



## Economic and Social Council

Distr.: General  
29 December 2023

Original: English

**Economic Commission for Africa**  
**Conference of African Ministers of Finance,**  
**Planning and Economic Development**  
Fifty-sixth session

Victoria Falls, Zimbabwe (hybrid), 4 and 5 March 2024

Item 4 of the provisional agenda\*

**High-level round-table discussions**

### **Round table 1: global financial architecture reforms to address the intersection of debt, climate and development in Africa**

#### **Concept note**

#### **I. Background**

1. Over the past few years, many African countries have experienced significant economic disruption, primarily as a result of an unprecedented series of global shocks, including the coronavirus disease (COVID-19) pandemic, the war between the Russian Federation and Ukraine and climate change. As a consequence, progress by African countries on the Sustainable Development Goals, set out in the 2030 Agenda for Sustainable Development, has stalled or, in some cases, even reversed.<sup>1</sup> Recovery from those shocks has been slow because of the shrinking fiscal space of African countries, the depletion of their foreign currency reserves, high debt servicing costs and highly volatile exchange rates. Many African countries have faced critical liquidity challenges, which have led to high levels of debt distress and macroeconomic instability. Established debt resolution modalities have often proved ineffective in dealing with the repercussions of those shocks.

2. In 2021, in response to the global shocks undermining the global economy, the International Monetary Fund (IMF) approved a general allocation of special drawing rights (SDRs) equivalent to \$650 billion to boost global liquidity.<sup>2</sup> African ministers of finance welcomed the decision by IMF, while also voicing concerns with regard to inherent inequities that would stem from the allocation and underscoring

\* E/ECA/CM/56/1.

<sup>1</sup> ECA, *Economic Report on Africa 2023: Building Africa's Resistance to Global Economic Shocks*. (Addis Ababa, 2023). Available at: [repository.uneca.org/bitstream/handle/10855/49992/\\_b12040071.pdf?sequence=1](https://repository.uneca.org/bitstream/handle/10855/49992/_b12040071.pdf?sequence=1).

<sup>2</sup> IMF, "IMF Governors Approve a Historic US\$650 Billion SDR Allocation of Special Drawing Rights", 2 August 2021. Available at: [www.imf.org/en/News/Articles/2021/07/30/pr21235-imf-governors-approve-a-historic-us-650-billion-sdr-allocation-of-special-drawing-rights](https://www.imf.org/en/News/Articles/2021/07/30/pr21235-imf-governors-approve-a-historic-us-650-billion-sdr-allocation-of-special-drawing-rights).



that the allocation would not provide adequate financial buffers to those economies that needed them most.<sup>3</sup>

3. African ministers of finance also discussed ways to broaden the scope of global financial architecture, including through the creation of innovative and sustainable finance mechanisms, instruments for the reallocation of SDRs on-lend to low-income and vulnerable middle-income countries, and improvements to carbon pricing mechanisms, in accordance with the Paris Agreement on climate change. The Economic Commission for Africa (ECA) has continued to advocate a comprehensive reform of global financial architecture, drawing attention to the extremely high borrowing costs shouldered by African economies and the very limited progress that has been made to address the crippling debt burdens of African countries.

4. The repercussions of recent global shocks have made clear the inherent vulnerabilities of the global economic system, as well as the need for closer coordination and cooperation at the global level and for innovative approaches to address the world's challenges. Climate change, for example, continues to have a devastating impact worldwide, including in countries that bear little responsibility for increases in global carbon emissions. Recent extreme weather events, including a severe drought in East Africa, a cyclone in Malawi and severe floods in Libya, are evidence of the increasing frequency and intensity of natural disasters in Africa – the continent that has contributed least to global warming.

5. Furthermore, and as documented in a recent report by ECA, major natural disasters have accelerated debt accumulation and precipitated political instability and conflict.<sup>4</sup> Hence the transition to a low-carbon economy for Africa is not an option but an imperative. Africa can, moreover, play a significant role in stemming global warming by protecting large areas of rain forest and facilitating the development and dissemination of technologies that support the transition to green power generation, including technologies that exploit the continent's significant mineral, solar, hydropower and geothermal potential.<sup>5</sup> In taking action to that end, Africa can ensure that collective climate action becomes a global public good that enshrines the principles of equity and inclusion.

6. Credible estimates of the financing needs of Africa suggest that an additional \$194 billion per year,<sup>6</sup> equivalent to some 14 per cent of the continent's current gross domestic product (GDP), is needed to support the continent's transition to sustainable power generation and the achievement of the Sustainable Development Goals. The mobilization of those resources may, however, prove challenging in the absence of significant reforms to current global financial architecture, which, as underscored by the United Nations, "has been unable to support the mobilization of stable and long-term financing at scale for investments needed to combat the climate crisis and achieve the Sustainable Development Goals for the 8 billion people in the world

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<sup>3</sup> ECA, "ECA, African Ministers of Finance and IMF discuss changes needed to global financial architecture to support economic recovery on the continent", 1 October 2021. Available at: [www.uneca.org/stories/eca%2C-african-ministers-of-finance-and-imf-discuss-changes-needed-to-global-financial](http://www.uneca.org/stories/eca%2C-african-ministers-of-finance-and-imf-discuss-changes-needed-to-global-financial).

<sup>4</sup> ECA, *Economic Report on Africa 2023*.

<sup>5</sup> ECA, "At Unstoppable Africa, Antonio Pedro makes strong push for industrialization and energy transition through critical minerals", 22 September 2023. Available at: [www.uneca.org/stories/at-unstoppable-africa%2C-antonio-pedro-makes-strong-push-for-industrialization-and-energy](http://www.uneca.org/stories/at-unstoppable-africa%2C-antonio-pedro-makes-strong-push-for-industrialization-and-energy).

<sup>6</sup> African Union Commission and Organisation for Economic Co-operation and Development, *Africa's Development Dynamics 2023: Investing in Sustainable Development* (Paris, 2023). Available at: <https://au.int/sites/default/files/documents/42988-doc-ADD2023-1.pdf>; Financial Sector Deepening Africa, "Current levels of climate finance in Africa falling drastically short of needs", 30 June 2022. Available at: [fsdafrika.org/news/current-levels-of-climate-finance-in-africa-falling-dramatically-short-of-needs/](https://fsdafrika.org/news/current-levels-of-climate-finance-in-africa-falling-dramatically-short-of-needs/).

today. It is plagued with inequities, gaps and inefficiencies that are deeply rooted in the system”.<sup>7</sup>

7. Support for global financial reform has gained traction in recent years, in tandem with the rise in the number of African countries in or at risk of debt distress.<sup>8</sup> According to estimates by ECA, debt servicing costs now exceed 10 per cent of GDP on average in African countries – almost double their average expenditure on the provision of public health services.<sup>9</sup> The shrinking fiscal space of many African countries has necessitated significant cuts in spending, including on infrastructure development, education and job creation. This does not mean that those African Governments are insolvent, but rather that they continue to face temporary liquidity challenges stemming, primarily, from economic shocks that the current global financial architecture has proven unable to address effectively.

## II. Objective of the round table

8. During the round table, panellists will endeavour to formulate a set of clear messages and recommendations on how global financial architecture can be strengthened and made fit for purpose, taking into account the outcomes of previous sessions of the Conference of African Ministers of Finance, Planning and Economic Development, the need to promote inclusion, equity and transparency, and the objectives set out in the 2030 Agenda for Sustainable Development. To achieve that objective the panellists will seek to answer the following questions:

- (a) What are the key deficiencies of the current global financial architecture in relation to African countries?
- (b) What reforms and strategies are needed to resolve the current debt crisis in Africa and adjust borrowing costs in line with the economic fundamentals of African countries?
- (c) What instruments and institutional arrangements are required to mobilize the resources needed for a just and sustainable transition?
- (d) How can global financial governance be strengthened?
- (e) What role can African countries play in advancing reforms of global financial architecture and how can ECA and other regional organizations, including the African Union, the African Development Bank and the African Export-Import Bank, best leverage their convening power to accelerate the reform process?

## III. Target audience of the round table

9. It is envisaged that the round table will stimulate debate on issues related to global financial architecture reform among a wide range of stakeholders, including:

- (a) Government officials;
- (b) ECA partners;
- (c) Representatives of civil society and youth organizations;
- (d) Private sector stakeholders.

<sup>7</sup> United Nations, “Reforms to the International Financial Architecture”, Our Common Agenda Policy Brief 6 (New York, 2023). Available at: [sdgs.un.org/sites/default/files/2023-08/our-common-agenda-policy-brief-international-finance-architecture-en.pdf](https://sdgs.un.org/sites/default/files/2023-08/our-common-agenda-policy-brief-international-finance-architecture-en.pdf).

<sup>8</sup> A list of the countries at or at risk of debt distress as at 30 November 2023 is available at: [www.imf.org/external/pubs/ft/dsa/dsalist.pdf](https://www.imf.org/external/pubs/ft/dsa/dsalist.pdf).

<sup>9</sup> Hanan Morsy, “Reforming the global debt architecture”, 4 July 2023. Available at: [www.uneca.org/stories/reforming-the-global-debt-architecture](https://www.uneca.org/stories/reforming-the-global-debt-architecture).

## IV. Round table focal points

10. The following focal points are available to answer questions and provide further information regarding the round table:

**Lead focal point:**

Hanan Morsy  
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**Technical focal point:**

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