

# Economic and trade-related impacts of the Ukraine war on African countries

*Implications for PSD*

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# Introduction and overview



1. Russia-Ukraine war shock in context, transmission mechanisms to Africa, and selected impacts
2. Policy and PSD implications
3. Reserve slides on role DFIs in conflict countries

Based on analysis for IDRC ([Raga et al](#), 2025)  
and FCDO ([Lemma et al](#), 2023), with AERC, PEP,  
and ERF





1.

# Russia-Ukraine war shock in context, transmission mechanisms to Africa, and selected impacts

# Shock in context and transmission mechanisms to Africa



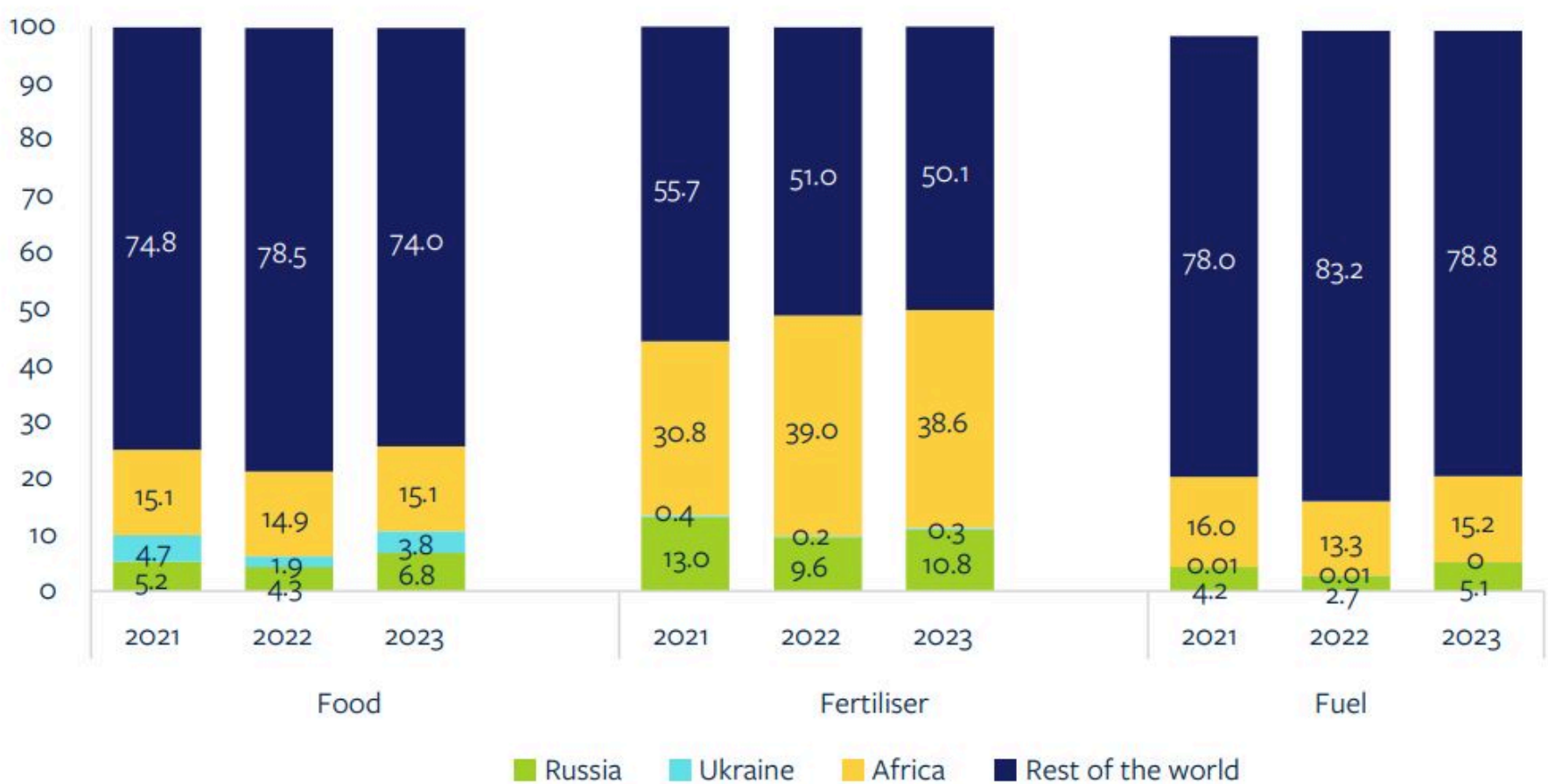
- **Direct trade exposure** –small overall, but specific and some countries responded by diversification away from Russia/Ukraine (e.g. fertilisers)
- **Price effects** - inflation and price levels stabilizing at higher levels three years after start of war (exacerbating inflationary covid impacts)
- **Growth effects** – small at 0.2% GDP in Africa (CGE modelling), more negative results for resource dependent countries and high indebtedness, and varying across countries (could be 3.1-3.8% of GDP in Ethiopia, Kenya, Sudan)
- **Policy responses** to shock also matter

# Direct trade impacts - Africa imports diverted towards itself (but some countries affected negatively, e.g. Egypt)

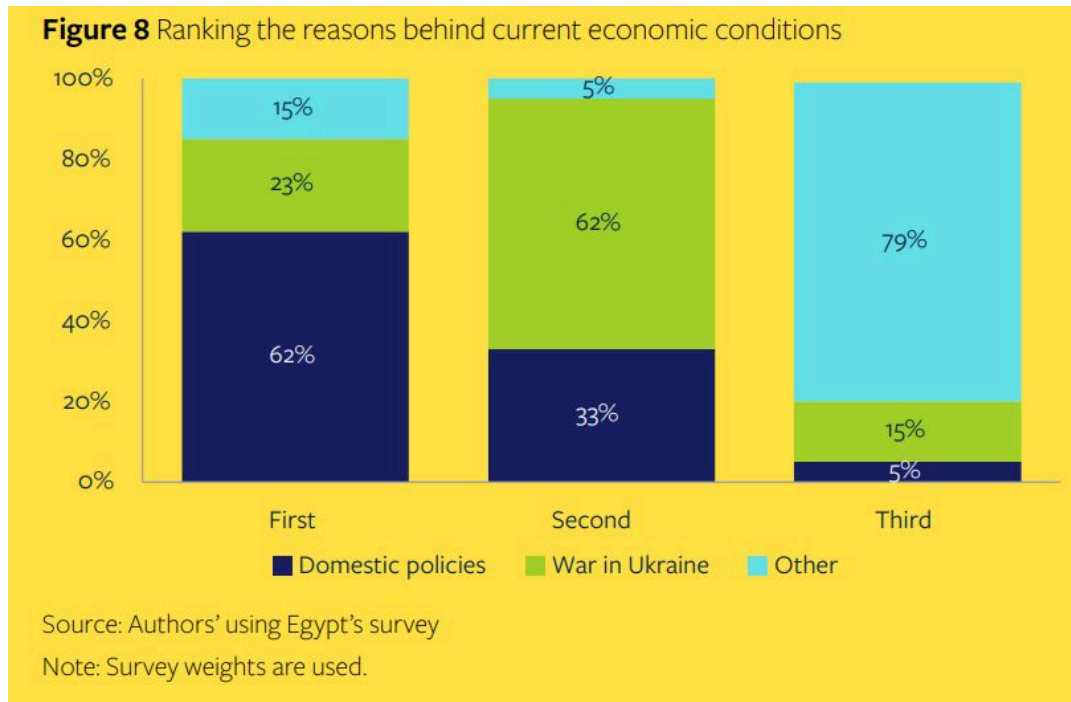


Shift away from Russia/Ukraine towards Africa and RoW

**Figure 5** African commodity imports by source 2021–2023 (% share of respective commodity imports)



Cause of concerns in Egypt amongst 2000 firms

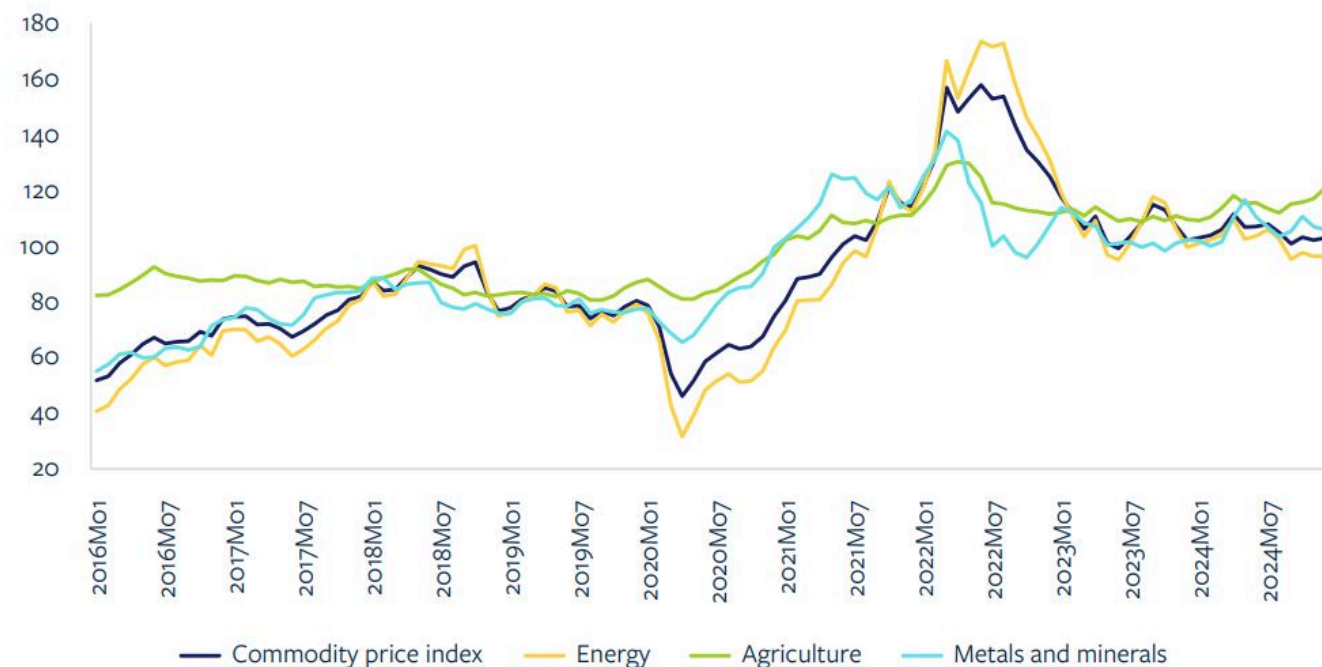




# Inflation, monetary tightening, currency depreciation, and increased cost of finance over 2000-2023



**Figure 1** Commodity price index, 2016–2024 (2010=100)



Source: World Bank Commodity Markets data as of January 2025

**Figure 7** Average interest on new (private) external debt commitments in sub-Saharan Africa, 2020–2023 (%)



Source: World Bank International Debt Statistics database

**Debt** – WB (2024): the external debt stock of LICs and LMICs increased by 8.1% between 2020 and 2023, reaching \$8.8 trillion. The increase in debt stock was higher for the poorest countries (at 17.9%, reaching \$1.1 trillion),

**Figure 4** Channels of impact of the Russia–Ukraine war-induced global price shocks to African countries





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## General and PSD specific policy implications



# Issue    □    general policy implications    □    PSD



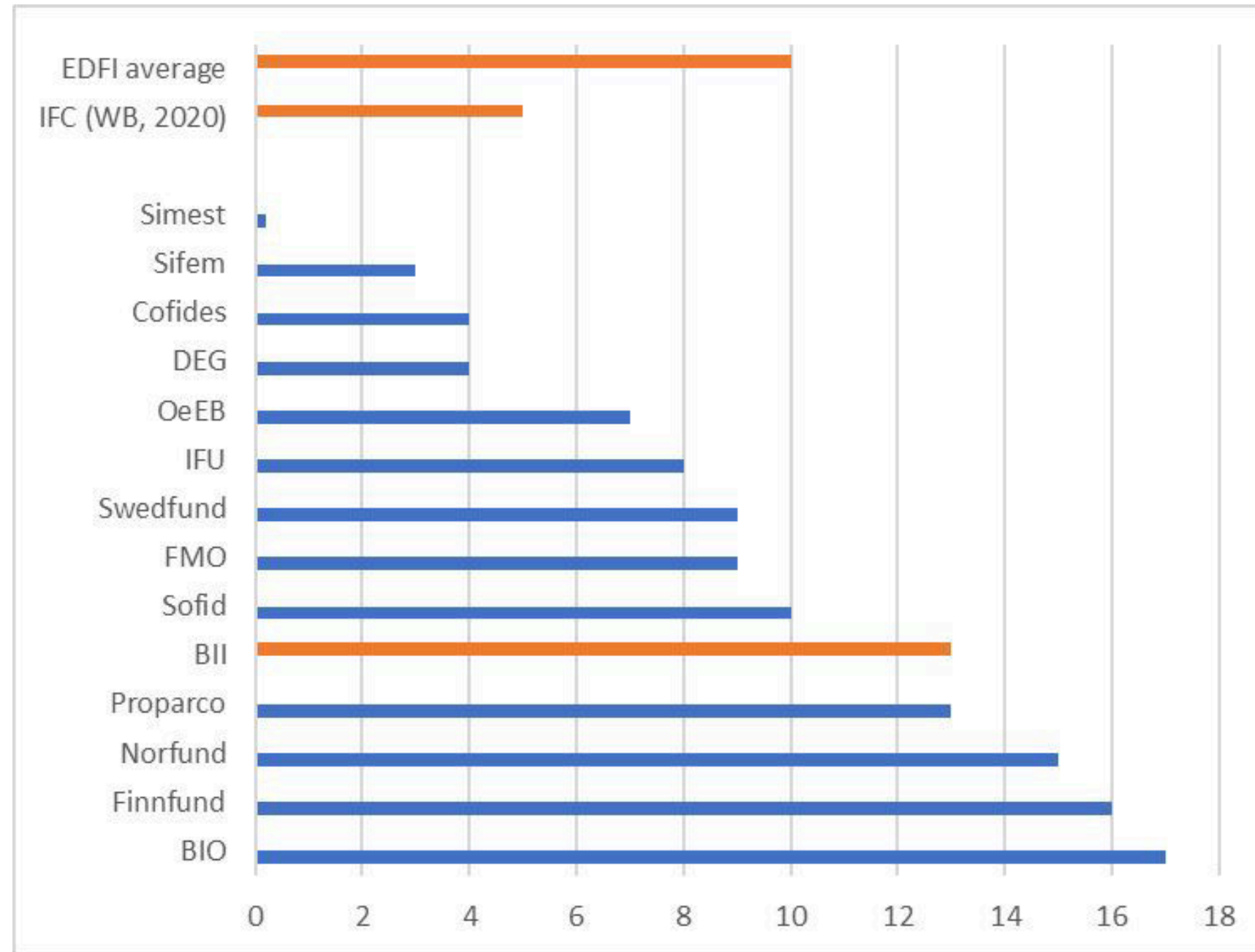
- **Direct trade exposure (e.g. fertilizer)**
- **Perfect storm: Increased uncertainty, higher prices and interest rates, and higher debt.**
- **Lack of finance**
- **Diversification (e.g. fertilizer)**
- **Deeper African economic integration**
- **Reduce cost of capital**
- **Role of central banks - balancing inflation control and cost of capital**
- **Concessional finance**
- **Prepare private sector to trade under AfCFTA and build regional value chains**
- **Develop efficient domestic agriculture and energy production**
- **Blending, commercial banking and capital market development**
- **DFIs for the private sector (PSD, ESG standards, relaxed regulation on DFIs)**



Reserve slides if time allows.

A final word on DFIs and food security in conflict affected states (esp 10+1)

# Low share fragile countries in DFI portfolio

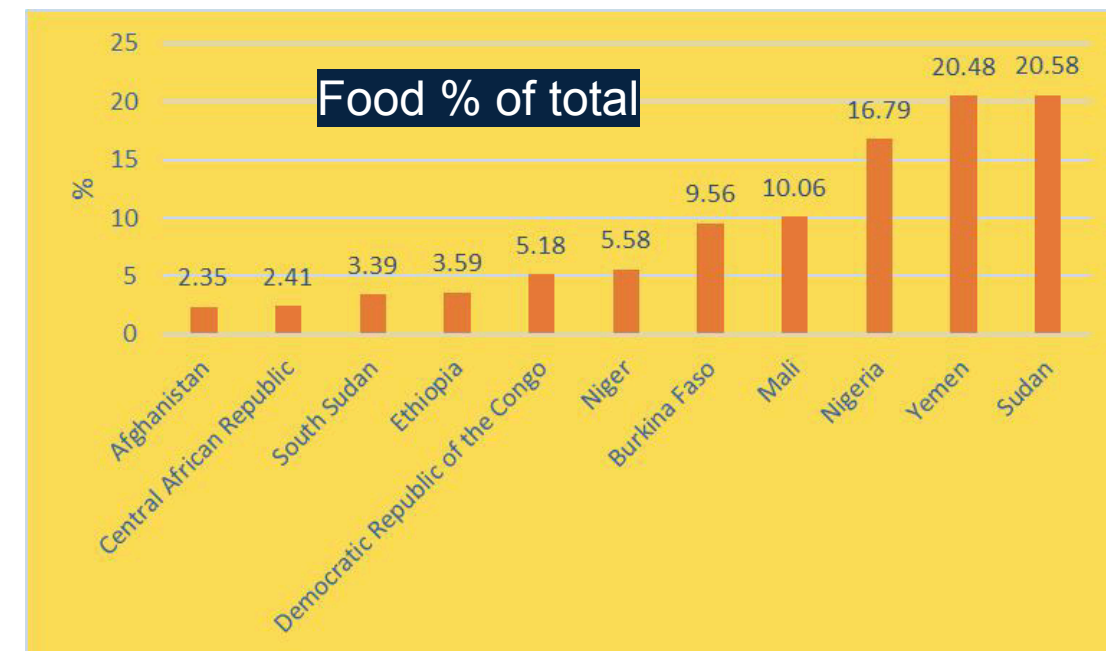
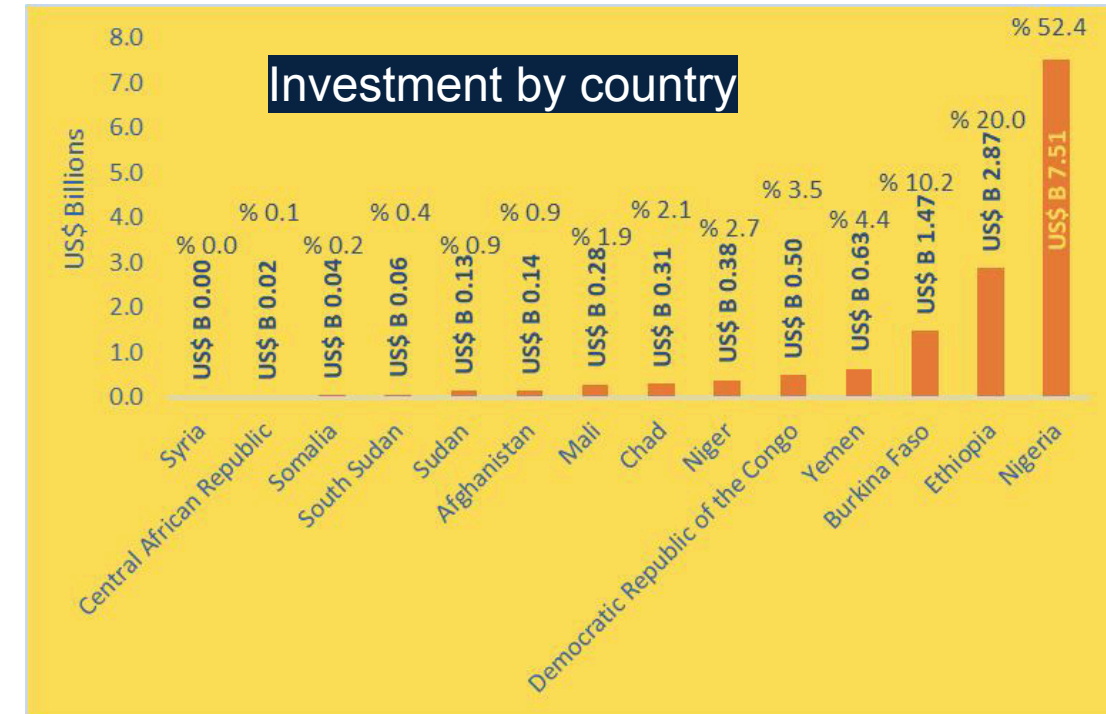


# DFI investment in 10+1: \$14.2 bn 2012-2023 (5% of portfolio), low but possible



- Data cover multilateral (IFC, ADB, AfDB, EIB, GAFSP) and bilateral DFIs (BII, FMO, DEG, Norfund, Proparco, DFC and Finnfund)
- 511 DFI investments over 2012-2023 in 10+1, \$14.2 billion , or 5% of total DFI portfolio, excl Nigeria, 2.5%
- Most investment in Nigeria, Ethiopia , Burkina Faso and Yemen
- Financial sector (55%), Infrastructure (12%), agricultural sector (11%) and manufacturing (8%).
- 37 out of 511 projects relate to food security directly (US\$ 639 million), most debt

10+1 = (Afghanistan, CAR, DRC, Ethiopia, Nigeria, Somalia, South Sudan, Sudan, Syria, Yemen) ; region (Burkina Faso, Niger, Mali, Chad)



# Promising examples



## **Firm level examples around food security in FCSs**

- Indorama Eleme Fertilizer and Chemicals, Nigeria
- Ethiochicken, Ethiopia
- Hayel Saeed Anam Group (HSA), Yemen

## **Several DFI strategies for food (in FCS)**

- Global Agriculture & Food Security Programme (GAFSP) , \$2 bn since 2010
- IFC launched US\$ 6 billion financing facility to strengthen private sector capacity to respond to food security crises (Oct 2022). Global Food Security platform
- BII: agricultural sector strategy; FMO: Agribusiness, Food & Water sector at forefront of 2030 strategy, AfDBs's high five
- AgDevCo is a specialist investor in African agribusiness. It has a current portfolio of US\$ 280 million, investing in nine countries.



# Three ways to get DFI more focused on FCS and food security: discussion



- General and specific support complementing DFIs: Creating conditions for viable firms to emerge ('good' firms do attract finance) and be prepared for development finance (e.g. ESG)
- Specific support inside DFIs & intermediaries: Blended finance instruments (allow lower returns), greater (human resource) strategic capacity for FCS, and targeted TA
- DFI shareholders: incentives and regulations governing DFI investment



Think. Change.