2025 Facts & Figures – Financing The Africa We Want

Executive Summary

Introduction: SETTING THE SCENE

1. OFFICIAL DEVELOPMENT ASSISTANCE IS OVER

- 2025: A massive ODA reduction from historical donor countries
- Accelerating a longer trend of diminishing commitments
- Africa's share of global ODA: a loss of 11 percentage points over 10 years

Spotlight: The current multilateral financial system does not meet Africa's need for long-term, concessional finance

2. CLIMATE FINANCE FOR AFRICA IGNORES THE CONTINENT'S REAL NEEDS

- Africa's climate finance needs amount to $1.6-$1.9 billion, with just over half costed
- Many uncosted needs relate to adaptation, leading to an underestimation of Africa's climate finance needs
- Africa receives less than 3% of total climate finance flows to developing countries, with only 36% of it earmarked for adaptation
- For Africa, climate finance runs the risk of crowding out development finance

3. AFRICA'S DEVELOPMENT AND CLIMATE BILLS CAN ONLY RISE

3.1. While higher than global average, economic growth in Africa continues to run behind demographic growth

- Africa's share of the world's population will more than double by 2100 to reach 3.8 billion people, representing over 37.5% of the world's population
- Africa's growing working age population will require 20 million additional jobs every year

3.2. Africa's development agendas are largely off-track

- Only 6% of SDGs are on track to be met by 2030 in Africa
- At the end of the First Ten-Year Implementation Plan (FTYIP 2014-2023) of Agenda 2063, implementation rate of 2023 targets was 50%
- To achieve the ambitious Second Ten-Year Implementation Plan (STYIP 2024-2033), Africa will need to mobilise an annual additional average of $330 billion

3.3. Africa's state of development and vulnerability means that access to energy and adaptation to climate change impact are far more important than mitigation

4. THE AFRICAN UNION'S AGENDA 2063: "THE AFRICA WE WANT"... AND INTEND TO FINANCE

- The AU's Agenda 2063 "The Africa We Want" aims to mobilise domestically 75%-90% of the resources needed to implement the continent's goals, including:
    - Enhancing fiscal resource mobilisation
    - Leveraging institutional savings, e.g. sovereign wealth funds and pension funds
    - Curbing illicit financial flows
    - Maximising natural resource rents, e.g. agriculture, mining and maritime
- The global aid reshuffle is a wake-up call and an opportunity for Africa

Chapter 1: DOMESTIC FINANCIAL RESOURCES: CHALLENGES AND POTENTIAL FOR MAXIMISING REVENUE

Spotlight: Africa's domestic financial resources: gains almost cancelled by losses

- Around $920 billion in through taxes, SWFs, pension funds and remittances; almost $940 billion out through debt and IFFs

1. DEBT & IFFs ARE DRYING UP AFRICA'S RESOURCES

1.1. Africa's external public debt has almost doubled in the last ten years

- Between 2014 and 2023, Africa's external public debt stock almost doubled from $349.4 billion to $690 billion
- Though not the most indebted region at global level in terms of total debt stock, Africa's debt-to-GDP ratio is now the highest in the world at 24%
- For seven African countries, external public debt represents more than 50% of their GDP
- At average continental level, debt service makes up almost 14% of government spending, twice Africa's health expenditure

1.2. Capital flight: Africa loses around $90 billion a year, more than ODA received ($74 billion in 2023)

2. DOMESTIC TAXES STAND FAR BELOW AVERAGE

2.1. Africa has the lowest tax-to-GDP ratio of all world regions

- Africa's tax-to-GDP ratio is 16%, less than half the OECD average

2.2. Only 14 African countries reach a tax-to-GDP ratio of at least 15% or higher

- Only 14 African countries, led by South Africa, Seychelles and Tunisia, have reached a tax-to-GDP ratio above 15%, considered the minimum needed to ensure sustainable economic development
- At least 19 African countries (of 33 with data), representing over half (54.4%) of the continent's population, do not reach this tax-to-GDP ratio of 15%

2.3. Taxes on exports, payroll and property represent the smallest part of public revenue

- At 8.1% of GDP, taxes on goods and services are the largest contributor to GDP, mostly through value added tax

2.4. There is almost no wealth tax in Africa

- According to Oxfam, the seven wealthiest Africans were richer than the poorest half of the continent's population in 2022
- Introducing a progressive wealth tax, starting at assets above $5 million, could yield around $12 billion annually

2.5. Corporate tax holidays: a foregone revenue of around $55 billion a year

- Senegal lost 6% of its GDP in 2020 to tax exemptions, deductions, credits, deferrals and reduced rates

2.6. Half of Africa's citizens would prefer to pay higher taxes in exchange for more government services

- The preference for higher taxes is more prevalent among citizens between the ages of 18 and 35
- New technologies like connected IDs across government agencies, sales registration machines, automated payment information exchange and AI can boost tax collection

3. AFRICAN SWFs, PENSION FUNDS & REMITTANCES: A LARGE POTENTIAL STILL UNTAPPED

3.1. African sovereign wealth funds are estimated at around $130 billion in 2023

- 23 African countries have at least one established fund, with three valued at more than $5 billion

3.2. At almost $220 billion, Africa's pension funds are the continent's largest source of investible capital

- About 50 African countries are reported to have pension funds, but data about their Assets under Management only exists for 17 of these
- At $119.4 billion Assets under Management, South Africa has the biggest pension fund, almost 4 times larger than the second biggest, located in Nigeria

3.3. Over $90 billion in remittances flow into Africa each year, representing over 10% of GDP for many countries

- For eight countries, remittance inflows surpass 10% of GDP, with Comoros, Gambia and Lesotho reaching over 20%
- At 7.4%, the average cost to send remittances to Africa is over twice the SDG goal (10.c) of 3% or less
- Africa's High Net-Worth Individuals (HNWI) investable wealth is assessed at $2.5 trillion
- Africa's millionaire population is expected to rise by 65% over the next 10 years

Chapter 2: MONETISING AFRICA'S NATURAL ASSETS

1. MINERAL WEALTH

1.1. Africa owns some of the largest mineral reserves in the world

- 12 African countries are home to between 5% and 78% of global critical mineral reserves
- 78% of palladium global reserves (South Africa); 68% of phosphate global reserves (Morocco); 55% of cobalt global reserves (DR Congo); 45% of chromium global reserves (Zimbabwe)

1.2. Africa's mineral exports remain largely as raw or semi-processed commodities

- A raw ton of bauxite, for example, is worth $65, but $2,335 when processed into aluminium (2023 prices). 28.1% of the world's bauxite supply is produced in Guinea.

2. RENEWABLE ENERGY SOURCES

2.1. Africa hosts 60% of the global solar power potential

2.2. Geothermal potential in Eastern Africa is estimated at over 20 GW

2.3. Africa has only tapped into 0.01% of its wind power capacity

2.4. The green hydrogen dilemma: a growing global demand, but high water and land drain implications

3. BIODIVERSITY ASSETS AND CARBON-SINKING CAPACITY

3.1. Biodiversity: One sixth of the world's plant species and one quarter of the world's mammal species

- The global demand for biodiversity credits could reach $69 billion by 2050

3.2. The world's most important carbon repositories: forests, grasslands, peatlands and mangroves

- Africa represents 20% of the world's total land sinks, around 0.8 gigatonnes CO_2
- Africa's forests absorb 600 million tonnes of CO_2 each year, more than any other region
- Africa could aim to sell over $100 billion worth of carbon credits a year by 2050

4. BLUE ECONOMY POTENTIAL

4.1. Africa's oceans and blue economy could contribute up to $1 trillion annually

4.2. Fisheries and aquaculture potential

- 98% of Africa's total coastline - 30,000km - is still untapped for halieutic resources
- Africa still imports annually more than $6 billion in fishery products

4.3. A strategic shipping hub

- In 10 years including COVID years, (2011- 2021), the number of container units moving through African ports increased by nearly 50%
- Countries expected to experience surges in port traffic by 2030: Comoros, Gabon, Gambia, Ghana, Madagascar, Mauritius, Mozambique, Namibia and Somalia.

5. AFRICA'S AGRICULTURE: THE KEY TO GLOBAL FOOD SECURITY?

5.1. 65% of global arable land is yet to be cultivated in Africa

- Nigeria, Sudan, Niger and Ethiopia feature in the top 10 at the global level for the most total arable land
- Morocco owns more than 1/3 (67.6%) of the world's phosphate reserves, key for fertilisation

5.2. But Africa's food production is worth $81 billion a year

- Africa still spends $78 billion on food imports annually
- Only four African countries receive more than $5 billion per year for their food exports
- Key obstacle is food waste (50% of food produce) due to the lack of cold chain and processing infrastructure.
- Only 3% of agricultural output is refrigerated at the first mile in Sub-Saharan Africa

Spotlight: Africa's most important asset: its youth and working age population

- Over 44% of the global youth population by 2100
- 2.4 billion people of working age by 2100

Chapter 3: ATTRACTING INVESTMENT IN AFRICA: OVERCOMING HURDLES

1. THE PARADOX OF INVESTMENT IN AFRICA: HIGHEST RETURNS, LOWEST INVESTMENT GLOBALLY

1.1. Returns on overall FDI to Africa between 2006 to 2011 reached 11.4%, significantly higher than the global average of 7.1%

1.2. Africa's investment strength is driven by three key pull factors

- Rapid growth across various countries and sectors
- By 2030, 250 million Africans could join the consumer class, unlocking $3 trillion in spending
- A burgeoning private sector, driven by young entrepreneurs

2. DESPITE HIGH RETURNS, INVESTMENT FLOWS TO AFRICA REMAIN LOW AT 4% OF THE GLOBAL TOTAL

2.1. While Europe remains Africa's largest source of FDI inflows, Gulf countries are increasingly investing in Africa

2.2. FDI remains concentrated in the five largest African economies

2.3. FDI remains concentrated in metals and renewables

2.4. Intra-Africa FDI account for only 14% of FDI in Africa

3. OVERCOMING HURDLES: CREATING THE RELEVANT CONDITIONS TO ATTRACT CAPITAL

3.1. Assessing African risk: is there an African "premium"?

- 16 African countries have not yet received a sovereign credit rating and remain excluded from the global capital market
- 2 countries only – Mauritius and Botswana – are considered investment-grade by the 3 Big CRAs

3.2. Institutional and regulatory environments: governance is key

3.3. Currency challenges: the call for a single currency?

- Intra-Africa payments are mostly routed through non-African banks, adding around $5 billion in transaction costs annually
- Volatility: Africa's currencies have weakened in recent years, with 10 African countries registering a $100 billion or more decline in their GDP adjusted for purchasing power parity since 2020
- Out of the 10 worst-performing currencies globally, five are from Africa, including the Zambian Kwacha, the Angolan Kwanza and the Nigerian Naira

3.4. Africa's stock exchanges: the need increase market capitalisation

- 37 African countries are currently covered by at least one stock exchange
- African stock exchanges remain constrained by high transaction costs and listing conditions

3.5. Project bankability: a key requirement to leverage Africa's attractivity for private investment

Spotlight: Accelerating Africa's continental integration is key to leveraging domestic resources potential

"Africa, we really need to change our mindset. Access to aid, we can begin to think of it as a thing of the past. We have to focus on two things: attracting investment and mobilising our domestic resources"
Ngozi Okonjo-Iweala, Director-General, World Trade