Mo Ibrahim Foundation

2024 Ibrahim Forum Report

Financing Africa: Where is the money?

Key findings

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June 2024

Chapter 01.
Setting the scene: assessing the needs

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External resources: better money, rather than just more money

Chapter 03.
Domestic resources: unlocking Africa's own financial resources

Chapter 01.

Setting the scene: assessing the needs

Assessing Africa's development and climate financial needs

- A difficult task, given the multiple, highly variable, and constantly updated figures provided by various sources.

- One shared conclusion at least: goals are far from achieved, financial needs are staggering.

Development: in Africa, development agendas are far from being achieved

UN's Sustainable Development Goals

Nearly two thirds of the way to the UN's SDGs deadline of 2030, **only 2 out of the 17 SDGs show significant progress in Africa.**

Worst performing indicators

Goal 2: Zero Hunger

Goal 3: Good Health and Well-being

50 out of 54 countries are classified as **"facing major challenges"**, and the remaining 4 countries as **"facing significant challenges"**

AU's Agenda 2063

At the end of the First Ten-Year Implementation Plan (FTYIP) 2014-2023 of the AU's Agenda 2063, the **average level of implementation of all 20 goals was 55%.**

Worst performing indicators

12. Capable institutions and transformed leadership
4. Transformed economies
1. A high standard of living, quality of life and wellbeing for all citizens

Only **5 countries** achieved 60% or more of the first TYIP goals: Rwanda (64%), Ethiopia (63%), Senegal (63%), Zimbabwe (61%), Togo (60%)

Development: trillions needed by 2030

Though highly variable, all figures point to substantial financial needs.

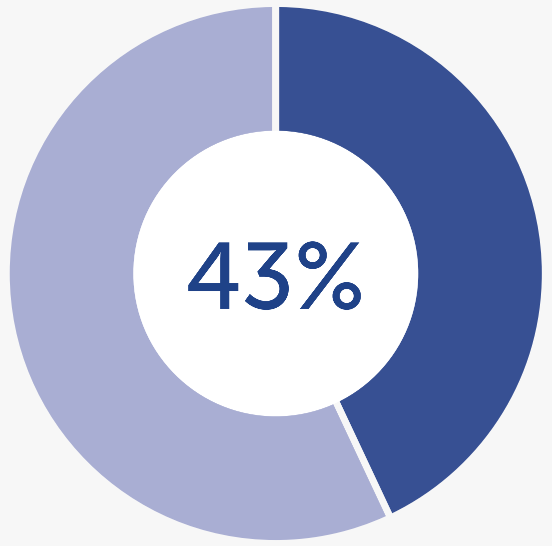
Africa: SDGs gross financial needs and net gaps & GDP ($ billion) (latest year available)

Estimated annual SDG financing needs

$870 billion - $1.3 trillion

Share of Africa's GDP (3.0 trillion)

$1.3 tn =

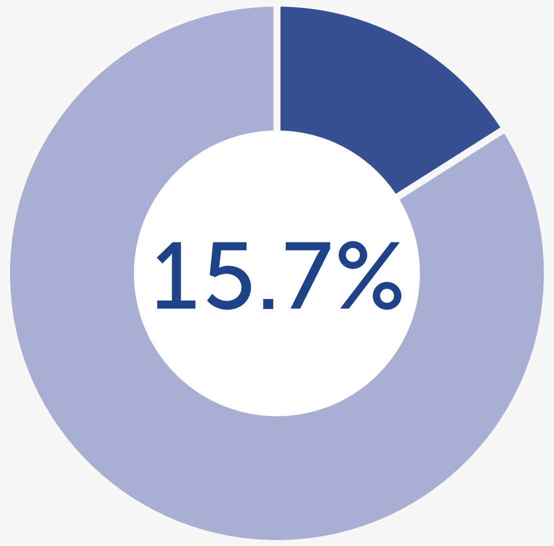


Estimated annual SDG financing gap

$194 billion - $470 billion

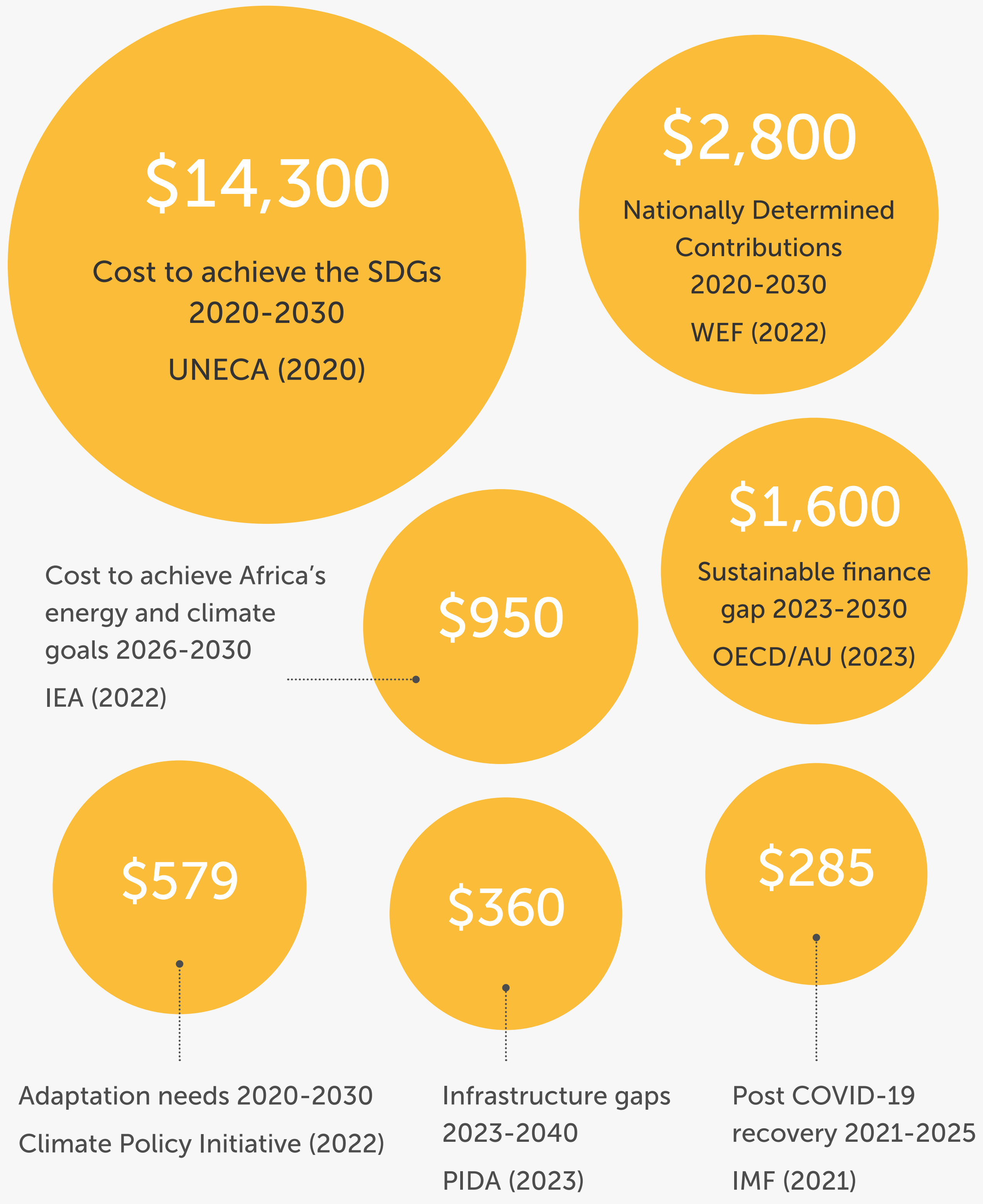
Share of Africa's GDP (3.0 trillion)

$470 bn =



Source: MIF based on AU-OECD, IMF & UNECA

Africa: multiple estimated financial needs and gaps from various sources (2020-2040) ($ billion)



Source: MIF based on AUDA-NEPAD, UNECA, WEF, OECD, Climate Policy Initiative, PIDA, IMF, IEA & AfDB

Climate: first, a loss of continental GDP of up to $50 billion annually

According to the AfDB (2022), Africa loses **between $7 billion and $15 billion** annually due to climate change, to around **$50 billion** per year by 2030.

According to the OECD (2023), the combined macroeconomic effects of climate change could **lower the continent's GDP by up to 3% by 2050**. According to the UNEP, the loss in GDP could reach as high as **15%** per year.

In addition, the WMO predicts that African countries' annual food bill will **triple** from **$35 billion** to **$110 billion** by 2025, in part due to the worsening effects of climate change.

7 of the 10 most climate-vulnerable countries globally are in **Africa**

Climate: though a priority for Africa, adaptation is largely outweighed by mitigation

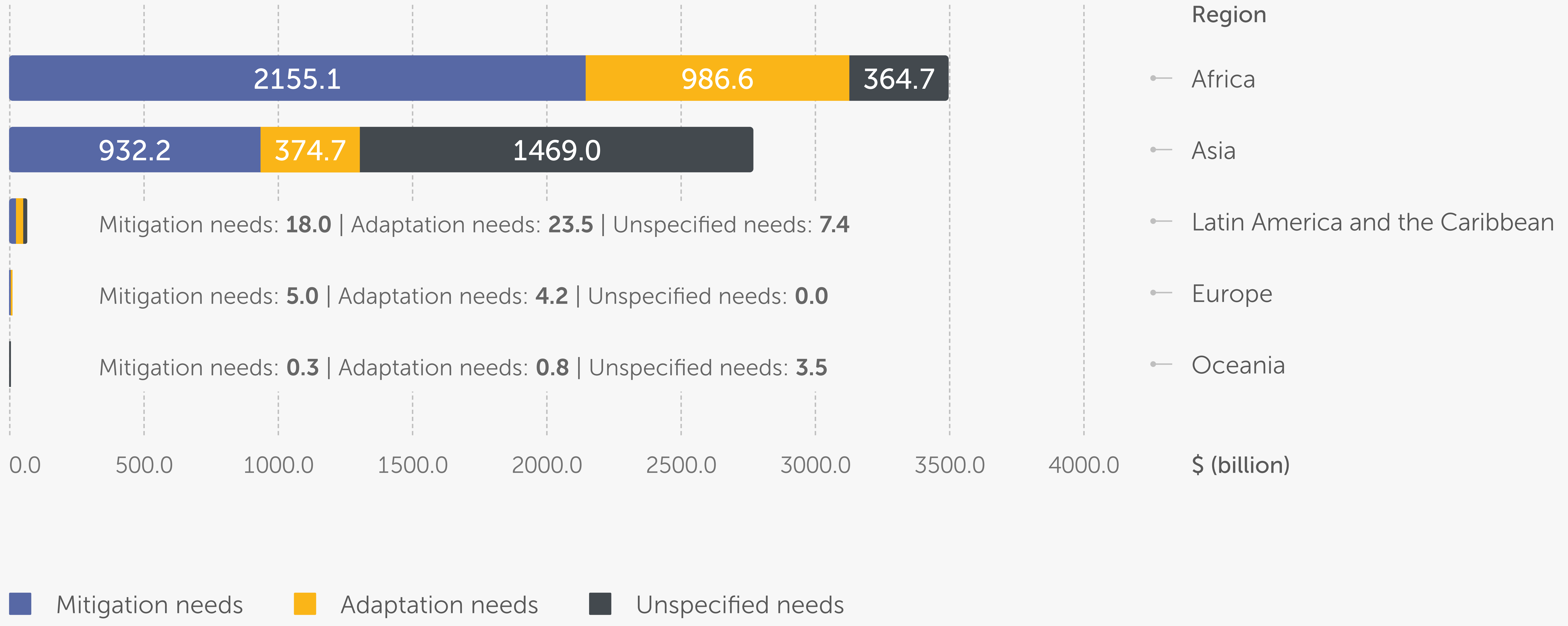
In Africa, adaptation should get the lion's share of climate finance.

- Because of the Paris Agreement's focus on reducing emissions globally, NDCs mostly target mitigation, even though this is not a short-term priority in the specific context of Africa, a net-carbon-sinking continent.
- According to CPI, adaptation needs for sub-Saharan Africa are estimated at $579 billion between 2020 and 2030.

Largely underestimated, Africa's adaptation priority is not reflected in NDCs financial needs

Climate: between 2020-2030, Africa needs $2.8 trillion to fulfil its NDCs

World regions: mitigation and adaptation financial needs as expressed in NDCs (2022)



Source: MIF based on Institute for Global Environmental Strategies (IGES)

The annual cost for adaptation needs in Africa could be 100% higher than NDCs estimates, reaching as high as $106 billion per year

Africa's estimated financial needs are far from being met

At $829.7 billion in 2022, resources to achieve SDGs in Africa are lower than estimated needs

The annual cost of achieving SDGs/Agenda 2063 in Africa is estimated between $1.3 trillion and $1.9 trillion

In 2022, Africa's four main sources of finance amount to $829.7 billion

At $29.5 billion a year on average, climate finance for Africa covers less than 11% of needs, estimated at $277 billion per year

As of 2022, 25 different climate funds provide $8.8 billion for climate action in sub-Saharan Africa

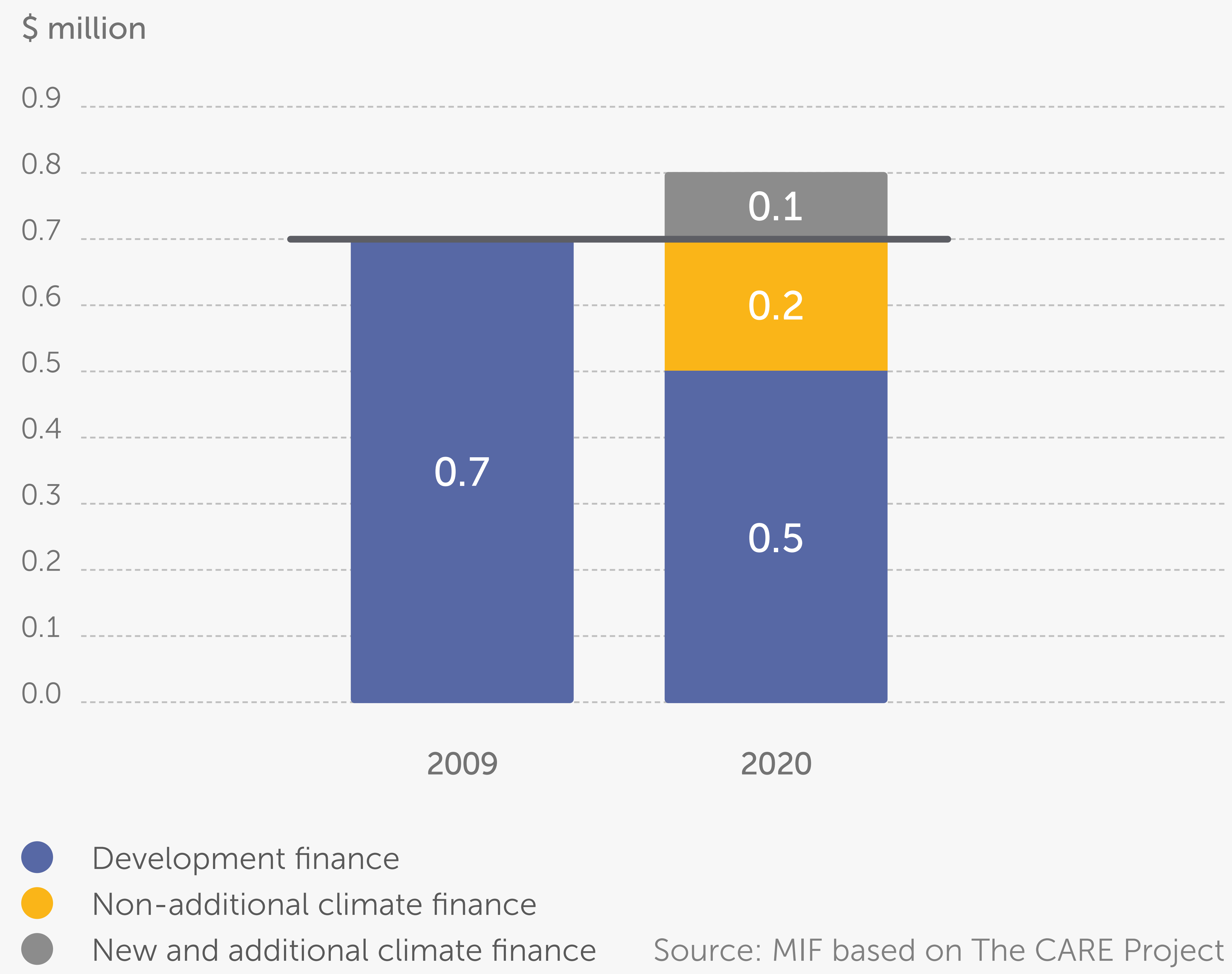
Only 49% of the climate finance committed by bilateral providers between 2013 and 2021 was reported as disbursed or was meaningfully related to climate

Africa still has a long way to go, with 4 priority areas:

1. Economic transformation
2. Capacities of governments and financial institutions
3. Climate change preparedness
4. Living standards

A specific concern unique to Africa: financing climate goals cannot come at the expense of development goals

World: development & climate finance (2009 & 2020)



Source: MIF based on The CARE Project

According to the UNFCCC, only 7% of the climate finance provided from 2011 to 2020 is found to be "new and additional" to existing ODA commitments

No country should have to choose between fighting poverty and fighting for the planet.

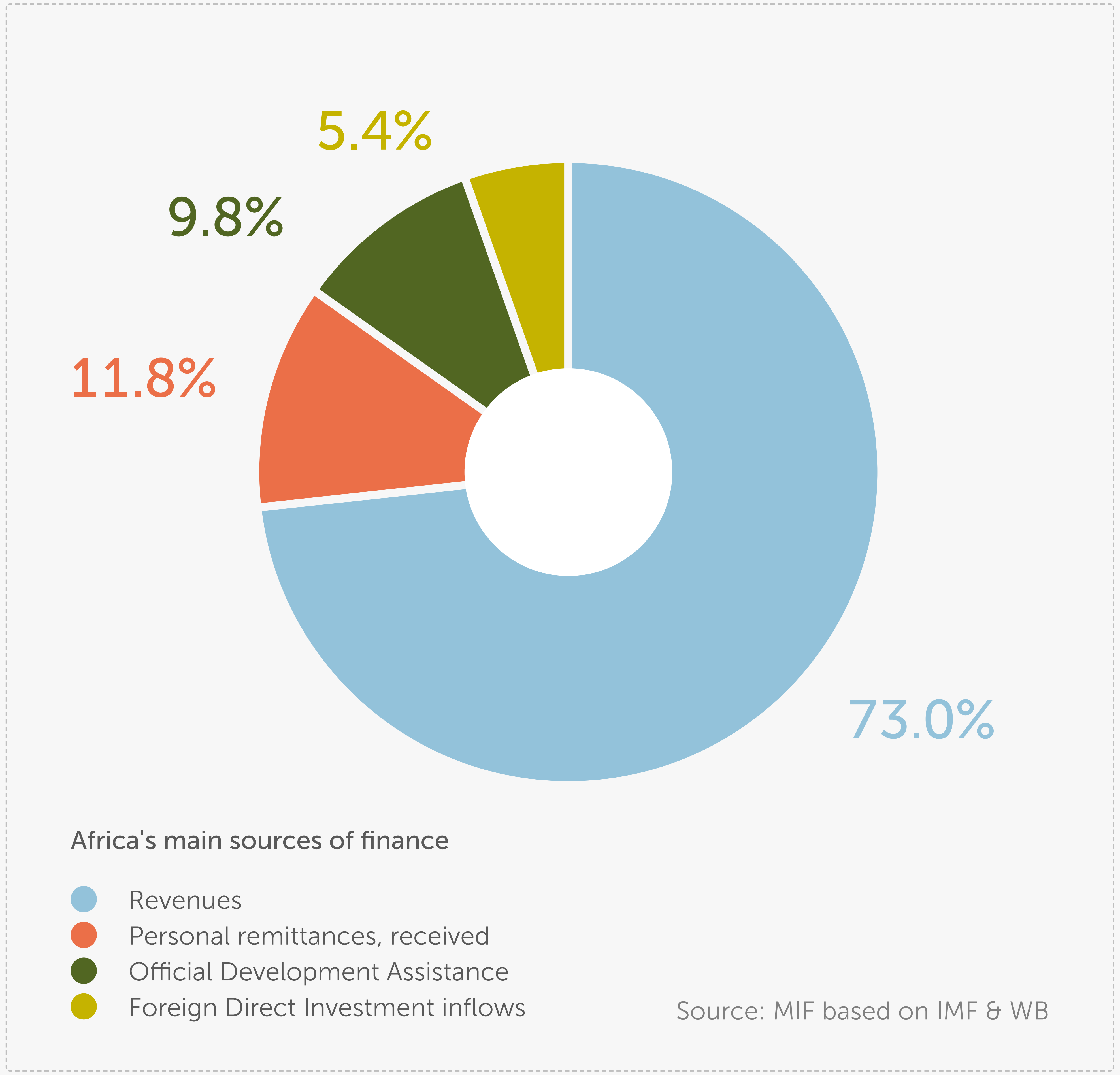
The Paris Pact for People and the Planet (4P), June 2023

Chapter 02.

External resources: better money, rather than just more money

ODA to Africa: almost 10% of the continent's total financial resources

Africa: main sources of finance (2022)



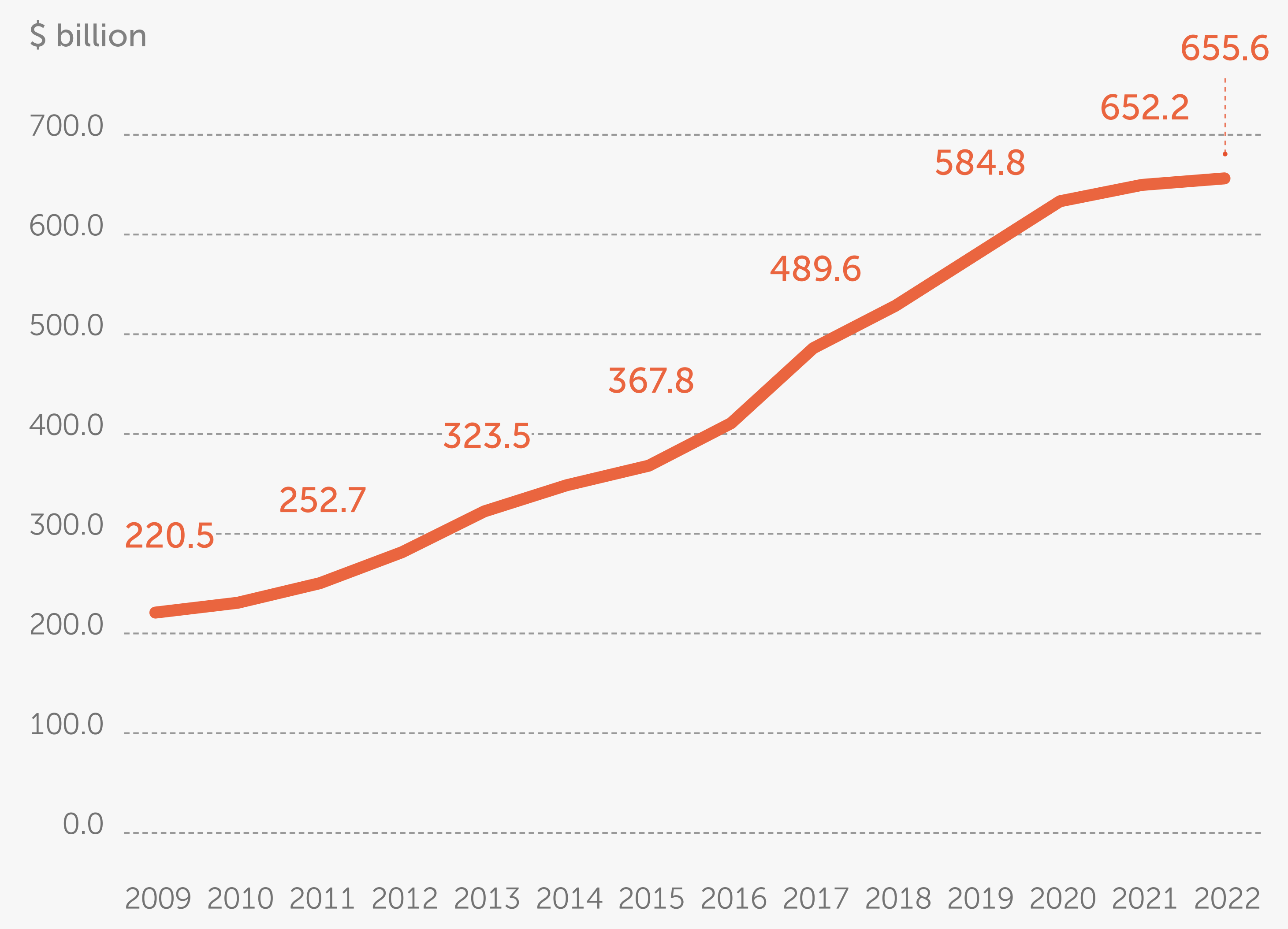
- **Africa's share of global ODA** dropped from 36.0% in 2021 to 28.3% in 2022, while Europe has been the only world region registering an increase in ODA (Ukraine impact)
- **DAC countries and multilaterals** remain primary donors, with the World Bank ($17.1 billion) and the US ($12.4 billion) leading the way
- **Non-DAC countries** steadily increase support to Africa: Saudi Arabia is among the 10 largest donors ($5.5 billion)
- **37.1 %** of ODA **from non-DAC** countries goes to Africa, compared to only **20.8% from DAC** countries
- **Health** and **education** remain the main priorities of ODA to Africa from official donors
- **Ten countries** - Egypt, Ethiopia, Nigeria, DR Congo, Kenya, Tanzania, Mozambique, Morocco, Uganda, and Niger - **receive nearly half of Africa's total ODA (46.4%)**
- **São Tomé and Príncipe, Cabo Verde** and **Djibouti** are the largest recipients of ODA per capita in Africa

Africa’s public debt: a growing challenge

Public debt stock: tripled since 2009

Africa’s total external public debt has almost tripled since 2009, rising from $220 billion to $655 billion in 2022. This is the highest public debt stock Africa has had in over a decade.

Africa: total external public debt (2009-2022)



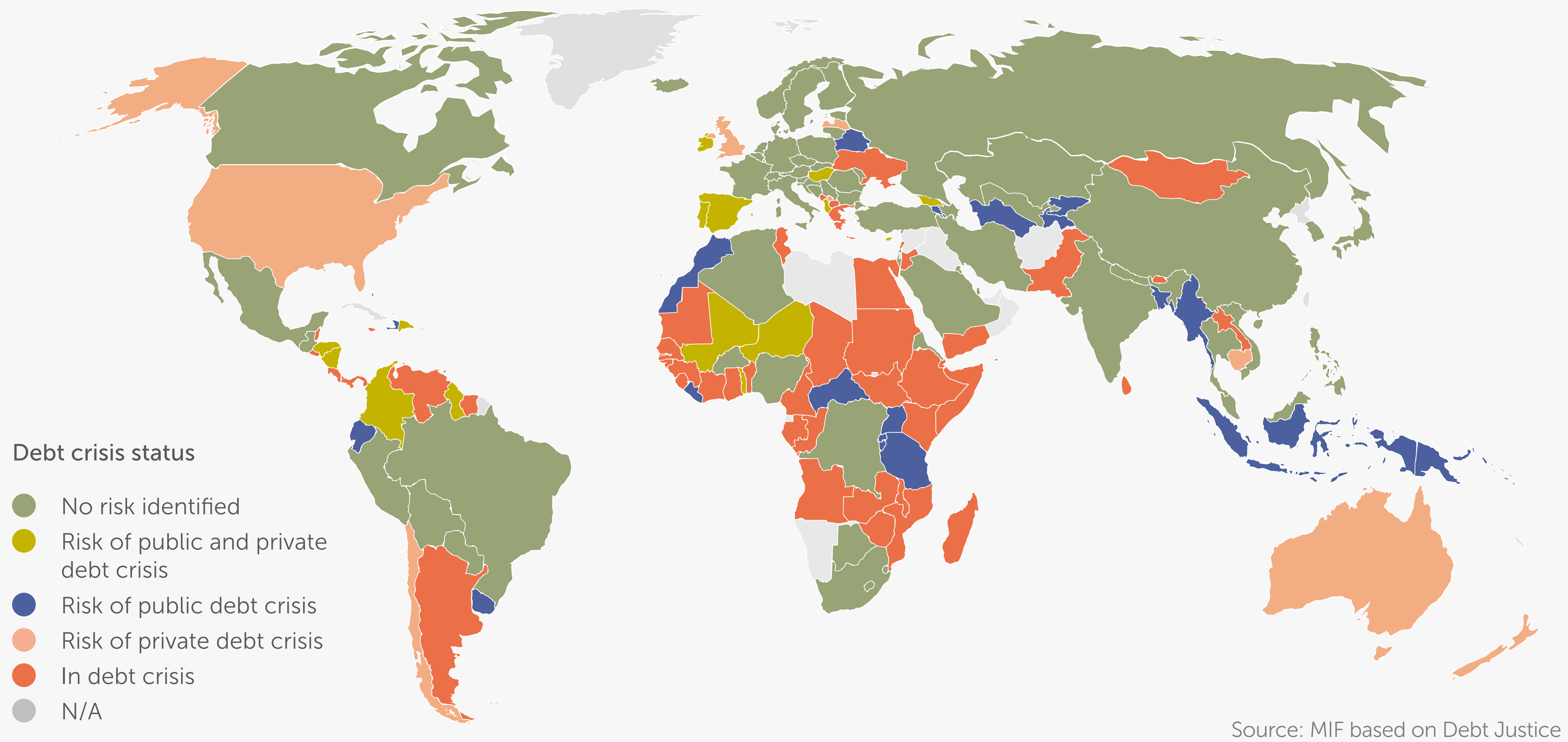
Source: MIF based on ONE

Africa has the most countries in debt crisis

50 out of 52 African countries have a lower debt-to-GDP ratio than the United States.

Neither total debt stock nor debt-to-GDP ratio solely determine a country’s extent of debt distress: according to Debt Justice, which includes criteria such as debt structure and debt payments in relation to revenue and exports, 28 African countries were “in debt crisis” in 2022.

World countries: debt crisis status (2022)



Source: MIF based on Debt Justice

Debt servicing: Africa has the highest cost globally

15 out of 20 countries globally with the highest external public debt servicing cost as a share of total revenue are African (2024)

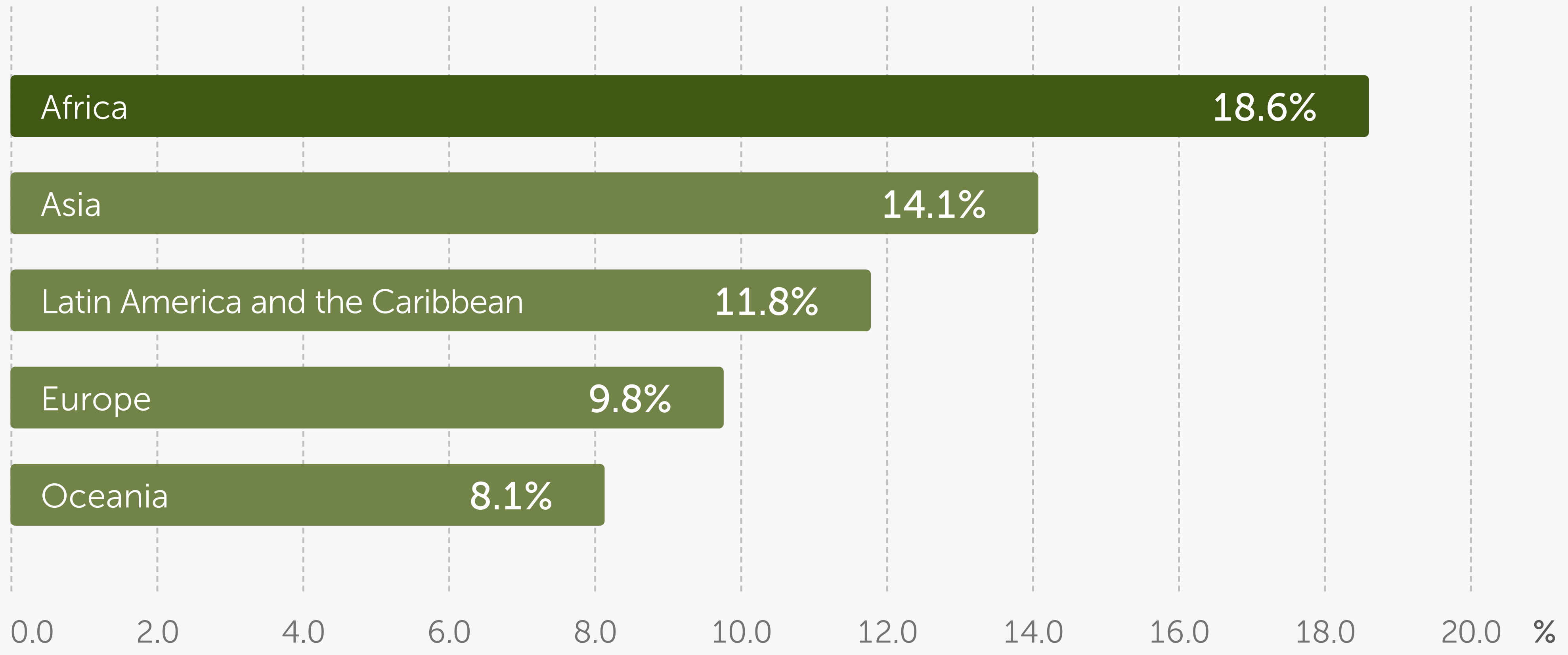
In 2021, Africa's yearly external public debt servicing cost amounted to almost 15% of the continent's total revenue, five times that of Asia

25 African countries spent more public resources on external public debt servicing than on health (2019-2021)

Angola's external public debt servicing cost represents 72.1% of its expenditure

Africa is the world region with the highest external public debt servicing cost relative to total revenue

World regions: external public debt servicing cost as a share of total revenue (2024)



Source: MIF based on IMF & World Bank

Debt structure: its increasing complexity hinders existing relief options

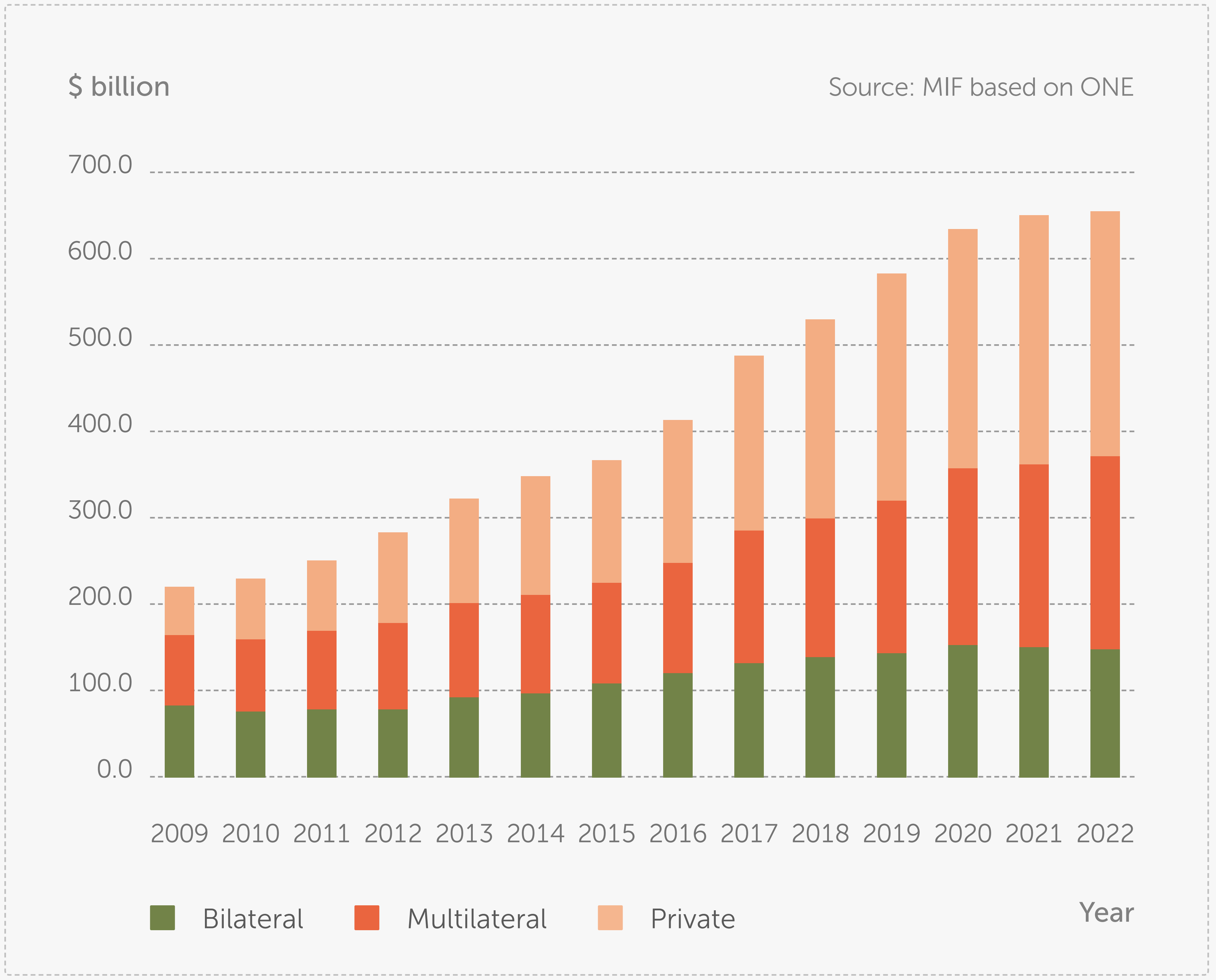
In 2022, 43.1% of Africa's external public debt was owned by private creditors, as opposed to 24.8% in 2009

Bondholders own 2/3 of Africa's external public debt held by private creditors

China owns over 42% of Africa's external public debt held by bilateral creditors

The World Bank's IDA owns over 40% of Africa's external public debt held by multilateral creditors

Africa: total external public debt owed by creditor type (2009-2022)



Among key challenges: borrowing costs, punishing conditions and surcharges, and defaults on donors' commitments

FDI to Africa: only 3.3% of global FDI, just over 5% of Africa’s financial resources

Africa has the lowest FDI of developing regions, making up only 3.3% of global FDI

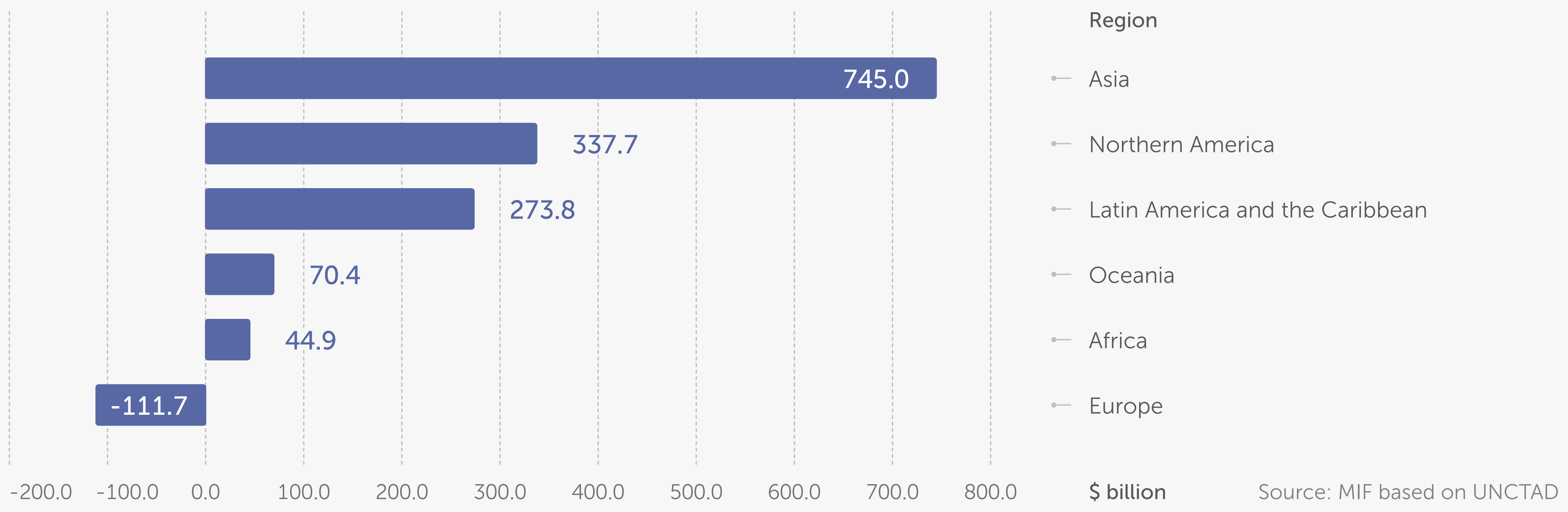
FDI to developing countries fell by 9% in 2023

FDI to Africa has almost halved between 2021 & 2022

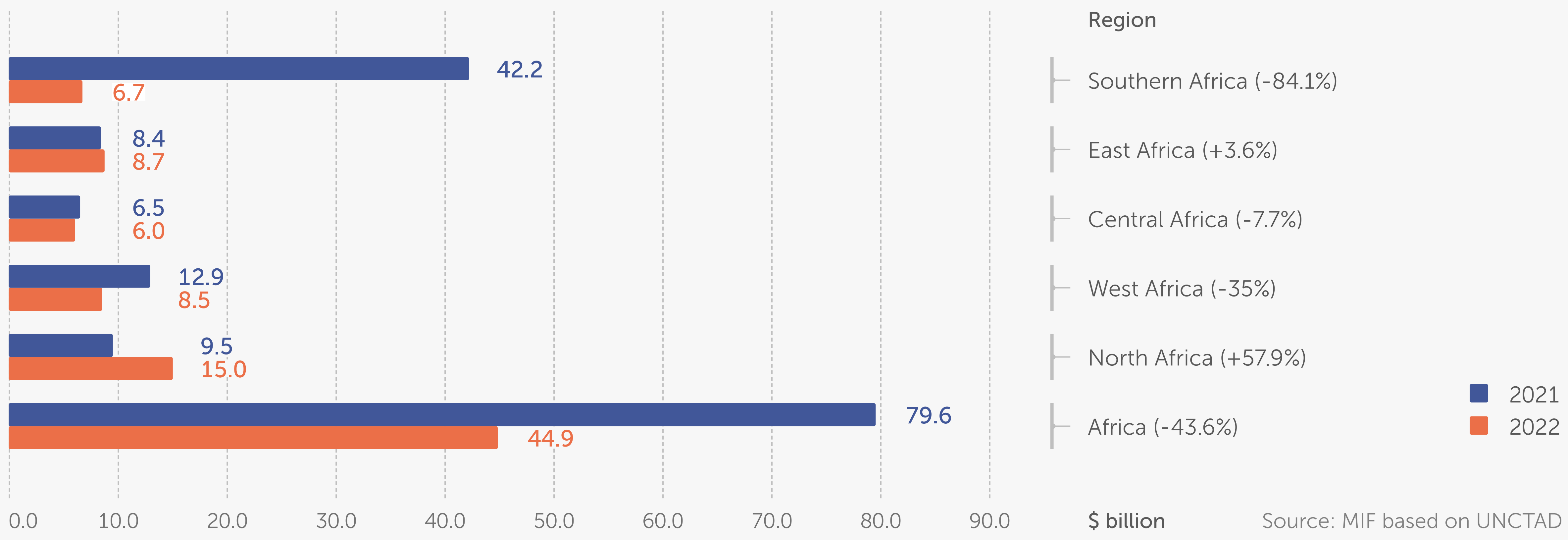
FDI to Africa remains mainly concentrated in the extractives and energy industries

African Stock Exchanges: only 2% of the global stock market capitalisation

World regions: total inward flow of FDI (2022)

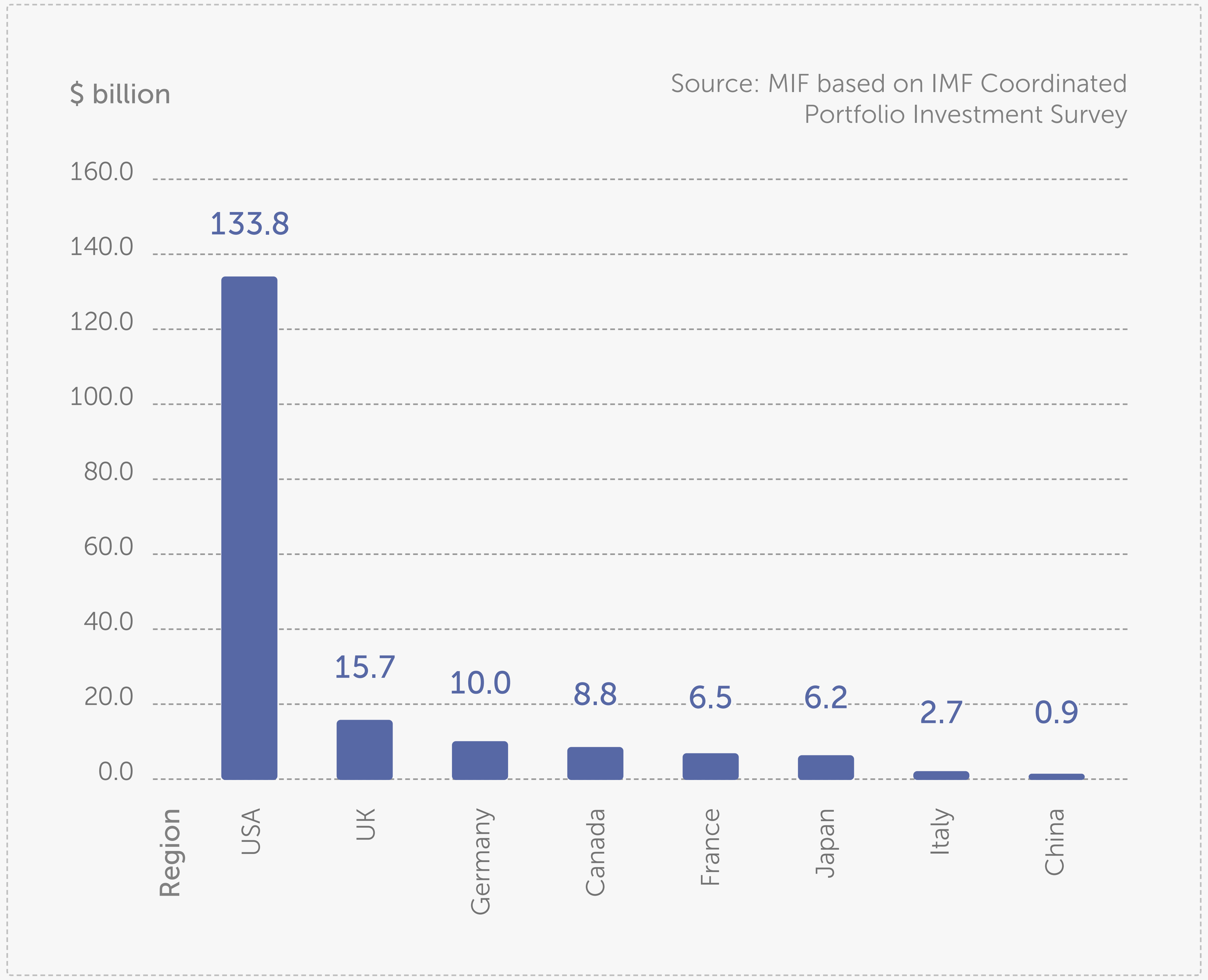


African regions: total FDI received ($ billion)

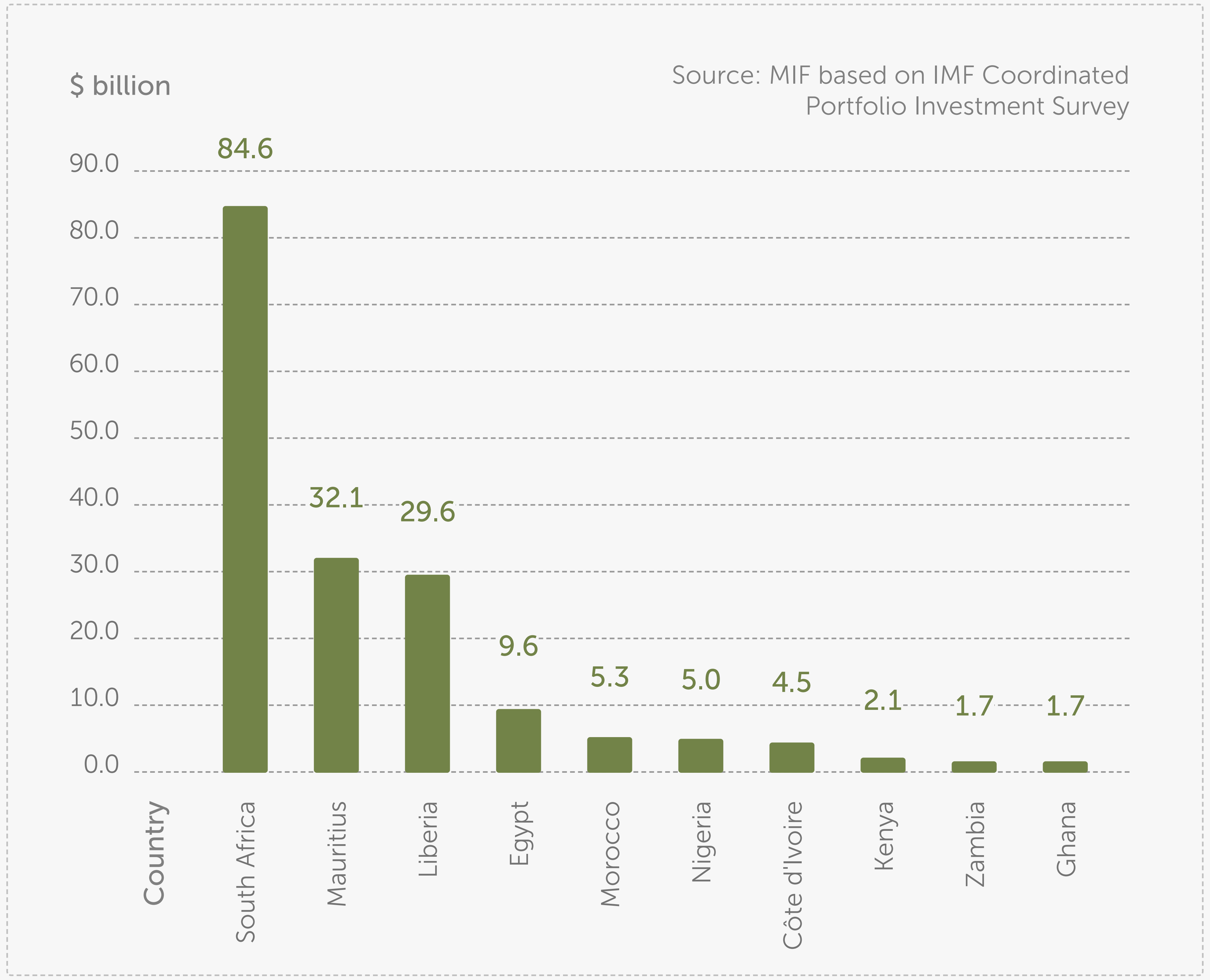


FPI in Africa: around $185 billion in 2022 from G7 + China, more than 20% of Africa's financial resources

G7 countries & China: total portfolio investment in Africa (as of June 2023)



Top 10 African countries: portfolio investment received from G7 countries & China (as of June 2023)



In 2022, three countries - South Africa, Mauritius and Liberia - accounted for almost 80% of total G7 + China's FPI in Africa

73% of G7 countries' FPI in Africa comes from the US

China's FPI in Africa is less than Italy's and only 15% of Japan's

African risk assessment and risk mitigation: the elephant in the room?

- Only two African countries are classified as 'investment grade' in Africa: Mauritius and Botswana
- 21 African countries, 14.2% of the continent's GDP, have never received a sovereign credit rating
- According to UNDP, fairer credit ratings could save Africa $74.5 billion, equivalent to 80% of Africa's annual infrastructure investment needs

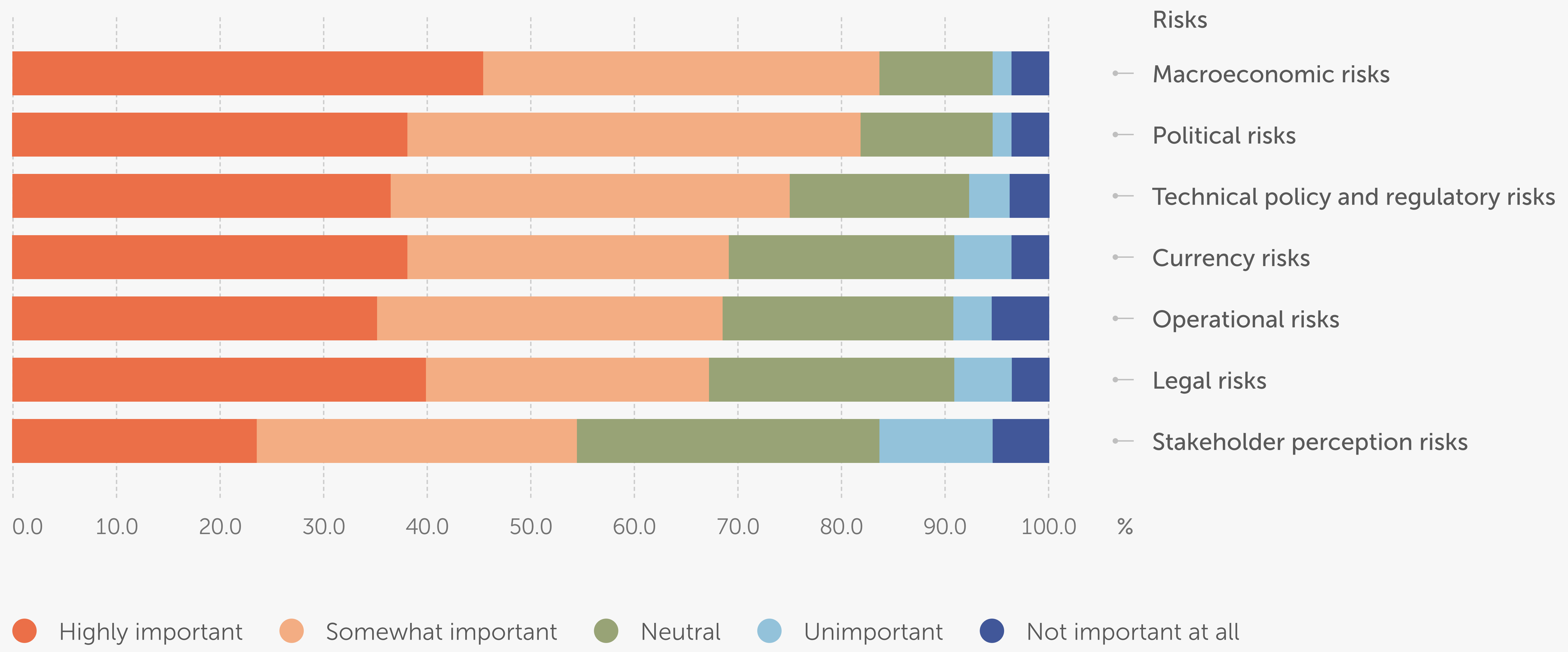
Risk perception is among the key factors contributing to the continent's estimated $200 billion trade and investment gap

Grade	Rating Classification	Fitch	Fitch-rated countries	Moody's	Moody's-rated countries	S&P	S&P-rated countries
Investment Grade	Prime	0		0		0	
	Upper medium grade	0	N/A	1	Botswana	0	N/A
	Lower medium grade	0	N/A	1	Mauritius	2	Botswana Mauritius
Speculative Grade	Speculative	5	Côte d'Ivoire Morocco Namibia Seychelles South Africa	4	Côte d'Ivoire Morocco Senegal South Africa	4	Benin Côte d'Ivoire Morocco South Africa
	Highly speculative	11	Angola Benin Cameroon Cabo Verde Egypt Gabon Kenya Lesotho Nigeria Rwanda Uganda	11	Angola Benin DR Congo Eswatini Kenya Namibia Rwanda Tanzania Togo Uganda	13	Angola Cabo Verde Cameroon Congo Republic DR Congo Egypt Kenya Madagascar Nigeria Rwanda Senegal Togo Uganda
	Substantial risks	3	Congo Republic Mozambique Tunisia	11	Cameroon Congo Republic Egypt Ethiopia Gabon Mali Mozambique Niger Nigeria Tunisia	2	Burkina Faso Mozambique
	Extremely speculative	0		1	Ghana Zambia	0	
	In Default	3	Ethiopia Ghana Zambia	0		3	Ethiopia Ghana Zambia

In 2022, Action Relating to Debt represented the smallest amount of ODA received by Africa from official donors ($0.2 billion out of a total of more than $80 billion)

Barriers to further investments

Responses to the AUC/OECD Investor Survey question: “Which of the following risks have been most important for your investments in African countries?”



Source: MIF based on AUC/OECD

Africa attracts the lowest share of capital from institutional investors, compared to other world regions.

Africa’s share of global investment capital has remained below 1%, even though global assets under management grew from $48 trillion in 2010 to over $112 trillion in 2021.

Political risks in Africa are deemed as “highly” or “somewhat important” for over 80% of investors.

Chapter 03.

Domestic resources: unlocking Africa’s own financial resources

AU: Domestic Resource Mobilisation should represent 75% to 90% of financial resources to achieve Agenda 2063

Domestic Resource Mobilisation (DRM): 75-90% of the financing

- Enhanced **fiscal resource mobilisation**
- Maximisation of **natural resource rents** – agriculture, maritime and tourism
- Leveraging African **institutional savings** – pension funds, central bank foreign exchange reserves, sovereign wealth funds and capital markets development
- Enhanced **retail savings mobilisation** through financial inclusion
- Curbing of **illicit financial flows**
- Reduction of **inefficiency and governance/ corruption-based financial leakages and wastages**

External Financing Mechanisms (EFM): 10-25% of the financing of Agenda 2063 on average per country

- **Foreign Direct Investment** (FDI)
- **Official Development Assistance** (ODA)
- **Financial cooperation** from emerging development partners such as BRIC countries, Arab and Gulf partners
- **Public Private Partnerships** (PPP) and other forms of investment partnerships
- Leveraging of **diaspora remittances and savings**
- Improved **access to international financial markets**

Preventing leakages through Illicit Financial Flows (IFFs)

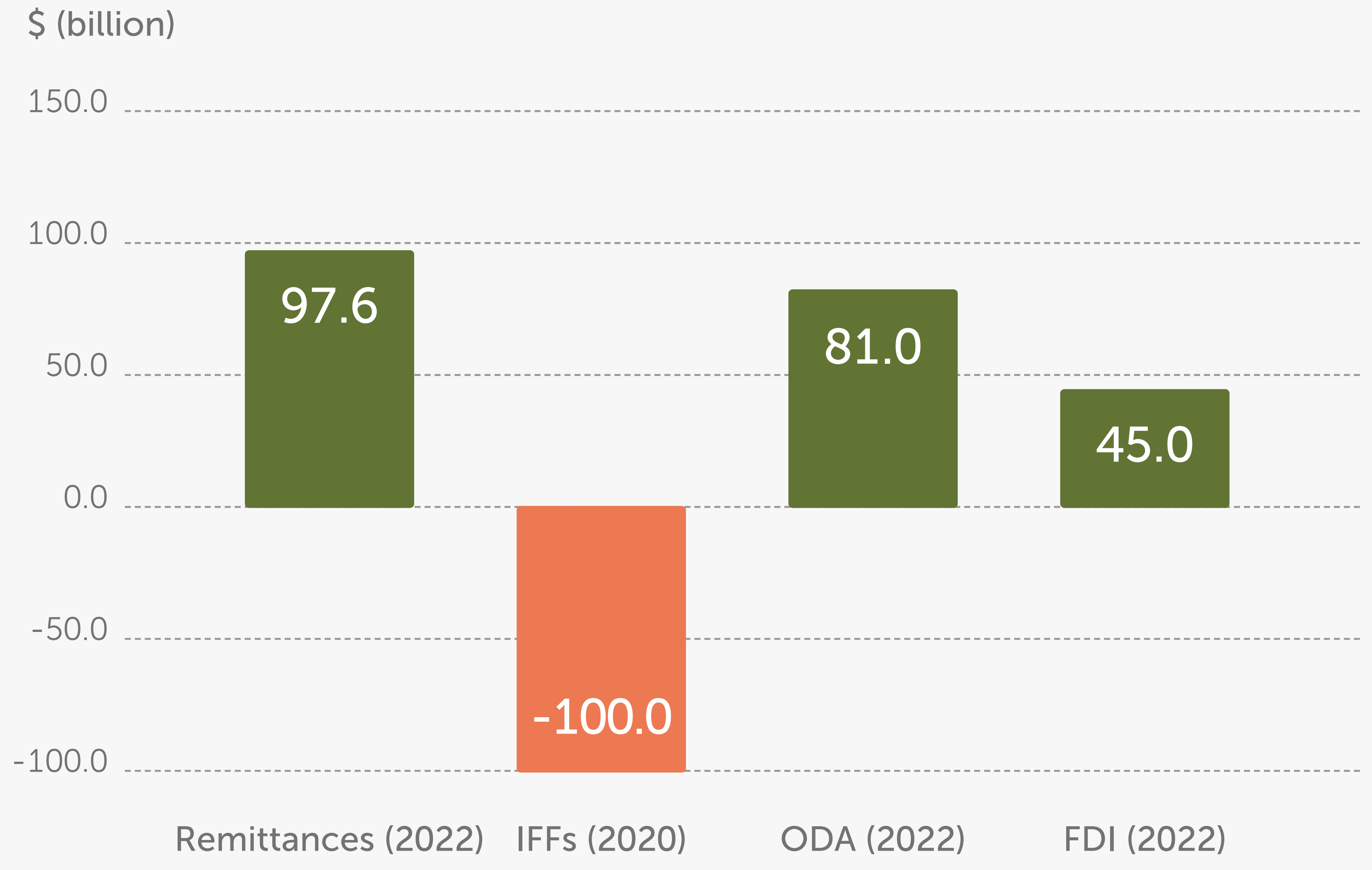
On average, it is estimated that Africa loses up to $100 billion every year to IFFs. **Even at its lowest estimation, the amount of IFFs is higher than ODA received, almost as high as remittances sent to Africa, and twice as high as FDI to Africa.**

IFFs from Africa: an average loss of about $100 billion a year, higher than ODA received

More robust tax systems are necessary for tackling IFFs

International cooperation is crucial to end IFFs

Africa: remittances, IFFs, ODA and FDI (latest data year 2020-2022)

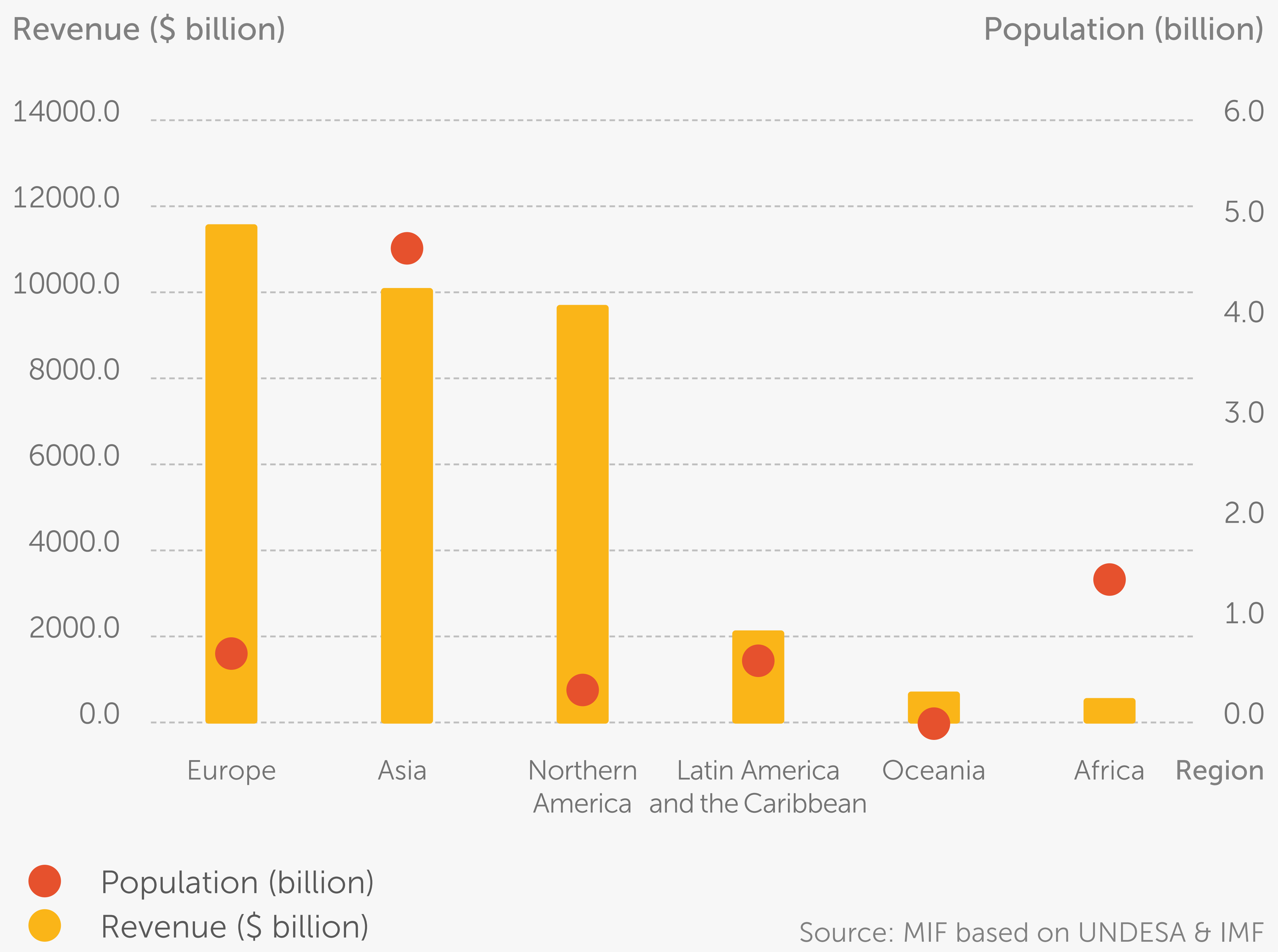


Source: MIF based on OECD, World Bank & UNCTAD

Despite recent progress, the 2015 Mbeki Report recommendations are far from being met

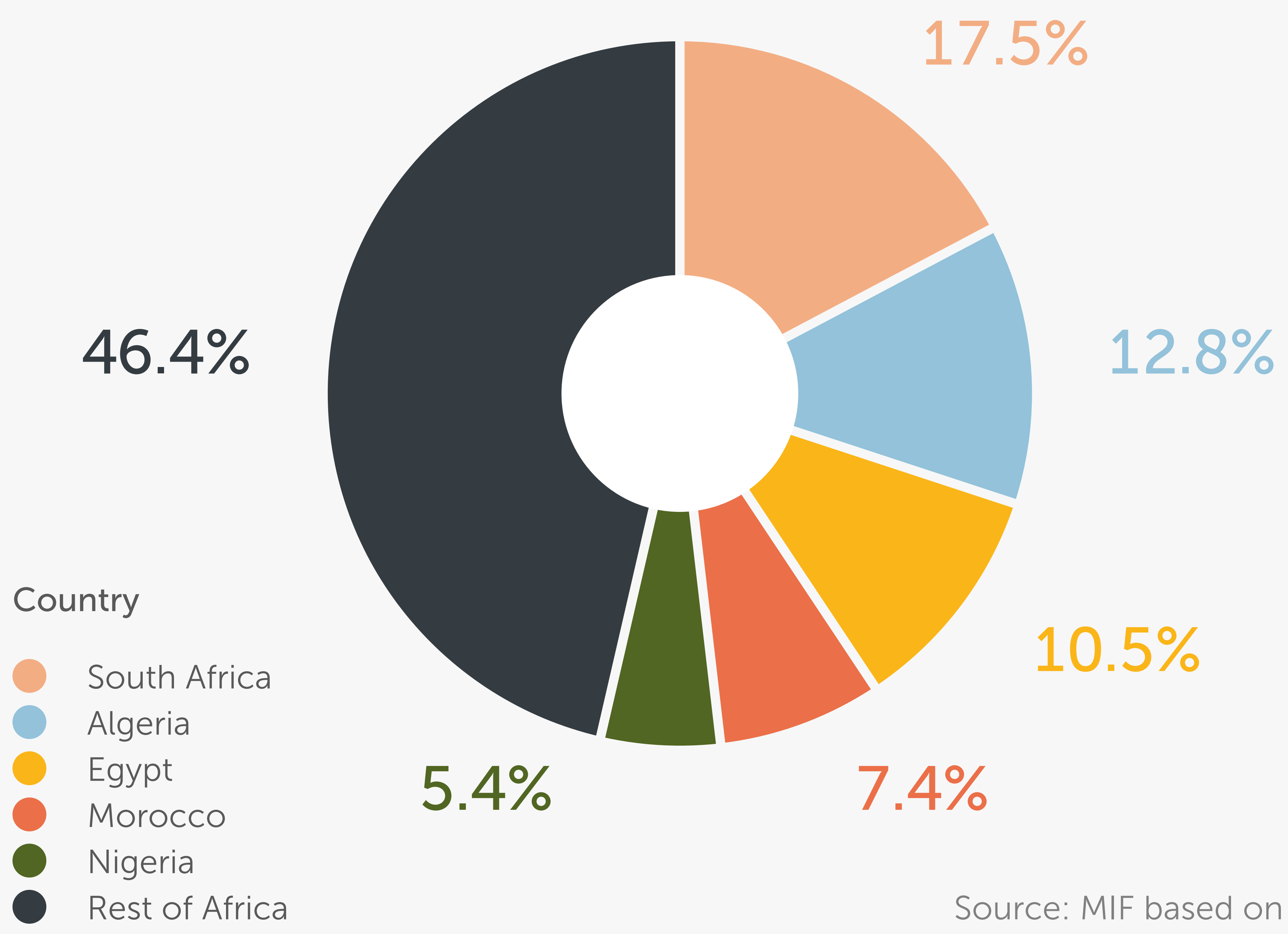
Taxes in Africa: a potential to leverage

World regions: total revenue & population (2024)



Source: MIF based on UNDESA & IMF

Top 5 African countries: share of total African revenue (2024)



Source: MIF based on IMF

Africa is the **world region with the lowest government revenue**

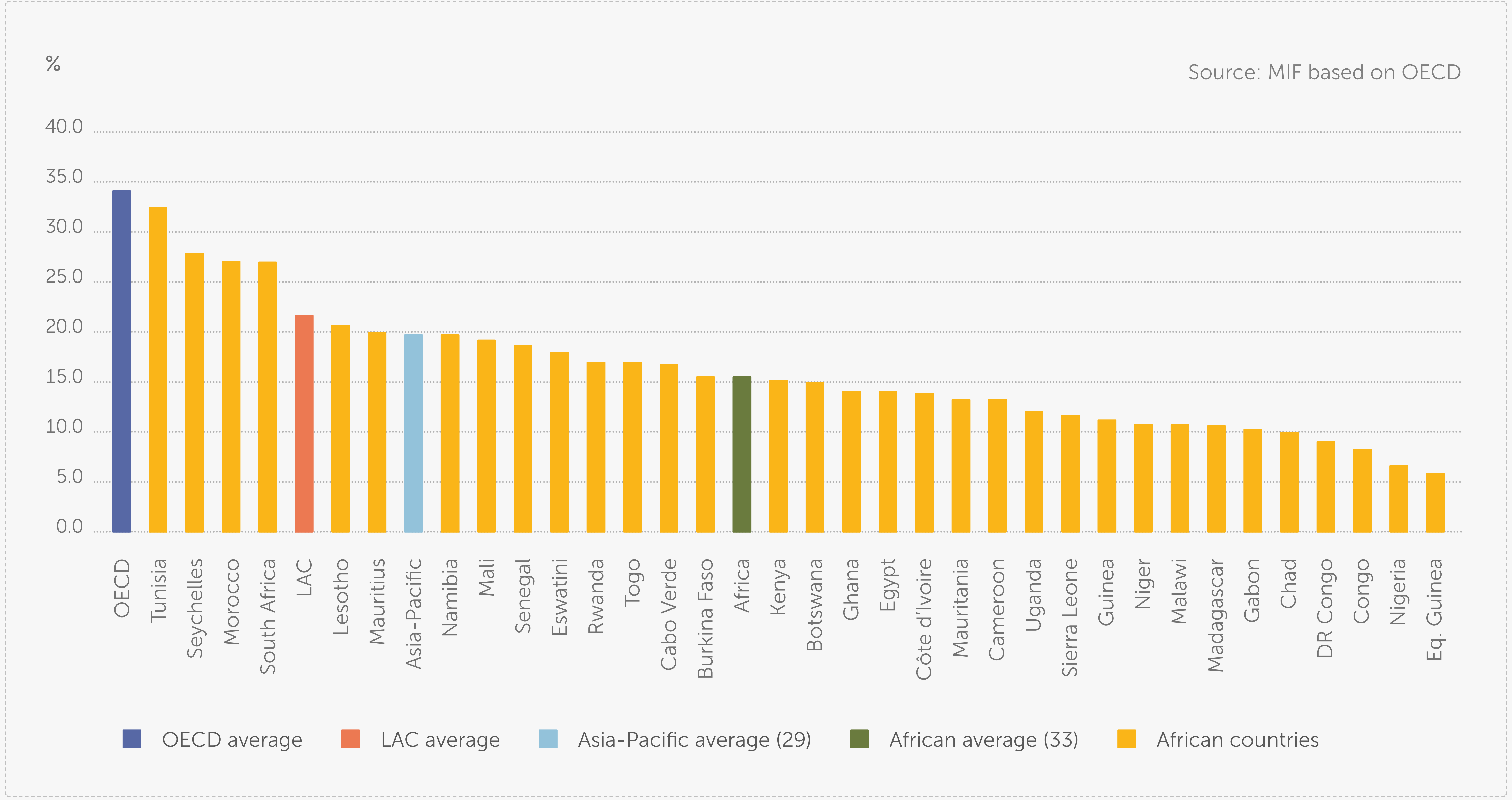
The 2022 IIAG shows that ***Taxation Capacity* has stagnated across Africa** in the decade 2012-2021 and that ***Efficiency of Revenue Mobilisation* has experienced a large decline**

In 2024, only 5 countries comprise over half (53.7%) of total Africa's revenues: South Africa, Algeria, Egypt, Morocco, Nigeria

Tax-to-GDP ratios in African resource-rich countries such as Nigeria and DR Congo remain **under 10%** (6.7% and 9.1%, respectively)

Strengthening tax systems

African countries: total tax revenues as a share of GDP (2021)



Africa's tax revenue relative to GDP: half that of OECD countries

Almost **half of African citizens** would favour **paying more taxes in exchange for better public services**

In 2019, tax holidays represented a loss of $46 billion in corporate taxes for Africa

Leveraging remittances, sovereign wealth funds and pension funds: all combined, almost 15% of the continent's GDP

- Africa accounts for 12.3% of global remittances, with nearly $100 billion in 2022.
- Between 2005 and 2022, Africa's remittances have more than tripled to reach $97.6 billion, equivalent to 3.5% of the continent's GDP.
- In 2022, remittances account for over 16% of Africa's total government revenue, almost as much as ODA + FDI combined.

- There are currently about 15 SWFs in Africa across 14 countries with a combined worth of $120-130 billion in 2023, representing as much as ODA + FDI combined.
- Most African SWFs function as stabilisation funds, and invest in low-yield assets that can be sold quickly to provide liquidity during economic crises.
- African SWFs face criticism for a lack of transparency in their investments and lack of investment in their own continent.

- With a very young demography across the continent, only 13 African countries have a public pension fund.
- The combined worth of Africa's pension fund assets is $205.9 billion as of 2022, equivalent to three times ODA received.
- Africa's largest pension fund is South Africa's, with assets worth around $119.4 billion. This is nearly 60% of Africa's total pension assets and almost 4 times larger than the second largest pension fund of Morocco.
- The three main barriers for African pension funds are lack of investable assets, risk perception and regulatory barriers.

Africa’s assets for the global future economy

30% of the world’s reserves of critical minerals

By 2100, Africa’s youth will amount to about 50% of the world’s youth

9 out of the world’s 20 fastest growing economies in 2024 are in Africa

65% of the world’s arable land

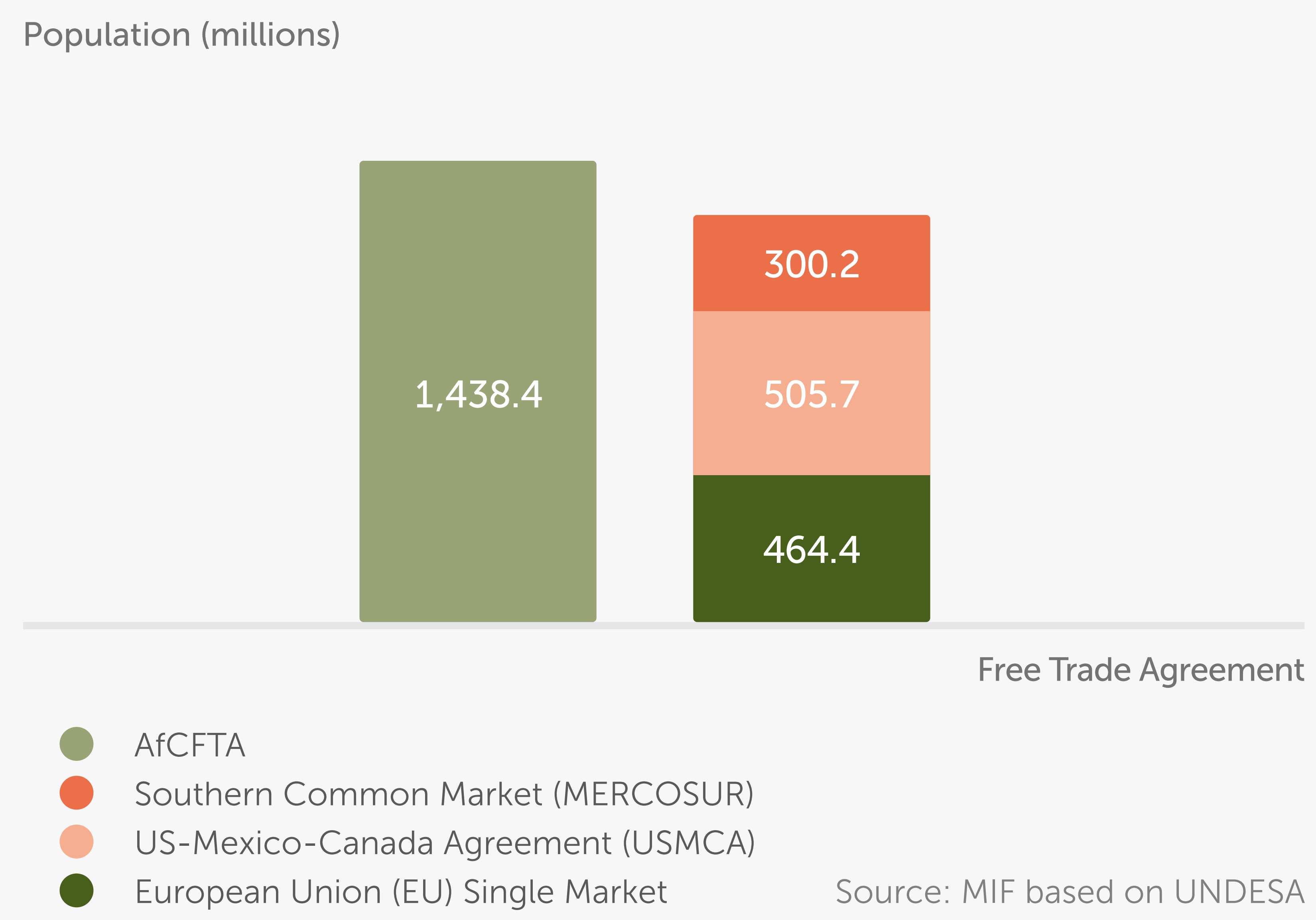
Upgrading Africa’s place in global value chains

Currently, Africa’s global value chain involvement is still predominantly in **mining, resource-based exports and light manufacturing sectors.**

In 2022, primary unprocessed commodities still account for more than 3/4 of Africa’s exports, a far higher share than in any other region. Nigeria, Africa’s leading oil producer, imports 95% of its refined oil. West Africa is also the world’s largest producer of cocoa, accounting for 75% of global cocoa bean production. Although the chocolate industry is expected to generate $263 billion by 2030, cocoa farmers often earn less than the World Bank’s poverty line of $2.15 per day.

As **Africa possesses the majority of minerals necessary for the world’s energy transition**, countries could push back on the ambitions of export markets, link them to investments in industrial sectors, and advocate for an expansion of local processing.

Selected Free Trade Agreements: total population covered (2023)



Source: MIF based on UNDESA

The African Continental Free Trade Area (AfCFTA) is already the world’s single largest market in terms of population, number of countries and territory

Monetising Africa’s green assets

30%	Africa holds 30% of the world’s mineral reserves, many of which are critical for renewable energy and low-carbon technologies.
500%	To meet the expected rise in global demand, production of minerals and metals such as lithium, graphite and cobalt will need to increase by nearly 500%. This cannot be achieved without Africa’s resources.
70%	More than 70% of the world’s cobalt is produced in DR Congo. Almost 70% of the world’s cobalt refining takes place in China.

African countries: key low carbon minerals (2021-2022)

Morocco (2022): over 2/3 of global **phosphate rock** reserves

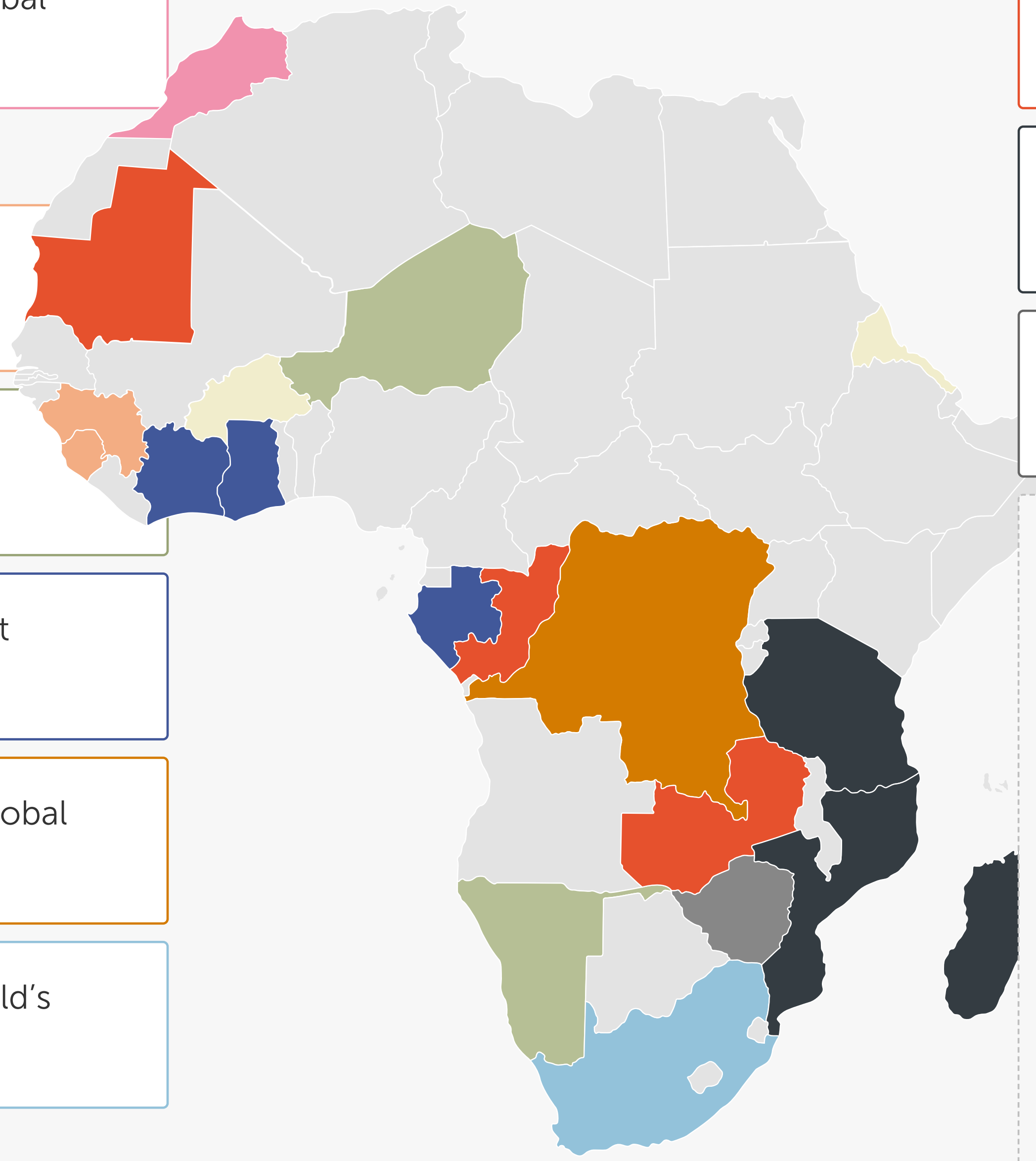
Guinea (2022): world’s largest **bauxite** reserves

Niger (2021): world’s 2nd largest exporter of **uranium ore**

Gabon (2022): world’s 2nd largest producer of **manganese**

DR Congo (2022): over 2/3 of global **cobalt** production

South Africa (2022): 90% of world’s **platinum group metal** reserves



Zambia (2021): world’s primary exporter of unrefined **copper**

Mozambique (2022): world’s 2nd largest producer of **graphite**

Zimbabwe (2021): world’s 3rd largest exporter of **chromium ore**

- Zinc
- Copper
- Manganese
- Cobalt
- Bauxite
- Graphite
- Phosphate rock
- Uranium
- Platinum Group Metals
- Chromite

Source: MIF based on Atlas of Economic Complexity, United States Geological Survey & World Nuclear Association

African lithium to make up at least 10% of global supply by 2027 - from DR Congo, Ethiopia, Ghana, Mali, Zimbabwe, and Namibia

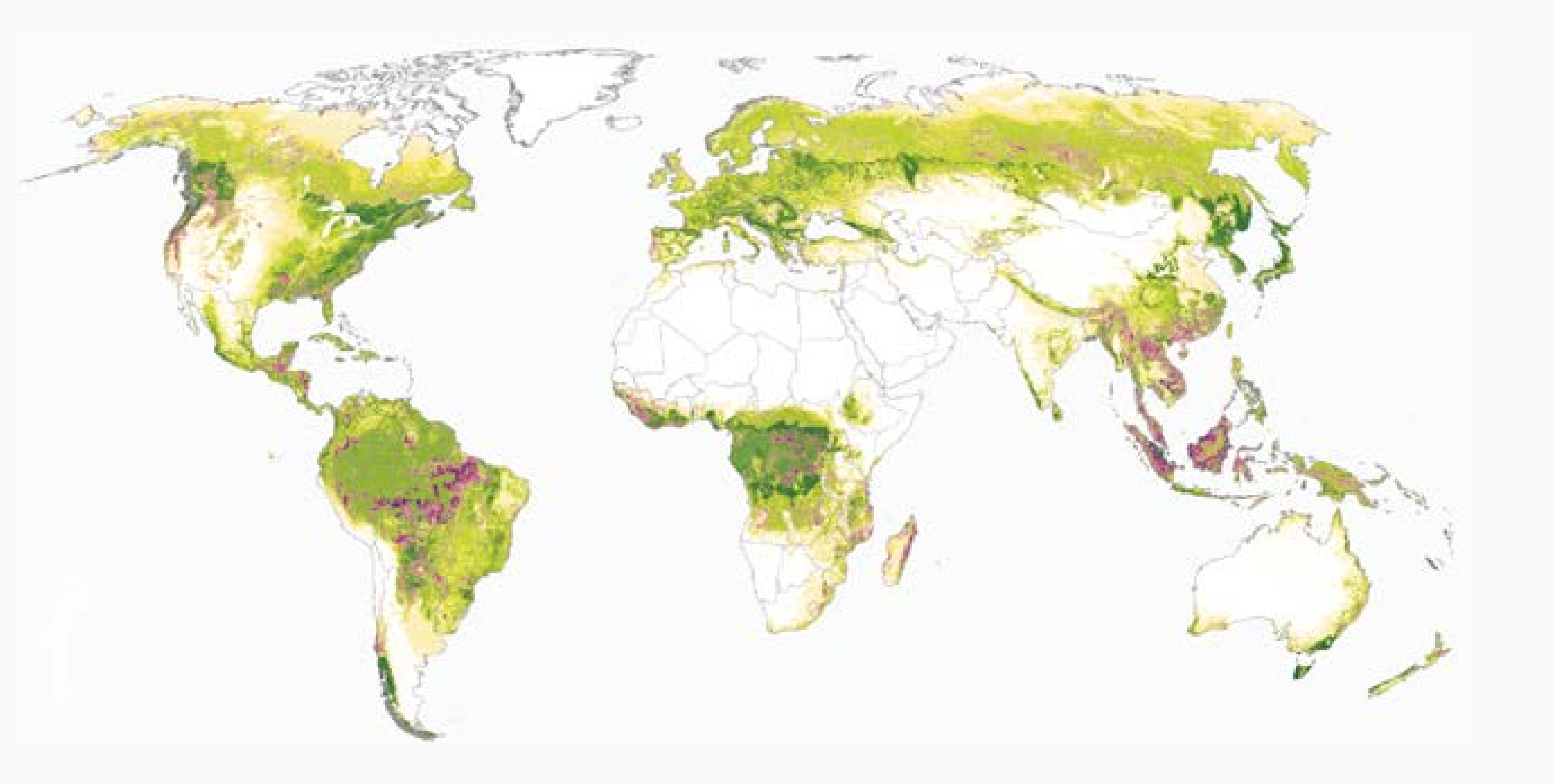
Mineral	Leading uses
Cobalt*	Batteries/EVs
Bauxite*	Solar
Graphite*	Batteries/Solar/Nuclear
Platinum Group Metals (PGMs)*	Green hydrogen
Manganese*	Batteries/Solar
Chromite*	Geothermal/Solar/Wind
Copper	Geothermal/Hydro/Solar/Wind
Lithium*	Batteries/EVs
Uranium	Nuclear

* listed as a "critical mineral" by the EU or IEA.

Carbon credits: Africa's next big export?

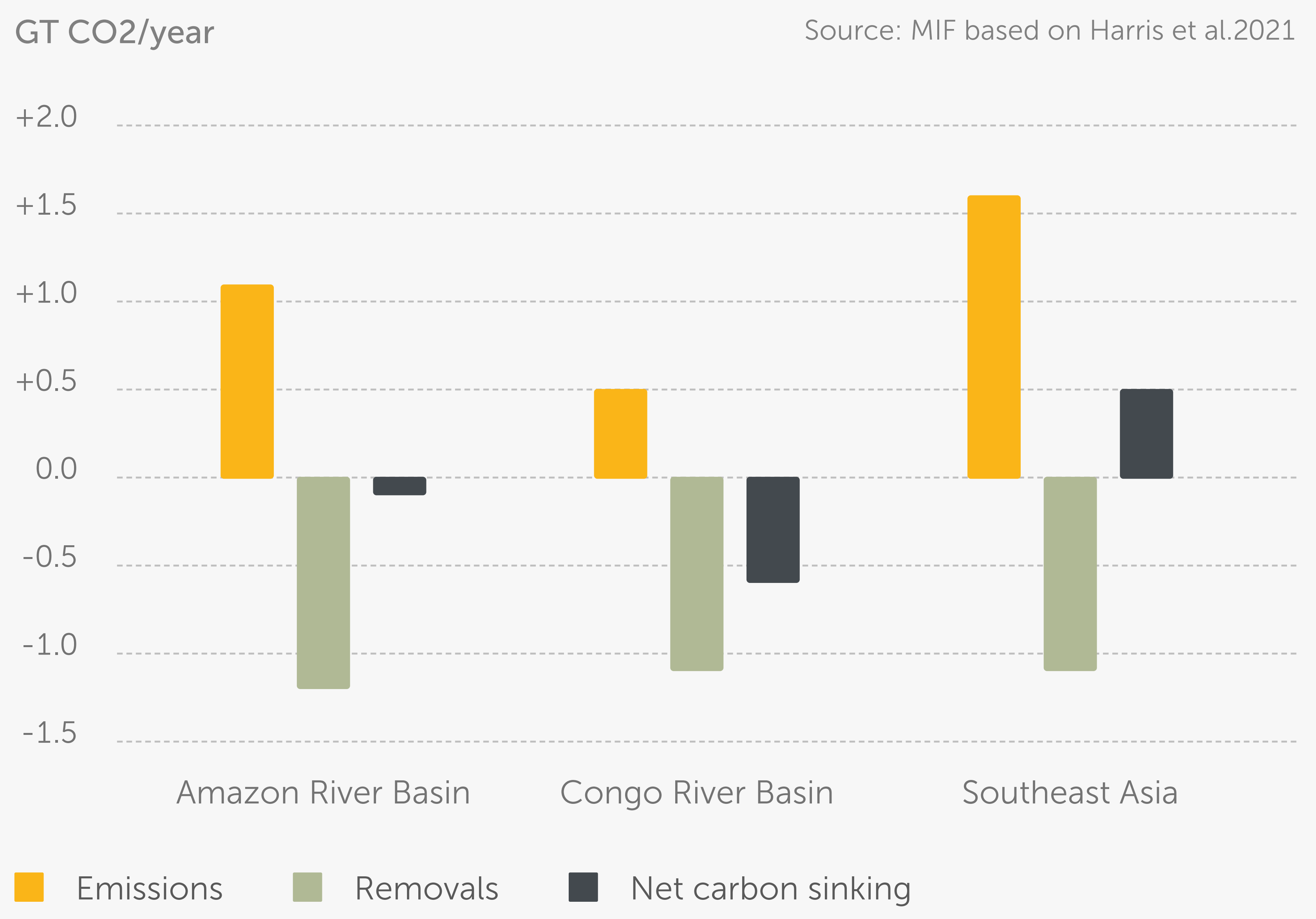
The Congo Basin rainforest is the only net sinking tropical forest globally

World forests: net greenhouse gas fluxes (2001-2019)



Source: Harris et al. 2021

World's main rainforests: emissions, removals & net carbon sinking capacity (2021)



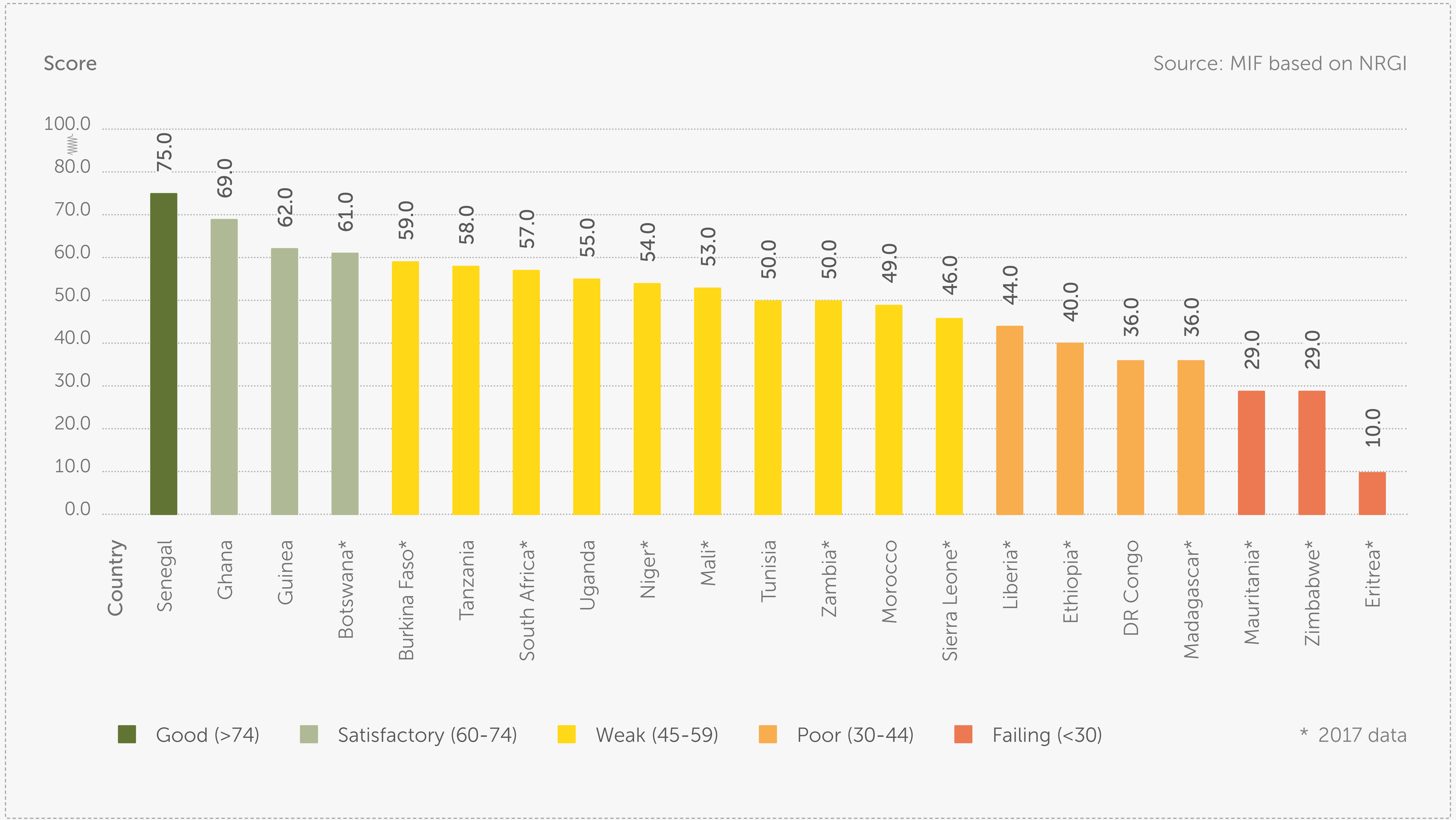
Now the world's primary tropical carbon sink, the Congo Basin rainforest offsets more than 40% of Africa's carbon emissions from fossil fuels

Africa has the potential to scale its carbon credit market 19-fold by 2030, supporting up to $6 billion of revenue and 30 million jobs

The demand for bilateral carbon trading on compliance markets at European level (EU ETS) has an estimated worth of = $800 billion in 2022, compared to voluntary carbon markets (VCM) = $2 billion

Leveraging Africa's natural resources wealth: governance is key

Selected African countries: Resource Governance Index, mining governance score (2017/2021)



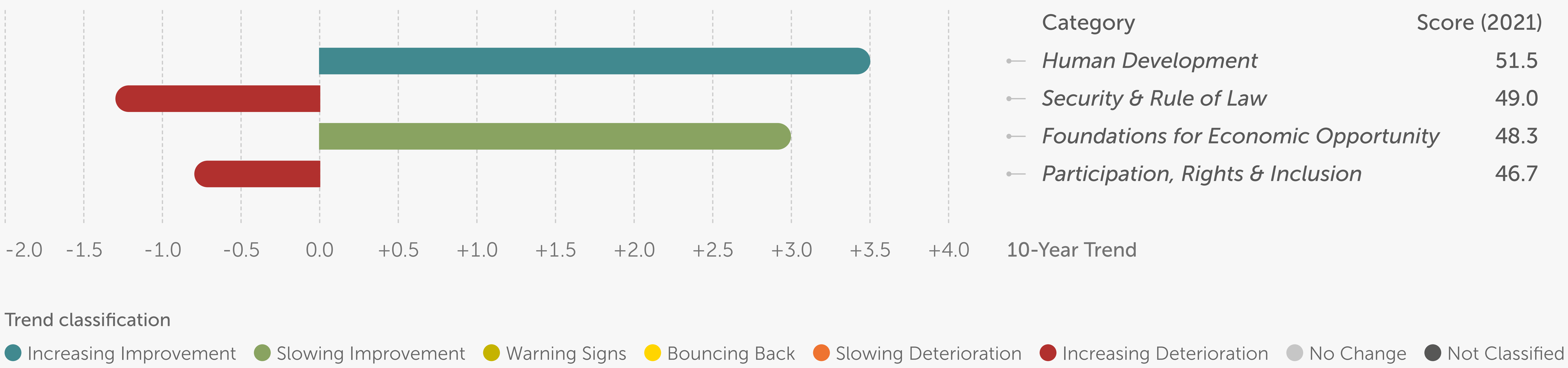
Only four countries - Senegal, Ghana, Guinea, Botswana - present "good" or "satisfactory" NRGI scores on mining governance.

Only two countries - Senegal and Ghana - received a "good" NRGI score on oil and gas governance.

Overall Governance: the need to sustain progress

Africa: IIAG category scores and trends (2012-2021)

Source: MIF



More than half of Africa's population lives in a country where *Overall Governance* has improved between 2012 and 2021. However, governance progress over the decade is still hindered by diverging trajectories – while more than 40 countries have made progress in the IIAG categories *Foundations for Economic Opportunity* and *Human Development*, more than 30 countries have deteriorated in the categories *Security & Rule of Law* and *Participation, Rights & Inclusion*.

Sustaining governance progress is key for ESG criteria, as well as an enabler of FDI.

2024 Now Generation Network Survey
Africa's Youth voices

Resources from non-African partners

- A more inclusive global financial architecture
- A more sustainable approach to debt finance for African countries

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Africa should focus more on mobilising adequate resources to fund its own growth and future transformation agenda instead of continuously relying on foreign aid.

Ameldine Dachiroudine,
NGN member

Leveraging Africa's domestic resources

- Good resource governance
- Increase in value addition and diversification of domestic output
- Direct compensation for environmental preservation

“

Africa has all it takes to become self-sufficient if our resources are refined and processed locally, traded internally, and appropriately priced when sold to the rest of the world.

Yakubu Hussein,
NGN member

Conclusion: the money is there, what is needed is a complete change of paradigm

External resources: better processes, structures and deliverance

1. Increased concessionality
2. Increased representation of Africa in decision-making bodies of international financial institutions
3. Improved lending agility and flexibility of Bretton Woods institutions
4. Improved risk assessment methods (Credit Rating Agency's methodologies, Bretton Woods debt sustainability assessments, climate-vulnerability based concessionality assessments)
5. Swift implementation of global commitments (i.e. Loss and Damage Fund)
6. Review of Bretton Woods system-specific surcharges and conditionalities
7. Release of dormant ODA funds

Domestic resources: increased African ownership

1. Preventing leakages through Illicit Financial Flows
2. Strengthening tax systems
3. Leveraging African remittances, African sovereign wealth funds and African pension funds
4. Upgrading Africa's place in global value chains
5. Monetising Africa's green assets
6. Strengthening governance