

T W E L F T H S E S S I O N



ASSEMBLY OF THE AFRICAN UNION

BACKGROUND GUIDE





LETTER FROM THE EXECUTIVE BOARD

Dear Delegates,

It is our privilege to welcome you to the African Union being simulated at the La Martiniere Model United Nations 2025. We recommend that ALL delegates review the entire background guide, even seasoned delegates, as it provides context for the issue, committee policies, and relevant documents to refer to. The Background Guide should NOT be considered as a complete research medium, since the internet is not a small platform, and this guide has been made just to provide you with a basic understanding of the agenda and the context of the crisis. Please note that the background guide only covers some of the key topics that the Executive Board considers important. Delegates are encouraged not to limit their research to the background guide and are expected to explore further aspects of the agenda.

We look forward to seeing new, creative ideas being framed by the delegates in the council to tackle the issue, as well as cooperation in the committee to come to a consensus. This comes with the understanding that NO delegate shall be disrespectful towards any other delegate, EB member, or logistics, Secretariat, and Organising Committee members. The Panel strongly looks down upon such behaviour, and it will have serious consequences.

All documents in the committee are to be made in Google Docs ONLY. If you send us the document in any other format, please be prepared to kindly present the Google Docs version. When we ask for the document to be made in Google Docs, it doesn't mean that writing it somewhere and then pasting it into Google Docs is an acceptable format. All writing, drafting, ideation and editing is meant to be done there. Kindly do approach the board without hesitation if you need any help, assistance, accommodation or suggestions. We will do our best to help you while keeping an equal playing field. We will be using British English for all forms of formal communication (including documents) because we don't want language fatigue by the end of the conference.

The use of any AI bot for speeches and especially documents is strictly looked down upon; any attempt to humanise the text is sad; please don't. Kindly refrain from it; otherwise, we will refrain in the marksheet. Theatrics are welcomed with open arms in the committee, but please don't overdo it and rather maintain the discipline of the Union, and as a note, theatrics should always be backed by good arguments- use it as a muzzle, not the gun itself. In the end, our biggest hope as the executive board of this committee is that all of you will come out of this experience a little less scared and a little more confident, as that is what the Model United Nations has done for us. Best of luck with the committee and its research, and as a last reminder, we are always there to answer your questions.

The official committee email address is: au.lmun2025@gmail.com (for paperwork and queries)

Kaveri Rawal
Chairperson

Anubhav Sahu
Vice - Chairperson



RULES OF PROCEDURE

The African Union, at La Martiniere Model United Nations shall be simulated in accordance with the UNA-USA Rules of Procedure.

Please read: [UNA USA Rules of Procedure](#)



AFRICAN UNION

The African Union (AU) is a continental body of 55 member states that make up the countries of the African Continent. It was officially launched in 2002 as a successor to the Organisation of African Unity (OAU, 1963-1999).

The main objectives of the OAU were to rid the continent of the remaining vestiges of colonisation and apartheid; to promote unity and solidarity amongst African States; to coordinate and intensify cooperation for development; to safeguard the sovereignty and territorial integrity of Member States, and to promote international cooperation. The OAU Charter spelt out the purpose of the Organisation, such as:

1. To promote the unity and solidarity of the African States.
2. To coordinate and intensify their cooperation and efforts to achieve a better life for the peoples of Africa.
3. To defend their sovereignty, their territorial integrity and independence.
4. To eradicate all forms of colonialism from Africa. And
5. To promote international cooperation, having due regard to the Charter of the United Nations and the Universal Declaration of Human Rights.

The African Union (AU) was officially launched in July 2002 in Durban, South Africa, following a decision in September 1999 by its predecessor, the OAU, to create a new continental organisation to build on its work. The decision to re-launch Africa's pan-African organisation was the outcome of a consensus by African leaders that to realise Africa's potential, there was a need to refocus attention from the fight for decolonisation and ridding the continent of apartheid, which had been the focus of the OAU, towards increased cooperation and integration of African states to drive Africa's growth and economic development.



A F R I C A N U N I O N

The AU is guided by its vision of “*An Integrated, Prosperous and Peaceful Africa, driven by its own citizens and representing a dynamic force in the global arena.*”

The Constitutive Act of the African Union and the Protocol on Amendments to the Constitutive Act of the African Union lay out the aims of the AU, which are:

- Achieve greater unity and solidarity between African countries and their people
- Defend the sovereignty, territorial integrity and independence of its Member States;
- Accelerate the political and socio-economic integration of the continent;
- Promote and defend African common positions on issues of interest to the continent and its peoples;
- Encourage international cooperation
- Promote peace, security, and stability on the continent;
- Promote democratic principles and institutions, popular participation and good governance;
- Promote and protect human and peoples’ rights in accordance with the African Charter on Human and Peoples’ Rights and other relevant human rights instruments;
- Establish the necessary conditions which enable the continent to play its rightful role in the global economy and in international negotiations;
- Promote sustainable development at the economic, social and cultural levels as well as the integration of African economies;
- Promote cooperation in all fields of human activity to raise the living standards of African peoples.
- Coordinate and harmonise the policies between the existing and future Regional Economic Communities for the gradual attainment of the objectives of the Union;
- Advance the development of the continent by promoting research in all fields, in particular in science and technology
- Work with relevant international partners in the eradication of preventable diseases and the promotion of good health on the continent.
- Ensure the effective participation of women in decision-making, particularly in the political, economic and socio-cultural areas;
- Develop and promote common policies on trade, defence and foreign relations to ensure the defence of the Continent and the strengthening of its negotiating positions;
- Invite and encourage the full participation of the African Diaspora as an important part of our Continent in the building of the African Union.



A F R I C A N U N I O N

The work of the AU is implemented through several principal decision-making organs:- The Assembly of Heads of State and Government, the Executive Council, the Permanent Representatives Committee (PRC), Specialised Technical Committees (STCs), the Peace and Security Council and the African Union Commission. The AU structure promotes participation of African citizens and civil society through the Pan-African Parliament and the Economic, Social & Cultural Council (ECOSOCC).

The Regional Economic Communities (RECs) and the African Peer Review Mechanism are also key bodies that constitute the structure of the African Union.



AGENDA 2063

To ensure the realisation of its objectives and the attainment of the Pan African Vision of an integrated, prosperous and peaceful Africa, Agenda 2063 was developed as a strategic framework for Africa's long-term socio-economic and integrative transformation. Agenda 2063 calls for greater collaboration and support for African-led initiatives to ensure the achievement of the aspirations of African people.

It is the continent's strategic framework that aims to deliver on its goal for inclusive and sustainable development and is a concrete manifestation of the pan-African drive for unity, self-determination, freedom, progress and collective prosperity pursued under Pan-Africanism and African Renaissance.

The following are the Seven Aspirations of Agenda 2063:

Aspiration 1: A prosperous Africa based on inclusive growth and sustainable development

We are determined to eradicate poverty in one generation and build shared prosperity through social and economic transformation of the continent.

Goals:

1. A high standard of living, quality of life and well-being for all
 - ending poverty, inequalities of income and opportunity; job creation, especially addressing youth unemployment; facing up to the challenges of rapid population growth and urbanisation, improvement of habitats and access to basic necessities of life – water, sanitation, electricity; providing social security and protection;
2. Well-educated citizens and skills revolutions underpinned by science, technology and innovation
 - developing Africa's human and social capital (through an education and skills revolution emphasising science and technology)
3. Healthy and well-nourished citizens
 - expanding access to quality health care services, particularly for women and girls;



AGENDA 2063

4. Transformed economies and jobs

- transforming Africa's economies through beneficiation from Africa's natural resources, manufacturing, industry
- industrialisation and value addition, as well as raising productivity and competitiveness

5. Modern agriculture for increased proactivity and production

- radically transforming African agriculture to enable the continent to feed itself and be a major player as a net food exporter;

6. Blue/Ocean Economy for accelerated economic growth

- exploiting the vast potential of Africa's blue/ocean economy;

7. Environmentally sustainable climate and resilient economies and communities

- putting in place measures to sustainably manage the continent's rich biodiversity, forests, land and waters and using mainly adaptive measures to address climate change risks

Aspiration 2: An integrated continent, politically united and based on the ideals of Pan-Africanism and the vision of Africa's Renaissance.

Since 1963, the quest for African Unity has been inspired by the spirit of Pan Africanism, focusing on liberation, political and economic independence. It is motivated by development based on self-reliance and self-determination of African people, with democratic and people-centred governance.

Goals:

1. United Africa (Federal/Confederate)

- accelerating progress towards continental unity and integration for sustained growth, trade, exchanges of goods, services, free movement of people and capital through establishing a United Africa and fast-tracking economic integration through the CFTA

2. World-class infrastructure criss-crosses Africa

- improving connectivity through newer and bolder initiatives to link the continent by rail, road, sea and air; and developing regional and continental power pools, as well as ICT

3. Decolonisation

- All remnants of colonialism will have ended, and all African territories under occupation will be fully liberated. We shall take measures to expeditiously end the unlawful occupation of the Chagos Archipelago, the Comorian Island of Mayotte and affirm the right to self-determination of the people of Western Sahara.



AGENDA 2063

Aspiration 3: An Africa of good governance, democracy, respect for human rights, justice and the rule of law

An Africa of good governance, democracy, respect for human rights, justice and the rule of law.

Africa shall have a universal culture of good governance, democratic values, gender equality, and respect for human rights, justice and the rule of law.

Goals:

1. Democratic values, practices, universal principles for human rights, justice and rule of law are entrenched.
 - consolidating democratic gains and improving the quality of governance, respect for human rights and the rule of law;
2. Capable institutions and transformed leadership are in place at all levels.
 - building strong institutions for a development state, and facilitating the emergence of development-oriented and visionary leadership in all spheres and at all levels.

Aspiration 4: A peaceful and secure Africa

Mechanisms for peaceful prevention and resolution of conflicts will be functional at all levels. As a first step, dialogue-centred conflict prevention and resolution will be actively promoted in such a way that by 2020, all guns will be silent. A culture of peace and tolerance shall be nurtured in Africa's children and youth through peace education.

Goals:

1. Peace, security, and stability are preserved
 - strengthening governance, accountability and transparency as a foundation for a peaceful Africa;
2. A stable and peaceful Africa
 - strengthening mechanisms for securing peace and reconciliation at all levels, as well as addressing emerging threats to Africa's peace and security
3. A fully functional and operational APSA
 - is putting in place strategies for the continent to finance its security needs.



AGENDA 2063

Aspiration 5: An Africa with a strong cultural identity, common heritage, shared values and ethics

Pan-Africanism and the common history, destiny, identity, heritage, respect for religious diversity and consciousness of African people and their diaspora will be entrenched

Goal:

1. African cultural renaissance is pre-eminent
 - inculcating the spirit of Pan Africanism; tapping Africa's rich heritage and culture to ensure that the creative arts are major contributors to Africa's growth and transformation; and restoring and preserving Africa's cultural heritage, including its languages.

Aspiration 6: An Africa, whose development is people-driven, relying on the potential of African people, especially its women and youth, and caring for children.

All the citizens of Africa will be actively involved in decision-making in all aspects. Africa shall be an inclusive continent where no child, woman or man will be left behind or excluded, on the basis of gender, political affiliation, religion, ethnic affiliation, locality, age or other factors.

Goals:

1. Full gender equality in all spheres of life
 - strengthening the role of Africa's women through ensuring gender equality and parity in all spheres of life (political, economic and social); eliminating all forms of discrimination and violence against women and girls;
2. Engaged and empowered youth and children
 - creating opportunities for Africa's youth for self-realisation, access to health, education and jobs; ensuring safety and security for Africa's children, and providing for early childhood development.

Aspiration 7: Africa as a strong, united, resilient and influential global player and partner.

Africa shall be a strong, united, resilient, peaceful and influential global player and partner with a significant role in world affairs. We affirm the importance of African unity and solidarity in the face of continued external interference including, attempts to divide the continent and undue pressures and sanctions on some countries.

Goals:

1. Africa as a major partner in global affairs and peaceful co-existence
 - improving Africa's place in the global governance system (UN Security Council, financial institutions, global commons such as outer space);
2. Africa takes full responsibility for financing her development
 - improving Africa's partnerships and refocusing them more strategically to respond to African priorities for growth and transformation; and ensuring that the continent has the right strategies to finance its own development and reducing aid dependency.

Also Read: [Agenda 2063 and the Sustainable Development Goals](#)



KEY TERMS AND CONCEPTS

1. Capital Markets

Capital Markets are financial markets used for the trade of long-term and equity-backed securities. They are crucial in mobilising an economy's savings for investment, liquidity, and capital formation, which are necessary for economic growth.

1. Equity Markets: These include the issuance and trading of shares representing ownership in a company. For example, the listing of shares of companies through an IPO. Examples: The Johannesburg Stock Exchange, Nairobi Securities Exchange, etc.
2. Debt Markets: These include financial instruments like bonds, debentures, and treasury bills, which are all used by corporations and governments to borrow.
3. Derivatives Markets: These are assets whose value is derived from underlying assets such as stocks, commodities, or interest rates.

2. Public Sector Revenues

- A. Tax Base: It is the total value of assets, income, or consumption that is subject to taxation by the government. A larger tax base enables governments to raise tax revenues.
- B. Fiscal Deficit: The difference between the total expenditure and total revenue(excluding borrowings) of a government is called the Fiscal Deficit. A continued fiscal deficit may lead to large public debt accumulation and subsequently macroeconomic instability.
- C. Sovereign Wealth Funds: These are state-owned investment funds that manage the savings of an economy for the long term.

3. Financial Inclusion

It is the process of ensuring that businesses and individuals have access to useful, affordable, and sustainable financial products and services like banking, insurance and credit.

4. Fintech (Financial Technology)

It includes the technological developments in financial services like peer-to-peer lending, mobile money, and blockchain, which make finance more accessible.

5. Illicit Financial Flows (IFFs)

It refers to the illegal movement of money or capital across borders and often involves criminal offences like tax evasion, trade misinvoicing, and corruption. These divert funds away from the development of a country.

6. African Continental Free Trade Area

The AFCFTA was launched in 2021 under the African Union framework and is the world's largest free trade agreement by number of participating countries. It promotes intra-Africa trade, reduces tariffs, and creates regional value chains. It facilitates capital mobility and investment flows, thereby complementing regional market integration



POLITICAL, ECONOMIC AND INSTITUTIONAL CONTEXT

1. Role of AU in Economic Integration

By all accounts, Africa's economic growth and performance this past decade has been exceptionally strong, even in the midst of a widespread global economic crisis and recession. The growth, however, has not resulted in significant and commensurate declines in poverty levels, nor has it been rich in jobs. In a large measure, the growth has not been sufficiently inclusive. Low intra-African trade, limited integration and infrastructure connectedness are additional obstacles to boosting the global competitiveness of African economies and contributing to the elimination of poverty. Significant emphasis is laid upon Africa's Regional Economic Communities (RECs) to drive regional integration in collaboration with the AU.

RECs serve as building blocks of the African Union and aim to facilitate regional economic integration "between members of the individual regions and through the wider African Economic Community (AEC)," established under the Abuja Treaty (1991). This treaty ultimately seeks to create an African Common Market using the RECs as the primary instruments for achieving this goal. The African Union recognises eight RECs, namely: the Arab Maghreb Union (UMA); the Common Market for Eastern and Southern Africa (COMESA); the Community of Sahel-Saharan States (CEN-SAD); the East African Community (EAC); the Economic Community of Central African States (ECCAS); the Economic Community of West African States (ECOWAS); the Intergovernmental Authority on Development (IGAD); and, the Southern African Development Community (SADC).

Together with the AU, RECs played a meaningful role in the development of several transformative programs for the continent, including, but not limited to, the New Partnership for Africa's Development (NEPAD) adopted in 2001, and the AU's Agenda 2063 and its First Ten-Year Implementation Plan, both adopted in 2015. Although RECs are regarded as the implementing arms of the AU, the relationship between the AU and RECs is somewhat dysfunctional in the sense that there is no clear operational and institutional connection between the AU and RECs. At the level of decision-making, there remains a gap between RECs and AU organs such as the Assembly and the African Union Commission (AUC). It is important to note that RECs are independent bodies of the AU. They contribute to delivering continental projects but have funding and decision-making processes which are separate from the AU.

2. Political, institutional, and other challenges to Economic Development

Heightened political risks due to conflicts, frequent governance disruptions and instability experienced on the continent affect economic resilience and hinder recovery efforts in countries in Africa. Of the 492 attempted or successful coups recorded globally since 1950, 220 have taken place in Africa. This has contributed to low levels of investment and a challenging business environment in many countries. With 46 per cent of countries in Africa having debt-to-GDP ratios exceeding the sustainable level of 60 per cent, the continent is particularly exposed to high borrowing costs and high inflation rates driven by economic crises and supply chain disruptions.



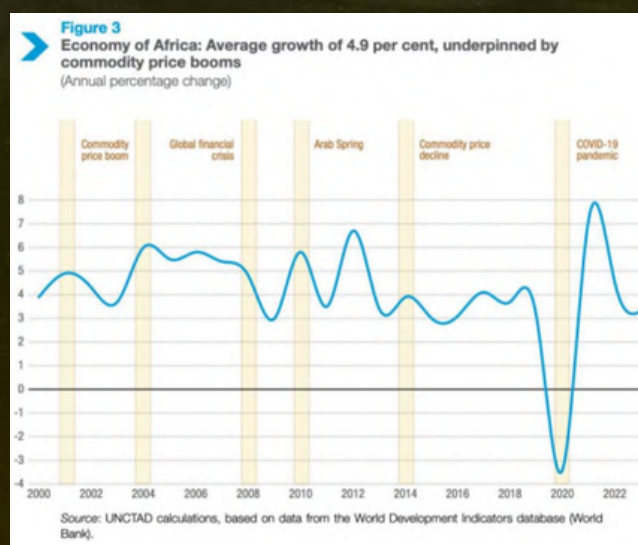
POLITICAL, ECONOMIC AND INSTITUTIONAL CONTEXT

The vulnerability of Africa stems from exposure to the following six categories of shocks:

1. Political: Coups d'état, governance challenges and the erosion of democratic institutions;
2. Economic: Debt burdens, trade imbalances and inflation;
3. Demographic: Rapid population growth and migration pressures;
4. Energy-related: Dependency on fossil fuels and limited renewable infrastructure;
5. Technological: Digital gaps and exposure to disruptive innovations;
6. Climate-related: Severe weather events and agricultural dependency

One approach to assessing the performance of economies in Africa during periods of shock involves two main perspectives on exposure to shocks, namely, effects due to macroeconomic and structural vulnerabilities and effects due to a particular crisis, according to vulnerability by country grouping. A key variable, often regarded as an indicator of interest for trade and investment, is GDP growth. In 2000–2010, the economy of Africa grew by an annual 4.8 per cent on average, which was 1.7 percentage points higher than the global average of 3.1 per cent. Similarly, in 2011–2020, the average GDP growth of Africa was 3.1 per cent, compared with the global average of 2.4 per cent.

Macroeconomic variables affect trading in an economy and can be used to assess trade performance in the short to medium terms. In addition, a well-managed macroeconomy strengthens trade performance. Two main variables in assessing macroeconomic risk are fiscal balance and inflation. In Africa, in 2010–2019, the average fiscal balance deviation, defined as the difference between planned or forecast fiscal balance and actual fiscal balance, was a deficit of 0.1 per cent of GDP, with the highest deficit in 2014, at 2 per cent of GDP, due to a drop in commodity prices. In 2020, the fiscal balance deviation was a deficit of 3.4 per cent of GDP, due to increased spending related to the pandemic. Such deviations demonstrate the impact of shocks on the ability of African Governments to manage revenues, react to emergencies such as the pandemic and mitigate risks.



Source: UNCTAD calculations, based on data from the World Development Indicators database (World Bank).



POLITICAL, ECONOMIC AND INSTITUTIONAL CONTEXT

	Top two vulnerability domains		Top two vulnerability domains
Algeria	Connectivity + Economic	Libya	Governance + Connectivity
Angola	Connectivity + Economic	Madagascar	Connectivity + Economic
Benin	Economic + Connectivity	Malawi	Energy + Connectivity
Burkina Faso	Economic + Energy	Mali	Economic + Connectivity
Burundi	Energy + Economic	Mauritania	Connectivity + Economic
Cabo Verde	Connectivity + Economic	Mauritius	Connectivity + Economic
Cameroon	Connectivity + Economic	Morocco	Economic + Connectivity
Central African Republic	Social + Economic	Mozambique	Connectivity + Energy
Chad	Energy + Social	Namibia	Connectivity + Economic
Comoros	Connectivity + Economic	Niger	Connectivity + Economic
Congo	Connectivity + Social	Nigeria	Economic + Connectivity
Côte d'Ivoire	Economic + Connectivity	Rwanda	Economic + Connectivity
Democratic Republic of the Congo	Connectivity + Energy	Sao Tome and Principe	Connectivity + Economic
Djibouti	Governance + Connectivity	Senegal	Connectivity + Economic
Egypt	Governance + Economic	Seychelles	Climate + Governance
Equatorial Guinea	Governance + Connectivity	Sierra Leone	Connectivity + Economic
Eritrea	Connectivity + Governance	Somalia	Governance + Connectivity
Eswatini	Connectivity + Social	South Africa	Governance + Connectivity
Ethiopia	Economic + Connectivity	South Sudan	Social + Energy
Gabon	Connectivity + Governance	Sudan	Connectivity + Governance
Gambia	Connectivity + Economic	United Republic of Tanzania	Economic + Connectivity
Ghana	Economic + Connectivity	Togo	Economic + Connectivity
Guinea	Economic + Connectivity	Tunisia	Connectivity + Economic
Guinea-Bissau	Economic + Connectivity	Uganda	Economic + Connectivity
Kenya	Economic + Connectivity	Zambia	Economic + Connectivity
Lesotho	Connectivity + Economic	Zimbabwe	Economic + Connectivity
Liberia	Connectivity + Energy		

Source: UNCTAD.



POLITICAL, ECONOMIC AND INSTITUTIONAL CONTEXT

3. African Peer Review Mechanism

APRM is a voluntary arrangement amongst African states to systematically assess and review governance at the Head of State peer level in order to promote political stability, accelerated sub-regional and continental economic integration, economic growth and sustainable development. By acceding to the APRM, Member States agree to independently review their compliance with African and international governance commitments.



ASPIRATION 7 OF AGENDA 2063

Read: [Aspiration 7: An Africa as a strong and influential global player and partner](#)

Aspiration 7's Core Content

According to the official documents, Aspiration 7 states that by 2063, Africa will: Be powerful, cohesive, resilient, peaceful, and influential on the international scene, playing a major role in world affairs.

- Protect and advance African solidarity and unity, particularly in the face of outside meddling, sanctions, or attempts to split the continent.
- Be a significant global social, political, and economic force and claim its fair share of the world's resources (land, seas, and space).
- Encourage peace, tolerance, and just, sustainable international norms by actively and equally participating in multilateral institutions.
- By bolstering internal capacity, fiscal systems, capital markets, etc., she can fully finance her development (i.e., lessen reliance on outside donors).

Objectives, Priority Domains, and Important Goals

There are particular objectives and priority areas to operationalise Aspiration 7. Among the most important are:

- Objective: Peaceful coexistence and Africa as a key partner in international affairs.

Enhancing Africa's influence and representation in international governance organisations, such as the UN Security Council, World Bank, and IMF, is a top priority. Priority: Defend Africa's rights to the world's commons, including the oceans and outer space.

- Objective: Africa assumes full responsibility for funding her own development.

Developing African capital markets, making sure public and fiscal revenue covers development costs, controlling and eventually removing reliance on aid, and negotiating equitable terms in external partnerships are priority areas. Examples of related targets include: the percentage of international issues on which Africa has established a consensus. Africa is gaining more leadership positions in international organisations or permanent seats on the UNSC.



AFRICAN CAPITAL MARKETS

African capital markets: their history, present state, and potential for expansion

For short-term growth, capital markets are important because they facilitate risk-sharing and price discovery, encourage privatisation and SME scaling, lower the cost of long-term financing for firms and infrastructure, mobilise domestic savings, lessen reliance on bank credit, and draw in longer-term foreign portfolio flows. Thus, healthy markets facilitate the conversion of savings into investments and structural change.

Johannesburg Stock Exchange (JSE): Founded in the 19th century, the Johannesburg Stock Exchange (JSE) is the largest market on the continent and is consistently the most liquid and deepest in Africa. It controls institutional investor pools that can fund regional transactions, market infrastructure, and product innovation (ETFs, derivatives). For major listings and international capital transactions, the JSE continues to be the main hub.

Nigerian Exchange Group (NGX): Founded in 1961, the Nigerian Exchange Group (NGX) is Africa's largest West African market by listings. In recent years, it has demutualised and modernised with a variety of asset offerings, including stocks, bonds, and exchange-traded funds (ETPs). It is essential for funding Nigeria's private sector and utilising local insurance and pension funds.

The Nairobi Securities Exchange (NSE, Kenya) is a long-standing hub for capital formation in East Africa that has restored its liquidity and product offering (bonds, REITs, GREATS).

The West African regional exchange that serves a number of ECOWAS francophone nations is called BRVM (Bourse Régionale des Valeurs Mobilières). It is well-known for being a successful regional pooled market model, as evidenced by its recent record values and growing market capitalisation. Small national market fragmentation can be overcome by cross-border pooling, as demonstrated by regional exchanges such as the BRVM.

In the context of the Arab League, the Egyptian Exchange (EGX) is the biggest in North Africa in terms of domestic activity. It is crucial for the financing sector, for services, and as a gateway to investors in North Africa.

What's going on and why integration efforts are important

In order to allow cross-order routing (also known as an order-routing system) between participating exchanges, the African Securities Exchanges Association (ASEA) launched the African Exchanges Linkage Project (AELP) with assistance from the African Development Bank. In order to increase depth, liquidity, and investor access, Phase I focused on a group of significant exchanges that collectively account for more than 90% of Africa's market capitalisation.

As one of the flagship workstreams for continental financial integration, the AU has officially endorsed the idea of a Pan-African Stock Exchange (PASE) or the phased transformation of linkages into a larger continental market. Linkages → harmonised regulations → a Pan-African platform (PASE) that can draw in international investors and assist continental projects is the goal of the phased approach.



PUBLIC SECTOR REVENUE

Africa's current situation: the context of tax-to-GDP

When compared to other regions, the average tax-to-GDP ratio is low. According to recent OECD/ATAF/AUC data ("Revenue Statistics in Africa 2024"), the unweighted average tax-to-GDP for 36 African economies was approximately 16.0% in 2022. This is a slight increase from 2019 but still far below OECD averages (~34% in 2022) and lower than those in Asia (~19%) and Latin America (~21%). Public spending on infrastructure, health care, education, and structural change is hampered by this disparity.

Significant heterogeneity: ratios vary greatly between nations (for example, in recent data, Tunisia has >30% and Somalia has ≈2-3%). The tax-to-GDP ratio is less than 15% in many economies.

Why is there a growth issue with low tax mobilisation

- **Restricts public investment:** low revenue makes it difficult to fund public capital projects like ports, roads, and electricity, which stifle private investment and productivity increases.
- **Increased borrowing and vulnerability:** Governments use external or domestic borrowing, sometimes at exorbitant costs, to cover deficits, which makes debt more vulnerable.
- **Limited social spending:** a reduced ability to fund the human capital (health, education) that supports inclusive growth and productivity.

Fundamental issues impeding the mobilisation of revenue

- **Large informal economy:** a significant portion of value-added and employment takes place outside of official tax systems (informal services, microenterprises). This makes enforcement more difficult and reduces the tax base. The high percentage of informal employment in Africa is highlighted by ILO/ILOSTAT data.
- **Fragmentation and poor tax administration:** a number of collection agencies, inadequate IT systems, and capacity shortages lower compliance. Consolidating and professionalising collection is the goal of several reform proposals, such as Nigeria's advisory push towards a central revenue agency.
- **Reliance on trade taxes and narrow tax bases:** Many nations mainly rely on resource rents and customs; VAT coverage varies, and corporate and personal income tax systems may not be adequately enforced.
- **Tax evasion and avoidance** include transfer pricing abuses, tax incentives that weaken the base, and limited audit capacity.
- **Resource leakage and illicit financial flows (IFFs):** smuggling, trade mis-invoicing, and massive amounts of unreported commodity exports deplete revenue. According to recent investigations, there are significant unreported flows of gold and other resources out of Africa, undermining governance and costing billions in lost revenue.



INTERESTS AND STAKEHOLDERS IN THE ECONOMIC DEVELOPMENT OF AFRICA

1. The role and policy tools of the African Union (AU)

Through Agenda 2063: "The Africa We Want," the African Union (AU), the continent's main political and policy coordination organisation, directs the long-term development agenda. It offers strategic frameworks for good governance, peace and security, regional integration, and economic transformation—all of which are necessary for long-term economic growth. Key economic projects consist of:

- The African Continental Free Trade Area (AfCFTA) aims to promote value chain integration, industrialisation, and intra-African trade.
- For regional connectivity, the Single African Air Transport Market (SAATM) is used.
- The purpose of the Pan-African Payment and Settlement System (PAPSS) is to make local currency trading easier.
- Large-scale infrastructure and energy connectivity are the goals of the Programme for Infrastructure Development in Africa (PIDA).

2. The Functions of National Governments

Governments are the main players in putting growth strategies into practice through governance, investment frameworks, and fiscal policy. Create and carry out national development plans (NDPs) that are in line with the SDGs and Agenda 2063. Oversee sectoral policies (agriculture, industry, digital economy), taxes, debt, and public finances.

Interests

- diversification and steady economic growth to lower unemployment and poverty.
- increasing public revenue to finance development while maintaining sustainable debt management.
- enhancing business environments to draw in foreign direct investment (FDI).
- To guarantee effective public spending, institutional capacity and anti-corruption frameworks should be strengthened.

Difficulties

- reliance on exports of commodities.
- high levels of informality and poor tax administration.
- fiscal strains brought on by climate vulnerabilities and debt servicing.



INTERESTS AND STAKEHOLDERS IN THE ECONOMIC DEVELOPMENT OF AFRICA

3. The Functions of Capital Market and Private Sector Regulators

The private sector is the driving force behind investment, innovation, and job creation. Stability, openness, and investor protection are guaranteed by capital market regulators (such as central banks and national securities commissions). Advocacy is coordinated by chambers of commerce, business councils, and regional private-sector partnerships.

Interests

- stable regulatory and macroeconomic conditions to draw in investment.
 - deepening of the capital market to obtain funding (through the AfCFTA investment protocols and AELP).
 - PPPs (public-private partnerships) in services and infrastructure.
 - Fintech, green bonds, and SME boards are examples of financial innovation.
 - promoting trade and tax changes that increase competitiveness.
-



THE TWELFTH SESSION