THE ROLE OF CENTRAL BANKS AND OTHER FINANCIAL SECTOR REGULATORS AND POLICYMAKERS IN JOB CREATION IN AFRICA

POLICY BRIEF

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Cover photo: Man in front of sewing machine outdoors. (Kwame Amo / Shutterstock.com)

INTRODUCTION

Persistent unemployment, other forms of labour underutilization and pervasive informality remain a significant challenge in Africa, exacerbated by the fragility of the global economic and geopolitical climate, rising conflicts, and the slow pace of structural transformation across the continent.

These challenges have been further compounded in recent years by economic disruptions, including those caused by the COVID-19 pandemic which has intensified existing vulnerabilities. In this context, there is an opportunity to explore whether and how financial inclusion and robust regulatory frameworks can serve as catalysts for job creation, both quantitatively and qualitatively.

The Alliance for Financial Inclusion (AFI), as a global policy leadership alliance, is uniquely positioned to support financial sector regulators and policymakers in this endeavor. By convening stakeholders, sharing best practices, and developing innovative policy solutions, AFI enables policymakers to leverage their core mandates effectively. The strong interest demonstrated during a high-level dialogue on the role of central banks in job creation in Africa amid macroeconomic challenges, held in December 2023, and a subsequent Africa Financial Inclusion Policy Initiative (AfPI) Meeting in June 2024, highlighted growing demand for actionable insights and tailored strategies. These efforts aim to empower financial sector policymakers to contribute meaningfully to sustainable employment growth across the continent within their mandates.

As the United Nations specialized agency for the world of work, the International Labour Office (ILO) supports governments and employers' and workers' organizations around the world in their efforts to promote decent job creation. The ILO undertakes analysis and policy advice on pro-employment macroeconomic frameworks and has worked with the African Union in supporting such frameworks.[1] AFI and the ILO are well-positioned to collaborate in advancing financial inclusion as a lever for job creation across Africa. By combining AFI's expertise in designing and implementing inclusive financial policies with the ILO's deep knowledge of labour markets and job creation, the two institutions can support central banks and financial sector regulators in developing integrated approaches that link financial access to employment outcomes.

1 See for example, African Union. 2024. *Enhancing Macroeconomic and sectoral policies coordination in Africa: challenges, opportunities and policy priorities for inclusive growth and sustainable development*. Concept Note for the 7th African Union Specialized Technical Committee on Finance, Monetary Affairs, Economic Planning and Integration. July 2024. Tunis. African Union. Available at: https://au.int/sites/default/files/newsevents/conceptnotes/43909-CN-Concept_Note_7th_AU_STC_Finance_Monetary_Affairs_Economic_Planning_Integration.pdf

African street vendor and mother holding her child. (Lucian Coman / Shutterstock.com)

African women cooking and selling street food. (Zurijeta / Shutterstock.com)

This brief draws on existing literature, the AFI Member Needs Assessment 2024[2], and insights from African members of AFI garnered during the 13th AfPI Meetings held in June 2024 in Abidjan, Côte d'Ivoire. Furthermore, the analysis is supported by findings from a dedicated survey on job creation conducted in May 2025 with 25 AFI member institutions in Africa. The objective of this brief is to explore and articulate the existing role that financial sector regulators and policymakers, particularly central banks, play in job creation within Africa and how this may deepen in the future. The brief aims to:

> **Highlight the importance of financial inclusion**

Demonstrate how financial inclusion serves as a catalyst for job creation by providing access to financial services, which in turn stimulates economic activities and creates employment opportunities.

> **Outline the current state of financial inclusion**

Present trends in financial inclusion rates and employment growth and highlight empirical evidence from Africa on the linkages between financial inclusion and employment outcomes.

> **Detail practical interventions**

Provide a comprehensive overview of interventions currently undertaken by financial sector regulators and policymakers that contribute to job creation, including examples of enabling policies and initiatives.

> **Offer recommendations**

Propose actionable recommendations for central banks and financial sector regulators to clarify and sharpen their role in supporting employment and economic development goals. This includes reviewing and enhancing regulatory frameworks, fostering stakeholder collaboration, leveraging technology, monitoring and evaluating policy impacts, and promoting financial and economic literacy.

> **Guide future research and policy development**

Identify areas for further research and policy development to continuously improve the effectiveness of financial sector interventions in job creation, ensuring strategies are data-driven and adaptive to changing economic conditions.

2 The Member Needs Assessment (MNA) is an annual online survey of individual from AFI member institutions.

EVOLUTION IN THE ROLE OF CENTRAL BANKS AND OTHER FINANCIAL SECTOR REGULATORS AND POLICYMAKERS

The role of central banks has undergone profound transformations over the past century, reflecting lessons from various economic and financial crises, shifts in economic theory, and the growing complexity of global economic and financial systems. Historically, central banks have acted as agents of economic development, including by extending credit to development banks and utilizing interest rate ceilings, subsidized credits and other credit allocation policies to support economic development often through the support of post-war reconstruction and development.[3]

Monetary policy undertaken by central banks also traditionally aimed to achieve internal balance, defined as ensuring price stability and full employment to support economic growth. However, with the decline of Keynesianism and the rise of monetarism in the mid-1970s, the focus of internal balance narrowed to only price stability.[4] Today, most central banks have a primary mandate of maintaining price stability, particularly through inflation targeting. At the same time, economic and financial crises in the past decades, including the 1997 Asian financial crisis and the 2008 Global Financial Crisis and the ensuing Great Recession, have prompted numerous central banks to integrate financial stability into their mandates. In this framework, the objectives of price stability and financial stability are regarded as mutually reinforcing, given that financial instability poses substantial risks to price stability and output growth.

While the objective of monetary policy has been narrowed to price stability in many countries, in a few economies such as Australia and the United States, monetary policy frameworks have explicit dual mandates which also include maximizing employment. In others, for example Canada and Norway, while price stability is the overriding objective of monetary policy, the monetary policy framework recognizes the need to continue to support maximum sustainable employment. Furthermore, many central banks across the world pursue flexible inflation targeting, which, as Norway's central bank notes, involves taking "sufficient account of output, employment and, if necessary, other variables if the objective is to achieve the highest possible degree of social welfare" (p.15).[5] Dikau and Volz analyze 135 central banks and find that 12 percent have explicit mandates related to environmental sustainability, while an additional 40 percent are required to support government policy priorities, often implicitly encompassing broader economic objectives, including sustainability.[6]

Most central banks in Africa by contrast do not explicitly include employment within their monetary policy framework. This reality is reflected in the recent survey of AFI member institutions in Africa, which found that while 80 percent of respondents have a primary mandate of price and financial stability, none reported employment creation as a primary objective. However, a number of African central banks have a secondary mandate to support government economic policies, which may implicitly include employment considerations. This is the case for example in Rwanda, where the mandate of the National Bank of Rwanda is to "maintain price stability, enhance and maintain a stable and competitive financial system, and support the government's general economic policies". This is also the case for the Central Bank of West African States (BCEAO): "The prime purpose of the Central Bank's monetary policy shall be to ensure price stability. The Monetary Policy Committee shall set the inflation target. This purpose notwithstanding, the Central Bank shall provide support for the economic policies of the West African Economic and Monetary Union (WAEMU), to ensure sound and sustainable growth" (article 8).[7]

3 For more information, see, Epstein, G. 2015. *Development central banking : a review of issues and experiences*. Employment Policy Department: Employment Working Paper No. 182. 2015. Geneva. International Labour Office (ILO). Available at: https://www.ilo.org/sites/default/files/wcmsp5/groups/public/@ed_emp/documents/publication/wcms_377808.pdf

4 Nayyar, D. 2012. *Macroeconomics and Human Development*. Journal of Human Development and Capabilities: A Multi-Disciplinary Journal for People-Centered Development, Volume 13 Issue 1 Pages 7-30. 2012. Taylor and Frances Online. Available at: https://doi.org/10.1080/19452829.2011.643121

5 Røisland, Ø. (Ed.). 2017. *Review of Flexible Inflation Targeting (ReFIT) End of Project Report*. Occasional Paper No. 51. May 2017. Oslo. Norges Bank. Available at: https://www.norges-bank.no/contentassets/842a0eaa53cf4e7cb37411a880c0aa08/occasionalpapers_51.pdf?v=07122017152312

6 Dikau, S. & Volz, U. 2021. *Central bank mandates, sustainability objectives and the promotion of green finance*. Ecological Economics, 184, Article 107022. 2021. Science Direct. Elsevier. Available at: https://doi.org/10.1016/j.ecolecon.2021.107022

7 Central Bank of West African States (BCEAO). 2010. *Statutes of the Central Bank of West African States (BCEAO)*. 2010. Dakar. BCEAO. Available at: https://www.bceao.int/sites/default/files/inline-files/StatutsBCEAO2010_tr_Eng.pdf

The distinction between primary and secondary objectives of central banks and financial sector regulators and policymakers plays a critical role in defining their mandates and responsibilities. As Fisher highlights, primary objectives are usually clearly defined in legal frameworks and are specific to the institution, while secondary objectives are more indirect and unspecific.[8] The secondary objectives are often designed to influence the primary objectives of other institutions or serve as guidance rather than mandates. For instance, monetary policy may be executed with some discretion, allowing for spillovers that positively impact secondary goals such as economic growth or employment.

Fisher further observes that secondary objectives are typically introduced when governments want central banks or regulators to consider broader goals but without delegating sufficient authority to fully achieve them.[9] This structure provides flexibility for central banks to exercise discretion in meeting their primary objectives, such as inflation targeting, while potentially supporting secondary objectives like employment. For example, central banks can decide whether to act quickly or slowly in addressing inflationary pressures, thereby influencing economic growth and employment levels indirectly.

Cossin and Bourqui note that broadening central banks' mandates to support governments' economic objectives is a debatable issue, as it introduces several challenges. Expanding mandates can dilute the focus of central banks, making it harder for them to prioritize and effectively achieve their primary objectives, such as maintaining the price and financial stability. Additionally, closer alignment with government policies risks exposing central banks to political pressures, potentially undermining their independence and leading to decisions that favor short-term political goals over sustainable economic stability. Furthermore, when central banks take on roles beyond their traditional mandates, such as engaging in social or quasi-political responsibilities, it can raise questions about their legitimacy and effectiveness in addressing these broader objectives. These risks underscore the need for a careful balance when considering mandate expansion, ensuring that the core objectives of central banks remain clear and that their independence and credibility are preserved to maintain their effectiveness.[10]

At the same time, the traditional tradeoff between inflation and unemployment central to the Phillips Curve has appeared to weaken globally, with similar patterns emerging across several African economies.[11] A recent comprehensive study by Ogbonna et al. covering 29 African economies finds that the Phillips Curve holds in a few cases, while in most, the relationship is absent.[12] Camara et al. examine the link between inflation and job creation in Sub-Saharan Africa (SSA) and find that the relationship follows an inverted U-shape.[13] Specifically, their analysis indicates that job creation is negatively correlated with inflation only when inflation exceeds a threshold of approximately 14 per cent. Below this threshold, the relationship is insignificant or even positive. These findings suggest that monetary policy frameworks in many African countries with secondary mandates to support government economic policy may have greater flexibility to support employment outcomes without necessarily compromising on price instability. However, a significant operational challenge for many African central banks seeking to better integrate labour market conditions into policy decisions is the lack of high-frequency, reliable, real-time, labour market data needed to assess the impact of policy decisions on employment.

Furthermore, it is also clear that mandates meet with changing realities and challenges and advances in economic theory. As such, central banks and financial sector regulators across the world periodically review their mandates with a view to ensuring that they are fit for purpose in today's fast-changing environment. For example, in 2019, the Reserve Bank of New Zealand, the first central bank to adopt inflation targeting in 1989, revised its central bank mandate to include

8 Fisher, P. 2023. *Secondary Objectives for Central Banks and Financial Regulators*. Working paper No. 2023/1. May 2023. King's Business School, King's College. London. Available at: https://www.kcl.ac.uk/business/assets/PDF/dafm-working-papers/secondary-objectives-for-central-banks-and-financial-regulators.pdf

9 Fisher, P. 2023. *Secondary Objectives for Central Banks and Financial Regulators*. Working paper No. 2023/1. May 2023. King's Business School, King's College. London. Available at: https://www.kcl.ac.uk/business/assets/PDF/dafm-working-papers/secondary-objectives-for-central-banks-and-financial-regulators.pdf

10 Cossin, D., Bourqui, E. 2020. *3 Key Challenges To Central Bank Governance - And How They Are Reshaping The Global Economy.* February 2020. Lausanne. International Institute for Management Development (IMD). Available at: https://www.imd.org/research-knowledge/finance/articles/3-key-challenges-to-central-bank-governance/

11 The Phillips Curve is an economic concept that shows the inverse relationship between inflation and unemployment that is, when inflation is high, unemployment tends to be low, and when inflation is low, unemployment tends to be high.

12 Ogbonna, A. E. Farag, M. Akintande, O.J. Yaya, O.S. Olubusoye, O.E. 2024. *Re-validating the Phillips Curve hypothesis in Africa and the role of oil prices: A mixed-frequency approach*. Energy, Volume 303. 2024. Science Direct. Elsevier. Available at: https://doi.org/10.1016/j.energy.2024.131862

13 Camara, I. Ouedraogo, R. and Sy, A.N. 2023. *Unbearable Costs: When Is Inflation Impeding Job Creation? Evidence from Sub-Saharan Africa*. IMF Working Papers 2023, 046 (2023). March 2023. Washington D.C. International Monetary Fund (IMF). Available at: https://doi.org/10.5089/9798400234347.001

supporting maximum sustainable employment in addition to that of price stability. Its Governor, Adrian Orr, elaborated on the rationale for the change in mandate:[14]

> "The key role of a public institution is to bring to life the terms of a contract that arises between society and its representative government. This 'social contract' will always evolve, with its terms negotiated via the democratic process. Institutions must therefore adapt in keeping with shifting political, economic, environmental, and social realities, so as to serve the well-being of the people. After all, it is from people that institutions derive their 'social license' to operate – their legitimacy…Simply put: our Act has been amended to address emerging policy challenges, and to operate with greater transparency and accountability. To reinforce our societal legitimacy. The Reserve Bank Act now sets monetary policy with a dual mandate: to maintain price stability and support maximum sustainable employment."

14 Orr, A. 2019. *In service to society: New Zealand's Revised Monetary Policy Framework and the Imperative for Institutional Change*. 29 March 2019. Wellington. Reserve Bank of New Zealand. Available at: https://www.rbnz.govt.nz/hub/publications/speech/2019/speech2019-03-29

In December 2023, following a change in government, the mandate of the Reserve Bank of New Zealand was changed back to focus on maintaining price stability. The Reserve Bank of Australia also recently undertook a review of the Bank to better serve its citizens and found, *inter alia*, the need to explain more clearly how it balances its two monetary policy objectives of price stability and full employment.[15] Norges Bank, Norway's central bank, keeps abreast of international developments and conducts research on the appropriate monetary policy framework suited particularly for small, commodity-based economies.[16] Other central banks undertake regular reviews of their mandates, including the Bank of Canada, which reviews and renews Canada's monetary policy framework every five years. In their latest review, the Bank examined a number of alternative monetary policy frameworks, including an unemployment-inflation dual mandate.[17]

15 Australian Government. 2023. *Review of the Reserve Bank of Australia: An RBA fit for the future*. March 2023. Sydney. Reserve Bank of Australia (RBA). Available at: https://rbareview.gov.au/sites/rbareview.gov.au/files/2023-06/rbareview-report-at_0.pdf

16 Røisland, Ø. (Ed.). 2017. *Review of Flexible Inflation Targeting (ReFIT) End of Project Report*. Occasional Paper No. 51. May 2017. Oslo. Norges Bank. Available at: https://www.norges-bank.no/contentassets/842a0eaa53cf4e7cb37411a880c0aa08/occasionalpapers_51.pdf?v=07122017152312

17 Bank of Canada. 2021. *Renewal of the Monetary Policy Framework*. December 2021. Ottawa. Bank of Canada. Available at: https://www.bankofcanada.ca/wp-content/uploads/2021/12/Monetary-Policy-Framework-Renewal-December-2021.pdf

Small business owners of local dry-cleaning-franchise in Johannesburg, South Africa. (Sunshine Seeds / Shutterstock.com)

FINANCIAL INCLUSION AS A CATALYST FOR JOB CREATION

In the past decades, central banks and financial sector regulators and policymakers have also had increasing remits, whether direct or indirect, to promote financial inclusion. Financial inclusion in turn can play an increasing role in fostering job creation.

By providing individuals and businesses with sustainable access to financial services such as savings, credit, payments, and insurance, financial inclusion can stimulate economic activities, create employment opportunities, foster entrepreneurship and support the growth of employment-generating enterprises, particularly SMEs.

Despite notable advancements in recent years, significant financial exclusion persists across the African continent. While the majority of countries have made significant progress in expanding access to financial services through innovations such as mobile money and digital banking, large segments of the population, particularly women, youth, rural communities, and informal workers remain underserved or entirely excluded. Moreover, access to formal financial products and services varies widely across the region, reflecting disparities in regulatory frameworks, infrastructure, technological adoption, and socioeconomic conditions. For example, according to the World Bank's Global Findex Database 2025, ownership of transaction (bank and/or mobile money) accounts in Kenya has reached 90.1 percent of adults while the corresponding rate in Niger is 14.8 percent (Figure 1).

The chart shows the percentage of adults (15+) in selected AFI member countries who reported having an account either at a bank or similar financial institution, or through mobile money services used in the past year. The data reflects individuals who own an account personally or jointly, based on the 2025 Global Findex Survey, and covers the civilian, non-institutionalized population in each country where data is available.

At the same time, the continent is grappling with significant labour market challenges, including rapid growth in the working-age population and the labour force and high unemployment, which was estimated at 6.7 percent in 2024 (Table 1). A defining characteristic of African labour markets is the predominance of informal employment. In 2024, the share of informal employment in total employment in Africa was estimated at 85.3 percent. While providing livelihoods for many, informal work is often characterized by low earnings, precarious conditions, limited social protection, and critically, constrained access to formal financial services.

The employment challenge is particularly acute for Africa's youth. The youth unemployment rate for individuals aged 15-24 stood at 9.7 percent in 2024. A more alarming statistic is the youth NEET rate (Not in Employment, Education, or Training), which was estimated at 23.3 per cent in 2024. Furthermore, large numbers of young people will come into the African labour market over the next decades, presenting both an immense opportunity for a demographic dividend that could fuel innovation and economic growth, or a significant development challenge if sufficient productive and decent employment opportunities are not created. The ILO projects that at least 350 million young people will be of working age over the next two decades, leading to one in three young people aged 15-24 around the world to be of Sub-Saharan African origin by 2050[18].

The above figures underscore the urgency and importance of leveraging financial inclusion as a strategic tool for job creation, particularly as empirical research increasingly supports the positive nexus between financial inclusion and positive employment outcomes in Africa. A study encompassing 13 West African nations over the period 2009-2021 found a positive and statistically significant impact of financial inclusion on both employment levels and overall economic growth.[19] The authors of this study conclude by noting that "financial inclusion is a strategy for promoting employment and economic growth in sub-Saharan Africa."[20] Further reinforcing these findings, a broader pan-African study covering 49 countries determined that financial inclusion has a negative and statistically significant effect on unemployment rates, implying that greater financial access contributes to job creation.[21] This research also introduced a crucial nuance: the positive impact of financial inclusion on reducing unemployment was found to be more pronounced in countries with higher levels of education. This highlights the synergistic relationship between financial access and human capital development.

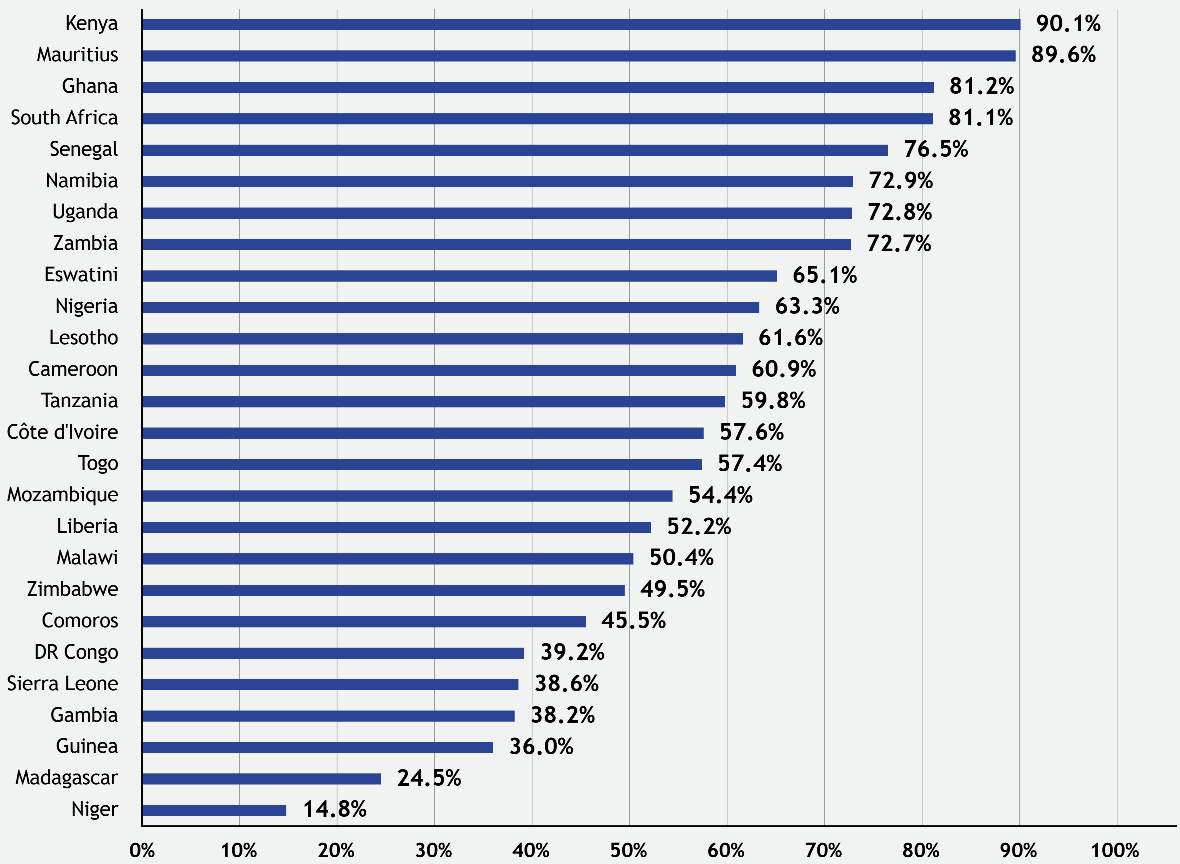
18 African Union and ILO, AU-ILO Youth Employment Strategy (YES-Africa), July 2024.

19 Owandjokuna J.F. 2024. *The impact of financial inclusion on employment in West Africa*. International Journal of Current Research Vol. 16, Issue, 03, pp. 27510-27515. March 2024. New York. Available at: https://mail.journalcra.com/sites/default/files/issue-pdf/46858.pdf

20 Owandjokuna J.F. 2024. *The impact of financial inclusion on employment in West Africa*. International Journal of Current Research Vol. 16, Issue, 03, pp. 27514. March 2024. New York. Available at: https://mail.journalcra.com/sites/default/files/issue-pdf/46858.pdf

21 Sun, Y. Scola, N. 2023. *Examining the Impact of Financial Inclusion on Unemployment in Africa (A Panel Data Analysis)*. Academic Journal of Research and Scientific Publishing volume 5, Issue 51. 05 July 2023. Salmiya. Available: https://www.ajrsp.com/en/Archive/issue-51/2.pdf

FIGURE 1: TRANSACTION ACCOUNT OWNERSHIP (%), AFRICAN COUNTRIES



Source: Klapper, Leora, Dorothe Singer, Laura Starita, and Alexandra Norris. 2025. The Global Findex Database 2025: Connectivity and Financial Inclusion in the Digital Economy. Washington, DC: World Bank.[22]

TABLE 1: SELECTED LABOUR MARKET INDICATORS, AFRICA, 2024

Population (millions)	1514
Working-age population (15+) (millions)	922
Labour force (15+) (millions)	594
Informal employment rate (%)	85.3
Unemployment rate (%)	6.7
Youth unemployment rate (%)	9.7
Share of youth not in employment, education or training (NEET) (%)	23.3

Source: ILO modelled estimates, ILOSTAT [23]

22 Klapper, L. Singer, D. Starita, L. Norris, A. 2025. *The Global Findex Database 2025: Connectivity and Financial Inclusion in the Digital Economy.* 16 July 2025. Washington D.C. World Bank. Available at: http://hdl.handle.net/10986/43438

23 ILOSTAT. N.d. *ILO modelled estimates*. Geneva. International Labour Organization (ILO). Available at: https://ilostat.ilo.org/methods/concepts-and-definitions/ilo-modelled-estimates/

The impact of financial inclusion can extend beyond job creation; it can also be a powerful catalyst for enterprise formalization. A substantial body of evidence indicates that as informal enterprises gain access to the formal financial system, they are more likely to formally register and operate within the regulatory framework.[24] This linkage has important implications for central banks and financial sector regulators, as increased formalization can enhance the effectiveness of the monetary policy transmission mechanism, particularly in many African countries where high levels of informality currently weaken this channel.

While the general consensus points to a beneficial relationship, the magnitude of financial inclusion's impact on employment is not uniform and appears to be conditional on other enabling factors. The observation that higher education levels amplify the employment benefits of financial inclusion suggests that financial resources are more effectively translated into productive employment when coupled with the necessary skills and knowledge. Similarly, the broader business and institutional environment plays a critical role. Recommendations arising from the West African study to create an enabling environment for enterprise growth and strengthen the rule of law imply that a conducive enabling environment—characterized by stable and supportive macroeconomic policies and good governance—is essential for financial inclusion to effectively translate into enterprise growth and job creation. Financial inclusion, therefore, acts as a powerful catalyst, but its efficacy is significantly enhanced when complemented by investments in skills and a supportive macroeconomic and regulatory landscape, pointing to the need for integrated policy approaches bringing all the different dimensions together.

24 See for example, Cama, F.R. Emara, N. Trabelsi, M. 2024. *Financial inclusion and the informal sector.* Research in International Business and Finance, Volume 70, Part B. Science Direct. Elsevier. Available at: https://doi.org/10.1016/j.ribaf.2024.102379 and World Bank. 2025. *Lesotho Digital Finance Workshop Gender Deep Dive: Access to Finance for MSMEs in Lesotho - MoFDP National Financial Inclusion Strategy II Launch Maseru*. 29 January 2025. Gender Innovation Lab. Washington, D.C World Bank Group. Available at: http://documents.worldbank.org/curated/en/099003404072532130

REGIONAL PERSPECTIVES ON EMPLOYMENT OBJECTIVES AND REGULATORY CAPACITY

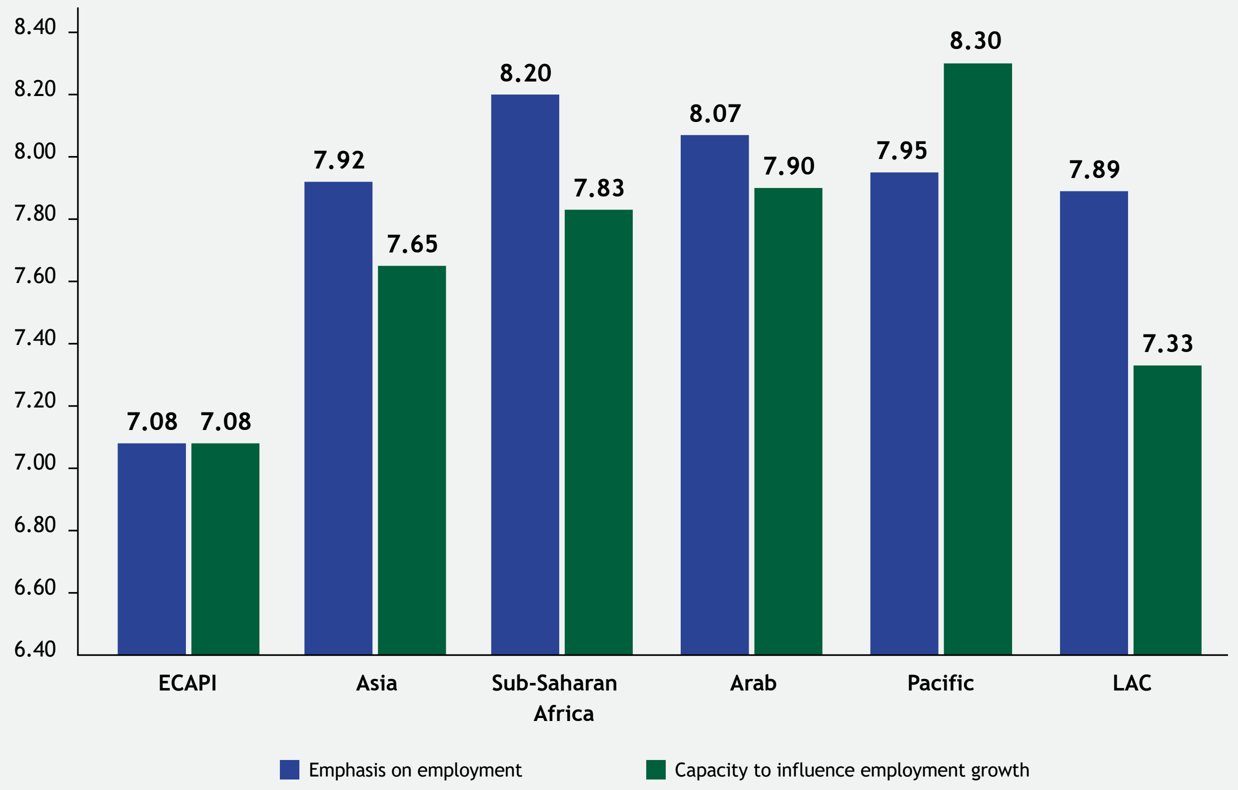
To support the analysis of regional perspectives, AFI's 2024 Member Needs Assessment employed a mixed-methods approach that combined both quantitative and qualitative elements to capture a comprehensive understanding of members' priorities. Quantitative data was gathered through structured questions such as Likert-scale and multiple-choice formats focused on key service dimensions including satisfaction with service delivery, quality, and alignment with member needs. These responses were then analyzed using statistical methods to identify patterns and trends across the membership, highlighting areas of strength as well as those requiring further support.

In parallel, qualitative data was collected through open-ended questions, allowing respondents to elaborate on specific policy needs, emerging priorities, and suggestions for service improvements. These narrative responses were subjected to thematic analysis, which helped uncover key issues and actionable insights across regions. The data was further disaggregated by demographic factors such as gender, region, and duration of engagement with AFI, enabling a more nuanced understanding of the diverse perspectives and needs that shape member institutions' views, particularly regarding the role of central banks and financial sector regulators in employment creation.

AFI's 2024 Member Needs Assessment offers critical insights into how central banks and financial sector regulators and policymakers across regions, particularly in SSA, perceive their role in job creation and economic development. The analysis on "Emphasis on employment" and "Capacity to influence employment growth" is based on a scoring scale ranging from 1 to 10, where 1 indicates the lowest agreement or capacity, and 10 represents the highest.[25]

25 For emphasis, the statement was: "Central banks and financial regulators should put a strong emphasis on employment objectives as part of their broader economic goals." For capacity, the statement was: "Central banks and financial regulators possess adequate capacity to influence and impact objectives related to job creation."

FIGURE 2: PERCEIVED EMPHASIS ON EMPLOYMENT OBJECTIVES AND THEIR CAPACITY TO IMPACT JOB CREATION



Source: 2024 AFI Member Needs Assessment

- **Emphasis on employment objectives**

Responding institutions in SSA supported the idea that central banks and financial sector regulators and policymakers should place a strong emphasis on employment objectives as part of their broader economic goals. The region recorded the highest mean score of 8.20, reflecting a strong consensus that employment should be a key focus. This is notably higher than other regions, such as Asia (7.92) and Latin America and the Caribbean (LAC) (7.89). SSA's high score suggests that policymakers in the region are particularly attuned to the importance of job creation as a driver of economic development, especially in the context of high unemployment, underemployment and informality rates across much of the continent.

Other regions also show strong agreement, with the Arab region following closely at 8.07 and the Pacific region at 7.95, indicating global recognition of the importance of incorporating employment into central banks and financial sector regulators' economic goals. Eastern Europe and Central Asia Policy Initiative (ECAPI), however, recorded the lowest mean score at 7.08, signalling a relatively lower priority placed on employment objectives compared to other regions.

- **Capacity to impact job creation**

When it comes to assessing the capacity of central banks and other financial sector regulators and policymakers to influence job creation, the Pacific region emerges as the most confident, with a mean score of 8.30, indicating strong confidence in their ability to impact employment outcomes. In SSA, the score is 7.83, which, while lower than the Pacific, still reflects a solid belief in the region's capacity to drive job creation through policy and regulation. This is significant, given that SSA also placed the highest emphasis on employment as an objective, suggesting that while the region sees employment as a critical goal, there is still some caution regarding the capacity of institutions to fully deliver on this goal.

Members in the Arab region also show high confidence, with a mean score of 7.90, while Asia reflects moderate confidence at 7.65. LAC presents a lower level of confidence in capacity, scoring 7.33, and ECAPI mirrors its lower prioritization of employment objectives, with a capacity score of 7.08.

- **Perspectives on central banks' role in job creation**

The perspectives presented in this section are based on the written responses provided to the 2024 Member Needs Assessment conducted among AFI member institutions[26] on job creation, highlighting diverse perspectives from various regions on the role of central banks and other financial sector regulators and policymakers in fostering employment.

The written responses received reflect varying views on how central banks can and should contribute to job creation. In modern economic thinking, central banks are responsible for ensuring price stability through effective monetary policy, but as noted earlier, it is often the case that employment considerations are de facto, if not de jure, taken into consideration. At the same time, there is growing recognition of their potential to indirectly impact employment through the promotion of financial inclusion and support for economic development.

A significant theme across the responses is the importance of alignment between central banks and government bodies. Many respondents stressed that while central banks can indirectly contribute to job creation through monetary policy and financial stability, the primary responsibility for employment generally rests with government agencies and their fiscal policies. For instance, several responses emphasized the need for greater synergies between central banks and state organizations to ensure that policies complement rather than conflict with one another in their efforts to foster job creation.

In regions such as SSA and other developing economies, financial inclusion was frequently highlighted as a key tool for promoting employment. Respondents noted that central banks could play a more active role in creating jobs by facilitating access to finance for small and medium-sized enterprises (SMEs), micro-entrepreneurs, and underserved rural populations. One respondent pointed out that financial inclusion acts as a driver of both social and economic development, particularly in countries like Senegal, where improved access to financial services helps small businesses grow and generate employment.

Meanwhile, in some regions, respondents generally supported the idea that central banks should continue to focus on core mandates such as price stability and financial regulation. There was concern that expanding their role to include direct job creation could lead to conflicts between monetary and employment objectives. This was particularly evident in responses from regions like the Pacific and LAC, where respondents suggested that central banks should primarily complement fiscal policy rather than drive job creation themselves.

Skills development and education also emerged as critical themes in addressing unemployment. Several respondents emphasized the importance of vocational training and aligning education with market needs to enhance employability and tackle structural unemployment. This was viewed as a long-term strategy for reducing unemployment and increasing workforce readiness.

There was also considerable support for central banks to innovate and leverage technology to foster job creation. The rise of FinTech was cited as an opportunity for central banks to enable job creation, particularly by supporting new financial services that cater to underserved regions, thus fostering entrepreneurship and creating employment opportunities, especially for youth and women.

In conclusion, while central banks are generally seen as having an indirect role in job creation (although direct in cases of dual mandates or flexible inflation targeting), particularly through fostering financial stability and inclusion, the primary responsibility for employment policies remains with governments. Central banks are, however, viewed as essential in creating the conditions that enable job creation, by ensuring financial stability, supporting innovation, and facilitating access to finance.

PRACTICAL INTERVENTIONS BY CENTRAL BANKS AND OTHER FINANCIAL SECTOR REGULATORS AND POLICYMAKERS

Insights from the 2024 Africa Financial Inclusion Policy Initiative (AfPI) meeting, desk research, and a financial inclusion survey of 25 member institutions indicates that the interventions undertaken by financial sector regulators and policymakers can be categorized into two types - direct contributions and enabling contributions.

Direct contributions involve interventions that have an immediate and clear impact on the labour market. These include measures that create immediate employment opportunities, support the expansion of businesses, and generate new jobs.

26 Alliance for Financial Inclusion. N.d. List of AFI member institutions. Kuala Lumpur. AFI. Available at: https://www.afi-global.org/about-afi/members/

Enabling contributions involve creating favorable conditions and a conducive environment for job creation. These measures improve the overall economic environment, develop the capacity of the financial sector, and raise awareness among consumers.

DIRECT CONTRIBUTIONS: EXAMPLES AND IMPACT

A) MONETARY POLICY UNDER PRICE STABILITY AND FULL EMPLOYMENT MANDATES

By adjusting policy interest rates and money supply depending on inflation dynamics and labour market conditions, central banks and other financial sector regulators and policymakers influence borrowing and spending, which in turn impacts economic activity and job growth. Clear communication about future monetary policy also helps anchor expectations, reducing uncertainty for employers and workers alike. For instance, the Central Bank of Nigeria (CBN) has embedded employment considerations into its monetary policy framework by aligning tools such as the Monetary Policy Rate (MPR) with job creation objectives. By adopting expansionary measures such as reducing the MPR or the Cash Reserve Ratio (CRR), the CBN has sought to boost liquidity in the financial system, encourage greater lending by banks, and ultimately stimulate investment and employment growth.

B) AGENT BANKING

Agent banking involves using third-party agents to provide banking services in remote areas where traditional banks are not present. AFI member institutions in Nigeria, Malawi, Mozambique, Namibia, Tanzania, Gambia, Ghana, Kenya, Rwanda, and Zimbabwe already have agent banking regulations, and it can be seen that this is an enabling factor for the creation of small businesses and expansion as it provides them with access to banking services that enable transactions, savings, and access to credit.

C) PROVISION OF TAILORED SMALL LOANS TO MSMES

Providing small loans to micro, small, and medium enterprises (MSMEs) helps them to grow and hire more employees. Having regulations that support the provision of products tailored to the needs of small businesses can enable MSMEs to invest in their businesses, expand operations, and increase their workforce. During recessions, addressing the specific needs of MSMEs can help better maintain employment. For example, during the COVID-19 pandemic, BCEAO implemented several measures, such as suspending loan repayments for MSMEs, unlimited refinancing at the Central Bank's counters, and issuing special COVID-19 GT-Bills. These actions helped maintain the inflation rate in the WAEMU at two percent on average, resulting in increased financing to the economy and achieving an average economic growth of five percent over the past decade. Likewise, the Bank of Uganda has implemented targeted financing initiatives to foster employment and enterprise development. These include the Agricultural Credit Facility, which supports mechanized farming and value addition.

D) ACCESS TO CAPITAL FOR YOUTH ENTREPRENEURS

Africa has the youngest population in the world and providing young entrepreneurs with access to capital can encourage youth entrepreneurship, which is vital for innovation and economic growth. By developing policies such as the Nigerian Youth Investment Fund and the Youth Entrepreneurship Scheme, which support young business owners, it generates employment opportunities for other young people.

E) FOSTERING FINTECH INNOVATIONS

Establishing a conducive regulatory framework for FinTech innovations, such as those seen in Nigeria, Ghana, BCEAO, Eswatini, Kenya, Uganda, Seychelles, Rwanda, Egypt, Sierra Leone, Mozambique and Morocco, fosters a dynamic and inclusive financial sector. FinTech innovations can create new job opportunities in technology and financial services, support the growth of small businesses, and enhance financial inclusion.

F) CREDIT GUARANTEES

Credit guarantees reduce the risks for financial service providers when lending to MSMEs, encouraging them to extend more credit. By facilitating access to finance for MSMEs, credit guarantees such as those in Zimbabwe, Kenya, Ghana, Nigeria, Tanzania, and Eswatini, help lenders reduce their risk and on-lend to help businesses grow and create jobs. This support is particularly important in times of economic uncertainty (this was seen during the COVID-19 pandemic) when traditional lending was constrained.

ENABLING CONTRIBUTIONS: EXAMPLES AND IMPACT

A) MONETARY POLICY

By maintaining low and stable inflation over the long run, central banks and other financial sector regulators and policymakers create favourable conditions for government, households and enterprises to make sound spending, saving and investment decisions, which support labour market outcomes. Even in cases where job creation is not explicitly part of the mandate, it is implicitly necessary for the effectiveness of monetary policy and for achieving inclusive growth.

B) COUNTERCYCLICAL CAPITAL BUFFERS

By requiring banks to build capital reserves during economic expansions, countercyclical capital buffers support output and jobs during recessions by maintain credit, absorb losses, and promote economic stability over the long-term.

C) SAVINGS PROGRAMS

Savings programs enhance economic opportunities for women and youth by providing them with a safe place to save money and build financial resilience. These programs help individuals to accumulate capital that can be used to start or expand businesses, thereby creating jobs.

D) NATIONAL FINANCIAL LITERACY AND DIGITAL FINANCIAL LITERACY STRATEGIES

Focusing on increasing economic participation, these strategies aim to improve the financial literacy of the population, particularly among underserved groups. Financially literate individuals are better equipped to manage their finances, start businesses, and make informed economic decisions, contributing to economic growth and job creation.

E) TECHNICAL ASSISTANCE AND ADVISORY SERVICES

Financial sector regulators and policymakers provide training and advisory services to MSMEs on how to apply for loans, understand financial products, and assess creditworthiness. These services help MSMEs to navigate the financial system, access necessary funding, and operate more efficiently, leading to business growth and job creation. In many countries, collateral requirements for loans are often high and technical assistance in improving the quality and availability of credit information could generate significant benefits for financial inclusion for both MSMEs and households.

F) FINANCIAL LITERACY CAMPAIGNS AND EVENTS

By educating the public about financial management and the benefits of using formal financial services, these campaigns promote economic participation and job creation.

G) MSME LOAN PERFORMANCE AND MONITORING TOOLS

Decision-making and support tools for local financial markets to monitor and evaluate the performance of MSME loans are essential as they help financial institutions to better manage risk and ensure the sustainability of lending programs, thereby supporting the growth and job-creating potential of MSMEs.

Young men working together. (I_am_zews / Shutterstock.com)

POLICY IMPLICATIONS FOR CENTRAL BANKS AND OTHER FINANCIAL SECTOR REGULATORS AND POLICYMAKERS

REVIEW AND STRENGTHEN THE ROLE OF FINANCIAL SECTOR REGULATORS AND POLICYMAKERS IN JOB CREATION

Central banks in Africa can consider reviewing and potentially sharpening their roles to support employment and economic development goals. This process involves a thorough assessment of existing policies and identifying areas where regulatory frameworks can be adjusted to promote job creation. For instance, central banks could refer to employment targets, ensuring that efforts to maintain price stability do not overlook the importance of reducing unemployment. Furthermore, traditional paradigms of macroeconomic policy frameworks, developed in advanced economies, may not be entirely applicable to African countries with different economic structures and high informality rates, and tailored solutions more suitable to the structures of African economies are required. In this regard, for some countries, what is required is a more human-centered and pro-employment approach to central banking that prioritizes price stability, job creation and financial inclusion.

STRENGTHENING ENABLING ENVIRONMENT FOR FINANCIAL INCLUSION

Comprehensive financial inclusion strategies that address both supply-side and demand-side factors need to be developed and implemented. On the supply side, financial institutions should be encouraged to develop products and services tailored to the needs of underserved populations, such as women and youth, and microloans for small businesses or low-cost savings accounts. On the demand side, efforts should focus on increasing financial literacy and trust in financial institutions among these populations. Additionally, policies should promote the expansion of banking infrastructure in rural and underserved areas. Mobile banking and digital financial services (DFS) should also be leveraged to reach remote populations. By improving access to financial services and fostering a culture that encourages their use, financial inclusion can stimulate economic activity and create job opportunities, particularly in sectors where access to finance has traditionally been a barrier.

COLLABORATING WITH STAKEHOLDERS

Strong partnerships between central banks, government ministries, the private sector, international organizations, and other national partners should be fostered to create a cohesive strategy for job creation. This involves establishing multistakeholder platforms to coordinate efforts, share best practices, and leverage each stakeholder's strengths. Central banks can lead these collaborations by facilitating dialogue and cooperation among different entities, including employer and worker organizations. For example, dialogue with ministries of finance is critical in ensuring that monetary policies are coordinated with fiscal policies and broader economic development goals. Collaboration with regulatory bodies overseeing the insurance sector can be instrumental as improved access to insurance can also support business growth and job creation. Furthermore, partnerships with the private sector and unions can drive innovation and investment in job-creating industries. Engagement with international organizations can provide access to global best practices, technical assistance, and funding opportunities. By creating a coordinated approach, these partnerships can enhance the effectiveness of job creation strategies and ensure that all stakeholders are working towards common objectives.

LEVERAGING TECHNOLOGY

Expand financial inclusion and create new job opportunities by encouraging the adoption of DFS and FinTech. Regulatory frameworks should be designed to support technological innovation while ensuring consumer protection and financial stability. This includes creating a conducive environment for FinTech startups, such as providing regulatory sandboxes where new products can be tested under relaxed regulations. Additionally, policies should promote the development of digital infrastructure, such as broadband internet and mobile networks, to enable widespread access to DFS, which promote both inclusion and infrastructure-related jobs. Training programs should be implemented through collaboration between government agencies, financial sector regulators and policymakers, the private sector, and educational institutions to build digital skills among the workforce, ensuring that individuals can take advantage of new job opportunities created by the FinTech sector. By leveraging technology, financial sector regulators and policymakers can help to modernize the financial sector, increase efficiency, and stimulate job creation in both traditional and emerging industries.

Man selling fish and vegetables on the Sir Selwyn Clarke Market in Victoria, Seychelles. (Fokke Baarssen / Shutterstock.com)

MONITORING AND EVALUATING IMPACT

Robust mechanisms should be developed to monitor and evaluate the impact of financial policies on job creation. This involves establishing systems for collecting and analyzing disaggregated data on employment trends, financial inclusion, and economic performance. Regular impact assessments should be conducted to evaluate the outcomes of financial policies and interventions, providing evidence-based insights that can inform policy adjustments. Continuous evaluation ensures that strategies remain effective and responsive to changing economic conditions. It also enables policymakers to identify good practices and scale successful initiatives, maximizing their impact on job creation and economic development.

PROMOTING FINANCIAL AND ECONOMIC LITERACY

The implementation of nationwide programs can improve financial and economic literacy, particularly among small business owners, youth, and women. These programs should aim to equip individuals with the knowledge and skills needed to make informed financial decisions, manage personal and business finances, and participate in the formal economy in a sustainable manner. Financial literacy can be integrated into school curricula, ensuring that students receive financial education from an early age, through collaboration with educational institutions. Community organizations can also play a role in delivering financial literacy programs, reaching individuals in underserved areas and engaging through local languages. Additionally, leveraging digital platforms can expand the reach of financial education initiatives, providing accessible and interactive learning resources. By promoting financial and economic literacy, these programs can empower individuals to take control of their financial futures, support entrepreneurial activities, and contribute to job creation and economic growth.

CONCLUSION

Central banks and other financial sector regulators and policymakers in Africa have a critical role to play in fostering economic growth and addressing unemployment and other forms of labour underutilization.

The discussions at the AfPI meetings, supported by the 2024 AFI Member Needs Assessment and findings from the job creation survey conducted among AFI member institutions in the Africa region underscore the importance of balancing traditional central bank mandates — such as price stability and financial sector soundness — with a broader awareness of economic development goals, including employment. While there is increasing recognition of this potential, it is crucial to approach these objectives within the boundaries of central banks' established frameworks, ensuring that their primary mandates remain focused and effective. At the same time, where country-specific circumstances warrant, central banks can better align with changing economic and social realities, including labour market conditions within their given mandates.

The capacity to influence job creation varies across regions, reflecting differing levels of confidence, resources, and institutional readiness. SSA's emphasis on employment objectives highlights the region's commitment to tackling unemployment and other forms of labour underutilization, but it also underscores the need for targeted support and capacity building to bridge the gap between ambition and actionable impact. Meanwhile, regions like the Pacific, which exhibit higher confidence in their regulatory capacity, emphasize the importance of tailoring approaches to each region's unique challenges and opportunities.

Financial inclusion remains a powerful enabler of economic activity and job creation. By expanding access to financial services, particularly for underserved populations such as women, youth, and rural communities, financial sector regulators and policymakers can stimulate entrepreneurship and foster inclusive growth. The integration of technology and support for DFS and FinTech innovations are both essential, offering pathways to enhance inclusion and create jobs in emerging industries.

Collaboration among central banks, governments, the private sector, and other national partners remains critical. Aligning monetary policies with broader economic strategies, complemented by investments in infrastructure and education, can create an environment conducive to job creation. However, such alignments must be carefully managed to preserve the independence and core objectives of financial sector regulators and policymakers. Continuous monitoring and evaluation of these efforts will be critical to ensure that interventions are both effective and adaptable to evolving economic conditions.

A multifaceted approach that emphasizes financial inclusion, technological innovation, and collaborative strategies will enable financial sector regulators and policymakers to contribute meaningfully to job creation while maintaining their core focus on financial stability and soundness. By leveraging their unique position and fostering synergy with broader economic policies, Africa's financial sector regulators and policymakers can play a supportive role in addressing unemployment and driving inclusive growth across the continent.

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