

Tax Dialogues

— An ACBF and HAUS Webinar Series

Knowledge Brief for September 2025 Webinar

“Navigating Taxation and the Interplay of
Taxation and Debt in Africa”

This Knowledge Brief synthesises insights from the Tax Dialogue Webinar, convened in September 2025 by the African Capacity Building Foundation (ACBF) in partnership with HAUS under the African–Finnish Partnership for Taxation Capacity in Africa (AFP-TCA). Discussions highlighted the complex interplay between taxation and debt, emphasising the need to broaden the tax base, reform debt management frameworks, and strengthen governance in public financial management. Key themes included the evolving creditor landscape, inefficiencies in debt-financed investments, the risks of over taxation, and the constraints imposed by the global economic architecture. The dialogue underscored that sustainable solutions lie in enhancing domestic revenue systems and integrating the informal sector. It also emphasised the importance of improving investment efficiency and fostering regional cooperation. Participants also called for reforms to global debt governance, advocating a shift toward inclusive, UN-led frameworks. They emphasised that aligning taxation, borrowing, and investment policies is central to achieving fiscal sovereignty, reducing vulnerability, and promoting inclusive and sustainable development across Africa.

1. Introduction

Africa's public debt has risen at a rate exceeding four times the continent's GDP, growing by 183% from 2010 to \$1.8 trillion in 2022.¹ Approximately 20 countries are either already in or at risk of debt distress. Rising debt levels bring substantial debt servicing pressures, diverting resources that could otherwise be used to support development.² Between 2019 and 2022, more than half of African countries spent more on interest repayments than on health care and other social sectors.³ Coupled with declining official development assistance, the burden now falls heavily on African taxation systems to mobilise the resources required to service debt, fund development initiatives, and address climate change adaptation and mitigation.

On the one hand, African countries face high debt servicing costs that constrain fiscal space; on the other hand, domestic revenue mobilisation remains low⁴. Addressing this gap is essential for financing socio-economic transformation. Adding complexity are illicit financial flows, estimated at around \$8 billion annually, and the underutilization of fast-growing sectors such as the digital economy⁵.

Africa needs a fiscal system that effectively mobilises domestic resources, ensures sustainability, and supports inclusive economic growth, underpinning economic sovereignty and socio-economic transformation. Achieving this requires broadening

the tax base, balancing debt and fiscal capacity, managing debt strategically, and leveraging innovative tools and regional cooperation, including ACBF-led initiatives, to enhance resilience and credibility. Africa needs a budgetary system that effectively mobilises domestic resources, ensures sustainability, and supports inclusive economic growth, while promoting economic sovereignty and socio-economic transformation. This can be achieved by broadening the tax base, balancing debt and fiscal capacity, managing debt strategically, and leveraging innovative tools and regional cooperation to strengthen resilience and credibility.

In this context, the African Capacity Building Foundation (ACBF), in partnership with the Finnish Institute of Public Management (HAUS) under the African–Finnish Partnership for Taxation Capacity in Africa (AFP-TCA), convened the third session of the Tax Dialogue Webinar Series. Convened under the theme “Navigating Taxation and the Interplay of Taxation and Debt in Africa”, this session examined the intersection of taxation and debt in Africa against rising public debt and constrained fiscal space.

1. UNCTAD (2025) *A World of Debt: It is Time for Reform*. Prepared by the Innovation and Research Coordination Unit. Available at: https://unctad.org/system/files/official-document/osgttinf2025d4_en.pdf [Accessed 18 September 2025].

2. UNCTAD, 2025, *ibid*.

3. UNICEF (2021) *The Looming Debt Crisis in Eastern and Southern Africa: What it Means for Social Sector Investments and Children*. Available at: <https://www.unicef.org/esa/media/9636/file/UNICEF-ESARO-Looming-Debt-Crisis-2021> [Accessed: 16 September 2025].

4. Afreximbank (2025) *State of Play of Debt Burden in Africa and the Caribbean*. Available at: <https://media.afreximbank.com/afrexim/Debt-Burden-in-Africa-and-the-Caribbean-2025.pdf> [Accessed 18 September 2025].

5. UNCTAD (2020) *Curbing illicit financial flows to finance sustainable development in Africa*. Available at: <https://unctad.org/news/curbing-illicit-financial-flows-finance-sustainable-development-africa#> [Accessed: 16 September 2025].

2. Institutional Insights: Challenges, Opportunities, and Policy Implications for Africa

2.1 AFRODAD's Perspective on Africa's Debt and Tax Challenge

AFRODAD, a Pan-African civil society organisation headquartered in Harare, Zimbabwe, provided a continental perspective on Africa's debt landscape, highlighting the complex interplay between taxation, debt management, and socio-economic development. The presentation emphasised four key insights:

Evolving Creditor Landscape

Africa's debt profile has shifted from traditional bilateral lenders to new state actors and private creditors, whose less flexible terms have complicated restructuring processes in Ghana, Zambia, and Ethiopia. Debt levels now exceed four times GDP, diverting resources from critical sectors such as health, education, and climate resilience. This underscores the need to broaden the tax base and integrate the informal economy.

Lagging Policy and Restructuring Frameworks

Existing mechanisms, including Heavily Indebted Poor Countries (HIPC) and Multilateral Debt Relief Initiative (MDRI), have not adapted to the complexity of today's creditor environment. As seen in Zambia, Ghana, and Ethiopia, prolonged negotiations have fuelled distrust in current frameworks and prompted calls for systemic reform, including a more transparent, UN-led global debt architecture.

Constraints of the Global Economic System

Africa continues to operate within an international trading system that constrains innovation, industrialisation, and domestic resource mobilisation. These systemic barriers limit governments'

ability to expand manufacturing, diversify economies, and strengthen domestic revenue streams. As a result, African countries remain heavily import-dependent, perpetuating externalised trade balances and deepening fiscal vulnerabilities.

Historical Context and Structural Overhang

Africa's economic trajectory remains shaped by a historical extraction model. Initially structured to export raw materials to Europe and North America, the system has expanded to include China and other emerging markets. This enduring colonial overhang has stifled diversification, compelled heavy borrowing, and constrained the expansion of domestic productive capacity.

2.2 ACBF Insights: Linking Taxation and Debt Management for Fiscal Stability

ACBF highlighted that many African countries face significant debt challenges, with nearly half at risk of debt distress. High debt service obligations strain fiscal space and limit investment in critical health, education, and infrastructure sectors. The link between taxation and debt is clear: insufficient revenue generation leads to budgetary deficits, which drive debt accumulation. Weak domestic resource mobilisation exacerbates vulnerability and dependence on external financing, underscoring the need for effective tax reforms to strengthen fiscal sovereignty and stability.

Balancing debt servicing with long-term development priorities requires innovative debt management strategies, including restructuring short-term obligations into long-term instruments, improving governance, and enhancing public financial management. Strategic domestic resource mobilisation, robust institutional capacity, and

strong leadership within Ministries of Finance are essential to align fiscal policies with sustainable development objectives and ensure that borrowed resources support inclusive economic growth.

2.3 Insights from MEFMI: Challenges for Africa's Engagement with Commercial Markets

MEFMI highlighted that domestic borrowing is still a limited option for many African countries. Historically, external financing, such as concessional loans and official development assistance (ODA), was more accessible and affordable, while domestic capital markets remained underdeveloped. Over time, global challenges have made external financing more difficult and costly, increasing pressure on domestic resource mobilisation.

However, domestic debt markets also face significant structural challenges. Commercial banks essentially hold Sovereign securities, prioritising them for low risk and stable returns. This results in crowding out, as banks can finance fewer private sector projects that could stimulate economic growth. Underdeveloped local currency bond markets further constrain governments' ability to fund development efficiently, creating a delicate balance between financing public budgets and mobilising resources for long-term development.

Most African bond markets are at the emerging to developing stage, offering basic functionality but limited depth and sophistication, and require targeted reforms to infrastructure, regulation, and investor confidence to become a sustainable pathway for domestic financing and long-term economic growth.

2.4 Insights from Kigali International Financial Centre: Balancing Revenue Mobilisation and Tax Effectiveness

In many African countries, borrowing often finances consumption rather than productive investment, with around 40% of tax revenue diverted to debt servicing instead of development. This weakens the multiplier effect and restricts growth, especially as many loans are tied to technologies that remain abroad and offer little boost to the domestic tax base. At the same time, large informal sectors and complex tax systems limit domestic revenue potential. Simplifying procedures, integrating informal activities, and easing compliance for SMEs can strengthen revenue mobilisation and support sustainable growth.

Though widely used, tax incentives often lack evaluation and fail to yield intended benefits. Systematic assessment of tax expenditures, enforcement of the "substance requirement," and expansion of bilateral and multilateral tax treaty networks can improve effectiveness. These measures would enhance fiscal stability, foster investment, and build citizen trust in government while aligning incentives with long-term development goals.

3. Policy Recommendations

Drawing from the discussions and expert insights, the following seven policy recommendations are proposed to strengthen Africa's capacity for sustainable domestic revenue mobilisation and effective debt management:

Strengthen Domestic Revenue Systems



- Broaden the tax base by integrating informal sector activities.
- Simplify tax procedures and adopt user-friendly systems for SMEs.
- Enhance compliance through digital tax platforms and institutional capacity building.

Improve Debt Management and Governance



- Restructure short-term obligations into long-term, development-friendly instruments.
- Conduct regular debt audits and strengthen public financial management systems.
- Prioritise borrowing for productive investments with measurable developmental impact.

Reform Tax Incentives and Expand Treaty Networks



- Systematically assess tax expenditures and enforce the “substance requirement.”
- Expand bilateral and multilateral tax treaty networks to attract sustainable investment and enhance fiscal predictability.

Develop Domestic Capital Markets



- Invest in market infrastructure and strengthen regulatory frameworks.
- Deepen bond markets to reduce reliance on commercial banks for sovereign debt.

Boost Investment Efficiency



- Build stronger project management capacity to minimise delays and cost overruns.
- Strengthen oversight mechanisms in parliaments, audit institutions, and civil society.

Advance Global Financial Architecture Reform



- Support a shift toward transparent, UN-led debt restructuring frameworks.
- Advocate for reforms to credit rating methodologies and global financing mechanisms that align with Africa's climate and development priorities.

Balance Short-Term Borrowing with Long-Term Stability



- Reduce reliance on expensive short-term loans.
- Strengthen currency management and foreign exchange reserves to mitigate volatility risks.

4. Conclusion

The webinar underscored the complex interplay between taxation, debt management, and African development. Key fiscal challenges include high debt servicing, limited domestic revenue mobilisation, underdeveloped capital markets, and a large informal economy. Addressing these challenges requires a holistic approach combining effective tax reforms, strategic debt management, and investments in human capital and public services. Emerging priorities include strengthening governance and accountability, enhancing investment efficiency, expanding domestic capital markets, and fostering regional and

international cooperation through treaties and inclusive financial reforms. Sustainable fiscal sovereignty depends on aligning borrowing, taxation, and investment policies to create a multiplier effect that drives growth, strengthens domestic revenue, and supports equitable social and infrastructure development. By embedding transparency, efficiency, and strategic prioritisation at the core of fiscal policy, African countries can navigate current challenges while building resilient, inclusive, and sustainable economies.

Annex. Agenda

Time (GMT+3)	Segment
Moderator: Mohamed Salat Osman, Program Officer, Economic and Social Governance, ACBF	
15:00–15:10	Opening Remarks (ACBF) • Barassou Diawara; Senior Knowledge Management Expert, ACBF
15:10–15:20	Framing Presentation: Overview of debt and taxation in Africa • Jason Rosario Braganza; Executive Director, African Forum on Debt and Development (AFRODAD)
15:20–16:10	Panel Discussion: Challenges and Opportunities in Addressing Debt Accumulation • Rodolphe Bance; Head, Economic and Social Governance Unit, ACBF • Jacob Mkandawire; Director of Public Debt Management, Macroeconomic and Financial Management Institute (MEFMI) • Ferdinand Nji Tanji, International Tax Expert at the Kigali International Financial Centre
16:10–16:25	Open Floor: Reflections and Q&A
16:25–16:30	Closing Remarks and Next Steps • Sofia Kankama; Project Specialist at HAUS Finnish Institute of Public Management Ltd

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Navigating the Interplay of Taxation and Debt in Africa

Strategies for Sustainable Fiscal Policies

11 September
2025

15:00 to 16:30 EAT (GMT+3)

SPEAKERS



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