



## Sovereign Debt and Fiscal Management in Africa

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### Introduction

Africa's sovereign debt dynamics and fiscal management are at the heart of debates about the continent's development prospects. The past decade has seen surging public debt, more complex creditor landscapes, and new fiscal challenges. While debt is a vital tool for development, its sustainability and the effectiveness of Africa's fiscal management have become focal points for policymakers, creditors, investors, and citizens. This article examines recent trends, causes, consequences, and reform efforts, supported by graphs and comparative data, with a critical focus on the challenges and opportunities facing Africa through 2025.

### The Landscape of Sovereign Debt in Africa

#### Recent Trends and Scale

- Africa's external debt has more than doubled in the past decade, reaching approximately \$1.16 trillion as of 2023<sup>[1]</sup>.
- The average debt-to-GDP ratio for African countries is about 60% in 2025, up from 30% in 2013<sup>[2][3]</sup>.
- In over 60% of African nations, debt-to-GDP ratios exceed 50%, and several countries now face ratios above 100%, including Ghana, Cape Verde, and Sudan<sup>[4][2]</sup>.

#### Top Debtor Countries

Six countries—South Africa, Egypt, Nigeria, Morocco, Mozambique, and Sudan—account for about half of Africa's external debt, increasing the risk of contagion in case of financial crises<sup>[4]</sup>.

Rank	Country	% of Africa's External Debt (2025)
1	South Africa	13.1%
2	Egypt	12%
3	Nigeria	8.4%
4	Morocco	5.9%
5	Mozambique	5.3%
6	Sudan	5.2%

- As of July 2025, Egypt leads African states with the highest IMF debt, at over \$7.4bn outstanding<sup>[5]</sup>.

#### Changing Creditor Profiles

- The proportion of African debt owed to private creditors grew from 30% in 2010 to 44% by 2021, with a declining share from traditional multilateral lenders<sup>[6][1]</sup>.
- Borrowing from public markets and private lenders has allowed faster access to capital but often comes at higher interest rates and shorter maturities.

#### Graph: Composition of Africa's Public Debt by Creditor Type (2010–2025)

- Multilateral lenders' share decreases, private creditor share rises, bilateral remains steady.

#### Drivers of Africa's Debt Surge

- **Infrastructure investment:** Major borrowing to fund transportation, energy, and communications.
- **Shock response:** COVID-19 and global commodity price volatility led to emergency debt-financed spending.
- **Fiscal deficits:** Many governments have run persistent budget deficits, relying on both domestic and foreign borrowing<sup>[7]</sup>.



- **Exchange rate pressures:** Currency depreciation has increased the burden of external debt service.
- **Decline in concessional lending:** As more countries graduate to middle-income status, concessional loans dwindle, pushing them toward expensive commercial debt<sup>[1]</sup>.

## **Fiscal Management: Approaches and Dilemmas**

### **Budgetary Strategies**

African governments face tough trade-offs:

- **Austerity vs. Growth:** Fiscal tightening, often imposed by IMF-supported programs, risks dampening growth and public discontent, while loose policies fuel debt sustainability concerns<sup>[5][8][9]</sup>.
- **Revenue Mobilization:** Many countries have narrow tax bases, large informal sectors, and revenue losses from tax evasion. Strengthening domestic resource mobilization is a recurring reform agenda<sup>[10][7]</sup>.

### **Country Case Study: Fiscal Framework Reforms**

- **South Africa** has embarked on fiscal reforms, considering debt anchors and credible fiscal rules to enhance policy credibility and public trust. However, challenges remain due to slow growth and rising service costs<sup>[11][12]</sup>.
- **Rwanda** broadened its tax base, digitized collection, and introduced new taxes on digital services, demonstrating innovative adaptation to tight fiscal spaces<sup>[7]</sup>.

## **Debt Sustainability and Risks**

### **Mounting Costs and Servicing Burdens**

- Some countries now allocate over 40% of government revenues to debt service, crowding out social spending and public investment<sup>[7][9]</sup>.
- High borrowing costs—averaging 11.6% across Africa—are partly the result of risk perceptions and limited coordination among diverse creditors<sup>[6][9]</sup>.

### **Graph: Africa—Debt Service as % of Government Revenue (2025)**

- Sudan: 252% debt-to-GDP, Ghana: 100%+, Cape Verde: 100%+<sup>[2][4]</sup>.

### **External Shocks and Contagion Risks**

- High concentration of debt in a handful of economies raises regional spillover risks. For example, fiscal crises in Egypt, Nigeria, or South Africa could impact investor sentiment continent-wide<sup>[4]</sup>.
- Currency mismatches and reliance on exports for foreign exchange expose many African countries to global disruptions.

## **Structural Barriers and Innovations**

### **Complex Creditor Coordination**

- With private creditors' rising share, debt restructuring becomes more complicated, with no collective mechanism and market-based lenders seeking higher yields<sup>[6][13]</sup>.
- The stigma of restructuring and threat of “creditor flight” disincentivize timely, orderly processes.

### **Illicit Financial Flows and Tax Transparency**

- Tax evasion and illicit flows undermine fiscal capacity. Recent regional initiatives, including the Africa Initiative on Tax Transparency, aim to combat these losses and enhance domestic resources<sup>[10]</sup>.

### **Toward Innovative Solutions**

- Calls are growing for a “New Debt Deal” with the international community, focused on substituting high-interest debt for low-interest instruments tied to improvements in public finance systems<sup>[9]</sup>.
- Proposed reforms include “debt-for-climate” swaps, greater use of blended finance, and African-led fiscal councils to independently anchor debt targets<sup>[11]</sup>.

## **Recent Developments and Key Data**

### **Debt Distress and Defaults**

- As of 2025, more than 20 low-income African countries face, or are at risk of, debt distress; three have defaulted or are in formal restructuring<sup>[14][3]</sup>.
- External public debt service for African countries was projected at \$88.7bn in 2025, or 24.5% of the continent's GDP<sup>[3]</sup>.



**Table: Debt-to-GDP Ratios for Selected African Countries, 2025**

Country	Debt-to-GDP Ratio (%)
Sudan	252
Ghana	100+
Cape Verde	100+
South Africa	74
Average SSA	60

## Medium-Term Outlook

- Provided reforms continue, the average African debt-to-GDP ratio may drop by over two points, settling just above 55% by 2029 (from a 2020 peak of nearly 63%)<sup>[4]</sup>.
- Nonetheless, financing needs remain high, and Africa's share of global external public debt service continues to rise<sup>[15]</sup>.

## Conclusion and Policy Recommendations

Africa's sovereign debt surge is rooted in aspirations for development, external shocks, and evolving creditor profiles. The challenges are daunting: unsustainably high service costs, constrained fiscal space, and increasingly complex restructuring negotiations. Yet the outlook is not uniformly bleak—there is evidence of successful fiscal innovation and, with global reforms, potential for a more stable debt path.

### Policy Priorities:

- **Strengthen domestic revenue:** Widen tax bases, digitize collection, and curb evasion.
- **Enhance debt transparency:** Regular public reporting of debt stocks, terms, and risks.
- **Adopt credible fiscal rules:** Anchor debt sustainability in legislation and independent oversight.
- **Coordinate globally:** Advocate for fairer international debt frameworks and access to concessional finance.
- **Pursue innovative instruments:** Leverage blended finance, climate swaps, and African fiscal councils for sustainable borrowing.

With deliberate policy action, international support, and innovation, Africa can manage its sovereign debt sustainably—ensuring fiscal space to meet the continent's pressing development needs.

### Figures and Tables Within This Article:

1. Table: Africa's Top Debtor Countries 2025
2. Table: Debt-to-GDP Ratios, Select African Countries 2025
3. Graph: Composition of Africa's Public Debt by Creditor Type (2010–2025)
4. Graph: Debt Service as % of Government Revenue (2025)

All data and references above are based on authoritative recent reports and official datasets for 2024–2025.

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