United Nations
Economic Commission for Africa

INFF | Integrated National Financing Frameworks

Financing Outlook in Africa

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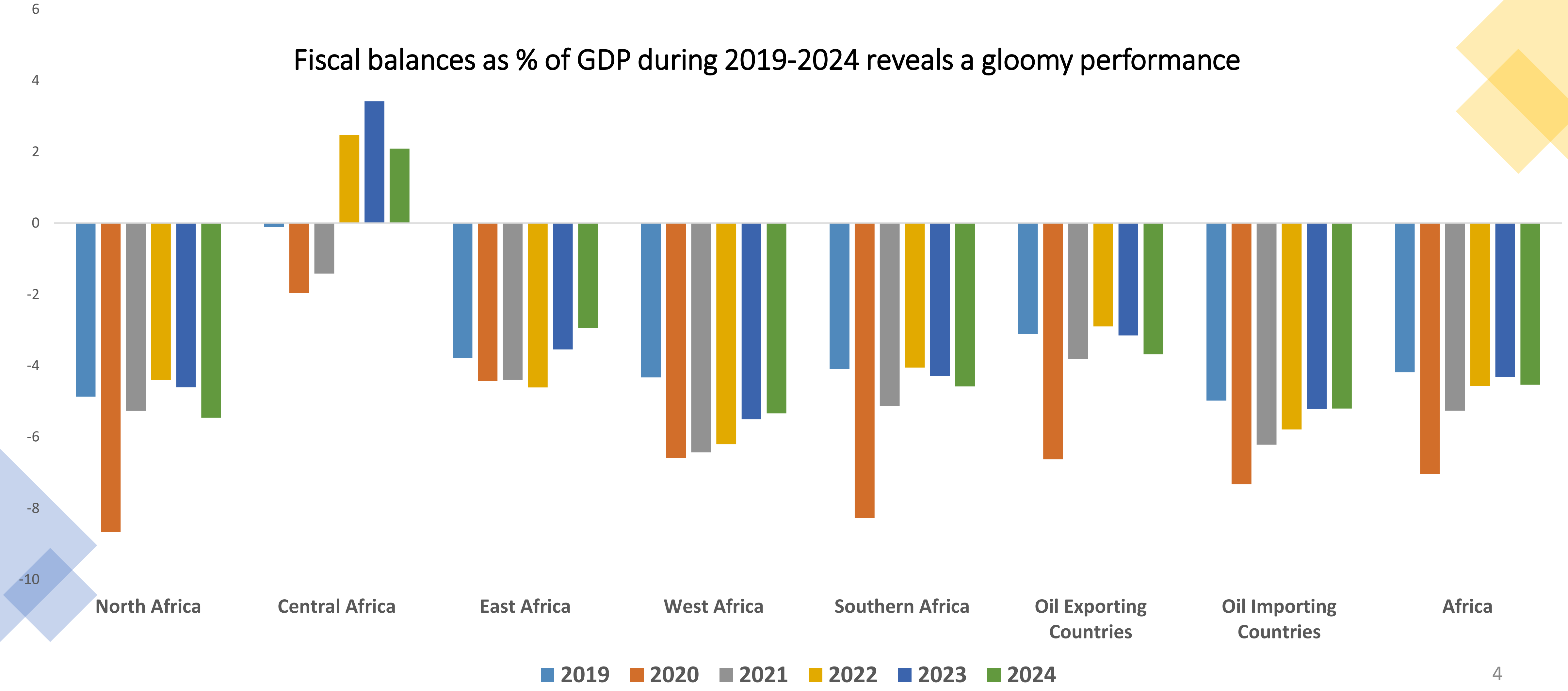
A glimpse into the prevailing macroeconomic status

- The global outlook has deteriorated in 2022 amid high inflation, aggressive monetary tightening, and uncertainties from both the war in Ukraine and the lingering pandemic.
- Soaring food and energy prices are eroding real incomes, triggering a global cost-of-living crisis, particularly for the most vulnerable groups.
- Economic growth in Africa projected to drop to 3.9% in 2022 from 4.7% in 2021 and will pursue its downward trend in 2023
- Inflation remained above 10% since 2020 and is projected at 12.3% in 2022
- Increasing debt levels owing to existing debt, rising government expenditure, diminishing tax revenues and rising prices
- A noticeable revival of development planning and a growing recognition of the of the planning-financing nexus.

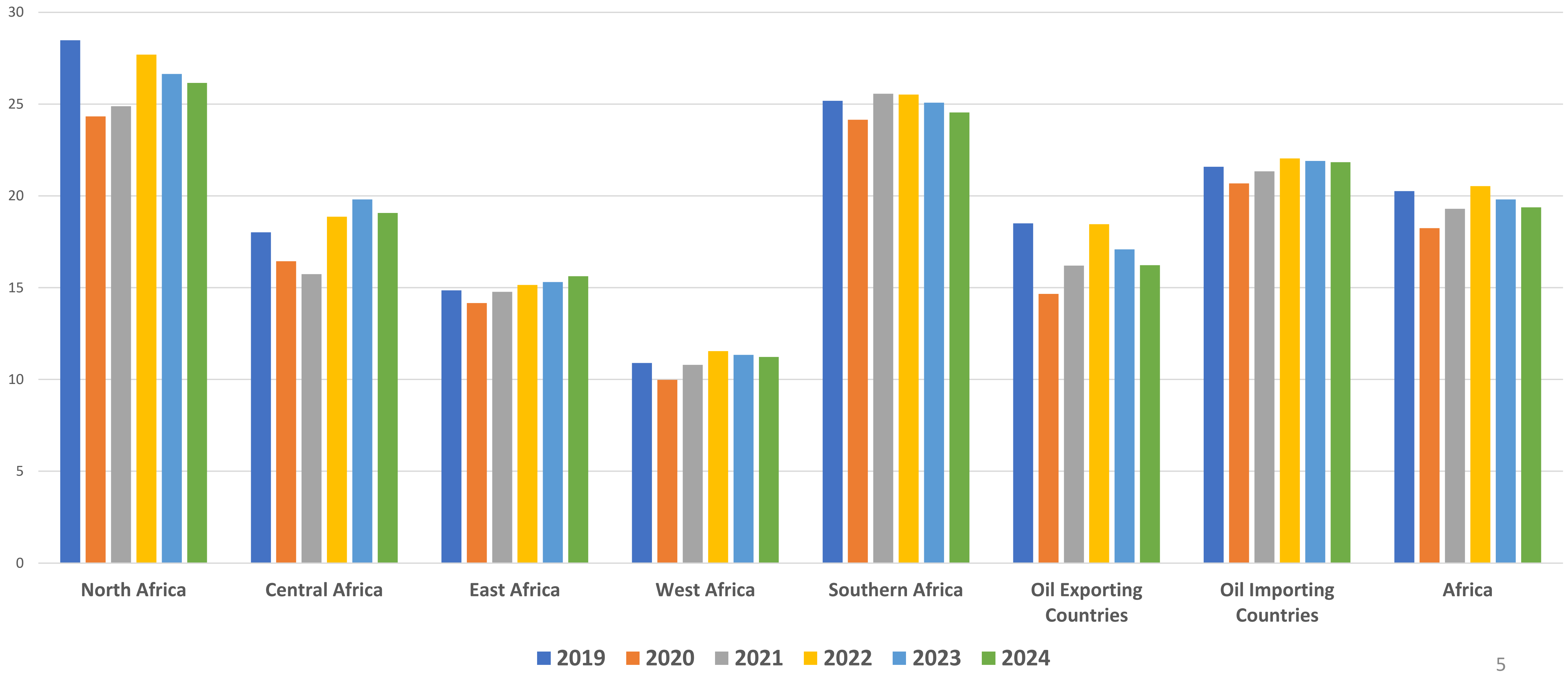
Financing needs amid multifaced crisis

- Increased need for stimulus measures post COVID-19 and Russia-Ukraine war-related socio-economic impact
- Reduced tax revenue caused by the economic slowdown and containment measures
- Declining ODA owing to the economic disruptions in the donor countries
- Historically, low tax to GDP ratio, a low tax base, high debt, low savings and investment, and a high prevalence of IFFs siphoning off critical financial resources
- Continued multifaceted global crisis in coming years, meaning a continued need for various support measures

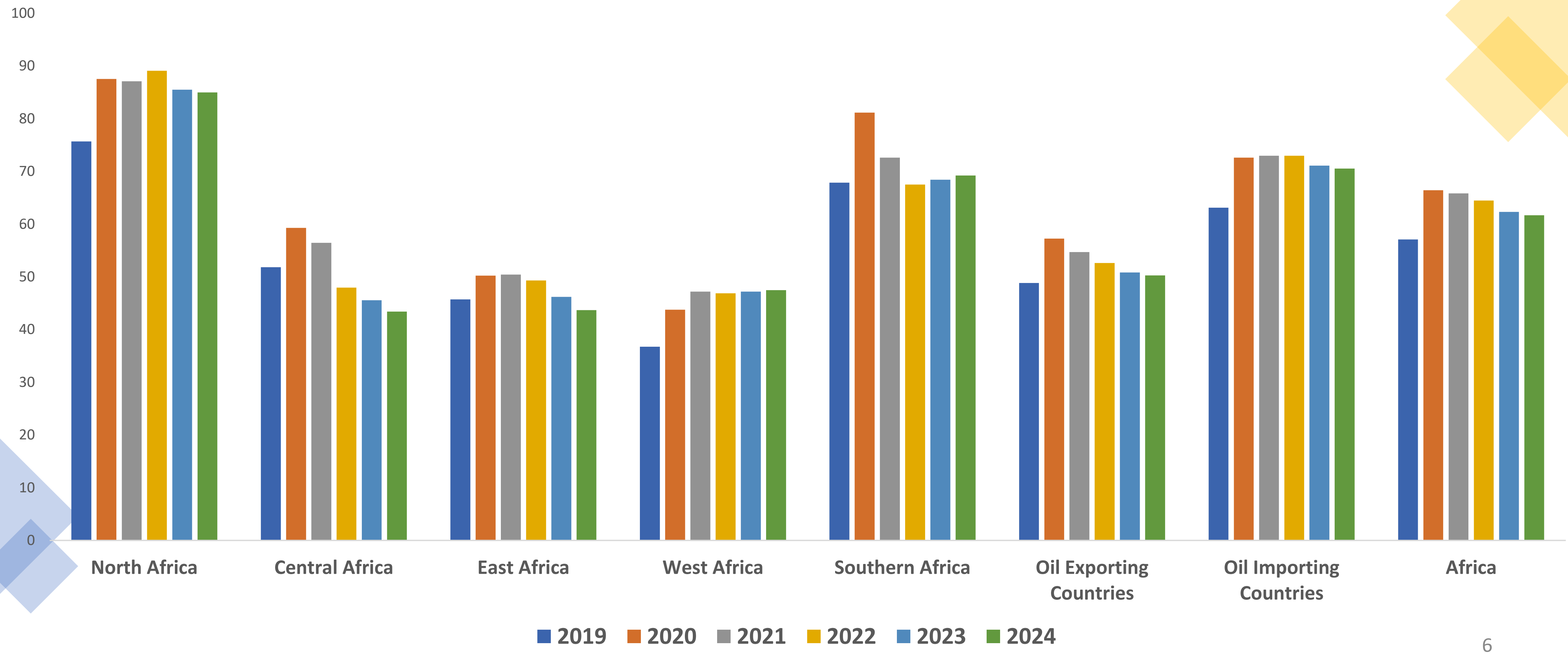
- Dwindling fiscal space caused by high debt-to-GDP ratios, low tax to GDP ratios, low tax base and high prevalence of IFFs
- Unplanned critical expenses for responding to the COVID-19 pandemic and the economic crisis of the Russia-Ukraine war



Government revenue as a % of GDP during 2019-2024 persistently remained modest



Debt-to-GDP ratio reaches an excruciatingly high level during 2019-2024, diverting crucial financial resources away from economic recovery



Growing number of countries at debt distress

Countries in debt distress	Countries in high risk of debt distress	Countries in moderate risk of debt distress
Chad, Mozambique, Republic of Congo, São Tomé and Príncipe, Somalia, Sudan and Zimbabwe.	**Burundi, Cabo Verde, Cameroon, Central African Republic, Comoros, Djibouti, Ethiopia, Ghana, Guinea-Bissau, Kenya, Malawi, Mauritania, Sierra Leone, South Sudan, The Gambia and Zambia.**	**Benin, Burkina Faso, Côte d'Ivoire, Democratic Republic of the Congo, Guinea, Lesotho, Liberia, Madagascar, Mali, Niger, Rwanda, Senegal, Tanzania, Togo and Uganda.**

Financing Africa’s structural transformation

- African countries are developing national development plans, and the success of these development plans depends on the ability to mobilize resources
- Strong development plans supported by sound, transparent and responsive institutions are key to achieving Agenda 2063 and the SDGs
- Domestic sources are more relevant to meeting the sustainable medium-to long-term transformation needs of African economies given their level of stability compared with external resources
- Leveraging international finance from both public and private sectors to unlock and leverage domestic resources, firmly embedded in national priorities is critical.
- An integrated financing framework, linking national priorities and a range of financial resources from public and private sources and leveraging these options through SDGs dialogues and financing strategies is the way forward.

Domestic resource mobilization

- Strengthened fiscal governance to promote openness, trust, accountability, and integrity in public financial management and ensure robust economic governance
- Address loopholes in relevant legal and institutional frameworks to prevent losses of revenues through corruption and tax malpractices
- Progressive fiscal reforms to enhance the tax base, address fiscal imbalances and the regressive orientation of indirect taxes
- Worrisome trend of lack of debt transparency- incomplete data reported in official statistics and the confidentiality clauses, makes debt level monitoring challenging in many countries
- Illicit financial flows (IFFs) remained a particular development challenge for Africa. Tackling IFFs is key to investing in sustainable development
- A whole-of-government approach and buy-ins from all relevant stakeholders to curb IFFs

Domestic and international finance from public and private sources

- African Governments need to encourage development banks to provide support with substantial economic and social benefits for inclusive development
- Deep, transparent, and accessible capital markets will play catalyzing roles in ensuring long-term investment finance and diversification of funding sources
- FDI has important implications for growth and economic diversification to enhance the capacity of the domestic economy to mobilize resources for investment
- Remittance is becoming an important inflow of resources to many African countries with huge untapped potential
- Tapping into the innovative financing sources such as diaspora bond, sovereign wealth funds and infrastructure bonds to enhance the domestic resource mobilization efforts.

Debt service and policy prioritiesfd

- Worsening debt sustainability is a common concern for African countries exposing systemic flaws of the prevailing international financial system.
- The G20 Debt Service Suspension Initiative (DSSI) and the Common Framework for Debt Treatments beyond the DSSI are useful and timely but insufficient
- Injection of New SDRs and restructuring of the quota allocation of SDRs
- Need for systemic reform of the global financial architecture, addressing both the lack of adequate access to development finance and the challenges posed by debt sustainability.

ECA interventions

- UN SG's Strategy for Financing the 2030 Agenda with a focus on supporting MSs in enhancing resource mobilization and sustainable investment
- Finance, Trade and industrialization: The role of African Continental Free Trade Area (AfCFTA) as a framework to develop harmonisation of standards to ensure compatibility with climate goals and achievement of the SDGs.
- Climate change and technology: what new economic narratives and global actions can help catalyze progress toward inclusive green growth in Africa?
- Macroeconomics and Governance: Economic governance and domestic resources mobilization through addressing issues of tax policy and administration, tax expenditures, IFFs and debt.
- Liquidity and Sustainability Facility (LSF)
- ARTS, IPRT and INFF linkages

Towards a more inclusive development financing architecture

- The planning-finance nexus must be aligned with sustainable development in a coordinated manner.
- Coupled with reforms in international financial architecture
- Improving the agency of African countries in investing in a viable sustainable recovery depends on their abilities to improve their own predictable resource mobilisation by addressing domestic and regional frameworks
- Enhanced governance at national, regional and global levels will strengthen the ability of countries to manage resources and address leakages

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