AFRICA LONG-TERM FINANCE
DATA PORTAL

Creating value through a centralized database and Scoreboard
The Data Portal assembles data across four dimensions of long-term finance (LTF) based on the conceptual framework depicted below.

On the two ends of the intermediation cycle are the Sources and Uses of long-term financing. The intermediation process goes partly directly through capital markets and partly through intermediaries, which in turn also use capital markets in the intermediation process (Intermediation Depth). The framework also encompasses the regulatory and policy environment (Enabling Environment).
**The Data In The Portal**

*A centralized web-portal with data collected from a survey conducted by the AfDB in 2018 and from 14 secondary sources*

**Sources of data included in the portal**

Data was compiled from different cross-country databases and using a survey undertaken by the Statistics Department of the AfDB*. The survey was sent to focal points across the 54 African countries, though returns were not received from all countries. The survey focused on data that are not easily available from international databases. The graph below shows the number of indicators collected from the different sources.

![Graph showing data sources](image)

*AfDB – African Development Bank
AFMI – African Financial Markets Initiative

The current dataset consists of 54 indicators, and covers most of the countries in Africa. The plan is to expand the dataset to include additional indicators.

The dataset considerably expands the scope of information available on LTF in Africa. The graph below shows the number of indicators available for less than 20 countries, between 20 and 30 countries, between 30 and 40 countries, between 40 and 50 countries, and for more than 50 countries (from the left to the right column).
INTRODUCING THE DATA PORTAL

As illustrated in the following, the Data Portal gives the user access to two different data visualization interfaces: The LTF Scoreboard and the LTF Data Browser.

All data are presented in the four categories that follow directly from the LTF Framework: **Sources**, **Depth**, and **Uses of LTF**, and **Enabling environment**.
INTRODUCING THE DATA PORTAL

The Data Portal is structured around the four dimensions of the Long-Term Finance framework

LTF SCOREBOARD
Allows users to undertake cross-country comparisons for a given indicator and within-country comparisons across different indicators. Four tools are available for comparative analysis:

LTF DATA BROWSER
Allows for user-customized search and analysis of indicators.

LTF RADAR
Provides a quick overview of how a country ranks, both across the different types of indicators and relative to other African countries.

AFRICA KEY TRENDS
Provides a quick overview of averages for the whole continent across all indicators, and comparisons to other regions of the World.

COUNTRY PROFILES
Data for each country on all indicators can be accessed through the country profiles.

BENCHMARKING TOOL
The benchmarking tool provides a synthetic comparator to a global sample of countries.

DATA BROWSER
Allows the user to create heat-maps and customized comparison charts.
The radar provides an overview of how a country ranks, both across the different types of indicators and relative to other African countries, allowing the reader to quickly identify “weaknesses” and “strengths”.

For each of the four categories of data the “radar graph” includes three selected variables that summarize the available data. These data points were chosen according to their representativeness and based on data availability.
SUMMARY OF KEY DATA INSIGHTS

The reported data suggest that the level of development of the enabling environment (business environment and regulatory framework) is capable of supporting higher levels of sources, depth, and uses of long-term finance.

The Africa LTF Radar shows that the average country in Africa scores higher on the enabling environment indicators than on the other groups of indicators. Using the “Ranking by Category” rescaling method, both the enabling environment and financial depth of the average African country could support relatively higher levels of sources and uses of LTF.

In terms of sources of long-term finance, the channelling of domestic savings is the mainstay of LTF promotion.

Domestic savings are the main source of LTF in Africa. The link between financial depth and growth is a two-way process: (i) income generation and subsequent mobilization of domestic savings and resources builds financial depth; and (ii) in parallel, and reciprocally, deeper financial systems tend to stimulate economic growth.

The LTF Radar offers a choice of three different standardization/rescaling methods:

Prior to representing several different data sets together on the same graph, standardization or re-scaling of the data variables is important and necessary. The LTF Radar uses three different standardization methodologies to present the data: “Min-max method”; “Adjusting to 0-100”; and “Ranking by category”.

Note that, although the different methods lead to different scores, they do not alter the overall country ranking of specific indicators across countries. Each methodology provides additional insights.
The Africa Key Trends tool provides an overview of averages and trends in Africa across all indicators, and comparisons to other regions of the World.

The Africa Key Trends tool depicts the data in tables and easy-to-interpret graphs that can be used for a quick assessment of the state of LTF in Africa (see the Key Insights below).

### Africa key trends

#### Sources of LTF

<table>
<thead>
<tr>
<th></th>
<th>Africa</th>
<th>Sub-Saharan Africa</th>
<th>Africa, excluding South Africa</th>
<th>Latin America &amp; Caribbean</th>
<th>South Asia</th>
<th>Lower middle income countries</th>
<th>Upper middle income countries</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Foreign Direct Investment (% of GDP)</strong></td>
<td>2.2</td>
<td>2.4</td>
<td>5.3</td>
<td>2.9</td>
<td>1.5</td>
<td>2.0</td>
<td>1.7</td>
</tr>
<tr>
<td><strong>Remittances inflow (% of GDP)</strong></td>
<td>4.4</td>
<td>4.4</td>
<td>4.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Official Development Assistance (% of GDP)</strong></td>
<td>2.5</td>
<td>2.7</td>
<td>7.6</td>
<td></td>
<td></td>
<td>0.9</td>
<td>0.1</td>
</tr>
<tr>
<td><strong>Cross border lending (ultimate beneficiary, % of GDP)</strong></td>
<td><strong>11.0</strong></td>
<td>11.6</td>
<td>8.2</td>
<td>33.7</td>
<td>9.8</td>
<td>11.9</td>
<td>347.1</td>
</tr>
</tbody>
</table>

### External resources (in % of GDP)

- **Foreign Direct Investment**
- **Remittances**
- **Official Development Assistance**

![Graph showing External resources (in % of GDP)](image-url)
Aggregate data for the continent with comparisons to other regions outside Africa

KEY DATA INSIGHTS

Some key trends and insights:

- **Sources of LTF**: Domestic savings in Africa lag behind the global average, and Official Development Assistance is higher in Africa than in the average lower middle income country.

- **Depth of LTF**: Insurance penetration is in line with the average of lower middle income countries, private credit to GDP is below average. Capital markets are relatively underdeveloped.

- **Uses of Long-term Finance**: The proportion of long-term credits is relatively low (average 18.2%) compared to the global average.

- **Enabling environment**: Ease of doing business is lower than in more developed countries, although several aspects of the regulatory framework are in place.

* See next page for a more detailed overview

**Macroeconomic instability** remains an acute issue in African countries, where banks either lack access to long-term resources or choose to avoid long-term commitments when contract enforcement is weak.

*Inflation* (horizontal axis) & *Interest rate* (vertical axis)

(African country data in %, average over 2013-2017)
Sources of LTF

African countries are relatively more dependent on foreign sources of capital than other lower middle income countries. Gross domestic saving decreased between 2013 and 2017, and is below the global average of 25% of GDP. Official Development Assistance (2.5% of GDP), on the other hand, is considerably higher than the average for lower middle income countries (0.9% of GDP).

Depth of LTF

Insurance penetration is comparable to the average of lower middle income countries and has been steadily increasing over time. However, non-life business still represents more than two thirds of insurance business. The relative difference between long-term credits and long-term deposits has shrunk in the 2013-2017 period, but private credit to GDP is still well below the average of lower middle income countries. Capital markets remain relatively underdeveloped.
**Uses of LTF**

With regard to the maturity structure of banking sector loans in African countries, the Scoreboard shows that the share of long-term credit is relatively modest. The share of long-term loans (with maturity higher than five years) averages 18.2 percent, whereas it is close to a third of bank loans in high-income economies. Nearly half of bank loans (45.4%) are short-term (maturity less than one year). The share of loans with maturity between 2 and 5 years averages 36.3%.

**Enabling environment**

### Regulatory framework aspects
(percentage of countries with affirmative/positive response)

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existence of property registry</td>
<td>57.8</td>
</tr>
<tr>
<td>Existence of a mechanism fund that targets long-term financing or credit</td>
<td>68.9</td>
</tr>
<tr>
<td>Compliance with international auditing standards (IAS / IFRS)</td>
<td>60.0</td>
</tr>
<tr>
<td>Restrictions on insurance companies’ long-term investment</td>
<td>57.8</td>
</tr>
<tr>
<td>Restrictions on pension funds’ long-term investment</td>
<td>53.3</td>
</tr>
<tr>
<td>Public Private Partnership (PPP) legislation</td>
<td>n.a</td>
</tr>
<tr>
<td>Leasing legislation</td>
<td>n.a</td>
</tr>
</tbody>
</table>
Data for each country on all indicators can be accessed through the country profiles.

The Scoreboard provides standardized tables and graphs that include comparisons with countries within the sub-region and with the continent. The tables present averages over the period 2013-17, while the graphs show trends over the same period. When available, benchmarked indicators are included in the tables.
Countries can be selected on the left tab of the portal and compared to the African average country across the different indicators.

KEY DATA INSIGHTS

The country profiles highlight differences in the degree of financial system development across African countries. The graph below presents some central tendency and dispersion measures for a selection of indicators.

In addition to the tables and graphs presented in the country profiles, data across indicators can be compared using the LTF radar. The combination of the two tools gives a good overview of the status of each country in terms of LTF.
The benchmarked value is based on panel regressions for a global sample over the period 1960 to 2017. The log of each financial development indicator is regressed on several country characteristics. The regression result provides us with a predicted value for each country and year of the financial indicator in question. The gap between the actual and predicted value of financial development indicates whether the level of financial development is below or above the value consistent with the country’s structural characteristics.

### Country profile

**Depth of LTF**

**Kenya**

<table>
<thead>
<tr>
<th>Capital markets</th>
<th>Average 2013-2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Kenya</td>
</tr>
<tr>
<td><strong>Bond markets</strong></td>
<td></td>
</tr>
<tr>
<td>Government bond market capitalization (% of GDP)</td>
<td>23.6</td>
</tr>
<tr>
<td>Corporate bond market capitalization (% of GDP)</td>
<td>0.4</td>
</tr>
<tr>
<td>Government bond issuance (% of GDP)</td>
<td>14.8</td>
</tr>
<tr>
<td><strong>Equity markets</strong></td>
<td></td>
</tr>
<tr>
<td>Stock market capitalization (% of GDP)</td>
<td>34.8</td>
</tr>
<tr>
<td>Stock market turnover (%)</td>
<td>8.8</td>
</tr>
<tr>
<td>Firms with shares listed on stock exchange (average ann...)</td>
<td>64.0</td>
</tr>
<tr>
<td>Share of top 10 in stock markets (%)</td>
<td>74.5</td>
</tr>
<tr>
<td>Private equity raised (% of GDP)</td>
<td>11.8</td>
</tr>
</tbody>
</table>

**Benchmarked Value 2017**

- NA
- NA

**Gap 2017**

- 3.1
- 2.8
The benchmarking tool provides a synthetic comparator to a global sample of countries

KEY DATA INSIGHTS

The share of firm investment financed by external sources and government bond market capitalization are well below the expected values given the structural characteristics of the African countries in the sample. Cross-border lending is well above the expected value. Private credit, insurance companies assets, and adults with housing loans are all relatively in line with expected values, given the economies’ structural characteristics.

The graph below shows the yearly average gap across countries for benchmarked indicators.

How to interpret the “gap” presented in the tables (see previous page)? The gap represents the difference between the observed value of an indicator and the expected value of this indicator based on a country’s structural characteristics. A positive gap indicates that the observed value is higher than the expected value (the value predicted by the regression).
The LTF Data Browser was created to allow for a user-customized search and analysis of indicators.

It is a supplement to the LTF Scoreboard. It presents data on indicators not included in the Scoreboard, and it includes a heat map, a comparison chart function, and a search function that allows for the search of data on a specific indicator.
The LTF Data Browser allows for a user-customized search and analysis of indicators

The “comparison chart” function allows for selection and comparison of a customized number of countries or sub-regions.

WHAT’S NEXT?

- October 2019: Webinar - presentation and launch of the Data Portal
- Gathering feedback from potential users
- Expand data through second round survey
- Improve design of Data Portal
- Early 2020: Website with extra information on Long-Term Finance in Africa