Side event on the margins of the
Africa Regional Forum on Sustainable Development (ARFSD-10)
“Solving Africa’s Financing Paradox: Challenges and Opportunities”
16:30 to 18:00
local time Addis Ababa, Ethiopia (virtual)
18 April 2024

CONCEPT NOTE

Following the successful global launch of OSAA’s 2023 flagship report on “Solving Paradoxes of Africa’s Development: Financing, Energy and Food Systems”\(^1\) in November 2023 with participation of UN Member States, UN entities, development partners, and civil society organizations, OSAA in collaboration with the Economic Commission for Africa and the African Union Commission will organize a panel discussion on one of the themes of its flagship report, namely Africa’s financing paradox, at the margins of the 10\(^{th}\) Session of the Africa Regional Forum on Sustainable Development, organized from 21 to 23 April 2024.

This will provide an opportunity to disseminate the report’s findings, amplify the narrative, and engage with African ministers and policymakers on the best strategies to address the paradoxes identified in the report. Since many of the issues raised and measures proposed fall under the purview of technical experts preparing the Voluntary National Reviews (VNR) & Voluntary Local Reviews (VLR), OSAA looks to the panel discussion as an opportunity to inform the ongoing discussions, especially on SDG 17, and promote the adoption of policy interventions articulated in the report. OSAA is also seeking feedback and views from all stakeholders to help African countries address the continent’s financial paradox.

The nexus approach proposed in the report to address Africa’s development challenges is well-aligned with the theme of the 10\(^{th}\) session of the ARFSD – “Reinforcing the 2030 Agenda for Sustainable Development and Agenda 2063 and eradicating poverty in times of multiple crises: the effective delivery of sustainable, resilient and innovative solutions”.

Context and background

The 2023 edition of OSAA’s flagship report identifies three intersecting paradoxes that have impeded Africa’s progress toward the Sustainable Development Goals: financing, energy, and food systems. The panel discussion will focus on the financing paradox to contribute to the High-level Political Forum’s annual review of SDG 17 on partnerships and means of implementation as well as to the preparations for the Summit of the Future.

\(^1\) The report is available at: https://www.un.org/osaa/content/solving-paradoxes-development-africa-financing-energy-and-food-systems.
Against that backdrop, the *Financial Paradox* refers to the fact that Africa is endowed with significant financial resources, but it finds itself trapped in a cycle of debt distress, with 63 per cent of African countries either at high risk or already in debt distress. Further, while the continent faces a persistent and widening financing gap, it can be considered a net exporter of capital to the rest of the world due to its debt servicing obligations, punitive conditions under which Africa taps into international financial markets and the illicit financial flows out of the continent, which, in combination, far outpace the inflow of finance into the continent.

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The report recognizes that Africa has important sources of funding that have not yet been fully tapped for development: It is estimated that the continent potentially loses between $500 and $600 billion that are generated but not adequately mobilized. These include pension funds, assurance funds, and sovereign wealth funds, whose assets are largely invested abroad. Over the last decade, remittance flows to Africa doubled, amounting to $100 billion in 2022. However, they incur relatively high transaction costs and therefore are not being sufficiently leveraged for the continent’s development, although according to recent IFAD estimates, there is potential for at least 25 per cent of remittances to be channeled towards savings or investments in the continent.³ Africa could also take advantage of the rising carbon finance opportunities that have the potential to mobilize between $120 and 200 billion.⁴

In addition to potential sources of financing that are not tapped, resources lost due to inefficient DRM systems (such as inefficiencies in public expenditures and redundant tax incentives) account for at least $116 billion every year.⁵ Illicit Financial Flows (IFFs) also drain Africa’s vital resources, diverting some $88.6 billion away from development annually.⁶ The report also argues that the absence of robust institutions is a critical factor contributing to these paradoxes. Many African countries continue to suffer from weak governance and inadequate institutional capacity to tackle tax evasion and avoidance, resulting in inefficient public spending and huge IFFs.

The report argues that these three paradoxes are interrelated and constitute a chain in which the financial paradox feeds into and amplifies the energy paradox, which in turn aggravates the food paradox. The analysis presented in the report centers on Domestic Resource Mobilization (DRM) as the game changer. Harnessed effectively, DRM systems could reduce country risk profiles, allowing African countries to access international capital markets on more favorable terms. This, in turn, would have positive spillover effects to unlock energy financing and enable countries to expand access to affordable and green energy resources, thus igniting transformative change in agricultural productivity and other areas of development like health, digitalization, and industrialization.

Therefore, the starting point to address these paradoxes effectively should be the financial paradox. Panelists will consider the recommendations from the report including measures to facilitate DRM, leverage private sector investment, ensure sustainable debt practices, utilize green bonds; as well as policy options to reform the global financial architecture, implement the African Continental Free Trade Area, and foster regional and global cooperation towards the joint implementation of 2030 Agenda for Sustainable

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Development and Agenda 2063.

Guiding questions

1. Both the world and Africa as a region are off track to achieve SDGs under a business-as-usual scenario. How can Africa’s domestic resource mobilization potential be leveraged to close funding gaps and accelerate implementation toward achieving the SDGs?

2. Against the backdrop of a long and protracted debt crisis in Africa, what reforms and innovations would be required to align the international financial architecture with the objectives of sustainable development? How can the outcome of the Summit of Future support Africa’s fair and equitable representation in global economic governance?

3. In which ways can the Summit of the Future enhance multilateral cooperation and accelerate progress towards a sustainable future, and support Africa’s strides to achieve SDGs and the goals and aspirations of the Agenda 2063 – Africa We Want?

Objectives

The objectives of the event are to:

- Shed further light on Africa’s development paradoxes with a special focus on the financing paradox, highlighting opportunities to address these by strengthening DRM as a starting point.
- Facilitate the sharing of good practices and lessons learned on addressing one or more of the development paradoxes among African countries.
- Raise awareness of the report’s proposed policy recommendations at the technical level.
- Contribute to the work of African experts working on their countries’ VNR and VLRs to be presented during the HLPF in July 2024.
- Reflect on how African countries can address the financing paradox to accelerate implementation of Agenda 2063, aligned with the goals of the Second Ten-Year Implementation Plan.

Format and participation

The event will be virtual and will last 90 minutes. After a brief opening session, a short presentation on the financial paradox will be delivered, followed by a panel discussion bringing together policymakers, experts from Member States and the UN System, representatives of OSAA’s Knowledge Network and OSAA-ACBF Think Tank network, and ending with an interactive question and answer session. The event will be open to all government officials from African Member States and representatives from African regional institutions, the UN system, bilateral and multilateral partners, civil society, the private sector, academia, and the media. There will be simultaneous interpretation in English and French.
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<td>Welcoming Remarks</td>
<td>Ms. Cristina Duarte, Under Secretary General and Special Adviser on Africa</td>
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<td>16:35 - 16:45</td>
<td>Presentation on Africa’s Financing Paradox</td>
<td>Mr. Kavazeua Katjomuise, Office of the Special Adviser on Africa, OSAA</td>
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<td>16:45 - 17:35</td>
<td>In Conversation</td>
<td>Ms. Bindang Ndong Okiri, Adviser to the Presidency of the Government on Planning and Economic Diversification, Equatorial Guinea</td>
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<td>Mr. Pascal Byarugaba, Programme Management Specialist, National SDG Secretariat, Office of the Prime Minister, Uganda</td>
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<td>Mr. Djamel Ghrib, Director for Economic Affairs and Regional Integration, African Union Commission</td>
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<td>Ms. Eunice G. Kamwendo, Director, Subregional Office for Southern Africa, United Nations Economic Commission for Africa</td>
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<td>Prof. Teddy Samy, Director, Norman Peterson School of International Affairs, Carleton University &amp; OSAA Knowledge Network</td>
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<td>Mr. Ovigwe Eguegu, Policy Analyst, Development Reimagined</td>
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<td>17:35 - 17:55</td>
<td>Discussion – Q&amp;A</td>
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<td>Closing remarks</td>
<td>Mr. Jean-Paul Adam, Director, Office of the Special Adviser on Africa, OSAA</td>
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