GROUP OF TWENTY

G-20 Background Note on Macroeconomic Vulnerabilities in Africa: Key Issues and Policy Lessons

2025

Prepared by Staff of the

INTERNATIONAL MONETARY FUND*

*Does not necessarily reflect the views of the IMF Executive Board

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CONTENTS

EXECUTIVE SUMMARY

Africa has significant potential arising from its young population and natural resources. However, successive shocks have negatively impacted the region, eroding buffers and exposing underlying vulnerabilities. A nascent recovery and gradual improvements in macroeconomic imbalances are now at risk of being derailed by renewed global trade disruptions, shifting development aid priorities, and heightened uncertainty. Low-income African countries with still high public debt levels, stubborn inflation, large external deficits, and thin foreign reserve buffers are particularly vulnerable.

Sound policies and ambitious reforms aiming at addressing macroeconomic and structural vulnerabilities will be esential to boost resilience to shocks, safeguard macroeconomic stability, and unlock countries' growth potential.

- Fiscal consolidation—including through improving the efficiency of public spending and domestic revenue mobilization, while protecting vulnerable groups—remains essential to rebuild buffers and safeguard debt sustainability.
- Monetary policy will need to remain focused on price stability, supported by credible frameworks and sound financial and external sector policies.
- Growth-enhancing structural reforms should focus on improving the business environment, strengthening governance, and supporting job creation, along with efforts to improve education, health, technological adoption, and trade integration.

Stable, and prosperous developing economies, including in Africa, can support global growth and stability. In addition to domestic policy efforts, continued international support—including concessional financing, capacity development, and debt restructuring where needed—remains critical to promote sustained growth and development. International cooperation is also essential to address challenges from climate change and support global trade.*

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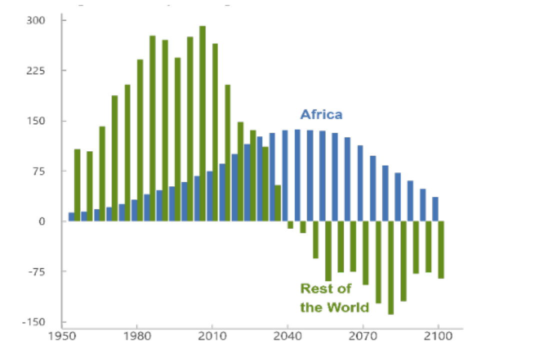
INTRODUCTION

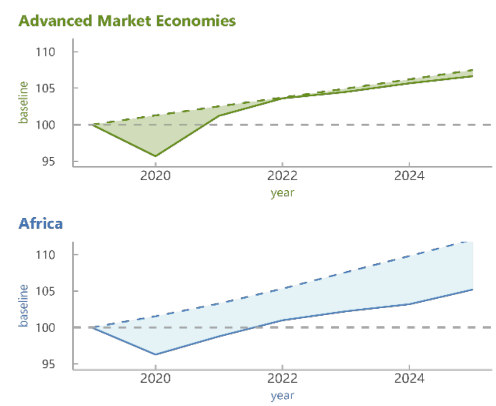
1. Africa has significant potential to become a driver of global dynamism and growth. By 2030, 60 percent of all new entrants into the global labor force will come from Africa, which, by 2050, will be home to a quarter of the world's population. Moreover, Sub-Saharan Africa accounts for 30 percent of the world's critical minerals, which are essential for the global green transition (IMF 2024a). The opportunities offered by Africa's demographic dividend and natural resources can have profound implications for the region and the global economy, during what could become "the African century" (Selassie, 2021).

Change in Working Age Population, 1950–2100
(In millions, ages 15–64, five-year change)



Sources: United Nations, World Population Prospects, 2024 Revision, and IMF staff calculations.

Per Capita GDP, 2019–25
(Index, 2019=100)



Note: Dotted line shows projections in October 2019.
Source: IMF World Economic Outlook database.

2. However, major shocks have negatively impacted the region, eroding policy buffers and exposing underlying vulnerabilities. Africa has been deeply scarred by the pandemic and subsequent cost-of living crisis. Average real per capita incomes are lower by nearly 7 percentage points compared to the pre-pandemic trend, making convergence towards emerging market and advanced economy living standards more difficult and hampering efforts to reduce poverty and food insecurity.[1] The successive shocks have eroded policy buffers, leaving countries with limited space to respond to future shocks and exacerbating existing vulnerabilities. Major policy shifts resetting the global trade system and the landscape of official development assistance (ODA) are adding to these challenges.

3. Addressing macroeconomic and structural vulnerabilities is essential to safeguard macroeconomic stability, boost resilience to shocks, and unleash Africa's significant potential. The remainder of this paper will summarize recent developments and outlook for Africa, discuss macroeconomic and structural vulnerabilities, and draw policy lessons that could also benefit other emerging and developing economies (EMDEs) facing similar challenges.

[1] Poverty remains widespread, with a quarter of the population living on less than $2.15 per day and nearly 170 million people still classified as severely food insecure.

RECENT DEVELOPMENTS AND OUTLOOK

A. A Nascent Recovery

4. **African economies saw signs of a nascent recovery in 2024, but with significant heterogeneity across the region** (Figure 1). While regional growth remained broadly stable at 3.2 percent in 2024, 8 of the 20 fastest growing economies in the world last year were in Africa (IMF 2025b). Sub-Saharan Africa (SSA) saw a pick-up in growth to 4 percent in 2024 (from 3.6 percent in 2023), driven by public investment, commodity exports, and ongoing efforts at diversification. Growth in North Africa, on the other hand, declined to 1.9 percent in 2024 (from 2.9 percent the year before), largely on account of macroeconomic challenges in Egypt and the war in Sudan.[2] But here, too, there were signs of improvement, with Egypt growing at 4.2 percent year-on-year in Q42024, the fastest rate since Q32022. Growth in resource-intensive African countries, especially oil exporters, remained relatively sluggish at 2.7 percent, compared to 3.8 percent in their non-resource counterparts, reflecting long-standing challenges in the oil sector, weak governance, and multi-faceted impediments to diversification (IMF 2024b).

5. **Median inflation declined, helped by lower global food and energy prices and tight monetary policies.** As of February 2025, median headline inflation declined to 4.5 percent year over year from 6.3 percent at the end of 2023 and nearly 10 percent at the end of 2022. This was in part driven by a decline in oil prices, which fell by 16 percent in 2023 and by a further 2 percent in 2024. Perhaps more important for the region's most vulnerable, median food-price inflation has dropped from a peak of 14 percent in February 2023 to below 6 percent as of February 2025. However, some countries are still struggling with high inflation (as discussed in the next section).

6. **Fiscal deficits narrowed, helping to stabilize public debt.** As a result of sustained consolidation efforts, primary balances are now below pre-pandemic levels in many countries, with the median primary balance having improved by 0.8 and 0.2 percentage points of GDP in 2023 and 2024, respectively. However, there is heterogeneity among countries in the region. Although debt is still elevated, the median debt-to-GDP ratio edged down to 57.1 percent of GDP in 2024, from 57.5 percent in 2023. Market access for African borrowers also improved, with eight countries tapping international bond markets in 2024, with total issuances exceeding $14 billion. Six additional countries (Benin, Côte d'Ivoire, Gabon, Kenya, Egypt, and Morocco) issued foreign currency denominated sovereign bonds in 2025Q1. While yields remain elevated, sovereign spreads narrowed in 2024, helped by improved investor sentiment and progress in debt restructurings (Ghana, Zambia) and market reforms (Nigeria).

7. **External imbalances have also declined in much of the region**. With higher commodity prices (gold, copper, cocoa, coffee) and more stable exchange rates, the terms of trade improved in 2024 for non-oil exporters. Among the oil exporters, Nigeria saw significant improvements in exports due to higher oil production. While the regional median current account deficit remained

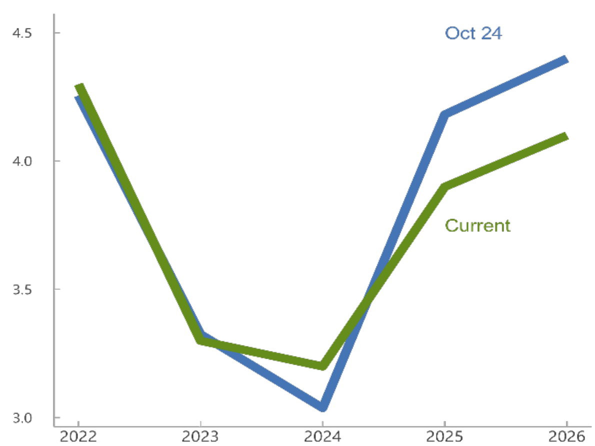
[2] North-Africa consists of Algeria, Djibouti, Egypt, Libya, Mauritania, Morocco, Somalia, Sudan, and Tunisia.

broadly stable at 4.2 percent of GDP in 2024, it was 1 percentage point of GDP better than in 2022 (when high oil and food prices, together with exchange rate pressures, pushed up import bills). More than half of the countries in the region saw their current accounts improve in 2024 (with improvements exceeding 2 percent of GDP in ten countries). These positive developments, along with fiscal consolidation and exchange rate reforms (Egypt, Ethiopia, Nigeria), helped boost reserves to 3.9 months of imports at end-2024 for the median country, from 3.7 at end-2023. Some countries, however, still face external challenges stemming from high current account deficits and low reserves (see next section).

B. Outlook Clouded by Risks and Uncertainty

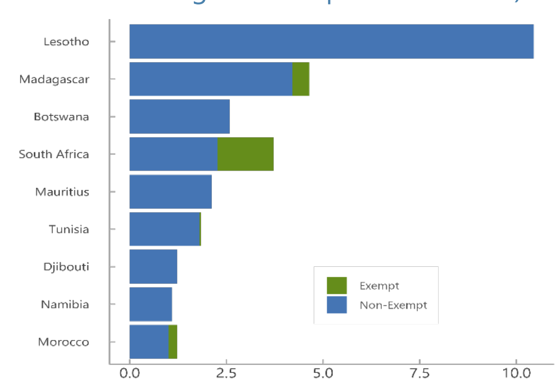
8. Growth for the African region has been revised down this year and next in view of heightened global policy uncertainty, including due to tariff announcements. Under the April 2025 WEO reference forecast, based on tariffs announced by the US administration as of April 2 and countermeasures, growth for the region is projected at 3.9 and 4.1 percent in 2025 and 2026, respectively, compared to 4.2 and 4.4 percent projected in October 2024 (IMF, 2025a).[3] While the direct exposure of African exporters to US tariffs is generally limited (less than 1 percent of GDP), exposures are disproportionately larger for some of the region's smallest and most vulnerable countries (e.g. Lesotho, Madagascar), which would be more significantly affected by the April 2 tariffs. African economies would also be indirectly impacted by higher tariffs, especially if major economies retaliate. For instance, softer global demand will likely weaken demand for African exports and further dampen commodity prices, especially oil.[4] However, negative effects could potentially be mitigated for some economies by trade diversion. While median inflation is expected

Africa: Real GDP Growth, 2022–26
(Current versus 2024 projections)



Source: IMF, World Economic Outlook database.

Africa: Exports to the United States, 2023
(Percent of GDP, countries where exports to the USA are larger than 1 percent of GDP)



Sources: United Nations, COMTRADE; whitehouse.gov, IMF, World Economic Outlook database; and IMF staff calculations.

[3] An alternative scenario based on the tariff announcements of April 9 arrives at similar conclusions for global growth, although the distribution across countries may be somewhat different (See Box 1.1 of IMF, 2025a).

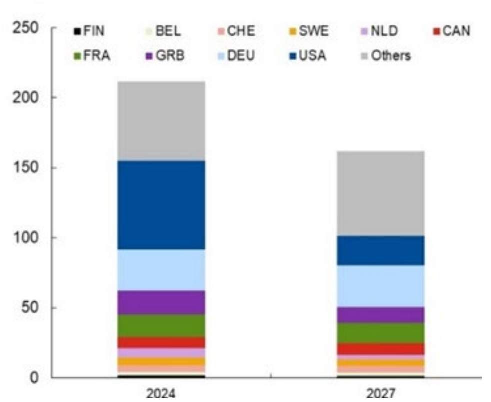
[4] Growth of oil exporters in 2025 was revised down by 0.8 percentage points relative to October.

to continue to moderate in 2025 to 4.1 percent, largely due to softer oil and food prices, some countries could experience a resurgence of inflation, including due to exchange rate pressures.

9. The outlook remains subject to high uncertainty and downside risks. Tariff reductions since April 4 and de-escalation between the US and China present an upside risk relative to the WEO reference forecast. However, tariff rates remain above pre-April 2 levels and uncertainty—having surged to unprecedented levels—remains elevated, with trade deals yet to be finalized. Risks include those related to escalating trade measures and prolonged trade policy uncertainty, which would impact world GDP, although the magnitude of effect would vary across countries. Persistent inflation related to new policies could result in higher interest rates in advanced economies, which could discourage capital flows into Africa, tighten global financial conditions, and weigh on the region's exchange rates and reserves. These risks could be amplified for commodity exporters amid further commodity price declines. Lower-growth prospects and weaker public good provision combined with the legacy of the cost-of-living crisis may exacerbate polarization and social unrest. A downside scenario combining higher uncertainty and borrowing costs and lower commodity prices for SSA suggests that output could be lower by 2 percent in 2025–26, and larger for oil exporters (Box 1).

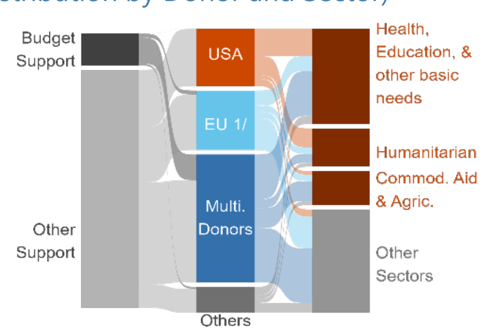
10. Disruptions to ODA could affect some countries in the region significantly. ODA is focused mainly on education, health, and basic social needs. The US is reviewing its entire foreign assistance program, while other large donors (e.g. the Netherlands, Germany, France, Sweden, Switzerland, and the United Kingdom) have announced significant reductions of the future ODA envelope to accommodate domestic priorities, including defense spending. While US disbursements for the region are relatively small (averaging around 0.5 percent of GDP), disbursements are typically targeted at critical needs and can be significant for individual countries (Central African Republic, Democratic Republic of Congo, Lesotho, South Sudan). From the top 20 most exposed countries in sub-Saharan Africa, a suspension of US assistance could boost funding needs for the median country by up to 1.2 percent of GDP for the budget, and 1.2 percentage points for the balance of payments, depending on how much of the assistance the authorities can assume.

Foreign Aid, 2023
(Constant 2022 US dollars, millions)



Source: OECD and IMF staff calculations.

Sub-Saharan Africa: ODA Flows, 2023
(Distribution by Donor and Sector)



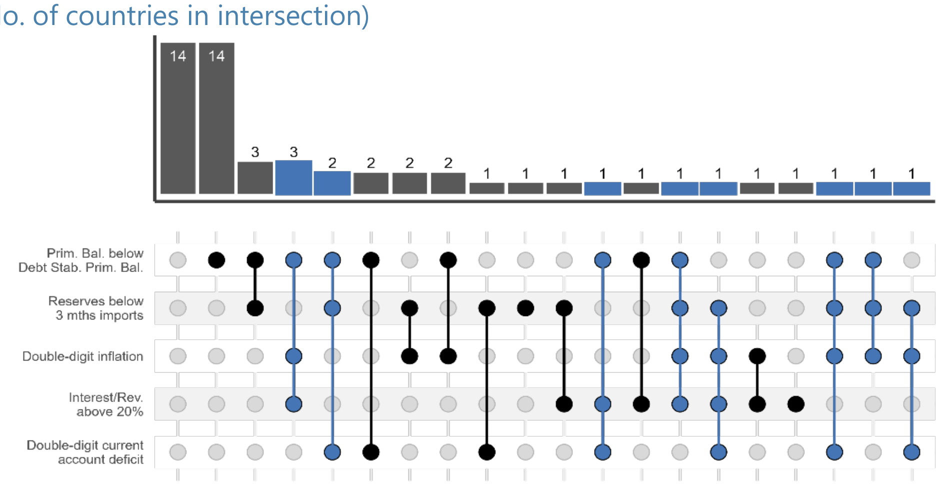
Source: OECD and IMF staff calculations.
1/ European Union includes EU bilateral donors and via EU Institutions.

MACROECONOMIC AND STRUCTURAL VULNERABILITIES

11. Macroeconomic and structural vulnerabilities complicate African countries' ability to respond to shocks, especially for low-income countries (LICs). More than 40 percent of the 54 countries in Africa exhibit two or more of the following macroeconomic imbalances: (1) a primary balance below the debt-stabilizing level; (2) a double-digit current account deficit; (3) reserves below 3 months of imports; (4) double-digit inflation; or (5) an interest-to-revenue ratio of more than 20 percent. Among the 39 African LICs, which account for more than three-quarters of the continent's population and close to half of its GDP, this ratio rises to more than half. Out of 13 countries with double-digit inflation at end-2024, six also had interest-to-revenue ratios of more than 20 percent, creating tensions between fiscal and monetary policies—efforts to control inflation often add to the interest bill. External vulnerabilities are also widespread, with 9 countries, mostly LICs, reporting current account deficits in the double digits. About one in five countries in the region (and one in four LICs) experience three or more imbalances simultaneously, indicating heightened vulnerability to a broader range of potential shocks. Renewed trade tensions and disruptions to ODA, together with structural vulnerabilities, compound the challenges faced by the continent, exacerbating imbalances and hindering countries' effective responses to shocks.

Africa: Overlap of Macroeconomic Imbalances, 2024

(No. of countries in intersection)

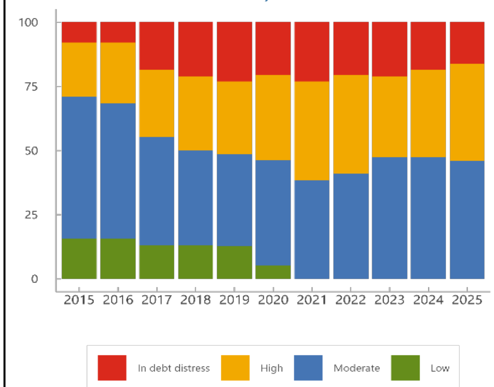


Sources: IMF World Economic Outlook database, and IFS database.
Note: The "upset chart" above shows all different combinations of the five key imbalances, along with the number of countries associated with each combination. For instance, 14 countries have their primary balance below the debt-stabilizing primary balance but otherwise have no other imbalances. Combinations marked in blue represent groupings in which countries have three or more imbalances at the same time.

A. Fiscal Imbalances

12. Debt vulnerabilities remain elevated, especially for LICs, although the risk of a systemic debt crisis is currently deemed to be contained. While public debt levels have stabilized at the regional level, over half of African LICs are assessed to be at high risk of, or already experiencing, debt distress, according to the IMF/World Bank (WB) joint Debt Sustainability Framework for Low-Income Countries (LIC-DSF). However, this proportion has been declining since 2021, and the share of countries at low and moderate risk has returned to pre-pandemic levels. Thus, the likelihood of a broad-based debt crisis appears to be contained. However, uncertainties and risks to the baseline have increased significantly, as noted earlier. Were these risks to materialize, many more countries, both LICs and non-LICs, might face a debt crisis.

Africa: Evolution of Risk of Debt Distress
(In percent of PRGT-eligible African countries with DSAs)



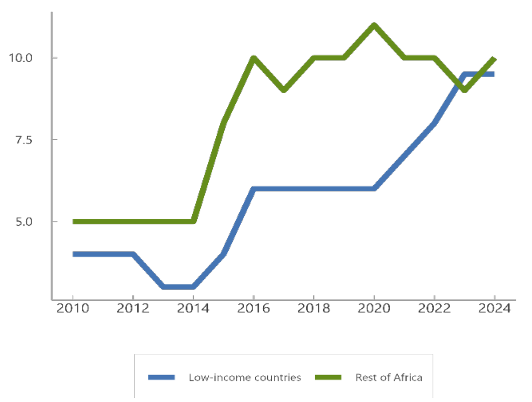
Source: LIC DSA database, as of March 31, 2025.

13. Elevated public debt service burdens add to fiscal challenges. Many African countries, especially LICs, are facing high interest payments and elevated refinancing needs, in the context of limited revenue mobilization ability, low growth prospects, and declining ODA. This constrains their ability to finance critical spending such as on education, health, and infrastructure.

- ***Debt service costs have increased significantly, along with reliance on domestic financing***. Over the past decade, interest payments on public debt have risen sharply, doubling for non-LICs (from 5 to 10 percent of revenue) and tripling for LICs (from 3 to 10 percent of revenues). Increased reliance on domestic markets has contributed to higher domestic interest rates, incentivized shorter maturities, and increased the exposure of bank balance sheets to sovereign risk. This exposure is significantly higher in Africa than elsewhere. As to external borrowing, market-access African countries have seen yields jump roughly five times more over the last three years than the U.S. and German 10-year benchmarks. The average rise in yields has been around 500 bps: most distressed sovereigns (e.g. Ghana and Zambia) saw yields rise to above 20 percent, while countries with somewhat stronger positions (e.g. Cote-d'Ivoire, South Africa) experienced increases of 300–400 bps, broadly in line with other emerging markets. Empirical findings show that the "African risk premium"—the extra borrowing costs that African countries may pay compared to peers from other region—is relatively modest in normal times (about 50 basis points) but tends to double during periods of stress.[5]

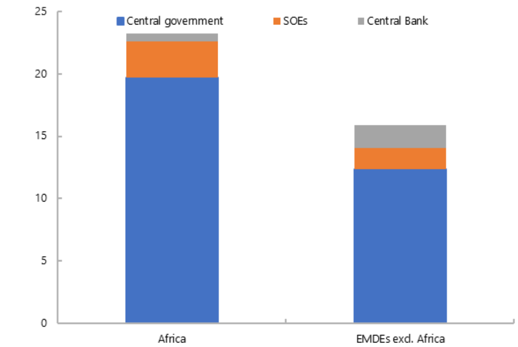
[5] For more details, see IMF (2024c), Gbohoui and others (2023), Alter and others (forthcoming).

Africa: Total Interest Payments, 2010–24
(Median, in percent of general government revenues incl. grants)



Source: IMF World Economic Outlook.

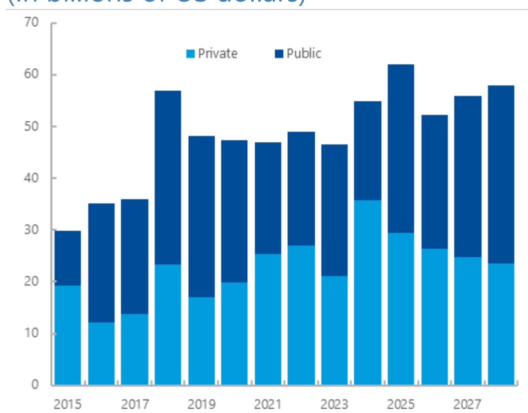
Banks' Exposure to the Public Sector, End-2024
(Percent of assets, average)



Sources: IMF Monetary and Financial Statistics, and Dehmej (2025).
Note: SOEs = State-owned enterprise., EMDEs = Emerging markets and developing economies.

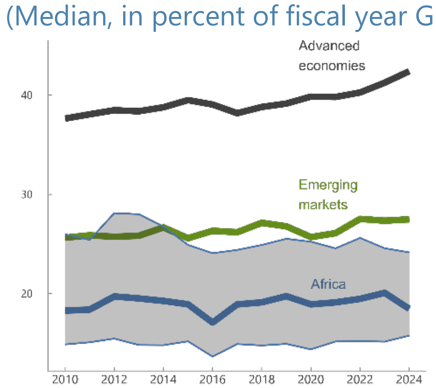
- ***Growing debt burdens have led to a large increase in refinancing needs***. External principal payments for African countries reached an estimated US$55 billion in 2024 (1.9 percent of the region's GDP), nearly half of which was due from LICs. Repayments are set to increase to US$62 billion in 2025 (2.2 percent of GDP), more than twice the amount a decade ago. Over the next three years, repayments to private creditors will average about US$27 billion a year, accounting for a little less than half of upcoming amortizations.

Africa: External Debt Principal Payments, 2015–28
(In billions of US dollars)



Source: IMF World Economic Outlook database, and IMF staff calculations.

Government Revenues, 2010–24
(Median, in percent of fiscal year GDP)



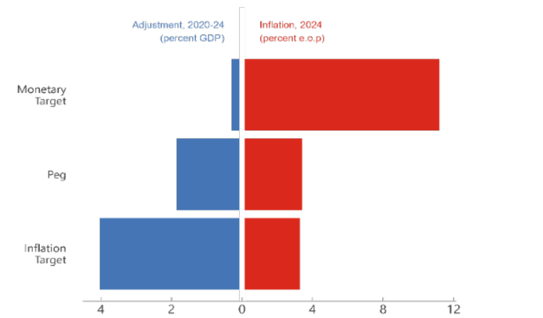
Source: IMF World Economic Outlook database, and IMF staff calculations.

- ***Domestic revenue mobilization, however, remains constrained***. Government revenues of African countries remain low, averaging just 19 percent of GDP during 2022–24, well below the 28 percent average in emerging markets and developing economies (EMDEs), and significantly lower than the 41 percent seen in advanced economies (AEs). For African LICs, the median revenue-to-GDP ratio stands at around 17 percent, compared to 23 percent for the rest of Africa. Low growth and widespread informality, especially in SSA, complicate efforts to expand the tax base.

B. Inflation

14. Despite progress at the aggregate regional level, several countries are still struggling with high inflation. Thirteen countries are facing inflation in the double digits, eight of which are LICs. Inflation has been particularly entrenched in some SSA countries where the authorities target monetary aggregates (de facto), including Angola, Burundi, and Nigeria. In those countries, the monetary authorities have typically had less help from fiscal adjustment. In some cases, governments have resorted to borrowing from the central bank (Angola, Burundi, Malawi). While monetary financing can temporarily ease borrowing constraints, it is generally inadvisable, as it undermines the objective of low inflation by increasing inflation persistence and heightening exchange rate pressures (Hooley and others, 2021). North Africa went through an inflation spike in 2023, driven by the global food- and fuel-price shock and sharp currency pressures (for Egypt and Tunisia). While inflation declined for most economies in 2024, in some countries, supply shocks related to conflicts and foreign exchange disruptions kept inflation levels above historical averages (Somalia, Sudan).

Africa: Inflation vs Fiscal Adjustment, by Monetary Framework, 2024
(Median, adjustment is the change in the primary balance)

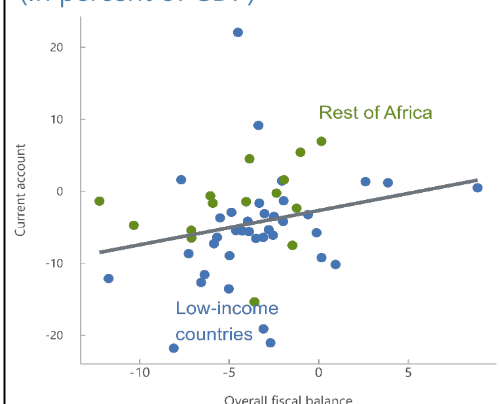


Source: IMF World Economic Outlook database.
Note: Monetary Regimes are based on 2022 IMF AREAER de facto classification.

C. External Imbalances

15. Despite improvements at the regional level, external imbalances persist in some countries, especially LICs. Nine African countries (8 LICs) had double digit current account deficits in 2024 Moreover, of the 40 African countries for which an IMF external assessment was conducted during 2022–24, almost half (17, of which 12 LICs) were assessed to have an external position that is either weaker or substantially weaker than the level implied by fundamentals and desirable policies. In many cases, external deficits were associated with fiscal deficits, giving rise to “twin deficits.” This is particularly the case for African LICs, which registered an average CA deficit of 5.4 percent of GDP coupled with an average fiscal deficit of 3.2 percent of GDP in 2024. IMF staff analysis shows that, on average across all LICs, a one percentage point improvement in fiscal balances translates into a reduction in the current account deficit of half a percentage point (IMF, 2025b).

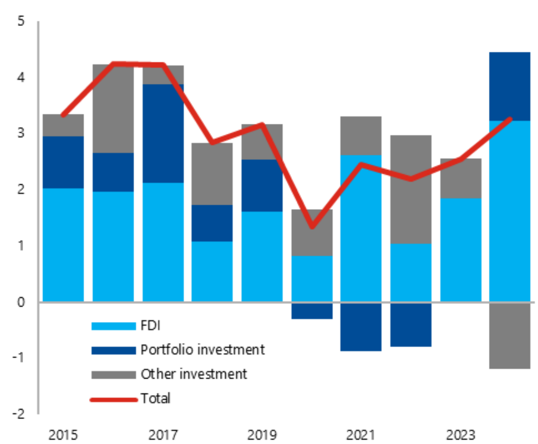
Africa: Twin Deficits, 2024
(In percent of GDP)



Source: IMF World Economic Outlook database.

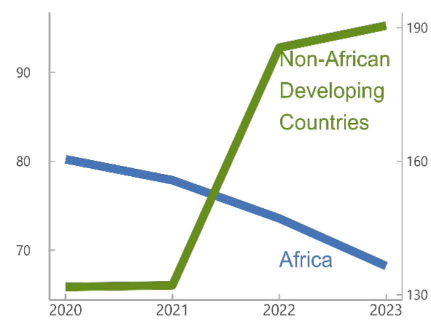
16. Net financial flows have been gradually improving since the pandemic, although ODA has continued to decline. FDI inflows into the region averaged about 2.2 percent of GDP in the past four years. With the exception of Eurobond issuances by some frontier African markets in 2024 as noted above, net portfolio inflows to the rest of Africa are negligible, reflecting underdeveloped domestics financial markets and limited access to global capital markets. Other investment net inflows to the region turned negative in 2024, as gross ODA flows declined by about 15 percent during 2020-23, reaching $68.2 billion in constant dollar terms (in contrast, ODA to non-African countries increased by 44.6 percent to $190.5 billion in 2023). As to the public sector, constrained external flows and rising external payments have implied low and declining net financial flows. Transfers to Africa through multilateral donors declined by 23.7 percent to $31 billion, while flows from bilateral donors decreased by 6 percent to $37.2 billion in 2023. Multilateral organizations, including EU institutions, and the US provided about three-quarters of the region's ODA flows, while the World Bank provided close to a half of the region's multilateral flows in 2023.

Africa: Net Financial Flows, 2015–24
(In percent of regional GDP)



Source: IMF World Economic Outlook database.

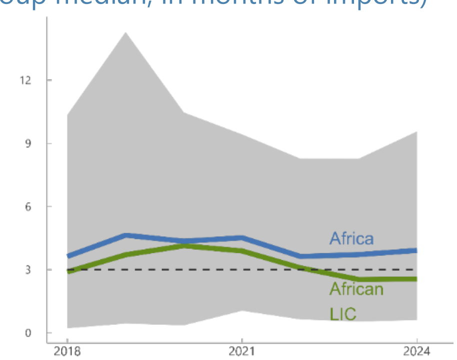
Total ODA Disbursements, 2020–23
(In billion USD, Africa (lhs), Non-African Countries (rhs))



Source: OECD DAC2 database, providing aggregate statistics on the geographical distribution of bilateral and multilateral disbursements of ODA to developing countries and territories on the DAC List of ODA Recipients and multilateral agencies that are ODA-eligible.

17. Foreign exchange (FX) reserves remained under pressure in several African LICs. Fifteen African countries, of which 14 LICs, had reserve cover of less than 3 months of imports at end-2024. Indeed, median FX reserves in African LICs dropped to 2.6 months of imports at end-2024, from 3.1 months at end-2022. Exchange rate interventions in support of LICs' domestic currencies contributed to this negative trend.

Africa: FX Reserves, 2018–24
(Group median; in months of imports)

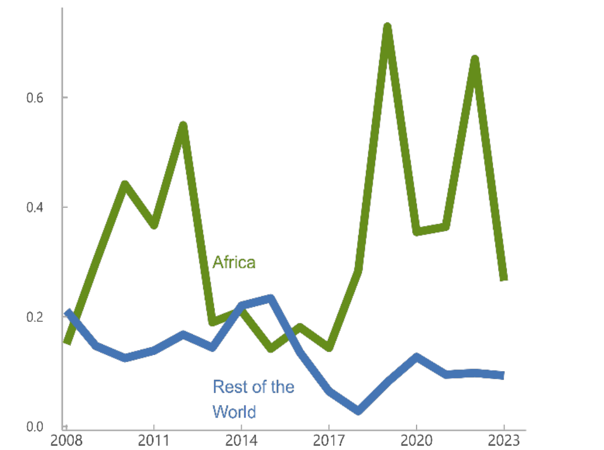


Source: IMF World Economic Outlook database.
Note: EMDE exclude African countries. The shaded grey area represents the interquartile range for the 5th and 95th percentiles for African countries. CEMAC and WAEMU countries are excluded.

D. Structural Vulnerabilities

18. Despite contributing relatively less to global carbon emissions, the African continent is vulnerable to climate change. The frequency, severity, and damaging impact of natural disasters, particularly those linked to climate events, have increased and are affecting more people. In 2022, Africa experienced 80 climate-, weather- and water-related disasters, which directly affected more than 110 million people and caused economic losses of just over US $8.5 billion (World Metrological Organization, 2023). In Africa, LICs and fragile and conflict-affected states (FCS) such as South Sudan and the Democratic Republic of the Congo are particularly vulnerable and lack adequate preparedness and investment in resilient infrastructure to prevent and mitigate the impact of natural disasters. A recent IMF analysis shows that FCS suffer more severe and persistent GDP losses than other countries due to climate shocks because their underlying fragilities amplify the impact of shocks, particularly in agriculture (Jaramillo et al, 2023).

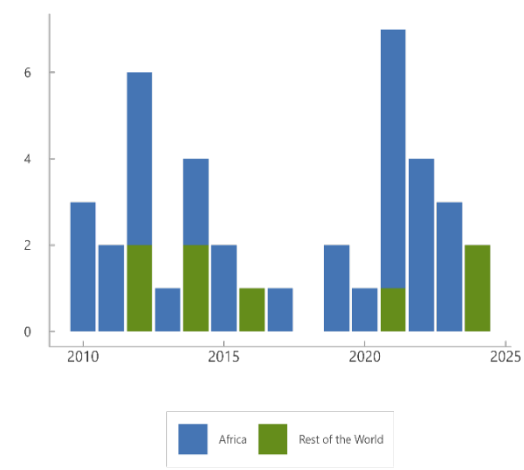
People Affected by Natural Disasters, 2008–23
(Median, in percent of total population)



Sources: The International Disaster Database (EMDAT), and IMF staff calculations. EMDAT covers over 200 countries and territories,. Data are collected from governmental and intergovernmental agencies, non-governmental organizations, insurance companies, research institutes, and media sources.

19. Political instability, conflicts, and fragility add to challenges. Domestic conflicts are often accompanied by in-country political instability, with irregular changes of government (e.g., in the Sahel) or greater polarization of societies. In turn, domestic fragilities can have spillover effects on neighboring countries, including through forced displacement. For example, since the start of the conflict in Sudan in April 2023, refugee flows into neighboring countries have amounted to over 3.9 million as of May 19, 2025,[6] straining resources in countries

Coups Occurrence, 2010–24
(Count)



Source: Global instances of coups from 1950 to 2024: A new dataset. JM Powell, CL Thyne. Journal of Peace Research 48, including data on coup occurrences based on academic articles and media reports. Coup is defined as "illegal and overt attempts by the military or other elites within the state apparatus to unseat the sitting executive."

[6] This figure represents the estimate of the number of new arrivals (registered and un-registered) who would be assisted under the Sudan Regional Refugee Response Plan 2023 (see UNHCR).

such as the Central African Republic, Chad, and South Sudan. Similarly, the conflict in the east of the Democratic Republic of Congo threatens to impact the neighboring region. Moreover, deteriorating security adds to pressure for more military spending, which has increased across the region, diverting resources from other essential development needs. Conflict spillover shocks can also hinder economic growth, while concurrently elevating inflation, government spending, and debt levels (Abdel-Latif et al, 2024).

20. Structural impediments constrain growth and amplify macroeconomic imbalances:

- ***Infrastructure.*** Access to reliable infrastructure is crucial for economic growth and development. In African LICs, less than half of the population had access to electricity in 2023, severely limiting industrial growth and quality of life[7]. Road infrastructure is also lacking, with road density and paved roads significantly below other countries, increasing transport costs and isolating markets. Similarly, water and sanitation infrastructure remains underdeveloped, with a quarter of Africa’s population (mostly in SSA) lacking basic drinking-water services in 2022 (WHO/UNICEF, 2023). The persistent under-investment in these essential services not only stymies growth but also raises the costs of doing business and constrains human-capital development.

- ***Informality.*** Africa’s labor markets are dominated by informality. In 2023, more than 80 percent of total employment across the continent was estimated to be informal, with 86 percent in SSA and 63 percent in North Africa (ILOSTAT, 2025). As elsewhere, the informal sector in Africa is less productive than the formal sector and is less efficient in accumulating physical and human capital, as informal firms are smaller and slower to adapt to new technologies (Delechat and Medina, 2021; Ohnsorge and Yu, 2022). As a result, their labor productivity is less than one-quarter that of formal firms (World Bank, 2019).

- ***Financial access.*** Domestic credit to the private sector is estimated around 33 percent of GDP in Africa, far below South Asia (46 percent) or the OECD (148 percent) (World Bank WDI, 2025). Only about half of African adults have a formal bank account, compared to an average of 71 percent for developing economies,[8] leaving many households and small firms with self-financing as the only option to satisfy their financial needs (Khan and Senhadji, 2000). At the same time, Africa has made great strides in advancing digital payments, with Sub-Saharan Africa already home to three quarters of the world’s mobile money accounts, which has helped improve financial access (GSMA, 2024).

- ***Export base and diversification.*** Many African countries remain heavily reliant on a few commodities, largely fuels, minerals/metals, agricultural raw materials and foods. The median share of commodities in African export earnings is 90 percent, significantly higher than the

[7] World Bank.

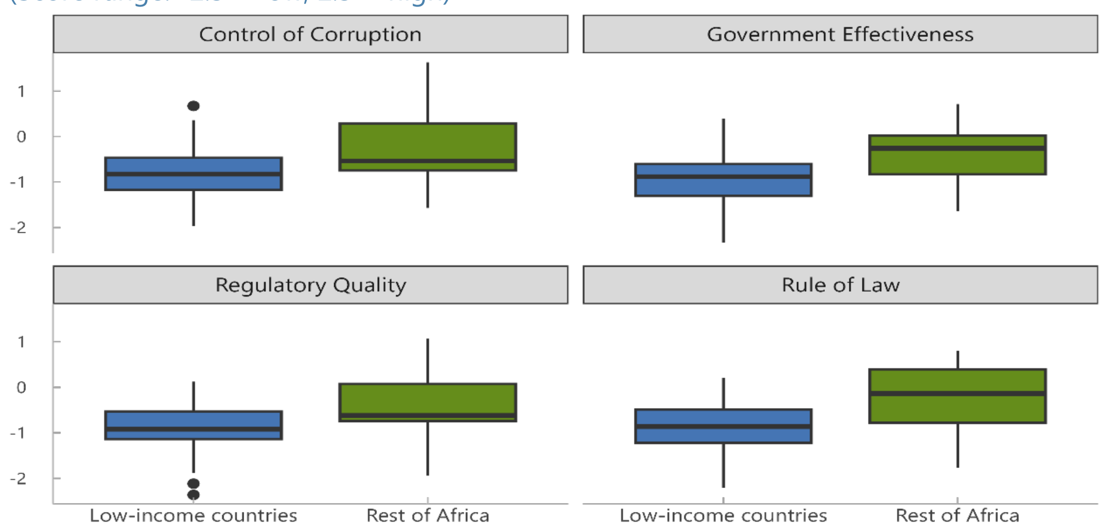
[8] According to the 2021 Global Findex survey by Gallup, Inc., covering almost 150,000 people in 123 economies, using randomly selected, nationally representative samples. The target population is the entire civilian, noninstitutionalized population aged 15 and above.

global average of 29 percent.[9] Africa's extreme reliance on primary commodities leaves the continent particularly exposed to price swings and terms-of-trade shocks.

- ***Institutions and Governance***. Poor governance and weak institutions allowing for corruption, the arbitrary use of opaque rules, and inadequate enforcement of property rights have frequently been identified as obstacles to faster growth and development (Acemoglu, Johnson, Robinson, 2004; Edwards, Johnson, and Weil, 2016; Ivanyna and Salerno, 2021). Indeed, corruption and weak governance have been associated with lower investment levels, reduced tax collection, and slower economic growth (IMF, 2018). Corruption also diminishes the effectiveness of spending in areas like health, education, and infrastructure projects, while undermining public trust and social support to reforms. Africa remains the world's weakest-scoring region on most governance and institutional quality metrics.[10] Deficiencies are especially acute in resource-intensive countries, amplifying macroeconomic vulnerabilities and discouraging private sector investment and development (IMF 2024b).

Africa: Selected Structural Indicators, 2023

(Score range: -2.5 = low, 2.5 = high)



Source: World Governance Indicators (WGI), World Bank.

[9] UNCTAD's product-concentration index (PCI) for Africa stands at 0.24 in 2022, with North Africa at 0.28 and SSA at 0.22, triple Europe's 0.07. The PCI is defined as a normalized Herfindahl-Hirschmann index of the product concentration of merchandise exports at the country level. As such, it measures the degree of concentration of goods exported (it does not include services).

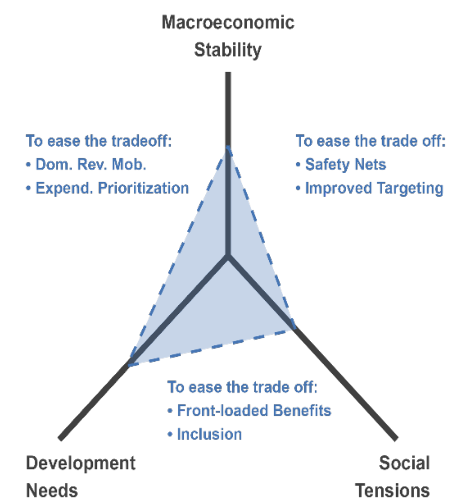
[10] According to Transparency International's 2024 Corruption Perceptions Index, the (unweighted) African average is around 33, compared to the global mean of 43. This Index combines official data with expert judgement, opinion surveys of experts, business executives, and public-at-large, based on 13 data sources compiled by 12 institutions. The World-Bank Worldwide Governance Indicators put the median SSA country at the 23rd percentile for rule of law in 2023, while North-African economies cluster around the low-30s. This database combines official data with expert judgement, opinion surveys of experts, business executives, and public-at-large, compiled by more than 30 institutions.

- ***Artificial Intelligence (AI) preparedness.*** AI can be a catalyst for technological and productivity advancement. However, weaknesses in skills and education, technological infrastructure, and legal frameworks place Africa's AI preparedness at the bottom worldwide.[11] Recent IMF research suggests that without enhancing preparedness, AI may exacerbate cross-country income inequality, disproportionately benefiting advanced economies (Cerutti et. al., 2025). On the other hand, AI learning tools hold great promise for supporting education in Africa, given the significant shortages of qualified teachers (Mendes Tavares, 2025).

DOMESTIC POLICY PRIORITIES

21. Addressing the above-mentioned imbalances and vulnerabilities is essential to maintain macroeconomic stability and bolster resilience and growth. Policymakers in Africa and other EMDEs face the difficult task of simultaneously delivering a stable macroeconomy and achieving long-term growth and development goals, amid high social expectations. This presents a "trilemma," in that efforts to advance one goal may come at the expense of the others, requiring deft policies and difficult choices. Generally, the emphasis should remain on restoring macroeconomic stability by reducing imbalances, while easing trade-offs with other objectives. Recent developments in trade policy uncertainty and lower ODA flows are exacerbating these tradeoffs, especially for countries with preexisting imbalances. Given wide heterogeneity among countries, policies will need to be tailored to specific country circumstances and complemented by contingency planning and clear and credible communication of policy plans. Structural reforms, stronger institutions, and regional trade integration will also be key to shield countries from global uncertainty, take advantage of the shifting global trade landscape, and support private sector-led employment and growth, which in turn can ease policy trade-offs and reduce imbalances.

Policymaker's Trilemma



[11] According to the IMF's AI Preparedness Index (AIPI), Africa (both SSA and North Africa) scores around 34, the lowest among all regions. Only Mauritius, the Seychelles, and South Africa, surpass the global mean of 48, with scores of 53, 53, and 50, respectively. The AIPI assesses the level of AI preparedness across 174 countries, based on a set of macro-structural indicators covering countries' digital infrastructure, human capital and labor market policies, innovation and economic integration, and regulation and ethics. Source data include official data, surveys of hard data and surveys of perceptions compiled by 8 institutions: Fraser Institute, International Labor Organization, International Telecommunication Union, United Nations, United Nations Conference on Trade and Development, Universal Postal Union, World Bank, and World Economic Forum.

A. Fiscal Policy

22. Prudent fiscal policies are key to ensuring a stable macroeconomy. In a more shock-prone world, countries should ensure they hold sufficient buffers, which can also help boost investor confidence and keep sovereign spreads low. For most countries this implies the need to continue fiscal consolidation through high-quality reforms, while protecting vulnerable groups. The pace and composition of adjustment should be carefully calibrated in line with country specific circumstances. Consolidation will generally need to be front-loaded where adjustment needs are high and financing is limited. To help boost the acceptability and sustainability of adjustment, targeted transfers and strengthened social safety nets will be needed to mitigate the impact on the poor. Clear communication strategies, early engagement with stakeholders and greater transparency and efforts to address corruption and support social inclusion, can enhance public trust and support. Priority should be given to the following considerations:

- ***Improving spending efficiency***. Reducing inefficiencies in public spending can help improve fiscal sustainability. For example, removing inefficient fuel subsidies that tend to benefit the rich can create space for more targeted development spending.[12] Further, losses from inefficient allocation of resources to public infrastructure (estimated at 30–40 percent in developing countries-see Shwartz and others, 2020) can be reduced through better governance and strengthened public financial management, including by improving the framework for planning and implementing infrastructure projects, addressing corruption, and greater transparency, including related to project selection processes and criteria. There is also scope to improve the efficiency of public health and education spending, where needs are significant (IMF 2021, IMF 2025b). Digitalization can boost fiscal transparency and improve spending efficiency (Amaglobeli and others 2023).[13] Reforming state-owned enterprises (SOEs), including through better financial monitoring and improved management, oversight, and transparency, can also generate efficiency gains and reduce fiscal risks.

- ***Raising revenues***. With high financing costs, rising debt service burdens, and uncertain prospects for ODA, countries will also need to increase revenue to fund essential public services. For oil exporters, funding will increasingly need to come from non-oil sources. Efforts to broaden the tax base, increase tax rates, reduce arbitrary exemptions and simplify the tax code are all positive measures (Benitez and others, 2023).[14] A predictable and progressive tax code, together with greater emphasis on corporate income and property tax collection, can help

[12] Such reforms have been completed in Nigeria and are progressing in Angola, the Central Africa Republic, and the Republic of Congo.

[13] Guinea-Bissau, for example, has employed blockchain technology to improve transparency and better manage its wage bill.

[14] These have been successfully showcased in a range of countries recently (Benin, Cote d'Ivoire, Liberia).

ensure fair burden sharing. Also, strengthened tax collection capacity, integrity and accountability, including through digitalization, can help boost revenues.[15]

- ***Strengthening debt management and local debt markets.*** Reforms strengthening the quality of institutions and improving debt transparency, debt management, and debtor-investor relations are key to help countries increase their debt carrying capacity (Kraay and Nehru, 2004), lower borrowing costs (End and Hong 2022), and bolster financing flows (Choi and Hashimoto, 2018; Kemoe and Zhan, 2018; Gonzalez-Garcia, 2022). Developing local debt markets, including by widening the investor base or implementing reforms to attract private-sector partners, can diversify sources of financing. However, policymakers should not use the development of domestic financial markets as an opportunity to relax fiscal discipline and should remain vigilant about public domestic debt vulnerabilities and risks associated with the sovereign-bank nexus.

23. Contingency planning and strong fiscal frameworks are equally important. Beyond building buffers, pre-emptive contingency planning for trade, spending, or funding shocks may allow for a more agile response. Furthermore, medium-term fiscal frameworks can help support fiscal planning, ensure consistency with other elements of the policy mix, boost credibility, anchor expectations, and reduce the volatility of funding flows. For resource-intensive countries, fiscal frameworks that accumulate buffers to provide a realistic level of insurance against shocks can be an effective strategy (Eyraud, Gbohoui, and Medas 2023). Importantly, countries should avoid accumulating arrears, which increase the cost of public service delivery, reduce the credibility of fiscal policy, and act as an unpredictable tax on affected suppliers, adding to uncertainty.

B. Monetary, Exchange Rate, and Financial Policies

24. Monetary policies should continue to focus on maintaining price stability, remaining flexible and data dependent. Where inflationary pressures remain high, central banks should continue to keep a tight monetary policy stance, especially considering the shifting global environment. Where inflationary pressures are low and inflation is within target, central banks can consider easing the monetary stance to support growth, in line with their mandates. Given the uncertain outlook, authorities will need to remain cautious and stand ready to reverse course if unexpected shocks occur, including due to exchange rate pressures that can de-anchor inflation expectations. Preserving central bank independence and coherent and credible monetary policy frameworks with clear targets and objectives that emphasize clear communication and transparency can better anchor expectations and contain inflation.

25. Adequate international reserve buffers are especially important in the current environment. A healthy reserve position can help an economy recover more quickly from an unexpected shock, boosting overall confidence. This is particularly relevant as many African LICs have been moving toward regimes where the exchange rates are driven by the authorities' measures

[15] Successful examples include Nigeria and Senegal.

to a greater extent.[16] In line with the IMF's Integrated Policy Framework (IMF 2023c), foreign exchange interventions can be used to limit the impact of short-term exchange-rate volatility in countries with shallow financial markets and less-well anchored inflation expectations. However, this should not substitute for needed macroeconomic adjustment. Moreover, if external shocks are large and persistent, or reserve levels are limited, non-pegged countries should instead let the exchange rate adjust. For pegged countries, stability requires that authorities adjust the policy mix (including fiscal policy) to sustain the peg. Strengthened regional payment arrangements, including allowing for settlement in local currencies, can soften demand for foreign exchange. The Pan-African Payment and Settlement System making intraregional payments easier, faster, and less expensive is also an important step in operationalizing the African Continental Free Trade Agreement.

26. Financial stability and deepening are essential for stronger and more resilient economies. Ensuring that that banks remain well capitalized, liquid, and profitable is essential, along with careful monitoring of non-performing assets. Strengthening regulatory and supervisory frameworks for banks, safety nets, and interbank liquidity markets can help safeguard financial stability and promote sustainable credit to the private sector. Monitoring risks from bank exposures to sovereign risk is also important, as noted above. Structural reforms deepening domestic financial and capital markets and boosting banking sector competitiveness can support stability and strengthen the effectiveness of monetary policies. Enhancing financial deepening, including through legal frameworks for secured transactions and infrastructure for credit registries, and by promoting mobile banking, microfinance, and financial literacy, can provide greater access to finance and allow SMEs to scale up. At the same time, authorities should keep a close eye on risks from crypto assets.

C. Structural Reforms

27. Ambitious structural reforms are crucial for lifting growth, reducing imbalances, and easing policy tradeoffs. A recent IMF staff analysis (Budina et al, 2023) shows that well-designed and sequenced macro-structural reforms can significantly boost output and employment. Reform payoffs are larger when they are packaged and focused on the most binding constraints on activity. Specifically, a package of reforms focused on improving the business environment, governance, and external sector reforms can lift GDP by 8 percent in four years in countries with substantial structural gaps relative to the frontier, as is the case for many African LICs; subsequent labor and credit market reforms can maximize gains on employment. Higher growth can, in turn, facilitate macroeconomic adjustment efforts and improve debt dynamics. Clear and transparent communication about reform plans, together with mitigating measures protecting vulnerable groups, can help foster social and political support for reforms. The pace and timing of reforms should be flexible and calibrated to political and social contexts, with priorities including:

- ***Business environment***. Reforms aiming to streamline regulatory requirements, reduce bureaucratic burdens, and strengthen the predictability and transparency of regulations are key

[16] See IMF 2025c.

to promoting private investment and growth. Similarly, fostering fair competition practices that ensure a level-playing field, can facilitate firm entry and employment.

- ***External sector and infrastructure***. Greater regional trade integration, such as through the implementation of the African Continental Free Trade Agreement (AfCFTA), can create bigger markets and integrate regional supply chains, boosting both local and foreign investment, while reducing exposure to trade policy uncertainty (ElGanainy and others, 2023). Expanding networks and improving quality of infrastructure, particularly for transportation and power generation can support both domestic activity and regional trade integration. Maintaining macroeconomic stability, investing in human capital, and promoting competition are critical to support export diversification, while well-designed and effectively implemented vertical policies can play a supportive role in helping address market failures (Delechat et al, 2024). Countries should also develop domestic capacity in mining and processing of critical minerals, encourage FDI, and ensure foreign firms are well integrated with local value chains (IMF 2024a).

- ***Labor market and human capital***. Reforms enhancing labor-market participation and job creation, especially for women and youth, could include improving the design of active labor-market policies (ALMPs), strengthening job-matching services and training, re-engaging long-term unemployed, enforcing non-discrimination policies, and facilitating childcare provisions. Improving education, vocational training, apprenticeships, and investing in skills demanded by rapidly changing knowledge-based economies, while improving health systems, are also key to boosting long-term productivity. Where necessary, employment protection legislation measures could help streamline processes and improve their predictability, while collective bargaining reforms may also be needed in some cases to provide flexibility to firms, particularly SMEs.

- ***Institutions and governance***. Reforms, carefully tailored to country circumstances, could include: (i) ensuring a professional civil service, based on transparent, merit-based hiring and remuneration procedures; (ii) strengthening anti-corruption laws and agencies, such as independent anti-corruption commissions and robust asset declaration systems; (iii) increasing transparency and independent external scrutiny to allow audit agencies and the public at large to provide effective oversight; and (iii) focusing on "hotspots" where international experience suggests that corruption occurs frequently, such as public procurement, infrastructure, natural resources, taxation, and public enterprises (IMF, 2019). Countries should also prioritize greater transparency and accountability, including the publication of reliable economic data and adhering to Extractive Industries Transparency Initiative standards as applicable. Reforms strengthening the rule of law regarding security, property rights, and contract enforcement and ensuring judicial independence and integrity can also support private investment and resilience.

- ***Digitalization and AI***. Supporting digitalization through investing in safe and open digital public infrastructure (e.g. digital ID, payment systems, data sharing) and expanding affordable broadband can unlock productivity gains, especially among the digitally enabled youth, and support development of modern services. Digitalization, together with basic education, opens the door for using the opportunities afforded by AI for productivity advancement.

INTERNATIONAL SUPPORT

28. In addition to strong domestic policy and reform efforts, developing economies need continued strong and coordinated external support. Stable and prosperous developing economies, including in Africa, can support global growth and stability. However, even with strong domestic policies, prosperity is not assured and, as reforms take time to yield results, continued international support remains essential. Financial assistance, especially grants and concessional loans, are critical to help developing countries invest in growth-enhancing key sectors while preserving debt sustainability. This is particularly important for LICs and FCS. Well-sequenced and coordinated CD is also important to help countries strengthen institutional capacity, which is key to support growth and development.

- ***Ensuring adequate provision of grants and concessional financing.*** Development partners will continue to play a crucial role to support developing countries through the provision of financing, particularly to the poorest LICs. The IMF and WB are key contributors to this collective effort, including through the catalytic effect of their financing. Since 2020, the IMF has provided financing amounting to more than US$95 billion to the African region, much of it at highly concessional terms.[17] Recent reforms have bolstered the IMF's capacity to support developing countries, including the reform of the Poverty Reduction and Growth Trust (PRGT) facilities and financing, the review of charges and the surcharge policy, and the review of access limits under the General Resource Account (GRA). The WB successfully concluded the 21st replenishment of the International Development Association (IDA) and is implementing its new "A Future-Ready World Bank Group" strategy. Other MDBs are also working to increase support to developing countries. Bilateral donors should actively seek ways to strengthen their respective support, including through ODA and the promotion of sustainable financing practices. For countries facing debt service challenges, bilateral partners should consider providing grants and loans at affordable rates and sufficiently long maturity and grace periods and aim to maintain their collective exposure to countries implementing robust domestic reform agendas with the help of IMF-supported programs.

- ***Mobilizing private finance.*** The resources provided by the official sector will likely be insufficient to meet the large financing needs of developing countries. Therefore, mobilizing private finance must play a key role in facilitating development and supporting climate resilience. Developing countries have an important role to play by implementing sound macroeconomic policies to promote macroeconomic and financial stability and create enabling conditions for growth and higher FDI and strengthening transparency and governance standards. The international community should intensify efforts to develop risk-sharing instruments to crowd-in private finance where appropriate. Given the higher costs associated

[17] Twenty-seven out of 54 African member countries have ongoing IMF financing arrangements, with over US$2.5 billion disbursed so far this year.

with private finance, developing countries should ensure that private debt is incurred at a pace consistent with debt sustainability.

- ***Expanding CD while improving its prioritization, tailoring, sequencing, and coordination.*** Both bilateral and multilateral partners can significantly contribute by increasing CD delivery to help developing countries implement sound policies and reforms conducive to sustainable growth. CD should be prioritized in line with countries' developmental objectives, well-sequenced, and coordinated among development partners, to ensure the most efficient outcomes, and to avoid duplication and overburdening the often-limited capacity of recipient country authorities. An example of such collaboration is the new Joint Domestic Resource Mobilization Initiative (JDRMI), implemented by the IMF and WB. Through JDRMI, the two institutions aim to help developing countries raise public revenues and mobilize private savings through well-coordinated CD (IMF and WB, 2024).

29. Addressing debt challenges proactively is equally important. As noted earlier, while debt levels remain high and downside risks have increased, debt stocks remain manageable for most countries and are well below levels at the onset of the HIPC Initiative. By contrast, increasing interest payments and high debt redemptions are squeezing the capacity to finance essential development spending. Thus, most developing countries need recurrent flows of new and affordable financing, although in some cases, debt restructuring may be necessary. On balance, an effective approach to addressing debt challenges should include:

- **Improving further the restructuring processes to ensure countries with unsustainable debt have access to timely and sufficiently deep debt relief.** Significant progress has been made in the past two years, including under the G20 Common Framework, with important improvements in the timeliness and clarity of processes. The Global Sovereign Debt Roundtable (GSDR) has facilitated this progress by providing a platform to forge consensus on complex technical issues. However, further progress is needed to ensure efficient, timely, reliable, and predictable processes. The recent G20 Restructuring Playbook and Compendium on Technical Issues provides some useful lessons in this regard.

- **Accelerating the implementation of a robust "pathway" to help countries whose debt is sustainable but are faced with high debt service which crowds out productive spending**. This entails a robust domestic reform agenda, strong external support from bilateral and multilateral partners, and efforts to crowd-in private sector financing at affordable costs. The "3-Pillar Approach" proposed by the IMF and WB provides the conceptual framework for this "pathway" for sustainable growth, and will be implemented flexibly based on country's specificities, including with CD support (Box 2).

30. International cooperation is also important to promote a stable and predictable trade environment and help address challenges from climate change. Resolving trade tensions and promoting clear and transparent trade policies can help stabilize expectations, avoid investment distortions, and reduce volatility. A predictable rule-based trade system can support both global and developing countries' growth. Staff analysis shows that deepening of geoeconomic fragmentation can have a significant adverse impact on the global economy, including Africa (IMF 2023a, IMF 2023b), while international cooperation and platforms can mitigate global spillovers and protect the vulnerable (Aiyar and others 2023). International cooperation, including financial support and technological transfers from more advanced to emerging and developing countries is also essential to facilitate adaptation to climate change and greener and more sustainable growth.[18]

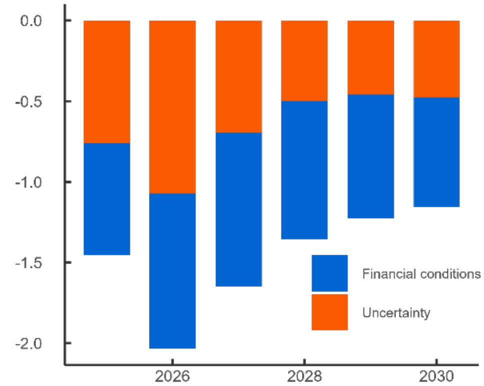
[18] Cai et. al (2024) show that in SSA, $25 bn in annual climate finance flows to renewable energy could boost annual GDP growth by 0.8 percentage point over the next decade, accompanied by stronger labor demand.

Box 1. A Downside Scenario for Sub-Saharan Africa

The IMF's AFRMOD model—a module of the Flexible System of Global Models (Andrle and others 2015)—helps to quantify the impact of a downside scenario that focuses on a rise in uncertainty, accompanied by lower commodity prices and higher borrowing costs on sub-Saharan Africa.[1] In this scenario, trade policy uncertainty deepens, divergence among the largest economies (China, Euro Area, United States) becomes more marked, and global financial conditions tighten. From the tariffs/uncertainty channel, real investment drops in advanced economies, which leads to a decline in aggregate demand and commodity prices, with consequences for sub-Saharan Africa's export demand and terms of trade.[2] A second layer focuses on tighter financial conditions, including an increase in sovereign and corporate risk premiums.[3] The tighter financial conditions last for two years. Elevated funding pressures are an especially significant risk for sub-Saharan Africa, as additional liquidity shortages and higher funding costs might potentially become solvency concerns, if they were to persist.

Downside Scenario
(Illustrative transmission channels)

Cumulative Impact of Shocks on Real GDP
(Percent points)



Source: IMF, AFRMOD model, and IMF staff calculations.

Relative to the current reference-point projections for the region, model simulations point to a substantial adverse impact on growth, with larger effects for resource-intensive countries. Over 2025–26, GDP in sub-Saharan Africa would be lower by about 2 percent, owing to weaker external demand, investment uncertainty, and tighter financing conditions. Over the medium-term, as the shock dissipates, the level of GDP will still be lower by about 1 percent. Those negative effects would be larger and more persistent for oil exporters, for which GDP could be lower by up to 3 percentage points over the medium term. In tandem, however, lower growth and commodity prices would reduce inflationary pressures—outweighing the impact of further depreciation on prices—and would prompt headline inflation to ease by about 2 percentage points by 2026.

[1] Based on Regional Economic Outlook for Sub-Saharan Africa, April 2025.

[2] The policy uncertainty shock is equivalent to a three-standard deviation increase in the Davis (2016) global economic policy measure, 50 percent larger than the 2018–19 spike. The decline in commodity prices is largest for oil, followed by metals and food.

[3] This layer has an increase of 50 bp in sovereign premia for all EMs (except China) and of 100 bp for SSA countries; an increase in corporate risk premia of 25 bp for AEs and China and 100 bp for all other countries; and a decline in global asset prices.

Box 2. The Three-Pillar Approach Proposed by the IMF and World Bank

Addressing debt challenges necessitates increased efforts to improve debt restructuring processes for countries with unsustainable debt and manage debt service burdens for others. For the former, it is crucial to further advance the ongoing work to establish efficient, timely, reliable, and predictable processes, building on progress already achieved. On the latter, the IMF and World Bank's joint 3-pillar approach aims to support LICs and vulnerable EMs in addressing debt service challenges through a comprehensive "pathway" to development. The three pillars of the "pathway" include:

- *Pillar I* focuses on structural reforms to boost growth and job creation, increase the efficiency of spending, and mobilize domestic resources, supported by technical assistance, CD, and policy advice. This pillar entails enhancing fiscal policies and the quality and effectiveness of institutions, strengthening the business environment to foster the domestic private sector as well as foreign direct investment, and developing domestic financial markets to enhance access to financing. The joint IMF-World Bank Domestic Resource Mobilization Initiative (IMF and WB, 2024) has been launched to help countries increase public revenues, improve the efficiency of public spending, and strengthen domestic financial markets. However, policymakers should not use the development of domestic financial markets as an opportunity to relax fiscal discipline and should remain vigilant about public domestic debt vulnerabilities. Moreover, both institutions will support members prioritize and sequence structural reforms to accelerate growth and create jobs, improve governance, and tackle corruption, and support structural transitions, mindful of social and political feasibility. Strong country ownership is crucial for the successful implementation of this pillar.
- *Pillar II* aims at fostering external financial support, including from IFIs, as structural reforms and resource mobilization will take time to deliver on their potential. In the meantime, mobilizing sufficient international support will be key to help countries meet their financing needs and provide net positive flows, particularly in LICs. Support from bilateral and multilateral partners will be needed, including through the provision of concessional loans and grants. This support should be consistent with the strength and ambition of the domestic reform agenda, and the needs of the country. The IMF and World Bank are important parts of this collective effort, including through their catalytic role. For countries engaged in a Fund-supported program, official bilateral creditors should endeavor to maintain, where feasible, their exposures throughout the program period.
- *Pillar III* seeks to reduce debt servicing burdens, including through using, where relevant, risk-sharing instruments to incentivize new or higher inflows from private creditors at affordable costs, as well as liability management operations such as debt-for-development swaps and debt buy-back. The WB guarantee platform can support some of these efforts.

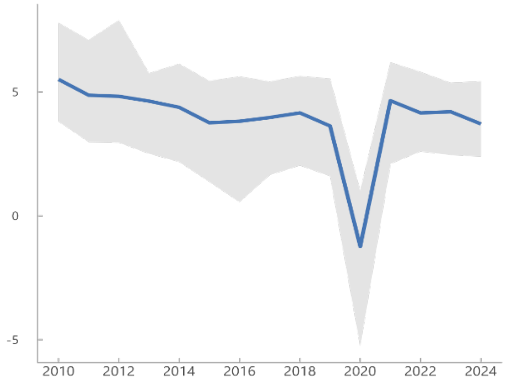
Work to operationalize the 3-pillar approach has been advancing, including:

- A granular "mapping" of debt vulnerabilities in 136 EMDEs, to have a stronger sense of the different situations faced by developing countries.[1]
- A deeper reflection on the "tools" that could be used in the different situations highlighted by the granular "mapping", including through the early lessons learned from the implementation of the Joint DRM Initiative and from recent debt swap operations (e.g. Cote d'Ivoire in December 2024, supported by the WB);
- Further work toward how the different "tools" (e.g., DRM, liability management operations) can be used in combination for certain countries where such combination would be particularly relevant. This also includes the role that official bilateral creditors can play as part of the overall effort.
- Importantly, the "tools" mentioned above are available and used in practice in many countries well beyond those facing debt service challenges. Using these "tools" does not mean that the country is faced with debt service challenges. Conversely, countries faced with such challenges can use part or all these "tools" to address their challenges.

[1] See ""Debt Vulnerabilities and Financing Challenges in EMDEs – an Overview of Key Data" (February 2025), which has been internally updated with the April WEO data, obtaining similar aggregated results, albeit with heightened uncertainty and risks.

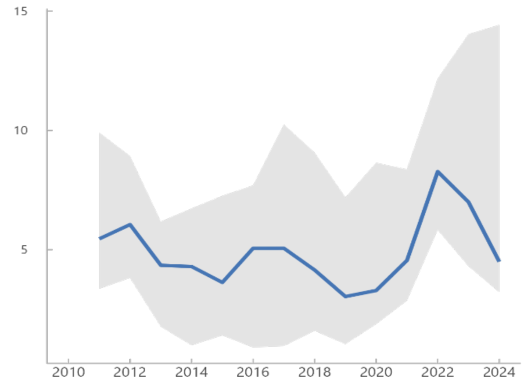
Figure 1. Macroeconomic Developments

Africa: Real GDP Growth, 2010–24
(Median, in percent of GDP)



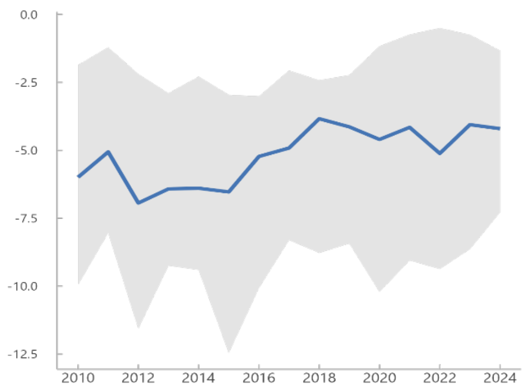
Source: World Economic Outlook database, and IMF staff calculations.

Africa: Inflation, 2010–24
(Median, in percent of GDP)



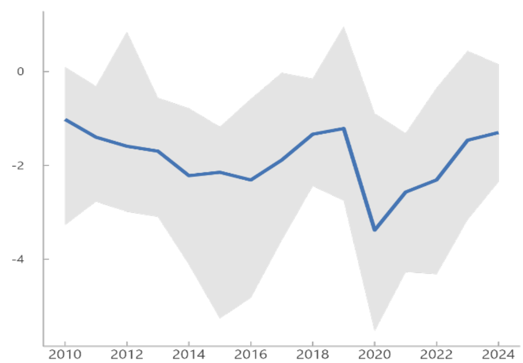
Source: World Economic Outlook database, and IMF staff calculations.

Africa: Current Account, 2010–24
(Median, in percent of GDP)



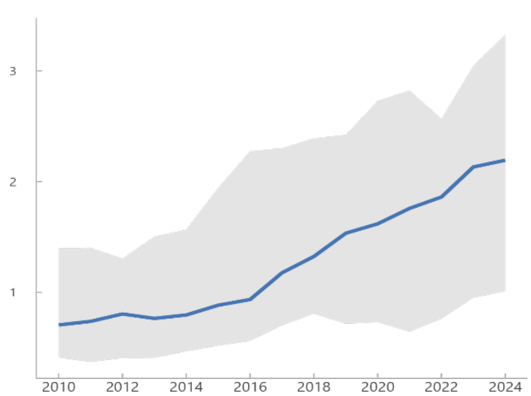
Source: World Economic Outlook database, and IMF staff calculations.

Africa: Primary Balance, 2010–24
(Median, in percent of GDP)



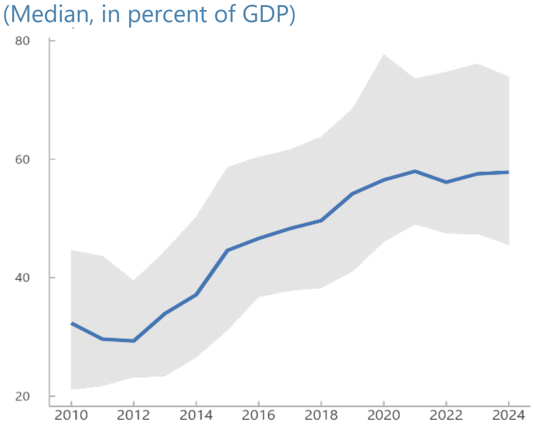
Source: World Economic Outlook database, and IMF staff calculations.

Africa: Total Interest Payments, 2010–24
(Median, in percent of GDP)



Source: World Economic Outlook database, and IMF staff calculations.

Africa: Public Debt, 2010–24
(Median, in percent of GDP)



Source: World Economic Outlook database, and IMF staff calculations.

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