

NOVEMBER 2021

Theory of change





Challenges

Real and social sector

Fundamental shortfalls in opportunities for people in Africa to lead lives where their basic needs are met, as outlined in the SDGs. COVID-19 has worsened existing societal vulnerabilities and inequalities, as well as the fragility of public finances. MSMEs, low-income and marginalized groups, and women are particularly vulnerable to these challenges.

Financial sector

Supply-side challenges

- Weak policy and regulatory environment
- Underdeveloped local capital markets, insurance industry and digital infrastructure
- Lack of bankable projects and investors' risk aversion
- Lack of data & capacity in government, private sector & civil society

Demand-side challenges

- MSMEs, low-income and marginalised groups lack knowledge & experience of financial services
- Low-income and marginalised groups have limited access to Internet and IT devices as well as scarce digital skills
- African governments' needs for development financing



FSDA Pillars & Tools

Pillars

- 1 Capital Markets Pillar
- 2 Risk and Resilience Pillar
- 3 Digital Economy Pillar
- 4 FSD Africa Investments
- 5 Green Finance Transaction Accelerator

Collaboration

Tools

- 1 Grants & Returnable grants
- 2 Investment capital
- 3 Technical assistance
- 4 Knowledge management and data
- 5 Partnerships & Networks



Outputs



Innovative financial products and services, transactions and new intermediaries



Development of new policies, regulations, investment guidelines and masterplans



Market infrastructure development



Increased capacity of & collaboration between governments, private sector and civil society



Outcomes

Intermediate

Deeper and more sophisticated domestic capital markets

Increased financing to green finance, insurance industry, healthcare, digital economy

Reduced currency and refinancing risk

Improved transparency, pricing

More effective policy and regulatory environment



Longterm

Improved climate change adaptation and mitigation and biodiversity loss reduction

Increased employment and income generation opportunities

Increased access to finance for public and private sector

Increased resilience of MSMEs and low-income populations

Improved access to high-quality and affordable services



A Sustainable Future



Environmental benefits delivered



Economic opportunities created



Fragility and vulnerability addressed