Financial Inclusion in Sub-Saharan Africa: an analysis

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Briefing Note

This section takes a detailed look at the extent of financial exclusion and illiteracy in Africa. With a particular focus on the sheer dearth of financial literacy in most African countries, the inaccessibility of formal financial services, and the immaturity of African insurance markets, the extent to which these problems plague African economies will be laid bare, alongside the negative impacts that these have on economic development and social inclusion.

Overview:

- Financial literacy has been shown to be crucial for fostering financial inclusion, empowering households to make sensible financial decisions, and improving the operation of financial markets; the fact that this is generally low in African countries significantly limits prospects for economic development and poverty reduction.
- Large swaths of the African populace lack access to formal financial services, meaning that they must either rely on informal financial products or lack access to financial services altogether; not only does this augment economic insecurity, but it also significantly hinders businesses' ability to expand.
- The level of insurance coverage in African countries is generally very low, highlighting the undeveloped nature of insurance markets throughout the continent; this leaves firms and households extremely vulnerable to economic shocks and impedes their ability to manage risk.

Financial Literacy:

Large swathes of sub-saharan Africa lack even basic knowledge of finance.

- The concept of financial literacy in the existing literature traditionally spans four key ideas: knowledge of financial concepts, ability in managing personal finances, skill in making financial decisions, and understanding future financial planning.[1]
    - Of these, the most relevant to the context of sub-saharan Africa are the management of personal finances and future financial planning, although it should be noted that these both hinge on the other two ideas to some extent.
- The Standard and Poor Global Financial Literacy Survey is the most widely used source for financial literacy. It ranks Africa as the most financially illiterate region in the world, with countries such as Somalia being amongst the absolute lowest in the world, with a 15% financial literacy rate.[2]
- To be deemed financially literate, one must be able to answer questions regarding: the effect of interest on money owed, the effect of inflation on cash, basic compound interest, and understanding that diversification reduces risk.

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[1] Hung, A., Parker, A.M. and Yoong, J. (2009). *Defining and Measuring Financial Literacy*, Available at: https://papers.ssrn.com/Sol3/Papers.Cfm?Abstract_Id=1498674.

[2] GFLEC (2015). *S&P Global FinLit Survey | Global Financial Literacy Excellence Center (GFLEC)*, Global Financial Literacy Excellence Center (GFLEC). Available at: https://gflec.org/initiatives/sp-global-finlit-survey/.

    - An example of a question asked is "Suppose you need to borrow 100 US dollars. Which is the lower amount to pay back: 105 US dollars or 100 US dollars plus three percent".[3] This demonstrates the severe lack of financial knowledge of someone deemed illiterate.

Financial literacy allows for better financial decision making, benefitting households on a personal level.

- Financial literacy has had a proven positive impact on an individual's propensity to save. Estimates for small populations have been made, including one for women in Malaysia which predicted that individual saving increased by roughly 2.4% per 1 unit increase in financial literacy, a composite variable ranging from 2 to 13 determined by survey responses.[4]
    - It should be noted that this attempt to quantify a specific value is, by the authors' own admissions, flawed. It does, however, support the widely accepted idea that the financially literate will save more than the illiterate.
- Financial literacy (and associated saving) also allows for individuals to smooth their consumption over time.[5] In developing countries, where regional and national economic downturns can happen regularly due to primary product dependency, this allows for households to maintain a relatively constant standard of living.
- Financially literate individuals tend to have a better ability to plan for the future.[6] They tend to save for their pension, and in a safer manner - in a bank account rather than holding it in easily stolen cash. 57% of adults save money globally, however only 27% do so in a formal financial institution[7], the rest hold it in cash or riskier informal accounts. The same survey also found a high correlation between

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[3] GFLEC (2015). *S&P Global FinLit Survey | Global Financial Literacy Excellence Center (GFLEC)*, Global Financial Literacy Excellence Center (GFLEC). Available at: https://gflec.org/initiatives/sp-global-finlit-survey/. p.6

[4] Mahdzan, N.S. and Tabiani, S. (2012). *The Impact of Financial Literacy on Individuals Saving: an Explanatory Study in the Malaysian Context*. [online] Available at: https://www.researchgate.net/profile/Nurul-Mahdzan/publication/275056695_The_Impact_of_Financial_Literacy_on_Individual_Saving_An_Exploratory_Study_in_the_Malaysian_Context/links/553202fd0cf27acb0deaaff9/The-Impact-of-Financial-Literacy-on-Individual-Saving-An-Exploratory-Study-in-the-Malaysian-Context.pdf

[5] GFLEC (2015). *S&P Global FinLit Survey | Global Financial Literacy Excellence Center (GFLEC)*, Global Financial Literacy Excellence Center (GFLEC). Available at: https://gflec.org/initiatives/sp-global-finlit-survey/.

[6] GFLEC (2015). *S&P Global FinLit Survey | Global Financial Literacy Excellence Center (GFLEC)*, Global Financial Literacy Excellence Center (GFLEC). Available at: https://gflec.org/initiatives/sp-global-finlit-survey/.

[7] GFLEC (2015). *S&P Global FinLit Survey | Global Financial Literacy Excellence Center (GFLEC)*, Global Financial Literacy Excellence Center (GFLEC). Available at: https://gflec.org/initiatives/sp-global-finlit-survey/.

financial literacy and regular account usage for saving, indicating this is an issue that may be solved via financial education.

Financial literacy augments the quality of regulation and improves market efficiency.

- Greater understanding of financial products reduces asymmetric information between clients and service providers, as clients have greater understanding of the details of the products.[8] This reduces market failure, in turn ensuring the market functions more smoothly.
- Financial literacy reduces the explanatory burden on firms, as "—providers [of financial service] will have to spend less time explaining basic features of different types of products or services."[9]
- Mundy and Masok further indicated that regulators benefit from a more financially literate population due to the pressure on innovation and increased competition. Financially educated consumers force genuine innovation and safe practice within the sector in order to retain and attract customers, consequently increasing market efficiency and stability.[10]

Access to banking for households:

Access to and understanding of banking in African countries is the lowest in the world.

[8] GFLEC (2015). *S&P Global FinLit Survey | Global Financial Literacy Excellence Center (GFLEC)*, Global Financial Literacy Excellence Center (GFLEC). Available at: https://gflec.org/initiatives/sp-global-finlit-survey/.
[9] Mundy S, Masok C (2011). *Towards an Effective Framework for Financial Literacy and Financial Consumer Protection in Uganda*
[10] Mundy S, Masok C (2011). —Towards an Effective Framework for Financial Literacy and Financial Consumer Protection in Ugandal

- As of 2022, 48% of the African population have access to a bank account[11], severely lagging considering the 76% world average.[12] With a few exceptions, central and western Sub-Saharan Africa are lagging behind the most, whilst the countries in the south-east of the continent are furthest ahead.
- On average, a third of all adults in sub-saharan Africa lack the necessary identification to open a financial account.[13] This percentage rises to 40% in certain countries, such as Tanzania, Liberia and Mauritius.[14]
- Ability and confidence to utilise banking is also low. Notably, only one third of people with access to mobile banking in Sub-Saharan Africa claimed to be able to use the service without aid, and two thirds of those without an account expressed concern that they would be unable to use any kind of bank account without assistance.[15]

The quality of banking services also lags behind the rest of the world.

- Mobile money is the dominant form of access to banking, with roughly 60% of all accounts being a "mobile money" account.[16] These differ from traditional concepts of mobile banking as they are operated largely over text, not via an app or branch, although do offer a similar array of services, albeit explained less thoroughly.
    - Assistance available to these users is generally lower. As such, greater education may be necessary in order to fully utilise this service.
    - This is not to undermine the importance of mobile money in increasing financial inclusion in Africa, but to highlight that it is not a finished solution.
- 41% of the adult population of sub-saharan Africa would be capable of accessing emergency funds in 30 days.[17] This is the second lowest value globally, and therefore may imply a difference in quality of service available in Africa to other regions.

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[11] Statista, (2022) *African population with access to banking 2022*, Available at: https://www.statista.com/statistics/915632/adults-with-bank-account-africa/ (Accessed: February 13, 2023).

[12] The Global Findex Database, (2021), *Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19*, The World Bank, Available at: https://www.worldbank.org/en/publication/globalfindex

[13] The Global Findex Database, (2021), *Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19*, The World Bank, Available at: https://www.worldbank.org/en/publication/globalfindex

[14] Chalwe-Mulenga, M. and Coetzee, G., (2021), *Findex 2021 Insights: Boosting Financial Inclusion in Africa,* Available at: https://www.cgap.org/blog/findex-2021-insights-boosting-financial-inclusion-in-africa

[15] The Global Findex Database, (2021), *Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19*, The World Bank, Available at: https://www.worldbank.org/en/publication/globalfindex

[16] The Global Findex Database, (2021), *Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19*, The World Bank, Available at: https://www.worldbank.org/en/publication/globalfindex

[17] Chalwe-Mulenga, M. and Coetzee, G., (2021), *Findex 2021 Insights: Boosting Financial Inclusion in Africa,* Available at: https://www.cgap.org/blog/findex-2021-insights-boosting-financial-inclusion-in-africa

- Ability and confidence to use bank accounts may be worsened by the poor bank penetration within the region. Africa again is significantly behind the more advanced economies in number of bank branches per 100,000 adults (6 compared to 25) and number of ATMs per 100,000 adults (7 compared to 75).[18]
  - The lack of human contact for the service again may offer an explanation regarding the lack of confidence with regards to utilising financial services.

Household banking access has an impact on a country's macroeconomic objectives.

- Gender inequality is further perpetuated by disparities in banking access. The difference in the number of men and women with financial accounts fell globally between 2011 and 2021, but rose in sub-saharan Africa from 5% to 12% - double the average of other developing regions.
  - This has occurred in contrast to other regions which have generally seen empowerment.
- Analysis of data from the IMF's Financial Access Survey and from the World Development Indicators by Makina and Walle (2019) suggests that there is a positive correlation between household financial inclusion and national GDP growth.[19]

Banking provides considerable benefits to households.

- Analysis by Ouédraogo et al (2021) on the Afrobarometer surveys across 2015 and 2016 suggest that access to banking had a strongly positive effect on employment - with the probability of getting a job increasing by up to 17.3% if they have access to some form of banking.[20]
- Households with access to financial products and services in the developing world have found themselves to be able to mitigate negative impacts of economic shocks on their standard of living. Studies in Nigeria found financially included households'

[18] Ouédraogo, R., Sawadogo, R. and Sawadogo, H. (2021). Access to the banking sector and employment in Africa. *The Quarterly Review of Economics and Finance*, 82, pp.260–269. Available at: https://doi.org/10.1016/j.qref.2021.09.009.
[19] Makina, D. and Walle, Y.M. (2019). *9 - Financial Inclusion and Economic Growth: Evidence From a Panel of Selected African Countries*. ScienceDirect. Available at: https://www.sciencedirect.com/science/article/pii/B9780128141649000098#s0085
[20] Ouédraogo, R., Sawadogo, R. and Sawadogo, H. (2021). Access to the banking sector and employment in Africa. *The Quarterly Review of Economics and Finance*, 82, pp.260–269. Available at: https://doi.org/10.1016/j.qref.2021.09.009.

consumptions fell by 15% less than excluded ones in the face of negative economic shocks.[21]

    - This is partially credited to a higher likelihood of possessing savings, or greater access to credit.

- Use of a financial institution to save reduces harm done by theft on households. Over 8 million unbanked adults in sub-saharan Africa receive payments from the government in cash. This is stored and used physically. As a consequence, this is much more vulnerable to theft than money stored in an account, and therefore creates larger economic uncertainty for said households.[22]

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[21] Ahmad, A.H., Green, C. and Jiang, F. (2020), *Mobile Money, Financial Inclusion and Development: A Review with Reference to African Experience.* Journal of Economic Surveys, 34: 753-792. https://doi.org/10.1111/joes.12372

[22] Kempson, E. and Whyley, C. (1999).*Kept out or opted out? Understanding and combating financial exclusion*. Available at: http://www.bris.ac.uk/media-library/sites/geography/migrated/documents/pfrc9902.pdf.

Insurance:

Insurance coverage in African countries is insubstantial.

- A 2019 report by the African Insurance Organisation finds that African insurance penetration – the ratio of insurance premiums to GDP – was 2.78% in 2019 – dramatically smaller than the global average: 9.6%[23]
- This figure is distorted by the fact that 91% of premiums are concentrated in just ten countries according to McKinsey, and that 70% are derived from one country: South Africa.[24]
- A 2014 study published in Modern Economy suggests that – despite housing roughly one billion people at the time – Sub-Saharan Africa only accounted for 0.2% of global insurance premiums.[25]

There are substantial prospects for growth of the African insurance market.

- Based on actual growth rates between 2010 and 2018, a McKinsey report commissioned prior to the pandemic found that the African insurance market is anticipated to grow at 7% annually between 2020 and 2025.[26]
- A 2022 report by Research and Markets projects that the size of the African insurance market will reach US$115.9bn by 2027, enlarging at a compound annual growth rate of 7.45%.[27]

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[23] African Insurance Organisation (2020). Africa Insurance Pulse: Growth perspectives of African re-/insurance markets. pp.8. Available at: https://www.schanz-alms.com/files/faber/pdf-pulse-reports/Africa_Insurance_Pulse_Growth_e_2020.pdf

[24] Bagus, U., Jurd de Girancourt, F., Mahmood, R., and Manji, J (2020). Africa's insurance market is set for takeoff. *McKinsey & Company*. Available at: https://www.mckinsey.com/featured-insights/middle-east-and-africa/africas-insurance-market-is-set-for-takeoff

[25] Akinli, T., and Apanisile, O.T (2014). Relationship between Insurance and Economic Growth in Sub-Saharan African: A Panel Data Analysis. *Modern Economy, Vol.5, No.2*. Available at https://www.scirp.org/html/2-7200685_42986.htm#ref17

[26] Bagus, U., Jurd de Girancourt, F., Mahmood, R., and Manji, J (2020). Africa's insurance market is set for takeoff. *McKinsey & Company*. Available at: https://www.mckinsey.com/featured-insights/middle-east-and-africa/africas-insurance-market-is-set-for-takeoff

[27] Research and Markets (2022). Africa Insurance Market: Industry Trends, Share, Size, Growth, Opportunity and Forecast 2022-2027. Available at: https://www.researchandmarkets.com/reports/5615054/africa-insurance-market-industry-trends-share?utm_source=BW&utm_medium=PressRelease&utm_code=bplxcx&utm_campaign=1750722+-+Africa+Insurance+Market+Report+2022%3a+A+%24115%2b+Billion+Market+by+2027+-+Key+Players+from+Global+Markets+Seek+to+Exploit+Untapped+Regional+Opportunities&utm_exec=chdo54prd.

- A 2018 report by Making Finance Work for Africa points out that gross premium growth for life insurance averaged 16.8% annually.[28]

The industry is fraught with systemic issues – some of which were exacerbated by the COVID-19 pandemic.

- According to a report by FSD Africa released in 2020, the pandemic heavily affected the African insurance industry by reducing incomes accrued from insurance premiums and investments, and potentially leaving vulnerable insurers insolvent.[29]
- Lawrence Mutsunge Nazare – a Group Managing Director of a reinsurance firm with over 30 years of experience in the insurance industry – argues that the primary challenge facing African insurance companies is low uptake of insurance, and that this has contributed to price wars that pose a direct threat to insurance firms.[30]
- A 2022 study which explores the link between institutional quality and insurance penetration and demand between 1996-2008 finds that poor institutions – fraught with issues such as corruption and political instability – could impair the development of the African insurance industry.[31]

Some studies have established a direct causal relationship between insurance penetration and economic development, although evidence is mixed.

- A 2008 cross-country study notes that non-life insurance has had a "positive and significant" effect on economic growth in developing countries.[32]
- This is corroborated by a 2010 study which utilises a panel data-set of 77 economies from 1994-2005, and which concludes that there is a substantial and

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[28] Bouzaiene, M (2018). Insurance market in Africa: Outcomes from the Long-Term Finance survey. *Making Finance Work for Africa*. Available at: https://www.mfw4a.org/sites/default/files/resources/ltf_survey_snapshot_insurance_market.pdf

[29] Beyers, N., Scribante, K., and Gray, J (2020). How are insurance regulators in sub-Saharan Africa being affected by, and responding to, COVID-19?. *FSD Africa*. Available at: https://www.fsdafrica.org/wp-content/uploads/2020/08/Insurance-regulators-COVID-19-28.08.20.pdf

[30]

[31] Bah, M., and Abila, N (2022). Institutional determinants of insurance penetration in Africa. *The Geneva Papers on Risk and Insurance - Issues and Practice*. Available at: https://link.springer.com/article/10.1057/s41288-022-00278-2#:~:text=Specifically%2C%20regulatory%20quality%2C%20rule%20of,total%20insurance%20and%20life%20insurance.

[32] Arena, M (2008). Does Insurance Market Activity Promote Economic Growth? A Cross-Country Study for Industrialized and Developing Countries. *The Journal of Risk and Insurance: Volume 75, Issue 4*. Available at: https://onlinelibrary.wiley.com/doi/epdf/10.1111/j.1539-6975.2008.00291.x?saml_referrer

positive relationship between insurance and economic growth – with this relationship being particularly robust in developing countries.[33]

- However, a 2016 study finds significant inter-country heterogeneity within Africa when it came to the effects of insurance on economic development; whilst there is a positive relationship between insurance penetration and economic growth in Egypt, Kenya, Mauritius, and South Africa, the opposite is true for Algeria, Nigeria, Tunisia, and Zimbabwe.[34]

Insight

Overview:

Regarding the intimate link between finance and economic development in sub-Saharan Africa, this section will focus on three key areas – all of which are relevant in the context of economic growth and poverty reduction in the region.

The first aspect that will be discussed is the significant extent to which a lack of financial literacy in the region hampers economic development, primarily due to higher risk aversion resulting from low understanding of investing. The second aspect is the extent to which greater financial inclusion and education could augment growth, in a large part by increasing savings rates. Finally, discussion surrounding the potential rise of the insurance sector in bolstering economic development will be taken into consideration.

[33] Han, L., Li, D., Moshirian, F., and Tian,Y (2010). Insurance Development and Economic Growth. *The Geneva Papers on Risk and Insurance - Issues and Practice, 2010, Volume. 35, Issue 2, pp.183-199*. Available at: https://econpapers.repec.org/article/palgpprii/v_3a35_3ay_3a2010_3ai_3a2_3ap_3a183-199.htm.

[34] Olayungbo, D.O., Akinlo, A.E (2016). Insurance penetration and economic growth in Africa: Dynamic effects analysis using Bayesian TVP-VAR approach. *Cogent Economics & Finance, Volume 4, Issue 1*. Available at: https://www.tandfonline.com/doi/full/10.1080/23322039.2016.1150390

Efforts to stimulate growth and alleviate poverty in Sub-Saharan Africa have been unsuccessful, partially due to poor financial literacy.

Sub-Saharan Africa notoriously lags behind the rest of the world in economic development. The most notable metric of this is of course GDP per capita, with the region as a whole having an estimated $1,626.3 GDPpc in 2021[35], significantly lower than the

[35] The World Bank, "*GDP per capita (current US$) - sub-saharan africa",* (2021). Available at: https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=ZG

world average of $12,234.80.[36] This is an issue that has been examined and tried to tackle for decades with huge funding and yet relatively average success. Recent focuses in this area have shifted to a more micro scale, but have all still ended with relatively small advancement, reflected in the failure of Sub-Saharan Africa to buck the global trend of GDPpc increases to converge towards the global average. A significant limiting factor in the success of these policies is the lack of the uptake from the general population, who generally lack the financial understanding to appreciate the benefit that may arise from taking and investing the foreign aid.

Modern efforts to alleviate poverty in Africa have looked to tackle poverty through more laissez faire policies than the approaches in the 1990s did. They generally focus on using funds to provide the opportunity for investment, education and job creation by households and firms within Africa, rather than trying to directly do this themselves. The most notable example of this is microfinance - making small loans available to households to stimulate investment and boost wealth creation. However, the uptake and success of these programmes has been relatively small. Banerjee and Duflo (2011)[37] credit this largely to high risk aversion of households in poorer countries. They argue that risk is a "central fact of life" for these households, and an unlucky event will have a profound impact on their quality of life.[38] As such, they are less likely to engage in risky behaviour, such as taking on a loan, even if it has the potential to aid them.

This risk aversion is worsened by their poor financial literacy, for two main reasons. The first is that many households may not understand what the programmes are actually offering to them. As highlighted previously, the concepts one needs to understand to be deemed financially literate by the Standard and Poor Global Financial Literacy Survey are fairly basic - including understanding what inflation does to savings and which is a more costly method of repayment between interest rates and a fixed sum.[39] This implies that households may lack an understanding of what aid programmes are actually offering to them, leading them to avoid utilising them in order to mitigate their risk, something that

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[36] The World Bank, "*GDP per Capita (current US$)*", (2021. Available at: https://data.worldbank.org/indicator/NY.GDP.PCAP.CD

[37] Banerjee, A. and Duflo, E., *Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty. (2011).* Population and Development Review, 37(4), pp.796–797. doi:https://doi.org/10.1111/j.1728-4457.2011.00462.x.

[38] Banerjee, A. and Duflo, E., *Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty. (2011).* Population and Development Review, 37(4), pp.796–797. doi:https://doi.org/10.1111/j.1728-4457.2011.00462.x.

[39] GFLEC (2015). *S&P Global FinLit Survey | Global Financial Literacy Excellence Center (GFLEC)*, Global Financial Literacy Excellence Center (GFLEC). Available at: https://gflec.org/initiatives/sp-global-finlit-survey/.

Banerjee and Duflo found to be a regular occurrence.[40] This is also reflected in the findings of Banerjee and Duflo regarding what specifically microfinance loans, advertised as a means for investing in companies/profit making ventures at a small scale, were actually used for. A significant portion of microfinance loans were used for consumption of basic goods, instead of the intended purpose of investment into profit making enterprises.[41]

Secondly, there is the idea that Africa's households' understanding of investment is also flawed. Banerjee and Duflo again suggest that the lack of financial education has led to a misunderstanding of the costs and returns of investment. They suggest that the perceived production function and the actual production of investment is very different - households operate under the belief that only large or risky investments make any significant return, whereas the reality is quite different.[42] Bandiera et Al. (2017)[43] found that an investment as small as a cow and training given to an unemployed woman allowed them to run a business that would provide them with a livable income. This suggests that the actual production function is such that even small and low risk investments have comparatively high returns, contrary to the belief of households. This again suggests that a lack of financial literacy has hindered the uptake and success of previous poverty alleviation programmes.

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[40] Banerjee, A. and Duflo, E., *Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty. (2011).* Population and Development Review, 37(4), pp.796–797

[41] Banerjee, A. and Duflo, E., *Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty. (2011).* Population and Development Review, 37(4), pp.796–797. doi:https://doi.org/10.1111/j.1728-4457.2011.00462.x.

[42] Banerjee, A. and Duflo, E., *Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty. (2011).* Population and Development Review, 37(4), pp.796–797. doi:https://doi.org/10.1111/j.1728-4457.2011.00462.x.

[43] Bandiera, O., Burgess, R., Das, N., Gulesci, S., Rasul, I. and Sulaiman, M. (2017). *Labor Markets and Poverty in Village Economie*s. *The Quarterly Journal of Economics,* [online] 132(2), pp.811–870. doi:https://doi.org/10.1093/qje/qjx003.

Access to banking and increased financial education has the potential to permanently change economic decision making for the better, boosting growth and standard of living.

The main channel via which banking and financial education seems to boost growth is via an increase in investment, arising from an increased level of savings within the economy.

Access to banking and increased financial education has had a proven effect on changing household behaviour to have a higher propensity to save. Studies looking at Malaysian women's savings estimated an increase of 2.4% in individual saving per 1 unit of increase in financial literacy[44], a composite measure created based on participants' responses to a survey. A series of trials run in India also found that the group of households who were subject to financial education in the programme had an increase in their total value of savings 49% higher than the control group of households who did not get the same education.[45] This suggests that a higher level of financial education will lead to a change in consumer behaviour and make them more prone to saving.

Furthermore, individuals with bank accounts have also been found more likely to save than individuals without one. This has been somewhat harder to quantify a specific value for, but is reflected in the proportion of individuals choosing to save formally, via a bank account, compared to informally, with methods such as with family members. Of the 49% of households who were reported to have saved in the last 12 months, 75% of them were

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[44] Mahdzan, N.S. and Tabiani, S. (2012). *The Impact of Financial Literacy on Individuals Saving: an Explanatory Study in the Malaysian Context*. [online] Available at: https://www.researchgate.net/profile/Nurul-Mahdzan/publication/275056695_The_Impact_of_Financial_Literacy_on_Individual_Saving_An_Exploratory_Study_in_the_Malaysian_Context/links/553202fd0cf27acb0dea

[45] Calderone, M., Fiala, N., Mulaj, F., Sadhu, S. and Sarr, L. (2018). *Financial Education and Savings Behavior: Evidence from a Randomized Experiment among Low-Income Clients of Branchless Banking in India*. Economic Development and Cultural Change, 66(4), pp.793–825. doi:https://doi.org/10.1086/697413.

found to have done so formally, via a bank account.[46] This suggests some level of correlation between having access to a bank account and a greater propensity to save.

To explain the effect of an increase on savings on growth, this paper will use the relatively simple Solow model. Whilst this model has many drawbacks, particularly with regards to the endogeneity of technological progress, the basic idea behind the effect of an increase in the propensity to save boosting investment remains relatively constant. Two equations are needed to fully explain this:

$$Y_t = AK_t^{\alpha} L_t^{1-\alpha} \quad (1)$$
$$K_{t+1} = K_t + sY_t - \delta K_t \quad (2)$$

The first equation says that output/income Y_t is a function of capital, K_t , and labour, L_t , and a value, *A*, representing technology. The second equation says that capital in the next period, K_{t+1}, is equal to capital in the current period, K_t, plus a set proportion of total income which is invested, sY_t, less the rate at which existing capital has depreciated, δK_t.[47] An increase in financial literacy and access to banking has been found to increase the proportion of savings, *s*, thus causing a rise in capital in the next period, which would cause a rise in total output - economic growth. This process would continue until an equilibrium between the rate of depreciation of capital and the proportion of income saved is reached. However, given the low level of capital stock in sub-saharan Africa, this steady state is likely to be extremely far off, allowing for a relatively large increase in Y_t before an equilibrium is reached and growth stops . In turn, this helps explain the findings of Makina and Walle (2019)[48] that there is a correlation between greater access to banking and financial literacy, and economic growth.

It is also important to note that the increase in savings is likely to have a positive impact on quality of life for households in Sub-Saharan Africa. Most notably, it would enable them to more effectively smooth consumption over their lifetime. Many countries in Sub-Saharan Africa are dependent on primary products, and therefore extremely susceptible to sudden economic shocks. In these downturns, household incomes are likely to fall.

[46] The Global Findex Database, (2021), *Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19*, The World Bank, Available at: https://www.worldbank.org/en/publication/globalfindex

[47] This model assumes that all savings are invested, which is not necessarily realistic, however attempts to create a more realistic model bring in more variables which ultimately decrease the accuracy of predictions. What is important in this specific case is the impact greater savings has on capital, and not what proportion of savings are invested.

[48] Makina, D. and Walle, Y.M. (2019). *9 - Financial Inclusion and Economic Growth: Evidence From a Panel of Selected African Countries*. ScienceDirect. Available at: https://www.sciencedirect.com/science/article/pii/B9780128141649000098#s0085

Furthermore, only 41% of the adult population of sub-saharan Africa would be capable of accessing emergency funds in 30 days if necessary[49], meaning this shock fall in income would reduce the quality of life for most. Households with some savings would be able to utilise these as emergency funds, allowing them to retain the same standard of living. This may help explain why studies in Nigeria found financially included households' consumptions fell by 15% less than excluded ones in the face of negative economic shocks[50], as they were more likely to have a higher propensity to save and thus have access to emergency funds.

The African insurance sector is a sector with great growth potential, and potentially significant positive externalities on African economies.

In relation to economic development, insurance plays a plethora of functions. It encourages greater risk-taking, and by indemnifying policyholders and pooling risk, it enables commercial activity and a more robust provision of credit.[51] Moreover, it smooths incomes across the life cycle, shielding firms and households from adverse economic shocks and preventing bankruptcies.[52] Finally, insurance can bolster economic growth by enabling more efficient capital allocation, redistributing resources to more productive uses and resultantly increasing the economy's productive capacity.[53]

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[49] Chalwe-Mulenga, M. and Coetzee, G., (2021), *Findex 2021 Insights: Boosting Financial Inclusion in Africa,* Available at: https://www.cgap.org/blog/findex-2021-insights-boosting-financial-inclusion-in-africa
[50] Ahmad, A.H., Green, C. and Jiang, F. (2020), *Mobile Money, Financial Inclusion and Development: A Review with Reference to African Experience.* Journal of Economic Surveys, 34: 753-792. https://doi.org/10.1111/joes.12372
[51] Akinlo, T., and Apanisile, O.T. (2014). *Relationship between Insurance and Economic Growth in Sub-Saharan African: A Panel Data Analysis*. Modern Economy Vol.5 No.2. Available at https://www.scirp.org/html/2-7200685_42986.htm.
[52] Murdoch J. (1995). *Income Smoothing and Consumption Smoothing*. Journal of Economic Perspectives 9(3): 103–114. Available at https://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.9.3.103
[53] Hao, F., Li, B., and Yang, J. (2022). *The impact of insurance company participation on the capital market's sustainable development—empirical evidence based on investor sentiment and stock price synchronicity*. Frontiers in Environmental Science Volume 10. Available at https://www.frontiersin.org/articles/10.3389/fenvs.2022.1072094/full.

Insurance's income-smoothing function is particularly relevant in the context of sub-Saharan Africa; nearly a quarter of its GDP comes from agriculture:[54] a sector which experiences vast income volatility.[55] Other income shocks, such as death of family members and unemployment are also especially prevalent, given the ubiquity of precarious employment in sub-Saharan Africa[56] and low average life expectancies.[57]

Despite the potential for insurance to aid economic growth, insurance penetration is very low in sub-Saharan Africa; the region enjoyed an insurance penetration rate – the ratio of insurance premiums to GDP – of 2.78%: measly compared to the global average of 7.23%.[58] The COVID-19 pandemic also presented substantial challenges for the African insurance industry by plunging vulnerable insurers into insolvency and by reducing the income that insurers could reap from investments and insurance premiums. Structural issues within the insurance industry aggravated these negative effects; in particular, sub-Saharan African insurance markets were "fragmented", dominated by small insurers that set premiums at inexpensive levels that were not always sufficient to cover the cost of expenses and insurance claims.[59] It is also worth highlighting the extent to which sub-Saharan Africa's insurance industry is intertwined with the sheer dearth of financial literacy in the region, with evidence suggesting that it can represent a substantial demand-side barrier to the growth of the region's insurance market. For example, a 2023 study finds that behaviour – a key aspect of insurance literacy – explains 38.5% of the variation in Ugandan insurance inclusion.[60]

Even though there are many theoretical positive effects that insurance could have on economic growth, the empirical reality is somewhat more mixed. Some studies, such as Arena (2008) have found "positive and significant" effects of non-life insurance in

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[54] Goedde, L., Ombaka-Ooko, A., and Pais, G. (2019). *Winning in Africa's agricultural market*. McKinsey. Available at https://www.mckinsey.com/industries/agriculture/our-insights/winning-in-africas-agricultural-market

[55] Dana, J., and Gilbert, C. (2008). *Managing Agricultural Price Risk in Developing Countries*. Retrieved from https://core.ac.uk/download/pdf/6262778.pdf

[56] Fox, L et al. (2020). *Young Africans need more and better jobs, not more training*. Brookings Institute. Retrieved from https://www.brookings.edu/blog/africa-in-focus/2020/09/08/young-africans-need-more-and-better-jobs-not-more-training/.

[57] GiveWell. *Life Expectancy in Sub-Saharan Africa*. n.d. GiveWell. Retrieved from https://www.givewell.org/international/technical/additional/life-expectancy-in-SSA

[58] Toesland, F. 2021. *Insurance: Africa's sleeping giant*. New African Magazine. Retrieved from https://newafricanmagazine.com/27373/.

[59] Beyers, N., Scribante, K., and Gray, J (2020). How are insurance regulators in sub-Saharan Africa being affected by, and responding to, COVID-19?. *FSD Africa*. Available at: https://www.fsdafrica.org/wp-content/uploads/2020/08/Insurance-regulators-COVID-19-28.08.20.pdf

[60] Kiwanuki, A., and Sibindi, A.B. (2023). *Insurance Literacy: Significance of Its Dimensions for Insurance Inclusion in Uganda*. Economies 2023, 11(2), 33. Retrieved from https://www.mdpi.com/2227-7099/11/2/33.

developing countries.[61] This is corroborated by a 2010 study which finds a positive correlation between insurance sector growth and economic development.[62] That being said, other studies come to somewhat different conclusions. A 2016 study noted that for sub-Saharan countries such as Algeria, Nigeria, Tunisia, and Zimbabwe, there was a negative correlation between insurance penetration and economic growth.[63] Some of the reasons that the authors cite for these findings are country-specific. For example, the negative relationship between insurance penetration and growth in Algeria is attributed to state ownership of insurance companies and the dearth of insurance market liberalisation. Moreover, the negative effects of insurance penetration on economic development could in large part be ascribed to the fact that insurance penetration in certain sub-Saharan countries has not yet reached the "critical mass" at which the positive effects of insurance outweigh the negatives. One 2020 study suggests that this critical mass point is roughly 4.15% for life insurance and 1.80% for non-life insurance.[64]

Another factor that complicates analysis of insurance and its macroeconomic effects in sub-Saharan Africa is that not much research has been conducted on it – partly due to the miniscule nature of the region's insurance market.[65] Furthermore, whilst a correlation has in some instances been established between insurance sector development and economic growth, establishing causality is somewhat more difficult. Kugler and Ofoghi (2005) finds a "bi-directional" relationship between insurance sector growth and economic development; whilst the insurance sector can foster economic growth – a so-called "supply-leading" mechanism – it is also the case that economic growth can augment demand for financial services such as insurance ("demand-leading").[66] They find that the relative strength of "supply-leading" and "demand-leading" mechanisms varies depending

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[61] Arena, M. (2008). *Does Insurance Market Activity Promote Economic Growth? A Cross-Country Study for Industrialized and Developing Countries*. American Risk and Insurance Association Vol.75 No.4. Retrieved from https://www.jstor.org/stable/25145316

[62] Han, L., Li, D., Moshirian, F., and Tian,Y (2010). *Insurance Development and Economic Growth.* The Geneva Papers on Risk and Insurance - Issues and Practice, 2010, Volume. 35, Issue 2, pp.183-199. Available at: https://econpapers.repec.org/article/palgpprii/v_3a35_3ay_3a2010_3ai_3a2_3ap_3a183-199.htm.

[63] Olayungbo, D.O., Akinlo, A.E (2016). *Insurance penetration and economic growth in Africa: Dynamic effects analysis using Bayesian TVP-VAR approach.* Cogent Economics & Finance, Volume 4, Issue 1. Available at: https://www.tandfonline.com/doi/full/10.1080/23322039.2016.1150390

[64] Asongu, A.S., and Odhiambo, M.N. (2019). *Insurance policy thresholds for economic growth in Africa*. African Governance and Development Institute. Retrieved from https://www.econstor.eu/bitstream/10419/205007/1/1668920638.pdf

[65] Olarewaji, O., and Msomi, T. (2021). *Determinants of Insurance Penetration in West African Countries: A Panel Auto Regressive Distributed Lag Approach*. (2021). Journal of Risk and Financial Management. Retrieved from https://www.mdpi.com/1911-8074/14/8/350

[66] Kugler, M., and Ofoghi, R. (2005). *Does Insurance Promote Economic Growth? Evidence from the UK*. Money Macro and Finance Research Group.

on the particular insurance market in question. A 2017 study focusing specifically on sub-Saharan countries comes to the same conclusions, with a predominantly demand-leading mechanism at play in Kenya and South Africa and a supply-leading explanation being more robust in Tanzania.

Conclusion:

- Whilst poor households in sub-Saharan Africa inevitably express a substantial amount of risk aversion due to their economic insecurity, this is augmented by a lack of understanding of finance and investing; this represents a barrier to economic development.
- Greater financial inclusion and education – in large part by increasing savings rates – could foster economic growth in sub-Saharan Africa by stimulating investment and capital accumulation.
- Whilst there is some evidence to suggest that insurance sector development could augment economic growth, there is no unanimous consensus on the subject, and in some instances it may be the case that economic growth fosters development of the insurance industry rather than vice versa.

Policy Recommendations

Overview:
The following policy recommendations have been made with the aim of addressing challenges relating to financial education, financial inclusion, and insurance sector development in sub-Saharan Africa:

1. **Action 1 –** Reform insurance regulation in order to encourage insurance sector development across sub-Saharan Africa.
2. **Action 2 –** Encourage NGOs to increase funding for mobile-money infrastructure projects, which have been particularly successful at increasing financial inclusion in developing countries.
3. **Action 3 –** Develop financial literacy programmes as a means of improving understanding of finance and investing, with the main vehicle for these being NGOs in collaboration with the private sector.

Action 1: Fostering a robust regulatory framework is key for strengthening sub-Saharan Africa's insurance industry

Considering that regulatory quality has been shown to be a prominent factor in influencing demand for insurance in Africa[67], implementing a sound regulatory framework will be crucial if insurance penetration is to increase in sub-Saharan Africa.

Deregulation of the insurance sector has previously played a role in growing the insurance sector by increasing market competition, with the Indian life insurance sector seeing "tremendous growth" after the country's state-owned insurance monopoly was abolished and private sector actors were introduced. In the four years following liberalising reforms, insurance premium income increased from Rs. 349bn in 2000-01 to Rs. 828.6 in 2004-05.[68]

That being said, even in the instance of overregulated insurance markets, deregulation is not a panacea. For example, the 1990s brought an end to Ethiopia's state-owned insurance monopoly, with the country's insurance market being liberalised. However, the impact of the reforms on insurance penetration was "limited", having actually fallen from 0.67% in 2003 to 0.41% in 2017.[69] Moreover, the manner in which deregulation is carried out also influences its success; a 2008 study finds that a gradual process of deregulation is likely to be more successful at improving firm performance as compared to a swifter approach.[70]

Other forms of regulatory reform could go a long way towards improving insurance sector efficiency. Regulatory constraints and uncertainty surrounding regulation are currently inhibiting digitalisation of the African insurance sector. For example, in Zimbabwe there is currently ambiguity surrounding the legality of digital signatures. Therefore, it is imperative that regulators actively communicate with insurance companies, providing clarity regarding the legality (or lack thereof) of insurance sector activities. Moreover,

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[67] Bah, M., and Abila, N (2022). Institutional determinants of insurance penetration in Africa. *The Geneva Papers on Risk and Insurance - Issues and Practice*. Available at: https://link.springer.com/article/10.1057/s41288-022-00278-2#:~:text=Specifically%2C%20regulatory%20quality%2C%20rule%20of,total%20insurance%20and%20life%20insurance.

[68] Kaushal, R. (2022). *Trends in Growth of Life Insurance Industry in India Since Deregulation*.

[69] Marriner, J., et al. (2022). *Insurance innovation portrait - Ethiopia*. FSD Africa. Retrieved from https://www.sciencedirect.com/science/article/pii/S0969593107001059

[70] Oetzel, J.M., and Banerjee, S.G. (2008). *A case of the tortoise versus the hare? Deregulation process, timing, and firm performance in emerging markets*. International Business Review Vol 17 Issue 1. Retrieved from https://www.sciencedirect.com/science/article/pii/S0969593107001059

governments must work towards ensuring that insurance companies are not barred from engaging in pursuits that are crucial to digitalisation – such as digital contracting.[71]

Currently, heterogeneity of regulation between sub-Saharan African countries may be making it difficult for multinational insurance companies to operate in the region. Therefore, multilateral cooperation on insurance regulation would be a step in the right direction. To some extent, this already exists in the form of CIMA: an insurance regulator that covers 14 central and west African countries[72], and has implemented regulations such as minimum capital requirements which shield insurers from the adverse effects of unforeseen losses.[73]

Finally, regulation must seek to foster consumer trust in insurance. This is key as it will encourage greater uptake of insurance by firms and households. For example, Nigeria's 2014 Pension Reform Act – which entailed reforms to the country's system of retirement benefits – led to a 70% increase in the purchase of pension products between 2012-2017.[74]

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[71] Beyers, N., Scribante, K., and Gray, J (2020). How are insurance regulators in sub-Saharan Africa being affected by, and responding to, COVID-19?. *FSD Africa*. Available at: https://www.fsdafrica.org/wp-content/uploads/2020/08/Insurance-regulators-COVID-19-28.08.20.pdf

[72] King, P., and Rami, S. (2018). *Insurance regulation in Africa: CIMA – the benefits and challenges*. Commercial Risk. Retrieved from https://www.commercialriskonline.com/insurance-regulation-in-africa-cima-the-benefits-and-challenges/

[73] Loeffel, S. (2021). *Regulatory harmonisation: The benefits for global programmes in the CIMA zone*. Axa. Available at https://axaxl.com/fast-fast-forward/articles/regulatory-harmonisation-the-benefits-for-international-insurance-programmes-in-the-cima-zone#:~:text=CIMA%20set%20out%20rules%20requiring,disruption%20caused%20by%20Covid%2D19.

[74] Bagus, U., Jurd de Girancourt, F., Mahmood, R., and Manji, J (2020). Africa's insurance market is set for takeoff. *McKinsey & Company*. Available at: https://www.mckinsey.com/featured-insights/middle-east-and-africa/africas-insurance-market-is-set-for-takeoff

Action 2: NGOs may seek to provide funding for mobile-money infrastructure projects in lagging parts of Sub-Saharan Africa, to bring them up to speed with their contemporaries

Retail banking in Africa is currently not the same as banking in the west and policies should reflect this. The most cost effective and easy to access form of banking is currently mobile-money; many accounts allow for most standard bank account features - payments, saving, etc. This is shown in its extremely rapid growth within certain Sub-Saharan countries, with the number of transactions via mobile money doubling from 2019 to 2021 in Nigeria from 400 to 800 million.[75] This is drastically different to the concept of mobile banking in developing countries, consisting largely of operating accounts via text, not through a smartphone app, and thus easily accessible from relatively cheap phones.

NGOs should focus particularly on providing access to mobile phones, considering the 46% average ownership across the region, as well as increasing the reach of mobile service. This requires three key steps: first, providing access to mobile phones for the 54%[76] without access to them. This is a somewhat simple task and mostly requires funding from NGOs for the purchase and distribution of cheap cell phones with the capability to text. The second is the creation of the mobile service infrastructure. Again, this largely just requires capital funding to pay for the technology and engineers to install it. The most crucial step is providing education to a small section of the workforce on how to maintain and operate the infrastructure technology. This is crucial, otherwise the countries will be reliant on foreign aid and intervention to maintain a financial network in the long run.

It is worth noting that this policy will be less beneficial for some countries that have a higher adoption rate of mobile-money already. Most notably are Nigeria and Egypt, who already had much of this infrastructure in place and have rapidly adopted mobile money.[77] As such, this policy should probably not operate in such countries, in order to utilise resources and funding most efficiently.

Furthermore, this policy would truly excel when operated in tandem with programmes to boost financial literacy. As touched upon in the briefing, mobile-money accounts are

[75] Mckinsey, (2022) *The future of payments in Africa.* Available at: https://www.mckinsey.com/industries/financial-services/our-insights/the-future-of-payments-in-africa
[76] GSMA, (2022), *The Mobile Economy Sub-Saharan Africa*. Available at: https://www.gsma.com/mobileeconomy/sub-saharan-africa/
[77] Mckinsey, (2022) *The future of payments in Africa.* Available at: https://www.mckinsey.com/industries/financial-services/our-insights/the-future-of-payments-in-africa

potentially harder to utilise due to the lack of person to person contact, and operation that is solely over text message. This means that even if uptake is high, there is no guarantee that the new users would change their behaviour to their benefit due to a lack of understanding how and why to use the service. As such, the effect of this programme would be magnified by the existence of a financial education programme alongside it.

Action 3: NGOs should seek to create financial literacy programmes, either independently or in partnership with existing firms in the region.

As previously explored, the lack of financial literacy is a significant hindrance with regards to economic and quality of life improvements within Sub-Saharan Africa. As such, education campaigns to improve this seem like an important solution. This is not a new idea - education campaigns for a variety of causes have been run for years, with one of the most recent being the African Union International Centre for Girl's "Africa Educated Her" campaign, raising awareness for cultural and institutional obstacles that girls face in Africa with regards to education.[78] This demonstrates that an educational campaign with regards to financial literacy *is* achievable and not just a pipe dream.

However, it is important to consider the manner in which it is delivered. Whilst it may be possible for an NGO to launch one alone, it may be more successful to partner with existing businesses within the region. These do not have to be charities or government organisations; it is perfectly feasible to partner with for-profit businesses. This is demonstrated by the launch of a financial education campaign "Fingreen" by the African based e-commerce business QNET Afrique.[79] These entities would still benefit from increased financial education as it is likely to lead to a rise in incomes in potential customer demographics, consequently boosting their own growth prospects. This path seems more beneficial for two main reasons. The first is that it would allow the use of some pre-existing infrastructures. The nature of the infrastructure would depend on the business partnered with - QNET, for example, has a large number of sales representatives across its countries of operations. They could be used to help spread information to their local communities.

The second reason is it potentially bypasses some cultural barriers. There is naturally some suspicion from households regarding foreign aid and intervention in almost all developing countries - it may be perceived that these foreign entities do not have their best interest at heart, or simple fear of the unknown. Partnering with local businesses and brands somewhat bypasses this issue, as the aid and advice is coming from an entity households already know and trust. This may lead to a higher uptake and participation in an education campaign than if it was run solely by an international or foreign NGO.

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[78] African Union, (2022), *AU/CIEFFA Launches Africa Educates Her Campaign a Rallying Call to Get Girls Back to School.* Available at: https://au.int/en/pressreleases/20200911/aucieffa-launches-africa-educates-her-campaign-rallying-call-get-girls-back

[79] QNET, (2022), *QNET launches FinGreen financial literacy programme to empower women and youth in sub-Saharan Africa.* Available at: https://www.qnetafrique.com/en/rythm-en/fingreen-financial-literacy/

However, this approach needs to be wary of whether it is targeting the necessary demographic. Particularly in cases of partnerships with financial or technological based firms, it is likely to be the case that the demographic they are most likely to reach are already on the more financially literate end of the scale if they are familiar with or utilise these sort of products. As such, extra effort would need to be made so that it would not just be the existing client base targeted by the campaign, but the wider community as a whole.

Furthermore, this is not a policy that, in the economic context of most Sub-Saharan countries, could be justifiably run by the government. These are countries with very small public income, frequently relying on IMF loans and foreign aids to fund public policy. Extra expenditure on a campaign of this sort may require budget cuts in other areas. This is not the same as the UK government reducing spending on job seekers allowance to fund an educational programme for the unemployed - cuts in government spending in these countries may have much more severe impacts on the quality of life of the population, to the extent of worsening starvation in certain regions. As such, this policy is somewhat limited as it only seems to be feasibly run by independent entities such as NGOs that do not run this sort of risk from a budget reallocation.

Overall, this policy potentially has the largest impact out of all suggested. This is because of its synergy with other policies. Improving access to banking or improving the efficiency of insurance markets are only going to have limited impacts if the general population lacks the financial intelligence to make use of these changes. Furthermore, it may help enhance the impact of existing poverty alleviation campaigns in Africa - notable microfinance which, as previously explored, was found to have seen limited success in part due to poor financial literacy leading to high risk aversion and the consequent poor uptake of the programme.

Conclusion:

Having an efficient regulatory framework in place is undeniably crucial for creating a flourishing insurance sector in sub-Saharan Africa; whether this occurs will vary from country to country, but the example of CIMA is certainly a cause for hope; it highlights the possibilities for inter-country cooperation on the matter.

The prospects for mobile-money infrastructure projects are also bright, given the relative inexpensiveness of mobile phones and the fact that some countries on the continent already have a high adoption of mobile money. The big question is whether the political will and institutional capacity will exist for funding the requisite capital investment that will be necessary to sustain mobile service infrastructure.

Finally, financial literacy programmes that have previously been implemented have, in numerous instances, had a track record of success; however precautions must be undertaken by NGOs carrying out financial literacy programmes. This includes the aforementioned formation of connections with local partners and prudent targeting to ensure that financial literacy training is accessible to those that need it most.

As such, all three of these policy recommendations are broadly achievable – something that is especially salient given the positive impact that they could have on development outcomes in a region that for all too long has been fraught with economic insecurity and poverty.