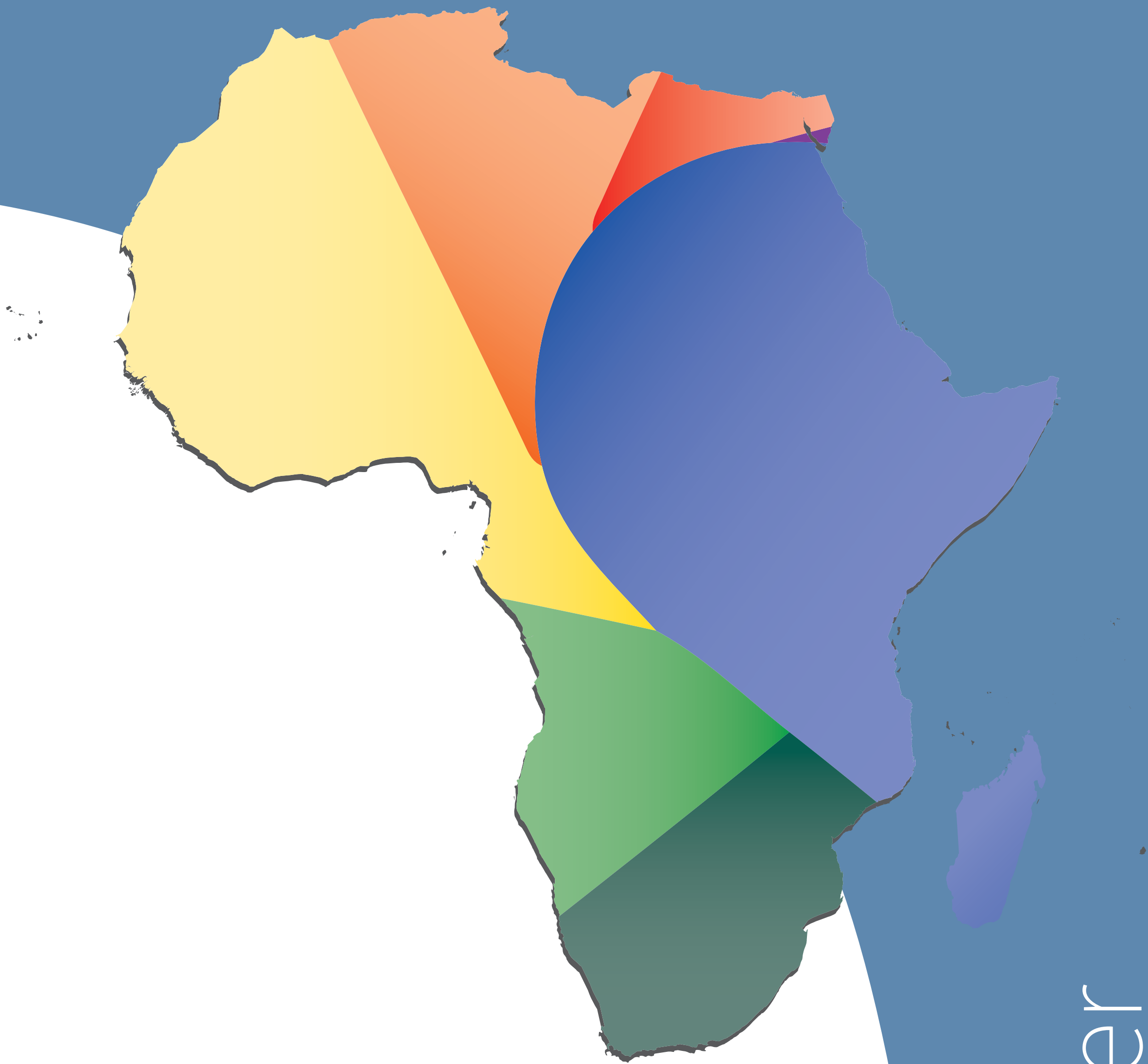

ECA

AFRICAN PRIORITIES FOR FfD4

The Fourth Financing for Development Conference

Background Paper

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Acknowledgements

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Abbreviations

AAAA	The Addis Ababa Action Agenda
AI	Artificial intelligence
AEOI	Automatic Exchange of Information
AfCFTA	African Continental Free Trade Area
ATAF	African Tax Administration Forum
AU	African Union
AUC	African Union Commission
BRICS	Brazil, Russia, India, China, South Africa
CF	Common Framework (G20)
DAC	Development Assistance Committee (OECD)
ECA	Economic Commission for Africa (United Nations)
FATF	Financial Action Task Force
FfD	Financing for Development
FfD4	Fourth International Conference on Financing for Development Forum
FDI	foreign direct investment
GDP	gross domestic product
IFFs	illicit financial flows
IMF	International Monetary Fund
ITC	International Trade Centre
LDCs	Least Developed Countries
MDBs	Multilateral Development Banks
NEPAD	New Partnership for Africa's Development
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
PIDA	Programme for Infrastructure Development in Africa
PPP	Purchasing Power Parity
SDGs	Sustainable Development Goals
SDR	Special Drawing Rights
STEM	Science, Technology, Engineering, and Mathematics
STI	Science, technology and innovation
UN	United Nations
WTO	World Trade Organization

Executive Summary

The Addis Ababa Action Agenda (AAAA), adopted in 2015, marked a pivotal moment in the landscape of international development finance. As a comprehensive global framework aligned with the Sustainable Development Goals (SDGs), the AAAA set forth an ambitious roadmap to mobilize resources, address systemic challenges, and support the achievement of the 2030 Agenda for Sustainable Development. This executive summary presents a high-level overview of Africa's progress in implementing the AAAA, the challenges encountered, and key proposals for the way forward. It aims to inform policymakers and governments participating in the Africa Regional Consultation for the Fourth International Conference on Financing for Development Forum (FfD4) and shape the discussions at the FfD4 in 2025.

The AAAA and its significance for Africa

The AAAA builds upon the foundations laid by the Monterrey Consensus (2002) and the Doha Declaration (2008) while introducing crucial innovations to address the evolving global economic landscape. For Africa, the AAAA represents a significant milestone, as it was the first major United Nations (UN) conference on development finance held on the continent. The agenda recognizes Africa's unique challenges and opportunities, and emphasizes the importance of a holistic, integrated approach to development financing. The AAAA established seven interconnected action areas: **domestic public resources; international private business and finance; international development cooperation; international trade; debt and debt sustainability; addressing systemic issues; and science, technology, innovation, and capacity building**. These action areas provide a comprehensive framework for mobilizing and effectively utilizing financial resources to support sustainable development in Africa.

Africa's progress in implementing the AAAA

Since the adoption of the AAAA, African countries have made notable strides in several action areas. In the realm of domestic public resources, progress has been observed in tax revenue collection, with steady increases in taxes on goods and services and income. Efforts to combat illicit financial flows have gained momentum, marked by the adoption of the historic UN General Assembly resolution on international tax cooperation in 2023. The international private business and finance area has seen improvements in financial inclusion, driven by the rapid expansion of digital financial services. The establishment of the African Continental Free Trade Area (AfCFTA) represents a significant milestone in boosting international trade, with the potential to stimulate intra-African trade and foster regional integration. The implementation of preferential market access schemes for least developed countries (LDCs) has shown modest progress.

Africa's debt landscape has evolved dramatically, with public debt levels reaching pre-Multilateral Debt Relief Initiative levels. Increased reliance of countries on domestic debt and the shift towards private and non-Paris Club lenders has introduced new complexities in debt management. While debt transparency has improved, the uptake of recent debt relief initiatives, such as the G20 Common Framework (CF), has been limited.

Recent initiatives, such as the UN's 'Pact for the Future' and the Global Governance Report on AI, show promise for systemic reform, though their impact on African economies remains to be seen. Africa has emerged as a global leader in digital financial services, particularly in mobile banking and financial inclusion, which have revolutionised access to financial resources and contributed to domestic resource mobilisation (DRM). The widespread adoption of mobile money platforms and fintech solutions has positioned Africa at the forefront of digital banking innovation, enabling millions to participate in formal financial systems. However, despite this progress, widening technological divides remain a challenge, with Africa's participation in frontier technologies and research collaboration still limited. Efforts to bridge the digital divide and enhance science, technology, engineering, and mathematics (STEM) education have shown positive momentum, yet further investments in capacity-building, research, and innovation ecosystems are needed to fully integrate African economies into the global knowledge economy.

Challenges and gaps in implementation

Despite these advancements, Africa continues to face significant challenges in fully realising the vision of the AAAA. Domestic resource mobilisation remains constrained by narrow tax bases, weak tax administrative capacities, and persistent illicit financial flows. Private finance flows have been insufficient and skewed towards extractive sectors, with limited alignment to sustainable development priorities. International development cooperation has fallen short of commitments, with concerns around the quality, predictability, and alignment of support. Trade performance has been hampered by commodity dependence, limited value addition, and infrastructure bottlenecks. Debt vulnerabilities have intensified, exacerbated by a rapidly changing creditor landscape and inadequate international response mechanisms. Systemic issues in the global financial architecture, such as underrepresentation of African countries in decision-making processes and policy incoherence across key sectors, continue to impede progress. Additionally, a lack of political will and persistent capacity constrainits within institutions have significantly hindered the effective implementation of development commitments, limiting the ability to translate policy frameworks into tangible outcomes. The potential of science, technology, and innovation remains under-utilised, with Africa's limited participation in frontier technologies and insufficient diffusion of existing knowledge.

A critical assessment of the AAAA's monitoring, follow-up, and review framework reveals significant gaps that hinder effective tracking and enforcement of commitments. The current mechanisms are fragmented, operating in silos across different levels and action areas. At the global level, while the Inter-agency Task Force on Financing for Development provides valuable oversight, it lacks the necessary enforcement capabilities to ensure compliance with commitments. The absence of binding consequences for non-adherence to agreed-upon actions weakens the framework's ability to drive meaningful change. At the regional level, the lack of a formalised monitoring mechanism tailored to Africa's specific needs and priorities hampers the ability to track progress and identify implementation gaps effectively. Existing regional platforms, such as the African Union (AU) and the United Nations Economic Commission for Africa (ECA), have made efforts to bridge this gap, but their initiatives remain largely ***ad hoc*** and under-resourced. The national level presents perhaps the most significant challenge, with many African countries lacking the institutional capacity and technical expertise to effectively monitor and report on the various financing streams and commitments outlined in the AAAA. The absence of harmonized data collection methodologies and reporting standards across countries hinders comparability and aggregation of information at the regional and global levels.

Further, the AAAA's monitoring framework fails to adequately capture the complex interplay between different action areas and their impact on development outcomes. The siloed approach to tracking progress in each action area overlooks the potential synergies and trade-offs that exist between them. This lack of a holistic, integrated perspective impedes the ability to develop coherent policies and interventions that can optimize development finance outcomes. Weak accountability mechanisms further undermine the effectiveness of the AAAA's monitoring framework. While the agenda emphasizes mutual accountability between development partners and recipient countries, the current structures rely heavily on voluntary reporting and peer review processes. The absence of strong enforcement measures and consequences for non-compliance dilutes the incentives for stakeholders to adhere to their commitments.

Data limitations pose another significant hurdle to effective monitoring and accountability. Many African countries face challenges in collecting, analysing, and disseminating high-quality, timely, and disaggregated data across various dimensions of development finance. This data gap hinders evidence-based decision-making, risk assessment, and impact evaluation. Addressing these gaps in the AAAA's monitoring, follow-up, and review framework is crucial to unlocking its full potential as a transformative agenda for financing sustainable development in Africa.

Beyond these challenges, several critical areas are also absent from the AAAA and must be addressed at FfD4. Financing for peace was overlooked, despite the direct link between economic stability and conflict prevention, particularly in fragile and conflict-affected states (FCS). The AAAA also failed to establish a clear framework for international tax cooperation under the UN, leaving African countries at a disadvantage in shaping global tax rules. Additionally, no permanent sovereign debt restructuring mechanism was proposed, making it difficult for highly indebted African countries to navigate debt crises equitably. These gaps must be rectified in the upcoming FfD4 discussions to ensure a more inclusive and responsive global financing architecture.

The way forward

To address the challenges and accelerate progress towards the SDGs following the implementation of the AAAA, a comprehensive and phased reform agenda is imperative across all action areas. This agenda should focus on three key pillars of reform: (i) strengthening domestic resource mobilisation (DRM) and debt sustainability, (ii) enhancing international financial governance and tax cooperation, and (iii) ensuring equitable access to climate and development finance. In the short term, immediate priorities should include curbing illicit financial flows (IFFs), reforming sovereign debt resolution mechanisms, and improving the predictability of development cooperation. In the medium term, Africa must push for a binding UN-led international tax framework, reforms to Multilateral Development Banks (MDBs) to scale up concessional finance, and expanded regional trade integration under the AfCFTA. Over the long term, structural transformations should focus on deepening domestic capital markets, scaling up green industrialisation financing, and enhancing Africa's participation in frontier technologies. Overarching these reforms, the development of an Integrated FfD Follow-up System (IFS) is recommended to link national, regional, and global processes through standardised reporting formats and timelines. The IFS would facilitate real-time tracking of commitments and disbursements, enable information sharing and best practice exchange, and provide early warning signals for potential challenges.

As Africa looks ahead to the 2030 SDG milestone and beyond, a business-as-usual approach to development finance will not suffice. The challenges identified in this assessment demand a fundamental reimagining of the global financing for development architecture, one that places Africa's priorities, perspectives, and agency at the center. The upcoming FfD4 presents a critical opportunity to build on the progress made, address the persistent gaps, and chart a new course for financing Africa's development. By embracing the recommendations outlined in this paper, policymakers and governments can lay the foundations for a more prosperous, inclusive, and sustainable future for the continent.

Introduction

The landscape of international development finance has undergone significant transformation since the turn of the millennium, marked by three pivotal frameworks: the Monterrey Consensus of the International Conference on Financing for Development (2002),[1] the Doha Declaration on Financing for Development (2008)[2] and the Addis Ababa Action Agenda (2015).[3] These frameworks have emerged as crucial responses to evolving global economic challenges and development needs, particularly concerning Africa's position in the international financial architecture.

The Monterrey Consensus emerged at a critical juncture in global economic history. The late 1990s had witnessed devastating financial crises in Asia and Latin America, highlighting the vulnerabilities of developing economies in an increasingly interconnected global financial system. The September 11 2001 attacks had just occurred and there was growing recognition that poverty and underdevelopment could contribute to global instability. For Africa, the period leading to Monterrey was particularly challenging. The continent was grappling with the aftermath of structural adjustment programmes, mounting external debt, and declining terms of trade. The New Partnership for Africa's Development (NEPAD) had just been established in 2001, signalling Africa's desire for a new relationship with international partners based on mutual accountability and respect.

The Monterrey Consensus introduced six key areas of financing for development: domestic resource mobilization, private international capital flows, international trade, official development assistance (ODA), debt relief, and systemic issues. This comprehensive approach represented a paradigm shift from previous development frameworks, acknowledging that aid alone would not be sufficient to achieve development goals. The 13-year period between the Monterrey Consensus and Doha Declaration saw significant changes in the global economic landscape. The rise of emerging economies, particularly China's growing influence in Africa, began reshaping traditional North-South development partnerships. The 2008 global financial crisis erupted just as the Doha Conference was being held, fundamentally altering the context of development finance discussions.

The 2008 Doha Declaration reaffirmed the Monterrey Consensus while acknowledging new challenges. It emphasized the importance of **addressing systemic issues in the international financial architecture and highlighted the need for greater representation of developing countries in international financial institutions.** For Africa, Doha's timing coincided with a period of relative economic optimism, with many countries experiencing sustained growth and increased foreign investment, particularly from China. However, Doha also revealed the limitations of existing financing frameworks. The declaration acknowledged that despite progress in some areas, many African countries remained trapped in cycles of poverty, debt, and aid dependency. The global financial crisis exposed the continued vulnerability of African economies to external shocks and highlighted the urgent need for more resilient financing mechanisms.

The Addis Ababa Action Agenda (AAAA) of 2015 marked a significant evolution in development finance thinking. Its timing was crucial, coinciding with the adoption of the SDGs[4] and the Paris Climate Agreement.[5] The AAAA was conceived as the financing framework for these ambitious global agendas. The AAAA's significance for Africa cannot be overstated. As the first major UN conference on finance held in Africa, it

1 United Nations , ***Monterrey Consensus of the International Conference on Financing for Development.*** Monterrey, Mexico, 2003.See A/CONF.198/11. Avaliable at https://www.un.org/en/development/desa/population/migration/generalassembly/docs/globalcompact/A_CONF.198_11.pdf

2 United Nations, ***Doha Declaration on Financing for Development: Outcome document of the follow up international conference on financing for development to review the implementation of the Monterrey Consensus. Doha, Qatar, 2009. Available at*** https://www.un.org/esa/ffd/wp-content/uploads/2014/09/Doha_Declaration_FFD.pdf

3 United Nations. Addis Ababa Action Agenda of the Third International Conference on Financing for Development. Addis Ababa, Ethiopia, 2015. Available at: https://www.loc.gov/item/2019352355.

4 United Nations. Sustainable Development Goals. 2015. Available at: https://sdgs.un.org/goals.

5 United Nations Framework Convention on Climate Change (UNFCCC). Policies and Measures. Publication date: 29 November 2018. Conference: Paris Climate Change Conference - November 2015, Session: COP 21. Available at: https://unfccc.int/documents/184656

symbolised the continent's growing voice in global economic governance. The AAAA established seven interconnected action areas, each designed to address specific aspects of development financing while recognizing their interdependence in achieving sustainable development outcomes. The implementation framework for these action areas was conceived as a comprehensive approach to transformation, particularly for African economies.

(i) The first action area, **Domestic Public Resources**, represents the foundation of the AAAA's implementation strategy. It envisions a transformed public finance landscape where African nations strengthen their tax administration systems, broaden their tax bases, and implement progressive taxation policies. The implementation pathway includes modernizing revenue authorities, digitalising tax collection systems, and strengthening international cooperation to combat tax evasion and illicit financial flows. This area particularly emphasizes capacity building for tax authorities and the development of transparent public financial management systems.

(ii) **International Private Business and Finance**, the second action area, outlines a framework for catalysing private sector involvement in sustainable development. The implementation strategy focuses on creating enabling environments for business growth through regulatory reforms, strengthening financial markets, and developing innovative financing instruments. It emphasizes the importance of aligning private sector activities with sustainable development objectives through incentive structures and policy frameworks. The agenda specifically promotes the development of domestic capital markets, the strengthening of public-private partnerships, and the creation of risk-sharing mechanisms to attract private investment into development projects.

(iii) The third action area, **International Development Cooperation,** establishes a framework for more effective development partnerships. Its implementation pathway emphasizes the need to fulfil existing official development assistance commitments while improving aid effectiveness through better coordination and alignment with national development priorities. The agenda promotes triangular cooperation and South-South collaboration as complementary approaches to traditional North-South cooperation, recognizing the changing dynamics of global development partnerships.

(iv) **International Trade,** as the fourth action area, is designed to be implemented through a multi-faceted approach that promotes fair, non-discriminatory, and development-friendly trading systems. The implementation framework emphasizes strengthening regional integration, particularly through the African Continental Free Trade Area, while advocating for special and differential treatment for African countries in international trade agreements. It also focuses on building productive capacities and reducing trade costs through improved infrastructure and trade facilitation measures.

(v) The fifth action area, **Debt and Debt Sustainability**, outlines implementation mechanisms for responsible borrowing and lending practices. The framework promotes comprehensive approaches to debt management, including strengthening debt management capacities, improving debt transparency, and developing innovative debt instruments. It emphasizes the importance of maintaining sustainable debt levels while ensuring access to financing for development needs.

(vi) **Systemic Issues**, the sixth action area, addresses the broader international financial architecture. The implementation framework calls for reforms in global economic governance to enhance the voice and participation of African countries in international decision-making processes. It promotes the development of more robust financial regulatory systems and the strengthening of global financial safety nets to better protect developing economies from external shocks.

(vii) The seventh action area, **Science, Technology, Innovation, and Capacity Building**, establishes implementation pathways for technological advancement and knowledge transfer. The framework emphasizes developing technological capabilities through education and training, promoting innovation ecosystems, and facilitating technology transfer. It particularly focuses on leveraging technology for sustainable development outcomes while building local capacity for innovation and adaptation.

The AAAA marked a pivotal moment in the international development finance landscape, setting forth a comprehensive framework to mobilize resources and achieve the ambitious SDGs. As the global community prepares for the upcoming Fourth International Conference on Financing for Development, it is essential to take stock of the progress made, the persistent challenges faced, and the strategic actions required to realign Africa's development trajectory.

Since 2015, the global development finance landscape has undergone significant transformations, necessitating a recalibration of financing priorities. The emergence of Integrated National Financing Frameworks (INFFs) has provided a more structured approach to aligning public, private, and international financial flows with national development strategies, yet their adoption across Africa remains uneven. Additionally, the global financial system has seen growing calls for a rule-based approach to international financial governance, with institutions such as the UN and its regional economic commissions, such as ECLAC advocating for greater accountability, equitable representation, and transparency in sovereign debt restructuring and taxation. The role of Multilateral Development Banks (MDBs) has become even more critical, particularly in mobilising concessional finance, de-risking investments, and addressing Africa's increasing debt vulnerabilities. However, the scale of MDB interventions remains insufficient in meeting Africa's financing needs, highlighting the urgency for expanded lending capacity, governance reforms, and innovative financial instruments that are better aligned with Africa's long-term development priorities.

This background paper serves a dual purpose: first, to analyse the evolution of international development finance frameworks and their implications for Africa, and second, to conduct a comprehensive review of Africa's performance since the adoption of the Addis Ababa Action Agenda (AAAA) in 2015. Specifically, the analysis aims to capture the progress, challenges and way forward in implementing the AAAA across the continent. This analysis is particularly timely as it contributes towards the Regional Consultation for the Fourth International Conference on Financing for Development Forum (FfD4) as well as to inform the FfD4 discussions in 2025, where the international community will assess progress and recalibrate strategies for development financing.

The paper is structured into three main chapters. Chapter 1 provides a background on the socio-economic and development finance landscape since the adoption of the Addis Ababa Action Agenda (AAAA) in 2015. It examines the key features, such as the regional growth, investment and poverty, hunger and Inequality in Africa trends and Economic Outlook, in Africa, with a particular focus on their implications for Africa's development financing landscape.

Chapter 2 presents a detailed assessment of Africa's progress in implementing the AAAA since 2015. It analyses the continent's performance, challenges, and way forward across the seven action areas outlined in the AAAA: Domestic Public Resources; International Private Business and Finance; International Development Cooperation; International Trade; Debt and Debt Sustainability; Addressing Systemic Issues; and Science, Technology, Innovation, and Capacity Building. The chapter also critically examines the effectiveness of the AAAA's monitoring, follow-up, and accountability mechanisms.

Chapter 3 concludes the paper by emphasising the need for a transformative agenda that places Africa's priorities, perspectives, and agency at the centre of the global financing for development architecture. It calls for bold leadership, innovative thinking, and unwavering commitment from all stakeholders to realise the vision of the AAAA and shape a more prosperous, inclusive, and sustainable future for Africa and the world.

1. Socio-economic landscape in Africa since 2015 and its implications for the continent's financing agenda

The outcomes of the Fourth International Conference on Financing for Development will have important implications for the implementation of the 2030 Agenda of Sustainable Development and Agenda 2063 of the Africa We Want. Both Agenda prioritise domestic resource mobilization and trade as the main sources of financing for structural transformation and sustainable development in Africa, but also recognize the need for external sources of finance. In this context, the two agendas advocate collaboration between Africa and its strategic partners to address all aspects of the sustainable development challenges that Africa faces. The Conference aims to assess the progress made in the implementation of the Monterrey Consensus, the Doha Declaration and the Addis Ababa Action Agenda, identifying obstacles and constraints encountered in achieving the goals and objectives agreed therein. It also addresses actions and initiatives required to overcome the identified constraints, and to address new and emerging issues, including in the context of the urgent need to accelerate the implementation of the 2030 Agenda and work toward achieving the Sustainable Development Goals while supporting reform of the international financial architecture.

To begin with, a comprehensive understanding of Africa's economic and development finance landscape since the adoption of the Addis Ababa Action Agenda (AAAA) in 2015 is crucial for assessing progress, identifying challenges, and formulating future policy directions. This analysis becomes particularly pertinent when considering the substantial financing gap for achieving the Sustainable Development Goals (SDGs) in Africa, estimated at US$1.3 trillion annually,[6] alongside significant revenue leakages through global corporate tax avoidance estimated by Tax Justice Network at $480 billion annually,[7] and illicit financial flows estimated by UNCTAD (2020) at $87 billion annually.[8]

This section examines key economic indicators, structural transformations, and emerging trends that have shaped Africa's development financing capabilities and constraints. The analysis encompasses five interconnected dimensions: regional growth trends and economic outlook; investment patterns and capital formation; poverty, hunger, and inequality dynamics; public finance trends; and the evolving digital economy landscape. These elements collectively provide essential context for evaluating Africa's progress in implementing the AAAA framework and identifying areas requiring enhanced attention and resource mobilization.

The period since 2015 has been characterised by significant volatility and structural challenges. Africa's economic growth trajectory, while showing resilience in certain aspects, has been repeatedly disrupted by external shocks, including the COVID-19 pandemic, geopolitical tensions, and climate-related disasters. These disruptions have not only affected economic performance but have also strained the continent's capacity to mobilize domestic resources and attract external financing for development. Particularly noteworthy is the emergence of the digital economy as a transformative force in Africa's development landscape, which was not fully anticipated in the AAAA framework. The continent has witnessed exponential growth in digital financial services, with mobile money transactions reaching $919

6 United Nations Economic Commission for Africa (ECA), African Union Commission (AUC), African Development Bank (AfDB), and United Nations Development Programme (UNDP). Africa Sustainable Development Report. Available at: https://www.undp.org/sites/g/files/zskgke326/files/2024-07/english_exec_summary_-_asdr_2024_-_en_0.pdf; United Nations Economic Commission for Africa (ECA). Long Term Financing for Sustainable Development in Africa, Chapter 5 (Economic Report on Africa, 2020). Available at: https://uneca.org/chapter/economic-report-africa-2020/long-term-financing-sustainable-development-africa.

7 Tax Justice Network (TJN). The State of Tax Justice 2023. Available at: https://taxjustice.net/reports/the-state-of-tax-justice-2023/.

8 ECA. Economic Governance Report 1: Institutional Architecture to Address Illicit Financial Flows. 2021. Available at: https://repository.uneca.org/handle/10855/46555.

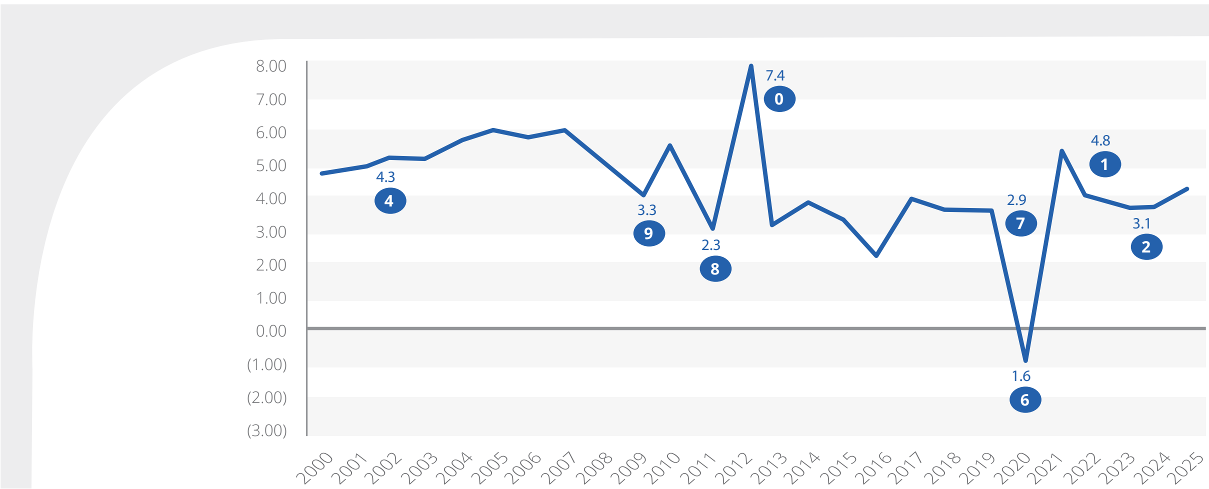
billion in 2023 through 856 million registered accounts.[9] This digital transformation presents both opportunities and challenges for domestic resource mobilization and financial inclusion, key pillars of the AAAA.

The digital revolution has also introduced new dimensions to traditional AAAA action areas. In domestic resource mobilization, digital platforms have created opportunities for expanding the tax base while also presenting challenges in taxing digital services and assets. The rapid growth of fintech services, generating approximately $170 billion in economic value added in sub-Saharan Africa,[10] demonstrates the potential for innovative financing mechanisms envisaged in the AAAA. However, this digital transformation also highlights gaps in the existing framework. The rise of cryptocurrency markets, digital platforms, and e-commerce has created new channels for value creation and transfer that existing tax and regulatory frameworks struggle to capture. This evolution necessitates a reassessment of how the AAAA's objectives can be achieved in an increasingly digital economy.

Moreover, the digital economy's growth has implications for several other AAAA action areas. In international cooperation, it raises questions about digital infrastructure financing and technology transfer. For private sector development, it creates new opportunities for financial inclusion and business innovation. In addressing systemic issues, it introduces new considerations about digital financial stability and cybersecurity. These developments need to be viewed against the backdrop of persistent structural challenges. Despite digital advances, Africa continues to grapple with significant infrastructure deficits, limited industrial capacity, and high levels of informality in its economies. The continent's ability to leverage digital transformation for development is constrained by these structural factors, highlighting the continued relevance of the AAAA's comprehensive approach to development financing.

Understanding these trends and their implications is essential for evaluating Africa's progress since 2015 and identifying necessary adjustments to the AAAA framework. The subsequent sub-sections provide detailed analysis of specific economic indicators and trends, forming the basis for assessing both achievements and shortfalls in implementing the AAAA agenda. This economic context is not merely background information but provides crucial insights into the effectiveness of existing financing mechanisms and the need for innovative approaches to meet Africa's development financing needs. It also helps identify areas where the AAAA framework might need updating to better reflect current realities and emerging opportunities in the digital age.

Figure 1: Real GDP growth trends (annual %)



Source: https://dataportal.opendataforafrica.org/mhuiccf/african-economic-outlook-2024

9 Ecofin Agency. Mobile Money Adoption in Africa Surges 52% from 2020 to 2023 (GSMA). Available at: https://www.ecofinagency.com/telecom/0609-45860-mobile-money-adoption-in-africa-surges-52-from-2020-to-2023-gsma.

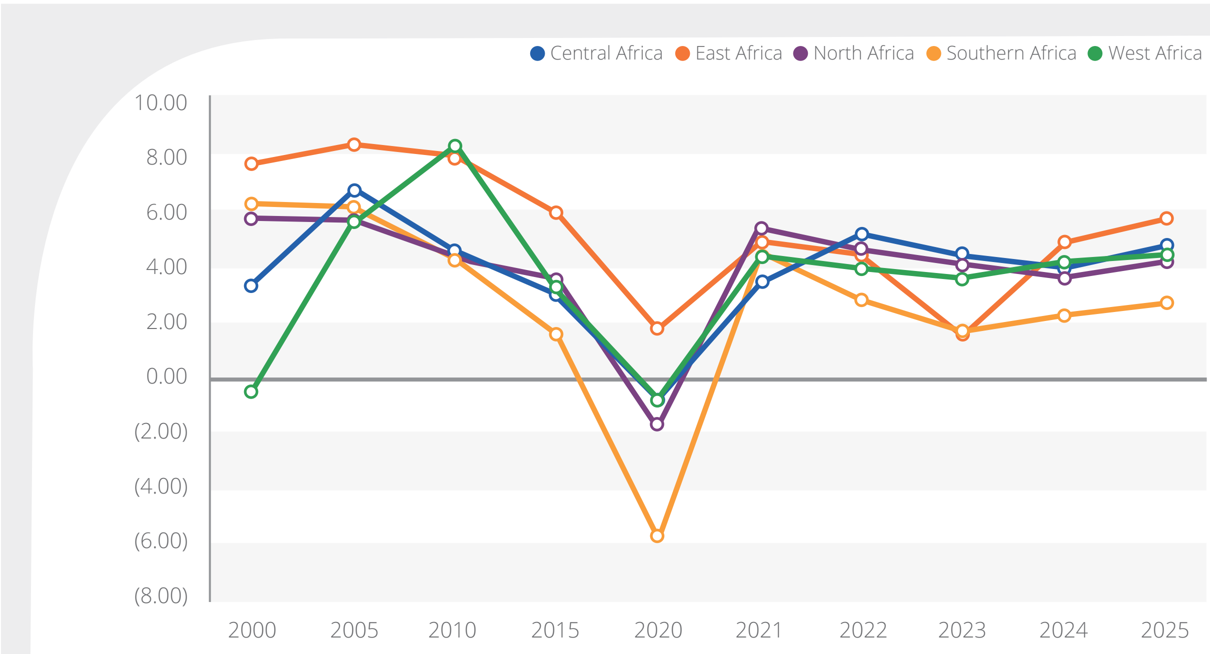
10 GSMA. The Mobile Economy: Sub-Saharan Africa 2023. Available at: https://event-assets.gsma.com/pdf/20231017-GSMA-Mobile-Economy-Sub-Saharan-Africa-report.pdf.

1.1. Regional Growth Trends and Economic Outlook in Africa

Africa's economic trajectory since 2000, particularly in the post-AAAA period from 2015, reveals both structural vulnerabilities and persistent development challenges. The continent's growth pattern has been characterised by significant volatility, with periods of robust expansion frequently interrupted by external shocks and internal constraints.

The early 2000s witnessed relatively stable growth, underpinned by increased investment flows and favourable global economic conditions. However, this momentum was substantially disrupted by the 2008 global financial crisis, leading to a pronounced slowdown by 2011. Although Africa demonstrated resilience with growth peaking in 2012—driven by rising commodity prices and improved governance in several nations—subsequent years saw diminishing growth rates, highlighting the continent's susceptibility to global market fluctuations. The period following the adoption of the AAAA in 2015 has been particularly challenging. The COVID-19 pandemic inflicted the most severe economic contraction in recent history, with the continent suffering substantial losses in real gross domestic product (GDP) of approximately $55.8 billion between 2020-2022, equivalent to an 1.8 percentage of GDP. This economic scarring has profound implications for the AAAA's objectives of strengthening domestic resource mobilization and achieving sustainable development.

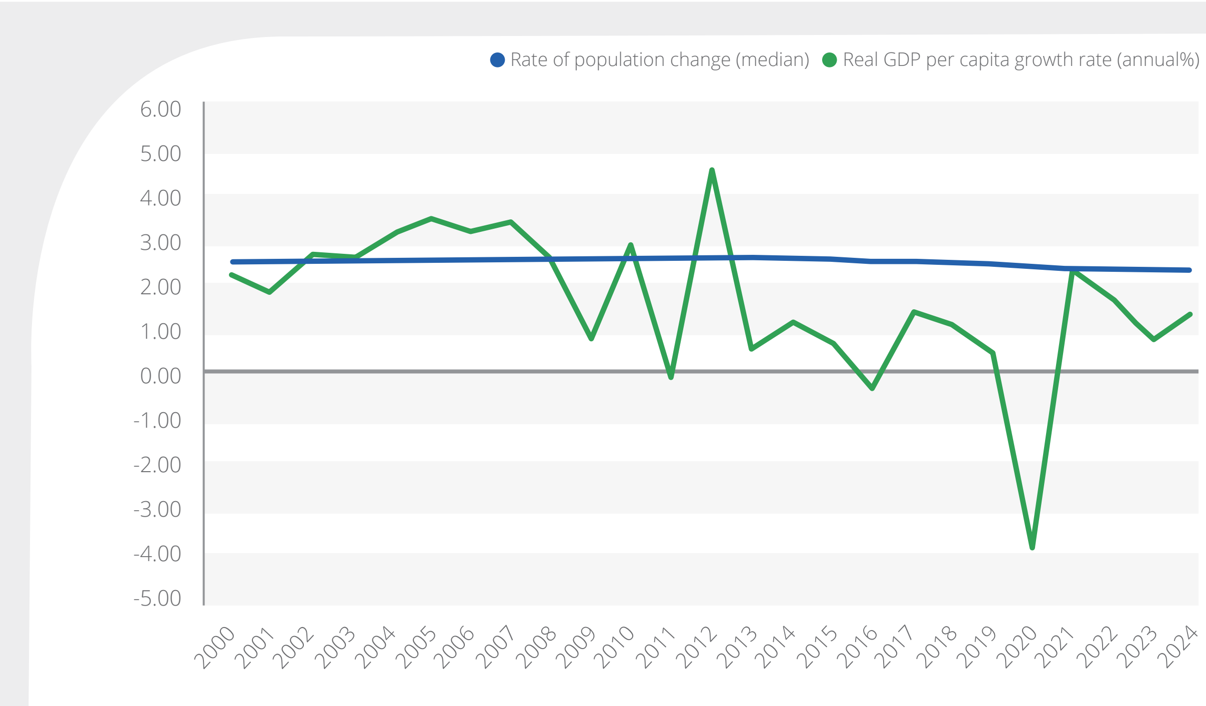
Figure 2: Regional growth variations



Source: https://dataportal.opendataforafrica.org/mhuiccf/african-economic-outlook-2024

Regional disparities in economic performance have become more pronounced, with East Africa recording a modest 1.5 percent growth in 2023 compared to Central Africa's more robust 4.3 percent. This uneven growth pattern underscores the challenges in implementing coherent continental development strategies as envisioned in the AAAA framework. The current economic landscape is further complicated by multiple severe shocks, including elevated food and energy prices driven by geopolitical tensions, climate-related disruptions to agriculture, and persistent political instability. These challenges have contributed to a deceleration in Africa's real GDP growth from 4.1 percent in 2022 to 3.1 percent in 2023.

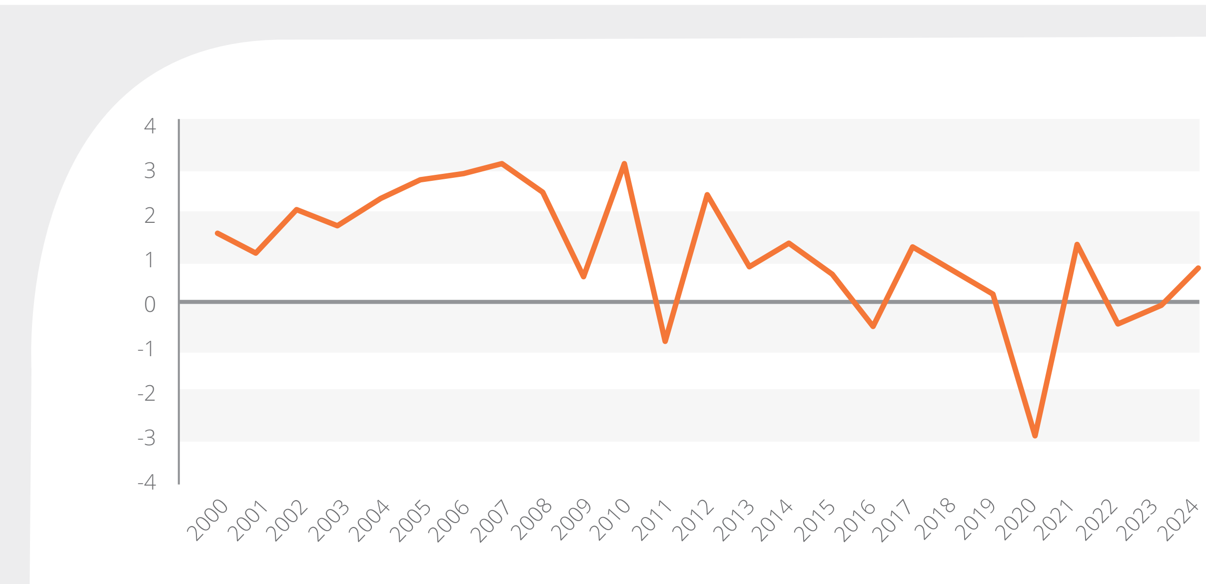
Figure 3: Illustrating per capita GDP versus population growth



Source: https://dataportal.opendataforafrica.org/mhuiccf/african-economic-outlook-2024; https://population.un.org/DataPortal

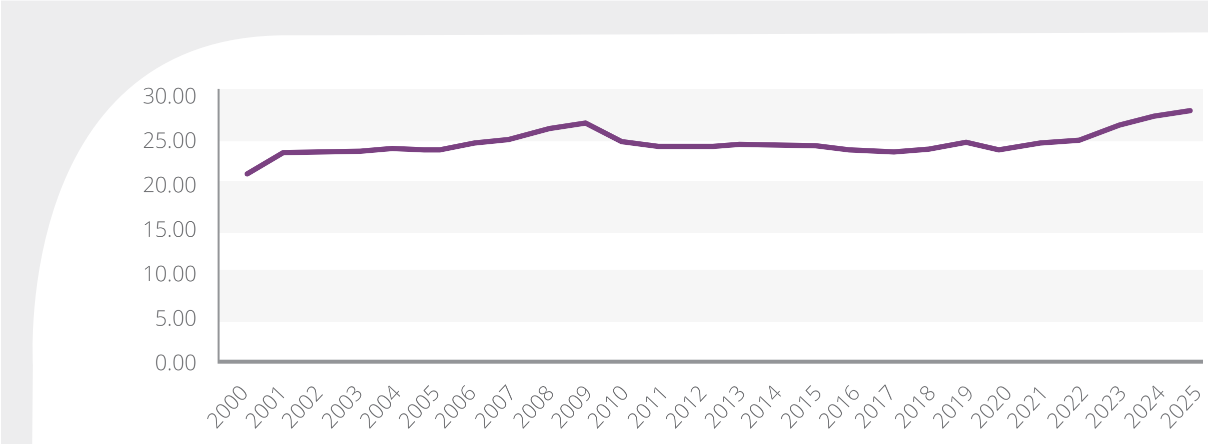
Perhaps most concerning for the AAAA's objectives is the continent's struggle to achieve meaningful per capita income growth. Despite maintaining an average annual GDP growth of 3.8 percent in the four decades preceding COVID-19, this expansion has been insufficient to offset population increases. This dynamic has particular implications for domestic resource mobilization, a key pillar of the AAAA, as stagnant per capita incomes constrain both tax revenues and domestic savings. Labour productivity trends further illuminate the challenges in achieving the AAAA's transformative agenda.

Figure 4: Annual growth rate of output per worker (GDP constant 2017 international $ at PPP) (%) - productivity trends



Source: Statistics in Africa - ILOSTAT

Figure 5: Gross fixed capital formation trends (% GDP, Africa)



Source: https://ilostat.ilo.org/data/africa/

The sharp decline in productivity growth from 2.9 percent pre-global financial crisis to 0.8 percent during 2013–2018, falling further to -3 percent during the pandemic, reflects deep-seated structural constraints. This productivity challenge is particularly acute in oil and metal-exporting countries, where the commodity price slump of 2014–2016 saw productivity growth plummet to 0.4 percent. While forecasts suggest a potential rebound with GDP growth projected at 3.7 percent in 2024 and 4.3 percent in 2025, these rates remain insufficient to achieve the transformative objectives outlined in the AAAA. The continent's continued dependence on primary commodity exports and agricultural production leaves it vulnerable to external shocks and price fluctuations, hampering efforts to build resilient domestic revenue bases. These post-2015 trends suggest that while the AAAA provided a comprehensive framework for development financing, implementation has been severely challenged by both external shocks and structural constraints. The data underscores the urgent need for accelerated economic transformation, enhanced productivity growth, and more resilient economic structures to achieve the AAAA's objectives of sustainable and inclusive development.

1.2. Investment trends in Africa: growth of gross fixed capital formation

Building upon the preceding analysis of growth patterns, an examination of investment trends and social development outcomes provides crucial insights into Africa's progress in implementing the AAAA framework since 2015. This analysis reveals significant challenges in both capital formation and poverty reduction, with implications for achieving the AAAA's objectives of sustainable and inclusive development. Investment patterns, particularly gross fixed capital formation, have played a pivotal role in Africa's development trajectory.

While the continent experienced periods of substantial investment between 2000 and 2023, supported by foreign direct investment and international aid, the trend has been marked by increasing volatility and a concerning deceleration since 2015. The Financing for Sustainable Development Report 2024[11] highlights a particularly worrying decline in investment growth following the global financial crisis, exacerbated by the 2014–2016 commodity price collapse and the subsequent COVID-19 pandemic. This investment trajectory has significant implications for the AAAA's objectives of mobilizing private capital and strengthening domestic resource bases. The decline in gross fixed capital formation suggests limitations in the framework's effectiveness in catalysing sustained investment flows, particularly during periods of global economic stress.

11 United Nations Department of Economic and Social Affairs (UN DESA). Financing for Sustainable Development Report 2024. Available at: https://desapublications.un.org/publications/financing-sustainable-development-report-2024.

1.3. Trends in poverty, hunger and inequality in Africa

The social development outcomes observed since 2015 present an equally concerning picture, with implications for the AAAA's goals of inclusive growth and poverty reduction. Despite initial progress in reducing poverty rates since 2000, recent years have seen significant reversals. The COVID-19 pandemic alone pushed an estimated 55 million Africans into poverty, contributing to Africa's share of global poverty reaching 54.8 percent by 2022.[12] Most troubling is the increase in the population living below national poverty lines from 33.3 percent in 2013 to 38 percent in 2023, falling significantly short of the Agenda 2063 target of 23 percent.

The regional distribution of poverty reveals stark disparities that challenge the AAAA's vision of equitable development. East and West Africa bear a disproportionate burden, accounting for 73 percent of the continent's impoverished population. The Global Multidimensional Poverty Index 2023[13] further illuminates the scale of the challenge, with 534 million people (47.8 percent of the global poor) concentrated in East, West, Central and Southern Africa. The rural concentration of poverty and the high proportion of children among the poor—54.1 percent (306 million) in sub-Saharan Africa—underscore the structural nature of these challenges.

Food security has deteriorated significantly, with hunger affecting an additional 11 million people between 2021 and 2022, reaching 281.6 million. The increase of 61 million hungry people since the onset of COVID-19 reflects the compounding effects of multiple crises, including climate-related droughts and conflicts, on food security.[14] These trends that have emerged since 2015 suggest that while the AAAA provided a comprehensive framework for developing financing and poverty reduction, implementation has faced severe headwinds. The data reveals not only the framework's vulnerability to external shocks but also its limitations in addressing structural impediments to inclusive growth. The mixed results of various poverty reduction initiatives, while showing promise in some regions through social protection and agricultural development programmes, indicate the need for more robust and crisis-resistant implementation mechanisms.

The interconnected nature of these challenges—declining investment, persistent poverty, and growing food insecurity—calls for a reassessment of the AAAA framework's effectiveness in mobilizing both domestic and international resources for development. Strengthened international cooperation and innovative financing solutions appear increasingly crucial for addressing these multifaceted challenges and achieving the framework's original objectives.

12 ECA. Addressing Poverty and Vulnerability in Africa During the COVID-19 Pandemic (ERA, 2021). Available at: https://repository.uneca.org/handle/10855/47592.

13 United Nations Development Programme (UNDP). Global Multidimensional Poverty Index. 2023. Available at: https://hdr.undp.org/content/2023-global-multidimensional-poverty-index-mpi#/indicies/MPI.

14 Food and Agriculture Organization (FAO). Food Security and Nutrition Around the World. Available at: https://openknowledge.fao.org/server/api/core/bitstreams/f1ee0c49-04e7-43df-9b83-6820f4f37ca9/content/state-food-security-and-nutrition-2023/food-security-nutrition-indicators.html.

2. Implementing the Addis Ababa Action Agenda: progress, challenges, and the way forward

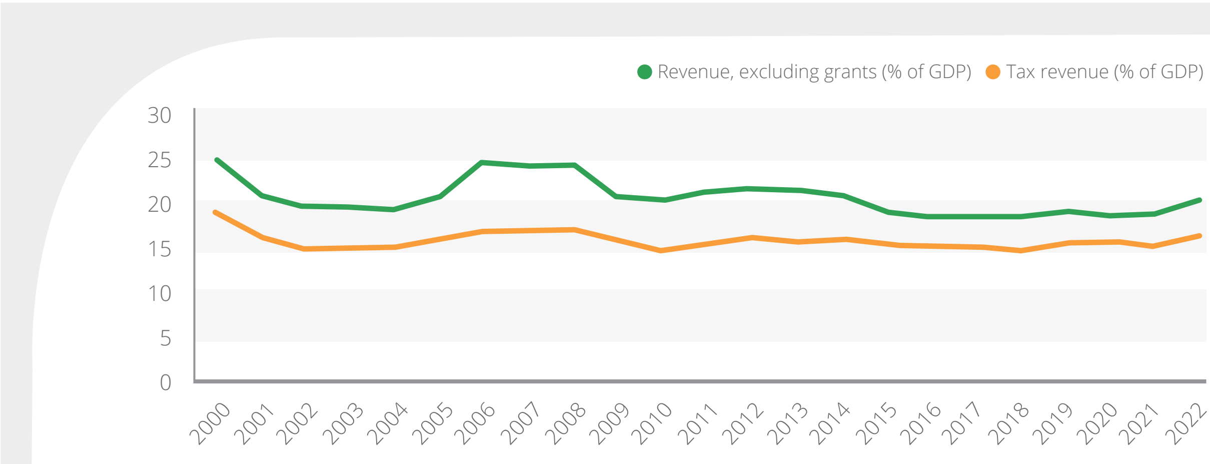
This section examines Africa's progress, challenges, and the way forward in implementing the seven action areas of the Addis Ababa Action Agenda including its monitoring, follow up and accountability mechanisms. It provides an assessment of the continent's performance since 2015, highlighting both achievements and persistent gaps. It also presents guiding questions to facilitate discussions at the Africa Regional Consultation for the upcoming FfD4.

2.2 Domestic Public resources mobilization

2.1.1. Progress

For the past two decades, Africa's tax revenue has remained below 20 percent of GDP with slight improvement since 2018. Domestic government revenue, excluding grants, has fluctuated between 18.3 percent and 25 percent of GDP.

Figure 6: Revenue and tax trends



Source: Compiled with data from WDI accessed 03 July 2024[15]

Taxes on goods and services have risen steadily from 23.7 percent of total revenue in 2000 to 34 percent in 2022, while taxes on income, profits and capital gains have also increased from 24.9 percent to 30.6 percent over the same period (Figure 2).

In addressing illicit financial flows (IFFs), several important milestones have been achieved. Following the landmark 2015 report by the AU ECA High-Level Panel on IFFs,[16] significant progress has been made in defining and measuring these illicit flows. The adoption of the historic UN General Assembly resolution in December 2023,[17] championed by the Africa Group and supported by resolutions from the ECA Conference of African Ministers and the AUC Specialised Technical Committee, established a framework convention for promoting inclusive and effective international tax cooperation. However, the challenge remains formidable, as evidenced by the escalation in Africa's vulnerability to trade-based IFFs from $239 billion in 2017 to $440 billion in 2019.

15 Word Development Bank. World Development Indicators. Available at: https://databank.worldbank.org/source/world-development-indicator. (Accessed Date)

16 ECA. Illicit Financial Flows: Report of the High-Level Panel on Illicit Financial Flows from Africa. 2015. Addis Ababa: UN ECA. Available at: https://hdl.handle.net/10855/22695.

17 United Nations General Assembly. Promotion of Inclusive and Effective International Tax Cooperation at the United Nations. 28 December 2023, A/RES/78/230. Available at: https://documents.un.org/doc/undoc/gen/n23/431/97/pdf/n2343197.pdf?token=52bXIUxPC3eBt3J75g&fe=true.

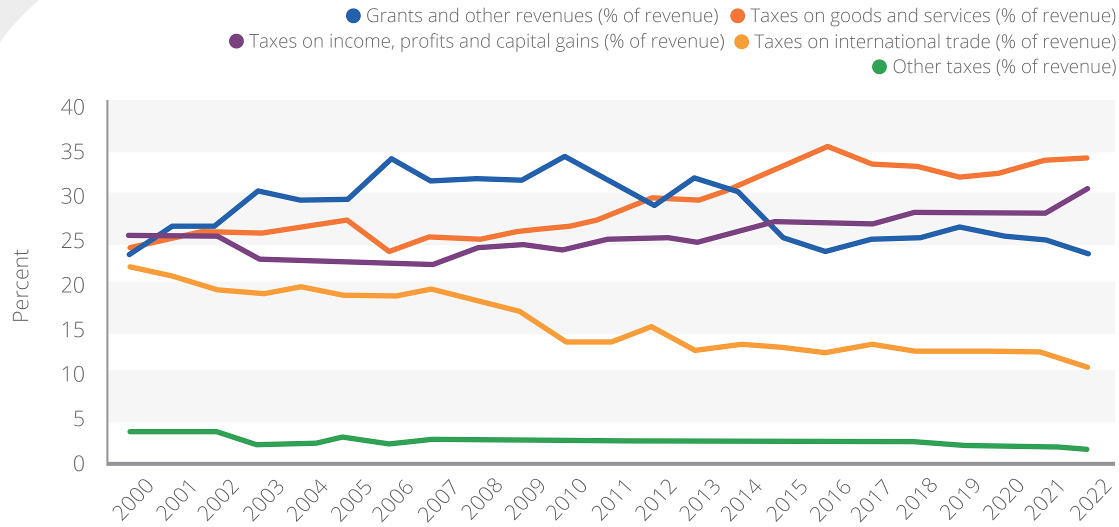


Figure 7: Trends in composition of average total revenue in Africa 2000 - 2022

Source: Compiled with data from WDI accessed 03 July 2024[18]

International tax cooperation has shown promising progress, with 22 African countries joining the Multilateral Convention on Mutual Administrative Assistance in Tax Matters by 2021. As evidenced in Figure 3, these countries actively participated in information exchange, sending 592 requests and receiving 618. This cooperation led to the identification of over $35 million in additional taxes during 2020–2021.[19] Six African nations—Republic of Kenya, Republic of Rwanda, and Republic of Uganda—have advanced further by joining the AEOI (Automatic Exchange of Information) initiative with Switzerland,[20] while a dozen[21] have signed the AEOI multilateral competent authority agreement.[22] 11 countries[23] have embraced the multilateral agreement on country-by-country reporting.

Gender-responsive budgeting has gained significant traction, with the Republic of Kenya, Republic of Rwanda, and Republic of Uganda leading the way, followed by more than 17 other nations implementing similar initiatives. Tax administration modernization has seen notable success stories, particularly in Kenya and Rwanda, which have effectively digitised tax collection from the informal sector. The African Tax Administration Forum has played a crucial role, providing capacity-building training to 47 African countries by the end of 2023.

18 Ibid.

19 Yannis Arvanitis, Seydou Coulibaly, and Mohamed Traore. Cooperation and Exchange of Information Could Boost Revenue Collection in Africa. March 31, 2023. Available at: https://blogs.worldbank.org/en/governance/cooperation-and-exchange-information-could-boost-revenue-collection-africa.

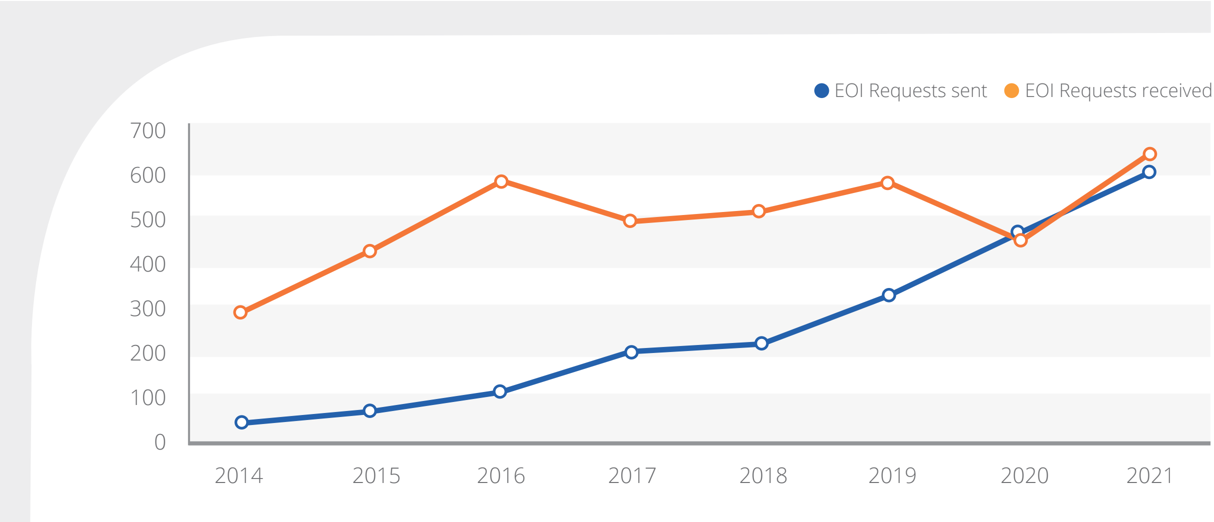
20 Swiss Federal Authorities, State Secretariat for International Finance (SIF). Automatic Exchange of Information on Financial Accounts. Published on 5 December 2024. Available at: https://www.sif.admin.ch/en/automatic-exchange-information-aeoi.

21 With intended first information exchange date in bracket: Cameroon (September 2026), Ghana (September 2018), Kenya (September 2022), Liberia (September 2020), Mauritius (September 2018), Morocco (September 2021), Nigeria (September 2019), Rwanda (September 2025), Senegal September 2025), Seychelles (September 2017), South Africa (September 2017), and Uganda (September 2023).

22 Organisation for Economic Co-operation and Development (OECD). Signatories of the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information and Intended First Information Exchange Date. Status as of 26 November 2024. Available from: https://www.oecd.org/content/dam/oecd/en/topics/policy-issues/tax-transparency-and-international-co-operation/crs-mcaa-signatories.pdf.

23 Cameroon (2024), Gabon (2017), Kenya (2022), Liberia (2022), Mauritania (2024), Mauritius (2017), Nigeria (2016), Senegal (2016), Seychelles (2019), South Africa (2016), and Tunisia (2019).

Figure 8: Exchange of information requests sent and received by African countries 2014–2021



Source: Tax Transparency in Africa 2022: Africa Initiative Progress Report, OECD 2022[24]

2.1.2. Challenges

Despite the AAAA's emphasis on strengthening tax revenue mobilization, many African countries continue to struggle with broadening their tax bases and improving collection efficiency. The high levels of informality, fragility and conflict prevalent across the continent pose significant barriers to building stable revenue sources. Furthermore, in Africa, countries face low tax-to-GDP ratios, inefficient tax administration, and substantial revenue losses due to illicit financial flows and unproductive tax incentives. The continent loses approximately $90 billion annually to IFFs, which hampers resource mobilization for development. Additionally, poorly designed tax incentives lead to unintended revenue losses and create an environment conducive to illicit financial flows. As demonstrated by a recent ECA study of 10 African countries, tax expenditures—such as unnecessary exemptions and reduced rates—can account for anywhere between 1 percent to 15 percent of GDP.

Alongside the challenge of expanding the tax base, African nations have also grappled with deficiencies in their public financial management systems. While over 44 countries have undertaken reforms to improve planning, execution and monitoring of public expenditures, several obstacles persist.[25] Weak institutional capacities, limited technical expertise, and a lack of transparency and accountability frameworks continue to hinder the efficient use of public resources. Fragmented budgeting processes that exclude tax expenditures and fail to link planning with budgeting further undermine the effective allocation of funds.

Initiatives such as the Stolen Asset Recovery programme, a joint World Bank–UNODC effort, have sought to support African countries in detecting, investigating and repatriating assets stolen through corruption and other illicit means but only Egypt and South Africa have benefitted from the program.[26] Substantial stolen assets from Africa remain unrecovered. Furthermore, the recommendations of the Financial Action Task Force (FATF) have come to the fore as a key reference point for African countries seeking to strengthen their anti-money-laundering and counter-terrorist financing regimes to protect the tax space. Specifically, FATF Recommendation 24[27] on beneficial ownership has highlighted the importance of establishing robust beneficial ownership registries to enhance transparency and reduce the opportunities for IFFs. However, the implementation of these beneficial ownership registries has faced challenges in many African nations due to capacity constraints, limited resources and, at times, a lack of political will.

24 OECD. ***Tax Transparency in Africa 2022: African Initiative Progress Report***. Global Forum on Transparency and Exchange of Information for Tax Purposes, 2022. Available at: https://web-archive.oecd.org/temp/2023-05-12/632173-tax-transparency-in-africa-2022.htm

25 Allen, Richard, Chaponda, Taz, Fisher, Lesley, and Ray, Rohini. Medium-Term Budget Frameworks in Sub-Saharan African Countries. IMF Working Paper No. 17/203, September 2017. Available at SSRN: https://ssrn.com/abstract=3043168.

26 World Bank, UNODC. Stolen Asset Recovery Initiative. Asset Recovery Watch Database. Available at: https://star.worldbank.org/asset-recovery-watch-database. (Accessed Date)

27 https://www.fatf-gafi.org/en/topics/beneficial-ownership.html

The recent GenZ protests in Kenya[28] against stringent tax hikes have highlighted the delicate balance between fiscal consolidation and ensuring equitable, citizen-centric resource mobilization. As governments across the continent grapple with budget adjustments and expenditure rationalization, the judicious review and rationalization of tax expenditures could provide much-needed fiscal space while enhancing the fairness and efficiency of domestic resource mobilization.

A key impediment to Africa's domestic resource mobilization efforts has been the persistent challenges in accessing and utilizing information for effective tax enforcement. Despite some progress, with 22 African countries joining the Multilateral Convention on Mutual Administrative Assistance in Tax Matters by 2021, significant obstacles remain. Many African nations continue to struggle with meeting the legal, administrative and technical infrastructure requirements for participating in information exchange initiatives, such as the Automatic Exchange of Information on Financial Accounts and the Multilateral Competent Authority Agreement on Country-by-Country Reporting. By the end of 2023, for instance, only six African countries had signed up to the AEOI with Switzerland.

The AAAA's call to curb illicit financial flows has been met with limited success, as the scale of the challenge remains formidable. Recent estimates suggest that Africa's vulnerability to trade-based IFFs has escalated from over $239 billion in 2017 to a staggering $440 billion in 2019, far exceeding the original estimates of the AU/ECA High-Level Panel on IFFs. The lack of robust data on the prevalence and scope of IFFs in many African countries has hindered the development of effective policy responses. Addressing this data gap will be crucial to understanding the scale and sectoral vulnerabilities, which can then inform targeted advocacy and asset recovery efforts to boost domestic resource mobilization.

While African countries have access to various initiatives, such as those led by the AUC, ECA, African Tax Administration Forum (ATAF) and the Tax Justice Network Africa, to enhance their regulatory frameworks and leverage technological advancements, more needs to be done. Improving the implementation of beneficial ownership registries and strengthening international coordination to tackle emerging threats, such as the rise of crypto-assets, will be essential in the fight against IFFs.

Recognizing the widespread capacity constraints faced by African countries in implementing effective tax policies and administration, the AAAA emphasized the need for sustained investment in capacity building and technical assistance programmes. An ecosystem of international entities, including the African Capacity Building Foundation, the African Development Bank, AUC, and the UN Economic Commission for Africa alongside ATAF, Collaborative Africa Budget Reform Initiative (CABRI), African Organization of English-speaking Supreme Audit Institutions (AFROSAI), have stepped up to provide valuable support. However, many African nations still lack the necessary technical infrastructure and skilled personnel to institutionalise these reforms on a long-term basis.

Enhancing the efficiency of public expenditure is another major challenge facing African countries. More than 44 African countries have undertaken reforms to improve public financial management systems, including the adoption of medium-term expenditure frameworks, performance-based budgeting, and integrated financial management information systems[29]. These reforms were aimed at contributing to better planning, execution, and monitoring of public expenditures. Nevertheless, several challenges continue to inhibit public financial management efficiency mostly arising from weak institutional capacities, limited technical expertise, corruption, and the need for greater transparency and accountability frameworks in public planning and expenditure monitoring.

28 Bosco Marita. LIVE UPDATES: 'Reject Finance Bill' Protests Across Major Towns. The Star, 2024. Available at: https://www.the-star.co.ke/news/2024-06-25-live-updates-reject-finance-bill-protests-across-major-towns#google_vignette.
; Reuters News Agency. Police Fire Teargas as Kenya Tax Protesters Demonstrate Nationwide. Thomson Reuters, June 25, 2024. Available at: https://www.theeastafrican.co.ke/tea/news/east-africa/young-kenyans-plan-nationwide-protests-over-new-tax-hikes-4668910.
; Binley, Alex (ed.). Kenyan President Vows to Restore Order After Deadly Tax Hike Protests. BBC News, Live Reporting, 25 June 2024. Available at: https://www.bbc.com/news/live/c7222r7mgz2t.

29 Allen, Richard, Chaponda, Taz, Fisher, Lesley, and Ray, Rohini. Medium-Term Budget Frameworks in Sub-Saharan African Countries. IMF Working Paper No. 17/203, September 2017. Available at SSRN: https://ssrn.com/abstract=3043168.

Moreover, fragmented budgeting processes which exclude tax expenditures granted for various reasons and weak links between planning and budgeting further hinder the effective allocation and use of public resources[30]. Strengthening anti-corruption measures and promoting good governance remain essential to ensuring that public funds are used effectively and contribute to sustainable development[31].

2.1.3. The way forward and strategic questions

To strengthen domestic resource mobilization in Africa, the following action areas require immediate attention:

Strengthening tax administration with support from digitalised tax systems. Digital solutions are increasingly emerging as a key ingredient of effective and efficient tax administration for swift and robust tax revenue enhancement. Well-designed electronic tax filing and payment as well as digitalised collection, storage, analysis and sharing of tax data can lead to substantial time and cost savings for both taxpayers and tax authorities, much more effective tax auditing and enforcement, and greater transparency and accountability of the whole tax system.

Reducing revenue leakages through for improving Africa's fiscal space. Africa, for instance, is leading the charge with a common position on illicit financial flows. Additionally, reviewing tax expenditures and prioritising tax incentives that effectively encourage investment can improve revenue mobilization without distorting the tax system.

Improving the efficiency of public spending. Enhanced public financial management strategies are crucial for ensuring that public resources are allocated effectively, reducing waste, and improving service delivery. Transparent public procurement processes, credible budgets, and strong institutional frameworks are needed to maximize the returns on public spending. Investment planning should incorporate mechanisms for coordination across various levels of government—both national and subnational. Improved public financial management will also bolster investor confidence, leading to greater private investment in infrastructure, education, and health.

Accelerating the implementation of the UN Framework Convention on international tax cooperation is critical, particularly, in combating cross-border tax evasion and improving the taxation of multinational corporations. The rise of the digital economy poses new challenges for tax systems, but it also offers opportunities to enhance tax administration through digital tools. However, to leverage these digital opportunities, African countries must address governance, technology, and capacity challenges.

Questions for discussion:

- How can African countries effectively implement the UN Framework Convention on international tax cooperation while strengthening regional coordination to combat illicit financial flows and improve asset recovery?
- What specific technical and institutional capacity building measures are needed to help African tax administrations fully participate in international tax cooperation initiatives (like AEOI and CbC reporting) and improve domestic revenue collection through digitalisation?
- How can African countries leverage digital opportunities to enhance efficiencies in tax administration systems and public finance management?

30 ECA. Economic Governance Report II (EGR II): A Framework for Assessing and Reporting Tax Expenditures in Africa. 2023. Available at: https://www.uneca.org/economic-governance-report-ii-%28egr-ii%29.

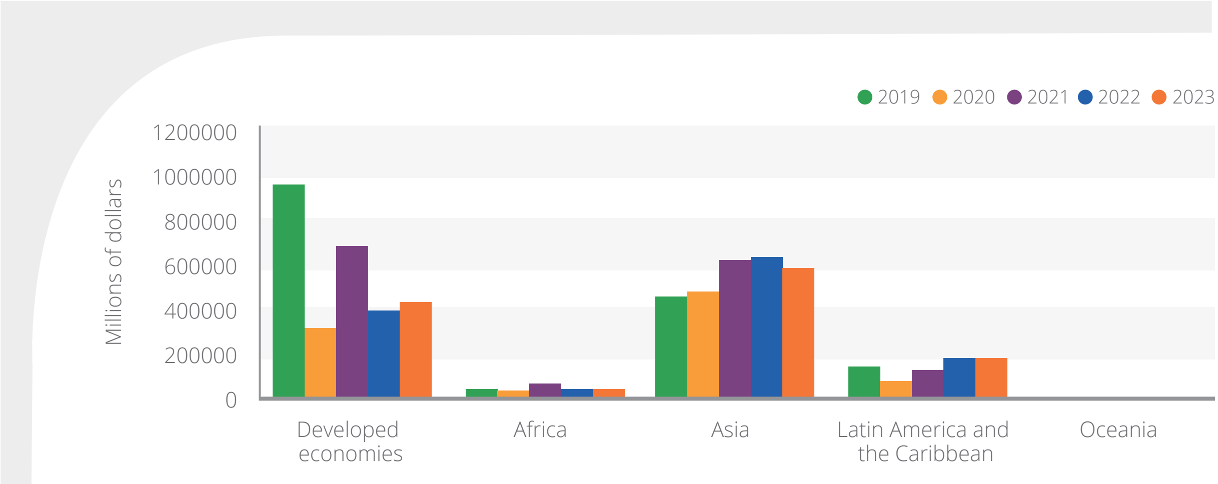
31 https://hdl.handle.net/10855/46555

2.2. Domestic and international business and finance

2.2.1. Progress

Africa's performance in attracting private investment since the adoption of the AAAA has been modest, capturing merely 4 percent of global FDI flows (Figure 4).[32]

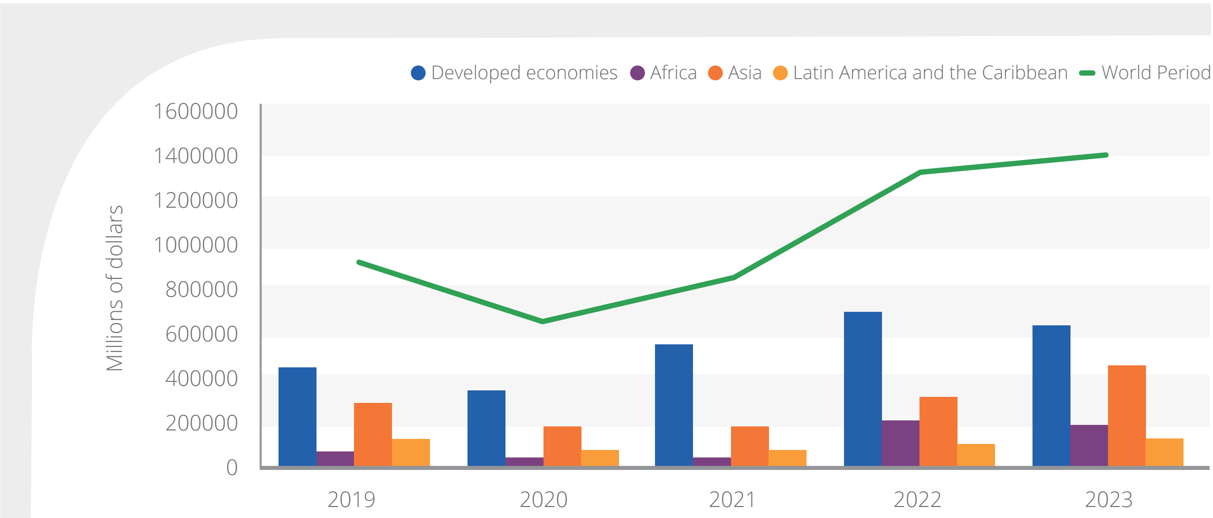
Figure 9: FDI flows



Source: World Investment Report 2024 | UNCTAD

Despite global capital expenditure for FDI projects reaching its highest level since the 2007–2008 financial crisis (Figure 5), Africa's participation in this surge has been limited. Nevertheless, the continent has witnessed some positive developments, particularly in greenfield FDI projects within extractive industries and infrastructure. Countries such as Nigeria, South Africa, and Egypt have emerged as significant investment destinations. The latter half of the year saw a notable recovery in cross-border mergers and acquisitions, driven by corporate portfolio transformations, ESG-related acquisitions, and digitalisation efforts, particularly in renewable energy and infrastructure sectors.

Figure 10: Average capex for FDI projects reached its highest level since the global financial crisis

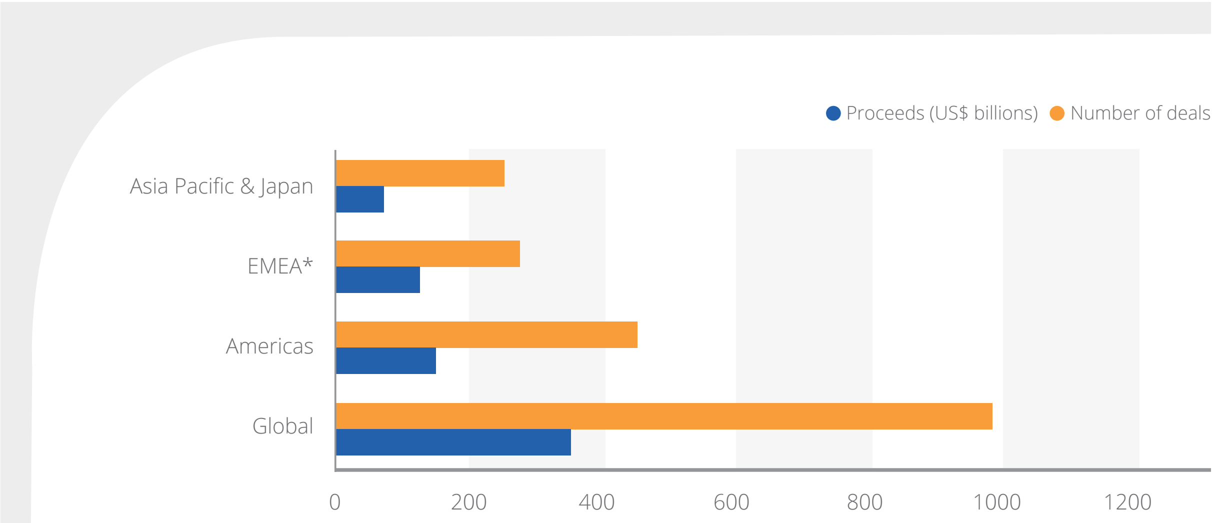


Source: World Investment Report 2024 | UNCTAD

32 Department of Research and Information, Industrial Development Corporation. Economic Overview: Recent Developments in the Global and South African Economies. 18 July 2024. Available at: https://www.idc.co.za/wp-content/uploads/2024/08/Economic-Overview-RI-Publication-External-Release-July-2024.pdf.

Africa received approximately 1 percent of global project finance loans.[33] As shown in Figure 6, global project finance loans decreased amid high interest rates, further constraining Africa's access to infrastructure financing, particularly in the power sector.

Figure 11: Global project finance loans decreased amid high interest rates



* Europe, Middle East, Africa

Source: LSEG Deals Intelligence, 2023

Financial inclusion represents a notable bright spot in AAAA implementation. Banking penetration across Africa has improved markedly, rising from 29 percent in 2014 to 40 percent in 2021, with mobile money penetration showing impressive growth from 34 percent to 55 percent over the same period. However, credit access remains challenging, with private sector credit growing marginally from 31.5 percent of GDP in 2014 to 34.1 percent in 2020. This challenge is particularly acute in Sub-Saharan Africa (26.8 percent of GDP) compared to North Africa (41.4 percent of GDP).[34]

The emergence of impact bonds, whilst promising, remains modest with Africa contributing just £1.96 billion35 in green bonds to the global issuance of £981 billion in 2023.36 As Figure 7 demonstrates, access to finance continues to be a significant constraint for African businesses, with only 34 percent of firms having access to bank loans or credit lines, facing the highest collateral requirements globally at 81 percent.

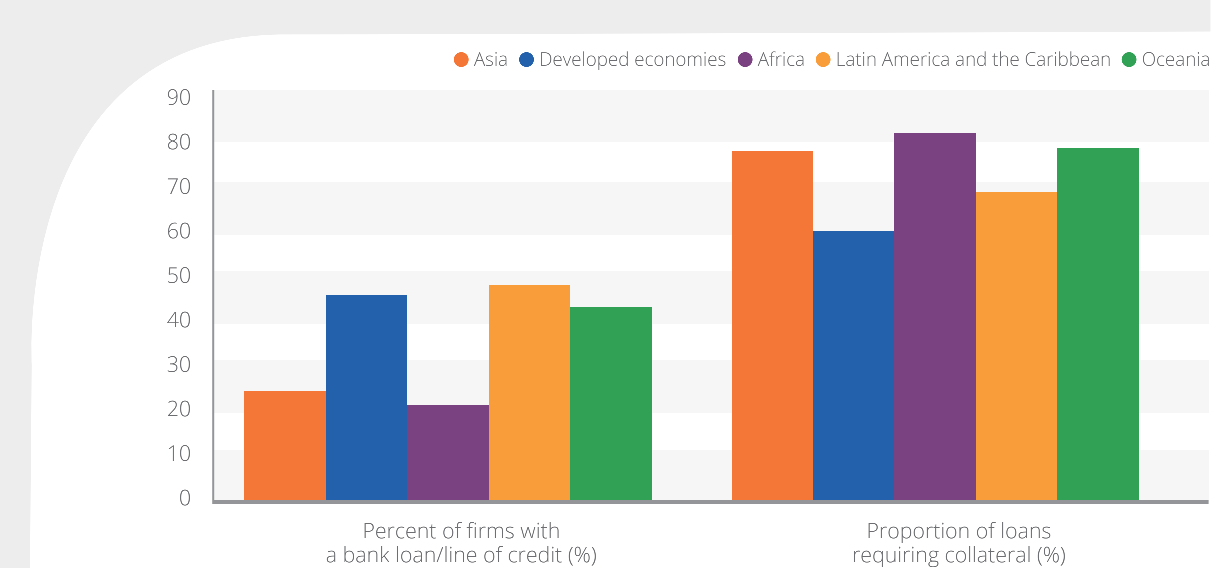
33 Moses, Oyintarelado. Who Finances Energy Projects in Africa? Carnegie Endowment for International Peace, 2023. Available at: https://carnegieendowment.org/research/2023/11/who-finances-energy-projects-in-africa?lang=en.

34 International Finance Corporation (IFC). Amplifying Africa's Entrepreneurial Spirit. 2023 Available at: https://www.ifc.org/content/dam/ifc/doc/2023-delta/fig-factsheet-financial-inclusion-2023.pdf.

35 Chouhan, Neeraj, Harrison, Caroline, and Sharma, Deepak. State of the Market 2023. Climate Bonds Initiative, May 2024. Available at: https://www.climatebonds.net/files/reports/cbi_sotm23_02h.pdf.

36 https://www.environmental-finance.com/content/downloads/sustainable-bonds-insight-2024.html

Figure 12: Access to bank loans remain a major constraint for businesses



Source: World Bank Enterprise Surveys,

2.2.2. Challenges

The implementation of AAAA's private financing objectives faces several significant challenges, with the global project finance landscape presenting particular concern. The 8 percent decline to $355 billion across 989 transactions in 2023 has disproportionately affected Africa's development aspirations. While the global power sector, especially renewable energy, attracted $158 billion across 672 deals, Africa's mere 1 percent share of global project finance loans starkly illustrates the gap between AAAA's ambitions and market realities in an environment of rising interest rates.

A fundamental impediment lies in the underdevelopment of domestic financial markets, particularly acute in Sub-Saharan Africa. The persistent low levels of private sector credit reflect deep-rooted structural weaknesses in financial intermediation. These challenges are exacerbated by shallow and illiquid local capital markets, underdeveloped institutional investor bases, and regulatory frameworks that struggle to accommodate innovative financing mechanisms. The enterprise financing landscape is particularly troubling, with African firms facing the world's highest collateral requirements at 81 percent, significantly constraining their access to formal banking services.

Capital markets play a pivotal role in enhancing countries' domestic resource mobilization by providing a structured and efficient platform for the aggregation and allocation of financial resources. Undeveloped and undiversified capital markets limit the extent to which African countries can mobilize domestic resources and attract international capital to build functional institutions for sustainable development. The sustainable finance sector presents another area of concern. Despite global momentum, Africa's participation remains minimal, with only $1.96 billion in green bond issuance. This limited engagement stems from inadequate market infrastructure, insufficient impact measurement capacity, regulatory uncertainties, and prohibitive transaction costs. These constraints are particularly challenging given the urgent need for climate and sustainable development financing across the continent.

Perhaps the most daunting challenge is the substantial annual financing gap of $850 billion for development objectives. This shortfall reflects both domestic resource mobilization constraints and limited access to international finance, creating a difficult balancing act between addressing immediate social needs and investing in long-term development. The fragmentation of African markets further compounds these challenges, despite initiatives like the AfCFTA.

Practical hurdles persist in harmonizing regulatory frameworks, developing cross-border financial infrastructure, and coordinating investment policies across the continent.

2.2.3. The way forward and strategic questions

To strengthen private investment and finance in Africa, a number of relevant priority areas require immediate attention.

First, developing robust domestic financial markets and improving financial intermediation, particularly given the low private sector credit levels (34.1 percent of GDP) and high collateral requirements (81 percent). This would include strengthening the banking sector through a supportive regulatory environment, fostering the development of sophisticated financial products, and enhancing financial inclusion. Stringent collateral requirements and incomplete asset registration systems limit access to credit. Developing appropriate registries is therefore essential.

Second, efforts should be made to address both supply and demand factors that contribute to the underdevelopment of capital markets. For smaller countries, this effort would benefit from adopting regional standards and integrating market infrastructures. Additionally, focusing on alternative financing sources, such as private equity, could further enhance financing opportunities. On the supply side, reducing the high cost and onerous regulatory requirements can encourage more institutions to raise capital through capital markets. Investors require a sovereign credit rating to assess the risk associated with a bond issuance by sovereigns. Lower sovereign ratings induce a perception of high risk in emerging markets and developing countries, which is associated with the so-called perceived credit risk premium that investors ask to hold sovereign bonds. It is therefore essential to provide capacity building on sovereign credit rating to assist countries to better engage in this process to get a rating that more accurately reflects capacity to pay back their debts. On the demand side, expanding the investor base beyond local banks and building capacity among domestic institutional investors for dealing in fixed income instruments is essential. Deepening capital markets, for instance through developing local currency bond markets, could greatly contribute to mobilization of more resources for financing inclusive green industrialisation, social inclusion, and growth-promoting infrastructures that require adequate guarantee schemes against currency and other risks.

Third, leveraging the positive momentum in digital financial inclusion (mobile money growth from 34 percent to 55 percent) to expand access to finance, particularly for underserved businesses. These efforts should be underpinned by regional market integration through AfCFTA to create economies of scale and attract investment.

Questions for discussion:

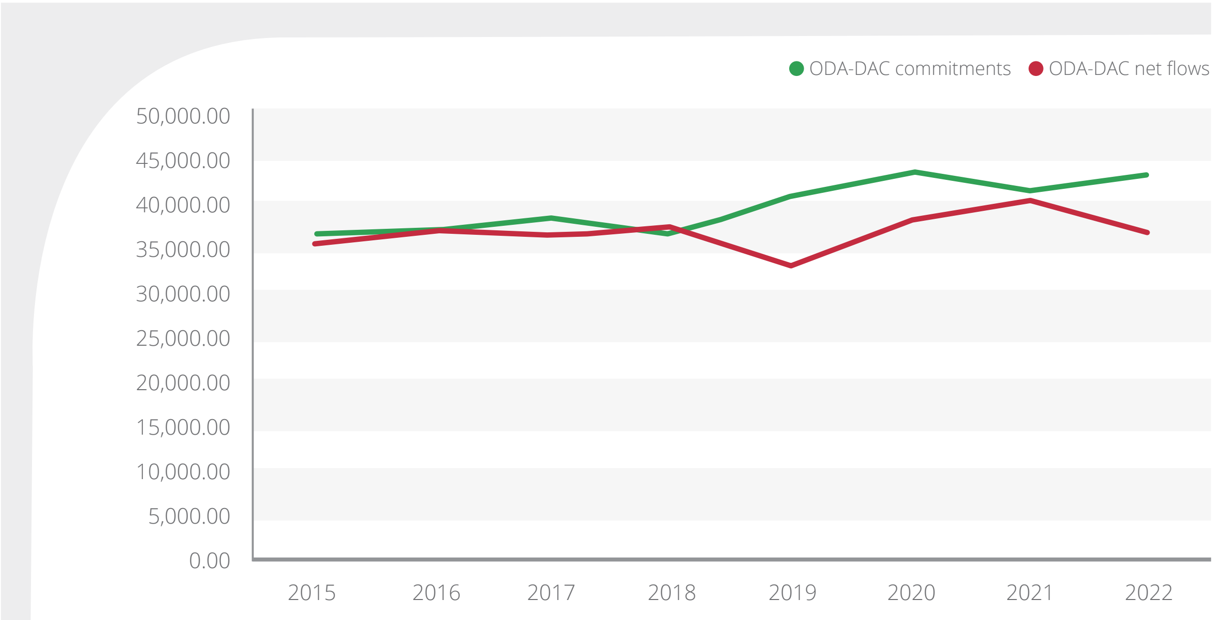
- How can African countries create an enabling environment for private investment that balances sustainable development needs with sufficient policy space for industrial transformation, while addressing high costs of capital and currency risks?
- What specific measures and instruments can scale up blended finance in Africa, particularly for least developed countries, ensuring fair risk-sharing and stronger country ownership through improved project pipeline preparation and capacity building?
- How can African countries enhance their domestic capital markets to boost domestic resource mobilization and attract more domestic, regional and international capital?

2.3. International development cooperation

2.3.1. Progress

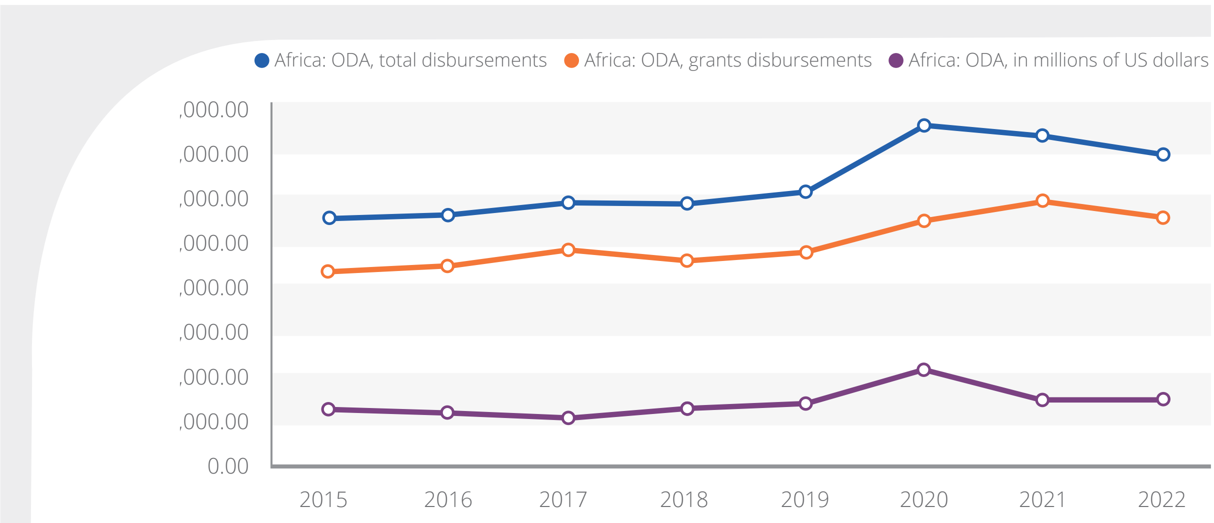
Whilst global ODA reached a notable milestone of $211 billion in 2022 from Organization for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) members, representing a doubling in real terms since the millennium's start, this achievement masks concerning trends for Africa. The continent has experienced a troubling decline in bilateral ODA, with a 7.4 percent reduction in 2022 despite overall global increases.[37] The gap between committed and disbursed amounts for Africa was around $6.6 billion (15 percent of the promised amount).[38]

Figure 13: ODA commitments and net flows to Africa, 2015-2022



Source: OECD DAC Countries, ODA Database

Figure 14: ODA disbursements to Africa 2015-2022, United States dollar millions



Source: Aid (ODA) disbursements to countries and regions (DAC2A), OECD database

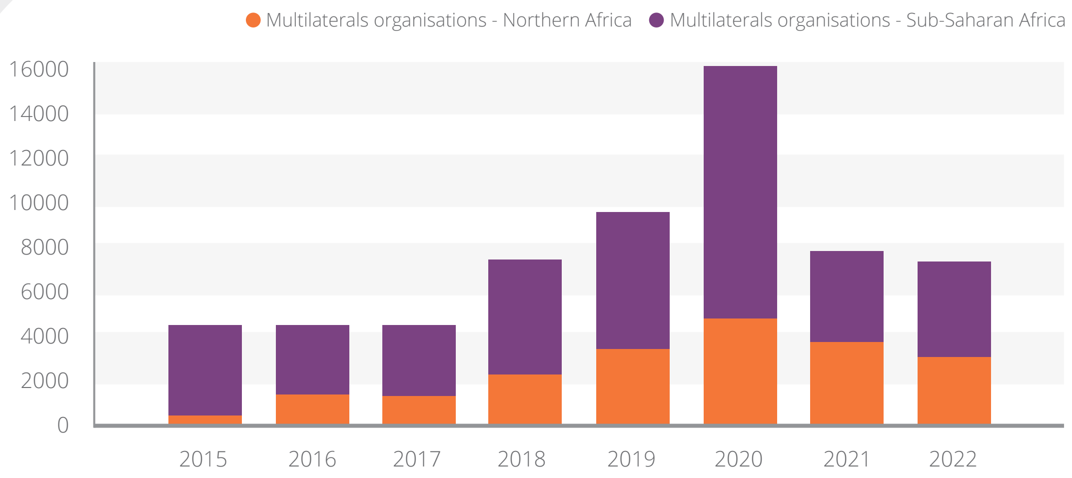
37 AUC/OECD. (2023). Africa's Development Dynamics 2023: Investing in Sustainable Development. AUC, Addis Ababa/OECD Publishing, Paris. Available from: https://doi.org/10.1787/3269532b-en.

38 OECD. ODA Trends and Statistics. Available at: https://www.oecd.org/en/topics/sub-issues/oda-trends-and-statistics.html.

The shifts in ODA modalities since 2015 have significantly impacted resource allocation and country ownership. A critical analysis reveals that while absolute ODA volumes have increased, Africa's share in total ODA has remained stagnant at around 35.3 percent since 2000. This stagnation suggests that donor countries have diversified their recipient base regardless of development needs, potentially undermining the AAAA's emphasis on targeting assistance to the most vulnerable nations.

The evolution of multilateral development bank lending presents a mixed picture. Annual disbursements have shown significant growth, increasing from $58 billion in 2015 to $96 billion in 2022. However, this headline figure obscures a concerning trend in concessional financing, which has declined precipitously from 35 percent of total Multilateral Development Banks' (MDB) lending in 2004 to a mere 13 percent in 2022.[39]

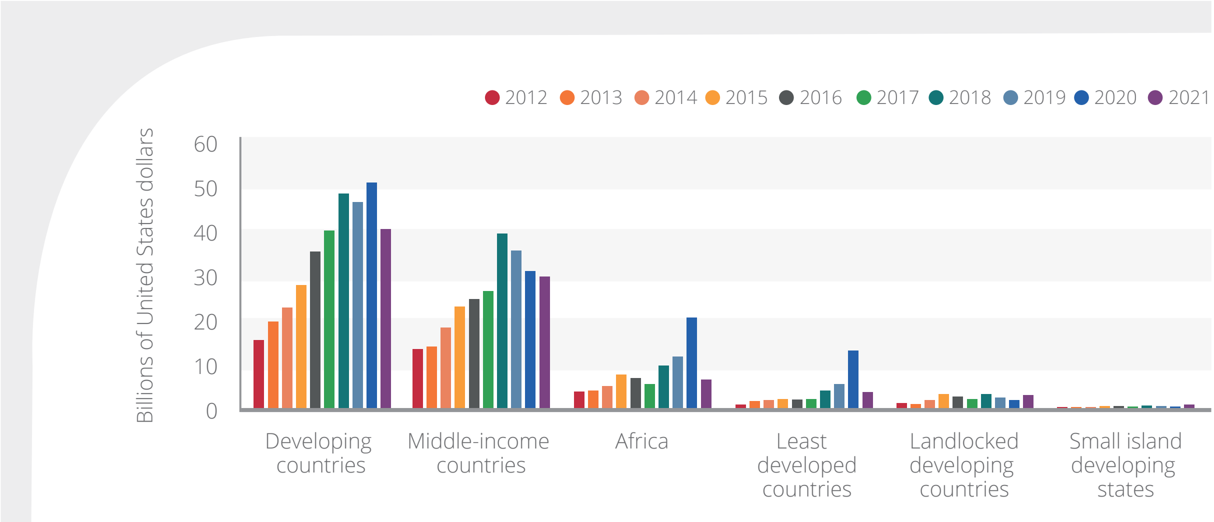
Figure 15: Lending by MDBs to Africa, 2015–2022



The mobilization of private finance through blended mechanisms has shown steady growth, averaging a 12.55 percent annual increase from 2012 to 2022, reaching $61.5 billion.

39 Neunuebel, Carolyn, Thwaites, Joe, Laxton, Valerie, and Alayza, Natalia. The Good, the Bad and the Urgent: MDB Climate Finance in 2022. World Resources Institute, December 1, 2023. Available at: https://www.wri.org/insights/mdb-climate-finance-joint-report-2022#:~:text=MDBs%20took%20a%20step%20in,amount%20it%20reported%20in%202021.

Figure 16: Amounts mobilized from the private sector by social development finance interventions, 2012–2021

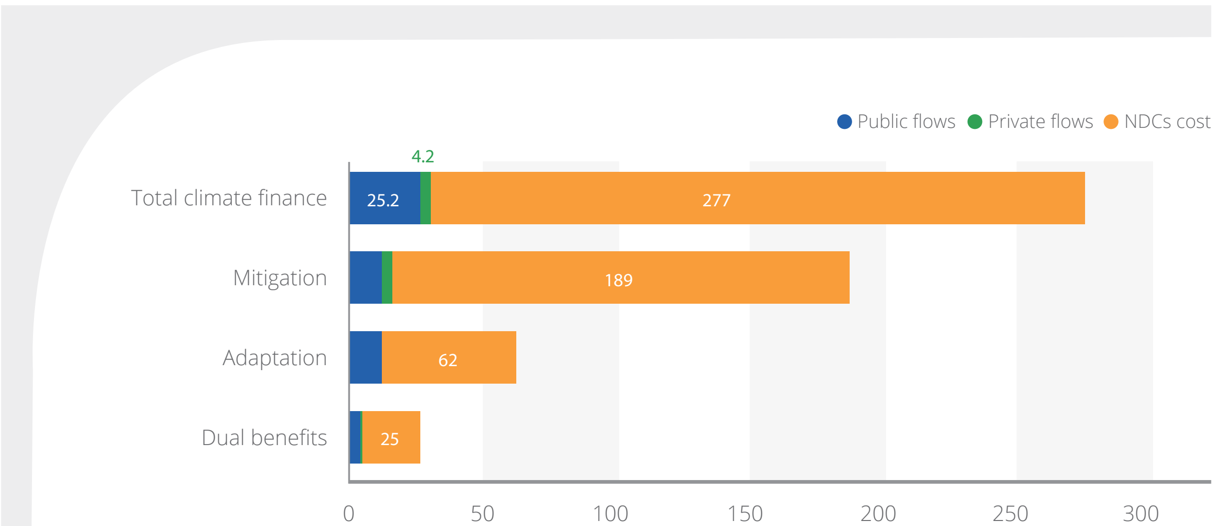


Source: OECD 2023

The concentration of blended finance in the energy and banking sectors (55.5 percent of total mobilization) whilst social sectors receive merely 5.6 percent of funding, highlights a significant misalignment with comprehensive development needs. Furthermore, Africa's share of mobilized private finance, at 34 percent ($16.5 billion annually in 2018-20), demonstrates both the potential and limitations of current blended finance approaches.

Perhaps most concerning is the substantial gap in climate finance mobilization. Total climate finance flows to Africa represent a mere 11 percent of the estimated $277 billion required annually to finance Nationally Determined Contributions and meet SDG targets.[40] The current annual flow of $29.5 billion demonstrates the massive shortfall in implementing the AAAA's vision for climate-responsive development financing.

Figure 17: Private and public climate finance flows vs. total cost by climate use in Africa

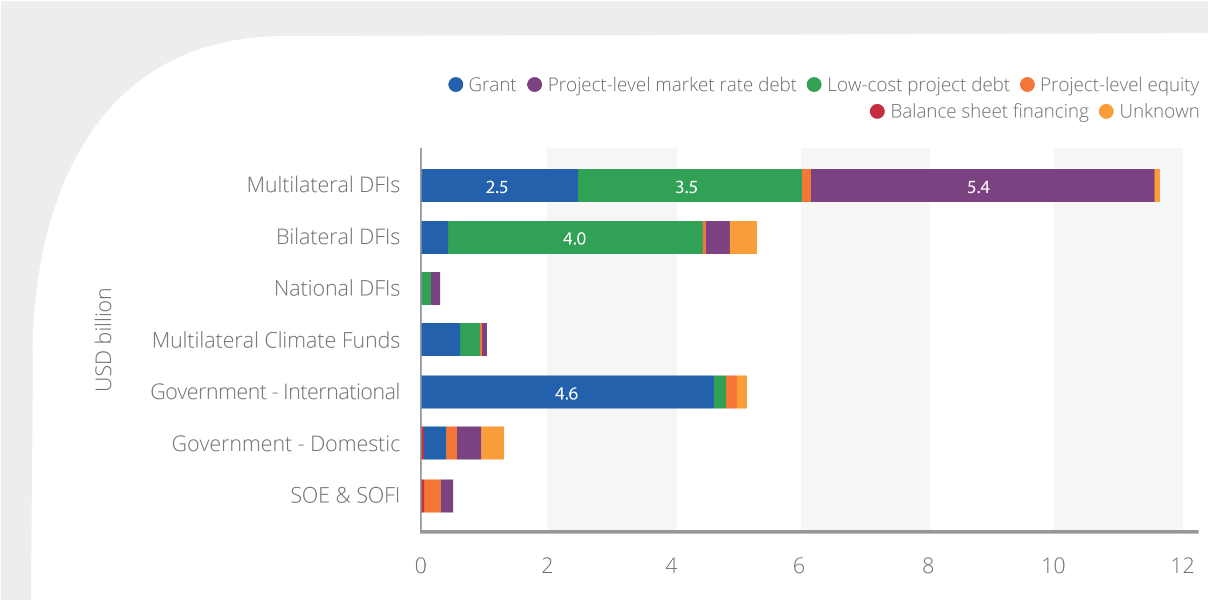


Source: 2022 Impact Report - CPI

40 Civillini, Matteo. UN Climate Chief Calls for "Exponential Changes" to Boost Investment in Africa. Climate Home News, 5 September 2024. Available at: https://www.climatechangenews.com/2024/09/05/un-climate-chief-calls-for-exponential-changes-to-boost-investment-in-africa/#:~:text=African%20countries%20need%20an%20estimated,a%20fraction%20of%20that%20sum

The distribution of climate finance reveals additional challenges in achieving balanced support for adaptation and mitigation. Whilst 49 percent ($14.6 billion) supports mitigation efforts and 39 percent ($11.4 billion) funds adaptation initiatives, the overall volume remains woefully inadequate given Africa's climate vulnerabilities.

Figure 18: International public climate finance by public actors and instruments in Africa



Source: 2022 Impact Report - CPI

The dominance of loan instruments (56 percent) over grants (30 percent) in climate finance raises concerns about debt sustainability, particularly for Africa's most vulnerable economies. Moreover, the limited contribution from African governments (4 percent) underscores the challenges in mobilizing domestic resources for climate action.

The evolution of South-South cooperation since 2015 represents a bright spot in implementing the AAAA's vision for diversified development partnerships. The emergence of platforms such as the BRICS (Brazil, Russia, India, China, and South Africa) and IBSA (India, Brazil and South Africa) Forums has created new channels for resource mobilization and knowledge exchange. However, the lack of standardized measurement frameworks makes it challenging to quantify the precise impact of these initiatives.

2.3.2. Challenges

The implementation of the AAAA's third action area faces critical challenges that significantly impair Africa's ability to leverage international development cooperation. At its core, the persistent shortfall in Official Development Assistance undermines the entire framework, with only four DAC countries meeting the 0.7 percent Gross National Income targets in 2022. This challenge is compounded by a troubling shift in ODA allocation, where in-donor refugee costs and humanitarian aid have surged from 9 percent to 25 percent since 2000, while budget support remains negligible at 3.35 percent.

The inclusion of in-donor refugee costs, debt relief, and vaccine donations inflated ODA figures by $30.9 billion (15 percent), masking the true allocation toward long-term development priorities. In real terms, ODA has more than doubled compared to the beginning of the millennium. Nonetheless, concerns exist about the increasing expenditure on humanitarian aid, which may be reducing support for long-term investments and other development priorities in more crisis-prone countries. This underscores the urgent need to expand the total ODA allocation to ensure that additional resources are available to tackle mounting challenges and that these resources are appropriately directed to the countries' most in need. Further, the current emphasis on the quantity of ODA, rather than its quality, has created damaging dynamics. Donor countries often justify their failure to meet quantitative targets by focusing on highly visible but short-term initiatives, mainly in the humanitarian and social services sectors. While these actions address some immediate issues, they do little to establish the policy frameworks and institutions necessary for sustainable development.

Multilateral development banks face equally pressing constraints. Their capacity to respond to Africa's growing investment needs is severely limited by stagnant capital bases. The sharp decline in concessional financing—from 35 percent to 13 percent over two decades—particularly affects vulnerable economies, directly contradicting the AAAA's goal of sustainable financing.

Blended finance mechanisms have failed to achieve their promised impact, with resources heavily skewed toward lower-risk sectors and middle-income countries. The minimal allocation to social sector investments (5.6 percent) exemplifies the fundamental tension between commercial viability and development objectives. Meanwhile, South-South cooperation, despite its potential, struggles with emerging hegemonic influences and transparency issues, limiting its effectiveness as an alternative financing channel.

Climate finance perhaps best illustrates these implementation challenges. The current annual flow of $29.5 billion represents barely a tenth of Africa's estimated $277 billion needs. The predominance of loans over grants (56 percent versus 30 percent) raises serious concerns about debt sustainability, while complex application processes create additional barriers for countries with limited institutional capacity.

These challenges are further exacerbated by systemic institutional weaknesses, including poor project preparation capacity, weak coordination among development partners, and misalignment between international support and national priorities. The fragmented development cooperation landscape creates inefficiencies that particularly impact complex development challenges requiring coordinated responses. Together, these obstacles significantly constrain Africa's progress in realizing the AAAA's vision, highlighting the urgent need for comprehensive reforms in international development cooperation.

2.3.3. The way forward and strategic questions

The way forward for international development cooperation in Africa requires fundamental restructuring rather than incremental adjustments. The international community must reconceptualise ODA delivery mechanisms by establishing clear accountability frameworks that align with national development priorities. This includes developing transparent allocation criteria, streamlined reporting systems, and strengthened country ownership principles. Direct budget support mechanisms should be reinforced with robust monitoring systems that maintain accountability while reducing administrative burden.

Strengthening development finance requires honouring Official Development Assistance commitments, ensuring pledged funds are fully disbursed and untied, and providing concessional resources that support sustainable development goals. Any shortfall in ODA represents a financial obligation that should not be offset by debt relief or undisbursed funds. ODA should be strategically aligned with national development priorities to maximize its impact, especially by focusing on high-grant, concessional financing that supports essential public goods and services.

ODA to incentivise blending has not been successful in catalysing private investment at a scale, despite some progress in leveraging private finance using public funds. A new approach to blended finance is required, which is guided by the principles outlined in the Addis Agenda. The primary focus should be on development impact, rather than the quantity or degree of leverage, which often favours lower-risk projects with a lower development impact. For blended finance to fulfil its potential, new frameworks must be established that balance commercial viability with development impact, particularly in underserved sectors. This includes creating standardized impact metrics, simplified access mechanisms for lower-capacity countries, and innovative risk-sharing arrangements that attract private capital to social sectors.

Furthermore, Multilateral Development Banks (MDBs) must evolve beyond their current operational models through expanded capital bases and innovative financing mechanisms that prioritise development impact. This evolution requires streamlined access procedures, harmonized reporting requirements, and enhanced coordination among development partners. Future frameworks should emphasize rapid deployment capabilities while maintaining prudent risk management.

Climate finance architecture needs reconstruction around integrated financing mechanisms that combine climate and development objectives. This includes establishing unified access points, standardized application procedures, and flexible instrument mixes that account for country circumstances. Regional pooling mechanisms could help smaller countries overcome scale barriers.

Questions for discussion:

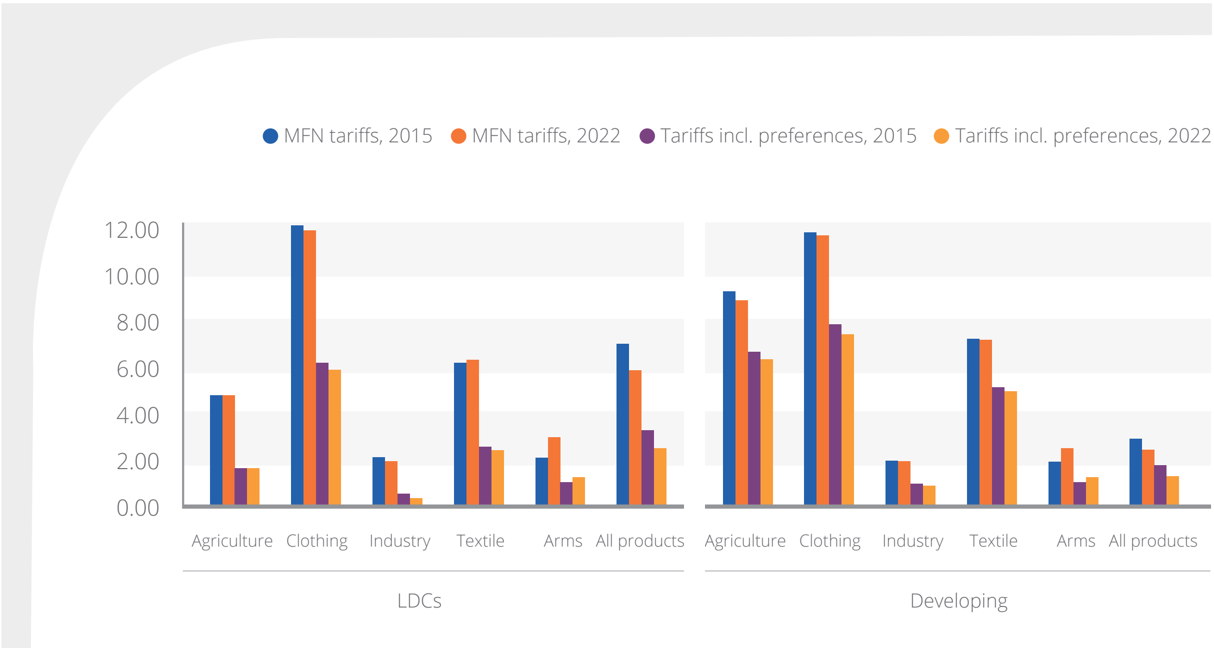
- How can the international community restructure ODA delivery and MDB operations to match ODA pledges with disbursements?
- What specific reforms in the global climate finance architecture would enable African countries to access their fair share of the $277 billion annual requirement, while ensuring an appropriate balance between grants and loans, and how can these reforms be implemented within the next five years?
- How can we create an effective framework for blended finance that ensures: (a) effective social sector investments, (b) country ownership, and (c) clear development impact while maintaining commercial viability?

2.4. Trade as an engine of development

2.4.1. Progress

Africa's trade expansion since the turn of the millennium has been remarkable in absolute terms, with exports surging more than fourfold from $142.9 billion in 2000 to $667.2 billion in 2022.[41] This growth has positioned trade as the continent's predominant source of foreign exchange, substantially overshadowing other financial flows including official development assistance ($53 billion),[42] foreign direct investment ($54 billion),[43] and remittances ($96.9 billion).[44] However, this impressive growth in absolute terms masks a persistent marginalisation in global trade, with Africa's share of global exports remaining low at 2.8 percent in 2022. The implementation of preferential market access schemes for Least Developed Countries has shown modest progress, though falling short of the AAAA's transformative ambitions.

Figure 19: Trade-weighted average tariff faced by developing countries and LDCs



Source: UNCTAD calculations based on Trade and Development Report 2024 | UNCTAD, ITC (2024) and WTO Annual Report 2024.

Analysis of tariff structures reveals that LDCs faced relatively stable import tariffs from developed countries since 2015, with preferential rates at 2.4 percent and Most Favoured Nation tariffs at 5.7 percent in 2022. For developing countries more broadly, preferential import tariffs stood at 1.3 percent in 2022 marking a modest 0.4 percentage point reduction from 2015 levels.

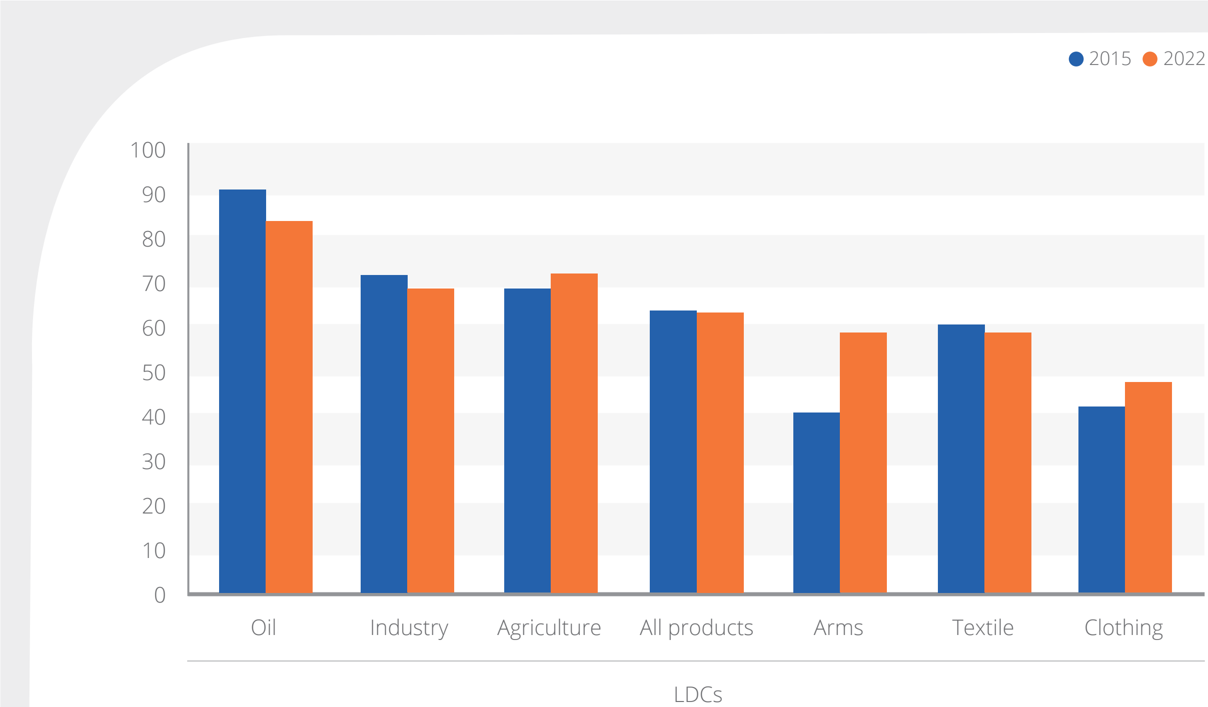
41 UNCTADSTAT. Data Hub. Available from: https://unctadstat.unctad.org/EN/. (Accessed Date)

42 Harcourt, Sara, and Rivera, Jorge. Official Development Assistance (ODA) One Data & Analysis. Available at: https://data.one.org/.

43 United Nations Conference on Trade and Development (UNCTAD). World Investment Report: Investment Facilitation and Digital Government Overview. 2024. UNCTAD/WIR/2024. Available at: https://unctad.org/system/files/official-document/wir2024_overview_en.pdf.

44 Migration Data Portal. Annual Remittance Inflows in 2022. Available from: https://www.migrationdataportal.org/international-data?t=2022&i=remit_inflows&m=1&rm49=2. (Accessed Date)

Figure 20: Share of products enjoying duty-free market access for LDCs



Source: UNCTAD calculations based on Trade and Development Report 2024 | UNCTAD UNCTAD (2024), ITC (2024) and WTO Annual Report 2024 .

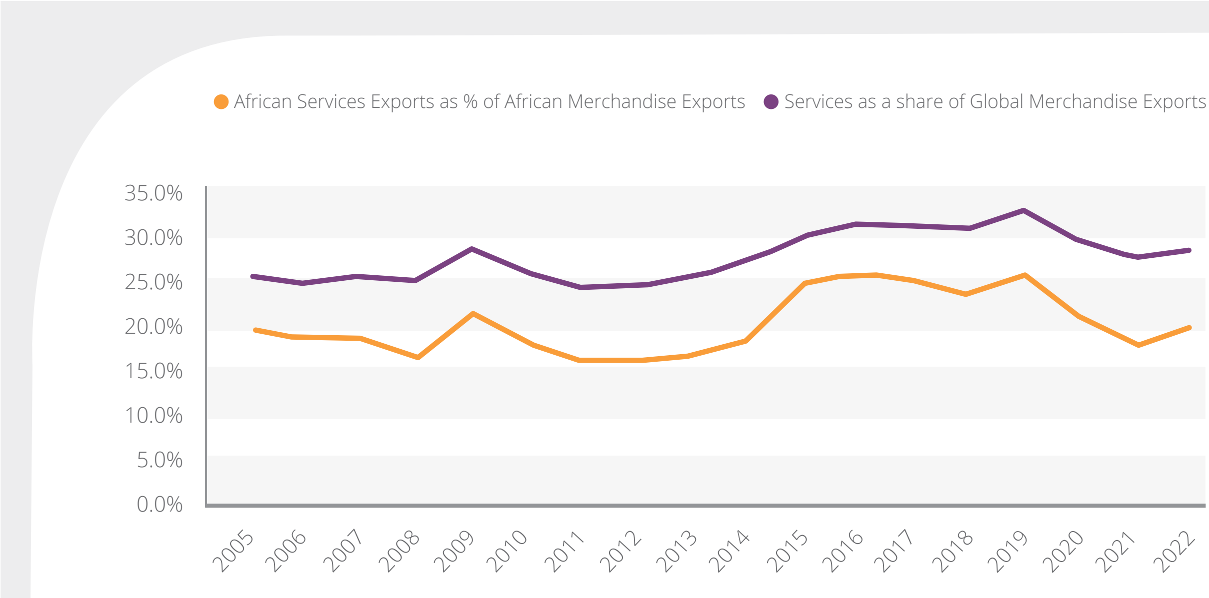
The scope of duty-free market access for LDCs has remained relatively static, covering 62.9 percent of tariff lines for all products in 2022, with agricultural and industrial products enjoying the highest proportions at 72 percent and 68.8 percent respectively. This stability in coverage suggests limited progress in expanding preferential access since the AAAA's adoption.

The proportion of commodities in extra-continental exports remains extraordinarily high at 82 percent in 2022, a figure that has shown minimal change over two decades. UNCTAD's analysis presents a particularly sobering assessment, suggesting that under current conditions, it would require 190 years for the average commodity-dependent country to halve the gap between its current commodity export share and that of non-commodity dependent nations.[45]

The services sector's role in Africa's trade portfolio presents a nuanced picture. The share of services in both GDP and merchandise trade has maintained relative stability, with evidence suggesting that Africa's services trade development remains in nascent stages compared to other regions.

45 UNCTAD. Commodities and Development Report 2021 – Escaping from the Commodity Dependence Trap through Technology and Innovation. 2021. Available at https://unctad.org/system/files/official-document/ditccom2021d1_en.pdf
UNCTAD's analysis uses empirical data over the period from 1995 to 2018 and covers 206 countries and territories. During the sample period, 95 per cent of commodity dependent countries remained within this group. The authors concluded that the likelihood that a strongly commodity dependent country becomes non-commodity dependent over the 24-year period was very small.

Figure 21: Share of services in trade, 2005-2022



The establishment of the African Continental Free Trade Area represents a significant milestone in implementing the AAAA's regional integration objectives. Economic Commission for Africa projections suggest potential intra-African trade growth of 34 percent by 2045, with particular benefits anticipated in manufacturing sectors including agro-foods, chemicals, and textiles. However, the pace of implementation since trading officially commenced in January 2021 has been gradual, with the first preferential trades recorded only after the launch of the Guided Trade Initiative in October 2022.

Further, the African Union's Programme for Infrastructure Development in Africa (PIDA) exemplifies both the ambition and challenges in developing trade-enabling infrastructure. Research by Coulibaly and Fontagné demonstrates that trade flows within the West African Economic and Monetary Union could be 3.2 times higher with fully paved interstate roads.[46] Similarly, studies suggest that coordinated road network upgrading and maintenance could expand intra-African trade by 18 percent annually over a 15-year period. However, implementation remains a significant challenge, with only 38 percent of PIDA's 409 projects reaching construction or operational stage since 2012.

Africa's engagement with the multilateral trading system has strengthened, with World Trade Organization (WTO) membership expanding from 38 African countries in 2000 to 44 currently supplemented by nine observer states. However, the system's limited success in expanding agricultural market access to high-income economies represents a significant disappointment in implementing the AAAA's multilateral trade objectives.

The shifting patterns of global trade have seen developing countries' export destinations diversify, with 54 percent now directed to other developing nations according to UNCTAD data. This evolution, combined with emerging discussions on supply chain regionalisation, presents both opportunities and challenges for implementing the AAAA's vision for Africa's trade integration.

2.4.2. Challenges

Africa's implementation of the AAAA's trade development vision faces profound structural impediments. At the forefront, preferential market access arrangements, whilst seemingly advantageous, have proven largely ineffective for Least Developed Countries. Despite duty-free quota-free initiatives, strategic product exclusions severely limit their practical value,

46 Coulibaly, S., and Fontagne, L. 'Road Network Upgrading and Overland Trade Expansion in Sub-Saharan Africa.' Review of Development Economics, 23, 2006, pp. 33-53.

whilst LDCs continue to wrestle with substantial MFN tariffs of 5.7 percent as of 2022. The labyrinthine rules of origin requirements particularly hamper African LDCs' participation in regional value chains, undermining their ability to source inputs from neighbouring nations.

The multilateral trading system has notably failed to deliver meaningful agricultural market access improvements. Beyond the 2017 Trade Facilitation Agreement, progress at the World Trade Organization has been lacklustre in addressing Africa's fundamental trade concerns. Adding to these challenges, new measures such as the European Union's Carbon Tax and Deforestation Regulations threaten to create fresh barriers for African exports to high-income markets.[47] The continent's persistent reliance on commodities, accounting for 82 percent of extra-continental exports, reveals the depth of its diversification challenge. UNCTAD's sobering assessment—that meaningful reduction in commodity dependence would require 190 years at current rates—starkly illustrates the magnitude of this structural limitation.[48]

Whilst the African Continental Free Trade Area offers promise, its implementation has faced considerable hurdles. The delayed commencement of preferential trading until October 2022, well after its official launch, exemplifies the complexities of translating policy into practice. Infrastructure constraints have particularly hindered trade facilitation efforts, as evidenced by the Programme for Infrastructure Development in Africa's modest success rate—merely 38 percent of its 409 projects have reached construction or operational stage since 2012.[49]

Regional value chain development, despite the identification of 94 promising opportunities by the African Union Commission (AUC) and International Trade Centre (ITC), remains constrained by prohibitive cross-border costs, persistent trade barriers, and inadequate infrastructure. The service sector's stagnant share in Africa's trade portfolio, particularly concerning given global servicification trends, reflects deep-seated limitations in developing higher-value exports.

Perhaps most critically, the severe shortage of trade finance disproportionately affects small and medium-sized enterprises, their predicament exacerbated by high risk perceptions of African markets and limited domestic financial capacity. These interconnected challenges have significantly impaired Africa's progress in realizing the AAAA's vision for trade-led development, highlighting the urgent need for comprehensive reforms in the international trading system.

2.4.3. Way forward and strategic questions

First, market access mechanisms need fundamental restructuring. This includes simplifying rules of origin requirements, particularly within the AfCFTA framework, and developing standardized procedures that enable seamless regional value chain participation. The focus should be on creating practical, implementable solutions rather than complex regulatory frameworks.

Infrastructure development must be accelerated through innovative financing mechanisms and public-private partnerships. This requires moving beyond traditional project implementation approaches to embrace rapid-delivery models that can achieve PIDA's objectives more efficiently. Regional coordination mechanisms should be strengthened to ensure infrastructure development aligns with trade corridors and value chain needs.

Trade finance needs reimagining through new instruments that better serve African SMEs. This includes developing risk-sharing facilities, expanding digital trade finance platforms, and creating specialised instruments for value chain financing. Regional financial institutions should play a larger role in providing trade finance solutions tailored to African market conditions.

47 United Nations Conference on Trade and Development (UNCTAD). Commodities and Development Report 2021 – Escaping from the Commodity Dependence Trap through Technology and Innovation. 2021;
UNCTAD's analysis uses empirical data over the period from 1995 to 2018 and covers 206 countries and territories. During the sample period, 95 per cent of commodity dependent countries remained within this group. The authors concluded that the likelihood that a strongly commodity dependent country becomes non-commodity dependent over the 24-year period was very small.

48 ibid.

49 PIDA-PAP 2. Financing Strategy, Final Report. April 2021. Available at: https://www.ism-africa.eu/wp-content/uploads/2021/12/PIDA-PAP2-Financing-Strategy.pdf.

The AfCFTA's implementation should prioritise practical, achievable milestones that deliver immediate benefits while building towards longer-term objectives. This includes expediting the harmonization of standards, developing digital trade facilitation platforms, and establishing effective dispute resolution mechanisms.

Questions for discussion:

- How can the AfCFTA implementation be accelerated to deliver tangible benefits by 2025, specifically focusing on:
  - simplifying rules of origin for priority value chains
  - establishing efficient trade facilitation mechanisms
  - harmonizing standards for key manufacturing sectors (agro-foods, chemicals, and
  - creating practical dispute resolution systems?

- What specific reforms and instruments are needed in the trade finance architecture to:
  - reduce the current financing gap for SMEs
  - support value addition in commodity-exporting countries
  - facilitate regional value chain development, and
  - leverage digital solutions for improved access?

- How can market access arrangements be restructured to ensure effective utilization by African countries through:
  - meaningful duty-free quota-free coverage for LDCs
  - simplified compliance requirements for technical standards
  - practical capacity building programs for exporters, and
  - mechanisms to address emerging carbon-related trade measures?

2.5. Debt sustainability

2.5.1. Progress

Africa's debt landscape has evolved dramatically, with public debt reaching approximately $1.8 trillion by 2022,[50] effectively returning to pre-Multilateral Debt Relief Initiative levels and eroding many hard-won gains from previous debt relief efforts. This trajectory has forced African nations into difficult tradeoffs between servicing debt obligations and pursuing critical development objectives.

The continent's creditor composition has undergone a fundamental transformation, marked by a decisive shift from traditional multilateral and Paris Club creditors towards private and non-Paris Club lenders, particularly China. This structural change has introduced unprecedented complexities in debt management and restructuring processes. African nations continue to face a persistent 'Africa premium' in borrowing costs, with interest rates averaging 1.7 percentage points higher than comparable economies, even after accounting for economic fundamentals.[51]

50 UNCTAD. Africa. 2023. Available at: https://unctad.org/publication/world-of-debt/regional-stories#:~:text=In%202022%2C%20public%20debt%20in,of%20GDP%20in%20dollar%20terms.

51 Kiel Institute for the World Economy. Sovereign Debt in Africa: Large Interest Rate Differences Across Creditors. 2023. Available at: https://www.ifw-kiel.de/publications/news/sovereign-debt-in-africa-large-interest-rate-differences-across-creditors/#:~:text=%C2%A9%20Comugnero%20Silvana%2D%20stock.abobe,an%20average%20of%200.5%20percent.

As international market access has fluctuated in recent years, 2024 has seen a partial rebound, with several African governments returning to international bond markets and renewed investor interest in Eurobonds. However, despite this improvement, domestic debt markets remain a critical financing alternative, particularly for countries facing persistent credit rating constraints and high external borrowing costs. While domestic debt provides some protection against exchange rate volatility, it introduces its own set of challenges. Shorter maturities heighten refinancing risks, while higher borrowing costs continue to strain fiscal flexibility. The deep interconnection between domestic debt and the financial sector has also created new systemic vulnerabilities, particularly given Africa's relatively shallow and underdeveloped financial markets. A balanced approach, leveraging both domestic and international capital markets, will be essential to strengthening Africa's fiscal resilience.

Nevertheless, several areas have shown meaningful institutional progress. The implementation of debt management capacity building programmes has yielded tangible results, with forty-one African countries receiving technical assistance through the International Monetary Fund (IMF)–World Bank Debt Management Facility programme. UNCTAD's provision of downstream debt management support to twenty-four African countries represents further progress in strengthening institutional capabilities.

Debt transparency has seen notable improvements since 2015. The establishment of the Institute of International Finance's voluntary principles in 2019 and the OECD's Debt Transparency Initiative mark significant steps forward. The International Development Association's Sustainable Development Financing Policy has facilitated hundreds of performance and policy actions across more than sixty countries, strengthening debt management frameworks.

The global response to recent crises has demonstrated both the potential and limitations of international debt initiatives. Whilst the unprecedented allocation of Special Drawing Rights provided some relief, Africa's mere five per cent share ($33 billion) of the global allocation highlights persistent inequities in the international financial architecture.[52] Similarly, the G20 Common Framework, despite its ambitious design, has seen limited uptake, with only four African countries participating, revealing significant gaps between institutional frameworks and practical outcomes.

The establishment of the Global Sovereign Debt Roundtable in 2023 and the IMF's introduction of new analytical tools for assessing debt sustainability represent the most recent attempts to strengthen the institutional framework. However, these advances, whilst promising, have yet to translate into substantive improvements in debt sustainability or market access conditions for most African nations.

2.5.2. Challenges

At the forefront stands the glaring inadequacy of existing debt resolution frameworks, particularly evident in the disappointing performance of the Common Framework. Despite its ambitious design as a successor to the Debt Service Suspension Initiative, the framework's limited uptake—with merely four African countries participating—reveals deep-seated structural limitations in addressing contemporary debt challenges. The protracted nature of debt restructuring processes, coupled with an emphasis on debt rescheduling rather than meaningful forgiveness, fundamentally undermines the AAAA's call for timely and effective interventions.

The sovereign credit rating system remains a significant factor affecting African countries' access to development finance. While credit rating agencies (CRAs) play a crucial role in assessing sovereign risk, concerns persist regarding methodological biases that may disproportionately disadvantage developing economies. Ratings often rely on short-term macroeconomic indicators and can be pro-cyclical, amplifying market volatility rather than providing a holistic assessment of long-

52 de Boissieu, Christian. Africa and SDRs. Policy Brief, Policy Center for the New South, 2023. Available at: https://www.policycenter.ma/sites/default/files/2023-05/PB_13_23_Boissieu%20%28EN%29.pdf.

term financial stability. Additionally, structural economic challenges, fiscal constraints, and global risk perceptions contribute to weaker ratings for many African nations. These factors result in African countries being predominantly rated as non-investment grade or speculative, leading to higher borrowing costs, market exclusion, or increased risk premiums. Addressing these challenges requires greater transparency in rating methodologies, enhanced regional credit assessment frameworks, and stronger economic fundamentals to improve Africa's position in global financial markets.

The increasing reliance on domestic debt markets, whilst potentially reducing external vulnerabilities, introduces new complexities in implementing the AAAA's sustainability objectives. The shorter duration of domestic debt compared to external obligations increases refinancing risks, whilst higher domestic borrowing costs, exacerbated by current global conditions including a strong dollar and persistent inflation, strain fiscal resources. The concentration of domestic debt holdings among commercial banks and central banks potentially crowds out private sector lending, a situation further complicated by underdeveloped financial systems that limit the investor base and increase market vulnerability.

While weak debt management frameworks continue to impede the implementation of the AAAA's vision for responsible borrowing, some notable progress has been made through the adoption of stronger public finance management laws, enhanced fiscal transparency, and improved debt reporting mechanisms. In many cases, the establishment of independent debt management offices, legal frameworks for borrowing, and stricter public financial accountability measures have contributed to better oversight and risk mitigation. However, challenges persist, as the lack of solid institutional arrangements to insulate borrowing decisions from political pressures continues to undermine sustainable debt management. Insufficient disclosure of debt terms and utilisation hampers effective monitoring and accountability, particularly in countries where off-budget borrowing remains prevalent. Additionally, limited technical expertise in debt management offices restricts the adoption of sophisticated debt strategies, while incomplete debt statistics—especially regarding domestic arrears to private suppliers—complicate comprehensive debt sustainability assessments. Strengthening capacity-building initiatives, reinforcing legal frameworks, and enhancing regional cooperation in debt management will be essential to ensuring more resilient and transparent fiscal policies across Africa.

Institutional limitations further compound these challenges. Inadequate frameworks for coordinating between various government entities involved in debt management, weak monitoring and evaluation mechanisms, and insufficient legal structures for ensuring responsible borrowing create systemic vulnerabilities. The limited institutional mechanisms for developing and retaining debt management expertise further hamper the implementation of sophisticated debt management strategies essential for achieving the AAAA's objectives.

2.5.3. Way forward and strategic questions

Improving Africa's debt sustainability will require coherent efforts from national, regional and global partners. These will include:

Reforming the Common Framework as a platform for restructuring external sovereign debt. The CF must be enhanced and executed in a manner to expedite equitable restructuring procedures. Problems elements to reform include: low uptake (four countries in Africa), speed of treatment, limited scope (focused mostly on debt rescheduling and debt service suspension at the expense of debt forgiveness), non-inclusion of private creditors early on in creditor committees, exclusion of middle-income countries in dealing with unsustainable debt levels, and inability to effectively reduce the nation's aggregate debt burden.

Reforming the global Credit Rating Systems will be essential. Errors in assessing African countries' creditworthiness have created an increasing dissatisfaction from African policymakers, who call for enhancing the regulatory framework for credit rating agencies and utilize de-risking instruments to enhance market access. The creation of the African Credit Rating Agency (ACRA) will play a role in enhancing the transparency and efficiency of debt capital markets by reducing information asymmetry between borrowers and lenders. For far too long, African countries have not had an opportunity to tap into the global savings glut partly because of a risk perception bias against Africa, which alone increases borrowing costs by more than 2 percentage points. Further to this, other qualitative contemplations should be considered such as general market perceptions of a sovereign debt and whether this market perception reveals real underlying negative factors or not. To assist with this, aside from credit ratings from the international credit ratings, sovereigns could work towards the development of independent domestic ratings of international standards through technical assistance, as well as regional ratings of international standard as well.

Enhancing the role of regional Multilateral Development Banks in reforming the international financial architecture, with a view to increasing long-term, affordable financing for investments in the SDGs and climate, while tackling the high costs of sovereign borrowing and the growing risks of debt distress.

Supporting member States to develop well-functioning domestic debt markets is another strategy. ECA has developed draft guidelines on dealing with domestic debt in Africa, to address the issues with domestic debt restructuring and sustainability, and arrears clearance. Debt restructuring for both external and domestic debt should occur when the unsustainability of a sovereign debt has been firmly determined from a liquidity and solvency perspective, using relevant tools. Again, it cannot be overemphasized that the need for a tool that would augment the popular Debt Sustainability Analysis (DSA), that would effectively address the challenges of the DSA, as well adequately determine relevant domestic thresholds to be used as early warning signs of debt distress. The AAAA has called on the International Monetary Fund, the World Bank, and the United Nations system to enhance the analytical instruments used for evaluating. Although some reforms have been made, major challenges in the adequacy of these tools remain.

It will be key to strengthen public debt governance frameworks. Since public debt management is a process (from origination of the debt to its full repayment) that operates within a certain institutional set up, a lack of robust and transparent institutional frameworks is therefore a potential determining factor for inefficient debt management that is vulnerable to abuses such as corruption and irresponsible borrowing. Lack of transparency in debt management hinders monitoring, proper management, and accountability. It thus encourages unnecessary debt accumulation, deviation and corruption. Therefore, preventative measures to debt crises would include assessing whether there is a real need to incur new debts and improve transparency in sovereign borrowing. This means assessing whether and under which conditions countries should take up new debt obligations. Further, once debt is incurred, there needs to be a proper framework through which proceedings from debt are being used, ensuring that risks of deviation and corruption are mitigated.

Questions for discussion:

- How can we fundamentally reform the global debt architecture to better serve Africa's needs?
- What institutional reforms and technical support are needed for African countries to improve their global credit ratings?
- How can Africa enhance debt sustainability through effective debt management frameworks?

2.6. Addressing systemic issues

2.6.1. Progress

The global financial safety net's expansion exemplifies both progress and persistent inequities. By 2022, the safety net reached 17.6 percent of world GDP,[53] marking substantial growth. However, African nations remain predominantly reliant on their own reserves and IMF resources, lacking meaningful access to bilateral swap arrangements and regional financing mechanisms that benefit other regions. The 2021 Special Drawing Rights (SDR) allocation, whilst historic in scale, highlighted enduring distributional challenges. Despite African countries receiving a higher share compared to developed economies in proportion to their GDPs, their total allocation amounted to merely 5 percent of the global distribution, underscoring systemic imbalances in resource allocation. The financial sector's structural transformation is particularly evident in the rise of non-bank financial intermediation, which now commands nearly half of global financial assets. This shift towards market-based financing has created new vulnerabilities for African economies, especially visible in the pronounced decline in correspondent banking relationships affecting cross-border transactions, remittances, and trade finance.

Recent institutional developments show promise for systemic reform. The UN General Assembly's Pact for the Future[54] introduces a new social contract emphasizing equitable economic systems. Similarly, the UN's Global Governance Report on AI[55] addresses emerging technological implications for sustainable development, particularly considering African interests in areas such as healthcare, education, and financial services access. Representation in global financial governance, however, reflects limited progress. Between 2000 and 2022, developing countries' voting rights in international financial institutions remained significantly below their share of global population and GDP. The IMF's quota reforms and the World Bank's policy realignment with SDGs and climate commitments represent modest steps forward, though their practical impact remains limited. Regional integration efforts, notably the African Continental Free Trade Area (2018), demonstrate potential for structural transformation, though implementation challenges persist. The financial architecture's evolution, including the resolution on Inclusive and Effective International Tax Cooperation, signals incremental progress towards more equitable governance systems.

2.6.2. Challenges

The global financial system, established in the aftermath of World War II, no longer adequately reflects the realities of today's interconnected and complex global economy. With African countries playing a significantly larger role in the global economic landscape, the need for comprehensive reform is increasingly urgent. The existing structures not only fail to account for these shifts but also struggle to meet the financing needs of countries dealing with rising debt and limited fiscal space.

One of the foremost challenges is the issue of representation and voting power of African countries in major international financial institutions. For instance, despite being home to a significant portion of the world's population, African countries have historically been underrepresented in key decision-making bodies like the International Monetary Fund (IMF) and the World Bank. Recently, in August 2023, the XV BRICS Johannesburg II Summit resolution 10 called for changes in IMF quotas to ensure higher representation of developing economies (BRICS, 2023). In April 2024, the Intergovernmental Group of Twenty-Four (G24) noted the need to increase representation of emerging markets and developing economies, including from the Asia-Pacific region, in the IMF governance structure (G24, 2024).

Equally important are issues of significant financing gaps for achieving the Sustainable

53 United Nations, Inter-agency Task Force on Financing for Development. Financing for Sustainable Development Report 2024: Financing for Development at a Crossroads. New York: United Nations, 2024, p. 167. Available at: https://developmentfinance.un.org/fsdr2024.

54 United Nations. Summit for the Future Outcomes Documents. 2024. Pact for the Future Global Digital Compact and Declaration on Future Generations, A/RES/79/1. Available at: https://www.un.org/en/summit-of-the-future/pact-for-the-future.

55 United Nations. Governing AI for Humanity: Final Report. 2024. Available at: https://www.un.org/sites/un2.un.org/files/governing_ai_for_humanity_final_report_en.pdf.

Development Goals in African countries. The flows of development finance are insufficient and unpredictable, which hampers efforts to eradicate poverty, improve health and education, and address climate change. There is a need for reforms in multilateral and development banks to mobilize greater financing and support sustainable development.

Tax governance presents particularly complex challenges. The OECD's Base Erosion and Profit Shifting (BEPS) project, whilst ambitious in scope, has faced criticism for its limited inclusivity and effectiveness in addressing developing countries' needs.[56] The project's initial design, driven primarily by OECD and G20 countries, has resulted in frameworks that may not adequately reflect African contexts or capabilities.[57] Implementation challenges are exacerbated by insufficient technical assistance and capacity building support, leaving many African nations struggling to enforce new international tax rules effectively. The growing influence of high net worth individuals poses additional challenges to domestic resource mobilization.[58] Their sophisticated tax planning strategies, often utilizing offshore structures and tax havens, result in significant revenue losses for African countries. The political influence of high net worth individuals can lead to policy capture, resulting in tax systems that disproportionately burden lower-income groups whilst providing preferential treatment to wealthy elites.

Cross-border financial flows present persistent monitoring challenges. Despite progress in frameworks like the Common Reporting Standard, gaps in transparency and information exchange continue to hamper effective tax enforcement. The complex interplay between banking secrecy laws, limited information-sharing agreements, and sophisticated financial structures creates significant obstacles for African tax authorities attempting to combat tax evasion and avoidance. These challenges are further complicated by the unequal distribution of benefits from global tax reforms. Current frameworks often advantage developed economies with greater enforcement capacity, whilst African countries struggle to assert their taxing rights effectively. This imbalance undermines domestic resource mobilization efforts and perpetuates existing inequities in the global financial system.

The fundamental reform of international tax architecture remains incomplete. Whilst initiatives like the global minimum corporate tax represent progress they fall short of addressing deeper structural issues that enable profit shifting and tax avoidance. These systemic challenges continue to constrain Africa's ability to mobilize domestic resources effectively for sustainable development, highlighting the urgent need for more comprehensive reforms in global economic governance.

2.6.3. Way forward and guiding questions

Priority must be given to restructuring representation in international financial institutions to reflect contemporary economic realities. This includes modernising IMF quota formulas and expanding developing countries' board representation to ensure African voices meaningfully influence policy decisions. The international tax cooperation framework needs comprehensive reformation, focusing on African-led solutions and enhanced regional partnerships. This must include strengthening digital taxation infrastructure and implementing robust mechanisms to combat illicit financial flows. The development of standardized reporting systems and transparent information exchange protocols is essential for effective tax governance.

To address ongoing global economic challenges, strengthening the international financial safety net is essential. Multilateral development banks and bilateral creditors should provide more countercyclical financing during crises, helping countries to manage downturns without excessive reliance on costly external borrowing. Unused Special Drawing Rights offer a largely untapped resource that could be redirected towards financing development goals. Proposals

56 Latif, L. 'Breaking the Cycle of Domination in Global Tax Governance: Africans Defying Asymmetries and Seizing Opportunities.' In Redefining Global Governance, edited by Irma Mosquera, Springer Nature, 2024; Okanga, Ogbu, and Latif, L. A. 'Tax Vulnerabilities in Africa: Revisiting Inclusivity in Global Tax Governance.' African Journal of International Economic Law, Vulnerabilities in International Economic Law, 1 (2), 2021.

57 ECA. (2023-10). Technical Report: Promoting Inclusive and Effective Tax Cooperation at the United Nations. 2023 Addis Ababa: UN ECA. Available from: https://hdl.handle.net/10855/49954. ECA

58 Zuchman, G., 'Speech at the G20 finance ministers meeting in Sao Paulo' 2024. Available at: https://www.taxobservatory.eu//www-site/uploads/2024/03/Gabriel-Zucman-Speech-at-the-G20-finance-ministers-meeting-in-Sao-Paulo.pdf

to boost MDB lending capacity include capital increases, optimizing the use of existing capital, and adopting more flexible lending criteria. Such reforms are vital to meet the expanding financial needs of developing countries, particularly as they strive for sustainable development. Reflecting this priority, the World Bank in 2023 announced plans to raise its capital, potentially enhancing its lending ability by $100 billion to $125 billion over the next decade, thereby addressing pressing financing gaps for development.

Questions for discussion:

- How can we fundamentally reform global financial governance to ensure African representation and effective access to affordable finance from global markets?
- What specific technical support is needed for African countries to effectively participate in the reform of the international tax cooperation framework?
- What mechanisms and reforms are needed for effective reallocations of SDRs for effective financing of SDGs?

2.7. Science, technology, innovation and capacity building

2.7.1. Progress

Africa has witnessed measurable improvements in technological adoption, particularly evident in the Logistics Performance Index. Eastern and Southern Africa improved from 2.49 to 2.62, whilst Western and Central Africa rose from 2.41 to 2.47 between 2018 and 2022, though still lagging behind North Africa (3.90) and the European Union (3.62).[59] Digital financial inclusion represents a notable success story. Mobile money accounts have surged from 223 million active accounts in 2015 to approximately 856 million in 2023.[60] The mobile technology sector alone has generated substantial economic value, contributing about $170 billion (8 percent of GDP) in sub-Saharan Africa. This digital transformation has significantly enhanced financial inclusion through innovations in electronic banking and crowdfunding platforms.

However, the global innovation landscape reveals widening technological divides. Patent applications remain highly concentrated, with just ten countries consistently contributing 87 percent of worldwide totals throughout the SDG period. This concentration is particularly stark in green technology, where industrial firms from seven countries account for 90 percent of all patenting activity in 2022. The frontier technology gap has remained stubbornly persistent. Whilst upper-middle-income countries have moved closer to the capability frontier between 2008 and 2021, low-income African countries show no significant convergence. This divide is further exacerbated by stagnant STI-related official development assistance, which has shown no appreciable increase between 2002 and 2022, whilst remaining highly volatile.

Artificial intelligence (AI) presents both opportunities and challenges. AI systems have achieved remarkable progress in areas like handwriting recognition, speech recognition, and language understanding. However, the benefits of these advancements remain unevenly distributed, potentially widening existing technological inequalities.[61] International scientific cooperation, crucial for technology diffusion, shows limited progress in African countries compared to high-income nations. This reflects constraints in STI capacity and highlights the need for enhanced cross-border collaboration mechanisms.

59 World Bank. Connecting to Compete: Trade Logistics in the Global Economy. The Logistics Performance Index and Its Indicators. 2023. Available at: https://lpi.worldbank.org/sites/default/files/2023-04/LPI_2023_report_with_layout.pdf.

60 GSMA. The State of the Industry Report on Mobile Money, 2024. GSM Association, 2024. Available from: https://www.gsma.com/solutions-and-impact/connectivity-for-good/mobile-for-development/gsma_resources/state-of-the-industry-report-on-mobile-money-2024/.

61 United Nations, Inter-agency Task Force on Financing for Development. Financing for Sustainable Development Report 2024: Financing for Development at a Crossroads. New York: United Nations, 2024, p. 167. Available at: https://developmentfinance.un.org/fsdr2024.

2.7.2. Challenges

Africa's marginal position in artificial intelligence development is stark—Sub-Saharan Africa accounts for merely 0.12 percent of global AI patents granted in 2022, with Egypt producing just two of 109 notable machine learning models between 2019–2023.[62] This limited engagement is exacerbated by minimal research collaboration, as leading patent holders share less than 1 percent of their AI portfolios with other institutions.[63] The biotechnology sector reveals similar disparities. Whilst the global market reached $1.55 trillion in 2023,[64] Africa's share remains minimal at $26.3 billion (1.7 percent).[65] The COVID-19 pandemic starkly illustrated this capability gap, exposing Africa's limited capacity to produce essential medical technologies and forcing reliance on international support for basic healthcare equipment.

In renewable energy technology, Africa's participation remains predominantly confined to distribution and marketing rather than research, development, and manufacturing. Despite possessing abundant mineral resources essential for green technologies, the continent plays a peripheral role in producing solar cells, panels, and electrolysers. The Republic of Namibia's green hydrogen project, targeting 300,000 tonnes of annual production, represents a rare example of integrated technological partnership.[66] Technology diffusion patterns present particular concern. Diffusion rates have paradoxically slowed, hampered by increasing technological complexity, infrastructure requirements, and persistent capability gaps. This is reflected in Africa's export composition—high-skill technology-intensive manufactures comprise just 7.8 percent of total goods exports, compared to over 20 percent in other continents.

The digital divide manifests in troubling new forms. The rise of 'surveillance capitalism' and 'data colonialism'[67] sees African data harvested without commensurate local benefit, whilst 'algorithmic colonisation' through AI systems trained on non-representative datasets threatens to amplify existing inequalities.[68] The concentration of global tech ownership in the Global North further skews technological development away from African priorities and contexts. The financial architecture of innovation presents additional barriers. Venture capital and R&D budgets remain heavily concentrated in developed economies, whilst the prevalent model of using foreign back-end infrastructure for local services facilitates resource extraction through royalty payments. This dynamic reinforces technological dependency and impedes the emergence of local competitors.

2.7.3. Way forward and strategic questions

National innovation systems need fundamental strengthening through increased R&D investment and enhanced institutional capacity. This requires developing integrated frameworks that combine public and private funding with targeted skills development. Particular attention must be paid to building domestic capabilities in emerging technologies like AI, biotechnology, and renewable energy, moving beyond mere adoption to active participation in research and development.

62 Stanford Institute for Human-Centered Artificial Intelligence (HAI). Artificial Intelligence Index Report 2024, Chapter 1: Research and Development. Available at: https://aiindex.stanford.edu/wp-content/uploads/2024/04/HAI_AI-Index-Report-2024_Chapter1.pdf.

63 World Intellectual Property Organization (WIPO). WIPO Technology Trends 2019: Artificial Intelligence. Geneva: WIPO, 2019. Available at: https://www.wipo.int/publications/en/details.jsp?id=4386.

64 Grand View Research. Biotechnology Market Size & Trends. Available at: https://www.grandviewresearch.com/industry-analysis/biotechnology-market.

65 Verified Market Research. Africa Pharmaceutical & Biotechnology Market Size By Application (Drug Formulations Industry, Biotechnology Industry, Active Pharmaceutical Ingredients (API) Industry) And Forecast. 2024. Available at: https://www.verifiedmarketresearch.com/product/africa-pharmaceutical-biotechnology-market/.

66 Hyphen Hydrogen Energy Ltd. "Namibia announces progress with Hyphen Hydrogen Energy to unlock US$10bn investment for first green hydrogen project to help power the energy transition." 1 June 2022. Available at: https://hyphenafrica.com/namibia-announces-progress-with-hyphen-hydrogen-energy-to-unlock-us10bn-investment-for-first-green-hydrogen-project-to-help-power-the-energy-transition/.

67 Couldry, N., & Mejias, U. A. "Data Colonialism: Rethinking Big Data's Relation to the Contemporary Subject." Television & New Media, vol. 20, no. 4, 2019, pp. 336–349.

68 Latif, Lyla. "Why the U.N. Must Put AI and Data on the Tax Agenda." TaxNotes.

Technology diffusion mechanisms require restructuring to address the paradoxical slowdown in transfer rates. This includes developing simplified frameworks for technology access, establishing regional innovation hubs, and creating specific pathways for knowledge sharing between established and emerging technology centres. Special emphasis must be placed on ensuring equitable access to critical technologies for sustainable development.

The digital transformation agenda needs reorientation towards African priorities. This includes establishing robust data governance frameworks to prevent digital colonialism, developing local technological infrastructure, and ensuring AI systems reflect African contexts and needs. Financial mechanisms must be reformed to support local innovation, including new models for venture capital and R&D funding that prioritise African technological development.

Questions for discussion

- How can international cooperation be restructured to strengthen African innovation systems, specifically:
  - increasing R&D investment from the current minimal levels (e.g., 0.12 percent in AI patents)
  - addressing the severe underrepresentation in emerging technologies
  - developing domestic research capacity in priority sectors (biotechnology, renewable energy)
  - ensuring multi-stakeholder partnerships genuinely transfer knowledge and technology?

- What specific measures can accelerate technology diffusion to Africa, considering:
  - removing barriers that have slowed current diffusion rates
  - strengthening South-South cooperation in research and development
  - ensuring access to critical sustainable development technologies
  - addressing the widening capability gap in frontier technologies?

- How can we ensure emerging technologies serve African development priorities through:
  - preventing 'digital colonialism' and protecting African data sovereignty
  - developing appropriate regulatory frameworks for AI and fintech
  - ensuring equitable distribution of technological benefits
  - integrating STI effectively into national development strategies?

2.8. Data, monitoring, follow up and accountability mechanisms

2.8.1. Progress

The journey towards establishing comprehensive monitoring frameworks began with the Monterrey Consensus of 2002. While Monterrey marked a watershed moment in creating a unified approach to development finance, it lacked systematic follow-up processes and clear accountability measures. The framework focused primarily on identifying financing sources and commitments, without establishing mechanisms to track implementation or ensure compliance. This limitation significantly hampered its effectiveness in driving concrete action. The Doha Declaration of 2008 attempted to address some of these shortcomings by emphasizing the need for strengthened follow-up mechanisms. However, it too failed to institute concrete monitoring systems or accountability frameworks. The absence of standardized reporting requirements and clear oversight responsibilities meant that commitments often remained untracked and unfulfilled.

The AAAA marked a significant departure from its predecessors by establishing the first formal monitoring and accountability framework. Two key innovations anchored this framework: the ECOSOC Forum on Financing for Development Follow-Up with its mandated negotiated outcome document, and the Inter-agency Task Force on Financing for Development. The Task Force, mandated under paragraph 133, provides annual reporting on implementation progress and advises on gaps and corrective actions. Since the AAAA's adoption in 2015, these mechanisms have enabled more systematic oversight of development financing commitments, though challenges persist. The Task Force's annual Financing for Sustainable Development Report provides comprehensive assessments across all action areas, introducing regular and structured monitoring of implementation progress.

Data quality and availability have shown some advancement. Several African nations, including Republic of Ghana, Republic of Malawi, Republic of the Niger, Republic of South Africa, Republic of Uganda, and United Republic of Tanzania, now maintain sufficient data for 65 percent or more of SDG indicators.[69] The adoption of frameworks beyond GDP, including the SDG indicator framework and the Multidimensional Vulnerability Index,[70] has enhanced measurement of development outcomes. Institutional frameworks for monitoring have evolved, with over 44 African countries undertaking reforms to improve planning, execution, and monitoring of public expenditures. The development of standardized reporting systems and transparent information exchange protocols has enhanced tax governance monitoring. Debt transparency has seen notable improvements since 2015, marked by the establishment of the Institute of International Finance's voluntary principles in 2019[71] and the OECD's Debt Transparency Initiative.[72]

Regional initiatives have emerged to strengthen monitoring capabilities. The African Peer Review Mechanism[73] has expanded its scope to include aspects of financing for development. Other continental statistical frameworks include the iAfrica Infrastructure Development Index[74] and Africa Regional Integration Index.[75] The development of the Tax Justice Network Africa's comprehensive anti-IFF policy tracker has provided valuable tools for assessing countries' capacity to address tax-related illicit flows.[76] The adoption of Integrated National Financing Frameworks (INFFs)[77] represents progress in strengthening country-level monitoring.

69 Af DB, UNDP, and ECA. 2024 Africa Sustainable Development Report: Reinforcing the 2030 Agenda and Agenda 2063 and Eradicating Poverty in Times of Multiple Crises: The Effective Delivery of Sustainable, Resilient and Innovative Solutions. July 16, 2024. Available from: https://www.undp.org/africa/publications/2024-africa-sustainable-development-report.

70 United Nations. High-Level Panel on the Development of a Multidimensional Vulnerability Index: Final Report. 2024. Available from: https://www.undp.org/africa/publications/2024-africa-sustainable-development-report.

71 The Voluntary Principles Initiative. Voluntary Principles on Security and Human Rights. 2002.

72 OECD. OECD Debt Transparency Initiative: Trends, Challenges, and Progress. OECD Business and Finance Policy Papers, No. 3, 2022. OECD Publishing, Paris. https://doi.org/10.1787/66b1469d-en.

73 African Peer Review Mechanism (APRM). African Peer Review Mechanism. Available at: https://aprm.au.int/.

74 AfDB. Africa Infrastructure Development Index (AIDI) 2022. Africa Infrastructure Knowledge Program, 2022. Available from: https://infrastructureafrica.opendataforafrica.org/pbuerhd/africa-infrastructure-development-index-aidi-2022. (Accessed Date)

75 ECA. Africa Regional Integration Index (ARII) Platform. Available from: https://arii.uneca.org/en-US. (Accessed Date).

76 Tax Justice Network Africa (TJNA). Anti Illicit Financial Flows Policy Tracker. https://policytracker.africa/

77 https://inff.org/

18 African countries have formally engaged in INFF diagnostics by 2024. Gender-responsive budgeting has gained traction, with countries like Kenya, Rwanda, and Uganda demonstrating leadership, and 17 other nations following suit.

New monitoring frameworks have enhanced the systematic tracking of climate finance flows, with mechanisms now in place to measure specific environmental outcomes. This progress is particularly evident in the establishment of standardized reporting requirements for sustainable finance initiatives, including common principles for green bonds and harmonized metrics for climate-related financial disclosures.[78] However, Africa's participation in these improved monitoring frameworks remains notably limited. This is starkly illustrated by the continent's mere 5 percent share of global Special Drawing Rights allocation and its minimal presence in sustainable finance markets. African green bond issuance, at just $1.96 billion compared to the global market of $981 billion in 2023, underscores this limited engagement. The disparity reflects both capacity constraints and structural limitations in accessing green finance instruments.

2.8.2. Challenges

The AAAA's monitoring, follow-up, and accountability framework, while representing significant progress from previous financing for development frameworks, exhibits substantial limitations across global, regional, and national levels.

At the global level, the Inter-agency Task Force on Financing for Development, while providing valuable global monitoring, lacks both granular national data and enforcement mechanisms to ensure commitment compliance. The Financing for Developent (FfD) Forum similarly falls short, offering no intergovernmental peer review process for national implementation. Moreover, the current monitoring architecture operates in silos, with separate tracking mechanisms for ODA, South-South cooperation, and climate finance. This fragmentation undermines consistency and effectiveness in monitoring development finance flows.

The regional level presents perhaps the most significant structural gap. Although the AAAA acknowledges the importance of regional dimensions in development finance, it fails to establish specific regional monitoring mechanisms. While UN regional economic commissions, including ECA, attempt to fill this gap through regional forums and analytical work, the absence of a formally structured regional monitoring framework hampers progress tracking and accountability. Regional monitoring mechanisms suffer from fragmentation and limited coordination, resulting in duplication of efforts and inefficient resource utilization.

At the national level, the framework's assumption that countries will seamlessly integrate financing for development commitments into their development planning has proved overly optimistic. Most African countries lack the institutional capacity and technical resources to effectively monitor various financing streams. This limitation is particularly evident in tracking private sector contributions, South-South cooperation, and innovative financing mechanisms. The absence of standardized reporting templates and indicators further complicates national monitoring efforts.

Data challenges pervade all levels. Data availability and quality remain significant concerns, particularly for African countries, with many indicators crucial for monitoring AAAA implementation lacking consistent and comparable data across countries and time. The absence of standardized methodologies for measuring certain financing flows, particularly in emerging areas such as climate finance and blended finance, creates significant challenges in assessing progress.

Accountability mechanisms for commitments often lack enforcement capabilities, relying primarily on voluntary compliance. While the agenda emphasizes mutual accountability between development partners and recipient countries, these mechanisms remain largely voluntary and cannot compel action when commitments are not met. This limitation is particularly problematic for Africa, where development financing needs are most acute and unfulfilled commitments have serious implications for development outcomes.

78 Global Environment Facility. The GEF Monitoring Report. GEF/C.66/03, 2023. Available from: https://www.thegef.org/sites/default/files/documents/2024-01/EN_GEF.C.66.03_The_GEF_Monitoring_Report_2023_0.pdf.

The technological infrastructure needed for effective monitoring presents another challenge. Limited technological capacity in many African countries hampers the adoption of digital solutions for monitoring and reporting. This constraint is particularly significant in tracking financial flows and monitoring development impact in real-time. Furthermore, governance challenges and political economy considerations often constrain the implementation of effective monitoring mechanisms, with limited transparency in certain financing flows and political resistance to enhanced accountability measures complicating implementation efforts. The monitoring and accountability challenges within the AAAA framework are particularly acute when examining cross-cutting themes (for example, governance, climate finance, gender responsive budgeting, etc) that are fundamental to Africa's development agenda.

Domestic resource mobilization monitoring faces significant structural limitations. While the IMF collects data on tax-to-GDP ratios and tracks progress in implementing tax reform measures, monitoring mechanisms for illicit financial flows remain inadequate. The challenge is particularly evident in quantifying the scale and impact of such flows. As of 2024, only 22 countries have piloted IFF measurement following the UN Statistical Commission agreed methodologies.[79] Among them, 14 countries (12 in Africa and two in Asia) have tested methods to measure tax and commercial IFFs using customs and tax datasets. Nine countries have tested measuring IFFs from illegal markets (drug trafficking, smuggling of migrants, wildlife trafficking) and exploitation activities (trafficking in persons). Weak cross-border data sharing mechanisms severely hampers efforts to track and combat these flows effectively.

Climate finance monitoring reveals critical gaps in the current framework. The massive disparity between current flows ($29.5 billion) and Africa's estimated annual requirements ($277 billion) highlights not just a financing gap, but also significant monitoring challenges. The framework struggles to track the composition of climate finance between grants (30 percent) and loans (56 percent), raising concerns about debt sustainability. Moreover, there is no effective mechanism to monitor the additionality of climate finance or ensure it doesn't merely represent repackaged development assistance.

Gender-responsive monitoring remains particularly weak across all action areas. While countries like Kenya, Rwanda, and Uganda have demonstrated leadership in implementing gender-responsive budgeting, the institutionalisation of these practices remains uneven. The monitoring framework lacks standardized indicators for tracking gender impacts of financing flows, with only 27 out of 232 SDG indicators having sex-disaggregated data for more than 95 percent of countries. This data gap significantly hampers efforts to assess the gender-differentiated impacts of development finance.

Debt monitoring presents complex challenges given the fundamental transformation in Africa's creditor landscape. The shift from traditional multilateral and Paris Club creditors towards private and non-Paris Club lenders, particularly China, has created unprecedented complexity in tracking debt obligations. Current monitoring frameworks inadequately capture this evolving landscape, particularly regarding transparency of lending terms from non-traditional creditors, coordination of debt monitoring across diverse creditor groups, standardisation of reporting requirements across different lending instruments and assessment of debt sustainability in the context of climate vulnerabilities

These challenges are further compounded by the fragmentation of monitoring mechanisms. Climate finance, for instance, is monitored through multiple parallel systems including the UNFCCC, multilateral development banks, and bilateral arrangements, creating challenges in ensuring comprehensive tracking. Similarly, gender-responsive financing lacks integrated monitoring frameworks that could capture intersectional impacts across different financing streams. The monitoring of sustainable finance initiatives, particularly relevant to climate and gender objectives, faces significant limitations in the African context. The absence of standardized impact measurement systems and robust verification mechanisms has hindered the continent's ability to attract and

79 UNCTAD. SDG Pulse, Efforts to Track Illicit Financial Flows Need Scaling Up, 2024. Available at: https://sdgpulse.unctad.org/illicit-financial-flows.

track sustainable investments effectively. This is evidenced by Africa's minimal participation in the green bond market, with issuance of just \$1.96 billion compared to the global market of \$981 billion in 2023.

Many African countries lack effective monitoring systems to track complex financing arrangements such as blended finance for climate projects or gender-responsive budgeting. This limitation is exacerbated by insufficient resources for data collection and analysis, particularly for disaggregated data that could inform more nuanced policy responses.

2.8.3. Way forward and strategic questions

To address the limitations in the AAAA's monitoring, follow-up, and accountability framework, a comprehensive reform agenda is urgently needed.

At the global level, we recommend establishing a high-level accountability committee within the FfD Forum structure. This committee would establish formal review mechanisms for development partners' commitments, issue recommendations for corrective actions when commitments are not met, coordinate with existing monitoring mechanisms, and maintain a public database of commitments, actions, and outcomes to enhance transparency and accountability. A good example that involved Africa and its development partner was the Mutual Review of Development Effectiveness, a joint publication by ECA and the OECD following a request of NEPAD heads of state and government in 2003.[80] The annual report provided a practical tool for political leaders and policy makers. Its purpose was to assess what has been done by Africa and its development partners to deliver commitments in relation to development in Africa, what results have been achieved, and what the key future priorities are. Each edition of the report was divided into four main 'clusters' of issues covering: sustainable economic growth, investing in people, good governance and financing for development.

Establishing a dedicated regional monitoring mechanism is crucial to address the structural gap at this level. One proposal is for the African Union Commission, the United Nations Economic Commission for Africa and the African Development Bank to create a regional financing for development follow-up mechanism (R-FfDFM), anchored by an African regional FfD observatory. This mechanism would track regional financing flows, identify implementation gaps, and provide policy guidance. It would create an integrated monitoring platform, develop standardized reporting templates and indicators, implement review meetings, and establish structured dialogue processes with regional stakeholders.

To enhance regional coordination, a regional coordination committee with representatives from key regional institutions is needed to establish thematic working groups aligned with AAAA action areas, and develop regional accountability scorecards.

At the national level, we recommend establishing FfD coordination units within ministries of finance or planning to serve as central coordination points for development finance activities. This unit would maintain comprehensive databases, develop and implement national monitoring frameworks, and coordinate regular reporting to parliaments and stakeholders, and lead the government's liaison to the wider regional and international financing for development processes. Therefore, this unit or focal point should have a cross-departmental working group, in the context of a whole of government approach.

To address data challenges, we propose establishing integrated financial management information systems, developing standardized methodologies for measuring private sector contributions, and implementing digital platforms for automated data collection and analysis.

Overarching these reforms, we recommend developing an integrated FfD follow-up system that links national, regional, and global processes through standardized reporting formats and timelines. This system would facilitate real-time tracking of commitments and disbursements, enable information sharing and best practice exchange, and provide early warning signals for potential challenges.

80 ECA and OECD. The Mutual Review of Development Effectiveness in Africa: Promise and Performance. Addis Ababa: UN ECA, 2014. Available at: https://hdl.handle.net/10855/22557.

Questions for discussion:

- How can the proposed global high-level accountability committee be structured to effectively enforce commitments, coordinate monitoring mechanisms, and maintain public transparency, and what specific powers and resources would it need?

- What would be the core functions and institutional arrangements for the suggested regional financing for development follow-up mechanism and its FfD observatory, and how can it be designed to enhance coordination, promote peer learning, and provide contextually relevant policy guidance?

- How can national FfD coordination units be empowered to effectively coordinate development finance activities, maintain comprehensive databases, implement monitoring frameworks, and ensure regular reporting and stakeholder engagement, and what capacity building and resources would they require?

3. Conclusion

The assessment of Africa's progress in implementing the Addis Ababa Action Agenda (AAAA) presents a mixed picture. While there have been notable advancements in some areas—such as improvements in tax revenue collection, the expansion of digital financial services, and increased focus on gender-responsive budgeting—significant challenges persist across all seven action areas, limiting the continent's ability to finance sustainable development effectively.

Domestic public resource mobilisation remains constrained by narrow tax bases, weak tax administration, and illicit financial flows (IFFs), which continue to drain much-needed revenues. Private sector finance has been insufficient and heavily concentrated in extractive industries, failing to catalyse broad-based economic transformation. Meanwhile, international development cooperation has fallen short of commitments, with concerns around the unpredictability, quality, and alignment of support with national priorities. Africa's trade performance has been hindered by persistent commodity dependence, weak regional value chains, and inadequate infrastructure, limiting its ability to drive industrialisation and structural transformation.

At the same time, debt vulnerabilities have escalated, exacerbated by a shifting creditor landscape, rising interest rates, and the inadequacy of current debt resolution mechanisms. Africa's participation in science, technology, and innovation (STI) remains limited, with low levels of investment in research and development and weak integration into global technological value chains. Additionally, the monitoring, follow-up, and review framework for the AAAA remains fragmented, with data challenges, weak enforcement mechanisms, and a lack of coordinated oversight, making it difficult to track progress and ensure accountability.

While the AAAA laid a foundational framework for financing sustainable development it failed to address several critical issues that have since intensified. One major omission was the structural deficiencies in the global financial architecture, particularly the absence of a sovereign debt restructuring mechanism to ensure timely, orderly, and equitable debt relief. African economies, in particular, remain disproportionately reliant on external borrowing under unfavourable conditions, a challenge the AAAA did not adequately tackle. The agenda also overlooked the need for credit rating reforms to address systemic biases that inflate borrowing costs for developing countries. While the AAAA underscored the importance of domestic resource mobilisation (DRM), it did not go far enough in confronting tax avoidance, illicit financial flows (IFFs), and the role of professional service providers in facilitating financial secrecy. Furthermore, it failed to push for a UN-led framework on international tax cooperation, allowing decision-making to remain dominated by OECD-led initiatives that do not fully reflect the interests of developing nations.

Another critical gap in the AAAA was its failure to integrate financing for peace, despite the direct links between conflict, economic instability, and development financing. Fragile and conflict-affected states (FCS) face structural barriers to DRM, as war economies, informal markets, and weak governance systems prevent effective revenue collection. The AAAA also ignored trade as a driver of peace and stability, missing the opportunity to leverage regional economic integration, cross-border trade facilitation, and job creation as conflict mitigation strategies. This omission has had far-reaching consequences, leaving fragile states unable to access concessional financing and private investment, thereby deepening cycles of instability and underdevelopment. By failing to acknowledge the peace-development nexus, the AAAA neglected a critical element of sustainable development—one that must be corrected at the Fourth International Conference on Financing for Development (FfD4).

At FfD4, financing for peace must be elevated as a core component of the development agenda. Conflict prevention, peacebuilding, and post-conflict reconstruction require sustained financial commitments and structural economic reforms. This includes establishing innovative financing mechanisms for fragile states, such as dedicated concessional financing windows within Multilateral Development Banks (MDBs) that integrate peace and development objectives. Strengthening DRM in conflict-affected regions requires robust international cooperation to curb IFFs, dismantle tax havens, and ensure that extractive industries and multinational corporations contribute fairly to domestic revenues. Similarly, trade policies must be designed as tools for conflict prevention and economic resilience, with a stronger emphasis on regional value chains, trade infrastructure, and market access for communities affected by instability.

Beyond peace financing, FfD4 must decisively address the structural gaps that continue to undermine sustainable development. The debt crisis in the Global South, exacerbated by rising interest rates, pandemic-induced fiscal pressures, and climate-related vulnerabilities, demands the creation of a permanent sovereign debt resolution mechanism that moves beyond ad hoc relief measures. Special Drawing Rights (SDRs) reallocation mechanisms must also be institutionalised to provide sustained liquidity support to developing countries. Furthermore, FfD4 must establish a binding international tax governance framework under the United Nations, ensuring that developing countries have equal decision-making power on corporate taxation, digital taxation, and the taxation of high-net-worth individuals. Climate finance commitments should also be restructured to prioritise grants over loans, preventing additional debt burdens on countries already struggling with economic vulnerabilities. Additionally, MDBs must be reformed to scale up concessional finance and align financial flows with national development priorities, particularly in infrastructure, green industrialisation, and technological capacity-building.

Without these structural reforms, the international financial system will continue to disadvantage developing economies, perpetuating inequalities and limiting their ability to achieve sustainable and inclusive growth. The FfD4 represents a pivotal moment to rectify past shortcomings and establish a financing framework that is equitable, resilient, and responsive to the realities of a rapidly evolving global economic landscape.

As the continent looks ahead to the 2030 SDG milestone and beyond, and as the global community prepares for the review of the AAAA at the Fourth International Conference on Financing for Development, it is clear that a business-as-usual approach will not suffice. The challenges identified in this assessment demand a fundamental reimagining of the global financing for development architecture, one that places Africa's priorities, perspectives, and agency at the centre.

This transformative agenda must be grounded in the principles of sustainability, equity, and resilience. It requires a shift from a narrow focus on financing quantities to a holistic emphasis on the quality and impact of finance, underpinned by robust monitoring frameworks. It necessitates a rebalancing of power in global economic governance, with enhanced representation and voice for African countries commensurate with their stakes in the development agenda. Above all, it calls for a renewed commitment to multilateralism, solidarity, and shared responsibility in addressing our common challenges.

The strategic questions identified throughout this assessment provide a roadmap for action. They challenge us to rethink domestic resource mobilisation in the face of evolving fiscal pressures, to reimagine private finance as a catalyst for inclusive and green growth, to reconstruct development cooperation as a true partnership of equals, to reposition trade as an engine for sustainable industrialisation, to reimagine debt as an instrument for resilience, to reform global economic governance for the 21st century, and to redirect innovation towards the most pressing societal needs.

Answering these questions will require bold leadership, innovative thinking, and unwavering commitment from all stakeholders. It will demand enhanced capacities and knowledge sharing, leveraging the strengths of African regional platforms.