**AFRICAN GROUP COMMENTS FOR THE ZERO DRAFT**

**SECTION-BY-SECTION READING ON THE 3RD PREPARATORY COMMITTEEE**

**10 to 14 February 2025**

**Conference Room 3**

1. **GLOBAL FINANCING FRAMEWORK**

* The zero draft contains only seven specific mentions of Africa. This compares negatively with the Addis Ababa Action Agenda, which had 21 specific references to Africa, including the numerous flagship projects of the AU, Agenda 2063 and its First Ten-year Implementation Plan, and specific references to the NEPAD and the GA resolutions on Africa. **We call for explicit commitments to supporting Continental initiatives, such as the Second Ten-year Implementation plan, the African Development Fund, the African Continental Free Trade Adjustment Fund**.
* African countries face particular structural challenges in terms of financing for development which require systemic action at the national, regional and global levels. As such the unique challenges of African countries need to be better reflected in the document, to deliver truly transformative financing.

**Paragraphs 1-4**

* **Paragraph 2** needs to refer to the SDG financing gap of 4.3 trillion dollars and the fact that we need to take urgent action now to ensure that we do not miss the Goals, including the SDG Stimulus proposal to provide USD 500 billion a year in international public financing to help close the gap.

**Paragraphs 5-11**

* **Paragraph 5** should include a reference to the fight against illicit financial flows as one of the challenges we face, as well as specify that investments should be for productive transformation in addition to growth.
* We would also like to see a paragraph on financing for disease outbreaks and pandemic prevention, as these outbreaks have significantly affected growth trajectories in developing countries.

1. **DOMESTIC PUBLIC RESOURCES**

**Paragraphs 28-29 (a-b)**

* **Paragraph 29 (b):** should also call for supporting countries to rationalize tax expenditures and use targeted incentives to attract investment in more diversified and transformative sectors.

**Paragraph 29 (c-m)**

* We request the addition in **paragraph 29 (j)** a commitment to allocate at least 10 per cent of ODA towards the digitalization of tax administrations and capacity building in Africa to strengthen countries' capacity for domestic resource mobilization and improving governance

**Paragraph 30**

* **Paragraph 30 (c)** should be strengthened to support the work of the Negotiating Committee for the UN Framework convention on international Tax cooperation. In this regard, the para should be amended as follows: *“We will continue to engage constructively and support the negotiations on the United Nations Framework Convention on International Tax Cooperation”.*
* **Paragraph 30 (f):** the group proposes strengthening the language to include actionable recommendation on enhancing beneficial ownership transparency through the establishment of global beneficial ownership registries of legal persons and legal arrangements, which will further curb IFF, and facilitate domestic resource mobilization and recovery of stolen assets.
* We reaffirm our call to avoid listing of the work of regional tax platforms in **paragraph 30(g)** and in this regard, we propose that the paragraph remains broad in scope, avoiding a prescriptive or overly detailed listing of specific examples.

**Paragraph 31**

* Reference to FATF in **paragraph 31 (f)** should be deleted. FATF does not allow all developing countries to participate on an equal footing. Several developing countries have flagged concerns about the unfair blacklisting of developing countries for not following FATF standards
* While we generally support the section on Illicit Financial Flows, it should be strengthened to include a commitment to act as the global community to eliminate secrecy jurisdictions, introduce transparency in financial transfers and crack down on money laundering.
* We also request the addition of a **new action in paragraph 31** calling for all stakeholders to measure and report on the implementation of SDG indicator 16.4.1 on Illicit Financial Flows and measures taken to significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organized crime.

**Paragraph 32**

* We appreciate the section on National Development Banks but request the addition of language specifically calling for international financial assistance to capitalize NDBs, so that these critical enabling institutions can be scaled up or established where they do not exist.

1. **DOMESTIC AND INTERNATIONAL PRIVATE BUSINESS AND FINANCE**

**Paragraphs 33-34**

* **Paragraph 34 (b)** should include a reference to providing capacity building support for developing countries and African countries to strengthen our institutions.
* **Regarding the Paragraph 34 (f),** SMEs, which form the backbone of African economies, face persistent financing gaps despite their significant contribution to employment and GDP. Development of alternative credit scoring models using digital footprints and transaction data can help overcome traditional collateral constraints. The paragraph should call for digital financial services and fintech solutions to be leveraged to expand SME access to working capital and growth financing.
* **On paragraph 34 (i),** it is worth remembering in some African countries, remittances represent over 20% of their GDP. However, Africa is home to some of most expensive remittance corridors, with the average cost of sending remittances around 8.5%. Africa would benefit immensely from a reduction of these transaction costs.

**Paragraph 35**

* **Paragraph 35 (h) and (i) –** there should be a clear recognition that a significant portion of these resources should be allocated to Africa. Currently, there is only a vague reference to high-impact infrastructure projects in countries in special situations.
* **Regarding the section on Foreign Direct Investment**, we request an additional bullet calling for the development of more innovative de-risking instruments such as guarantees and first-loss provisions.
* Project preparation remains a key roadblock to crowding in private sector finance into sustainable development projects in Africa. We thus request an additional paragraph in 35 committing to support the development of projects from the very early stages of the project preparation life-cycle, and to assist developing countries in developing projects at the necessary scale that are replicabile, through dedicated project preparation facilities with significant concessional resources.
* The implementation of digital payment corridors should be added as a way to reduce transaction costs. Development partners should commit to the creation of enabling regulatory frameworks for new remittance-backed financial products, including diaspora bonds and securitization of remittance flows. The integration of remittance channels with domestic financial systems can enhance their development impact through investment vehicles tailored to diaspora investors.

1. **INTERNATIONAL TRADE AS AN ENGINE OF DEVELOPMENT**

**Paragraphs 42-43 (a-e)**

* The Africa Group views the reaffirmation of a rules-based system for trade in **paragraph 43** as of critical importance at this juncture, in anticipation of the potential tariff wars and market restrictions.
* While **paragraph 43 (d)** recognizes the importance of providing specific support to the most vulnerable countries (LDCs, LLDCs, and SIDS), there is a need to recognize the special needs of African countries which do not fall in any of the three categories. There is a growing list of Middle-Income Countries, many of which face challenges integrating into the system and predictably accessing affordable resources in view of the high cost of capital on international markets.

**Paragraph 43 (f-l)**

* We appreciate the specific reference to the African Continental Free Trade Area in **paragraph 43 (f)** in the context of regional trade integration, which needs to be strengthened to highlight the specific support by the international community to the implementation of the AfCFTA for example support to the AfCTFA Adjustment Fund and technical assistance on trade negotiations.
* We support **paragraph 43 (h)** –The advisory centre is a pivotal initiative aimed at providing training, support, and assistance in international investment law.
* **Paragraph 43 (k)** needs to be significantly strengthened. There is a rise of unilateral trade measures, including the Climate Border Adjustment Measures (CBAM), which discriminate against developing countries by unilaterally imposing sustainability standards on their exports, which threaten not only their exports but production processes within their economies.

Such unilateral measures undermine the multilateral trading system and should be replaced by multilaterally agreed approaches that recognizes different levels and capabilities.

**Paragraph 44**

* There are repeated references to capacity building, especially of trade-related physical and digital infrastructure in **Paragraph 44.** These could be strengthened in the context of regional integration and the expansion and deepening of the AfCFTA.

**Paragraph 45**

* Paragraph 45 is singularly focused on boosting trade in LDCs and therefore is relevant to Africa. A more specific reference to boosting intra-African trade in the context of AfCFTA could be warranted here.

**Paragraph 46**

* We are still studying the details with a view to further language proposals.

1. **DEBT AND DEBT SUSTAINABILITY**

* **Under paragraph 54 (b)** suspending IMF surcharges is highlighted but only during disasters and exogenous shocks. There is a need to consider suspending these surcharges for countries at high risk of or already in debt distress until the review is carried out.
* By leveraging SDRs, either as collateral for concessional financing or through voluntary transfers from advanced economies, debt relief efforts would be more efficient and provide much-needed fiscal space for countries.
* **We propose to include a bullet point on encouraging both the official and commercial lenders to increase lending in fixed interest rates debt instruments to address the interest rate risks.**
* The FfD 4 outcome document should underline the importance of reforms to existing multilateral debt resolution processes, including the G20 Common Framework, to facilitate timely collective action to prevent debt crises.
* We would like to reiterate our call for the establishment of a multilateral sovereign debt workout mechanism, aligned with sustainable development and the creation of a global debt authority to oversee this mechanism and promote substantive reforms in sovereign debt management.

1. **ADRESSING SYSTEMIC ISSUES**

**Paragraphs 52-53**

* We welcome **paragraph 53 (b)**, however we wish to retain the formulation in the elements paper, specifically calling for the addition of a fifth Deputy Managing Director for Africa at the IMF, to address the injustice of African underrepresentation in voice and decision-making at the Fund.

**Paragraph 54**

* **Paragraphs 54 (d) and (e)** should be strengthened to promote the use of SDRs for development purposes. SDRs should be de-linked from political uncertainties and dependencies. Access to SDRs should also be delinked from the ability to pay but based on needs assessment contingent on income and vulnerability.
* We support **paragraph 54 (f)** committing to provide support for the establishment of a robust African Regional Financing Arrangement.
* In general, we support the thrust of this section and the many bold proposals that will assist Africa.

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