OECD Capital Market Series

Africa Capital Markets Report 2025

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BETTER POLICIES FOR BETTER LIVES

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Foreword

This is the first edition of the OECD Africa Capital Markets Report. The report examines capital market development across the region, provides insights into current market conditions and challenges, and formulates policy considerations. The report draws on unique OECD datasets as well as original analyses of both commercial and publicly available sources. Recognising the diversity of economies and stages of economic development across the continent, the report focuses mainly on middle-income economies with a certain level of capital market activity and market structures. At the same time, parts of the report will be relevant to any African country seeking to expand and deepen the role of market-based financing in its economy.

Chapter 1 examines the growing role market-based financing can play in addressing Africa's economic development challenges. It underscores the relative underdevelopment of capital markets in the region, the reliance on bank financing, and the implications for debt sustainability and climate investment. The chapter also explores capital market policies that African governments have put in place, including national strategic plans, regional initiatives, and efforts to align financial frameworks with international standards.

Chapter 2 explores the state of public equity markets and corporate governance across Africa and outlines key challenges hindering their development. It reviews market size, liquidity, trading activity, costs, ownership structures, and the prevailing corporate governance practices. The chapter concludes by identifying five main policy areas to foster sustained equity market growth and development.

Chapter 3 analyses Africa's corporate debt markets, focusing on bonds, syndicated loans, and private credit. It examines their development over the past two decades within a global context and highlights four main policy considerations to support further debt market development, informed by a review of existing policy initiatives and international experiences.

Chapter 4 analyses the energy sector in Africa, emphasising the critical role of both private and public debt markets in achieving countries' climate goals. It presents regional scenarios for North Africa and sub-Saharan Africa, and challenges in leveraging debt markets for a low-carbon transition. It also explores sustainable bond market growth, and reviews national policies and strategies to expand financing opportunities for climate investment.

Chapter 5 examines the development of African sovereign bond markets and the underlying macro-financial conditions. It reviews recent challenges, including rising borrowing costs, weakening foreign demand, and geopolitical uncertainties that may strain sovereign borrowing capacities. The chapter concludes with policy priorities to deepen local currency bond markets, mitigate financial vulnerabilities, strengthen monetary policy, and encourage sustainable investment.

Chapter 6 analyses the governance frameworks for state-owned enterprises (SOEs) in selected African countries. It reviews key state ownership models and legal frameworks, and emphasises effective state ownership and governance as foundations for capital market development. Finally, it outlines policy priorities for enhanced transparency, predictability, and professionalism in state ownership, which could, in turn, support the growth and development of the continent's capital markets.

Chapter 7 examines the state of AI in selected African countries. It reviews AI applications in capital markets and the wider financial sector, and identifies key barriers to broader adoption of AI. It also offers policy considerations to facilitate the broader, effective, and responsible deployment AI in finance, enabling innovation and efficiency across Africa's financial systems.

Chapter 8 analyses the role of insurance companies and pension funds as institutional investors in Africa's capital markets. It highlights their contribution to market growth, examines constraints limiting their participation, and offers recommendations to expand their role as investors and strengthen their impact on the continent's capital markets.

This report is part of the OECD Capital Markets Series, which supports policy discussions on how capital markets can better channel household savings into productive investment in the real economy. This report was developed in the context of a joint initiative between the OECD and the Regional Centre of Excellence within the Financial Services Commission of Mauritius, and was produced with the financial support of the Financial Services Commission and the Bank of Mauritius.

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Abbreviations and acronyms

AELP	African Exchanges Linkage Project
AfCRA	Africa Credit Rating Agency
AfDB	African Development Bank
AI	Artificial Intelligence
AIRA	AI and Robotics Accelerator
ALCB	African Local Currency Bond
ALTX	Alternative Electronic Exchange
ANGSPE	Agence Nationale de Gestion Stratégique des Participations de l'Etat et de Suivi des Performances des Etablissements et Entreprises Publics (National Agency for the Strategic Management of State Holdings and Monitoring the Performance of Public Establishments and Enterprises), Morocco
APS	Announced Pledges Scenario
APSA	Africa Pension Supervisors Association
AOFSA	Asset Owners Forum of South Africa
ARSEG	The Angolan Insurance Regulation and Supervision Agency
ASEA	African Securities Exchanges Association
AU	African Union
AUM	Assets Under Management
BCEAO	Central Bank of West African States
BEAC	Bank of Central African States
BLS	Baseline Scenario
BVMAC	Bourse des Valeurs Mobilières d'Afrique Centrale
BVMT	Bourse de Tunis
BRVM	Bourse Régionale des Valeurs Mobilières
BSE	Botswana Stock Exchange
CAGR	Compound Annual Growth Rate
CGU	Corporate Governance Unit of the Office of the President and Cabinet, Zimbabwe
CIS	Collective Investment Scheme
CMDTF	Capital Markets Development Trust Fund
CNPE	Conseil national des participations de l'état (National Council on State Ownership), Algeria
CMI	Capital Market Infrastructure
CMS	Capital Markets Scenario
COVID-19	Coronavirus Disease of 2019
CSD	Central Securities Depository
CSE	Bourse de Casablanca
CTSE	Cape Town Stock Exchange
DBSA	Development Bank of Southern Africa
DFI	Development Finance Institution
DFS	Digital Financial Services
DGPE	General Directorate of the State's Portfolio, Côte d'Ivoire
DGSPM	Direction Générale du secteur public marchand, General Directorate of the public commercial sector, Algeria
DSE	Dar es Salaam Stock Exchange
EAC	East African Community
EGX	The Egyptian Exchange
EIB	European Investment Bank
EM	Emerging Markets
EMDE	Emerging Markets and Developing Economies
EPA	Établissements publics à caractère administratif (Public establishments of an administrative nature)
EPIC	Établissements publics à caractère industriel et commercial (Public establishments of an industrial and commercial nature)
ESG	Environmental, Social and Governance
FinTech	Financial Technology
FSCA	Financial Sector Conduct Authority
GDP	Gross Domestic Product
GenAI	Generative Artificial Intelligence
GSE	Ghana Stock Exchange
IDC	Industrial Development Corporation, Zambia
IEA	International Energy Agency
IFC	International Finance Corporation
ILO	International Labour Organisation
IMF	International Monetary Fund
IPO	Initial Public Offering

JSC	Joint Stock Company
JSE	Johannesburg Stock Exchange
KEPFIC	Kenya Pension Funds Investment Consortium
KYC	Know Your Customer
LCSA	Lusaka Clearing and Settlement Agency
LIC	Low Income Country
LLC	Limited liability company
LUSE	Lusaka Stock Exchange
MAIC	Mauritius AI Council
MDB	Multilateral Development Bank
MSME	Micro, Small and Medium-sized Enterprise
MFW4A	Making Finance Work for Africa
MOFI	Ministry of Finance Incorporated, Nigeria
MoFNP	Ministry of Finance and National Planning, Zambia
MoFPED	Ministry of Finance, Planning and Economic Development, Uganda
MPBS	Ministry of Public Business Sector, Egypt
NAIS	National Artificial Intelligence Strategy
NGX	Nigeria Exchange
NPRA	National Pensions Regulatory Authority
NSE	Nairobi Securities Exchange
NSX	Namibia Securities Stock Exchange
NYSE	New York Stock Exchange
ODA	Official Development Assistance
OHADA	Organisation for the Harmonisation of Business Law in Africa
PEEPA	Public Enterprises Evaluation and Privatisation Agency, Botswana
OBG	Oxford Business Group
OTC	Over-the-counter
PAPSS	Pan-African Payment and Settlement System
PASE	Pan-African Stock Exchange
PAPSS	Pan-African Payment and Settlement System
PenCom	National Pension Commission
PIA	Pensions and Insurance Authority
PEMC	Public Enterprise Monitoring Commission, Seychelles
PPP	Purchasing Power Parity
PSEC	Presidential State-Owned Enterprises Council, South Africa
PSS	Public Sector Scenario
R&D	Research and Development
RBA	Retirement Benefits Authority
RegTech	Regulatory Technology
REIT	Real Estate Investment Trust
RTGS	Real-time Gross Settlement
SADC	Southern Africa Development Community
SCAC	State Corporations Advisory Committee, Kenya
SEM	Stock Exchange of Mauritius
SIGA	State Interests and Governance Authority, Ghana
SMS	Short Messaging Service
SOE	State-owned enterprises
SOE Guidelines	OECD Guidelines on Corporate Governance of State-owned Enterprises
SPO	Secondary Public Offering
SSA	sub-Saharan Africa
Stats SA	Statistics South Africa
SupTech	Supervisory Technology
TCX	The Currency Exchange Fund
USD	United States Dollar
UNCTAD	UN Trade and Development
URBRA	Uganda Retirement Benefits Regulatory Authority
USE	Uganda Stock Exchange
VC	Venture Capital
VFEX	Victoria Falls Stock Exchange
WAEMU	West African Economic and Monetary Union
WAMI	West African Monetary Institute
WASMIC	West African Capital Markets Integration Council
WMO	World Meteorological Organization
ZIPSS	Zambia Interbank Payment and Settlement System
ZSE	Zimbabwe Stock Exchange

Executive summary

Developing a vibrant and well-functioning domestic capital market is a priority for many African economies. Stronger market-based financing could help mobilise resources for the real economy, spur innovation and competitiveness, and drive sustainable growth. Stronger capital markets could also help harness Africa's dynamic demographics and improve financial inclusion. Several African countries, particularly middle-income economies with some level of capital market activity and supporting market infrastructure, have already implemented capital market development strategies, deepened regional financial integration, and aligned their frameworks with global standards. Nonetheless, progress remains uneven across the continent. Many markets continue to face significant challenges, including limited market infrastructure and liquidity, shallow investor bases and regulatory fragmentation. These constraints may limit their ability to close climate transition investment gaps and fully support sustainable economic growth.

While diverse in structure and maturity, African capital markets are overall less developed than those in other emerging market economies.

Over the past 25 years, a number of African countries have established stock exchanges, and companies have raised about USD 220 billion in equity capital. Yet, this represents only 1% of the total value of equity raised globally and 3% of that by emerging market companies, and is equivalent to only 0.5% of African GDP, a much lower share than in other regions. Moreover, capital market activity in Africa remains highly concentrated, with South Africa, Egypt and Nigeria together accounting for over 80% of total capital raised in the region. Trading activity is generally low and is concentrated in a few large companies, partly due to high trading costs. Policy efforts focusing on attracting more issuers, especially smaller and underrepresented companies, by reducing barriers, improving transparency, and creating flexible listing frameworks, could help deepen market activity and broaden domestic participation. Digitalising trading infrastructure and supporting regional capital market integration could expand the broker network, promote cross-border activity, and lower operational costs.

Many African countries have aligned their corporate governance frameworks with international standards, including by empowering regulators with broad oversight across all market segments and improving investor protection. However, implementation of frameworks is uneven, and concentrated ownership presents a particular challenge. Corporations own 24% of the listed equity in Africa, compared to 19% in emerging markets and 9% globally, a potential sign of weaker protection for minority shareholders. Improving investor confidence calls for stronger board independence and increased transparency, as well as better minority shareholder protection. The recent establishment of the African Principles on Corporate Governance and update of international corporate governance standards present an opportunity to upgrade corporate governance codes.

The limited use of bonds and syndicated loans in corporate financing underscores the region's shallow domestic investor base.

Outstanding corporate debt in the form of bonds and syndicated loans remains low across African countries, both as a share of GDP and in absolute terms, compared to global averages. Moreover, it has declined gradually in recent years. Total outstanding corporate debt fell from approximately USD 230 billion in 2020 to around USD 180 billion in 2024, representing just 1% of global corporate debt and about 5% of that of emerging markets. Furthermore, four economies (South Africa, Egypt, Nigeria, and Mauritius) account for roughly 60% of the continent's total. This underscores the strong concentration of corporate borrowing in a few more developed financial markets, as well as the broader link between corporate debt depth and economic and financial market development. Furthermore, African countries remain exposed to significant foreign currency risk, as a large part of both corporate and sovereign debt is denominated in foreign currencies, in contrast to most advanced economies. This reflects generally weak and fragmented regulatory frameworks and market infrastructure, a high reliance on foreign capital, and the underdevelopment of domestic institutional investors.

Broadening the investor base, including foreign investors, is essential, but excess foreign dependency could also lead to increased vulnerability arising from global uncertainty, monetary policy cycles, and financial instability. It is therefore equally important that African countries develop policy and regulatory frameworks that help to promote a strong domestic investor base, including pension funds and insurance companies. Expanding the pool of investors requires deepening regional integration, harmonising regulatory frameworks, and ensuring interoperability between market infrastructures. It also involves creating a more competitive environment that lowers transaction and operating costs while promoting digitalisation.

The climate transition in Africa faces a major financing gap, with the need to better leverage debt markets and private sector investment, particularly in the energy sector.

Achieving clean energy investment needs requires a substantial increase in capital expenditure. For example, meeting the announced 2026 pledges in Africa will require doubling current investment levels. This underscores the importance of the involvement of both private and public sectors to achieve climate goals aligned with announced pledges. Assuming recent trends in public and private climate investment persist, the continent is expected to face investment shortfalls until 2040.

Further integrating African capital markets would help mobilise funds for the climate transition by expanding investor bases, leveraging underutilised liquidity, and broadening investment options. Sustainable bonds, critical for financing this transition, could be a particularly useful instrument for energy companies. Initiatives like the African Exchange Linkage Project, connecting ten major exchanges covering 90% of the continent's total market capitalisation, could be expanded to broaden market integration.

State-owned enterprises, amongst Africa's largest companies, often lack robust corporate governance frameworks, limiting their participation in capital markets.

Forty-four of the largest 100 companies in Africa by turnover are state-owned, and many operate in strategic sectors such as mining, energy and telecommunications. However, the legal frameworks governing these enterprises often lack comprehensive ownership rationales and objectives, while governance arrangements can be inconsistent and subject to political discretion. This has frequently resulted in poor financial performance, limited transparency and weak accountability. Establishing clear

state ownership and ensuring the separation of ownership, regulatory and policymaking responsibilities are essential to address these challenges.

In recent years, several countries have made progress by introducing institutional and legal reforms, and outlining performance expectations and governance responsibilities. African governments could further strengthen state-owned enterprise (SOE) performance and market impact by enhancing the availability and transparency of SOE data, including aggregated performance reports, modernising legal frameworks to reinforce accountability, and disclosing clear ownership policies. Integrating SOE governance reforms within broader capital market development strategies could help unlock critical financing, attract investors, and catalyse private sector growth.

Nurturing local currency sovereign debt markets would improve debt sustainability and support private sector participation.

Despite the significant growth in sovereign bonds in the region over the past two decades, Africa accounts for only 1% of global sovereign bonds, lower than its 3% share of global GDP. Since 2022, rising borrowing costs, weaker foreign demand, and reduced access to official financing have increased reliance on costly market-based debt. Combined with large refinancing needs, these pressures are straining fiscal capacity in many African countries. Around 80% of rated African countries are classified as high risk or lower, with average real yields of 5% for local currency bonds, and nominal yields of 9% for USD-denominated bonds. These high yields also influence corporate bond pricing, raising the cost of capital across the region.

To develop a deeper local bond market, mitigating financial vulnerabilities, developing long-term borrowing strategies, and improving coordination across fiscal, monetary and regulatory policies are essential. Prudent debt management and a gradual shift toward greater reliance on local currency-denominated bonds are also critical. Measures to enhance liquidity, reduce costs, and diversify the investor base could be considered. These include building liquid benchmark bond lines and exploring retail debt programmes for investors, as well as strengthening market foundations in coordination with central banks and other key market participants.

Nascent pension funds and insurance companies limit the investor base.

Unlike in many advanced economies, insurance companies and pension funds play a limited role as institutional investors in most African countries. The limited size of their assets and their considerable allocation to government securities prevent them from contributing as stable providers of long-term capital. For pension funds, low incomes and high levels of informal employment present additional constraints.

Strong, transparent and clear regulatory and supervisory frameworks are needed to strengthen the role of institutional investors. Depending on the context, potential measures could include enhancing the protection of policyholders' interests in the insurance market, increasing pension participation through mandates or the implementation of automatic pension enrolment, supporting portfolio diversification, and facilitating long-term investments. Some countries in the region have succeeded in expanding asset-backed pension participation and growing pension assets considerably, with scope for the exchange of good practices and experiences in the region.

Unlocking AI’s full potential for financial inclusion and market development requires reducing barriers.

While Africa lags behind other regions in formal banking access, it is among the highest users of digital and mobile finance globally. Digital financial services powered by advances in computing technologies

have expanded access to financial services for underserved populations through innovations such as mobile money platforms, digital lending applications, and technology-based remittance solutions. Through tailored, data-driven and cost-effective solutions, AI could further promote financial inclusion and participation in capital markets by, for example, using alternative data to assess creditworthiness and support access to basic financial services for citizens with sparse financial records and other underserved groups. AI innovation could also support capital market development by enhancing operational efficiency and enabling proactive supervision through AI-based supervisory technology tools.

However, Africa faces barriers to fully leverage the transformative potential of AI. These include infrastructure constraints, high implementation costs, shortages of skilled professionals, inadequate data quality and availability, cyber risks, and gaps in financial literacy. Further investment in AI-enabling infrastructure, research and development, and human capital, supported by robust regulation that balances innovation with consumer protection and market stability, is needed. At the same time, AI models must be trained on locally sourced, representative data to reflect the continent's linguistic, cultural, and socio-economic diversity.

1 Developing capital markets for growth in Africa

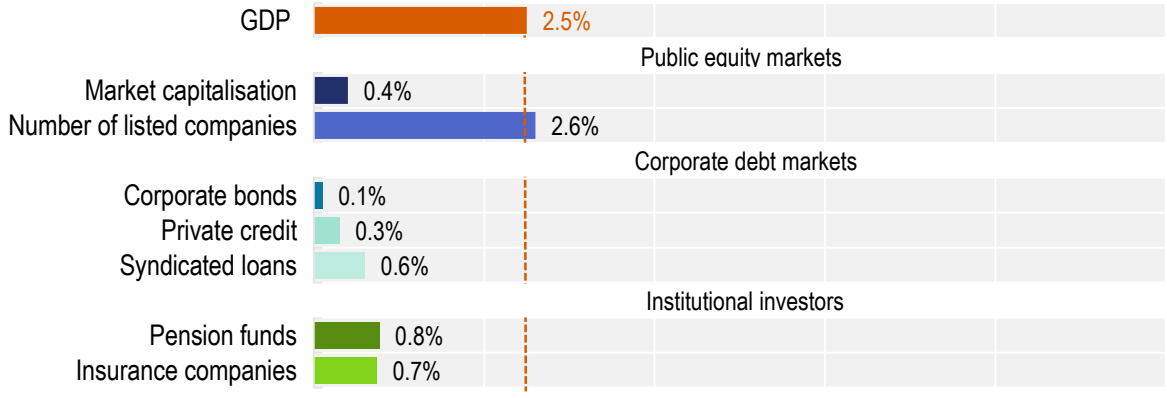
This chapter examines the development of capital markets across Africa and highlights the growing need to expand market-based financing in the region. Despite Africa's rising economic significance, its capital markets remain relatively underdeveloped and underutilised compared with those of other emerging economies. At the same time, achieving key economic objectives, such as narrowing business investment gaps, promoting formal employment, supporting climate and infrastructure adaptation, technological adoption, and improving public debt sustainability, depends on broader and more diversified forms of domestic capital. These challenges underscore the growing importance of implementing structural policy reforms at the country level and pursuing market integration initiatives at the regional level to deepen and strengthen capital market development across the continent.

1.1. Despite notable progress, Africa's capital markets are underrepresented globally

Capital markets have evolved at different paces across countries and regions over the past two decades. In most regions, market capitalisation in public equity markets has grown since 2000. While the number of listed companies in advanced economies has declined, this has been more than offset by listings in Emerging Market and Developing Economies (EMDEs), particularly in Asia, which now hosts more than 50% of the world's listed companies. Debt instruments other than direct bank lending have also grown to become an important form of corporate financing across regions over this period (OECD, 2025[1]).

In Africa, equity markets grew between 2000 and 2024, with market capitalisation increasing 27 times, to reach USD 561 billion. The number of listed companies shrank slightly over the period, due in large part to consolidations in Egypt and South Africa. Corporate bond issuance has remained steady, while syndicated loans have almost doubled both in terms of issuance and outstanding amounts. Despite this progress, Africa's relative share of global capital market activity has declined over time, with the region's capital market activity concentrated in a handful of economies. As a result, the region's capital markets continue to play a relatively modest role in global finance across nearly all indicators (Figure 1.1).

Figure 1.1. Africa's share in global capital markets, 2024

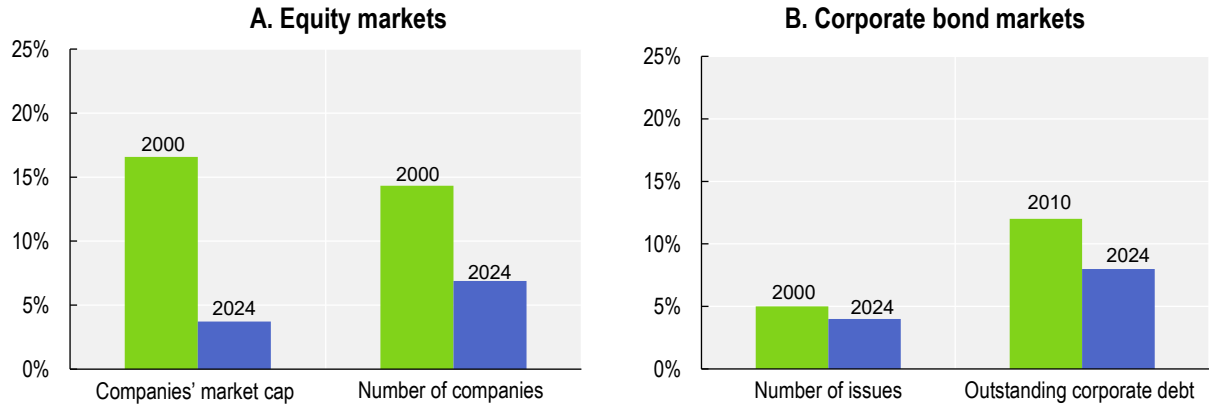


Source: OECD Capital Markets Series, Africa Finance Corporation (2025[2]), State of Africa's Infrastructure Report 2025 https://www.africafc.org/our-impact/our-publications/state-of-africa-infrastructure-report-2025

The relative decline of Africa's capital market activity is in part explained by the considerable growth of some EMDEs in other regions, outstripping developments in Africa (Figure 1.2). Equity markets have seen significant growth in EMDE listings, mostly in Asia. Africa's corporate debt issuance has also lagged behind other EMDEs, with outstanding amounts declining in relative and absolute terms between 2010 and 2024. These developments are discussed further in chapters 2 and 3.

African countries face a number of opportunities and challenges, which require a substantial scaling up of private investment, made all the more difficult by the general underdevelopment and underuse of capital markets in the region. At the same time, the presence of some level of capital market activity underlines the potential for growth in market-based financing in many jurisdictions. The rest of this introductory chapter explores some key economic imperatives of capital market development among African countries, how key economies in the region are reacting to these, and how this report can support these efforts.

Figure 1.2. Evolution in Africa's share of capital market activity among EMDEs (ex. China)



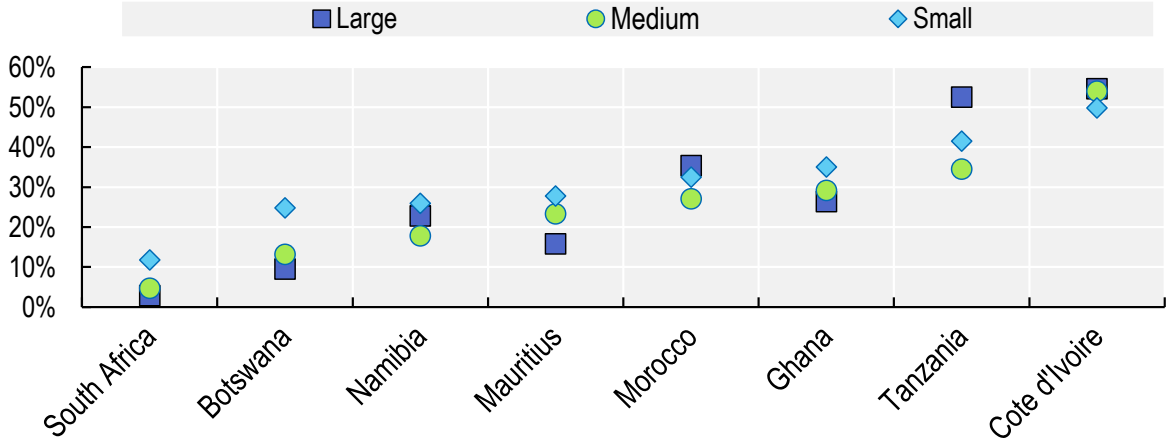
Source: OECD Capital Markets Series dataset.

1.2. Diversifying financing to bridge business funding gaps

Limited access to finance remains a major impediment to business growth in many African jurisdictions, constraining capital investment, productivity gains, and achieving operational scale. Across the 23 African countries with recent participation in the World Bank Enterprise Survey, access to finance was identified as the single largest obstacle to business by 31% of respondents, roughly three times the next most cited obstacle (taxation), and well above the world average for this category (17%) (World Bank, 2025[3]). Smaller businesses are particularly affected in many jurisdictions (Figure 1.3).

Figure 1.3. Share of companies identifying access to finance as a constraint in selected countries

(% of responding businesses)

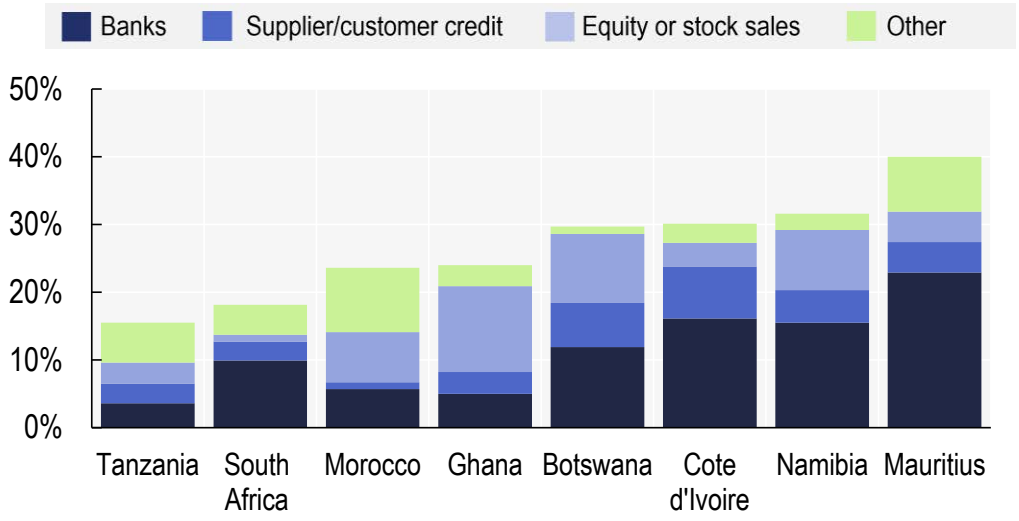


Note: Years represented range from 2020 to 2024, depending on the availability of data.
Source: World Bank (2025[3]), World Bank Enterprise Surveys https://www.enterprisesurveys.org/

Internal financing is the most common source of funding for businesses in selected African countries. In terms of external financing sources, bank financing is particularly dominant in many countries, including

Mauritius, Namibia, Côte d'Ivoire, Botswana and South Africa, while others show a more balanced mix of sources (Figure 1.4).

Figure 1.4. Share of business investment financed externally, by source



Source: World Bank (2025[3]), World Bank Enterprise Surveys https://www.enterprisesurveys.org/
Note: Years represented range from 2020 to 2024, depending on the availability of data.

While banks play an important role in business financing, structural features of bank lending can lead to gaps in access to finance. For example, requirements such as collateral and financial history can disproportionately exclude micro, small and medium enterprises (MSMEs) from formal credit systems, an important consideration considering MSMEs account for roughly 80% of employment across the region (AUDA-NEPAD, 2022[4]).

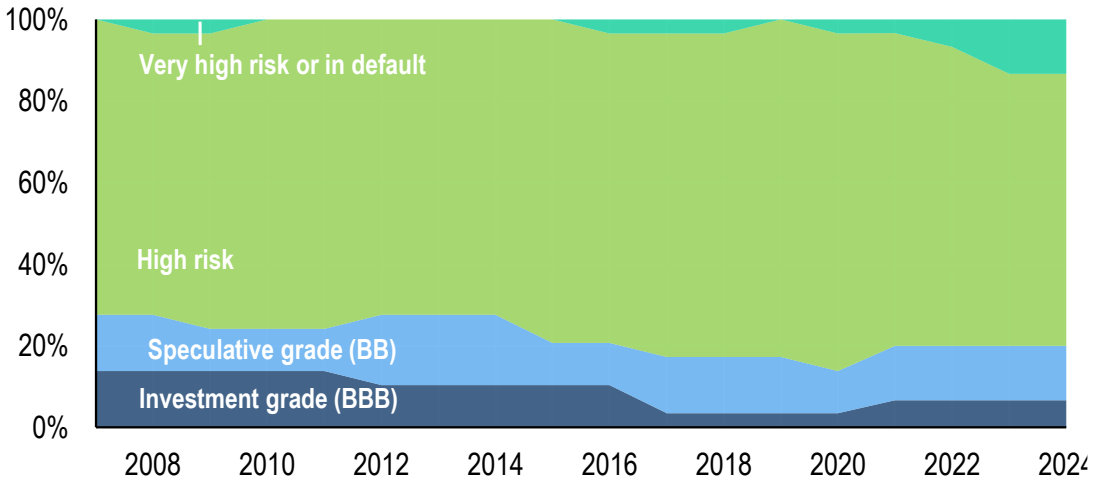
There is also evidence that rising sovereign issuance may be crowding out private credit in some jurisdictions with bank-centric finance ecosystems. Sovereign debt instruments can be a safer and more attractive asset for banks than private sector loans due to generally lower risks and a more liquid secondary market. Across the region, banks' public sector exposures increased by close to 70% between 2010 and 2023, to 17.5%, corresponding to a decline in private sector lending over the same period (EIB, 2024[5]).

1.3. Building domestic currency markets to support debt sustainability

The size and depth of the local market for sovereign debt not only impact capital allocation to the private sector but also the total cost of public debt. As discussed in Chapter 5 of this report, nominal yields on foreign currency debt (usually USD-denominated) for African countries are generally lower than on local currency debt. However, the cost is highly volatile, and when considering the total costs at maturity, foreign currency debt exceeds the cost of local currency debt.

The lack of domestic currency markets for sovereign securities can add to debt sustainability pressures at a time when, as of 2024, roughly 80% of African countries were classified as high risk or very high risk, with only two countries (Botswana and Mauritius) securing investment-grade ratings (Figure 1.5). At the same time, developing domestic currency government bond markets over the long term can create a virtuous circle for wider capital market development, contributing to investor demand and liquidity.

Figure 1.5. Share of African EMDEs by credit rating

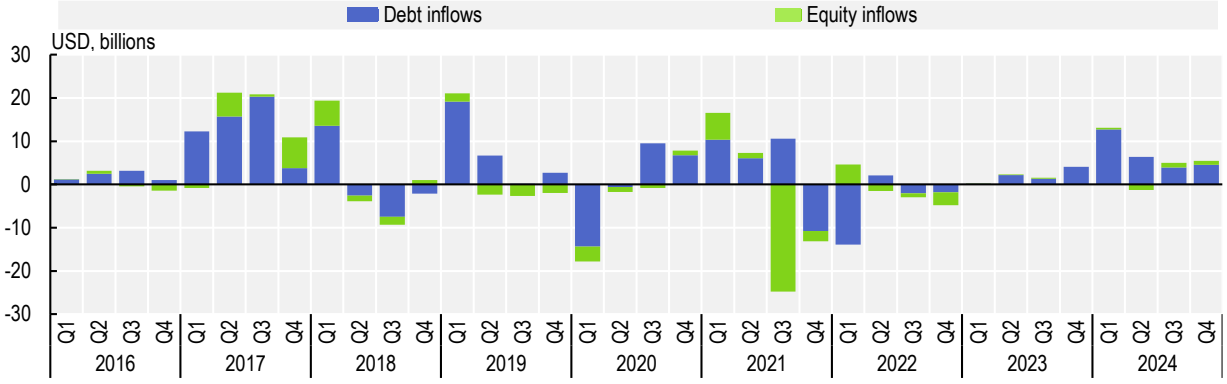


Source: LSEG and OECD calculations.

1.4. Lifting capacity to manage external shocks and leverage domestic resources

In the absence of deep and well-functioning capital markets, EMDEs can be particularly exposed to large fluctuations in foreign capital flows arising from geopolitical tensions, global policy uncertainty, monetary policy cycles, and financial stability shocks (OECD, 2024[6]). Many African countries have experienced significant periods of volatility in incoming portfolio flows, as well as important outflows following the monetary policy tightening cycle in advanced economies in 2022 (Figure 1.6). Portfolio inflows have generally been muted since the COVID-19 period, with average quarterly equity inflows turning negative between 2020 and 2024 and average quarterly debt inflows falling by more than half the pre-pandemic average in 2016-2019. This highlights the challenges that these economies face in relying on foreign portfolio flows as a stable, long-term source of capital.

Figure 1.6. Portfolio capital flows to selected African economies

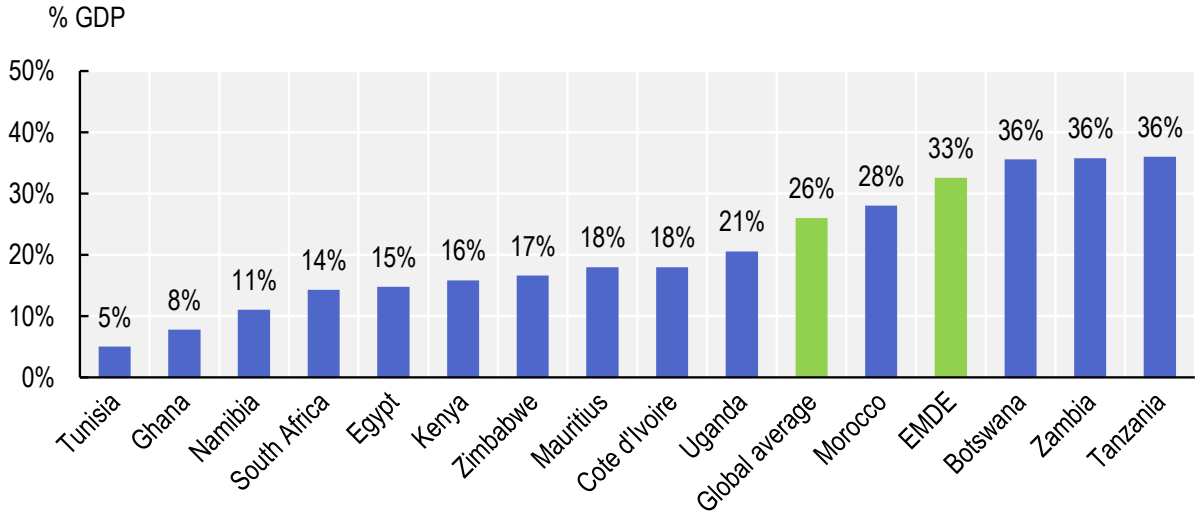


Note: Countries represented in the data sample are Botswana, Egypt, Ghana, Mauritius, Morocco, Namibia, Nigeria, South Africa, Tanzania, Tunisia, Uganda, Zambia and Zimbabwe.
Source: IMF (2025[7]), Balance of Payment dataset, https://data.imf.org/en/datasets/IMF.STA:BOP

Strengthening domestic savings mobilisation would support economic resilience by reducing dependence on volatile external financing and providing a stable buffer against global shocks. African countries' domestic saving rates are generally lower than the global average, with widespread differences and large informal saving channels (Figure 1.7). Family and friends remain a significant source of credit across the region, arising from structural features in financial markets but also, importantly, cultural mores which emphasise local and relationship-based lending (Obonyo and Sydow, 2024[8]). Widening the availability of investment options for households could help transform savings into a durable domestic capital base and boost the efficiency of capital allocation. However, they need to be tailored to local cultural norms and preferences.

While some jurisdictions can be successful in developing households' direct access to capital markets, for example, through instruments available on public markets, others may consider frameworks that recognise, support and formalise informal lending. Indirect saving measures such as asset-backed pension regimes could be particularly effective in channelling household savings towards investment while simultaneously building demand for local securities. The pension assets of many African economies are well below the global average, as discussed in Chapter 8, with ample scope to establish and develop them further.

Figure 1.7. Savings rates in selected African economies, 2023



Source: World Bank (2025[9]), Gross savings dataset, https://data.worldbank.org/indicator/NY.GNS.ICTR.ZS

1.5. Financial market reform efforts are underway across many middle-income African economies

Achieving a more diverse ecosystem of market-based financing will place African EMDEs in a stronger position to address some of their most pressing economic challenges, while also supporting longer term economic development and competitiveness. Capital markets are well-placed to provide the patient capital needed to finance riskier ventures, including in innovation and research, capital expenditure for expansion, early-stage growth companies, and infrastructure projects (OECD, 2025[1]). They support the diffusion of new technologies and will be central to meeting the climate finance gap and financing energy infrastructure.

Reflecting the growing importance of capital markets for future economic prosperity, many middle-income African EMDEs have recently undertaken or have planned comprehensive reforms to strengthen their

financial systems. Out of 16 African EMDEs selected for size and level of capital market activity, 13 currently have Capital Market Master Plans (CMMPs) in place (Table 1.1). The CMMPs generally seek to identify barriers hindering capital market growth and to formulate comprehensive strategies to address them, oriented around enhancing resilience to external shocks, improving resource allocation, increasing financial inclusion, and boosting private sector investment.

The specific objectives and policies vary between countries, depending on factors such as market maturity, regulatory readiness, and digitisation capacity, reflecting the diversity of capital market development and needs across economies. For example, Tanzania has prioritised modernising its legal and regulatory frameworks to align with global standards (Capital Markets and Securities Authority, 2018[10]). Kenya, having recently modernised its regulatory environment with the Capital Markets Act in 2023, has focused its CMMP on Environmental, Social, and Governance (ESG) finance. This includes the creation of educational campaigns, the establishment of disclosure standards, the development of green taxonomies, and increased investment in staff training and talent development (Capital Markets Authority, Kenya, 2023[11]). Meanwhile, with the rapid adoption of digital technologies in finance across the continent, several countries have prioritised financial technology as a key strategic area within their respective CMMPs, including Ghana, Mauritius, Morocco, Namibia, South Africa, and Zambia.

Table 1.1. Overview of capital market policy initiatives in selected African EMs

Country	Capital Market Master Plan, starting year	IOSCO signatory, year signed	Sustainable Stock Exchange
Botswana	✓ 2026	X	✓
Cote d'Ivoire	X	✓ MMoU, 2009	✓
Egypt	✓ 2022	✓ MMoU, 2012	✓
Gabon	X	✓ MMoU, 2015	X
Ghana	✓ 2021	✓ MMoU, 2022	✓
Kenya	✓✓ 2014, 2023	✓ MMoU, 2009 ✓+ EMMOU, 2025	✓
Mauritius	✓ 2025	✓ MMoU, 2012	✓
Morocco	✓✓✓ 2017, 2021, 2024	✓ MMoU, 2007	✓
Namibia	✓✓ 2018, 2022	X	✓
Nigeria	✓✓ 2015, 2021-2025	✓ MMoU, 2006	✓
South Africa	✓✓✓ 2018, 2021, 2025	✓ MMoU, 2003 ✓+ EMMoU, 2024	✓
Tanzania	✓✓✓ 2013, 2018	✓ MMoU, 2011	✓
Tunisia	X	✓ MMoU, 2009	✓
Uganda	✓✓✓ 2016, 2021, 2023	✓ MMoU, 2017	✓
Zambia	✓ 2022	✓ MMoU, 2018	X
Zimbabwe	✓ 2021	X	✓

Note: Cote d'Ivoire's status in IOSCO is considered as part of the West African Monetary Union and in the Sustainable Stock Exchange initiative as part of the BRVM, and Gabon's as part of Securities and Exchange Commission of Central Africa.
Source: Published national and/or regional authority CMMPs, IOSCO (2025[12]) https://www.iosco.org/v2/about/?subSection=mmou&subSection1=signatories, Signatories to Appendix A and Appendix B to the MMOU, Sustainable Stock Exchanges Initiative (2025[13]), SSE Partner Exchanges.

1.6. Alignment with international standards and practices is an important pillar of local market reform

As part of domestic market reforms, many African EMDEs are actively aligning financial markets legislation, regulatory policies and corporate governance frameworks with international standards. This alignment aims to foster a strong financial infrastructure and a prudent regulatory environment that empowers

regulators with broad oversight across all market segments, protects investors, mitigates systemic risks and facilitates capital formation.

One measure of regulatory alignment is adherence to the International Organization of Securities Commissions (IOSCO) Multilateral Memorandum of Understanding (MMoU), to which 17 African regulators are signatories. Two African regulators — South Africa's Financial Sector Conduct Authority and Kenya's Capital Markets Authority — are also signatories to the Enhanced Multilateral Memorandum of Understanding Concerning Consultation and Co-operation and the Exchange of Information (EMMoU). Alignment with this international benchmark strengthens domestic securities market regimes by supporting supervisory and enforcement co-operation, combating cross-border misconduct and enabling the sharing of information, experiences, and best practices. It also serves to signal a commitment by regulators to uphold legal protections and shareholder rights, key drivers of capital market development, as explored further in Chapter 2 of this report.

Participation in global sustainable finance initiatives is also emerging as an important element of local policy development. For example, 16 African EMDEs, comprising 17 African stock exchanges, are partner exchanges of the United Nations (UN) Sustainable Stock Exchanges (SSE) Initiative, a collaborative platform for exchanges, investors, issuers, regulators, policymakers, and international organisations to improve ESG performance and promote sustainable investment — particularly in support of financing the UN Sustainable Development Goals (SDGs).

1.7. Leveraging digital technologies to increase retail investor participation and strengthen financial inclusion

Retail investors can play a vital role in a country's capital markets by expanding the domestic savings pool, enhancing liquidity, stabilising markets and driving product innovation. In countries where traditional financial infrastructure is limited, digital tools reduce barriers, increase access, and build engagement, enabling more households to channel domestic savings into capital markets and thereby deepening those markets. For example, in Asian EMDEs, notably Korea and Chinese Taipei, retail investors are key participants in domestic equity trading, accounting for 64% and 54% of the daily turnover, respectively (OECD, 2025[1]). This heightened activity has been enabled by the widespread adoption of FinTech, including digital brokerages and mobile based platforms, and improved financial literacy.

Adoption rates of FinTech are also high in Africa. Globally, four African countries – Nigeria (2nd), Ethiopia (26th), Kenya (28th) and South Africa (30th) – rank among the top thirty in cryptocurrency adoption (Chainalysis, 2024[14]), underscoring the continent's openness to emerging digital technologies in finance. Many countries in the region have used digital financial services (DFS) to expand access to financial services through innovations like e-money, digital payments and remittances, crowdfunding, and tailored credit solutions, as further explored in Chapter 7. In this context, retail bonds delivered through DFS and FinTech innovations can serve as an effective means of channelling household savings into financial markets, complementing the sovereign financing programme while promoting financial literacy. For example, the Kenyan government has actively encouraged retail investment in government securities through its mobile bond platform, as further explored in Chapter 5 of this report.

However, the widespread adoption of FinTech and digital innovation in Africa has not yet translated into an increase in retail investor participation in domestic markets. Recognising this, African countries have introduced initiatives to further promote FinTech solutions to enhance investor participation and inclusion. For example, Nigeria's Securities and Exchange Commission (SEC, Nigeria, 2025[15]), Botswana's Non-Bank Financial Institutions Regulatory Authority (NBFIRA, 2025[16]), and the Seychelles' Financial Services Authority (FSA, Seychelles, 2025[17]) have developed responsible FinTech regulatory frameworks. These

frameworks are centred around promoting transparency, enhancing consumer protection, building relevant financial literacy, and facilitating innovation-friendly growth.

1.8. Regional integration initiatives can reinforce the positive impacts of national reforms

Regional integration, combined with coordinated market development and accompanying regulatory harmonisation, can be a powerful mechanism to drive scale and depth in smaller markets, support inter-African trade and investment, and cushion exposure to global shocks. In Africa, established regional exchanges, notably the Bourse Régionale des Valeurs Mobilières (BRVM) serving the West African Economic and Monetary Union (WAEMU), and the Bourse des Valeurs Mobilières de l'Afrique Centrale (BVMAC) serving the Central African Economic and Monetary Community (CEMAC), have allowed countries to pool capital, promote regulatory convergence and support the development of unified platforms for market-based finance.

The African Exchanges Linkage Project (AELP) have also been developed to support operational connectivity among exchanges. Launched in 2022, Phase I of AELP connected seven of the continent's largest and most active exchanges (BRVM, Casablanca, Egyptian, Johannesburg, Nairobi, Nigeria and Mauritius) which, combined, represent over 90% of Africa's total market capitalisation. A second phase will seek to expand connectivity with the inclusion of the Botswana Stock Exchange, the Ghana Stock Exchange and the Uganda Securities Exchange (AELP, 2025[18]).

1.9. A robust foundation for further capital market development

Though Africa's capital markets are generally underdeveloped relative to the region's economic weight and fragmented in terms of size and level of sophistication, the existence of infrastructures and a base level of activity provide a robust foundation on which to continue domestic and regional market development. How governments use the various policy and operational levers at their disposal will be the main determinant in realising their stated capital market strategies and goals.

Importantly, capital market development is a long-term project. The experience of Asian EMDEs following the Asian Financial Crisis has demonstrated how comprehensive, sustained domestic market reforms can help build vibrant market ecosystems which support dynamic and diversified economies. This achievement was at least two decades in the making and is still ongoing.

This report provides analysis and presents policy considerations with a general focus on middle-income African economies, which have an existing level of capital market activity. It covers fundamental elements of market governance and the supporting infrastructures for equity and corporate debt, including corporate governance regimes. It examines levers within wider government policy that can be used to drive further development in markets, such as state ownership practices, public debt management and pension regimes. Finally, it also connects market governance with concrete economic priorities around the adoption of digital technologies. In doing so, it aims to support African countries' efforts to develop local capital markets into sustained sources of finance which drive economic development and bring tangible positive impacts to the lives of citizens.

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2 Public equity markets and corporate governance

This chapter examines public equity markets and corporate governance frameworks in Africa. It begins with an overview of African equity markets in terms of size, liquidity, activity, trading costs and ownership structure, followed by a review of corporate governance frameworks. The chapter then discusses key challenges to market development and identifies five priority policy areas essential for advancing and strengthening Africa's equity markets.

Key messages

- African equity markets are characterised by their limited size, depth and liquidity. Companies raise less equity capital on public markets compared to companies in other emerging markets and most activity is concentrated in just a few countries, including South Africa, Egypt, Nigeria and Morocco. Encouraging listings will require lowering regulatory and cost barriers, enhancing transparency and boosting investor confidence. Broader issuer participation and greater regional integration, including cross-border listings, can expand market access and make public equity a more viable financing option. Listing SOEs on domestic stock exchanges can serve as a powerful tool to deepen public equity markets, boost liquidity, and attract both institutional and retail investors.
- Most trading activity in Africa is concentrated in a few large companies with low retail investor participation and high trading costs. High trading costs on most African exchanges limit liquidity, distort prices, and discourage both companies and investors. Encouraging listed companies to increase their free float ratios and reducing trading costs, through greater competition among brokers and simplified fee structures, are essential. Digitalising the trading infrastructure and supporting regional integration initiatives can expand the broker network, promote cross-border activity and lower operational costs.
- Institutional investors, both domestic and foreign, have a limited role in most African countries. The domestic institutional investor base is still nascent in the region. Pension reforms could help expand the role of domestic institutional investors. Attracting more investors will also require actions by regulators to strengthen minority shareholder rights. For example, by lowering the ownership threshold required to request an annual shareholder meeting and to place an item on the agenda. The availability of digital tools is also key to ensure shareholders can exercise their rights properly.
- Countries across the region have established corporate governance frameworks, yet implementation has been challenging. Initiatives that facilitate knowledge sharing of good practices could help improve frameworks across the continent, and reforms that prioritise accountability and transparency could increase investor confidence in corporate governance practices. Given high ownership concentration, stronger board independence and improved disclosure of board composition would support minority shareholder protection.
- While the quality of corporate governance codes is relatively sound, many codes have not been updated in the past five years. The recent release of the African Principles of Corporate Governance and revisions to the G20/OECD Principles of Corporate Governance and OECD Guidelines on Corporate Governance of State-Owned Enterprises offers an opportunity for African countries to review their codes and align them with regional and international best practices.
- Although institutional frameworks have been established, many African countries still face significant corporate governance challenges. Implementation of broader institutional and governance reforms has been slow with significant variation across countries due to factors such as regional, cultural and political settings. Moreover, good corporate governance relies on effective supervision and regulatory enforcement. Harmonisation of corporate governance frameworks across Africa, aligned with the G20/OECD Principles of Corporate Governance, can help to increase consistency with global practices by African companies seeking to operate in multiple jurisdictions – within and outside Africa - while facilitating cross-border regulatory enforcement and attracting foreign investors to African capital markets.

2.1. Public equity markets in Africa

Well-functioning public equity markets serve as a catalyst in sustaining economic development and growth. They provide companies with access to long-term and risk-willing capital, which can be used to finance innovation, productivity-enhancing investments, and expansion. Access to capital markets also allows companies to diversify their funding sources, broaden their investor base and reduce reliance on bank credit, which is the predominant source of financing for companies in many emerging markets. While it is comparatively easier for larger companies to access financing from capital markets, smaller firms face significant challenges.

Globally, the level of capital market development varies widely, ranging from mature, well-integrated markets to others still building the necessary foundations for effective functioning. African markets, mostly fall in the second category with only a few having relatively well functioning and deep markets.

Over the past decade, capital markets in Africa have made notable progress by introducing legal and regulatory reforms, upgrading their trading infrastructure and expanding the range of financial instruments available. Despite this progress, many African public equity markets remain small, illiquid and have high trading costs compared to other regions. Political instability in some countries, and a wide range of macroeconomic risks, including currency volatility, also pose significant challenges for the development of equity markets.

2.1.1. Marketplaces for equity in Africa

Marketplaces play a crucial in the financial system by connecting companies searching for funding with investors looking for investment opportunities. By providing a structured and transparent environment for trading shares, bonds and other securities, these platforms make it easier for businesses to raise capital and for investors to buy and sell securities with confidence. In recent years, African economies have taken significant steps to develop their capital markets and strengthen their marketplace infrastructure.

The region's first stock exchange was established in Egypt in 1883, followed by the Johannesburg Stock Exchange (JSE) in South Africa in 1887. Since then, stock exchanges have grown. Today, all 16 African countries analysed for this report have at least one stock exchange, with South Africa and Zimbabwe hosting two each. The majority of African stock exchanges are privately- or state-owned, while only four are publicly listed. The public listing of stock exchanges is a relatively recent development, marking a shift away from the traditional member-owned model towards a shareholder-based ownership structure. Among the listed stock exchanges, the JSE was the first to demutualise and go public on its own platform in 2005. The most recent listing was the Nigerian Stock Exchange, which self-listed in 2021. Additionally, 10 out of the 15 African countries analysed have a stock exchange hosting at least two segments: one main market for larger, well-established companies, and one growth market, dedicated to younger and smaller companies.

Table 2.1. Key characteristics of African stock exchanges

Country	Stock exchange	Year of establishment	Ownership structure	Segments
Botswana	Botswana Stock Exchange (BSE)	1989	Jointly owned by the Government of the Republic of Botswana and the stock brokers.	Main board The Venture Capital board (growth market) Tshipidi SME Board (growth market)
Côte d'Ivoire	Bourse Regionale des Valeurs Mobilières (BRVM)	1996	Privately-owned	Main board

Country	Stock exchange	Year of establishment	Ownership structure	Segments
Egypt	Egyptian Exchange (EGX)	1883	State-owned	Main market Nilex (growth market)
Gabon	Bourse des Valeurs Mobilières de l'Afrique Centrale (BVMAC)	2003	Both privately-owned (71%) and state-owned (29%)	Main market
Ghana	Ghana Stock Exchange (GSE)	1990	Member-owned	Main market GAX (growth market)
Kenya	Nairobi Securities Exchange (NSE)	1954	Publicly-owned	Main Investment Market Segment (main market) Alternative Investment Market Segment (mid-cap market) GEM (growth market)
Mauritius	Stock Exchange of Mauritius (SEM)	1989	Privately-owned	Official Market (main market) DEM (growth market)
Morocco	Casablanca Stock Exchange	1929	Both privately-owned (70%) and state-owned (30%)	Main market Alternative market (growth market)
Namibia	Namibian Stock Exchange (NSX)	1992	Privately-owned	Main market
Nigeria	Nigerian Exchange Group(NGX)	1960	Publicly-owned	Premium board (main market) Main board (main market) ASEM (growth market) Growth Board (growth market)
South Africa	Cape Town Stock Exchange (CTSE)	2016	Privately-owned	Growth market
	Johannesburg Stock Exchange (JSE)	1887	Publicly-owned	Main market Altx (growth market)
Tanzania	Dar Es Salam Stock Exchange (DSE)	1996	Publicly-owned	MIMs (main market) EGMs (growth market) SME Acceleration (growth market)
Tunisia	Bourse de Tunis (BVMT)	1969	Privately-owned	Main board
Uganda	Uganda Securities Exchange (USE)	1997	Privately-owned	Main board
Zambia	Lusaka Securities PLC	1993	Privately-owned	Main board Alt-M (growth market)
Zimbabwe	Victoria Falls Stock Exchange (VFEX)	2020	Privately-owned by the Zimbabwe stock exchange	Main board
	Zimbabwe Stock Exchange (ZSE)	1948	Both privately-owned (68%) and state-owned (32%)	Main board

Note: The Egyptian Exchange comprises two stock exchanges based in Alexandria and Cairo, operating as a single market. The establishment year of the Egyptian Exchange refers to the year that the Alexandria stock exchange was established. The Bourse Régionale des Valeurs Mobilières in Côte d'Ivoire is a regional stock exchange, and also serves Benin, Burkina Faso, Guinea-Bissau, Mali, Niger, Senegal and Togo. Bourse des Valeurs Mobilières de l'Afrique Centrale is also a regional exchange based in Cameroon, which serves Cameroon, Congo, Gabon, Equatorial Guinea, the Central African Republic and Chad.
Source: Stock exchange websites.

2.1.2. Overview of listed companies in Africa

Public equity markets in Africa are often characterised by their limited number of listed companies, and lack of liquidity. By the end of 2024, 1 141 companies were listed on African stock exchanges, accounting for only 2.6% of the global total and 5% of all listed companies in emerging markets (EMs). Their total market capitalisation was USD 561 billion, accounting for an even smaller share of total market

capitalisation globally (0.4%) and in EMs (2%). Africa's market capitalisation represents one-third of the region's GDP, a significantly lower share than globally (113%) and in EMs (61%). Moreover, listed companies in Africa are notably small, with a median market capitalisation of USD 45 million. This is less than half of the median size for listed companies in EMs and about 40% of the global figure (USD 117 million).

At the country level, only a few markets stand out in terms of size and activity. South Africa has the most developed public equity market, accounting for 60% of the region's market capitalisation. Its market capitalisation to GDP ratio (84%) is not only significantly higher than other African countries but also exceeds that of EMs, which stands at 61%. In addition, the median size of South African listed companies is markedly larger compared to the figure for EMs and globally, with a median market capitalisation of USD 195 million. Morocco, Egypt and Nigeria also have relatively large markets, together accounting for 15% of the region's market capitalisation. Together, these three markets represent almost half of all listed companies in Africa. In contrast, stock exchanges in Tanzania, Ghana, Botswana, Uganda, Zambia and Namibia remain very small, each listing between 12 and 29 companies. Their market capitalisation is also modest, ranging from 5% to 20% of their respective GDPs.

Figure 2.1. Listed company overview, end of 2024

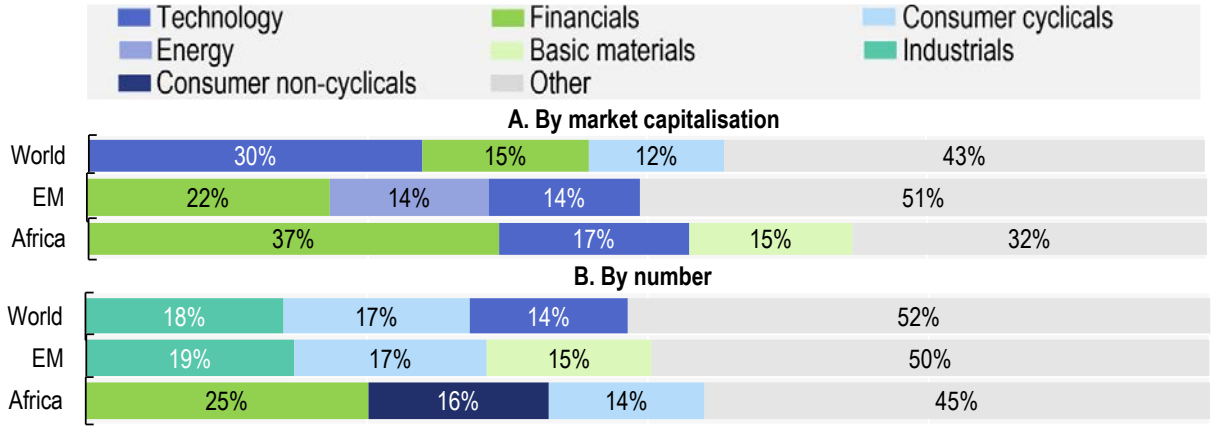
	Number of companies	Market cap. (USD billions/trillions)	Median company size (USD millions)	Market cap. % of GDP
		By region		
World	44 152	125 T	117 M	113%
EM	21 691	28 T	99 M	61%
Africa	1 141	561 B	45 M	33%
		By country		
South Africa	204	336 B	195 M	84%
Morocco	75	74 B	241 M	48%
Egypt	245	45 B	31 M	12%
Nigeria	156	33 B	10 M	18%
Côte d'Ivoire	45	16 B	123 M	18%
Kenya	61	15 B	27 M	12%
Mauritius	94	9 B	37 M	63%
Tunisia	79	8 B	40 M	16%
Tanzania	22	5 B	16 M	6%
Ghana	29	4 B	26 M	5%
Zimbabwe	60	3.9 B	26 M	11%
Botswana	23	3.8 B	105 M	20%
Uganda	12	3 B	72 M	5%
Zambia	23	2.5 B	36 M	9%
Namibia	13	2.4 B	67 M	18%

Note: "T" stands for trillion and "B" stands for billion. Gabon is excluded due to data unavailability.
Source: OECD Capital Market Series dataset; LSEG; IMF (2025[1]), World Economic Outlook (April 2025) dataset, https://www.imf.org/external/datamapper/NGDPD@WEO/OEMDC/ADVEC/WEOWORLD; see Annex for details.

Industry distribution of listed companies in Africa diverges from patterns observed in EMs and globally. A significant share of Africa's listed equity market is concentrated in the financial sector, which accounts for 37% of total market capitalisation and one-quarter of the total number of companies (Figure 2.2). This differentiates Africa from other EMs and global markets, where financials represent a lower share of market capitalisation, at 22% and 15%, respectively (Panel A).

The second-largest sector by market capitalisation in Africa is technology (17%), followed by basic materials (15%). However, when considering the number of listed companies, consumer non-cyclicals and consumer cyclicals are the two dominant industries after financials. This suggests that while certain capital-intensive sectors dominate in terms of value, firms in more traditional consumer sectors are more numerous.

Figure 2.2. Top three industries among listed companies, end of 2024



Source: OECD Capital Market Series dataset; LSEG; see Annex for details.

2.2. Corporate governance in Africa

Strong corporate governance frameworks promote economic efficiency, sustainable growth and financial stability. They are a key driver in developing liquid and resilient capital markets and facilitating companies' access to finance. The G20/OECD Principles of Corporate Governance aim to support companies' access to finance by promoting trust in capital markets through fair, transparent and predictable market practices that support investor confidence (OECD, 2023[2]). Sound corporate governance frameworks encourage companies to operate with integrity and accountability, making it easier and cheaper for them to access capital markets. This also applies to state-owned enterprises given their scale and economic significance in African economies.

Globally, jurisdictions undertake regular review of their corporate governance frameworks encompassing binding and non-binding instruments such as laws, regulations and corporate governance codes. Forty-one out of the 52 jurisdictions covered by the 2025 OECD Corporate Governance Factbook amended their legal and regulatory frameworks during 2023-2024 (OECD, 2025[3]). Given that company operations and investments are increasingly cross borders, regular review of national legal and regulatory frameworks helps to ensure adaptability to changes in the global economic environment while also ensuring that companies subject to these frameworks remain resilient and effective in the pursuit of sustainable long-term value creation.

2.2.1. Legal and regulatory frameworks

Many African countries have established governance frameworks by setting up formal institutions and signing regional and international conventions to improve governance, strengthen institutions and uphold the rule of law (African Development Bank Group, 2025[4]). Corporate governance in Africa has gained prominence over the last two decades, with national frameworks inspired by the G20/OECD Principles of

Corporate Governance and the King Code from South Africa (Oluwaseun Adeola Bakare and Olajumoke Bolatito Ajani, 2023[5]).

Corporate governance frameworks are set forth in binding instruments such as company laws and securities or capital markets laws, securities regulations and listing rules (OECD, 2025[3]). African legal and regulatory frameworks (Table 2.2) define the mandatory baseline for corporate governance, including requirements for board committees, shareholder rights as well as disclosure and transparency obligations. For example, Mauritius' framework includes requirements for: board composition, audit and other committees, financial reporting disclosures, and shareholder rights (Balgobin-Bhoyrul, 2025[6]). Similarly, Nigeria's corporate governance framework includes requirements for board composition, audit committees, financial reporting including filing of corporate governance reports and shareholder rights (Nwidaa et al., 2025[7]). Egypt's corporate governance framework includes requirements for board composition, audit committees and governance committees in some cases, financial reporting and other corporate disclosures, and shareholder rights (Pearce, 2025[8]).

Additionally, disclosure of corporate sustainability matters feature in corporate governance frameworks through a range of binding and non-binding mechanisms. For example, listed firms in Kenya are required to publicly disclose their environmental, social and governance (ESG) performance, both positive and negative, on an annual basis (Nairobi Securities Exchange, 2021[9]). In Tanzania, listed companies are required to include a report on ESG as well as sustainability reporting as part of the annual report (Dar Es Salaam Stock Exchange PLC, 2022[10]). In Mauritius, the National Code of Corporate Governance recommends that companies report on their environmental, social and governance position, performance and outlook for the benefit of shareholders and other key stakeholders (National Committee on Corporate Governance, 2016[11]). In Tanzania, listed companies shall be required to include a report on ESG as well as sustainability reporting as part of the annual report (Dar Es Salaam Stock Exchange PLC, 2022[10]).

Table 2.2. Key elements of African corporate governance legal and regulatory frameworks

Jurisdiction	Company Law		Securities Law		Other relevant regulations on corporate governance
Botswana	The Companies Act Cap 42:01	2025	The Securities Act of 2014	-	The Financial Reporting Act, 2010
Côte d'Ivoire	Uniform Act on Commercial Companies and Economic Interest Groups (Acte Uniforme révisé relatif au droit des Sociétés Commerciales et du Groupement d'Intérêt Économique (AUSCGIE))	2014	General Regulation of the BRVM	-	Organisation pour l'harmonisation en Afrique du Droit des Affaires (OHADA) General Regulation of the CREPMF
Egypt	Companies Law No. 159 of 1981	1981	Capital Market Law of 1992	1992	Listing and Delisting Rules for Securities on the Egyptian Exchange (EGX)
Ghana	The Companies Act, 2019 (Act 992)	2019	The Securities Industry Act, 2016 (Act 929)	2021	Securities and Exchange Commission Regulations, 2003 Ghana Stock Exchange Listing Rules
Kenya	The Companies Act (No.17 of 2015)	2015	Capital Markets Act 1989	2023	The Capital Markets Authority (CMA) Guidelines The Capital Markets (Public Offers, Listings and Disclosures) Regulations, 2023 (POLD Regulations)

Jurisdiction	Company Law		Securities Law		Other relevant regulations on corporate governance
Mauritius	Companies Act 2001	2001	Securities Act 2005	2005	Financial Reporting Act 2004 Listing Rules of the Stock Exchange of Mauritius
Morocco	The Commercial Code of 1996	1996	Capital Market Code 2012	2014	The Law on Public Limited Companies of 2008
Namibia	Companies Act 2004	2023	-		Companies Administrative Regulations 2010
Nigeria	The Companies and Allied Matters Act 2020	2020	Investments and Securities Act 2025	2025	The Securities and Exchange Commission Rules and Regulations The Rulebook of the Nigerian Stock Exchange 2015
South Africa	Companies Act of 2008	2008	Financial Markets Act 2012	2021	JSE Listing Rules
Tunisia	Code of Commercial Companies of 2000	2022	Reorganisation of the Financial Market of 1994	2019	General Rules of Tunis Stock Exchange 2008
Uganda	Companies Act 2012	2022		-	CMA Corporate Governance Regulations 2025
Tanzania	Companies Act 2002	2022	Capital Markets and Securities Act 2025	2025	DSE Rules 2022
Zambia	Companies Act 2017	2017	Securities Act 2016	2022	LuSE Listing Rules
Zimbabwe	Companies and other Business Entities Act 2019	2020	Securities and Exchange Act 2004	2013	ZSE Listing Requirements

Source: Publicly available sources.

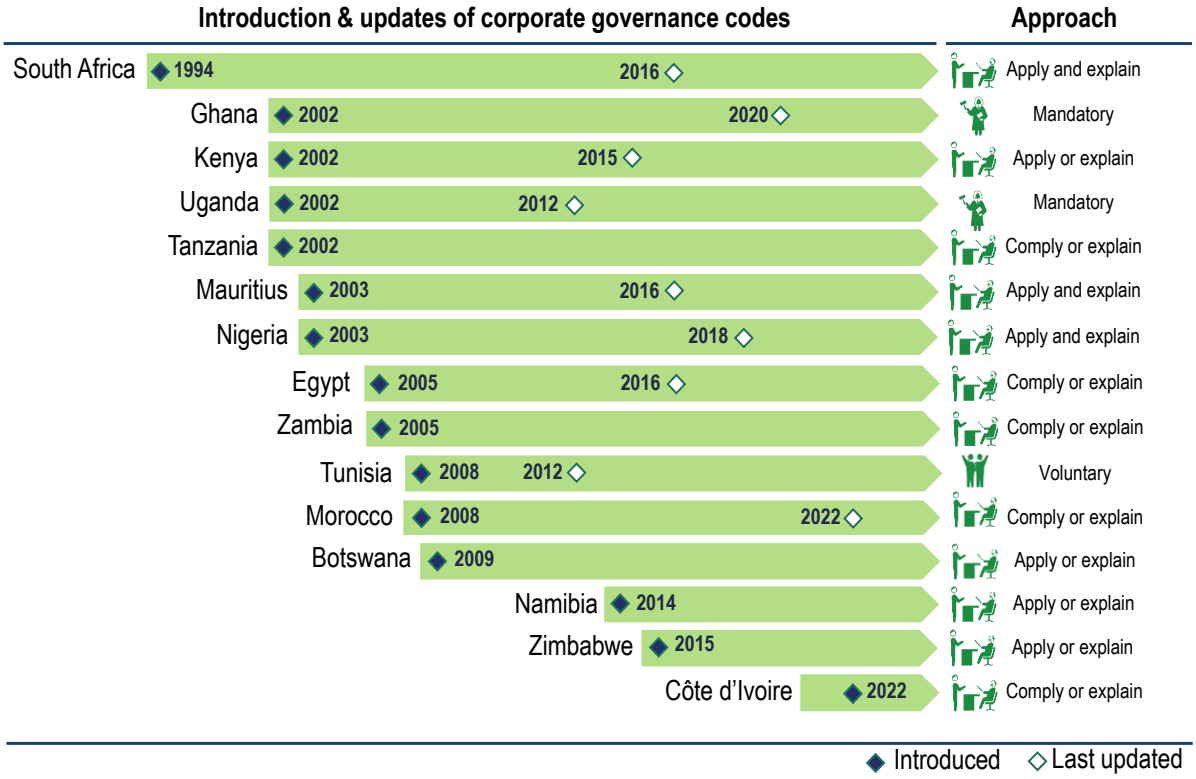
Corporate governance codes

Corporate governance frameworks encompass corporate governance codes which tend to follow a non-binding (soft-law) approach (OECD, 2025[3]). Corporate governance codes play a role in shaping national corporate governance practices by providing principles and recommendations that often go beyond the minimum set in law or regulations. Each of the 15 African countries analysed in this chapter have a national corporate governance code that complements existing laws and regulations. Most countries either follow a "comply or explain" approach or "apply or explain" approach (Figure 2.3). Under a "comply or explain" approach, companies are expected to comply with the code's provisions or publicly explain the reasons for non-compliance. The "apply or explain" approach recognises that satisfactory explanation for any non-application of the code's provisions may be acceptable in certain circumstances. Mauritius, Nigeria and South Africa follow the alternative "apply and explain" approach whereby companies are required to provide explanations of how the practices applied support the application of the code's principles (Okike, 2019[12]). In contrast, Ghana and Uganda enforce mandatory compliance. In Tunisia, the code is voluntary.

In addition to corporate governance codes, some countries have other guidelines or regulations that govern corporate governance practices. For example, 17 African states are members of the Organisation pour l'harmonisation en Afrique du droit des Affaires (OHADA) (OHADA, 2025[13]). The OHADA outlines corporate governance standards that protect shareholders (U.S. Department of State, 2024[14]), with the overall aim of harmonising economic laws and improving judicial systems to encourage foreign investment and investor confidence in member states (OHADA, 2025[13])). In Nigeria, public companies are required to comply with the Nigerian Corporate Governance Code 2018 and the Securities and Exchange Commmission's Corporate Governance Guidelines (Securities and Exchange Commission Nigeria, 2025[15]).

While the quality of African corporate governance codes is considered to be sound (ACCA and KPMG, 2017[16]), only two countries have updated their codes in the past 5 years.

Figure 2.3. Development of corporate governance codes in Africa



Note: In addition to corporate governance codes, some countries have other guidelines or regulations that govern corporate governance practices. Further details are provided in the endnotes of this chapter. [1]
Source: OECD (2025[3]), OECD Corporate Governance Factbook 2025, https://doi.org/10.1787/f4f43735-en; see Annex for detailed information on corporate governance codes.

2.3. Key policy considerations

To unlock the full potential of public equity markets in Africa, targeted policy actions are needed across several important areas. These include boosting capital raising activity to support business growth, improving secondary market liquidity to enhance investor confidence and market efficiency, strengthening the role and diversity of investors while addressing concentrated ownership structures, and leveraging the listing of state-owned enterprises (SOEs) as a catalyst for market development. Moreover, high ownership concentration in listed companies presents challenges for the protection of minority shareholder rights and may have implications for the composition and independence of boards. Addressing these issues is essential to deepen market participation, broaden access to financing and foster resilient capital markets across the region.

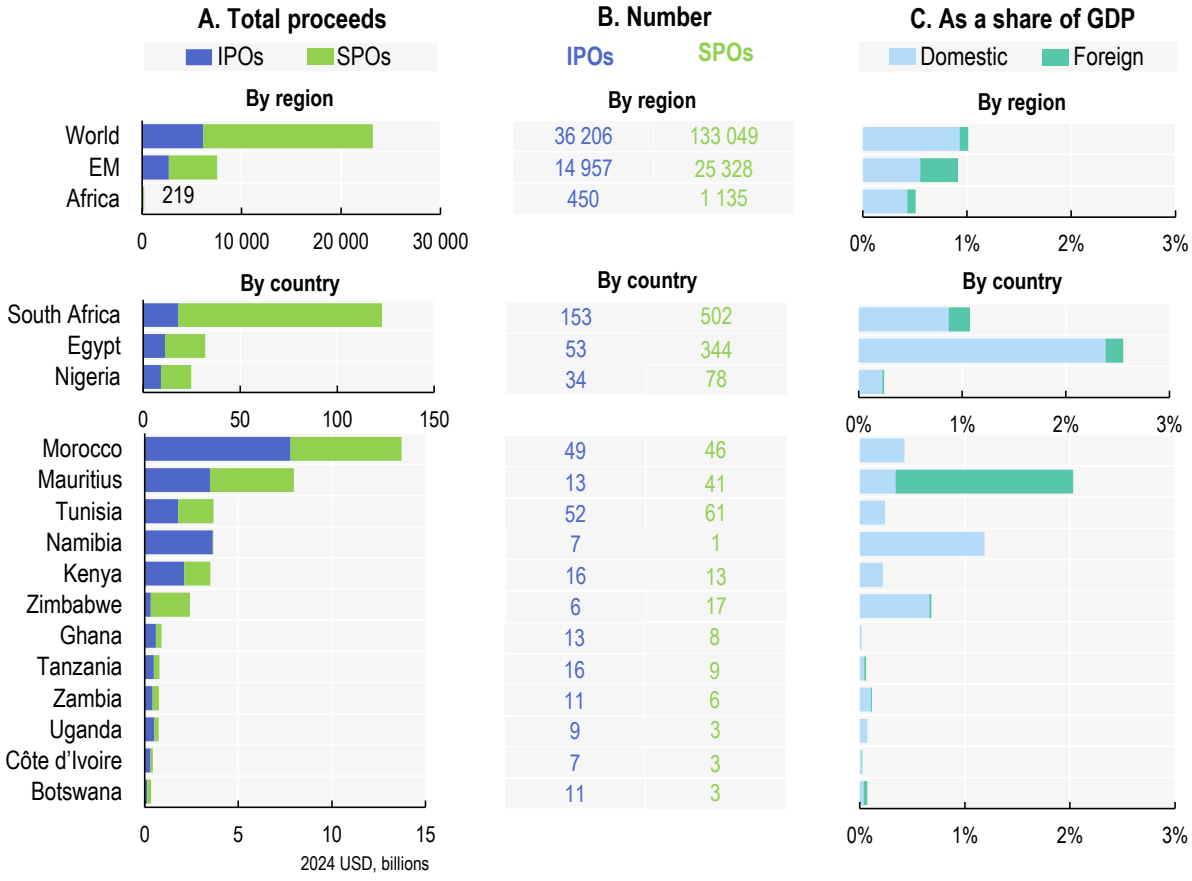
2.3.1. Capital raising activity

In many African markets, companies do not actively use public equity markets to raise equity capital. Listing and capital-raising activity is concentrated in just a handful of these markets. Between 2000-2024, African companies raised a total of USD 219 billion, which represents only 1% of the total equity raised globally and 3% of the value raised by companies from EMs (Figure 2.4). The use of public equity markets in Africa

is also low compared to the size of the economy. While the capital raised via Initial Public Offerings (IPOs) and Secondary Public Offerings (SPOs) represent 1% of emerging markets' GDP and global GDP, this share is only 0.5% in Africa (Panel C).

At the country level, South African companies stand out by accounting for 56% of the total equity raised, followed by Egypt and Nigeria. Together, the three make up for more than 80% of the total capital raised in the region. In Egypt, the use of public equity relative to the size of its economy is high, at 2.5% of GDP. In contrast, in smaller markets including Ghana, Tanzania, Zambia, Uganda, Côte d'Ivoire and Botswana, this share is lower than 0.1%. Moreover, while companies in South Africa, Egypt and Mauritius also tap public equity markets abroad, most African companies raise equity only on domestic markets. Notably, most of the capital raised by Mauritian companies is foreign sourced, driven by few large companies listed on the Johannesburg Stock Exchange and London Stock Exchange.

Figure 2.4. Equity capital raised by African companies, 2000-2024

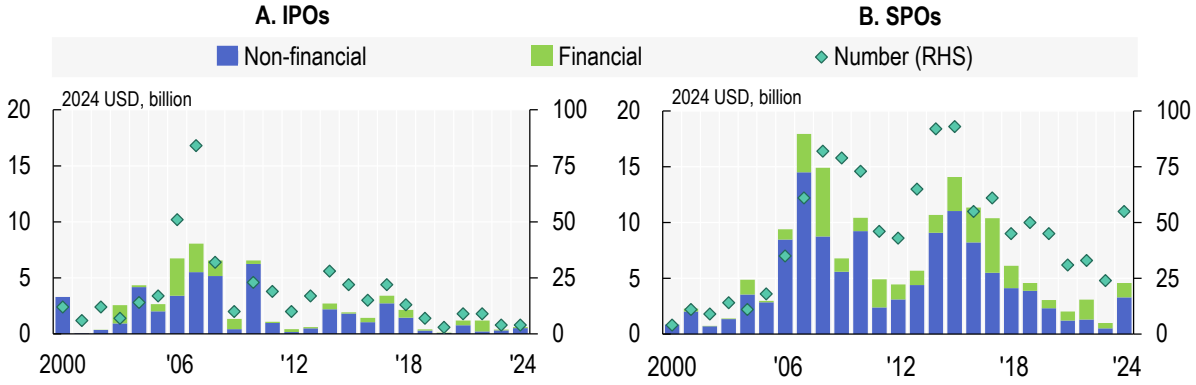


Note: In Panel C, for the calculations of the capital raised by emerging market companies, proceeds raised by Chinese companies in Hong Kong (China), and by Hong Kong (China) companies in China, are considered domestic. Gabon is excluded due to data unavailability.
Source: OECD Capital Market Series dataset; LSEG; FactSet; Bloomberg; see Annex for details.

Public equity markets in Africa experienced a peak in IPO activity between 2006 and 2008, primarily driven by South Africa, Morocco and Nigeria. During this period, 167 companies went public, representing more than one-third of all public listings since 2000(Figure 2.5). Since then, the number of IPOs has declined sharply. In the last decade, only 11 African companies have listed annually on average. While the equity capital raised via secondary public offerings was significantly higher than that raised through initial public offerings, the number of SPOs also declined, but with a strong rebound in 2024. In addition, financial

companies accounted for 35% and 34% of the total equity raised via initial and secondary public offerings, respectively.

Figure 2.5. Initial and secondary public offerings of African companies



Note: Data shown in the figures are based on the listing domicile. Gabon is excluded due to data unavailability.
Source: OECD Capital Market Series dataset; LSEG; FactSet; Bloomberg; see Annex for details.

High listing costs can pose a barrier to companies seeking to access public equity markets, particularly in smaller and less liquid exchanges. Across the four of the selected five African exchanges (Botswana, Egypt, Kenya, Nigeria and South Africa) direct listing fees remain modest, with most exchanges applying caps that substantially reduce costs for large issuers. The combined initial and annual listing fees for a USD 150 million IPO[2] on these exchanges are below 0.06% of the IPO proceeds (Table 2.3). The Nigerian Exchange stands out with total costs amounting to about 0.25% of IPO value despite the use of a capped fee structure.

For smaller listings, however, the relative cost increases significantly. For a USD 15 million IPO, listing fees range from 0.02% to 0.32% of the offer value across the same exchanges. In Botswana, the application of minimum fee thresholds raises the effective cost as a share of IPO proceeds, making smaller listings disproportionately more expensive than larger ones.

Table 2.3. Cost of listing on selected African stock exchanges

Country / Exchange	Fees as a share of IPO value (%)	
	USD 15 million IPO	USD 150 million IPO
Botswana – BSE	0.050 %	0.017 %
Egypt – EGX	0.054 %	0.010 %
Kenya – NSE	0.02 %	0.002 %
Nigeria – NGX	0.267 %	0.252 %
South Africa – JSE	0.320%	0.060 %

Note: The cost of listing includes only initial and annual listing fees, where applicable, and is calculated for USD 150 million and USD 15 million IPOs on the main market, assuming a 20% free-float ratio. The USD 150 million IPO size reflects the average value of offerings on the stock exchanges of Botswana, Egypt, Kenya, Nigeria, and South Africa since 2000. All listing fees are exclusive of VAT, except in the case of South Africa.
Source: BSE (2025[17]), Listing Fees, www.bse.co.bw/listing-fees/; EGX (2025[18]), Listing Fees, www.egx.com.eg/en/Listing_fees.aspx; The Republic of Kenya (2022[19]), Capital Markets Act, https://new.kenyalaw.org/akn/ke/act/1989/17/eng@2023-12-11; NGX (2025[20]), Listing Fees, https://ngxgroup.com/exchange/raise-capital/listing-fees/; JSE (2025[21]), Fees for Issuers, Services and Trading, https://www.jse.co.za/services/other-services/services-documentation/price-lists; see Annex for detailed fees used in the analysis.

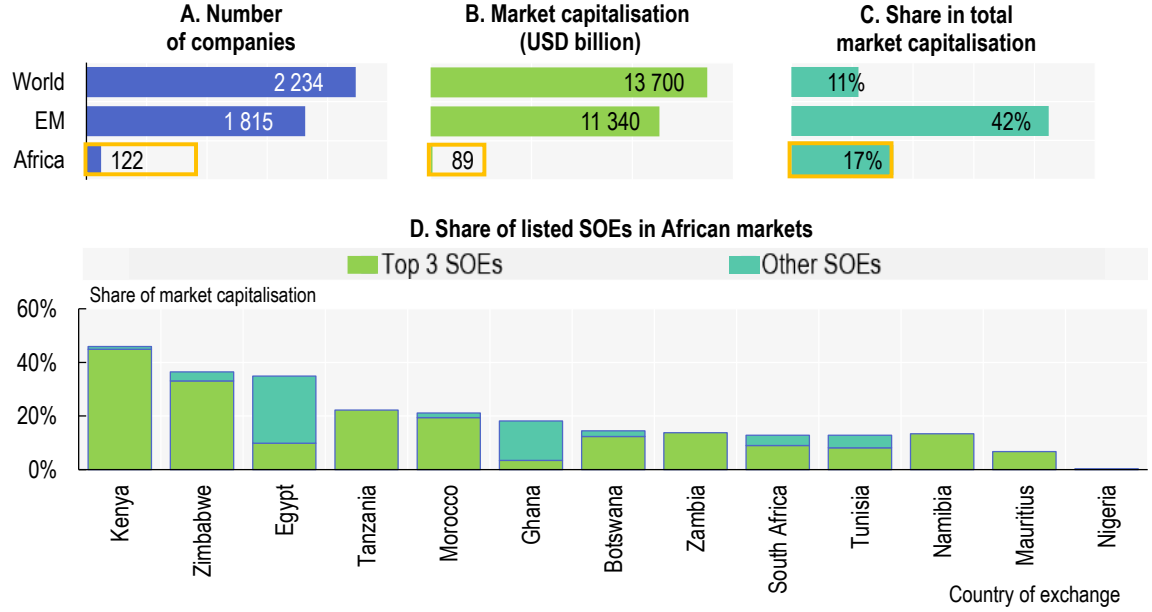
The above calculations cover only exchange-imposed listing fees and exclude other major cost components associated with going public. Expenses related to legal services, sponsoring brokers, underwriting, regulatory filings and marketing typically amount to five to ten times the exchange fees. In many African markets, these additional costs can be even more constraining, as limited availability of local advisory and underwriting expertise, smaller deal sizes and lower market depth often translate into higher per-transaction costs compared to more developed markets.

Some African state-owned enterprises (SOEs) are also listed on public equity markets. Globally, many emerging economies have decided to partially list SOEs on local stock exchanges. Beyond the financial benefits for governments and efficiency gains for SOEs, partial SOE listings can also increase market depth and liquidity and help attract more investors. By the end of 2024, Africa had 122 listed SOEs, representing 5% of the total number of listed SOEs globally and 7% of those listed in EMs (Figure 2.6).

In terms of market capitalisation, African listed SOEs represent only 0.6% of the global value of listed SOEs and 0.8% of that of EM listed SOEs (Figure 2.6, Panel B). Moreover, the share of listed SOEs in Africa's market capitalisation is significantly lower (17%) compared to their share in EMs (42%). This is largely explained by SOE privatisation programmes undertaken by many EMs, especially in Asia, where countries used a series of large SOE listings to leverage their capital markets (OECD, 2025[22]).

At the country level, listed SOEs account for a significant share of market capitalisation in Kenya, Zimbabwe and Egypt. In most African countries, the largest three SOEs account for almost the entire market capitalisation of the SOE sector. Egypt is the exception. With its privatisations starting in early 1990s, it now has the largest number (55) of listed SOEs in Africa. South Africa has fewer listed SOEs (18) but they account for nearly half of total SOE market capitalisation in Africa, reflecting the substantial size of its SOE sector.

Figure 2.6. Overview of listed SOEs in Africa, end of 2024



Note: SOEs are considered as companies with at least 25% public ownership. In Panel D, Uganda and Côte d'Ivoire are excluded due to low data coverage. Gabon is excluded due to data unavailability.
Source: OECD Capital Market Series dataset; LSEG; FactSet; Bloomberg; see Annex for details.

Policy considerations

To lift African public equity markets, policy efforts could focus on attracting more issuers to the markets. Encouraging more companies to go public, especially from underrepresented sectors and economies, will require reducing regulatory and cost barriers, improving market transparency and building investor confidence. Attracting a broader base of issuers is essential to deepen market activity and make public equity a more viable financing option across the region.

In addition, more flexible and proportionate listing frameworks, tailored to company size and capacity, are needed to make public markets more accessible to smaller firms. Facilitating cross-border listings and regional integration could also help expand market access, particularly for companies in smaller economies. Strengthening local advisory and underwriting capabilities would improve deal origination, transaction structuring, and distribution networks within the region, enabling more African institutions to lead public offerings. This would help reduce reliance on foreign intermediaries, lower issuance costs, and foster deeper participation of domestic firms in equity markets.

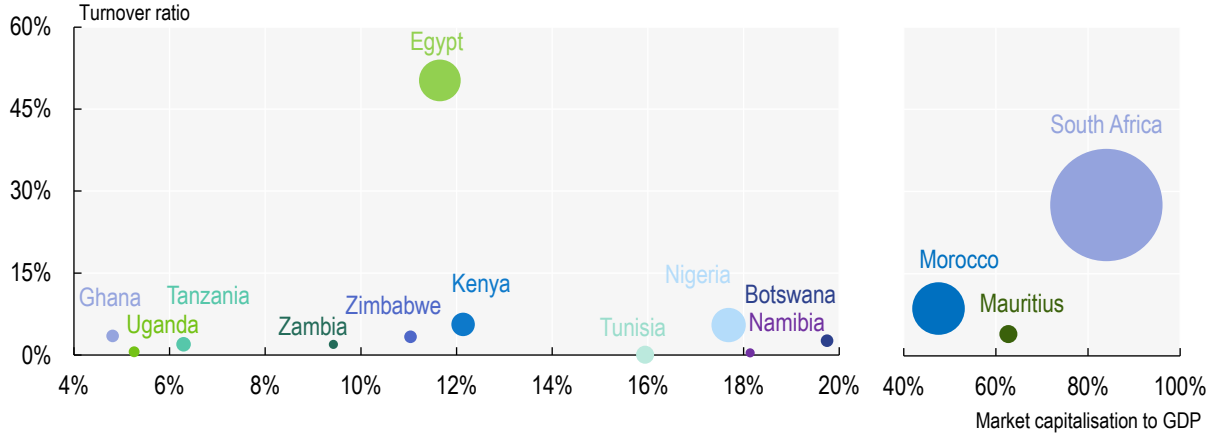
Listing SOEs on domestic stock exchanges can serve as a powerful tool to deepen public equity markets, boost liquidity and attract both institutional and retail investors. Large SOE listings not only enhance market visibility and participation but can also act as a catalyst for broader capital market development, encouraging private companies to do so as well. To realise this potential, governments should consider strategic listings of commercially viable SOEs, supported by transparent governance frameworks and clear divestment strategies. Such efforts can improve the overall depth and dynamism of local equity markets.

2.3.2. Liquidity in the secondary public equity market

Secondary stock market liquidity is relatively limited in African stock exchanges, hampering efficient price discovery, which in turn deters broader investor participation and poses a major challenge to overall market development. This low liquidity is the result of a range of structural and regulatory factors.

In 9 out of 14 African stock exchanges, liquidity (measured by the annual turnover ratio) remains below 5% (Figure 2.7). Egypt and South Africa have the highest liquidity levels, at 50% and 28%, respectively. They are the only African countries with companies included in the MSCI Emerging Market Index. Morocco (9%), Kenya (6%) and Nigeria (5.5%) also have relatively higher liquidity compared to other African markets.

Figure 2.7. Liquidity in African stock exchanges

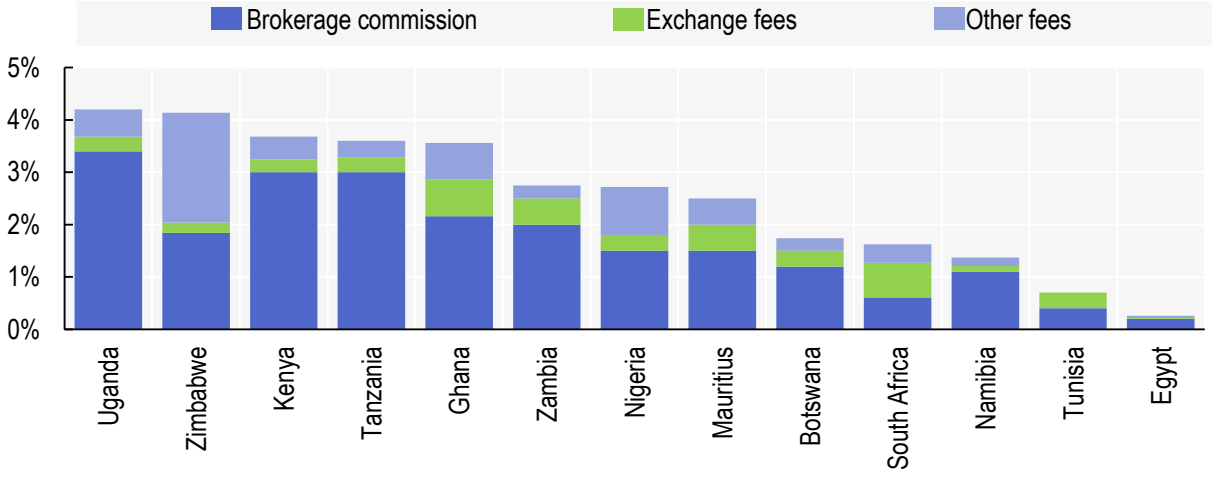


Note: The turnover ratio is calculated as the traded value over market capitalisation, based on the latest available information for each stock exchange. Only companies whose primary listing belongs to a given exchange are considered. For South Africa and Zimbabwe, the turnover ratios correspond to that of the Johannesburg Stock Exchange and Zimbabwe Stock Exchange, respectively. Côte d'Ivoire is excluded for comparability. Gabon is excluded due to data unavailability. The size of bubbles is proportionate to each country's market capitalisation share.
Source: Publicly available sources; see Annex for details.

Most African exchanges have only a few listed companies and limited range of asset classes, leading to lower trading activity and narrowing investment opportunities. In some markets, regulatory barriers limit foreign investor participation. For instance, Zimbabwe caps an individual foreign investor's shareholding to 15% of the company's total issued share capital [3] (ZSE, 2024[23]). In contrast, Tanzania removed its 60% cap on the foreign shareholdings of listed companies to encourage foreign investor participation (UNCTAD, 2014[24]).

High transaction costs are among the factors affecting liquidity in African equity markets. The total two-way cost of trading a listed equity is as high as 4% of the traded value in Uganda, Zimbabwe, Kenya, Tanzania and Ghana (Figure 2.8). This share is often less than 1% in emerging markets, for instance 0.8% in Malaysia, 0.64% in Indonesia and 0.46% in Peru (OBG, 2022[25]; OECD, 2024[26]). In particular, brokerage commissions make up a significant portion of the transaction costs, accounting for two-thirds of the total, on average. This is largely explained by the limited number of brokers and low trading volumes on African exchanges, which reduce competition and lead brokers to charge higher fees to cover fixed operating costs (Bright Africa, 2019[27]).

Figure 2.8. Comparison of transaction costs in selected African exchanges



Note: Transaction costs in each stock exchange are calculated for a trade value of USD 10 000 and shows the total cost for the buyer and the seller. Broker commissions are taken at the lowest rate whenever applicable. Gabon and Morocco are excluded due to data unavailability.
Source: Publicly available sources, see Annex for details.

Several regional initiatives across Africa aim to lower trading costs and boost liquidity by integrating local exchanges and expanding the brokerage community. For instance, in 2013, the West African Capital Markets Integration Council (WASMIC) introduced a three phased market integration plan envisioning a common broker passport that would entitle brokers to carry out transactions in all member exchanges (WAMI, 2021[28]). Another project is the African Exchanges Linkage Project (AELP), bringing together 10 stock exchanges[4] with the objective of improving depth and liquidity on Africa's capital markets through market integration with cross-border securities listing and trading (AELP, 2025[29]).

Policy considerations

Enhancing liquidity in African secondary equity markets requires reforms to tackle structural inefficiencies, high transaction costs and limited investor participation. Encouraging listed companies to increase their free float ratios can improve market depth. Reducing trading costs, through greater competition among brokers and simplified fee structures is equally essential. Digitalising trading infrastructure and supporting regional integration initiatives can expand the broker network, promote cross-border activity and lower

operational costs. Improving macroeconomic stability, regulation and corporate governance frameworks will also be key to building investor confidence and driving more active secondary market participation.

2.3.3. The legal and regulatory frameworks

Despite the establishment of institutional frameworks, the region still faces significant corporate governance challenges (African Peer Review Mechanism, 2025[30]). Implementation of broader institutional and governance reforms has been slow with significant variation across countries due to factors such as regional, cultural and political settings (African Development Bank Group, 2025[4]). For example, political interference in board appointments and lack of board independence have been identified as constraints leading to poor corporate governance (African Corporate Governance Network, 2023[31]). Coupled with declining external development assistance, Africa faces challenges in mobilising capital to achieve its growth outlook (African Development Bank Group, 2025[4]).

In February 2025, the African Peer Review Mechanism (an institution of the African Union) released the African Principles of Corporate Governance. They aim to address the weak corporate governance environments in Africa by tailoring global best practices to the African context underpinned by the values of UBUNTU – shared purpose, human dignity, co-responsibility, humaneness, solidarity, acceptance and compassion (African Peer Review Mechanism, 2025[30]).

Despite efforts to establish corporate governance frameworks, often drawing from the G20/OECD Principles of Corporate Governance, the focus now needs to shift to implementation of these frameworks. Adoption of good corporate governance practices relies on effective supervision and regulatory enforcement. However, African countries face challenges in strengthening regulatory frameworks, with a lack of appropriate statutory backing and insufficient resources to detect and enforce sanctions (African Development Bank Group, 2025[4]).

African regulatory bodies are underfunded, lack independence and have at times been implicated in corruption, compromising effective enforcement (Oluwaseun Adeola Bakare and Olajumoke Bolatito Ajani, 2023[5]). The OECD Corporate Governance Factbook 2025 illustrates that budgetary autonomy can reinforce regulators' operational independence. In 52 jurisdictions across the world, public regulators have the authority to supervise and enforce the corporate governance practices of listed companies, with 60% of these regulators being fully self-funded by fees from regulated entities or by supplementing their self-funding with fines (OECD, 2025[3]).

Recommendations to improve the supervision and enforcement of corporate governance practices can be drawn from approaches taken by jurisdictions globally. Kenya's Capital Markets Authority has enforced stringent compliance measures for listed companies, fostering investor confidence (Oluwaseun Adeola Bakare and Olajumoke Bolatito Ajani, 2023[5]). In jurisdictions with weak institutional capacity, a balance between public and private enforcement might be effective in addressing governance-related challenges combating corruption (Berglof, 2006[32]). Regional co-operation is becoming increasingly relevant for strengthening corporate governance, notably where companies seek multiple listings on exchanges in different countries across Africa (African Peer Review Mechanism, 2025[30]).

Policy considerations

Given the recent release of the African Principles of Corporate Governance and revisions to the G20/OECD Principles of Corporate Governance and OECD Guidelines on Corporate Governance of State-Owned Enterprises, it would be timely for African countries to review their corporate governance codes to improve alignment with regional and international good practices. Moreover, harmonising corporate governance frameworks and practices across Africa may facilitate the ability of companies and investors to navigate requirements in the region and globally, while facilitating cross-border regulatory enforcement and attracting foreign investors to African capital markets. For companies, this would include compliance with

regulatory requirements and in the case of private companies, informing the decision to list on the local stock exchange. For investors, this would encompass access to information that facilitates the decision to invest. Regional integration of stock exchanges can help achieve economies of scale including through resource pooling and harmonisation of rules for regulatory supervision and enforcement. Africa hosts two functioning regional exchanges, the Bourse Régionale des Valeurs Mobilières (BRVM) in West Africa and Bourse des Valeurs Mobilières de l'Afrique Centrale (BVMAC) in Central Africa (Africa Finance Corporation, 2025[33]). Learning from these experiences may help other African countries achieve resource optimisation to strengthen corporate governance frameworks.

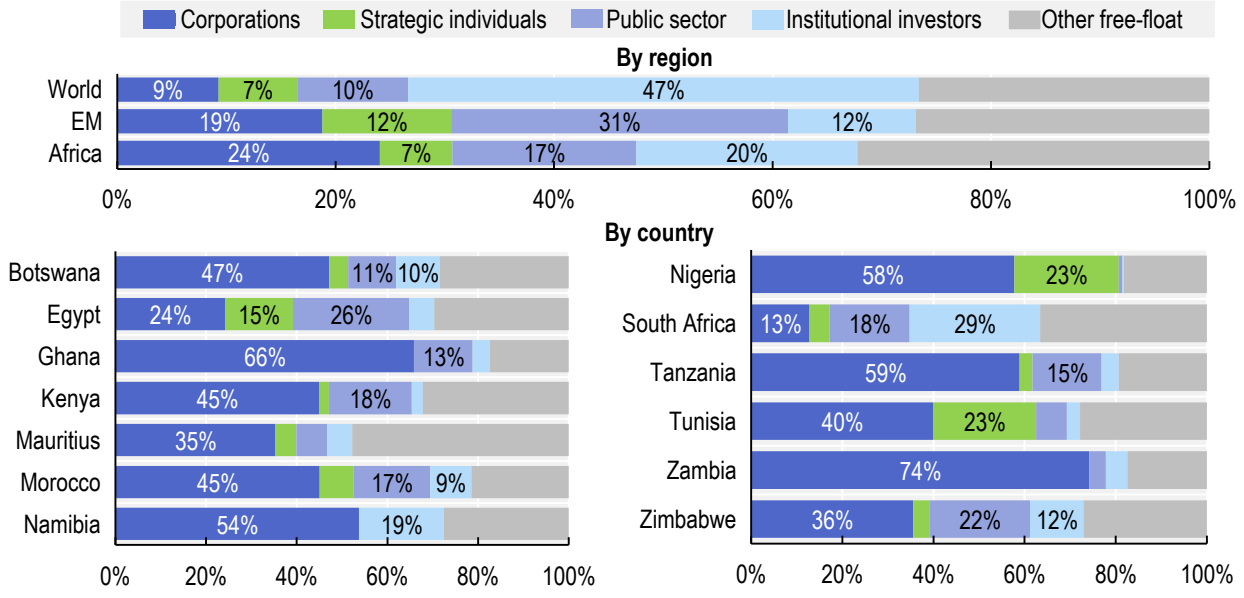
Policymakers in Africa could also follow the growing global trend towards fully self-funded supervisory authorities. Self-funded supervisors benefit from more stable and predictable resources, allowing for greater long-term planning, reduced political interference, and more effective oversight, ultimately contributing to stronger investor confidence and better market integrity.

2.3.4. The investor base and minority shareholder rights

Ownership of listed corporations in Africa is characterised by high ownership concentration in the hands of corporations. Corporations own 24% of listed equity, a much higher share than in companies listed in EMs (19%) and globally (9%). Institutional investors hold 20% of the region's equity, considerably lower than the 47% globally, and the public sector is also a key investor and owns 17% of the listed equity, higher than the global figure (10%) but lower than in other emerging economies (31%).

The corporate ownership landscape varies significantly between countries. In two-thirds of African countries, they own over 40% of the listed equity. South Africa and Egypt have a more balanced ownership mix. Institutional investors' holdings are mainly concentrated in companies listed in South Africa, the largest market in the region, where they own 29% of the equity. In contrast, institutional investors' share is below 5% in countries such as Ghana, Kenya, Nigeria, Tanzania, Tunisia and Zambia. Additionally, public sector ownership in listed equity is significant in both Egypt and Zimbabwe, representing 26% and 22%, respectively.

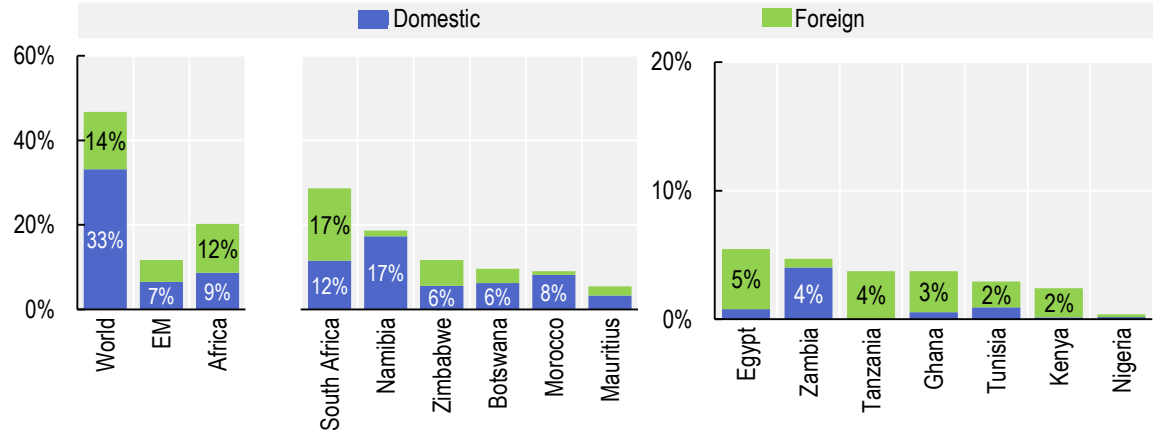
Figure 2.9. Ownership of public equity by investor categories, end of 2024



Note: Uganda and Côte d'Ivoire are excluded due to low data coverage. Gabon is excluded due to data unavailability. Investors were classified into the five categories: corporations, public sector, strategic individuals, institutional investors and other free-float following (De La Cruz, Medina and Tang, 2019[34]).
Source: OECD Capital Market Series dataset; LSEG; FactSet; Bloomberg; see Annex for details.

Domestic investors are the dominant shareholders in African listed companies, with 40% of the total equity. However, domestic institutional investors remain relatively small, reflecting the underdevelopment of the institutional investor base in Africa. Globally, domestic institutional investors hold a substantial 33% share of public equity, while their stakes are lower in EMs and Africa.

Figure 2.10. Institutional investor ownership, end of 2024

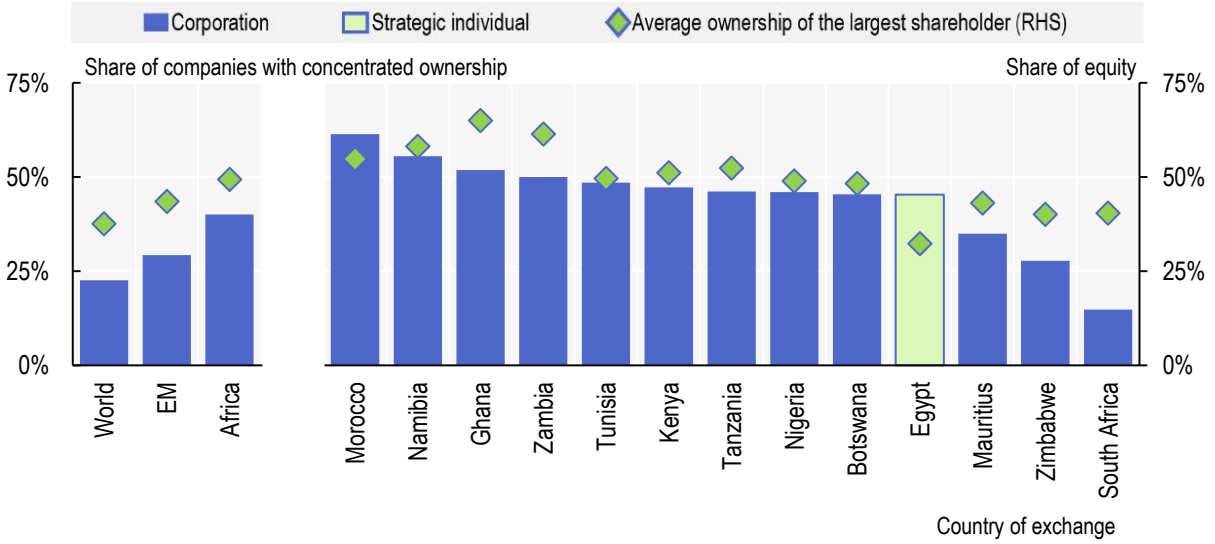


Note: Uganda and Côte d'Ivoire are excluded due to low data coverage. Gabon is excluded due to data unavailability.
Source: OECD Capital Market Series dataset; LSEG; FactSet; Bloomberg; see Annex for details.

Besides the growing weight of domestic institutional investors in many markets, foreign institutional investors also play an important role in African equity markets, with 12% of the listed equity. However, their ownership is primarily concentrated in Egypt, South Africa and Zimbabwe. Foreign investors are key owners in South Africa which has greater visibility among institutional investors due to the inclusion of some of its companies in major investible indices such as the *MSCI Emerging Market Index* and *MSCI Emerging Markets EMEA Index*, as well as a strong representation in regional indices, including the *MSCI Emerging Frontier Markets Africa Index*. By contrast, global index inclusion for most other African countries is limited. Egypt is the only other African country included in the *MSCI Emerging Market Index*, while all other countries are included only in Africa focused indices and have a low weight. Within these, Morocco, Egypt and Kenya stand out in African indices excluding South Africa, such as the *MSCI Emerging Frontier Markets Africa ex South Africa index*.

Listed companies in Africa exhibit high ownership concentration, and in many cases, corporations are the largest shareholders, suggesting the existence of company group structures. In Africa, 40% of listed companies have a large shareholder who owns more than 50% of the equity, a share much higher than in EMs and globally (Figure 2.11). Ownership concentration is particularly pronounced in some African countries. Over 50% of listed companies in Morocco, Namibia and Ghana have a single shareholder who owns more than half of the equity. Moreover, in all countries, the most common largest shareholder is a corporation, which owns on average 53% of the company. Egypt stands out, with strategic individuals the most common largest shareholder.

Figure 2.11. Ownership concentration and identity of the largest shareholder, end of 2024



Note: Companies where the largest shareholder owns more than 50% of the equity are considered to have concentrated ownership structure. Share of equity (RHS) is calculated as the average percentage of shares outstanding owned by each investor category when the largest shareholder in the company belongs to that investor category; the share of companies is computed as the ratio of the companies whose largest shareholder belongs to a given category of investor over the total number of companies for which ownership information is available. Uganda and Côte d'Ivoire are excluded due to low data coverage. Gabon is excluded due to data unavailability.
Source: OECD Capital Market Series dataset; LSEG; FactSet; Bloomberg; see Annex for details.

Concentrated ownership structures, coupled with underdeveloped capital markets, weaker regulatory institutions and limited external oversight mechanisms, may undermine corporate governance (Ackah et al., 2024[35]). High ownership concentration raises important issues related to minority shareholder protection.

The Global Competitiveness Index provides an indication of the extent to which the interests of minority shareholders are protected by the legal system. While South Africa, Mauritius and Namibia score highest on protection of minority shareholder interests, gaps remain between practices in African economies and international standards (Figure 2.12). In most countries, the ownership threshold required to place an item on the agenda of an AGM is set at 5% (Figure 2.12). However, Kenya, Namibia, Nigeria, Tanzania and Uganda have set the threshold at 10%, a higher barrier for minority shareholders. Similarly, to convene an annual shareholder meeting, eight countries require 10% ownership. Botswana, Egypt, Ghana, Mauritius, Tunisia, Zambia and Zimbabwe have adopted more shareholder-friendly practices, with thresholds set at 5%.

Shareholder rights are also reflected in broader governance indicators, such as the World Bank's extent of shareholder governance index (Figure 2.12). The index assesses three dimensions of good governance: shareholders' rights and role in major corporate decisions, governance safeguards protecting shareholders from undue board control and entrenchment, and corporate transparency on ownership stakes, compensation, audits and financial prospects. Egypt, Mauritius and South Africa rank highest, while Côte d'Ivoire and Tanzania rank lowest.

National corporate governance reporting also provides insights on approaches to minority shareholder rights at the country level. For example, Kenya's reporting has highlighted that some companies are not meeting the minimum requirements for independent non-executive directors, compromising protection of minority shareholders (Capital Markets Authority, 2024[36]). Reporting on application of the corporate governance code at the national level supports effective disclosure and improved practices in minority shareholder protection.

Figure 2.12. Protection of minority shareholders' interests

	Protection of minority shareholders (score)	Extent of shareholder governance (score)	Propose an agenda item (min. % of shareholdings)	Request a general meeting (min. % of shareholdings)
South Africa	70	67	n.a.	10%
Mauritius	69	70	5%	5%
Namibia	68	50	10%	n.a.
Morocco	64	60	5%	10%
Botswana	62	53	5%	5%
Tunisia	62	53	5%	5%
Kenya	60	60	10%	10%
Ghana	60	40	5%	5%
Tanzania	59	37	10%	10%
Nigeria	58	63	10%	10%
Egypt, Arab Rep.	58	70	5%	5%
Zimbabwe	58	57	5%	5%
Zambia	57	43	5%	5%
Uganda	53	50	10%	10%
Côte d'Ivoire	n.a.	n.a.	5%	10%

Note: Scores have been rescaled to a range of 100 from initial values between 1 to 7. Some jurisdictions have additional or alternative requirements other than a percentage of shareholding (e.g. minimum holding period, minimum number of shareholders, minimum value). For example, Namibia allows two or more shareholders holding not less than 10% to request a meeting, and South Africa allows any two shareholders to request an item to be added to the agenda.
Source: WEF (2019[37]), Global Competitiveness Index 4.0, https://prosperitydata360.worldbank.org/en/dataset/WEF+GCI; OECD (2025[3]), OECD Corporate Governance Factbook 2025, https://doi.org/10.1787/f4f43735-en; Publicly available sources of company laws provided in Table 2.2.

Policy considerations

To continue developing the region's equity markets, policymakers could focus on expanding investor bases, in particular domestic and foreign institutional investors. Pension reforms and the development of the broader institutional investor ecosystem, including insurance companies and asset managers, can help build a stable, long-term investor base (see also Chapter on pension funds and insurance corporations). At the same time, encouraging more companies to list and already listed companies to increase their free float ratios would help to increase the attractiveness of markets to a wider range of investors. Expanding inclusion in global and regional benchmarks could help attract more international investors. Attracting more investors will also require regulators to strengthen minority shareholder rights. For example, by lowering the ownership threshold required to convene an annual shareholder meeting. The availability of digital tools is also key to ensure shareholders can exercise their rights properly.

2.3.5. Board composition

Across Africa, the approaches taken to board composition are consistent with international practices detailed in the OECD Corporate Governance Factbook 2025. However, there is divergence between countries. For example, Botswana, Egypt, Kenya, Mauritius, Namibia, Nigeria and South Africa have adopted the one-tier board structure, requiring separation between the board chair and CEO roles, as well as the appointment of independent directors to the board. In Botswana, the majority of non-executive directors should be independent, while all listed companies in Egypt must have at least two independent directors on their boards. In Mauritius, boards should have a minimum of two independent directors (Balgobin-Bhoyrul, 2025[6]).

Globally, jurisdictions favour the one-tier board structure, with 74% of jurisdictions covered by the OECD Factbook) having this framework, and 96% requiring or recommending a minimum number or ratio of independent directors (OECD, 2025[3]). In contrast, listed companies in Morocco can be established under one-tier or two-tier systems. The law does not require the separation of CEO and chair roles (WeCount, 2021[38]) and does not require companies (with the exception of banks) to have independent board members (EBRD, 2017[39]). In Kenya, many companies follow the Corporate Governance Code recommendation that the chairperson of an issuer shall be a non-executive director (Capital Markets Authority, 2024[36]). In Botswana, board compositions were not in accordance with the recommended good practices. For example, chairpersons of various boards were not independent non-executive directors and boards did not comprise a majority of independent non-executive directors (Botswana Accountancy Oversight Authority, 2024[40]).

Across Africa, strides have been made to achieve gender balance on company boards. In Egypt, listed companies are required to have at least 25% female or two female board members. In Mauritius, boards should have directors from both genders, i.e. at least one male and one female director (Balgobin-Bhoyrul, 2025[6]). In 2024, Morocco introduced new provisions regarding female participation on listed company boards, of 30% female participation from 1 January 2024 and 40% from 1 January (ISS, 2023[41]). While Kenya's Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 requires that boards achieve diversity including gender parity, the Capital Markets Authority has received feedback from listed companies to make gender diversity mandatory for all issuers (Capital Markets Authority, 2024[36]). These approaches to gender composition on boards are consistent with practices worldwide, with women holding an average of 29% of board positions across the 52 Factbook jurisdictions (OECD, 2025[3]).

Policy considerations

Given the high levels of ownership concentration, it is important to strengthen the independence of company boards and to enhance disclosure practices regarding board composition. Ensuring that a sufficient number of independent directors are in place, with clearly defined roles and responsibilities, can help balance the influence of controlling shareholders. In addition, greater transparency on the skills, diversity, and selection process of board members will improve accountability and allow minority shareholders to better assess whether their interests are being adequately represented. Together, these measures could contribute to stronger protection of minority shareholders and greater investor confidence in the market.

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Notes

[1] For example, 17 African states, including Côte d'Ivoire, are members of the Organization for the Harmonization of Business Law in Africa (OHADA – Organisation pour l'harmonisation en Afrique du droit des Affaires), which outlines corporate governance standards that protect shareholders (U.S. Department of State (2024[14]), 2024 Investment Climate Statements: Côte d'Ivoire, https://www.state.gov/reports/2024-investment-climate-statements/cote-divoire/). In Egypt, the Listing and Delisting Rules for Securities on the Egyptian Exchange (EGX) contain requirements for corporate governance, including board composition and minority rights (EGX (2025[77]), Listing and Delisting Rules for Securities on the Egyptian Exchange (EGX), https://www.egx.com.eg/getdoc/1426464c-b8b8-4fa2-8147-39326c990db5/Listing-Rules_en-01-09-2024.aspx). In Kenya, circulars and reporting templates are available to assist listed companies to fulfil their corporate governance requirements (Capital Markets Authority (2025[78]), Regulatory Framework, https://www.cma.or.ke/regulatory-framework/#overview).

[2] USD 150 million is the average size of IPOs on the stock exchanges of Botswana, Egypt, Kenya, Nigeria and South Africa since 2000.

[3] Investments exceeding the 15% cap require approval from the Reserve Bank of Zimbabwe.

[4] 10 exchanges are Nairobi Securities Exchange, Johannesburg Stock Exchange, Egyptian Exchange, Stock Exchange of Mauritius, Bourse Regionale des Valeurs Mobilières, Nigerian Exchange Group, Bourse de Casablanca, Botswana Stock Exchange, Ghana Stock Exchange and Uganda Stock Exchange.

Annex 2.A. Methodology for data collection and classification

Listing information

The information on the number of listed companies and their market capitalisation is based on LSEG Screener and the following criteria are used to clean the data:

- Security type classified as “units” and “trust” are excluded.
- For firms with multiple listings, only primary listings are kept.
- For firms with multiple observations but different countries of domicile, their true country of domicile is manually checked to remove the duplicates.
- Firms trading on over-the-counter (OTC) markets and those listed on multilateral trading facilities (MTFs) or SME/growth markets are excluded. SME/growth markets included in the analysis are: Korea Exchange (KOSDAQ), New York Stock Exchange (NYSE) and Nasdaq Capital Market (NASDAQ).
- Special Purpose Acquisition Companies (SPACs) are excluded.
- Investment funds are excluded.
- Real Estate Investment Trusts (REITs) are excluded.

Corporate governance codes

The information on corporate governance codes presented in this chapter is sourced from the table below.

Annex Table 2.A.1. Introduction and updates of African corporate governance codes

Country	Key national corporate governance code	Introduction	Update	Approach*
Botswana	South Africa’s King III Corporate Governance Code	2009	-	Apply or explain
Côte d’Ivoire	The Code of Governance for companies listed on the Regional Stock Exchange (BRVM)	2022	-	Comply or explain
Egypt	The Egyptian Corporate Governance Code	2005	2016	Comply or explain
Ghana	Corporate Governance Code for Listed Companies	2002	2020	Mandatory
Kenya	Code of Corporate Governance Practices for Issuers of Securities to the Public	2002	2015	Apply or explain
Mauritius	National Corporate Governance Code	2003	2016	Apply and explain
Morocco	Code of Good Corporate Governance	2008	-	Comply or explain
Namibia	The Corporate Governance Code for Namibia	2014	-	Apply or explain
Nigeria	The Nigerian Code of Corporate Governance	2003	2018	Apply and explain
South Africa	King IV Report on Corporate Governance (King IV Code)	1994	2016	Apply and explain
Tanzania	Guidelines on Corporate Governance Practices by Public Listed Companies in Tanzania	2002	-	Comply or explain
Tunisia	Guide to Good Practices of Governance of Tunisian Enterprises	2008	2012	Voluntary
Uganda	Companies Act 2012 Table F Code of Corporate Governance	2002	2012	Mandatory

Country	Key national corporate governance code	Introduction	Update	Approach*
Zambia	The Lusaka Stock Exchange Corporate Governance Code for Listed and Quoted Companies	2005	-	Comply or explain
Zimbabwe	National Code of Corporate Governance of Zimbabwe	2015	-	Apply or explain

Note: (*) In Botswana, a Code of Corporate Governance is in drafting stage, with entities are expected to comply with the King III Code of Corporate Governance, or any later version of the King Code, or any other Code which espouses King III principles, as a minimum (Botswana Accountancy Oversight Authority (2024[42]), Integrated Report March 2024, https://www.baoa.org.bw/wp-content/uploads/2024/09/Interactive_4871_BAOA_Intergrated-Report_2024-min.pdf). In Kenya, clause 8 of the Thirteenth Schedule of The Capital Markets (Public Offers, Listings and Disclosures) Regulations, 2023 explicitly requires compliance with the Code. Prior to this, the Code followed an apply or explain approach (Capital Markets Authority (2024[36]), The Report on The State of Corporate Governance Practices of Issuers of Securities to the Public in Kenya 2024, https://www.cma.or.ke/download/20/corporate-governance-for-issuers/5517/the-state-of-corporate-governance-report-of-issuers-of-securities-to-the-public-in-kenya-2024-7th-edition.pdf). In Namibia, the Corporate Governance Code for Namibia (NAMCODE) is based on the international best practices and the King III Code on Governance for South Africa, 2009 (Namibian Stock Exchange (2016[43]), The NamCode: The Corporate Governance Code for Namibia, https://nicg.org.na/wp-content/uploads/2024/05/Corp-Governance-codes.pdf). In South Africa, a public consultation on the King V Code was launched in February 2025 (Institute of Directors South Africa (2025[44]), King V Draft, https://www.iodsa.co.za/page/iodsa-king-v-draft).

Public equity offerings

The information on initial public offering (IPOs) and secondary public offerings (SPOs) presented in this chapter is based on transaction and/or firm level data gathered from several financial databases, such as LSEG (Screener, Datastream), FactSet and Bloomberg. Considerable resources have been committed to ensuring the consistency and quality of the dataset. Different data sources are checked against each other and, whenever necessary, the information is also controlled against original sources, including regulator, stock exchange and company websites and financial statements.

Country coverage and classification

The dataset includes information about all initial public offerings (IPOs) and secondary public offerings (SPOs or follow-on offerings) by financial and non-financial companies. All public equity listings following an IPO, including the first-time listings on an exchange other than the primary exchange, are classified as an SPO. If a company is listed in more than one exchange within 180 days, those transactions are consolidated under one IPO. The country breakdown is carried out based on the domicile country of the issuer. In the dataset, the country of issue classification is also made based on the stock exchange location of the issuer. It is possible that a company becomes listed in more than one country when going public. The financial databases record a dual listing as multiple transactions for each country where the company is listed. However, there is also a significant number of cases where dual listings are reported as one transaction only based on the primary market of the listing. For this reason, the country breakdown based on the stock exchange is currently carried out based on the primary market of the issuer. The IPO and SPO data are collected on a deal basis via commercial databases in current USD values. Issuance amounts initially collected in USD were adjusted by 2024 USD Consumer Price Index.

Exclusion criteria

With the aim of excluding IPOs and SPOs by trusts, funds and special purpose acquisition companies, the following exclusion criteria are used:

- Financial companies that conduct trust, fiduciary and custody activities
- Asset management companies such as health and welfare funds, pension funds and their third-party administrators, as well as other financial vehicles
- Open-end investment funds
- Other financial vehicles

- Grant-making foundations
- Asset management companies that deal with trusts, estates and agency accounts
- Special Purpose Acquisition Companies (SPACs)
- Closed-end funds • Listings on an over-the-counter (OTC) market
- Security types classified as “units” and “trust”
- Real Estate Investment Trusts (REITs)
- Transactions with missing or zero proceeds

LSEG uses the Reference data Business Classification (TRBC) Industry Description. The economic sectors used in the analysis are the following:

Annex Table 2.A.2. Public offerings industry classification

TRBC Economic Sector	
Basic Materials	Industrials
Cyclical Consumer Goods & Services	Non-Cyclical Consumer Goods & Services
Energy	Real Estate
Financials	Technology
Healthcare	Utilities

Cost of listing

Listing cost estimates are derived from the ratios and fixed amounts presented in the table below.

Annex Table 2.A.3. Total direct listing costs in stock exchanges

Country / Exchange	Initial fees	Annual fees
Botswana – BSE	0.025 % of market capitalisation	0.025 % of market capitalisation
Egypt – EGX	0.05 % of nominal value	0.2 % of nominal value
Kenya – NSE	0.03% of nominal value	0.015% of market capitalisation
Nigeria – NGX	0.25% of nominal value	NGN 4.2 million of cap applies for market capitalisation over NGN 200 billion NGN 3.5 million of cap applies for market capitalisation between NGN 100 billion and NGN 120 billion
South Africa – JSE	Fee corresponding to USD 150 million IPO ZAR 1 million fee for market capitalisation between ZAR 10 billion and ZAR 20 billion Fee corresponding to USD 15 million IPO ZAR 506 thousand of fee for market capitalisation between ZAR 1.25 billion and ZAR 2.5 billion	Fee corresponding to USD 150 million IPO ZAR 605 thousand fee applies for market capitalisation over ZAR 5 billion Fee corresponding to USD 150 million IPO ZAR 360 thousand fee for market capitalisation between ZAR 1 billion and ZAR 5 billion, with every increment of ZAR 1 million of market capitalisation ZAR 22.5 included to the fee

Note: Fees correspond to USD 150 million and USD 15 million IPOs on the main markets. VAT is excluded from all exchanges except South Africa, where it is included in the fees.
Source: BSE (2025[17]), Listing Fees, www.bse.co.bw/listing-fees/; EGX (2025[18]), Listing Fees, www.egx.com.eg/en/Listing_fees.aspx; The Republic of Kenya (2022[19]), Capital Markets Act, https://new.kenyalaw.org/akn/ke/act/1989/17/eng@2023-12-11; NGX (2025[20]), Listing Fees, https://ngxgroup.com/exchange/raise-capital/listing-fees/; JSE (2025[21]), Fees for Issuers, Services and Trading, https://www.jse.co.za/services/other-services/services-documentation/price-lists; see Annex for fee details.

Information on liquidity and transaction costs

The tables below present sources of the information on liquidity and transaction costs.

Annex Table 2.A.4. Source for information on liquidity

Country	Source
Botswana	BSE (2024[45]), 2024 Annual Report, https://bse.co.bw/core/uploads/2025/06/2024-BSE-ANNUAL-REPORT.pdf
Egypt	EGX (2025[46]), Market indicator, www.egx.com.eg/en/MarketIndicator.aspx
Ghana	GSE (2024[47]), Equities Market Report December 2024, https://gse.com.gh/wp-content/uploads/2025/01/GSE-Equities-Market-Report-December-2024.pdf
Kenya	NSE (2024[48]), 2024 Integrated Annual Report and Financial Statements, www.nse.co.ke/wp-content/uploads/NSE-Plc-2024-Integrated-Annual-Report-and-Financial-Statement-1.pdf
Mauritius	SEM (2024[49]), Annual Report 2024, www.stockexchangeofmauritius.com/media/10757/2410031-sem-annual-report-2024-v4.pdf
Morocco	Bourse de Casablanca (2023[50]), 2023 Annual Report, https://media.casablanca-bourse.com/sites/default/files/2025-02/annual_report_2023-_ang.pdf
Namibia	NSX (2023[51]), Annual Report 2023, www.nsx.com.na/images/reports/2023_NSX_IAR_2024_V03B_17717_20240819_LF_11h11_Web_Singles.pdf
Nigeria	NGX (2024[52]), NGX Annual Report 2024, https://ngxgroup.com/ngx-download/ngx-annual-report-2024/
South Africa	JSE (2022[53]), JSE Market Highlights, www.jse.co.za/sites/default/files/media/documents/jse-markets-profile-20221231/JSE%20Markets%26%23039%3B%20Profile%2020221231.pdf
Tanzania	DSE (2023[54]), Sustainability Report 2023, https://dse.co.tz/storage/securities/DSE/financial_statement/Annual/Q3hnKcC35iAOd2lUQ6i7FyrYpoJtSijdgAw8SQVq.pdf
Tunisia	BVMT (2023[55]), Annual Report 2023, www.bvmt.com.tn/sites/default/files/rapports_activites/2023_0.pdf
Uganda	CMA (2024[56]), Annual Report 2023/2024, https://cmauganda.co.ug/annual-reports/
Zambia	LuSE (2024[57]), Q1 2024 Market Performance, www.luse.co.zm/publication/lusaka-secrities-exchanges-2024-quarter-1-market-performance/
Zimbabwe	ZSE (2024[58]), Annual Report 2024, www.zse.co.zw/wp-content/uploads/2025/06/zw_ZSE_2024_AR.pdf.

Annex Table 2.A.5. Source for information on transaction costs

Country	Source
Botswana	BSE (2025[59]), Issuer Fees, https://bse.co.bw/fees/
Egypt	EGX (2025[60]), Trading Fees, www.egx.com.eg/en/Trading_Fees.aspx#:~:text=Exchange%20Trading%20Fees,a%20maximum%20of%20EGP%205%2C000; Thndr Support (2024[61]), Egypt Transaction Fees, https://thndr.app/support/docs/egyptian-exchange-listed-stocks-etfs-en-en/egypt-transaction-fees/
Ghana	SEC Ghana (2023[62]), Guidelines on Market Levies For 2023, https://sec.gov.gh/guidelines-on-market-levies-for-2023/; Benzinga (2025[63]), Best Stockbrokers in Ghana for 2025, www.benzinga.com/money/best-stock-brokers-in-ghana
Kenya	FAIDA Investment Bank, (2019[64]); FAQ's, https://fib.co.ke/faqs/
Mauritius	SEM (2025[65]), Regulations & Governance, www.stockexchangeofmauritius.com/regulations-governance/transaction-fees
Namibia	Cirrus (2025[66]) ,Namibia Stock Exchange Trading ,https://cirrus.com.na/namibia-stock-exchange-trading/
Nigeria	NGX (2025[67]), Trading Market Structure, https://ngxgroup.com/exchange/trade/equities/trading-market-structure/
South Africa	YeboYethu (2025[68]), FAQs, www.yeboyethu.co.za/faqs-jse.php; Sharenet (2025[69]), Local fees, www.sharenet.co.za/feeschedule/
Tanzania	DSE (2025[70]), First Schedule: The DSE and CDS Fee Structure, https://dse.co.tz/storage/extras/rules%20&%20regulation/DSE%20Fees.pdf
Tunisia	BVMT (2013[71]), Transaction fees, www.bvmt.com.tn/en-gb/content/transaction-fees
Uganda	USE (2025[72]), Fees, Charges and Penalties Rules 2025, www.use.or.ug/uploads/legal/regulations/USE%20Fees,%20Charges%20and%20Penalties%20Rules%20%202025%20as%20amended.pdf
Zambia	LuSE (2024[73]), Trading Fees (Equity), www.luse.co.zm/trading/trading-fees-equity/
Zimbabwe	SECZIM (2024[74]), Capital Markets in Zimbabwe, https://seczim.co.zw/capital-markets-in-zimbabwe/

Ownership information

The ownership figures for publicly listed companies are based on OECD calculations using firm-level information from the FactSet Ownership database. The data are complemented and verified using LSEG and Bloomberg. Data are collected at the end of 2024 in current USD, thus no inflation adjustment is needed. Market information for each company is collected from LSEG. The dataset includes the records of owners for 46 086 companies listed across 98 countries covering 99% of the world market capitalisation. For each of the countries/regions presented, the information corresponds to all listed companies in those countries/regions with available information.

The records of owners are collected for each company. Some companies have up to 5 000 records in their list of owners. Each record contains the name of the institution, the percentage of outstanding shares owned, the investor type classification, the origin country of the investor, the ultimate parent name, among other things.

The table below presents the five categories of owners defined and used in this report following De La Cruz, Medina and Tang (2019[75]). Different types of investors are grouped into these five categories of owners. In many cases, when the ultimate owner is identified as a government, a province or a city and the direct owner was not identified as such, ownership records are reclassified as public sector. For example, public pension funds that are regulated under public sector law are classified as public sector, and sovereign wealth funds (SWFs) are also included in that same category.

Annex Table 2.A.6. Categories of owners defined and used in the report

Investor category	Categories of owners	
	Investor type	
Private corporations and holding companies	Business association	Operating division
	Employee stock ownership plan	Private company
	Holding company	Public company
	Joint venture	Subsidiary
	Non-profit organisation	
Public sector	Government	Regional governments
	Sovereign wealth manager	Public pension funds
Strategic individuals and family members	Individual (Strategic owners)	Family office
Institutional investors	Bank investment division	Mutual fund manager
	Broker	Other
	College/University	Pension fund
	Foundation/Endowment manager	Pension fund manager
	Fund of funds manager	Private banking/Wealth management
	Fund of hedge funds manager	Private equity fund/Alternative investments
	Hedge fund	Real estate manager
	Hedge fund manager	Research firm
	Insurance company	Stock borrowing/Lending
	Investment adviser	Trust/Trustee
	Market maker	Umbrella fund
	Mutual fund-closed end	Venture capital/Private equity
Other free-float including retail investors	Shares in the hands of investors that are not required to disclose their holdings. It includes the direct holdings of retail investors who are not required to disclose their ownership and institutional investors that did not exceed the required thresholds for public disclosure of their holdings.	

3 Corporate debt markets

This chapter analyses the functioning of corporate debt markets – bonds, syndicated loans and private credit – across Africa. Using original data, it examines the development of these markets over the past two decades and puts these trends in a global context. Based on this analysis, it highlights four areas for policy reform to support further market development, drawing from a review of existing initiatives and relevant international experiences.

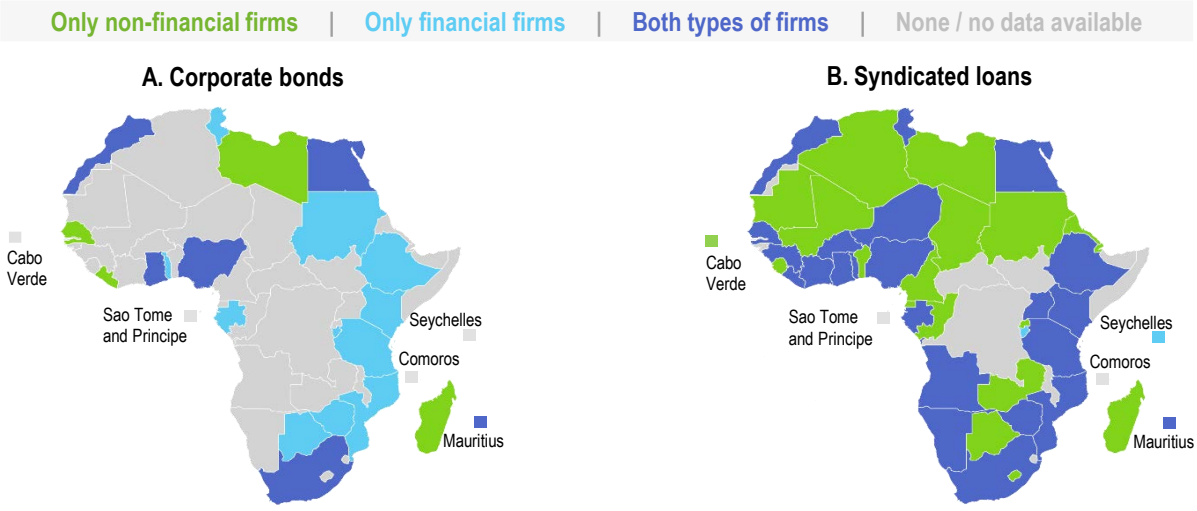
Key messages

- African corporate debt markets are highly limited in size. Even relative to its already modest share of the global economy, Africa is underrepresented in the use of corporate debt instruments both at the global level and among emerging market economies, and its shares have declined over time.
- Activity is highly concentrated in a few countries across all market segments: at the end of 2024, four economies accounted for 61% of the continent's total outstanding corporate debt. However, even in these more active markets, the total debt volume remains limited by international standards. Outstanding corporate debt as a share of GDP, which is 52% at the world level, is below 15% in all but one of the 15 countries considered in the analysis in this chapter.
- In addition to concentration at the country level, Africa's syndicated loan and corporate bond markets are dominated by a few large, rated firms capable of issuing sizable volumes with long maturities. This reflects both the significant challenges smaller firms face in accessing bond markets and the continent's limited number of cash flow positive companies that attract investor interest.
- The shortage of investable assets is also visible in the region's private credit markets. Despite rising international investor interest, more than half of the increase in AUM in Africa-focused funds between 2021 and 2024 consists of dry powder.
- African countries remain highly dependent on foreign investors and service providers. In 2024, 53% of all outstanding non-financial corporate debt in Africa was denominated in US dollars, including 43% of syndicated loans and 100% of corporate bonds. Between 2000 and 2024, only 14 African countries saw corporates issuing any local currency debt. In addition, although African service providers have become more prominent over time, in 2024 foreign firms still managed nearly two-thirds of all non-financial corporate debt deals.
- Attracting more foreign investment, which supports rather than replaces domestic market development, remains critical. African firms currently only account for 7% of long-term private foreign debt in low and middle-income countries, and only 17% of the region's external debt is directed to private borrowers, with the rest going to governments.
- High levels of informal employment and low incomes across much of Africa continue to constrain the growth of domestic institutional investors like pension funds. In 2024, African institutional investors held approximately USD 1.1 trillion in assets on aggregate, heavily concentrated in a few markets, notably Namibia and South Africa. Low allocations to domestic assets further restrict the role of institutional investors in supporting long-term growth across the continent.
- Despite numerous initiatives across the continent, progress toward establishing a fully integrated pan-African debt market remains limited. The main obstacles include regulatory and legal differences across countries, fragmented market infrastructures, restrictions on institutional investors' ability to invest across borders, and insufficient transparency and market data availability.
- Key policies to develop corporate debt markets in Africa include expanding the pool of domestic institutional investor capital and encouraging its allocation to the domestic private sector, advancing regional integration, harmonising regulatory frameworks, and ensuring interoperability between market infrastructures.

3.1. An overview of the African corporate debt markets

Africa has a growing need for long-term finance which is not currently being served by its underdeveloped corporate debt markets. Instruments such as syndicated loans and corporate bonds, widely used in both advanced and emerging economies, play a minimal role in corporate financing across the continent. OECD data suggest that less than half (21 out of 54) of African countries have had at least one domestic firm issuing a corporate bond since 2000 (Figure 3.1, Panel A). Syndicated loans are more widespread, given the larger role of the banking sector (Panel B), but ten countries still show no recorded use of either of the two instruments in the last quarter of a century. Overall, corporate debt levels remain low in an international comparison, both in absolute terms and relative to GDP.

Figure 3.1. Active debt markets in Africa



Note: A market is considered active if it has issued debt at least once since 2000.
Source: OECD Capital Market Series dataset, LSEG, see Annex for details; IMF.

Several factors contribute to African firms' limited use of corporate debt markets. These include structural issues such as weak and fragmented regulatory frameworks and market infrastructure, a high reliance on foreign capital, and the underdevelopment of domestic institutional investor bases – all of which are discussed in greater detail throughout this chapter. Additional barriers, covered in other chapters of this report, include limited sovereign bond markets, low levels of financial literacy and weak corporate governance frameworks.

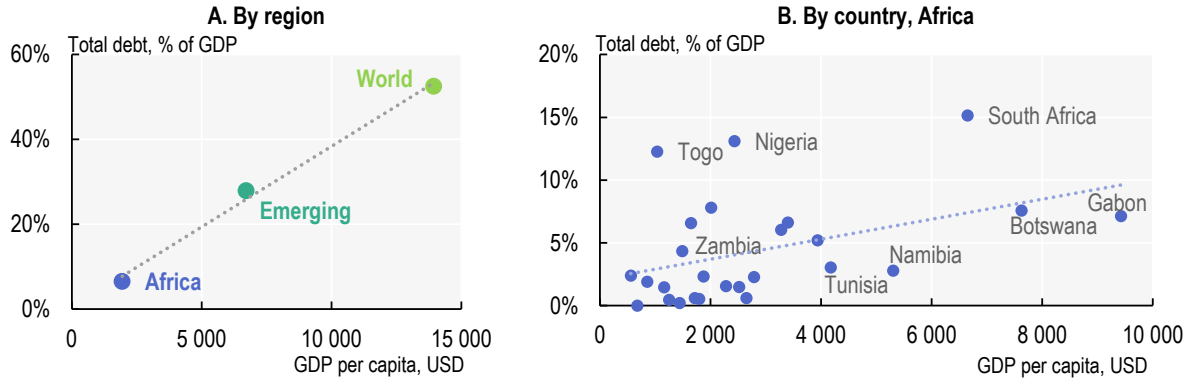
In addition to capital market-specific issues, broader macroeconomic and political challenges – beyond the scope of this report – are major constraints to firms' ability to access external financing and grow. One clear manifestation of these obstacles is persistently high yields on government bonds across many African economies, reflecting political and macroeconomic risk. Given that corporate debt is generally priced against sovereign debt, this makes borrowing costs prohibitively high for private companies. These dynamics underscore a mutually reinforcing relationship: stable political/macroeconomic conditions and well-functioning financial markets support each other. Equally, in a vicious cycle, unstable macro conditions hamper financial market functioning, which further destabilises macro conditions.

The connection between macroeconomic fundamentals and corporate debt market depth is clear when comparing GDP per capita with the size of corporate debt markets (measured as the total stock of syndicated loans and corporate bonds relative to GDP). A higher GDP per capita is associated with a more extensive use of corporate debt across broad regional groups (Figure 3.2, Panel A). The same relationship

holds when looking at African countries individually (Panel B). Although the direction of causality, if any, between these two variables is hard to establish, it is safe to say that corporate debt markets are unlikely to emerge without a minimum level of macroeconomic and political stability.

Figure 3.2. Economic development and debt levels, end-2024

Countries with higher GDP per capita tend to have larger corporate debt markets

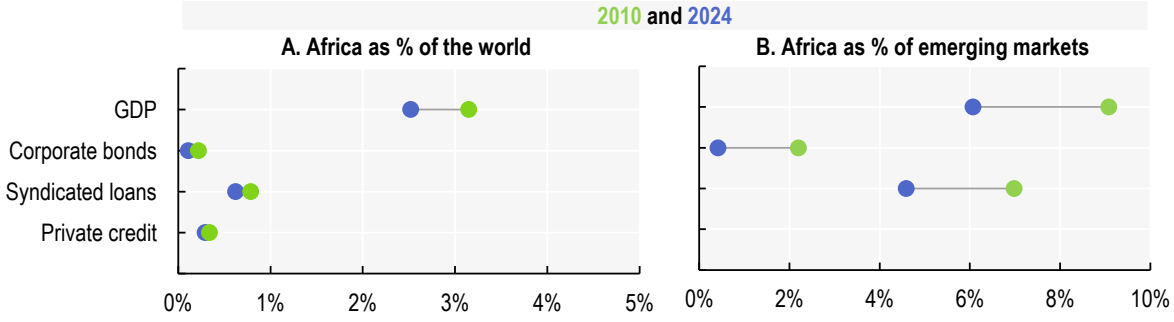


Note: Panel A shows regional averages. Panel B excludes four outlier countries (Burundi, Liberia, Mauritius and Mozambique).
Source: OECD Capital Market Series dataset, LSEG, see Annex for details; IMF.

At the same time, adequate corporate access to debt markets can help drive economic development. Africa is currently significantly underrepresented in the use of corporate debt instruments both globally and within a broader group of emerging market economies compared to its GDP weight. This is particularly notable given that the continent's economic weight is already small to begin with. In 2024, Africa accounted for 2.5% of global GDP and 6.1% of emerging market GDP, but only 1% of global outstanding corporate debt and around 5% of that of emerging markets (Figure 3.3, Panels A and B). Corporate bonds remain especially underutilised. Furthermore, since 2010, the gap between Africa's economic weight within the group of emerging markets and its share of corporate debt has widened, even as its share of GDP has declined.

Figure 3.3. Africa's share in the global economy and debt markets

Africa is heavily and increasingly underrepresented in debt markets relative to its economic weight



Note: Private credit as a share of emerging markets is excluded due to limited granularity in the source data.
Source: OECD Capital Market Series dataset, LSEG, see Annex for details; Preqin, IMF.

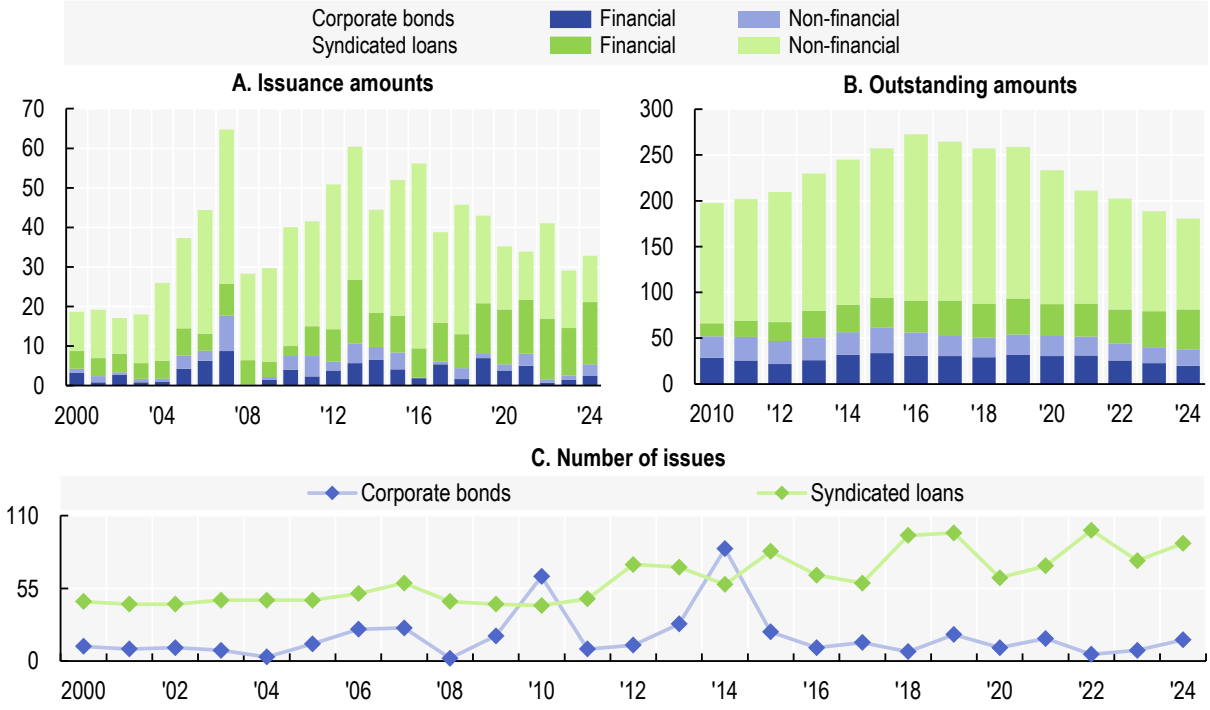
This decline is visible in absolute numbers too. Counter to the global trend of sharply increasing corporate debt levels since 2008, total outstanding corporate debt – bonds and syndicated loans – of African non-

financial companies has decreased in real terms. Corporate bond issuance has been particularly weak, with outstanding amounts falling from USD 52 billion in 2010 to USD 38 billion in 2024 (Figure 3.4, Panels A and B). It bears noting that part of this contraction can be attributed to the depreciation of local currencies against the US dollar (although much of the outstanding African corporate debt is denominated in USD).

This is also reflected in the number of instruments issued. Corporate bond issuance has remained modest overall, with only two notable peaks in 2010 and 2014, when 64 and 85 bonds were issued, respectively. Excluding these years, the average annual number of bonds issued between 2000 and 2024 stands at just 13. The number of syndicated loans granted to companies has also been relatively limited, though it shows a modest upward trend, with the annual average rising from 46 in the 2000-2011 period to 77 in the 2012–2024 period.

Figure 3.4. Corporate debt levels in Africa

Debt issuance and outstanding volumes have been on a declining trend in the last decade



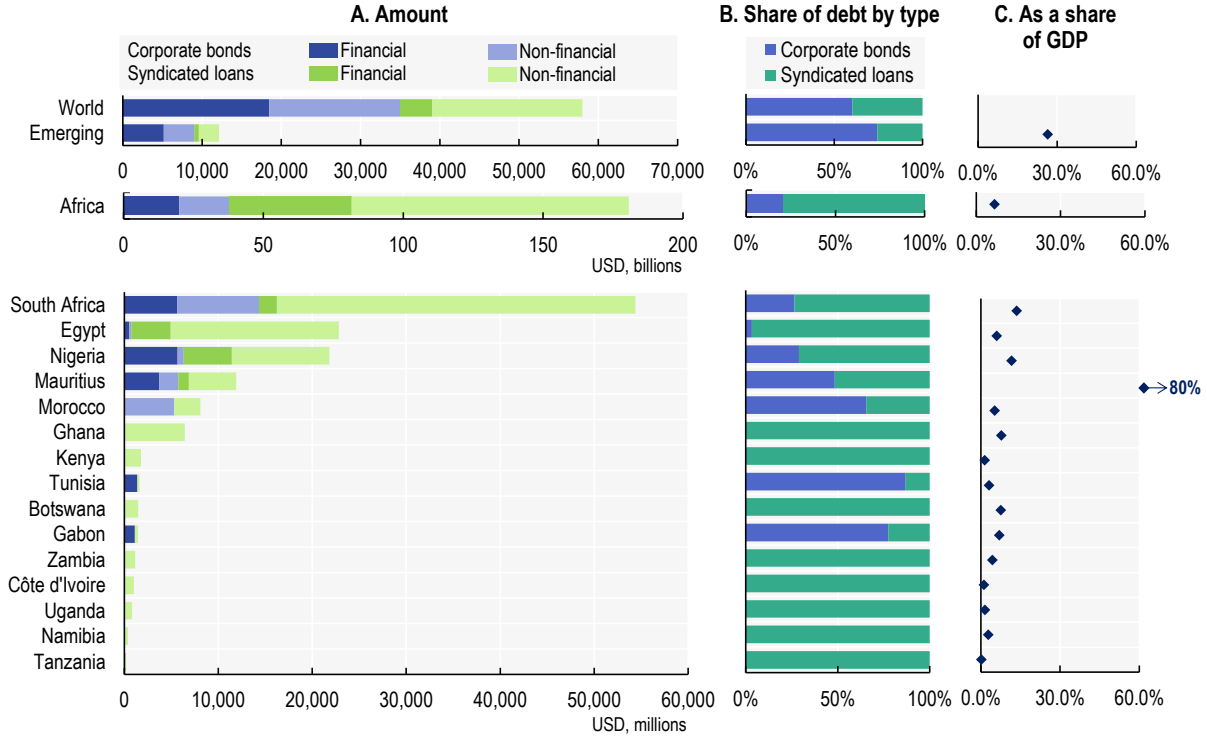
Source: OECD Capital Market Series dataset, LSEG, see Annex for details; IMF.

There are significant differences in structure and development between African debt markets. Activity is highly concentrated in a small number of countries (Figure 3.5, Panel A). At the end of 2024, just four economies (South Africa, Egypt, Nigeria and Mauritius) accounted for 61% of the continent's total outstanding corporate debt. The relative balance between bond and syndicated loan markets also varies significantly. Counter to global trends, syndicated loans typically dominate, but there are a few countries, such as Morocco, Tunisia and Gabon, where bond markets are larger (Panel B). This pattern is, however, less a reflection of robust corporate bond issuance and more the result of the effective absence of syndicated loan markets in those countries. In Tunisia and Gabon, for instance, the small number of outstanding corporate bonds are issued exclusively by financial companies. Even in the more active markets, corporate debt issuance remains modest in scale. Across Africa, the stock of corporate debt ranges from under 1% of GDP in many countries to 14% in South Africa, with Mauritius as a notable outlier

with a much higher share (80%). In comparison, corporate debt as a share of GDP stands at 26% in emerging markets and 52% globally (Panel C).

Figure 3.5. Outstanding debt in selected African countries, end-2024

Total debt-to-GDP levels remain low in Africa; syndicated loan markets are larger than corporate bond markets

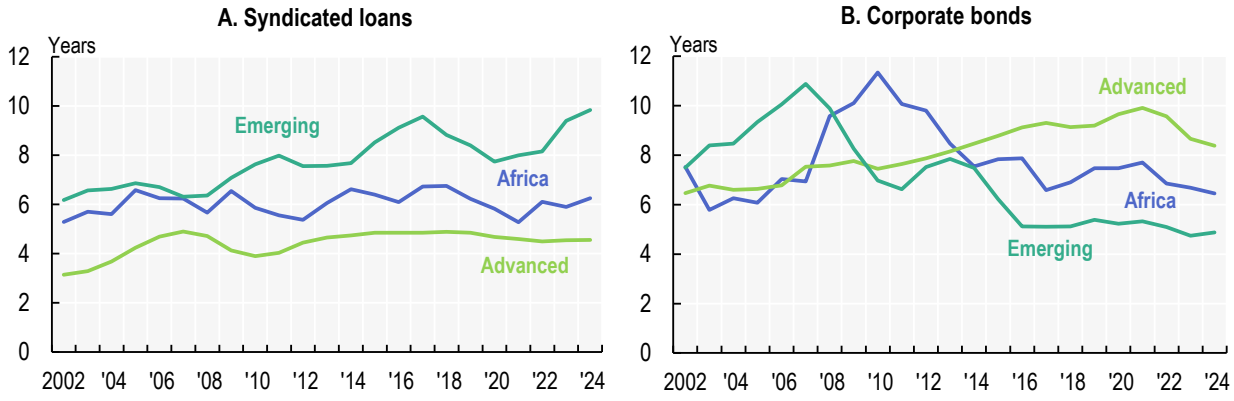


Source: OECD Capital Market Series dataset, LSEG, see Annex for details; IMF.

In line with observations in other emerging markets (Cortina, Didier and Schmukler, 2018[1]), the maturities of both syndicated loans and corporate bonds in Africa are broadly comparable to those observed in advanced economies (Figure 3.6). However, this does not necessarily indicate wide availability of long-term finance in the region. In the African context, where overall corporate debt volumes are very limited, this maturity structure rather reflects the insufficient scale and depth of corporate debt markets, which are predominantly reserved for companies that can issue longer-term.

Figure 3.6. Average value-weighted maturity of corporate debt issuance

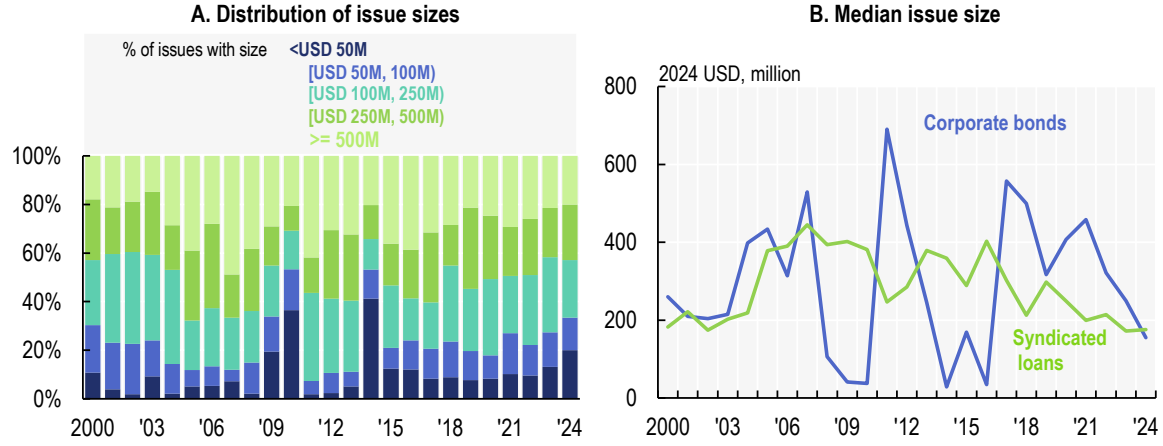
Debt instruments in Africa have similar maturities to those in advanced economies



Note: Refers to average maturity weighted by the value of the deals. Three year rolling averages.
Source: OECD Capital Market Series dataset, LSEG, see Annex for details.

The dominance of large firms in African debt markets is also evident in the size of debt instruments in the region. Between 2000 and 2024, an annual average of 77% of corporate debt issuances by African firms were above USD 100 million (Figure 3.7, Panel A). The (average of annual) median corporate bond and syndicated loan were, respectively, USD 293 million and USD 287 million (Panel B). For comparison, in the United States, home to many of the world's largest corporations, the equivalent figures are USD 432 million and USD 267 million.

Figure 3.7. Issue sizes of corporate debt instruments in Africa

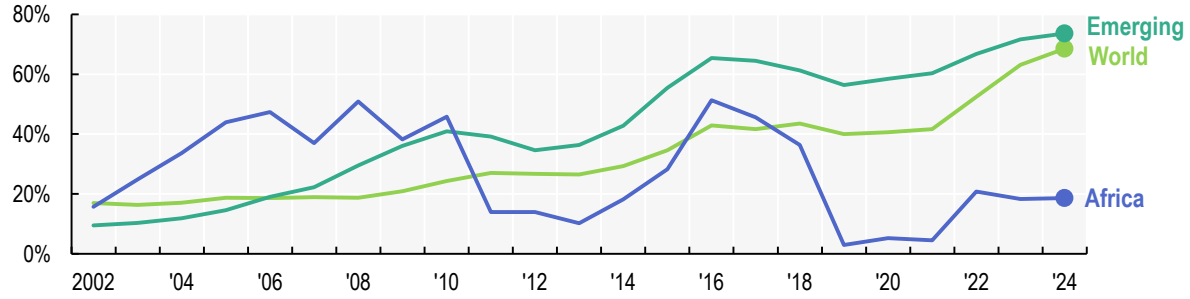


Note: Panel A includes both corporate bonds and syndicated loans.
Source: OECD Capital Market Series dataset, LSEG, see Annex for details.

Similar dynamics are visible in the share of bonds with a credit rating from a major international rating agency. While the rise of smaller issuers has led to an increase in unrated bond issuance globally, this development has not taken place in Africa (Figure 3.8). The high share of rated issues (81% in 2024) in the region therefore reflects a lack of market access for smaller firms more than anything else.

Figure 3.8. Share of unrated bonds in non-financial company issuance, 3-year rolling average

The majority of corporate bonds in Africa are rated



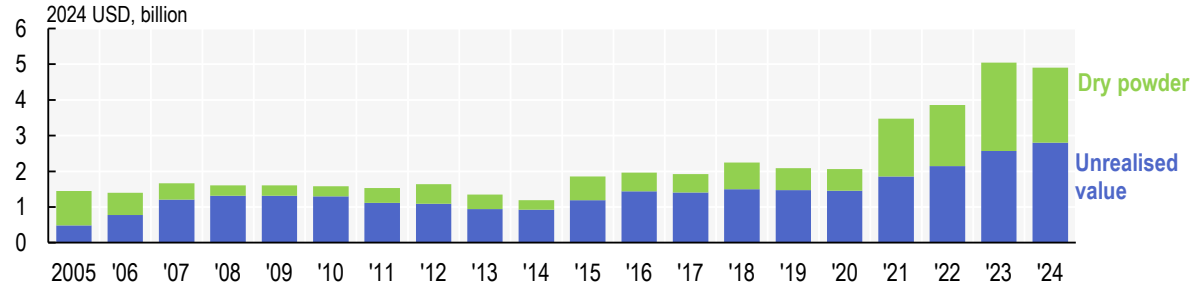
Note: Refers to ratings by S&P, Moody's and Fitch.
Source: OECD Capital Market Series dataset, LSEG, see Annex for details.

In addition to corporate bonds and syndicated loans, private credit has emerged as a growing segment of the global corporate debt market in recent decades (OECD, 2025[2]). This growth is visible in Africa too, but counter to other markets, where funds typically come from alternative asset managers or traditional institutional investors, African private credit has largely been supplied by Multilateral Development Banks (MDBs) and Development Finance Institutions (DFIs) (FSD Africa, 2018[3]). Private credit investment by traditional institutional investors in Africa remains limited, with portfolios instead heavily concentrated in sovereign debt, with minimal exposure to alternative asset classes (see section 3.2.2 and chapter 8). This is often attributed to a lack of local expertise and capacity to assess the risks associated with these types of assets, as well as the relatively recent introduction of regulations governing investments in alternative asset classes.

On the demand side, a key constraint is the limited pipeline of viable projects and investable companies of sufficient size. This is visible when looking at dynamics in foreign investor participation in Africa's private credit market. Although several international alternative asset managers have launched funds targeting the region – BluePeak's (2025[4]) fund backed by European DFIs being one of the more recent examples – many such funds have scaled back or exited the region in recent years (WSJ, 2017[5]; 2019[6]). A notable sign of this latter challenge is the composition of total assets under management in Africa-focused funds. Although there has been substantial growth since 2021 (Figure 3.9), half of this growth consists of dry powder (committed capital that has not yet been allocated to specific investments). For comparison, dry powder accounted for less than one-third of total AUM globally in 2024. This underscores the point that, despite growing investor interest and commitments, significant barriers remain to channel this demand into actual investment activity in the region.

Figure 3.9. Assets under management of Africa-focused private credit funds

Despite recent growth in AUM of private credit funds, a substantial share remains undeployed



Note: AUM data refer to closed-end, unlisted private credit funds.
Source: Preqin.

3.2. Key policy considerations

Drawing on the empirical mapping in the last section, the present section highlights four areas for policy reform to support further market development: foreign dependence; domestic institutional investors; attracting international investment; and market infrastructure.

3.2.1. Foreign dependence

While foreign investment and know-how are bedrock elements of building strong domestic capital markets in emerging economies, excessive reliance on foreign actors in capital markets can expose countries to sudden capital outflows and volatile financing conditions. In addition, in excess, it can limit the development of domestic capabilities. Such dependency might therefore threaten financial stability and limit domestic policy space, as governments become more vulnerable to foreign risk perceptions and exchange rate pressures. One of the most obvious indicators of foreign dependence is the share of debt denominated in foreign currencies. Emerging markets have seen an increase in the share of non-financial debt issued in local currency over time. Excluding China (where local currency bonds made up 96% of issuance in 2024), the local currency share in emerging markets stood at 43% at the end of 2024, up from 12% in 2000. Although Africa has also seen an increase, the majority of issuance (60% in 2024) is still denominated in foreign currencies (Figure 3.10, Panel A). Most local currency denominated borrowing takes place in the syndicated loan market (Panel B), whereas the share of local currency corporate bond issuance has in fact decreased since 2000 (Panel C).

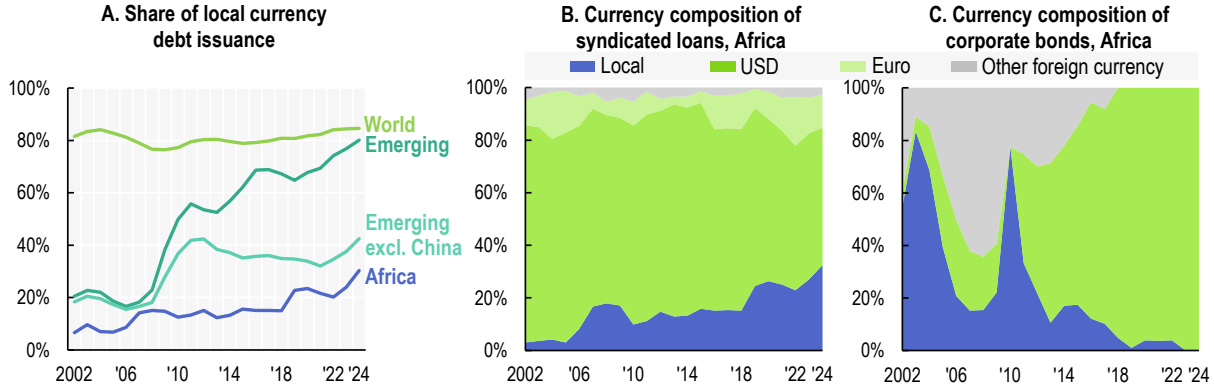
The US dollar remains the dominant currency for non-financial debt issuance across Africa, accounting for 53% of total debt issued in 2024, including 43% of syndicated loan issuances and 100% of corporate bond issuances. Beyond capital markets, the USD is also widely used to settle intra-African trade transactions and to price essential goods such as oil, wheat and medicines (Gopaldas, 2025[7]). While foreign investment plays a positive role for the economy, a high concentration of currency exposure tied to a single country can constrain a state's ability to act in the best interest of domestic growth (Kentor and Boswell, 2003[8]). Several efforts have already been introduced to reduce reliance on foreign currencies. The African Local Currency Bond (ALCB) Fund was established in 2012 by the KfW Development Bank and the German Federal Government to promote local currency bond issuance on the continent. The fund acts as a pan-African anchor investor in local currency corporate bonds and provides technical assistance to financial service providers. It invests in companies operating in developmental sectors whose ultimate beneficiaries are lower-income households and micro, small and medium enterprises. Other than local

issuers, investors and intermediaries bringing innovative transactions in the local market are also eligible (ALCB Fund[9]). By the end of 2024, the fund had USD 214 million invested across 39 different companies (ALCB Fund, 2024[10]).

Outside of bond markets, there are broader currency initiatives such as the Pan-African Payment and Settlement System (PAPSS), launched in 2022, which facilitates cross-border transactions in local currencies within the continent (PAPSS[11]). In 2025, PAPSS, in collaboration with Interstellar, an African technology company, announced the launch of the PAPSS Africa Currency Marketplace that would allow the direct exchange of African currencies without passing through hard currencies (PAPSS, 2025[12]).

Figure 3.10. Currency composition of non-financial corporate debt issuance

Corporate debt issuance in Africa is still mostly denominated in foreign currencies



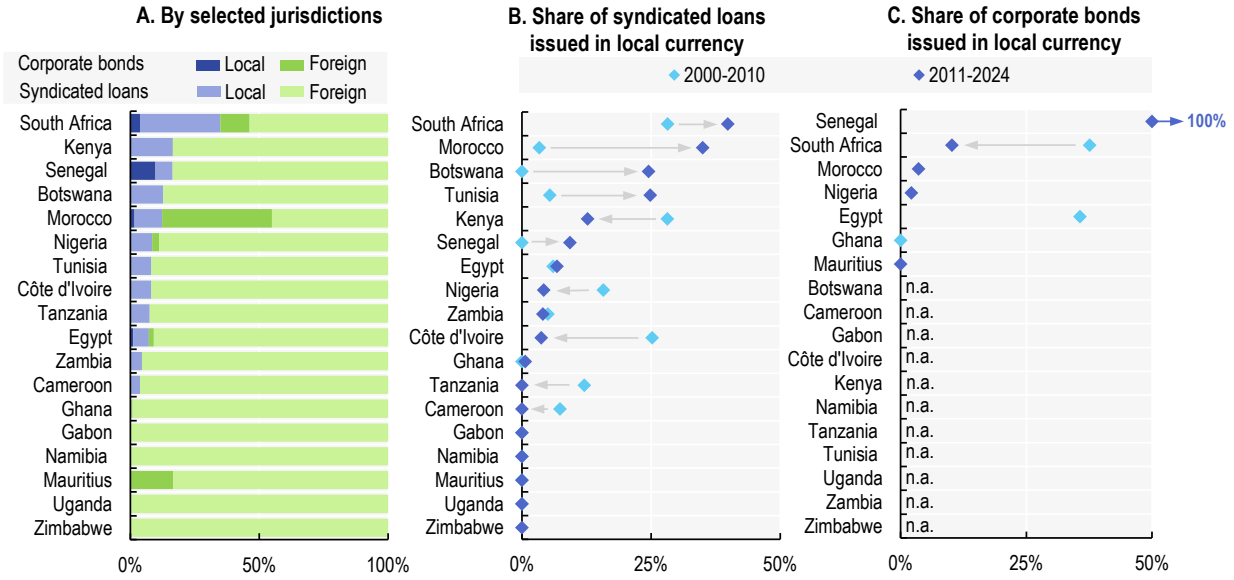
Note: Three year rolling averages.
Source: OECD Capital Market Series dataset, LSEG, see Annex for details.

Reflecting the limited use of local currencies in debt issuance in the region, only 14 African countries have had corporates borrowing in local currency from either the bond or syndicated loan markets between 2000 and 2024. Only five have seen local currency corporate bond issues (Figure 3.11, Panel A). South Africa, by far Africa's largest market, has the highest share of non-financial corporate debt issues in local currencies (35%), followed by Kenya (16%) and Senegal (16%). Only seven economies expanded their share of locally denominated syndicated loans between 2000-2010 and 2011-2024 (Panel B). Tracking changes over time in corporate bond markets is more challenging given the segment's general underdevelopment in the region. Ghana and Mauritius have never recorded a local currency bond issuance. South Africa, the only country that recorded local currency corporate bond issuance for both time periods, exhibits a declining trend in local currency issuance from 38% during 2000-2010 to just 10% between 2011-2024. Senegal stands out as all corporate bond issuances between 2011 and 2024 were in local currency, but overall amounts are very small (Panel C).

Denominating debt in foreign currency shifts the exchange rate risk from the lender to the borrower. Given the high exchange rate volatility of many African currencies, this exposes issuers to significant risks and creates a need for currency hedging which, given the very same volatility, is often extremely costly (EIB, 2022[13]). There are a number of international initiatives to address this issue (see Box 3.1). Even though the West and Central African CFA franc, as well as eight[1] other countries in the region have *de jure* pegged currency regimes (Boris, 2025[14]; IMF, 2004[15]), which decreases the volatility of the exchange rate, they require significant adjustments if the peg becomes unsustainable (Horrocks et al., 2025[16]).

Figure 3.11. Currency composition of non-financial corporate debt issuance, 2000-2024

Only 14 African countries have seen corporate debt issues denominated in local currency since 2000



Note: Aggregate figures over the periods. Companies in Botswana, Cameroon, Côte d'Ivoire, Gabon, Kenya, Namibia, Tanzania, Tunisia, Uganda, Zambia and Zimbabwe have not issued any corporate bonds between 2000 and 2024; in Mauritius, Morocco, Nigeria and Senegal there were no issues between 2000 and 2010; and in Egypt and Ghana there were none between 2011 and 2024.
Source: OECD Capital Market Series dataset, LSEG, see Annex for details.

Box 3.1. Managing exchange rate risk: tools for firms and investors in Africa

Initiatives such as the Currency Exchange Fund (TCX) have been launched to address challenges associated with exchange rate risks in emerging economies. TCX was established in 2007, backed by development finance institutions, microfinance investment vehicles and European governments to offer instruments such as forward contracts and cross-currency swaps in frontier and developing markets, where such derivates markets had not yet developed. The fund offers currency risk mitigation strategies for all African currencies except for those of Eritrea, Somalia, Sudan, South Sudan and Zimbabwe. Since 2013, the fund has been hedging payment obligations deriving from bonds denominated in local currencies (TCX[17]). In several African countries, firms have already benefited from partnerships between TCX and the ALCB Fund which supports local currency corporate bonds by making significant early investments. These early commitments help build market confidence and attract additional private capital (TCX, 2018[18]). In 2024, TCX hedged bonds denominated in ten different African currencies, for a total value of USD 80 million, half of which was denominated in Tanzania shilling. TCX has expanded its presence in Africa by offering swaps at subsidised rates through the EU Market Creation Facility's Pricing Facility, a joint initiative by TCX, KfW and the European Commission (TCX, 2024[19]).

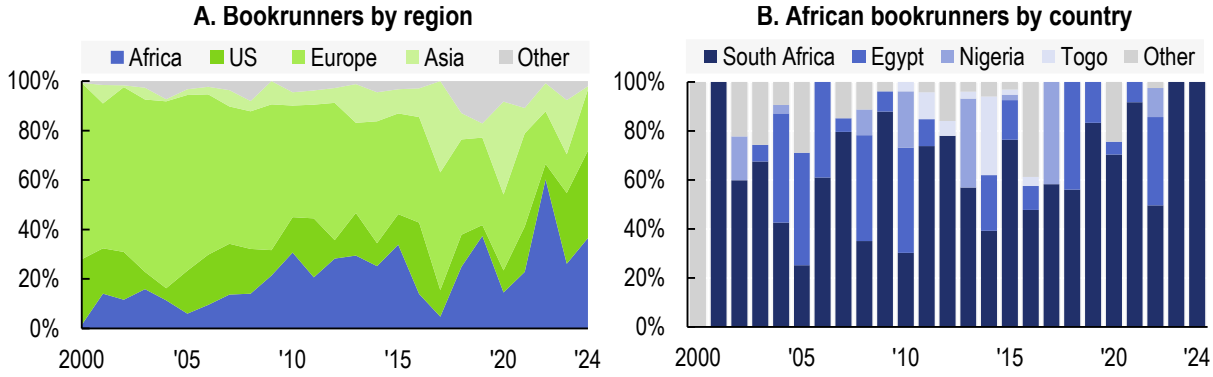
International organisations have also introduced measures to mitigate exchange rate risk and support the growth of local currency capital markets. The International Finance Corporation (IFC), for instance, offers local currency financing in almost 60 emerging market currencies. Moreover, it provides interest rate and cross currency swaps to help borrowers hedge existing and new foreign currency denominated liabilities.

By sourcing local currency through swap agreements with market participants, the IFC contributes to the development of local derivative markets. The IFC has also expanded the range of eligible counterparties to include local central banks, enabling local currency financing even in markets where commercial swap options are unavailable (IFC, 2017[20]).

African corporate debt markets are reliant on foreign actors not only in terms of currency, but also in terms of infrastructure and service providers. In 2024, just over a third (37%) of non-financial corporate debt issues in Africa were managed by African financial institutions. This is a significant increase from only 1% in 2000, but still indicative of persistent structural gaps in the local financial advisory sector (Figure 3.12, Panel A). Notably, African advisory activity is highly concentrated in four countries – South Africa, Egypt, Nigeria and Togo – that have accounted for over 90% of all African bookrunner activity in the non-financial corporate debt market since 2000 (Panel B), underscoring the uneven development of capital market infrastructure across the region. The increase in the share of African bookrunners has been offset primarily by a decrease in European institutions' share, which fell sharply from 71% to 25% over the same period. Asian institutions have considerably increased their share since 2015.

Figure 3.12. Geographic distribution of bookrunners in African corporate debt transactions

Most non-financial corporate debt issuance in Africa is managed by foreign bookrunners



Note: Refers to non-financial company debt (both corporate bond and syndicated loan transactions). In Panel B, the 100% bar for "Other" in 2000 refers to Ghana. All Togo-registered transactions refer to Ecobank Transnational.
Source: OECD Capital Market Series dataset, LSEG, see Annex for details.

Policy considerations

The degree of foreign dependence in an economy's debt markets, notably the use of foreign currencies, is to large extent a function of broader macroeconomic factors beyond the scope of this report. However, there are capital market-specific measures that policymakers can use to facilitate the development of local currency corporate debt markets. This includes supporting the emergence of financial instruments that help borrowers and investors hedge against exchange rate risk. Although international institutions currently offer some hedging options, in some emerging markets local central banks have played an additional role by offering currency hedges to foreign investors through non-deliverable forwards, reducing exchange rate risk and encouraging greater foreign participation (BIS, 2019[21]). Additionally, building local expertise in financial advisory services is essential. To achieve this, policymakers could require the inclusion of at least one local firm in bookrunning syndicates and collaborate with international institutions to facilitate knowledge transfer and capacity building.

3.2.2. Domestic institutional investors

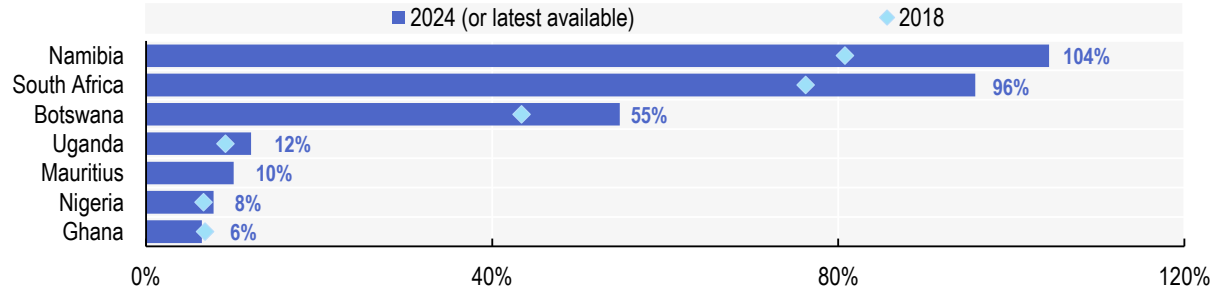
Building a sufficiently large pool of local capital that provides funds to the private sector will be imperative to meet Africa's long-term financing needs and reduce dependence on foreign funding, while also mitigating the effects of associated risks such as exchange rate volatility. Recent estimates indicate that institutional investors across Africa (pension funds, insurance companies, sovereign wealth funds and development banks) collectively hold approximately USD 1.1 trillion in assets (AFC, 2025[22]). That is equivalent to about 40% of Africa's 2024 GDP. Around USD 455 billion of this is held by pension funds, while insurance companies account for about USD 320 billion.

The size of institutional capital in Africa and its potential to support economic development are heavily constrained by low-income levels and high rates of informal employment, which average 83% across the continent and reach up to 92% in Central Africa (ILOSTAT[23]). Nonetheless, demographic trends such as a growing population and rising life expectancy put the continent in a strong position to implement reforms that support the expansion of institutional investor assets, particularly in pension funds and life insurance. These actors, due to their asset-liability structures, are especially well-suited to providing long-term financing.

The development of the institutional investor sector varies significantly across African countries, with assets highly concentrated in a few markets. In terms of total pension fund assets as a share of GDP, two countries stand out: Namibia, where assets amount to 104% of GDP – more than double the OECD average (see chapter 8) – and South Africa, with assets equivalent to 96% of GDP (Figure 3.13). These cases illustrate how sustained policy and regulatory efforts can encourage pension savings. In Namibia, occupational pension funds have achieved broad participation among formal sector workers. The system is supported by favourable tax incentives: employer and employee contributions are tax-deductible up to certain limits, investment returns are tax-exempt, and only two-thirds of retirement benefits are subject to taxation (IPOS, 2020[24]). In South Africa, the largest market in absolute terms, a series of reforms over the past decade have aimed to improve retirement outcomes. These include mandatory annuitisation, harmonised tax treatment across retirement products, and the promotion of individual savings. More recently, reforms have focused on extending coverage to informal and uncovered workers and on designing more attractive products targeting young savers (APSA, 2024[25]). Nonetheless, across much of Africa, despite some growth in pension assets over recent years, levels remain low, which consequently limits the development of capital markets in general and corporate bond markets in particular.

Figure 3.13. Pension fund assets as a share of GDP in selected African countries

Pension assets remain limited in most African countries



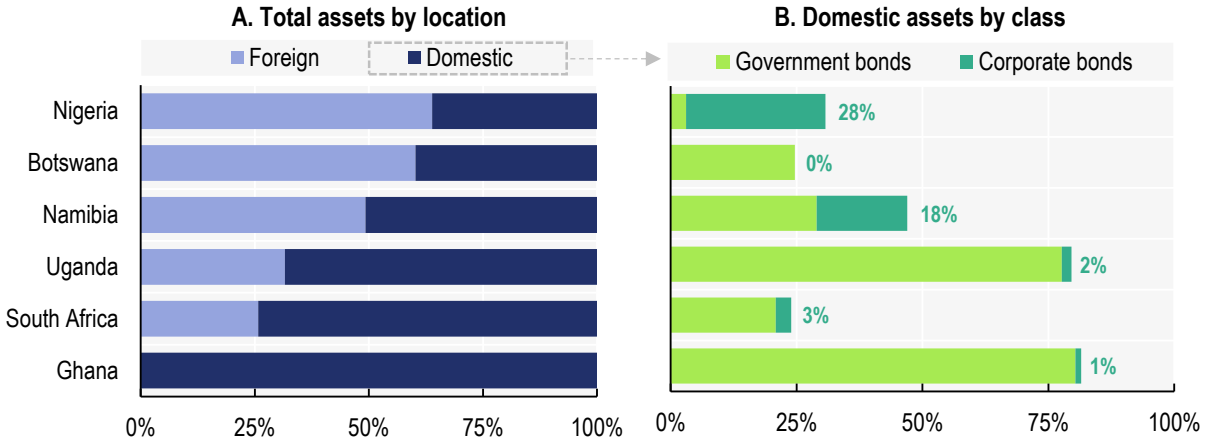
Note: Assets reported include the following – Namibia: pension fund assets as reported by the Bank of Namibia; South Africa: official retirement funds and private retirement funds as reported by the South African Reserve Bank; Botswana: pension fund assets as reported by NBFIRA; Uganda: AUM of retirement benefits schemes as reported by URBRA; Mauritius: private pension assets as reported by the Bank of Mauritius; Nigeria: pension fund assets as reported by RSA; Ghana: private pensions fund assets and assets under BNSSS as reported by NPRA. Data for Mauritius in 2018 are unavailable. Latest data available for Ghana is 2023.
Source: Central bank and regulatory agency reports.

Equally important as the total pool of capital is the allocation of those assets, particularly the extent to which they are invested in domestic corporations. To promote domestic investment, some countries impose limits on the proportion of assets that can be invested abroad. For example, South Africa sets a maximum of 45% (South African Reserve Bank, 2022[26]) and in 2023 Botswana raised its domestic investment requirement from 30% to 38%, initiating a gradual increase aimed at reaching 50% by 2027. (NBFIRA, 2023[27]; World Bank, 2023[28]). Ghana takes a more stringent approach, generally restricting pension funds from investing more than 5% of their assets outside the country (NPRA[29]), which helps explain why domestic investment by pension funds is considerably higher in Ghana compared to other African countries shown in Figure 3.14.

Across the continent, domestic allocations tend to be very conservative, with a strong preference for sovereign rather than corporate bonds (Panel B). As previously discussed, this trend is partly tied to the high yields on sovereign bonds, reducing investor incentives to engage with other asset classes, together with the limited number of sufficiently large corporations capable of issuing corporate bonds.

Figure 3.14. Asset allocation of pension funds in selected African countries

Pension funds tend to favour sovereign over corporate bonds in their domestic allocations

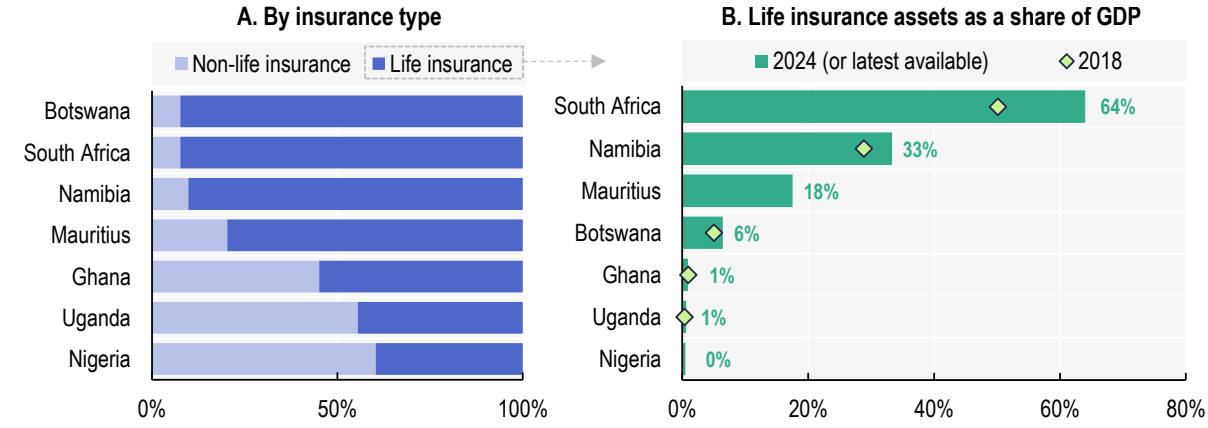


Source: Central banks and regulatory agency reports.

Although data on the allocation of insurance assets are less comprehensive, making regional comparisons more difficult, the overall picture is similar to that of pension funds, with assets heavily concentrated in a few countries (AFC, 2025[22]). Life insurance assets, which are well-suited to long-term investment, account for very different shares of total insurance assets across different African countries (Figure 3.15, Panel A). They are rather small in most countries. With the exception of South Africa, life insurance assets represent less than a third of GDP across the countries included in the analysis (and likely across the region, given that countries with available data tend to have larger asset bases). Regardless of portfolio allocation, the insurance sector's investments in the private sector are therefore necessarily very limited in absolute terms.

Figure 3.15. Insurance companies' assets in selected African countries

Long-term insurance assets remain limited in most African countries



Source: Central banks and regulatory agency reports.

Policy considerations

While high levels of informal employment and low incomes across much of Africa are the main constraints to the growth of domestic institutional investors, more sector-specific policy actions can also help channel capital towards productive investment in the real economy. To expand the pool of capital available for investment, governments should focus on increasing pension coverage by promoting the development of both occupational and individual pension funds among the working population. The current conservative asset allocation by pension funds, with a strong preference for government securities, is also a major barrier to institutional investment in local businesses. Policies should aim to encourage more diversified asset allocation strategies, including a greater share of investments in the private sector. In countries where there are regulatory limits on such investments, raising the ceilings for allocations to corporate bonds, equities and other private instruments could support this goal. However, it is important to note that in many cases current institutional investor allocations remain well below regulatory limits. This suggests the need for a holistic, long-term strategy for developing both the domestic economy and the capital markets in parallel, including measures to strengthen the pipeline of investable projects by enhancing the creditworthiness, scale and visibility of local firms, making them more attractive to institutional capital.

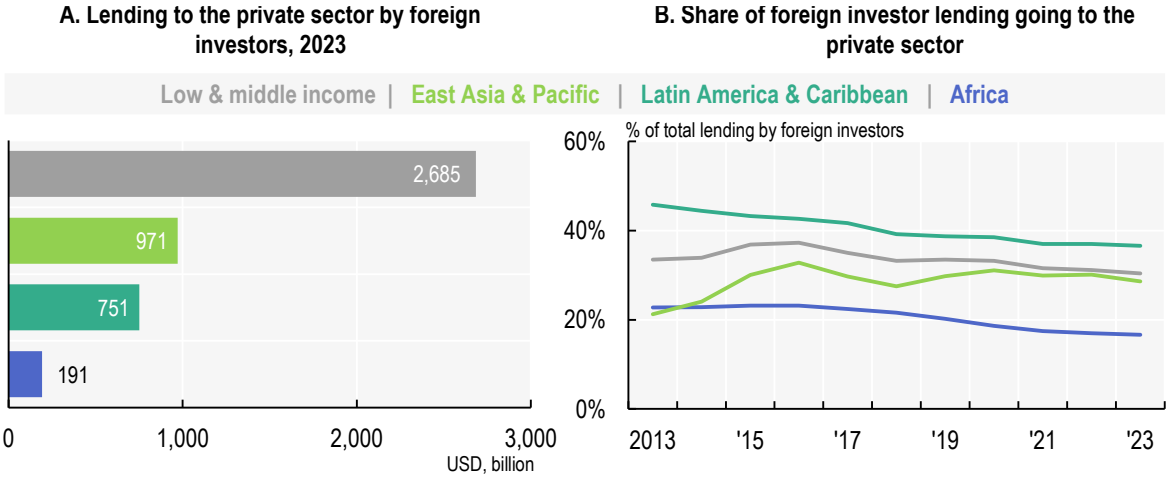
3.2.3. Attracting international investment

Efforts to promote domestic investment and reduce foreign dependence in certain areas should not be viewed as incompatible with attracting greater international investment in African capital markets. On the contrary, international capital plays a critical complementary role in supporting the development of domestic markets. Increased foreign investment does not imply dependence if it goes into well-diversified markets with a strong domestic component.

Long-term foreign debt to the private sector is limited in Africa. As of end-2023, African companies accounted for just 7% of the total long-term debt stock extended by foreign creditors to the private sector in low- and middle-income countries. In contrast, companies in East Asia and the Pacific, and in Latin America and the Caribbean, accounted for 36% and 28%, respectively (Figure 3.16, Panel A). Africa is also the region where the private sector receives the lowest share of total foreign debt standing at just 17% at the end of 2023, a 6 percentage point decrease from a decade before (Panel B), indicating a stronger investor preference for government bonds in Africa compared to other emerging regions.

Figure 3.16. External long-term debt to the private sector in Africa and other emerging markets

Africa receives the lowest share of long-term foreign debt to the private sector among emerging markets



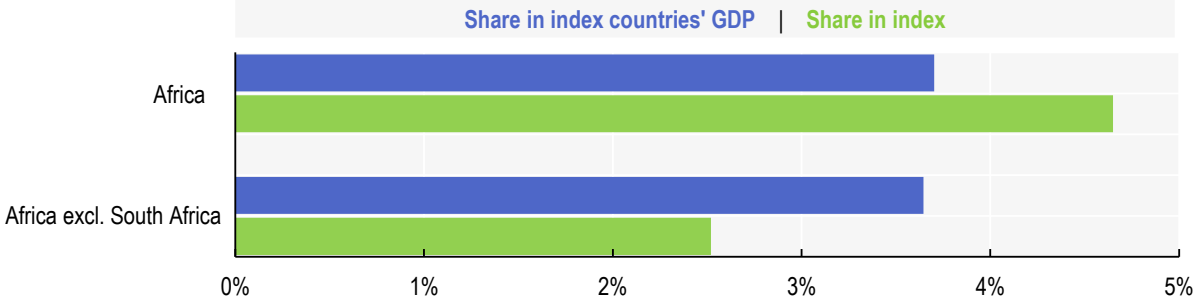
Note: Data are shown for low- and middle-income countries that report to the World's Bank Debtor Reporting System. Refers to long-term (maturity > 1 year) lending by all foreign investors (public/multilateral and private). Considers both publicly guaranteed and non-guaranteed private sector debt. Excludes IMF Special Drawing Right allocations and credit. Debt stocks as of year-end.
Source: World Bank International Debt Statistics.

Inclusion in international indices enhances firms' visibility and credibility, helping channel international investment. Many international institutional investors allocate capital mechanically based on indices, so once a firm is included it automatically benefits from increased investment flows. This increase in demand for a firm's debt can lower borrowing costs and, in turn, create a virtuous cycle of corporate growth and greater foreign investor participation.

On aggregate, Africa's representation in the JP Morgan CEMBI Broad index, which tracks US dollar-denominated corporate bonds issued by emerging market firms, exceeds its GDP share among participating countries. However, this is largely driven by South Africa, which has a disproportionately high weight in the index compared to other African markets and to its GDP. When South Africa is excluded from the analysis, the rest of Africa is significantly underrepresented in the index relative to its economic weight (Figure 3.17).

Figure 3.17. Africa's share in JP Morgan CEMBI Broad versus constituent countries' GDP

Excluding South Africa, Africa is underrepresented in a major bond index compared to its economic weight



Note: Index weights are as of June 2025. The analysis includes 62 countries, corresponding to those included in the index at the time of analysis. GDP weights are as of end-2024.
Source: OECD calculations based on JP Morgan.

International emerging market corporate debt indices typically include only hard currency-denominated bonds. Given that most corporate bonds across Africa are denominated in foreign currencies, primarily US dollars (see section 3.2.1), the underrepresentation of Africa shown in Figure 3.17 is even more striking.

A key factor limiting international investor participation is the lack of adequate investor protection and corporate governance frameworks. Clear legal rights for investors and associated enforcement mechanisms are key to reducing investor risk and building market credibility. In African markets, where investor confidence remains fragile and corporate bond issuance is limited, the absence of strong bondholder safeguards can deter long-term investment. A recent example highlights the consequences of shortcomings in governance and disclosure frameworks. In 2016, a financial institution in Kenya was placed under receivership and subsequent liquidation following liquidity problems, poor governance and revealed insider loans just months after it had issued a KSh 4.8 billion (at the time approximately USD 49 million) bond. When the bank defaulted, bondholders faced substantial losses. This situation reduced the demand for corporate bonds in the country in subsequent years and highlights the risks investors face in the absence of effective frameworks (Reuters, 2015[30]; BBC, 2016[31]; Bloomberg, 2024[32]). Beyond reinforcing corporate governance frameworks to prevent such failures (see chapter 2), the region would also benefit from more robust insolvency procedures. These are essential to building investor trust and attracting long-term foreign capital to Africa's corporate bond markets.

In addition, regional harmonisation of regulatory frameworks can reduce legal uncertainty for investors, particularly foreign ones, and lower the cost of investing across borders, thereby facilitating greater international participation. This is particularly relevant as many large foreign investors have regionally focused asset allocations for smaller markets. The greater the regional harmonisation, the less due diligence needed and the lower the barrier for international investment flows to fund domestic economies. One such aspect is the design of insolvency frameworks. In Africa, a notable example is the OHADA (Organisation for the Harmonisation of Business Law in Africa) framework, which covers 17 Western and Central African countries. The OHADA Insolvency Law, revised in 2015, seeks to streamline insolvency procedures across member states. Its objectives include preserving economic activity and employment, facilitating the restructuring of viable companies and clearly defining the order of creditor payments (OHADA, 2015[33]). This harmonised approach could serve as a model for other parts of Africa, helping to foster cross-border investment by enhancing predictability and investor confidence in insolvency proceedings.

Beyond insolvency, aligning bond issuance frameworks and standardising required documentation would improve comparability across issuers and streamline the investment process. At the same time, it would lower issuance costs and simplify the process for companies seeking to raise debt in multiple markets. It could therefore increase both the supply of and demand for corporate bonds across African markets.

An example that could guide Africa in this direction (although not strictly comparable given differences in legal mandates) is the European Union's Prospectus Regulation, which introduced a cross-border passporting mechanism. Under this framework, a prospectus approved by one Member State can be used across all EU countries, effectively creating a single investment document valid throughout the bloc (European Union, 2017[34]). In Africa, while progress is being made in some regional blocs, for example with the development of the BRVM in West Africa which functions as a shared stock exchange and operates under harmonised regulatory oversight, there is still no broader bond passporting system across the continent. Developing such a framework would be a significant step towards deeper African capital market integration and broader access to finance across the continent.

Limited transparency about firms' creditworthiness is another factor that discourages investors, especially international ones, from investing in corporate debt. This is evident in smaller firms' (which often lack access to credit ratings) limited use of debt markets (Figure 3.8).

Some countries in Africa have sought to enhance creditworthiness and support the development of bond markets through direct guarantees. One example is InfraCredit in Nigeria, a specialised institution that

provides credit guarantees to support local currency infrastructure financing. It is backed by key institutions including the Nigeria Sovereign Investment Authority, the Africa Finance Corporation and the African Development Bank, and aims to enhance the credit quality of infrastructure debt instruments and mobilise long-term domestic capital, particularly from pension funds and insurance firms. By focusing on sectors such as renewable energy, housing, telecommunications, transportation and water infrastructure, they have mobilised over NGN 300 billion (approximately USD 190 million), supported 12 first-time issuers and helped 22 infrastructure projects reach financial close (InfraCredit[35]).

Another example is the Development Bank of Southern Africa (DBSA). While it does not directly provide credit guarantees for corporate bond issuance, it has the objective of enhancing the credit quality of issuers through other means (DBSA[36]). This includes providing subordinated debt or first-loss capital, which helps reduce the risk exposure for other investors making the projects more attractive. In addition, DBSA supports the preparation and structuring phase of the project, which can help companies and infrastructure projects improve their financial profile and become creditworthy enough to access bond markets.

It bears noting, however, that many African countries may face limited fiscal space to implement these types of interventions, which often depend on public financial support or guarantees. It should also be emphasised that promoting the dissemination of information about firms' creditworthiness (such as through expanding rating coverage) is distinct from extending credit guarantees and can be done without fiscal impact.

At the regional level, one recent initiative has been the establishment of the Africa Credit Rating Agency (AfCRA), promoted by the African Union and created in response to concerns about the methodologies used by international credit rating agencies. Governments of African countries have criticised these methodologies for reflecting biases, lacking contextual understanding of African economies, and involving insufficient engagement with domestic authorities. In an effort to address these limitations, the AfCRA aims to offer more transparent assessments considering local knowledge and context (African Union, 2025[37]). Although the initiative's initial focus is on sovereign ratings, by strengthening investor confidence in the region it can also enhance the attractiveness of corporate bond markets. The establishment of an alternative credit rating agency aimed at providing, from African governments' perspective, a more comprehensive view than the international credit rating agencies also highlights a broader challenge in the region: the limited availability of reliable and comprehensive borrower information necessary for accurate risk assessment, both for sovereign and corporate debt.

Finally, a well-developed sovereign yield curve across maturities is critical to attracting international (as well as domestic) investment and to the growth of corporate bond markets more broadly. A liquid sovereign curve gives investors greater confidence and transparency regarding expected returns, thereby helping them guide their investment decisions, and provides corporations seeking long-term finance with a reliable benchmark for pricing (Grundy, van Bekkum and Verwijmeren, 2024[38]). In many African countries, underdeveloped government debt markets prevent the emergence of such a benchmark curve (see chapter 5). The establishment of a liquid yield curve requires, among other factors, a strong legal and institutional framework that ensures predictable and transparent public debt issuance. Elements identified as key to develop such a framework include a clearly defined borrowing authority, effective market conduct regulation and enforcement, robust protection of investor assets, and the avoidance of tax policies that discourage participation in government bond markets (IMF/World Bank, 2021[39]). In the West African Economic and Monetary Union (WAEMU), the regional agency *Agence UMOA-Titres* was established in 2013 with the aim of improving the functioning of the government securities market by enhancing transparency, predictability and coordination among member states. The initiatives have helped reduce investor uncertainty and supported the gradual lengthening of bond maturities (IMF/World Bank, 2021[39]).

Policy considerations

Ultimately, to attract greater foreign investment into Africa's private sector and increase representation in global indices, it is essential to implement legal and regulatory reforms that reduce investor risk and offer clear incentives to invest. These include strengthening disclosure requirements to align with international standards and adopting policies that improve the availability and quality of corporate data. Enhancing bondholder protection, establishing more predictable insolvency procedures, and advancing regulatory harmonisation across the region are also essential steps to building market credibility and fostering sustained foreign interest in local investment opportunities. In addition, efforts should be undertaken to collect and disclose data on the financial performance of existing firms and the risk-return profiles of past investment projects and to promote the development of benchmark sovereign yield curves, drawing from existing regional initiatives.

3.2.4. Market infrastructure

Dynamic capital markets require a solid underlying market infrastructure. This ensures the safe depository of securities, supports accurate recordkeeping, reporting and settlement, and lowers transaction costs. It mitigates risk while enhancing the efficiency and transparency of market operations, ultimately reducing the cost of raising capital for businesses and making it easier for investors to allocate funds.

All African countries addressed in this chapter operate a stock exchange that facilitates listing of both equities and bonds (Table 3.1). Côte d'Ivoire and Gabon do not have national exchanges but participate in regional markets, the Bourse Régionale des Valeurs Mobilières (BRVM)[2] and the Bourse des Valeurs Mobilières d'Afrique Centrale (BVMAC)[3], respectively. Formal over-the-counter (OTC) trading platforms for corporate bonds are rare, existing only in Kenya, Nigeria and South Africa. Most bonds in Africa are publicly issued and listed on exchanges (Oluoch and Ojah, 2023[40]).

Although the Namibia Securities Stock Exchange and BVMAC still depend on external central securities depositories (CSD), both have committed to establishing their own systems. In most markets, clearing and settlement systems are integrated in the CSD infrastructure, with the exception of the Johannesburg Stock Exchange, where the functions are handled by separate entities. Settlement systems are automated everywhere except in Namibia, but settlement cycles remain longer than in advanced markets, many of which have moved to T+1 (US and Canada) or are planning to do so (EU, Switzerland, UK). Shortening settlement cycles can lower costs, improve efficiency, and reduce credit, counterparty, and settlement risk, particularly during periods of high market volatility (HSBC[41]).

Table 3.1. Overview of capital market infrastructures in selected African countries

Country	Exchanges	OTC trading platforms for corporate bonds	Central Securities Depositories	Clearing and settlement system
Botswana	Botswana Stock Exchange (BSE)	NA	Central Securities Depository Botswana	Automated T+3
Côte d'Ivoire	*Bourse Régionale des valeurs mobilières* (BRVM)	NA	Central Depository / Settlement Bank (DC/BR)	Automated T+3
Egypt	The Egyptian Exchange (EGX)	NA	Misr for Central Clearing, Depository & Registry (MCDR)	Automated T+2 for listed securities
Gabon	*Bourse des valeurs mobilières de l'Afrique Central* (BVMAC)	NA	Bank of Central African Countries (BEAC)	Automated
Ghana	Ghana Stock Exchange (GSE)	NA	Central Securities Company Limited	Automated T+3 for equity T+2 for fixed income

Country	Exchanges	OTC trading platforms for corporate bonds	Central Securities Depositories	Clearing and settlement system
Kenya	Nairobi Securities Exchange (NSE)	OTC Bond Market	The Central Depository & Settlement Corporation Limited (CDSC)	Automated T+3
Mauritius	Stock Exchange of Mauritius (SEM)	NA	Central Depository & Settlement Co. Ltd (CSD)	Automated T+3
Morocco	Bourse de Casablanca (CSE)	NA	Maroclear	Automated T+3 for equity
Namibia	Namibia Securities Stock Exchange (NSX)	NA	NA	Manual External institutions
Nigeria	Nigeria Exchange (NGX)	FMDQ Securities Exchange Limited	Central Securities Clearing System Plc (CSCS)	Automated T+3
South Africa	Johannesburg Stock Exchange (JSE) Cape Town Stock Exchange (CTSE)	JSE OTC Bond Market	Strate	JSE Clearing and Settlement Automated T+3
Tanzania	Dar es Salaam Stock Exchange (DSE)	NA	The CSD & Registry Company Limited (CSDR)	Automated T+3 for equities T+1 for bonds
Tunisia	*Bourse de Tunis* (BVMT)	NA	Tunisie Clearing	Automated T+3
Uganda	USE ALTX (Alternative Electronic Exchange)	NA	SCD	Automated T+3
Zambia	Lusaka Securities Exchange (LUSE)	NA	Lusaka Clearing and Settlement Agency (LCSA)	Automated T+3 for equities T+1 for bonds
Zimbabwe	Zimbabwe Stock Exchange (ZSE)	NA	ZSE Depository	Automated T+3

Note: The settlement cycle for Egypt refers to securities registered at the CSD other than government bonds and bills. Egypt, Ghana, Morocco, Tunisia, Uganda have OTC markets but not for corporate bonds. In Namibia, trades in equities listed in both the NSX and the JSE are settled through South Africa's CSD.
Source: Botswana Stock Exchange, The Egyptian Exchange, Ghana Stock Exchange, Stock Exchange of Mauritius, Bourse de Casablanca, Maroclear, Namibia Securities Stock Exchange, Nigeria Exchange, Central Securities Clearing System, Johannesburg Stock Exchange, Strate, Dar es salaam Stock Exchange, CSDR, Bourse de Tunis, Tunisie Clearing, Lusaka Securities Exchange, Zimbabwe Stock Exchange, Bourse Régionale des Valeurs Mobilières, Bourse des Valeurs Mobilières de l'Afrique Central, Central Depository / Settlement Bank (DC/BR).

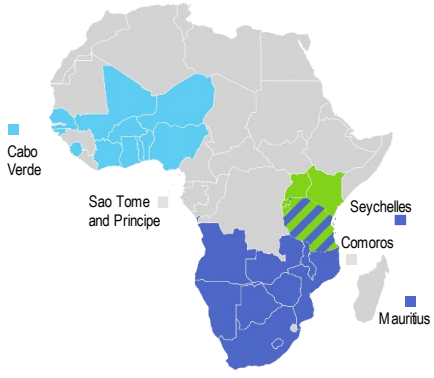
Regional integration of capital markets can allow countries to broaden their investor base, thereby expanding corporate access to finance, as well as reap economies of scale in terms of market infrastructure. Greater integration also facilitates the transfer of best practices and technical expertise across borders. Several African governments, often in collaboration with financial institutions, have launched initiatives in this respect. The African Development Bank launched the Capital Markets Development Trust Fund (CMDTF) in 2019 to support such efforts. However, by the end of its first phase in 2022, West Africa was the only region to have successfully implemented projects financed with CMDTF resources (African Development Bank Group[42]).

The West African Capital Markets Integration Council, established in 2013, serves as the governing body for integrating the capital markets of Cabo Verde, Ghana, Nigeria and Sierra Leone with the BRVM. The AfDB's fund has helped support the region in advancing towards a unified environment for issuing and trading financial securities through the West African Securities Market, which aims to grant access to all qualified brokers within West Africa. Currently, brokers registered in any member jurisdiction can trade on other exchanges via local agents, allowing companies listed on one exchange to be accessible for transactions by all brokers across the region (WACMIC[43]).

The East African Community (EAC) – comprising Burundi, Kenya, Rwanda, Tanzania and Uganda – also has initiatives in place to promote capital market integration. It has launched the Capital Market Infrastructure (CMI) technology platform designed to connect member countries' capital markets. The CMI enables cross-border electronic trading of stocks through brokers with sponsored membership. It is built on an automated trading system, which was previously lacking in Burundi and Rwanda, thereby harmonising standards across the region (EAC[44]). In 2024, the East Africa Bond Exchange received approval from the Kenyan Capital Markets Authority to establish and operate an OTC securities exchange and to function as an autonomous self-regulatory organisation within the country. It aims to expand its operations beyond Kenya through the East Africa region and thus becoming a regional OTC platform for the trading of fixed income products, including repurchase agreements, treasury securities, commercial paper, corporate listings and alternative assets (EABX, 2024[45]).

The stock exchanges in Angola, Botswana, Lesotho, Malawi, Mauritius, Mozambique, Namibia, the Seychelles, South Africa, Tanzania, Zambia and Zimbabwe formed the Committee of Southern Africa Development Community (SADC) Stock Exchanges in 1997 to enhance the attractiveness of regional securities markets to both local and international investors and reduce disparities between large and small exchanges. In 2006, member states adopted the Finance and Investment Protocol, committing to remove barriers to intra-regional economic activity and harmonise regulatory frameworks, including listing requirements. Further integration came in 2013 with the launch of the Integrated Regional Electronic Settlement System, a shared payment and settlement platform that enables real-time cross-border transactions within the SADC region using the South African rand (South African Institute of International Affairs, 2019[46]).

Table 3.2. Regional integration of capital markets in Africa



Region	West Africa	Southern Africa Development Community	East African Community
Overseeing body	West African Capital Market Integration Council	Committee of SADC Stock Exchanges	EAC Capital Market sub-committee
Initiatives	Cross border trading through local agents	Harmonise regulatory frameworks (Finance and Investment Protocol) Shared payment and settlement platform (Integrated Regional Electronic System)	Cross border trading of securities (Capital Market Infrastructure (CMI))
Objectives	West African Securities Market	Promoting co-operation and integration facilitating cross-border investment	EAC Capital Market East Africa Bond Exchange Regional OTC market

Note: Tanzania is a member of both the SADC and EAC.
Source: West African Capital Markets Integration Council, East African Community, East Africa Bond Exchange, Committee of Southern Africa Development Community (SADC) Stock Exchanges.

At the pan-African level, the African Securities Exchanges Association (ASEA) was established in 1993 to promote capital market development across member states by facilitating information exchange and increasing global visibility to attract investment flows into African markets. Today, ASEA represents 25 stock exchanges in 37 African countries. In line with the African Union's Agenda 2063, which identifies the creation of a Pan-African Stock Exchange (PASE) as a priority (African Union[47]), ASEA has partnered with the AfDB to launch the African Exchanges Linkage Project (AELP). This initiative aims to strengthen regional integration by enabling cross-border securities trading through the platform, an order-routing

system that allows brokers to place investors' orders with executing brokers in other markets. Initially piloted with seven exchanges – BRVM, Egypt, Kenya, Mauritius, Morocco, Nigeria and South Africa – the project has since expanded to ten, adding Botswana, Ghana and Uganda. While its current functionality mirrors similar integration efforts in West and East Africa, AELP ultimately seeks to establish a fully integrated pan-African exchange (Oxford Business Group, 2022[48]). In order to reach the objective, the appropriate infrastructure, other than the exchange, has to be put in place.

Policy considerations

Corporate debt markets in Africa, particularly those involving corporate bonds, can be significantly enhanced through the development of stronger and more integrated market infrastructures. With the ultimate aim of moving towards more pan-African activity, countries should collaborate to develop a regional integrated CSD that would ease cross-border settlement and lower related costs. In this context, countries without a national CSD in place could bypass that step and join the regional system directly. Although many countries already operate automated payment and settlement systems, policymakers could consider reducing settlement times to meet international standards, which may help boost liquidity.

On a broader scale, enhancing regional market integration enables countries to pool liquidity and attract a broader base of investors. While various regional and pan-African initiatives aim to foster market connectivity, policymakers could take further steps to address challenges that would accelerate this process. Key obstacles include differences in exchange rate systems, levels of capital account liberalisation, issuance standards and legal frameworks, all of which hinder the creation of a unified pan-African market. Moreover, since institutional investors play a crucial role in driving capital market activity, restrictions on their holdings of foreign assets further constrain cross-border capital flows (see section 3.2.2). Finally, policymakers should focus on improving data transparency regulations, as the expected benefits of initiatives like the AELP depend on financial intermediaries having reliable information about opportunities in other markets, whereas many currently lack sufficient access to the necessary data for informed decision-making.

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Annex 3.A. Methodology for data collection and classification

Corporate bonds

Corporate bond analyses are based on a dataset built by the OECD using deal-level information obtained from LSEG on corporate bond issues that are underwritten by an investment bank. The database provides detailed information for each bond starting in 1980, including e.g. the identity, nationality and sector of the issuer, the type, interest rate structure, maturity date and rating category of the bond, as well as the amount of proceeds obtained from the issue and intended uses thereof.

Convertible bonds, deals that were registered but not consummated, preferred shares, sukuk bonds, bonds with an original maturity less than or equal to one year or with an issue size of less than USD 1 million are excluded from the dataset. Industry classifications are based on The Reference Data Business Classification (TRBC) from LSEG. Annual issuance amounts initially collected in USD were adjusted by 2024 US Consumer Price Index (CPI).

Given that a significant portion of bonds are issued internationally, it is not possible to systematically assign issues to a certain country of issue. For this reason, the country breakdown is carried out based on the issuer's country of domicile. The advanced/emerging market categories are based on IMF classifications.

Rating data

Credit rating analyses are based on OECD calculations using data obtained from LSEG. The calculations consider ratings from three leading agencies: S&P, Moody's and Fitch. For each bond with an available rating in the dataset, the alphanumeric rating is transformed into 21-point numeric scale with 1 being the lowest rating (C) and 21 the highest (AAA for S&P and Fitch and Aaa for Moody's). There are eleven non-investment grade categories: five within C (C to CCC+) and six within B (B- to BB+); there are ten investment grade categories: three within B (BBB- to BBB+); and seven within A (A- to AAA).

For bonds with multiple ratings, the average of the available ratings is used. Some bonds do not have rating information available; these are assigned the average rating of all bonds issued by the same company in the same year (t). If the issuer has no rated bonds in year t, year t-1 and year t-2 are also considered, respectively. This procedure increases the number of rated bonds in the dataset and hence improves the representativeness of the analyses. When differentiating between investment and non-investment grade bonds, the final rating is rounded to the closest integer and bonds with a rounded rating less than or equal to 11 are classified as non-investment grade.

Early redemption data

Bonds that are no longer outstanding due to having been redeemed before their maturity date are deducted in the annual outstanding corporate bond debt calculations. The early redemption data are obtained from LSEG and cover bonds that have been redeemed early due to being repaid via final default distribution, called, liquidated, put or repurchased. The early redemption data are merged with the primary corporate bond market data via International Securities Identification Numbers (ISINs).

Syndicated loans

The syndicated loan analyses are based on OECD calculations using deal-level data from LSEG. This database provides detailed information on each loan, including the borrower's identity, nationality and sector, as well as the interest rate structure, maturity date and loan amount. The loan credit rating category is defined based on the following criteria:

Investment grade: Initial pricing up to 299 basis points above the base rate

Leveraged: Initial pricing between 300 and 399 basis points above the base rate

Highly leveraged: Initial pricing 400 basis points or more above the base rate

Only loans classified as "syndicated" or "club syndicate" are included in the analysis. Deals with maturities of less than 90 days are excluded. Annual data are based on the closing date, which is when the syndication on all levels/tiers has been signed and completed. Industry-level analyses follow LSEG's The Reference Data Business Classification (TRBC), while country breakdowns are based on the borrower's domicile. To account for inflation, issuance amounts originally recorded in USD were adjusted using the 2024 US Consumer Price Index (CPI).

Notes

[1] Cabo Verde, Comoros, Djibouti, Eritrea, Eswatini, Lesotho, Morocco and Namibia.

[2] Member countries: Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo.

[3] Member countries: Cameroon, Central African Republic, Chad, Equatorial Guinea, Gabon and Republic of the Congo.

4 Financing the climate transition in Africa: insights from a regional scenario analysis

This chapter analyses the current state of finance for the energy sector throughout Africa and several scenarios that underscore the importance of the involvement of both private and public debt markets to achieve climate goals aligned with announced pledges. Regional scenario analysis, focused on North and Sub-Saharan Africa, highlights potential opportunities and risks for policy makers. The breakdown of these scenarios by region also accounts for heterogenous shifts in key economic and financial variables, such as domestic public and private investment growth, foreign direct investment, public debt-to-GDP, international climate finance for developing countries, and the capital structure of the energy sector, highlighting decisive levers for financing the climate transition in Africa.

4.1. Introduction

This chapter examines the financing needs for transitioning to a lower-carbon economy in Africa, based on scenario analysis aligned with the Announced Pledges Scenario (APS) defined by the International Energy Agency (IEA), and focusing on corporate bonds. Its primary objective is to identify the necessary developments in corporate bond markets, regional capital market integration, foreign direct investment, and international climate finance to enable energy sector companies to undertake the investments required for the climate transition. The analysis considers North and Sub-Saharan Africa separately.

Key findings

- According to the IEA's Announced Pledges Scenario (APS), clean energy investment must rise to 2.4 times current levels in North Africa and 1.8 times in Sub-Saharan Africa to meet the required 2026 targets. While their 2024 investments of USD 14 billion and USD 33 billion, respectively, fall short of these requirements, they grew at 16% and 14% annually in the last three years, exceeding GDP growth of 3.3% and 2.2% in each region.
- Investment trajectories will vary significantly depending on whether most investments come from the public or private sector. Scenarios do not prescribe recommendations for governments, nor do they represent the most likely projections of future developments. Instead, a scenario analysis may quantify the implications of public-sector-led versus capital-market-driven scenarios, helping governments assess their feasibility and determining policy actions.
- In our baseline scenario, assuming climate investment growth in both public and private sectors continues along recent trends, North and Sub-Saharan Africa face medium-term investment shortfalls (until 2044 and 2037 respectively) but subsequently develop investment surpluses exceeding the IEA's APS targets. However, the APS falls short of Paris Agreement ambitions, which require substantially higher annual investments through 2050.
- In a scenario where the public sector provides additional financing to meet investment needs through debt issuance or climate finance support beyond the New Collective Quantified Goal on Climate Finance agreed at COP29, North Africa requires annual average additional support of USD 9 billion (2025-50) once public debt becomes unsustainable, while Sub-Saharan Africa finances required investments without further development finance.
- In a scenario where the private sector provides all the additional financing to meet investment needs, capital markets in North and Sub-Saharan Africa would need to develop substantially. This is particularly critical for marketable debt of energy companies in both regions, which would need to grow at annual rates of 20.4% and 14.9%, respectively, from 2024 to 2050.
- In all three scenarios analysed, energy companies' marketable debt grows at least three times faster than GDP in North Africa and five times faster in Sub-Saharan Africa, highlighting both the challenge of leveraging debt markets for the low-carbon transition and the private sector's potential to drive this transformation.
- Integrated African capital markets could play a key role in Africa's energy transition. The African Exchange Linkage Project, which recently expanded to connect ten major exchanges covering 90% of the continent's total market capitalisation, could diversify and expand financing opportunities, following integration models like the Nuam Exchange in South America.

4.2. Past investments and future investment estimates in the APS climate transition scenario

This section examines recent climate transition investments and the funding needed to achieve the IEA's Announced Pledges Scenario, segmented by energy sector and region.

4.2.1. Past and future investments in the climate transition

The IEA offers a granular breakdown of recent climate transition investments and future investment needs to meet North and Sub-Saharan Africa, detailing requirements across subsectors and African regions. While the IEA's investment scope focuses on climate change mitigation and partially includes cross-cutting elements (i.e. investments accounting for both climate change mitigation and adaptation goals), it does not comprehensively capture climate change adaptation investments, compensation for loss and damage, and nature preservation. Investments in climate adaptation and nature preservation are not part of the main analysis in this chapter.

The IEA describes total climate transition investments as "Total clean energy" investments and disaggregates them into renewable power generation, electricity networks, battery storage, clean fuels & air capture, energy efficiency and end-use in transport, buildings and industry. Renewable power generation includes solar, wind and nuclear energy, and other renewable energy sources. Clean fuels include hydrogen and biofuels. Figure 4.1 shows that growth in clean energy investments in both North and Sub-Saharan Africa has surpassed that in high-emitting energy sectors, with this trend projected to continue through 2050 in the IEA APS.

In North Africa, clean energy investment has risen from USD 10 billion in 2015 to USD 14 billion in 2024, representing a compound annual growth rate (CAGR) of 3.8%, while high-emitting energy investment has declined from USD 46 billion to USD 23 billion over the same period (CAGR of -7.4%). However, in the last five years, clean energy investments have accelerated and grown at a CAGR of 11.8%, following a decline in investments from 2015 to 2019. Conversely, high-emitting asset investments declined at a CAGR of 8.1% in the last five years.

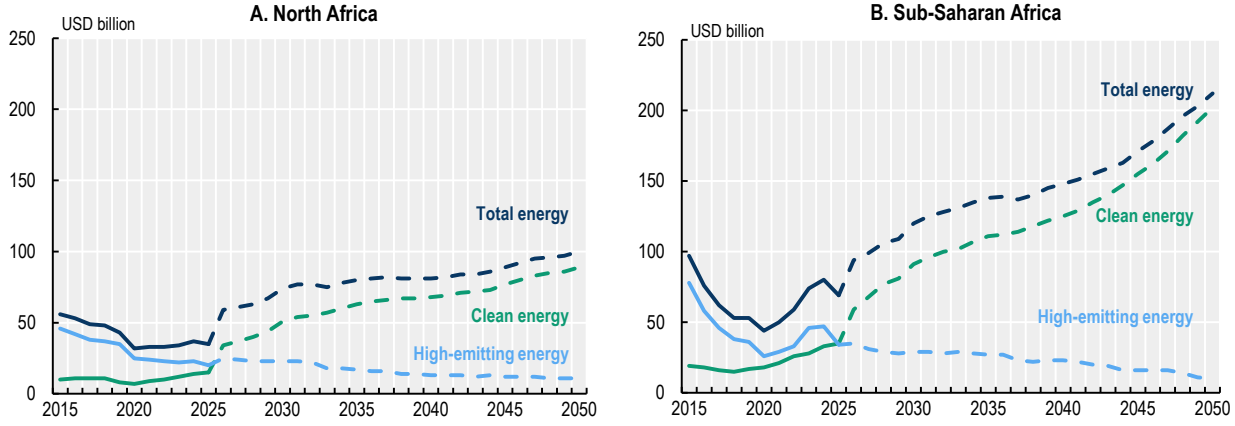
Looking ahead, clean energy investments in North Africa will need to reach USD 89 billion by 2050 (CAGR of 7.4%), while high-emitting energy investments will continue declining to USD 11 billion (CAGR of -2.4%).

In Sub-Saharan Africa, clean energy investment has risen from USD 19 billion in 2015 to USD 33 billion in 2024, representing a CAGR of 6.3%, while high-emitting energy investment has declined from USD 78 billion to USD 47 billion over the same period (CAGR of -5.5%). In the last five years, clean energy investment has accelerated and grown at a CAGR of 14.2%, following a decline in investment from 2015 to 2019. High-emitting asset investments in Sub-Saharan Africa increased at CAGR of 5.5% in the last five years, contrasting with the decline in these investments in North Africa over the same period

Looking ahead, clean energy investments in Sub-Saharan Africa will need to reach USD 202 billion by 2050 (CAGR of 7.3%), while high-emitting energy investments will need to decline to USD 10 billion (CAGR of -4.8%).

Figure 4.1. Estimates of past and future climate transition investments according to the IEA APS

Total clean energy investment in North and Sub-Saharan Africa will need to continue growing at annual rates of 7.4% and 7.3% from 2025 to 2050, respectively, to meet announced pledges.



Source: IEA, Proprietary database.

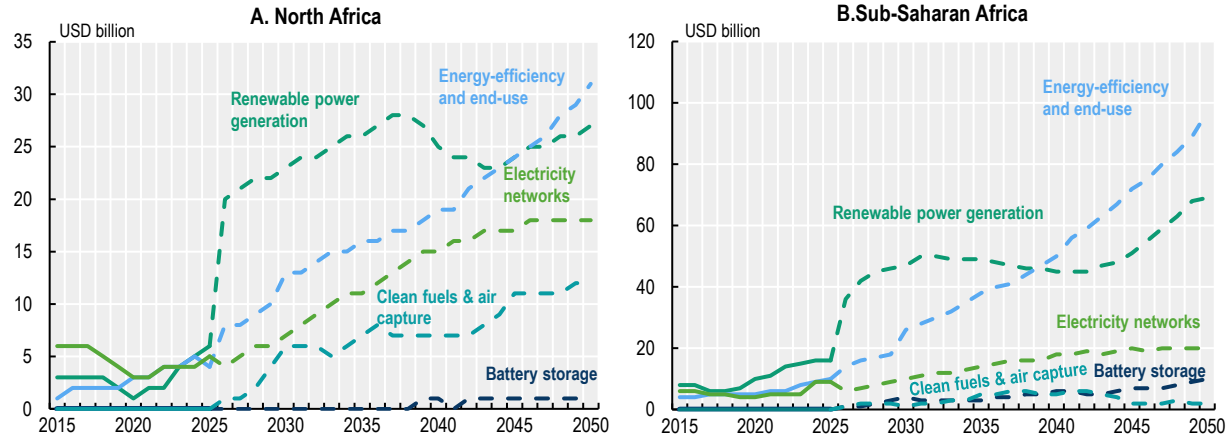
Figure 4.2 shows a breakdown of clean energy investments by energy sector. In North Africa, renewable power generation investment has risen from USD 2 billion in 2019 to USD 5 billion in 2024 (CAGR of 20.1%) and is projected to reach USD 27 billion by 2050 (CAGR of 6.6% from 2024-2050). However, this masks steep initial growth requirements, with investments needing to quadruple to USD 20 billion by 2026 before peaking at USD 28 billion in 2034 (CAGR of 19.0% from 2024 to 2034) and gradually declining before rising again from 2041 to 2050. Renewable power generation requires front-loaded investment to prevent emissions lock in, leading to an initial peak. The following rise in investment requirements in this category is later driven by replacement and repair costs of the initial solar and wind power facilities.

Energy efficiency and end-use investments in North Africa have grown from USD 2 billion in 2019 to USD 5 billion in 2024 (CAGR of 20.1%), projected to reach USD 31 billion by 2050 (CAGR of 7.2%) and accelerate throughout the period to become the dominant investment category by 2050. Electricity networks investment remained relatively stable from USD 4 billion in 2019 to USD 5 billion in 2024 (CAGR of 4.6%) and is expected to reach USD 18 billion by 2050 (CAGR of 5.1%), though growth plateaus from 2040 onwards. Battery storage and clean fuels/air capture remain relatively minor components, reaching only USD 1 billion and USD 12 billion, respectively, by 2050.

In Sub-Saharan Africa, renewable power generation investment has more than doubled from USD 7 billion in 2019 to USD 16 billion in 2024 (CAGR of 18.0%), projected to reach USD 69 billion by 2050 (CAGR of 5.8%). As in North Africa, this requires steep initial growth to USD 36 billion by 2026, peaking at USD 50 billion in 2031 (CAGR of 12.1% from 2024 to 2031) before stabilising. Energy efficiency and end-use investments have grown from USD 5 billion in 2019 to USD 9 billion in 2024 (CAGR of 12.5%), expected to surge to USD 97 billion by 2050 (CAGR of 9.5%), with continuously accelerating growth making it the dominant category, representing nearly half of total clean energy investments by 2050. Electricity networks investment has more than doubled from USD 4 billion in 2019 to USD 9 billion in 2024 (CAGR of 17.6%), projected to reach USD 20 billion by 2050 (CAGR of 3.1%), maintaining steady growth throughout the period unlike North Africa's plateau. Battery storage will grow to USD 10 billion and clean fuels to USD 2 billion by 2050, remaining relatively marginal in the overall investment mix for both regions.

Figure 4.2. Estimates of future financing needs by energy category

While renewable power generation investments require steep initial growth before flattening in the 2030s, energy efficiency and end-use investments grow steadily throughout the period.



Source: IEA, Proprietary database.

4.2.2. Methodology and underlying IEA APS scenario

The analysis of Africa is based on the IEA APS scenario because it represents an ambitious yet pragmatic target. Although the required long-term clean energy investment growth for the APS (7.4% in North Africa and 7.2% in Sub-Saharan Africa) substantially exceeds the respective regions' long-term GDP growth rates (2.2% and 4.1%, respectively), these growth rates remain below, yet close to, the historical clean energy investment growth observed since 2019.

Readers should be aware that while the APS incorporates all announced climate commitments, including Nationally Determined Contributions and long-term net-zero pledges, it does not achieve global net-zero emissions by 2050. Instead, global emissions are expected to reduce from 38 GtCO2 in 2023 to 17 GtCO2 in 2050. The APS is only aligned with limiting global warming to around 1.7°C by 2100, which exceeds the 1.5°C limit targeted by the Paris Agreement by 2050 (IEA, 2023[1]). Consequently, the APS reflects an ambitious yet insufficient pathway requiring further action beyond currently announced pledges to reach full net-zero by mid-century.

While Africa-specific data for the IEA Net Zero Emissions by 2050 (NZE) scenario is not available, the investment requirement and ambition differences between the NZE and APS scenarios for emerging market and developing economies (EMDEs) other than China is relevant. In these economies, investment needs under the NZE scenario are estimated to be approximately 32% higher than the APS for 2026 to 2030, 45% higher for 2031 to 2035, and 28% higher from 2036 onwards.

4.3. Financing sources of recent investments in the energy sector

This section explores the current capital structure of companies in the energy sector (which includes both energy and energy-related utilities, following the same methodology as the analysis in the fourth chapter of the OECD Global Debt Report 2025 (OECD, 2025[2])), focusing on their use of conventional and sustainable bonds.

4.3.1. Public and private sector investments

Africa-specific data on the distribution of public and private contributions to clean energy investment were not available at the time of publication. The analysis therefore relies on estimates for EMDEs excluding China, which also cover the Africa region. Within this group, public sources accounted for an estimated 22% of clean energy investment in 2023, a share that has remained broadly stable in recent years (IEA, 2024[3]; 2024[4]).

4.3.2. Capital structure in the energy corporate sector

While climate change mitigation investments encompass various sectors, including energy-efficiency and end-use in transport, real estate and industry, the remainder of the analysis in this section focuses on the energy sector (i.e. excluding end-use and energy-efficiency investments in other sectors). The main reason for this is that energy sector climate transition investments in the IEA's APS scenario are substantially higher than in alternative scenarios that do not meet the Paris Agreement goals, such as the IEA's Stated Policies Scenario (STEPS), leading to an increase in the market size of the energy sector. The section "Evolution of bond and equity markets in energy" estimates the resulting energy sector's bond and equity market sizes.

In contrast, the *Transport Outlook 2023* (ITF, 2023[5]) shows that an increasing share of climate transition-related transport investments, as outlined in its High Ambition scenario, lead to lower total investment needs due to more efficient use of infrastructure and a shift towards sustainable transport modes. Core infrastructure investment needs are estimated at 1.7% of global GDP annually through to 2050 under the Current Ambition scenario, and marginally less (1.6%) under the Paris Agreement-aligned High Ambition scenario. Therefore, climate change mitigation investments in the transport sector are unlikely to increase its bond and equity market size substantially.

The capital structure (i.e. the share of financing sources) of listed companies in the energy sector and its subsectors, such as fossil fuels and renewable energy, varies based on the nature of their business models and the development of the banking sector and capital markets in the countries they operate in. This section draws on 55 listed companies, covering the entire African energy and energy-focused utility sectors, and breaks down their capital structure into marketable debt, non-marketable debt (and other liabilities), and equity. Non-marketable debt includes bank loans and finance leases, and other liabilities include, for instance, accounts payable, deferred revenues, pension and other post-employment benefit obligations, and deferred taxes.

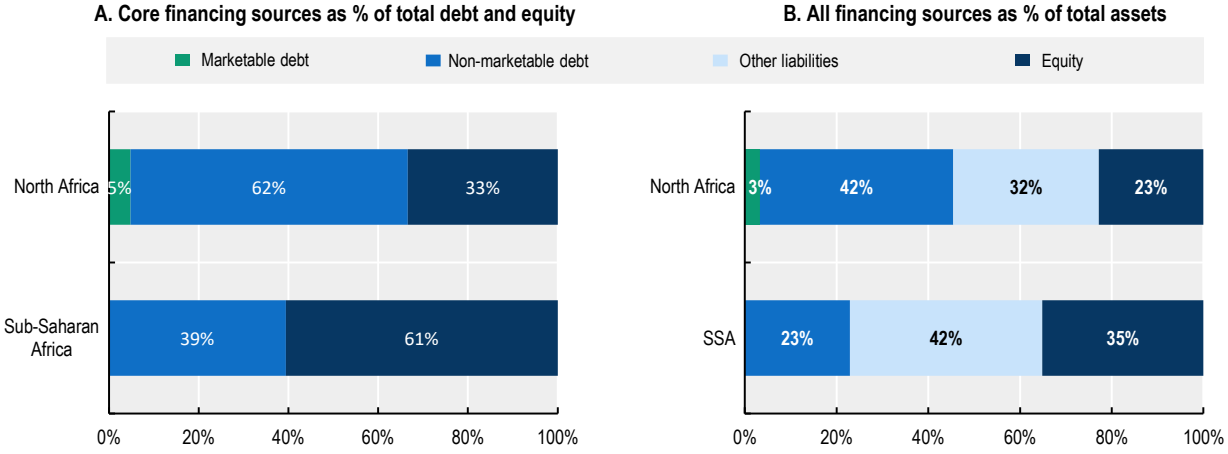
The results are presented following two distinct methodologies:

1. With bonds, non-bond debt, and equity as a share of total debt and equity, representing the financing instruments of companies in the sector (Figure 4.3, Panel A).
2. With bonds, non-bond debt, other liabilities, and equity as a share of total assets (i.e. equity plus liabilities) providing a broader view of companies' sources of financing for their total assets (Figure 4.3, Panel B).

The section "Evolution of bond and equity markets in energy" estimates the development of energy sector assets based on the IEA APS investment requirements, and, using the fundamental accounting identity that assets must equal financing sources, it translates the increase in assets into the sector's total financing sources, according to methodology 2.

Figure 4.3. Energy sector capital structure in 2024 in Africa

Energy companies in Africa do not exhibit substantial marketable debt, with North African companies employing higher leverage through non-marketable debt, while Sub-Saharan companies relying more on equity financing.



Note: Shares are shown for total values in the sector (i.e. larger companies have a higher weight in the calculations). This analysis is based on company financial data of 2024.
Source: OECD Corporate Sustainability dataset, LSEG.

In 2024, bond financing of energy companies in North Africa represented 5% of total debt and equity, while energy companies in Sub-Saharan Africa did not have outstanding listed bonds. Financial leverage was also higher in North Africa, with companies depending more on both marketable and non-marketable debt (62% and 39%, respectively) and less on equity financing (33% versus 61% in Sub-Saharan Africa).

When considering the relative shares out of total assets (i.e. incorporating other liabilities), as shown in Figure 4.3 Panel B, these regional differences remain consistent, although the absolute percentages of bonds and equity decrease due to the larger denominator. This effect is particularly pronounced in Sub-Saharan Africa, where other liabilities make up a relatively larger share.

4.3.3. Corporate and sustainable bond market trends in the African energy sector

While marketable debt among listed energy companies remained limited at USD 300 billion in North Africa and was non-existent in Sub-Saharan Africa by December 2024 (Figure 4.3), 2025 data indicate an increasing trend. Additionally, analysing marketable debt of non-listed firms shows higher bond activity, particularly from one non-listed, state-owned energy company in Sub-Saharan Africa.

In North Africa, one additional listed company issued marketable debt, bringing total outstanding debt to USD 367 billion as of July 2025. Similarly, one company in Sub-Saharan Africa (listed in Nigeria) issued marketable debt (although it was issued and listed in Europe and the US instead of on its domestic market) worth USD 650 million.

The African energy sector remains absent from the sustainable bond market, with no qualifying issuances outstanding as of July 2025.

4.4. Financing scenarios for future investments in the climate transition

4.4.1. Methodology and scenario assumptions

This section presents three scenarios for financing future climate transition investments across all sectors, each offering a distinct angle on how capital markets might evolve, depending on fundamentally different choices made by governments and the private sector. These scenarios comprise a Baseline Scenario (BLS), a Public Sector Scenario (PSS), and a Capital Markets Scenario (CMS). Each scenario incorporates varying assumptions about overall climate mitigation investment growth, public-private sector investment split, climate finance for developing countries and greenfield FDI. Table 4.1 summarises the underlying assumptions and output metrics, which are also explained in greater detail in the following sections and in Annex 4.A.

These scenarios do not prescribe specific recommendations for governments to adopt any particular approach, nor do they represent the most likely projections of future developments. If anything, the BLS is a more realistic scenario in the short term, with capital markets likely to be somewhere between the two extremes of the PSS and CMS cases in the long term. In fact, part of the value of this scenario analysis exercise lies in illustrating how impractical an excessive reliance on either the public or private sector would be.

Relying predominantly on public funding could result in unsustainable public sector debt levels and dynamics. Conversely, overreliance on the private sector to bridge the short- and medium-term investment gaps would require private sector investment growth, and the associated increase in market-based debt in North and Sub-Saharan Africa, to increase significantly from current levels. This effort to quantify the consequences of public-sector versus capital market-focused approaches allows to assess their viability and determine appropriate policy actions.

The following section presents the BLS, where climate investment growth, public sector investment shares, and greenfield FDI continue along historical trends, while development finance meets COP29 goals by 2035 (UNFCCC, 2024[6]). The subsequent section presents the PSS, where private sector investments are assumed to continue along past trends, and the public sector steps up to finance the remaining gap needed to meet the climate mitigation investment requirements of the IEA APS scenario described in the “Methodology and underlying IEA APS scenario” section. This results in a variable public sector investment contribution and debt-to-GDP ratios, representing output metrics in this scenario.

Lastly, the CMS assumes that governments face debt-to-GDP limits (60% for North Africa and 55% for Sub-Saharan Africa), while capital market-driven private sector investment meets the requirements set by the IEA APS. The debt-to-GDP limit for Sub-Saharan Africa reflects insights from the IMF's debt sustainability analysis for Sub-Saharan Africa, with detailed methodology provided in the appendix. For North African countries, where the IMF has not conducted comparable debt sustainability analysis, the 60% debt-to-GDP threshold from the EU fiscal rules' debt reduction mechanisms is applied (European Parliament, 2024[7]). The EU framework establishes two triggers at 60% and 90% debt-to-GDP ratios. The CMS also assumes that greenfield FDI triples (as a proportion of private sector investment) by 2035.

In contrast to the CMS, the PSS allows both regions greater public debt-to-GDP flexibility by establishing a ceiling of 75% of debt-to-GDP for North Africa, representing the midpoint between the two EU fiscal rule thresholds, and 60% for Sub-Saharan Africa, corresponding to the lower threshold. In 2024, North Africa's debt-to-GDP ratio stood at 72.8% while Sub-Saharan Africa's reached 61.1%. The IMF projects that Sub-Saharan Africa's ratio, absent any additional climate transition-related borrowing, will decline to 54.9% by 2030, thereby providing the region with fiscal space to approach the 60% limit under the PSS.

The PSS and CMS build on debt-to-GDP estimates from the IMF. These baseline figures do not account for public-sector climate transition expenditure in the IEA APS. Therefore, future public-sector financing for

climate transition investments in line with the IEA APS represent an additional government debt-burden in the scenario analysis in this chapter. In all scenarios, the public sector debt-to-GDP ratio is assumed to remain at its baseline level in the absence of climate transition investments, abstracting from other pressures on public finances, such as those arising from ageing populations (Guillemette and Turner, 2021[8]).

Table 4.1. Scenario assumptions and output metrics

	Baseline Scenario	Public Sector Scenario	Capital Market Scenario
Public sector climate investment growth	Last three-year (L3Y) average; then converging to long-term GDP growth	Meets requirements (offsetting any private sector shortfall)	L3Y average until debt-to-GDP limit; then zero
Private sector climate investment growth	L3Y average; then converging to long-term GDP growth	L3Y average; then converging to long-term GDP growth	Meets requirements (offsetting any public sector shortfall)
Public/private contribution (%)	Constant (as of 2024)	Output metric	Output metric
Investment gap/surplus	Output metric	None / Meeting APS requirements, exceeding as private sector investment increases	None / Meeting APS requirements, exceeding as private sector and FDI increases
Greenfield FDI	Constant as a proportion of private sector investment	Constant as a proportion of private sector investment	Triples by 2035 as a proportion of private sector investment
Public debt-to-GDP	Output metric	Output metric with caps (75% for North Africa and 60% for Sub-Saharan Africa)	Output metric with caps (60% for North Africa and 55% for Sub-Saharan Africa)
Climate finance provided and mobilised by international providers	Linear growth to USD 300 bn in 2035, then constant	USD 300 bn by 2035, further increase when regions reach their debt-to-GDP caps	Linear growth to USD 300 bn in 2035, then constant
Debt/Equity for energy companies	Constant (as of Dec-24)	Constant (as of Dec-24)	Converge to EMDEs other than China by 2050 (OECD, 2025[2])
Private sector bond/non-bond debt for energy companies	Constant (as of Dec-24)	Constant (as of Dec-24)	Converge to EMDEs other than China by 2050 (OECD, 2025[2])
Corporate bond & equity market sizes for energy companies	Output metric	Output metric	Output metric

4.4.2. Baseline scenario

The BLS scenario does not require climate mitigation investments to meet the annual targets set by the IEA APS scenario and instead assumes that investment growth initially follows the average rate of the last three years (2022 to 2024) and converges to GDP growth in the long-term. The difference between projected actual and required investments is described as the investment gap, and annual gaps carried forward result in a cumulative investment gap. This simplified scenario does not account for increased future investment needs due to delayed investments in prior periods.

Initially, continued investments based on past growth rates create financing gaps in North and Sub-Saharan Africa. However, as shown in Figure 4.1, growth of climate transition investment requirement flattens from 2031 in North and Sub-Saharan Africa, facilitating closure of the investment gap and eventual surplus generation. In Sub-Saharan Africa, investment requirements reaccelerate from 2042, but the region's long-term GDP growth drives continued investment capacity, creating an increasing surplus over time. The analysis assumes that climate transition investments converge to GDP growth rates in the long term.

The surplus generation does not indicate that North and Sub-Saharan Africa achieve net-zero emissions. While both regions face short-to-medium term investment gaps relative to their announced pledges under the APS scenario, they eventually meet and exceed these commitments. However, these investment levels remain insufficient to meet NZE requirements.

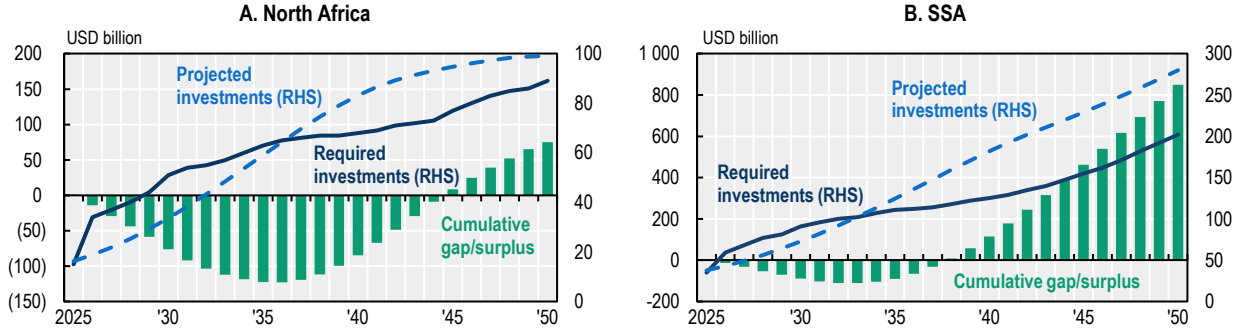
If investment growth in 2025 and 2026 continues at the average rate of the last three years – 16% for North Africa and 14% for Sub-Saharan Africa – the projected annual investment for 2026 is estimated to fall short of the required levels by 45% in North Africa, and 27% Sub-Saharan Africa. Similarly, current 2024 levels fall short by 59% and 44% compared to 2026 requirements, necessitating a 2.4-times and 1.8-times increase, respectively. The comparatively higher short-term investment gap in North Africa does not preclude gap closure (in 2045), given the region's relatively high investment growth rates in the short and medium-term, before growth converges to long-term GDP growth of approximately 1% by 2050.

In contrast, Sub-Saharan Africa's relatively smaller investment gap closes by 2038 and enables the region to develop a higher cumulative surplus, supported by its higher long-term GDP growth of approximately 4%, to which clean energy investment growth converges in the BLS. If recent growth trends can be sustained and strengthened, African countries might be able to strive beyond their announced pledges and aim to narrow the gap to NZE requirements in the medium and long-term.

Figure 4.4 shows projections for actual and required annual investments (secondary axis) and the resulting cumulative gap or surplus (primary axis). However, projecting recent investment trends does not account for possible spikes and acceleration in investment growth due to renewable energy megaprojects such as Ethiopia's Grand Ethiopian Renaissance Dam, with installed capacity at ~5,150 MW (Webuild S.p.A., 2025[9]) and costs estimated at USD 5 billion (Webuild Group, 2025[10]), which was primarily financed domestically, although with Chinese Exim Bank providing financing for the purchase of the turbines and electrical equipment for the hydroelectric plants (Brookings, 2020[11]). By contrast, Angola's Energy Sector Efficiency and Expansion Programme, a USD 530 million project to strengthen transmission infrastructure and integrate renewable power, was financed with USD 480 million from the African Development Bank and USD 50 million from the Africa Growing Together Fund, a co-financing facility backed by the People's Bank of China (African Development Bank Group, 2021[12]).

Figure 4.4. Baseline scenario: Projected and required annual investments and cumulative investment gap/surplus in the IEA APS

Climate mitigation investments in North and Sub-Saharan Africa balance medium term APS investment gaps and build cumulative surpluses by 2050



Note: Public sector investment includes the new COP29 development finance goals agreed on in November 2024. The scenario assumes a linear increase from USD 115.7bn in 2022 to USD 300bn in 2035 while subtracting the private sector contribution and development finance for climate change adaptation based on their average relative shares over the period 2019 to 2023 (OECD, 2025[13]). It also assumes constant public and private sector shares of climate mitigation investments as of December 2024, consistent with recent trends (IEA, 2024[16])
Source: OECD, IEA proprietary database.

4.4.3. Public sector scenario

The Public Sector Scenario (PSS) assumes that private sector investment continues to grow at the average rate of the last three years (L3Y), while the public sector provides the additional financing needed to meet the annual investment requirements of the IEA APS scenario. As a result, there is no investment gap in this scenario. The analysis assumes that all public sector investment is financed through government debt rather than, for example, through additional taxes. Once private sector investment catches up and reaches adequate levels, public sector investment is assumed to scale back accordingly.

In contrast to the BLS, the PSS imposes a 75% public-debt-to-GDP limit for North Africa, and 60% for Sub-Saharan Africa and assumes that any additional public sector investment required beyond this limit is financed through increased development finance contributions from advanced economies. Figure 4.5 illustrates the resulting projections.

Initially, both regions require increased public sector investments from domestic governments and development finance institutions, while their private sectors and FDI gradually scale up over time. While North Africa requires additional development finance support, as current debt levels are approaching their 75% debt-to-GDP ceiling, Sub-Saharan Africa's greater fiscal headroom with debt levels below 60% allows it to finance APS requirements primarily through domestic public borrowing complemented by multilateral climate finance.

North Africa requires a total public sector investment contribution of 49% in 2026, declining thereafter, representing an almost eightfold increase (including and mostly consisting of additional required development finance) from 2024 levels. Similarly, Sub-Saharan Africa requires a public sector contribution of 41% in 2026, tripling from 2024 public sector investment levels.

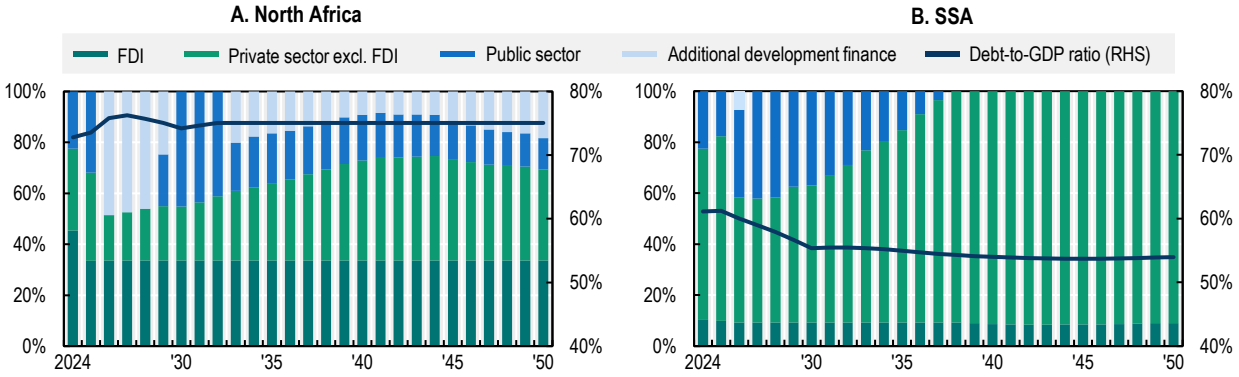
While North Africa's public sector would need to support APS clean energy investments through 2050, Sub-Saharan Africa's private sector would generate sufficient investment to cover these requirements from 2039 onwards. Consistent with the BLS results, this suggests that although Sub-Saharan Africa faces significant short-term challenges and requires sustained policy support as in recent years, it possesses the potential to exceed APS targets over the longer term.

The PSS, as well as the CMS, build on baseline debt-to-GDP estimates from the IMF. These baseline figures do not account for public-sector climate transition expenditure in the IEA APS. Therefore, future public-sector financing for climate transition investments in line with the IEA APS represent an additional government debt-burden in the scenario analysis in this chapter.

Lastly, foreign direct investment plays a markedly different role in clean energy financing across Africa’s subregions. In North Africa, it accounts for about 34% of total investment, while in Sub-Saharan Africa it is closer to 9%. The PSS keeps total energy FDI constant as a share of overall energy investments.

Figure 4.5. Public sector solution: Climate change mitigation investment contributions and debt-to-GDP limit

Public sector funding would need to increase substantially in the short-term in both regions and cover at least 40% of total funding in 2026-2032 in North Africa and 2026-2028 in Sub-Saharan Africa.



Note: Public sector investment includes the new COP29 development finance goals agreed on in November 2024. FDI comprised approximately 34% of total investments in North Africa and 9% in Sub-Saharan Africa on average in the past 3 years. The scenario assumes a linear increase from USD 115.7bn in 2022 to USD 300bn in 2035 while subtracting the private sector contribution and development finance for climate change adaptation based on their average relative shares over the period 2019 to 2023 (OECD, 2025[13]).
Source: OECD, IEA proprietary database.

4.4.4. Capital markets scenario

The CMS assumes that projected investments meet the annual requirements set out by the IEA APS scenario. Unlike the BLS and PSS, the CMS imposes lower sovereign debt-to-GDP limits of 60% for North Africa and 55% for Sub-Saharan Africa.

Once debt-to-GDP limits are reached, the residual investment gap is closed through capital market-financed private sector investment. Therefore, the split between public and private sector contributions remains constant until the debt-to-GDP limit is reached, after which they become output metrics, reflecting the investment contributions needed to meet climate mitigation targets.

To meet the required investment levels, North and Sub-Saharan Africa would need total private sector (domestic and FDI) investment CAGR of approximately 77% and 51% from 2024 to 2026, respectively, as their debt-to-GDP limits their public-sector investment in 2025 and 2026 at the start of the projection period.

Greenfield FDI as a proportion of private sector investment is assumed to triple by 2035, benefiting from an assumed greater ease with which financial and non-financial companies can make cross-border investments in the CMS. As FDI and domestic private sector investment scale up over time, regions develop investment surpluses as in the BLS.

In the CMS, the proportions of equity, bond, and non-marketable debt financing are assumed to converge toward the patterns observed in other EMDEs excluding China, as described in the OECD Global Debt Report 2025 (OECD, 2025[2]). This implicitly assumes that the regulatory frameworks for capital markets in Africa will achieve quality standards comparable to those of the largest EMDEs other than China, while their reliance on concessional finance as a proportion of total funding will decrease correspondingly.

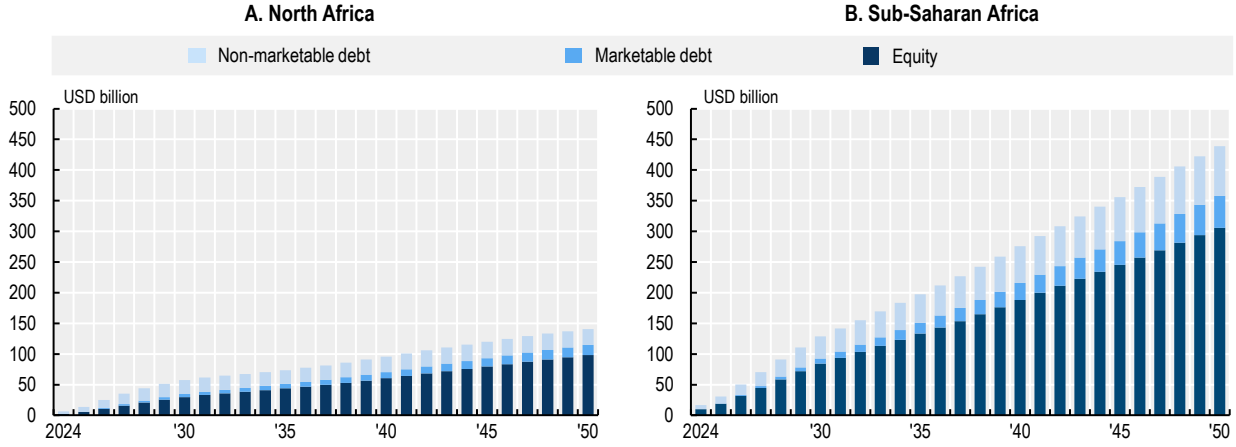
Figure 4.6 illustrates the evolution of financing sources of listed companies in the energy sector in Africa from December 2024. North Africa's total long-term financing sources would need to grow by a factor of 22.4 until 2050 or at a CAGR of 12.6%, and bond markets must grow by a factor of 55.6 or at a CAGR of 16.7%, in the same period. This compares to a projected GDP CAGR of 2.2%.

In Sub-Saharan Africa, total long-term financing sources would need to grow by a factor of 26.5 by 2050 or at a CAGR of 13.4%. While in December 2024 no listed Sub-Saharan African firm had outstanding marketable debt, the region would need to develop an underlying market with a size of approximately USD 52 billion, exceeding that of North Africa in 2050 by three times.

The absolute difference by 2050 and the faster increase in Sub-Saharan Africa's financing sources are driven by two factors. First, Sub-Saharan Africa's total cumulative APS investment requirements are 32% higher at USD 3.7 trillion, compared to USD 2.8 trillion in North Africa. Second, North Africa's greater reliance on FDI reduces its need for domestic capital market financing.

Figure 4.6. Capital markets solution: Evolution of financing sources in the energy sector

Long-term financing instruments of listed firms in North and Sub-Saharan Africa would need to grow 22.4 and 26.5 times, respectively, from 2024 to 2050 (CAGRs of 12.7% and 13.4%).



Note: Figure excludes liabilities other than debt. Equity represents book equity.
Source: OECD, IEA proprietary database, LSEG.

The analysis in Figure 4.6 above begins with the book value of bonds and non-bond debt of listed energy companies as of December 2024, as well as the book value of their shares (see more about their capital structure in the Public and private sector investments section). It incorporates new equity and debt financing necessary to meet the investment requirements for clean energy and high-emitting energy assets based on the IEA APS. The analysis assumes that companies will be profitable in all years (i.e. revenues will be higher than costs), allowing them to reinvest revenues equivalent to depreciation, which is kept constant as a proportion of non-current assets throughout the period. The source of equity financing in the analysis can be either the reinvestment of profits or the issuance of new shares, so there is no assumption in relation to how profitable companies in the energy sector will be.

Analysing the energy sector effectively means that as the combined energy asset base (both low- and high-emitting) depreciates, the existing, relatively higher-emitting assets are gradually replaced by an increasing share of low-emitting ones, resulting from the IEA APS investment shares in low- and high-emitting assets. Additionally, the CMS assumes that listed companies finance 45% of all future private sector investments. According to the European Investment Bank, private equity, venture capital and infrastructure investments account for approximately 55% of total capital raised by corporates in Africa, with capital markets comprising the remaining 45% (EIB, 2024[14]).

4.4.5. Cross-border investments and climate finance from international providers

All scenarios account for cross-border investments in North and Sub-Saharan Africa by reducing their domestic investment needs (as defined by the IEA APS) based on FDI. In the BLS and PSS, greenfield FDI is assumed to remain constant as a proportion of private sector investment in North and Sub-Saharan Africa, respectively.

In 2022 to 2024, FDI in renewable energy directed to North and Sub-Saharan Africa represented on average 34% and 9% of total energy investments, respectively. These percentages were applied to the expected investments in the energy sector in the projection period in the BLS and PSS.

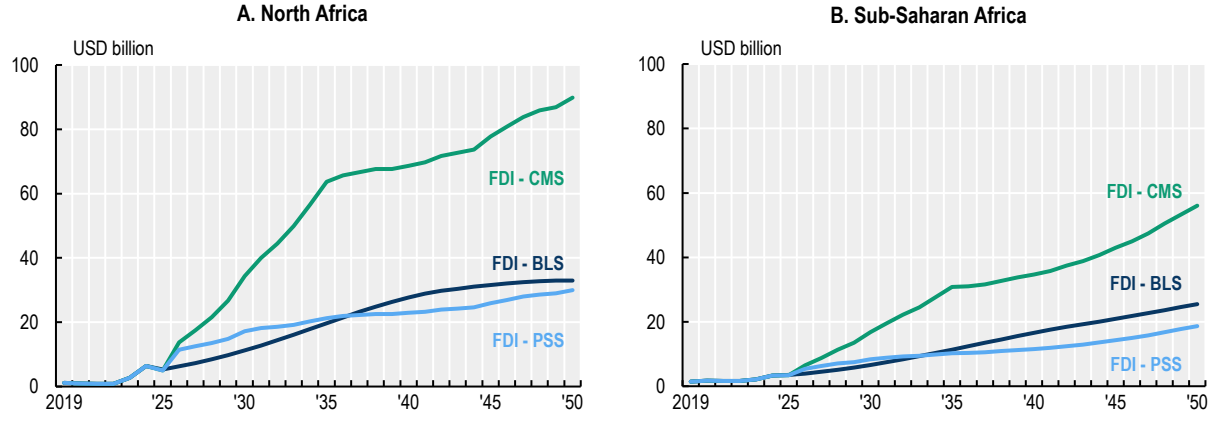
In the CMS, the share of FDI over total APS investments will triple by 2050, reaching approximately 101% in North Africa and 28% in Sub-Saharan Africa. The scenario allows FDI to surpass 100% of APS investments because APS investment requirements will still be well below annual and cumulative NZE requirements.

Total FDI to North and Sub-Saharan Africa in 2024 is estimated at USD 14 billion and USD 7 billion respectively, of which USD 6 billion and USD 4 billion can be attributed to clean energy investments.

Figure 4.7 illustrates greenfield FDI to North and Sub-Saharan Africa across all three scenarios. In North Africa, in the CMS, total FDI grows at a CAGR of 10.7% and reaches USD 90 billion in 2050 (an increase 14.1 times larger than the corresponding 2024 value). In contrast, in the BLS and PSS, greenfield FDI grows at a CAGR of approximately 6% and does not exceed USD 33 billion. This compares to an increase of 2.2 times (corresponding to a CAGR of 9.3%) in EMDEs over the last decade (UNCTAD, 2025[15]). These results indicate that stronger capital market resilience and institutional frameworks can significantly enhance Africa's potential to attract foreign investment, reducing the continent's reliance on additional foreign public funding to meet APS and net-zero targets.

Figure 4.7. All scenarios: Total energy FDI to North and Sub-Saharan Africa

Total energy FDI increases to USD 90 billion and USD 56 billion in North and Sub-Saharan Africa, in the CMS, corresponding to compound annual growth rates of 10.7% and 11.4%, respectively



Source: OECD, IEA proprietary database, UNCTAD (2025[15]), World Investment Report 2025 database, https://unctad.org/publication/world-investment-report-2025.

4.4.6. Evolution of bond and equity markets in energy

The investments in each scenario are accompanied by a distinct evolution of equity and bond markets across the two regions analysed in this chapter. The share of each financing source—equity, bonds and

non-bond-debt and other liabilities—in the energy sector was determined by analysing the capital structure of 55 listed energy and energy-related utilities companies, comprising 10 companies in North Africa and 45 companies in Sub-Saharan Africa (see in the above section “Capital structure in the energy corporate sector”).

As of December 2024, the share of bond debt relative to total assets of listed companies in the energy sector stands at 3% in North Africa and 0% in Sub-Saharan Africa. While these proportions remain constant under the BLS and PSS scenarios, they converge toward the capital structure of companies in EMDEs other than China under the CMS, achieving parity by 2050.

As noted in the “Financing sources of recent investments in the energy sector” section, non-listed companies in Sub-Saharan Africa hold a relatively high volume of marketable debt. This is driven by one state-owned non-listed company in South Africa with USD 11.7 billion of outstanding marketable debt (25% of its total assets) of which 74% is listed on domestic capital markets. Because the company’s financial position is characterised by debt distress and overhang—reflected in repeated government debt relief and restructuring—the analysis normalises its marketable debt to 9% of total assets in 2024. This corresponds to USD 4.1 billion, of which 74% (USD 3.1 billion) is assumed to be listed domestically. This adjustment aligns the company’s balance sheet with the common capital structures observed in the largest EMDEs other than China.

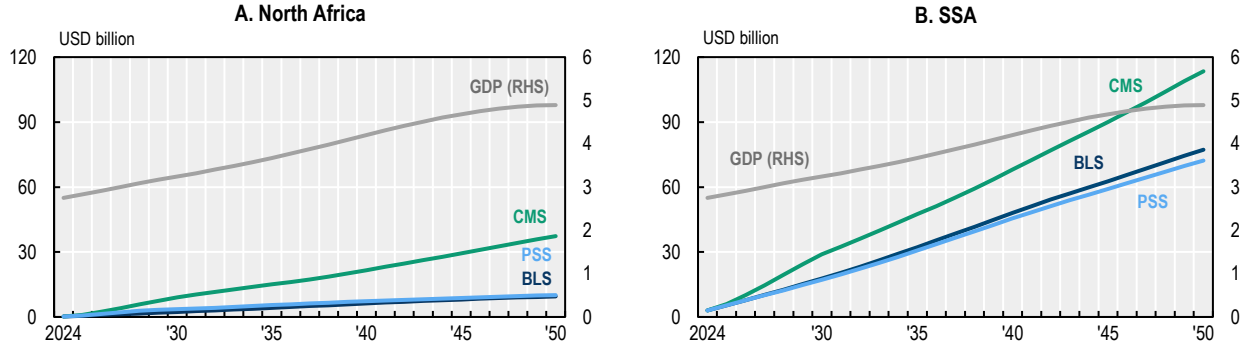
This section’s projection of public markets begins with book value equity and total outstanding bonds as of December 2024. Subsequently, the analysis incorporates investments for clean energy and high-emitting energy assets based on the IEA APS and assumes constant depreciation as a proportion of non-current assets. As in Figure 4.6, this implies that depreciation is effectively “reinvested,” and the projected reduction in investments in high-emitting assets partially offsets higher investment needs in clean energy. Such reinvestment can occur either directly, through an energy company engaged in both fossil fuels and clean energy, or indirectly, through an investor who channels financial returns from fossil fuel companies into clean energy enterprises.

Evolution of bond markets in energy

The following figures depict the evolution of bond and equity markets in the three scenarios and regions. The analysis includes 2024 data on bonds issued by listed and unlisted companies in the energy sector and assumes that the outstanding amounts of bonds issued by unlisted companies grows in line with those issued by listed companies to illustrate the overall bond market development.

Figure 4.8. All scenarios: Energy bond market development

The total energy bond markets in North and Sub-Saharan Africa would need to grow at CAGRs of 20.4% and 14.9% in the CMS by 2050, respectively, to meet APS commitments.



Note: GDP in Volume Terms at 2015 Purchasing Power Parities. BLS and PSS bond outstanding trends overlap in panel A.
Source: OECD, IEA proprietary database, LSEG.

In North Africa, energy bond markets stood at USD 0.3 billion in 2024 and are projected to expand to USD 10 billion in the BLS and PSS, and USD 37 billion in the CMS by 2050. This corresponds to increases of around 30-times in the BLS and PSS (CAGRs of approximately 14-15%) and 124-times in the CMS (CAGR of 20%), respectively. This compares to a projected GDP CAGR of 2.2% over the same period.

In Sub-Saharan Africa, adjusted bond markets were valued at USD 3.1 billion in 2024 and are projected to reach USD 77 billion in the BLS, USD 72 billion in the PSS, and USD 114 billion in the CMS by 2050. This represents increases of 25-times, 24-times, and 37.5-times, corresponding to CAGRs of 13%, 13% and 15%, respectively. This compares to a projected GDP CAGR of 4.0%.

The trends in the CMS diverge because the share of FDI over total investments in North Africa triples from 34% to above 100% by 2050, reducing the necessity for domestic capital market development. However, because the CMS allows investments to exceed APS requirements (with growing FDI and domestic private sector investment combined) and assumes a converging capital structure to that of EMDEs other than China—with 9% of investments funded by marketable debt—North Africa's capital market still develops significantly, albeit tempered by the balancing effect of increased FDI.

In contrast to North Africa, Sub-Saharan Africa's higher relative starting point—driven by a state-owned energy firm with (normalised) outstanding domestic marketable debt exceeding USD 3 billion in 2024—anchors the sustained increase and absolute difference in its projected bond markets. This established baseline, combined with the region's higher required investments in the IEA APS scenario, leads to substantially higher overall capital mobilisation and bond market growth required to support the region’s energy development and transition.

4.4.7. Evolution of sustainable bond markets in energy

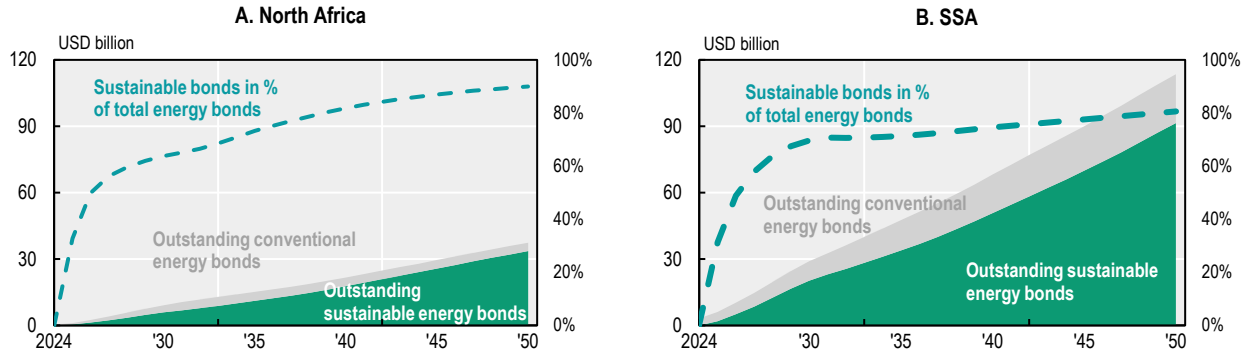
As of December 2024, sustainable bonds in the energy sector were not yet established in African markets. The following figures estimate the sustainable bond market size per region by assuming that sustainable bonds entirely finance new clean energy investments. Investments in high-emitting assets are assumed to be financed by conventional bonds. Lastly, the analysis assumes that existing conventional bonds retire linearly based on their value-weighted average maturity.

In North Africa, sustainable bond markets in the energy sector are projected to rise to USD 6.7 billion in the BLS, USD 6.3 billion in the PSS, and USD 34 billion in the CMS by 2050. The share of sustainable bonds within total energy bond markets would need to increase from 0% in 2024 to 71% in the BLS, 63% in the PSS, and 94% in the CMS by 2050. Over the same period, and growing at CAGRs of 9-10% depending on the scenario, conventional marketable debt would reach USD 3-4 USD billion, reflecting continued reliance on high-emitting energy sources in the APS.

In Sub-Saharan Africa, energy sector sustainable bond markets are projected to grow to USD 62 billion in the BLS, USD 55 billion in the PSS, and USD 91 billion in the CMS by 2050. The share of sustainable bonds would need to increase from 0% in 2024 to 80% in the BLS, 77% in the PSS, and 81% in the CMS by 2050. Conventional energy bond markets are projected to expand at CAGRs of 7-8%, reflecting again the region’s continued reliance on high-emitting energy sources in the APS.

Figure 4.9. Sustainable and conventional bond market development in the CMS

The sustainable energy bond market share would need to rise to 90% in North Africa and 81% in Sub-Saharan Africa by 2050 in the CMS.



Note: GDP in Volume Terms at 2015 Purchasing Power Parities.
Source: OECD, IEA proprietary database, LSEG.

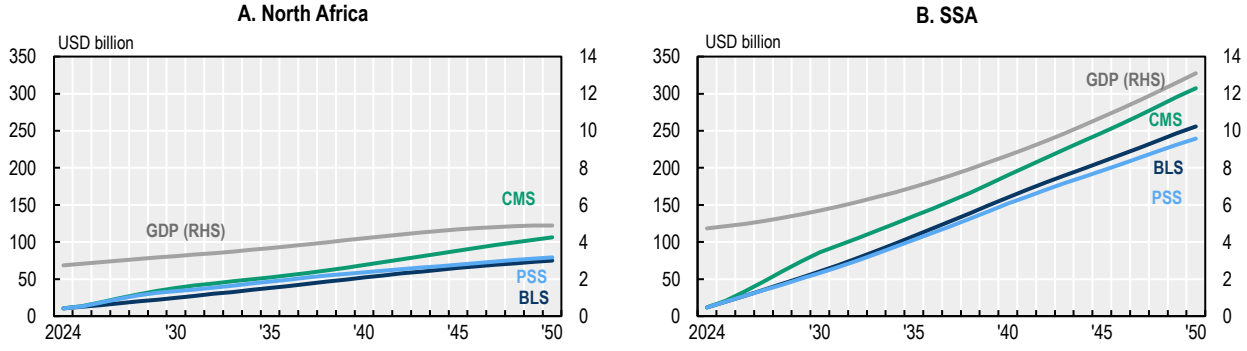
Evolution of equity markets in energy

In North Africa, energy sector equity markets totalled USD 10.6 trillion in 2024 and are projected to increase by factors of 7.1 (7.8% CAGR) in the BLS, 7.5 (8.1% CAGR) in the PSS, and 10.1 (9.3% CAGR) in the CMS. In Sub-Saharan Africa, energy equity markets stood at USD 11.9 trillion in 2024 and would increase by factors of 21.5 (12.5% CAGR) in the BLS, 20.2 (12.2% CAGR) in the PSS and 25.9 (13.3% CAGR) in the CMS.

As African economies, and North Africa in particular, are expected to rely less on secured concessional finance in the long-term under the CMS, their capital structure is expected to show higher equity requirements akin to other EMDEs. As a result, equity capital markets develop more steeply in the CMS.

Figure 4.10. All scenarios: Energy equity market development

Energy sector equity markets in North Africa and Sub-Saharan Africa expand by factors of 10.1 and 25.9 in the CMS respectively, reflecting higher equity requirements as reliance on concessional finance declines across the continent.



Note: Equity represents market value; GDP in Volume Terms at 2015 Purchasing Power Parities.
Source: OECD, IEA proprietary database, LSEG.

4.5. Policy considerations

The latest numbers on climate transition investments in Africa provide a mixed picture . Total clean energy investments in North and Sub-Saharan Africa stood at USD 14 billion and USD 33 billion in 2024, growing at 15.7% and 14.2% annually in the last three years, and exceeding GDP growth of 3.3% and 2.2%, respectively. However, these recent investments only represent around half of the projected investment needs of USD 34 billion in North Africa and USD 59 billion in Sub-Saharan Africa by 2026 according to the IEA APS. While bridging this gap poses significant challenges for both regions in the medium term, their projected investment growth trajectories enable them to eventually develop investment levels that surpass their announced pledges. Although investments required to achieve net-zero emissions by 2050 will likely remain substantially higher, these results are nonetheless encouraging.

Additionally, focusing solely on investment needs for the climate transition does not provide a complete picture of the challenge. Foreign investment in Africa surged by 75% to reach an all-time high of $97 billion in 2024, with the continent representing 6% of global FDI, compared to a 4% share the year before (UNCTAD, 2025[16]), showing growing investor confidence in the continent. Similarly, megaprojects with successful government financing through bond issuance, such as Ethiopia's USD 5 billion Grand Ethiopian Renaissance Dam, where construction was largely funded by domestic resources and a government bond programme subscribed to by the population and local institutions (Webuild Group, 2025[10]), illustrate the continent’s domestic financing potential.

Second, framing investments by 2050 solely for a net-zero transition or for meeting countries’ announced pledges overlooks the broader need for energy investments in African regions with growing populations or dynamic economies, particularly in Sub-Saharan Africa.

Scenario analysis helps to pragmatically assess the challenge of financing the APS investment requirements which contribute to the net-zero transition while considering the aforementioned points. The financing trajectories will look different depending on whether the public or private sector finances most of the investment. In a baseline scenario, assuming climate investment growth and public sector investment continue along recent trends, North and Sub-Saharan Africa are on track to align with their announced pledges by 2044 and 2037 and subsequently develop investment surpluses. However, these investments still fall short of net-zero requirements.

In a scenario where the public sector provides the necessary additional financing to meet the investment—through debt issuance or support beyond the COP29 New Collective Quantified Goal—North Africa would need an additional USD 9 billion per year on average between 2025 and 2050. This need arises once further public debt issuance becomes unsustainable from 2026. In contrast, Sub-Saharan Africa can cover its investment needs largely without additional development finance. North Africa’s debt-to-GDP ratio rises from 73% in 2024 to 75% in 2026, while Sub-Saharan Africa’s ratio falls from 61% in 2024 to 54% by 2050. This decline is driven by narrowing fiscal deficits (IMF, 2025[17]) and strong long-term GDP growth of around 4% through 2050 (OECD, 2025[18]).

In the opposite scenario where the private sector provides the additional financing to meet the investment requirements, public debt levels remain stable or decline, but capital markets would need to develop substantially. This is especially true for marketable debt of energy companies, which would need to grow at an estimated annual rate of 20.4% and 14.9% between 2024 and 2050 in North and Sub-Saharan Africa, respectively. While this growth is theoretically feasible, it would be even higher than the noteworthy growth in China’s corporate bond markets in the last decade (12% per year on average). An annual increase of 15% or 20% would require favourable macro-economic conditions, capital market integration and significantly improved regulatory frameworks in North and Sub-Saharan Africa.

In all three scenarios in this chapter, energy companies’ marketable debt grows at least three times as fast as GDP in North Africa and five times in Sub-Saharan Africa. In North Africa, growth in marketable debt

for energy companies is projected to far outpace GDP. While long-term GDP expands at 2.2% annually, marketable debt grows by 14.2% in the Baseline Scenario (BLS), 14.5% in the Public Sector Scenario (PSS), and 20.4% in the Capital Markets Scenario (CMS). In Sub-Saharan Africa, the trend is similar but set against a higher GDP growth rate of 4% annually. Marketable debt is projected to grow by 13.2% in the BLS, 12.9% in the PSS, and 14.9% in the CMS.

The potential for growth in the sustainable bond market is even greater than that of the overall bond market, given the role of sustainable bonds in financing climate transition investments. In North Africa, there were no sustainable bonds issued by energy companies as of December 2024, yet their share of marketable debt is projected to rise to between 62% and 90% by 2050 depending on the scenario. The higher end of this range reflects lower domestic high-emitting energy investment and higher corresponding foreign direct investment, in the CMS. In Sub-Saharan Africa, the share also grows from zero in 2024 to between 77% and 81% by 2050.

These scenarios underscore the immense challenge of leveraging debt markets for the transition to a low-carbon economy. However, they also reaffirm the private sector's potential to drive this transformation. To unlock this potential, capital market integration and financial regulatory reforms will be essential. With smart policies and well-functioning markets, countries can mobilise the necessary domestic investment and continue to attract substantial foreign investment for growth and build a financial system that is not only resilient but also catalytic for a sustainable transition. African economies could greatly benefit from integrating their capital markets to mobilise funds for the climate transition. Connecting national markets and savings for investment could reduce borrowing costs, expand investor bases, incorporate underutilised liquidity, expand investment options, facilitate more efficient allocations of capital, reduce reliance on external aid, and improve the larger market's resilience to external shocks. All these benefits are crucial for closing clean energy and climate financing gaps.

Efforts to expand and integrate capital markets are already underway in Africa. The African Exchange Linkage Project (AELP) is a joint project of the African Securities Exchanges Association (ASEA) and the African Development Bank (AfDB) to facilitate international securities trading across the continent (AELP, n.d.[19]). The AELP went live in 2022 and has ten participating exchanges, including the largest exchanges in Africa: the Johannesburg Stock Exchange, the Nigerian Exchange Limited, the Casablanca Stock Exchange, the Egyptian Stock Exchange, the Bourse Régionale des Valuers Mobillières, and the Nairobi Securities Exchange. This connects 90 percent of Africa's market capitalisation and over 2 000 companies in one place (Societe Generale, 2023[20]).

Regions outside of Africa have found success with integrating capital markets. The Nuam Exchange in South America links the exchanges of Santiago, Lima and Colombia in a single marketplace. Established in 2022, the exchange has grown to a market capitalisation of USD 450 billion and hosts over 445 equity issuers and 345 fixed-income issuers. In conjunction with Morgan Stanley Capital International (MSCI), Nuam has launched an index fund comprising 56 companies from Chile, Peru, and Colombia, allowing investors at home and abroad to invest in a diversified portfolio for the region, with a combined market capitalisation of approximately USD 319 billion (Nuam Exchange, n.d.[21]). The unified marketplace has provided greater business opportunities for brokers, more options and diversification for investors, improved access to financing for regional issuers, and operational efficiencies for market participants (BNP Paribas, 2024[22]).

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Annex 4.A. Methodologies for the scenario analysis

The chapter integrates analyses from the International Energy Agency (IEA), the IMF, UN and various OECD policy areas, including macro-economic projections, climate finance and development co-operation. The chapter includes an examination of the funding structures of companies in the energy sector and financing scenarios that depart from a “baseline” approach. While the scenarios are not predictions about what will effectively happen in the future, they can help policy makers and investors to assess reasonable alternatives depending on the policies that are prioritised.

The methodology largely follows that of the fourth chapter of the OECD Global Debt Report 2025. The appendix below explains where this analysis deviates from that methodology, either due to the availability of higher-quality Africa-specific data or because of data limitations.

Macroeconomic assumptions

Public sector debt limits and debt issuance

The analysis distinguishes between government debt issuance unrelated to climate goals (implicit IMF debt-to-GDP scenario baselines) and additional public sector investment needed for climate change mitigation as per IEA APS investment requirements.

The CMS caps debt-to-GDP for each region, restricting debt issuance for climate change mitigation. Countries are allowed to issue debt tied to GDP growth (i.e. growth-driven debt issuance) to keep the ratio stable. In the absence of such issuance, the debt-to-GDP ratio would decrease over time. However, countries cannot issue debt that increases the ratio beyond the established cap (i.e. ratio-increasing debt).

The PSS caps debt-to-GDP at 75% for North Africa and at 60% for Sub-Saharan Africa. The analysis assumes that countries issue growth-driven debt and ratio-increasing debt for purposes unrelated to the climate transition in line with the IMF estimates, where debt-to-GDP of 72.8% North Africa in 2024 increases to 74.5% in 2030. From 2030, the analysis assumes that any growth-driven debt issuance that keeps the ratio stable at 74.5% is climate-unrelated and that countries do not run ratio-increasing deficits unrelated to climate change mitigation investments, as explained in the preceding section. The IMF estimates that baseline debt-to-GDP of Sub-Saharan Africa will evolve from 61.1% in 2024 to 54.9% in 2030. According to the IMF’s Regional Economic Outlook, public debt in the region has stabilised and is declining due to narrowing primary deficits. These fiscal adjustment efforts are expected to continue and further reduce the region’s debt-to-GDP ratio (IMF, 2025[17]).

Conversely, investments in climate change mitigation are driven by ratio-increasing debt issuance (from 72.8% to 75% over time) and partly by growth-driven debt issuance that keeps the ratio stable at 75% (For instance, North Africa reaches its debt-to-GDP limit temporarily for four years from 2027, before GDP growth provides the public sector again with leeway) minus the growth-driven debt issuance that would keep the ratio stable at 72.8% absent any climate mitigation-related investments.

We refer to resources from the International Monetary Fund (IMF) and European Parliament for guidance on public debt limits and governance.

The IMF provides debt burden thresholds and benchmarks through its Debt Sustainability Framework

(DSF) for low-income countries (LICs) (IMF, 2025[23]).

The IMF's corresponding list for low-income countries includes 38 of the 49 countries in Sub-Saharan Africa. Thus, we apply the DSF to the regional analysis for Sub-Saharan Africa. These countries are classified by their debt-carrying capacity as Weak, Medium, or Strong, with associated debt thresholds of 35, 55, and 70 percent of GDP, respectively.

Although, the IMF does not provide a comprehensive list of the classifications of all 38 LICs, it produces detailed debt reports for individual countries. The five most recent reports are for Kenya, Madagascar, and Guinea-Bissau in 2021 and Central African Republic and Rwanda in 2020. Of these, Guinea-Bissau and Central African Republic are classified as Weak, Kenya and Madagascar are classified as Medium, and Rwanda is classified as Strong. As this handful of classifications appears reasonably symmetric, we decide to classify the wider Sub-Saharan Africa region as "Medium" in debt-carrying capacity and apply the IMF's corresponding 55 percent limit on the region's debt-to-GDP ratio.

As the IMF does not include any North African countries in its Debt Sustainability Framework, we follow the European parliament's guidance for public debt governance, which provides 60 percent of GDP as a threshold for reduction measures (European Parliament, 2024[24]).

For reference, the general government gross debt-to-GDP ratio for countries in Africa that report such data to the IMF was 67 percent for 2024. For North Africa, it was 73 percent and in Sub-Saharan Africa it was 64 percent. The two largest economies in Sub-Saharan Africa, South Africa and Nigeria, held debt-to-GDP ratios of 76 and 53 percent, respectively, in 2024. Egypt and Algeria, the two largest economies in North Africa with data, held debt-to-GDP ratios of 91 and 46 percent, respectively, in 2024 (IMF, 2025[25]).

Cross-border investments

Foreign direct investments methodology

While data on annual foreign direct investments in the energy sector are not readily available, this analysis approximates such capital expenditures based on the announced values of greenfield FDI) projects by destination country, as reported by UNCTAD (2025[15]). These announced project values cover a wide range of sectors and represent total investment commitments typically spread over multiple years. They do not necessarily translate into realized expenditures, due to project delays, scale adjustments, or cancellations. Furthermore, foreign investments often include a modest, though slower, contribution of local financing.

To address these nuances, the analysis in this chapter applies a series of adjustments: the share of energy-related projects based on IEA estimates relative to total gross fixed capital formation data from the World Bank—ranging between 16 to 36% in North Africa and 12 to 25% in Sub-Saharan Africa depending on the year; a realization rate of 84% derived from empirical research on FDI project completion in developing economies across Africa, Asia, and Latin America from 2003 to 2020 (Hornstein, 2024[26]); and an assumed local financing share of 15%, reflecting approximate co-financing patterns observed in projects such as Morocco's Noor Ouarzazate solar complex, where foreign funding was complemented by domestic investment (Worldbank, 2017[27]).

Lastly, the analysis assumes a disbursement schedule spanning seven years, with investment shares of 35% in the first year, followed by 25%, 15%, 10%, 7%, 5%, and 3% in subsequent years. This reflects that most renewable power generation projects commonly require the bulk of their capital expenditures within the first two to three years upon approval, corresponding to site development, equipment procurement, and construction phases. However, certain energy infrastructure investments, such as grid expansion and upgrades, typically exhibit longer disbursement profiles due to extended planning, staging, and integration periods.

Development finance methodology

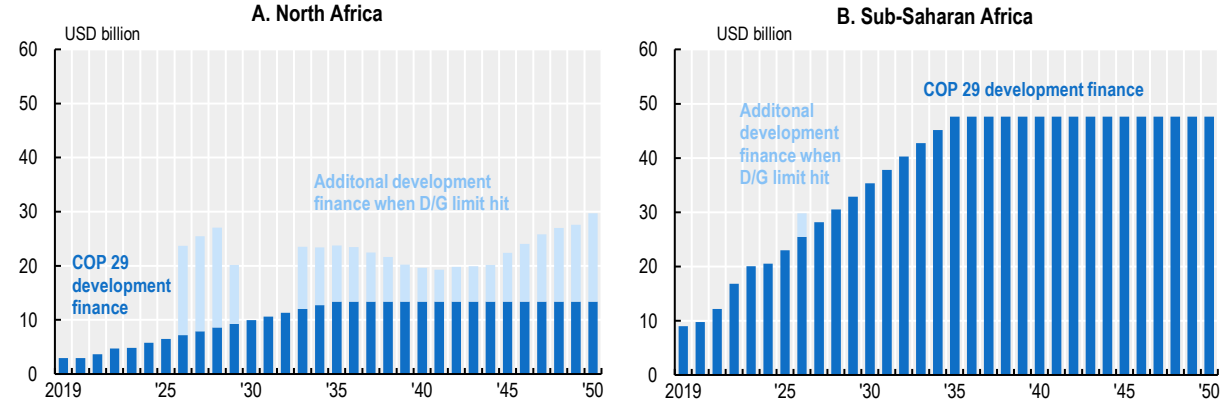
Development finance for climate is assumed to grow linearly in all three scenarios, reaching the New Collective Quantified Goal on Climate Finance (NCQG) agreed at COP29 by 2035. Only in the PSS is additional development finance for climate provided to North and Sub-Saharan Africa, when these countries reach their assumed 75% and 60% debt-to-GDP limits. The appendix describes the employed methodology in detail. The analysis focuses on climate finance provided by the public sector (bilaterally or through multilateral institutions) for climate change mitigation. It therefore excludes from the total NCQG the private sector investments mobilised by public climate finance (these investments would be captured as FDI) and any investments in climate adaptation, which are outside the scope of the scenarios.

Development finance for climate reduces the burden on the public sector in North and Sub-Saharan Africa in the scenarios. The debt issuance related to development finance is allocated to the issuing countries (advanced economies and EMDEs other than North and Sub-Saharan Africa) in the scenarios for four main reasons: (i) some of the development finance is in the form of grants or concessional agreements, which would not create any debt burden or would give rise to debt that is easier to service; (ii) part of the development finance loans are provided directly to projects, and do not create public debt in North and Sub-Saharan Africa; (iii) allocating the debt issuance related to development finance to the issuing and destination regions would be to count twice the same investment; (iv) the main focus of this chapter is the development of public bond markets, which would not include loans received by African governments.

Annex Figure 4.A.1 illustrates the baseline development finance (aligned with COP29 goals) across all scenarios, as well as the additional development finance required in the PSS.

Annex Figure 4.A.1. Climate mitigation development finance for North and Sub-Saharan Africa

The PSS projects an average of USD 12 billion annually in additional required public-sector-funded development finance for North Africa in 2026-29 and USD 6 billion in 2025 for Sub-Saharan Africa



Source: OECD, IEA proprietary database.

Capital market-related assumptions

Capital market development of North and Sub-Saharan Africa in the CMS

The CMS models a gradual alignment of the capital structure in North and Sub-Saharan Africa with that of EMDEs other than China (OECD, 2025[2]) by the end of 2050. The convergence is modelled using a

logarithmic trajectory. By 2035, 70% of the adjustment is achieved, reflecting an accelerated initial shift that slows as it approaches parity.

Estimation of future bond and equity markets

The projection of energy bond and equity markets takes advantage of the basic accounting identity of equating total assets with total liabilities plus equity and uses the capital structure data presented in "Financing sources of recent investments in the energy sector" section.

Furthermore, the analysis uses the total asset and non-current asset base, and depreciation in the energy sector as of December 2024. These figures result from aggregating firm-level data of all listed companies in the energy sector as defined above.

The analysis then incorporates total future private sector energy investments based on the IEA NZE pathway in the different scenario projections, increasing the asset base while assuming a constant depreciation rate relative to non-current assets. The resulting increase in the total asset base is then translated into financing instruments based on the shares presented in "Financing sources of recent investments in the energy sector" section (following the methodology in panel B of Figure 4.3).

The starting points for bonds and listed equity are the total outstanding bonds in the energy sector and the total market capitalisation as of December 2024. As future investments exceed depreciation, total energy assets increase and require a corresponding increase in their financing instruments. The analysis of capital market data is sourced from LSEG.

5 Local currency bond markets for development financing in Africa

Over the past two decades, African sovereign marketable debt has expanded substantially, largely supported by favourable macro-financial conditions and strong demand for Emerging Markets and Developing Economies (EMDE) debt. However, since 2022, the financing landscape has become markedly more challenging, characterised by rising borrowing costs, weakening foreign demand and heightened geopolitical and trade-related uncertainties. At the same time, access to official lending has declined, prompting many African countries to rely more heavily on costlier market-based financing. These shifts, coupled with large refinancing needs, risk pushing debt servicing costs beyond the fiscal capacity of some sovereigns. In this context, strengthening debt management frameworks and progressively developing of local currency bond markets will be essential to support fiscal sustainability and financial resilience.

5.1. Introduction

This chapter examines Africa's sovereign debt markets, including issuance trends, borrowing costs, foreign market access, and credit rating developments. The analyses predominantly use available market data on central government bond issuance, with methodological details in the Annex.

Key messages

- Sovereign issuers in Africa face diverse financing needs and constraints. Unlike most developed countries, where borrowing is largely covered through local currency bonds, many African economies rely on a mix of local and foreign currency bonds, bilateral loans, and concessional finance.
- As of the end of 2024, only 60% of African countries had sovereign bonds outstanding, the lowest share across regions. This likely reflects the high number of low-income, small economies rather than explicit policy decisions.
- Between 2007 and 2024, Africa's annual sovereign debt issuance rose from USD 70 to 350 billion, and outstanding bond debt stock grew from USD 160 to USD 730 billion. Issuances as a share of GDP tripled from 5% to 15%, the highest among EMDEs, yet Africa still represents only 1% of global sovereign bonds despite accounting for 3% of global GDP.
- About 60% of Africa's marketable debt is in fixed-rate local currency bonds. However, this share is mainly driven by a few large issuers, as the median share of fixed-rate debt across African countries is 40%, the lowest among regions, with higher use of Treasury bills and foreign currency debt, and nearly no use of variable-rate debt.
- The average term to maturity (ATM) of outstanding debt varies from as low as two years to over ten years. Larger and more frequent issuers such as Kenya, Morocco, Nigeria and South Africa generally maintain longer ATMs.
- Africa has the lowest share, at 25%, of marketable relative to total government debt across regions. Larger economies and those issuing mainly local currency bonds generally have higher marketable debt. African countries also issue across more bond lines and use fewer buybacks and re-openings than advanced economies, making liquid benchmark lines harder to establish.
- About 80% of rated African countries were classified as high risk or below in 2024, the highest share across regions. Only Botswana and Mauritius have investment-grade ratings. Côte d'Ivoire and Seychelles are, since 2007, the only countries upgraded to speculative grade to maintain this rating. As such, around half of Africa's outstanding debt is high risk, and the share of investment-grade debt is negligible compared to other regions.
- In 2024, Africa's real yields on local currency bonds reached 5%, their highest level since at least 2007 and well above their real effective interest rates of around 1%, as a result of lower costs on official lending. Thus, refinancing all debt at current market rates without altering debt-to-GDP ratio trajectories would require primary balances to increase by an average of 2.5% of GDP, severely straining fiscal space.
- USD-denominated bond yields in Africa reached 9% in 2024, compared to 7% in 2007, and are now the highest among all regions. The number of African countries issuing in foreign markets fell sharply in 2022 and 2023. Despite a rebound in 2024, net foreign borrowing has remained negative every year since 2022.

5.2. An overview of sovereign issuance and debt levels

Over the past two decades, African sovereign marketable debt has grown significantly, driven largely by favourable macro-financial conditions and strong investor demand for EMDE debt. Unlike most developed economies, where borrowing is predominantly through local-currency bonds, many African countries rely on a combination of local- and foreign-currency bonds, bilateral loans, and concessional financing.

By the end of 2024, around 60% of the 54 African countries analysed had sovereign bonds outstanding (Figure 5.1, Panel A).[1] Of these, 7 had sovereign bonds outstanding only in foreign markets, 12 only in local markets, and 12 in both markets. For the remaining 23, no bond data was available in LSEG, implying that they are not sovereign issuers. Eastern and Middle Africa, sub-regions where low-income countries are more prevalent, had the lowest share of sovereign issuers, both at 50%, while Southern Africa had the highest, at 80%.

Africa has the lowest share of sovereign issuers among EMDEs, reflecting the correlation between sovereign issuance and a country's economic size and per capita income (Figure 5.1, Panels B and C). All EMDEs with a GDP above USD 1 trillion are sovereign issuers, and more than 90% of those with a GDP between USD 300 billion and USD 1 trillion are as well. However, only about 60% of countries with GDP below USD 300 billion issue sovereign bonds. In Africa, over 95% of EMDEs fall into this low-GDP group as of 2024. Income levels also play a role: about 85% of high-, upper-middle-, and lower-middle-income EMDEs are sovereign issuers, but this drops to around 60% among low-income countries. Africa again stands out, with the highest share of low-income countries at roughly 35%, compared to just 2.5% outside the region.

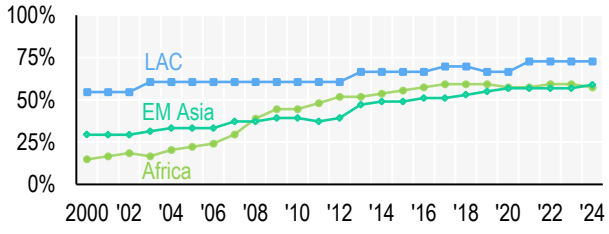
Although Africa has the largest number of low-income countries and the lowest share of sovereign issuers among EMDEs, it accounts for the largest share of issuers among low- and lower-middle-income countries. This means that, when controlling for income, Africa has more sovereign issuers than other regions. As a result, the continent's overall low share of issuers reflects structural constraints rather than policy choices.

Figure 5.1. Sovereign issuers in Africa and compared to other regions

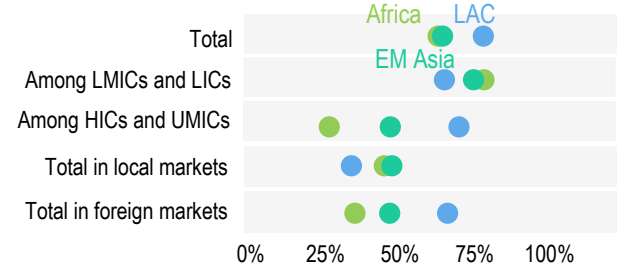
A. Sovereign issuers in Africa by markets of issuance (2024)

Local and foreign	Only foreign	Only local
Benin	Angola	Algeria
Côte d'Ivoire	Cameroon	Botswana
Egypt	Republic of the Congo	Burkina Faso
Eswatini	Gabon	Guinea-Bissau
Ghana	Mozambique	Malawi
Kenya	Rwanda	Mali
Morocco	Seychelles	Mauritius
Namibia		Niger
Nigeria		Tanzania
Senegal		Togo
South Africa		Tunisia
Zambia		Uganda

B. Share of sovereign issuers



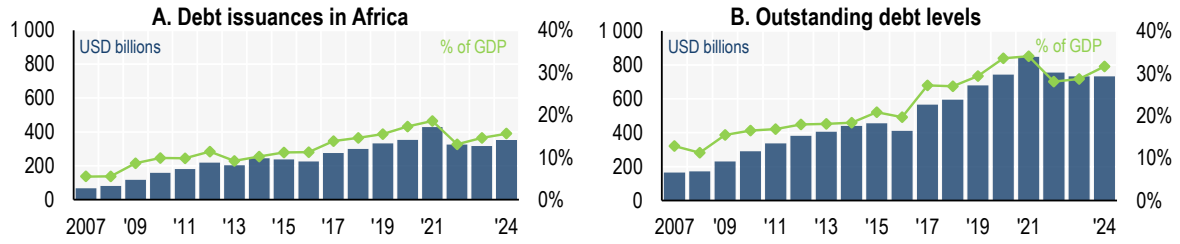
C. Share of sovereign issuers in selected groups (2024)



Note: Panel A shows all countries that had a sovereign bond outstanding at the end of 2024 and maturing in the following years. Countries that are not shown are not issuers, or their data is not available. Panel B reports this share for 2024, broken down by region and income group. Panel C displays, for each year, the share of EMDEs issuing a bond out of the total in the region.
Source: LSEG and OECD calculations.

Sovereign debt issuance and debt levels rose significantly in Africa between 2007 and 2024. Annual issuance increased from USD 70 billion to USD 350 billion, while the outstanding marketable debt stock rose from USD 160 billion to USD 730 billion (Figure 5.2, Panels A and B). This growth represented the second-highest annual increase across regions during the period (Figure 5.3, Panel A). As a result, annual issuance as a share of the sovereign issuer's GDP in Africa moved from being the lowest across regions in 2007 to the highest in 2024 (Figure 5.3, Panel B).

Figure 5.2. Sovereign bond issuances and outstanding levels

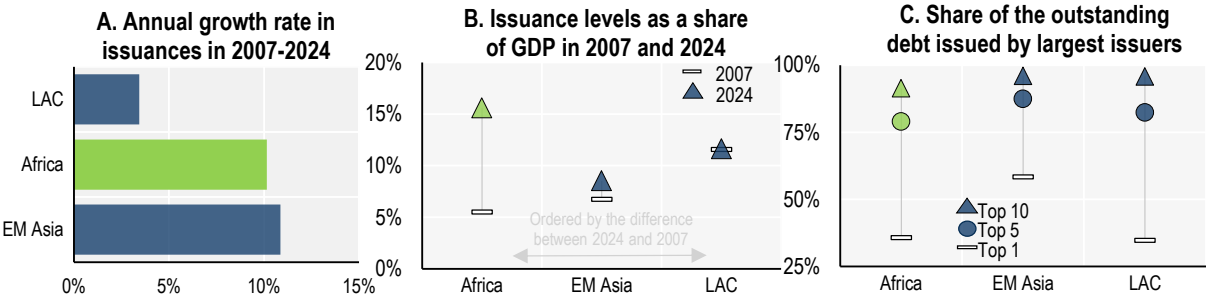


Source: LSEG and OECD calculations.

The increase was particularly marked over 2011-2021, when both annual issuance and the outstanding debt-to-GDP ratio doubled in Africa. Several factors contributed to this surge, which also affected EMDEs in other regions. First, market access improved on the back of stronger fundamentals, supported by high foreign exchange reserves built during the commodity boom in the early 2010s. This was especially the case for African economies reliant on exports of oil, minerals, and agricultural products (Afreximbank, 2025[1]). Second, improvements in monetary policy credibility, driven by the wider adoption of inflation-targeting frameworks and floating exchange rates, also enabled greater market access (Kalemli-Ozcan and Unsal, 2024[2]). Third, accommodative monetary policy in advanced economies, characterised by low interest rates and quantitative easing, led some investors to move into EMDE debt to secure positive real returns, thus increasing the investor base. Finally, external shocks, notably the global financial crisis and the pandemic, increased fiscal needs (AfDB, 2025[3]).

Whilst the level of debt spiked across the region as whole, the distribution is more even between countries than in other regions. In 2024, the top 5 and top 10 issuers accounted respectively for 79% and 91% of the region's total outstanding debt, compared to 86% and 97% respectively in other regions (Figure 5.3, Panel C). This reflects not only the smaller number of large economies in Africa but also the presence of many issuers with meaningful levels of outstanding debt.

Figure 5.3. Main trends in sovereign bond issuances and outstanding levels

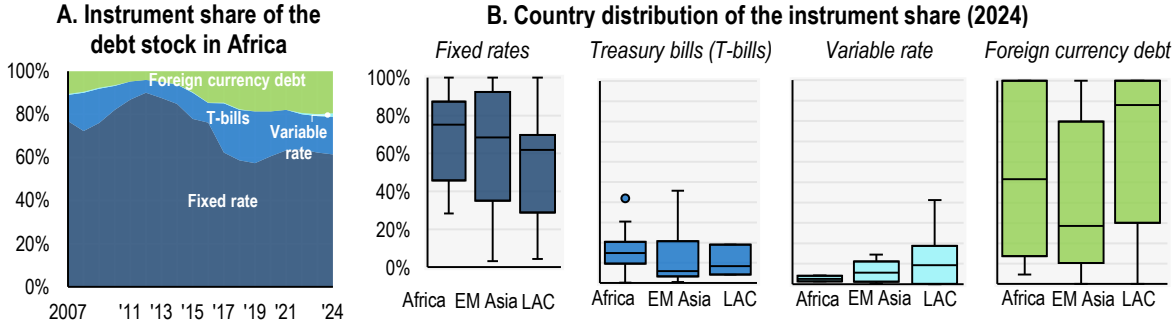


Note: Regions' figures include only EMDEs.
Source: LSEG and OECD calculations.

The majority (around 60%) of Africa's marketable debt is denominated in fixed-rate local currency bonds (Figure 5.4, Panels A and B). Fixed-rate local currency bonds carry the lowest risk for the issuer, especially when issued with long maturities. They are crucial for developing the local risk-free yield curve, which is foundational for local currency bond markets, and makes debt transparency a salient issue for the development of local financial markets (Box 5.1). The median share of fixed-rate debt in Africa, an indicator more representative of most countries in the region, is around 80%, the highest across regions. Amongst four of the larger issuers—Algeria, Kenya, Morocco and South Africa—fixed-rate debt accounts for 75% or more of the total, while Egypt, the second largest issuer overall in Africa, is something of an outlier with fixed-rate debt accounting for less than 25% of the total.

Africa's relatively low share of variable-rate debt is also notable. Inflation-linked bonds can be useful for extending the yield curve and developing specific market segments. They are particularly valuable for countries with a history of high inflation or for capturing demand from market segments involving investors with inflation-linked liabilities, such as pension funds and insurance companies. Because investors pay a premium for inflation protection, inflation-linked bonds can be cost-effective in both advanced economies (OECD, 2024[4]) and EMDEs (Cardozo and Christensen, 2024[5]). While unforeseen increases in inflation lead to higher interest payments for inflation-linked bonds, this is typically hedged to some degree by simultaneously increasing tax receipts related to the higher inflation. In addition to advanced economies, some EMDEs, especially in the Latin America and the Caribbean region, where countries have been relying heavily on these instruments in their financing programmes.

Figure 5.4. Instrument composition of outstanding debt



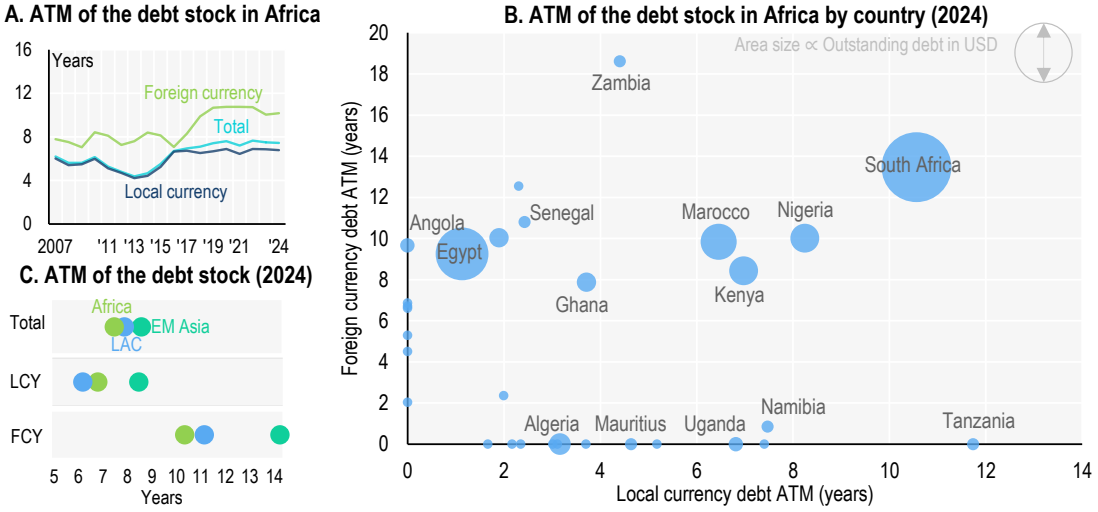
Note: Variable rate includes floating rates and inflation-linked bonds. Regions' figures include only EMDEs.
Source: LSEG and OECD calculations.

The weighted average term-to-maturity (ATM) of Africa's outstanding marketable debt is 7.4 years—around one year shorter than in Asia and half a year shorter than the Latin America and the Caribbean region (Figure 5.5, Panel A). This figure has increased slightly from around 6.7 years in 2016. The rise mainly reflects increased issuance of foreign currency debt, which typically has longer maturities than local currency debt, while the ATM for both types of debt has remained relatively stable since 2016: around 6.5 to 6.9 years for local currency debt and 10 to 11 years for foreign currency debt (Figure 5.5, Panel C).

These regional averages mask significant variation in the ATM among African sovereign issuers. Some countries have ATMs as low as 2 years, while others exceed 10 years (Figure 5.5, Panel B). Relatively larger and more frequent issuers such as Kenya, Morocco, Nigeria and South Africa generally have longer ATMs in both local and foreign currency markets. Two exceptions are Algeria and Egypt. Although they are among the largest issuers in Africa, their ATMs for local currency debt remain low—around 3 years for Algeria and under 2 years for Egypt. Egypt's ATM has been below 2 years since 2017 and has not exceeded 3 years since 2007. Algeria's ATM was around 8 years in 2007, declined until 2016, and has

stayed below 4 years since. In contrast, many smaller issuers operate in only one market—either in local or foreign currency—but their debt maturities vary widely.

Figure 5.5. Maturity of the outstanding debt



Note: Regions' figures include only EMDEs. LCY refers to local currency and FCY refers to foreign currency.
Source: LSEG and OECD calculations.

Box 5.1. Data transparency of local currency marketable debt in selected countries

The accurate and timely reporting of data on outstanding debt and issuance activities by issuers is critical to support investor confidence and improve market access. It also ensures potential debt vulnerabilities can be identified early, reduces information asymmetries, and makes it easier to hold officials accountable. This box is based on publicly available data from official sources of 15 selected African economies and complements existing efforts to improve debt data transparency. It focuses on local currency marketable debt, and is complemented by Annex 5.B, which provides country-specific findings, with general findings summarised in this box. Overall, debt data is well reported, but transparency in key areas could still be improved.

Information on the composition of the outstanding debt is generally available in official sources. All countries analysed provide a breakdown of debt into external and domestic debt, although not all are clear about the definitions used to classify debt into these categories (e.g. investor residence or currency). All issuers also disclose the instrument composition of the local marketable debt (e.g. bill and bond), but about half do not provide a breakdown of non-marketable debt (e.g. loans, pensions, arrears), hindering a more thorough analysis.

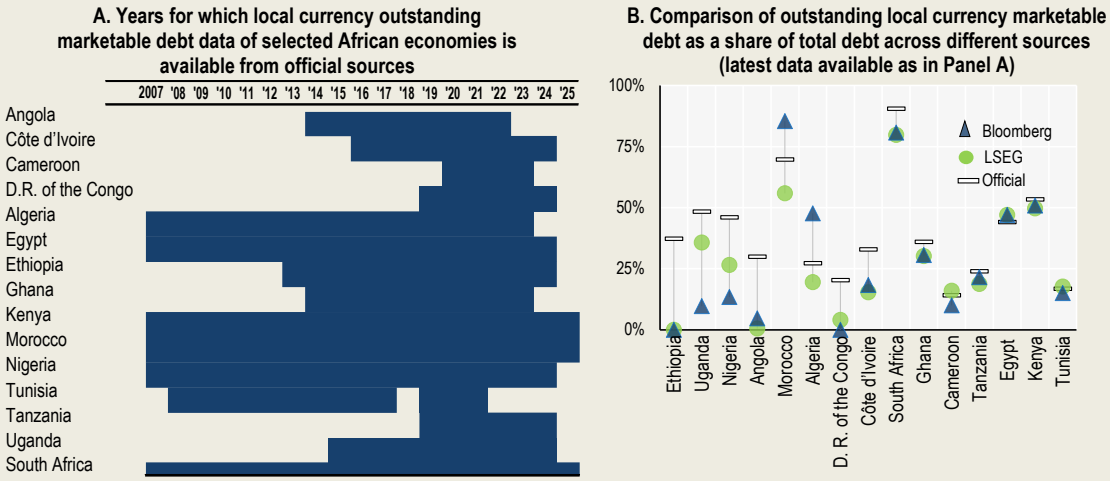
Primary market data on auction calendars and results is typically readily accessible but can be outdated. The delay in the publication of auction results varies, but generally they are published on the same day as the auction. In some cases, auction calendars are not up to date, with only about half of the countries maintaining calendars of upcoming issuances for this year.

All countries publish some form of a debt report, with most having a separate Medium-Term Debt Strategy (MTDS) document. Typically, domestic debt service for previous years is also provided in the debt report. However, information on the investor base is only published by about one-third of the countries analysed.

Availability of recent outstanding debt data is limited in about half of the countries (Figure 5.6, Panel A). The ease of accessibility of this data also differs across countries. Some countries have multiple periods for which data is inaccessible or in formats that cannot be easily compared. Additionally, a few countries have inconsistencies between different data sources. For example, one country reports different values for total outstanding bonds in different publications for the same year.

Further inconsistencies exist when comparing official sources and two third-party sources, Bloomberg and LSEG (Figure 5.6, Panel B). Just over one third of the countries analysed show a difference of six percentage points or less between two sources, allowing for an accurate understanding of the true debt burden. However, for another third, the difference between the market and official sources is above 25 percentage points of the total debt. Given the importance of data reliability in public debt, in these cases, market data providers and debt management offices could coordinate to resolve data inconsistency.

Figure 5.6. Data transparency and availability for local currency marketable debt



Note: 2025 data in Panel A data comes from any period until June 2025. Panel B uses the most recent data available from government sources, as shown in Panel A, except for Angola, where data is limited to 2019 from LSEG. Missing data indicates no recent data in the source. Calculations use total debt data from the IMF in the denominator.
Sources: G7 and Paris Club (2023), "Preliminary Findings from the G-7 and Paris Club Countries Debt Data Sharing Exercise", https://thedocs.worldbank.org/en/doc/6e72b0ded996306fa01f5db7a0c38b19-0050052021/related/G7-and-Paris-Club-Data-Reconciliation-Exercise-April-2023.pdf; World Bank. (2024, October). *Debt Reporting Heat Map - 2024.* Retrieved from https://www.worldbank.org/en/topic/debt/brief/debt-transparency-report/2024.

5.3. Main drivers of the development of sovereign bond markets

A key distinction between EMDEs and advanced economies lies in how public borrowing is structured. EMDEs rely more on non-market sources, such as loans from multilateral institutions, bilateral creditors, and private banks. In contrast, advanced economies align financing needs closely with market-based bond issuance, with debt management funding virtually all borrowing needs in markets. In many EMDEs, however, the decision to issue bonds involves not only consideration of borrowing needs, but also the availability of other funding sources, such as loans, and is therefore a policy choice rather than the standard funding mechanism.

Although non-market borrowing tends to be cheaper, it offers less flexibility and financial autonomy. Between 2000 and 2020, in Africa, the average interest rate on foreign currency bonds was 6%, compared

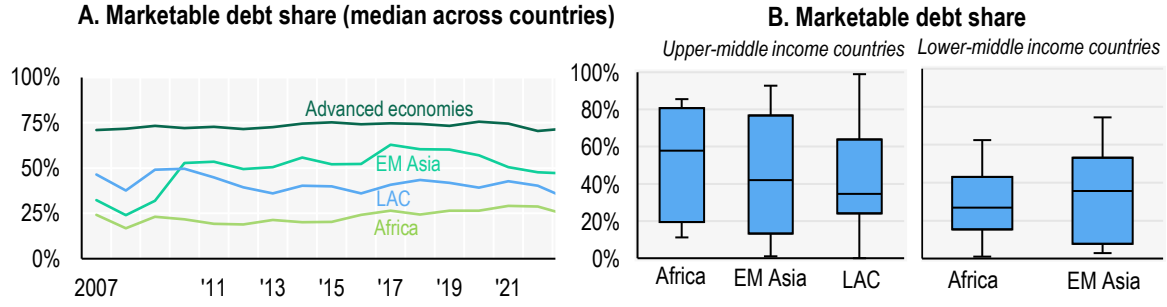
to 3% on loans from Chinese banks and 1% from multilateral lenders (Mihalyi and Trebesch, 2023[6]). However, loans alone are often insufficient to meet sovereign financing needs, as they can be limited in size, slow to structure, and carry currency risk. Concessional loans can also be earmarked for certain types of expenditures or projects, reducing flexibility in the use of proceeds.

Development of a local bond market entails creation of an extensive informational, legal, and institutional infrastructure. Once a robust and safe infrastructure is established and markets are developed, governments can issue larger volumes over time by accessing a broader creditor base when compared to the limited number of loan providers. Market instruments also typically carry no or fewer restrictions on the use of proceeds compared to official lending, enhancing fiscal flexibility. Additionally, local currency bonds, specifically, help mitigate external shocks by reducing currency and maturity mismatches (Eichengreen and Hausmann, 1999[7]).

It is important for sovereign issuers to develop fungible instruments that can serve as liquid benchmarks, helping to reduce liquidity premiums and, in turn, lower funding costs. Creating several benchmark bonds across the yield curve also promotes domestic market development by providing a risk-free yield curve essential for price discovery for private sector securities. As economies grow and public financing needs increase, reliance on bond markets tends to increase.

Africa, with its large number of low- and lower-middle-income countries and smaller economies, has the lowest share of marketable debt relative to total government debt across regions (Figure 5.7, Panel A). This share has generally increased over time, peaking in 2022 at more than one quarter, before declining since amid a deterioration in global market conditions.[2] Upper-middle-income countries in Africa typically have a higher marketable debt share than countries from other regions in the same income group, while the opposite is true for lower-middle-income African countries (Figure 5.7, Panel B). Unlike in Asia, upper-middle-income countries in Africa show a much higher share of marketable debt than lower-middle-income countries.

Figure 5.7. Share of marketable debt relative to total government debt

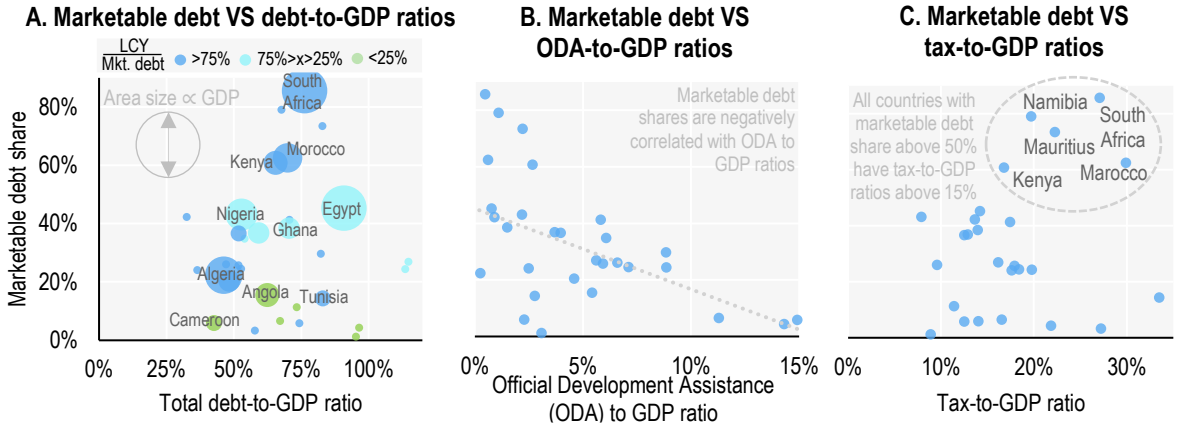


Source: LSEG, IMF World Economic Outlook April 2025, BIS Debt Security Statistics, OECD Financial Accounts, and OECD calculations.

Two variables strongly correlated with the share of marketable debt in Africa are economic size (GDP) and the proportion of local currency bonds in total marketable debt (Figure 5.8, Panel A). Larger economies are generally better positioned to issue debt in their own currency abroad, broadening the investor base and reducing sovereign-bank nexus risks (Eichengreen, Hausmann and Panizza, 2022[8]).[3] Mauritius and Namibia are notable exceptions: despite relatively small economies, both maintain marketable debt shares above 60%. Moreover, no African country with a local currency bond share below 25% of total marketable debt has marketable debt exceeding 20% of total government debt. Conversely, in all cases where marketable debt surpasses 60% of the debt, local currency bonds make up over 75% of marketable debt, showing the importance of local currency markets for financing capacity.

The government's capacity to raise revenues also plays a critical role in developing sovereign bond markets. Countries with high reliance on Official Development Assistance (ODA) generally have lower marketable debt shares; all countries whose ODA represented over 5% of GDP in 2024 had marketable debt shares around or below 40% (Figure 5.8, Panel B). In contrast, countries with marketable debt shares above half of total government debt all had tax-to-GDP ratios exceeding 15% (Figure 5.8, Panel C), highlighting the link between tax capacity and market access.

Figure 5.8. Drivers of the development of sovereign bond markets



Note: Panels are as of 2024 or 2023, depending on data availability. LCY refers to local currency debt.
Source: LSEG, IMF World Economic Outlook April 2025, BIS Debt Security Statistics, OECD Financial Accounts, OECD Official Development Assistance dataset, OECD Revenue Statistics, and OECD calculations.

Credit ratings are another key determinant in the development of bond markets, serving as a reference point and often a precondition for international investors' decisions. Several institutional investors, in particular, can only invest in securities with ratings above a specified threshold[4]. As such, credit ratings directly influence both the size of the investor pool accessible to a sovereign issuer and the cost of borrowing. Securing a favourable rating from one of the three major agencies can therefore be a pivotal moment for sovereigns seeking market-based financing.

Most African countries face significant challenges in this regard, as they either have high credit risk, remain unrated, or are not active sovereign issuers (Figure 5.9, Panel A). By the end of 2024, only Botswana and Mauritius held investment-grade ratings in Africa, while Côte d'Ivoire, Morocco, Seychelles and South Africa were rated as speculative grade.[5] The remaining 24 rated African sovereigns were assessed as high risk or default equivalent.[6] Consequently, they face higher borrowing costs and limited access to capital from risk-averse institutional investors, which is also captured by their shares in some bond indexes (see Box 5.2).

Box 5.2. Africa's weight in emerging markets bond indices

Bond indices are benchmarks that track the performance of a selection of bonds with a common theme or characteristics and allow for passive investments into a broad range of bonds. Furthermore, they serve as benchmarks for actively managed investment mandates. Bond indices therefore play an important role by creating structural demand for the constituents' debt instruments. Common indices that give investors exposure to emerging market sovereign debt include the JP Morgan Emerging Market Bond Global Diversified Index (JPM EMBIGD), JP Morgan Government Bond Index Emerging Market (GBI-EM) Global Diversified, MSCI Emerging Markets Sovereign Bond Index (MESBI), and the FTSE Emerging Markets Government Bond Index (FTSE EMGBI).

While the requirements to be included in each of these indices vary, generally, these indices include sovereign emerging market debt instruments that meet minimum size and liquidity requirements: typically USD 500 million per security and a residual maturity of over one year, accessibility to foreign investors and a credit rating between a certain range (usually higher than default but lower than AAA). Some indices include only local currency debt, while others include only debt issued in USD.

A country's weight in an index usually depends on its total share of eligible outstanding debt. As such, countries with a larger marketable debt stock will often have a higher share in the index. For indices like JPM EMBI and JPM GBI-EM, country weights are also capped, ensuring more diversified exposure.

The share of African debt in all these indices remains below 15%. The FTSE EMBI allocates about 12.5% to Central and Eastern Europe, Middle East and Africa (CEEMA). While the JPM GBI-EM Global Diversified (local market debt) includes only South Africa, making the total weight for the continent just 7%, the JPM EMBI Global Diversified (USD-denominated debt) includes 15 African countries, for a total weight of only 12%.

To increase their share in these indices, where possible, African countries can focus on developing liquid benchmarks by issuing bonds that reach the minimum size for inclusion. Additionally, where applicable, the removal of capital controls would allow their debt to be more easily accessible to foreign investors, especially since countries have been excluded from indices in the past due to foreign exchange convertibility issues. Countries should also focus on credit ratings, as defaulted bonds are excluded.

Source: FTSE Russell (2025[13]), FTSE Emerging Markets Government Bond Index (EMGBI) Factsheet; MSCI (2025[14]), MSCI Emerging Markets Sovereign Bond Index (MESBI), https://www.msci.com/documents/1296102/182d7ae4-0f37-23c4-ffca-57a6fe57eaa6; JP Morgan (2023[15]), J.P. Morgan EMBI Global Diversified Index, https://www.jpmorgan.com/content/dam/jpm/cib/complex/content/markets/composition-docs/gbi-em-gd-factsheet.pdf

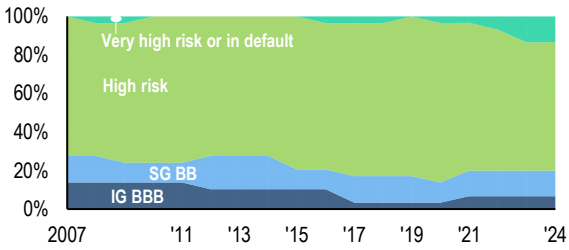
This large share of high-risk countries in Africa has not changed significantly over the past 15 years, with Africa consistently having the highest shares of these countries when compared to other regions (Figure 5.9, Panels B and C). Since the commodity boom in the mid-2010s, credit quality has deteriorated in Africa, with high-risk countries representing nearly 80% of the rated countries at the end of 2024. In other regions, it fluctuated around half of the rated countries. The only two African countries that were upgraded from high risk to speculative and that have retained that rating until now are Côte d'Ivoire (in 2015) and Seychelles (2015). All other substantial rating upgrades since 2007 have subsequently been downgraded. Egypt (2011), Gabon (2016) and Nigeria (2015) were downgraded from speculative grade to high risk, while Namibia (2017), Tunisia (2012) and South Africa (2017) lost their investment grade rating in the past 15 years. Namibia (2022) and Tunisia (2013) were further downgraded to high-risk countries.

Figure 5.9. Credit ratings developments in Africa and compared to other regions

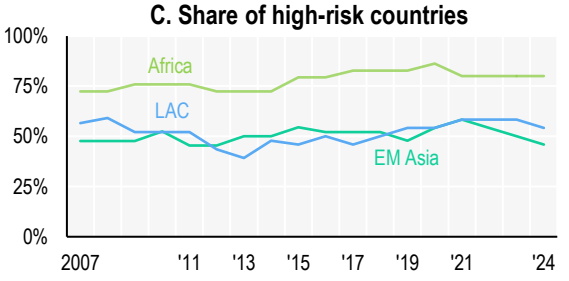
A. Credit ratings in Africa (2024)

Inv. grade BBB	High risk	
Botswana	Angola	Republic of the Congo
Mauritius	Benin	Rwanda
Spec. grade BB	Burkina Faso	Senegal
Côte d'Ivoire	Cameroon	Tanzania
Morocco	Egypt	Togo
Seychelles	Eswatini	Tunisia
South Africa	Gabon	Uganda
	Kenya	**Very high risk or in default**
	Malawi	Ethiopia
	Mali	Ghana
	Mozambique	Niger
	Namibia	Zambia
	Nigeria	

B. Share of countries in Africa by credit rating



C. Share of high-risk countries



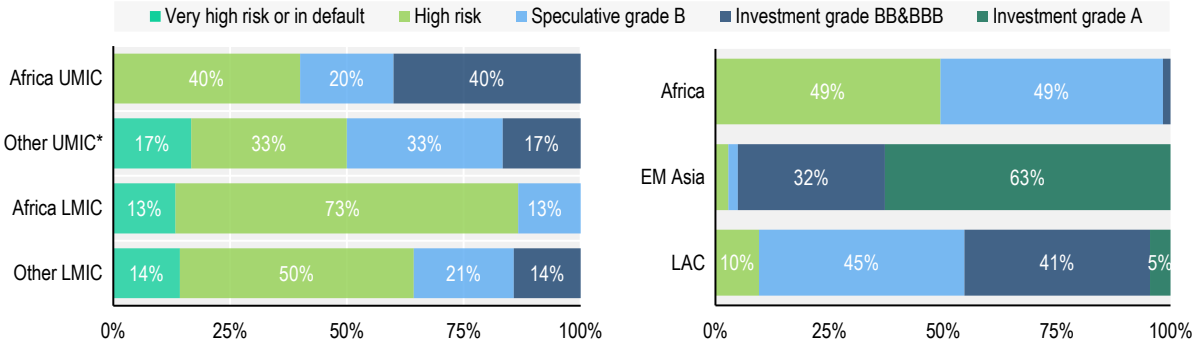
Note: Panel A does not show countries without a credit rating and countries for which the credit rating is not available in the dataset considered. Panel C includes only countries with credit ratings below high risk in the share. Regions' figures include only EMDEs.
Source: LSEG and OECD calculations.

The fact that Africa is the region with the highest share of low- and lower-middle income countries does not completely explain its higher share of high-risk countries. In fact, more than 85% of Africa's lower-middle income countries have a credit rating equivalent to high risk or below by end 2024, against less than 65% for countries in the same income group in other regions (Figure 5.10, Panel A). As a result, about half of all the outstanding debt from Africa is high risk, compared to 10% in Latin America and the Caribbean and a negligible amount in Emerging and Developing Asia (Figure 5.10, Panel B). Additionally, in other regions, nearly half or more than half of all the outstanding debt was issued by investment-grade countries. In Africa, this share is negligible.

Figure 5.10. Credit ratings of countries and of debt stock

A. Share of countries by credit rating (2024)

B. Share of the debt stock by credit rating (2024)



Note: UMIC* excludes China. Regions' figures include only EMDEs.
Source: LSEG and OECD calculations.

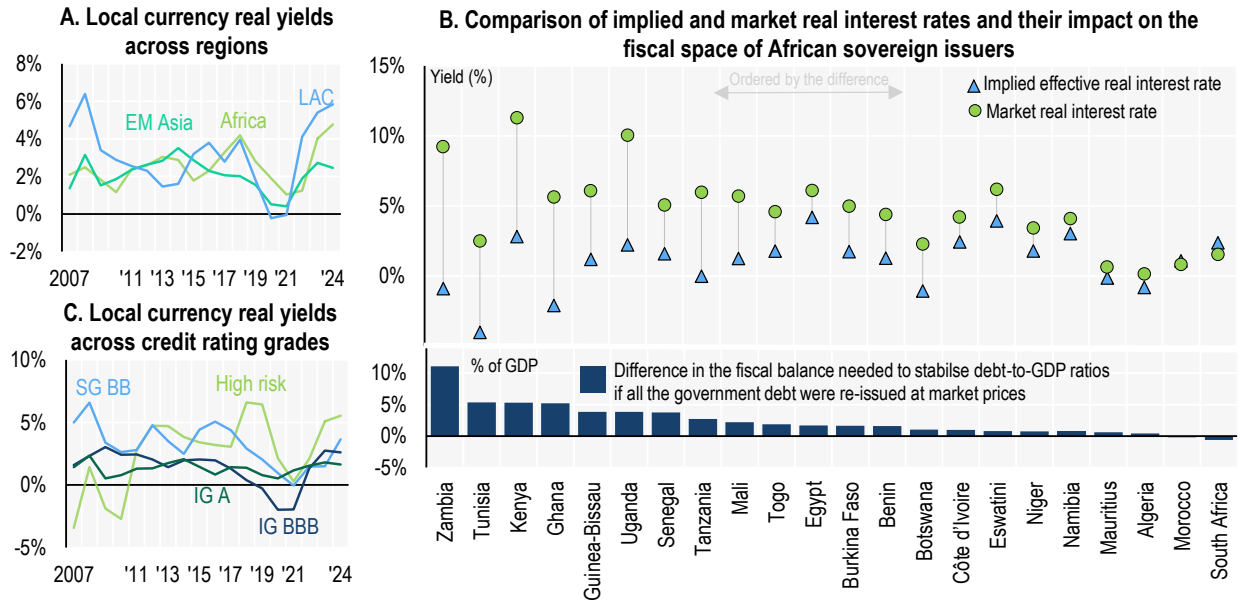
A number of reasons have been put forward to explain the disparities in credit ratings and consequently in the cost of borrowing between African countries and other regions. One explanation highlights biases in the global financial architecture, including as a result of regulatory reforms following the Global Financial Crisis that made credit rating agencies more cautious, leading to conservative ratings that may not fully reflect country fundamentals (Cash and Khan, 2024[9]; Gwaindepi, 2025[10]). Other reasons include low transparency in the budget process, the high significance of the informal sector, limited financial development, weak public institutions, political risks, and the contagion effect of debt defaults and economic distress among African countries (Gbohoui, Ouedraogo and Some, 2023[11]; AfDB, 2025[3]; Alter et al., 2025[12]). Regardless of the causes, the impact of credit ratings weighs heavily on African countries' borrowing costs and impacts their access to funding (see Box 5.2).

5.4. Comparative analysis of local and foreign currency debt costs

The cost dynamics of local and foreign currency debt differ significantly. Local currency sovereign bond yields set the benchmark risk-free rate, incorporating inflation, real returns, term premiums, and limited credit risk. When most debt is denominated in local currency, its cost is a crucial indicator of solvency, as liquidity risks are minimal given the sovereign's ability to issue currency. Real interest rates drive borrowing costs and fiscal sustainability. This means that even if nominal yields are high, negative real rates (when inflation outpaces nominal yields) can allow debt-to-GDP ratios to remain stable, despite primary deficits and elevated nominal borrowing costs. In contrast, foreign currency bonds usually form a small share of sovereign debt, where the main concern is liquidity risk—ensuring the country can obtain the foreign currency to service its obligations. Yields on these bonds include a spread over the yield curve of the currency-issuing country, reflecting the premium investors require to absorb this risk.

In 2024, Africa's estimated real yields on local currency bonds reached their highest level since at least 2007, at nearly 5% (Figure 5.11, Panel A). While this remains below the real rates in Latin America and the Caribbean, it exceeds those in Emerging Asia, which were around 2.5% in 2024. Moreover, several countries are characterised by a higher level of local currency yields compared to forecasted growth in the next five years, pointing to possible future fiscal challenges (IMF, 2025[13]). High-risk and speculative grade countries generally face higher real yields (Figure 5.11, Panel C), and given Africa's high share of such countries, it is notable that real yields remain lower than in Latin America and the Caribbean. One likely reason is that Latin America and the Caribbean have experienced more frequent hyperinflation episodes since the 1980s, whereas in Africa, these events have been rarer and typically confined to smaller economies like Zimbabwe. As a result, Africa has benefited from relatively lower real borrowing costs in local currency debt, given their credit risk profile. This underscores the importance of monetary policy credibility in determining sovereign borrowing costs.

Figure 5.11. The real costs of local currency bonds

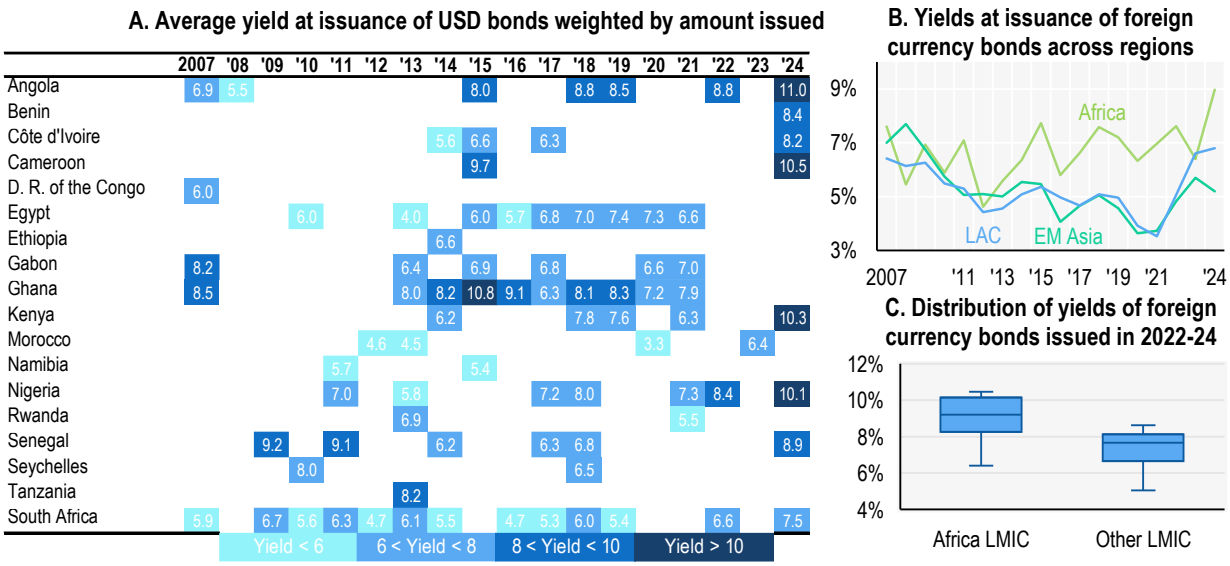


Note: 1) The figures comprise a sample of bonds with primary market yield to maturity available in LSEG. All values are averages weighted by issuance amounts in the respective instrument by country. Real market interest rates are estimations as they can only be precisely computed for matured bonds. These were estimated by adjusting nominal yields from a sample of primary market issuance for realised and projected inflation from 2007 to 2030. Bonds excluded from Panel A are those maturing after 2030, with no available yield-to-maturity at issuance data in LSEG and from countries with recent events of hyperinflation. 2) Regions' figures include only EMDEs. 3) Panel B estimates the primary balance that would stabilise debt-to-GDP ratios using the growth and inflation rates of the latest available year on the IMF's forecasts (2030), and the implied effective interest rate of the 2024 debt, as reported by the IMF. 4) Panel C include s EMDEs from all regions.
Source: LSEG, OECD Revenue Statistics, IMF World Economic Outlook April 2025, and OECD calculations.

The development of local currency bond markets can strengthen fiscal flexibility and buffer external shocks, but progress must be gradual due to their higher costs relative to the current costs of Africa's debt. Bilateral and concessional lending has helped keep real effective interest rates near zero or negative in at least seven African sovereign issuers, about one-third of the sample in this analysis (Figure 5.11, Panel B). The average real effective interest rate in Africa is around 1%, well below the nearly 5% average of local currency real bond yields. Only South Africa has real market rates meaningfully below its real effective rates because most of its debt is already marketable. If all debt were refinanced at market rates, African countries would need to raise their primary balances by an average of 2.5 percentage points of GDP to stabilise debt-to-GDP ratios, severely limiting fiscal space for investments and government expenditures, given that African countries have about 15% of tax-to-GDP ratios. In the most extreme case, Zimbabwe re-issuing its debt at market rates could reduce their fiscal space by nearly 10 percentage points of GDP.

Yields at issuance for USD-denominated bonds in Africa also reached record highs in 2024, nearing 9%, with four countries, Angola, Cameroon, Kenya and Nigeria issuing bonds with yields above 10% (Figure 5.12, Panels A and B). This is the highest among all regions, with weighted averages elsewhere remaining below 7% that same year. 2024 is not an exception—since 2010, Africa has consistently paid higher yields on these bonds, averaging around 7% in 2014-2023, compared to roughly 5% or lower for EMDEs in other regions. These elevated costs cannot be explained by income levels alone. For example, lower-middle-income African countries faced yields roughly one percentage point higher than their peers elsewhere for foreign currency bonds issued between 2022 and 2024 (Figure 5.12, Panel C). A major factor behind these higher borrowing costs is Africa's large share of high-risk countries, as credit risk plays a critical role in foreign currency debt markets. Developing local currency bond markets according to internationally recognised guidelines can help in this respect (Hashimoto et al., 2021[14]).

Figure 5.12. The nominal costs of foreign currency debt



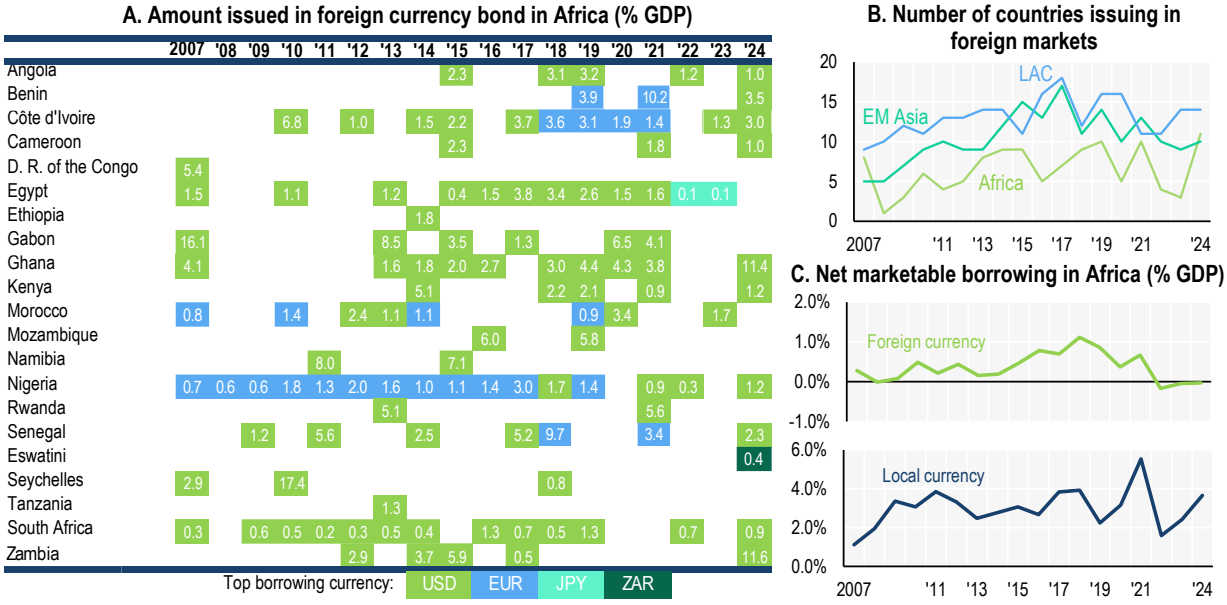
Source: LSEG and OECD calculations.

One impact of the recent rise in yields was that many African countries decided not to or were unable to issue in foreign markets in 2022-2023 (Figure 5.13, Panels A and B). Eurobonds are often issued in large volumes to ensure sufficient market liquidity, but meeting these volumes at high costs can be prohibitive for some sovereigns. Countries also tend to follow a less consistent Eurobond issuance schedule when compared to their local currency bond issuances, with some issuers opting to tap the market only when conditions are more favourable, occasionally going years without issuing at all. Thus, as few as four African countries issued in foreign markets in 2022 (Angola, Egypt, Nigeria and South Africa), and just three in 2023 (Côte d'Ivoire, Egypt and Morocco), compared to ten in 2021. This represented the steepest decline across all regions and resulted in negative net borrowing in foreign markets across Africa in consecutive years, the first time this has happened since before 2007 (Figure 5.13, Panel C).[7]

In 2024, a brief decline in USD yields led some African sovereigns to front-load foreign market issuances as an important source of foreign currency, but this was insufficient to make net borrowing in foreign markets positive. Although 2024 saw the highest number of African countries issuing in foreign markets since 2007, net foreign borrowing remained negative. These issuances primarily offset redemptions rather than providing new financing. In contrast, net issuance in local currency markets declined but remained positive, highlighting its importance in supporting fiscal autonomy, flexibility, and reduced external vulnerability.

The partial cessation of foreign market issuance in 2022–2023 also affected countries that predominantly issue in euros. While USD bonds are often preferred for their liquidity and deep investor base, some countries issue predominantly in euros, such as Benin, Côte d'Ivoire and Senegal. These countries have traditionally preferred issuing in euros to mitigate currency mismatch risks, given the euro currency peg in the West African CFA Franc currency union. However, even these issuers halted foreign bond issuance during 2022–23, underscoring the sharp decline in demand for EMDE debt among investors from advanced economies.

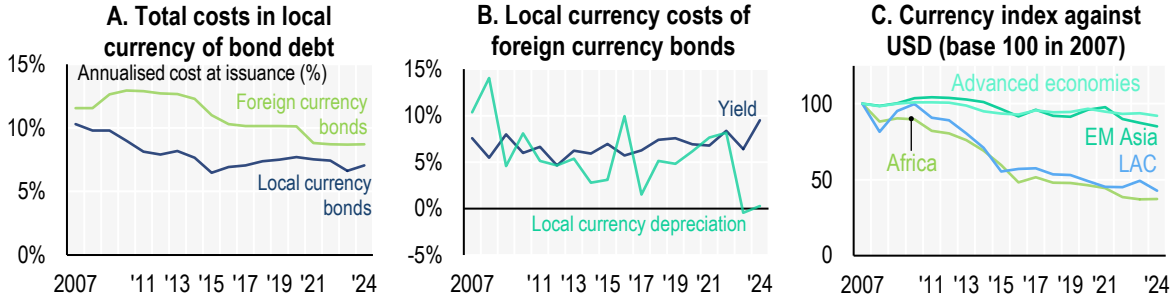
Figure 5.13. The recent impact of market conditions on foreign currency bond issuance



Source: LSEG and OECD calculations.

Although yields on foreign currency debt are typically lower than those on local currency debt in African countries, the local currency costs of foreign currency debt often exceed those of local currency debt due to currency depreciation (Figure 5.14, Panel A).[8] Specifically, a breakdown of local currency costs since 2007 shows that while the yield component averages around 7% annually, an average depreciation of 6% in local currencies pushed the total cost of foreign currency bonds above 10% for every year from 2007 to 2021 (Figure 5.14, Panel B). In 2023 and 2024, the depreciation effect was minimal, likely because these bonds were issued recently and currency depreciation typically occurs gradually. Indeed, between 2007 and 2024, African currencies have gradually depreciated against the US dollar, with a total depreciation of 65% in these years (Figure 5.14, Panel C).

Figure 5.14. Comparison between local and foreign currency costs in Africa



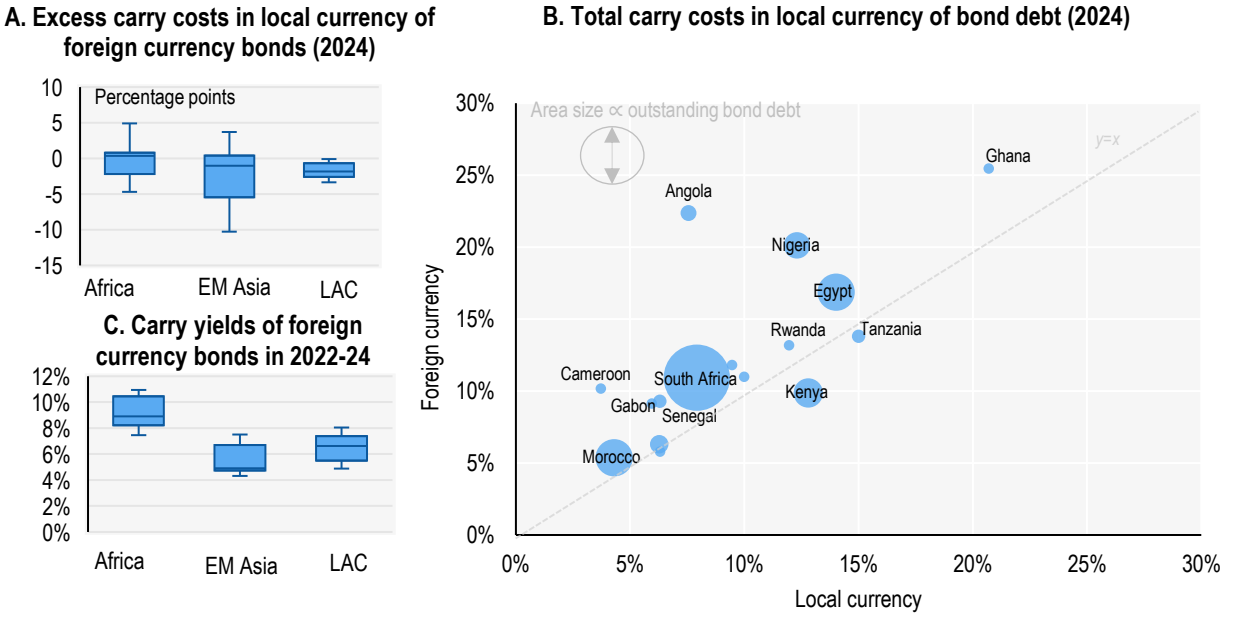
Note: All panels refer to African countries only, unless a regional breakdown of EMDE countries is provided. The costs of foreign currency debt in local currency are estimated using a product increment formula that multiplies the annual yield at issuance of the bond by the annualised depreciation of the local currency against the bond's currency of denomination. For bonds that have not yet matured, the foreign exchange rate at the end of 2024 is assumed to remain constant until maturity. The currency index refers to a cross-country average weighted by 2024's GDP.
Source: LSEG and OECD calculations.

Compared to other regions, Africa is unique in that the median carry costs for foreign currency bonds, when converted to local currency, exceeded those for local currency bonds in 2024 (Figure 5.15, Panel A). This is because African foreign currency bond yields are the highest among EMDEs, even though the depreciation effects are similar to those in Latin America and the Caribbean (Figure 5.14, Panels C and Figure 5.15, Panel C). Africa stands out for the high nominal costs of its foreign currency debt, even as its local currency real yields remain below those of Latin America and the Caribbean. This makes local currency borrowing generally cheaper and less risky for most African countries when compared to foreign currency borrowing from markets.

In 2024, foreign currency carry costs exceeded those of local currency debt in 13 of the 16 African countries with data available for both markets (Figure 5.15, Panel B). The exceptions were Benin, which issues mainly in euros and has a currency pegged to the euro; Kenya, which halted issuing foreign bonds in 2021 before the recent surge in yields; and Tanzania, whose last foreign currency bond issuance was in 2013 when yields were much lower. In some cases, annual foreign currency carry costs in local currency terms were substantially higher, reaching up to 25% (e.g. Ghana). These patterns indicate that foreign currency bonds in Africa have not only generally been more expensive but also riskier, as currency depreciation under stress scenarios can trigger sharp cost spikes.

Despite these challenges, there are still incentives for African countries to issue foreign currency bonds. They provide benchmarks for private sector foreign currency borrowing, can supply foreign exchange in the absence of concessional loans, and typically offer lower immediate costs since currency depreciation occurs over time and initial nominal rates are below local currency yields. This dynamic can create a temporary boost to fiscal space, which can also be appealing from a political economy perspective.

Figure 5.15. Carry costs



Note: The costs of foreign currency debt in local currency are estimated using a product increment formula that multiplies the annual yield at issuance of the bond by the annualised depreciation of the local currency against the bond's currency of denomination. For bonds that have not yet matured, the foreign exchange rate at the end of 2024 is assumed to remain constant until maturity. Carry costs are estimated using the same approach but are based on the stock of bonds outstanding at the end of each year.
Source: LSEG and OECD calculations.

5.5. Role of debt management in developing local currency bond markets

Sovereign debt management is intrinsically connected to the development of government securities markets, through the choice and design of instruments, issuance strategies, consistent market communication, and a commitment to transparency. Debt management offices help develop an investor base for sovereign debt, including both local and foreign investors, and increase market liquidity by providing benchmark securities that serve as collateral and as a safe asset for investors. They can also broaden the investor base by promoting sovereign retail programmes (Box 5.1), which can help mobilise domestic savings and strengthen market resilience. As a result of a diversified investor base and liquid securities, sovereign issuers can stimulate a continuous demand for their securities, helping them obtain funding even in times of stress, and attain liquidity premiums in their bond issuances, reducing the costs paid on interest.

One of the main tools employed in debt management to enhance market liquidity and secure liquidity premiums is the development of liquid benchmarks across the yield curve. Benchmarks are bond lines built to a certain size at key maturities, enabling large investors to trade without significantly affecting prices. This reduces transaction costs and meets the needs of large investors. Beyond providing liquidity premiums and demand for sovereign securities, benchmarks aid price discovery for private borrowers who price their securities above the sovereign curve. Without established benchmarks in local currency, the private sector may resort to foreign currency borrowing, increasing the economy's vulnerability to global shocks and currency mismatches. In times of distress, this can feed back to the government, affecting economic activity, tax revenues, and even sovereign risk.[9]

Figure 5.16. Number of benchmark maturities in 2024 issuances

		Benchmark term		
		Short	Medium	Long
UMICs	Botswana	2	2	2
	Algeria	6	0	1
	Mauritius	3	1	2
	Namibia	2	3	5
	South Africa	3	4	7
LMICs	Benin	2	2	0
	Côte d'Ivoire	3	1	0
	Egypt	1	0	0
	Kenya	4	1	1
	Morocco	4	1	3
	Nigeria	4	2	1
	Senegal	1	0	0
	Eswatini	6	2	0
	Tunisia	2	2	0
	Tanzania	0	1	4
	Zambia	3	2	1

		Benchmark term		
		Short	Medium	Long
LICs	Burkina Faso	3	0	0
	Guinea-Bissau	1	0	0
	Mali	2	0	0
	Malawi	0	1	0
	Niger	2	0	0
	Togo	2	0	0
	Uganda	3	2	3
	Median of African UMICs	***3***	***2***	***2***
	" of African LMICs	***3***	***1***	***0***
	" of African LICs	***2***	***0***	***0***
	" of advanced economies	***2***	***1***	***1***

Note: The methodology to count the number of benchmarks can be found at Annex 5.C. Short-term is defined as below 7 years, medium term from 7 to 13 years, and long-term above 13 years.
Source: LSEG and OECD calculations.

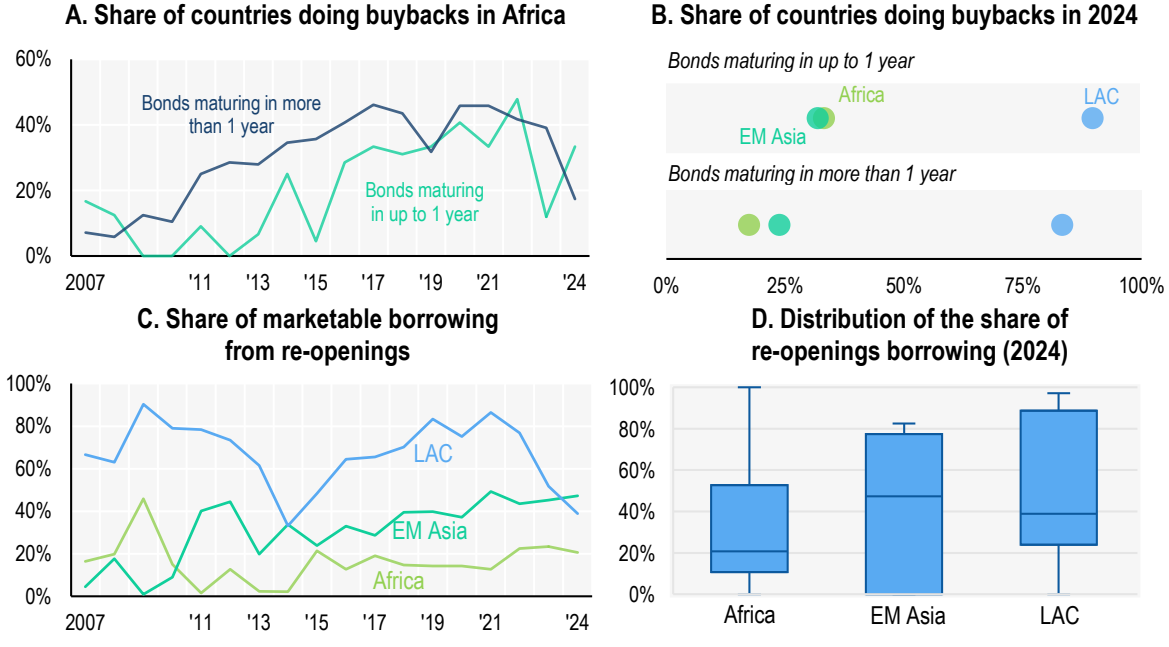
Some African countries issue across more bond lines than advanced economies, which can hinder the establishment of key benchmarks with substantial volumes (Figure 5.16). Specifically, the median number of benchmark bonds in advanced economies is two up to the 7-year tenor (short segment of the yield curve), one between 7 and 14 years (medium segment), and one above 14 years (long segment). In

comparison, African countries show higher medians of three, two, and two, respectively. This pattern is influenced by a few countries that issue across a broader range of bond lines, with some—such as Namibia, South Africa, and Tanzania—having four or more lines with significant volumes in the medium or long segments.

Establishing benchmarks involves more than concentrating issuances in key bond lines. Large benchmarks force issuers to manage redemption schedules with sizeable principal repayments. This often involves using tools such as buybacks of securities before maturity to reduce the cash needed for these payments, typically conducted in the year of redemption (OECD, 2025[15]). Buybacks can also support liquidity in bond lines that no longer serve as benchmarks or remove them entirely from circulation, particularly when combined with new bond issuances (switch operations) (OECD, 2023[16]). In addition, building large bond lines often requires multiple re-openings, as reaching the desired volume in a single issuance would be impractical and costly.

A smaller share of African issuers conducts bond buybacks and re-openings account for a lower share of borrowing in Africa when compared to EMDEs in other regions (Figure 5.17, Panels A and B). Only about 33% of African sovereign issuers carried out buybacks of bonds maturing within one year (often linked to cash management) in 2024, the lowest rate, together with Asian issuers. Among bonds with maturities exceeding one year, Africa also has the lowest share of sovereign issuers conducting buybacks, at just 17%, resulting from a significant decline in such operations in 2024. Similarly, since 2015, the share of marketable borrowing from re-openings has been the lowest in Africa when compared to other regions (Figure 5.17, Panel C), with re-openings in more than half of African sovereign issuers accounting for around or less than 20% of market borrowing in 2024. This is much lower compared to other regions, where borrowing from markets via re-openings often makes up at least half of the total (Figure 5.17, Panel D).

Figure 5.17. Debt management approaches to developing local currency benchmarks

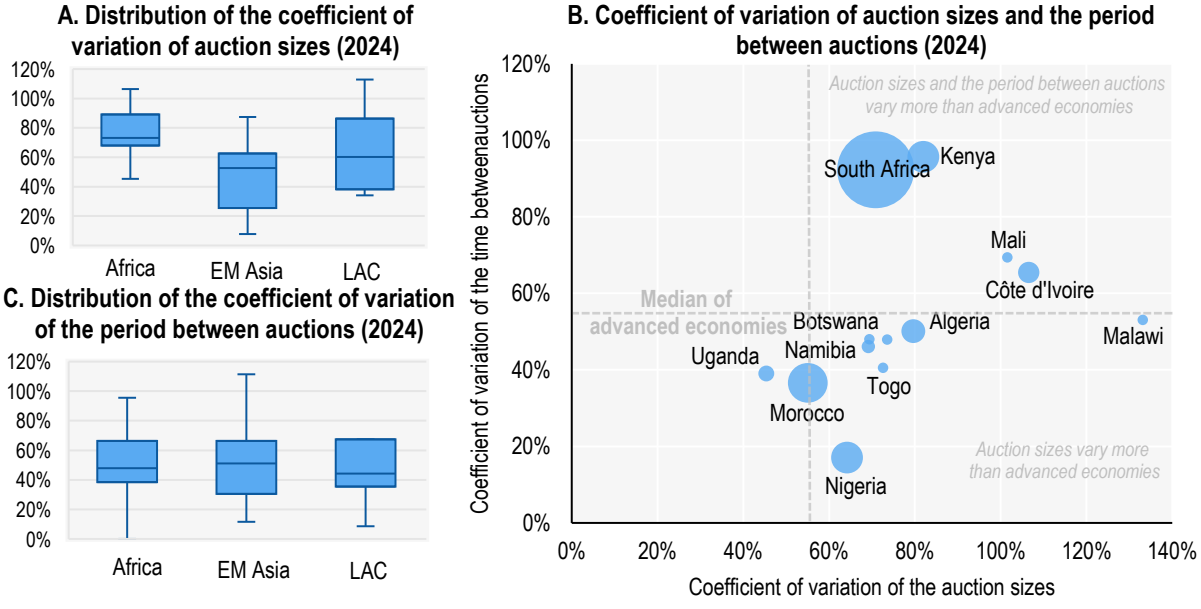


Source: LSEG and OECD calculations.

Another way to foster liquid markets is by having a regular and predictable issuance schedule. This involves not only publishing issuance calendars in advance, but also conducting similar-sized auctions for the same bond lines and maintaining a consistent frequency of issuance for certain bonds. Such practices allow investors to better plan and manage their portfolios, which can boost participation and improve pricing in primary markets. Moreover, predictability reduces uncertainty and enhances market confidence, supporting the development of a deeper and more liquid secondary market over time. While this approach may be more feasible for issuers with reliable market access, others may need to rely to some extent on opportunistic issuance, depending on market conditions. Still, efforts to adopt more predictable practices can, over time, help broaden and stabilise the investor base, ultimately contributing to more reliable market access in a reinforcing feedback loop.

African countries generally exhibit greater variation in auction sizes for the same bond lines compared to EMDEs from other regions, while maintaining a similar auction frequency (Figure 5.18, Panels A and C). Compared to advanced economies, all African sovereign issuers except Morocco and Uganda show more variability in auction sizes (Figure 5.18, Panel B). Variations in auction size are not necessarily problematic if they align with auction plans. However, unexpected changes can increase uncertainty and reduce market confidence, harming liquidity. If they reflect opportunistic issuance, such as selling more bonds in favourable conditions and fewer in unfavourable ones, investors may anticipate these shifts, undermining demand and liquidity.

Figure 5.18. Predictability of local currency bond market auctions



Note: Annex 5.D. includes country-specific auction charts contrasting selected advanced and African economies' issuance patterns.
Source: LSEG and OECD calculations.

Another driver of auction size variation is limited cash management capacity. When cash management is weak, issuances must align more closely with immediate cash needs, leading to unpredictable auction sizes or schedules. Therefore, the ability to produce reliable forecasts of government cash flows is essential for predictable and transparent issuance. A well-developed cash management function enables governments to separate bond issuance from short-term cash shortfalls, supporting adherence to the issuance calendar and improving predictability for investors.

Although sovereign issuers are in a strong position to influence the development of sovereign bond markets through their primary market operations, several other stakeholders' policies and actions are also extremely relevant. This includes especially the central bank, financial market regulators, and providers of trading, payment, clearing, and settlement systems—these are essential for establishing the pre-conditions for market development, such as a credible macroeconomic environment with low inflation, stable fiscal policies, and sufficient savings; an active money market with central bank support and transparent regulation; robust secondary market liquidity backed by a sufficient volume of securities and reliable intermediaries; and strong market infrastructure and legal frameworks to protect investors and ensure market integrity (Hashimoto et al., 2021[14]). Therefore, the development of sovereign bond markets is ultimately a multi-faceted effort that requires political commitment and sustained coordination across government and financial market participants.

Box 5.3. Sovereign retail debt programmes and products in selected African countries

To facilitate retail access to sovereign debt, many sovereign issuers adopt specific retail programmes. These often feature dedicated products, digital platforms and specific communication campaigns. They are adopted because retail investors may be less aware of the opportunity to invest in sovereign debt and less willing or able to buy government bonds on the secondary market. Direct participation is also perceived as a more effective way to reach households in markets where there are limited options for retail investors to access collective investment schemes and other similar vehicles**.** Several African countries have adopted retail programmes and/or products, with Kenya having among the highest investor participation globally.

Africa lags behind other regions in formal banking access, with particularly low level of bank account ownership in Central and West Africa. This would limit governments' ability to distribute bonds through traditional banking channels. However, the region is among the highest users of digital and mobile finance globally, presenting a significant opportunity for sovereign issuers to adopt more inclusive, technology-enabled public financing strategies (OECD, 2024[17]). In this context, retail bonds delivered through digital financial services and fintech innovations can serve as a valuable complement to the financing programme while supporting financial education. **Kenya** stands out for significant retail investor participation**.** The Kenyan government has actively promoted retail investment in its debt instruments through initiatives like the M-Akiba mobile bond platform. Launched in 2017, M-Akiba allows individuals to invest in government bonds via mobile phones with a minimum investment of KSH 3 000 (approximately USD 30), aiming to enhance financial inclusion. As of June 2024, retail investors in Kenya held approximately 17% of the country's domestic sovereign debt. This represents a significant increase from 13% in June 2023, indicating a growing participation of retail investors in government securities.

In **South Africa**, the RSA Retail Savings Bonds programme, launched in 2004, offers fixed and inflation-linked bonds to individual investors with a minimum investment of ZAR 1 000 (approximately USD 20). Despite their availability, the uptake among retail investors remains modest, with retail investors accounting for approximately 0.3% of the country's domestic sovereign debt holdings. South Africa is currently in the process of redesigning its sovereign retail programme, as part of the National Treasury’s broader digital transformation agenda.

In **Nigeria**, the FGN Savings Bond is an investment vehicle that allows individual investors to lend funds to the Federal Government of Nigeria. In 2025, two and three-year fixed rate bonds are available with a minimum investment of NIG 5000 (approximately USD 3) and a maximum of NIG 50 000 000 (approximately USD 30 000). As of September 2024, retail investors in Nigeria held approximately 0.1% of the country's domestic sovereign debt.

Meanwhile, **Egypt** is actively exploring the issuance of sovereign retail debt products. The Ministry of Finance has announced plans to launch retail bonds in 2025 as part of its strategy to diversify public debt instruments and enhance financial inclusion.

Sources: Foxall & Policino, 2025, ''Sovereign retail debt programmes and instruments: A review of country practises", https://www.oecd.org/en/publications/sovereign-retail-debt-programmes-and-instruments_e2a782d0-en.html; FSD Africa, 2024, ''The story of Kenya's m-akiba: selling treasury bonds via mobile'', https://fsdafrica.org/blog/the-story-of-kenyas-m-akiba-selling-treasury-bonds-via-mobile/; The National Treasury, Republic of Kenya, 2024, ''Annual public debt report 2023-24'', https://www.treasury.go.ke/wp-content/uploads/2024/11/Annual-Public-Debt-Management-Report-.pdf; Government of South Africa, 2025, ''RSA Retail Savings Bond'', https://www.rsaretailbonds.gov.za/Home.aspx; Government of South Africa, 2025, ''Treasury invites bids for Structured Debt Advisory to support RSA Retail Bonds Programme'', https://www.gov.za/news/media-statements/treasury-invites-bids-structured-debt-advisory-support-rsa-retail-bonds.

5.6. Key policy considerations

The substantial increase in Africa's sovereign marketable debt since 2007 occurred during a period of much more favourable macro-financial conditions. Specifically, Africa's sovereign bond markets have expanded significantly, with the marketable debt-to-GDP ratio rising from 13% in 2007 to 30% in 2024. Much of this growth happened in the past decade when global interest rates were low and a commodity boom supported demand for EMDE debt. These conditions enabled central banks to build foreign reserves and strengthen monetary policy tools, reducing debt service costs. However, since 2022, macro-financial conditions have deteriorated significantly: borrowing costs have surged to multi-decade highs in advanced economies and EMDEs, and uncertainties have risen due to geopolitical conflicts and trade disruptions. In parallel, borrowing in OECD countries is at record highs in 2024 and is expected to increase further in 2025 (OECD, 2025[18]), exceeding even the COVID-19 borrowing peak and reducing demand for EMDE securities.

At the same time, official creditors—traditionally a cheaper funding source—are reducing their lending and grants to EMDEs. ODA from OECD countries, critical for many African countries either directly or through multilateral loans, is declining, with an estimated 7.1% drop in 2024 and further projections of a 9% to 17% fall in 2025 based on OECD surveys (OECD, 2025[19]). China, which has provided below-market-rate loans to Africa (Mihalyi and Trebesch, 2023[6]), has also scaled back lending in recent years (Afreximbank, 2025[1]). Furthermore, as some countries graduate from low- to middle-income status, they lose access to some concessional loans; since 2007, this has affected Benin, Côte d'Ivoire, Ghana, Kenya, Nigeria, Senegal, Tanzania, Zambia and Zimbabwe.

The combination of large refinancing needs due to increased debt and reduced official assistance will likely push African countries to rely more on markets, which could substantially raise debt servicing costs. If all debt had to be refinanced at current market rates, countries would need to raise primary balances by an average of 2.5% of GDP to prevent debt-to-GDP ratio trajectories from worsening, given that current average real effective interest rates of around 1% are far below local market real yields near 5%. Foreign currency debt is even costlier, reflecting high yields since 80% of Africa's rated sovereign issuers are classified as high-risk or below, compared to about half for EMDEs in other regions.

This challenging environment underscores the need to develop deeper local bond markets, which can mitigate financial vulnerabilities, enhance the effectiveness of monetary policy, and encourage investment. Achieving this, however, requires a long-term strategy and close coordination across fiscal, monetary, and regulatory policies. In this context, prudent debt management and a gradual shift toward greater reliance on local currency bond markets are critical. As official lending declines, African sovereigns may increasingly rely on markets, making it essential to strengthen tax capacity to support higher debt costs. At the same time, maximising the use of concessional borrowing remains important, as its lower cost frees up fiscal space for growth- and development-oriented expenditures.

Sovereign issuers could also explore options to enhance liquidity, reduce costs and diversify their investor base. This could include issuing inflation-linked bonds, widely used by some EMDEs to reduce costs if inflation stays on target; concentrating more issuances in benchmark bond lines; increasing the use of buybacks and re-openings; adopting more stable auction sizes; and exploring retail debt programmes. Finally, coordination with central banks, financial market regulators, and providers of trading, payment, clearing, and settlement systems is also crucial to strengthen sovereign bond market foundations and expand the local investor base, especially as foreign investors absorb record-high domestic bond supply amid high fiscal needs and quantitative tightening (OECD, 2025[18]). This is a challenging environment, and decisive policy action is essential to strengthen debt sustainability and financial resilience.

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Notes

[1] This analysis is based on the data availability in LSEG.

[2] Worsening financial conditions might decline the share of marketable debt through two means: first, by causing countries to halt bond issuances or shifting the instrument composition of their borrowing to cheaper instruments; and second by reducing the mark-to-market value of bonds in the debt portfolio.

[3] Over-reliance on local banks as investors for sovereign bonds can also pose risks due to the sovereign bank nexus. When domestic banks hold large amounts of domestic government debt, and, thus, the public and financial sectors are closely linked, the stress in one can destabilise the other. A drop in sovereign bond values weakens the financial institutions that hold them, increasing financial stability risks. If these institutions require government support, the resulting fiscal strain can further undermine confidence in public finances, negatively affecting bond prices and creating a self-reinforcing cycle.

[4] These thresholds for eligible investment typically vary from BBB- to BBB+, depending on the investor.

[5] High risk refers to a credit rating of single B or lower, while very-high risks or in default to CCC- or lower.

[6] At the end of 2024, 30 African countries had been rated by at least one of the three major credit rating agencies. South Africa was the first, receiving a rating in 1994. By 2000, six African countries had a credit rating, increasing to 20 by 2006 and reaching 30 by 2019.

[7] Net issuance (i.e. the amount issued minus the amount redeemed within a specific period) is a proxy for the marginal exposure investors take. While this net figure does not fully capture the issuers' reliance on foreign investors, since some will buy their bonds directly in the local rather than international market, it does offer a useful gauge of foreign demand.

[8] The cost of foreign currency-denominated debt in EMDEs includes two main components: nominal yield and currency effect. Yields on EMDEs' local currency debt are generally higher than on foreign currency-denominated debt, as a currency risk premium is priced in higher macro-economic instability and inflation in EMDEs. However, since the USD has tended to appreciate against EMDE currencies over time, coupon and principal payments typically become costlier when converted to local currencies (the currency effect).

[9] This explains why the concept of Original Sin is assessed by considering not only the sovereign but also the entire country's assets and liabilities exposure (Eichengreen and Hausmann, 1999[7]).

Annex 5.A. General methodology

Primary sovereign bond market data and country groupings

Primary sovereign bond market data are based on original OECD calculations using data obtained from the London Stock Exchange Group (LSEG), which provides international security-level data on new issues of sovereign bonds. The data set covers bonds issued by emerging market sovereigns in the period from 1 January 2000 to 31 December 2024 and includes both short-term and long-term debt. Short-term debt ("bills") is defined as any security with a maturity of less than or equal to 365 days but no less than 33 days, as bill issuance with a maturity of less than 33 days or less is done for cash management purposes and is excluded from calculations. Bonds issued by central banks that have non-budgetary financing purposes were excluded. The data provides detailed information for each bond issue, including the proceeds, maturity date, interest rate, and currency structure.

This report's definition of emerging markets is consistent with the IMF's classification of Emerging Market and Developing Economies (EMDEs) used in its World Economic Outlook. The regional definitions are also those used by the IMF, while the income categories used (high income, low income, lower middle income, upper middle income) are those from the World Bank as of 2024, which is based on GNI per capita levels. EMDE sovereign bond issuers are:

- High income countries (HICs): Bahamas (LAC), Bahrain (MECA), Barbados (LAC), Bulgaria (EMDEs Europe), Chile (LAC), Hungary (EMDEs Europe), Kuwait (MECA), Oman (MECA), Panama (LAC), Poland (EMDEs Europe), Qatar (MECA), Romania (EMDEs Europe), Russian Federation (EMDEs Europe), Saudi Arabia (MECA), Seychelles (SSA), Trinidad and Tobago (LAC), United Arab Emirates (MECA), Uruguay (LAC).
- Upper middle income countries (UMICs): Albania (EMDEs Europe), Algeria (MECA), Argentina (LAC), Armenia (MECA), Azerbaijan (MECA), Belarus (EMDEs Europe), Belize (LAC), Bosnia Herzegovina (EMDEs Europe), Botswana (SSA), Brazil (LAC), China (EMDEs Asia), Colombia (LAC), Costa Rica (LAC), Dominican Republic (LAC), Ecuador (LAC), El Salvador (LAC), Equatorial Guinea (SSA), Fiji (EMDEs Asia), Gabon (SSA), Georgia (MECA), Grenada (LAC), Guatemala (LAC), Indonesia (EMDEs Asia), Iraq (MECA), Jamaica (LAC), Kazakhstan (MECA), Malaysia (EMDEs Asia), Maldives (EMDEs Asia), Mauritius (SSA), Mexico (LAC), Moldova (EMDE Europe), Mongolia (EMDEs Asia), Montenegro (EMDEs Europe), Namibia (SSA), North Macedonia (EMDEs Europe), Paraguay (LAC), Peru (LAC), Serbia (EMDEs Europe), South Africa (SSA), Suriname (LAC), Thailand (EMDEs Asia), Türkiye (EMDEs Europe), Ukraine (EMDEs Europe), Venezuela (LAC).
- Lower middle income countries (LMICs): Angola (SSA), Bangladesh (EMDEs Asia), Benin (SSA), Bolivia (LAC), Cameroon (SSA), Cote Ivoire (SSA), Egypt (MECA), Ghana (SSA), Honduras (LAC), India (EMDEs Asia), Jordan (MECA), Kenya (SSA), Lao PDR (EMDEs Asia), Lebanon (MECA), Morocco (MECA), Myanmar (EMDEs Asia), Nicaragua (LAC), Nigeria (SSA), Pakistan (MECA), Papua New Guinea (EMDEs Asia), Philippines (EMDEs Asia), Senegal (SSA), Sri Lanka (EMDEs Asia), Swaziland (SSA), Tanzania (SSA), Tunisia (MECA), Uzbekistan (MECA), Viet Nam (EMDEs Asia), Zambia (SSA).
- Low-income countries (LICs): Burkina Faso (SSA), Chad (SSA), Congo (SSA), Ethiopia (SSA), Guinea Bissau (SSA), Malawi (SSA), Mali (SSA), Mozambique (SSA), Niger (SSA), Rwanda (SSA), Togo (SSA), Uganda (SSA), Yemen (MECA).

The geographical classification of countries in Figure 5.1 and Figure 5.9 is aligned with United Nations publication "Standard Country or Area Codes for Statistical Use":

- Northern Africa: Algeria, Egypt, Morocco, Tunisia.
- Eastern Africa: Ethiopia, Kenya, Malawi, Mauritius, Mozambique, Rwanda, Seychelles, Tanzania, Uganda, Zambia.
- Western Africa: Benin, Burkina Faso, Côte d'Ivoire, Ghana, Guinea-Bissau, Mali, Niger, Nigeria, Senegal, Togo.
- Middle Africa: Angola, Cameroon, Gabon, Republic of the Congo.
- Southern Africa: Botswana, Eswatini, Namibia, South Africa.

A number of bonds have been subject to reopening. For these bonds, the initial data only provides the total amount (original issuance plus reopening). To retrieve the issuance amount for such reopened bonds, specific data on the outstanding amount on each reopening date for the concerned bonds have been downloaded separately from LSEG. As the reopening data only provides amounts outstanding, the outstanding amount on the previous date is subtracted from the outstanding amount on that given date to obtain the issuance amount on each relevant date. These calculated issuance amounts are converted on the transaction date using USD foreign exchange data from LSEG. To ensure consistency and comparability, the same method is used for all bonds, including those not subject to reopening.

LSEG provides information on the market of issuance of each bond. When this variable is available, the market of issuance is classified as "Domestic" if LSEG classifies it as "Domestic" or "Domestic (others)" and as "Foreign" in all other cases.

Outstanding debts in local currency are converted to USD using end-of-year foreign exchange rates. Exchange offers and certain bonds in the dataset have been manually excluded when they did not have a Bond ID identifier (ISIN, RIC or CUSIP) and when they could not be manually confirmed by comparing them with official government data.

Credit ratings data

LSEG provides rating information from three leading rating agencies: Fitch, Moody's, and S&P. For each country with rating information in the dataset, a value of 1 is assigned to the lowest credit quality rating (C or below) and 21 to the highest credit quality rating (AAA for Fitch and S&P, and Aaa for Moody's). Non-investment grade categories include ratings up to BB+ for Fitch and S&P, and up to Ba1 for Moody's.

The rating in question is then assigned to each relevant bond issued by that country (as at issuance or transaction date). If ratings are available from several agencies, their average is used. Final ratings are categorised as follows: those equal to or higher than 15 are classified as Investment Grade A (IG A); ratings falling between 12 and 14 are designated as Investment Grade BBB (IG BBB); ratings between 9 and 11 are categorised as Speculative Grade BB (SG BB); and ratings below 9 are classified as Single B high risk (Single B and below). Within the high-risk category, ratings equal to or lower than 3.5 indicate a default or very high risk of default.

When computing the number of upgrades and downgrades, ratings data are observed on a monthly basis, excluding those equal to 1. If a country has received several ratings from the same agency in one month, the latest one is used. The weighted debt quality analysis uses rating information from three rating agencies (Fitch, Moody's and S&P). The rating valid at the end of the year for a country is assigned to the totality of its outstanding debt stock. The share is then computed as a stock-weighted average across rating groups.

Primary market yields

The computation of primary market yields relies on LSEG data regarding the prices and yields of each issuance. These data are available only for a limited number of bonds.

Yields and prices are assigned to our dataset based on the Bond ID and its date of issuance. When multiple prices or yields are available for the same bond on the same date of issuance, the average value is considered.

When a yield or a price has the same Bond ID but not the same date of issuance, we consider the price or yield as having the closest issuance date for those Bond IDs falling within a five-day range before or after, beginning with one day later, followed by one day before, and so on.

When yields are not readily available, they are computed using the corresponding price and the R package called jrvFinance. Prices below zero or higher than 999 are excluded. In addition, yields that exceed 100 or fall below -5 are excluded. Yields that are more than 10 times the median annual yields for each issuer, considering the same instrument type and maturity category, are also excluded.

Model for the computation of the debt-to-GDP ratio stabilising primary balance

The debt stabilising primary balance is computed following the methodology outlined by Escolano (2010[20]) and using data from the IMF World Economic Outlook as of April 2025 for the latest year available (2030) for all variables except the real effective interest rate, which used data as of 2024 or the estimated market real yield.

$$\mathrm{pb} = d \times \left(\frac{1 + ip}{1 + g} - 1 \right)$$

Where *pb* is the general government's primary balance as a ratio of GDP; *d* is the general government debt stock as a ratio of GDP; *ip* is the real effective interest rate, and; *g* is the real GDP growth.

Annex 5.B. Data transparency

Data availability charts –Figure 5.6

Panel A: Local currency marketable debt refers to the sum of bonds and bills that are issued in local currency. Years are shaded for which data for local currency marketable debt values can easily be accessed from an official website (e.g. Ministry of Finance, Treasury or Central Bank), and understood to be referring to bills and bonds.

Panel B: This panel uses data from the most recent year in which information from official sources is available, as shown in Panel A. The share of local currency marketable debt is calculated by dividing the total local currency marketable debt from each source (official, Bloomberg and LSEG) by the IMF total outstanding debt for that year.

It is possible that governments record securities as bills and bonds, but that they are not tradeable. This could be one reason why official data tends to be higher than Bloomberg and LSEG.

Debt transparency table –Annex Table 5.B.1

The data for this table comes from official government websites, usually the Treasury, Ministry of Finance or Central Bank. Where data is not readily available or easily accessible on these websites, a "-" is used.

The column “Marketable breakdown” refers to the breakdown of marketable outstanding debt into its securities (i.e. bonds and bills). The column “Non-marketable breakdown” refers to the breakdown on non-marketable outstanding debt into its securities or obligations (e.g. loans, arrears).

The column "Most recent auction calendar" shows the most recent year for which an auction calendar can be found on an official website. If information relating to upcoming auctions is published ad hoc or no regular calendar is readily available, a "-" is used. Similarly, "Most recent auction results" shows the most recent year for which an auction calendar can be found on an official website.

The column “Auction results: price / yield” shows whether auction results including yield and or price are published.

The column "Most recent annual debt report" shows the most recent year for which an annual report can be found on an official website. Where monthly or quarterly reports are comprehensive, the most recent year of the report is used.

The column “Medium-Term Debt Strategy” shows the number of upcoming years that are covered by the strategy while column "Most Recent MTDS" shows the most recent year for which a Medium-Term Debt Strategy can be found on an official website.

The "Language" column shows the language in which debt related documents are available. It does not include the language in which websites are available.

The following links are the primary links that were used:

- www.dgpp.mf.gov.dz

- www.ugd.minfin.gov.ao
- www.bodiva.ao
- www.dgtcfm.cm
- www.dgb.cm
- www.dgf.gouv.ci
- www.tresor.gouv.ci
- www.umoatitres.org
- www.dgdp.cd
- www.mof.gov.eg
- www.cbe.org.eg
- www.nbe.gov.et
- www.mofed.gov.et
- www.mofep.gov.gh
- www.bog.gov.gh
- www.centralbank.go.ke
- www.treasury.go.ke
- www.finances.gov.ma
- www.bkam.ma
- www.dmo.gov.ng
- www.treasury.gov.sa
- www.bot.go.tz
- www.mof.go.tz
- www.finances.gov.tn
- www.finance.go.ug
- www.bou.or.ug

Annex Table 5.B.1. Readily available data on public debt from official sources

Country	Market-able breakdown	Non-market-able breakdown	Auction calendar	Most recent auction calendar	Auction results: yield / price	Debt report	Most recent annual report	Medium-term debt strategy (MTDS)	Most recent MTDS	Domestic debt service	Domestic investor base	Data source	Document language
Algeria	Yes	-	Annual	2024	Yes	-	-	-	-	-	-	MOF[1], Bank of Algeria	French
Angola	Yes	Yes	Monthly	2025	Yes	Annual report	2022	Upcoming 2 years	2024	Last 5 years, upcoming	-	MOF, Bodiva[2]	English, Portuguese
Cameroon	Yes	Yes	Quarterly	2025	Yes	Annual report, monthly	2025	Upcoming 2 years	2024	Last 2 years	-	MOF, BEAC[3]	French
Côte d'Ivoire	Yes	-	Monthly	2024	Yes	Annual report	2024	Upcoming 4 years	2023	Upcoming 5 years	Yes	MOF, UMOA-Titres[4]	English, French
D.R. of the Congo	Yes	Yes	-	-	Yes	Annual and quarterly reports	2023	Upcoming 2 years	2020	Last 4 years, upcoming	-	DGDP[5]	French
Egypt	Yes	Yes	Weekly	2025	Yes	CBE[6] annual report	2020	Upcoming 3 years	2020	Last 6 years	Yes	MOF, CBE	English, Arabic
Ethiopia	Yes	Yes		2025	Yes	Annual report	2024	Upcoming 5 years	2016	Last 4 years	-	MOF, NBE[7]	English
Ghana	Yes	-	Quarterly	2024	Yes	Annual report	2023	Upcoming 3 years	2024	-	Yes	MOF, Bank of Ghana	English
Kenya	Yes	Yes	Annual	2025	Yes	Annual report	2024	Upcoming 3 years	2025	Last 5 years	Yes	MOF, CBK[8]	English
Morocco	Yes	-	check		Yes	Monthly bulletins	2023			-	-	MOF, Bank Al-Maghrib	English, French, Arabic
Nigeria	Yes	Yes	Quarterly	2025	Yes	Annual report, monthly	2020	Upcoming 3 years	2020	-	-	DMO[9]	English

Country	Market-able breakdown	Non-market-able breakdown	Auction calendar	Most recent auction calendar	Auction results: yield / price	Debt report	Most recent annual report	Medium-term debt strategy (MTDS)	Most recent MTDS	Domestic debt service	Domestic investor base	Data source	Document language
South Africa	Yes	-	Annual	2026	Yes	Annual report, in annual	2024	Upcoming 2 years	2024	Upcoming 3 years	Yes	MOF, SARB[10]	English
Tanzania	Yes	-	Biannual	2025	Yes	Quarterly report	2024	Upcoming 2 years	2024	-	-	MOF, Bank of Tanzania	English
Tunisia	Yes	-	Annual	2018	Yes	Annual, monthly reports	2019	Included in annual report	2019	Last 7 years	-	MOF, BCT[11]	French, Arabic
Uganda	Yes	Yes	Annual	2025	Yes	Annual report	2024	Upcoming 4 years	2025	Last 6 years	-	MOF, BOU[12]	English

Table Notes
[1] Refers to an official government department responsible for debt management, like the Ministry of Finance or Treasury. For this table, this excludes the Central Bank.
[2] The official securities exchange in Portugal
[3] Banque des États de l'Afrique Centrale
[4] Regional agency supporting issuance and management of public debt in West African Economic and Monetary Union (WAEMU)
[5] Direction General de la Dette Publique (Debt Management Office)
[6] Central Bank of Egypt
[7] National Bank of Ethiopia
[8] Central Bank of Kenya
[9] Debt Management Office
[10] South African Reserve Bank
[11] Banque Centrale de Tunisie
[12] Bank of Uganda

Annex 5.C. Benchmark bond lines

Identification methodology

A quantitative method was used to count the significant and distinct issuance peaks by time to maturity, providing a measure of how concentrated (benchmark-focused) or diffuse each country's sovereign bond issuance is.

Step 1 – Kernel Density Estimation

For each country, a smoothed distribution of issuances by time to maturity was estimated using a weighted kernel density function:

$$f(t) = \text{density}(\text{time\_to\_maturity}, \text{weights} = \text{AmountIssued}, \text{adjust} = a)$$

Where:

- t is time to maturity (in years)
- $AmountIssued$ is the weight for each issuance
- a is the smoothing parameter (bandwidth adjuster, set to 0.1)

Step 2 – Peak Detection

We identify local maxima (peaks) in the estimated density $f(t)$ using the standard second-derivative method:

$$\text{Peak at } t_i \Leftrightarrow f'(t_{i-1}) > 0 \text{ and } f'(t_i) < 0$$

All such peaks t_i were then retained only if their $f(t_i)$ satisfied the relative prominence condition:

$$f(t_i) > \theta \cdot \max\big(f(t)\big)$$

Where:

- $\theta = 0.1$ is the relative height threshold (e.g. 10% of the maximum density)

Step 3 – Distinct Peak Filtering

To ensure we count only distinct peaks (not small bumps clustered near each other), we apply a minimum spacing rule:

$$\big|t_i - t_j\big| \geq \delta \quad \forall i \neq j$$

Where:

- $\delta = 0.5$ years is the minimum required horizontal distance between peaks
- When two peaks are closer than δ, only the taller peak is retained

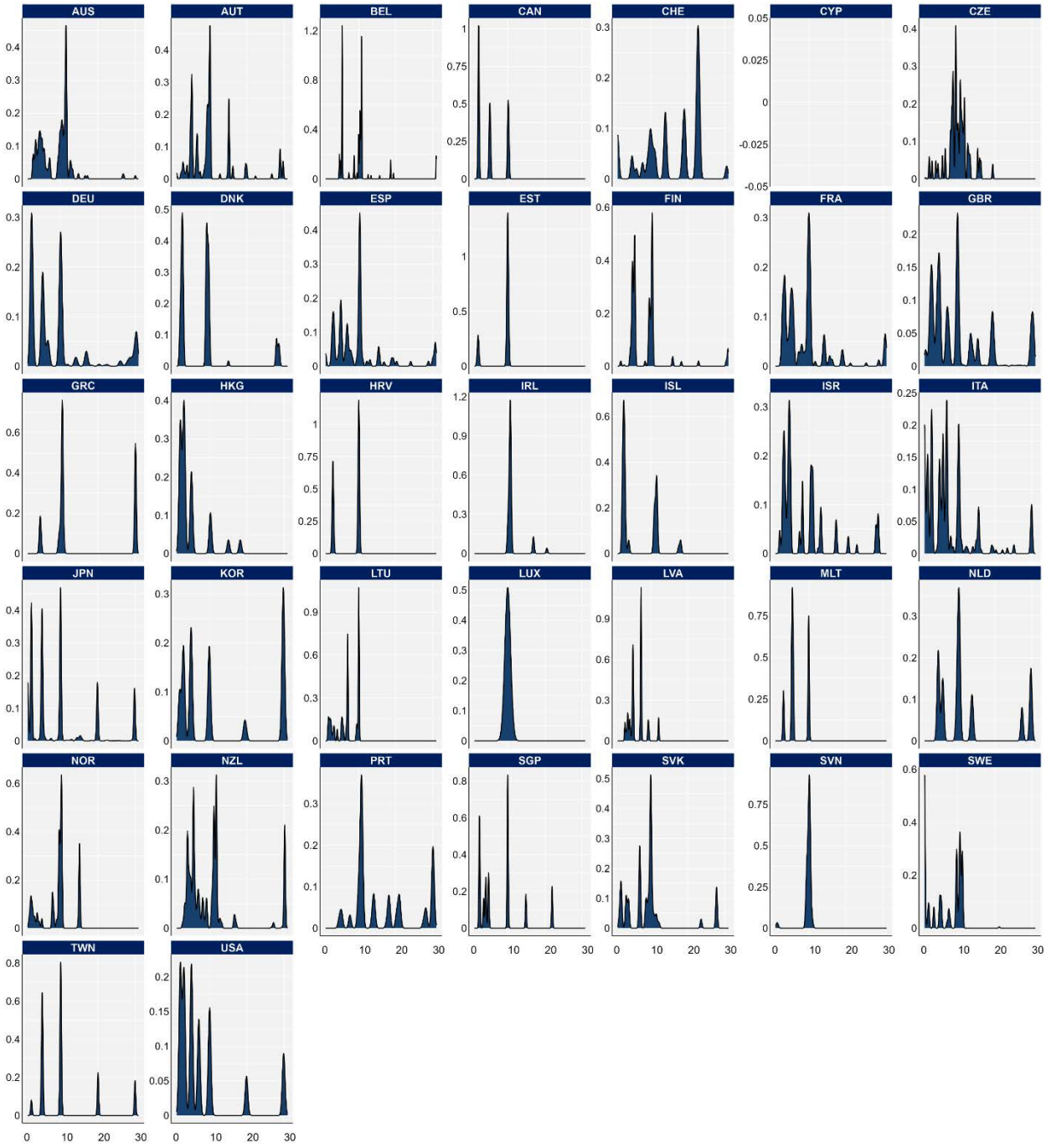
Step 4 – Classification by Maturity Band

Each peak is assigned a maturity band: Short-term: $t < 7$; Medium-term: $7 \leq t < 13$; Long-term: $t \geq 13$

Country-specific data

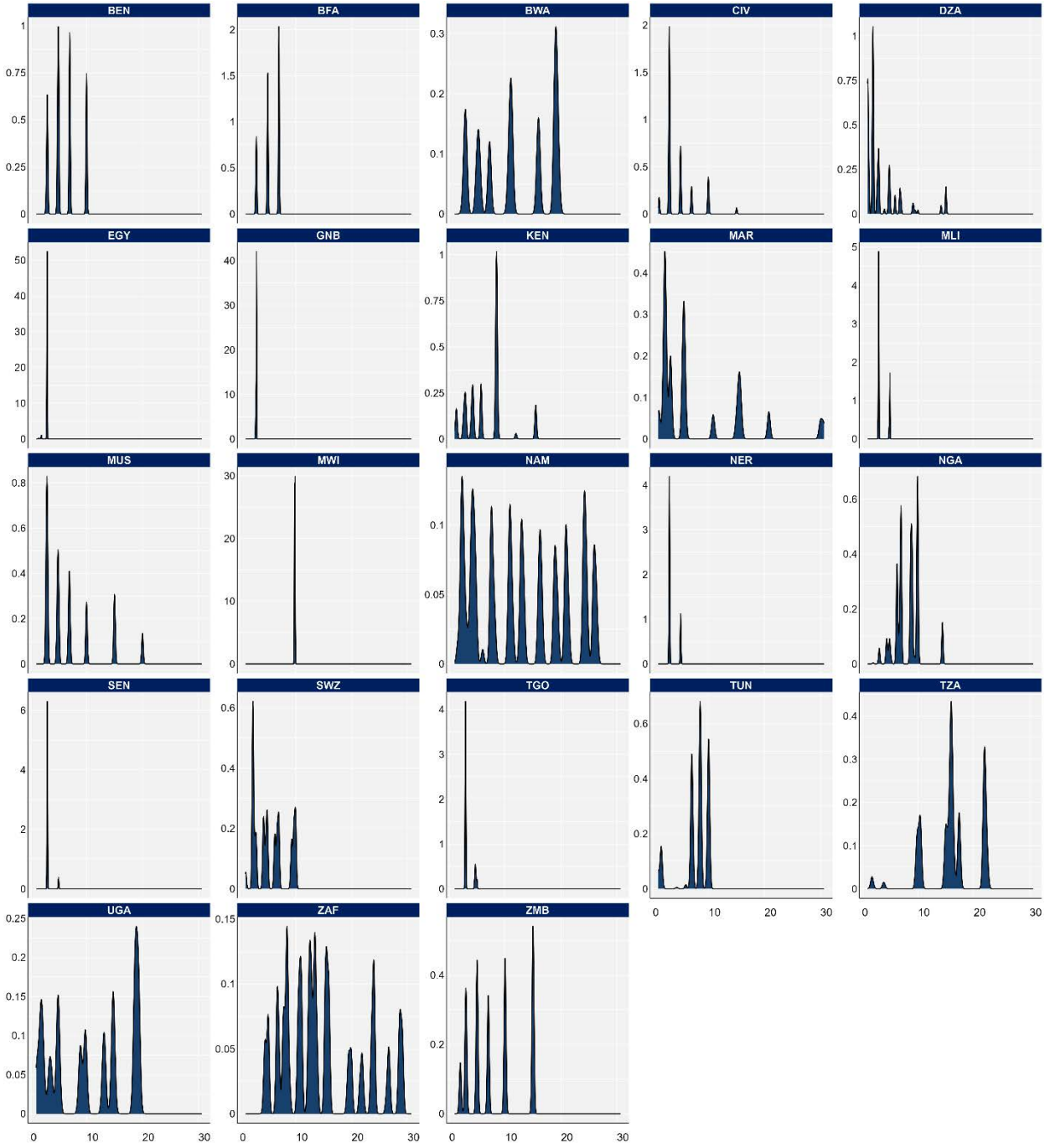
These peaks can be identified visually, as in the figures below.

Annex Figure 5.C.1. Issuance volume density VS bond tenor in 2024 for selected advanced economies



Source: LSEG and OECD calculations. Note: The values on the x-axis represent the years to maturity at issuance. The values on the y-axis represent the empirical probability *density* and not the empirical probability itself. The area under the density curve across the x-axis equals 1. The density is weighted by the issuance volumes.

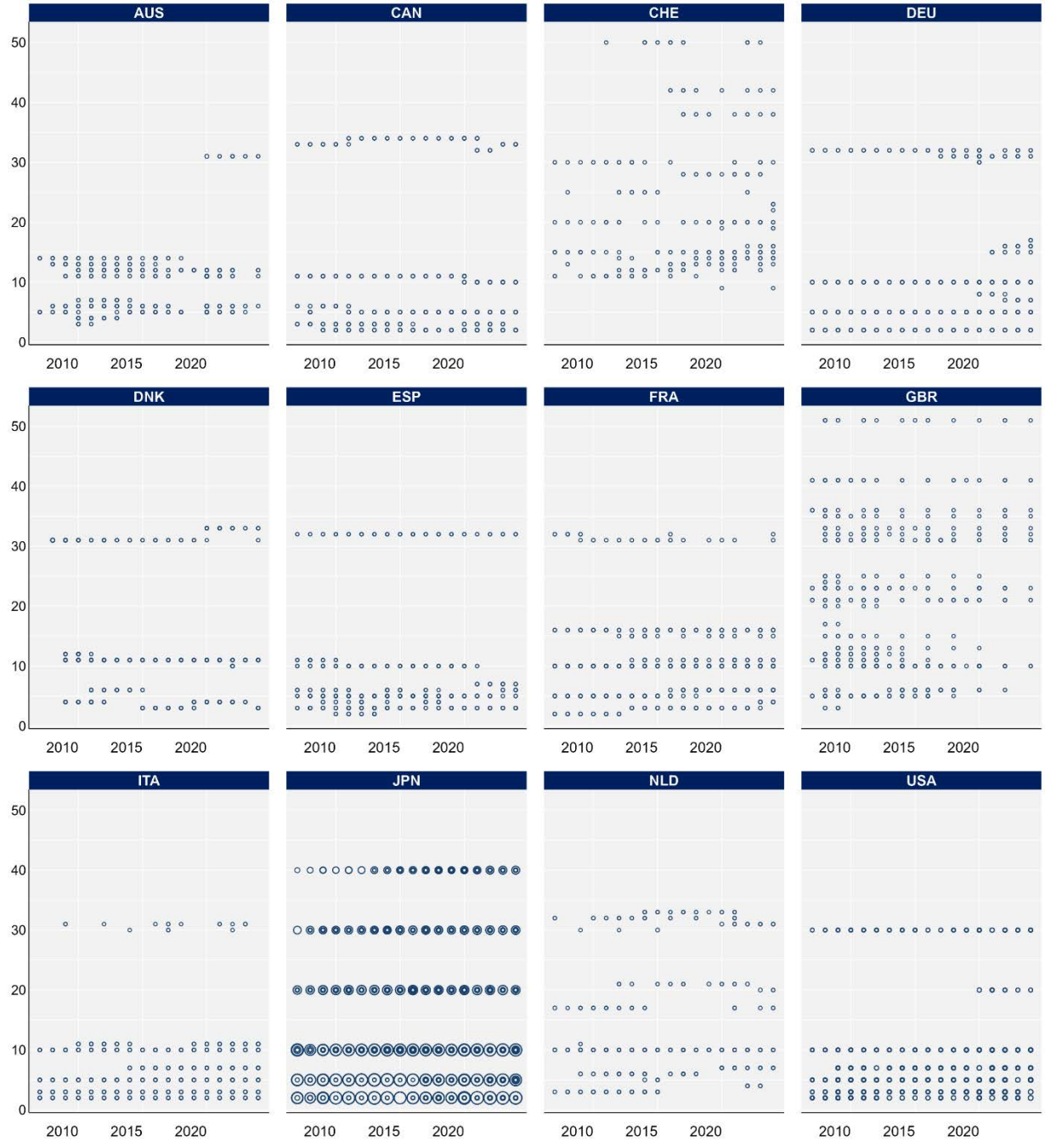
Annex Figure 5.C.2. Issuance volume density VS bond tenor in 2024 for African economies



Source: LSEG and OECD calculations. Note: The values on the x-axis represent the years to maturity at issuance. The values on the y-axis represent the empirical probability *density* and not the empirical probability itself. The area under the density curve across the x-axis equals 1. The density is weighted by the issuance volumes.

Annex 5.D. Auction patterns

Annex Figure 5.D.1. Auction sizes by tenor in 2024 for selected advanced economies



Source: LSEG and OECD calculations. Y-axis refers to tenor, size of bubble is proportionate to auction amount.

Annex Figure 5.D.2. Auction sizes by tenor in 2024 for selected African economies

Source: LSEG and OECD calculations. Y-axis refers to tenor, size of bubble is proportionate to auction amount.

6 SOE governance frameworks as a foundation for capital markets development

This chapter analyses the governance frameworks for state-owned enterprises in selected African countries. It draws on the OECD Guidelines on Corporate Governance of State-Owned Enterprises, particularly regarding the rationales for state ownership and the state's role as an owner. The recommendations on these issues are essential to lay the foundation for effective state ownership policies, which in turn are necessary to foster the development of capital markets. Key recommendations include clear and transparent grounds for state ownership of listed companies, effective separation of ownership from policymaking and regulatory functions, and professional and active state ownership.

Key messages

- The significance of SOEs in Africa underscores the need for strong state ownership frameworks: Among the 100 largest African companies by turnover, 44 are state-owned or controlled, including the top 5, and they operate in key sectors such as mining, energy, and telecommunications.
- The OECD Guidelines on Corporate Governance of SOEs (the SOE Guidelines) provide advice to governments in this area. They stress the need to transparently state the rationales for state ownership and establishing clear ownership policies ensuring accountability, public trust and effective governance. Without those foundations, other aspects such as board independence, disclosure, accountability, and protection of minority shareholders are likely to remain fragmented and unsuccessful.
- Several African countries have established legal frameworks for state ownership, with different characteristics and goals, and some recent reforms have aimed at updating governance standards for SOEs.
- However, in many cases, there is an uneven articulation of ownership rationales and policies; only a few countries have comprehensive ownership frameworks, while others rely on fragmented or sector-specific mandates.
- When implemented with integrity, accountability, and clear safeguards against undue influence, centralised or co-ordinated state ownership can facilitate the separation of ownership, regulatory and policymaking responsibilities, enabling professional and active state ownership. Yet, the predominant ownership model among African countries is dispersed ownership, where multiple ministries and agencies oversee SOEs with seemingly limited co-ordination. This often results in fragmented oversight, inconsistent governance practices, and weak strategic alignment.
- Stronger ownership arrangements, reinforced by high levels of integrity and accountability can spur improved SOEs governance which in turn can help SOEs access capital markets, and lead to further transparency, financial discipline, and investor confidence.

6.1. Introduction – the link between sound SOE corporate governance and capital markets development

Effective state ownership and corporate governance frameworks are an essential foundation for the contribution of state-owned enterprises (SOEs) to capital market development. By listing SOEs on stock exchanges, governments can not only improve SOE performance but also strengthen capital markets by attracting private investment and expanding investment options, thus contributing to depth and liquidity in markets. Strong governance standards help to enhance disclosure and foster equitable treatment of all shareholders. This is particularly relevant in Africa, where equity markets remain small and illiquid: between 2000 and 2024, African companies raised only USD 201.9 billion in public equity markets—just 1% of the global total (see Chapter 2).

Beyond equity, SOEs are also important issuers of corporate bonds, with the potential to diversify available instruments and increase the attractiveness of domestic markets to foreign and institutional investors. Yet corporate debt markets in Africa are still at an early stage of development, with outstanding corporate debt below 15% of GDP in nearly all of the 15 countries analysed in Chapter 3 (compared to 52% globally). Just four countries account for 61% of the continent's corporate debt stock.

SOEs' economic importance makes their governance critical. Forty-four of the 100 largest companies in Africa by turnover are state-owned or controlled, including the top 5. They dominate strategic sectors such as extractives, energy, finance, transport, telecoms and utilities. However, many African SOEs face persistent weaknesses: poor financial performance, high debt, undue political influence and lack of transparency. For example, 40% of about 300 SOEs in Sub-Saharan Africa were loss-making in 2017-2018 while the larger firms tended to be illiquid and overleveraged (Wezel and Carvalho, 2022[1]). Governance failures, such as weak internal controls, opacity, nepotism, political interference and conflicting objectives are widely observed (Mutize and Tefera, 2020[2]). These challenges directly undermine SOEs' credibility as market participants and limit their potential to support capital market development.

The effectiveness of ownership and governance frameworks is therefore of central importance. The *OECD Guidelines on Corporate Governance of State-Owned Enterprises* (the SOE Guidelines) are the leading international standard in this area. Chapters I and II of the Guidelines, on the rationales for state ownership and the role of the state as an owner, are particularly relevant. They establish the conceptual and institutional foundations for SOE governance by clarifying why the state owns enterprises, what objectives it pursues, and how ownership responsibilities are organised. Absent a clear ownership framework and well-defined objectives, efforts to strengthen other aspects of SOE governance (such as board independence, disclosure, accountability, and protection of minority shareholders) are likely to remain fragmented and unsuccessful.

Sound corporate governance is therefore a necessary condition for capital market development through SOE listings and debt issuance, but it is not on its own sufficient. Strong governance frameworks provide the basis for reforms that directly influence investor confidence—such as professionalised boards, credible financial disclosure, and reduced political interference. Without them, SOE listings and bond issuance may create only short-lived market activity rather than contributing to sustained capital market deepening.

At the same time, complementary factors are equally relevant. Unless accompanied by broader reforms such as strengthening property rights, fighting corruption, building institutional competence, and ensuring effective capital markets infrastructure, listing SOEs may not see its full potential. An important requirement of SOE listings in Africa is the need for sufficient financial market infrastructure to manage large transaction volumes, accurately assessing investor demand and listing under appropriate market conditions —for example, in environments of macroeconomic stability and growth (The World Bank, 2021[3]).

This report addresses many of those wider reforms. Chapter 2 focuses on public equity markets and wider corporate governance frameworks in Africa. On the public equity markets side, key messages include broadening issuer participation (including through SOE listings) and greater regional integration through, for example, cross-border listings. The chapter also advocates for increasing competition among brokers and simplifying fee structures to reduce trading costs, and attracting institutional investors, including through pension reforms. In parallel, key corporate governance recommendations include strengthening minority shareholders rights, reinforcing accountability and transparency, greater board independence and improved disclosure of board compositions, as well as effective supervision and regulatory enforcement.

The findings of Chapter 3 are equally relevant in view of the potential role of SOEs in fostering the development of corporate debt markets in Africa. Key priorities include promoting the issuance of debt in local currencies to reduce reliance on foreign-currency borrowing; broadening the base of domestic institutional investors, particularly pension funds; aligning disclosure requirements with international standards to enable more robust risk assessment and provide clearer incentives for investment; and strengthening as well as integrating market infrastructure to support more efficient and resilient debt markets.

This chapter zooms in on the topic of SOE governance. In line with the rest of the report, the analysis concentrates on selected middle-income African countries, which are expected to display a certain level of economic, institutional and capital market development. This focus not only facilitates more meaningful

insights into SOE governance practices but also provides a degree of homogeneity and comparability across the cases considered.

The remainder of this chapter is organised as follows: Section 6.2 opens with an overview of the landscape and weight of SOEs in selected middle-income African countries. Section 6.3 reviews key legal dispositions governing SOEs, including framework laws driving state ownership reforms such as privatisation. It then focuses on the existence or absence of comprehensive SOE policies, as such policies are important to define the overall rationales and goals for state ownership, set out government priorities, and the respective roles and responsibilities of those government offices involved in their implementation. Later, the chapter focuses on state ownership models, and their characteristics. Section 6.4 provides key messages and recommendations.

6.2. Overview of the SOE landscape in Africa

The OECD SOE Guidelines define a state-owned enterprise as any undertaking recognised by national law as an enterprise and in which the state exercises ownership or control, whether through a majority shareholding or other means of influence such as special voting rights, board representation or other arrangements that would confer decisive influence. SOEs can take the form of joint stock companies, limited liability companies and partnerships limited by shares, as well as statutory corporations established through specific legislation if their purpose and activities, or large parts of their activities, are of an economic nature (OECD, 2024[4]). Those forms have important implications for SOE listings (see section 6.3.1).

In practice, however, applying this definition to analyse the importance of SOE sectors across countries presents methodological challenges. Determining whether the state exercises *control* over a company often requires case-by-case assessments of ownership structures, voting rights, board representation, and other arrangements —information that is not systematically available across countries. Furthermore, providing a full and complete estimation of the SOE landscape in Africa is challenging, given the scarcity of comparable, complete and reliable data. Cross-country assessments are rare, and country coverage varies greatly.

For the purposes of cross-country analysis, this section therefore relies on a proxy measure: enterprises in which the state[1] holds at least 25% of ultimate ownership in selected African countries. This threshold represents a pragmatic balance. A higher threshold of 50% or more would exclude many enterprises where the state may exercise significant influence without majority ownership, while a lower threshold of 10% could capture a large number of firms in which the state's influence may be negligible.[2] The 25% cut-off thus provides a reasonable approximation, while recognising that it may not capture all enterprises that would qualify as SOEs under the SOE Guidelines, nor exclude all enterprises where the state's role is limited. The section also relies on information of the largest 500 companies in Africa by turnover.[3]

The analysis suggests that there are 5 869 SOEs operating in middle-income African countries, with South Africa accounting for 60% of those enterprises, followed by Egypt with 11% and Algeria with 6% (Table 6.1).[4] Furthermore, according to *The Africa Report*'s 2024 ranking of the *largest enterprises by turnover*, 44 of the top 100 enterprises in Africa are SOEs (The Africa Report, 2024[5]). They are largely based in South Africa, although Egypt, Nigeria and Algeria also host important shares (Figure 6.1). Collectively, these 44 SOEs generated a total turnover of USD 300.5 billion in 2023, exceeding the combined turnover of the 56 privately owned enterprises in the same ranking.

Table 6.1. Number and shares of SOEs in selected African countries

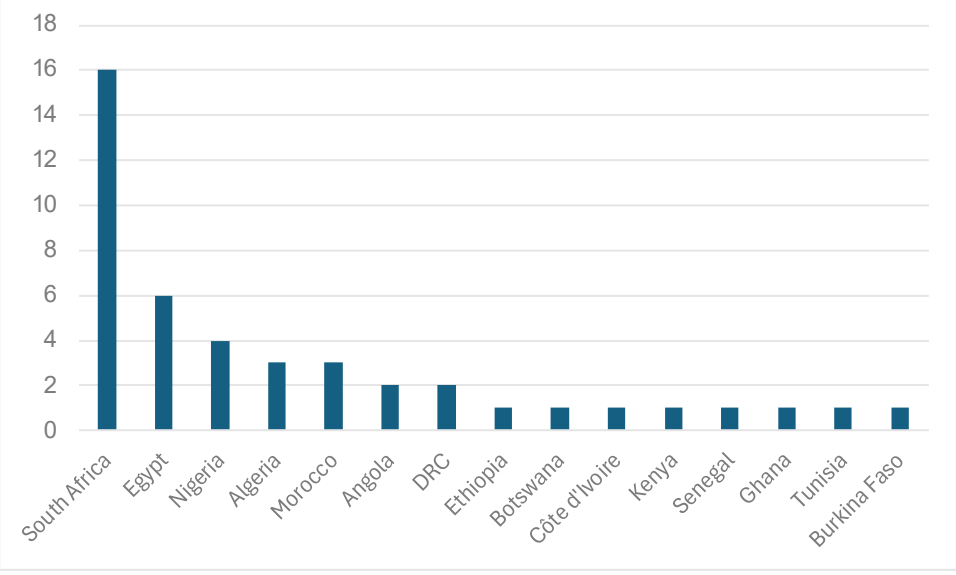
Number of enterprises, 2023

Country	Number of SOEs	Share of the total
Algeria	355	6.0%
Botswana	94	1.6%
Côte d'Ivoire	74	1.3%
Egypt	620	10.6%
Gabon	42	0.7%
Ghana	52	0.9%
Kenya	71	1.2%
Mauritius	86	1.5%
Morocco	229	3.9%
Namibia	43	0.7%
Nigeria	148	2.5%
Seychelles	19	0.3%
South Africa	3 537	60.3%
Tanzania	77	1.3%
Tunisia	125	2.1%
Uganda	54	0.9%
Zambia	57	1.0%
Zimbabwe	186	3.2%
Total	**5 869**	**100.0%**

Note: SOEs are identified by applying a multi-stage filtering method, where companies in which state entities such as central and local governments, ministries, specialised agencies, and other state-owned enterprises hold at least 25% total ultimate ownership.
Source: Bureau van Dijk, (2024[6]), *Orbis Database*

Figure 6.1. Headquarter locations of the largest African SOEs by turnover

Number of enterprises, 2023



Note: DRC = Democratic Republic of Congo. The ranking of Africa's top 100 companies by turnover is based on data from *The Africa Report*. SOEs were identified using a multi-stage filtering process applied to Orbis company data, focusing on firms where central and local government entities, such as ministries, specialised agencies, or other SOEs, hold at least 25% total ultimate ownership. In cases where Orbis data was unavailable, ownership information was obtained from annual reports and other secondary sources to determine the shareholding structure.
Source: Bureau van Dijk, (2024[6]), *Orbis Database*; The Africa Report (2024[7]), *Africa's Top 500 Companies*, https://www.theafricareport.com/in-depth/africas-top-500-companies

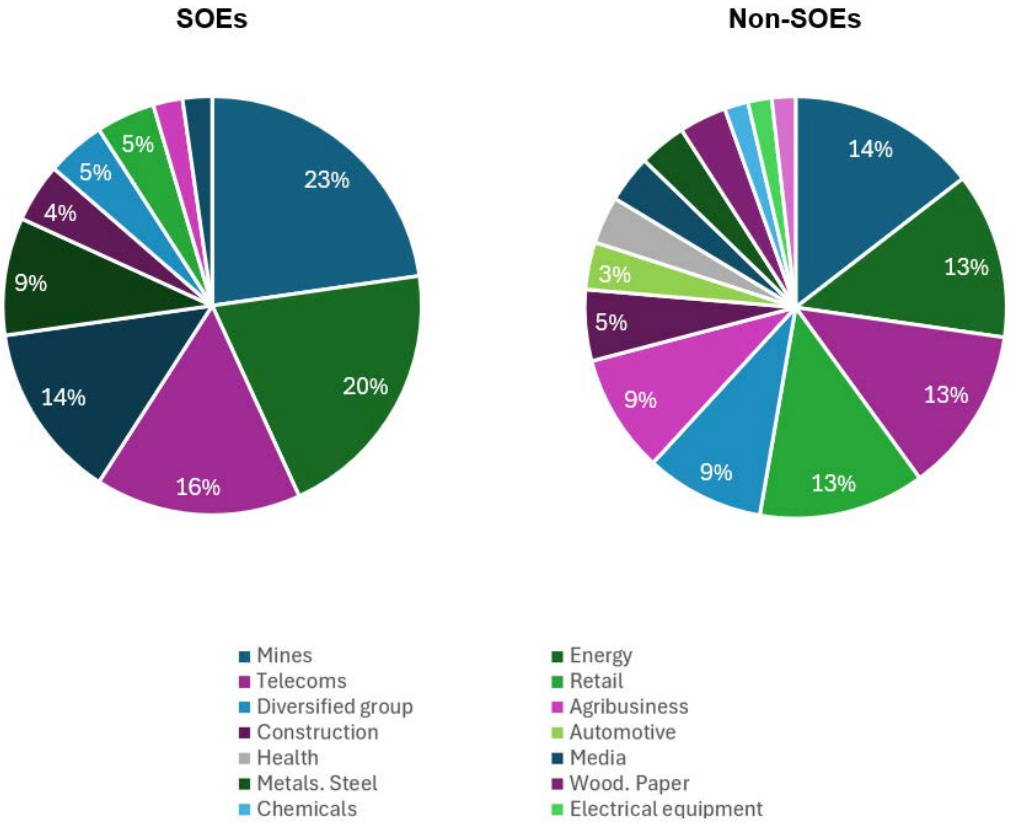
Among the top 44 SOEs by turnover, 23% operate in mining, 20% in energy, and 16% in telecommunications (Figure 6.2). While large private enterprises are also present in mining and energy, state ownership is more prevalent in these sectors. In contrast, privately-owned African companies tend to be active across a broader range of sectors, including automotive, healthcare, media and metals.

The mining and energy sectors are the most prominent by turnover (Figure 6.3). Oil, gas, and mining firms account for over 59% of the total turnover generated by the 44 SOEs in the top 100 African enterprises. This is largely driven by Algeria's energy giant, Sonatrach, the continent's largest company and SOE representing 14.7% of the total turnover of the top 100 African companies. In addition, SOEs play a dominant role in the telecoms sector.

The 5 largest of the top 100 African enterprises by turnover are either fully state-owned or controlled. Four out of the five are national oil enterprises, and only one, SASOL, a global chemicals and energy company, is publicly traded on both the Johannesburg (JSE) and New York Stock Exchanges (NYSE) with the South African government as a significant shareholder (Table 6.2).[5]

Figure 6.2. Sectoral and ownership distribution of 100 largest African companies by turnover

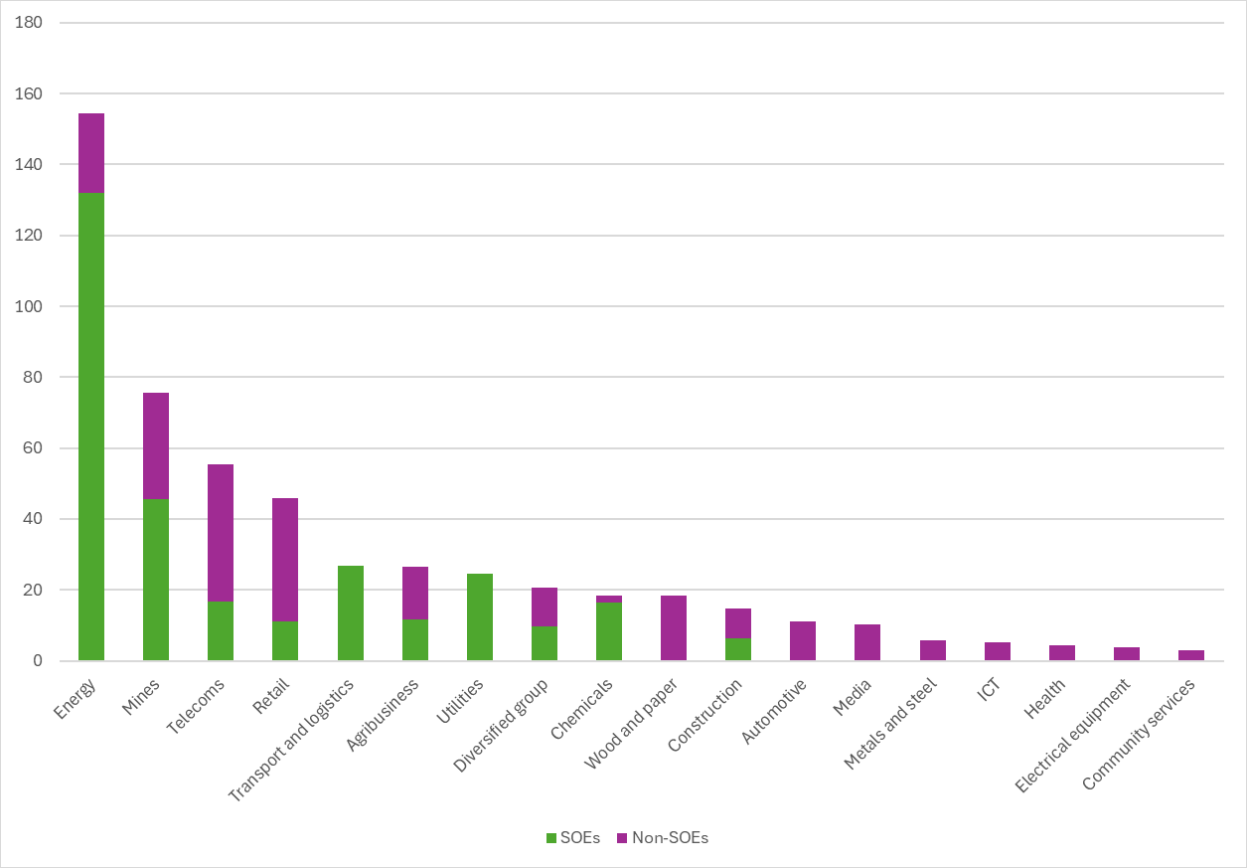
2023



Note: The ranking of Africa's top 100 companies by turnover is based on data from The Africa Report. SOEs were identified using a multi-stage filtering process applied to Orbis company data, focusing on firms where government entities, such as ministries, specialised agencies, or other SOEs, hold at least 25% total ultimate ownership. In cases where Orbis data was unavailable, ownership information was obtained from annual reports and other secondary sources to determine the shareholding structure.
Source: Bureau van Dijk, (2024[6]), *Orbis Database*; The Africa Report (2024[7]), *Africa's Top 500 Companies*, https://www.theafricareport.com/in-depth/africas-top-500-companies/

Figure 6.3. Sectoral trends, 100 largest African companies by turnover

2023, USD billion



Note: The ranking of Africa's top 100 companies by turnover is based on data from The Africa Report. SOEs were identified using a multi-stage filtering process applied to Orbis company data, focusing on firms where government entities, such as ministries, specialised agencies, or other SOEs, hold at least 25% global ultimate ownership. In cases where Orbis data was unavailable, ownership information was obtained from annual reports and other secondary sources to determine the shareholding structure.
Source: Bureau van Dijk, (2024[6]), *Orbis Database*; The Africa Report (2024[7]), *Africa's Top 500 Companies*, https://www.theafricareport.com/in-depth/africas-top-500-companies/

Table 6.2. The five largest SOEs in Africa

By turnover

Rank 2024	Company	Sector	Legal form	Description	Country	State ownership %	State ownership entity
1	Sonatrach	Energy	JSC	Integrated group in hydrocarbons industry and national oil company.	Algeria	100%	Central government
2	NNPC	Energy	LLC	National state-owned oil enterprise with exclusive license to operate in the country's petroleum sector.	Nigeria	100%	Central government
3	Sasol	Chemicals	JSC	Established as a coal, oil and gas	South Africa	8.5% direct ownership,	Central government

Rank 2024	Company	Sector	Legal form	Description	Country	State ownership %	State ownership entity
				corporation in 1950; first listed on the JSE in 1979 and listed on the NYSE since 2003. Indirect state ownership.		>25% ownership of some business branches	
4	Eskom	Utilities	Statutory enterprise	Largest national producer of electricity and an SOE as defined by the Companies Act 71 of 2008.	South Africa	100%	Central government
5	Sonagol	Energy	Statutory enterprise	National oil company established by Presidential Decree.	Angola	100%	Ministry of Mineral Resources, Oil and Gas and the Ministry of Finance

Note: The ranking of Africa's top 100 companies by turnover is based on data from *The Africa Report*. SOEs were identified using a multi-stage filtering process applied to Orbis company data, focusing on firms where central and local government entities, such as ministries, specialised agencies, or other SOEs hold at least 25% total ultimate ownership. In cases where Orbis data was unavailable, ownership information was obtained from annual reports and other secondary sources to determine the shareholding structure.
Source: Bureau van Dijk, (2024[6]), *Orbis Database*; The Africa Report (2024[7]), *Africa's Top 500 Companies*, https://www.theafricareport.com/in-depth/africas-top-500-companies/

This analysis provides a glimpse of the scale and strategic importance of SOEs in Africa. It shows that SOEs are amongst the largest African companies and operate in strategic sectors. However, very few of these large SOEs are using capital markets despite their size and economic importance, as shown by the fact that only one of the five largest SOEs is publicly traded. Furthermore, Chapter 2 notes that by the end of 2024, there were 122 listed SOEs in Africa, representing 5% of the number of SOEs listed globally and 7% of those listed in emerging markets, and just 2% of the 5 869 SOEs identified in this chapter. In terms of market capitalisation, those 122 listed African SOEs account for only 0.6% of the global value and 0.8% of that of emerging market listed SOEs (see Figure 2.6). This contrasts with the experience of SOEs and capital market development in Asia, as 70% of listed SOEs worldwide trade on Asian exchanges, representing 26% of Asia's total market capitalisation and far above the 5% seen in other regions (OECD, 2025[8]).

6.3. State ownership frameworks, policies and practices

The OECD SOE Guidelines provide guidance to assess and improve legal, regulatory and institutional foundations of state ownership by promoting professional and transparent ownership practices, fair competition, equal treatment of investors, disclosure, transparency and accountability, effective SOE boards of directors, and sustainability in state ownership. The following sections build on Chapters I and II of the SOE Guidelines, and reviews publicly available information for selected African countries. It examines key legal frameworks governing SOEs, the existence or absence of comprehensive SOE ownership policies, and institutional arrangements for SOE ownership and oversight. These elements are essential for effective state ownership, which in turn is critical for supporting capital market development.

6.3.1. SOE legal frameworks

Many countries have adopted overarching SOE legal frameworks that define the role of the state as an owner, clarify institutional arrangements and set out governance requirements for SOEs. These frameworks often set out harmonised standards on issues such as board composition, disclosure

obligations, performance monitoring and accountability. Importantly, such frameworks can help to regulate a critical state function (the exercise of ownership rights on behalf of citizens) much like dedicated legal frameworks govern other state functions such as public procurement or financial management.

The necessity of a dedicated SOE legal framework is particularly important in contexts where SOEs fall outside the scope of company law. In many countries (including across Africa) SOEs are established by special laws or statutes rather than being incorporated under general company law provisions, which has implications for the role of SOEs in the development of capital markets (see Box 6.1). Where SOEs operate outside company law, a dedicated legal framework becomes essential as it provides the governance and accountability standards that company law would normally impose, ensuring that SOEs are subject to clear rules and governance arrangements. Without such a framework, governance arrangements risk being fragmented, inconsistent, or subject to political discretion, which can undermine both transparency and investor confidence. Even where SOEs are incorporated as joint-stock or limited liability companies and are therefore subject to company law, dedicated SOE frameworks remain important to address the specificities of state ownership—such as clarifying ownership co-ordination mechanisms, balancing commercial and policy objectives, and ensuring appropriate accountability.

Box 6.1. Legal forms of SOEs and implications for capital markets

SOEs operate under various legal forms, each with distinct implications for governance and capital markets access. Joint-stock companies (JSCs) are generally the only form suitable for equity listings, as they allow for tradable shares and shareholder rights. Limited liability companies (LLCs) may issue bonds but face constraints on public equity offerings. Statutory corporations typically cannot access equity or bond markets directly and often require corporatisation before being listed — a process that can be politically sensitive and resource intensive, as it involves restructuring governance arrangements, establishing appropriate valuations and clarifying ownership rights.

For example, in Francophone Africa, this distinction is particularly relevant for public establishments organised as *établissements publics à caractère industriel et commercial* (EPIC) or *établissements publics à caractère administratif* (EPA), whose legal characteristics are closer to statutory bodies than companies. These forms provide flexibility for states to pursue public policy objectives but limit direct capital markets access, raising the question of corporatisation for SOEs that aim to attract investors.

Reforms in several countries, including in Africa, illustrate the growing recognition of the utility of specific SOE legal frameworks. While the SOE Guidelines do not prescribe a specific legal model, they encourage governments to adopt simplified and standardised legal frameworks that ensure SOEs follow clear and predictable principles. These can be further complemented by state ownership policies that articulate the rationale for state ownership and set national reform priorities. In some jurisdictions the ownership policy and legal framework are combined into a single instrument, helping to strengthen coherence and clarity in the state's role as an owner (OECD, 2024[4]).

African countries have taken diverse approaches to legal frameworks for state ownership, reflecting varying priorities and historical contexts. These frameworks pursue various goals, including increasing the commercial orientation of SOEs, promoting private sector development, including through privatisation, and strengthening governance and institutional arrangements for state ownership (Table 6.3). Some of the earliest reforms dating back to the 1980s and 1990s were introduced in Algeria and Egypt, for example, to shift SOEs away from centrally planned management towards commercially oriented entities. In a few cases, this also led to privatisation which has had varying degrees of success across the continent as SOEs continue to play an important role in most African economies even decades after those initial laws were enacted.

In recent years, several other countries have introduced more comprehensive reforms that combine institutional and legal reforms. Some have established or empowered centralised or co-ordinated ownership arrangements, reflecting a broader regional trend towards professionalising state ownership (see Table 6.5). By adopting a reformed legal framework together with a centralised or co-ordinated framework, many countries have sought to address fragmentation across their SOE portfolios and ensure better oversight, management, and performance monitoring. For example, Morocco has recently aimed to transform commercially oriented SOEs operating as statutory corporations into incorporated legal forms with the goal to increase their efficiency and exposure to market forces. Morocco's new law has also created a centralised agency tasked with managing state holdings, establishing performance contracts, and formalising governance standards. Along those lines, South Africa is considering a bill for the creation of a centralised holding company to consolidate ownership of SOEs.

Other countries, such as Côte d'Ivoire, Ghana, Kenya, Namibia, Seychelles, Tanzania, Tunisia, Uganda and Zimbabwe have enacted legal frameworks that define governance structures in terms of, among others, state representation and institutional responsibilities, functioning and composition of boards, performance frameworks, financial reporting. These frameworks focus on improving oversight, accountability, and transparency.

Together, these approaches illustrate the spectrum of legal and institutional reforms underway across the continent, ranging from legacy laws of past decades to more recent, strategic overhaul of institutional arrangements that move towards more professional and co-ordinated ownership. Regardless of the ownership model, many African countries are working to codify the state's role as an owner and to provide greater consistency and clarity to markets and stakeholders.

Table 6.3. State ownership laws in selected countries

Broad characteristics of laws relevant to state ownership in selected countries

Country	Main SOE legislation	Summary
Algeria	Law 88-01 from 1988 on public economic enterprises. Law 88-02 from 1988 on the planification of the economy.	The laws aimed to shift the focus of SOEs from playing a central role in the industrialisation efforts after independence to a more market-driven economy where SOEs create value instead of being public service providers. The laws contributed to laying the ground for a wider investment law in 2022 (Le Programme UE-OCDE sur l'Investissement en Méditerranée, 2024[9]).
Côte d'Ivoire	Framework law n°2020-886 of 2020 and Decree no.2021-29 of 2021.	The laws provide the legal framework and the rules of implementation for SOE governance. The framework law is applicable to companies in which the state holds a financial participation, including fully owned SOEs and companies with majority and minority participation. The decree provides operational rules for the implementation of the law and includes governance rules, representation of the state, performance contracts and modalities of state control.
Egypt	Law 97 of 1983 and Law 203 of 1991, amended by law 185/2020; and Law 170 of 2025.	These state ownership laws apply to a subset of Egyptian SOEs. Law 97 of 1983 was the legislation for Egypt's traditional, state-dominated public sector, governing state authorities and the companies they directly controlled under a non-commercial framework. Law 203 of 1991, amended in 2020, corporatised the majority of SOEs, subjecting them to commercial law under the management of holding companies, with the explicit purpose of preparing them for privatisation and sale to the private sector (OECD, 2024[10]). Law 170 of August 2025 repeals Art. 27 of Law 97 of 1983 that prohibited public bodies and state-owned banks from trading shares in public-sector firms except among themselves. It also mandates the creation of a dedicated unit under the Cabinet to oversee state ownership (Soliman, Hashish & Partners, 2025[11]).
Ghana	State Interests and Governance Authority Act 990 of 2019	The Act establishes Ghana's State Interests and Governance Authority (SIGA) to oversee and guide the performance of SOEs and other specified entities. While it aims to enhance accountability, efficiency, and governance across public entities, it is primarily an oversight and performance management tool rather than a strict ownership law. It does not comprehensively define the state's ownership role, rights, and responsibilities in the way a dedicated ownership policy or law would.
Kenya	State Corporations Act No 11 of 1986	Kenya's SOE sector is regulated under the State Corporations Act (Cap 446) and

Country	Main SOE legislation	Summary
	(Cap 446)	accompanying public finance rules, which provide for the establishment, board appointments, and oversight of state entities. While these laws guide the governance and creation of SOEs, they function more as administrative and regulatory frameworks rather than a dedicated ownership law that defines the state's ownership role and rights.
Morocco	Framework Law no. 50-21 of 2021	Morocco's Framework Law No. 50-21 of 2021 establishes the legal foundation for reforming SOEs by introducing a centralised and strategic approach to state ownership. It creates the National Agency for the Strategic Management of State Holdings (ANGSPE), tasked with managing public shareholdings. The law sets principles for restructuring public entities, transforming eligible enterprises into commercial companies, and formalising performance contracts and governance standards.
Namibia	The Public Enterprises Governance Act of 2019	The Act provides a legal framework for the management and oversight of SOEs. It establishes the Public Enterprises Governance Council, chaired by the President, with the authority to approve governance frameworks, performance agreements, and restructuring plans for public enterprises. The Act classifies enterprises into categories based on their commercial and non-commercial mandates and sets rules for board appointments, performance evaluations, and financial reporting. It aims to streamline oversight and define the governance responsibilities of line ministries and boards within a unified framework.
Nigeria	Public Enterprises (Privatisation and Commercialisation) Act of 1999, Ministry of Finance Incorporated (MOFI) Act of 1959, Finance Act of 2023	The Act categorises public enterprises for full or partial privatisation, or for commercialisation, where the government retains ownership, but the enterprise is expected to operate profitably. It also establishes the Bureau of Public Enterprise in charge of the privatisation and commercialisation mandate and serving as secretariat for the National Council on Privatisation. Complementarily, the MOFI Act and Finance Act authorise MOFI to exercise the state ownership rights in SOEs and provide oversight on compliance with corporate governance codes, as well as provide advisory services on value creation and financial performance improvement plans.
Seychelles	Public Enterprises Act of 2023	The Act renews the mandate of the Public Enterprise Monitoring Commission, aims to strengthen the governance framework for the oversight and monitoring of public enterprises and clarifies roles and responsibilities, including of boards and government bodies in charge of SOE oversight.
South Africa	National State Enterprises Bill (proposal)	South Africa is considering the National State Enterprises Bill, which proposes creating a centralised holding company to manage the state's interests in all SOEs. This bill aims to streamline oversight and governance by consolidating ownership under a single entity. In 2024, the Department of Public Enterprises, previously responsible for a subset of SOEs, was dissolved, with its functions transferred to the Department of Planning, Monitoring and Evaluation to support the implementation of this reform. The bill is still under parliamentary review and public consultation. The Companies Act 71 of 2008 includes references to state-owned companies, integrating SOEs in the general corporate law framework.
Tanzania	Public Corporations Act of 1992	This law provides the legal framework for the establishment, management, and oversight of public corporations. It defines the roles and responsibilities of key authorities involved in state ownership, including mechanisms for performance monitoring, financial reporting, and government oversight. The Act also outlines procedures for the restructuring or dissolution of public enterprises.
Tunisia	Law No. 89-9 of 1989 on public enterprises	The legal framework for SOEs is primarily based on Law No. 89-9 of 1989, which regulates public enterprises and establishments. This law outlines the establishment, governance, and operational guidelines for SOEs, including their financial management and reporting requirements.
Uganda	Public Enterprises Reform and Divestiture Act of 1993, amended in 2005	The Act, passed in 1993 and amended in 2005, provides the institutional framework for monitoring and managing SOEs, assigning the Ministry of Finance, Planning and Economic Development (MoFPED) the responsibility for strategic economic monitoring in relation to SOEs. It outlines operational principles, including the preparation and reporting of operational plans to MoFPED and the responsible line ministry. Additionally, the Act mandates that the boards of directors of each SOE deliver biannual reports on their operations to MoFPED and the line minister.
Zimbabwe	Public Entities Corporate Governance Act of 2018	The 2018 Act establishes a legal framework for the governance of public entities, including SOEs. It outlines principles and requirements related to accountability, transparency, and standards for boards and management of these entities.

Note: Table 2.2 provides an overview of African corporate governance legal and regulatory frameworks.

6.3.2. Ownership rationales and policies

Clearly articulated *ownership rationales* are a foundational element of sound SOE governance. They provide the basis for determining which enterprises should be under state ownership, guide decisions on resource allocation and investment priorities, and establish the criteria against which SOE performance should be evaluated. Without clear rationales, SOEs risk operating without defined purpose, making it difficult to hold them accountable or assess whether state ownership continues to serve the public interest.

Ownership rationales vary across countries and sectors. These include social, economic, and strategic objectives—such as providing public goods, addressing market failures, supporting national development goals, or managing natural monopolies. In times of crisis, like financial downturns or the Covid-19 pandemic, some governments have also acquired stakes in distressed firms to preserve jobs or financial stability, often with a view to divest once conditions stabilise. Furthermore, privatisation is relevant when the original justification for state ownership no longer holds. (OECD, 2024[12]).

In Africa, an interesting trend is the use of sectoral versus economy-wide rationales where rationales are clearly defined (Table 6.4). Economy-wide rationales involve traditional state functions such as correcting market failures or providing public goods whereas sectoral rationales refer to the development of specific sectors or achieving specific development objectives. Across selected African economies rationales vary but share some common features.

- ***Correcting market failures and provision of public goods.*** For example, Côte d'Ivoire, Egypt, Ghana, Kenya, Mauritius, and Namibia refer to providing goods and services not or insufficiently provided by private sector companies.
- ***Strategic and development policy objectives.*** For example, Egypt, Ghana, Kenya, Morocco and Namibia refer to strategic sectors, industries or assets among the justifications for state ownership.
- ***Broad development agendas.*** Mauritius, Morocco and Namibia take wider approaches with their rationales addressing continental integration, stimulation of investment and competitiveness, together with more typical rationales such as national sovereignty and balanced territorial development.
- ***Implicit or sector specific rationales.*** Algeria, Botswana, South Africa, Tunisia and Zambia have sector-specific rationales embedded in the mandates of individual SOEs.

From an investor perspective, the articulation of ownership rationales at the individual enterprise level is particularly critical for capital market development. Investors (whether potential equity shareholders or bondholders) need to understand why the state maintains ownership of a specific enterprise and what objectives it is expected to pursue. This clarity helps investors, for example, to assess the enterprise's strategic direction and evaluate potential conflicts between purely commercial and other policy objectives tasked to the SOE. Transparent, enterprise-level rationales thus reduce information asymmetry, making SOEs more attractive investment propositions and facilitating their access to capital markets—whether through equity listings, bond issuances, or private capital partnerships. For example, in the case of Sonatrach, the largest SOE in the region and fully owned by the Algerian government, the objective is to mobilise all its resources to ensure Algeria's energy security and satisfy the local hydrocarbon market (Sonatrach, 2025[13]).

Balancing economic and public interests presents unique governance challenges for SOEs, including risks of undue political interference, weak accountability, and agency problems—especially as citizens, unlike shareholders, cannot divest from underperforming or mismanaged entities. Clear and transparent ownership policies are therefore essential to define the objectives of state ownership, establish effective governance structures, and ensure accountability and public trust. An OECD report finds that half of the jurisdictions surveyed have established an overarching state ownership policy, although some countries, including in Africa, have implemented such reforms over the past year (OECD, 2024[12]).

An ownership policy is a high-level framework that sets out the state's rationales and objectives for owning SOEs. It can take the form of a single comprehensive document or be articulated across multiple sources. However, a single, concise, and high-level ownership policy offers clear advantages over fragmented approaches. When policies are scattered across sectoral policies, national plans, or statutory laws, this often leads to overlapping or conflicting objectives, unclear lines of accountability, and greater scope for undue intervention, ultimately undermining transparency, coherence, and effectiveness in SOE governance (OECD, Forthcoming[14]). Table 6.4 provides an overview of state ownership rationales and policies across selected African countries. Some common approaches include:

- ***Comprehensive ownership policies.*** Egypt, Ghana, Kenya, Morocco, Namibia, and Zambia have adopted formal policy documents that define the state's role as shareholder, set performance expectations, and outline governance responsibilities. These policies often reference the OECD SOE Guidelines and have been developed within the past two to three years. Their emergence signals a growing recognition of the need to professionalise state ownership, increase transparency, and depoliticise enterprise management.
- ***Partial or guidance-based policies.*** Mauritius relies on guidance notes within its corporate governance framework. Côte d'Ivoire provides reference texts via the Directorate General of the State Portfolio. These documents clarify some governance rules but fall short of policy frameworks.
- ***Sectorial or ad hoc approaches.*** Other countries have no single policy document guiding state ownership and have instead a patchwork of sectoral laws or governance frameworks. This fragmented approach can make it challenging to achieve coherence in ownership oversight and can complicate accountability, especially where ownership is dispersed across ministries or governmental authorities.

Clear ownership rationales and comprehensive, coherent state ownership policies can support the development of capital markets in Africa by enhancing transparency, predictability, and investor confidence. When governments clearly articulate why they own certain enterprises—whether to address market failures, provide public goods, or relate to strategic national priorities—it helps reduce uncertainty about the future role of the state in the economy. This is particularly important for potential investors considering participation in markets where SOEs operate or are partially listed. Coherent ownership policies that establish the state's role as a professional and accountable owner can also help depoliticise SOE governance, improve corporate performance, and create conditions conducive to partial privatisations, including through public listings. However, as emphasised before, clear and transparent state ownership rationales and policies are a necessary but not sufficient condition for capital market development. Other structural policies include strengthening competition frameworks and ensuring competitive neutrality between SOEs and private firms, as well as other reforms related to capital markets addressed in the rest of this report.

Table 6.4. Ownership rationales and policies in selected countries

Ownership policies or elements of ownership policies in selected countries

Country	Ownership rationales	Ownership policies
Algeria	No overall rationale. Rationales may be available for specific companies. For example, Sonatrach's website states the company is the guarantor of national energy security (Sonatrach, 2025[15]).	There is no explicit policy reflected in a unified policy document. A few laws, regulations and reforms have been enacted over the past decades with the aim to promote a more competitive economy. These include the adoption of a model of joint-stock companies (sociétés par actions) with greater autonomy. Equity funds (fonds de participation) were also created to separate the economic and political roles of the state, as well as the creation of ownership agencies such as the *Conseil national des participations de l'état* and the *Direction générale du secteur public marchand* (Le

Country	Ownership rationales	Ownership policies
		Programme UE-OCDE sur l'Investissement en Méditerranée, 2024[9]).
Botswana	No overall rationale. According to the Public Enterprises Evaluation and Privatisation Agency (PEEPA), SOEs are involved in the attainment of a mixture of social, economic, political and commercial objectives, including, among others, infrastructure development, provision of services and utilities, investment promotion, research and development, business facilitation. (OECD, 2018[16])	There is no explicit policy reflected in a unified policy document, although one was reportedly planned as of 2023 (Africa Press, 2023[17]). The priority over the past decades has been the liberalisation and privatisation of state dominated sectors, with the passing of a privatisation policy in 2000 and a privatisation master plan in 2005. However, results have been limited (International Monetary Fund, 2023[18]).
Côte d'Ivoire	General description of a state ownership rationale: a public enterprise is created to promote certain activities of general interest, with industrial and commercial orientations, not covered or insufficiently covered by the private sector or with the objective of providing non-commercial services of general interest (DGPE, 2025[19]).	There is no explicit policy reflected in a unified policy document. Several reference texts are published on the website of the General Directorate of the State's Portfolio (DGPE). (DGPE, 2025[19]).
Egypt	The State Ownership Policy of 2022 includes a section on key objectives and guidelines that outlines rationales for state ownership, including state involvement in sectors confined to the state, including sectors where the "private sector is reluctant to enter." The policy also outlines criteria for state ownership, including, among others, national security, priority technological industries and a sector's attractiveness to private investments. (Arab Republic of Egypt, 2022[20])	In December 2022, Egypt published a new State Ownership Policy, updated in August 2023, outlining a 3–5-year divestment plan. The policy explains the rationale for continued or increased state ownership in strategic sectors like food, energy, housing, transport, education, and health. While it sets a broad divestment agenda, details remain unclear regarding the number of firms to be sold, the extent of state withdrawal, applicable legal frameworks, and future ownership structures (OECD, 2024[10]).
Ghana	The State Ownership Policy of 2023 includes a section detailing the objectives and rationales for state ownership, which include correction of market failures, control of strategic national assets and sectors, and the pursuit of public policy objectives (Ministry of Finance, Republic of Ghana, 2023[21]).	The State Ownership Policy empowers the State Interests and Governance Authority (SIGA) to define the government's role as shareholder, establish performance and dividend rules, set board governance standards, and enforce transparent monitoring of all SOEs and other state entities (Ministry of Finance, Republic of Ghana, 2023[21]).
Kenya	The State Ownership Policy of 2023 puts forward rationales for the privatisation of SOEs if there is no longer a justification for their existence as an entity providing public goods and services that cannot be competitively and efficiently be provided by the market, supporting national economic and strategic interests, performing business operations in natural monopolies, and increasing access to public services, especially for unserved or underserved regions/populations (The National Treasury and Economic Planning, Government of Kenya, 2023[22])	The State Ownership Policy includes details of policy objectives, institutional arrangements and goals, accountability and transparency, privatisation, SOE creation, functioning and responsibilities of boards, and public policy obligations among others (The National Treasury and Economic Planning, Government of Kenya, 2023[22]).
Mauritius	The 2006 Guidance Notes for State-Owned Enterprises state that the rationale for state ownership of commercial enterprises is the belief that it is essential to provide important public services that would otherwise not be met from a purely financial or economic standpoint, as well as the belief in some quarters that they help to reduce inequalities and promote a fairer society (National Committee on Corporate Governance, 2006[23]).	There is no explicit policy document although there are Guidance Notes for State-Owned Enterprises as part of the Code of Corporate Governance – released in 2003, with inspiration from the G20/OECD Principles on Corporate Governance. The SOE Guidance Notes are addressed to boards of directors to introduce best practices in corporate governance (National Committee on Corporate Governance, 2006[23]).
Morocco	The strategic orientations of the state ownership policy are built around seven pillars aimed at strengthening the role of SOEs in key areas. These pillars set objectives related to national sovereignty, continental integration, stimulation of private investment, economic competitiveness, territorial equity, environmental sustainability, and exemplary governance. While they do not constitute rationales for public ownership in the strict sense, they reflect the strategic vision assigned to SOEs in supporting national and international development goals (Agence Nationale de Gestion Stratégique des Participations de l'État, 2024[24]).	A State Ownership Policy was adopted in 2024 in the context of wider reforms of public enterprises and public establishments. The policy was drafted by the National Agency for Strategic Management of State Holdings (ANGSPE) and outlines the state's role as a shareholder—focusing on optimising economic sovereignty, enhancing governance and performance of public enterprises, ensuring competitive neutrality, and promoting private-sector-led investment (Agence Nationale de Gestion Stratégique des Participations de l'État, 2024[24]).
Namibia	The Constitution (Art. 92) establishes the basis for state ownership. The State Ownership Policy establishes two	The State Ownership Policy of 2023 is a high-level policy document that aims to clarify the role of the state and

Country	Ownership rationales	Ownership policies
	predominant rationales: to facilitate economic growth beneficial to society and to facilitate economic and social national development. Other more specific rationales include correcting market failures or gaps, ensuring ownership, exploitation and management of key natural resources (mineral, marine and petroleum) and strategic infrastructure (water, electricity and transportation), the generation of direct revenue and creation of value by the state, and to safeguard national interests (Government of Namibia, 2023[25]).	professionalise it as a shareholder, to outline the rationales for owning SOEs, to define the state's and the private's sectors roles and the conditions under which the state will engage in the market, to outline the roles and responsibilities of the board and management, and to outline measures for sound financial management, social and environmental considerations and measures to prevent corruption (Government of Namibia, 2023[25]).
South Africa	No explicit ownership rationale. The proposed National State Enterprise Bill in the process of approval by the government does not include details on ownership rationales. Rationales may be available for specific companies. For example, Eskom's website indicates that its mandate is to drive commercial and socio-economic objectives, set out in the memorandum of incorporation (Eskom, 2025[26]).	There is no explicit policy reflected in an official document. Several legal and regulatory texts shape the corporate governance landscape including for SOEs and comprising the Constitution, the Public Finance Management Act, the Companies Act, and the proposed National State Enterprise Bill (OECD, Forthcoming[27]).
Tunisia	No explicit rationale. The white paper Synthesis Report on Reforming Public Enterprises in Tunisia includes diagnostic sections on the main challenges facing the SOE sector and details on the four strategic priorities for the reforms but does not provide information on rationales for owning enterprises.	A 2018 white paper Synthesis Report on Reforming Public Enterprises in Tunisia outlines the strategic pillars for SOE reform: reforming the global and internal governance systems of SOEs, promoting social dialogue, corporate social responsibility and human resource management, and financial restructuring of SOEs (Republique Tunisienne, Présidence du Gouvernement, 2018[28]).
Zambia	No explicit rationale. The Revised State-Owned Enterprise Policy 2024 includes a section on the rationale for the revision of the policy, but it does not provide details of a state ownership rationale.	A Revised State-Owned Enterprise Policy 2024 has been published by the Ministry of Finance and National Planning. It is a concise document providing diagnostics or situation analysis, vision, rationale (of the policy), guiding principles and an implementation framework. The guiding principles are based on the OECD SOE Guidelines (Ministry of Finance and National Planning, Republic of Zambia, 2024[29]).

Note: A rationale is considered explicit when it is clearly stated in one official source such as a high-level policy document or the ownership law. A rationale is implicit when is not expressed in an official source, but it can be derived from various sources including company and public administration law, sector laws, SOE statutory laws, etc.

6.3.3. Ownership arrangements

The OECD SOE Guidelines establish that the exercise of ownership rights should be clearly identified within government, whether it is located in a central ministry such as the finance or economy ministries, in a separate administrative or corporate entity, or within a specific sector ministry. The ownership function of SOEs is the entity that exercises the power, responsibility, or steering ability to appoint boards of directors; set and monitor objectives; and/or vote on the company shares on behalf of the government. Centralisation can be an effective way to clearly separate the exercise of the ownership function from other potentially conflicting activities performed by the state, particularly market regulation and policymaking. If this is not possible, relevant ownership functions should be co-ordinated by a designated body with a clear mandate to act on a whole-of-government basis (OECD, 2024[4]).

In practice, governments exercise their shareholding responsibilities in SOEs through a diverse range of institutional arrangements. These range from more centralised to less centralised structures, influenced by historical legacies, levels of institutional development and political frameworks (OECD, 2024[12]).

An "ownership entity" can be a single state ownership agency, a co-ordinating agency, a government ministry, or another public entity responsible for exercising state ownership. Ownership entities can moreover be organised into corporatised state-owned holding companies (OECD, 2024[12]).

Broadly, ownership models or arrangements can be classified into the following categories (OECD, 2024[12]):

- *Centralised ownership model*: One central decision-making body undertakes shareholding duties in all companies and organisations controlled or held, directly or indirectly, by the state. Financial targets, operational and technical issues, and performance monitoring are all the responsibility of the central body. While there are different ways of appointing board members, essential input usually comes from the central body.
- *Co-ordinating agency model*: Operates in an advisory capacity to other shareholding ministries on technical and operational issues and often their most important mandate is to monitor SOE performance. This model consists of a department with non-trivial powers over SOEs, but where ownership rights are formally exercised by other ministries or departments.
- *Dual ownership model*: Two ministries or other high-level public departments share ownership in each individual SOE. Usually, one ministry sets financial objectives (typically the ministry of finance), and another ministry (typically a sectorial one) develops and formulates policy priorities. If established with well-articulated responsibilities the dual model could strike a balance between a model in which numerous and contradictory ownership objectives result in a "passive conduct" of the ownership function and a model that allows for excessive intervention by the state
- *Twin track model*: The twin track model is a unique offshoot of centralisation but within simultaneously established "ownership systems". Two or more different government institutions exercise exclusive ownership functions on their respective portfolios of SOEs. There are two or more SOE ownership units operating simultaneously for separate sets of SOEs based on their designations
- *Dispersed ownership model*: No single institution or state actor is responsible for the ownership function. The ownership of each SOE is conducted by one line-ministry or other government institution. Various institutions are typically involved. In this case, SOEs could often be publicly perceived as an extension of the ministerial powers of the ownership ministries.

Defining with confidence the predominant ownership models in African countries would require a deeper analysis than that shown in Table 6.5, which attempts to categorise the key entity or entities involved in exercising ownership rights in each of the countries analysed. The table suggests that *dispersed ownership* is the most common approach, where ownership functions are fragmented across multiple government entities, most frequently involving a combination of line ministries, which oversee operational and sectoral policy, and the ministry of finance, which is responsible for fiscal discipline and financial oversight. A lack of co-ordination across government can lead to fragmented oversight, inconsistent governance practices, and limited strategic co-ordination. Despite having dispersed ownership frameworks, several countries have established centralised bodies aimed at providing strategic guidance on state-ownership reforms.

The second group corresponds to emerging *co-ordinating agencies* that provide policy guidance and advise on governance issues. These agencies typically do not hold direct ownership rights but aim to professionalise state ownership through monitoring, corporate governance advice, and strategic planning.

Other countries seem to be moving towards *centralisation*, establishing dedicated agencies that serve as shareholder representatives on behalf of the state. These bodies are tasked with performance monitoring, board appointments, and policy development. Others display *mixed ownership models*.

In the context of African economies, where state-owned enterprises often dominate key sectors such as extractives, energy, and infrastructure, more centralised or co-ordinated ownership models can play a crucial role in supporting the development of capital markets. When designed and implemented with integrity, accountability, and clear safeguards against undue influence, such models can help consolidate oversight, standardise governance practices, and improve transparency and performance monitoring. Without these safeguards, however, centralisation risks merely concentrating inefficiencies or even

corruption, ultimately undermining investor trust. Strong ownership arrangements, underpinned by robust checks and balances, also facilitate the consistent application of financial reporting and corporate governance standards—critical prerequisites for SOE access to equity and debt markets. In this sense, ownership reform is not only a governance imperative but also a key enabler of deeper, more dynamic capital markets across the region.

Table 6.5. Ownership arrangements

Types of ownership arrangements adopted

Country	Key ownership entity or entities	Ownership model
Algeria	Council on State Ownership (*Conseil des participations de l'État* - CPE); General Directorate of the Commercial Public Sector (*Direction Générale du secteur public marchand* - DGSPM); sectoral ministries; and state holding companies (e.g. Sonatrach, Sonelgaz, Groupe Télécom Algérie).	***Dispersed ownership*** Strategic oversight by the CPE under the chairmanship of the Prime Minister. The DGSPM is under the Ministry of Finance and in charge of monitoring SOEs; however, there is no one entity or co-ordinating body exercising the ownership functions in SOEs and line ministries are in charge of overseeing their portfolios (Le Programme UE-OCDE sur l'Investissement en Méditerranée, 2024[9]).
Botswana	Line ministries, Ministry of Finance, Public Enterprises Evaluation and Privatisation Agency (PEEPA), cabinet, etc.	***Co-ordinating agency*** Oversight by cabinet and SOE responsibility by line ministries. The PEEPA does not exercise ownership rights but rather advisory responsibilities to the government on privatisation and corporate governance of SOEs (Public Enterprises Evaluation and Privatisation Agency, 2025[30]).
Côte d'Ivoire	Directorate-General for the State Portfolio (*Direction Générale du Portefeuille de l'État - DGPE*).	***Centralised ownership*** The DGPE is under the Ministry of Heritage, State Portfolio and Public Enterprises (MPPEEP). The DGPE is responsible for co-ordinating with each SOE's board. The boards send quarterly reports to the DGPE as well as communicate their internal governance rules. The DGPE's goals include representing the state as shareholder, appointing board members, monitoring and evaluating SOE performance, undertaking performance contracts, serve as the secretariat of the State Ownership Council, etc. (Direction Générale du Portefeuille de l'État, 2025[31])
Egypt	Ministry of Public Business Sector (MPBS), military ownership, special entities such as the Suez Canal Authority, etc.	***Twin track or dispersed*** Large number of SOEs belonging to different portfolios and with oversight of different authorities (OECD, 2024[10]). This model appears more as twin track ownership entities, which oversee portfolios of SOEs simultaneously and separately from one other. The new ownership law of August 2025 mandates the creation of a new ownership unit hence the model will shift towards centralisation.
Ghana	State Interests and Governance Authority (SIGA) and sector ministries, Ministry of Finance.	***Co-ordinating agency*** SIGA acts as an advisory agency and with relevant ministries evaluates the mandates of SOEs, develops strategic plans, applies a code of corporate governance, prepares and submits to relevant ministers reports on SOE performance, advises on appointments and removals of CEOs, etc. (State Interests and Governance Authority, 2025[32])
Kenya	State Corporations Advisory Committee (SCAC), relevant line ministries, and National Treasury.	***Co-ordinating agency*** SCAC advises the president or cabinet secretaries on matters related to state corporations, including establishment, merger or dissolution, board appointments or performance, remuneration, etc. (State Corporations Advisory Committee, 2025[33])
Mauritius	Line ministries, Ministry of Finance.	***Dispersed ownership*** Various entities exercise ownership.
Morocco	National Agency for the Strategic Management of State Holdings (ANGSPE), Ministerial Council (*Conseil des ministres)*, Ministry of Finance.	***Centralised*** The ANGSPE is a centralised ownership entity exercising ownership of a significant sub-set of the commercial SOEs in

Country	Key ownership entity or entities	Ownership model
		its portfolio. The agency prepares the state ownership policy to be presented and approved by the Council of Ministers and oversees its implementation (Agence Nationale de Gestion Stratégique des Participations de l'État, 2024[24]).
Namibia	Public Enterprises Governance Council, Ministry of Finance and Public Enterprises, Department of Public Enterprises, line ministries.	***Dispersed ownership*** The SOE policy of 2023 includes a section on the governance of SOEs and roles and responsibilities. The section highlights the responsibilities of line ministries, boards and CEOs (Government of Namibia, 2023[25]).
Nigeria	Ministry of Finance.	***Centralised*** The MOFI is the manager of federal government investment interests, estates, and rights in federal SOEs. It ensures transfer of government share of earnings, board composition and selection and compliance with corporate governance standards.
Seychelles	Public Enterprise Monitoring Commission (PEMC), Ministry of Finance, National Planning and Trade, line ministries.	***Centralised ownership*** The PEMC is mandated by the 2023 Public Enterprises Act to act as a principal agent for the government as shareholder to monitor SOEs, agree on performance targets, promote SOE efficient operation, good governance, risk management, etc. (Republic of Seychelles, 2023[34]).
South Africa	Ministry for Planning, Monitoring and Evaluation, National Treasury, line ministries.	***Dispersed ownership*** With the dissolution of the Department of Public Enterprises in 2024, ownership responsibilities have been reassigned to relevant line ministries. A Presidential State-Owned Enterprises Council (PSEC) is developing a central governance framework with draft legislation introduced to create a holding company or agency (OECD, Forthcoming[27]).
Tanzania	Presidential Parastatal Sector Reform Commission, Ministry of Finance and line ministries	***Dispersed ownership*** The Public Corporations Act's part IV on accountability of public corporations mandates responsible ministers to oversee their SOEs and provide advice to the Commission on SOE restructuring, approve corporate plans, etc. (Government of Tanzania, 2002[35])
Tunisia	Ministry of Finance, line ministries.	***Dispersed ownership*** One of the objectives of the 2018 white paper Synthesis Report on Reforming Public Enterprises in Tunisia is to develop the role of the ministries in charge of sectoral policies, performance contracts and oversight, but there are no details on implementation (Republique Tunisienne, Présidence du Gouvernement, 2018[28]).
Uganda	Ministry of Finance, Planning and Economic Development (MoFPED), line ministries, government bodies and agencies.	***Dual ownership*** There is no evidence of centralisation or co-ordination. For example, according to the Public Enterprises Reform and Divestiture Act, the Minister of Finance, in consultation with the line minister, shall review the draft operating plan and send their comments on it to the board of directors concerned (Government of Uganda, 2024[36]).
Zambia	Industrial Development Corporation (IDC), Ministry of Finance and National Planning (MoFNP), line ministries.	***Co-ordinating agency*** The Revised SOE Policy 2024 outlines ownership responsibilities for the Ministry of Finance, state holding companies and line ministries (Ministry of Finance and National Planning, Republic of Zambia, 2024[29]). The IDC is an SOE under the Ministry of Finance to create and maximise long-term shareholder value as an active investor and shareholder of SOEs (Industrial Development Corporation, Zambia, 2025[37]).
Zimbabwe	Ministry of Finance and Economic Development, line ministries, Corporate Governance Unit (CGU) of the Office of the President and Cabinet, Mutapa Investment Fund.	***Co-ordinating agency*** Zimbabwe's SOEs are overseen by the Corporate Governance Unit, which is a department within the Office of the President and Cabinet, along with line ministries (Corporate Governance Unit, Zimbabwe, 2025[38]). The Mutapa Investment Fund is the

Country	Key ownership entity or entities	Ownership model
		sovereign wealth fund owning and managing shares in many major SOEs and state investments.

Note: The ownership models are based on a general assessment of the main characteristics of state ownership in each country. A more refined classification would require more in-depth information not available at the time of writing.

6.4. Key policy considerations

Clear and predictable state ownership governance frameworks enhance investor confidence by strengthening transparency, accountability and oversight, which are critical for attracting domestic and international capital. Furthermore, when SOEs operate under commercial principles and follow strong corporate governance practices, they can become viable candidates for listings or issuing corporate bonds, hence contributing to market depth, liquidity and providing new investment opportunities. Furthermore, well-defined legal and institutional environments ensure that SOEs compete fairly with private companies, fostering healthier and dynamic markets rather than crowding out private investment with inefficient, state-subsidised entities. However, those reforms are not enough to foster the development of capital markets in the region. Other structural reforms are equally necessary, including effective market regulation and enforcement, improving investor protection frameworks, developing domestic institutional investors, and ensuring macroeconomic stability. Only when these complementary measures advance alongside SOE governance reforms can capital markets become a reliable source of long-term financing and support broader economic transformation.

Stronger SOE governance frameworks can directly and indirectly contribute to capital market development in Africa. By enhancing transparency, predictability, and professionalism in state ownership, governments can improve SOE performance, help to attract investment, and create deeper and more dynamic capital markets. As analysed in Chapter 2, it is also important to strengthen the independence of boards and enhance disclosure practices regarding board composition. To this end, the following policy priorities emerge:

- African governments could improve the availability and publication of **data on SOEs**, including aggregate performance reports. Greater transparency is essential for strengthening accountability in a sector that often represents a large share of GDP and dominates key industries such as energy, transport, and finance. OECD Guidance on preparing annual SOE aggregate reports can be helpful in this regard, including by disseminating financial and non-financial information at SOE portfolios and individual SOE level as well as relevant information on policies and institutional frameworks (OECD, 2022[39]).
- Modernising state ownership **legal frameworks** can help to increase clarity, transparency, accountability and predictability for the capital market ecosystem and for the public in general. Further structural reforms would also be important for African economies seeking to broaden their capital markets and attract international investors through bond issuance or public listings.
- Governments could publish comprehensive **ownership policies** that clearly outline the overarching objectives of state ownership—whether addressing market failures, providing public goods, or safeguarding strategic sectors. Such policies should also set out ownership rationales for each individual SOE, clarifying why the state remains involved and what policy objectives are expected of it. In addition, ownership policies can establish performance expectations, define governance responsibilities, and create safeguards against undue political interference. By identifying the sectors where the state intends to maintain a long-term presence and those where capital market development could provide opportunities for future SOE listings or partial privatisations, governments enhance predictability. Clear and coherent ownership policies, backed

by both general and enterprise-specific rationales, increase transparency, depoliticise SOE governance, and strengthen investor confidence in markets where SOEs play a central role.

- Many African countries rely on dispersed **ownership models**, with responsibilities scattered across ministries and agencies. This fragmentation can stand in the way of better coherence, accountability, and strategic oversight at the portfolio-level. Moving towards more centralised or co-ordinated ownership arrangements, operating under the right conditions —whether housed in a finance ministry, an ownership agency, or another designated body—can strengthen performance monitoring, standardise governance practices, and clarify the separation of ownership, policymaking, and regulatory functions. In turn, such reforms create a more predictable and investor-friendly environment.

Well-governed SOEs are not only more efficient providers of public services; they can also become credible issuers of bonds or equities. By aligning SOE governance reforms with capital market development strategies, African governments can expand financing options, attract investors, and boost private sector growth.

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Notes

[1] State ownership refers to ownership by central and local governments, as well as indirect ownership of central and local governments via a sovereign wealth funds, public pension funds, government investment funds or financial vehicle, other SOEs, etc.

[2] A World Bank report on *the Business of the State* has used the Orbis database (see next endnote) and other sources to produce a database on SOEs globally but using a lower state ownership threshold of 10%.

[3] The analysis is based on a dataset collected using Orbis, a proprietary global database with detailed financial, ownership and corporate structure information for over 500 million companies worldwide. In addition, information on the economically most significant African companies from *The Africa Report*, a news organisation on African politics and economics, is used to complement the analysis. The Africa Report publishes an annual list of the largest 500 companies in Africa, which is constructed based on revenue data for nearly 1 300 companies from a database of 15 000 registered companies in the continent. Businesses that are legally based in the continent, including holdings and their subsidiaries, are included, with a few exceptions in the mining sector. Some family-owned groups don't produce consolidated accounts and others don't publish any accounts at all. By principle, these are left out of the ranking. The figures cover the financial year ending in late 2022 or up to June 2023. The most recent financial year within this mid-year limit is what is considered.

[4] This number may also count subsidiaries/ branches as separate legal entities. Ownership or control can be exercised by public authorities, states, and governments, including other SOEs or entities that are controlled by governments.

[5] The government directly holds 8.5% of SASOL's ordinary shares, an additional 8.5% are owned by the Industrial Development Corporation of South Africa, a fully state-owned development finance institution (SASOL, 2025[40]). State ownership summed up across multiple ownership levels amounts to at least 25% in some business branches of SASOL, especially those operating abroad.

7 Harnessing AI in Finance for Financial Inclusion in Africa

The digitalisation of financial services in Africa, including through AI tools and technologies, has the potential to yield significant benefits for individuals, businesses, and policy makers. By making service delivery more efficient and accessible, it can stimulate economic activity and foster financial inclusion, particularly through the expansion of access to formal financial services. Greater use of responsible AI in finance can support innovative financial product development and delivery, particularly for underserved or unbanked populations, while improving capital market participation and efficiency. This chapter examines the current state of AI in finance in Africa in a select group of countries, current use cases in capital markets and the broader financial sector, and related policy implications. The analysis also identifies key impediments to the broader adoption and offers strategic considerations to facilitate the broader effective deployment of AI in finance across Africa.

7.1. Introduction

This chapter analyses the use of Artificial Intelligence (AI) in finance across selected African countries.[1] It explores the level of deployment and relevant use cases, and potential to promote financial inclusion, efficiency, accessibility, and market participation. It also addresses adoption challenges and concludes with policy considerations based on OECD standards.

Key messages

- Global investment in AI continues to accelerate but Africa's share remains comparatively modest. In 2024, while global AI investment exceeded USD 100 billion, Africa saw only one notable AI deal, valued under USD 100 million, highlighting both limited investment and opportunities for growth across the continent.
- There is a marked divergence in the degree of preparedness for AI adoption across African countries. Some countries demonstrate comparatively advanced capabilities in key enablers of AI innovation, including the maturity of the technological ecosystems, digital infrastructure readiness, skilled workforces, and data availability.
- The growth of digital financial services (DFS) in Africa has expanded access to financial services for underserved populations through innovations like e-money, digital payments, crowdfunding, and tailored credit solutions. AI can further promote financial inclusion and participation in capital markets.
- A diverse range of AI use cases is emerging in the financial sector across African countries, including creditworthiness assessment, fraud detection and prevention, and customer service, all of which can advance financial inclusion. In markets with active capital markets, AI-based tools, such as robo-advisory, automated compliance, and risk management solutions, can enhance accessibility and offer tailored and cost-effective investment options.
- Despite growing interest, African countries face barriers to wider adoption of AI in financial markets. These challenges include infrastructure constraints, high implementation costs, shortages of skilled professionals, inadequate data quality and availability, heightened cyber risks, and persistent gaps in (digital) financial literacy.
- To address these challenges, several African countries have introduced national AI strategies and policies. Some of these include aspects targeting or applied to the use of AI in the finance sector, such as in Benin, Egypt, Ghana, Kenya, Mauritius, Nigeria, Rwanda, and South Africa.
- Unlocking AI's transformative potential requires investment in AI-enabling infrastructure, R&D and human capital, supported by robust regulations that balance innovation with financial consumer protection. Strengthening financial literacy across African countries is also essential to help individuals safely benefit from AI-driven financial tools and make informed decisions in capital markets.
- Enhanced regional and global collaboration, guided by international standards such as the OECD AI Principles, the G20/OECD High-Level Principles on Financial Consumer Protection and the OECD Recommendation on Financial Literacy, and engagements such as the OECD-African Union (AU) AI Dialogue are key to promoting best practices, ensuring consumer protection, fostering cross-border regulatory alignment, and mitigating associated risks.

7.2. Overview of AI in finance in Africa

Recent advances in computing technologies, mobile penetration, internet connectivity, demographics and regulatory initiatives have catalysed the global deployment of Digital Financial Services (DFS). The increasing availability of DFS, alongside traditional channels of financial intermediation, has increased the diversity and accessibility of financial services, while also powering innovations in AI. In Africa, these developments hold significant promise for enhancing financial inclusion, by supporting consumers' access to, and use of, financial products and services that meet their needs. DFS can also stimulate economic activity and foster financial innovation.

The disruptive nature of DFS has transformed financial interactions between individuals, businesses, and governments. An acceleration in worldwide adoption during the COVID-19 pandemic helped to ensure continuity of financial operations amid lockdowns (OECD, 2021[1]). Key enabling technologies include mobile platforms, cloud computing, big data, distributed ledger technologies (DLTs), and AI innovation. In Sub-Saharan Africa, the increase in the uptake of DFS has been supported by an exponential growth in the accessibility of mobile payments and related services (GSMA, 2024[2]), while in North Africa the growth has been fuelled by increased investments in technological innovation, friendly licensing regimes and innovative product and service offerings in the FinTech ecosystem (McKinsey, 2023[3]) which has also been a catalyst for advancing financial inclusion (Elouaourtia and Ibourk, 2024[4]).

DFS enables African consumers to directly interact with counterparties by eliminating or significantly reducing the need for financial intermediaries, offering consumers faster and lower-cost transactions. Businesses are able to customise service delivery, and the increased data availability enabled by DFS allows for more advanced analytical capabilities to support strategy formulation while also supporting more robust risk management frameworks. Public authorities have also benefited from DFS through the development and deployment of AI-based tools capable of reducing public revenue leakage while optimising revenue collection channels and accountability mechanisms, as well as from supervisory technology (SupTech) tools to support efficient and effective oversight (FinCoNet, 2020[5]).

The growth in DFS in Africa has enabled access to financial services by populations previously underserved, providing innovative solutions that have enhanced the economic well-being of individuals. Examples include e-money and electronic payments, crowdfunding, remittances, and bespoke digitally-enabled credit facilities supporting entrepreneurial initiatives in various economic sub-sectors.

7.2.1. Potential of AI to strengthen financial inclusion and capital market participation

Recent advances in AI within the financial sector have the potential to support financial inclusion and encourage participation in capital markets,. AI in finance can expand financial inclusion by using alternative data to assess creditworthiness, supporting access to basic financial services for members of the public with sparse financial records and other underserved groups (OECD, 2021[6]). Efficient onboarding, biometric IDs, electronic know-your-customer (KYC) systems and databases, and automated support can reduce costs and barriers to access of formal financial services, while personalisation can improve relevance and reach of financial products. The use of AI can enable businesses to compete more effectively in African and global markets through tailored financial solutions, while also mitigating challenges such as low financial inclusion, fraud risks, and disparities in financial literacy. AI-driven innovations, including algorithmic trading, robo-advisory services, and automated compliance, can enhance market efficiency, liquidity, and resilience, making financial services more accessible and commercially viable for marginalised populations.

AI innovation could also support capital market development in African countries where such activity exists, by enhancing operational efficiency and enabling proactive supervision through AI-based SupTech tools. AI applications, ranging from algorithmic trading and robo-advisory services to automated compliance,

fraud detection, and risk management, can reduce operational costs, improve market stability and liquidity, expand access to financial services for underserved populations, and widen/broaden access to capital market products through tailored, data-driven and cost-effective solutions.

Deployment of AI in finance in Africa can significantly support the continent's progress towards the aspirations set out by the African Union (AU) in the AU Agenda 2063, namely inclusive growth and sustainability; continental integration and security; good governance; people driven development; and building an effective global presence and partnerships (African Union, 2024[7]). While AI presents considerable opportunities for advancing financial sector development in Africa, its deployment warrants careful consideration due to the potential risks it may create or amplify. These include: heightened concerns around bias and discrimination; data privacy and management considerations; model and governance related concerns given the opaqueness of advanced models that increase reliance on a small number of third-party vendors for AI-related service; financial inclusion risks of manual compliance and KYC processes; and the risks of low financial literacy in the context of robo-advisors and algorithmic trading potentialities. All of these could undermine market integrity and could lead to systemic disruptions in the markets, (OECD, 2024[8]), derailing financial inclusion initiatives or advances (OECD, 2023[9]).

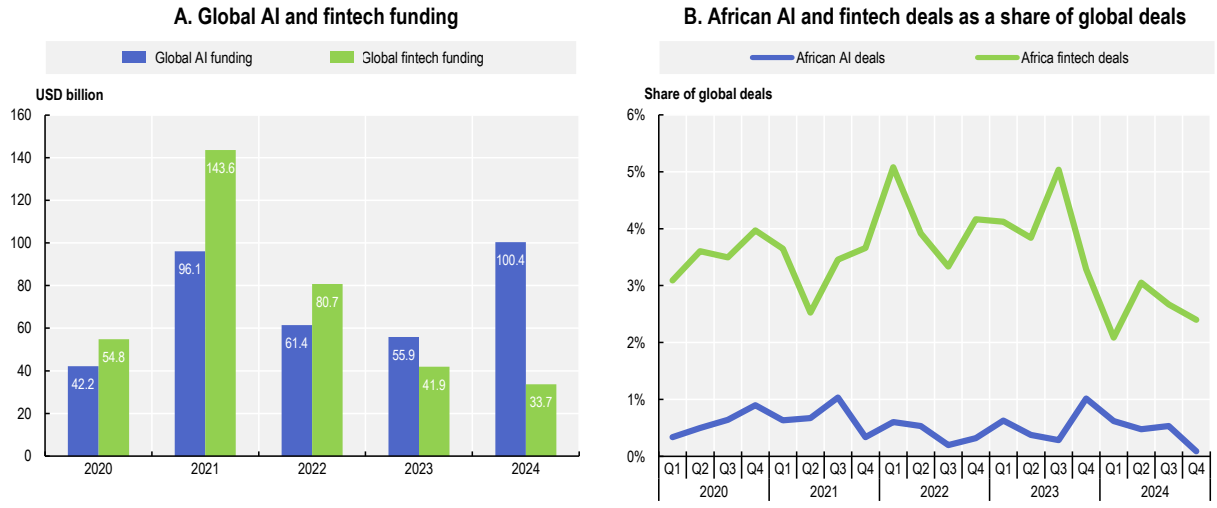
7.3. AI in finance investment trends and market potential

AI investments are continuing to expand globally, including in Africa. In the area of capital markets, AI has the potential to provide efficiency enhancements in areas such as portfolio optimisation, automated trading systems, credit risk modelling, and blockchain-enabled finance (OECD, 2021[1]).The share of global venture capital (VC) funding allocated to AI increased from 21% of all VC funding in 2023, to 37% in 2024 (CB Insights, 2025[10]). The significance of AI globally as an economic development enabler and a lever that can positively transform productivity and spur consumer activity is considerable (PWC, 2023[11]).

Across African countries, there is limited comprehensive national-level information on AI and FinTech mergers and acquisitions (M&A), or VC funding for AI. At the continental level, however, Africa had only one significant AI deal in Q4 2024, with a value of less than USD 100 million (CB Insights, 2025[10]). In the FinTech sector, Africa had only 18 deals with a total value of USD 100 million, representing a little over 2% of global deals for Q4 2024.

Trends differ between AI and FinTech investment at the global level, and at the African continent level. Globally, there has been a downward trend in FinTech funding, from a peak of USD 143.6 billion in 2021 down to USD 33.7 billion in 2024 (Figure 7.1, Panel A). Conversely, AI investments picked up in 2024, reaching a high of USD 100.4 billion. These diverging trends could be attributed to post-COVID era normalisation and a shift of funding preferences by investors towards AI. Meanwhile, African FinTech deals as a share of global deals have remained consistently higher than African AI deals as a share of global deals (Figure 7.1, Panel B). This highlights a potential for strong growth in AI funding across the continent. Multiple factors may be contributing to the financing gap, as discussed in more detail below.

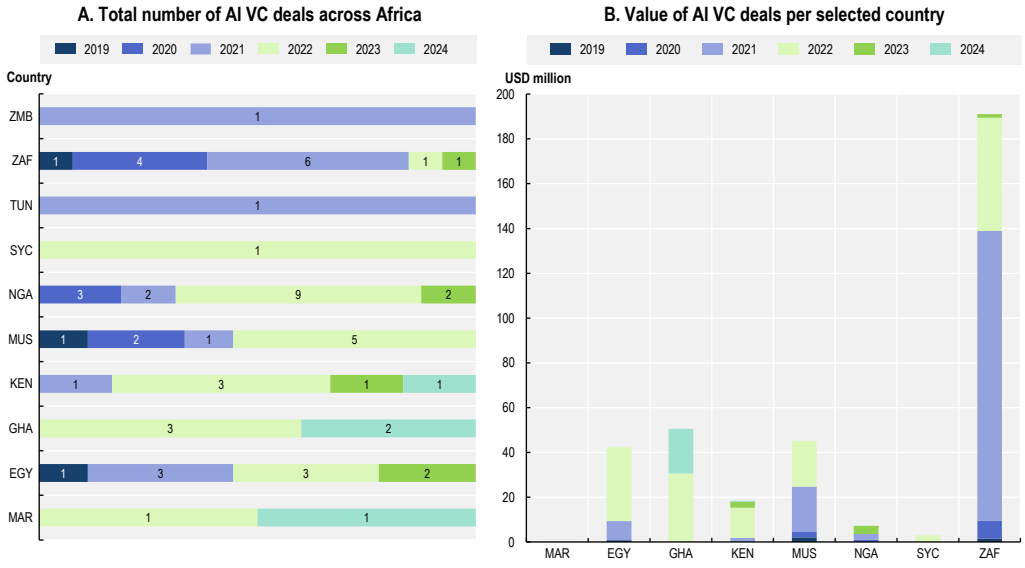
Figure 7.1. Global and African AI and FinTech financing trends, 2020-24



Note: Global AI and FinTech equity funding, deal count and percentage of global deals (2020 – 2024)
Source: CB Insights (2024) State of Venture Report, https://www.cbinsights.com/research/report/venture-trends-2024/

Among the African countries analysed in this report, South Africa received the most VC investment capital during the 2019-2024 period by value, totalling over USD 190 million, while Nigeria had the largest number of cumulative deals over the same period (Figure 7.2, Panels A and B).

Figure 7.2. Number and value of African AI deals (2019 - 2024)



Note: Based on data from the OECD AI Public Observatory
Source: OECD.AI (2025), Data from Preqin (last updated 2025-10-01), https://oecd.ai/

Despite the investment capability challenges noted above, African policymakers and the AU are progressively building the capacity necessary for successful AI deployment, in areas such as infrastructure and technological capacity, as well as AI-supportive policy formulation and strategic planning (African Union, 2024[7]). Factors such as an increase in internet penetration, digitisation and human capital skills

enhancements supported by the global knowledge economy are transforming the technological landscape in Africa and could help support finance powered by AI-solutions (African Union, 2024[12]). The African AI market is projected to reach USD 18 billion by 2031 (ESI Africa, 2024[13]).

7.4. AI readiness in Africa

Several key factors can be used to determine readiness for AI adoption in Africa. These include the maturity of the technological sector and existing or intended capacity enhancement, adaptability of infrastructure towards AI deployment, a skilled workforce with AI capabilities, and data availability and representativeness. Other factors such as public policy objectives, government vision, policy and strategy, ethical considerations, as well as fiscal capability are also important for determining AI readiness.

Based on the Oxford AI Readiness Index[2], at the end of 2024, Egypt was, amongst the countries analysed, the leader from an AI-readiness perspective, followed closely by Mauritius, South Africa and Rwanda (Oxford Insights, 2024[14]). Year on year from 2023 to 2024, Ghana improved the most in AI readiness, followed by Zambia and the Seychelles. These improvements were supported by the formalisation of strategic visions for AI deployment, issued by a number of countries as well as the AU. The AU's AI Strategy, launched in July 2024, aims to harness AI for continental prosperity and development. African countries have also been strengthening their regulatory responsiveness and preparedness for AI especially in the areas of digital security and capacity building. Vision, data availability and human capital were the leading factors underlying AI readiness among African countries included therein.

The majority of national AI strategies are focused on data protection, data privacy, automation of processes and responsible use of AI. These regulatory aspects are instrumental to advancements in the field of DFS, supplementing capital market development and optimising payment systems and financial market infrastructures (FMIs), including by enhancing existing tools and frameworks for their supervision and oversight. Since 2022, more African countries have been developing and introducing national AI strategies and policies.

Several initiatives are also underway for African countries to optimise AI-readiness, with a focus on ethical AI and AI- readiness assessment (OECD.AI, 2024[15]; 2025[16]; UNESCO, 2025[17]). Research and capacity building efforts are also being pursued in collaboration with stakeholders, for example through the establishment of centres for AI excellence and research (International Development Research Centre, 2025[18]), formalisation of data protection policies and frameworks, data literacy campaigns and infrastructure upgrades (Africa Privacy Centre, 2025[19]; European Investment Bank, 2022[20]). The financial sector should be able to positively leverage on these endeavours (African Union, 2024[7]).

7.5. AI use cases in finance that could support financial inclusion in Africa

AI use cases linked to financial services and capital market activities with a potential to promote financial inclusion have been identified across many African economies and at different stages of development, from experimentation to live adoption. These include applications in the areas of credit provision, detection and prevention of fraud, automation of customer service support functions and processes, trading and investment advisory (including customer-centric chatbots and virtual assistants). The use cases outlined below could facilitate broader access to formal financial services, promoting financial inclusion, and encourage the development of and participation in capital market products.

AI is accelerating financial inclusion in Africa (Quevedo Vega, Salman and Fernandez Vidal, 2025[21]), particularly using mobile money channels and platforms that have enabled access to financial services for previously underserved populations. AI technologies have been deployed and diffused formally though banks, insurers, microfinance institutions, as well as regulatory and supervisory institutions, and the

technologies are also being employed at the informal level through mobile money and agency-based services.

7.5.1. AI-based creditworthiness assessment

Within capital markets, AI has proven its ability to drive and support equitable and productive distribution and allocation of capital and other resources. AI can further accelerate financial inclusion by extending access to formal financial services to underserved populations through alternative data-based credit scoring (OECD, 2021[6]), lowering costs via automation in line with the AU's Digital Transformation Strategy and intensifying competition that drives innovation and outreach to lower-income segments (IMF, 2016[22]; African Union, 2015[23]).

AI-based credit scoring has been successfully implemented in several African countries, resulting in increased capital market participation and enhanced financial inclusion. In Ethiopia, more than 380 000 micro, small and medium-sized enterprises (MSMEs) were able to access capital amounting to USD 150 million through uncollateralised credit facilities driven by AI credit scoring (Kifiya, 2025[24]). In Zambia, a FinTech innovator is also employing AI-powered algorithms to provide uncollateralised credit to underbanked customers, leveraging AI to evaluate credit-worthiness by analysing data sources ranging from mobile transactions to digital footprints (Disrupt Africa, 2025[25]). In Kenya, some firms are leveraging AI to provide credit to DFS consumers as well as for debt management solutions (Fintech Magazine Africa, 2024[26]).

The integration of AI into DFS offers a strategic opportunity for policy makers and financial supervisors to further augment service delivery, improve operational efficiency, and deepen inclusion. AI-driven solutions can help governments and financial institutions to better tailor services to local needs, improve risk assessment, and support the expansion of access to credit for marginalised communities.

7.5.2. Fraud detection and prevention

AI-powered solutions have been deployed successfully across Africa to detect and prevent fraudulent transactions, and to safeguard information assets and systems (Standard Bank, 2024[27]). Across different African jurisdictions, financial sector participants are upskilling and exploring the use of algorithms and AI systems to effectively detect transactional and process-specific anomalies and to safeguard financial systems and capital market participants from threats by malicious actors (Disrupt Africa, 2025[28]). Countries that do not possess the local expertise and technical capability to build their own systems are able to leverage successfully on third party providers to provide the AI tools or the platforms to support development of systems for financial risk management (Oracle, 2018[29]; IBM, 2021[30]; CIO Africa, 2024[31]; Odufisan, Abhulimen and Ogunti, 2025[32]).

The increasing interlinkages between different payment providers and financial market infrastructures provide a unique opportunity for Africa to integrate its capital markets and also to optimise capital provisioning. This can be achieved by leveraging the accessibility of government securities to private investors, thereby providing a wider capital and investor base. AI-based solutions could enhance investors' experience, by providing constant access to information concerning the status of the investment, as well as investment education and advice.

7.5.3. Automation of customer service support functions and processes

Among financial service providers throughout Africa, chatbots and virtual assistants powered by AI have been deployed to automate customer support functions and processes. These provide access to support services even outside of ordinary working hours, thereby significantly reducing operational costs and facilitating personalised services that improve customer support and satisfaction. Analysis of consumer

data through techniques such as sentiment analysis enables the extraction of trends concerning the consumer base groups, which can inform company's strategic decision-making (VERICASH, 2024[33]; Jumo, 2025[34]; Qore, 2025[35]).

AI-powered real-time translation services can also significantly enhance customer support and process automation activities, facilitating financial information and stewardship. This use area can be particularly useful in Africa, given the multiplicity of languages and dialects (Slator, 2024[36]; Deepgram, 2024[37]).

AI technologies have been deployed with varying degrees of success through third-party applications such as WhatsApp and short messaging service (SMS) to deliver services in remote areas and on devices which possess the basic features necessary for supporting financial transactions (MTN Group, 2019[38]; Stanbic Bank Zambia, 2021[39]). This use case is not only restricted to service providers, as several African supervisors and regulators have also embraced AI-solutions. In Zambia, the central bank launched an AI-driven financial complaint reporting and management solution in 2024, which is linked to social media platforms as well as SMS (Bank of Zambia, 2023[40]). The Reserve Bank of South Africa is also exploring the use of AI in developing tools for enhanced economic forecasting (News24, 2024[41]).

7.5.4. Trading and investment advisory

In the field of trading and investment advisory, countries are employing AI differently, with different stages of deployment across the continent ranging from advanced to exploratory. In South Africa, AI-driven portfolio management and investment research are already being harnessed by asset managers (FSCA, 2024[42]). By using AI-powered predictive analytics, risks are being identified, evaluated and mitigated with more efficiency through the analysis of market trends, supporting dependable decision-making.

AI-powered trading algorithms have been integrated into stock market analysis in Kenya, assisting investors with data-analysis to support or recommend investment decisions. Startups in the Kenyan FinTech sector are leveraging AI to parse through and process unprecedented amounts of structured as well as unstructured financial data in real-time, empowering traders that had previously lacked access to gather insights that can support investment opportunities (Citizen Digital, 2025[43]).

In Nigeria, retail investors have developed a preference for AI-based investment recommendation engines, also reflected at the institutional level with the provision of personalised recommendations for investment options based on machine learning-based risk modelling. Such tools have been largely successfully deployed, supporting financial inclusion while also providing comfort and safety to individual investors on a personalised basis and thereby facilitating greater inclusivity in capital markets by expanding access to a more diverse demographic (Digital Frontiers Institute, 2025[44]).

Risk evaluation tools supported and powered by AI have been introduced in Egypt, to support more robust regulatory and supervisory frameworks by enabling regulators and supervisors to identify potential risks or frauds, proactively safeguarding payments and the underlying systems while strengthening investor confidence and market efficiency (OECD, 2024[45]; Euromoney, 2023[46]).

7.5.5. Risk management and cybersecurity in mobile banking and FinTech solutions

The Global Findex Database (World Bank, 2025[47]) demonstrates how DFS have become instrumental in advancing financial inclusion across Sub-Saharan Africa. In 2024, 58% of adults held either a formal bank account or a mobile money account, in comparison to 34% ten years earlier. This rapid growth underlines the transformative capabilities of DFS in reaching underserved populations and broadening the base of the financially included.

AI can empower individuals, firms and governments with capabilities to manage risks on a large scale by leveraging the underlying technologies in order to improve transaction security, deter fraud and potential

adverse outcomes, perform advanced analytics, streamline operations and increase accessibility of services (GSMA, 2024[2]).

Mobile banking and FinTech solutions have used AI as a foundation upon which to build an ecosystem for digital payments, making financial services more accessible and efficient (GSMA, 2025[48]). In recognition of the role that AI can play in digital transformation and financial inclusion, the AU has made AI implementation a strategic priority due to its potential to reduce poverty and support economic development (African Union, 2025[49]). The ecosystem is exposed to various risks which can undermine financial inclusion efforts and derail progress. AI deployment in financial services can mitigate these threats through automated and data driven behavioural biometric heuristics, authentication mechanisms which are adaptive and risk-based, and threat intelligence automation.

7.5.6. Data-driven policy formulation and RegTech/SupTech

AI can enable advanced analysis of structured and unstructured datasets to discover patterns, predict trends, and evaluate risks with greater precision. Predictive modelling, sentiment analysis, and geospatial mapping can help policymakers recognise underserved regions, anticipate changes in the competitive landscape, and formulate proactive interventions. Real-time oversight, scenario simulations, and adaptive feedback loops allow for agile policy changes, while alternative data sources and bias detection can support more inclusive credit provisioning and equitable financial systems.

AI-powered regulatory technology (RegTech) solutions can automate compliance for proactive compliance risk mitigation. AI-driven SupTech tools can also promote faster and more accurate risk identification and decision-making, and greater operational efficiency for financial supervisors, contributing to financial stability. The deployment of AI would therefore improve policymaking efficiency and capability, while also helping to maintain ethical standards through bias elimination and increased accountability (G20 South Africa, 2025[50]). AI in RegTech and SupTech can further support financial inclusion in the areas of safe onboarding and customised products and services.

AI solutions also could also help streamline and enhance ESG-related processes and mechanisms, such as developing measurement, monitoring and reporting metrics to support policy frameworks and databases (OECD, 2022[51]).

7.5.7. AI-powered insurance

Across Africa, insurers are also integrating AI to boost efficiency, improve operations, broaden access to services and reinforce confidence. AI and machine learning solutions have been deployed successfully to enhance motor insurance claims processing, mitigation of fraud through automated verification, customer services enhancement, and personalised service delivery (The Mail & Guardian, 2025[52]).

AI has also been adopted to analyse mobile money and health data, facilitating development of innovative and affordable microinsurance for low-income clients who were previously underserved. These examples show the move towards strategic AI adoption in Africa's insurance market to improve claims processing, personalise services, increase financial inclusion, and address fraud (Deloitte, 2023[53]).

7.6. Constraints to the wider development of AI in finance to support financial inclusion

The implementation of AI use cases in finance to support capital market development in Africa faces several key challenges, including the risks associated with the use of advanced AI tools in finance for financial consumers and markets overall. These may limit the appetite of financial service providers to

deploy such innovation, not least to prevent any reputational damage. Constraints include operational risk, cybersecurity, model biases and fraud challenges (OECD, 2024[8]).

Constraints related to the underlying infrastructure needed for digital services delivery and to institutional capacity further impede the use of AI in finance. Internet connectivity is intermittent or completely unavailable in some regions, while the steady supply of electricity is another infrastructural challenge which has critical implications for the roll-out and adoption of emergent AI technologies (World Bank, 2024[54]). Mobile connectivity is also adversely impacted by the sparsity of communication towers, which are also a target for vandalism and destruction, which perpetuates a cycle of increased investment costs. Infrastructure underpins service delivery by financial institutions and technology startups, which find it difficult to provide basic services, let alone to innovate sustainably and continuously (GSMA, 2025[48]; Developing Telecoms, 2025[55]; MTN South Africa, 2025[56]). In addition to digital infrastructure challenges, restrained institutional capacity across African nations may intensify inequalities and deter the fair distribution of the benefits of AI (IMF, 2021[57]).

The prohibitive cost of developing, testing, deploying and updating advanced models is another barrier to AI innovation in Africa. This includes cloud hosting fees, overhead integration to adapt models to local infrastructure, devices and technical standards (Kondo and Diwani, 2023[58]).

Africa further faces slow AI uptake due to a shortage of skilled professionals, despite rising interest and investment in sectors such as healthcare, agriculture and finance. Innovation is delayed and opportunities missed as education and training programmes struggle to keep pace with technology, even though the continent's young population shows great promise (SAP, 2025[59]).

Another significant constraint is the data quality and availability for AI deployment, which requires vast, scalable and energy-efficient storage for the extensive datasets which underpin modelling and processing (OECD, 2024[7]; OECD, 2021[59]). However, the majority of financial institutions in Africa are usually only able to access fragmented or incomplete data records (Osabutey and Jackson, 2024[60]), while processing capability is usually available only through third-party service providers in the AI space. The diversity of jurisdictions, and the ensuing multitude of regulatory and legal frameworks further compounds this constraint by not providing a standardised framework for data management, data privacy, and ethics in the use of AI in financial service provision (Ademuyiwa and Adeniran, 2020[61]).

Cyber risks and related costs further impede successful AI deployment in financial services (South African Reserve Bank, 2025[62]). AI-based technologies are specifically vulnerable to cyber risks and require robust mitigation measures to protect information assets and provide assurance of resiliency, reliability, adaptability and scalability. Additionally, the high costs associated with AI implementation — including infrastructure investments, talent acquisition, and software development or procurement costs — create a financial hurdle, specifically for smaller firms and startups. Constrained expertise in AI development in Africa further exacerbates and reduces the pace of progress for AI deployment in African financial services as both governments and institutions struggle to find professionals with the required skillset. This is further impacted by the migration of skilled professionals to other regions in search of well remunerated positions (Dreyer et al., 2018[63]; Sey and Mudongo, 2024[64]).

In addition to technical challenges, societal considerations can also have a negative impact on the deployment of AI solutions. Low financial and digital literacy levels affect the rate of development and deployment of AI-based technologies and the usage of AI-powered tools with confidence. Limited digital literacy may also reduce consumers' and investors' ability to use AI tools to their own benefit, understanding the opportunities and the risks (OECD, 2023[65]). Academic research suggests that in some instances, governments, regulators as well as more traditional financial institutions can be resistant to change and hesitate to embrace AI solutions due to the potential for misapplication of the technologies (Munoriyarwa, 2024[66]; Azaroual, 2024[67]; Frimpong, 2024[68]).

Addressing ethical concerns like algorithmic biases and AI-related decisions is essential to ensure fairness in financial services. This requires regulatory support, infrastructure development, education, and collaboration between financial and technology sectors to build an inclusive AI-driven financial system in Africa (Fu, Huang and Singh, 2020[69]; South African Reserve Bank, 2025[62]).

Other structural, regulatory and economic constraints to the deployment of AI in Africa are summarised in Box 7.1.

Box 7.1. Structural, regulatory, and economic constraints impeding the growth of AI investments in Africa

- ***Fragmented policy landscape***: The fragmentation of the regulatory landscape across Africa poses a challenge to potential investors. Licensing processes can be protracted and limitations in guidelines can be a deterrent for investors, due to risks related to business viability, continuity and sustainability of firms (McKinsey, 2022[70]). The AU is pursuing initiatives to harmonise policies and regulations across the continent to address this issue (African Union, 2024[7]).
- ***Infrastructure***: AI and digital finance service delivery requires reliable electricity and internet connectivity. The challenges that Africa faces due to underdeveloped infrastructure are an impediment to investors (African Development Bank Group, 2024[71]). To attract more AI investments, African infrastructure needs to be upgraded.
- ***Human capital and talent***: AI professionals in Africa are scarce, and the migration of professionals with the requisite skillset to other regions presents a significant challenge to the continent. Developing and retaining highly skilled and adequately qualified professionals in AI is a factor in the attractiveness of the continent to investors (McKinsey, 2022[70]).
- ***Political and economic stability***: The unstable political environment in some parts of the continent and the volatility of the underlying economies deters potential investors (Geda and Yimer, 2023[72]) especially for medium to long-term investments. This is also linked to the capability of firms to effectively safeguard their intellectual property rights. In an unstable political context, legal rights can be overlooked or undermined for political reasons (Svensson, 1998[73]).
- ***Financial resource constraints***: Shallow financial markets are also a factor in the low VC investments in AI and FinTech, creating an over-dependence on foreign sourced investments at the expense of domestic initiatives, which could have the potential to effectively fund AI and FinTech projects (Reuters, 2025[74]).

7.7. Key regional policy initiatives for the deployment of AI in DFS digital financial services in Africa

The Continental AI Strategy adopted by the AU in July 2024 does not include any specific provisions targeting the use of AI in the financial sector. Instead, it provides a broad framework for AI governance and adoption across multiple sectors, including agriculture, health, education, climate change, and public service delivery. The strategy emphasises the development of national AI strategies by member states, the creation of governance frameworks, and the implementation of ethical principles for AI use. It also calls for building AI capabilities in infrastructure, datasets, computing platforms, and human capital, as well as fostering research, innovation, and regional co-operation (African Union, 2024[7]).

The strategy acknowledges the transformative potential and risks of advanced AI systems, including Generative AI, which is considered a major driver of emerging risks such as misinformation, privacy

breaches, and intellectual property violations. It calls for African-led research to assess the short-, medium, and long-term risks of AI, including generative models, and recommends the adoption of ethical guidelines, transparency measures, and explainability requirements for AI systems. The strategy also promotes the establishment of regulatory sandboxes and algorithmic transparency registers to ensure responsible innovation and accountability (African Union, 2024[7]).

Several African jurisdictions are introducing regulatory measures for AI in finance, including ethical principles of fairness, accountability and transparency. Mauritius has implemented a "Robotic and AI Enabled Advisory License" to govern automated financial advice, while other countries are engaging in consultations with financial institutions to integrate AI governance into existing frameworks. These efforts aim to harmonise standards and ensure safe, inclusive adoption of AI in DFS (Quevedo Vega, Salman and Fernandez Vidal, 2025[21]).

7.8. National AI strategies, finance-specific aspects and national AI-related policies in Africa

Algeria's National AI Strategy, officially launched on December 2024, is coordinated by the AI Council and structured around six pillars: research and innovation, skills development, infrastructure and datasets, investment and ecosystem, regulations and policies, and sectoral integration (Digital Policy Alert, 2024[75]; Ministère de la Poste et des Télécommunications, 2025[76]). The strategy outlines measures such as creating a national AI fund, establishing specialised training programmes, and promoting ethical standards. AI adoption is presented as a means to reduce the digital divide and support sustainable development, focusing on policy alignment and innovation rather than detailing implementation mechanisms. The Strategy also includes initiatives including the launch of a national data centre, the creation of an AI-focused higher education institution, and the development of skills and investment frameworks. The strategy announcement didn't mention specific applications of AI in the financial sector.

Benin's National AI and Big Data Strategy (SNIAM) 2023–2027, adopted by the Ministerial Council in January 2023, aims to position the country as a regional leader in AI by 2027. The strategy is structured around four strategic guidelines: (1) consolidating the existing ecosystem and implementing high-impact AI use cases; (2) strengthening human capabilities in AI and big data management; (3) supporting research, innovation, and private sector engagement; and (4) updating the legal and regulatory framework to address governance, ethics, and liability issues. It includes 123 actions across sectors such as agriculture, healthcare, education, finance, and public administration, with a strong emphasis on infrastructure development (e.g. AI-as-a-service, data lakes), capacity building, and international co-operation. In finance, the strategy highlights AI applications for smart tax audits, fraud detection, and expenditure optimisation, aiming to improve transparency and efficiency in public finance management. The government also plans to create a controlled environment for AI experimentation, supported by the Code of Digital Affairs, and to mobilise both domestic and international funding to implement the strategy (Ministère du Numérique et de la Digitalisation, 2023[77]).

Botswana is in the process of validating its AI readiness report as part of its broader digital transformation agenda. While the government has not yet issued a dedicated AI strategy for financial services, the initiative aims to inform the development of national AI policies and frameworks grounded in ethical principles. These frameworks are expected to guide future sectoral applications, including finance, by promoting responsible AI deployment and ensuring alignment with national development priorities (Magopane, 2025[78]).

Egypt has introduced AI-related provisions in the financial sector through the 2022 Fintech Law, which regulates the use of AI in non-banking financial services and requires licensing for AI-based solutions. This law aims to foster innovation in financial technology while ensuring consumer protection and compliance

with data governance standards. Beyond finance, Egypt's National Artificial Intelligence Strategy (NAIS), launched in 2019, seeks to leverage AI for economic growth, improved public services, and sustainable development. Recent initiatives include the Egyptian Charter for Responsible AI, which promotes fairness, transparency, accountability, and human-centered values. Egypt also plays a leading role in regional and international co-operation, chairing AI working groups within the AU and the Arab League to shape common strategies and standards (OECD, 2024[45]).

Equatorial Guinea's digital transformation agenda prioritises expanding digital infrastructure, strengthening data governance, and enhancing cybersecurity as foundational steps to enable the adoption of emerging technologies, including AI. These measures are designed to create a secure and interoperable environment that supports innovation and economic diversification. The strategy does not include any policy or reference to AI in finance or general-purpose AI (World Bank, 2024[79]).

Gabon does not yet have a national AI strategy, but the government has taken steps toward its development, including the creation of a National Technical Committee on AI. Adoption of AI in the country is still at an embryonic stage, with no significant use cases in public administration and only limited applications in the private sector, such as chatbots and plagiarism detection tools. There are no specific provisions for AI in financial services, and the current legal framework focuses mainly on cybersecurity and data protection. The government recognises the need for ethical and transparent AI governance and plans to establish a national strategy that will include governance mechanisms, capacity building, and regulatory frameworks to ensure responsible AI deployment across sectors, including finance (UNESCO, 2024[80]).

Ghana's National AI Strategy (2023–2033) includes specific provisions for AI in financial services. The strategy identifies financial services as a key sector for AI adoption and promotes applications such as fraud detection, algorithmic financial planning, automated credit scoring, and insurance claims processing. It calls for public–private partnerships and pilot projects in collaboration with the Bank of Ghana to accelerate AI integration in the sector. Additionally, the strategy recommends clarifying intellectual property and data governance frameworks, implementing incentives for AI start-ups, and adapting procurement guidelines to facilitate participation of AI innovators in financial services projects. These measures are part of a broader framework of eight pillars, including data governance, digital infrastructure, and applied AI research, aimed at fostering responsible and inclusive AI adoption across Ghana's economy (Ministry of Communications and Digitalisation, 2022[81]).

Kenya's AI Strategy 2025–2030 does not include provisions specific to AI in finance. Instead, it sets out a comprehensive national framework to position Kenya as a regional leader in AI research, innovation, and adoption across multiple sectors. The strategy is structured around three pillars—AI digital infrastructure, data, and AI research and innovation—supported by enablers such as governance, talent development, investment, and ethics. It outlines measures to establish a robust data governance framework, develop AI-ready infrastructure, create AI research hubs, and implement agile legal and regulatory frameworks, including risk and safety standards. The strategy also prioritises ethical and inclusive AI development, public awareness, and partnerships to foster innovation and ensure responsible deployment of AI technologies (Government of Kenya, 2025[82]).

Mauritania's National AI Strategy (2024–2029) sets out a comprehensive framework for AI governance and development, aiming to position the country as a regional player in digital transformation. The strategy is built around five strategic priorities: (1) developing human capacities in AI and data science through training programmes and professional integration; (2) promoting research and innovation by funding universities, supporting AI entrepreneurship, and creating centres of excellence; (3) strengthening regional and international co-operation, including participation in global data governance and responsible AI initiatives; (4) establishing robust data governance for AI, focusing on secure data collection, sharing, and management; and (5) ensuring ethical and legal compliance by adopting policies aligned with data protection regulations and contributing to international standards for AI regulation. While the strategy identifies key sectors for AI application—such as health, education, agriculture, energy, and defence—it

does not outline specific provisions for AI in financial services. Instead, it emphasises creating an enabling environment through skills development, research funding, data infrastructure, and ethical governance to support AI adoption across all sectors of the economy. (The Ministry of Digital Transformation, 2024[83]).

Mauritius has developed a national AI Strategy to position AI as a key driver of economic transformation and innovation. The strategy emphasises creating an enabling ecosystem through the establishment of the Mauritius AI Council (MAIC), which will coordinate projects, monitor implementation, and advise on policy. It calls for a robust regulatory framework covering data protection, intellectual property, and ethics, alongside measures to promote open data and accountability. The government plans to incentivise AI adoption through fiscal measures such as tax credits, matching grants, and training subsidies, while also investing in talent development through specialised programmes, scholarships, and an AI campus. Although the strategy does not introduce a dedicated AI-in-finance policy, it explicitly identifies FinTech as a strategic sector, highlighting AI's role in enabling robo-advisory, fraud detection, credit scoring, regulatory compliance, and customer service automation. These initiatives aim to make Mauritius a regional FinTech hub for Africa, leveraging AI to enhance competitiveness and foster cross-border financial services (Working Group on Artificial Intelligence, 2018[84]).

Namibia is actively preparing for AI adoption but does not yet have a formal national AI strategy. The government has laid a strong foundation through policies such as the National Digital Strategy (2024–2028), the Access to Information Act (2022), and the draft Data Protection and Cybercrime Bills. These frameworks aim to enhance transparency, data governance, and cybersecurity—critical prerequisites for ethical AI deployment. Namibia's Vision 2030 and the Harambee Prosperity Plan II position ICT and AI as key enablers of economic growth and social development. Priority sectors for AI integration include agriculture, health, education, energy, water, and the emerging green hydrogen economy. In addition, the Bank of Namibia launched the AI and Robotics Accelerator (AIRA) in 2024, signalling a commitment to fostering AI applications in financial services and related sectors (UNESCO, 2025[85]).

Nigeria's NAIS recognises financial services as a priority sector for AI adoption under its pillar on Accelerating AI Adoption and Sector Transformation. The strategy calls for sector-specific AI roadmaps, including finance, to enhance efficiency, improve risk management, and expand financial inclusion. It promotes AI-driven innovations such as credit scoring, fraud detection, and personalised financial services, aiming to strengthen the digital economy and support regulatory compliance. The government plans to incentivise private sector adoption through tax breaks, innovation grants, and public-private partnerships, while ensuring ethical standards and data protection under the 2023 Data Protection Act (NCAIR, NITDA and FMCIDE, 2024[86]).

Rwanda's National AI Policy identifies banking and digital payments as one of its flagship sectors for AI adoption, aiming to enhance financial inclusion, improve risk management, and strengthen cybersecurity. The policy promotes AI-driven innovations such as fraud detection, credit scoring, and personalised financial services to support the growth of Rwanda's digital economy. To accelerate adoption, the government plans to establish regulatory sandboxes for AI solutions in financial services, develop sector-specific ethical guidelines, and incentivise private sector investment through co-investment funds and tax relief programmes. These measures aim to reduce perceived risks, encourage innovation, and ensure compliance with data protection and ethical standards. Key initiatives include creating a Responsible AI Office within the Ministry of **Information and Communication Technology (**ICT), establishing AI centres of excellence, and fostering international partnerships to align with global standards. The policy also emphasises inclusive growth, ethical AI deployment, and Rwanda's active participation in global AI governance platforms (MINICT and RURA, 2023[87]).

Senegal's NAIS, prepared under the Ministry of Communication, Telecommunications and the Digital Economy, does not set out dedicated, sector-specific legal or budgetary measures exclusively for the financial sector. It instead treats finance as one of several priority domains, while prioritising measures that are cross cutting, enabling and that enhance governance. The SNIA is organised around four strategic

orientations—human capital (training), “From lab to market”, a West-African AI hub, and “AI in trust”—with quantified training targets (c. 90 000 people by 2028), programmes to support research-to-market, infrastructure and venture support, and a national roadmap of sequenced actions. For regulation and sector oversight, the strategy proposes a guide to AI regulation; the creation of a transversal pilot/steering structure and a corps of AI experts to assist regulators; and an obligation that certain types of AI deployments perform impact assessments and promote co-operation between sectoral regulators (explicitly including finance authorities). These measures are cross-sectoral rather than finance-specific. The document also notes concrete public finance uses (for example AI to detect tax and customs fraud) and lists the regional central bank (BCEAO) among participating stakeholders. However, it states that there is no dedicated public financing instrument for AI and instead foresees support through existing/general programmes (including an AI-focused strand of the Startup Act and other generic support mechanisms) (MCTN, 2023[88]).

Sierra Leone’s National Innovation and Digital Strategy 2019–2029 provides a long-term vision for leveraging emerging technologies, including AI, to drive digital transformation. While the strategy does not specify AI applications in finance, it highlights the importance of digital identity systems, cybersecurity, and data-driven governance as enablers for innovation in financial services. The strategy also promotes ethical AI use and human-centred design principles to ensure inclusive development (Directorate of Science, 2019[89]).

South Africa’s National AI Policy Framework sets out a strategic vision to integrate AI technologies across the economy to drive growth, innovation, and social inclusion. It positions AI as a catalyst for digital transformation and inclusive development. The framework outlines strategic pillars such as talent development, digital infrastructure, research and innovation, ethical AI guidelines, data governance, privacy, and cybersecurity. It emphasises human-centered AI, fairness, transparency, and accountability, while promoting public-private partnerships and sectoral strategies in areas such as healthcare, education, and finance. Although the policy acknowledges the importance of sector-specific strategies, it does not provide detailed AI-in-finance measures at this stage (Department of Communications and Digital Technologies, 2024[90]).

Tunisia’s AI Roadmap sets out a general strategy for AI development, focusing on objectives such as raising awareness of AI opportunities and challenges, fostering AI skills, and strengthening the national AI ecosystem. The roadmap emphasises the establishment of infrastructure (including cloud and high-performance computing), adoption of data policies and open data initiatives, promotion of networking activities, and implementation of AI pilot projects in both public and private sectors. It also supports open innovation initiatives and research-to-industry projects to encourage the application of AI techniques across various domains (OECD.AI, 2025[91]).

Uganda’s Digital Transformation Roadmap 2023/2024–2027/2028 sets out a strategy to integrate digital technologies across all sectors, including financial services. While it does not provide detailed provisions for AI in finance, it prioritises digital infrastructure, cybersecurity, and data protection as prerequisites for AI adoption. The roadmap also focuses on digital upskilling, innovation ecosystems, and ethical governance to ensure inclusive and responsible AI deployment. These priorities align with Uganda’s broader goal of fostering economic growth through technology and complement earlier national strategies aimed at strengthening digital readiness and innovation capacity (Ministry of ICT and National Guidance, 2022[92]; Ministry of ICT and National Guidance, 2024[93]).

Zambia’s AI Strategy aims to integrate AI into key sectors, including financial services, as part of its broader digital transformation agenda. The strategy promotes the use of AI to enhance mobile money platforms, improve credit scoring for micro and small enterprises, and strengthen fraud detection systems. It also emphasises building infrastructure, improving data quality, and fostering partnerships to enable AI-driven financial inclusion. Ethical considerations, transparency, and capacity building are central to the strategy, ensuring responsible deployment of AI in financial ecosystems (Ministry of Technology and

Science, 2024[94]). The central bank is leveraging AI to power processes and systems ranging from eKYC based on a national digital identity system, real-time data analytics and reporting on system availability and uptime, to SupTech capabilities to enhance oversight and regulation of critical financial market infrastructures. An example of the latter is the national financial switch and the Zambia Interbank Payment and Settlement System (ZIPSS) (also known as the Real-time Gross Settlement (RTGS) system) (Bank of Zambia, 2016[95]).

Joint efforts between the government, regulatory bodies, and financial institutions include cybersecurity awareness campaigns and digital literacy programmes, aimed at fostering a secure environment for AI-driven financial services. The central bank's vision and strategy also underscores the importance of ethical AI governance and cross-sector collaboration to ensure secure and inclusive financial innovation. Broader digital financial services strategies include the National Financial Inclusion Strategy II and the Zambia Information and Communications Technology Authority ICT Innovation Programme, which promote secure and scalable AI solutions for underserved communities (ZICTA, 2025[96]).

Zimbabwe is in the process of finalising its National AI Strategy, building on the Smart Zimbabwe 2030 Master Plan and the National ICT Policy (2022–2027). The government positions AI as a key driver for inclusive growth, economic transformation, and national competitiveness. While the strategy is still under development, AI is already being applied in the financial sector, particularly in banking services for customer support, credit risk management, fraud detection, and KYC processes. The readiness assessment and national consultations emphasise the need for a comprehensive framework that harmonises existing legislation, strengthens data governance, and ensures ethical and transparent AI deployment. The government also prioritises capacity building, infrastructure development, and public-private partnerships to foster innovation and mitigate risks such as bias, privacy breaches, and cultural imposition (Tshuma, 2025[97]; UNESCO, 2025[98]).

7.9. Key policy considerations

This section presents policy considerations to support the deployment of AI technologies in the financial sector across Africa. The considerations reflect the opportunities and challenges discussed in previous sections, as well as the use cases identified across African countries. They are also informed by relevant OECD standards, in particular the OECD AI Principles (OECD, 2019[99]), the G20/OECD High-Level Principles on Financial Consumer Protection (OECD, 2022[100]) and the OECD Recommendation on Financial Literacy (OECD, 2020[101]). While there is a broad diversity in market sizes, levels of development, legal and regulatory frameworks and approaches to financial regulation across African countries, authorities may consider the following issues to ensure that AI contributes to financial market development and financial inclusion. Promoting more co-operation and collaborative approaches across borders (within the African continent as well as globally) will contribute to all the following objectives.

Attract investment in AI-enabling infrastructure: To unlock the potential of AI in DFS in Africa, infrastructure development can be pursued in tandem with efforts to attract investment as these could help finance the infrastructure itself. Reliable access to electricity, data centres, secure cloud services, and connectivity are foundational to AI deployment. Public-private partnerships and blended finance models can mobilise capital for infrastructure projects, while continental collaboration can support shared digital public goods such as secure data platforms. Investors could be invited to co-design scalable infrastructure aligned with local needs and regulatory frameworks. Establishing innovation initiatives and harmonised standards among African jurisdictions can further reduce risk and encourage investment in AI-driven financial solutions, especially where infrastructure gaps are being actively addressed. (Arias Hofman, 2023[102]; OECD, 2023[9]).

Investment in R&D, skills and capacity: African nations can prioritise building local expertise to develop, deploy, and use AI systems tailored to their financial sectors' needs. Public and private actors can engage

in education and advanced training programmes that cultivate skills in coding, data science, and AI engineering, while fostering academic research and practical innovation. Notable examples of AI research and development are already underway at institutions such as the University of Rwanda (TAIRI LAB, 2025[103]) and the Kwame Nkrumah University of Science and Technology in Ghana (RAIL, 2025[104]). Co-operative initiatives in AI R&D, such as the Apertus open source and multilingual AI model – developed jointly by Swiss academia and industry –could also be replicated by African countries, even with government participation (ETH Zurich, 2025[105]). Open weight models developed elsewhere, if adequately trained and adapted to local specificities, could be bootstrapped for initial AI development and deployment. Strengthening domestic talent pipelines could reduce reliance on imported solutions and empower African countries to shape AI technologies that reflect local needs and values, ultimately advancing financial inclusion through context-aware innovation (OECD, 2023[9]).

Strengthen regulatory and policy frameworks applicable to AI, including financial consumer protection: The application of existing financial rules may be clarified—and, where necessary, adjusted—to address challenges posed by advanced AI tools, while any gaps need to be identified and addressed accordingly. Given the continent's early-stage adoption of AI, such frameworks can be forward-looking and proportionate, enabling innovation while safeguarding financial stability and appropriate consumer protection. This also includes rules applicable to entities outside the regulatory perimeter, to target AI-driven financial services provided by non-bank financial entities or non-financial entities that fall outside traditional frameworks. To harness AI's potential for financial inclusion, especially in reaching underserved populations, regulators may consider activity-based policies where appropriate, allowing for inclusive oversight of AI-enabled services like microcredit or savings products offered via mobile platform. National AI strategies that offer a direction on AI implementation in finance, such as Ghana's and Nigeria's, are examples of adjustment of financial regulation to that end. Regulatory clarity will encourage responsible innovation while ensuring that AI applications targeting low-income users are subject to appropriate consumer protection and risk management standards (Kerse, Brix Newbury and Staschen, 2024[106]; OECD, 2023[9]).

International standards, including the OECD AI Principles and the G20/OECD High-Level Principles on Financial Consumer Protection (FCP) (OECD, 2022[100]), can serve as guidance to support such efforts, and countries could implement them as part of their national frameworks. The FCP Principles feature a cross-cutting theme on digitalisation, which highlights and underscores the importance of addressing opportunities and risks for consumers stemming from AI. FCP Principle 3 relates to Access and Inclusion, reflecting the fact that financial consumer protection is essential to meaningful financial inclusion. Principle 3 stresses that digitalisation should be leveraged to advance financial inclusion and encourages policymakers and regulators to consider financial inclusion and financial consumer protection objectives in policies or strategies relating to innovation, such as national AI strategies.

Strengthen data governance practices by model developers and deployers: Policymakers could consider establishing best practices for data quality, adequacy, representativeness, and provenance; protect privacy when consumer data are used; and verify authenticity and copyright/source attribution where applicable. Policymakers should also consider measures to increase transparency on training and input datasets (location, origin, licensing, retention), alongside feasible deletion options for prompts, other inputs, and model outputs, recognising self-training feedback loops. When private data are used, consumers should be able to opt out of their use for training, and equivalent governance standards can apply to third-party datasets and synthetic data generated from public and private sources. Principle 11 of the FCP Principles relates specifically to Protection of Consumer Data and Privacy, underscoring the need for a holistic approach. Financial sector regulators should be adequately equipped and trained to continuously oversee data and model issues related to AI (OECD, 2023[9]; South African Reserve Bank, 2025[62]).

Safeguard fairness and promote transparency in AI-driven financial services: In African financial services, ensuring fairness and preventing discrimination in AI systems is essential to building inclusive and trustworthy innovation. Principle 6 of the FCP Principles stipulates that the enhanced use of digital technology to support decision making by financial services providers should not lead to inappropriate or discriminatory outcomes for consumers. AI models must be trained on locally sourced, representative data to reflect the continent's linguistic, cultural, and socio-economic diversity, thereby reducing harmful proxy inferences and avoiding the reinforcement of systemic inequalities. Given the ethical imperative to align technology with public values and norms, safeguards could include mechanisms to prevent the inference of protected attributes, validate the relevance of input variables, and trigger mitigation and reporting protocols when risks are detected.

To complement these fairness measures, regulators may also promote transparency through clear disclosure requirements. Disclosure and transparency are addressed in FCP Principle 4, which calls for financial services providers and intermediaries to provide consumers with key information on the fundamental benefits, risks and terms of a financial product, noting that the use of digital channels may provide innovative opportunities to engage with consumers. Consumers must be informed when AI materially influences outcomes, when content is machine-generated, or when interactions involve automated systems rather than humans. Disclosure needs to be accessible and include plain-language explanations of system functionality, performance, limitations, and governance; results of internal and independent evaluations (e.g. disparity testing); and options for human engagement and informed consent. Together, these measures foster trust, accountability, and inclusive access to financial services across the continent (Ade-Ibijola and Okonkwo, 2023[107]; OECD, 2023[9]).

Strengthen financial literacy: Ensuring that AI can contribute to meaningful financial inclusion and support greater participation in capital markets also requires consumers and retail investors to be equipped with adequate knowledge and skills, not only to benefit from accessing and using digital financial products safely and in informed ways but also to successfully navigate AI tools. Greater financial literacy can also reinforce the efficacy of disclosure and transparency requirements and complement financial consumer protection. The OECD Recommendation on Financial Literacy is designed to assist governments, public authorities, and relevant stakeholders in their efforts to design, implement and evaluate financial literacy policies (OECD, 2020[101]). The Recommendation encourages governments and other stakeholders to promote the understanding of the characteristics and risks of traditional and innovative financial products and services, and to empower individuals in using them taking into account their personal situation.

Ensure a human-centric approach in AI governance and human primacy in decision-making: A human-centric approach should be promoted in AI governance where AI is used in finance, particularly for high-impact use cases such as lending, where consumer harm and exclusion risks are elevated. End-users can be clearly informed of AI involvement and retain the right to opt out, request human intervention, challenge automated decisions, and seek redress. Given the risks of opaque, imported systems to misalign with local realities, organisations must maintain human oversight and avoid over-reliance on automation. GenAI models, with their limited explainability and susceptibility to bias, misinformation, and data governance challenges, heighten the need for robust safeguards. Human primacy in decision-making, supported by transparent governance and clear accountability mechanisms, is essential to uphold trust, fairness, and contextual relevance in AI-assisted financial services across Africa (OECD, 2023[9]).

Promote safe experimentation through innovation facilitators: Innovation facilitators can play an important role in allowing safe experimentation with AI technologies, especially those that provide dedicated resources or targeted support, such as access to high-performance computing power (for example the Hong Kong GenAI sandbox), AI-ready datasets to train models (for example the Korean Innovation Hub), financial grants or access to expertise from established firms (for example the Malaysian AI Sandbox Programme in partnership with the private sector) (OECD, 2025[108]). Lessons learned and best practices stemming from innovation initiatives could be shared with regulators and, if commercially

viable, with other market participants, for AI to be implemented safely and efficiently in financial sectors of African nations.

The use of AI innovation facilitators can also foster the growth of capital markets by accelerating the adoption of AI innovation by financial market participants active in capital markets, benefiting from efficiencies and productivity gains associated with AI innovation and encouraging more dynamic and competitive capital markets. Such initiatives can also promote financial inclusion, by allowing new innovative products/services to be tested by smaller firms (e.g. FinTechs) and/or involving products and services designed for underbanked or unserved parts of the population (OECD, 2025[108]).

***Promote regional co-operation and join global AI initiatives*:** To mitigate identified risks and share best practices, efforts among governments, regulators, and international organisations can be coordinated at the regional and global levels. Such efforts can promote ethical AI adoption, capacity building, and harmonisation of standards that support sustainable financial development and capital market maturity across the continent (World Bank, 2020[109]; South African Reserve Bank, 2025[62]). In this sense, a current collaborative programme is the AI for Development (AI4D) programme, launched in Africa in 2020 to assist and fund universities and research centres experimenting with AI (International Development Research Centre and FDCO, 2025[110]; TAIRI LAB, 2025[111]). On the investment side, connecting startups and venture capital ecosystems across African and global markets can accelerate scalability and reduce duplication, while enabling cross-regional co-operation on knowledge sharing. Further, to ensure predictable funding for AI innovation, combining domestic capital with catalytic support from multilateral institutions can help mitigate volatility and sustain growth in emerging ecosystems (Arias Hofman, 2023[102]).

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Notes

[1] The report focuses on the following countries: Algeria, Benin, Botswana, Egypt, Equatorial Guinea, Gabon, Ghana, Kenya, Mauritania, Mauritius, Morocco, Namibia, Nigeria, Rwanda, Senegal, Siera Leone, South Africa, Tunisia, Uganda, Zambia and Zimbabwe.

[2] The Oxford AI Readiness Index (“Oxford Index”) uses three pillars and 10 dimensions to measure the AI readiness of countries. The pillars include government, technology sector maturity and data and infrastructure, while the dimensions include digital capacity, adaptability, size, innovation capacity, human capital, infrastructure, data availability and data representativeness.

8 The role of insurance companies and pension funds as institutional investors in African capital markets

This chapter analyses the role of African insurance companies and pension funds as key institutional investors. It first examines the insurance and pension fund markets in Africa and highlights the factors that limit their role in capital markets. It also discusses the importance of unlocking their potential for capital market development and offers key policy considerations.

Key messages

- Insurance companies and pension funds, as long-term investors, can be powerful drivers of economic growth. By pooling premiums and contributions, they can mobilise large amounts of capital, boost market liquidity, increase trading volumes, and influence pricing.
- In Africa, this potential remains largely unrealised. Insurance markets are small, as insurance penetration is only half of the global average, 3.5% of GDP as opposed to 7% globally. The value of assets managed by pension funds is also small relative to other parts of the world, equivalent to 22.6% of GDP compared to 33.9% on average globally.
- The life insurance sector, which is typically a key source of long-term investment that is critical for capital market development, is smaller than the non-life insurance sector, which usually has a shorter-term and lower risk approach to investment. Expanding life insurance markets could bring significant benefits for capital market development. Improvements in financial literacy, the introduction of innovative distribution channels, and greater efforts to leverage digital tools could all help reach new life insurance policyholders. Banks could also take a more active role in distributing life insurance products.
- Clear regulatory requirements and risk-based supervision are critical to ensuring confidence in the life insurance products that policyholders rely on for long-term security. Regulators should ensure that legal frameworks protect policyholders' interests and foster confidence in the system. International standards can provide key guidance for strengthening oversight and governance practices.
- There are a number of constraints to the growth in the value of assets managed by pensions fund. Participation in asset-backed pensions remains low due to their voluntary nature and to high levels of informality in the labour market. Introducing automatic enrolment or mandates for all workers could expand coverage. The regulatory and supervisory framework needs to be robust, transparent and clear in line with the OECD Core Principles of Private Pension Regulation.
- Most African pension funds invest heavily in government bonds, limiting their impact on capital market development. Developing stock exchanges and corporate bond markets, as suggested in chapter 2 and 3, would provide additional investment options, help diversify portfolios and channel funds toward productive sectors. Authorities could also promote private investment in infrastructure projects by encouraging the establishment of consortiums that could pool resources and overcome the size fragmentation that limits infrastructure investment.
- Finally, addressing capacity constraints such as a lack of in-house expertise is crucial. Asset managers of pension funds may lack the needed expertise to invest in complex assets or infrastructure. Authorities can help by publishing research, reports and market data, and providing clear frameworks and definitions for complex assets.

8.1. An overview of African insurance and pension fund markets

Insurance companies and pension funds can play a role in developing capital markets and fostering economic growth in Africa. Household savings can flow into capital markets directly through the purchase of financial instruments or indirectly through insurance premiums and pension contributions. Insurance companies and pension funds can create large pools of funds from the premiums and contributions they collect to invest into productive assets.

However, the small size of insurance markets and pension funds in Africa, relative to other regions, limit their potential role to support the development of capital markets. Recent estimates show that insurance companies and pension funds across Africa hold approximately USD 775 billion in assets (Africa Finance Corporation, 2025[1]), of which insurance companies held USD 320 billion and pension funds USD 455 billion. Demand for insurance products and participation in pension schemes is low, likely as a result of various factors such as the absence of mandates to save for retirement in asset-backed plans or acquire insurance, high levels of "informality",[1] low financial literacy, and limited public trust in formal financial institutions (Africa Finance Corporation, 2025[1]).

In addition, minimal investment allocations to equites, corporate bonds and alternative investments limits the contribution of insurance companies and pensions funds to capital market development. Increasing investment into long-term assets would support the development of stock exchanges and corporate bond markets and improve capital market depth. However, the asset allocation of pension funds in Africa remains concentrated in government securities. The chapter explores the reasons behind this and provides policy guidance.

8.1.1. Size of insurance and pension fund markets in African countries

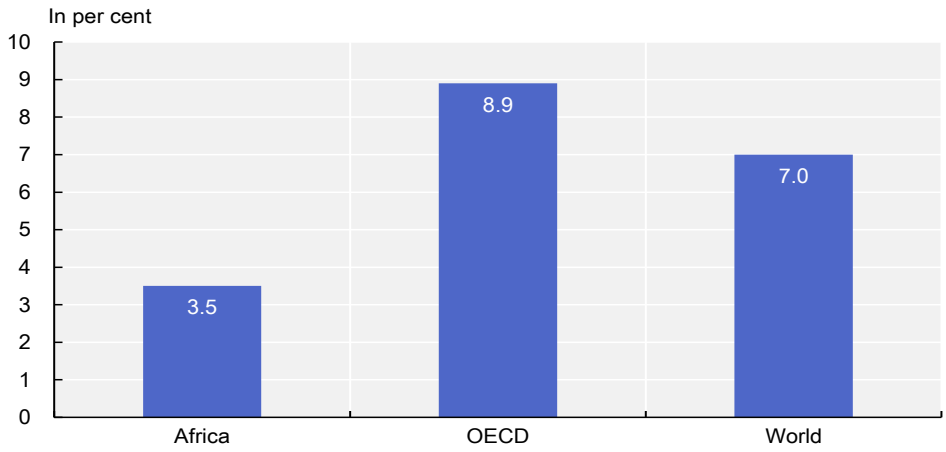
The size of insurance companies and pension funds in most African countries is small compared to global peers. This limits the funds that they could channel to capital markets and invest in productive assets.

Size of the insurance market in African countries

Insurance penetration in Africa is low relative to other regions. In Africa, the insurance penetration rate, measured as total insurance premiums written as a percentage of GDP, is half of the global average and less than half of the OECD average (Figure 8.1).[2]

Figure 8.1. Total insurance premiums as a share of GDP by region, end-2023

Insurance penetration in Africa is low compared to other regions

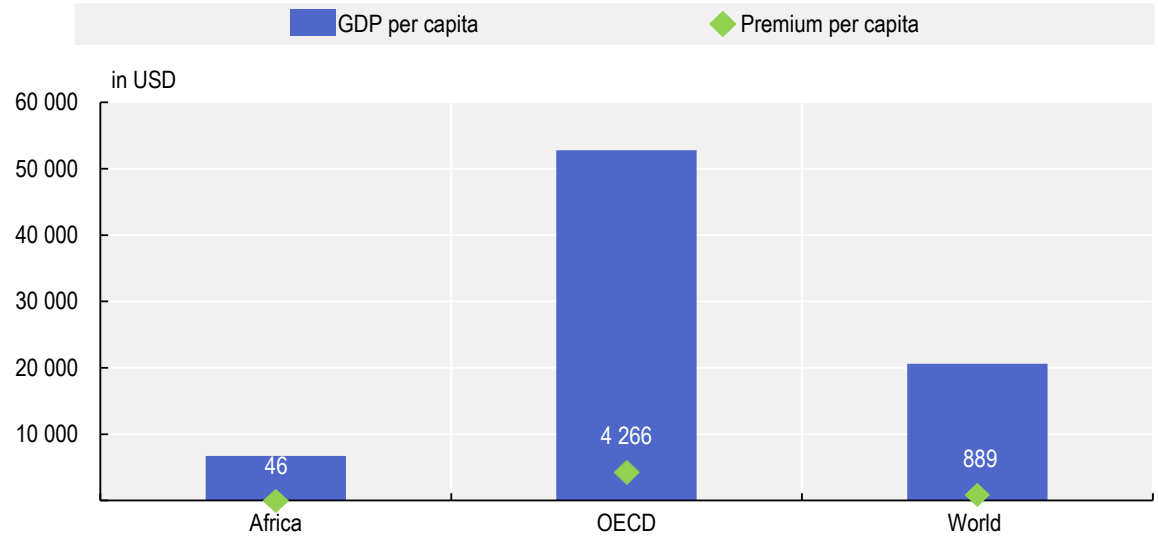


Source: Swiss Re Institute (2024[2]), *Sigma 3/2024-World insurance: strengthening global resilience with a new lease of life*, https://www.swissre.com/dam/jcr:2d26776f-20e4-4228-8ee0-97cec2ddb3c4/sri-sigma3-2024-world-insurance.pdf

The share of income spent on insurance in Africa is significantly lower than in other regions. While GDP per capita in Africa is 3 times lower than global GDP per capita, premium per capita is 19 times lower (Figure 8.2). As a result, Africa's share of the global insurance market was only 0.9% in 2023 (Swiss Re Institute, 2024[2]).

Figure 8.2. Insurance premiums per capita and GDP per capita by region, end-2023

The share of income spent on insurance (insurance density) is low in Africa

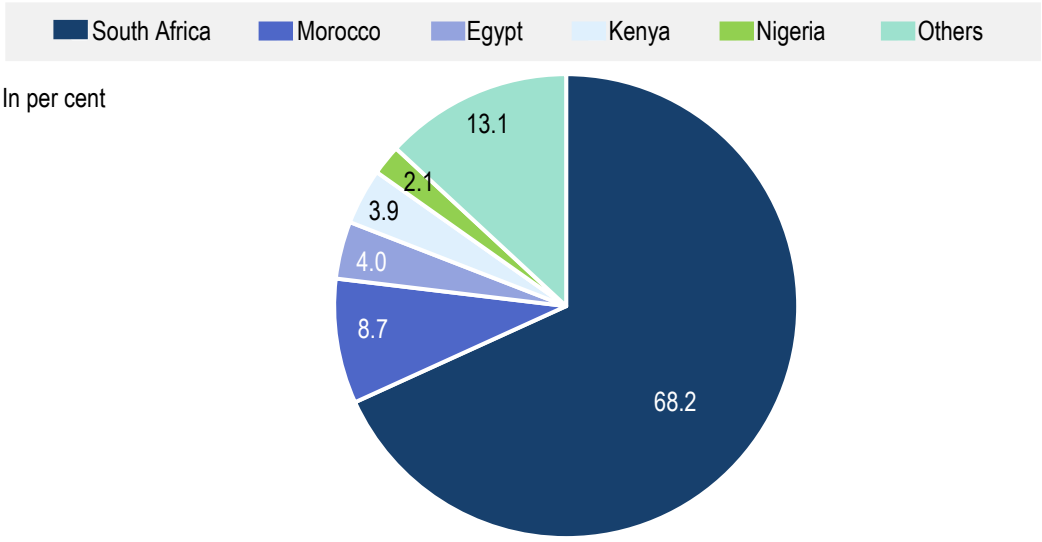


Note: GDP per capita is based on purchasing power parity (PPP) with data in constant 2021 international dollars. An international dollar has the same purchasing power over GDP as the US dollar has in the United States.
Source: Swiss Re Institute (2024[2]), *Sigma 3/2024-World insurance: strengthening global resilience with a new lease of life*, https://www.swissre.com/dam/jcr:2d26776f-20e4-4228-8ee0-97cec2ddb3c4/sri-sigma3-2024-world-insurance.pdf ; World Bank (n.d.[3]), "*GDP per capita, PPP (constant 2021 international $)*".

Insurance premiums in Africa are concentrated in a limited number of countries. Five countries (South Africa, Morocco, Egypt, Kenya and Nigeria) account for 87% of premiums, with South Africa alone accounting for more than two-thirds of collected premiums (Figure 8.3). The insurance penetration rate in South Africa at 11.5%, is significantly higher than other African countries (Figure 8.4). Morocco, Egypt and Kenya are the next largest insurance markets in Africa, although insurance penetration rates are significantly lower. Namibia has the second highest penetration rate, although its overall market weight is significantly smaller.[3]

Figure 8.3. Distribution of insurance premiums by country in Africa, end-2023

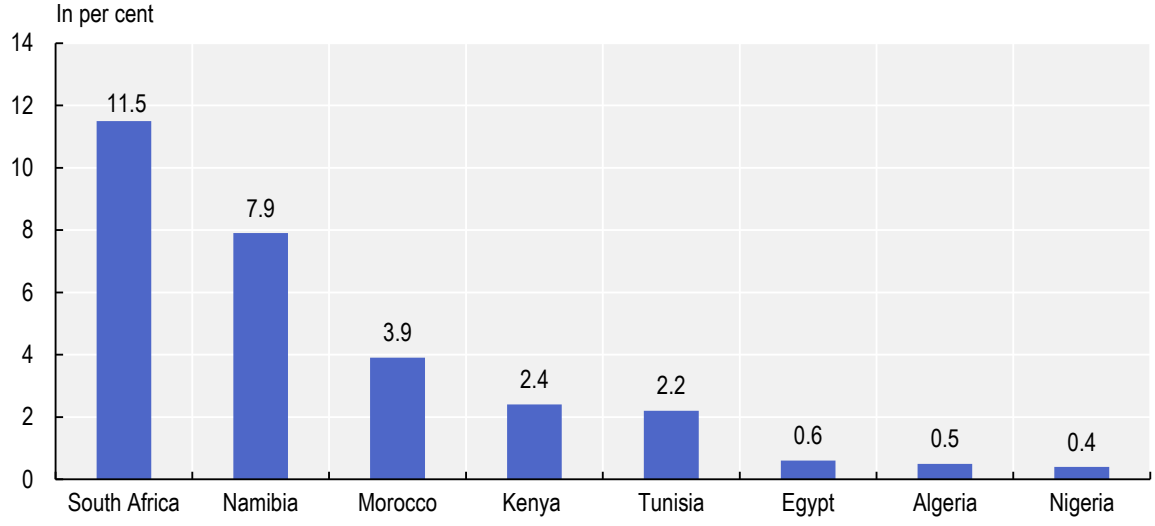
Insurance premiums in Africa are concentrated in a few countries



Source: African Insurance Organisation (2024[4]), *Annual Report 2024*, https://african-insurances.org/wp-content/uploads/2024/10/2024_AIO_e_Final1_Web-1.pdf

Figure 8.4. Total insurance premiums as a share of GDP by country, end-2023

Insurance penetration varies widely in Africa, and is highest in South Africa



Source: Swiss Re Institute (2024[2]), *Sigma 3/2024-World insurance: strengthening global resilience with a new lease of life*, https://www.swissre.com/dam/jcr:2d26776f-20e4-4228-8ee0-97cec2ddb3c4/sri-sigma3-2024-world-insurance.pdf

The non-life insurance sector dominates the insurance landscape in Africa, as in most parts of the world.[4] Non-life insurance contracts are mostly short-term contracts and therefore non-life insurers' investment allocations tend to be short-term. Life insurance contracts mostly have long-term durations and therefore life insurers will often have longer-term investment objectives that could lead to a greater contribution to

capital market development and economic growth. However, life insurance represents less than 30% of insurance policies in many African countries (Africa Finance Corporation, 2025[1]). The higher uptake of non-life insurance, including auto, health and industry insurance, is mainly due to compulsory insurance requirements (Africa Finance Corporation, 2025[1]). Overall, the life insurance penetration rate in Africa was 2.4% in 2023, below the 2.9% global average and 3.3% OECD average (Swiss Re Institute, 2024[2]).

Size of assets under management in pension funds in African countries

Pension participation is low in many African countries. As a result, the value of assets managed by pension funds is small relative to other parts of the world. Low participation mainly stems from limited income and the dominance of informal and rural employment (Africa Finance Corporation, 2025[1]). In many African countries, pension systems only cover formal sector salaried employees such as public sector and formal private sector employees, and do not comprehensively cover "informal" sector workers (APSA, 2024[5]).[1] Africa has the highest rate of informal employment in the world, at 85.3% in 2023 (ILO, n.d.[6]).

Low participation is also driven by the prevalence of voluntary, rather than mandatory, pensions schemes, as participation is lower in voluntary schemes. Voluntary occupational pension plans are the most common types of pension plans in Africa (Table 8.1) and are available in all countries except Malawi and Nigeria. Most countries also allow voluntary personal pension plans. Among countries with mandatory schemes, most implement them through occupational pension plans that are usually only available to formal employees.

Table 8.1. Types of asset-backed pension plans available in selected African countries

Countries	Mandatory occupational pension plans	Voluntary occupational pension plans	Mandatory personal pension plans	Voluntary personal pension plans
Angola		√		
Botswana		√		√
Egypt		√		
Ghana	√	√		√
Kenya		√	√	√
Lesotho	√	√		√
Malawi	√			
Mauritius		√	√	√
Morocco		√		
Mozambique		√		
Namibia		√		√
Nigeria	√		√	√
South Africa	√	√		√
Uganda	√	√		√
Zambia	√	√		√
Zimbabwe	√	√		√

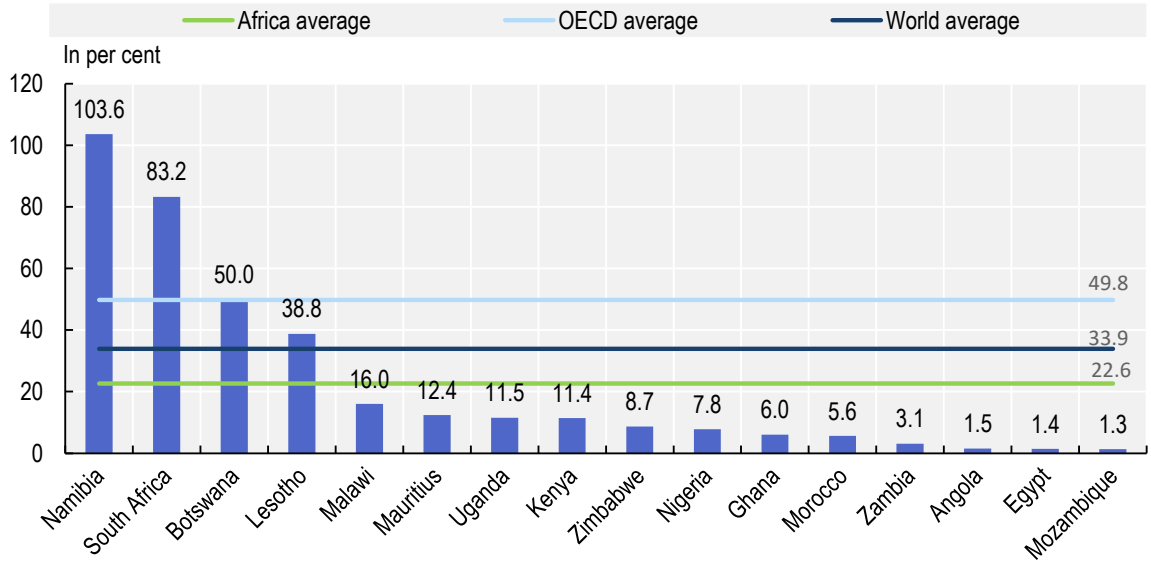
Note: Access to occupational pension plans is linked to an employment or professional relationship between the plan member and the entity that establishes the plan (the plan sponsor). Participation in mandatory occupational pension plans is mandatory for employers, while the establishment of voluntary occupational pension plans is voluntary for employers. Access to personal pension plans does not have to be linked to an employment relationship. Mandatory personal pension plans are personal plans that individuals must join or which are eligible to receive mandatory pension contributions. Participation in voluntary personal pension plans is voluntary for individuals.
Source: OECD Global Pension Statistics

The size of assets managed by pension funds in most African countries is small compared to global peers. Africa's share of global GDP based on purchasing power parity was 5.2% in 2023, while Africa's share of the global pension fund assets was lower than 1% (IMF, 2025[7]; OECD, 2025[8]). Pension funds in

Botswana, Namibia and South Africa have higher pension assets-to-GDP ratios than the OECD and global averages (Figure 8.5). However, 12 out of 16 African countries have pension assets-to-GDP ratios below the African average which was 22.6% in 2023. Pension assets-to-GDP ratios ranged from 1.3% in Mozambique to 103.6% in Namibia, highlighting the remarkable divergence across African countries.

Figure 8.5. Total assets of pension funds as a share of GDP, end-2023

The size of pension funds` assets is small in most African countries compared to global peers



Note: The data cover autonomous pension funds except in Namibia and Zimbabwe where they also include pension insurance contracts. The total assets of South African pension funds for 2023 is estimated from FSCA Report and GDP of South Africa for 2023 is retrieved from Stats SA; total assets of pension funds to GDP ratio for Uganda is retrieved from URBRA; total assets of pension funds to GDP ratio in 2023 for Zimbabwe is estimated by taking the average of previous 4 years.
Source: OECD Global Pension Statistics; FSCA (2025[10]), 2023 Retirement Funds Statistical Report, https://www.fsca.co.za/Regulated%20Entities/Regulated%20Entities%20Documents/2023%20Pensions%20Statistical%20Report.pdf; Stats SA (2023[11]), Statistical Release, Gross Domestic Product-Fourth quarter 2023, https://www.statssa.gov.za/publications/P0441/P04414thQuarter2023.pdf; URBRA (2024[12]), Retirement Benefits Sector Annual Report 2022/2023, https://urbra.go.ug/download/retirement-benefits-sector-annual-report-2022-2023/?wpdmdl=5260&refresh=6842ebdc1c7ec1749216220

8.1.2. Asset allocation of African pension funds, underlying factors and potential consequences

The contribution of insurance companies and pension funds to capital market development depends on how they allocate their investments. Examining how African pension funds allocate their assets, the factors that explain that allocation, and the potential consequences of their investment allocation, can shed light on potential policies to improve the contribution of pension funds to capital market development.[5]

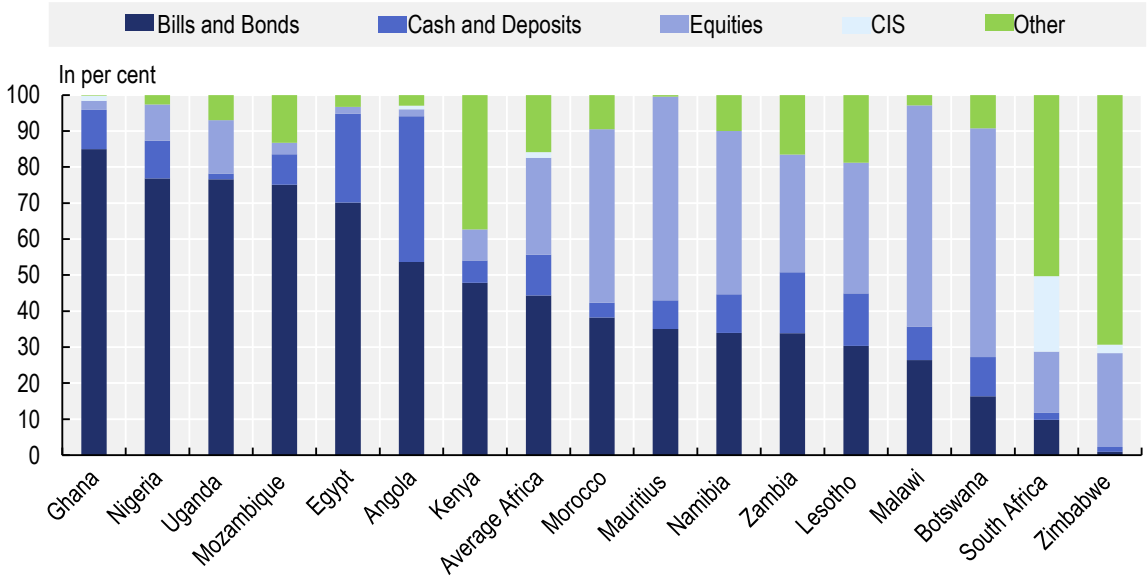
Asset allocation of African pension funds

African pension funds mainly invest in government securities which limits their role in capital market development. On average, pension funds allocated 44.4% of their investments to bills and bonds at the end of 2023, 26.9% to equities, 11.3% to cash and deposits and 15.9% to “other” assets (Figure 8.6). In Ghana, Nigeria, Uganda, Mozambique, Egypt, Angola and Kenya, the share of bills and bonds in pension funds’ portfolios was higher than the regional average. By contrast, in Botswana, Lesotho, Malawi,

Mauritius, Morocco, Namibia and Zambia, the share of equities was higher than the average. In addition, pension funds in Kenya, Lesotho, South Africa, Zambia and Zimbabwe allocated a higher share their investment to "other" assets than the regional average. Pension funds in Angola and Egypt stand out with their higher allocations to cash and deposits, at 40.4% and 24.6%, respectively.

Figure 8.6. Asset allocation of African pension funds as a share of total investment, end-2023

Pension funds in Africa mainly invest in bills and bonds



Note: The countries are ranked by their allocation to bills and bonds. CIS means Collective Investment Scheme and is shown only when the look-through is unavailable. The "other" category includes loans, land and buildings, unallocated insurance contracts, hedge funds, private equity funds, structured products, other mutual funds that are not invested in equities, bills and bonds or cash and deposits, and other investments. Data refer to 2021 for Mozambique and Uganda.
Source: OECD Global Pension Statistics

Government securities are the dominant instruments among bills and bonds in the portfolios of most African pension funds. For example, in Ghana, the share of government securities in private pension fund investments was 81% in 2023 (NPRA, 2024[9]). In Kenya, pension schemes have also invested heavily in government securities, which accounted for 47.5% of total assets under management in 2023 (RBA, 2024[10]). In Nigeria, pension funds' assets were mainly invested in Federal Government Securities, which accounted for 64.9% of total assets in 2023 (PenCom, 2024[11]). In Uganda, the investment portfolio composition of pension funds is significantly skewed towards government bonds, with more than 79% of the funds allocated to government securities in 2023 (URBRA, 2024[12]). In Zambia, the share of government securities in pension schemes' investment was almost 34% in 2023, while the share of corporate bonds was 2% (PIA, 2025[13]). Additionally, the share of government bills and bonds in the total bond investment of pension funds was 100% in Angola, 99.8% in Egypt, 94.1% in Zambia, and 93.9% in Malawi in 2023 (OECD, 2025[8]).

The role of pension funds in domestic capital markets also depends on how much they may invest domestically as opposed to abroad. While pension funds may invest abroad for reasons such as limited asset availability in domestic capital markets, and to diversify and mitigate country-specific risks, this can deprive domestic markets from needed investment.

Investing abroad can offer opportunities and present risks. Pension funds investing abroad can access broader investment opportunities to diversify their portfolio. They can invest in assets that may not be available in domestic capital markets. They can reduce the reliance on one capital market and mitigate the impact of localised risks such as macroeconomic and political instability. On the downside, investing abroad can increase currency risks and raise transaction costs, such as currency conversions and regulatory compliance expenses. It can also lead to capital flowing out of the domestic market rather than funding the local economy. Additionally, capital outflows can result in depreciation of the domestic currency due to a decline in the demand for currency. Over 60% of pension fund assets in Botswana and more than 30% in Mauritius were invested abroad in 2022, limiting pension funds' potential to support domestic capital markets and the local economy (Table 8.2).

Table 8.2. Share of pension fund assets invested abroad, end-2022

As a percentage of total investment

Countries	Investment abroad
Angola	-
Botswana	62.0
Egypt	-
Ghana	-
Kenya	0.9
Lesotho	-
Malawi	-
Mauritius	31.3
Morocco	1.1
Mozambique	-
Namibia	-
Nigeria	4.7
South Africa	-
Uganda	-
Zambia*	8.0
Zimbabwe	-

Note: Data refer to end-2023 for Zambia
Source: OECD Global Pension Statistics

Factors potentially affecting the asset allocation of African pension funds

Pension funds' decisions on how to invest depend on several factors, including market and macroeconomic conditions, political stability, and the regulatory framework. This sub-section discusses some common factors that may be affecting the asset allocation of African pension funds, although the significance of these factors is likely to vary from country to country.

Underdeveloped capital markets and limited asset availability may affect the asset allocation of African pension funds. Many stock exchanges in Africa remain small, with few listed companies and low market capitalisation (AfDB, 2023[14]; ASEA, 2022[15]). Additionally, corporate bond markets are in their infancy in many African countries and non-existent in some others (Otchere, Ofori-Sasu and Abor, 2022[16]). Among African countries, only companies in South Africa and Mauritius issued corporate bonds in 2023 (chapter 3). In addition, in many African countries, the availability of investment options in alternative assets such as infrastructure, real estate investment trusts, private equity and venture capital remain limited (IFC, AFDB, MFW4A, 2022[17]).

High yields on government securities may also have a crowding out effect in Africa. Crowding out occurs when a significant share of financial resources is directed towards a particular asset class, restricting the availability of capital for other investments. In many African countries, governments issue high-yield government bonds to meet their budgetary needs. The high yields reflect greater sovereign default risks as many African governments became more indebted in 2022 and 2023, along with growing inflation expectations (EIB, 2024[18]). However, despite these higher yields, government securities are generally considered to have relatively low default risk, which makes them a preferred asset for investors.

The availability of government bonds with longer maturities should be attractive to pension funds, given their long-term investment horizons. In most African countries, governments issue bonds with maturities longer than 10-years (Table 8.3).

Table 8.3. Amount of government bonds issued and breakdown by maturity, 2023

In USD millions and as a percentage of total issuances

Countries	Total Amount	less than 1 year	between 1 and 5 years	between 5 and 10 years	more than 10 years
Angola	9 979	0.0%	34.9%	35.1%	30.1%
Botswana	2 062	19.0%	19.0%	34.9%	27.2%
Egypt	187 292	57.8%	27.1%	8.9%	6.3%
Ghana	30 364	20.3%	28.0%	28.0%	23.7%
Kenya	35 751	15.2%	25.2%	23.6%	36.0%
Lesotho	-	-	-	-	-
Malawi	438	32.0%	56.6%	11.5%	0.0%
Mauritius	8 351	21.4%	43.5%	17.7%	17.3%
Morocco	72 737	15.3%	37.8%	22.4%	24.5%
Mozambique	900	0.0%	0.0%	100.0%	0.0%
Namibia	5 439	16.0%	34.6%	16.4%	33.1%
Nigeria	46 805	10.7%	22.4%	23.7%	43.2%
South Africa	243 670	11.8%	14.9%	25.4%	48.0%
Uganda	8 346	29.7%	23.7%	22.3%	24.3%
Zambia	8 029	39.7%	38.3%	16.9%	5.1%
Zimbabwe	-	-	-	-	-

Source: OECD Capital Market Series dataset

Political stability may have an impact on the asset allocation of African pension funds, especially when choosing between bills and bonds versus equities. Many African countries face varying degrees of political instability. In some African countries with the higher political stability indexes (reflecting greater political stability), such as Botswana, Mauritius and Namibia, pension funds have mainly invested in equities (Table 8.4). By contrast, in countries with lower political stability indexes, such as Nigeria, Mozambique and Kenya, pension funds have mainly invested in bills and bonds. However, in some countries, other factors may deter investment in bills and bonds. For example, in Zimbabwe, where political instability is high relative to other African countries, the share of bills and bonds in pension funds' portfolio is low, as pension funds have allocated 69.3% of investments to "other" assets and only 0.9% to bills and bonds. This may be due to extremely high inflation as the inflation rate in Zimbabwe was 667% in 2023 as measured by the consumer price index, the highest in the world (IMF, 2025[19]). Inflation deteriorates the real return of bills and bonds, causing investors to prefer assets that hedge against inflation such as commodities and real estate.

Table 8.4. Political stability index and asset allocation of African pension funds, end-2023

Countries	Political stability index, from highest to lowest order	Main asset in which pension funds invest
Botswana	1.04	Equities (63.5%)
Mauritius	0.78	Equities (56.6%)
Namibia	0.54	Equities (45.3%)
Zambia	0.20	Bills and Bonds (33.8%); Equities (32.7%)
Ghana	-0.02	Bills and Bonds (85.0%)
Malawi	-0.24	Equities (61.4%)
Lesotho	-0.31	Equities (36.3%)
Angola	-0.34	Bills and Bonds (53.6%)
Morocco	-0.37	Equities (48.2%)
South Africa	-0.67	Other (50.3%)
Uganda	-0.70	Bills and Bonds (76.6%)
Egypt	-0.87	Bills and Bonds (70.1%)
Zimbabwe	-0.93	Other (69.3%)
Kenya	-0.94	Bills and Bonds (47.8%)
Mozambique	-1.27	Bills and Bonds (75.1%)
Nigeria	-1.77	Bills and Bonds (76.9%)
African Countries Average-16 Countries	-0.37	
World Average-205 Countries	-0.03	

Note: Political Stability and Absence of Violence/Terrorism measures perceptions of the likelihood of political instability and/or politically motivated violence, including terrorism. Estimate gives the country's score on the aggregate indicator, in units of a standard normal distribution, i.e. ranging from approximately -2.5 to 2.5. The highest value was in Cayman Islands: 1.63 points and the lowest value was in Syria: -2.75 points. Pension fund asset allocation data for Mozambique and Uganda refer to 2021.
Source: OECD Global Pension Statistics; World Bank (2025[20]), *Political Stability and Absence of Violence/Terrorism: Estimate*, https://data.worldbank.org/indicator/PV.EST?most_recent_value_desc=false

Regulatory constraints on offshore investments may affect the asset allocation of pension funds. Many African countries implement restrictions on foreign investments (OECD, 2025[21]). For instance, Ghana applies a separate 5% limit on foreign investment into equities, corporate bonds and private investment funds. In Egypt, pension funds are not allowed to invest in foreign assets. In Mauritius, there is a 10% limit per issuer applied to foreign listed private sector bonds and a 5% limit per issuer for foreign unlisted private sector bonds. In Mozambique, investments in assets located abroad is limited to a maximum of 10% of the pension funds' assets. Uganda prohibits investment of retirement benefits scheme funds outside East Africa. Consequently, restrictions on offshore investments, coupled with the limited asset availability in domestic markets, could force pension funds to invest heavily in domestic government securities.

Portfolio ceilings or floors on the investment of pension funds by broad asset classes do not seem to have a significant impact on the asset allocation of pension funds in most African countries. Investment in equities is well below its investment limit, except in Nigeria. Additionally, most countries do not impose investment floors for bills and bonds, except in Egypt (Table 8.5).

Table 8.5. Comparison of investments and investment limits for equities and bills and bonds in African countries, end-2023

Countries	Share of bills and bonds (%)	Share of equities (%)	Investment limits on equities and bills and bonds
Angola	53.6	2.0	-Equities: Max 50% -Public bills and bonds: Max 70% -Private bills and bonds: Max 60%

Countries	Share of bills and bonds (%)	Share of equities (%)	Investment limits on equities and bills and bonds
Egypt	70.1	2.0	-Equities: max 15% -Public bills and bonds: Min 15%, Max 70% -Private bills and bonds: Max 15%
Ghana	85.0	2.5	-Equities: Max 20% -Public bills and bonds: Max 75% -Private bills and bonds: Max 35%
Kenya	47.8	8.6	-Equities: Max 70% (listed) and Max 5% (unlisted) -Public bills and bonds: Max 90% -Private bills and bonds: Max 20%
Mozambique*	75.1	3.2	-Equities: Max 40% -Public bills and bonds: Max 100% -Private bills and bonds: Max 60%
Nigeria	76.9	10	-Equities: Max between 5%-30% depending on scheme -Public bills and bonds: Max between 70%-100% depending on scheme -Private bills and bonds: Max between 35%-45% depending on scheme
Uganda	76.6	14.8	-Equities: Max 70% -Public bills and bonds: Max 80% -Private bills and bonds: Max 30%

Note: The table presents the countries with a share of bills and bonds in pension funds' portfolios higher than the average across African countries. The OECD Annual Survey of Investment Regulation of Pension Providers 2023 is used as the basis for investment limits. For countries where the information is missing in 2023, marked with "*", the 2025 edition of the survey is used. For Angola, the source for the limit on equities is the Angolan Insurance Regulation and Supervision Agency (ARSEG).
Source: OECD Global Pension Statistics; OECD (2023[22]), *Annual Survey of Investment Regulation of Pension Providers 2023*, https://www.oecd.org/content/dam/oecd/en/topics/policy-sub-issues/asset-backed-pensions/2023-Survey-Investment-Regulation-Pension-Providers.pdf; OECD (2025[21]), *Annual Survey of Investment Regulation of Pension Providers 2025,* https://www.oecd.org/content/dam/oecd/en/topics/policy-sub-issues/asset-backed-pensions/2025-Annual-Survey-of-Investment-Regulation-of-Pension-Providers.pdf

Additionally, limits on investment in domestic alternative assets such as real estate, private investment funds, and loans, also seem non-binding in most African countries.[6] In Angola, Egypt, Ghana, Lesotho, Malawi, Mauritius and Mozambique, either no limits are imposed on domestic alternative assets, or, when there are limits, the allocation to these assets is well below the imposed limits (Table 8.6).

Imposed limits on investments in domestic alternative assets may be more of a constraint on investment in some types of alternative assets than others. In Botswana, Morocco, Namibia, Uganda and Zambia, investment in some types of domestic alternative assets is either not allowed or limited and portfolio allocations are close to the imposed limit for that asset. However, there is scope to invest more into other domestic alternative assets. For instance, pension funds are not allowed to invest in loans in Uganda, although pension funds could invest more in real estate. By contrast, in some other African countries such as Kenya, South Africa, Zimbabwe and Nigeria, investment limits may be a constraint on pension funds ability to invest in domestic alternative assets as the portfolio allocation is close to the imposed limits.

Table 8.6. Impact of investment limits for domestic alternative assets in African countries, end-2023

Countries	Share of alternative asset (%)	Limits for domestic alternative assets (real estate, private investment funds and loans)
Limits are not binding		
Angola	2.9	40% limit for RE, 30% limit for PIF, 40% limit for loans
Egypt	3.3	10% direct limit for RE,10% limit for mortgage investment funds, 15% limit for PIF, 25% limit for loans
Ghana	0.2	10% limit for RE, 15% limit for PIF

Countries	Share of alternative asset (%)	Limits for domestic alternative assets (real estate, private investment funds and loans)
Lesotho*	18.8	25% limit for investment in immovable property, 100% limit for PIF under some conditions, 100% or 75% limit for loans varying per issuer
Malawi	2.9	100% direct limit for RE, 100% direct limit for PIF, 100% direct limit for loans
Mauritius	0.5	no specific limit for RE and PIF, 55% total exposure limit for loans
Mozambique*	13.3	50% total exposure limit for RE, 50% limit for PIF, 50% total exposure limit for loans
Limits might be binding for some alternative assets, but not binding in overall for alternative assets		
Botswana	9.2	25% limit for RE, 5% limit for private equity, 0% limit for loans
Morocco	9.5	15% limit for RE, 5% limit for loans
Namibia	10.0	25% direct limit for RE, unlisted debt or equity exposure limit = between 1.75% and 3.5%, 25% direct limit for loans
Uganda	7.0	30% direct limit for RE, 15% direct limit for PIF, loans are not allowed
Zambia	16.5	40% limit for RE, 15% limit for PIF, loans are not allowed without Authority`s approval
Limits might be binding		
Kenya	37.3	30% limit for immovable property in Kenya, 30% for REITS, 10% limit for PIF, 0% limit for loans
South Africa*	50.3	25% or 15% limits for various real estate assets, 10% limit for hedge funds, 15% limit for private equity, 45% limit for infrastructure assets, 5% limit for investment into a participating employer of the fund
Zimbabwe	69.3	40% limit for real estate, 15% limit for private investment funds, 10% limit for loans
Nigeria	2.6	Real estate (direct) and loans (direct) are not allowed; 0% to 10% limit for PIF depending on the plan

Note: "RE" refers to Real Estate, "PIF" refers to Private Investment Funds, "REIT" refers to Real Estate Investment Trust. The OECD Annual Survey of Investment Regulation of Pension Providers 2023 is used as the basis for investment limits. For countries where the information is missing in 2023, marked with "*", the 2025 edition of the survey is used. For Zimbabwe, the source for the limit on loans is the Insurance and Pensions Commission of Zimbabwe.
Source: OECD Global Pension Statistics; OECD (2023[22]), *Annual Survey of Investment Regulation of Pension Providers 2023*, https://www.oecd.org/content/dam/oecd/en/topics/policy-sub-issues/asset-backed-pensions/2023-Survey-Investment-Regulation-Pension-Providers.pdf ; *OECD* (2025[21]), *Annual Survey of Investment Regulation of Pension Providers 2025,* https://www.oecd.org/content/dam/oecd/en/topics/policy-sub-issues/asset-backed-pensions/2025-Annual-Survey-of-Investment-Regulation-of-Pension-Providers.pdf

The size of pension funds may also affect their asset allocation. African pension funds are relatively small and pension markets are often fragmented (IFC, 2023[23]). For instance, there were 4 904 pension funds in South Africa (FSCA, 2025[24]), 1 027 in Kenya (RBA, 2023[25]) and 215 in Ghana (NPRA, 2024[9]) in 2023. Fragmentation may lead to limited investment opportunities for small funds as they lack the scale needed to invest in large projects such as infrastructure.

Lack of in-house expertise may also affect the asset allocation of African pension funds. Alternative investments such as real estate, infrastructure, private equity and private debt usually involve more complex financial structures than traditional investments and investing in these assets requires specialised knowledge (CFA Institute, n.d.[26]) and investment teams. Many pension funds do not possess the technical knowledge required to evaluate project risk, perform due diligence, or assess investments in infrastructure and private markets (Africa Finance Corporation, 2025[1]). This could limit their ability to invest in these assets. For instance, one of the largest South African pension funds has noted that many local funds continue to exhibit a limited interest in alternative investments like private equity because they do not fully understand the asset class and are adverse to the perceived risks of illiquidity with limited returns in the initial phases (IFC, AFDB, MFW4A, 2022[17]).

Potential consequences of the asset allocation of African pension funds

The impact of African pension funds investing in government bonds, on the economy varies depending on the use of those funds. Investing in government bonds provides governments with access to capital for

financing their various expenditures. If governments use this capital for long-term investments, such as financing infrastructure, it could lead to an increase in productivity. However, if governments use this capital for current expenditures such as salaries of public sector workers or utility costs, it could limit pension funds' potential to support the financing of productive activities.

The asset allocation of pension funds may also pose a risk to future retirement income adequacy. Heavy reliance on government bonds may lead to vulnerability to inflation and interest-rate hikes. In 2022, 10 out of 12 countries had negative real investment returns (Table 8.7).[7] In 2023, pension funds in Angola, Egypt and Nigeria, where more than half of pension fund's assets are allocated to bills and bonds, faced negative real returns (OECD, 2025[8]). Negative real returns may reduce the amount of money retirees accumulate to finance retirement.

Table 8.7. Annual real investment rates of return of pension funds

In per cent

Countries	2019	2020	2021	2022	2023
Angola	-9.7	-16.1	-15.0	-4.3	-8.8
Botswana	5.7	-1.3	5.9	-6.1	-
Egypt	5.8	8.4	5.8	-8.3	-17.4
Ghana	-	-	-9.8	-22.7	2.7
Kenya	-	0.6	2.9	-5.9	-2.0
Lesotho	-	-	-	3.5	-
Malawi	1.3	5.1	6.7	-4.7	2.7
Mauritius	-	-	-	-	-
Morocco	-	-	1.7	-6.3	1.5
Mozambique	9.2	-	-	-	-
Namibia	-	4.3	11.9	-7.2	8.7
Nigeria	-0.5	2.2	-8.2	-10.8	-10.8
South Africa	1.2	-2.9	9.5	-	-
Uganda	5.2	10.3	11.1	-	-
Zambia	-1.5	-4.9	0.0	2.5	9.8
Zimbabwe	-	-	-19.2	-26.7	-

Source: OECD Global Pension Statistics

8.2. The importance of unlocking the potential of insurance companies and pension funds to capital market development

As institutional investors, insurance companies and pension funds can play an important role in boosting capital markets and in increasing innovation and productivity in Africa.

- First, they can serve as catalysts for the development of stock exchanges and corporate bond markets. Many stock exchanges are underdeveloped in Africa, (AfDB, 2023[14]), while corporate bond markets are non-existent or in their infancy (Otchere, Ofori-Sasu and Abor, 2022[16]). As large investors, insurance companies and pension funds could provide a critical source of demand for corporate bond issuances or initial public offerings and incentive companies to seek capital market funding. Additionally, they could also contribute to the development of stock and corporate bond markets through improved corporate governance. For instance, when they invest in equities as large shareholders, they could campaign for better management practices, performance, accountability and transparency. Increased accountability and transparency will enhance trust in companies, making investors more willing to invest in bonds and equities.

- Second, institutional investors can improve the depth of African capital markets, which is limited in most markets. Equity markets are mostly small, with low liquidity and few listed securities, while bond markets face low liquidity and limited benchmarks for pricing securities (IFC, 2024[27]). If insurance companies and pension funds were to grow in Africa and invest in domestic capital markets, they could boost trading volumes and market liquidity. This could also lead to improvements in price benchmarking and a reduction in transaction costs.
- Third, a stronger institutional investment ecosystem will increase the strength of the financial system more broadly in Africa. In contrast to short-term investors, insurance companies and pension funds with their long-term liabilities and investment horizons can hold assets for extended periods. If insurance companies and pension funds in Africa invest in long-term assets, they could increase stability in capital markets, enhancing investor confidence and the resilience of the financial system.
- Fourth, institutional investors can help in addressing Africa's infrastructure gap. Africa has a large infrastructure financing gap, estimated at USD 130 –170 billion a year (IFC, AFDB, MFW4A, 2022[17]). Many African countries face a wide range of infrastructure challenges that impede economic growth, service delivery, and overall development. These challenges include a lack of affordable housing, inadequate transportation systems, energy deficits and limited digital infrastructure. If insurance companies and pension funds invested more in infrastructure, either directly or through an infrastructure fund, they could help reduce Africa's infrastructure gap.
- Through a greater role in capital markets, institutional investors could also increase Africa's resilience to climate-related hazards and help close the energy gap while maximising risk-adjusted returns. Climate-related hazards such as floods, storms, wildfires and drought are severe in Africa (WMO, 2022[28]). They directly affected more than 110 million people, resulting in around 5 000 fatalities, and caused a total of over USD 8.5 billion in economic damages in 2022 (WMO, 2022[28]). Moreover, the International Energy Agency estimates that 600 million people throughout the continent lack access to energy, which is nearly half of the total population (World Economic Forum, 2023[29]). By 2050, Africa's population is expected to double and there is a need to step up energy efficiency measures and renewable capacity (World Economic Forum, 2023[29]). It is also estimated that Africa may need USD 2.5 trillion climate finance between 2020 and 2030, or USD 250 billion each year on average (Climate Policy Initiative, 2022[30]).
- Finally, a greater role for institutional investors in African capital markets would help foster entrepreneurship and innovation. In Africa, entrepreneurs often encounter financial challenges that hinder business start-up and innovations. For instance, the cost of starting a new enterprise in Africa is on average around 120% of annual income per capita, compared to around 50% globally and less than 1% in North America (Assenova and Agarwal, 2023[31]). As a result, new enterprise creation is out of reach for large sections of African populations (Assenova and Agarwal, 2023[31]). Entrepreneurs can raise funding in private capital markets through assets such as private equity, private debt and venture capital. In general, retail investors may be reluctant to invest in these assets due to limited liquidity, long-term commitments and risky returns. By contrast, insurance companies and pension funds have more financial expertise to handle risks and illiquidity. Their long-term liabilities and investment horizon also enable them to tolerate temporary underperformance. If insurance companies and pension funds in Africa were to invest more in private equity, private debt and venture capital, they could provide entrepreneurs with capital for innovation, expansion or restructuring.

8.3. Key policy considerations

The size of insurance markets and of the assets managed by pension funds is small in Africa's countries, compared to global peers. This limited size constrains their capacity to mobilise long-term savings and

channel them towards productive investment. Moreover, the investment portfolios of pension funds are heavily allocated to government securities. This concentration in allocation may limit diversification and reduce the potential of insurance companies and pension funds to support capital market development and economic growth. Other barriers include the limited life insurance market, and the low participation in asset-backed pensions, as life insurers and pension funds tend to have long-term investment horizons. Low participation in pensions markets is largely due to the voluntary nature of pension systems and the high levels of "informality" in African labour markets.

There are several measures that national authorities could implement to promote a bigger role for insurance companies and pension funds in African capital markets.

Regulators should ensure that the regulatory framework in place for life insurance markets protects the interests of policyholders and promotes confidence. Additionally, supervisors could conduct risk-based supervision in life insurance markets. Clear regulations and risk-based supervision are particularly important in life insurance since policyholders need assurance that the insurer will be able to meet their claims over such long time periods. The OECD Guidelines on Insurer Governance can provide guidance.

National authorities could also support the development of life insurance markets through various mechanisms. These include establishing financial literacy programmes to develop knowledge of life insurance products and developing new distribution channels and digital tools. For example, banks could have a more active role in the distribution of life insurance products.

Increasing participation in asset-backed pensions represents another critical reform. Authorities could increase participation through mandates or by implementing automatic enrolment. The focus should be on informal workers who do not have to save for retirement or are excluded from standard pension plans. Personal pension plans such as micro pension plans may help to cover workers who are excluded from pension schemes. Some African countries have micro pension programmes targeting "informal" sector workers. For instance, Kenya launched Mbao Pension Plan in 2011 to extend pension and savings scheme coverage to the informal sector (Kwena and Turner, 2013[32]). Uganda also has two voluntary micro-pension schemes targeting low-income informal sector workers: the Mazima voluntary individual retirement benefits scheme and the Kampala City Traders Association Uganda Provident Fund Scheme (APSA, 2024[33]).

To strengthen the role of pension funds as institutional investors, authorities should also encourage greater portfolio diversification towards corporate bonds, equities, infrastructure, and private markets. The absence of corporate bond markets in many African countries and low capitalisation in stock exchanges are major impediments to pension fund investment in these assets. Accordingly, efforts to develop domestic capital markets, including national stock exchanges and corporate bond markets, would be essential to expand investment opportunities.[8]

A coherent policy and regulatory environment are vital for promoting long-term investment. Regulators could design or enhance frameworks that explicitly facilitate such investment, drawing on the G20/OECD High-Level Principles of Long-Term Investment Financing by Institutional Investors, which identify a set of general recommendations to promote long-term investment by institutional investors (OECD, 2013[34]). These principles provide guidance on financial regulation, valuation and tax treatment to facilitate long-term investments. A clear regulatory framework would also help build investors confidence in these assets.

Authorities could also promote investment in infrastructure projects. In Africa, many pension funds are small and pension markets are often fragmented, making it difficult to invest in large projects such as infrastructure. The establishment of consortiums may address this challenge by bringing pension funds together. For instance, Kenya Pension Funds Investment Consortium (KEPFIC) was launched in 2020 to pool assets for infrastructure investments (KEPFIC, 2025[35]). Additionally, the Asset Owners Forum of South Africa (AOFSA) is a South African consortium established to increase the participation of pension funds in infrastructure and real estate assets (Cross Boundary Group, n.d.[36]).

Finally, pension funds need policies to help them address capacity constraints such as a lack of in-house expertise. Authorities could consider funding or publishing research and market data to help asset managers analyse complex assets. They could also provide clear frameworks or definitions on complex assets to reduce uncertainty. Strengthening technical and analytical capacity within pension funds will enable more sophisticated investment strategies, thereby enhancing their role as long-term investors and contributors to capital market deepening and sustainable economic growth across Africa.

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Notes

[1] “Informal” workers include also those workers that are not obliged to save for retirement like the self-employed.

[2] The data for Africa includes South Africa, which is in the top three countries with the highest insurance penetration among 54 countries, according to the *OECD Global Insurance Market Trends 2024*.

[3] Namibia is in the “others” category in Figure 8.4. Its share is 1.5 percent.

[4] This is the case in most reporting jurisdictions around the world, what matters is the importance of asset-backed pensions and the role of life insurance in the pay-out phase of retirement systems (*OECD Global Insurance Market Trends 2024*).

[5] The analysis here abstracts from looking at the asset allocation of insurance companies for lack of data.

[6] Joint research study conducted by the African Development Bank Group, the International Finance Corporation and Making Finance Work for Africa reaches a similar conclusion about the impact of investment limits in African countries (IFC, AFDB, MFW4A, 2022[17]). The study covers Botswana, Ghana, Kenya, Namibia, Nigeria, South Africa and the West African Economic and Monetary Union (WAEMU). It concludes that based on available data, national regulatory ceilings do not pose major impediment to further diversification in these markets.

[7] This was also the case in many OECD countries.

[8] Chapters 2 and 3 in this publication explain how.

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