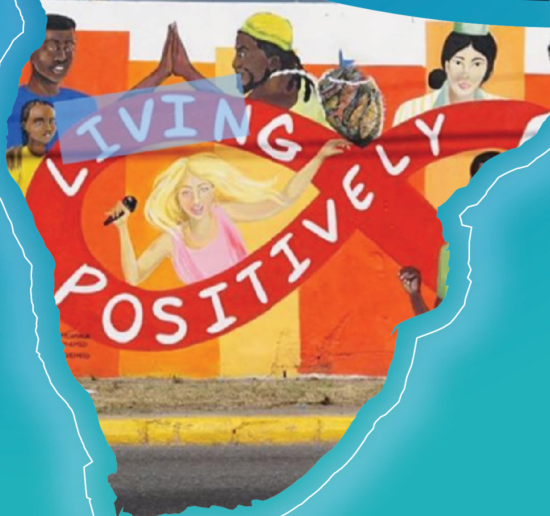
Domestic revenues, debt relief and development aid: Transformative pathways for ending AIDS by 2030



REPORT ON
WESTERN AND
CENTRAL AFRICA

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Abbreviations and acronyms

EPS	base erosion and profit shifting (OECD)
CIT	corporate income tax
CPA	country programmable aid (OECD DAC)
CRI	Commitment to Reducing Inequality Index (DFI)
DAC	Development Assistance Committee
DFI	Development Finance International
DSAs	debt sustainability analyses
DSSI	Debt Service Suspension Initiative
HIPC	Heavily Indebted Poor Countries Initiative
ICRICT	Independent Commission for the Reform of International Corporate Taxation
LIDCs	low-income developing countries (IMF grouping)
LICs	low-income countries
MDRI	Multilateral Debt Relief Initiative
MICs	Middle-income countries
OECD	Organisation for Economic Co-operation and Development
PEPFAR	U.S. President's Emergency Plan for AIDS Relief (USA)
PIT	personal income tax
SADC	Southern African Development Community
SDGs	Sustainable Development Goals
SDRs	Special Drawing Rights (IMF)
TIWB	Tax Inspectors Without Borders

Executive summary

Why this report?

The COVID-19 pandemic and the poly-crises of 2023–2024 have undermined decades of progress on global health and slowed progress in the response to the HIV epidemic. Even prior to COVID-19, the United Nations target to achieve a 75% reduction in the number of new HIV infections between 2010 and 2020 was off-track.

The world is at half-time for its promises to end AIDS and achieve universal health coverage, but nowhere near halfway. Financing is a key challenge. Global health spending is dropping after reaching an all-time high during the COVID-19 pandemic. For HIV, globally, US$ 20.8 billion was made available in 2022 for HIV programmes in low and middle-income countries from both domestic and international sources. This funding—already on the decline relative to previous years—is under increasing pressure. When it comes to international donor support, other priorities such as the need to respond to urgent humanitarian crises, climate change and other natural disasters, the need to support refugees in donor countries, and growing shortfalls in funding for almost all of the UN Sustainable Development Goals (SDGs), threaten to redirect much-needed international and domestic funds away from health and the HIV response. Domestic tax revenues also face competing priorities, especially diversion to pay rapidly rising debt service with 60% of low-income countries at high risk of debt distress or already in a situation of debt distress. Governments therefore face difficult decisions when it comes to financing for critical areas such as the HIV response. These developments threaten to undermine the internationally agreed goal of ending AIDS as a public health threat by 2030. This report forms part of a series of analyses commissioned by UNAIDS to identify how financing can be scaled up to strengthen and accelerate regional HIV responses.

Recent HIV and AIDS response financing: Dependence, stagnating taxes, rising debt

A renewed commitment to fully fund the HIV response could have a considerable impact on health and wellbeing in western and central Africa. This region contained 5.1 million people living with HIV in 2023 and is home to some of the world's poorest countries. Between 2010 and 2023, new HIV infections declined by only 46%. Only 35% of children living with HIV in 2023 were receiving treatment. A lack of political will, frail health systems, weak support for community organizations, an increase in discrimination and stigma towards specific vulnerable populations, a reliance on user fees to access health care, conflict and insecurity are all factors which have slowed progress. Despite these challenges, some good progress has been made and much more is possible. As of 2023, 76% of people living with HIV were accessing treatment; and Burundi, Nigeria, and Togo are close to reaching the 95–95–95 targets.

In 2022, financing needs for the HIV response in western and central Africa amounted to $2.98 billion for the region. In comparison, $2.03 billion of actual funding was made available, leaving a funding gap of approximately $950 million, or 32%.[1] The region depends heavily on development assistance for 60% of resources to fund the HIV response. International donors provided about $1.24 billion, while domestic public and private resources amounted to $79 million. However, total funds available for the HIV response in 2022 were 15% lower than the previous year due to a sharp fall in donor disbursements to the lowest level since 2017.

Regarding individual countries, eight (Burundi, Cameroon, Chad, Côte d'Ivoire, Guinea, Guinea-Bissau, Liberia, and Niger) depend on donors for more than 90% of their HIV response. Only two (Ghana and The Gambia) provide more than one-third of funding from their own resources, though this is often with a significant struggle.

Although many countries in western and central Africa acknowledge the need to mobilize more domestic funds to fund the HIV response, the region has significant domestic resource mobilization challenges. Tax revenues have fallen over recent years, from 13.2% of gross domestic product (GDP) in 2017 to 11.9% by 2022, and are still below pre-

1 UNAIDS data in constant 2019 US dollars adjusted for inflation and currency fluctuations between 2019 and 2022.

pandemic levels. Only Burkina Faso, Burundi, the Democratic Republic of the Congo and Senegal have increased revenues by more than 1% of GDP between 2017 and 2023. Cameroon, Chad, Guinea-Bissau and Nigeria all saw revenues stagnate between 2017 and 2023, while all other countries within the region saw tax revenues fall. Studies show that there is considerable room for potential tax productivity and tax collection to increase tax collection across the region by an average of 5.4% of GDP.

This has put pressure on spending on the HIV response, health and broader social protection, which has stagnated at very low levels or declined since 2017 in most countries. This is even though most countries within the region are far from achieving universal health coverage (UHC), education and social protection targets of the SDGs. Spending on HIV response declined from 0.3% of GDP in 2017 to just 0.12% in 2022, with no country increasing spend as a percentage of GDP.

A key source of pressure on financing for the HIV response and social sectors is high public debt. In the western and central Africa region, 11 countries have already restructured their debt in recent years or are currently restructuring or in arrears. Sierra Leone is at 'high risk' of debt distress, and a further nine countries are at a 'moderate risk' of debt distress. Debt to GDP ratios rose by 9% between 2018 and 2023, in part due to borrowing to fight the COVID-19 pandemic, with Burkina Faso, Burundi, the Republic of the Congo, Côte d'Ivoire, Ghana, Liberia, Senegal and Sierra Leone all seeing substantial increases of at least 15% of GDP.

Recent rises in debt and interest rates have increased debt service sharply. Between 2017 and 2023, total public debt service rose from 6.4% to over 10% of GDP. Debt service has risen particularly sharply in Burkina Faso, Burundi, Chad, the Republic of the Congo, Côte d'Ivoire, Ghana, Guinea and Sierra Leone—all of which have seen 4% of GDP increases in debt service. Debt service consumed 31% of revenues in 2017, rising to a projected 46.6% in 2023. For most countries, debt service on domestic debt is much higher than on external debt.

High public debt service is crowding out public spending across a range of critical development priorities, including health, education and social protection. The amount now spent on public debt service is over 5.5 times the region's average government budget allocated to health.

Current debt relief arrangements remain inadequate for providing relief on the scale needed to fund the social sector (and other) SDGs, including the HIV response. Chad and Ghana have benefitted most from recent relief, but have still spent over 55% of their budgets on debt service after relief, freeing up virtually no space for additional social spending. As a result of this inadequacy, many other countries in the western and central Africa region with heavy debt burdens have been reluctant to apply for debt relief and are continuing to borrow more money to fund spending, or refinance existing debt. In addition, those countries with International Monetary Fund (IMF) agreements are implementing cuts in overall spending, averaging 3% of GDP during the next three–five years, to bring down deficit levels and future borrowing. In this context, it is hard to see how health and broader social budgets (including the HIV response) will be successfully protected from spending cuts.

Future financing needs and filling the gaps: Tax, debt relief and aid

Looking ahead to 2030, the financing picture remains extremely challenging. Adjusting for inflation, in 2024, western and central Africa will need to mobilize $4.18 billion to fully fund the HIV response. This will climb to $7.9 billion by 2030.[2] The greatest financing needs are seen in Nigeria, followed by Ghana and the Democratic Republic of the Congo. In 2024, the western and central Africa region will need to spend an average of 0.67% of GDP on the HIV response, rising to 0.79% by 2030. This compares with only 0.12% that was spent in 2022. Spending will therefore need to increase by 0.55% of GDP in 2024.

How could these spending needs be financed? Based on current forecasts (as projected by the IMF and this study), it is very hard to see how these needs can be financed:

- Governments within the region have recognized the importance of mobilizing more domestic tax revenues for the HIV response. Many have also committed to mobilizing more domestic revenues between now and 2030 as part of their IMF-supported adjustment programmes. As a result, tax revenues are projected to rise from 12.84% of GDP in 2023 to 15.2% by 2030. Despite these increases, the region will still lag significantly behind most other world regions.

2 Current US dollars.

- At the same time, debt service will remain above 10% of GDP every year between 2024 and 2030. Exceptionally high debt service ratios are seen in Burkina Faso, Ghana, Guinea-Bissau, Mali and The Gambia, which are all projected to spend more than 15% of GDP on public debt service in 2030. This means that even where tax revenues are projected to rise, they are, in many cases, being entirely consumed by debt service. In 2026, 13 countries within the region will spend more than 40% of tax revenues on debt service; a further four will spend more than 30%. Only one country—the Democratic Republic of the Congo—is projected to have a debt service to revenue ratio below the Heavily Indebted Poor Countries (HIPC) Initiative target threshold of 15% in 2026.

Western and central Africa also remain extremely vulnerable to various downside pressures and risks, including high inflation, another pandemic or health-related shock, conflict, a commodity price shock, and a climate-related disaster. In particular, the region remains highly vulnerable to an aid-related shock.

If the development assistance for HIV response declines by 5% annually between 2024 and 2030, domestic financing of the HIV response in the region will need to increase by 35% annually to close the additional financing gap.

The experience of COVID-19 in 2020–2021 has also shown how vulnerable most countries in the region are to a pandemic-style shock. In 2020, western and central Africa lost 11% of their revenues, or $27.1 billion. Another pandemic would, therefore, massively disrupt spending on SDG4.

Recommendations: Tax revenue increases, debt relief and more concessional finance

In the light of the substantial forecast HIV response financing gaps, it will be vital for the region to find extra funding. Three potential sources of this funding will not worsen the current debt crisis:

1. Domestic tax revenues

a. **Making tax systems more equitable and productive.** This could involve exploring reforms to top personal income tax (PIT) rates (in Benin, Burkina Faso, Burundi, Cabo Verde, Chad, Ghana, Guinea, Guinea-Bissau, Liberia, Nigeria, São Tomé and Príncipe, and The Gambia) and standard corporate income tax (CIT) rates (in Burkina Faso, Cabo Verde, Côte d'Ivoire, Ghana, Guinea, Guinea-Bissau, Liberia, Mauritania, São Tomé and Príncipe, Sierra Leone, The Gambia and Togo) to match the averages across sub-Saharan Africa. Other avenues which could be explored, subject to individual countries' circumstances, include taxes on capital gains, property, wealth taxes, and strengthening taxes on goods which undermine public health, such as alcohol, tobacco and sugar.

b. **Collecting more tax.** This would mean dramatically reducing tax exemptions (especially in Benin, Burundi, Cameroon, Liberia, Mali, Mauritania, Niger and Senegal), which currently cost countries an average of 2.6% of GDP in lost revenue across the region; and enhancing efforts to combat tax evasion by improving auditing of large taxpayers and making maximum use of the exchange of information with other tax authorities on offshore profits and wealth holdings.

Considering existing efforts to increase tax revenues in many countries (averaging 1.2% of GDP extra), it is unlikely that countries could raise more than another 1% of GDP by 2030—an equivalent to $5.6 billion in additional revenue during the period. This would be well short of the amounts needed to close the HIV financing gap in western and central African countries apart from Senegal and would not provide enough financing to protect against development assistance or pandemic shock. In addition, it would provide no additional funds to enhance education, health and social protection systems, which are vital for ending AIDS.

2. Debt reduction

Between 2024 and 2030, all countries in the region except the Democratic Republic of the Congo will allocate over 15% of their revenues to debt service, and in Burkina Faso, Ghana, Guinea, Guinea-Bissau, Mali, Niger, Sierra Leone and The Gambia, this will exceed 70%. Alleviating debt pressures through cuts to public expenditure, including on social sectors, is likely to impact the poorest and most vulnerable hardest and put the goals of the 2021 Political Declaration even further out of reach. Instead, measures must be taken to reduce debt service

through debt relief for the countries that need it and a reduction in borrowing costs for others:

a. For countries that do not have regular access to international markets, and are in debt distress or have high service (virtually all countries in the region), comprehensive and rapid debt reduction is needed, in which all creditors participate. Its aim should be to reduce debt service to no more than 15% of budget revenues, as was done under the HIPC Initiative. This would potentially free up an average of 2.5% of GDP or $32 billion a year.

b. None of the countries in the western and central African region routinely fund their budgets by borrowing from international capital markets. Nevertheless, for any countries not opting for debt relief, measures should be taken to refinance their debts at lower borrowing costs, including using guarantees by the African Development Bank, World Bank and other development financing institutions. If such refinancing halved their interest costs, it could, for example, expand Nigeria's fiscal space for HIV and AIDS and other essential social spending by around $12 billion (1.5% of GDP on average) between 2024 and 2030.

Reducing debt service using these measures would close the HIV and AIDS financing gap and provide enough funding to protect against development assistance or pandemic shock in most western and central African countries. However, this would not be the case in the Central African Republic, the Democratic Republic of the Congo, or Liberia, where extra grant financing is needed.

3. Access to adequate concessional resources:

Donors must ensure more grant financing for health and the HIV response are available between now and 2030 if the goal to end AIDS as a public health threat is to be realized. This report shows that even minor cuts to development assistance could have a devastating impact on the region's ability to fund essential HIV prevention and treatment services. Development assistance, therefore, needs to continue to rise between 2024 and 2030, and more of it needs to be spent in the poorest countries on responding to HIV and enhancing broader social spending. To complement traditional development assistance and maximize the availability of concessional resources for health and the HIV response, the international community should also:

a. Boost resources using Special Drawing Rights (SDRs) to respond to international health crises and emergencies, including the HIV epidemic. Regular issuances of SDRs, and the allocation by wealthier countries of some of their SDRs to the poorest and most vulnerable countries (as has been occurring in 2021–2023), including those impacted the most severely by HIV, could help to accelerate progress in the fight against the virus.

b. Explore the use of global taxes on financial transactions, carbon and wealth—all of which are estimated to be capable of mobilizing trillions of additional dollars.

Overall, this report shows that only by combining increased efforts to mobilize tax revenue, comprehensive debt relief, and provide additional grant financing, can SDG 3.3 be supported and ensure that western and central Africa successfully ends AIDS as a public health threat by 2030.

CHAPTER 1

Introduction, context and methodology

Key messages

- The COVID-19 pandemic has undermined decades of progress on health and well-being (SDG 3) and further slowed progress in the response to HIV (SDG 3.3) in western and central Africa
- Financing has become much more difficult in western and central Africa. High public debt, elevated borrowing costs, high inflation, weak public finances, and a decline in foreign investment, combined with higher spending needs due to the COVID-19 pandemic and other shocks and crises, are putting pressure on domestic funding for the HIV response at a time when these resources are most needed. Competing priorities also have the potential to redirect much-needed international funds away from health and the HIV response.
- The western and central Africa region faces significant challenges in tackling HIV. Seven of the region's countries are in the top ten countries with the lowest Human Development Index (HDI) scores. It also has the third highest burden of HIV in the world with 4.8 million people in the region living with HIV.
- This report identifies how to unlock resources at scale and with speed *from all public and concessional* sources to fulfil the commitments set out in the 2021 Political Declaration.

Context of this report

The world is now beyond the midpoint for achieving the 2030 Agenda for Sustainable Development. Yet the United Nations 2023 Sustainable Development Goals (SDGs) report shows that the SDGs are a *"promise in peril"* and that a *"rescue plan for people and planet"* is urgently needed to restore hope that the SDGs can be achieved by 2030.[3] Multiple recent overlapping crises, including the COVID-19 pandemic, conflict, high inflation and climate change, have derailed hard-won development progress on almost all of the SDGs, notably the social sector goals on poverty, inequality reduction and nutrition, and provision of universal education, health and social protection.

In particular, the COVID-19 pandemic has undermined decades of progress on health and well-being (SDG 3) and has further slowed progress in the response to HIV (SDG 3.3).[4] Global lockdowns to contain the spread of the COVID-19 virus led to severe disruptions in access to treatment and prevention services for HIV. Other priorities, such as the urgent need to respond to multiple humanitarian crises around the world, climate change and other disasters, now threaten to redirect much-needed international funds further away from health and the HIV response. At the same time, domestic funds face competing priorities and are increasingly under pressure from recent large increases in public debt.[5]

Even prior to the COVID-19 pandemic, the UN target to reduce the number of new HIV infections between 2010 and 2020 by 75% was off-track, with only a 32% decline achieved in this region.[6] Between 2020 and 2021, at the height of the COVID-19 pandemic, the number of new HIV infections declined by just 4.8%, the smallest annual decline registered in five years.[7]

Acknowledging that recent overlapping crises have caused progress to stall, the 2021 Political Declaration on HIV and AIDS: Ending Inequalities and Getting On-Track to End AIDS by 2030, adopted by UN Member States, set out a renewed agenda for action.[8] It aims to set the world back on track to end AIDS as a public health threat by 2030 and commits countries to fully fund the HIV response. This includes increasing annual investments in low and middle-income countries (LMICs) to $29 billion by 2025—the amount UNAIDS estimates is needed by 2030.[9] Meeting these targets will require allocating resources from multiple sources at unprecedented speeds and more efficiently allocating resources to reach more vulnerable populations.

The financing picture has, however, become much more complex. It involves high public debt service, high inflation, low budget revenue, and a marked decline in development assistance reaching poorer countries. These factors have combined with higher spending needs due to the COVID-19 pandemic and other shocks and crises to create a 'perfect storm' in which there is less room to deploy external and domestic funds for the HIV response at a time when they are most needed. Most recently, fiscal austerity—in an attempt to close budget deficits, maintain debt sustainability and bring down inflation—threatens future spending on health and other key social sectors such as education and social protection.

Against this backdrop, this report identifies how to unlock resources at scale and with speed *from all public and concessional sources* to fulfil the commitments set out in the 2021 Political Declaration while avoiding exacerbating the prevailing debt and fiscal crisis. It covers 23 countries in the UNAIDS western and central Africa region, namely Benin, Burkina Faso, Burundi, Cabo Verde, Cameroon, Central African Republic, Chad, the Democratic Republic of the Congo, the Republic of the Congo, Côte d'Ivoire, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, São Tomé and Príncipe, Senegal, Sierra Leone, The Gambia and Togo.

The western and central Africa region faces significant challenges in tackling HIV. Seven of the region's countries are in the top ten countries with the lowest Human Development Index (HDI) scores—a measure of key indicators of human welfare, including life expectancy, literacy and

3 The sustainable development goals report 2023: Special Edition. New York: United Nations; 2023. https://unstats.un.org/sdgs/report/2023/The-Sustainable-Development-Goals-Report-2023.pdf

4 A triple dividend: The health, social and economic gains from financing the HIV response in Africa. London: Economist ; 2023. https://cdn.vev.design/private/BCwBc9ZFZyVz8yQQKr9VeLxSnjf1/3nhml-EI-UNAIDS-Financing%20the%20HIV%20response-A4-v15.pdf

5 Ibid. https://cdn.vev.design/private/BCwBc9ZFZyVz8yQQKr9VeLxSnjf1/3nhml-EI-UNAIDS-Financing%20the%20HIV%20response-A4-v15.pdf

6 UNAIDS 2024 epidemiological estimates. www.aidsinfo.unaids.org

7 Ibid. https://cdn.vev.design/private/BCwBc9ZFZyVz8yQQKr9VeLxSnjf1/3nhml-EI-UNAIDS-Financing%20the%20HIV%20response-A4-v15.pdf See also : In Danger. UNAIDS Global AIDS Update 2022. Geneva: UNAIDS; 2022. unaids.org/sites/default/files/media_asset/2022-global-aids-update_en.pdf

8 United Nations General Assembly. Political Declaration on HIV and AIDS: Ending Inequalities and Getting on Track to End AIDS by 2030. Geneva : UNAIDS ; 2021. https://www.unaids.org/sites/default/files/media_asset/2021_political-declaration-on-hiv-and-aids_en.pdf

9 With the right investment, AIDS can be over. A US$ 29 billion investment to end AIDS by the end of the decade. Geneva : UNAIDS ; 2019.https://www.unaids.org/sites/default/files/media_asset/JC3019_InvestingintheAIDSresponse_En.pdf

income HDI scores in 2023.[10] It is also the region with the third highest burden of HIV in the world: 4.8 million people in the region live with HIV. Five countries account for two-thirds of all people living with HIV—Cameroon, Côte d'Ivoire, Democratic Republic of the Congo, Ghana and Nigeria.

Only 35% of children living with HIV in the region were receiving treatment in 2023.[11] The HIV incidence rate is over three times higher among adolescent girls and young women aged 15–24 years compared to boys and young men of the same age.[12] Burundi and Cameroon have registered the largest declines in the number of new HIV infections between 2010 and 2022—70% and 69%, respectively.[13] For the region as a whole, however, new HIV infections declined by only 46% between 2010 and 2023, far from the UN target of a 75% reduction between 2010 and 2020.[14] No country has yet met the UNAIDS 95–95–95 targets, and many are significantly off-track. Only Burundi, Nigeria, and Togo are on track to meet the treatment targets.[15] The reasons for slow progress include a lack of political will, frail health systems, weak support for community organizations, reliance on user fees to access health care, conflict and insecurity.[16]

Despite these formidable challenges, there is cause for optimism. As of 2023, 76% of people living with HIV were accessing treatment. Coverage of antiretroviral therapy among people living with HIV has more than doubled since 2015 (from 35% to 76%).[17] The Dakar High-Level Summit held in November 2021 under the leadership of the Government of Senegal shows a renewed political commitment to the HIV response, which must now be translated into longer-term structural responses.

10 Burkina Faso, Burundi, Central African Republic, Chad, Guinea, Niger and Mali. See: UNDP human development index (country rankings). Lancaster, PA: World Population Review; 2024. https://worldpopulationreview.com/country-rankings/hdi-by-country

11 UNAIDS 2024 epidemiological estimates. www.aidsinfo.unaids.org

12 UNAIDS 2024 epidemiological estimates. www.aidsinfo.unaids.org

13 UNAIDS 2024 epidemiological estimates. www.aidsinfo.unaids.org

14 Ibid.

15 Ibid.

16 According to UNAIDS. See: In danger: UNAIDS global AIDS update 2022. Geneva: UNAIDS; 2022.

17 UNAIDS 2024 epidemiological estimates. www.aidsinfo.unaids.org

A triple dividend: The health, social and economic gains from financing the HIV response

Why invest in the HIV response? Recent research by Economist Impact, supported by UNAIDS, analyses the wider health, social and economic impacts that could be achieved by meeting 100% of the funding commitments contained in the 2021 Political Declaration.[18] The research shows that investing in the HIV response advances other policy priorities, like reducing inequalities, improving educational outcomes and boosting productivity and economic growth. It analyses 13 African countries, including four in western and central Africa—Cameroon, Côte d'Ivoire, Ghana and Nigeria. Key findings for the region include:

- The number of children and adolescents orphaned by AIDS could be reduced by 9% in Ghana, 6.4% in Cameroon, 3.9% in Côte d'Ivoire and 2.3% in Nigeria in a scenario in which the HIV response is fully funded. This could lead to improved educational outcomes for children since it has been found that children orphaned by the virus have lower levels of motivation and educational attainment than children who have at least one parent alive.
- New infections could be reduced by 78% in Ghana, 62% in Côte d'Ivoire, 58% in Nigeria and 56% in Cameroon if the HIV response was fully funded. This would disproportionately benefit women and young girls who are at higher risk of contracting the virus and lead to reductions in maternal and child mortality. This would, in turn, benefit their children.
- Economic (GDP) growth could be bolstered by 0.43% a year in Ghana, 0.37% in Cameroon, 0.35% in Côte d'Ivoire and 0.12% in Nigeria if the HIV response were fully funded due to a healthier, more economically productive population.

These findings markedly strengthen the case that investment in the HIV and AIDS response delivers a sound return on investment for a much broader range of Sustainable Development Goals.

18 A triple dividend: The health, social and economic gains from financing the HIV response in Africa. London. Economist; 2023. https://www.unaids.org/en/resources/documents/2023/a-triple-dividend

Structure and methodology of the report

The report is structured as follows:

- Chapter 2 looks at recent trends and the current situation regarding HIV spending and how HIV financing needs are currently being met from domestic and external sources.
- Chapter 3 examines the forecast spending needs required to 'end AIDS' and how these might be financed from various sources, using a baseline 'business as usual' scenario and various 'shocks' which might hit western and central African economies between the present time and 2030 and outlining suggestions for how to mobilize the financing needed to fill the AIDS financing gaps between now and 2030.
- Chapter 4 presents the overall conclusions and recommendations of the report.
- An annex presents a short country profile for each country, examining recent AIDS spending and financing trends, future spending needs and financing sources, and key recommendations.

Two main types of sources have been used for the data and analysis presented in this report.

The first is UNAIDS documentation and data. These include data from the UNAIDS Dashboard and other data available from aidsinfo.unaids.org and data provided by the UNAIDS team working on the report. Background and context on the HIV and AIDS situation in countries have been taken from the national strategic plans to end AIDS prepared by the national authorities in each country covered by the report. All data and analysis of HIV trends, spending needs and financing sources use these UNAIDS sources.

The second is data compiled by Development Finance International (DFI) on broader social spending and recent or potential sources of financing to end AIDS. In particular, DFI has used:

- Data on health, education and social protection spending for 2018–2023, compiled by DFI for the Commitment to Reducing Inequality (CRI) Public Services Spending Database[19] and the Government Spending Watch database,[20] which are, in turn, taken from the most accurate and recent national budget and international organization sources.
- Data on tax revenue and its composition by different types of tax for 2018–2023, compiled by DFI for the CRI Global Tax Database[21], which are, in turn, drawn from the most accurate and recent national budget and international organization sources.
- Data on debt service for each country (external and domestic) taken from the newly-compiled Debt Service Watch database for 2018–2023,[22] which is, in turn, based on the national budget and debt management documents, as well as IMF Article IV and programme reports and Debt Sustainability Analyses (DSAs).

Drawing from the same sources, DFI has also compiled a set of forecasts for these variables, combined with the UNAIDS forecasts of spending needs to end AIDS. It has also (by agreement with UNAIDS) adjusted the UNAIDS spending needs forecasts, which were initially expressed in constant 2019 US dollars, for inflation and currency fluctuations since 2019, and for those which are projected by the IMF World Economic Outlook (WEO) to 2030, an adjustment which was essential to take into account the rapid rise in health costs during the current global 'cost of living crisis', and which results in considerably higher needs by 2030.[23] These forecasts are used in Chapter 3, to assess potential funding sources through to 2030 to end AIDS as a public health threat.

19 See www.inequalityindex.org

20 See www.governmentspendingwatch.org

21 See www.inequalityindex.org

22 See the newly released Debt Service Watch summary database and briefing at www.development-finance.org. The data supplied to UNAIDS are taken from the much more detailed unpublished database.

23 These data are contained in the final forecasts database, which will be supplied to UNAIDS after comments are received on this draft report and forecasting methods are adjusted. The inflation and exchange rates are from the IMF World Economic Outlook, whose latest database at the time of writing was for April 2023, available at: https://www.imf.org/en/Publications/WEO/weo-database/2023/April

CHAPTER 2

Financing for HIV and AIDS in western and central Africa: the current picture

Key messages

- In 2022, financing needs for the HIV response were estimated at $2.98 billion, of which $2.03 billion was disbursed, leaving a funding gap of approximately $950 million, or 32%.
- Since 2017, international donor funds have amounted to more than 60% of the region's expenditure on the HIV response. However, this funding is on the decline. $26 billion in development assistance was provided to the western and central Africa region in 2020, but this fell to $23.7 billion in 2021, a 10.5% decrease. Aid funds available for the HIV response in 2022 were 15% lower than the previous year.
- Many countries in western and central Africa acknowledge the need to mobilize more domestic resources to fund the HIV response. However, tax revenues have fallen over recent years and are still below pre-pandemic levels when measured as a proportion of GDP. In 2017, tax revenues averaged 13.2% of GDP across the region, but had fallen to only 11.9% by 2022.
- The amount spent on the HIV response as a proportion of GDP is in decline. Government expenditure declined from 0.3% of GDP in 2017 to just 0.12% of GDP in 2022. Government spending on the broader health sector has also declined within western and central Africa since 2017 and will amount to only 1.81% of GDP in 2023.
- A key source of pressure on financing for the HIV response and the social sectors is high public debt. Eleven countries in the region have already restructured their debt in recent years, are currently restructuring, or are in arrears. Debt climbed by almost 10% of GDP between 2018 and 2023—from just over 53.2% of GDP on average to over 62% in 2023.
- The amount now spent on public debt service is over 5.5 times the government budget allocated to public health on average in the region as a percentage of GDP. Debt service will consume a projected 46.6% in 2023.
- Debt relief to the region has so far proved inadequate relative to need. The G20 Debt Service Suspension Initiative temporarily deferred $3.2 billion in debt service for 19 countries from the region due to the COVID-19 pandemic. However, this has been insufficient for most to resolve debt difficulties. Further debt relief via the 'Common Framework' has also proved slow and only covers some creditors. Chad and Ghana have both sought assistance through the Common Framework. However, both will continue to have high debt service burdens even after this relief.
- High public debt service is already crowding out public spending across a range of critical development priorities, including the HIV response, health, education and social protection. More debt relief is needed to ensure that governments do not increasingly cut back on much-needed public expenditures, including on health, to service debt. As previous periods of fiscal austerity have shown, this will hit the poorest and most vulnerable the hardest.

HIV financing needs and sources

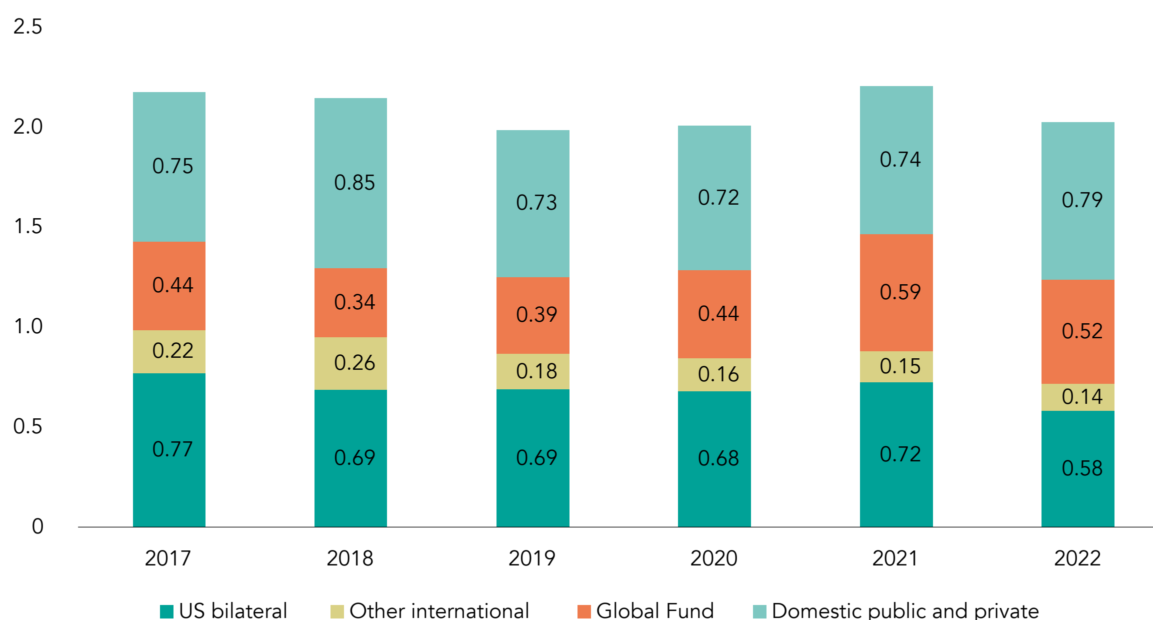
Financing needs for the HIV response in western and central Africa are not as great as in eastern and southern Africa (which has a higher burden of the disease), but remain extremely high in a region which is home to several of the world's poorest and most vulnerable countries.

In 2022, financing needs for the HIV response (adjusted for inflation since 2019) amounted to $2.98 billion for the region as a whole. In comparison, $2.03 billion of actual funding was disbursed, leaving a funding gap of approximately $950 million or 32%.[24]

The region has depended heavily on development assistance to fund the HIV response. Since 2017, international donor funds have amounted to more than 60% of the region's expenditure on the HIV response. In 2022, international donors provided a total of $1.24 billion to the region, of which over half was provided by the USA and the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund). Meanwhile, domestic public and private resources, which include out of pocket expenses paid by patients (or their family members or friends), amounted to only $79 million the same year. Dependence on donor funding can be risky: according to UNAIDS, total funds available for the HIV response in 2022 were 15% lower than the previous year. This reflected a sharp fall in donor disbursements to their lowest level since before 2017 (Figure 1).

Looking in more detail at individual countries, eight (Burundi, Cameroon, Chad, Côte d'Ivoire, Guinea, Guinea-Bissau, Liberia and Niger) depend on donors for more than 90% of their HIV response, while only two (Ghana and The Gambia) provide more than one-third of funding from their own resources. There is no clear pattern of greater dependence on donors for prevention or treatment. However, in some countries, there was a particular reluctance to fund HIV prevention services, especially for vulnerable populations, leading to an even higher dependency on donors for these activities (Figure 2).

Figure 1.
Sources of funds for the HIV response in western and central Africa (billions of US dollars)



24 Financing needs data were originally supplied by UNAIDS in constant 2019 dollars based on costings prepared in 2019. They have been updated for inflation and currency fluctuations since 2019.

Figure 2.
Dependence on donor funds for the HIV response (2022)

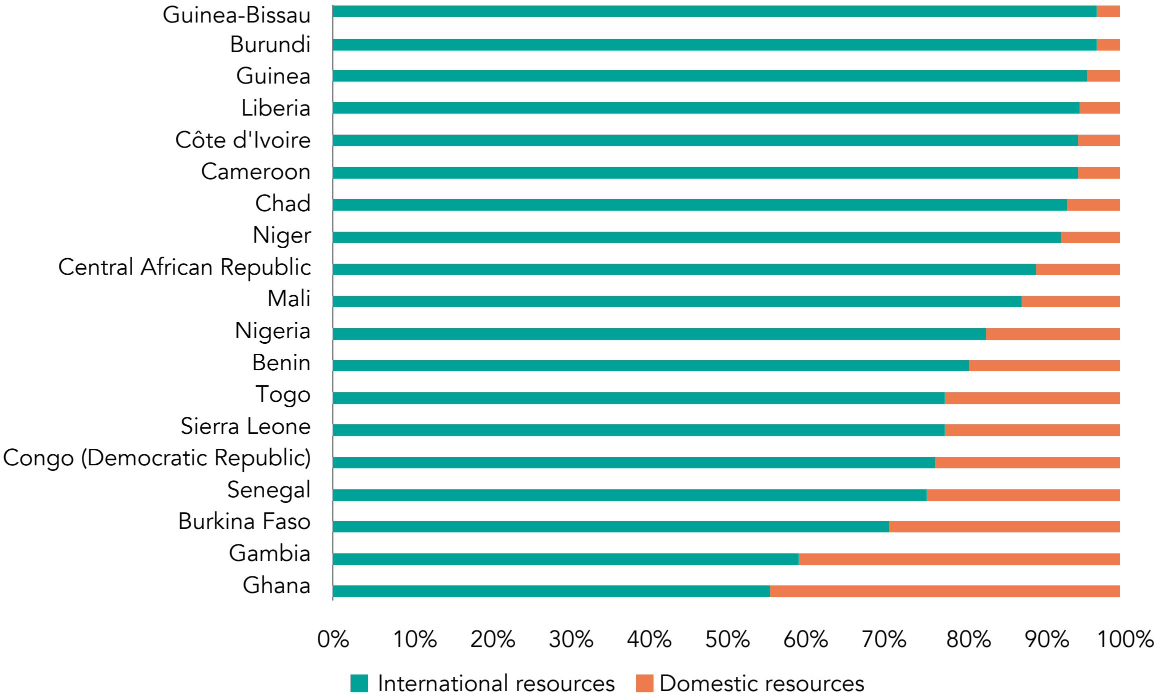
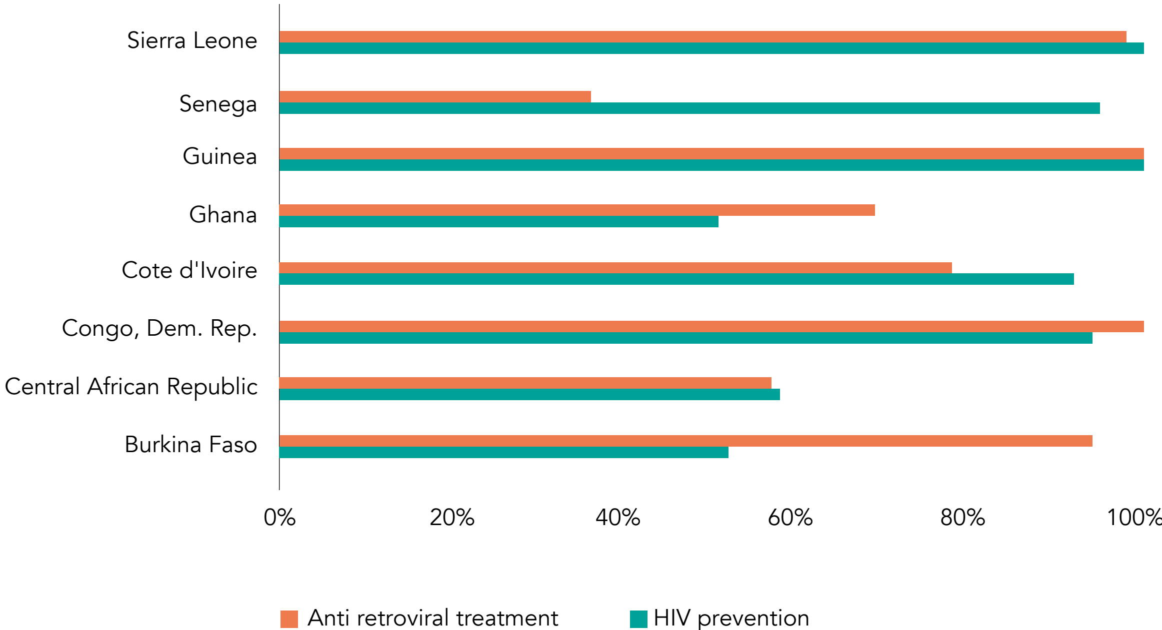


Figure 3.
Most recent data on donor dependence (UNAIDS HIV Financial Dashboard)



The high level of dependence on development partner resources to fund the HIV response is of particular concern at a time when development assistance is under significant pressure from multiple humanitarian crises, the impact of conflict in Ukraine and Gaza, and priorities like climate change, all of which are increasingly competing for scarce aid funds (Figure 3).[25] Donors are also increasingly diverting development assistance funds for spending on hosting refugees in their own countries and to wealthier developing countries to foster trade and investment links.[26] As a result, the Organisation for Economic Cooperation and Development (OECD) reports that its members provided $26 billion in development assistance to the western and central Africa region in 2020, but this fell to $23.7 billion in 2021, a 10.5% decrease. Of this amount, only about $7.3 billion, or 31%, was delivered as country programme aid (CPA), the component of aid available to spend in-country.[27] Countries within the region that receive the most development assistance in volume are the Democratic Republic of the Congo and Nigeria, each receiving over $3 billion in total development assistance in 2021. Still, only 20% of this amount was spent on health in the Democratic Republic of the Congo and 33% in Nigeria.[28]

Tax revenues and their composition[29]

While many countries within western and central Africa acknowledge the need to mobilize more domestic funds to fund the HIV response, the region has significant domestic resource mobilization challenges. Its tax revenues have fallen over recent years and are still below pre-pandemic levels when measured as a proportion of GDP (Figure 4).

In 2017, tax revenues averaged 13.2% of GDP across the region, but this had fallen to only 11.9% by 2022. In 2023, tax revenues are projected to rise only slightly to 12.2% of GDP. Only four countries increased their tax revenues by more than 1% of GDP over this period – Burkina Faso, Burundi, Democratic Republic of the Congo and Senegal. Cameroon, Chad, Guinea-Bissau and Nigeria all saw revenues stagnate between 2017 and 2023, while all other countries within the region saw tax revenues fall—sometimes significantly. The Gambia, Central African Republic, Côte d'Ivoire and Ghana also saw declines of at least 3% of GDP, and five more exceeded 2% (Figures 5 and 6).

The revenue fall can be attributed to a fall in the amounts collected via value-added (consumption) and corporate income taxes. In contrast, the amounts collected via personal income tax have remained largely stagnant.

The region relies more heavily on value-added taxes (VAT) than other regions, at 28.7% of the overall tax collection in 2022, compared to, for example, 25.8% in Eastern and Southern Africa in the same year.[30] VAT—widely considered to burden poorer populations more heavily than wealthier ones—has recently stood even higher than this, representing over 30% of total tax revenues between 2017 and 2021.

At the same time, the amounts collected via corporate income tax have fallen from 17% of total tax revenues in 2017 to just 13.6% in 2023. Just 1.9% of GDP is projected to be collected in corporate income tax within the region in 2023. The largest falls in corporate income tax over this period are seen in Cameroon, the Central African Republic, Chad, the Republic of the Congo, Liberia, Mauritania and São Tomé and Príncipe (Figure 7).

25 Official Development Assistance (ODA) in 2022, by members of the Development Assistance Committee (preliminary data). London : Flourish; 2024. https://public.flourish.studio/story/1882344/

26 Finance for sustainable development. Paris: OECD; 2024. https://www.oecd.org/dac/financing-sustainable-development/development assistance-2022-summary.pdf

27 Development Finance International (DFI) calculations based on OECD data.

28 Current US dollars.
Aid at a glance. Paris: OECD; 2024. https://public.tableau.com/views/OECDDACAidataglancebyrecipient_new/Recipients?:embed=y&:display_count=yes&:showTabs=y&:toolbar=no?&:showVizHome=no

29 All tax data and calculations in this section are based on Development Finance International (DFI) Global Tax Database and Commitment to Reducing Inequality Database.

30 ESA regional report. DFI Global Tax Database and Commitment to Reducing Inequality Database.

Figure 4.
Average revenues of countries in the western and central African region (% of GDP, 2017–2023)

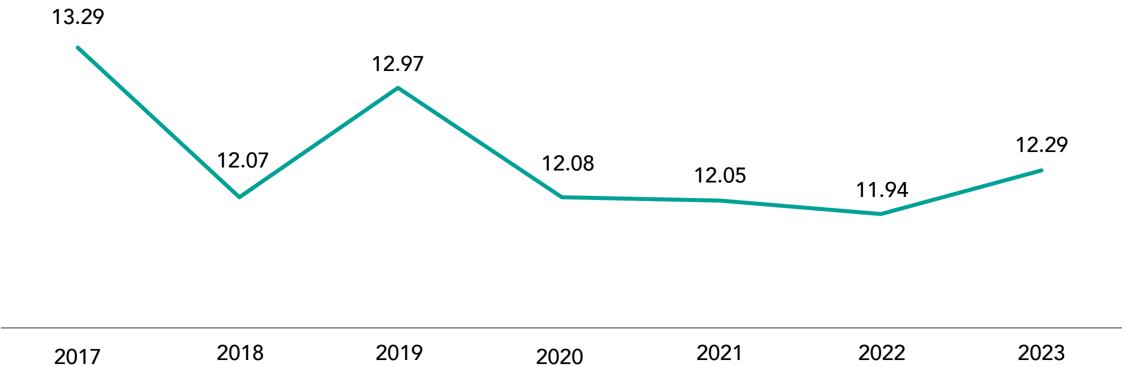


Figure 5.
Western and central African countries which saw revenue declines of more than 3% of GDP (2017–2023)

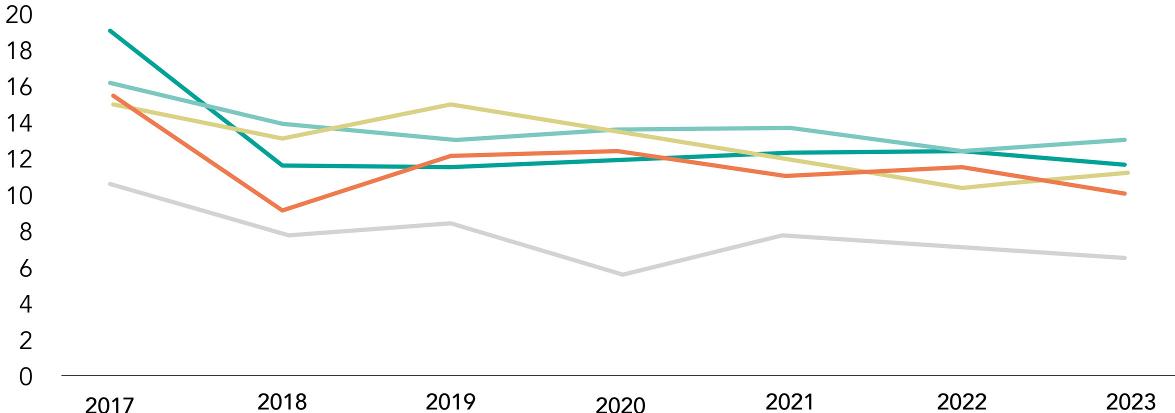


Figure 6.
Western and central African countries which saw revenue declines of more than 2% of GDP (2017–2023)

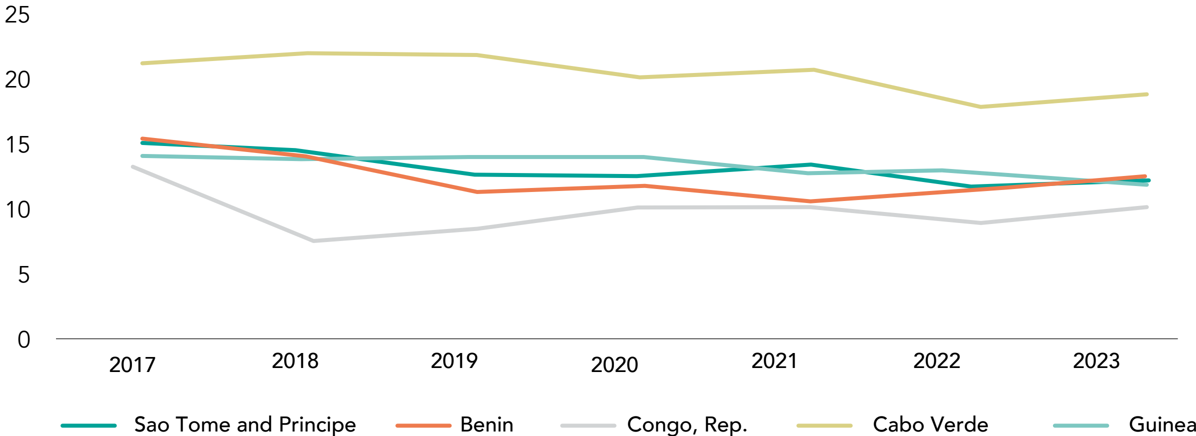
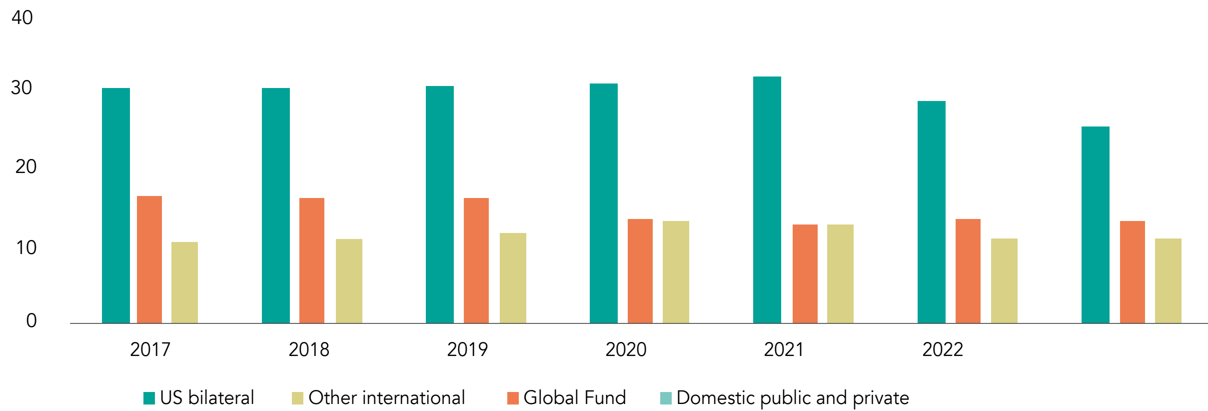


Figure 7.
Composition of tax revenues in western and central African countries (2017–2023)

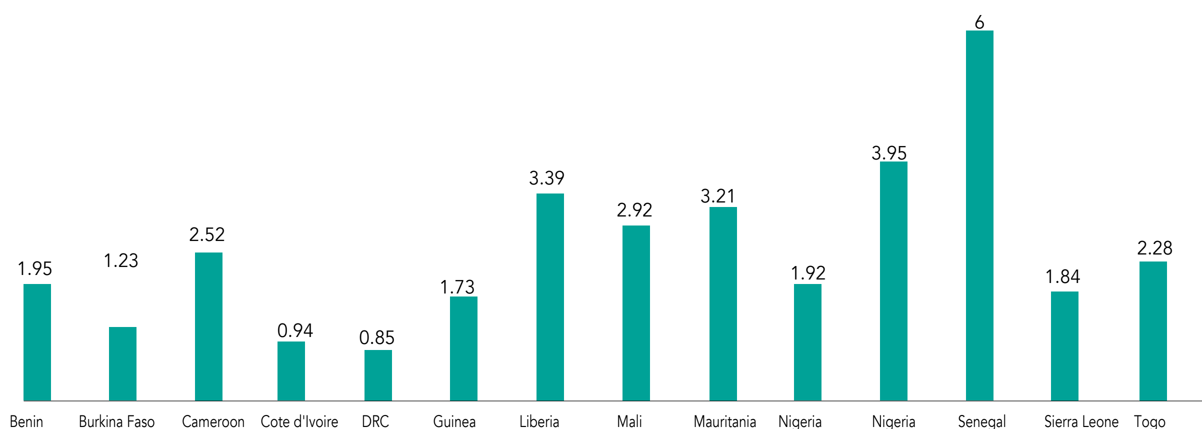


Many countries in the region are losing substantial tax revenues due to preferential tax treatments, including exemptions, deductions, credits, deferrals and reduced tax rates (Figure 8). In Liberia, Mauritania and Nigeria, preferential tax regimes led to losses of over 3% of GDP. In Cameroon and Togo, they are over 2%—a substantial amount for low and lower-middle income countries.[31]

Despite these challenges, a few countries in the region show that greater effort can be made to collect higher amounts of tax, particularly corporate income tax. The Democratic Republic of the Congo, for example, collected just 1.18% of GDP in corporate income taxes in 2017, which increased to 5.94% by 2023. Senegal, meanwhile, managed to increase revenue collected via personal income tax from 2.48% of GDP in 2017 to 3.84% in 2023.

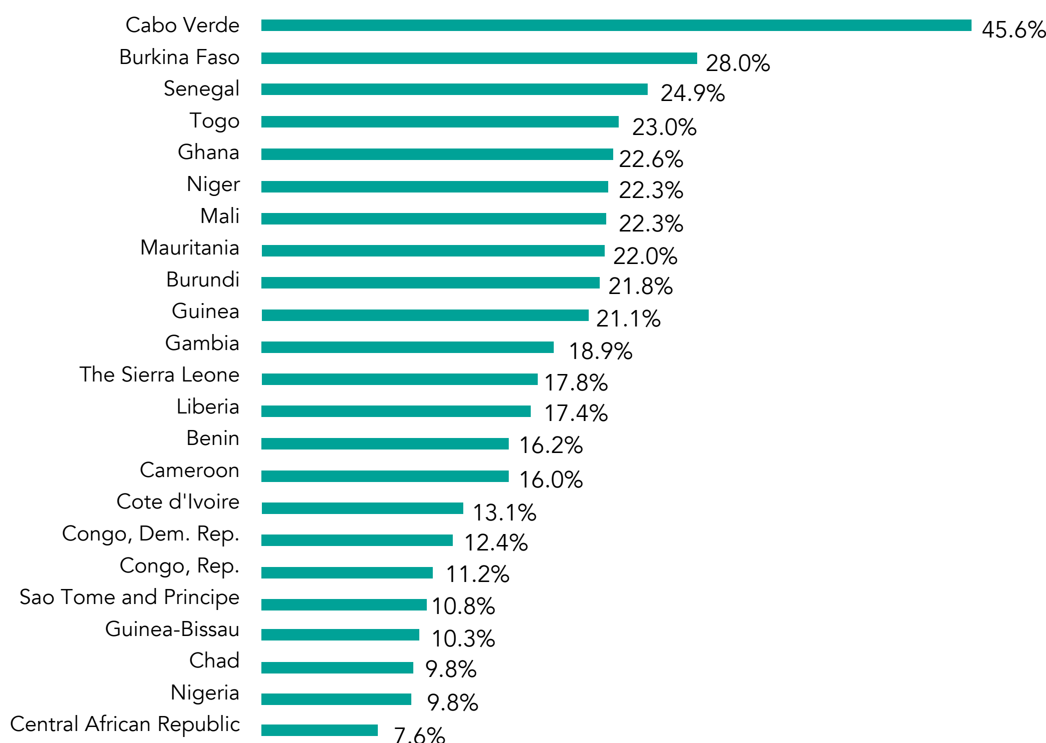
How do these amounts compare with what countries 'could' be collecting? There are two often-used ways to assess what is known as country tax 'effort'. The first is simply to compare tax revenue collected with the tax rate multiplied by the tax base, also known as 'tax productivity'. On this basis, as shown in Figure 9, western and central African countries are collecting, on average, only 18.5% of expected revenue, well below their counterparts in eastern and southern Africa (29%), with considerable variation, from Cabo Verde at 46% to the Central African Republic, Nigeria and Chad below 10%.

Figure 8.
Foregone revenue due to tax exemptions (percentage of GDP)



31 Data drawn from: Global Tax Expenditures Database: https://gted.taxexpenditures.org/. Data for most countries are from 2021.

Figure 9.
Tax collection productivity (percentage of expected revenue, 2022)



The second method is to conduct a more complex analysis of each country's 'tax potential' based on the influence of such issues as its level of GDP per capita, the proportion of agriculture and informal labour in the economy, and so on.[32] The IMF's most recent analysis of this type shows that LIDCs collect only 67% of their tax potential (at 13.2% of GDP) and could increase tax collection by around 6.7% of GDP to 19.9%.

All western and central African countries covered by this report are categorized by the IMF as low income developing countries (LIDCs). As shown in the table below, six western and central African countries (Burkina Faso, Burundi, Cabo Verde, Mali, Senegal and Togo) are collecting much higher levels of revenue than the LIDC averages. Three (Ghana, Mauritania and São Tomé and Príncipe) are near the average. There are 14 below the average, with the least impressive tax collection by Nigeria. Thus, there is considerable potential for many western and central African countries to increase their tax collection.

More detailed earlier country-specific tax potential studies[33] (as reported in the last column of Table 1) also show that there is considerable potential for many countries in the region to increase their tax collection sharply: 11 of 21 countries for which data are available could increase revenue by 5% of GDP or more. Chad, Congo, Guinea-Bissau and Nigeria could double their tax revenues as a proportion of GDP, and the average potential tax increase for the region is 5.4%. However, as stressed by the authors of these studies, such increases to maximum 'tax potential' should be expected to be implemented only gradually over as long as a decade.

32 Building tax capacity in developing countries. Staff development notes. Washington, DC: IMF; 2023. https://www.imf.org/en/Publications/Staff-Discussion-Notes/Issues/2023/09/15/Building-Tax-Capacity-in-Developing-Countries-535449

33 These studies are Brun J-F, Diakite M. Tax potential and tax effort: an empirical estimation for non-resource tax revenue and VAT's revenue. Paris: Halshs; 2016. https://shs.hal.science/halshs-01332053 for data of almost all western and central Africa countries.
No data were available for the Democratic Republic of the Congo or Liberia.

Table 1.
Potential extra tax revenue in western and central African countries (potential tax capacity method)

Country	Tax/GDP (2022–2023)	Non-resource tax effort as % of potential	Potential maximum revenue	Potential extra revenue (% of GDP)
Benin	10.60	75	14.13	3.53
Burkina Faso	15.20	73	20.82	5.62
Burundi	14.20	83	17.11	2.91
Cabo Verde	20.70	69	30.00	9.30
Cameroon	12.10	63	19.21	7.11
Central African Rep.	7.60	69	11.01	3.41
Chad	8.90	53	16.79	7.89
Congo, Dem. Rep.	7.40	66	11.21	3.81
Congo, Rep. of	8.10	48	16.88	8.78
Côte d'Ivoire	11.70	75	15.60	3.90
Gambia, The	10.90	71	15.35	4.45
Ghana	13.40	72	18.61	5.21
Guinea	12.60	63	20.00	7.40
Guinea-Bissau	8.00	52	15.38	7.38
Liberia	12.20	N/A	N/A	N/A
Mali	15.70	75	20.93	5.23
Mauritania	13.25	74	17.91	4.66
Niger	10.20	72	14.17	3.97
Nigeria	3.08	48	6.42	3.34
São Tomé and Príncipe	13.30	N/A	N/A	N/A
Senegal	17.60	75	23.47	5.87
Sierra Leone	11.80	74	15.95	4.15
Togo	17.70	76	23.29	5.59

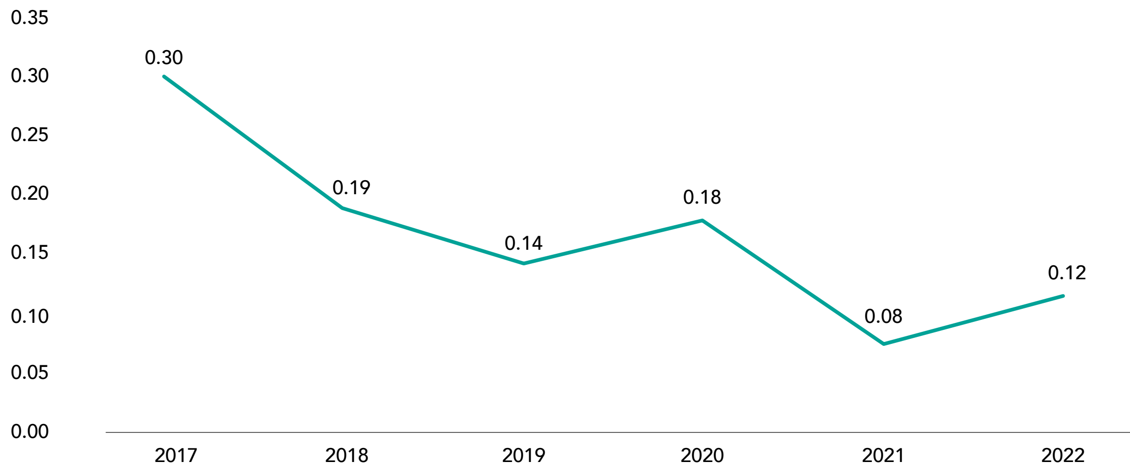
There are four main reasons why countries fall short of their 'tax potential': policy gaps (such as low tax rates, absence of certain taxes); administrative shortfalls in collecting taxes; preferential tax treatments (such as exemptions and deductions); and tax evasion (whether legal avoidance or illegal evasion). All of these provide the potential for increasing tax collection and will be discussed in Chapter 3.

Overall spending on HIV

Due to recent pressures on development assistance and domestic tax revenues, the data shows that the amount spent on the HIV response as a proportion of GDP is in decline. Though data are not comprehensive across the region, they show that expenditure on the HIV response declined from 0.3% of GDP in 2017 to just 0.12% of GDP in 2022. Crucially, no country within the region registered an increase in spending on the HIV response when measured as a proportion of GDP (Figure 10).[34]

34 Data are limited to: Benin, Burkina Faso, Central African Republic, Democratic Republic of the Congo, Ghana, Guinea, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, The Gambia and Togo. Even within these countries, data for all years between 2017 and 2022 are not available.

Figure 10.
Total expenditure on the HIV response as a percentage of GDP in western and central African countries



Broader spending on health, education and social protection[35]

Large financing gaps for the HIV response are unfortunately mirrored when it comes to spending on the broader social sectors. Regarding health and education, the data show that spending has fallen in the region when measured as a percentage of GDP. Spending on social protection has bucked this trend a little, but the increases seen are extremely marginal.

Well-resourced national health care and delivery systems are critical for an effective HIV response. They can have a positive impact on the HIV response by enhancing efficiencies across health-care services and better addressing the multiple health-care needs of those affected by or vulnerable to HIV, ensuring that all communities have access to the health-care services they need. The UN has been clear that access to HIV prevention and treatment services will be inadequate as long as universal health coverage is not achieved.[36]

Spending on health has declined in western and central Africa since 2017. In 2017, government budgets for health amounted to an average of 1.86% of GDP. They increased slightly, to just over 2.1% of GDP in 2020 and 2021 in the midst of the COVID-19 pandemic, but have dropped since then and will amount to only 1.81% of GDP in 2023. Some countries have seen substantial falls in spending on health between 2017 and 2023, including in Burkina Faso, Central African Republic, Guinea, Niger and São Tomé and Príncipe, which all saw declines of at least 0.5% of GDP over this period. Nine countries spend more than 2% of GDP on health—Burkina Faso, Burundi, Cabo Verde, the Democratic Republic of the Congo, the Republic of the Congo, Mauritania, São Tomé and Príncipe, The Gambia and Togo. As a result, 14 of the 23 countries covered by this report are among the third of countries least committed to health spending (as judged by the share of health in their total spending), according to the Commitment to Reducing Inequality Index (CRI) as shown in Table 2. Only Burundi, the Central African Republic and Liberia are in the top third.

Low health spending figures are of major concern in a region which is far from achieving SDG 3 of universal health coverage, an index which measures the extent to which people have access to the full range of quality health services they need, when and where they need them, without financial hardship.[37] According to data from WHO, most countries in the region have achieved around only 40% in population coverage compared to the target of 100%.[38]

Similarly, domestic public budgets allocated to education have dropped from 3.65% of GDP in 2017 to a projected 3.5% of GDP in 2023. On education,

35 Data for this section are based on the DFI Global Tax Database and Commitment to Reducing Inequality Database.

36 Civil society calls for health for all at multistakeholder hearing on HIV/AIDS, Geneva: UHC2030; 2021. https://www.uhc2030.org/news-and-events/news/to-make-progress-on-HIV and AIDS-we-must-make-universal-health-coverage-a-reality-555478/

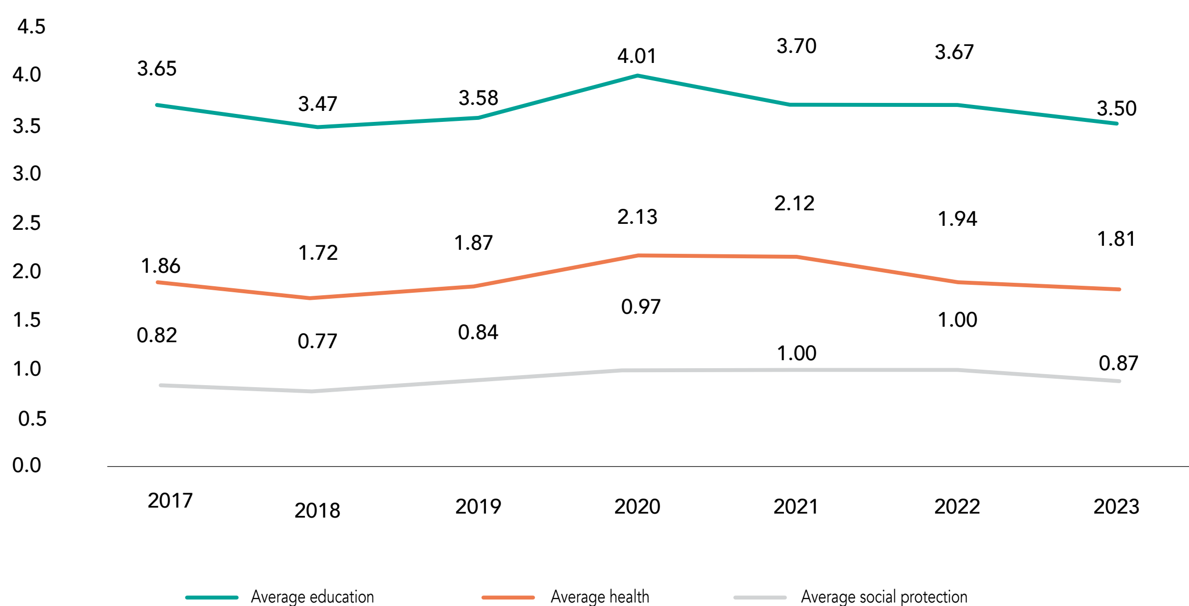
37 Definition of universal health coverage according to WHO. See: Universal health coverage (UHC). Fact Sheets. Geneva: WHO; 2023. https://www.who.int/news-room/fact-sheets/detail/universal-health-coverage-(uhc)

38 Data from WHO: UHC service coverage index. Geneva: WHO; 2024. https://data.who.int/indicators/i/9A706FD

declines in expenditure have been particularly marked in Burundi, Cabo Verde, the Republic of the Congo, Ghana, Guinea and São Tomé and Príncipe, which all saw domestic budgets allocated to education decline by at least 0.5% of GDP between 2017 and 2023—sometimes much more than this. Western and central African countries do relatively well in terms of the share of their budgets dedicated to education, with 13 of 23 countries ranking in the top third of countries worldwide, as shown in Table 2, but their low revenue collection means that total (and therefore education per capita) spending remain very low. Once again, the low level of spending is reflected in low completion of education, especially by the poorest children—in no fewer than 13 countries in western and central Africa, under 2% of children from the poorest quintile complete secondary education.[39]

Social protection expenditure, meanwhile, has climbed only very slightly from 0.82% of GDP in 2017 to an expected 0.87% in 2023. Spending on social protection has been less volatile, but at such a low level, it is difficult to see how it could fall further in most countries.[40] Almost all western and central African countries (19 of 23) are classified in the bottom third of countries worldwide in terms of the proportion of their budgets allocated to social protection, and not a single western and central African country is in the top third, as shown in Table 2. As a result, coverage of social protection benefits is very low, with 15 western and central African countries reaching less than 10% of their citizens with any form of social protection benefit (Figures 11–14).

Table 11.
Domestic public expenditure on education, health and social protection in countries of western and central Africa (percentage of GDP 2017–2023)



39 SDG4 data explorer. Paris: UNESCO; 2024; http://tcg.uis.unesco.org/data-resources/

40 For social protection coverage data, see: World social protection data dashboards. Geneva: International Labour Organization; 2024. https://www.social-protection.org/gimi/WSPDB.action?id=19

Figure 12.
Countries which spend less than the regional average on public health in 2023 (government budget–percentage of GDP)

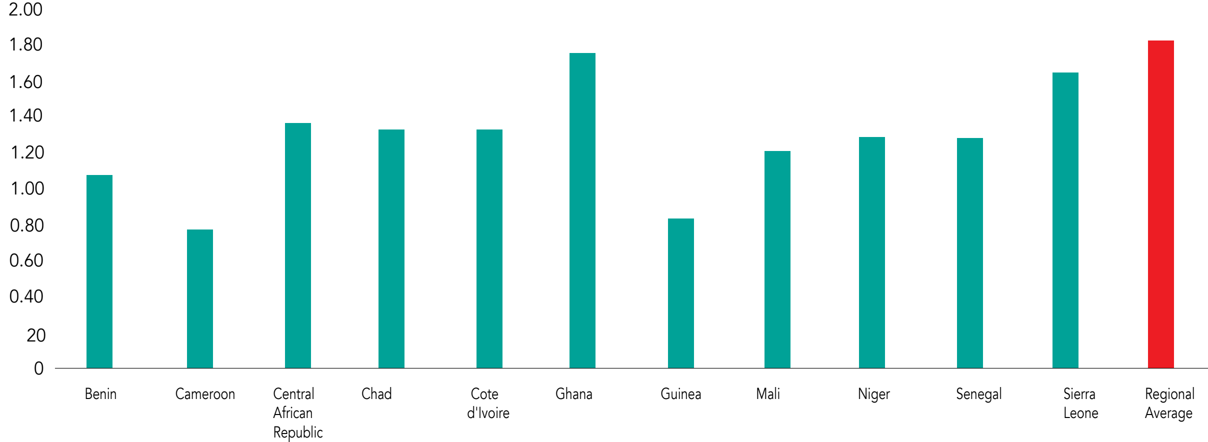


Figure 13.
Declines in domestic expenditure on health in western and central African countries (percentage of GDP, 2017–2023)

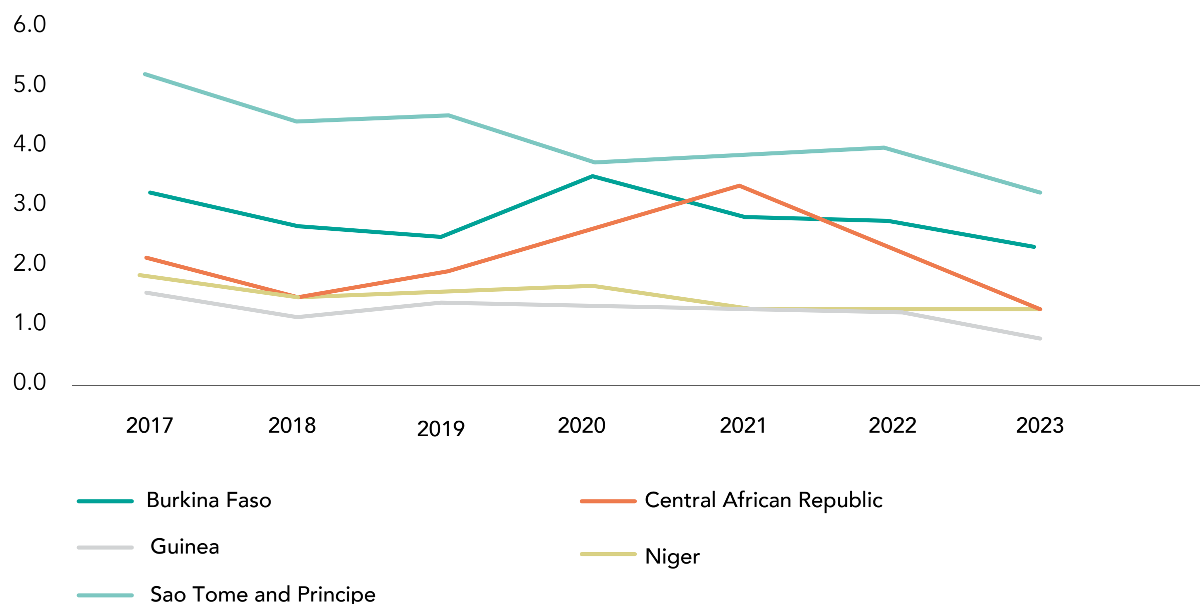


Figure 14.
Universal health coverage score (2021)

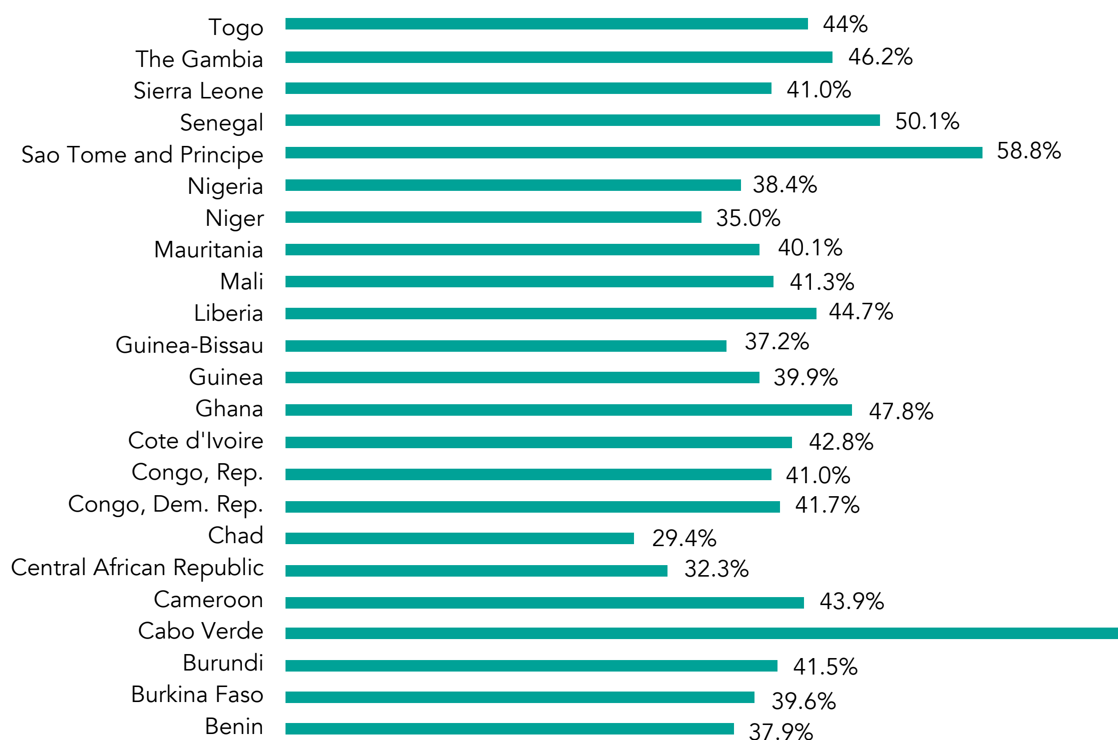


Table 2.
Country rankings for shares of budgets allocated to social sectors

Country	Education	Health	Social protection
Benin	28	144	124
Burkina Faso	5	73	140
Burundi	14	38	144
Cabo Verde	69	112	78
Cameroon	73	156	125
Central African Rep.	147	35	109
Chad	77	130	137
Congo, Dem. Rep.	23	92	153
Congo, Rep.	40	63	131
Côte d'Ivoire	29	138	112
Gambia, The	45	103	155
Ghana	86	128	142
Guinea	106	129	103
Guinea-Bissau	139	121	118
Liberia	82	26	159
Mali	31	145	106
Mauritania	13	136	99
Niger	90	154	115
Nigeria	160	142	132
São Tomé and Príncipe	35	68	138
Senegal	16	141	87
Sierra Leone	20	89	151
Togo	34	133	119
Key	In top 3rd of 161 countries	In middle third of 161 countries	In bottom third of 161 countries

Public debt and debt service in western and central Africa

A key source of pressure on financing for the HIV response and social sectors is high public debt. The public debt picture in western and central Africa is extremely challenging: 11 countries have already restructured their debt in recent years or are currently restructuring or in arrears, while Sierra Leone is at "high" risk of debt distress. A further nine are at "moderate" risk of debt distress, and none are at low risk of debt problems.[41]

Debt has climbed rapidly, by almost 10% of GDP between 2018 and 2023 – from just over 53.2% of GDP on average to over 62% in 2023. Particularly large increases in debt accumulation over this period are seen in Burkina Faso, Burundi, the Republic of the Congo, Cote d'Ivoire, Ghana, Liberia, Senegal and Sierra Leone, which all saw debt increase by at least 15% of GDP.[42]

41 Classification according to the IMF as at August 2023. See: List of LIC DSAs for PRGT-eligible countries. Washington, DC: IMF; 2024. https://www.imf.org/external/pubs/ft/dsa/dsalist.pdf . Information on debt restructuring and arrears is taken from the latest IMF country documents.

42 All data are from the IMF. See: World economic outlook database: April 2023 edition. Washington, DC: IMF; 2023. https://www.imf.org/en/Publications/WEO/weo-database/2023/April

Table 3.
Public debt and debt service in western and central Africa

Country	Debt risk rank[43]	Debt service (% domestic)[44]	Debt service (% external)
Benin	Moderate	34.8%	65.2%
Burkina Faso	Moderate	11.9%	88.1%
Burundi	High	21.0%	79.0%
Cabo Verde	Moderate but restructured	48.3%	51.7%
Cameroon	Debt restructured	47.0%	53.0%
Central African Republic	High and in arrears	52.0%	48.0%
Chad	Debt restructured	25.4%	74.6%
Congo, Dem. Rep.	Moderate	38.7%	61.3%
Congo, Rep.	In debt distress	47.6%	52.4%
Cote d'Ivoire	Moderate	39.4%	60.6%
Ghana	In debt distress	27.4%	72.6%
Guinea	Moderate	14.3%	85.7%
Guinea-Bissau	High and in arrears	26.8%	73.2%
Liberia	Moderate	58.9%	41.1%
Mali	Moderate but in arrears	12.7%	87.3%
Mauritania	Moderate	94.9%	5.1%
Niger	Moderate but in arrears	64.5%	35.5%
Nigeria	Moderate (SRDSF)	28.5%	71.5%
São Tomé and Príncipe	In debt distress	6.8%	93.2%
Senegal	Moderate	58.1%	41.9%
Sierra Leone	High	17.7%	82.3%
The Gambia	High after deferrals	15.3%	84.7%
Togo	Moderate	21.0%	79.0%

Recent rises in debt stock, higher inflation, and interest rates have all dramatically increased the burden of servicing this debt. The data show that while revenues declined by 1% of GDP in the region between 2017 and 2023, public debt service has, in contrast, risen as a percentage of GDP from 6.4% to over 10% on average.[45] The amount now spent on public debt service is over 5.5 times the government budget allocated to public health on average in the region as a percentage of GDP (Figure 15).

Debt service has risen particularly sharply in Burkina Faso, Burundi, Chad, the Republic of the Congo, Côte d'Ivoire, Ghana, Guinea and Sierra Leone, which all saw increases in debt service as a percentage of GDP of more than 4% between 2018 and 2023. Only six countries in the region have seen debt service/GDP fall between 2017 and 2023: Benin, Cabo Verde, Mauritania, Nigeria, The Gambia and Togo (Figure 16).

43 List of LIC DSAs for PRGT-eligible countries. Washington, DC: IMF; 2024. https://www.imf.org/external/pubs/ft/dsa/dsalist.pdf.
Data for Nigeria are from: Nigeria: 2022 Article IV Consultation-Press Release; Staff Report and Statement by the Executive Director for Nigeria. Washington, DC: IMF; 2023. https://www.imf.org/en/Publications/CR/Issues/2023/02/16/Nigeria-2022-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-529842

44 All data are for 2023, with the exception of Nigeria where the data are from 2022.

45 Debt service data in this section are from DFI's Debt Service Watch database, at https://www.development-finance.org/en/news/831-11-october-the-worst-debt-crisis-ever-shocking-new-debt-service-numbers

Figure 15.
Domestic revenues versus debt service and domestic health expenditures in western and central African countries (percentage of GDP, 2017–2023)

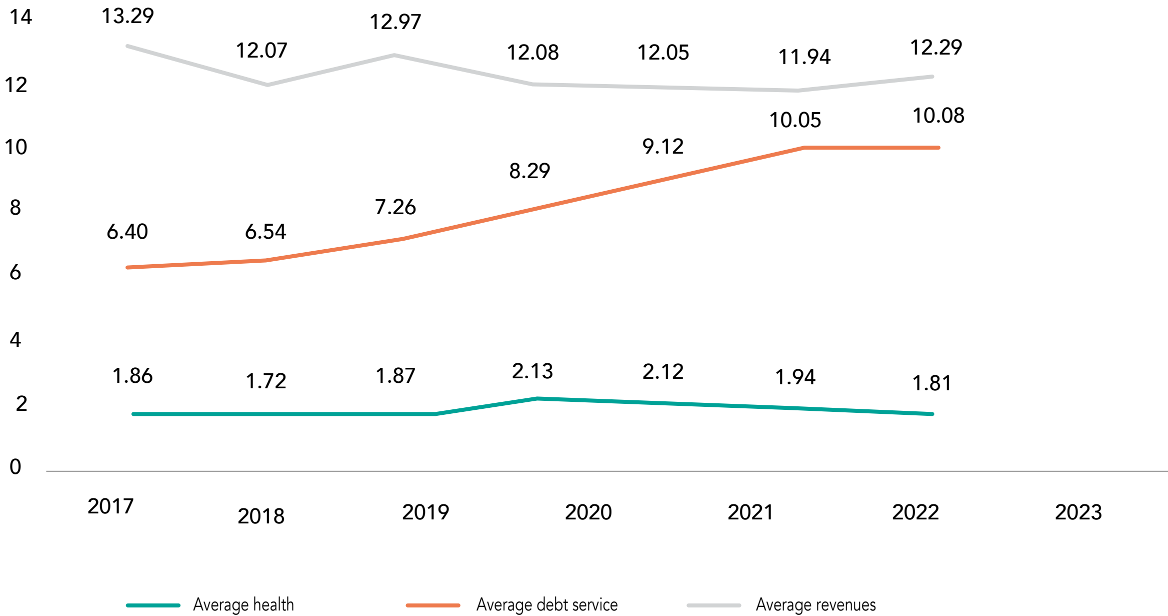
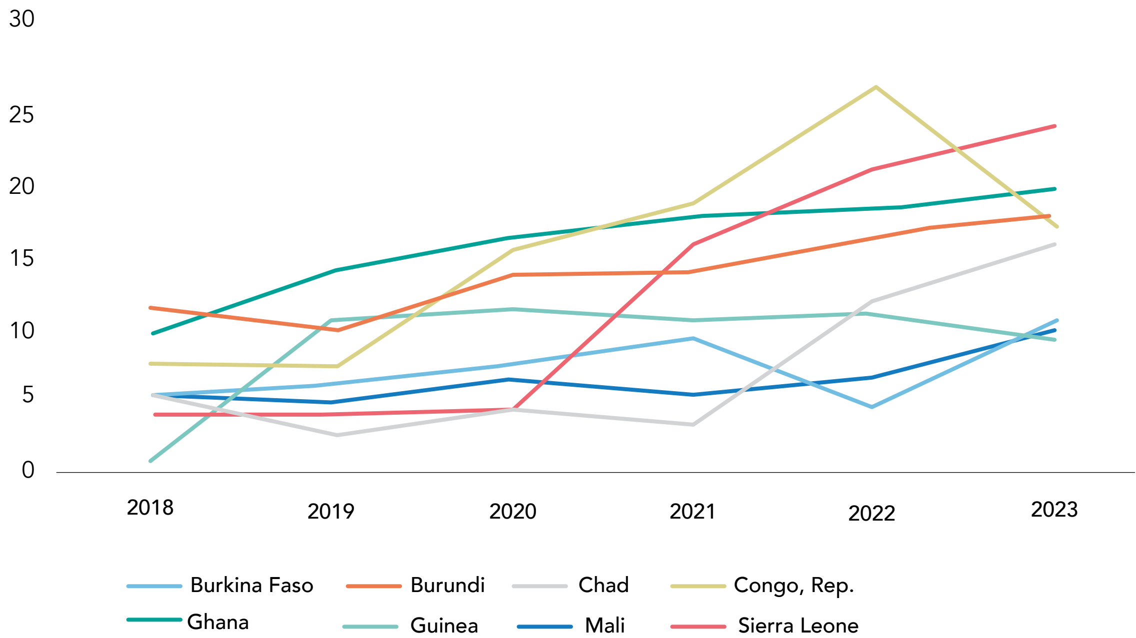


Figure 16.
Countries in western and central Africa which have seen a debt service rise of more than 4% of GDP (2018–2023)



Consequently, public debt service is consuming increasingly large shares of tax revenues across the region. Debt service consumed just over 31% of revenues in 2017, rising to a projected 46.6% in 2023. Similarly, debt service represents an increasingly large share of public expenditure, increasing from 46% in 2017 to an expected 61.5% in 2023. Substantial rises in debt service as a percentage of revenues are seen in Burkina Faso, Cameroon, Chad, the Republic of the Congo, Côte d'Ivoire, Ghana, Guinea, Mali, São Tomé and Príncipe and Sierra Leone. Overall in 2023, only three countries within the region were spending less than 15% of revenues on debt service, the maximum amount targeted by the Heavily Indebted Poor Countries (HIPC) Initiative to ensure beneficiary countries would have sufficient funds available to invest in poverty reduction expenditures—Central African Republic (which is in default and therefore not paying most debt service to its creditors), Democratic Republic of the Congo and Mauritania (Figures 17 and 18).

Figure 17.
Debt service as a percentage of revenues and public expenditure (average for western and central Africa countries)

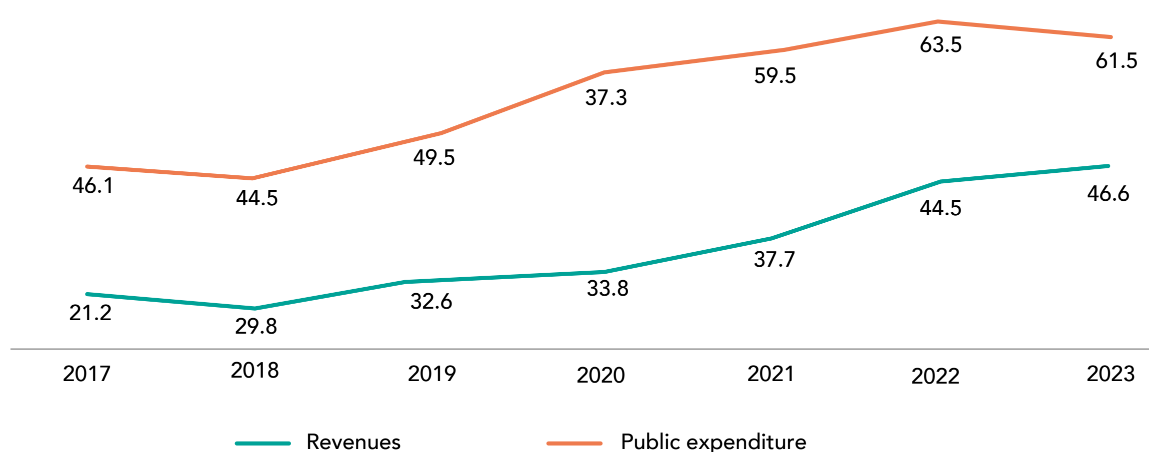
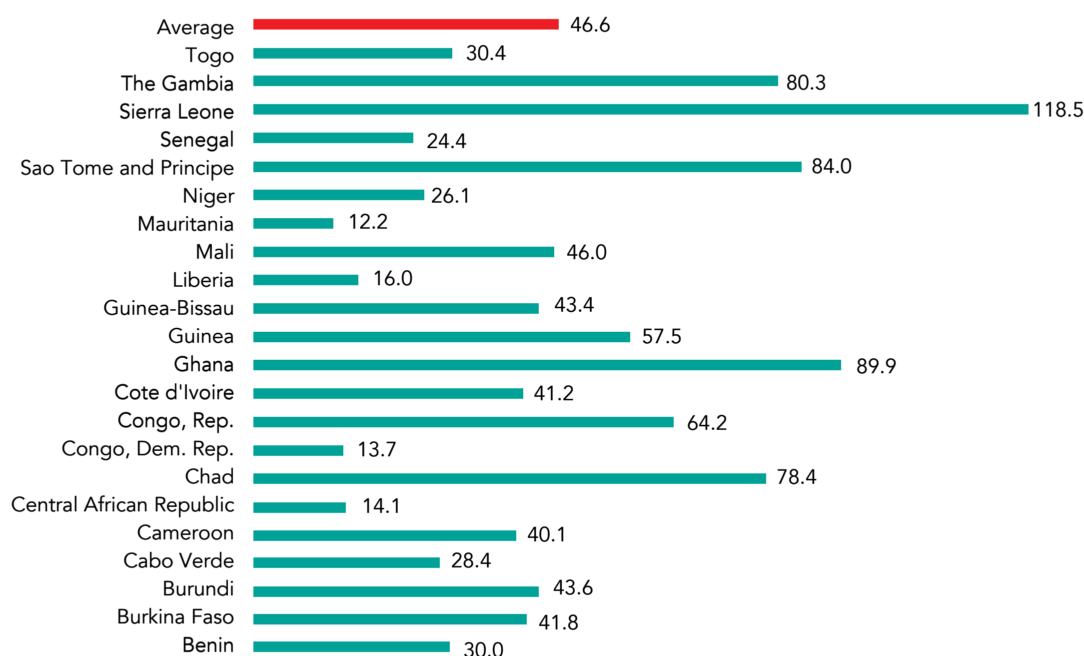


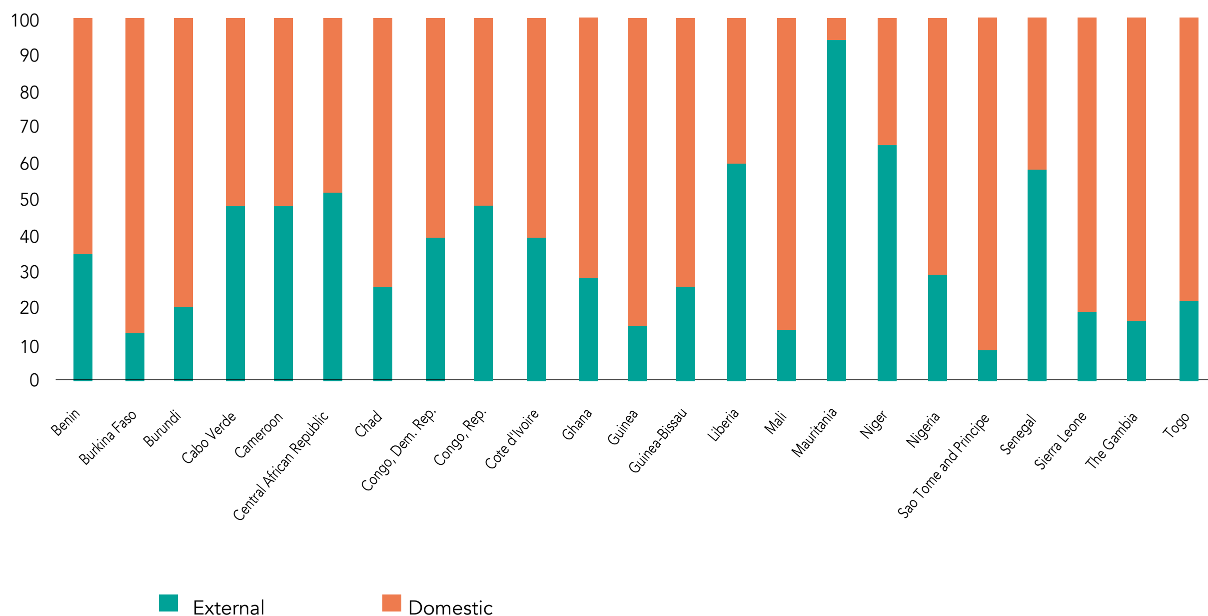
Figure 18.
Debt service as a percentage of revenues in western and central African countries (2023)



These debt trends and sharp rises in interest rates in global, regional and national debt markets have also caused a rapid increase in the interest payments on debt. The rise of interest payments is a widespread problem across the region and reflects the fact that sub-Saharan African countries pay much more to borrow on global markets than developed countries,[46] as well as their increasing dependence on even more expensive domestic borrowing to fund fiscal deficits. Interest payments on debt stand at 1.92% of GDP, roughly the same amount as is spent on health.

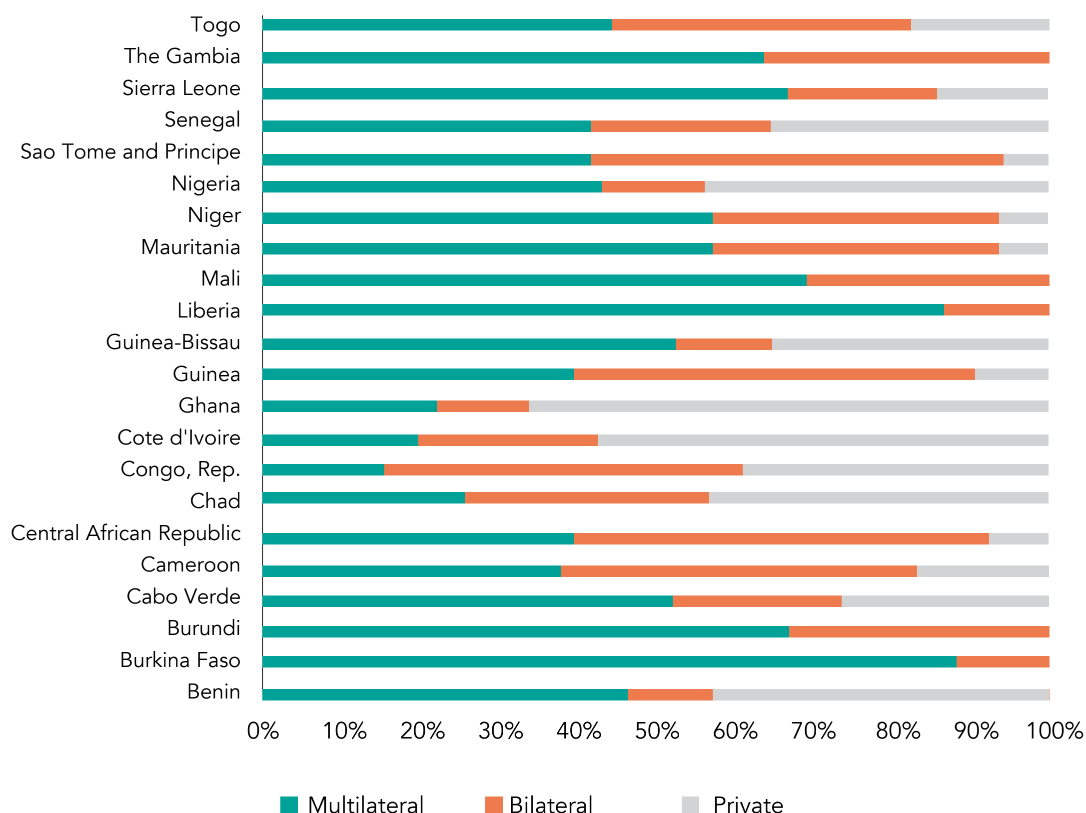
Looking at the creditor composition of external debt, while multilateral lenders remain extremely important within the region and typically offer longer maturities and more concessional interest rates, some countries also owe important shares of their external debt to private creditors. As with domestic debt, this is at more expensive commercial interest rates. Countries with high shares of private external debt include Benin, Cabo Verde, Chad, the Republic of the Congo, Côte d'Ivoire, Ghana, Guinea-Bissau, Nigeria and Senegal. On the other hand, 14 countries owe most of their debt to multilateral creditors. For countries to reduce their debt service to levels that can free up fiscal space for spending on HIV response, health, education, and social protection, it will be essential that all types of external and domestic creditors participate in providing debt relief wherever necessary (Figures 19 and 20).

Figure 19.
Composition of debt service (2023)



46 UNCTAD reports that sub-Saharan African countries borrow at rates four times higher than the USA and eight times higher than Germany. See: A world of debt: A growing burden to global prosperity. Report 2024. Geneva: UNCTAD; 2024. https://unctad.org/publication/world-of-debt

Figure 20.
Composition of external debt in western and central African countries (2022)



High public debt service is already crowding out public spending across a range of critical development priorities, including the HIV response, health, education and social protection, in almost all countries in the region. To repay current debts and to bring down budget deficits and future debts, governments across the region are already cutting back on the much-needed public spending which was included in their pre-COVID medium-term expenditure strategies, as well as their development plans to reach the Sustainable Development Goals, including SDG 3 on health.

Efforts to relieve the western and central African debt burden from 2020–2023

Since the COVID-19 pandemic, the international community has increasingly recognized that many western and central African countries have a growing debt burden, but it struggled to provide comprehensive solutions comparable to those provided between 1996 and 2010 for Heavily Indebted Poor Countries (a group of which 19 western and central African countries were members) and Nigeria.

In 2020, confronted by the sharp decline in GDP and budget revenue in most lower-income countries due to COVID-19, the international community introduced the Debt Service Suspension Initiative (DSSI). This postponed the payment of debt service by lower-income countries between May 2020 and December 2021 but added interest to the postponed amounts, thereby increasing the countries' longer-term debt burden.

Nineteen western and central African countries decided to participate in the DSSI, temporarily saving themselves $3.2 billion.[47] Benin, Ghana, and Nigeria decided not to participate, although they were eligible, ostensibly due to concerns over the potential adverse reaction of international capital markets, which might lead to increases in their borrowing costs when they could least afford it.

Since then, it has become apparent that many developing countries require a much more fundamental restructuring and reduction of their debt burdens to reach sustainable debt levels. As a result, in 2021, the international community established the Common Framework Process, now supplemented by a Sovereign Debt Round Table, in which creditors attempt to agree on coordinated levels of debt relief. So far, this process has proven very slow and has effectively covered only official bilateral creditors, with commercial and multilateral creditors mostly refusing to provide their fair shares of debt relief. As shown above, commercial and multilateral creditors account for major proportions of the region's debt service, so the debt relief on offer has been nowhere near comprehensive enough to reduce debt burdens sharply.

In western and central Africa, Chad and Ghana have sought assistance through the Common Framework process:

- Chad reached an agreement with its creditors in 2022. However, this only reprofiled $3 billion in debt (i.e. lengthened maturities) and failed to offer any actual reduction on the debt. In addition, the agreement contained a clause saying that if oil prices rose, Chad would repay its commercial debts faster: as a result of this clause and the rise in the global oil process due to the Russian Federation's invasion of Ukraine, Chad is now paying off its debts faster than it would have done before receiving relief. These payments are massively crowding out priority spending on HIV, health, education and social protection, as well as food security and climate change. In addition, there are concerns that if oil prices fall back a few years from now, Chad will experience significant debt sustainability problems again.

- Ghana has reached an agreement with many of its external and domestic creditors on potential terms for debt relief during the second half of 2023. However, the overall impact of the agreement, as estimated by the IMF, will only be to bring down its debt service to an average of 58% of its budget revenue during 2023–2025, falling significantly short of freeing up funds to spend on the social sectors at the rate needed to reach the SDGs. In addition, Ghana has committed under its programme with the IMF to reduce spending sharply, by 3.4% of GDP between 2022 and 2027, making it very difficult to protect social sector spending from cuts.

47 For the full list, see: Debt Service Suspension Initiative. Washington, DC: World Bank; 2022. https://www.worldbank.org/en/topic/debt/brief/covid-19-debt-service-suspension-initiative

For the remaining countries in the region, the very limited scale of debt relief on offer has not even been enough to convince them to apply for Common Framework debt relief despite their extremely heavy debt burdens. Major groups of commercial and multilateral creditors are refusing to provide relief, and there is a concern that applying for relief could compromise their access to domestic financing, especially in West African Economic and Monetary Union (WAEMU) countries, to the regional bond market in Abidjan. As a result, many countries have preferred to refinance their debts by borrowing more money on these markets rather than asking for debt relief. Still, in most cases, this has not successfully reduced their debt service by significant amounts.

CHAPTER 3

Looking forward to 2030. Financing prospects for the HIV response

Key messages

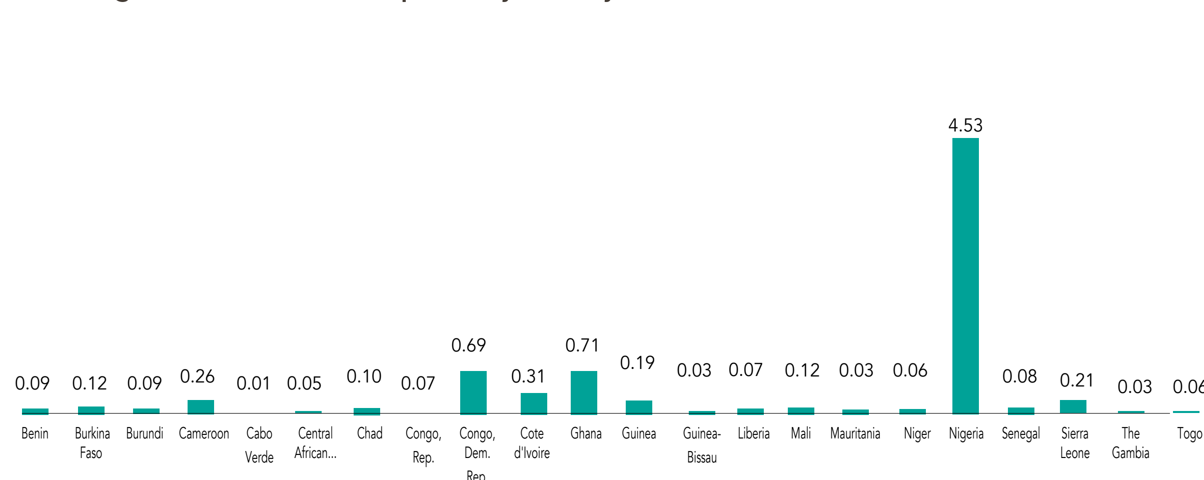
- In 2024, adjusted for forecast inflation, western and central Africa will need to mobilize $4.18 billion to fully fund the HIV response. This will climb to $7.9 billion by 2030. Nigeria alone accounts for over $4.5 billion of the $7.9 billion total amount required in 2030 by the region.
- Adjusted for inflation, in 2024, western and central Africa region will need to spend an average of 0.67% of GDP on the HIV response, rising to 0.79% of GDP by 2030. This compares with only 0.12% in 2022.
- Under a business as usual financing scenario, achieving these spending increases will be difficult. Tax revenues are projected to rise by almost 2% of GDP, from 12.84% in 2024 to 14.8% by 2030. Despite these increases, this still leaves the region lagging far behind many other world regions in terms of domestic revenue mobilization. At the same time, debt service will remain above 10% of GDP on average every year between 2024 and 2030. Debt service is also projected to consume, on average, almost 55.5 % of tax revenues and represent over 50% of public expenditure by 2030.
- At the same time, western and central Africa remains extremely vulnerable to a wide variety of downside pressures and risks, including an aid shock and another pandemic shock.
- In a scenario in which development assistance levels remain stagnant in US dollar terms between 2024 and 2030 relative to the levels seen in 2022, the amount of domestic public and private financing would need to rise by a massive 23% annually until 2030 to fully fund the HIV response.
- However, in a situation in which international donor funds for the HIV response declines by 5% annually relative to the levels seen in 2022, countries would need to increase domestic financing by 35% a year to close the additional financing gap. A renewed COVID-19 pandemic would also massively disrupt progress on all the SDGs, including SDGs 3 and 3.4.
- Even in a highly optimistic scenario in which development cooperation for HIV increases by 5% annually from 2022 levels would mobilize only $1.74 billion by 2030, leaving the region needing to mobilize $6.16 billion by 2030 from other sources.
- It will be vital to search for other financing sources. Depending on their individual circumstances, countries can implement a range of tax reforms, including increases in corporate income tax rates, increases in personal income tax for wealthy segments of the population, wealth taxes, reform of preferential tax regimes, and measures to combat tax evasion and avoidance. However, considering existing efforts to increase tax revenues, it is unlikely that countries could raise more than another 1% of GDP by 2030, equivalent to $5.6 billion of additional revenue during the period.
- Comprehensive debt relief will also be needed to close HIV and AIDS financing gaps between now and 2030. All countries within the region, except for the Democratic Republic of the Congo, will spend more than 15% of revenues on debt service every single year between 2024 and 2030. Reducing countries' debt service to 15% of revenue would provide enough financing to close the HIV and AIDS financing gap, protect against a pandemic-style shock and provide large amounts of extra financing for education, health and social protection in all countries except the Central African Republic, the Democratic Republic of the Congo and Liberia.

Spending needs to end AIDS as a public health threat

In 2024, according to UNAIDS data adjusted upwards for forecasted inflation (and to reflect recent global trends), western and central Africa will need to mobilize $4.18 billion to fully fund the HIV response, and[48] this will climb further to $7.9 billion by 2030 (Figure 21). The greatest financing needs will be felt by Nigeria, which is by far the largest country in the region by population size and alone accounts for over $4.5 billion of the $7.9 billion total amount required in 2030 by the region. The other two countries with great absolute financing needs in the region are Ghana and the Democratic Republic of the Congo (Figure 22).

Figure 21.
Total HIV financing needs for countries in western and central Africa, 2024–2030 (in billions of US dollars)

Figure 22.
Financing needs for the HIV response by country (billions of US dollars, 2030)



48 The methodology was agreed with UNAIDS. Data on the costs of ending AIDS, from the UNAIDS Databank, are in current US dollars, were converted into local currency, and then adjusted for the GDP deflator inflation forecast by the IMF between 2019 (the date when the costings were originally calculated) and 2030. They were then reconverted into US dollars using the implicit exchange rates forecast by the IMF in its WEO database when GDP forecasts in local currency and US dollars are compared. Estimate excludes São Tomé and Príncipe, where data were not available.

Adjusted for inflation, in 2024, the western and central Africa region will need to spend an average of 0.67% of GDP on the HIV response, rising to 0.79% of GDP by 2030. This compares with only 0.12% of the total spending in 2022. Spending will, therefore, need to increase sharply by 0.55% of GDP in 2024 if the region is to end AIDS as a public health threat successfully in all countries.

Greater efficiencies in how HIV and AIDS prevention and treatment programmes are managed and delivered could potentially help to reduce these costs slightly, particularly in view of the high overhead costs associated with internationally managed programmes versus those delivered by domestic public health care systems. At the same time, domestic public healthcare systems also often have their own inefficiencies (e.g. in public procurement systems). As such, achieving greater efficiencies in HIV programme delivery will likely take time and may not substantially reduce forecasts of estimated financing needs in the shorter term.

The baseline scenario: Debt service consumes rising tax revenue, HIV spending falls

How could these spending needs be financed? This section presents the current baseline or a business as usual scenario, which indicates that the spending needs will not be successfully financed if we continue with the currently planned methods of financing the HIV response.

One crucial source of finance for the HIV response is **domestic tax revenues**. Governments within the region have recognized the importance of mobilizing more domestic revenues for the HIV response. Many have also committed to mobilizing more domestic revenues between now and 2030 as part of their IMF-supported adjustment programmes. As a result, in a baseline scenario, tax revenues are projected to rise by almost 2% of GDP, from 12.84% in 2024 to 14.8% by 2030, about twice as much as countries in eastern and southern Africa. As these projections show, however, the increases remain relatively modest, and by 2030, the region will still lag significantly behind other world regions which have already achieved revenue ratios much higher than this, including Asia–Pacific at almost 20% of GDP in 2021 and Latin America and the Caribbean at 21.7% in the same year.[49]

49 DFI data contained in the CRI Tax Database.

In major part, continued challenges as regards effective revenue collection, especially on income taxes, reflect the lower per capita income of the region's citizens, a high share of GDP from agriculture in many countries, and the high level of informal or non-contractual (family) employment. All of these are key factors which reduce tax collection sharply. However, it also reflects widespread tax avoidance by large multinational corporations and the wealthiest individuals, exploiting loopholes in national tax codes, shifting their profits and wealth to lower-tax jurisdictions, and widespread preferential tax treatment, for example, on new foreign investment. As the data for 2017–2023 discussed above show, many countries within the region collect extremely low shares of their overall revenues in corporate and personal income tax. Therefore, there is considerable scope for western and central African countries to enhance corporate and personal income tax collection, as discussed in Section 3.3.

At the same time, in a baseline scenario, **debt service** will remain high and above 10% of GDP on average across all the western and central African countries for every year between 2024 and 2030. The forecast shows that debt service will rise to a high of 11.38% of GDP in 2026 and remain above 11% from 2027 to 2029. It is worth noting that in 2017, debt service stood at 6.4% of GDP, so these figures are of major concern. Particularly high debt service ratios are seen in Burkina Faso, Ghana, Guinea-Bissau, Mali and The Gambia, which are all projected to spend in excess of 15% of GDP on public debt service through to 2030. This means that even where tax revenues are projected to rise, in many cases, they are being entirely swallowed up by debt service (Figure 23).

Figure 23.
Tax revenues versus debt service (business as usual) as a percentage of GDP, 2024–2030

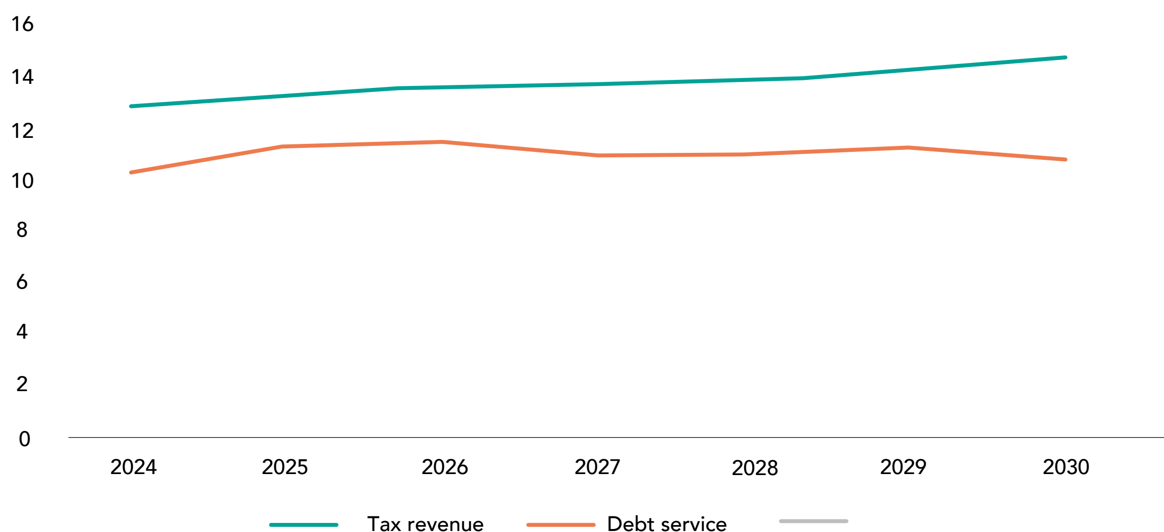
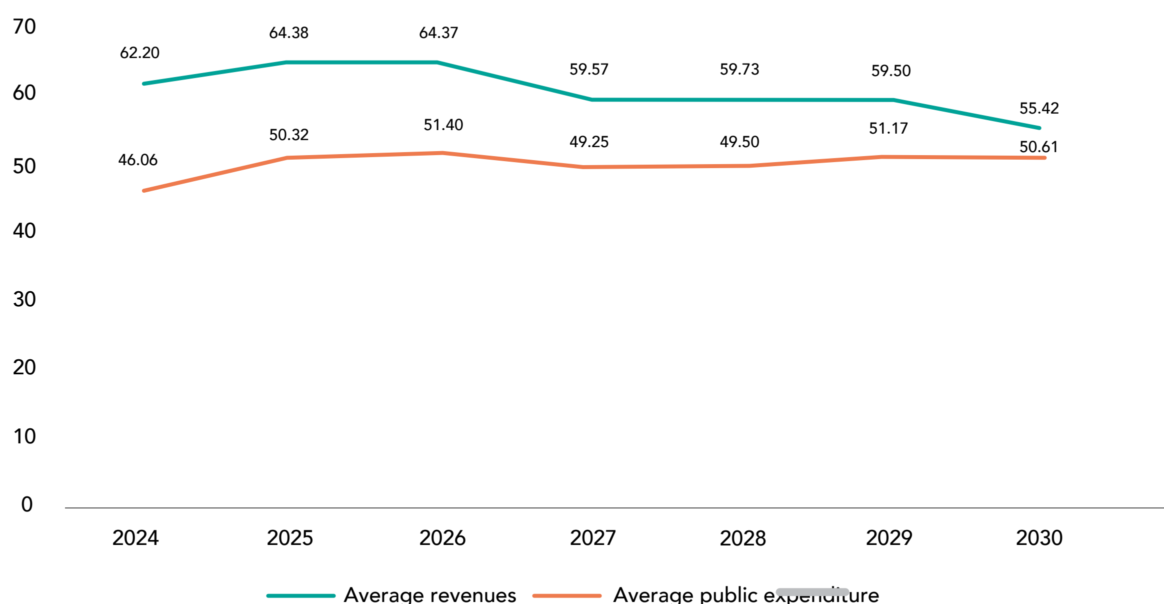


Figure 24.
Debt service as a percentage of revenues and public expenditure, 2024–2030 (business as usual scenario)



In a baseline scenario, debt service is also projected to consume, on average, almost 55.5 % of tax revenues and represent over 50% of public expenditure by 2030. In 2026, 13 countries within

Figure 25.
Debt service as a percentage of revenues, 2026 (business as usual scenario)

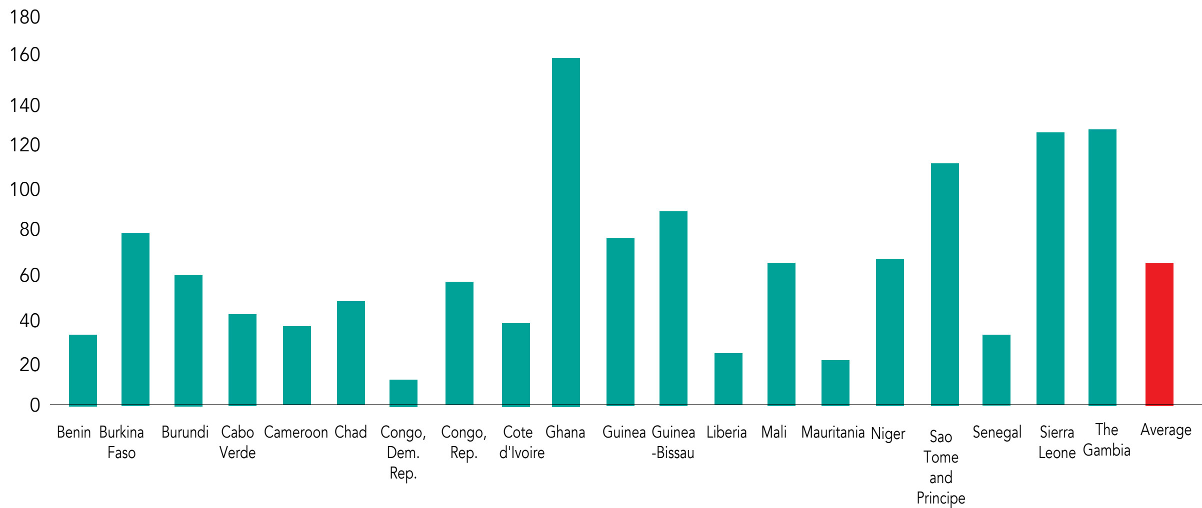
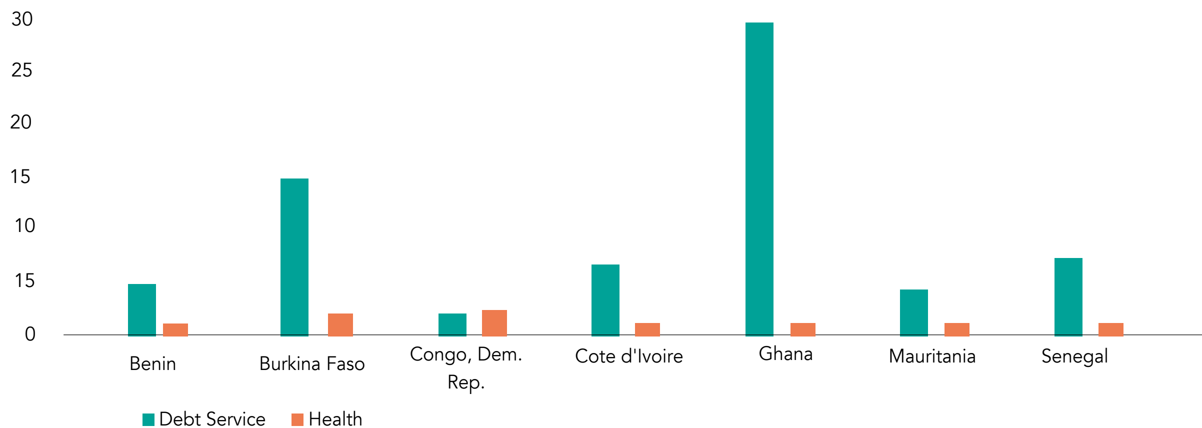


Figure 26.
Debt service versus health expenditure in the western and central African region, 2026 (as a percentage of GDP, business as usual)



the region will spend more than 40% of tax revenues on debt service; a further four will spend more than 30%. Only one country—the Democratic Republic of the Congo—is projected to have debt service to revenue ratios below the HIPC Initiative target threshold of 15% in 2026.[50] Due partly to cuts in other spending (see below), debt service will rise sharply as a proportion of total spending between 2024 and 2030 (Figures 24 and 25).

These figures mean that countries are projected to spend much more on debt service than their overall health budgets. At the extreme end is Ghana, where debt service is projected to amount to almost 25 times the amount it spends on health in 2026 as a percentage of GDP; in Burkina Faso, it will be nearly eight times. Of all the countries, only the Democratic Republic of the Congo will spend more on health than debt in 2026 (Figure 26).

It is also of particular concern that most governments across the region plan to cut back their overall public

50 DFI forecasts based on official data.

expenditures to service debt and reduce budget deficits and future borrowing. Though there are measures ('social spending floors') in place in IMF programmes to protect social spending (usually defined as education and health, so excluding social protection), these often do not envisage any significant increase in such spending and have a poor implementation record[51]. In this context, the HIV response might be further deprioritized.

Alternative scenario 1: Stagnant or declining development assistance

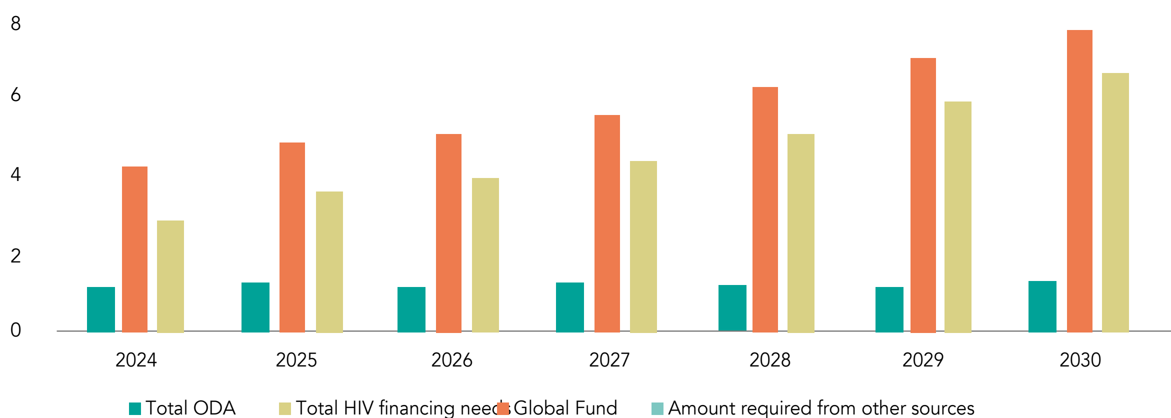
These forecasts assume a business as usual scenario, i.e. no major shocks or crises will strike between now and 2030. However, western and central Africa remains extremely vulnerable to a wide variety of downside pressures and risks. These include another pandemic or health-related shock, conflict, macroeconomic shocks and multiple climate-related shocks. The need to respond to these shocks at speed and scale could not only put further pressure on expenditures in health and the HIV response, but could further exacerbate extremely high indebtedness within the region as countries take on even more debt to cope with the shock (as has most recently been seen during COVID-19), leading in turn to an even higher debt service burden in the future.

Because of its great dependence on donor funding for the HIV response, the region remains highly vulnerable to an aid-related shock. Already, significant increases in development assistance for health are unlikely as donor countries struggle with their own economic challenges and face continued pressures to allocate resources to other high priorities like climate change and, looking forward, the need to inject finance at scale into the reconstruction of Ukraine, currently estimated to exceed $100 billion.[52]

In a scenario in which development assistance levels remain stagnant in US dollar terms between 2024 and 2030 relative to the levels seen in 2022, the amount of financing that would need to be mobilized via other sources, public and private, would increase steadily year-on-year, especially to cover the costs of inflation (Figure 27). By 2030, the funding required from non-development assistance sources would rise to $6.67 billion.[53]

Many countries in the region have made commitments in their National Strategic Plans to tackle HIV and AIDS to mobilize more domestic revenues for the HIV response, acknowledging that a dependency on development assistance resources is unsustainable in the long term and leaves them vulnerable to fluctuations in aid levels. However, the scale of the increases required to fully fund the HIV response will be out of reach for many countries in

Figure 27.
Annual financing needs from other sources if development assistance stagnates, 2024–2030 (billions of US dollars)

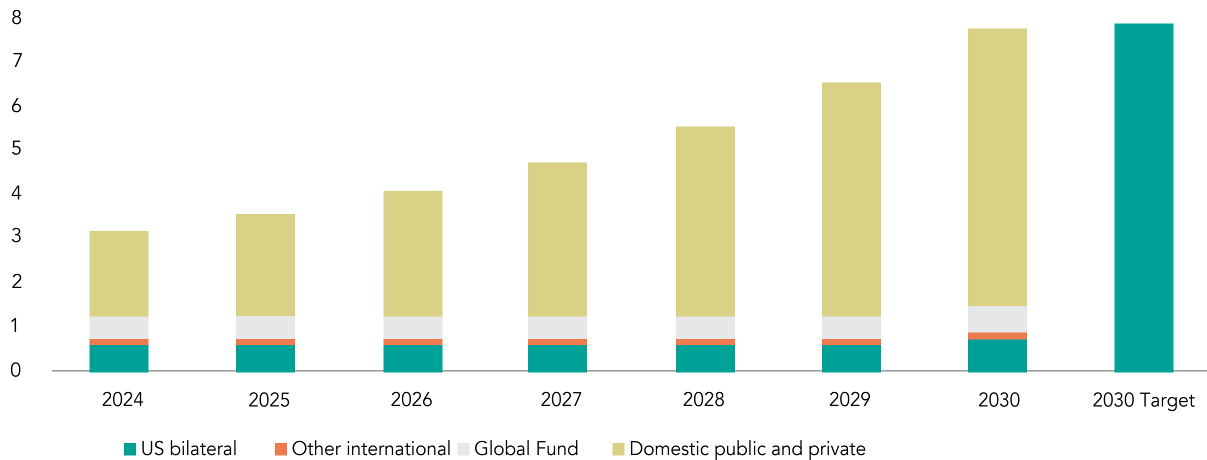


51 IMF social spending floors: A fig leaf for austerity? Oxford: Oxfam; 2023. https://policy-practice.oxfam.org/resources/imf-social-spending-floors-a-fig-leaf-for-austerity-621495/

52 Prizzon A. What prospects for aid in 2022 (and beyond)? London: Overseas Development Institute; 2022. https://odi.org/en/insights/what-prospects-for-aid-in-2022-and-beyond/

53 All figures in this section are given in current US dollars.

Figure 28.
Domestic spending must increase by 23% annually if development assistance stagnates, 2024-2030 (in billions of US dollars)



the absence of debt relief or enhanced concessional flows. Even in the scenario where development assistance stagnates at its 2022 US dollar levels, domestic public and private financing would need to rise by a massive 23% annually until 2030 to fully fund the HIV response (Figure 28).[54]

Of greater concern is a situation in which international donor funds for the HIV response *decline* between 2024 and 2030. Even relatively small cuts could have a substantial negative impact. For example, if development assistance declines by 5% annually relative to the levels seen in 2022, this would leave countries requiring an increase of 35% a year in domestic financing to close the additional financing gap.

Alternative scenario 2: Another COVID-19 scale pandemic

The other alternative scenario tested in this report is that of a renewed global pandemic shock on the scale experienced during COVID-19. Most recent studies conclude that the annual likelihood of such a pandemic is between 2% and 3.3%, rising with time—implying that between 2023 and 2030, the likelihood of another pandemic will increase by between 14% and 23%.[55]

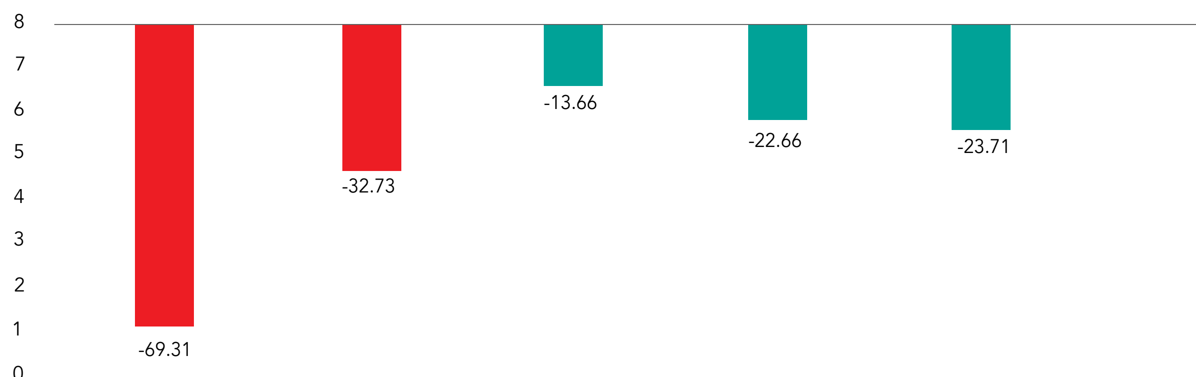
To calculate the potential impact of such a pandemic on HIV financing availability, we have examined the impact of the COVID-19 pandemic on revenue levels since 2020 by comparing IMF World Economic Outlook Database forecasts from October 2019 (pre-pandemic) and October 2023. Compared to revenue levels forecast before the pandemic, revenues fell short across the region by $27.1 billion in 2020 and $5.5 billion in 2021. The revenue shortfall in 2020 represented 11% of the revenues originally forecast for that year. Since 2022, due to the sharp rise in oil prices, overall revenues across the region have been higher than previously projected. However, non-oil exporting countries are still seeing average revenue shortfalls of around 8% compared to 2019 forecasts, showing the permanent 'scarring' effect of the pandemic on revenues. A renewed COVID-19 pandemic would, therefore (as the current one has done), massively disrupt progress on all the SDGs, including SDGs 3 and 3.4 (Figure 29).

This section does not analyze potential individual economic or climate shocks which countries will face because the impact on countries of these potential shocks is so variable as to make forecasting their impact across the region a highly complex and time-consuming exercise and one beyond the scope of the current work. For example, on the economic

54 DFI forecasts based on official data.

55 What's next? Predicting the frequency and scale of future pandemics. London and Washington, DC: Centre for Global Development; 2021. https://www.cgdev.org/event/whats-next-predicting-frequency-and-scale-future-pandemics
New study suggests risk of extreme pandemics like COVID-19 could increase threefold in coming decades. Geneva and Washington, DC: Vaccine Alliance; 2022.
https://www.gavi.org/vaccineswork/new-study-suggests-risk-extreme-pandemics-covid-19-could-increase-threefold-coming#:~:text=Researchers%20estimate%20we%20currently%20face,change%20is%20increasing%20this%20risk.

Figure 29.
Western and central Africa revenue losses during the COVID pandemic (billions of US dollars)



side, Cameroon, Chad, Republic of the Congo, Ghana and Nigeria would be hit hard by a oil price shock; Burkina Faso, the Democratic Republic of the Congo, Guinea, Mali, Mauritania, Niger and Sierra Leone by minerals price shocks; and Burundi, Côte d'Ivoire, Ghana, Liberia, São Tomé and Príncipe and Togo by 'soft' commodity price shocks (e.g. cocoa and coffee). On the climate side, the main concern is for the Sahelian countries, which will be hit by rising temperatures and repeated droughts, with major damage to agricultural production and water availability, and more coastal countries will also feel severe effects. As a result, this section underestimates the potential shocks countries may face, all of which will severely reduce their ability to fund the HIV response from their resources.

How to fill the financing gaps: Tax revenue rises, debt relief and concessional finance

In the light of the substantial forecast HIV response financing gaps described in the previous sections, exacerbated by the risk of stagnating or declining development assistance and other potential shocks, it will be vital for the region to search for other financing sources. Many sources of potential financing, such as non-concessional borrowing, public–private partnerships (PPPs) or other 'blended' public and private finance, would be massively expensive and would not solve the financing gap issue at all, as over time, their costs would dramatically increase the already high burden of debt service or divert revenue flows to repay PPPs. Innovative financing mechanisms, like debt for health swaps and social impact bonds, may have a small role in some countries but can be lengthy to negotiate and complex to structure, while they generally mobilize only relatively small amounts of funding over a particular period (e.g. five years). As such, they should be viewed as *complementary* rather than *core* sources of finance. To achieve scale, the three key additional sources of HIV response financing going forward will therefore need to be tax revenue, debt relief and additional concessional financing.

Revenue increases

While countries within the region recognize the critical importance of revenue increases between 2024 and 2030, Section 2.2 showed that many have struggled to do so in practice. The question is whether more could be done to mobilize domestic revenue to close the HIV and AIDS (and broader health and social sector) financing gaps. Analysis from the 2022 Commitment to Reducing Inequality Index (CRI) database and other sources allows us to identify the most important measures which could be taken, split into: (a) measures to increase tax collection by filling policy gaps—especially making the structure of the tax system more equitable (by ensuring that the wealthiest citizens and corporations pay their fair share); and (b) measures to collect a higher amount of taxes.

Filling policy gaps. In terms of filling policy gaps by

Figure 30.
Standard corporate income tax rates (per cent, 2023)

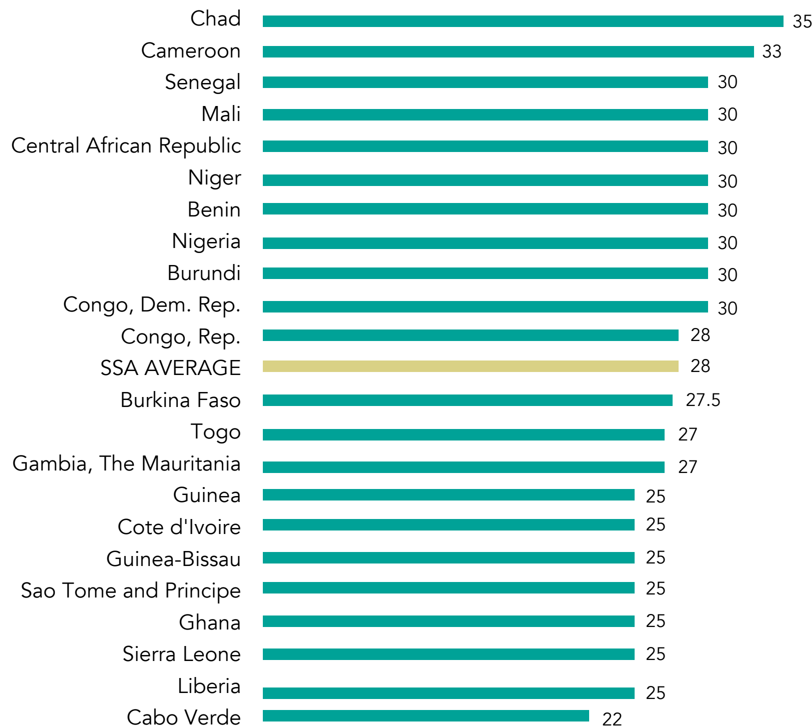
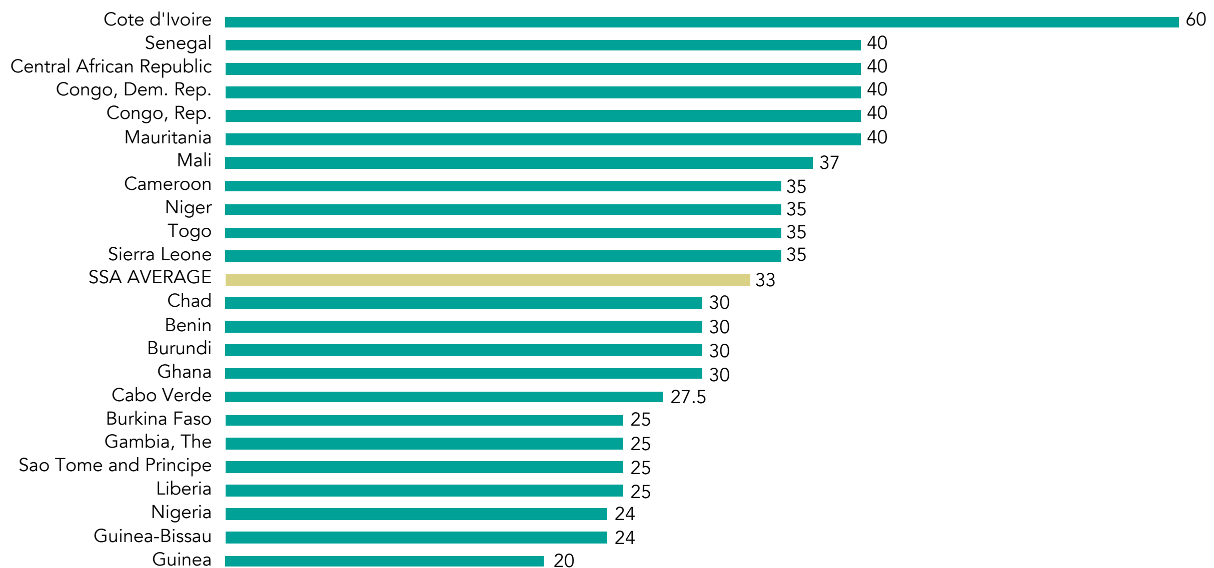


Figure 31.
Top personal income tax rates (per cent, 2023)



changing the structure of the tax system to collect more tax from the richest, Figures 30 and 31 show the current standard rate of corporate income tax (CIT) and the top rate of personal income tax (PIT) for western and central African countries. They indicate that:

- Twelve countries (Burkina Faso, Cabo Verde, Côte d'Ivoire, Ghana, Guinea, Guinea-Bissau, Liberia, Mauritania, São Tomé and Príncipe,

Table 4.
Scale of tax exemptions in western and central African countries (2020–21)

Country	Percentage of GDP	Percentage of tax revenue	US dollar equivalent (m)
Benin	1.95	17.7	345
Burkina Faso	1.23	7.7	242
Burundi	3.39	19.1	113
Cabo Verde	0.94	38	132
Cameroon	2.52	19.3	998
Côte d'Ivoire	0.94	7.1	676
Democratic Republic of the Congo	0.85	13.6	412
Guinea	1.73	13.6	205
Liberia	3.39	26.2	103
Mali	2.92	19.4	574
Mauritania	3.21	26.8	2586
Niger	1.92	19.1	286
Senegal	6.00	35.7	1470
Sierra Leone	1.84	14.6	78
Togo	2.28	10.2	192

Source: GTED Database. 2024. https://gted.taxexpenditures.org/

No data were available for the Central African Republic, Chad, the Republic of the Congo, Ghana, Guinea-Bissau, Nigeria, São Tomé and Príncipe, or The Gambia.

Sierra Leone, The Gambia and Togo) could **increase their standard CIT rates to match the sub-Saharan average of 28%**. Within the region, the West African Economic and Monetary Union (WAEMU) countries already have a common CIT rate range of 25–30%; and the ECOWAS region is contemplating introducing a similar common rate.

- Twelve countries (Benin, Burkina Faso, Burundi, Cabo Verde, Chad, Ghana, Guinea, Guinea-Bissau, Liberia, Nigeria, São Tomé and Príncipe and The Gambia) **could raise their top PIT rates to match the Sub-Saharan African average of 33%.**

In addition to these income tax policy shortfalls, many countries in the region fall short on other taxes on financial earnings and wealth in several ways: (i) capital gains tax rates are often much lower than income taxes; (ii) taxes on financial income such as dividends and interest earnings are much lower than income taxes; (iii) property taxes are insufficiently progressive; and (iv) taxes on the stock of wealth are absent. Many western and central African countries could make stronger efforts in these areas.[56]

Table 4 shows the scale of tax 'expenditures' (exemptions, deductions, etc.) for the 15 western and central African countries for which information is available. In most cases, the amounts listed are relatively large compared to GDP and current tax revenue, especially for Benin, Burundi, Cameroon, Liberia, Mali, Mauritania, Niger and especially Senegal (where they exceed one-third of current tax revenues). As a result, reducing them would seem to provide major scope for revenue increases. However, it should not be forgotten that some of these exemptions (notably VAT reduction or exemption on foodstuffs consumed by people experiencing poverty, tax exemption on private pension and health contributions) might be politically very difficult to eliminate or reduce (and

56 For more details on these taxes in western and central Africa and what could be done to improve them, see the commitment to reducing inequality report for West Africa: The West Africa inequality crisis fighting austerity and the pandemic. Oxford: Oxfam International and DFI; 2021. https://oxfamilibrary.openrepository.com/bitstream/handle/10546/621300/rr-west-africa-cri-austerity-pandemic-141021-en.pdf (2021).
See also the forthcoming report on the Sahel: Affronter les inegalités et la crise multidimensionnelle : le besoin de repenser les politiques publiques au Sahel.

eliminating the former would be undesirable from an equity point of view), and therefore might happen very gradually or not at all.

Tax evasion and avoidance[57]

All western and central African countries suffer from widespread tax evasion and avoidance, estimated by the Tax Justice Network at an average of 6.8% of their tax revenues. In recent years, major efforts have been made to reduce tax evasion by corporations via the Base Erosion and Profit Shifting (BEPS) initiatives led by the OECD, which have recently culminated in the agreement on a minimum global corporate tax rate of 15%; and by individuals through information-sharing among tax authorities. However, the consensus across organizations, ranging from the IMF and OECD to the Independent Commission for the Reform of International Corporate Taxation (ICRICT) and the Tax Justice Network, is that lower-income countries stand to gain very little from the current global initiatives. A more productive route to combating tax evasion and avoidance has been country-specific capacity-building and technical assistance to reinforce auditing of large taxpayers, including via the OECD–UNDP Tax Inspectors Without Borders programme.

Tax administration shortfalls

Finally, countries suffer from shortfalls in the administrative capacity to collect taxes. On the whole, these shortfalls would be expected to be taken into account, and remedies built into projections of tax revenue increases in virtually all countries in the region—which have or are negotiating IMF programmes (Benin, Burkina Faso, Burundi, Cabo Verde, Cameroon, the Central African Republic, Chad, the Republic of the Congo, Côte d'Ivoire, Democratic Republic of the Congo, Ghana, Guinea-Bissau, Liberia, Mauritania, São Tomé and Príncipe, Senegal and Sierra Leone). As a result, there is likely to be scope for more action on these administrative aspects only in Guinea, Mali, Niger, Nigeria and Togo.

It is essential to be realistic about what extra measures can be achieved to increase tax revenues. Many countries are already projected to make strong efforts to increase tax collection between 2024 and 2030. On average, tax collection across the region is due to rise by 1.2% of GDP. In the cases of Benin, Burundi, Chad, Congo, Democratic Republic of the Congo and Côte d'Ivoire, their efforts will raise tax collection above 'potential' levels; and Burkina Faso, Cabo Verde, the Central African Republic, The Gambia, Ghana, Guinea, Liberia, Mauritania, Senegal, Sierra Leone and Togo will be increasing revenue by more than 1.5% of GDP. However, considerably more could be done in Cameroon, Chad, Guinea-Bissau, Mali, Niger, Nigeria, and São Tomé and Príncipe. Therefore, we assumed that enhanced efforts across the region would raise only another 1% of GDP by 2030, bringing average revenue rises to 2.2% between 2024 and 2030 and average revenue to 16.2% of GDP.

Given the large existing financing gaps for the HIV and AIDS response, such increases in tax revenue would (except in Senegal) be insufficient to close the HIV and AIDS financing gap in western and central Africa or protect against a development assistance shock. They would also fall far short of the extra financing to protect against a further pandemic shock. In addition, they would not provide additional funds to enhance education, health, and social protection systems, which are vital in the fight against AIDS.

Comprehensive debt relief and measures to reduce borrowing costs

Comprehensive debt relief will need to be one key solution to help close the broader HIV-related social sector financing gaps between the present time and 2030. If properly designed and involving all creditors, debt relief is an especially efficient fiscal boost since it directly and immediately frees up resources which would have otherwise been spent on debt service for spending on other sustainable development priorities, including health. It also provides a long-term, predictable stream of savings from debt service which can be used to boost long-term spending efforts.

Experience from the HIPC Initiative shows that debt reduction led to large increases in spending on poverty reduction, especially through free universal education and health. For example, the IMF found that before the HIPC Initiative, eligible countries spent slightly more on debt service than on health and education combined. Following the initiative, however, they were spending about five times more on health, education, and other social services than

57 Data in this section are taken from: Tax Justice Network: https://taxjustice.net/reports/the-state-of-tax-justice-2023/

on debt service.[58] This increase was because the HIPC Initiative targeted debt service to revenue levels below 15% and eventually achieved an average debt service to revenue level of 11% across all HIPCs.

Several of the region's countries are already in debt distress (the Republic of the Congo, Ghana and São Tomé and Príncipe) or are at high risk of debt distress (Burundi, Cameroon, Central African Republic, Chad, The Gambia, Guinea-Bissau and Sierra Leone). Several countries (Cabo Verde, Cameroon, Chad, Guinea-Bissau, Mali, Niger) have also recently restructured or are currently restructuring their debt, or are in arrears to various creditors. It is also vital to note that *all* countries within the region, except for the Democratic Republic of the Congo, will spend more than 15% of revenues on debt service *every single year* between 2024 and 2030. Bringing all these countries' debt service down to levels comparable with those following the HIPC initiative relief (15% of budget revenue) would free up much-needed resources for the HIV response when they are most needed. This relief would need to be provided much more rapidly and comprehensively than current Common Framework agreements to reduce debt service dramatically as soon as possible. Reducing country debt service to 15% of revenue would provide enough financing to close the HIV and AIDS financing gap, protect against a pandemic-style shock and provide large amounts of extra financing for education, health and social protection in all countries except the Central African Republic, the Democratic Republic of the Congo and Liberia.[59]

In addition to these measures, additional proposals have been put forward to enable countries to rapidly scale up investments in the SDGs, most notably via the Bridgetown Initiative, and reiterated by the United Nations Economic Commission for Africa, African Finance Ministers via the African Union, and the Sustainable Debt Coalition of Northern and Southern Governments formed at the recent Paris Summit.[60] They focus on bringing down borrowing costs for countries that apply for debt relief and those that need to continue to fund their development by borrowing from external and domestic credit markets.

In practical terms, these proposals involve:

- A rapid expansion of concessional and non-concessional lending by multilateral development banks, with concessional funds being made available for World Bank borrowers, for key non-commercial social sectors such as health, and a focus on grants for countries with high debt burdens.
- Regular issuances of around $650 billion of IMF Special Drawing Rights, the majority of which would be reallocated and channelled to developing countries.
- The use of guarantees by the multilateral development banks to remove default risk and push international and domestic bond markets to bring interest costs on bonds down dramatically.

According to UNDP, these proposals would allow middle-income countries worldwide to reduce their borrowing costs by around 50%.[61] If any countries in this region decided not to go for debt relief, it would be essential to focus on implementing these alternative measures to reduce borrowing costs and free up funding for the HIV financing response and broader supportive social spending.[62] For example, if interest costs could be reduced by half in Nigeria, this would save an estimated average of $13 billion a year during 2024–2030.

Access to adequate concessional finance

Neither of the previous two sections removes the need for OECD and non-OECD development partners to make more concessional resources available for health and HIV response between now and 2030 (partly because any relief on bilateral debt is likely to be funded from development cooperation budgets).

However, even a highly optimistic scenario in which development cooperation for HIV increases by 5% annually from 2022 levels would mobilize only $1.74

58 Debt Relief Under the Heavily Indebted Poor Countries Initiative. IMF Fact Sheets.Washington, DC: IMF; 2023. https://www.imf.org/en/About/Factsheets/Sheets/2023/Debt-relief-under-the-heavily-indebted-poor-countries-initiative-HIPC#:~:text=Before%20the%20HIPC%20Initiative%2C%20on,services%20than%20on%20debt%20service.

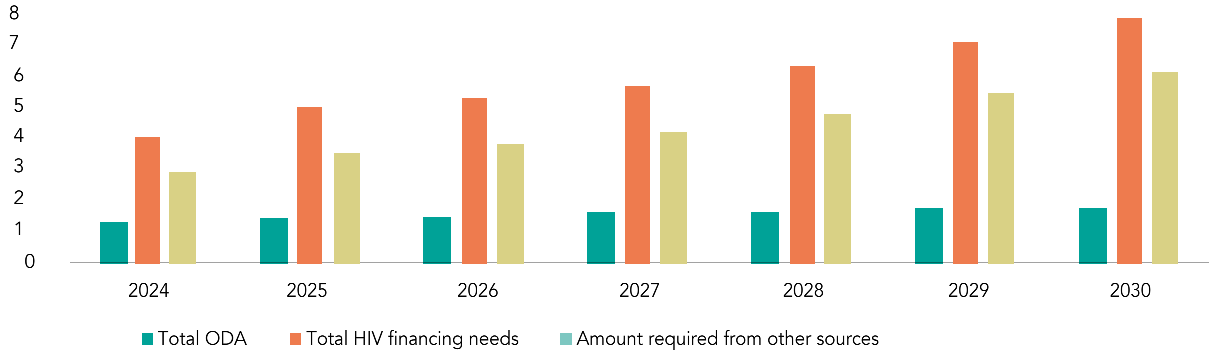
59 Data on projected debt service for Nigeria are not available but, given that debt service currently absorbs 65% of budget revenue, there is confidence that debt reduction would close the financing gap there as well.

60 Bridgetown Initiative. Press Release. New York: UN; 2023. https://www.un.org/sustainabledevelopment/blog/2023/04/press-release-with-clock-ticking-for-the-sdgs-un-chief-and-barbados-prime-minister-call-for-urgent-action-to-transform-broken-global-financial-system/

61 UNDP: Building blocks out of the crisis: The UN's SDG stimulus plan. New York: UNDP; 2023. https://www.undp.org/publications/dfs-building-blocks-out-crisis-uns-sdg-stimulus-plan

62 Because none of the countries in this region fund their budgets entirely from international capital markets, it has been assumed that all would apply for well-structured comprehensive and rapid debt relief if this were available. Therefore we have not tested the alternative scenario of bringing down interest payments by 50% for any of the countries.

Figure 32.
Development assistance increases of 5% annually still leave large financing gaps, 2024–2030 (in billions of US dollars)



billion by 2030, leaving the region needing to raise $6.16 billion by 2030 from other sources (Figure 32).

It is difficult to disagree with the conclusions of the June 2020 Paris Development Financing Summit that there needs to be a step change in the global provision of concessional resources on a scale which was last seen during the 2000s, when development assistance rose by 0.1% of gross national income (GNI) across OECD DAC donors, leading to much faster progress towards the Millennium Development Goals. Since then, it has stagnated as a share of GNI: the Paris Summit suggested that the only way to fund large sustainable increases in development assistance and development cooperation would be through much stronger measures such as global taxes on financial transactions, carbon emissions, transport fuels and corporate/personal wealth. According to those suggesting these taxes, they could potentially provide annual revenues well into the trillions.

All of these different financing scenarios are eminently feasible but will require strong political leadership and commitment. As a result, they are all likely to advance slowly and patchily (if at all), making strong efforts to pursue higher tax revenue, debt relief (including lower borrowing costs), and more grant financing, all necessary at the same time.

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CHAPTER 4

Conclusions and recommendations

Key messages

There are three actionable strategies that can be taken to close financing gaps for the HIV response:

- Tax revenues. Countries could make tax systems more equitable and productive through measures such as raising top personal income tax rates and standard corporate income tax rates. They could also make taxes on capital gains, property, and financial earnings more progressive. Further, they could collect more tax by dramatically reducing tax exemptions enhancing efforts to combat tax-dodging.
- Debt reduction. For countries which do not have regular access to international markets, and are in debt distress or have high service, comprehensive debt reduction is needed. The aim should be to reduce debt service to no more than 15% of budget revenues. Doing so would potentially free up an average of 2.5% of GDP or $32 billion a year. There are no countries in the western and central African region which routinely fund their budgets by borrowing from international capital markets. Nevertheless, for any countries not opting for debt relief, measures should be taken to refinance their debts at lower borrowing costs, including using guarantees by the international community.
- Access to adequate concessional resources. Donors must ensure more grant resources for health and the HIV response are available between the present time and 2030. The aid effort can be strengthened by implementing robust measures such as global taxes on financial transactions, carbon emissions, transport fuels and corporate/personal wealth, mobilizing revenues well into the trillions.

Under all potential scenarios, financing gaps between 2024 and 2030 for the HIV response in western and central Africa are forecast to be high. However, a combination of maximum extra tax revenue efforts by countries within the region, debt relief, measures to reduce borrowing costs, and enhanced access to concessional finance could easily close the HIV and broader health financing gaps in the region.

Actionable strategies to close financing gaps for the HIV response

Based on the analysis in this report, the following actionable recommendations can be made. The sooner these actions can be taken, the sooner much-needed additional revenues for the HIV response can be mobilized. They are all actionable in the short-term.

Domestic tax revenues. Tax collection is particularly low in most western and central African countries. To reduce long-term dependence on aid resources for health and the HIV response, countries will need to mobilize more domestic tax revenues by:

a. **Making tax systems more equitable and productive.** This could involve reforming top personal income tax rates (in Benin, Burkina Faso, Burundi, Cabo Verde, Chad, Ghana, Guinea, Guinea-Bissau, Liberia, Nigeria, São Tomé and Príncipe and The Gambia) and standard corporate income tax rates (in Burkina Faso, Cabo Verde, Côte d'Ivoire, Ghana, Guinea, Guinea-Bissau, Liberia, Mauritania, São Tomé and Príncipe, Sierra Leone, The Gambia and Togo) to match the averages across sub-Saharan Africa. Other avenues which could be explored, subject to individual countries' circumstances, include taxes on capital gains, property, wealth taxes, and strengthening taxes on goods which undermine public health, such as alcohol, tobacco and sugar.

b. **Collecting more tax.** This would mean dramatically reducing tax exemptions (especially in Benin, Burundi, Cameroon, Liberia, Mali, Mauritania, Niger and Senegal), which currently cost countries an average of 2.6% of GDP in lost revenue across the region; and enhancing efforts to combat tax evasion by improving the auditing of large taxpayers and making maximum use of the exchange of information with other tax authorities on offshore profits and wealth holdings.

Considering existing efforts to increase tax revenues in many countries (averaging 1.2% of GDP extra), it is unlikely that countries could raise more than another 1% of GDP by 2030, equivalent to $5.6 billion of additional revenue during the period. This would be well short of the amounts needed to close the HIV and AIDS financing gap in western and central African countries, apart from Senegal, and would not provide enough financing to protect against development assistance or pandemic shock in any country. In addition, it would provide no additional funds to enhance education, health and social protection systems, which are vital in the fight against AIDS.

Debt reduction. High debt is a concern right across the region, and public debt service levels are forecast to remain high between 2024 and 2030. Alleviating debt pressures through cuts to public expenditure, including on the social sectors, is unlikely to increase fiscal space significantly and, unfortunately, more likely to impact the poorest and most vulnerable hardest. It is also likely to put the ambitions of the 2021 Political Declaration even further out of reach. Instead, measures to reduce debt through debt relief for the countries that need it and a reduction in borrowing costs for others must be on the table. Between 2024 and 2030, all countries in the region except the Democratic Republic of the Congo will allocate over 15% of their revenues to debt service, and in Burkina Faso, Ghana, Guinea, Guinea-Bissau, Mali, Niger, Sierra Leone and The Gambia, this will exceed 70%. Measures must be taken to reduce debt service:

a. For countries that do not have regular access to international markets, are in debt distress, or have high service (virtually all countries in the region), comprehensive and rapid debt reduction is needed, in which all creditors participate. Its aim should be to reduce debt service to no more than 15% of budget revenues, as was done under the HIPC Initiative. This would potentially free up an average of 2.5% of GDP, or $32 billion a year.

b. None of the countries in the western and central African region routinely fund their budgets by borrowing from international capital markets. Nevertheless, for any countries not opting for debt relief, measures should be taken to

refinance their debts at lower borrowing costs, including using guarantees by the African Development Bank, World Bank and other development financing institutions. If such refinancing halved their interest costs, it could, for example, expand Nigeria's fiscal space for HIV and AIDS and other essential social spending by around $12 billion (1.5% of GDP on average) between 2024 and 2030.

Reducing debt service using these measures would close the HIV financing gap and provide enough funding to protect against development assistance or pandemic shock in most western and central African countries. However, this would not be the case in the Central African Republic, the Democratic Republic of the Congo, or Liberia, where extra grant financing is needed.

Access to adequate concessional resources. Donors must ensure that more grant resources for health and the HIV response are available between the present time and 2030 if the ambition to 'End AIDS as a Public Health Threat by 2030' is to be realized. This report has shown that even minor cuts to development assistance could have a devastating impact on the region's ability to fund essential HIV prevention and treatment services. Development assistance, therefore, needs to continue to rise between 2024 and 2030, and more of it needs to be spent in the poorest countries on combating HIV and AIDS and enhancing broader social spending. To complement traditional development assistance and maximize the availability of concessional resources for health and the HIV response, the international community should also:

a. Boost the use of Special Drawing Rights (SDRs) as a tool to respond to international health crises and emergencies, including the HIV and AIDS epidemic. Regular issuances of SDRs, and the allocation by wealthier countries of some of their SDRs to the poorest and most vulnerable countries (as has been occurring in 2021–2023), including those impacted most severely by HIV and AIDS, could help to accelerate progress in the fight against the virus.

b. Explore the use of global taxes on financial transactions, carbon and wealth, all of which have been estimated to be capable of mobilizing trillions of additional dollars.

Overall, this report has shown that only by combining increased efforts to mobilize tax revenue, comprehensive debt relief, and provide additional concessional financing, can we rescue SDG4 and ensure that western and central Africa successfully ends AIDS as a public health threat by 2030.

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