

# Chapter 4

## Financing the Sustainable Development Goals in Sub-Saharan African Countries

**Alex Nester Jiya**  
*Pentecostal Life University, Malawi*

**Ernest Roderick Falinya**  
*Ministry of Finance, Malawi*

### ABSTRACT

*The chapter seeks to provide insights on the alternatives for financing sustainable development in the Sub-Saharan Africa (SSA). It has been highlighted in the chapter that the region faces the danger of not attaining the SDGs due to poor political systems, climate change, high population growth and restricted economic growth and development. This comes in the midst of declining and unpredictable Official Development Assistance (ODA) plus other domestic and foreign financing instruments. Despite the constraints, the chapter has explored the potential for the region to attain and maintain the Sustainable Development Goals (SDGs) way beyond 2030. Sub-Saharan Africa has a lot of natural resources and a favorable demographic structure. Furthermore, the region has shown some signs of industrial development of late and increasing regional integration which are key to economic transformation. Finally, the chapter has highlighted some policy recommendations in order for the region to realise its potential and attain the SDGs.*

### INTRODUCTION

Financing for development has been touted as an engine for economic growth and human development. However, recently, developing countries have found it difficult to compete with developed countries in the international financial markets due to macroeconomic and political instability as well as governance challenges. These conditions affect the flow of Foreign Direct Investments (FDI) and portfolio investments in their economies hence these channels may not be reliable for most developing countries to finance development. This has been evident as the inflow of FDI and portfolio investments in Africa have been

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declining with most of the FDI heading to Asia. At the same time, Official Development Assistance (ODA) inflows have also been decreasing since the year 2000; hence its availability to developing countries is not guaranteed. Macroeconomic conditions in the donor countries determine how much financial support they can offer; therefore, ODA too is unpredictable and unreliable.

Financing for development has never been more important in any era than this one following the endorsement of the Sustainable Development Goals (SDGs). The launching of the SDGs in September 2015 saw an increased emphasis on the relevance of foreign financing in attaining these goals. Many developing countries in the Sub-Saharan Africa rely on domestic resources (mainly taxes), ODA, private finance and also remittances to finance the SDGs.

The SDGs are the overarching global agenda that demands attention from each and every global actor in order to achieve these goals. Moreover, the goals are closely related such that in order to register an achievement in one area, there is a need for a complementary action also in a certain area(s). Therefore, this calls for massive financing in various sectors of the economy in order to consolidate the gains in other goals. However, with most of developing countries in the Sub-Saharan Africa relying on raw material exports, the attainment of these goals remains a far-fetched dream for most countries. It will be an uphill task for these countries to attain the goals come 2030. Nevertheless, even though the future may look gloomy, there are opportunities for countries in the region to access foreign financing to finance the 2030 agenda. Still more, another common challenge will be whether they will be able to sustain the achievements when some SDGs funding taps dry up in 2030.

Now that the emphasis now is on raising funds to finance development, there are two questions that have to be addressed in the light of the 2030 agenda; firstly, is there hope for Sub-Saharan African (SSA) developing countries to attain the SDGs in the midst of development financing challenges? Secondly, if there are financing alternatives, what are these alternatives? These questions are very critical now as SSA economies are vulnerable to external macroeconomic shocks, adverse weather patterns and poor governance structures affecting their fragile economies. Thus, this chapter seeks to provide answers to these questions thereby providing solutions to SSA's development financing challenge.

## **SSA Context at a Glance**

The Sub-Saharan region houses the majority of the poor Africans. Though growth prospects are there, the region lags behind in various areas. Since 1990 the region has been falling behind on the Human Development Index (HDI) when compared to other countries with only slight improvements over the years. Even though the region has been experiencing favorable economic growth, the impacts on the HDI have been very low. Furthermore, even though the region experienced a decrease in poverty rates since the introduction of the Millennium Development Goals (MDGs) the decrease has not been significant enough to reflect the economic growth experienced in the region. Chandy (2015) identified that the main cause of this trend is due to the ever-growing population in the region which has been growing at a faster rate than the rate at which poverty has been falling. Furthermore, the author identifies that the depth of poverty among the people in the region has also contributed to the low reduction in the poverty rates. Even though Beegle, et al (2016) estimates that the share of Africans who are poor fell from 56% in 1990 to 43% in 2012, many people in the region are still poor because of the high population growth. In addition, poverty reduction in the region has also been slowest in fragile countries and rural areas remain much poorer, although the urban- rural gap has narrowed in the region (Beegle et al., 2016).

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