13 November 2023, 10-11:30 am, (EST)
Conference Room 5 (in hybrid format)
UN Secretariat, New York

CONCEPT NOTE

Context and Background

Africa is a continent of immense potential and rich in resources, yet it grapples with persistent underdevelopment and widespread poverty. While there have been notable improvements in recent years, Africa continues to remain off-track to achieve the Sustainable Development Goals (SDGs). Africa's development landscape is characterized by three intersecting paradoxes that have impeded progress:

• **Financial Paradox:** Africa is endowed with significant financial resources, but it finds itself trapped in a cycle of debt distress, with 63 per cent of African countries either at high risk or already in debt distress.\(^1\) Further, while it faces a persistent and widening financing gap, it is a net exporter of capital to the rest of the world.

• **Energy Paradox:** The continent boasts abundant energy resources, including 7.2 per cent of the global oil reserves and approximately 13 per cent of natural gas reserves\(^2\) as well as a potential to scale-up renewable energy, yet it remains largely shrouded in darkness, with 580 million citizens lacking access to modern, affordable and reliable energy services.\(^3\) The mismatch between energy potential and accessibility hampers economic growth and quality of life for many Africans.

• **Food Systems Paradox:** Africa is rich in agricultural resources, yet it grapples with alarming levels of food insecurity: 278 million people in Africa were undernourished in 2021, an increase of 22 per cent from 2019 and 42 per cent from 2000.\(^4\) The prevalence of severe food insecurity has risen from 16.7 per cent in 2014 to 23.4 per cent in 2021.\(^5\) This paradox highlights the inefficiencies and challenges within the continent's agricultural systems.

These paradoxes can be traced back to the legacy of colonialism, which structured African economies to serve external markets, prioritizing the extraction of surplus for the benefit of advanced economies. This historical economic structure has perpetuated dependency on external financial resources, energy and food imports, making it difficult for African economies to respond effectively to internal growth stimuli.

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\(^1\) World Bank. 2022. International Debt Statistics 2022
\(^3\) Ibid.
\(^5\) FAOSTAT. Available at https://www.fao.org/faostat/
Furthermore, global crises such as the COVID-19 pandemic, the War in Ukraine, and energy and climate crises have magnified the existing vulnerabilities in Africa's financial, energy, and food systems. An inequitable international financing and trading systems have also exacerbated these challenges. Addressing these challenges is crucial to securing a better future for Africa in the post-pandemic world and accelerating progress towards the SDGs.

It’s in this context that OSAA’s flagship report on “Solving Paradoxes of Africa's Development: Financing, Energy, and Food Systems” illustrates through the use of infographics the paradoxes, diagnoses the causes of the paradoxes, highlights the interconnectedness among them; underscoring the need for a holistic and integrated approach to unlock Africa's potential.

The report argues that these three paradoxes are not only interrelated but constitute a chain in which the financial paradox feeds and amplifies the energy paradox, which in turn aggravates the food paradox. The availability of financial resources for investment has a multiplier effect and is the critical entry point to turn the vicious circle into a virtuous circle. As a result, the energy and food paradoxes can only be solved if the starting point of the chain is tackled. The report presents domestic resource mobilization (DRM) as the game-changer element in solving the paradox value chain. Energy is the driver of the economic transformation required while food systems are the key to resilience, and good governance and strong institutions are essential for the enabling environment to unlock the changes required.

When harnessed effectively, DRM systems can reduce country risk profiles, allowing African countries to access international capital markets more effectively. This, in turn, will unlock energy financing, enabling the development of various technologies to improve power generation efficiency and establish a balanced energy mix. Similarly, increased financing in agriculture-related infrastructure will result in more competitive cost structures and enable cutting-edge technology to be utilized in order to enhance agricultural productivity.

The report recognizes that Africa has important sources of funding that have not yet been fully tapped for development: It is estimated that the continent potentially loses between $500 and $600 billion that are generated but not adequately mobilized. These include pension funds, assurance funds, and sovereign wealth funds, whose assets are to a large extent invested abroad. Over the last decade, remittance flows to Africa doubled amounting to $100 billion in 2022. However, they incur relatively high transaction costs and therefore are not being sufficiently leveraged for the continent’s development, although according to recent IFAD estimates, there is potential for at least 25 per cent of remittances to be channeled towards savings or investments in the continent. Africa could also take advantage of the rising carbon finance opportunities that have the potential to mobilize between $120 and 200 billion. In addition to potential sources of

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6 World Bank, KNOMAD.
7 IFAD Platform for Remittances, Investments and Migrants Entrepreneurship in Africa (PRIME Africa).
8 Nairametrics. 2022. Africa’s carbon finance stream can be scaled up to $200 billion per annum.
financing that are not tapped, resources lost due to inefficient DRM systems (such as inefficiencies in public expenditures and redundant tax incentives) account for at least $116 billion every year.\(^9\) Illicit Financial Flows (IFFs) also drain Africa’s vital resources, diverting some $88.6 billion away from development annually.\(^10\) The Report also argues that the absence of robust institutions is a critical factor contributing to these paradoxes. Many African countries continue to suffer from weak governance and inadequate institutional capacity to tackle tax evasion and avoidance, resulting in inefficient public spending and huge illicit financial flows.

To address the financing, energy and food system paradoxes, a number of interventions along the financial, energy and agriculture-food value chains are required. These include enhancing revenue mobilization; stemming IFFs, harnessing untapped sources of financing such as pension and sovereign wealth funds, leveraging foreign reserves as a pro-development tool; grasping new opportunities such as carbon finance; capitalizing on critical mineral resources and harnessing frontier technologies; improving regulatory frameworks, mobilizing and harnessing energy financing; boosting agriculture financing, energizing food systems; and leveraging the African Continental Free Trade Area (AfCFTA) to develop agri-food value chains, among others.

It is in this context that the United Nations Office of the Special Adviser on Africa (OSAA) is launching its flagship report entitled “Solving Paradoxes of Africa’s Development: Financing, Energy and Food Systems” on 13 November 2023 from 10-11:30 am (EST). The event will be the opportunity to present the key findings of the flagship report and discuss the challenges, opportunities, and policy implications of addressing Africa’s Development Paradoxes.

**Objectives**

The objectives of the event are to:

- Shed light on Africa’s development paradoxes and the intricate interplay among them;
- Discuss the role of DRM as a game changer in unlocking the energy and food systems paradoxes and driving the continent’s economic growth and development in an inclusive and sustainable manner and accelerating the achievement of the 2030 Agenda for Sustainable Development and Agenda 2063; and
- Highlight the opportunities and policy implications of addressing Africa’s paradoxes through the interlinkages of the value chain between DRM, energy, food systems and institutions.

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Format and participation

The event will be hybrid and will last for an hour and a half. After the opening session, a short presentation on the flagship report’s key findings will be delivered, followed by a panel discussion bringing together renowned experts from Member States and the UN System, as well as representatives from OSAA-ACBF Think Tank Network, the private sector and academia, and an interactive question and answer session.

The launching event will be open to all participants, including high-level government officials from all UN Member States, as well as representatives from African regional institutions, the UN system, bilateral and multilateral partners, representatives from civil society, the private sector, academia, and the media. There will be simultaneous interpretation in English, French, Arabic and Portuguese.

Registration
Registration will be required to attend the event. Link: https://forms.office.com/e/XjaBmqB6T0

Contacts
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