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AFRICAN PRIORITIES FOR FfD4

The Fourth Financing for Development Conference

Regional Consultation

OutcomeDocument

Addis Ababa, 18-19 November 2024

We, the representatives from Ministries of Finance across thirty-one African nations, alongside delegates from regional organizations, civil society organizations, researchers and private sector stakeholders, convened in Headquarters of the United Nations Commission for Africa in Addis Ababa on 18-19 November 2024 for a crucial regional consultation on Africa's priorities for the Fourth International Conference on Financing for Development (FfD4).

The upcoming FfD4 represents a watershed moment for Africa's development trajectory. At this critical juncture, when our continent faces mounting challenges from climate change, debt distress, and persistent development financing gaps, FfD4 offers a vital platform to address systemic barriers in the international financial architecture and advance solutions that reflect African priorities and perspectives. The conference's timing coincides with an urgent need to accelerate progress towards the Sustainable Development Goals, making it particularly significant for African nations seeking to mobilize adequate and predictable financing for their development aspirations.

Through our deliberations, we have identified key priorities and concrete proposals for strengthening the FfD4 process. We respectfully call upon the co-facilitators to consider and incorporate the specific technical inputs and policy recommendations outlined in the annexed document, which provides detailed suggestions for enhancing the Africa Group's submission to the FfD4 Elements Paper. These contributions reflect the collective wisdom and practical experience of African stakeholders who attended the regional consultation in addressing our continent's financing for development challenges.

We emphasize the importance of ensuring an inclusive and transparent FfD4 process that meaningfully engages all Member States and civil society organizations. The complexity of current development financing challenges demands a multilateral approach that draws upon diverse perspectives and experiences, particularly those from the Global South.

Looking ahead, we anticipate the forthcoming elements paper and zero draft with keen interest. We commit to carefully reviewing these documents through our established African regional processes, ensuring that our continent's voice remains central to shaping the FfD4 outcomes. Our collective engagement aims to secure concrete deliverables that advance Africa's development priorities and strengthen the global financing for development architecture.

Annex

Input from the African Regional Consultation on the Africa Group's submission to the Fourth Financing for Development (FfD4) Elements Paper

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Background

The Africa Regional Consultation, held in Addis Ababa on 18-19 November 2024, conducted a detailed examination of the Africa Group's submission to the Elements Paper for the Fourth Financing for Development Conference (FfD4). The two-day consultation served as a strategic platform for regional stakeholders to examine the submission and contribute additional analytical insights and technical recommendations. These deliberations yielded substantive inputs across the submission's key action areas, particularly strengthening its positions on international financial architecture reform, domestic resource mobilization, and development financing frameworks.

The document presented here integrates these technical inputs from the consultation into the Africa Group's original submission. These insertions reflect the key technical findings and policy recommendations that emerged from the two-day regional consultation. This integrated approach ensures that the final submission embodies a comprehensive regional perspective on financing for development, informed by both policy expertise and practical implementation considerations from across the continent.

I. Global financing framework

The Africa regional consultation reaffirms the centrality of the Addis Ababa Action Agenda (AAAA) as a guiding framework for financing sustainable development. However, as highlighted in the Africa Group's submission to the Funding for Development (FfD) Elements Paper, the existing international financial architecture does not meet the financial needs of African countries, particularly in times of crises. To achieve the Sustainable Development Goals (SDGs), the global financing system must address systemic challenges such as high debt burdens, illicit financial flows, trade barriers and financial market volatility and ensure a balanced international monetary system with multiple reserve currencies. Thus, a global financing framework must include commitments based on the following principles, some of which are already highlighted in the Africa Group's submission to the FFD4 Elements Paper:

- The right to development and human rights as a fundamental basis for financing decisions and outcomes.
- Gender-responsive financing across all development streams.
- All states must share responsibility for global environmental issues within the framework of common but differentiated responsibilities (CBDR), recognizing and addressing the diverse economic capacities and development needs of each nation.
- To ensure the FfD4 outcome builds upon previous FfD decisions, the principle of no backtracking on previous commitments must be upheld.
- Climate adaptation and mitigation funding complements rather than detracts from crucial development financing. It is important to maintain a clear separation between climate finance and development finance, recognizing that climate finance should be distinct and supplementary to development finance.
- Commitment to reforming all components of global financial architecture including international tax cooperation.
- Surplus and deficit countries sharing responsibility for global financing imbalances.

II. Action areas

a. Domestic public resources

Strengthening domestic resource mobilization is essential for development. This should be achieved *inter alia* by strengthening domestic enabling environments and enhancing revenue administration by improving the efficiency and effectiveness of our tax systems, including digital taxation frameworks. Africa loses an estimated US$90 billion annually to illicit financial flows (IFFs), which weakens the continent's ability to fund sustainable development initiatives and critical social protection systems. Addressing these losses, alongside revising inefficient tax incentives and tackling tax evasion and avoidance, including by High Net Worth Individuals and multinational corporations, are critical while also creating incentives for HNWIs to invest in domestic capital markets. African countries also face low tax-to-gross-domestic-product (GDP) ratios, which limit their fiscal space to fund public investments and comprehensive social protection floors. The African Group calls for the establishment of a United Nations Framework Convention on International Tax Cooperation to create equitable global tax standards that support all nations, particularly developing countries, in mobilizing domestic public resources to ensure adequate financing for development and social protection, including fair taxation of the digital economy.

The substantial informal sector in African economies represents both a challenge and an opportunity for domestic resource mobilization. Strategic formalization efforts should focus on reducing entry barriers while preserving the sector's entrepreneurial dynamism. Digital technologies, particularly mobile money platforms, can facilitate gradual formalization by creating documented transaction histories that enable access to formal financial services.

A tiered regulatory approach should establish simplified tax regimes and social security contributions appropriate to micro and small enterprises' capacity while providing incentives for formalization through access to public procurement, business development services, and social protection. Digital payment systems can reduce compliance costs while improving revenue collection efficiency.

The informal sector's integration into the formal economy must be approached as a pathway to enhanced productivity and social protection rather than purely from a revenue generation perspective. This requires coordinated policy interventions across taxation, social security, skills development, and access to finance. Particular attention should be paid to supporting informal cross-border traders through simplified trade regimes and regional payment systems that reduce transaction costs while generating reliable revenue streams.

As a critical component of domestic resource mobilization, tax incentives must be granted based on rigorous cost-benefit analyses and clear development objectives. African nations should establish transparent frameworks for evaluating incentives' effectiveness through measurable metrics including job creation, technology transfer, and domestic value chain integration. Incentives should be time-bound, regularly reviewed, and automatically sunset if predetermined development targets are not met. Priority should be given to investments that advance sustainable development goals, including renewable energy adoption, agricultural value addition, and digital infrastructure expansion. Regional coordination can help prevent harmful tax competition while establishing best practices for incentive design and monitoring. Tax expenditure reporting should be mandatory to assess revenue foregone against its stated policy objectives.

b. Domestic and international private business and finance

The private sector is key for driving growth, but private capital remains scarce in many regions. African countries face high borrowing costs due to biased credit ratings and underdeveloped capital markets. We call for reforms to credit rating systems to ensure they accurately reflect economic conditions in African economies, improving access to private capital markets. Additionally, multilateral development banks (MDBs) should significantly increase their concessional financing windows to support national capital market development and help build pipelines of viable projects in sustainable infrastructure and energy transition. MDBs must also reform their operating models to take more risk onto their balance sheets.

The efficacy of blended finance as a tool to de-risk investments in critical sectors like infrastructure and energy, ensuring transparency and accountability in its implementation, needs to be improved. We also call for developing more innovative de-risking instruments such as guarantees and first-loss provisions. Additionally, financial instruments such as green bonds and impact bonds must be expanded to encourage private investment in sustainable development across Africa.

Project preparation remains a key roadblock to crowding in private sector finance into sustainable development projects in developing countries. This should be tackled in FfD4 if we are to succeed in crowding in the necessary levels of private sector finance. More needs to be done to support the development of projects from the very early stages of the project preparation life cycle and to assist developing countries in developing projects at the necessary scale that are replicable. This requires dedicated project preparation facilities with significant concessional resources.

It is also important to transform the global financial architecture for development, empowering national development banks through increased capitalization and technical capacity to better serve national development needs and act as intermediaries between international finance and local markets.

While strengthening access to international private capital is crucial, equal emphasis must be placed on developing robust domestic financial markets. This requires a shift from debt-based to equity financing models, particularly through strengthening stock exchanges, private equity, and venture capital markets that can better support long-term investment needs. Strategic measures are needed to mobilize domestic institutional investors, particularly pension funds and insurance companies, through appropriate regulatory reforms and investment products. Retail investor participation should be encouraged through financial literacy programs and simplified market access mechanisms to deepen domestic capital markets.

Small and medium enterprises (SMEs), which form the backbone of African economies, face persistent financing gaps despite their significant contribution to employment and GDP. Developing alternative credit scoring models using digital footprints and transaction data can help overcome traditional collateral constraints. Digital financial services and fintech solutions should be leveraged to expand SME access to working capital and growth financing.

A comprehensive digital financial transformation strategy is crucial for expanding financial inclusion. This requires harmonized regulatory frameworks for digital financial services, investment in digital payment infrastructure, and support for innovative fintech solutions. Digital identification systems and open banking frameworks can further facilitate access to financial services while ensuring consumer protection.

The high cost of remittance transfers continues to burden African economies. The implementation of digital payment corridors and regulatory harmonization can reduce transaction costs while ensuring these flows better contribute to productive investment rather than solely consumption. Remittance-backed financial instruments could be developed to leverage these stable flows for development finance. Development partners must support the creation of enabling regulatory frameworks for new remittance-backed financial products, including diaspora bonds and securitization of remittance flows. Integration of remittance channels with domestic financial systems can enhance their development impact through investment vehicles tailored to diaspora investors.

National development banks should be strengthened to serve as market makers in domestic capital markets, particularly in developing new financial instruments that can crowd in institutional investors. Their role in providing technical assistance to SMEs for investment readiness is equally critical.

c. International development cooperation

Official Development Assistance (ODA) remains a critical source of development financing for many African countries and a key commitment under international cooperation frameworks.

While ODA remains vital for African development financing, carbon pricing mechanisms and climate finance must be structured as distinct and additional revenue streams. Carbon border adjustment mechanisms and international carbon taxes should be designed to generate new financing for climate action in developing countries, with revenues flowing through dedicated channels separate from ODA commitments.

Climate finance represents compensation for historical emissions and current climate impacts, and, therefore, must be additional to existing ODA flows. The conflation of climate finance with ODA undermines both climate action and broader development goals. A clear delineation is needed, with climate finance operating through dedicated mechanisms like the Green Climate Fund while maintaining ODA's focus on core development priorities.

This separation ensures that adaptation and mitigation funding supplements rather than diverts from essential development financing. The governance and distribution of both carbon tax revenues and climate finance should reflect the principles of climate justice and common but differentiated responsibilities.

Africa urgently needs enhanced technical and institutional capacity to effectively engage in carbon markets and climate finance negotiations. Current carbon trading mechanisms often disadvantage African countries due to complex verification requirements, high transaction costs, and limited negotiating leverage. This calls for an immediate suspension of carbon trading markets to allow for a comprehensive review and restructuring that ensures fair value for Africa's carbon assets and ecosystem services.

A moratorium would enable African nations to strengthen domestic carbon accounting systems, develop regional price benchmarks, and establish standardized methodologies aligned with African realities. This pause is crucial as premature market engagement risks undervaluing Africa's carbon sinks and compromising future climate finance opportunities. Africa must avoid locking into long-term carbon contracts at current unfavourable terms that could constrain domestic policy space and economic transformation.

Africa's vast carbon sinks, including forests and diverse ecosystems, provide essential global climate mitigation services that must be properly valued and monetized through standardized methodologies, with such valuations integrated into fiscal space calculations and climate finance frameworks to generate additional development financing streams separate from existing ODA commitments.

d. International trade as an engine for development

Trade has long been recognized as a driver of development, but African countries face barriers such as non-tariff measures, market access limitations and limited participation in global value chains. Full implementation of the African Continental Free Trade Area (AfCFTA) can address these constraints, boosting intra-African trade and enabling the continent to participate more effectively in the global economy. AfCFTA is projected to increase intra-African trade by 34 percent by 2045, provided that tariff reductions and removal of non-tariff barriers are fully implemented.

The development of regional value chains, particularly in sectors like agro-food, textiles and chemicals, will help reduce Africa's reliance on commodity exports and integrate more African businesses into global markets. Special attention must be given to supporting LDCs in developing their productive capacities to participate in these value chains.

There is a rise of unilateral trade measures, including the Climate Border Adjustment Measures , which discriminate against developing countries by unilaterally imposing sustainability standards on their exports, which threaten not only their exports but also the production processes within their economies. Such unilateral measures undermine the multilateral trading system and should be replaced by multilaterally agreed approaches that recognize different development levels and capabilities, particularly of LDCs. Africa calls for strengthened multilateral dialogue and cooperation through the WTO to address climate and trade issues in ways that support, rather than hinder, developing countries' industrialization efforts. Such measures should be stopped.

e. Debt and debt sustainability

Africa's debt challenges continue to limit the region's fiscal space, especially given high interest rates and the scarring effects of the pandemic and external shocks. To address this issue, the African Group proposes the following:

1. Create a multilateral sovereign debt workout mechanism aligned with sustainable development to provide a definitive solution for debt crises. This mechanism should ensure timely, fair and transparent restructuring processes.

2. Establish a global debt authority to oversee the multilateral sovereign debt workout mechanism and promote statutory and contractual changes in sovereign debt management. This body should ensure that debt management policies align with sustainable development principles.

3. Enhance the G20 Common Framework by focusing on debt relief through cancellation, rather than merely extending maturities and reducing interest rates. It should include automatic debt service standstills during negotiations, extend eligibility to middle-income countries, clarify comparability of treatment and provide tools to incentivize or enforce private creditors' participation.

4. Suspend IMF surcharges and enable flexible use of Special Drawing Rights (SDRs) for countries at high risk of or already in debt distress until a comprehensive review of this policy is carried out. These surcharges exacerbate financial challenges for struggling economies. SDRs should be leveraged as part of debt relief efforts, either through their use as collateral for concessional financing or through voluntary channelling of SDRs from advanced economies to support debt service payments of countries in debt distress. This would create fiscal space while maintaining market access.

The mounting debt burden facing African countries requires urgent action through immediate debt relief and comprehensive reform of the G20 Common Framework. The Framework must be revised to include faster processing of debt treatment requests, automatic debt service suspension during negotiations, and expanded eligibility criteria beyond Debt Service Suspension Initiative (DSSI) countries. Private creditor participation should be mandatory, with clear mechanisms for burden sharing. The Framework should incorporate climate vulnerability in debt sustainability analyses and enable debt-for-climate swaps.

Africa needs its own credit rating agencies to counter the systemic bias and methodological flaws in current sovereign ratings that result in higher borrowing costs. African-led rating agencies would better understand local economic contexts, development trajectories, and growth potential while incorporating more relevant risk metrics.

Concessional financing remains vital for Africa's development, particularly given elevated debt levels and borrowing costs. These loans, with their below-market interest rates, longer grace periods, and extended maturities, enable critical investments in infrastructure, healthcare, and climate resilience while maintaining debt sustainability. MDBs and bilateral partners should expand concessional lending windows, especially for climate adaptation projects and countries facing debt distress. For middle-income African countries experiencing temporary shocks or undertaking transformative investments, hybrid financing combining concessional and non-concessional terms should be available. Regional quotas for concessional finance should reflect Africa's development needs and vulnerability to external shocks.

The international community must honour commitments to replenish concessional lending facilities like IDA while exploring innovative mechanisms to leverage concessional resources, including through guarantees and blended finance structures. Graduation policies from concessional windows should be more flexible, recognizing that income thresholds alone do not capture development financing needs.

f. Science, technology, innovation and capacity building

Technology and innovation are crucial for achieving the SDGs, yet many African countries lack the capacity to fully leverage digital transformations. The African Group calls for investments in building digital infrastructure and capacity-building programs focused on science, technology and innovation. Africa's development gaps are evident across multiple indicators: the World Bank's Logistics Performance Index (LPI) highlights infrastructure and transport bottlenecks; the Global Innovation Index demonstrates the need to strengthen innovation ecosystems; the ICT Development Index shows persistent digital divides; and the Global Competitiveness Index reflects challenges in technological readiness. These measurements underscore the need for targeted investments in science, technology and innovation. Infrastructure gaps in logistics, transport, and digital connectivity continue to hinder trade and regional integration.

Chronic underinvestment in research and development demands increased funding for academic institutions to generate knowledge and enhance digital skills across the continent. STI should be leveraged as a key enabler for domestic resource mobilization, particularly through the review of tax treaties that limit withholding taxes on technology royalties. These revenues could be redirected to strengthen the Technology Bank's operational capacity.

A robust framework for technology transfer must incorporate safeguards against exploitation while ensuring knowledge exchange. Given Africa's strategic reserves of critical minerals and rare earth elements essential for frontier technologies, policies must prioritize domestic value addition and manufacturing rather than raw material exports.

The persistence of paywalls restricting access to scientific research exacerbates knowledge asymmetries and must be addressed through reformed intellectual property frameworks and open access initiatives. Digital skills development requires dedicated funding streams, with an emphasis on building endogenous technological capabilities through South-South cooperation and technology transfer mechanisms.

The Technology Bank requires substantial capitalization to fulfill its mandate effectively. This enhanced funding would facilitate coordinated action on technology transfer while supporting domestic innovation ecosystems. The strategic use of The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) flexibilities to safeguard intellectual property rights can generate additional financing streams. Africa should develop frameworks for fair technology licensing revenues while negotiating favourable terms in technology transfer agreements. Patent pools and collective licensing mechanisms could create new revenue streams for development financing.

Furthermore, the digital transformation agenda must prioritize African data sovereignty and prevent emerging forms of digital colonialism. Current AI systems and digital platforms often extract African data without providing commensurate local benefits, while AI models trained on non-representative datasets risk amplifying existing inequalities. Africa must establish robust data governance frameworks that ensure African ownership of data resources and mandate local data processing. Digital infrastructure development should prioritize African-owned and operated facilities rather than relying on foreign back-end infrastructure that facilitates resource extraction through royalty payments.

The concentration of global technology ownership in the Global North has skewed technological development away from African priorities and contexts. This requires building domestic technology development capacity through strengthened research institutions, enhanced funding for local innovation, and policies that mandate technology and knowledge transfer in international partnerships. Africa's technological development must move beyond mere adoption to active participation in frontier technology research and development, particularly in areas like AI and data analytics, where the continent's representation remains minimal.

The financial architecture for innovation requires restructuring to better serve African needs. Current models of venture capital and research and development funding remain heavily concentrated in developed economies, limiting African access to innovation finance. New funding mechanisms must be developed that recognize and value African innovation, supported by reformed intellectual property frameworks that protect African technological developments while enabling knowledge sharing.

IV. Data, monitoring and follow-up

Effective monitoring of FfD commitments requires a strong accountability framework at both international and national levels. The African Group proposes a Universal Financing Accountability Framework, modelled after the universal periodic review process, to track progress on financing commitments. At the national level, countries must strengthen their statistical systems and monitoring frameworks to track both domestic and international financing flows, ensure policy coherence, and evaluate development outcomes. Furthermore, regional financing platforms should be established to support collaboration and ensure that regional SDG targets are met through coordinated efforts. National development finance assessments and reviews should feed into these regional platforms to ensure bottom-up accountability. Investments in digital infrastructure are essential for improving data collection and monitoring, enabling African countries to track their progress toward achieving the SDGs through robust national statistical systems.

At the core of strengthening monitoring and accountability mechanisms, an Integrated FfD Follow-up System (IFS) to connect national, regional, and global processes should be prioritized. The IFS would establish standardized reporting formats and harmonized timelines, enabling real-time tracking of commitments and disbursements across all action areas. This system would provide early warning signals for implementation gaps while facilitating evidence-based policymaking through improved data collection and analysis.

The IFS would be supported at the regional level by a dedicated Regional Financing for Development Follow-up Mechanism (R-FfDFM), anchored by an African Regional FfD Observatory jointly managed by the African Union Commission, United Nations Economic Commission for Africa and African Development Bank At the national level, FfD coordination units within Ministries of Finance would maintain databases and ensure regular reporting through a whole-of-government approach, feeding directly into the IFS framework.

Implementation of the IFS requires dedicated technical capacity building and digital infrastructure development. The system must incorporate automated data collection and verification mechanisms while maintaining appropriate data protection standards. Cross-cutting monitoring priorities through the IFS must include climate finance composition, gender-disaggregated impacts, and evolving debt dynamics. Regional institutions should provide coordinated support to member states in adopting and maintaining the system.

This transformed monitoring architecture, centred on the IFS, must move beyond traditional North-South paradigms to prioritize African ownership and decision-making power. The system must be grounded in principles of sustainability, equity, and resilience, with clear enforcement capabilities and consequences for non-compliance with commitments. Success depends on renewed multilateralism, solidarity, and shared responsibility in addressing our common development challenges.