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Reimagining Financing for Development

Africa-Europe and the International Conference on Financing for Development (FfD4)

Seville | 30 June to 3 July 2025

AFRICA EUROPE FOUNDATION

Mo Ibrahim Foundation

PROGRAMME AGENDA FFD4

“This conversation is building and informing our work for the Financing for Development Conference, allowing us to get into the required operational aspects, the need for nuance and diverse approaches and, in practice, the potential of this Africa-Europe Partnership” Amina Mohammed, Deputy United Nations Secretary-General and Chair of the SDGs Group, at the High-Level Group Meeting of the Africa-Europe Foundation (Marrakesh, 1 June 2025).

A primary aim of the Africa-Europe Foundation (AEF) is to reframe and reaffirm the Africa-Europe Partnership on the multilateral stage. This has gained impetus in 2025 against a backdrop of geopolitical change, with AU and EU Foreign Ministers jointly calling for Africa and Europe to step up for “effective multilateralism” to address shared global challenges, and with an Africa-led G20 coinciding with a defining Financing for Development International Conference (FfD4)

Our Programme Agenda for FfD4:

30th June 2025, 16h30–18h (Room 24 - FIBES 2)

Financing Our Future: Intergenerational Initiative
An official event of FfD4, organised by AEF and open to delegates.
Connecting youth voice and agency with global leaders to address the interconnected issues of debt, illicit financial flows, remittances, and domestic resource mobilisation, setting the operational blueprint for a paradigm shift in international development-cooperation.

30th June 2025, 19h-21h (Casco Antiguo)

G20 Strategic Dialogue with AU and EU Leaders
A closed-door forum, organised by AEF and AUDA-NEPAD
In partnership with the G20 Presidency of South Africa, this closed-door meeting provides a safe space to address gaps and better align priorities concerning the reform of financing at all levels, and to leverage together strategic milestones in 2025 (notably the next AU-EU Summit, planned back-to-back with the G20 Summit).

1st July 2025, 10h30 -12h00 (Room 5 - FIBES 2)

Tax Reform and Africa-Europe Combatting Illicit Financial Flows
An official event of FfD4, organised by AEF and open to delegates.
Building on the work during 2024/25 of the AEF multi-stakeholder platform on combatting IFFs, this convening will focus on concrete actions for Africa-Europe, from leveraging technology and AI tools in order to track and mitigate IFFs to data governance, country reporting and capacity sharing on tax administration.

1st July 2025, 12h30 - 14h (Room 7 – FIBES 2)

Unlocking Africa-Europe Cooperation on Carbon Markets and Blue Finance
An official event of FfD4, organised by AEF and open to delegates.
With the increasing global demand and new policy impetus for carbon markets, and the untapped potential of blue carbon and cooperation on blue economy, new research will underpin this strategic workshop on pragmatic opportunities for the Africa-Europe Partnership to reconcile its global climate and socio-economic goals.

AEF’s programme agenda for FfD4 has been built through a year-long process involving African and European experts and leaders from diverse organisation settings (civil society, the private sector, academia, policymaking, youth leadership). This included the ‘Future Africa-Europe’ Fora in Addis Ababa (March 2025) and Brussels (November 2024), ‘AEF at Finance in Common’ in Cape Town (February 2025) and the AEF High-Level Group Forum on ‘Reimagining Financing for Development’ in Marrakesh (June 2025); in addition to AEF’s participation as technical partner to the UN preparation process for FfD4.

Reimagining Financing for Development

The following data-driven insights are drawn from the “Sustainable Finance and Global Governance” chapter of the Africa-Europe Foundation’s forthcoming *State of Africa-Europe Report 2025*, as well as the 2025 Ibrahim Forum Report *Financing the Africa We Want*, produced ahead of the Marrakech IGW(1-3 July 2025). These insights underpin AEF’s partnership on the Financing for Development International Conference in Seville (FfD4) and, more specifically, the strategic focus of our programme for FfD4 (from the G20 Presidency Initiative with AU/EU Leaders to unlocking Africa-Europe cooperation on Combatting Illicit Financial Flows (IFFs), Carbon Markets and Blue Finance).

Our underpinning message is that despite, or indeed because of, the shift in geopolitics, a strong Africa-Europe Partnership remains the most effective way to resolve the interconnected crises of economy, energy access, food insecurity, global health and climate change … but that this will equally depend on a complete change of paradigm when it comes to financing our future, catalysing investment and capital flows, reimagining global finance frameworks and, ultimately, building a transformative cross-continental partnership - on equal footing.

In addition to the Foundation’s State of Africa-Europe Report and AU-EU Commitment Tracking, the following contents benefit from the output of: AEF’s multi-stakeholder platforms (from the meetings of our High-Level Group and Women Leaders Network in Marrakesh in June 2025 to the work in 2024/25 of the AEF multi-stakeholder platforms on Combatting IFFs, Carbon Markets and Ocean/Blue Economy); AEF’s cooperation agreement with the Government of South Africa to shape the finance/tax work-stream of the G20; and the recently launched AEF Research Facility which has supported a series of joint initiatives in 2025 involving leading African and European research institutes and think-tanks, on the strategic topics for FfD4.

The full State of Africa-Europe Report will be published in the second half of 2025, benefiting from the outputs of FfD4 and representing a unique knowledge tool for the preparation of the 7th African Union-European Summit (planned to take place back-to-back with the G20 Summit).

Tracking Joint Policy Commitments

The annual State of Africa-Europe Report is a product of the Africa-Europe Foundation's joint cooperation with the AU Development Agency (AUDA-NEPAD) to monitor and facilitate the implementation of the policy/finance commitments of the AU-EU Partnership – in coherence with the evaluation of the AU Agenda 2063 Implementation Plan. The Report also aggregates data from member states of the Partnership, and regional finance institutions and benefits from the analysis of leading African and European academic institutes and think-tanks mobilised through the AEF Research Facility.

In Focus – Joint Commitments on Sustainable Finance & Global Governance

Framework	Focus
6th EU-AU Summit February 2022	• Facilitation of economic recovery through the Common Framework for Debt Treatments, reallocation of SDRs and increased spending through international programmes • Combating Illicit Financial Flows, addressing domestic tax base erosion and profit sharing and cooperating on tax transparency • Implementation of the investment package through public funds and innovative financing and boosting regional and continental economic integration
Agenda 2063 (Second Ten Year Implementation Plan)	• Every AU Member State attains at least middle-income status • Strategic Objective: Establish and make functional continental financial and monetary institutions: • Priority 1 African capital markets and financial institutions; • Priority 2 Fiscal systems and public sector revenue; • Africa as a strong, united, resilient, and influential global player and partner • Africa is a strong and an influential global player • Strategic Objective: Africa takes full responsibility for financing her development
Global Gateway	• Sustainable finance, focused on accelerating sustainable growth and decent job creation • Facilitation of economic recovery through the Common Framework for Debt Treatments, reallocation of SDRs and increased spending through international programmes • Implementation of the investment package through public funds and innovative financing
3rd EU-AU Ministerial May 2025	• Ensure the transformative impact of joint investments, namely mobilising public finance and private capital and expertise, and scaling up clean energy finance, including guarantees, blended finance, and green bonds • Protect and promote inclusive and effective multilateralism with stronger alignment on issues of mutual interest for a decisive and transformative role of multilateral fora

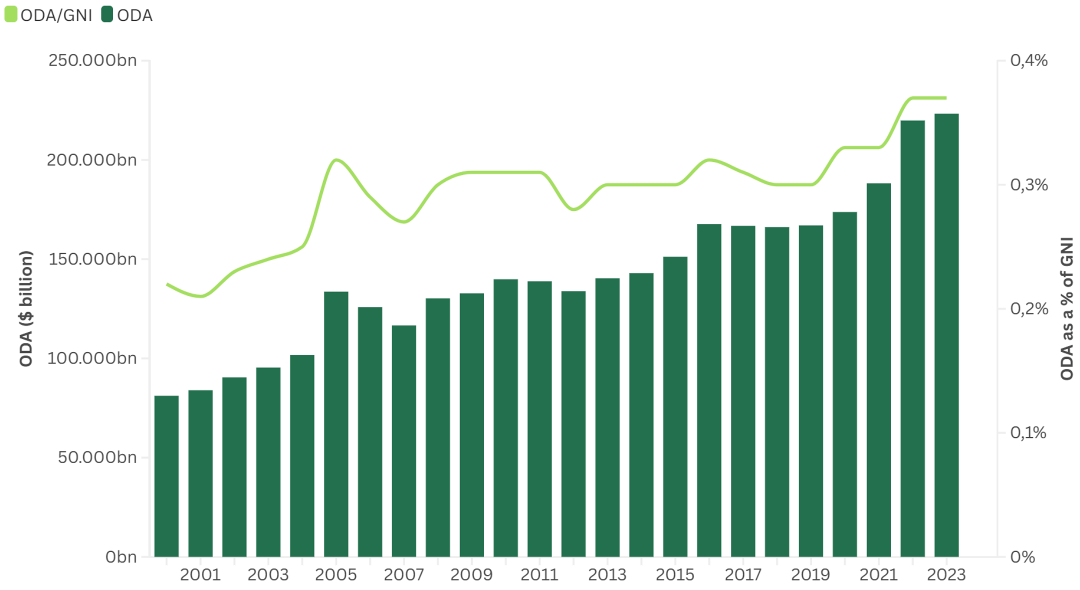
2025: A REALITY CHECK

Trend of Diminishing Commitments

Official Development Assistance

- Global financial transfers to developing countries are projected to decline by over $100 billion within the next two years.
- ODA from traditional donors is declining sharply, with Africa's share dropping 11 percentage points over 10 years.
- The European Union remains one of Africa's key partners - but its development funding modalities are shifting. Traditional grants are giving way to investment-based models. While this restructuring aims to drive economic growth, it's not without risks - leaving behind African countries, that struggle to attract private capital.
- Only five countries globally have achieved the 0.7% ODA/GNI agreed target for ODA: Denmark, Germany, Luxembourg, Norway and Sweden – all from Europe. In 2023, the average across Development Assistance Committee (DAC) countries was 0.37%

DAC countries: ODA and ODA as share of GNI



Source: MIF based on OECD DAC Table 1

- Yet, major European donor countries are reducing aid to developing countries, partly due to increases in military spending:
  - In Germany, Africa's second largest bilateral donor after the US, budget reductions for Official Development Assistance (ODA) between 2023 and 2025 amount to €3 billion, or 10.5%.
  - France's 2025 budget includes a €1.2 billion ($1.4 billion) cut to development aid, bringing it to 18.6% less than in 2024.
- Despite remaining the biggest recipient by total amount ($73.6 billion in 2023), Africa's share of ODA has dropped 11 percentage points from 37.6% in 2013 to 26.7% in 2023.
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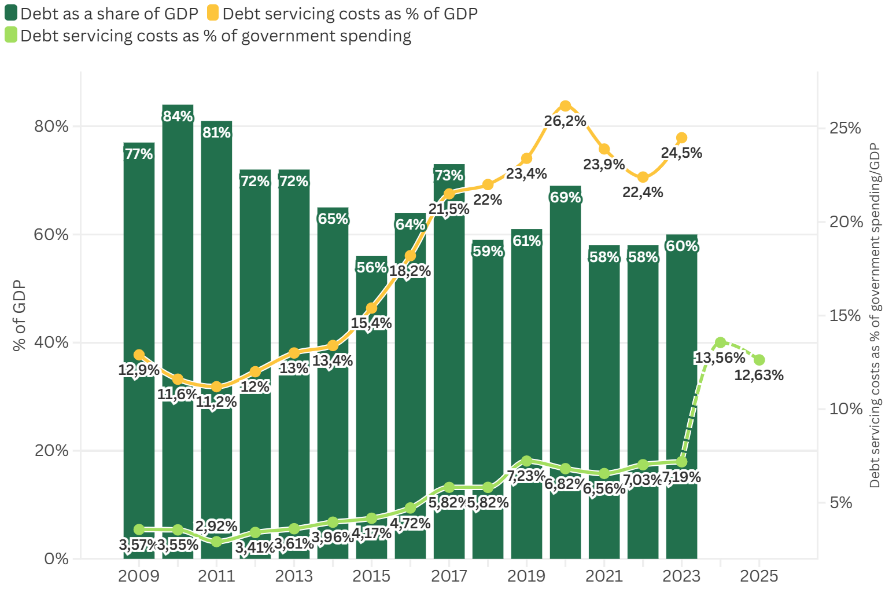
Debt and SDRs

- Declining ODA coincides with escalating debt burdens. In Africa, external debt is over 24% of its GDP and the external debt stock has doubled from $349.4bn to $690bn (2014 to 2023).

Rising external debt and debt service burden in Africa



Source: International Debt Statistics (IDS) database, ONE, '"African Debt"

- **Africa's escalating debt burden has severely constrained fiscal space, with 20 of the 38 African low-income countries in debt distress or at risk thereof.** The share of government expenditures devoted to debt servicing has surged from 4% in 2009 to 13.5% in 2024 (nearly double the proportion seen in Europe), with Ethiopia, Ghana, and Zambia defaulting that year.

- **Private-sector borrowing now constitutes over 40% of Africa's external debt**, resulting in significantly higher financing costs compared to concessional loans from MDBs.

- **SDR system limits.** Of the $650 billion additional SDR allocation decided in 2021 to mitigate the impact of COVID-19, high-income countries received almost 70% of the total. Africa, with a population exceeding 1.5 billion, received 5% - fewer SDRs than Germany, a country with a population of only 84 million.

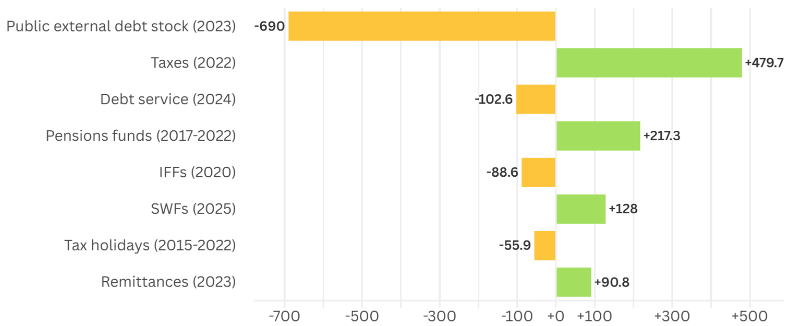
- Despite this, African countries have been among the most proactive, having used nearly 90% of their SDRs for budget support, foreign reserves, debt servicing and pandemic recovery.

- Voluntary reallocation of SDRs was recognised as a key tool to support countries most in need, with a global target of at least US$100 billion. The target was met in June 2023. In May 2024, IMF Executive Board approved the use of hybrid capital instruments for SDR rechanneling - recycling $100 billion-worth of SDRs as hybrid capital with the MDB would increase financing for Africa by about $46 billion a year over the next 10 years.

Financing Gap

- **Development finance:** Africa-Europe are established partners for mobilising development funding, from ODA through joint agenda on Domestic Resource Mobilisation, to leveraging private finance through public development bank schemes. Yet, trillions are needed to close the financing gaps for Africa's development. As per the AU and OECD, Africa's annual SDG financing gap sits at $194 billion until 2030, equivalent to 7% of Africa's 2024 GDP.
- **Climate finance:** $1.6-$1.9 trillion are needed to achieve Africa's NDCs, with just over half of needs costed. Many uncosted needs relate to adaptation, leading to the underestimation of climate finance needs in Africa.
- On average, African countries are losing 2%-5% of GDP and many are diverting up to 9% of their budgets responding to climate extremes. In Sub-Saharan Africa, the cost of adapting to the changing climate are estimated at $30-$50 billion each year for the next decade.
- The EU and its member states provided €23.05 billion in 2021 to fight climate change outside Europe. They are also the largest contributor to the Fund for Reducing Loss and Damage (FRLD), pledging $496 million, or 68% of total commitments in 2024. This makes Team Europe the largest donor of international climate finance in the world. However, the overall pledges of $721 million to the FRLD represent less than 0.2% of the estimated annual cost needed to address loss and damage in developing countries globally.
- **Health finance:** Africa has made significant advances in its health outcomes since Independence and is closing the gap with Europe. This has been achieved by better governance and increasing finance for healthcare, mainly from African governments and service users but also from its key partners, chiefly European and US donor organisations. In 2022 a total of $145 billion was spent on health in Africa. Less than half (41%) of this total was spent by African governments.
- **Peace and Security finance:** The cost of preventing violence is much less expensive than having to deal with conflict. IMF has calculated the long-run returns to conflict prevention are a cost of $1 for prevention compared with $26-$101 for having to reduce on-going violence.
- The EU has supported African security through the Africa Peace Facility, which invested €730 million 2021-2024, and then the European Peace Facility with a current budget ceiling of €17 billion. So far, Ukraine has receives €11.bn, while Africa has been allocated €1.1bn.
- **Financial flows in Africa underscore the financing challenge** - around $920bn in through taxes, sovereign wealth funds, pension funds and remittances; almost $940 out through debt and IFFs.

Financial loss & Revenue in Africa (latest available year)



Source: MIF based on Global SWF (2025), GTED (2024), OECD (2025), ONE (2024), UNCTAD (2020) and World Bank (2025) and (2025)

The Climate-Development Nexus

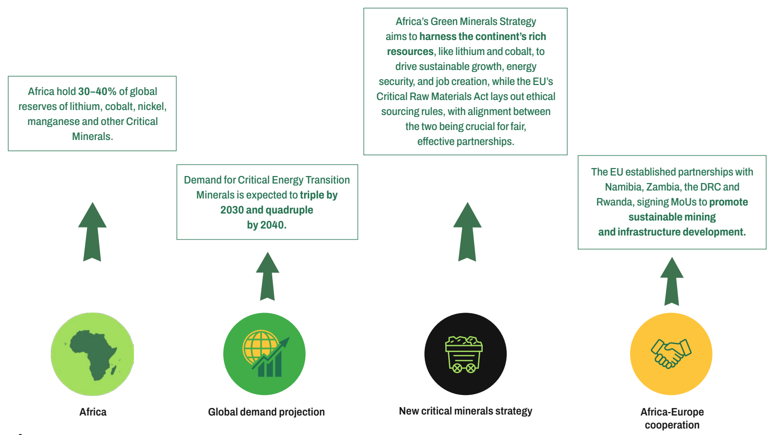
Carbon Markets

- While Africa could become the global centre for high-value and high-integrity carbon credits, its current position remains weak. Between 2016 and 2021, the continent only received 11% of the offsets issued, with only 3% linked to the region's natural carbon sinks.
- In context of the full implementation of Article 6, close cooperation between Africa and Europe on carbon credit markets is becoming increasingly crucial. Through shared knowledge, capacity-building, and improved collaboration, Africa-Europe can unlock the vast potential of carbon credit markets, thereby enabling sustainable development and a fair, transparent approach to mitigating climate change.
- Africa should aim to sell over $100 billion worth of credits a year by 2050.
- EU, and other industrialised countries, will need to rely on supply of high-quality African carbon credits and low-emission products to achieve net zero by 2050.
- The size of global compliance markets is roughly $ 865bn (although not all of that is liquidly traded). Prices vary, but by far the biggest current market, the EU ETS, currently trades carbon at well over $ 100 per tonne. Similarly, Europe's Carbon Border Adjustment Mechanism (CBAM) is a global first-of-its-kind approach to pricing embedded emissions in products imported into the EU, with a strong global market shaping potential.

Critical Energy Transition Minerals

- Transition Minerals are a strategic area of Africa-Europe cooperation with an opportunity to reshape global value chains and transform local economies. African countries hold large reserves of the world's most in-demand minerals, while the EU has technology, capital and a strategic interest to diversify its supply of raw minerals to ensure long-term security and sustainability of the supply chains – away from China (which supplies 100% of heavy REEs, Turkey which provides 98% of boron etc). Africa-Europe partnership can offer a different approach, promoting fair and sustainable practices.

Looking ahead for a balanced partnership in Critical Minerals



Blue Economy

- According to the AU and UNECA, the **continent's blue economy could contribute over $1 trillion annually,** if sustainably managed. Whereas it currently generates $300 billion annually. However, 98% of its coastline remains underutilised for fisheries.
- In Europe, the **blue economy is an important driver of economic growth**, employing 3.6 million people in 2021 and contributing €171 billion in Gross Value Added (GVA). Coastal tourism is the largest sector, accounting for 29% of GVA and 54% of employment, followed by maritime transport (25% of GVA). Emerging industries, such as offshore wind energy and marine living resources, have experienced notable growth, increasing by 45% and 24% respectively between 2020 and 2021.

G20 and Multilateralism

- **2024 was a year of elections: approximately 49% of the global population in more than 60 countries headed to the polls** for national elections, including nearly one-third of African countries and the EU. In 2025, the implications of national politics for multilateralism are increasingly apparent.

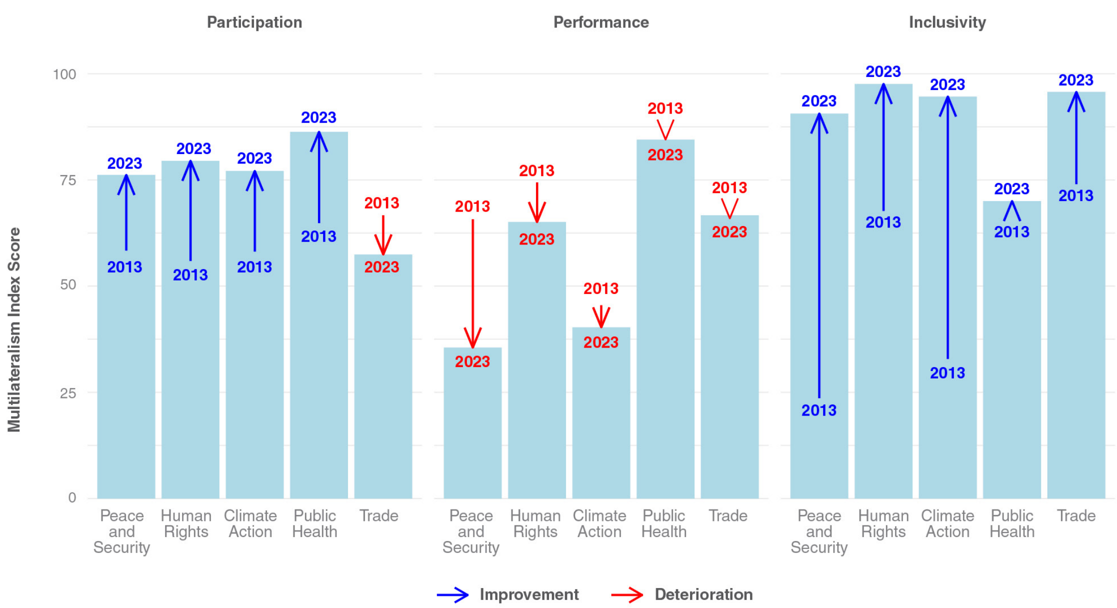
- **The G20 in 2025 provides an important milestone.** An Africa-led G20, not long after the African Union became a permanent member, and coinciding with the 4th Financing for Development Conference, noting there remains a deep divide to be addressed on where the tax conversation should take place (particularly the role of UN Framework Tax Convention).

- The Africa-led G20 can reaffirm the Africa-Europe Partnership on the multilateral stage, utilising the G20 Framework to tackle structural financial challenges such as debt sustainability and innovative financing mechanisms. The focus is on driving reforms that strengthen domestic resource mobilisation, including curbing illicit financial flows, and close the financing gaps essential to achieving the Sustainable Development Goals.

- At the heart of South Africa's presidency is the G20 'Legacy Agenda,' which builds on the Rio de Janeiro Declaration and with opportunities to advance critical measures, such as the Crypto-Asset Reporting Framework (CARF), greater tax transparency, and reforms to base erosion and profit shifting (BEPS) policies. Africa will also champion progressive taxation, ensuring that multinational corporations and ultra-high-net-worth individuals contribute their fair share.

- **Declining impact of multilateralism.** The latest edition of the Multilateralism Index reveals that while participation in the multilateral system has largely held steady or even increased, its effectiveness in addressing global challenges has declined. The Index represents the most comprehensive attempt to assess multilateralism through the examination of five domains: Peace and Security, Human Rights, Climate Action, Public Health, and Trade.

Results of the Multilateralism Index 2024

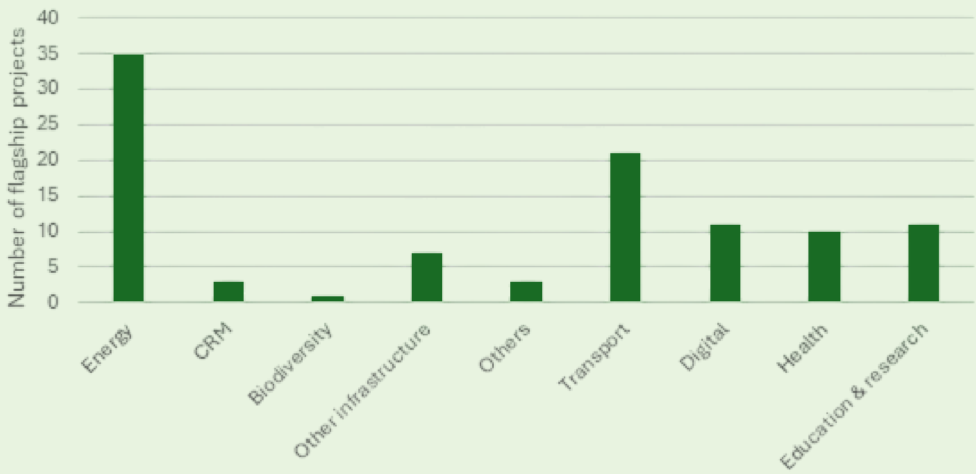


Source: IEP Calculations

Global Gateway at the mid-point - investing in infrastructure

By June 2024 Global Gateway Initiative was at its midpoint. Between 2023 and 2025, 264 flagship projects have been identified, 138 of which are in Africa[29]. The African projects have a very strong focus on climate and energy – almost half of the total projects – with the remainder spread across transport, digital, education, science and health. This weighting towards climate and energy projects makes sense given investor interest in renewable energy in Africa.

Sectoral breakdown of Global Gateway flagship projects (2023 & 2024)



Global Gateway includes 25 African transport projects; half have a clear link to the 'strategic corridors' identified by the EU and AU. Based on the available information, only half of the transport projects can be mapped along the priority corridors, thus clearly supporting the regional integration agenda (the most prominent corridors supported under the AU-EU partnership include the Northern Corridor, Abidjan-Lagos Corridor, and the Lobito Corridor). The other half of GG infrastructure projects, unrelated to corridors, are primarily at the intra-urban level, mainly focused on improving mass public transport, rather than being strategic at the regional level.

The report 'A Prosperous and Sustainable Africa and Europe', tracking implementation of the Joint Vision 2030 and Agenda 2063, October 2024, highlights several transport investments under GG, totalling €3.12 billion. This represents about 2% of the EUR 150 billion GG proposed for Africa 2021-2027. This level of support, if accurate, also suggests that GG is providing only a modest, about 2.5%, volume of finance to bridge Africa's transport infrastructure gap of $130 billion between 2021-2027.

It is also unclear whether and to what extent the 25 GG projects have raised private investment. Successfully aligning GG projects with partner country needs and leveraging private investment are the two critical issues regarded by the European Parliament's panel of experts as mission critical for a successful Global Gateway.

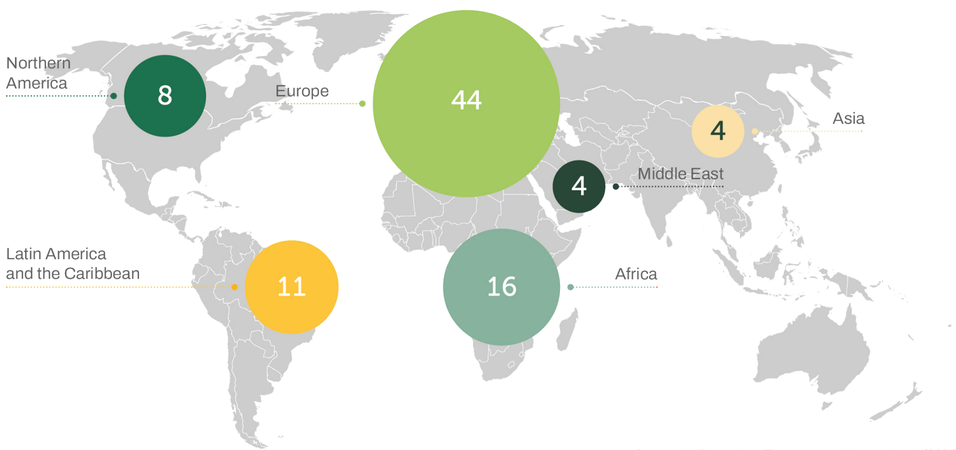
Combatting Illicit Financial Flows

- Combatting Illicit Financial Flows is now central on the Africa-Europe cooperation agenda with clear joint commitments - reaffirmed at the recent EU-AU Ministerial, in line with International Financial Action Task Force standards, emphasising the instrumental role of regional-style bodies.
- AEF is tracking and supporting implementation of the Team Europe Initiative to support African countries on their fight against Illicit Financial Flows (IFFs) and related TOC, implemented since 2023, underscores Africa-Europe commitment to tackle capital flight. This initiative, brought forward by the EU and 4 EU member states (Finland, France, Germany and Sweden) has mobilised EUR 450 million in contributions distributed among 70+ ongoing and new programmes across the continent.
- A few African countries (Burkina Faso, Gabon, Ghana, Namibia, South Africa and Zambia) have recently made remarkable strides in monitoring inward and outward IFFs specifically from commercial and tax activities. South Africa alone reported cumulative in- and outward IFFs of $62.3 billion in 2017, and Gabon $65 billion between 2010-2021, monitored by UNCTAD and UNODC.
- Yet, illicit financial flows remain a serious challenge as they continue to erode economic potential and public finances in Africa and Europe, with cumulative outflows from Africa reaching $1.3 trillion since 1980. Retaining these funds within the continent could have expanded Africa's capital stock by more than 60% and increased GDP per capita by 15%.
- As of 2020, UNCTAD estimates that African countries lose $88.6 billion a year to capital flight predominantly through trade misinvoicing, tax evasion, and money laundering. Around $40 billion is estimated to be linked to extractive commodities alone, dominated by trade misinvoicing in gold exports (77%).

Re-domesticating IFFs

According to Transparency International, enablers of IFFs from and to Africa are found around the world, with the majority located in Europe, followed by the continent itself. Africa-Europe cooperation is therefore a crucial component of sustainably curbing and re-domesticating IFFs.

World regions: Number & location of enablers of IFFs from Africa (2023)

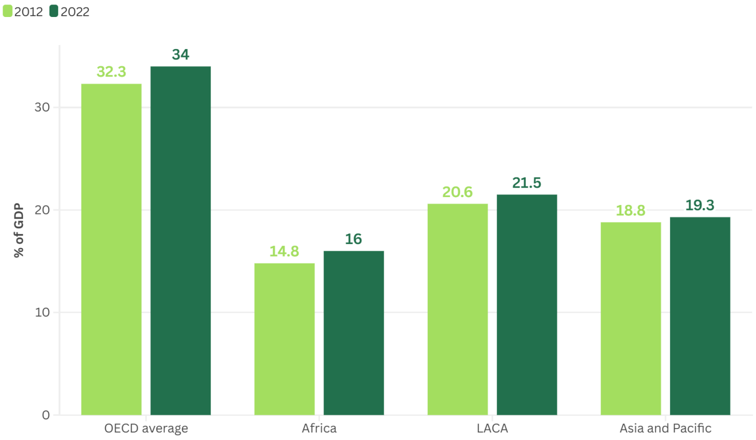


Source: MIF based on Transparency International (2023)

Domestic Resource Mobilisation and Tax Reform

- There is increasing recognition of the need for financial self-sufficiency, a priority reflected in the Africa-Europe cooperation - from negotiations on international tax reform, through effective and efficient use public funding, to joint capacity building activities. Mobilising internal tax revenue in Africa presents incremental progress over the last decade, from 14.8% in 2012 to 16% in 2022, the continent's average ratio remains at less than half the OECD average of 34% and below other developing regions.

Africa & selected world regions: tax-to-GDP ratio (2012 & 2022)



Source: MIF based on OECD (2025)

- **Only 14 African countries reach a tax-to-GDP ratio of at least 15%** or higher considered necessary for economic development. Enhancing DRM in Africa must be country-specific, accounting for countries' capacity to widen their domestic tax base.

- The international community, which has increasingly recognised the urgency of fairer taxation and climate justice, is stepping up its cooperation with African nations in the ongoing UN negotiations on global tax reform, negotiations that, while unlikely to conclude before 2026, carry high stakes for development.

- Alongside this, the Global Solidarity Levies Task Force, led by Kenya, Barbados and France, offers a bold, practical vision for climate levies that could unlock hundreds of billions each year. From aviation and maritime to fossil fuel extraction, the levies being considered could generate over $1 trillion by 2035, offering a lifeline to countries that must mobilise $2.4 trillion in annual public revenue to stay on track with the Paris Agreement. With close to 20 countries already on board and final proposals expected at COP30, this push reflects a growing consensus: those most affected by climate change should have a greater say to finance their future. The Task Force, which is supported by the European Climate Foundation (ECF), is also backed by the Africa-Europe Foundation.

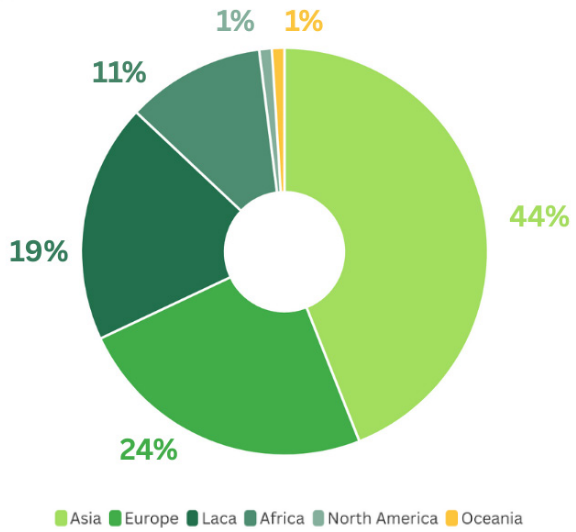
Citizen's views on taxation

A 2024 survey of global perception on tax exposed that 52% agreed that their taxes were a contribution to the community rather than a cost to them, but only 33% agreed that tax revenues in their country were spent for the public good. Noting also the Afrobarometer survey (2021) - across 34 nations in Africa where 50% of those surveyed would prefer to pay higher taxes in exchange for more government services, while globally only 32% agreed that the public services and infrastructure are a fair return for the taxes they pay.

Tapping into remittances

- **Remittance flows play critical role in financial stability.** Estimated at around $90.8bn in 2023, remittances have surpassed both Official Development Assistance (ODA) and Foreign Direct Investment (FDI). Africa received about 11% of global remittances in 2023.

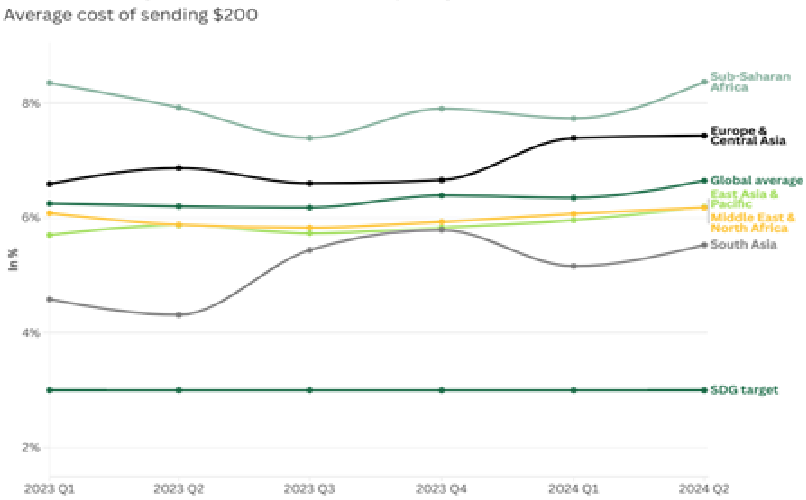
World regions: share of personal remittances received (2023)



Source: MIF based on World Bank (2025)

- Yet, remittance inflows represent a financial stream equivalent to a considerable portion of national GDP.
- However, **transaction costs for remittances remain prohibitively high, averaging 7.4% in Africa** compared to the global average of 6.2%, well above the Sustainable Development Goal (SDG) target of 3%. Financial technology innovations and regulatory reforms are essential to reducing these costs and improving cross-border financial flows.

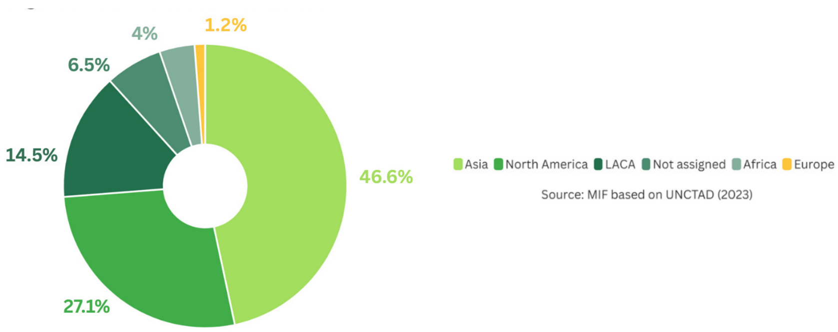
Total average remittance by regions of the world (%)



Source: World Bank, Remittances, Issue n. 50, June 2024

Unlocking direct investments

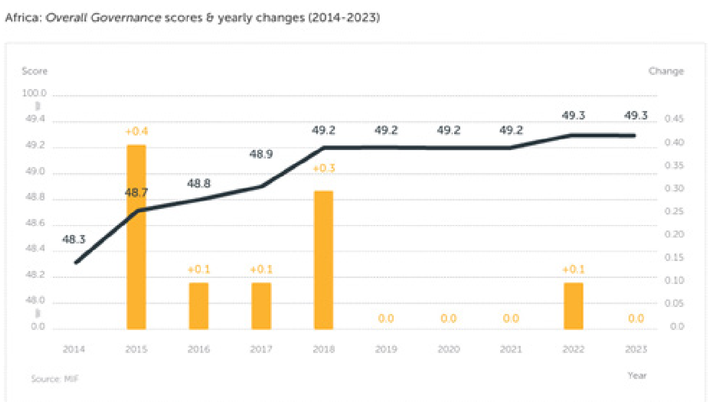
World regions: share of FDI inflows (2023)



- **Foreign Direct Investment (FDI) in Africa reached record $94 billion in 2024** (also driven by a single $24 billion investment in the Ras El-Hekma, Egypt), a marked increase of 85% on the previous year. In contrast, FDI fell by 8% globally, and 45% in Europe (with 18 out of 27 EU member states recording a decline).
- **FDI in Africa remains paradoxically low, at 4% of global total, despite Africa offering some of the highest investment returns** globally. Between 2006 and 2011, Africa's average return on FDI was 11.4%, compared to 9.1% in Asia, 8.9% in Latin America, and 7.1% world average. Nonetheless, the continent continues to attract a disproportionately small share of global FDI, highlighting the need for improved investment climates, regulatory certainty, and structural economic reforms to attract long-term capital.
- **Europe remains the most important source region for greenfield projects in Africa,** with nearly half (45%) of all projects announced in 2019–2023 or 42% in capital expenditure (capex) terms coming from European investors.
- **Half of all FDI invested in Africa in 2023 went to renewable energy,** offering a return on investment above 15%.

Impact of governance and risk perception

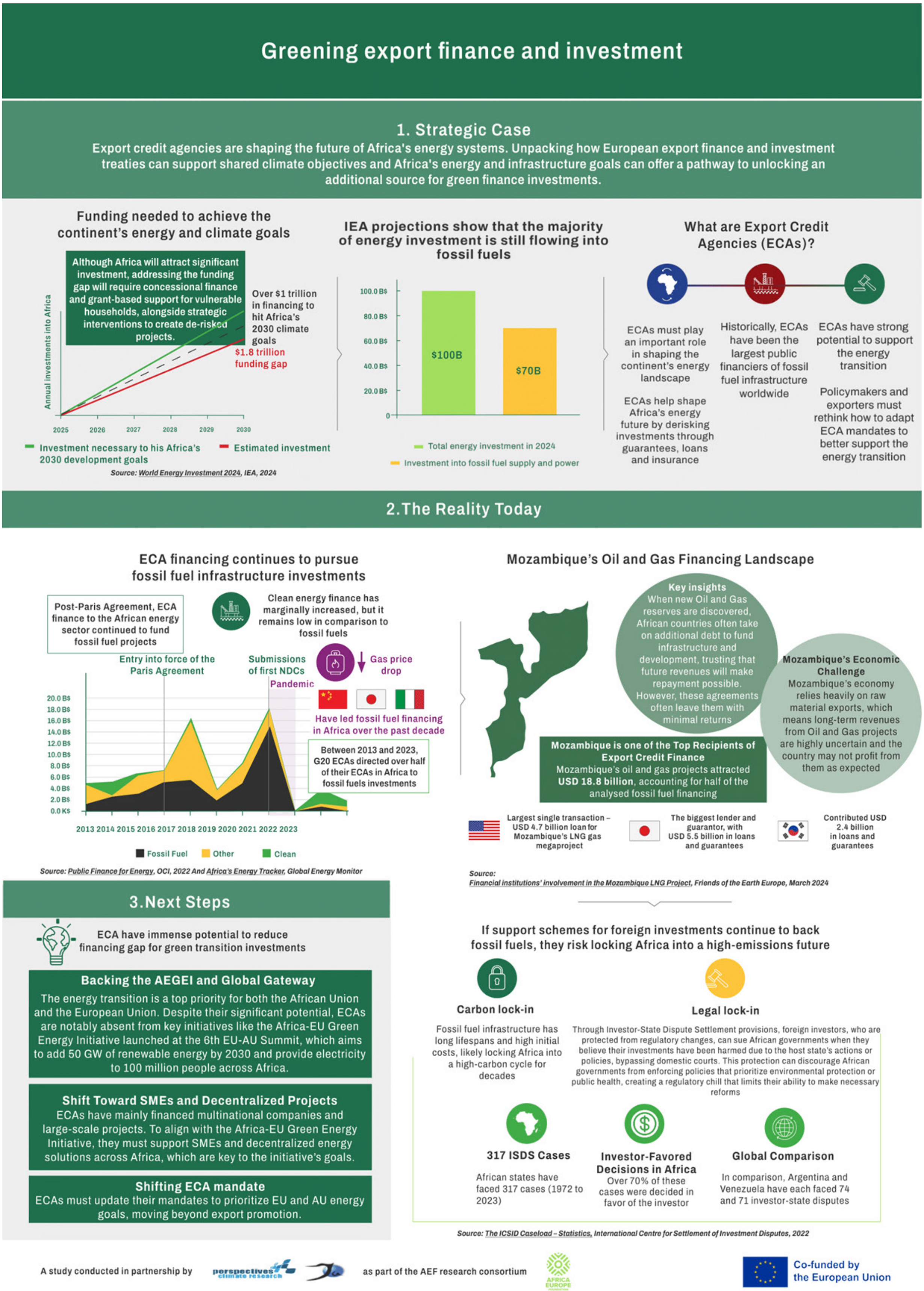
- **According to the 2024 Ibrahim Index of African Governance(IIAG), governance trends reveal stagnation in Africa's Overall Governance Performance (2014-2023),** with a score of 49.3 in 2023, reflecting little progress since 2018, coming to a complete standstill in 2023, and fuelling risk perception. Advancements in human development indicators have been offset by deteriorations in security and economic opportunity. Improvements in the governance of half African states were offset by deteriorating governance in the other half of states – resulting in continental stasis.



- As of 2025, only two of the 36 African countries rated by one or more of the 'Big 3' agencies (Fitch Ratings, Moody's and S&P Global) are deemed investment grade – Botswana and Mauritius.

Leveraging greening export finance

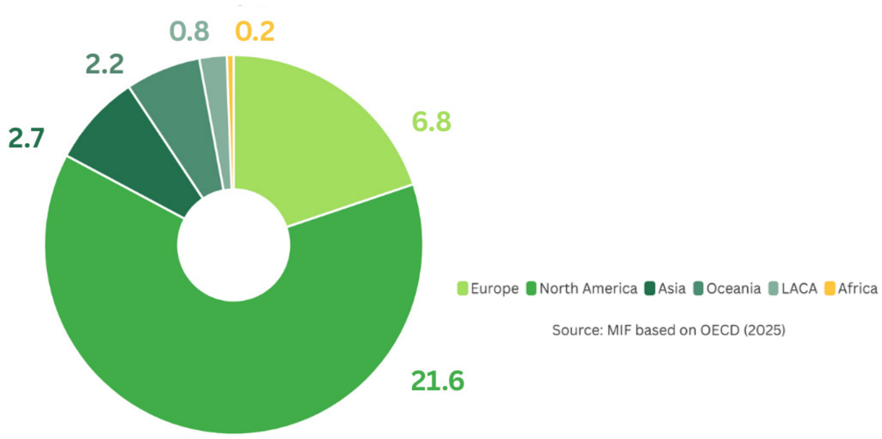
AEF new consortium research initiative to identify opportunities to leverage public export credit funding for investments at the nexus of climate-development



Activating existing instruments and funds

- 23 African countries have established **sovereign wealth funds (SWFs)** with their total assets under management between $128 or $148.3bn, depending on source. Only three SWF are valued at more than $5 billion with $68 billion under management of the Libyan Investment Authority (LIA) and $46 billion in assets in its Ethiopian Investment Holdings fund alone. SWFs across Africa are uniquely positioned to address Africa's infrastructure gap: they can take long-term positions on future assets; they have considerable capital available to them, they can reduce risk on projects thus making them more viable for international investors.
- African **pension funds** stand at almost $220bn and represent the largest source of investable capital. Yet, the latest data available shows the African Pension Funds are the smallest of any world region in terms of assets under management (AuM). In contrast, European pensions funds are estimated to hold $6.8tn. Regardless of the exact value figure for African pension funds, there is a considerable amount of investable wealth.

World regions: total investments by pension fund ($trillion) (2022)



Source: MIF based on OECD (2025)

- **Diaspora bonds.** A debt instrument sold at a premium to the overseas diaspora, they are considered a 'patriotic' discount and thus a far more sustainable debt to acquire for countries especially in Africa which currently borrows at a higher price than any other region and with growing international migrant numbers – as of 2024 with over 45 million migrants from Africa with almost half living outside the continent. From 2017, Nigeria raised $330 million in diaspora bonds for infrastructure projects but not all issues for diaspora bonds are successful. Most notably, Ethiopia was unable to galvanise much support from overseas citizens, the lack of trust in government being cited as a key deterrent. Out of Ghana, Ethiopia, Kenya and Nigeria, only Kenya's and Nigeria's bonds were fully subscribed to.
- **Green bonds.** A financial instrument, similar to a traditional bond, but specifically designed to raise capital for projects that deliver positive environmental or climate benefits. As of 2024, Africa had issued over 20 green bonds that have been financing climate mitigation and adaptation projects, including renewable energy, forestry, sustainable agriculture, sustainable water and clean transport projects.

Reforming global financial architecture

- ***Pact for the Future*** **recognised the importance of continuing to pursue governance reforms at the international financial institutions and multilateral development banks,** underscoring the "need to enhance the representation and voice of developing countries in global economic decision-making, norm-setting and global economic governance at international economic and financial institutions (...)." By June 2025, IMF should share possible approaches for further quota realignment, including through a new quota formula, while protecting the quota shares of the poorest members.

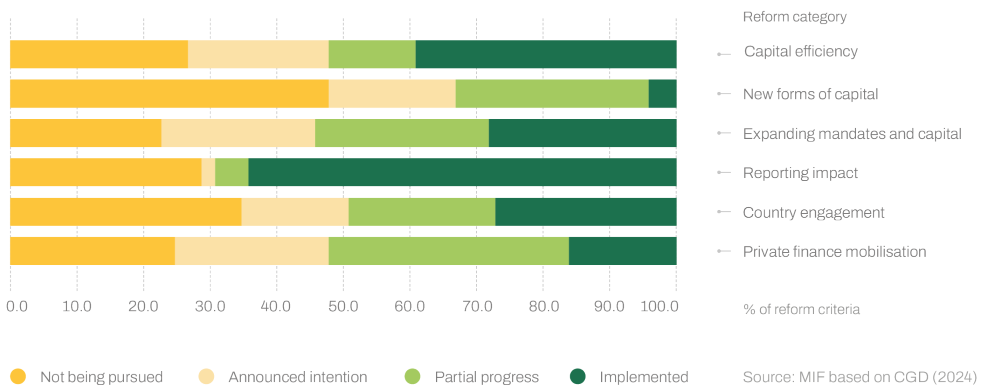
- At the G20 Summit in Rio de Janeiro, leaders endorsed a **Roadmap to make the MDBs "better, bigger and more effective"** through a concrete set of actions. It is the first G20-owned vision for the MDB reform agenda. Implementation falls on South Africa's G20 presidency and the G20's International Financial Architecture Working Group.

- African Ministers, under the leadership of UNECA, have long called for a reform of the global debt architecture. Ongoing consultations of the **High-Level Working Group on the Global Financial Architecture stipulated priorities for IMF reform**: less discretionary and more rule-based IMF policy making, long-term lending horizons, greater representation of lower- and middle-income countries, SDR re-channelling, maximising catalytic, blended finance models. Proposals also include the reform of the G20 Common Framework for Debt Treatment to: expand creditor committees for better coordination, immediately suspend debt service for all countries applying to the framework, widen eligibility criteria to include middle-income countries.

- **AU Lomé Declaration on Debt calls for urgent reform of the G20 Common Framework for Debt Restructuring.** Current framework is too slow, creditor-driven, and outdated. The declaration proposes a more inclusive, transparent, and equitable system, including a standardised methodology to improve the comparability of treatment as well as calling for a legally binding global debt resolution mechanism at the UN level.

- **Implementation of MDB reform agenda across all categories ranges from 5% to 64%.** On average, progress (either partially or fully implemented) has only been achieved for about 50% of MDB reform agenda items. IMF is expected to share possible approaches for further quota realignment, including through a new quota formula, while protecting the quota shares of the poorest members.

Selected MDBs: progress across reform categories (2024)*



Source: MIF based on CGD (2024)

* MDBs assessed include AfDB, ADB, AIIB, EBRD, EIB Global, IDBG and WBG.

Insights from AEF Group on Combatting IFFs

By AEF Co-Chairs, Dr Adeyemi Dipeolu (Adjunct Professor at the Nelson Mandela School, University of Cape Town and former Economic Adviser to the President of Nigeria) and Pascal Saint-Amans (Senior Policy Fellow at AEF and Founding Chairman of Saint-Amans Global Advisory)

The 2024 UN Summit of the Future served as a sobering checkpoint. With only 17% of SDG targets on track and over a third stalled or regressing, global leaders were urged to double down on large-scale investment, expand fiscal space for developing countries, and strengthen partnerships to drive change. Since then, geopolitical and economic fragmentation have worsened deepening the cracks in multilateralism. Amid this uncertainty, the Africa-Europe partnership is more critical than ever. With just five years left to deliver on the 2030 Agenda, domestic resource mobilisation has emerged as the most sustainable pathway to development anchored in self-reliance, mutual accountability, and more equitable economic cooperation.

2025 also marks the 10-year anniversary of the Mbeki Report on Illicit Financial Flows (IFFs), underscoring the urgency to address IFFs as a pillar of global tax and financial reform. To this end, the multistakeholder Africa-Europe working group on IFFs has identified these priorities:

Invest in trust-building through honest exchange to strengthen Africa-Europe alignment in relation to upcoming institutional milestones. For example, by replacing ineffective and unilateral blacklisting practices with transparent, collectively negotiated compliance mechanisms. Within the G20 framework, convene a joint Africa-Europe Tax Symposium to advance equitable global tax rules and ensure fair representation and concessions in international tax policy negotiations.

Form AU-EU 'coalitions of the willing' to collectively advocate for Systemic Reform at different levels of the finance agenda. For example, support fair representation in global financial institutions, including IMF quota reform and World Bank voting power. Cooperate on facilitating the implementation of initiatives such as the Team Europe Initiative on Combatting IFFs and Transnational Organised Crime, and strategic concessions in forums like the UN Framework Convention on International Tax Cooperation or the OECD Inclusive Framework on BEPS to address cross-border tax abuse and facilitate the fast-tracking of equitable reforms.

Scale Data Governance and Country-by-Country Reporting to track and report IFFs globally reinforcing the need for comprehensive, standardised, and harmonised approaches to IFFs reporting by all countries on SDG 16.4.1, using globally agreed concepts and tested methodologies like the UNCTAD-UNODC Conceptual Framework for the statistical measurement of IFFs. Additionally, high-income countries must prioritise data availability and strengthen standards for country-by-country reporting (CBCR) to enhance tax compliance for all.

Leveraging Innovation and Beneficial Ownership registries: The rise of crypto transactions linked to illicit activities requires the broader adoption of high-quality data systems and the scaling and adoption of frameworks like the Crypto-Asset Reporting Framework to collectively address new channels of illicit financial flows, coupled with relevant technical assistance especially to countries with limited infrastructure. Africa and Europe must also establish a harmonised, verified, and publicly accessible system of beneficial ownership registries across African and European countries, grounded in a standardised definition, backed by strong verification mechanisms, and enabled through international cooperation and data-sharing agreements.

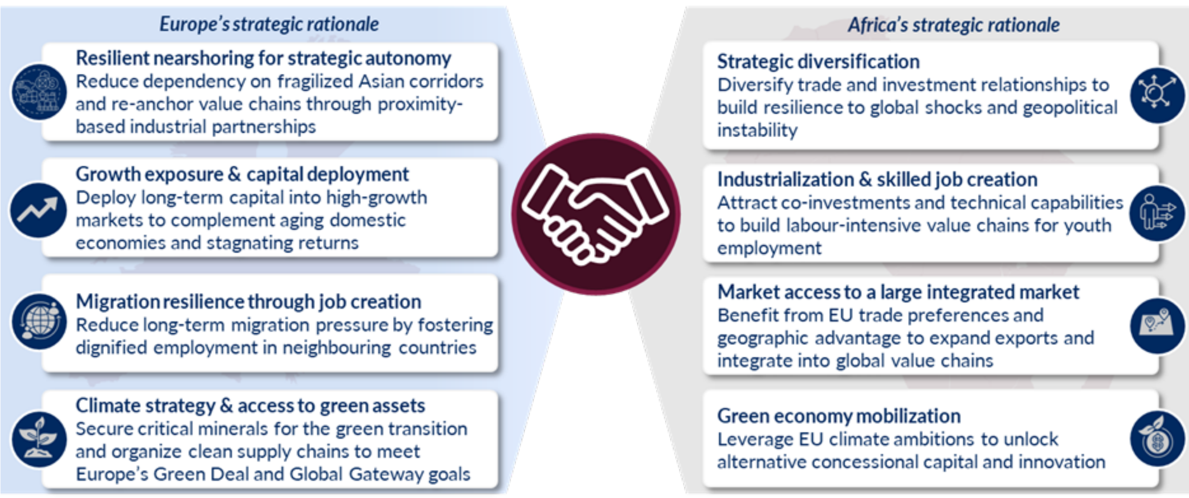
New investment models: Catalysing Africa-Europe Investment Flows

- Africa-Europe Partnership, through its close economic, social, and political ties and geographical proximity, can play a central role in redefining investment cooperation model, at this tipping point in the global geostrategic landscape.
- Catalysing African-European capital flows, will need to be achieved within this broader context of shifting global economic and political environment, increasing volatility and attractive low-risk, high yield options.
- There is increased acknowledgment that Africa and Europe must find a new way to work together – the current modus operandi does not work – and it has to be a more equal partnership model.

Some of the key investment challenges include:

- Capital flows: too little capital flowing into much needed investments. Achieving Sustainable Development Goals and Agenda 2063 will require an additional $330bn more annually, or $1.3–1.6tn by 2030.
- Project development and pipeline: Addressing the lack of 'bankable projects' pipeline requires understanding bankability, which too often is defined by individual institutional investors. Thus, project preparation processes require streamlining – establishing homogeneous funding requirements with comparable assessment procedures and documentation.
- International incentive frameworks: competing incentives, such as those driven by the U.S. evolving policy landscape, can divert funds from cross-regional initiatives, necessitating a global solution to ensure equitable investment distribution.
- Visibility of risk-returns: a fundamental issue of clarity and uneven evidence for long term investments returns, which takes account of currency risks, and market distortions.

Strategic rationale: Failure to address risk-return fundamentals, fragmented initiatives, lack of scale, misaligned objectives and paternalism prevalent across current investment finance actors requires a bold new solution that can deliver for Africa-Europe.



Competitive Independence:
A New Era for Africa-Europe Climate and Development Cooperation

1. Strategic Case

2025 marks a pivotal moment for Africa and Europe, as both regions reorient their industrial strategies to navigate a rapidly changing global economy. While Europe seeks to restore its competitiveness and meet climate targets, African countries are positioning themselves as green growth hubs, leveraging natural resources, renewable potential and a dynamic workforce.

2. Rationale and Benefits

Competitive interdependence strengthens Africa and Europe's geopolitical positions

- **Diversify economies** beyond extraction,enhancing employment, prosperity, and resilience
- Build **value-added industries**
- Shape **international standards** and regulatory frameworks
- Accelerate **technology** and
- **skills transfer** and **upgrading**

- Reduce **energy dependency** & exposure to **geopolitical risks**
- Accelerate **strategic autonomy** and **regional partnerships**
- Secure access to affordable **clean energy, energy carriers & low-carbon goods**
- Strengthen **European green**
- **competitiveness** globally

African and European industries will benefit from competitive interdependence

- Support **green industrial investment** and development driven by European anchor demand
- Kick-start **production** of green steel, fertilisers, and hydrogen
- Improve **energy access & affordability** via industrial anchor demand

- **Lower the cost** of industrial decarbonisation
- **Avoid bottlenecks** from rapid domestic renewables demand
- **Secure early access** to emerging green value chains

3.Next Steps

Enhanced Europe-Africa competitive interdependence will see both continents deploying greater political, financial, and resource capital to capitalise on each of their strengths – charting a unified path into the future.

In a shifting global order, Africa and Europe must act together linking trade, energy, industry and finance.

- Europe must view green cooperation as strategic competitiveness.
- Africa must embrace green industrialisation as a first-choice development path

Competitive interdependence

- Negotiation for higher environmental and governance standards
- Transparent agreements
- Align Climate Investment
- Infrastructure co-development
- Accelerate Energy Access
- Green the African Continental Free Trade Area goals
- Financing mechanisms
- Fair Green Carbon Border Adjustment Mechanism

Shared Direction

Set Green Vision
Long-term partnerships need political clarity. Use moments like the next EU-AU Summit, G20,and COP30 to define a shared ambition.

Scale Green Finance
Unlock investment through de-risking tools, concessional capital and Multilateral Development Banks reform. Target finance to cross-border green value chains.

Align Green Standards
Develop harmonised sustainability metrics and mutual recognition frameworks, tailored to Africa's conditions but globally competitive.

A study conducted in partnership by Climate Action Platform Africa, ecdpm, BELLONA Europa as part of the AEF research consortium

Co-funded by the European Union

Next Generation Finance

The Africa-Europe Foundation #FutureAfricaEurope initiative resulted in a cross-continental platform dedicated to reinforcing youth voice, agency and leadership on sustainable finance. This process included the "Financing Our Future" fora in Addis Ababa (March 2025) and in Brussels (July 2024) bringing together young practitioners and analysts from across Africa and Europe.

Priorities and areas of action emerging from across the Financing Our Future dialogues included:

Opening space for young leaders to work with policymakers on issues of sustainable finance, from international tax cooperation to domestic resource mobilisation and combatting illicit financial flows, and challenging existing power dynamics by inviting high officials to join youth-led initiatives.

Focusing on local value add and impact stories when it comes to tracking the implementation of existing finance/policy commitments of the African Union and European Union, and the roll-out of the EU-Africa Global Gateway Investment Package.

Raising understanding and recognition of the burden of high-interest debt and co-designing strategies to convert existing debt into productive infrastructure, for example by reinvesting interest payments domestically to boost productivity through infrastructure and natural resource refinement.

Focusing on improving accessibility to finance for youth-led projects at the nexus of climate and development, and significantly scaling youth-led initiatives in domains of cooperation which hold the most promise for Africa-Europe cooperation including in the domains of ocean/blue economy, energy access/transitions, agri food systems and green minerals.

Invest in large-scale strategic communication and visibility actions to communicate the impact of existing youth-led initiatives in the global fight against illict financial flows, and supporting youth-led awareness campaigns on IFFs.

Aligning electoral and financial timelines to improve debt accountability and stimulate strategic investments, while also reducing incentive for short-term borrowing to finance current expenditures (especially ahead of new political cycles).

Reinforcing youth agency in the design of sustainable finance initiatives at the multilateral level, from the tracking and implementation of the Pact for the Future to the finance/tax workstream of the G20.

"Overall, significant progress is being made, but efforts of stakeholders both at the AU and EU need to be intentionally doubled up to unlock bigger prosperity as far as youth engagement is concerned."

Damilola Hamid Balogun (Co-Founder and CEO of the Youth Sustainable Development Network and member of the AEF Financing Our Future Initiative)

USEFUL RESOURCES

A selection of resource links related to the AEF's impact since the last High-Level Group meeting.

- AEF and NEPAD Report on unlocking $170 billion annually to meet Africa's infrastructure needs: *https://www.nepad.org/news/new-report-calls-unlocking-170-billion-annually-meet-africas-infrastructure-needs*

- First Joint Africa-Europe Roadmap on Ocean Partnership, facilitated by AEF in preparation of the UN Ocean Conference 2025: *https://roadmaptowards2030.org/*

- AEF Elements Paper for the Financing for Development International Conference (FfD4): *https://financing.desa.un.org/ffd4/elementspaperinputs*

- MIF Facts & Figures 2025 Forum Report *Financing the Africa We Want* *https://mo.ibrahim.foundation/sites/default/files/2025-05/2025-forum-facts-figures.pdf*

- 2024 Forum Report Financing Africa: Where Is The Money? *https://mo.ibrahim.foundation/sites/default/files/2024-06/2024-forum-report.pdf*

- AEF Statement on Pathways to Translate the Pact for the Future into Action: *https://www.africaeuropefoundation.org/areas-of-action/beyond-the-united-nations'-summit-of-the-future:-co-presidents-of-the-africa-europe-foundation-outline-pathways-to-translate-renewed-global-commitments-into-action/*
- SEforALL and AEF partnership on Critical Transition Minerals:*https://www.seforall.org/news/seforall-and-the-africa-europe-foundation-launch-partnership-on-critical-transition-minerals*

- AEF Joint Report with Sanofi Foundation: From Risk to Resilience: Unlocking Climate and Health Finance for Local Health Adaptation: *https://www.foundation-s.sanofi.com/assets/dot-fs/pages/docs/Foundation-S-the-sanofi-collective-report-from-risk-to-resilience.pdf*

- AEF Policy Initiative on Revitalizing Africa-Europe Cooperation on Climate Adaptation *https://res.africaeuropefoundation.org/ClimateAdaptationCooperation*

- #AUEUTracker Infosheet Bulletin: Taking Africa-Europe's Energy Partnership to the Next Level *https://www.africaeuropefoundation.org/areas-of-action/aef-at-the-mission-300-africa-energy-summit/*

- AUDA-NEPAD and Africa Europe Foundation Forge Partnership *https://www.nepad.org/news/auda-nepad-and-africa-europe-foundation-forge-partnership*

- Follow the Money: Africa, Europe and the Fight Against Illicit Financial Flows *https://www.africaeuropefoundation.org/areas-of-action/follow-the-money:-africa-europe-and-the-fight-against-illicit-financial-flows/*

- AEF partnership agreement with Madagascar ahead of Chairpersonship of the SADC Regional Economic Community: *https://www.africaeuropefoundation.org/areas-of-action/madagascar-and-the-africa-europe-foundation-announce-partnership-to-boost-au-eu-cooperation/*

- Initiative for Locally led solutions to bridge world's climate and health gaps *https://africasciencenews.org/more-calls-for-locally-led-solutions-to-bridge-worlds-climate-and-health-gaps/*

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