RESEARCH & ANALYSIS

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Assessing Progress Towards Reforming the Global Financial Architecture

An African Perspective

African Future Policies Hub.

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Acknowledgments

This report is a product of the African Future Policies Hub (AFPH). AFPH is a pan-African policy support hub whose mission is to support, empower and connect African countries to drive decisions for a better future for Africa by sizing the opportunities offered by multiple global transitions, particularly in the green and digital economy. The lead author of this report is Maria Nkhonjera, with additional comments and peer reviews provided by Faten Aggad (AFPH) and Daouda Sembene (AfriCatalyst).

1 BACKGROUND Africa and the Global Financial Architecture Reform Agenda

There is wide consensus that the legacy of a powerful Washington Consensus and the Bretton Woods Institutions (BWIs) behind has not served Africa's development since the 1940s. Across the multilateral system, there is a fundamental disconnect between essential capital contributions towards addressing sustainable development and climate goals and the actual needs and priorities of African countries. Overlapping crises are also driving the continent towards a debt precipice. The consensus is that the current global financial architecture is ill-equipped to address the multiple pressing challenges of today. In order to build a financing system that is 'fit for purpose', Multilateral Development Banks (MDBs) and International Financial Institutions (IFIs) need to be at the centre of solutions.

There has been an active debate over the last three years around the nature and scope of the reforms needed to advance a shared agenda on the global financial architecture (GFA). Extensive reforms and policies are required, and these need to be multifaceted and bold in scope. There are several efforts underway to shape a new system, and these shifts are particularly necessary in the context of African states seeking to exercise their agency on global issues and in the current economic and geopolitical context. The emergence of African agency in multilateral fora and in shaping the global normative framework, is seen in areas such as climate change negotiations, international debt resolutions and the African Unions' (AUs) recent ascension to the G20. Governance reforms, which have been high on Africa's political agenda, are especially required to "enhance the legitimacy of the global financial system by providing countries of the global south with a voice commensurate with their size and role in today's economy."

The two preceding G20 presidencies, hosted by Indonesia and India, prioritised MDB reforms under the Sustainable Finance Working Group (SFWG). African leaders have joined the call for multilateral institutions to support the advancement of the reforms of the international financial system. The African continent has appealed to international partners to "support a new architecture that yields a higher ambition and a stronger resolve to deliver additional and incremental concessional resources to insulate the ... vulnerable and support improved progress in Africa's development agenda." This and other positions have been echoed by the African Caucus, African Multilateral Financial Institutions (AMFIs), the Africa Group, Vulnerable-Twenty (V20) Group of Ministers of Finance, and the Africa High-Level Working Group on the Global Financial Architecture (HLWG-GFA) coordinated by the UN Economic Commission for Africa (ECA); and at various regional and international fora including at the G20, World Bank-International Monetary Fund (IMF) Spring and Annual Meetings, Paris Summit on the New Global Financing Pact (June, 2023), and the Africa Climate Summit (September, 2023).

Considering the diversity of continental Africa in terms of political institutions, social structures and economic outlooks, it is challenging to discern a distinct African perspective on global economic policy and financial system reforms. However, there are some clear unified calls across key areas. This report furthers the political dialogue on multilateralism and the different dimensions of reforming the GFA by assessing whether—from an African centred perspective—the efforts and commitments made over the last three years, in areas such as representative global governance, international debt and tax architecture and MDB reform, are delivering a system that works for the African continent and by extension, the global majority. From an African viewpoint, these reforms need to be understood and implemented in the context of the continent's socioeconomic transformation. The assessment shows little to no progress is being made on addressing the continent's debt concerns, high cost of borrowing and actual disbursements against financial commitments —putting into question transparency and accountability frameworks in the development financing ecosystem.

2 PROGRESS By Thematic and Policy Area

This document assesses progress on commitments made by multilateral institutions and donor countries, as well as official positions and priorities of various African constituencies, including African Ministers of Finance, the African Caucus, African Group of Negotiators (AGN), and ECA, amongst others. It also considers priorities put forward by broader global south initiatives such as the Bridgetown Agenda and V20 Group. It draws extensively on the work of civil society and advocacy groups that are actively tracking progress and pushing the reform agenda forward. The commitments are assessed according to their level of progress (implemented, significant progress, mixed progress and no progress) and categorised according to eight thematic and policy areas:

- Governance and Effective Representation
- International Climate Finance
- Development Finance and Aid
- MDB and IFI Reform
- Global Debt Architecture
- International Taxation and New Financing
- Climate-related Trade Measures
- Transparency and Accountability

The following key is used across the document to assess progress across the various areas of action:

Implemented

Significant progress

Mixed progress

No progress

2.1 Governance and Effective Representation

i. Convergence of a Shared Reform Agenda

There is some international recognition and convergence around a common agenda of international financial architecture transformation, including from a diverse set of countries and regions. The United Nations (UN), for example, recognises the structural deficiencies characterising the GFA and the need to drive solutions in multilateral fora, including the 2024 Summit of the Future.

ii. African Union's Permanent Seat in the G20

Following historic calls of greater inclusion and seven years of lobbying, the AU secured permanent admission into the G20 in 2023—an opportunity to represent a collective African position and more influence in global matters of interest, such as debt and climate change.

iii. Third Chair for Africa on IMFs Executive Board

At the World Bank-IMF Annual Meetings, in 2023, the IMF agreed to give sub-Saharan Africa a third seat on its executive board, giving the region a stronger voice in the lender's executive decisions.

iv. IMF Quota System Reform

Developing countries have called for quota reforms which are important for influencing and guiding access to finance. The IMF concluded its 16th General Review of Quotas in December 2023. Although the review resulted in the Board of Governors approving a 50% (US$320 billion or SDR 238.6 billion) proportional increase in all quotas, there was no shift in the balance of power within the quota system. Given that IMF quotas are distributed to member states based on the size of their economies, low-income countries, and particularly African countries receive a small share of the quota pie (AU member states together receive 5.2% of total IMF quotas). Changes to the relative distribution of quotas and, therefore, voting share remains unresolved, and instead Governors requested the Fund to develop and propose a new quota formula by June 2025.

v. Recognition of V20 Group of Ministers of Finance in the IMF

The V20 Group, which includes 28 African countries, put forward a proposal in the 2023 Accra-Marrakech Agenda to recognise the V20 Finance Ministers as an official group in the IMFs governance model. This proposal has not been pursued.

2.2 International Climate Finance

i. Delivery of US$100 billion Climate Finance Goal

At COP15, wealthy countries, under the UNFCCC agreed to mobilise US$100 billion in annual climate finance by 2020. The OECDs (widely debated accounting methodology) provides evidence that developed countries mobilised US$115.9 billion in climate finance for developing countries by 2022, building on the US$89.6 billion registered by 2021. The goal was therefore met for the first time in 2022 (two years later than agreed). Some analysis further suggests donors and providers of finance "stretched, redirected and relabelled" existing development finance flows to meet the target, with concerns around the composition of the flows, including the proportion of loans to grants and the amount of adaptation finance provided. There is no explicit or official recognition in the AGN's submission on elements of the NCQG that the US$100 billion goal was met. Overall, this goal was only partially delivered and not delivered as agreed.

ii. Fully Operationalise Loss and Damage Fund and Agreement with the World Bank

Some progress has been made in advancing the loss and damage agenda, which has moved from initial marginalisation to accepting loss and damage as a third pillar of climate action (in addition to mitigation and adaptation). Steps have also been taken towards financing the facility. Since the Fund for Responding to Loss and damage (FRLD) was agreed, it has garnered about US$700 million in pledges. There is generally slow progress as the fund itself is not expected to make disbursements until 2025 at the earliest. Its scale, scope and operational model are also yet to be determined.

iii. Double Collective Provision of Adaptation Finance by 2025

The COP26 commitment on doubling adaptation finance by 2025 has thus far not been honoured by developed nations, including mobilisation of substantial grant-based resources. The Adaptation Fund (AF) mobilized over US$188 million in new pledges at COP28. However, funds pledged are yet to be fully delivered. Africa currently receives only 20% of all climate adaptation finance flows globally, falling significantly short of the 5 -10 times of additional financial resources required to effectively adapt to the climate crisis. According to the African Development Bank (AfDB), Africa received just US$30 billion per year for climate, while its needs are US$277 billion per year, leaving a huge financing gap. Africa continues to benefit from international climate finance flows primarily in the form of loans, which are in many cases at market rates. The Adaptation Finance Ministerial for Africa has been established to review progress towards scaling adaptation finance across instruments such as the Africa Adaptation Acceleration Program (AAAP), IMF Resilience and Sustainability facility (RSF), the Climate Action Window and the Africa Climate Risk Insurance Facility for Adaptation.

iv. Climate Finance Delivery Through Country Platforms

The global development finance ecosystem is coalescing around country -led approaches to crowd in transition finance. South Africa spearheaded the Just Energy Transition Partnership (JETP) as an innovative, needs-driven and scalable model to deliver climate finance. Since its launch at COP26, the Partnership has been viewed as a prototype for similar deals. The government's transition plan depends on the US$8.5 billion funding deal which is already experiencing implementation delays, due to political tensions and other factors. Most (97%) of the financing package will be delivered as loans (43% commercial and 54% concessional), raising the question of loan structures and debt concerns. Although the pledge was raised to US$11.8 Billion, it is still well below the estimated US$98.7 billion needed to support the country's transition efforts between 2023 and 2027. Building on South Africa's political momentum, a smaller deal (of US$2.7 billion) was made in Senegal which is already proving to be complicated by government plans to exploit newly discovered gas reserves.

v. Enhance Access to Multilateral Climate Funds

The multilateral climate fund (MCF) architecture is not well designed for accessibility, and is characterised with bureaucratic accreditation processes, complex documentation requirements and protracted approval processes. This makes climate finance inaccessible to countries of the global south and especially local communities. Work undertaken by the G20 India Presidency sought to overcome some of these challenges and provided recommendations for the G20 Brazil Presidency for enhancing access to MCFs. Part of the agenda of the SFWG of Brazil's G20 Finance Track is to review the operations of the four biggest funds dedicated to climate—the Green Climate Fund (GCF), AF, Global Environment Facility (GEF), and Climate Investment Fund (CIF)—with the intention of increasing finance and access, and lowering risk perception. In a joint declaration at COP28, the heads of the AF, CIF, GEF and the GCF announced their commitment to develop an ambitious and concrete action plan to enhance access to climate finance.

vi. Scale Use of Debt for Climate and Nature Swaps

Amid growing debt vulnerabilities, there is merit in scaling the use of debt for climate and nature swaps in Africa. To date only a few countries (such as Mozambique, Seychelles and Gabon) have successfully benefited from these innovative tools, but in relatively small amounts. Yet, these instruments are widely used in other regions around the world. A more formal framework for debt swaps, within the multilateral development bank system, is needed.

vii. Ambitious Needs-Based International Climate Finance Goal Agreed

African negotiators have called for the new collective quantified goal (NCQG) to be informed by a needs-based approach, taking into account countries' significant financial needs for climate adaptation and mitigation. Parties have been deliberating the goal, which would help establish a new climate finance target and mechanism. Not much progress was made at the Bonn Climate Change Conference (June, 2024), with a divide between developed and developing nations, particularly relating to the structure of the goal and expanding the contributor base—all in the context of existing donor contributions not being met. The quantum, which is expected to be negotiated and agreed at the 29th Conference of the Parties (COP29) in Azerbaijan, will come into effect in 2025 and replace the US$100 billion per year pledge.

2.3 Development Finance and Aid

i. Allocate 0.7% of GNI Towards ODA

The UN set a target for developed countries to spend 0.7% of their gross national income (GNI) on Official Development Assistance (ODA). While ODA is an important source of external funding for African countries (10% of the continents financial resources), volumes have been trending down and more is needed to offset the shortfalls in ODA. Organisation for Economic Co-operation and Development (OECD) Development Assistance Countries (DAC) donors were US$186 billion off their commitment to spend 0.7% of GNI, investing 0.37% of their GNI in 2022. This includes ODA-eligible climate finance and all development assistance. African countries accounted for 25.6% of aid (US$53.5 billion) in 2022. The share of ODA disbursements from bilateral governments and multilateral donors to the least developed countries/low-income countries grouping fell from 31% (2021) to 24% (2022) due to the increase in support in aid to Ukraine. In 2022, only four DAC donors (Luxembourg, Sweden, Norway and Germany) spent more than 0.7% of their GNI on aid. Donors are gravitating towards no or low-cost solutions that do not require additional contributions.

2.4 Multilateral Development Bank and International Financial Institution Reform

2.4.1 MDB Reforms and World Bank Evolution Roadmap

MDBs committed to comprehensive reforms, and have generally converged around a shared agenda. The World Bank Group (WBG), in particular, came out with a roadmap for its evolution in early 2023, setting out reforms it could pursue to better respond to modern development challenges. This assessment draws on analysis by various organisations who have led initiatives to collectively and individually track progress made on implementing MDB reforms. There are mixed results across the institutions, but most MDBs "have indicated their intention to pursue most of the reform agenda items." Overall, regional banks lead the reforms across institutions, and implementation is lagging for 60% of the reforms. MDBs are also not on track to achieve their broader funding targets (i.e. the 'Triple Agenda') by 2030. Progress on how MDBs are delivering is measured across five categories below, while reforms specific to the IMF and Special Drawing Rights (SDR) are assessed separately.

i. Expanding Mandates Include Global Challenges

There is growing recognition that MDBs have successfully expanded their mandate. Most progress is seen around incorporating global challenges into institutional mandates and integrating them into country diagnostics and strategies. Seven MDBs surveyed by the Center for Global Development (CGD) have or are in the process of implementing this into their mandate. While the expansion of MDB mandates to include global challenges is welcome, it should not come at the expense of a more constrained ability of these institutions to respond to country-specific priorities and demands, particularly in low-income countries.

ii. Expansion in MDB Mobilisation of Private Finance

While there is varying progress across MDBs, on average, 57% of institutions are pursuing reforms to expand mobilisation of private capital. Most progress is seen in the use of 'catalytic risk-sharing projects like first loss guarantees', an instrument all MDBs surveyed use. However, limited progress is seen in other agenda items, such as setting and publishing targets for private finance mobilisation, prioritising local currency finance and increasing the share of early-stage finance for infrastructure. To help mobilise more private capital, MDBs could be encouraged to support efforts to build capacity for project development and implementation.

iii. Maximise Capital Efficiency

There is uneven progress on implementing reforms proposed in the G20 Capital Adequacy Framework (CAF) Review. Less than half of institutions are actively pursuing or have implemented needed actions on capital efficiency, but most (86%) MDBs are "freeing up capital for more lending through donor guarantees."

iv. MDB Capital Increases

Progress on *adding* capital through general capital increases is limited and dependent on shareholders. Most MDBs "have indicated that they do not see a need to expand sustainable lending capacity through capital increases." In some demonstration of their support for MDBs, shareholders collectively committed US$796 billion in callable capital.

v. Transforming Country Engagement

Less than half of institutions are actively pursuing or have implemented needed actions on transforming country engagement to improve efficiency and impact. While there is effort being made towards engaging countries through country platforms (e.g.,), there is minimal progress in areas that are actually key to client country interests, including transaction times and streamlining MDB operational efficiency. Only the WBG has set a target for managing project development and approval times.

2.4.2 IMF and SDR Reforms

vi. Re-channel SDRs through MDBs

The IMF board approved members to channel reserve assets to MDBs for hybrid instruments, overcoming strong opposition, particularly from European central bankers. This amount is capped at SDR 15 billion (approximately US$20 billion). However, as highlighted below, EU member states have maintained their position to only re-channel SDRs through the Poverty Reduction and Growth Trust (PRGT) and Resilience and Sustainability Trust (RST), and not yet through regional development banks like the African Development Bank, as requested by African Ministers.

vii. Deliver on US$100 billion SDR Recycling Commitment to PRGT and RST

There was a general allocation of US$650 billion in SDRs by the IMF in 2021 and most (70%) went to high-income countries. At the Sixth Summit of the EU-AU in 2022, African Heads of State and Government called for ambitious voluntary contributions, by channeling part of the recently allocated SDRs, in order to achieve the total global ambition of at least US$100 billion liquidity support to countries. SDRs are an important financing tool for African countries and delivery on these financial commitments has been slow—despite agreeing on the principle politically. Actual pledges exceeded the US$100 billion commitment, following the US$21 billion U.S allocation (of non-SDR reserves) which passed Congress. However, very little of the promised support is actually disbursed to countries that need it most. Thirteen African countries have thus far received SDR disbursements through the RST.

viii. Review IMF Instruments and Policies

African Ministers have called for IMF surcharges, which are an unnecessary burden on indebted countries, to be suspended or waived for two to three years and for the surcharge regime to be reviewed. This has also been extensively elaborated by Prime Minister Mottley and in the Bridgetown Initiative 3.0. In July 2024, the IMF initiated the process of reviewing its surcharge policy, with a decision expected at the 2024 Annual Meetings. Second, the IMFs 'access limits policy' deserves scrutiny as it allows temporarily higher cumulative access limits under emergency financing facilities. Third, postponing the postponement of the next review of the PRGT interest structure until July 2025 would temporarily help maintain the zero percent interest rates on IMF concessional lending.

ix. Replenish the PRGT/RST and Review RSTs Eligibility Requirements

Africa and climate vulnerable countries in the V20 called for the IMF to reassess the eligibility criteria of the RST. Although the RST has been operational since 2022, evidence shows countries that have taken up the Facility's' programs are not the ones that most urgently need climate finance. According to IMF Directors an expansion of the list of members qualifying for financing under the RST "would not be feasible for quite some time." The interim review of the RST that was completed in July 2024 acknowledges that the requirement restricts the access of small developing states but failed to address eligibility concerns, making it unlikely that the Facility's financing will be extended to additional countries in the medium term. The next review is expected in 2026. On the PRGT - current demand for loans exceeds the resources available. According to the IMF, "the issue of the level of financing needed to attain a level of PRGT lending that meets the demand from eligible countries while ensuring the long-term sustainability of the Trust will be taken up in the ongoing PRGT Review." Some analysis shows without new donor commitments of SDRs, PRGT lending will decrease from 2025 and not meet the needs of low-income countries.

2.4.3 African Priorities on MDB/IFI Reforms

In addition to the broad commitments made by the MDB-IFI ecosystem, African leaders set out specific priorities relating to the reform agenda. In the context of the WBG evolution, the African Caucus called on the Bank "to bolster and scale the response to eradicate extreme poverty, address global challenges, and achieve the SDGs, serving all client countries." Africa further appealed to the BWIs to deliver on priorities that are critical for African countries' debt sustainability and economic transformation.

Table 1 summarises African asks, indicating those already captured under the MDB reform agenda above. The extent to which these priorities have been taken up and integrated into the broader agenda is varied. Overall, where reform items are not part of existing MDB reform commitments, African priorities have not explicitly been taken up by multilateral institutions (refer to Annex for a summary of MDB-IFI reforms vis-à-vis Africa's priorities).

Table 1: Overview of African Priorities on the MDB-IFI Reform Agenda

AFRICA'S SPECIFIC ASK	MDB-IFI REFORM AGENDA
Ensure WBGs commitment to address climate change is underpinned by the development agenda and demonstrates interlinkages between global challenges and delivering on SDGs	
Boost private sector investment and availability of blended finance	
WBG provides additional resources and adopts operating and financial models that consider African countries priorities	
Replenish resources and ensure sustainability of the PRGT and RST	
MDBs increase collaboration with AMFIs	
Scale use of guarantees by increasing access to WBG-provided guarantees	
WBG provides additional funds to the Crisis Response Window Plus (CRW+)	
Operationalise the re-channeling of Special Drawing Rights (SDRs) through AfDB	
US$120 billion replenishment target for IDA21	
Stronger private sector window (PSW)/significant increase of US$2.5 billion envelope	
Ensure G20 CAF implementation does not harden lending terms and impact African countries' debt sustainability	
Lower the cost of financing by ensuring sustainability of PRGT	

Source: African Caucus (Sal Declaration, 2023 and Abuja Declaration, 2024) and AfDB (2023)

i. MDBs Increase Collaboration with African Multilateral Financial Institutions

On the margins of the Marrakech Annual Meetings in 2023, 10 MDB heads, including the AfDB, committed to strengthening their collaboration in five areas: i) scaling financing capacity, ii) boosting joint action on climate, iii) enhancing country-level collaboration, iv) strengthening co-financing, and v) catalysing private sector investment. These efforts have also been re-emphasised in the agenda of the Brazilian presidency, under the G20 International Financial Architecture working group. The G20 will provide regular updates on progress made on MDBs deepening collaboration to work more systematically. Ideally, collaboration efforts should also be extended to other African multilateral financial institutions (AMFIs).

ii. Scale Use of Guarantees by Increasing Access to Official and WBG-Provided Guarantees

Supported by Bank management and the G20 Expert Group, the World Bank announced its intention to overhaul its guarantee business to deliver "simplicity, improved access and faster execution." The WBG acknowledges the importance of these reforms for tripling annual guarantee issuance to US$20 billion by 2030.

iii. WBG Provides Additional Funds to the Crisis Response Window Plus (CRW+)

As part of implementing its evolution roadmap, the WBG has ambitions to "enable at least 50 countries to have enhanced crisis response mechanisms in place by the end of 2024. The replenishment of financing for crisis response is intended to be lunched by the 2024 Annuals. Tanzania recently sought US$100 million from the IDA CRW+ to respond to El-Niño and cyclone Hidaya. The Bank is expected to allocate CRW+ funds and other resources as *additional* financing for the reconstruction of critical infrastructure.

iv. Operationalise the Re-channeling of SDRs through the AfDB

While the IMF approved the use of SDR re-channelling through MDBs, there is limited progress in operationalising the re-channelling through AfDBs hybrid capital model. The AfDB (and Inter-American Development Bank) hope to have enough commitments, by the Bank-Fund annual meetings in October 2024, from countries to operationalise its proposals in 2025. However, EU member states have maintained their position that they can only re-channel SDRs to IMF based trusts (the PRGT and RST).

v. US$120 billion target for IDA21 Replenishment

The International Development Association (IDA) resources are of critical importance for the 39 African states that rely on its financing. Nineteen African heads of state rallied for a US$120 billion replenishment at the IDA for Africa Heads of State Summit. Major donors and World Bank management appear to be coalescing around an IDA21 benchmark of US$105 billion, which in real terms would represent a marginal replenishment from the IDA20 total of US$93 billion. While the final pledging and replenishment meeting is due to conclude in December 2024, increasing pressure on ODA may significantly impact donor's commitments to IDA21. Donor countries, such as the U.K, Germany and Italy are already facing cuts in ODA budgets.

vi. Stronger Private Sector Window

The call for a stronger Private Sector Window (PSW) at the World Bank is currently a key issue being raised during IDA21 negotiations, with African borrowers' representatives asking for the US$2.5 billion envelope to be significantly increased.

vii. Ensure G20 CAF Implementation Does Not Harden Lending Terms and Impact Debt Sustainability

The G20 CAF measures are still under consideration and far from being fully implemented, and its outcomes and potential impact on lending terms and debt is yet to be seen. Thus far, this is no explicit commitment to ensuring that CAF review process does not have negative consequences on African countries.

viii. Lower the Cost of financing

Similar to proposed policies outlined in the Bridgetown Agenda, African leaders continue to flag the current unbalanced financial architecture which make the cost of capital expensive for Africa compared to the rest of the World. Africa has called on IFIs to lower the cost of of borrowing, noting the serious ramifications for debt sustainability. Reducing the cost of capital is multifaceted (e.g., linked to debt architecture reforms, IMF lending policies and others), and minimal progress has been seen in this area. The cost of capital in African countries has been found to be 5% or higher than in other regions—pricing some African governments out of bond markets and impeding investments in transformational sectors where large upfront capital expenditure is required, such as renewable energy. In 2021, the weighted average cost of capital (WACC) for energy projects was about seven times higher in Africa than in Europe and North America.

2.5 Global Debt Architecture

i. Extend Disaster and Debt Suspension Clauses

African Ministers urged creditors to include debt suspension clauses in debt instruments and restructured debt. Five MDBs have committed to introducing debt service suspension clauses over the 2024-2025 period. This includes the AfDB, World Bank, and EBRD. The World Bank's Climate-Resilient Debt Clause (CRDC) will be extended to existing and new loans in eligible countries, and will include a pause on both principal and interest payments. The WBG's CRDC is only eligible to island states, but other creditors are increasingly agreeing to the use of debt pauses in the event of climate disasters. Debt suspension clauses for extreme weather events are also on the agenda of Brazil's G20 Finance Track.

ii. Review of IMF-World Bank Debt Sustainability Analysis Framework

African Ministers of Finance, Planning and Economic Development continue to call for the IMF to comprehensively review its Debt Sustainability Analysis (DSA) framework to be more inclusive of African priorities and needs, take into account the need to invest for sustainability, and prioritise solvency. The establishment of the Global Expert Review on Debt, Nature and Climate, co-chaired by Kenya, Colombia and France, signals movement on conducting comprehensive assessments on the intersection of debt sustainability and climate. The IMF is also reviewing the DSA for low-income countries to account for climate considerations.

iii. Address Subjectivities of International Credit Rating Agencies

African countries have a collective interest in tackling high borrowing costs on international markets, which deepen sovereign debt burdens. To address this, it is important to address risk perception and lender biases created by international credit rating agencies (CRAs). While there is ongoing dialogue between CRAs and MDBs on credit rating criteria, the concerns around bias and arbitrariness of their assessments remain. Companies in Africa pay a higher risk premium, even compared to countries with similar credit ratings. Risk premiums cost the continent in the form of high interest rates and debt repayments. A UNDP analysis, in 2023, shows that African countries could save up to US$74.5 billion if credit ratings were based on less subjective assessments. In February 2024, African Heads of State and Government requested that the AU accelerates the establishment of the African Credit Rating Agency (ACRA) to provide more balanced and realistic risk assessments.

iv. Reform Debt Resolution and Regulatory Framework by Improving G20 Common Framework

One of the official positions of African Ministers of Finance is to reform the G20 Common Framework for Debt Treatment in a manner that enables all debt distressed and climate vulnerable developing economies to obtain the necessary debt relief in a predictable, efficient and timely manner. Improving the fiscal health of indebted countries is also top of the AUs G20 priorities. The shortcomings of the Common Framework are evidenced by Zambia's debt restructuring process, which lasted years and had significant socioeconomic repercussions. There is recognition that the Common Framework is not working, however, no significant progress on reforms or alternative debt resolution frameworks have been introduced or implemented. This is also affected by changes to the composition of African creditors, which includes a considerable private creditor base. The establishment of a borrower clubs could be considered as an alternative model to the G20 Common Framework.

2.6 International Cooperation

i. Ensure Inclusive and More Effective International Tax Cooperation Through the UN

Despite pushback from wealthy nations, plans are underway for a legally binding UN tax convention. In August 2024, after three weeks of negotiations, an Ad Hoc Committee of the UN General Assembly (UNGA) agreed on the Terms of Reference for the UN Framework Convention on International Tax Cooperation (UNFCITC). The outcome is a culmination of Africa's decade-long quest to tackle illicit financial flows (IFFs) and the efforts of the Africa Group, led by Nigeria, spearheading this process since 2022. This milestone in tax governance could combat tax leakages, and is critical for mobilising domestic resources for investing in SDGs. The UNFCITC is expected to be adopted and ratified by member states by the end of 2027.

ii. Global Standards for International Climate Taxes

A new Taskforce on International Taxation was launched at COP28 to scale climate finance and discussions are ongoing on how to design a set of levies, including on aviation, maritime shipping, financial transactions, and windfall taxes on fossil fuel companies and a global carbon tax regime. By UNGA 2024, the taskforce was expected to identify the levy options to take forward based on the result of impact studies carried out on tax options. The new taxes are set to be agreed and implemented through joint declarations at COP30. For the African continent, the socio-economic impact of these taxes needs to be thoroughly assessed and considered, including how revenue distributions mechanisms will be applied, in the case of the shipping levy, for example. The expectation is that evidence generated from various analytical pieces will provide the basis for Africa's engagement and its position on the proposed global taxes.

2.7 Climate-related Trade Measures

i. Avoid and Address Discriminatory Unilateral Response Measures to Combat Climate Action

Indirect measures that can have an influence on macro-economic indicators and revenue have also been flagged by African countries due to their impact on countries' finance landscape. The COP28's Global Stock Take (GST) text calls on Parties to ensure "measures taken to combat climate change, including unilateral ones, should not constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on international trade." As BRICS Members and the G20 New Delhi Leaders' Declaration have reiterated, the fragmented multilateral trading system and "green" protectionist measures may potentially prevent the achievement of the UN SDGs and UNFCCC commitments relating to the development of low carbon industries and clean technologies. The Carbon Border Adjustment Mechanism (CBAM) was introduced in October 2023 with a transitional phase up to January 2027—and evidence suggests it could have a significant impact on the export base in key African industries. The EU Deforestation Regulation (EUDR) (coming into effect in December 2024) intended to prevent the entry of commodities (key economic drivers to many African economies) contributing to deforestation into EU markets, also poses risks to African farmers and economies. These unilateral trade measures are not compatible with World Trade Organisation (WTO) rules and the principle of Common but Differentiated Responsibilities and Respective Capabilities (CBDR-RC) as agreed within the UNFCCC.

2.8 Transparency and Accountability

i. Clear Parameters and Reporting Mechanisms for the NCQG

The AGN's submission on the elements of the NCQG calls for its transparency regime to ensure accountability and transparency of accounting and reporting progress on delivery of the goal. The submission notes the difficulties with standardising accounting methodologies and proposes the following principles to be applied: i) finance provided at market rate loans and export credits shall not be counted in the aggregate of what counts as climate finance, ii) accounting of concessional finance shall consider grant-equivalence, iii) climate specificity shall be considered in provision of information, iv) public policy and finance leveraging shall be accounted for in mobilization of additional climate finance, and v) climate finance shall be additional to development finance. COP29 will be a key moment to gauge appetite for engaging on this agenda.

ii. Enhance Transparency on 'New and Additional' Finance

In its submission to the UNFCCC Standing Committee on Finance (2019), the African Group, along with other Parties, refer to the importance of 'new and additional' climate finance, as accorded in the principles of the UNFCCC and its Paris Agreement. They particularly propose transparency on claims that climate finance is separate from or in addition to existing pledges and flows, and notably ODA commitments. Lessons from the US$100 billion demonstrate that there is still no clear distinction between climate finance, development finance through MDB channels and development aid that is classified as climate finance. Despite no agreed definition or methodology of what is considered 'new and additional,' current discussions within the UNFCCC recognise the need for greater clarity and approaches for understanding additionality.

CONCLUSION Preliminary Recommendations

The current global financial architecture is not fit for delivery and inadequate for Africa's transformation and development needs. While the continent is exercising its agency and asserting its voice at different levels to push progress on the reform agenda, there is a long way to implementation on most of the agenda. Finance is crucial for enabling delivery and implementation, and public finance is especially central, especially given the continent's challenges in mobilising private finance. However, to deliver a system that works for Africa, a careful balance must be maintained between addressing Africa's significant financial needs (the *quantum*) vis-à-vis the *quality* of finance being delivered (including its form and channels). This includes assessing the effectiveness of undelivered ODA funds—which are increasingly provided through concessional loans—and shifting towards more structural solutions. The reform of the GFA must be calibrated to support Africa scale finance in the form of grants and concessional loans. Looking ahead, ongoing negotiations provide an opportunity to articulate the African continent's position, and its desired outcomes from the reform agenda. There are also a series of key delivery moments where progress on reforms can be made or even implemented. This will require continued political pressure on global financial leaders, targeted advocacy efforts and evidence generation. Based on this assessment, we identify key elements of focus, for Africa's engagement on the GFA reforms:

Prioritise policies that address high borrowing costs to shift Africa's financial landscape

While Africa is "committed to accelerate the establishment of its own financial institutions to address existing challenges" relating to debt burdens and excessive debt servicing costs, much support is needed at the international level, to not only address the debt challenge faced by some countries today but avoid a new cycle in future. Liquidity support mechanisms should be developed for solvent countries, to avoid translating liquidity crises into solvency crises. Beyond the need to tackle the current liquidity crunch that feed debt challenges, it is important to deal with debt structurally. This includes addressing a suite of impediments, including biases against African sovereigns, debt resolution frameworks, transparent debt sustainability and credit rating mechanisms, access to concessional and grant resources, and IFI lending policies. Moreover, the current agenda and approach to "ESG" policies remains fragmented and does not account for increases in the cost of capital.

Make principles for transparency and accountability central to ensure additionality of resources

In the context of setting the new climate finance goal for the post-2025 period, there is still a window of opportunity to apply the lessons learnt from the US$100 billion goal. Without effective and enforceable transparency and accountability mechanisms climate finance reporting and its delivery will remain ambiguous. Tracking actual disbursements against commitments and pledges is also an important feature of rebuilding trust, and ensuring providers of finance and donors deliver on agreed commitments and responsibilities. This should include ensuring that financing provided at market rate loans is not counted as climate finance.

Elevate evidence-based policies on trade-climate measures and global climate taxes

A more equitable international financial architecture should protect domestic policy space and not depart from the principle of CBDR-RC, which could have disproportionate impacts on developing countries and livelihoods.

This includes climate-labelled unilateral measures, notably in trade policy, which implicitly penalise countries that are least responsible for the historical damage on the environment. As the interplay between trade and climate policy comes into sharp focus, the trading system should facilitate Africa's integration into the new global economy, and its pursuit of green industrialisation. Similarly, ongoing dialogue on the introduction of international levies, as a new source of finance, needs to adhere to the 'do no harm' principle and be informed by evidence of the potential impact of 'green policies' on African economies.

Align on international tax cooperation to enhance Africa's mobilisation of domestic resources

Beyond resources provided by the international system, public finance can be increased domestically should there be effective international action on the African-led agenda to tackle IFFs. The United Nations-Secretary General and tax agenda of the Africa Group has led to much-needed progress on addressing tax loopholes, and has provided the path and scope of the UNFCITC. This leadership should me sustained.

Leverage equitable partnerships with Eastern actors and institutions

While the focus on the reforms of the IFIs has largely been associated with traditional western-led institutions, financing is provided through multiple partnerships. There are opportunities in the eastern/BRICS-led financial institutions, which have gained new momentum in recent years, but African countries would need to avoid similar pitfalls experienced with traditional economic and financial partners. Over the last decade, Africa's debt stock has increasingly comprised of private creditors (more than 43%), and eastern lenders (including China—which is Africa's largest bilateral lender). Ultimately, where the region accesses financing is insignificant, provided it does not cause a disproportionate burden on African countries.

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5 APPENDIX Summary of Progress on GFA Reforms

THEMATIC/ POLICY AREA	COMMITMENT OR PROPOSED REFORM	STATUS
Governance	Convergence of a shared reform agenda	Implemented
Governance	AU's permanent seat in the G20	Implemented
Governance	Third Chair for Africa on IMFs Executive Board	Implemented
Debt architecture	Extend disaster and debt suspension clauses	Significant progress
International cooperation	Inclusive international tax cooperation through the UN	Significant progress
Climate finance	Delivery of US$100 billion climate finance goal	Mixed progress
Climate finance	Fully operationalise Fund for Responding to Loss and Damage	Mixed progress
Climate finance	Double collective provision of adaptation finance by 2025	Mixed progress
Climate finance	Climate finance delivery through country platforms	Mixed progress
Climate finance	Enhance access to multilateral climate funds	Mixed progress
Climate finance	Scale debt for climate and nature swaps	Mixed progress
Development finance & aid	Allocate 0.7% of GNI towards ODA	Mixed progress
International cooperation	Global standards for international climate taxes	Mixed progress
Debt architecture	Review of IMF-World Bank debt sustainability analysis framework	Mixed progress
Debt architecture	Address subjectivities of international credit rating agencies	No progress
Debt architecture	Overhaul the G20 Common Framework	No progress
Governance	IMF quota system reform	No progress
Governance	Recognition of V20 Ministers of Finance in the IMF	No progress
Climate finance	Ambitious needs-based new collective quantified goal agreed	No progress
Climate-related trade measures	Avoid and address discriminatory unilateral response measures	No progress
Transparency & accountability	Clear parameters and reporting mechanisms included in the NCQG	No progress
Transparency & accountability	Enhance transparency on 'new and additional' finance	No progress
Broader MDB-IFI Reform		
MDB reform	Expanding mandates to include global challenges	Implemented
IMF & SDR reform	Re-channel special drawing rights through MDBs	Implemented
IMF & SDR reform	Review IMF instruments and policies	Mixed progress
MDB reform	Expansion in MDB mobilisation of private finance	Mixed progress
MDB reform	Maximise capital efficiency	Mixed progress
MDB reform	MDB capital increases	Mixed progress
MDB reform	Transforming country engagement	Mixed progress
IMF & SDR reform	Deliver US$100 billion SDR recycling commitment to PRGT & RST	No progress
IMF & SDR reform	Replenish PRGT/RST and reconsider RSTs eligibility requirements	No progress
African Priorities on MDB-IFI Reform		
MDB reform	WBG mission underpinned by development agenda/SDGs & GPGs	Implemented
MDB reform	MDBs increase collaboration with AMFIs	Mixed progress
MDB reform	WBG operating and financial models consider African priorities	Mixed progress
MDB reform	Boost private sector investment and availability of blended finance	Mixed progress
MDB reform	Scale use and access of official and WBG-provided guarantees	Mixed progress
MDB reform	WBG provides additional funds to the CRW+	Mixed progress
IMF & SDR reform	Re-channel SDRs through the AfDB	No progress
MDB reform	US$120 billion replenishment target for IDA21	No progress
MDB reform	Stronger private sector window at the World Bank	No progress
MDB reform	Ensure G20 CAF implementation does not harden lending terms	No progress
IMF & SDR reform	Lower the cost of financing	No progress
IMF & SDR reform	Replenish resources and ensure sustainability of PRGT and RST	No progress

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