiopia, Kenya and Sudan, real GDP will be lower annually by 3–4% from the baseline, but will still be lower annually by 0.3% relative to the baseline from the fourth to the tenth year.

Unfortunately, we still do not know enough about the individual factors that drive differential impacts across and within countries, though we know these are a combination of exposure and resilience.

Debate 6: What are the policy implications for building resilience in Africa?

The magnitude of the impact of the overlapping crises calls for careful consideration of short- and long-term policies to respond to shocks, and the RUW in particular, and to build resilience. The analysis undertaken on the impact of the RUW points to the need to examine a range of policies and institutions. Further work should also focus specifically on the interplay between country needs and what the international system (e.g. the IMF and the World Bank) can offer.

Short-term economic and social policies

There is a need to better understand the magnitude of global financial spillovers on domestic variables (i.e. inflation, cost of borrowing, public debt) and how monetary policy tools can be deployed to address them without hurting domestic investment and employment. For example, we know that monetary authorities have responded but we know little about whether the timing, magnitude or scope of this response have been appropriate to the specific issues of African economies.

Exchange rate regimes may also need to be examined, especially their implications for shock absorption and improving the competitiveness of exports.

The six studies drawn on here highlight that urgent and targeted social safety nets need to be in place to prevent food insecurity of poor households, marginalised groups, women and informal workers. Effective targeting depends on the effective design and implementation of safety nets.

In particular, Papadavid (2023, forthcoming) highlights that the disproportionate impact of the war on women can be mitigated through (i) adopting policies and institutional structures that explicitly challenge existing gender norms; (ii) providing higher levels of female education and literacy, health care provision and infant health; and (iii) more equitable legal provisions for access to finance, property, agricultural assets, digital literacy and intra-household bargaining power.

Medium- to long-term structural economic policies

Medium- to long-term structural economic policy measures are also important for building resilience against future external shocks. In many cases, such policies are beneficial with or without shocks, but a new shock or crisis may provide a new impetus for policy implementation.

The project on the impact of the RUW suggests a renewed focus an attention to the following policy areas.

Trade creation and diversification, expanding bilateral trade and trade cooperation, and strengthening intra-African trade may help cushion Africa against commodity price shocks. This does not mean that Africa countries should rely only on African inputs (especially if other inputs are cheaper) but that disproportionately high barriers to using African inputs need to be lowered, so that African inputs can be sourced when foreign inputs are not available at affordable prices. This can be done by, for example, advancing on the negotiations and implementation of the African Continental Free Trade Agreement, including through trade facilitation. Diversification is good for economic transformation is good for sustained growth, and it is also good for addressing shocks.

This also applies to the diversification of energy sources. The new geopolitical background suggests countries need to diversify energy sources to improve the resilience of value chains. A push towards using renewable energy would fit into this.

Boosting agricultural productivity may also help reduce high dependency on food imports. Efforts can be targeted through increased investment in agricultural research and development, improving access to modern farming technologies, capacity-building for smallholder farmers, adopting a comprehensive agriculture sector development strategy and attracting productive investment in agriculture. This needs more effective engagement of investors and development finance institutions.

Other policy areas may also need greater attention but so far have seen little. For example, it will be necessary to consider the possible policy implications of a prolonged tightening of global financial conditions, as this may increase the susceptibility of African countries to financial (currency) crisis and debt default, with more painful and persistent outputs and social implications.

Consideration also needs to be given to addressing increasing social unrest and fragility, as violent extremist attacks and attempts to destabilise governments by constitutional and constitutional means have increased in frequency in Africa in recent years. Such an environment can exacerbate the adverse impact of global shocks and hamper the effectivity of the policy response.

Scarring effects from the compounding shocks are causing permanent damage to economic productivity, human capital and equality in Africa. The international financial and debt architecture needs to step up to help these countries address macro-fiscal imbalances triggered by the war (e.g. higher costs of borrowing, higher debt, debt restructuring) and access more financing to preserve growth and development.

Further debates are also required around what the international community must do to build resilience to shocks.

The IMF and the World Bank may need to be more proactive in promoting policy suggestions to build resilience in an environment prone to multiple and multi-year shocks. Despite overlapping global shocks creating a 'new normal' for African countries, with expensive borrowing costs, elevated debt risks, persistent high inflation and scarring effects, IMF policy recommendations (e.g. from the Regional Economic Outlook for April 2023) as well as World Bank policy suggestions for the most part cover standard horizontal policies (e.g. fiscal consolidation, containing inflation, exchange rate adjustment, seeking international financial assistance) rather than promoting targeted solutions that we know are crucial to economic transformation and sustained growth and poverty reduction.

Beyond policy advice, the IMF's financing facilities can play a major role in addressing external shocks in Africa – and need to do more. During heightened global uncertainty and shocks, Africa often loses access to international capital markets. The IMF and the World Bank not only have one of the largest financial envelopes available to allocate financing to low-income countries (LICs) but also, and more importantly, their financing could have a strong catalytic effect for other creditors and investors for L&MICs.

However, the performance of the IMF and the World Bank in extending financing during the pandemic up to the onset of the war points to a need for financing to be speedier, at greater scale and more flexible (Raga et al., forthcoming). For instance, in 2020, the IMF and the World Bank's net financing was worth 2.7% of LICs' GDP and 0.6% of L&MICs' GDP, way below the 2020 growth losses of 6 pp and 9 pp by L&MICs and LICs, respectively, from pre-COVID forecasts. Financing has to scale up in manner commensurate to the impact of the shocks.

Conditionalities also affect take-up, which may discourage countries even if they are still in a period of economic recovery from compounding shocks. For instance, rapid financing facilities without ex-post conditionalities dominated the share of IMF disbursements in 2020, representing 61% of approved loans across all facilities (excluding precautionary arrangements) compared with 3.3% in 2019. However, by 2022, access limits to rapid financing instruments without conditionalities had returned to pre-pandemic levels. Thus, LICs' overall take-up went down from 0.9% of GDP in 2020 to 0.2% of GDP in 2022, despite the macro-fiscal pressures from the RUW during the year.

An area of policy debate is thus how the IMF and the World Bank (and other global financial institutions and creditors) can do more to finance targeted growth, inducing policies to help save Africa's growth and development trajectory from scarring effects.

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