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Issues and challenges of financing for sustainable development in Africa: priorities for Africa for the fourth International Conference on Financing for Development, to be held in 2025

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Introduction

1. Domestic resources have been the principal factor driving African countries' efforts to secure financing for their attainment of the Sustainable Development Goals and the goals of Agenda 2063: The Africa We Want, of the African Union. For the continent on the whole, domestic resources continue to be the most reliable source and Africa is the continent with the highest level of country ownership of this funding source.[1] Significant disparities persist across these countries, however, with some, such as Ethiopia, Nigeria and the Sudan, collecting tax revenues which averaged less than 10 per cent of their gross domestic product (GDP) during the period 2020–2024, while, over the same period, certain middle-income countries, such as Namibia and Seychelles, collected revenues which averaged more than 30 per cent of GDP.[2]

2. The present issues paper examines the priorities for Africa in addressing the multidimensional challenges encountered in mobilizing additional domestic public and private finance and reforming the global financial architecture in a way that can be sustained over time. In addition to their financing role, the increased revenues should also enhance the conduct by countries of macroeconomic policies and play a stabilizing and counter-cyclical function.

3. The paper will highlight key policy actions that can be implemented by all relevant stakeholders to facilitate a unified approach for discussions and negotiations at the fourth International Conference on Financing for Development, to be held in June 2025 in Spain.

* E/ECA/CEG/2/1.

[1] Economic Commission for Africa and African Tax Administration Forum, *Economic Governance Report II: A Framework for Assessing and Reporting Tax Expenditures in Africa* (Addis Ababa, 2023).

[2] Organisation for Economic Co-operation and Development, *Global Outlook on Financing for Sustainable Development 2023: No Sustainability Without Equity* (Paris, OECD Publishing, 2022).

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I. Overview of the main macroeconomic and financing trends

4. Growth in Africa is expected to reach 3.3 per cent in 2024 and 3.9 per cent in 2025, after bottoming out at 3.2 per cent in 2023.[3] This gradual rebound in growth is primarily driven by the increased growth in private consumption resulting from easing inflationary pressures in many countries on the continent, which in turn have boosted the purchasing power of household incomes, recovery in the continent's trade performance and the gradual easing of the tight global financial conditions.[4]

5. Growth in Africa, however, remains below the average recorded prior to the coronavirus disease (COVID-19) pandemic. Moreover, the current quality of this growth is insufficient to meet the Sustainable Development Goals in Africa. The continent's relatively low tax revenues, tight global financial market, high debt repayments, climate change effects and other factors have exacerbated the financing challenges which it faces.

6. The average tax-to-GDP ratio in Africa is still below the pre-pandemic level of 15.8 per cent. Increased net capital outflows and subdued export revenues are further constraining countries' fiscal space. Fiscal deficits in Africa remain high, above their pre-pandemic levels of 4.4 per cent of GDP, and are projected to reach 5.0 per cent of GDP in 2024.[5] The continued restrictive global financial conditions and frequent climate change-related disasters are causing substantial losses and damage, exacerbating the fiscal and inflationary pressures on the continent. Public debt reached 67.3 per cent of GDP in 2023 and, as of April 2024, 7 African countries were in debt distress, while 13 were at high risk of debt distress.[6]

7. Many African countries face critical trade-offs between debt servicing and pursuing their development objectives, as the rising debt-service costs continue sharply to narrow their fiscal space and exacerbate financing needs in many economies. In fact, many African countries spend more on debt servicing than on essential social outlays, such as health and education. The World Bank indicates that total debt service payable in 2024 will increase by approximately 12 per cent to $25 billion in Africa.[7] Furthermore, while official debt assistance (ODA) to least developed countries has generally been on the rise, development aid to Africa declined from 33.6 per cent in 2021 to 25.6 per cent of total aid in 2022.[8]

8. To bridge the funding gap, African countries need to boost domestic resource mobilization by increasing financial resources, improving public spending efficiency, leveraging large pension fund markets and sovereign wealth funds, curbing illicit financial flows, reforming their tax systems and harnessing new partnerships. Policymakers need to seek new and innovative sources of tax revenue, including those from digital payments, the informal sector and excise taxes on goods harmful to society, among others.

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[3] *World Economic Situation and Prospects as of Mid-2024* (United Nations publication, 2024).

[4] International Monetary Fund, *Fiscal Monitor: Fiscal Policy in the Great Election Year* (Washington, D.C., 2024).

[5] International Monetary Fund, IMF Data Mapper datasets. Available at https://www.imf.org/external/datamapper/datasets/WEO (accessed on 22 July 2024).

[6] International Monetary Fund, "List of low-income country debt sustainability analyses for Poverty Reduction and Growth Trust-eligible countries as of 30 April 2024". Available at https://www.imf.org/external/pubs/ft/dsa/dsalist.pdf.

[7] FitchRatings, "African sovereigns face rise in external debt service payments", Fitch Wire, 14 December 2022.

[8] Sara Harcourt and Jorge Rivera, "Official Development Assistance (ODA)", ONE Data and Analysis, n.d. Available at https://data.one.org/topics/official-development-assistance/.

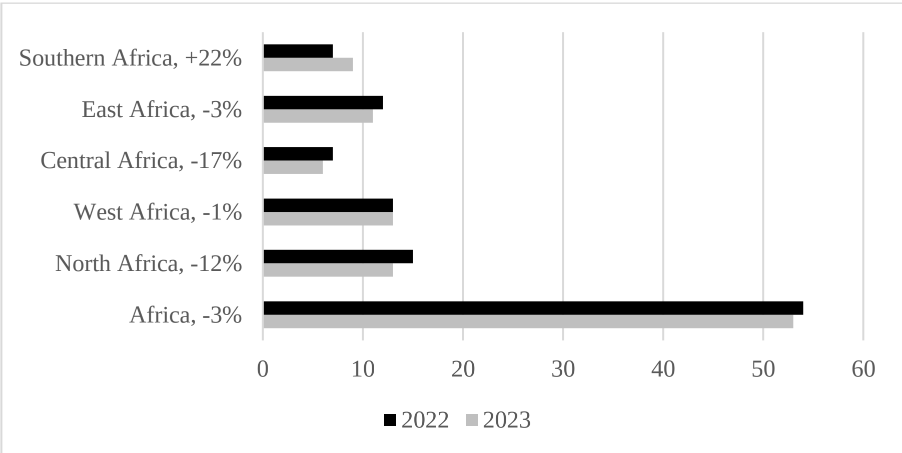
9. There is also need to transform global governance systems, in particular the global financial architecture, so that they effectively and efficiently address the current and future global economic challenges and accelerate progress towards shared goals, including the Sustainable Development Goals and those of Agenda 2063.

II. Financing needs and the role of domestic finance

10. Africa is underfunded in its efforts to achieve the 17 Sustainable Development Goals by 2030. According to estimates from the United Nations and other international bodies, the continent's financing gap represented between 6.5 and 10 per cent of its GDP in 2023. The picture is even bleaker for the least developed countries, in which advancing social protection and decent jobs would demand 45 per cent of their GDP.

11. Rising borrowing costs and increasing debt are hampering countries' ability to finance development, forcing them to allocate more of their budgets to debt servicing. Although ODA reached a record high of $223.7 billion in 2023, up from $211 billion in 2022, it remains insufficient for development needs. In addition, foreign direct investment has declined across most of Africa, as shown in the figure below.[9]

Foreign direct investment by region, 2022 and 2023
(Billions of United States dollars; percentage change)



Source: United Nations Conference on Trade and Development, *World Investment Report 2024: Investment Facilitation and Digital Government*.

12. Remittances constitute a vital source of external finance for Africa, reaching $100 billion in 2022, surpassing ODA and foreign direct investment.[10] A United Nations study[11] found that remittances help to reduce income inequality and are more substantial when transfer costs are lower. Reducing the high cost of remittances is crucial for maximizing their potential and increasing financial flows to Africa. In 2022, the average cost of sending $200 to Africa was $17, or 8.5 per cent, compared to less than 6 per cent across the rest of the world.

[9] *World Investment Report 2024: Investment Facilitation and Digital Government* (United Nations publication, 2024).

[10] Kavazeua Katjomuise and Liwaaddine Fliss, "Reducing remittance costs to Africa: a path to resilient financing for development", Office of the Special Adviser on Africa, United Nations, n.d.

[11] Liwaaddine Fliss, "Strengthening the developmental impact of remittances and diaspora finance in Africa: what is the role of international cooperation?" policy paper, Office of the Special Adviser on Africa, United Nations, September 2022.

13. In addition, African dependence on volatile commodities, such as oil, copper and cotton, is further exacerbating the problem. Between 2019 and 2021, a staggering 88 per cent of African least developed countries relied on these raw materials for at least 60 per cent of their merchandise export earnings.[12] When prices drop, their fiscal space shrinks drastically.

14. While external financing is crucial, Africa needs to improve domestic resource mobilization in view of its stability and country ownership. Immediate and decisive action from the international community is crucial to improving access by Africa to affordable, long-term international financing, in particular from public sources.

III. Priority areas for enhanced domestic resource mobilization for Africa

15. Priority areas for sustainable financing for the continent include improved domestic resource mobilization and holistic reform to the global financial architecture to accelerate progress towards the Sustainable Development Goals and the goals of Agenda 2063. These interventions and policy reform will facilitate the forming of a unified approach for Africa at the fourth International Conference on Financing for Development.

A. Enhancing domestic resource mobilization

16. The risk of financial turmoil, coupled with heightened uncertainty stemming from the combination of stagnation and inflation and geopolitical challenges, mean that stability is a crucial imperative for financing for sustainable development.[13] Domestic resource mobilization offers much-needed stability for financing the aspirational national priorities necessary to attain the Sustainable Development Goals. The Addis Ababa Action Agenda identifies several areas for action, including strengthening domestic resource mobilization, fostering international tax cooperation, combatting illicit financial flows, improving the efficiency and transparency of public expenditure, capacity-building and technology transfer, along with inclusive and gender-responsive budgeting, to enhance the necessary fiscal space to meet the Sustainable Development Goals.

17. Despite the importance and potential of public finance as a means of financing sustainable development, domestic resource mobilization efforts are constrained by multifarious challenges, such as the historically low tax-to-GDP ratio, a low tax base, inefficient tax administration, the large informal sector, leakages in revenue collection resulting from the high prevalence of illicit financial flows and the effects of tax incentives, and, lastly, poor economic governance of the public financial system.

18. Domestic revenue mobilization strategies should envision broadening the tax base and improving the efficiency and effectiveness of the current system, in order to harness the full potential of revenue mobilization efforts. Countries need to develop medium-term reform plans focusing on a few tax instruments and enhancing institutional capacity. Strengthening institutional capacity by improving the design of core domestic taxes, including value-

[12] *The Least Developed Countries Report 2023* (United Nations publication, 2023).

[13] International Monetary Fund, *Fiscal Monitor: On the Path to Policy Normalization* (Washington, D.C., 2023).

added, excise, and personal and corporate income taxes, could be an option to expand the tax base and improve efficiency.[14]

19. One potential domestic resource mobilization strategy responding to the growing need for just transition could be the introduction of environmental or carbon taxation. This could serve as an effective tool for reducing emissions and promoting a green transition with a concomitant broadening of the tax base and improved fiscal space.

20. The global sluggishness in economic growth means that revenue collection is expected to decline in the short to medium term.[15] Accordingly, enhancing effectiveness and efficiency will significantly improve the situation without creating negative spillover effects.

21. African Governments are providing huge tax incentives to beneficiary companies without any regular evaluation of the concomitant impact of these tax incentive provisions. The estimated outlays in the form of value added tax and corporate income tax in 10 case study countries range between 1 and 15 per cent of GDP, or between 4 and 74 per cent of the revenues collected. It would make sense to revisit these tax expenditures to examine the costs and benefits of the associated tax incentive provisions against the intended objectives.[16]

22. To improve the efficiency of tax administration, many African countries are digitalizing their tax collection systems. More needs to be done, however, to address the prevailing challenges, such as high levels of informality, fragility and conflict. In addition to digitalization, there is immense potential for taxes on the digital economy. It is therefore vital to improve the technical capacity of tax officials that administer the tax system and manage tax reform.

23. In addition, the prioritizing and coordination of reforms across government agencies to reflect broader institutional and policy contexts to enhance tax design and acceptance by citizens are critically important.[17]

B. Eliminating illicit financial flows and recovering stolen assets

24. Illicit financial flows threaten countries' ability to achieve the 2030 Agenda and the Sustainable Development Goals by diverting resources from sustainable and inclusive development. They facilitate wealth concentration, institutionalizing inequality and constraining inclusive development.[18] The lost financial resources mean lost opportunities for sustainable development. In addition, illicit financial flows undermine the rule of law and worsen macroeconomic conditions, the quality of political institutions, tax systems and social cohesion.

25. Africa is particularly prone to financial leakages caused by illicit financial flows. A conservative estimate puts the cumulative gross outflow over the period 2000–2016 at 5.3 per cent of GDP and 11.4 per cent of total trade.[19]

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[14] International Monetary Fund, *Fiscal Monitor: Fiscal Policy in the Great Election Year* (Washington, D.C., 2024).

[15] International Monetary Fund, *Fiscal Monitor: On the Path to Policy Normalization* (Washington, D.C., 2023).

[16] Economic Commission for Africa and African Tax Administration Forum, *Economic Governance Report II: A Framework for Assessing and Reporting Tax Expenditures in Africa* (Addis Ababa, 2023).

[17] International Monetary Fund, *Fiscal Monitor: Fiscal Policy in the Great Election Year* (Washington, D.C., 2024)

[18] *Economic Development in Africa Report 2020: Tackling Illicit Financial Flows for Sustainable Development in Africa* (United Nations publication, 2020).

[19] *Economic Governance Report I: Institutional Architecture to Address Illicit Financial* Flows, ECA Policy Brief ECA/22/024 (United Nations publication, 2022).

To curb such flows and to ensure the automatic exchange of information, beneficial ownership registration and country-by-country reporting are critical. Significant challenges continue to impede the prospects of attaining these three prerequisites for transparency.

26. More efforts are needed to repatriate stolen assets beyond the mere proceeds of corruption and money laundering covered by the United Nations Convention against Corruption and the Stolen Asset Recovery Initiative of the United Nations Office on Drugs and Crime and the World Bank. The proceeds of tax avoidance and trade-based illicit financial flows should also be included. A new avenue for illicit financial flows has been created by the emergence of digital assets, such as crypto-assets, which facilitate new avenues for tax avoidance, evasion and money laundering.

27. A strong political commitment and a whole-of-system approach involving all relevant stakeholders from public, private and civil society at national, regional and global levels is needed to curb illicit financial flows.

C. Achieving public debt sustainability

28. The financing shortage in Africa is further heightened by the continent's rising and unsustainable debt. Currently, the average public debt-to-GDP ratio in Africa exceeds 60 per cent of GDP. African debt grew by 183 per cent over the period 2010–2022, a rate that is roughly four times higher than the continent's GDP growth rate in dollar terms.[20]

29. The high cost of debt servicing creates inefficiencies in the allocation of the already constrained fiscal resources. In Africa, over the period 2019–2021, 25 countries spent more on interest payments than on health.[21] In 2024, African countries will allocate $163 billion for servicing their debts, representing a substantial increase from the $61 billion recorded in 2010.[22] A list of top debtor countries may be seen in the table below.

Top debtor countries in Africa

Rank	Country	Debt amount (Billions of United States dollars)	Debt service as a percentage of total exports in 2022[a]
1	Egypt	11.97	24.9
2	Angola	3.15	33.1
3	South Africa	2.67	20.0
4	Côte d'Ivoire	2.12	12.2
5	Kenya	2.05	24.1
6	Nigeria[b]	1.84	11.0
7	Ghana	1.64	12.3
8	Morocco	1.50	10.2
9	Democratic Republic of the Congo	1.29	2.3
10	Tunisia	1.26	18.1

Source: IMF (2023)

[a] World Development Index databank. Available at https://databank.worldbank.org/source/world-development-indicators (accessed on 24 August 2024).

[b] Export data were not available on the World Development Index database, and were extracted instead from the UN Comtrade database of total exports of commodities and services.

[20] *Economic Report on Africa 2024: Investing in a Just and Sustainable Transition in Africa* (United Nations publication, 2024).

[21] *A World of Debt: A Growing Burden to Global Prosperity* (United Nations publication, 2024).

[22] African Development Bank, "Annual Meetings 2024: old debt resolution for African countries – the cornerstone of reforming the global financial architecture", 15 May 2024.

30. The continent's debt risk profile has changed, as the share of concessional debt in its external debt basket has declined steadily from some 50 per cent in 2005 to some 30 per cent in 2020. The share of debt service payments to private creditors increased from 50 per cent between 2000 and 2004 to about 63 per cent between 2012 and 2020.[23] The decline in overall aid, the increasing use of loans and the sharp reduction in debt relief resources have further increased the debt burden.[24]

31. As concern about debt distress continues to grow, there is a need to revisit the traditional doctrine of debt sustainability. The debt sustainability framework of the International Monetary Fund (IMF) and the World Bank prioritizes macrostability and short-term debt repayment at the expense of crucial development-related expenditures, causing developmental distress. A more sustainable way of assessing repayment capacity is to link debt obligations to a country's ability to generate export earnings through productive investment. In this way, a developmental approach to debt would put more emphasis on the use of borrowed resources to support strategic investments for sustainable development.

32. An effective debt management framework should be in place to prevent deviation, leakages and inefficiencies in the use of debt. Responsible sovereign borrowing requires a commitment to ensuring transparency in both the process of incurring and using debts and the terms of all public debt transactions. Improving fiscal and debt transparency is also key to reducing debt vulnerabilities.[25] Countries need to establish an institutional set-up of procedures, transparency, oversight and accountability through which debt is managed.

33. Effective policy responses to debt crises will require concerted national, regional and global efforts to develop accommodative monetary policies that provide African countries with sufficient fiscal space. To this end, in addition to exploring public financing options, it would be of critical importance to diversify domestic capital markets.

D. Deepening of domestic capital markets

34. It is essential that African financial markets are deepened for the purposes of development financing. African countries need to develop an inclusive money market that ensures greater depth in local currency bond markets. This will allow banks to borrow and lend from and to one another using financial instruments such as repurchase agreements and the use of derivatives as a hedge against balance sheet risks.

35. Furthermore, the development of local currency bond markets in Africa can play an important role in mitigating the impact of financial crises on the domestic economy and facilitating capital flow absorption. These also constitute an integral part of the development of a broader capital market, which will allow risk to be priced appropriately, enabling investors to better manage their portfolios, and will facilitate monetary policy transmission.

36. The lack of a formal securities exchange in most African countries has significantly hindered the development of the wider capital market system – notably innovative climate financing – and access to increased liquidity. In fact, the development of national and regional stock exchanges in Africa will

[23] Mma Amara Ekeruche, "Africa's rising debt and the emergence of new creditors. A review of trends, challenges and prospects (2000–2021)", African Debt Series vol. 2 (Friedrich-Ebert-Stiftung, Addis Ababa, June 2022).

[24] *A World of Debt: A Growing Burden to Global Prosperity* (United Nations publication, 2024).

[25] International Monetary Fund, *World Economic Outlook: A Rocky Recovery* (Washington, D.C., 2023).

facilitate access to capital and support effective capital allocation in a manner that supports economic growth.

37. To build market confidence, it is essential for African countries to send the right signal to the investor community through a sound sovereign credit rating and a range of reforms geared towards improving the investment climate and deepening the financial system.

E. Gender-responsive budgeting and shift to equity-based dynamic risk management

38. Further critical components of robust domestic resource mobilization are gender-responsive budgeting and a shift to equity-based dynamic risk management. Governments can employ various innovative measures to tap into the great potential of equity-based dynamic risk management. These measures include reducing wasteful tax incentives, strengthening the integrity of personal income tax systems, establishing effective wealth taxes, improving subnational finances and ensuring gender equity in revenue systems. Progressive taxation effectively ensures equity, unlike consumption taxes such as value added tax. In addition, Governments can increase taxation on luxury goods and on goods harmful to society.

39. To harness the full potential of domestic finance, countries need to ensure a concerted strategy based on collaboration among national, international and multilateral partners to ensure robust financing for achieving sustainable development.

F. Global financial architecture reforms

40. Recurring financial and debt crises, along with the limited development of climate finance, highlight the inadequacy of the existing framework of global financial architecture. The current architecture is failing developing countries, in particular in Africa, in their endeavours to provide the needed support to tackle the continent’s challenges in both the short and the longer term.

41. Developing countries need about $4 trillion a year until 2030 to close their Sustainable Development Goal investment gap.[26] With multilateral development banks making disbursements of only $200 billion annually,[27] the funds that are currently accessible are restricted and inadequate to address global issues such as food insecurity and debt distress, among others. The resulting inadequacy is further exacerbating countries’ development distress.

42. Africa has been particularly hard hit by the sovereign debt crisis. Rising debt service costs are limiting countries’ fiscal space at a time when there is a huge need to finance climate action. Africa loses between $7 billion and $15 billion annually as a consequence of climate change and this loss is projected to rise to $45 billion-–$50 billion annually by 2040.[28] A rising number of debt-stricken African countries now also face growing climate vulnerabilities, creating a vicious circle of rising investment requirements to ensure a climate-resilient structural transformation and to meet increasingly costly debt financing needs.

[26] United Nations Conference on Trade and Development, “SDG investment is growing, but too slowly: the investment gap is now $4 trillion, up from $2.5 in 2015”, *SDG Investment Trends Monitor*, issue 4, September 2023.

[27] Bretton Woods Committee, “MDBs loans: a new asset class collateralized loan obligations”, blog post, 15 November 2022.

[28] South African Institute of International Affairs, “How can the G20 support Africa’s energy transition and sustainable financing priorities and concerns?” Policy Insights, 9 January 2024.

43. Moreover, falling credit ratings and the rising costs of borrowing make it ever harder for African Governments to secure external funding. African countries pay an unexplained premium of 1.7 percentage points on sovereign bonds issued on international markets.[29] Owing to high perceptions of risk, most African countries encounter elevated borrowing expenses in financial markets.

44. Even worse, the current global financial architecture has failed in its objective to establish a comprehensive global safety net for poor countries and is both perpetuating and exacerbating inequalities. Of the $650 billion in special drawing rights allocated by IMF in 2021 for COVID-19 relief, countries of the Group of Seven, with a combined population of 772 million, received $280 billion, while the African continent, with 1.3 billion people, received only $34 billion.

45. In terms of the international taxation system, African countries have been discriminated against and remain underrepresented in international forums that shape global tax governance policies. Moreover, recent moves to digitalize the economy have introduced a new set of challenges in terms of capacity and unfavourable rules.

46. There is a need to transform the governance of international financial institutions, primarily to give the continent a louder voice. The recent approval by the IMF Board of Governors of the rechannelling of special drawing rights to multilateral development banks through hybrid capital instruments is a welcome development, but more needs to be done in this regard.

47. The current global financial architecture, therefore, urgently requires decisive reforms to align it with the new realities of the global political economy and meet African needs.

IV. Possible remedial measures

48. Given the situation outlined above, a number of remedial measures could be considered at international, regional and national levels, as outlined in the following sections.

A. Scaling up development finance for Africa

49. The current global financial architecture needs to be revised so that development finance for Africa is scaled up to a level where sustainable development can be attained. That process could be facilitated by the following actions:

(a) The international system must scale up both concessional and non-concessional affordable and long-term financing for the Sustainable Development Goals and climate action at a below-market interest rate;

(b) The international system must ensure the ambitious replenishment of the concessional windows made available by the multilateral development banks;

(c) IMF surcharges should be suspended for two or three years and the IMF surcharge policy should be reviewed;

(d) The international system should scale up the use of sovereign and multilateral development bank-backed guarantees to lower borrowing costs for developing countries;

[29] Economic Commission for Africa, *Debt and Finance Profiles: Africa* (Addis Ababa, 2023).

(e) Multilateral development banks should support the crowding in of the private sector and mobilization of private capital to maximize the impact of their resources by providing risk mitigation tools such as guarantees and insurance;

(f) Countries should establish innovative financing mechanisms to fund their climate change projects and programmes;

(g) Measures should be adopted to suppress illicit financial flows and the adoption of domestic resource mobilization strategies such as debt management, capacity-building and institution strengthening, which remain key to supplementing domestic revenue.

B. Implementing governance reforms of international financial institutions

50. In order to ensure equity and inclusion for Africa, much more needs to be done and the following measures could further enhance the representation of Africa, by ensuring the improved governance of the international financial institutions:

(a) Updating of the IMF quota formulas to reflect the changing global landscape, by reducing the weight given to "openness" and "reserves" and including a new category that captures the notions of "exposure" or "vulnerability";

(b) Reform of voting rights and decision-making rules to make them more democratic;

(c) Delinking of access to resources from quotas, with access being determined by both income and vulnerabilities through a multi-vulnerability index;

(d) Efforts to boost the voice and representation of developing countries on boards and to improve institutional transparency, such as the establishment by IMF of a fifth deputy managing director position for Africa, as advocated by ECA;

(e) Campaigning for gender-balanced representation in all the governance structures of these institutions, in particular at the leadership level;

(f) Ensuring that the World Bank and other multilateral development banks are flexible and responsive to the unique challenges faced by African countries and adapt to such emerging issues as climate change, extreme poverty and digital transformation;

(g) Scaling up of multilateral development bank financing through increases in paid-in capital and optimization of balance sheets.

C. Reforming the international tax cooperation framework

51. African countries could consider the following measures in order to tap into the full potential of the proposed framework convention on international tax cooperation:[30]

(a) Africa should develop its own recommendations on international tax cooperation to address issues such as resource exploitation, transfer pricing, harmful tax practices and capacity-building for tax administrators;

[30] See General Assembly resolution 78/230.

(b) Africa should foster and strengthen its partnerships and alliances with other regions and countries with similar goals and concerns;

(c) African countries should secure adequate financial and technical resources to support their participation and engagement in the tax reform process;

(d) Policy coherence must be ensured across the various international initiatives and frameworks on tax cooperation;

(e) Investment in data infrastructure is crucial and will make it possible to tap into the benefits of digital taxation and tax transparency, with a view to curbing illicit financial flows and reinforcing financial integrity;

(f) The financing for development processes could have an enabling function by providing a platform to ensure a concerted approach for Africa to play its proper role in developing the planned framework convention on international tax cooperation.

D. Addressing gaps in the global sovereign debt architecture

52. There is an urgent need for the following actions in the domain of sovereign debt restructuring:

(a) It is imperative to establish a universal framework that applies to all countries;

(b) The Group of 20 Debt Service Suspension Initiative should be extended to more middle-income countries that are debt-stricken;

(c) Countries should be allowed to put forward their own plans and options for debt restructuring and such restructuring should be built around those proposals with inputs from creditors;

(d) Creditor committees need to be expanded early on in the restructuring process to include, in particular, private creditors or, as an alternative, a platform should be created within the Common Framework for Debt Treatments beyond the Debt Service Suspension Initiative to facilitate communication and collaborative problem-solving with private lenders;

(e) Safeguards should be set in place in the form of dispute settlement mechanisms for sovereign debt disputes between investor States and creditors;

(f) Innovative mechanisms should be considered for debt relief, such as debt-for-climate and debt-for-nature swaps, as these hold considerable potential for reducing countries' debt service burden, including for countries not in debt distress;

(g) An enhanced regulatory framework is critically needed for credit rating agencies, to reduce the cost of borrowing;

(h) Debt instruments must be upgraded to ensure that they are better aligned with conditions in today's more shock-prone world;

(i) Debt servicing must be suspended for all countries undergoing Common Framework restructuring;

(j) A comparability-of-treatment formula should be established to reduce technical disputes and accelerate the restructuring process;

(k) Bolder use should be made of the IMF lending into arrears policy, to reduce the leverage of holdout creditors.

E. Establishing robust global financial safety net

53. The distribution of availability of the global financial safety net is highly uneven and unequal, with many countries having access only to a relatively small portion of the safety net, while some have almost no options at all. There is a need, therefore, to expand the resources of the safety net through such measures as the following:

(a) The overall extent of IMF lending capacity should be enlarged, including by explicitly separating voting rights from contributions;

(b) The IMF special drawing rights system should be reformed, with a view to boosting countries' liquidity to address the challenges posed by global shocks and bolstering their resilience. To that end, a more rule-based and analytical approach to the issuance of special drawing rights is needed and automatic triggers could also be implemented to initiate an issuance of such rights in response to external shocks;

(c) IMF lending needs to be made more flexible, with fewer conditionalities and access limits and the removal of surcharges, along with the creation of a multilateral currency swap facility;

(d) Regional financial arrangements should be strengthened and, to that end, the establishment of a dedicated African financial institution – an African monetary fund – should be explored;

(e) Consideration should be given to the rechannelling of special drawing rights to multilateral development banks as hybrid capital instruments;

(f) The special drawing right allocation formula should be revised to take into account countries' liquidity needs in addition to IMF quotas.

F. Strengthening the voice and representation of Africa

54. The ambition nurtured by Africa to have a strong voice on the global arena relates not only to strengthening the continent's representation but also to the reform of existing organizations through the adaptation of their decision-making processes for Africa to play a part in shaping their policy outcomes. The following measures are also essential to amplify the voice of Africa:

(a) Concerted and systematic efforts to highlight the development imperatives of African countries in general and its least developed countries in particular;

(b) Creation of a more inclusive outreach structure embracing the least developed countries, to create a policy platform for such countries in the Group of 20;

(c) Enhancing the role of the Africa Standing Group in the Think 20 structure, to enable African participants to identify and articulate their priorities;

(d) Promotion of South-South knowledge sharing and cooperation via the Group of 20 platform;

(e) Leveraging the historic admission of the African Union to membership of the Group of 20 to advance the reforms of the global financial architecture;

(f) Highlighting the importance of the future framework convention on international tax cooperation as the forum for future negotiations on all aspects of international tax cooperation;

(g) Leveraging the fourth International Conference on Financing for Development as an enabling platform for a concerted approach and accelerated efforts to develop the United Nations framework convention on international tax cooperation.

G. Exercising thought leadership on sovereign debt restructuring

55. Given that the United Nations is the appropriate forum for ensuring that each country has a say in determining the principles that govern sovereign debt and that, if the sovereign debt crisis is not appropriately resolved, the rights of Africans and the sovereignty of African countries could be in jeopardy, the following steps are recommended:

(a) The Office of the Secretary-General is called upon to support the United Nations in its role of supervising debt restructuring. Furthermore, the Office of the Secretary General can provide important administrative assistance that would improve progress towards development of a treaty on sovereign debt restructuring;

(b) The United Nations Conference on Trade and Development should also contribute to the debate about debt restructuring, in view of due role that it played in developing the 2015 General Assembly resolution on sovereign debt restructuring, reinforcing the position that the United Nations should be the responsible for supervising debt restructuring.

V. Recommended actions for domestic resource mobilization

56. The following measures for improved domestic resource mobilization and reform of the global financial architecture at national, regional and global levels are recommended for specific consideration by Governments, development partners and pan-African institutions.

A. African Governments

57. African Governments are recommended to consider the following measures:

(a) Reforming their tax system;

(b) Investing in digitalization to improve tax administration and compliance;

(c) Examining tax expenditures with a termination date for the provision of the incentives;

(d) Tapping into revenues generated by the taxation of extractive industries, progressive taxation and wealth taxation;

(e) Combating illicit financial flows and recovering stolen assets;

(f) Implementing safeguards in the form of dispute settlement mechanisms for sovereign debt disputes between investor States and creditors;

(g) Applying innovative debt relief mechanisms for debt relief;

(h) Investing in human development and skills training, in order to take advantage of the recent development of digital technologies;

(i) Tapping into the recent development of international cooperation on tax matters;

(j) Developing accountability mechanisms for effective gender-responsive budgeting;

(k) Encouraging more extensive participation of the private sector and civil society and other non-governmental organizations as primary stakeholders in the design and implementation of the priority areas in financing for development;

(l) Strengthening the institutional architecture to ensure robust economic governance, among other benefits;

(m) Leveraging the fourth International Conference on Financing for Development as an enabling platform for a concerted approach to financing for sustainable development.

B. International community

58. The following recommended actions are targeted specifically at the international community:

(a) Ensuring priority implementation of General Assembly resolution 69/247, on modalities for the implementation of resolution 68/304, entitled "Towards the establishment of a multilateral legal framework for sovereign debt restructuring processes";

(b) Balancing debt relief initiatives and ODA flows;

(c) Overseeing sovereign debtors with a view to resolving potential debt crises in line with the Monterrey Consensus of the International Conference on Financing for Development;

(d) Strengthening and deepening international cooperation on taxation;

(e) Supporting efforts to curb illicit financial flows and to effect the recovery and repatriation of assets;

(f) Supporting the use of special drawing rights for the equitable development of Africa;

(g) Supporting IMF reforms, including to the lending process, quota formula and African representation;

(h) Facilitating the broader representation of African countries in all international dialogues and decision-making processes.

C. Pan-African institutions

59. For their part, the pan-African institutions are encouraged to consider the following actions:

(a) Facilitating a unified approach for African countries at the fourth International Conference on Financing for Development;

(b) Facilitating the establishment of a fair global financial architecture for Africa to ensure macroeconomic policy coordination and coherence and resilience to global shocks;

(c) Supporting African countries in their endeavours to tap into the future United Nations framework convention on international tax cooperation;

(d) Facilitating better representation of African countries in all international dialogues and decision-making processes;

(e) Leveraging the membership by the Group of 20 by the African Union to advance the reform of the global financial architecture, drawing on the work of the high-level working group on the reform of the global financial architecture coordinated by ECA and the African Union.