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Africa's Debt Burden: Insights for the G20

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Abstract

- Africa's debt challenge is structural and deeply tied to the continent's development needs in health, education, infrastructure, and security.
- The COVID-19 pandemic further exacerbated fiscal pressures, forcing many governments to borrow heavily to cushion public health systems, sustain livelihoods, and stabilize economies, leading to soaring debt levels and weakened revenue bases.
- Emphasis was placed on transparency, parliamentary oversight, and responsible borrowing.
- Calls for reform of global credit rating systems to better reflect Africa's economic progress.
- Discussions highlighted the potential of Pan-African financial institutions and innovative financing tools.
- Africa seeks to build a unified position in global debt negotiations and promote Agenda 2063.
- Leaders called for inclusive global debt governance that takes into account Africa's realities.



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“We must ask ourselves what truly constitutes sustainable debt”. “Many African countries face competing pressures, servicing debt while addressing health, education, and security needs. It is imperative that our debt frameworks reflect these realities.”^[1]

Keynote address, H.E. Faure Essozimna Gnassingbé, President of the Togolese Republic.

Introduction

The African Union (AU) convened its first-of-its-kind Debt Conference from 12-14 May 2025 in Lomé, Togo, marking a significant step in shaping a unified continental response to the escalating debt crisis.^[2] Under the theme, “Africa’s Public Debt Management Agenda: Restoring and Safeguarding Debt Sustainability”, the event brought together Heads of States, Ministers of Finance, senior policymakers, experts, development partners, and civil society originations for a high-level dialogue on addressing and managing public debt and securing long-term fiscal resilience.^[3]

With many African countries grappling with rising debt servicing costs from International Financial Institutions (IFIs) (International Monetary Fund and World Bank) and wealthy states, fiscal pressures are intensifying to the point where debt repayments are overwhelming essential investments in health, education, infrastructure, and security.^[4] According to the International Monetary Fund (2024), more than half of low-income countries in Africa are either in debt distress or at high risk of it. In some cases, debt servicing consumes over 25% of government revenues, severely constraining developmental spending.^[5]

The conference was both timely and imperative, aiming to craft a common African position on debt, strengthen transparency and accountability mechanisms, and push for a more equitable international debt governance framework. African leaders highlighted that systemic reform of the global financial architecture is essential to prevent recurring debt cycles that undermine development.

The total external public debt across Africa surpassed US\$1.86 trillion in 2024. This includes debts owed to multilateral institutions, bilateral creditors (like China and the Paris Club), and private bondholders.^[6] The growing reliance on international bond markets has increased vulnerability to external shocks, currency depreciation, and rising global interest rates.

In the first half of 2025, Kenya and Benin raised a combined US\$2.5 billion through international bond issuances, primarily to repay maturing debts, a practice often described as “debt rollover”.^[7] This form of refinancing, issuing new debt to service old, raises concerns of debt dependency and fiscal instability.^[8]

[1] African Union. (2025). African Union Conference on Debt: Africa’s Public Debt Management Agenda: Restoring and Safeguarding Debt Sustainability. Retrieved June 7, 2025, from <https://au.int/en/newsevents/20250512/african-union-conference-debt>.

[2] African Union. (2025). African Union Conference on Debt: Africa’s Public Debt Management Agenda: Restoring and Safeguarding Debt Sustainability. <https://au.int/en/newsevents/20250512/african-union-conference-debt>.

[3] United Nations Economic Commission for Africa. (2025). First African Union debt conference convenes in Lomé: ECA Executive Secretary outlines five imperatives for restoring Africa’s fiscal sovereignty. <https://www.uneca.org/stories/first-african-union-debt-conference-convenes-in-lom%C3%A9-eca-executive-secretary-outlines-five>.

[4] Okeke, C.N., 2001. The debt burden: an African perspective. *The International Lawyer*, pp.1489-1505.

[5] Songwe, V. and Awiti, C., 2021. African countries’ debt: A tale of acceleration at multiple speeds and shades. *Journal of African Economies*, 30.14-32.

[6] World Bank. (2024). International Debt Statistics (IDS). Retrieved June 7, 2025, from <https://www.worldbank.org/en/programs/debt-statistics/ids>.

[7] Mutize, M. (2025). African countries are bad at issuing bonds – so debt costs more than it should. What needs to change? *The Conversation*. Retrieved June 7, 2025, from <https://theconversation.com/african-countries-are-bad-at-issuing-bonds-so-debt-costs-more-than-it-should-what-needs-to-change-257128>.

[8] Okeke, C.N., 2001. The debt burden: an African perspective. *The International Lawyer*, pp.1489-1505.

This policy brief synthesizes the key insights and proposals that emerged from the Lomé Conference, offering policy recommendations for the G20 and international financial institutions to engage more fairly and effectively with Africa's development and debt sustainability agenda.

Thematic Insights

1. Rethinking Debt Governance for Development

Leaders emphasized that debt sustainability must be reframed in the context of Africa's development priorities. President Faure Gnassingbé stressed that essential sectors such as education, health, peace, and infrastructure should be central to debt evaluations.^[9] Global financial frameworks must evolve to reflect these realities, recognizing that development spending is an investment, not a liability.

2. Transparency and Fiscal Accountability

Delegates called for stronger institutional mechanisms to ensure that debt management is transparent, accountable, and aligned with national development priorities. Enhanced parliamentary oversight, empowered audit institutions, and civil society engagement were highlighted as critical to preventing misuse and building public trust.^[10]

3. Reforming Global Credit Rating Systems

Current credit rating methodologies were criticized for penalizing African economies based on volatility rather than rewarding reform and progress.^[11] Leaders, including former President John Mahama, advocated for the establishment of an African Credit Rating Agency that would provide more balanced and fair assessments to improve borrowing terms and reduce investor bias.

4. Innovation in Financing for Resilience and Growth

To close Africa's annual \$200+ billion financing gap, speakers championed the use of green bonds, blended finance, and climate-aligned instruments. These tools are necessary to fund infrastructure, renewable energy, and climate adaptation, while keeping debt levels sustainable and supporting inclusive economic growth.

5. Building Africa's Financial Sovereignty

Participants stressed the importance of empowering Pan-African institutions such as the African Monetary Fund, Investment Bank, and regional Credit Rating Agency. These bodies are essential to strengthening Africa's fiscal^[12] autonomy, reducing external dependencies, and ensuring debt strategies are rooted in African priorities and realities.

[9] African Union. (2025). African Union Conference on Debt: Africa's Public Debt Management Agenda: Restoring and Safeguarding Debt Sustainability. Retrieved June 7, 2025, from <https://au.int/en/newsevents/20250512/african-union-conference-debt>.

[10] IBID.

[11] IBID.

[12] World Bank. (2024). International Debt Statistics (IDS). Retrieved June 7, 2025, from <https://www.worldbank.org/en/programs/debt-statistics/ids>.

Conclusion

The AU Debt Conference in Lomé represented a critical moment for Africa to assert its collective voice in the global debt discourse. Amid rising debt vulnerabilities and tightening fiscal space, African leaders demonstrated a shared commitment to responsible borrowing, institutional reform, and transparent debt management. The emphasis on aligning debt with transformative investment and inclusive development reflects a broader ambition to shift from crisis response to long-term resilience.

The G20 has a vital role to play in shaping a reformed global debt ecosystem that supports Africa's development ambitions without compromising its sovereignty, stability, or fiscal space. As South Africa assumes the G20 Presidency for 2025, it carries the responsibility of amplifying Africa's voice in global economic governance. The country is positioned to place African debt sustainability at the center of the G20 agenda, advocating for fairer credit rating practices, greater access to concessional finance, and the restructuring of outdated global debt mechanisms. This moment presents a critical opportunity for the continent to advance a new financial consensus that acknowledges Africa's progress, prospects for development, and one that responds to its structural challenges.

Policy recommendations for the G20:

- G20 should support the creation of an Africa-specific debt relief framework aligned with Agenda 2063.
- Revise credit rating standards to reflect structural reform, stability progress, and potential, not just volatility.
- Facilitate greater African participation in global debt governance platforms (IMF, G20, OECD).
- Support institutional capacity-building for national debt management and oversight bodies.
- Back the establishment of the African Credit Rating Agency to provide fairer assessments and boost investor confidence.
- Expand access to blended finance, climate finance, and concessional borrowing tools tailored for African needs.



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