

AFRICA'S SUSTAINABLE FINANCE

STRATEGIC POLICY CONSIDERATIONS
FOR THE INTERNATIONAL DEVELOPMENT
ASSOCIATION (IDA)

AFRODAD



AFRICAN FORUM AND NETWORK
ON DEBT AND DEVELOPMENT

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EXECUTIVE SUMMARY

Concessional financing is a crucial source of funding for Africa, but it continues to fall short of meeting the continent's developmental needs. Global growth is slowing, and emerging challenges—such as conflict, climate change, and rising inequality—demand greater resources. Exacerbating this challenge, Official Development Assistance (ODA) from historical donors has drastically reduced and become increasingly fragmented, placing an extra management burden

on developing countries. The International Development Association (IDA), the World Bank Group's concessional financing arm, remains the largest single source of these funds, yet its nominal funding amounts represents a critical decrease in real terms. This paper analyses IDA trends to argue that current concessional financing levels are insufficient to achieve the Sustainable Development Goals and Africa's ambitions. It then assesses other potential

Unfair credit ratings systems have also led to Africa paying a premium in debt, with the United Nations (UN) estimating that Africa spends

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financing instruments, such as mobilizing private capital, finding that these efforts also fall critically short. Ultimately, with high debt levels virtually cancelling out donor contributions, the paper asserts that the global financial architecture must be fundamentally reformed if Africa is to meet its aims.

This paper illustrates that, while IDA allocates significant amounts towards public administration and infrastructure, concerns have been raised over the privatisation of IDA funding. Civil society organisations (CSOs) argue that IDA has shifted focus away from essential government services, applying liberalisation policies that are not fit-for-purpose on the African continent. They argue that World Bank conditionalities can have negative consequences, including decreased consumption, reduced public revenues, cuts to essential public services, and heightened inequality, thereby heightening financial crises and unemployment. Moreover, these policies threaten the sovereignty of recipient countries, pushing a donor-driven agenda that lacks transparency. IDA's governance structure also underrepresents the Global South in decision-making, where majority shareholders retain control. CSOs also argue that their critiques are not adequately considered in IDA outcome documents.

In line with IDA's growing focus on privatisation, donors are increasingly exploring new sources of financing to address Africa's funding shortfall, which could complement IDA funding. IDA's Private Sector Window is designed to catalyse private sector investment by blending IDA concessional funds with private investment and by providing risk mitigation, guarantees and facilities for blended finance. Types of innovative funding mechanisms include Public-Private Partnerships (PPPs), blended finance, green bonds and debt-for-nature swaps. However, all of these sources of finance have fallen short in terms of the scale, distribution and quality of funding needed.

Civil Society Organizations (CSOs) point out that PPPs have high fiscal and human costs, and that profiteering and weak oversight can worsen inequality and undermine accountability. There is a lack of evidence to support privatisation approaches across different sectors, while a focus on profit can favour middle-income countries instead of lower-income countries. Blended finance faces challenges in terms of the lack of a unified methodology for measurement, which could divert finance from other aid modalities and lead to double-counting, with difficulties in coordination and ensuring ownership. Meanwhile, green bonds have hidden costs and risk being a source of greenwashing. Debt-for-nature swaps can undermine democratic governance and oversight when parallel structures are established outside of government structures, with limited policy coherence. High administrative costs and poorly structured swaps can even worsen fiscal space, rather than improving it.



Thus, new financing mechanisms are not a panacea for financing African development. As this paper observes, IDA recipient countries are facing extreme poverty, widening inequality and increasing debt distress. African countries are now spending the equivalent, or higher, in external debt service repayments than they receive in aid, highlighting a fundamental imbalance in the global financial architecture. In addition, countries are now allocating more of their Gross Domestic Product (GDP) towards debt service repayments than their combined spending on health, education and infrastructure. Furthermore, Africa receives only around 20 percent of global climate adaptation flows, despite being one of the regions most impacted by climate change and contributing to less than 4 percent of global emissions. Critical public service funding is therefore being lost to debt, and the volume of concessional funding remains insufficient to address the deeper, systemic issues of structural dependence and an inequitable global financial architecture.

Developed countries have historical obligations towards developing countries, primarily due to their disproportionate contributions to global greenhouse gas emissions, but also as a result of colonial legacies. However, in the last decade, African debt has doubled. Unfair credit ratings systems have also led to Africa paying a premium in debt, with the United Nations (UN) estimating that Africa spends US\$74.5 billion in excess debt servicing. CSOs are calling for a UN Framework Convention on Sovereign Debt to promote a rules-based and human rights-based approach to debt, but Western governments continue to negate their responsibilities in establishing fair debt restructuring rules. During the 2025 Fourth UN Financing for Development Conference (FfD4), some major donors insisted on weakening the language of the final outcome document, the *Compromiso de Sevilla*. As a result, CSOs continue to advocate for binding recommendations on the establishment of the UN Framework Convention on Sovereign Debt. CSOs have also called for fairer distribution of Special Drawing Rights (SDRs) by the International Monetary Fund (IMF) towards developing countries rather than primary (wealthier) shareholders.

This paper, therefore, recommends that IDA place a stronger focus on grants-based public development finance, while exercising caution in its privatisation approach. It makes recommendations to World Bank to make IDA financing more effective. However, unless more sustainable strategies are developed to address debt on the African continent, IDA funding will remain ineffective and negligible when compared to debt service repayments.



ACRONYMS

AfCRA	Africa Credit Rating Agency
AFRODAD	African Forum and Network on Debt and Development
AfDB	African Development Bank
CRA	Credit Ratings Agency
DAC	Development Assistance Committee
DPO	Development Policy Operations
DSSI	Debt Treatments Beyond the Debt Service Suspension Initiative
FfD4	Financing for Development
GBPs	Green Bond Principles
GDP	Gross Domestic Product
GNI	Gross National Income
G20	Group of Twenty
HIPC	Heavily Indebted Poor Countries
IDA	International Development Association
IFC	International Finance Corporation
IFI	International Financial Institution
IMF	International Monetary Fund
LDC	Least developed Country
MDRI	Multilateral Debt Relief Initiative
MDB	Multilateral Development Banks
MIGA	Multilateral Investment Guarantee Agency
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PPP	Public-Private Partnership
PSW	Private Sector Window
SDG	Sustainable Development Goal
SDR	Special Drawing Rights
SUNFED	Special United Nations Fund for Economic Development
UNFCCC	United Nations Framework Convention on Climate Change
US	United States



INTRODUCTION

In Africa, securing adequate financing for development is not just necessary - it is an urgent imperative. Yet Africa's vast potential for growth and transformation remains largely untapped due to persistent funding gaps that hinder critical investments in infrastructure, renewable energy, and public services. An estimated US\$4 trillion per year is needed to achieve the Sustainable Development Goals (SDGs) by 2030,¹ but weak domestic resource mobilisation, the high cost of capital and a global financial architecture skewed in favour of the Global North, along with global economic downturns, the COVID-19 pandemic, and climate change-related catastrophes have² in 25 years. This has overlapped with mounting levels of debt.³ 1.3 trillion annually to achieve the SDGs, but it is estimated that the continent will mobilise only around 50% of this.⁴ Moreover, Africa's infrastructure needs are estimated at around US\$130-170 billion per year, while only about half of this (approximately US\$80 billion per year) has been committed annually⁵ In terms of climate adaptation, Africa, despite being one of the regions most impacted by climate change, receives only around 20 percent of global adaptation flows.⁶ Without decisive action to scale up and diversify inclusive financing, Africa risks falling further behind in achieving economic prosperity, social equity, and environmental sustainability.

The International Development Association (IDA), the World Bank Group's concessional financing arm, is a vital funding source for low-income countries, especially in Africa. The continent is the largest recipient of IDA funding but continues to face challenges in both accessing these resources and using them effectively. Over recent years, increases in IDA's nominal funding levels have been marginal and insufficient relative to Africa's expanding needs. Countries are increasingly turning to sources of non-concessional funding, which presents a risk to countries already under strain from rising debt. Efforts to mobilise domestic revenue remain inadequate, while civil society has noted that IDA policies can restrict fiscal autonomy. Criticisms have been made over IDA's policies and the diversion of its funds to its Private Sector Window (PSW), questioning the applicability of this approach to the African continent and low-income countries. There have also been broader criticisms over African ownership and influence in development financing, including IDA, and in International Financial Institutions (IFIs) more broadly. While innovative financing tools, such as green bonds, blended finance and Public-Private Partnerships (PPPs), offer new opportunities to complement and catalyse IDA funding, challenges remain. It is therefore critical to assess the sectors and instruments in which private finance is most effective.

This policy brief first outlines what IDA is in the broader context of the donor financing landscape, before looking at IDA trends in funding, with a focus on Africa. It then examines civil society critiques of IDA with a view to determining the potential negative impacts on debt and development. The brief also looks at financing tools, such as PPPs, green bonds, blended finance and debt-for-nature swaps to assess risks and opportunities for complementing concessional financing, before making recommendations to strengthen IDA funding in the future. The next section first outlines what IDA is.

1 UNCTAD. 2023. World Investment Report 2023. <https://unctad.org/publication/world-investment-report-2023>

2 World Bank. 2020. COVID-19 (Coronavirus) Drives Sub-Saharan Africa Toward First Recession in 25 Years. <https://www.worldbank.org/en/news/press-release/2020/04/09/covid-19-coronavirus-drives-sub-saharan-africa-toward-first-recession-in-25-years>

3 United Nations Economic Commission for Africa. 2020. Long-Term Financing for Sustainable Development in Africa. <https://unece.org/chapter/economic-report-africa-2020/long-term-financing-sustainable-development-africa>.

4 AUDA-NEPAD, the Africa-Europe Foundation and the African Climate Foundation. 2025. A Technical White Paper - The Missing Connection: Unlocking Sustainable Infrastructure Financing in Africa. <https://www.nepad.org/publication/technical-white-paper-missing-connection-unlocking-sustainable-infrastructure>

5 Ibid

6 Climate Policy Initiative and Global Center of Adaptation. 2024. State and Trends in Climate Adaptation Finance. <https://gca.org/wp-content/uploads/2024/04/State-and-Trends-in-Climate-Adaptation-Finance-2024.pdf>

WHAT IS IDA?

IDA is a major channel through which Official Development Assistance (ODA) is delivered to low-income countries. ODA is broadly defined as government aid designed to promote the economic development and welfare of developing countries, and it can be provided either bilaterally (from one country to another) or multilaterally (through organizations like the World Bank, including through IDA funding).⁷ IDA funding comes from contributions by donor governments, which count these contributions as part of their ODA commitments. Most of these donors are Development Assistance Committee (DAC) donors. DAC is housed under the Organisation for Economic Co-operation and Development (OECD), which sets the standards, monitoring and reporting under DAC.

Specifically, IDA is the World Bank Group's concessional financing arm and largest funding source for low-income countries. In essence, IDA is a lending tool that allows resource-constrained governments to borrow on affordable terms. IDA was established in 1960, and today it comprises 175 member countries that provide grants and low-interest loans for 78 low-income countries, whose incomes fall below an established line.⁸ This was US\$1,315 for the 2024 financial year.⁹ ¹⁰ Its last replenishment, IDA21, took place in 2024, with IDA operations starting mid-2025.

IDA uses a unique financial model that combines partner contributions with capital market borrowing at low interest rates. By blending donor grants and contributions with borrowed funds from capital markets and income from loan repayments, IDA claims to multiply donor resources by a factor of approximately 3.5.¹¹ IDA modifies the balance between loans and grants according to a country's debt distress status: countries with low debt distress are offered concessional loans with 38-year maturities; those with moderate distress receive concessional loans extending to 50 years; and countries experiencing high debt distress are provided with grants. IDA's Private Sector Window is designed to catalyse private sector investment by blending IDA concessional funds with private investment and by providing risk mitigation, guarantees and facilities for blended finance.

IDA also provides debt relief through the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI).¹² In 2020, IDA developed a Sustainable Development Finance Policy (SDFP) to incentivise countries' efforts.¹⁴ It is worth noting IDA is a prescribed holder of the International Monetary Fund's (IMFs) Special Drawing Rights (SDRs), an international reserve asset created by the IMF to help meet long-term global needs. However, these SDRs are allocated on the

7 Organisation for Economic Co-operation and Development. n.d. Official development assistance (ODA). <https://www.oecd.org/en/topics/policy-issues/official-development-assistance-oda.html>

8 World Bank. n.d. What is IDA? <https://ida.worldbank.org/en/about>

9 Center for Global Development. 2024. ABCs of the IFIs: Understanding the World Bank's IDA21 Replenishment. <https://www.cgdev.org/publication/abcs-ifis-understanding-world-banks-ida21-replenishment>.

10 World Bank. n.d. What is IDA? <https://ida.worldbank.org/en/about>

11 Ibid

12 World Bank. n.d. What is IDA? <https://ida.worldbank.org/en/about>

13 World Bank Group. 2020. Sustainable Development Finance Policy of the International Development Association. <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/967661593111569878/sustainable-development-finance-policy-of-the-international-development-association>

14 International Monetary Fund. 2025. IMF Executive Board Approves the Applications of Five Institutions to Become Holders of Special Drawing Rights. <https://www.imf.org/en/News/Articles/2023/02/21/exec-board-approves-applications-5-institutions-become-holders-sdr>

basis of IMF quotas, which are proportional to the size of a country's economy.¹⁵ This favours wealthier countries. To serve the needs of developing countries, SDRs would need to be re-channelled, but there are¹⁶ political, legal and administrative barriers.¹⁷ The next section considers global and regional trends in IDA financing.

Regional and global IDA replenishment trends

The need for development financing continues to grow, with global volatility presenting new challenges such as conflict and climate change. The World Bank estimates that the average annual spending needed to address these issues is US\$2.4 trillion per year for developing countries between 2023 and 2030—an amount that far exceeds available resources.¹⁸ However, global economic growth is slowing, with the World Bank predicting the slowest growth since 2008 outside of recessions.¹⁹ Moreover, a skewed global financial architecture has resulted in debt service repayments from Africa being higher than the amount of aid that the continent receives. In 2025, African countries are expected to pay US\$88.7 billion in external debt service, which is equivalent to 24.5 percent of their combined GDP in 2023.²⁰ Meanwhile, ODA to Africa in 2023 totalled US\$73.6 billion – a lower value than the amount spent on repaying debt.²¹ This leads to a continuous downward spiral in which African governments are unable to meet their growing public service demands.

Aid has become more complex and fragmented, with an expansion of new donors and donor channels. In recent years, donors have been criticised for increasingly aligning ODA to their domestic interests. For example, donors have used in-donor refugee costs (the costs of hosting refugees within donor countries) to inflate their ODA, which critics observe is related to domestic resource expenditure rather than cross-border flows to developing countries and global development.²² Preliminary data for 2024 now suggests a massive drop in ODA from historical donor countries,²³ with donors repeatedly failing to meet the minimum UN target of 0.15% to 0.2% of donor Gross National Income (GNI) for aid to the least developed countries.²⁴ Major donors, such as the United Kingdom, Sweden, Hungary, Denmark, and Australia, have reduced their funding over the last few years, putting pressure on IDA's financing model.²⁵ Moreover, upon returning to office²⁶ This has increased competition for concessional resources, making the role of IDA more critical than ever. At the same time, there has been an emergence of new donors. Notably, China has become a significant player, channelling billions primarily through bilateral flows. Saudi Arabia is one of the largest non-DAC donors to the continent but dropped its contributions from²⁷

15 Center for Global Development. 2025. From Crisis to Capital: Rethinking the Role of SDRs in Global Development. <https://www.cgdev.org/publication/crisis-capital-rethinking-role-sdrs-global-development>

16 Ibid

17 Ibid

18 World Bank. 2024. Financing the Future: IDA's Role in the Evolving Global Aid Architecture. <https://thedocs.worldbank.org/en/doc/4d9f3d42dedc0bb5eb452fbf887ec0c5-0410012024/original/IDA-Financing-the-Future-V1-04-15-24.pdf>

19 World Bank. 2025. Global Economy Set for Weakest Run Since 2008 Outside of Recessions. <https://www.worldbank.org/en/news/press-release/2025/06/10/global-economic-prospects-june-2025-press-release>

20 One Data. 2025. African Debt. <https://data.one.org/analysis/african-debt>

21 Mo Ibrahim Foundation. 2025. Demystifying Africa's dependence on foreign aid. <https://mo.ibrahim.foundation/news/2025/demystifying-africas-dependence-foreign-aid>

22 Eurodad. 2024. Inflated and distorted: preliminary 2023 aid figures show failure to address global challenges https://www.eurodad.org/aid_data_2023_statement

23 OECD. 2025. International aid falls in 2024 for the first time in six years, says the OECD. <https://www.oecd.org/en/about/news/press-releases/2025/04/official-development-assistance-2024-figures.html>

24 Center for Global Development. 2024. Depolluting ODA: Five Trends in Finance for International Development. <https://www.cgdev.org/blog/depolluting-oda-five-trends-finance-international-development>

25 Ibid

26 The Whitehouse. 2025. Reevaluating and Realigning United States Foreign Aid. <https://www.whitehouse.gov/presidential-actions/2025/01/reevaluating-and-realigning-united-states-foreign-aid/>

27 Mo Ibrahim Foundation. 2025. Demystifying Africa's dependence on foreign aid. <https://mo.ibrahim.foundation/news/2025/demystifying-africas-dependence-foreign-aid>

US\$1.1 billion between 2022 and 2023.²⁸ In addition, contributions from non-DAC donors remain small in comparison to ODA.²⁹

The World Bank defines IDA's comparative advantage by looking at donor trends. It notes that aid increasingly circumvents recipient governments, with a rise in unleveraged and earmarked funds and fragmented aid. The Bank further observes that the rise in donor channels and complexity places additional burdens on developing countries.³⁰ Thus, IDA's comparative advantage remains its ability to coordinate efforts, convene partners, channel financing through recipient governments, and multiply resources. IDA accounts for 43 percent of total multilateral ODA grants to low-income to least developed countries, making it the largest provider of concessional climate finance to Least Developed Countries (LDCs).³¹

In 2024, IDA's replenishment hit a record high of US\$100 billion. This fell short of the US\$120 billion requested from African heads of state but still signified a substantial commitment to IDA programming. However, the amount of donor funding did not substantially increase, reaching US\$23.7 billion, a meagre rise from US\$23.5 billion for IDA 20 and US\$23.4 billion for IDA19.³² As a result, the bulk of IDA financing for 2025 will come from reflows from loans and market borrowing. Over the last decade, donor contributions have remained relatively constant in nominal terms, signifying a decrease of 20% in real terms.³³ Moreover, some donors, such as Sweden and Japan, notably reduced their pledges in dollar terms.³⁴

The US remains the largest donor, pledging US\$3.2 billion in 2025. This is a drop from the US\$4 trillion pledged by former President Joe Biden, but the fear is that the US will skip its contribution to IDA in line with its broad freeze on US aid.³⁵ Conversely, China, South Korea, and Saudi Arabia have increased their pledges over the last decade.³⁶ While not an OECD-DAC member, China does contribute to IDA, but less so than through bilateral efforts. During IDA's Twentieth Replenishment, China contributed 3.85% of IDA contributions, coming to roughly US\$1.3 billion, but which is less than 0.01 percent of the country's Gross National Income.³⁷ Saudi Arabia contributed 1.81% of total IDA donor contributions. African countries have also contributed to IDA.³⁸ For Algeria, Egypt, Morocco, Nigeria, and South Africa contributed to IDA's Twentieth Replenishment cycle, but all with individual contributions of less than 0.1% of the total share of IDA funding.³⁹

28 Ibid

29 Ibid

30 World Bank. 2024. Financing the Future: IDA's Role in the Evolving Global Aid Architecture. <https://thedocs.worldbank.org/en/doc/4d9f3d42dedc0bb5eb452fbf887ec0c5-0410012024/original/IDA-Financing-the-Future-V1-04-15-24.pdf>

31 Ibid

32 Center for Global Development. 2024. IDA Prevails, Others Flail—and What Recent Replenishments Portend for 2025. <https://www.cgdev.org/blog/ida-prevails-others-flail-and-what-recent-replenishments-portend-2025>

33 Center for Global Development. 2024. Can IDA Break the 100-Billion-Dollar Mark? The Math Is Difficult, but Not Impossible. <https://www.cgdev.org/publication/can-ida-break-100-billion-dollar-mark-math-difficult-not-impossible>

34 Ibid

35 Reuters. 2025. Trump's budget includes \$3.2 billion for World Bank's fund for poorest countries. <https://www.reuters.com/world/trumps-budget-includes-32-bln-world-banks-fund-poorest-countries-2025-05-02/>

36 Center for Global Development. 2024. ABCs of the IFIs: Understanding the World Bank's IDA21 Replenishment, <https://www.cgdev.org/publication/abcs-ifis-understanding-world-banks-ida21-replenishment>

37 Center for Global Development. 2024. A Modest Proposal to China's Minister of Finance Regarding the Upcoming IDA Replenishment. <https://www.cgdev.org/blog/modest-proposal-chinas-minister-finance-regarding-upcoming-ida-replenishment>

38 IDA. n.d. Resolution No. 248 Additions to Resources: Twentieth Replenishment <https://documents1.worldbank.org/curated/en/099841004042214431/pdf/IDU0071008f30a7bf04ecd0b4e00311325799dc2.pdf>

39 Ibid

With some countries becoming less supportive of financing the needs of developing countries, one concerning trend is the 10% decrease in IDA grants compared to a decade ago, indicating a shift toward concessional loans.⁴⁰ While concessional loans still offer lower interest rates than other loans, such as private sector loans, this trend places additional debt burdens on countries already at high risk. The donor landscape is therefore shifting, and African governments may⁴¹. Furthermore, while some countries have graduated from IDA eligibility such as Eswatini and Nigeria, others, such as Sri Lanka, have re-entered, raising questions about IDA's capacity to support an expanding client base and the effectiveness of IDA interventions.

IDA recipient countries have shown slow growth and a widening income gap with the rest of the world, while extreme poverty and food security in these countries have remained high.⁴² This suggests that concessional financing alone may not be sufficient to drive inclusive and sustained economic development. Instead, targeted policies that address inequality are⁴³ to ensure long-term poverty reduction. Africa receives the bulk of IDA shares, receiving 71 percent (US\$22.0 billion) out of the total IDA commitments of US\$31.2 billion in 2024. In the last financial year, Ethiopia, Nigeria, Tanzania,⁴⁴ and Mozambique were the biggest borrowers in Africa.⁴⁵ Angola is the only country from the African continent to have graduated from IDA. The World Bank notes⁴⁶ financial management.⁴⁷ In the private sector, weak business environments, with limited access to financing and high political risks, can deter investors.⁴⁸

Debt distress is a significant concern, as more than half of IDA countries are either at high risk of or already experiencing debt distress.⁴⁹ Debt service has now reached levels last seen in the 1990s. Collectively, IDA countries⁵⁰ about 7.5 percent of their Gross Domestic Product (GDP) to debt service repayments, a figure that exceeds their combined spending on health, education, and infrastructure. This means that government financing for development⁵¹ instead being spent on debt. African countries also bear the disproportionate effects of climate change, contributing to less than 4 percent of global greenhouse gas emissions, while being more at risk from climate shocks and natural disasters, which further compounds the debt crisis.⁵² The volume of aid is therefore insufficient and does not address the systemic issues of an inequitable financial system.

IDA uses a country-led model, which enables recipient countries to determine their own priorities within an overall framework for action. IDA21's strategic theme is 'Ending poverty on a liveable planet: delivering impact with urgency and ambition.' It has five focus areas, namely: People, Prosperity, Planet, Infrastructure and Digital Transformation. It also has four lenses, specifically Gender, Jobs, Private Investments, and Fragility, Conflict and Violence.

40 IDA. n.d. Road to IDA21. <https://ida.worldbank.org/en/replenishments/road-to-IDA21>

41 United Nations Development Programme (UNDP). 2025. Lowering the Cost of Borrowing in Africa: the Role of Sovereign Credit Ratings. <https://www.undp.org/africa/publications/lowering-cost-borrowing-africa-role-sovereign-credit-ratings>

42 IDA. 2025. Report from the Executive Directors of the International Development Association. Additions to IDA Resources: Twenty-First Replenishment. <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099042525174542121>

43 World Bank. n.d. What is IDA? <https://ida.worldbank.org/en/about>

44 IDA. n.d. IDA Financing. <https://ida.worldbank.org/en/financing>

45 Ibid

46 Ibid

47 Ibid

48 Ibid

49 IDA. 2025. Report from the Executive Directors of the International Development Association. Additions to IDA Resources: Twenty-First Replenishment. <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099042525174542121>

50 Ibid

51 Ibid

52 Ibid

As figure 1 shows below, for the 2024 fiscal year, 41 percent of funding went to infrastructure, followed by social services and public administration. In 2023, 28 percent of funding went to infrastructure, 25 percent to social services, 23 percent to public administration, 14 percent to agriculture, 7 percent to industry and trade, and 4 percent to finance.⁵³ Therefore, from 2023 to 2024, there was an increase in financing for infrastructure at the expense of public administration and agriculture. As noted, Africa faces significant infrastructure funding gaps, justifying this focus, but the decrease in funding for public administration and agriculture remains a concern. However, the World Bank maintains that IDA allocates a substantial amount of official financial flows towards health, education and other social sectors and that it remains a key provider of climate financing.⁵⁴

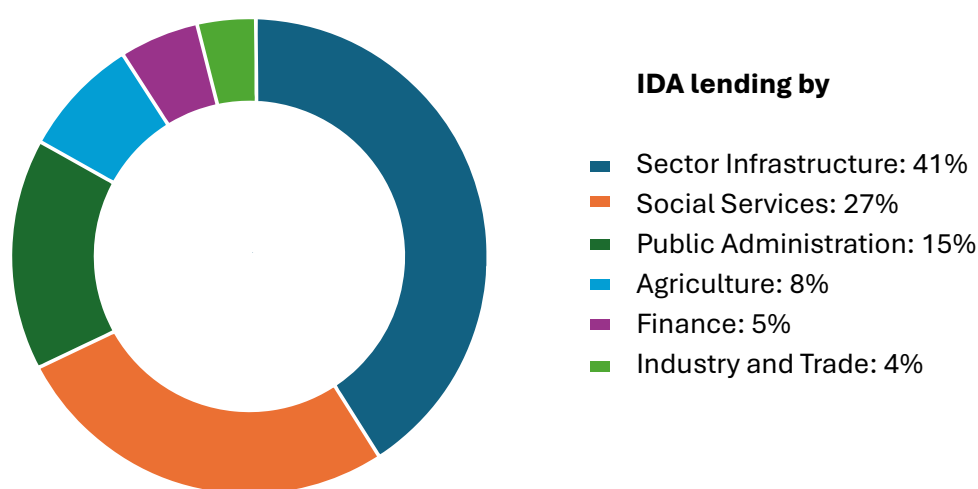


Figure 1: IDA Financial Year 2024 Lending by Sector

Source : <https://ida.worldbank.org/en/financing>

Looking forward, the infrastructure element of IDA21 focuses on enhancing energy access and urban infrastructure. Two key policy commitments relate to reinforcing efforts on electricity utilities reform and municipal engagements.⁵⁵ IDA, through its past investments and now through IDA21, places a large focus on private sector investment, in partnership with International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA). IDA's Private Sector Window (PSW) focuses on lowering barriers to private investment and mitigating private sector risks in the world's poorest countries, often through regulatory reform. This approach has been widely criticised by civil society, as the next section will show.

⁵³ Center for Global Development. 2024. ABCs of the IFIs: Understanding the World Bank's IDA21 Replenishment, <https://www.cgdev.org/publication/abcs-ifis-understanding-world-banks-ida21-replenishment>.

⁵⁴ World Bank. 2024. Financing the Future: IDA's Role in the Evolving Global Aid Architecture. <https://thedocs.worldbank.org/en/doc/4d9f3d42dedc0bb5eb452fbf887ec0c5-0410012024/original/IDA-Financing-the-Future-V1-04-15-24.pdf>

⁵⁵ IDA. 2025. IDA 21. Report from the Executive Directors of the International Development Association Additions to IDA Resources: Twenty-First Replenishment. <https://documents1.worldbank.org/curated/en/099042525174542121/pdf/BOSIB-7a002896-02fc-42a9-b4f3-78737cf8b931.pdf>

GAPS, CHALLENGES AND OPPORTUNITIES IN IDA FUNDING

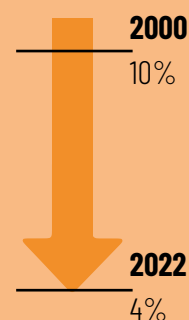
IDA widely touts itself as being able to operate at scale, with efficiency (being the only triple-A-rated fund for the world's poorest countries) and with the ability to maximise donor resources to offer concessional loans.⁵⁶ This funding is critical to avoid having to rely on high-interest repayments from other funding sources. According to the African Development Bank's (AfDB) vice president and chief economist, Kevin Urama, African countries pay about 500% more in loan interests when they borrow from the global capital markets compared to when they borrow from Multilateral Development Banks (MDBs). Moreover, he estimates that debt service costs in Africa could reach US\$89 billion in 2025, which will divert resources away from investments in education, health and other productive sectors.⁵⁷

Although official comparisons of development assistance are generally discouraged, Brookings notes that IDA is one of the most effective development institutions, observing that

Despite these strengths, civil society has raised concerns about the volume, type of support and impact of IDA's policies, as well as how CSOs and the recipients of IDA funding (and developing countries more broadly) are consulted. As noted earlier, resources are insufficient to meet Africa's needs, and during the last IDA replenishment process, some CSOs urged more substantial and ambitious investments.⁵⁸ Others have expressed concern over the 'erosion of grant-based support,' which risks furthering debt distress for countries that can't afford interest repayments.⁵⁹

Primarily, the World Bank, and IDA in particular, has been criticised over its strong pro-liberalisation, deregulation and private sector bias. The Bretton Woods Project highlights that institutions like the World Bank have favoured profit extraction by international investors over development, contributing to the financialisation of Global South economies.⁶⁰ Financialisation refers to the disproportionate growth in the size, role and power of finance in the economy at the national or global level. This has given the financial sector

"It is therefore disappointing to see that donors have systematically moved ODA away from IDA in recent years. While IDA used to receive about 10% of the ODA of donor countries in the early 2000s, it received less than 4% in the latest year for which data is available, 2022.



⁵⁶ Ibid

⁵⁷ Daily Maverick. 2025. The price of inequality – Africa's fight for fair finance at the G20. https://www.dailymaverick.co.za/article/2025-07-15-the-price-of-inequality-africas-fight-for-fair-finance-at-the-g20/?dm_source=dm_block_grid&dm_medium=card_link&dm_campaign=main

⁵⁸ CSO Declaration. Delivering An Ambitious Replenishment For Africa's Development. <https://devinit.github.io/what-we-do/news/delivering-an-ambitious-ida-replenishment-for-africas-development/>

⁵⁹ Bretton Woods Project, Eurodad, Oxfam International and Urgewald. 2024. https://assets.nationbuilder.com/eurodad/pages/5513/attachments/original/1732725961/Civil_society_feedback_to_DRAFT_IDA21_Replenishment_Report_-_submission_by_the_Bretton_Woods_Project_Eurodad_Oxfam_International_and_Urgewald.pdf?1732725961

⁶⁰ Bretton Woods. 2024. Financialisation, human rights and the Bretton Woods Institutions: An introduction for civil society organisations. <https://www.brettonwoodsproject.org/2024/04/financialisation-human-rights-and-the-bretton-woods-institutions-an-introduction-for-civil-society-organisations/>

the ability to influence policies and the economy according to its interests, while cutting regulations and social protections. According to the Bretton Woods Project, this trend has diverted investment away from the real economy, including industry, agriculture and non-financial services.⁶¹

CSOs have therefore made sector-specific critiques of privatisation, noting that this shifts the focus away from providing essential government services. CSOs have emphasised the need to allocate more resources towards strengthening public systems — which these organisations label a ‘public pathways’ focus — while maximising support to long-term public health, education and social protection systems.⁶² For example, CSOs have suggested that IDA resources be channelled to inclusive businesses (i.e. businesses that integrate people at the base of the economic pyramid into value chains), while assessing the evidence of the impact of these policies on sustainable, decent⁶³ Others have emphasised the need for universal social protection and labour safeguards.⁶⁴ Meanwhile, some CSOs have stressed the importance of building universal public health systems and investing in public education.⁶⁵ Moreover, CSOs have urged IDA to become a more effective driver of economic transformation, such as by working across borders, taking advantage of the African Continental Free Trade Area and by putting smallholder agriculture and food systems transformation at the heart of IDA. CSOs have also highlighted the gendered impacts of privatisation, disproportionately harming⁶⁷ and girls.⁶⁸

With a growing focus on climate change, CSOs have warned that the World Bank’s growth-based approach to poverty reduction can have negative environmental impacts. Historically, the World Bank has funded large-scale centralised energy infrastructure projects, such as power generation, transmission and dams, while civil society insists on a shift towards clean energy and limiting coal. CSOs, like Eurodad and Oxfam⁶⁹ for example, have urged IDA to exclude the use of fossil fuels in its funding, while promoting energy access, a reduction on fuel poverty and a just transition for workers in developing countries. In addition, civil society recently questioned IDA21’s focus on improving the performance of electricity utilities and enhancing access to electricity - which they labelled a ‘green structural adjustment’ approach⁷⁰ citing a lack of evidence supporting conditionalities in the energy sector and the challenges of mobilising private finance.⁷¹

Although the World Bank has integrated climate change considerations more explicitly into its policies, it continues to face criticism for continuing to fund fossil fuels in practice and emphasising megaprojects

61 Bretton Woods. 2024. Financialisation, human rights and the Bretton Woods Institutions: An introduction for civil society organisations. <https://www.brettonwoodsproject.org/2024/04/financialisation-human-rights-and-the-bretton-woods-institutions-an-introduction-for-civil-society-organisations/>

62 Bretton Woods Project, Eurodad, Oxfam International and Urgewald. 2024. https://assets.nationbuilder.com/eurodad/pages/5513/attachments/original/1732725961/Civil_society_feedback_to_DRAFT_IDA21_Replenishment_Report_-_submission_by_the_Bretton_Woods_Project_Eurodad_Oxfam_International_and_Urgewald.pdf?1732725961

63 Eurodad. 2021. Eurodad’s proposals for a WB IDA20 replenishment package that delivers for the most vulnerable. https://www.eurodad.org/eurodad_s_proposals_for_a_wb_ida20_replenishment_package_that_delivers_for_the_most_vulnerable

64 The International Trade Union Confederation. 2021. Quality jobs and sustainable economic transformation: Recommendations for the 20th replenishment of the World Bank’s International Development Association. https://ituc-csi.org/IMG/pdf/quality_jobs_and_sustainable_economic_transformation_en.pdf; Global Coalition for Social Protection Floors. 2021. Comments to IDA20 draft Deputies Report – Social Protection. <https://www.socialprotectionfloorscoalition.org/2021/11/comments-on-social-protection-to-ida20-draft-deputies-report/>

65 Oxfam. 2021. Oxfam Position Paper on IDA20 Replenishment. <https://www.oxfam.org/fr/node/16869?form=general#:~:text=We%20are%20calling%20for%20a,inclusive%2C%20that%20protects%20the%20planet>

66 CSO Declaration. Delivering An Ambitious Replenishment For Africa’s Development. <https://devinit.github.io/what-we-do/news/delivering-an-ambitious-ida-replenishment-for-africas-development/>

67 Ibid

68 Bretton Woods. 2024. Financialisation, human rights and the Bretton Woods Institutions: An introduction for civil society organisations. <https://www.brettonwoodsproject.org/2024/04/financialisation-human-rights-and-the-bretton-woods-institutions-an-introduction-for-civil-society-organisations/>

69 Eurodad. 2021. Eurodad’s proposals for a WB IDA20 replenishment package that delivers for the most vulnerable. https://www.eurodad.org/eurodad_s_proposals_for_a_wb_ida20_replenishment_package_that_delivers_for_the_most_vulnerable; Oxfam. 2021. Oxfam Position Paper on IDA20 Replenishment. <https://www.oxfam.org/fr/node/16869?form=general#:~:text=We%20are%20calling%20for%20a,inclusive%2C%20that%20protects%20the%20planet>; Reality of Aid. n.d. The World Bank in Africa: An analysis of World Bank aid and programmes in Africa and their impact <https://www.realityofaid.org/wp-content/uploads/2018/12/1-The-World-Bank-in-Africa-An-analysis-of-World-Bank-aid-and-programmes-in-Africa-and-their-impact.pdf>

70 Ibid

71 Ibid

that undermine climate goals.⁷² In 2022, Urgewald reported that the World Bank had used a special form of funding, known as trade finance, to fund an estimated US\$3.7 billion in oil, coal and gas investments.⁷³ Over 70 percent of the IFC's trade finance is not reported to World Bank shareholders, raising questions over transparency and the use of back channels for continued fossil fuel investments. Since the World Bank's pledges to end finance for coal and upstream oil and gas only apply to direct finance and not to trade finance, CSOs are calling for oil, gas, coal and their related goods to be added to the IFC's exclusion list.⁷⁴

Moreover, the World Bank's recent decision in June 2025 to lift the ban on financing nuclear power has been widely criticised by CSOs as demonstrating a blatant disregard for climate justice and the just energy transition. CSOs suggest this is a reckless approach that does not adequately consider developing countries' capacities to ensure safety, regulatory standards, and non-proliferation safeguards.⁷⁵

The critiques of privatisation are linked to concerns over the World Bank's conditionalities, which can be understood as the economic policies promoted by the World Bank that are linked to the disbursement of funds. These are often tied to actions to be taken to promote liberalisation, deregulation and private sector.⁷⁶ CSOs argue that these have had harmful social and economic impacts, which threaten human rights. In terms of the macroeconomic environment, civil society has argued that fiscal consolidation (or austerity measures) has suppressed economic activity, resulting in decreased consumption, reduced public revenues, cuts to essential public services, and heightened inequality.⁷⁷ This has led to impacts such as wage stagnation, unemployment, financial crises, profit extraction, and underinvestment.⁷⁸ Research by the World Bank has acknowledged these concerns, proposing a more 'cautious and nuanced approach to privatisation' that considers the pre-conditions (such as regulatory structure) and processes of privatisation, with attention to poverty and social impacts, as well as equitable distribution.⁷⁹ A study by Reality of Aid illustrates the negative effects of these policies based on the Chad-Cameroon Pipeline project and the Lesotho Highlands Water Project experiences^{80, 81}

Not only do these conditionalities restrict the policy space, but they also undermine borrower countries' ownership and sovereignty.⁸² CSOs claim that conditionalities promote ideological agendas that do not align with countries' own development needs or social protection efforts. For example, Eurodad conducted a study of loan conditions attached to Development Policy Operations (DPOs) in 46 countries, including 30 IDA operations in 28 countries. The study found that these conditions

72 Bretton Woods Project. 2019. What are the main criticisms of the World Bank and the IMF? <https://www.brettonwoodsproject.org/2019/06/what-are-the-main-criticisms-of-the-world-bank-and-the-imf/>

73 Urgewald. Is the World Bank giving billions of trade finance to fossil fuels?

74 Ibid

75 Urgewald. 2025. NGOs Raise Alarm About Nuclear Backsliding at Major Development Banks. <https://www.urgewald.org/en/medien/adw-wbg-nuclear-backsliding>

76 These are the economic policies promoted by the World Bank that are linked to the disbursement of funds, which are often tied to actions to be taken to promote liberalisation, deregulation and private sector.

77 Bretton Woods Project. 2019. What are the main criticisms of the World Bank and the IMF? <https://www.brettonwoodsproject.org/2019/06/what-are-the-main-criticisms-of-the-world-bank-and-the-imf/>

78 Bretton Woods. 2024. Financialisation, human rights and the Bretton Woods Institutions: An introduction for civil society organisations. <https://www.brettonwoodsproject.org/2024/04/financialisation-human-rights-and-the-bretton-woods-institutions-an-introduction-for-civil-society-organisations/>

79 Estrin, S and Pelletier, A. 2018. Privatization in Developing Countries: What Are the Lessons of Recent Experience? The World Bank Research Observer, Volume 33, Issue 1, February 2018, Pages 65–102. <https://academic.oup.com/wbro/article/33/1/65/4951686>

80 Ibid

81 Reality of Aid. N.d. The World Bank in Africa: An analysis of World Bank aid and programmes in Africa and their impact. <https://www.realityofaid.org/wp-content/uploads/2018/12/1-The-World-Bank-in-Africa-An-analysis-of-World-Bank-aid-and-programmes-in-Africa-and-their-impact.pdf>

82 Bretton Woods Project. 2019. What are the main criticisms of the World Bank and the IMF? <https://www.brettonwoodsproject.org/2019/06/what-are-the-main-criticisms-of-the-world-bank-and-the-imf/>

pushed a ‘private-finance first’ approach to development finance, thereby locking in a donor-driven reform agenda⁸³ Furthermore, the World Bank’s research and publications in support of ‘independent’ academic work have a normative influence, positioning World Bank policy as best practice. Thus, World Bank pronouncements on domestic policies can have a huge (and potentially negative) influence on investment. Ultimately, this dynamic has reinforced the dominant position of the Global North in the world economy, limiting economic transformation in the Global South. As such,⁸⁴ for Economic Transformation (ACET) argues that clear milestones, robust communication, and consistent citizen engagement are key to building trust with IDA.⁸⁵

Meanwhile, Development Reimagined has called for a significant increase in donor contributions and a reform of lending guidance and policies.⁸⁶

Aligned with these concerns, CSOs like Eurodad have noted that IDA’s “private finance-first” puts resources under the direct control of the World Bank’s private-sector investment arm, the IFC, and its private-sector guarantee arm, MIGA. Since firms are subsidised through a non-competitive process on the basis of unsolicited proposals, CSOs have suggested that this approach lacks transparency.⁸⁷ Moreover, the criteria for evaluating the PSW window does not consider developmental impacts, examining risks rather than economic growth and stability.⁸⁸

The CSO critique that IDA advances a donor-driven agenda becomes even more pertinent when examined in light of IDA’s governance structure. Since IDA priorities are largely determined by developed countries with the largest voting shares, civil society organisations have claimed that the Global South is underrepresented in IDA decision-making⁸⁹ and in⁹⁰ Bank decision-making.⁹¹ This comes from debates during⁹² In the brink of World War II, the US sponsored the Marshall Plan, an economic plan to rebuild the economies of Europe through concessional loans and grants. Governments of developing countries started to criticise the plan and suggested that a fund be created to support economic development across the world. The idea was taken up by the United Nations Economic and Social Council, which proposed the Special United Nations Fund for Economic Development (SUNFED). However, the idea was rejected by the US and other powerful governments at the time. At the heart of the discussion was the idea of voting powers. Developing countries wanted a ‘one country, one vote’ rule, which rich countries feared would make them become minority voters. Eventually, India (one of the strongest supporters of SUNFED) was swayed in favour of IDA, and IDA was established. The US provided 42% of IDA’s funding at the time, asserting its dominant role in the organisation. The US still has a majority share, along with other major shareholders, with each member receiving votes on the basis share

83 Bretton Woods Project. 2019. What are the main criticisms of the World Bank and the IMF? <https://www.brettonwoodsproject.org/2019/06/what-are-the-main-criticisms-of-the-world-bank-and-the-imf/>

84 Ibid

85 Mavis Owusu-Gyamfi. 2024. For Africa’s poorest countries, it’s time for transformation. <https://african.business/2024/04/long-reads/for-africas-poorest-countries-its-time-for-transformation>

86 Development Reimagines. 2024. Infographic: Is the World Bank’s IDA working for African Interests? <https://developmentreimagined.com/is-the-world-banks-international-development-association-ida-working-for-african-interests/>

87 Center for Global Development. 2018. Aid Transparency and Private Sector Subsidies at the IFC. <https://www.cgdev.org/blog/aid-transparency-and-private-sector-subsidies-ifc>

88 Center for Global Development. 2021. Go Big on IDA, but Leave Out the Private Sector Window. <https://www.cgdev.org/blog/go-big-ida-leave-out-private-sector-window>

89 Eurodad. 2021. A wrong turn for concessional lending. https://www.eurodad.org/a_wrong_turn_for_world_bank_concessional_lending

90 Afrodad. 2021. Harare Declaration. <https://afrodad.org/advocacy-documents/harare-declaration-2021> Bretton Woods Project. 2019. What are the main criticisms of the World Bank and the IMF? <https://www.brettonwoodsproject.org/2019/06/what-are-the-main-criticisms-of-the-world-bank-and-the-imf/>

91 Afrodad. 2021. Harare Declaration. <https://afrodad.org/advocacy-documents/harare-declaration-2021> Bretton Woods Project. 2019. What are the main criticisms of the World Bank and the IMF? <https://www.brettonwoodsproject.org/2019/06/what-are-the-main-criticisms-of-the-world-bank-and-the-imf/>

92 The Committee for the Abolition of Illegitimate Debt (CADTM). 2024. SUNFED versus the World Bank. https://www.cadtm.org/spip.php?page=imprimer&id_article=10519

votes and basic votes.⁹³⁹⁴⁹⁵ In the last IDA replenishment (IDA20), CSOs urged IDA to capitalise on the African Union's (AU) recent membership in the Group of 20 (G20) to put IDA on the agenda of all G20 convenings⁹⁶ the G20, as a high-level forum of major economies, has the potential⁹⁷ CSOs also championed calls for fairer governance structures within multilateral development banks that reflect Africa's growing importance.⁹⁸

One final critique of IDA relates to the lack of meaningful consultation with CSOs, which play a vital role in safeguarding the public interest. During IDA20, multiple CSOs made submissions on a range of topics, from jobs and economic transformation to debt and climate, but claim that these suggestions were not incorporated into IDA documents.⁹⁹ In response to criticisms over the lack of CSO consultation, IDA management asserted that its engagement with civil society was unprecedented during the IDA21 process.¹⁰⁰ A total of 800 organisations were engaged globally, with civil society comments published in a consolidated report.¹⁰¹ Nevertheless, CSOs have continued to argue that their inputs on privatisation have largely been ignored.¹⁰² In addition, CSOs contend that the IDA21 policy document lacks references to human rights, thereby ignoring calls for justice-centred development. Without investments in public services, care systems and redistribution, CSOs claim that IDA's approach will widen inequalities and reinforce structural debt. They also contend that IDA21 does not sufficiently address gender issues.¹⁰³

Underlying all of these CSO critiques remains the issue of growing debt. As mentioned, current debt repayments tend to outweigh the amount of current government expenditures on social sectors, and limit governments' ability to fund essential services such as health, education, and social protection. Any IDA financing towards governments is therefore essentially negligible due to burgeoning debt, which absorbs government resources. This has led CSOs and academia to assert that IFIs and their investors uphold a framework that perpetuates structural inequalities and maintains hegemonic control over sovereign debt outcomes.¹⁰⁴

93 Bretton Woods Project. 2019. What are the main criticisms of the World Bank and the IMF? <https://www.brettonwoodsproject.org/2019/06/what-are-the-main-criticisms-of-the-world-bank-and-the-imf/>

94 Ibid

95 Bretton Woods Project. 2019. What are the main criticisms of the World Bank and the IMF? <https://www.brettonwoodsproject.org/2019/06/what-are-the-main-criticisms-of-the-world-bank-and-the-imf/>

96 Ibid

97 Ibid

98 Ibid

99 Eurodad. 2021. CSOs issue joint statement following World Bank's 'inadequate' consultations on global development policies. https://www.eurodad.org/csos_issue_joint_statement_following_world_bank_s_inadequate_consultations_on_global_development_policies

100 World Bank Group. 2024. IDA21: IDA FORUMS: Civil Society Engagement in the IDA21 Replenishment Process. <https://thedocs.worldbank.org/en/doc/1e25d2224480776db8f7b6a607c6deb2-0410012024/related/IDA-forums-summary-2024.pdf>

101 World Bank Group. 2024. IDA21 Replenishment Report Public Consultation. <https://thedocs.worldbank.org/en/doc/c7c72776ff44a581b0116d23907adb60-0410012024/related/Consolidated-CSO-Comments-IDA21-Draft-Replenishment-Report.pdf>

102 Bretton Woods Project. 2025. IDA21 policy package disappoints as prospects for IDA countries continue to darken. https://www.brettonwoodsproject.org/2025/07/ida21-policy-package-disappoints-as-prospects-for-ida-countries-continue-to-darken/?utm_source=emailmarketing&utm_medium=email&utm_campaign=observer_summer_2025_out_now&utm_content=2025-07-15

103 Ibid

104 Oduk, J and Mithia, C. 2025. Debt Sustainability Analysis: Reevaluating Debt Sustainability Analyses in the Context of Hegemonic Power and Sovereign Debt Restructuring.

<https://afrodad.org/sites/default/files/publications/Debt%20Sustainability%20Analysis%20-%20Re-evaluating%20Debt%20Sustainability%20Analyses%20in%20the%20Context%20of%20Hegemonic%20Power%20and%20Sovereign%20Debt%20Restructuring.pdf>

CSOs stress that former have a historical burden to rectify the wrongs of colonialism. This is ever more apparent^{105 106} Civil society claims that policies, such as the HIPC Initiative, the MDRI and IDA's SDFP¹⁰⁷ and that longer-term solutions are needed. Critiques have also observed¹⁰⁸ Heavy debt management can also deter investment. As will be seen later, CSOs have made recommendations to address debt management across the world, and especially in Africa, through a reform of the global debt architecture towards fairer and more sustainable debt. A summary of CSO critiques on IDA financing is detailed in the table below.

Table 1: Summary of CSO critiques of IDA funding

CATEGORY	CSO CRITIQUES
Scale	Insufficient donor funding levels to meet the needs of developing countries
Type	Shift from grant-based support to concessional and other higher-interest loans
	Fiscal consolidation measures, which CSO argue leads to suppressed economic activity, decreased consumption, reduced public revenues, cuts to essential public services, and heightened inequality
	Shift away from essential services provided by governments to a focus on the private sector
Impact	Focus on profit over development
	Conditionalities which undermine sovereignty
	Lack of evidence on effectiveness/additionality of privatisation policies
	Potential market distortion through privatisation
	Gendered impacts of financialisation
	Growth at the expense of the environment
Nature of consultation	Disproportionate financial sector influence
	Unrepresentative decision-making
	Lack of meaningful consultation with CSOs
	Lack of transparency in PPPs
Overarching	Potential to exacerbate debt

With resources dwindling, the World Bank and other institutions have increasingly explored alternative financing models. The next section will examine the viability of these —such as public-private partnerships, blended finance, green bonds and debt-for-nature swaps—which, despite being promoted as innovative, carry risks of prioritizing privatisation over development and increasing debt with limited transparency.

105 Climate Change Performance Index. 2024. Historical Responsibility for the Climate Crisis: The Roots of the Unfair Imbalance. <https://ccpi.org/historical-responsibility-for-the-climate-crisis-the-roots-of-the-unfair-imbalance/>

106 Bretton Woods Project. 2024. The World Bank and climate finance: Success story or a new era of green 'structural adjustment'? <https://www.brettonwoodsproject.org/2024/04/the-world-bank-and-climate-finance-success-story-or-a-new-era-of-green-structural-adjustment/>

107 Both Ends. 2011. Defuse the Debt Crisis. https://www.bothends.org/uploaded_files/inlineitem/1111209_LR_brochure_Jubilee.pdf

108 Bretton Woods Project. 2006. Evaluation echoes civil society critique of World Bank-IMF debt relief efforts. <https://www.brettonwoodsproject.org/2006/06/art-538473/>

EVALUATION OF SUSTAINABLE FINANCE MECHANISMS

Given major funding gaps for development, stakeholders such as the World Bank are increasingly exploring alternative financing mechanisms. However, these mechanisms are not without challenges, as the following section will show. Ahead of the Fourth International Conference on Financing for Development (FfD4), the Ministers of Finance in South Africa, Brazil and Spain, along with a professor from the University College London, wrote a letter to the Financial Times, stressing the importance of multilateralism and noting that funding must be deployed more efficiently and strategically, working towards common goals.¹⁰⁹ The authors suggest that the use of private resources to mobilise private capital should come with clear conditions that align investments with societal goals. They also stress the importance of building state capacity and using this capacity to actively shape markets around climate resilience and inclusive growth. Moreover, they insist on governance reforms at multilateral development banks to give developing economies a greater voice.¹¹⁰ Many of these criticisms have also come from CSOs, who have challenged the privatisation model of sustainable development. Alternative funding mechanisms are examined below.



“the use of private resources to mobilise private capital should come with clear conditions that align investments with societal goals.”

¹⁰⁹ Financial Times. 2025. Letter: Multilateralism remains the best path to prosperity. <https://www.ft.com/content/53cd1ff5-cf76-48be-8749-69706c8d7fa4>

¹¹⁰ Ibid

PUBLIC-PRIVATE PARTNERSHIPS (PPPs)

Increasingly, the World Bank, along with bilateral donors, UN agencies and multilateral development banks, have called for an enhanced role for PPPs. The rationale is that these present opportunities to overcome financing and infrastructure challenges, while being more efficient than the public sector at delivering services. However, sub-Saharan Africa has been lagging on establishing PPPs, often because of inadequate government financing, development frameworks and planning, and unconducive investment climates.¹¹¹

As early as 2015, a collective study by Afrodad, Eurodad and Latindad found that PPPs can have more negative than positive consequences. In particular, the study found that PPPs are an expensive method of financing, which can increase public costs, particularly when repayments are made in hard currency instead of local currency. In addition, their impact on efficiency was limited, with difficulties in reducing poverty and inequality. In developing countries, PPPs posed capacity constraints to the public sector. Moreover, PPPs suffered from low transparency and accountability, which the CSOs claim undermines democratic accountability and leads to corruption and illicit financial flows.¹¹²

Eurodad has also conducted case studies of PPPs around the world, first in 2018¹¹³ and then again in 2022.¹¹⁴ These studies restate the conclusion that PPPs have high fiscal and human costs, with women often suffering the most. They also reiterate challenges to democratic accountability and transparency. In addition, PPPs can financialise infrastructure and public services, while overlooking environmental costs.¹¹⁵ However, of greatest concern is the assertion that PPPs can create a ‘hidden’ debt for government, since PPP operations are often recorded off-balance sheet and lack transparency and accountability. This can add to the overall indebtedness by countries at risk of, or experiencing, high debt distress. Eurodad insists that when PPPs result in a substantive increase in public debt, this can be considered illegitimate debt if the costs only benefit a segment of society, such as private stakeholders, rather than the whole population.¹¹⁶ In 2018, more than 150 organisations signed a letter expressing alarm at the increasing use of PPPs and referring to reports by the United Kingdom’s National Audit Office and the European Court of Auditors, illustrating the costs and shortcomings of this approach.¹¹⁷ CSOs have also examined the private sector’s role in energy, noting that the ‘private-sector first’ approach was not delivering the scale, distribution or quality of funding needed.¹¹⁸

111 Afrodad. n.d. The Role of Public Private Partnerships, Financing Agenda 2063 And Fighting Inequality In Africa. <https://afrodad.org/sites/default/files/publications/The-Role-of-Public-Private-Partnerships-in-Financing-Agenda-2063-and-Fighting-Inequality-in-Africa.pdf>

112 Afrodad. n.d. The Role of Public Private Partnerships, Financing Agenda 2063 And Fighting Inequality In Africa. <https://afrodad.org/sites/default/files/publications/The-Role-of-Public-Private-Partnerships-in-Financing-Agenda-2063-and-Fighting-Inequality-in-Africa.pdf>

113 Eurodad. 2018. History RePPeated - How public-private partnerships are failing. <https://www.eurodad.org/historyrepppeated>

114 Eurodad. 2022. History RePPeated II - Why Public-Private Partnerships are not the solution. https://www.eurodad.org/historyrepppeated2?utm_campaign=newsletter_1_12_2022&utm_medium=email&utm_source=eurodad

115 Ibid

116 Ibid

117 Dawn Feminist. 2018. Civil Society Organisations’ open letter to World Bank on PPPs. <https://www.dawnfeminist.org/library/civil-society-organisations-open-letter-to-world-bank-on-public-private-partnerships-ppps>

118 Oil Change International. 2025. Private Fantasies Public Realities: Why Private Finance isn’t delivering an energy transition and the case for public sector leadership. https://oilchange.org/wp-content/uploads/2025/06/Just_Transition_Report_Private-Fantasies-Public-Realities.pdf

As a result, CSOs have demanded that the World Bank substantiate its claims by providing disaggregated and gendered data on private capital mobilisation, including which sectors and instruments work best, and where concessional finance is most effective.¹¹⁹ Using the OECD's analysis, CSOs point out that 87 per cent of mobilised private finance from 2018-2020 went to middle-income countries, with only 12 per cent to low-income ones, and only 7 per cent to social infrastructure.¹²⁰ They also point out the risks of private investment in healthcare and education, which can involve poor-quality care, profiteering, and weak oversight, thereby worsening inequality and undermining accountability.¹²¹

As noted earlier, the World Bank has noted that private investment requires strong infrastructure and predictable regulation. However, CSOs have noted that financial instruments like guarantees offer protection for investors against political or credit risks, while exposing host governments to other liabilities. Meanwhile, securities can create further risks by importing volatility and complexity into fragile economies. Moreover, conditionalities can limit domestic industry and inclusive growth by creating commodity dependence without economic transformation. In some resource-rich parts of Africa, economies have been dominated by foreign firms with limited local benefits, such as job creation.¹²² During IDA21, CSOs suggested that, should IDA insist that the PSW be maintained, it should focus on small and medium enterprises and the creation of jobs.¹²³

119 Bretton Woods Project. 2025. From billions to nowhere: Ajay Banga's development mirage https://www.brettonwoodsproject.org/2025/07/from-billions-to-nowhere-ajay-bangas-development-mirage/?utm_source=emailmarketing&utm_medium=email&utm_campaign=observer_summer_2025_out_now&utm_content=2025-07-15

120 Ibid

121 Ibid

122 Bretton Woods Project. 2025. From billions to nowhere: Ajay Banga's development mirage https://www.brettonwoodsproject.org/2025/07/from-billions-to-nowhere-ajay-bangas-development-mirage/?utm_source=emailmarketing&utm_medium=email&utm_campaign=observer_summer_2025_out_now&utm_content=2025-07-15

123 Bretton Woods Project, Eurodad, Oxfam International and Urgewald. 2024. https://assets.nationbuilder.com/eurodad/pages/5513/attachments/original/1732725961/Civil_society_feedback_to_DRAFT_IDA21_Replenishment_Report_-_submission_by_the_Bretton_Woods_Project_Eurodad_Oxfam_International_and_Urgewald.pdf?1732725961

BLENDED FINANCE

Blended finance is where a small amount of public finance at subsidised (“concessional”) rates is used to try to attract much greater amounts of private finance. This can increase capital leverage and promote the growth of economies. Blended finance projects are also thought to improve the impact of projects by bringing skills and knowledge from the private sector.¹²⁴ However, as mentioned above, it is unclear how blended finance functions in developing economies, or in countries with regulatory, legal and institutional challenges. Blended finance is often posed as a primary solution to financing, but to date, it has fallen far short of what was envisioned, reaching around US\$140 billion in 2020.¹²⁵ There is also a limited pool of concessional finance to de-risk investments.¹²⁶

CSOs like Afrodad have raised concerns over the way that blended finance is measured, noting that the lack of methodology to account for blended and mobilised finance under ODA enables double-counting and enables donors to report privately mobilised capital as ODA, despite not being spent in a concessional way.¹²⁷ This can also divert financing from other aid modalities. In addition, donors may focus on countries or sectors with a lower risk profile, leading to an overconcentration in some countries and not others. It can also be challenging to illustrate the developmental benefits of blended finance because of difficulties in reporting, measuring and evaluating this finance. Blended finance can also result in poor coordination as there are multiple stakeholders, with limited ownership and transparency over projects.¹²⁸ Beyond this, blended finance faces a critical challenge: public resources absorb risk for investors without ensuring that projects align with national development goals or have substantial public value.¹²⁹ Some CSOs have therefore suggested that there be greater efforts to review the evidence on blended finance compared to other aid modalities, focussing on results and promoting consensus on the barriers to finance. There should also be key governing principles.¹³⁰

In 2025, CSOs noted that blended finance in the energy sector is attracting 4 to 7 times less private finance than promised.¹³¹ These CSOs suggest that public sector-led approaches, building on industrial policy, public ownership, private finance regulation and subsidies, are most effective in achieving progress towards an energy transition. In addition, blended finance should come with greater safeguards.

124 Afrodad. n.d. Blended Finance and Impacts on Development Effectiveness. <https://afrodad.org/sites/default/files/publications/Blended-Finance-Conceptual-Paper.pdf>

125 Devex. 2020. Why blended finance hasn't taken off. <https://www.devex.com/news/why-blended-finance-hasn-t-taken-off-96612>

126 Ibid

127 Afrodad. n.d. Blended Finance and Impacts on Development Effectiveness. <https://afrodad.org/sites/default/files/publications/Blended-Finance-Conceptual-Paper.pdf>

128 Ibid

129 Financial Times. 2025. Letter: Multilateralism remains the best path to prosperity. <https://www.ft.com/content/53cd1ff5-cf76-48be-8749-69708c6d7fa4>

130 Oxfam, Development Initiatives, UK Aid Network. 2019. Innovation and Effectiveness? Challenges, Risks and Opportunities for Blended Finance. <https://www.effectivecooperation.org/content/innovation-and-effectiveness-challenges-risks-and-opportunities-blended-finance>

131 Oil Change International. 2025. Private Fantasies Public Realities: Why Private Finance isn't delivering an energy transition and the case for public sector leadership. https://oilchange.org/wp-content/uploads/2025/06/Just_Transition_Report_Private-Fantasies-Public-Realities.pdf

GREEN BONDS

A green bond is a loan agreement where the proceeds are earmarked to fund projects with environmental benefits. According to the World Bank, there are different types of Green Bonds, but these should be aligned with Green Bond Principles (GBPs). Rather than a set of rules, GBPs are guidelines rather than rules to allow the Green Bond market to grow.”¹³² Essentially, green bonds are a manifestation of efforts to develop new financing frameworks in the context of dwindling resources.

However, civil society has questioned whether green bonds have the potential to overstate their environmental benefits. One critique relates to the financing of coal under green bonds, which civil society claims is not ‘green.’ Green bonds can overlook the political nature of private capital, to the detriment of indigenous communities and vulnerable persons.¹³³ The lack of uniform criteria for defining green bonds, therefore, remains a problem. There is also limited evidence on how green bonds incorporate social considerations and alleviate inequality. Green bonds can also neglect the complexity of value chains and their broader environmental and social impacts.¹³⁴ Moreover, green bonds can also have hidden costs and conditionalities that undermine country ownership.¹³⁵

Finally, green bonds can be a source of ‘greenwashing,’ where companies or organisations make misleading claims about the environmental friendliness of their services.¹³⁶ Over 92 CSOs wrote to the EU Commission in 2022, requesting that financial institutions commit to excluding fossil gas and nuclear energy in green bonds to avoid greenwashing.¹³⁷ Green bonds should also not be used to overlook the historical obligations of the Global North in addressing climate change. Currently, Africa accounts for less than 1% of global issuances, suggesting that the green bonds market in Africa has significant room for growth, but that it is unlikely to meet Africa’s needs.¹³⁸

132 World Bank. 2022. Green Bond Handbook: A Step-By-Step Guide to Issuing a Green Bond. <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/09985440622232086>

133 European Association of Development Research and Training Institutes. 2022. Indebting the green transition: critical notes on green bonds in the South. <https://www.developmentresearch.eu/?p=1167>

134 Ibid.

135 Bretton Woods Project. 2024. Civil society raises concerns about Resilience and Sustainability Trust’s green conditionality as Fund conducts interim review. <https://www.brettonwoodsproject.org/2024/04/civil-society-raises-concerns-about-resilience-and-sustainability-trusts-green-conditionality-as-fund-conducts-interim-review/>

136 Lechini, G and Alonso, J. 2025. Green Bonds: Opportunities and Challenges for Reconciling Ethics and the International Financial System. https://link.springer.com/chapter/10.1007/978-981-97-4730-6_18; Park, S. 2018. Investors as Regulators: Green Bonds and the Governance Challenges of the Sustainable Finance Revolution. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3142887

137 Reclaim Finance. 2022. 92 civil society organizations call on financial institutions to avoid taxonomy-aligned greenwashing. <https://reclaimfinance.org/site/en/2022/03/10/92-civil-society-organizations-call-financial-institutions-avoid-taxonomy-greenwashing/>

138 Financial Sector Deepening Africa and United Kingdom Foreign, Commonwealth and Development Office (FCDO). 2025. Impact of Green Bonds in Africa. <https://fsdafrica.org/wp-content/uploads/2025/03/25-03-21-25-03-18-FSD-Africa-Breakfast-RT-Unlocking-the-Potential-of-Sustainable-Bonds-in-Africa.pdf>

DEBT-FOR-NATURE SWAPS

Debt-for-nature swaps are financial transactions where a developing nation's foreign debt is reduced or forgiven in exchange for the country committing to invest in conservation efforts and environmental protection projects. Whilst this financing mechanism has been around for decades, projects in Belize, Barbados and Gabon have sparked renewed interest over their infringement on sovereignty¹³⁹ They are increasingly touted as a means of reducing debt while¹⁴⁰ countries to adapt to climate change.¹⁴¹ However, many of these swaps have involved the establishment of parallel mechanisms to distribute the funds outside of government structures. With funds instead being distributed to international conservation-focussed IFIs or CSOs, there have been critiques that national oversight and transparency is undermined, limiting democratic oversight and accountability. Moreover, some projects have been shown to ¹⁴² meet local priorities and even undermine local rights.¹⁴³ There have also been concerns raised over greenwashing and the questionable environmental records of the stakeholders involved in the administration of funds, which could include private actors with hidden motives.¹⁴⁴

CSOs have weighed the evidence on debt-for-nature swaps in financial and governance terms. For example, civil society has assessed debt-for-nature swaps in terms of the Heavily Indebted Poor Countries (HIPC) Initiative and its expansion, the Multilateral Debt Relief Initiative (MDRI), finding that the volume of these swaps has been insufficient to provide any meaningful relief to debtors, and that, contrary to expectations, debt swaps do not free up fiscal space for development priorities. In poorly structured swaps, in which annual domestic counterpart payments occur prior to the realisation of savings from debt relief, CSOs argue that a government's fiscal position can be worsened. There can also be high transaction costs and a limited impact on the balance of payments. It is also difficult to determine¹⁴⁵ coherence with national and sectoral strategies, a lack of coherence with the creditor country's policies, and difficulties in terms of the negative impacts of conditionalities. Thus, debt-for-nature swaps can neglect the deeper systemic factors affecting debt sustainability.¹⁴⁶

139 Parish, J.L. 2024. Debt-for-Nature Swaps: Solution or Scam? <https://daily.jstor.org/debt-for-nature-swaps-solution-or-scam/>

140 World Economic Forum. 2024. Climate finance: What are debt-for-nature swaps and how can they help countries? <https://www.weforum.org/stories/2024/04/climate-finance-debt-nature-swap/>

141 Global Partnership for Effective Development. 2025. How Debt for Climate and Nature Swaps Can Be Effective Financing Instruments. https://www.effectivecooperation.org/blog_climate_and_nature_swaps

142 Ibid

143 Ibid

144 CADTM. 2025. Debt-for-nature swaps 2.0, a deceptive solution. <https://www.cadtm.org/Debt-for-nature-swaps-2-0-a-deceptive-solution>

145 Ibid

146 Boston University, Centre for Sustainable Finance, Global Development Policy Center and Heinrich-Böll-Stiftung. 2020. Linking Debt Relief and Sustainable Development: Lessons from Experience Background Paper #2. <https://www.boell.de/sites/default/files/2020-12/BackgroundPaper2%20Lessons%20from%20Experience.pdf>

Table 2: Summary of CSO critiques on financing instruments

Category of financing	Critiques
PPPs	Challenges in low-income countries due to inadequate government financing, development frameworks and investment climates
	Limited focus on low-income countries due to risk profile
	Expensive, which can increase public costs, especially if repayments are made in hard currency
	Lack of evidence on which sectors and instruments work best with concessional finance
	Provides protection for investors, while exposing hosts to risk
	Conditionalities can create commodity dependence without economic transformation
	Limited alignment to development impact or national priorities
	Low transparency and accountability
	Potential to exacerbate inequality and debt
	Potential to undermine democratic accountability and increase corruption
Blended Finance	Lack of agreed methodology to account for blended finance, with the possibility of inflated reporting
	Risk of diverting financing from other aid modalities
	Possibility of overconcentration in some countries and sectors due to lower risk profiles
	Limited measurement and focus on developmental benefits
	Poor coordination
	Limited ownership and transparency
Green bonds	Can risk importing volatility and complexity into fragile economies
	No uniform definition, which can lead to greenwashing.
	Lack of evidence on effectiveness
	Potential to neglect complex value chains and environmental and social impacts
	Conditionalities that undermine country ownership
	Another form of debt that neglects historical responsibilities from developing countries
Debt-for-nature swaps	Insufficient volumes to address debt levels, neglects deeper systemic issues
	High transaction costs, worsened fiscal space and limited evidence of additionality
	Additional bureaucracy, limited monitoring and evaluation
	Limited local participation and transparency, lack of policy coherence, challenges arising from conditionalities, undermining democratic oversight and accountability

In sum, new financing instruments such as PPPs, blended finance, green bonds and debt-for-nature swaps are not a panacea for international development. Their current contributions to financing for development fall short of both expectations and actual needs, particularly in Africa. Additionally, each comes with its own set of risks. Without clear definitions, robust evidence on effectiveness, and foundational standards to ensure these mechanisms support genuine development goals, they risk making only a minimal impact—or worse: undermining local ownership, exacerbating inequality, and disregarding the historical responsibilities of developed countries to provide grants and concessional finance. The issue of debt further compounds these woes, and without long-term strategies to address African debt, concessional financing will remain insufficient to promote long-term inclusive development. The next section looks at CSO efforts to improve financial sustainability and debt management in Africa.

STRATEGIES FOR HANDLING DEBT

Debt undeniably hinders development. With more than half of low-income countries in debt distress, African countries face mounting debt obligations that threaten their progress towards the SDGs.¹⁴⁷ In 2023, Debt Service Watch found that 27.7 percent more is spent on debt than social protection.¹⁴⁸ African debt doubled from US\$283 billion to US\$655 billion between 2012 and 2020 and 11 African countries, including Ethiopia, Ghana, Sri Lanka and Zambia, have defaulted on their debt obligations since 2020.¹⁴⁹ Private creditors account for more than half of low- and middle- income countries' debt obligations, with shorter debt repayment periods, higher interest rates and greater volatility due to exchange rate fluctuations. This does not negate the fact that many traditional lenders continue to demand interest payments that minimise their contributions to ODA. In 2020, the G20 adopted a Common Framework for Debt Treatments Beyond the Debt Service Suspension Initiative (DSSI),¹⁵⁰ but this has been criticised as too slow and too complex.¹⁵¹ Civil society has also demanded a move away from creditor-led restructuring processes, instead suggesting a UN-led sovereign debt mechanism to ensure transparency and inclusivity. But, at the Fourth UN Financing for Development Conference (FfD4) in July 2025, CSOs were disappointed at the dilution of wording in the final outcome document, the *Compromiso de Sevilla*.¹⁵² The US withdrew from the process, while Canada, Japan, the EU, Switzerland and the United Kingdom weakened the language in the document calling for a UN governmental process.¹⁵³ The final document 'encourages support' to the UN Framework Convention on International Tax Cooperation, which would establish a global system of governance for international tax cooperation. However, it did not commit to any binding recommendations on establishing an intergovernmental process to agree on a UN Convention on Sovereign Debt, which Afrodad has termed a non-negotiable.¹⁵⁴ It also phased out language on fossil fuel subsidies and downgraded language on investor-state dispute settlement.¹⁵⁵

Civil society, such as Afrodad, insists on a UN Framework Convention on Sovereign Debt, which would establish international rules, principles, and structures for the prevention and resolution of unsustainable and illegitimate sovereign debt crises.¹⁵⁶ This framework would promote affordable and long-term financing, allowing countries to focus on development rather than on short-term debt constraints. According to some CSOs,¹⁵⁷ ensures the primacy of human rights over debt service and a rules-based approach to orderly, fair, transparent, and durable debt crisis resolution, binding responsible lending

147 FP Analytics. 2025. Global Governance Reimagined. <https://globalgovernancereimagined.com/2025/06/25/drowning-debt-development-crisis/>

148 Debt Service Watch 2023. As cited in FP Analytics. 2025. Global Governance Reimagined. <https://globalgovernancereimagined.com/2025/06/25/drowning-debt-development-crisis/>

149 Ibid

150 Paris Club. 2020. The G20 Common Framework for Debt Treatments beyond the DSSI. <https://clubdeparis.org/en/communications/page/common-framework>

151 FP Analytics. 2025. Global Governance Reimagined. <https://globalgovernancereimagined.com/2025/06/25/drowning-debt-development-crisis/>

152 United Nations. 2025. Final Draft of the FFD4 Outcome Document, Sevilla Commitment (Compromiso de Sevilla) Adopted. <https://financing.desa.un.org/ffd4/outcome>

153 Bretton Woods Project. 2025. Civil society demands unconditional debt relief in Jubilee year. https://www.brettonwoodsproject.org/2025/07/civil-society-demands-unconditional-debt-relief-in-jubilee-year/?utm_source=emailmarketing&utm_medium=email&utm_campaign=observer__summer_2025_out-now&utm_content=2025-07-15

154 Afrodad. 2025. EU and UK Block Critical Debt Reforms, Ignores Calls by the African Union Commission for Establishing a UN Framework Convention on Sovereign Debt. <https://afrodad.org/news-events/press-release/eu-and-uk-block-critical-debt-reforms-ignores-calls-african-union>

155 Global Policy Forum. 2025. Compromiso de Sevilla. <https://www.globalpolicy.org/en/news/2025-06-17/compromiso-de-sevilla>

156 Joshua, S., Nazir, A., Mochoge, D., Koopman, R. 2025. Moving from Creditor-Centered Debt Relief Initiatives Towards the Realization of the UN Framework Convention on Sovereign Debt. https://link.springer.com/epdf/10.1057/s41301-025-00432-y?sharing_token=gqQLGa3craPUstjIX_2AOIxQt48VBP010Uv7D6sAgHtK56DIKiosMIwSFIDGT01MTWADq_737p-xoIc1ctydk8ctPhwE_xusw5w2kGEEpHhF0REuK3Kqz9f8HZ0s0Uqob_ZIXS8FEZp6nX4QLkbDDCkmiMIYbS8WzPpEuIPT7U%3D

157 Ibid

and borrowing principles, new approaches to debt sustainability, domestic legislation on responsible financing and debt management, debt audits and domestic legislation in creditor countries to resolve debt.¹⁵⁸

One issue that has arisen concerns the regulation of credit ratings agencies (CRA). Because of limited data on Africa and a lack of in-depth regional knowledge, many have begun questioning credit ratings for Africa's corporate and public sector entities, and their regional and municipal bodies.¹⁵⁹ The UN estimates that Africa spends US\$74.5 billion in excess debt because of these factors, which is thought to be equivalent to 80% of Africa's financing needs.¹⁶⁰ As such, the AU launched the Africa Credit Rating Agency (AfCRA) in June 2025 to enhance transparency, reduce the reliance on international credit ratings agencies, and to address Africa's specific needs. Underlying this is the assumption that AfCRA will have more region-specific data and socio-economic indicators.

Another issue that has come to the fore concerns the issuing and re-channelling of SDRs. The IMF has the authority to allocate SDRs to member states, which are allocated according to their quota shares. The majority of SDRs, therefore, go to rich countries, but civil society has urged that these be rechannelled to low-income countries.¹⁶¹ However, this rechanneling has been notoriously slow.¹⁶² CSOs have advocated for general periodic SDRs, that use clearly defined criteria, decouples SDRs from quotas, and ensures targeted needs-based and equitable distribution.¹⁶³ Civil society has also called for a fairer distribution of SDRs towards low-income countries to address the climate crisis.¹⁶⁴

Meanwhile, the AfDB has proposed a new approach that uses SDRs as hybrid capital in development banks, which could work towards development goals.¹⁶⁵ However, the *Compromiso de Sevilla* outcome document removed language calling for a rules-based approach to SDR allocations and to facilitate the rechanneling of SDRs, as well as language inviting the IMF as "to consider approaches that allow SDR allocations that better respond to the needs of all countries."¹⁶⁶ It invites the IMF to develop an SDR playbook, but does not specify what this should entail. Nevertheless, the document proposes strengthening borrowing platforms to coordinate approaches, exchange ideas and improve peer learning.¹⁶⁷

158 Eurodad. 2024. UN framework convention on sovereign debt – Building a new debt architecture for economic justice. https://www.eurodad.org/nl_un-framework_convention_on_sovereign_debt_building_a_new_debt_architecture_for_economic_justice

159 UNDP. 2025. Lowering the Cost of Borrowing in Africa: The Role of Sovereign Credit Ratings. <https://www.undp.org/africa/publications/lowering-cost-borrowing-africa-role-sovereign-credit-ratings>

160 UNDP. 2025. Lowering the Cost of Borrowing in Africa: The Role of Sovereign Credit Ratings. <https://www.undp.org/africa/publications/lowering-cost-borrowing-africa-role-sovereign-credit-ratings>

161 South African Institute of International Affairs (SAIIA). 2024. The South African G20 Presidency and Implementation of SDR Rechanneling. <https://saiia.org.za/research/the-south-african-g20-presidency-and-implementation-of-sdr-rechanneling/>

162 Global Policy Forum. 2025. Compromiso de Sevilla. <https://www.globalpolicy.org/en/news/2025-06-17/compromiso-de-sevilla>

163 Bretton Woods Project. 2023. Reconceptualising Special Drawing Rights as a tool for development finance. <https://www.brettonwoodsproject.org/2023/10/reconceptualising-special-drawing-rights-as-a-tool-for-development-finance/>

164 Latindad. 2023. Civil society calls for new IMF Special Drawing Rights allocation at COP28, with fairer distribution to countries in need <https://latindad.org/arquitectura-financiera/civil-society-calls-for-new-imf-special-drawing-rights-allocation-at-cop28-with-fairer-distribution-to-countries-in-need/>

165 Mutazu, T and Chikowore, A. 2023. An African Perspective on IMF Special Drawing Rights Rechanneling Proposals: Opportunities and Challenges. <https://globalchallenges.org/updates/an-african-perspective-on-imf-special-drawing-rights/>

166 Global Policy Forum. 2025. Compromiso de Sevilla. <https://www.globalpolicy.org/en/news/2025-06-17/compromiso-de-sevilla>

167 United Nations. 2025. Final Draft of the FFD4 Outcome Document, Sevilla Commitment (Compromiso de Sevilla) Adopted. <https://financing.desa.un.org/ffd4/outcome>

RECOMMENDATIONS

As the world continues to adjust to ongoing challenges, Africa faces a significant funding shortfall in meeting its development needs. Global growth is slowing, and aid has become more fragmented. IDA therefore offers an important source of concessional financing for developing countries, but donor contributions have remained relatively constant in recent decades and are decreasing in real terms. This makes the need to ensure that IDA financing is targeted and efficient more important than ever. IDA recipient countries are showing a widening income gap with the rest of the world, with extreme poverty and inequality. Debt distress is an enormous concern, with governments allocating resources towards repayments instead of critical public spending. IDA is increasingly turning towards private funding as an important additional resource, but critics have argued that this favours profit extraction over development. Critics have also suggested that IDA's conditionalities do not align with Africa's development needs and that privatisation initiatives lack transparency. Moreover, the unrepresentative nature of decision-making through IDA governance structures pushes a donor-driven agenda. CSOs continue to note that their inputs, predominantly on privatisation, are excluded from policy document revisions. While PPPs, blended finance, green bonds and debt-for-nature swaps are often presented as solutions to address Africa's financing gap, these forms of financing may not be as applicable to the African context. Moreover, they risk negative consequences. Critically, CSOs have suggested that these forms of finance need to be better aligned with developmental objectives. They also should not replace the historical obligations that the Western world has towards promoting Africa's development.

Without clear strategies to address debt, IDA funding will remain a drop in the ocean. CSOs have advocated for a UN Framework Convention on Sovereign Debt, coordinated by the UN to ensure a rules-based and human rights approach to debt, but Western powers continue to block critical reforms. CSOs have also demanded the re-channeling of SDRs, which currently favour the rich.

As observed by Bond, FfD4 was not the watershed moment that everyone was waiting for to address debt.¹⁶⁸ Civil society felt ostracised and the collective assessment of the final outcome document from over 1000 CSOs, trade unions, movements and networks from around the world deemed the proposals for reform insufficient.¹⁶⁹ Bond notes that, while the document was presented as a win for saving multilateralism, this version of multilateralism only skews northern interests and upholds major decision-making fora where rich countries have an outsized influence. The organisation adds



Moreover, growing emphasis on international private finance to almost substitute the decreasing ODA is opposite what LMICs are asking for – public grant development and climate finance which Global North countries owe...However, it is not the concessional finance that is the issue but the way it has been given – mostly as a paternalistic plaster rather than a driver for deep, holistic and long term transformation and economic sovereignty.

¹⁶⁸ Bond. 2025. Financing for Development Conference: last word from Seville https://www.bond.org.uk/news/2025/07/financing-for-development-conference-last-word-from-seville/?utm_source=emailmarketing&utm_medium=email&utm_campaign=bretton_woods_news_lens_17_july_2025&utm_content=2025-07-17

¹⁶⁹ Civil Society Financing for Development. Declaration from the FfD4 Civil Society Forum. 2025. <https://csoforffd.org/resources/declaration-from-the-ffd4-civil-society-forum/>

Private finance cannot replace ODA, and IDA donors should raise their level of ambition during the next IDA replenishment. IDA should provide support to public pathways, while also engaging closely with CSOs and broader stakeholders on IDA priorities. The World Bank should also gather evidence on where and how private finance can be most effective, so as to ensure that programming is based on evidence. However, any development financing will remain largely ineffective until a fairer debt system is established. Ideally, this would come from the UN Framework Convention on Sovereign Debt, and CSOs should continue to advocate for this approach. Without this approach, debt levels may become insurmountable.

To IDA

- Deepen consultations with civil society and developing countries to determine IDA priorities.
- Promote national ownership of IDA funding by providing support to governments for healthcare, education, social protection and climate finance.
- Provide evidence-based research to justify the focus on private sector engagement and the sectors/ countries in which concessional financing through private sector investment will be most effective.
- Ensure that private finance investments are additional to, and not a replacement for, concessional finance and grants.
- Align any IDA initiatives, especially private sector engagements, to developmental goals and the reduction of inequality as espoused by IDA recipient countries.
- Exclude the use of fossil fuels from climate programming.
- Enhance transparency and accountability by developing principles of governance for PPPs, blended finance, green bonds and debt-for-nature swaps.
- Agree to a UN Convention on Sovereign Debt to provide a neutral mechanism for resolving issues of unsustainable, illegitimate and inequitable debt, while emphasising a human rights- and rules-based approach.
- Urge the IMF to re-channel SDRs towards low-income countries, using clearly defined criteria that decouples SDRs from quotas and delivers needs-based and equitable aid.

To CSOs

- Engage with project-affected communities and develop CSO networks to assess priorities for IDA funding.
- Strengthen CSO networks to provide a unified approach to engaging with IDA, while recognising the complementarity of different CSO approaches.
- Gather evidence on the impact of private sector funding across different sectors and geographies.
- Provide evidence on the benefit of social protection policies and regulations to the economy and to reducing inequality.
- Insist on the alignment of private sector engagements to developmental goals and the reduction of inequality.
- Propose principles of governance for PPPs, blended finance, green bonds and debt-for-nature swaps that can enhance transparency and accountability.
- Continue to call for the UN Framework Convention on Sovereign Debt as a non-negotiable, with binding recommendations.
- Propose ways in which the IMF can re-channel SDRs to developing countries in a needs-based manner.
- Support efforts to establish an African credit ratings agency, offering contextual knowledge and statistics to drive analysis.
- Champion calls for fairer governance structures within multilateral development banks that reflect Africa's growing importance.



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