Introduction

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Translated by Cadenza Academic Translations

We are currently facing a systemic crisis, where geopolitical tensions and structural failures are inextricably linked, as are diplomacy and development. The growth trajectories that many countries have been following for almost two centuries are now running into problems: the environment being pushed beyond its limits, a widespread increase in inequalities, and a proliferation of instability in both political and security terms. This acceleration is by no means an exclusively African issue, but its effects on the continent are undeniable.

In addition to the food, energy, and inflation crises created by Russia's invasion of Ukraine, the African continent faces a funding crisis, and as things stand, Africa will require an additional 1.5 trillion dollars by 2030 to meet the Sustainable Development Goals (SDGs). Growth in Africa slowed down in 2023, with its wealth increasing by only 3.2%. In a more strained monetary context given the sustained rise in the cost of borrowing, the drop in financing from public financial institutions, and exclusion from international bond markets, sovereign debt is becoming an ever greater burden for many African countries, and governments are seeing their fiscal space reduce accordingly.

These economic and financial shocks are being felt in addition to the environmental crisis that has been quietly unfolding for several decades, the effects of which are now visible. The degradation of ecosystems exposes the most vulnerable African populations, who are highly dependent on natural resources, to growing economic and social insecurity. In its sixth climate assessment report, the Intergovernmental Panel on Climate Change (IPCC) estimated that more than 3.3 billion people currently live in an environment that is highly vulnerable to climate change, of whom 750 million, a quarter of the total, are in Africa. The *Groundswell Africa* report from the World Bank shows that Africa is the part of the world that will be most severely affected by climate change, which may force 86 million Africans to migrate between now and 2050, initially within their own countries and then beyond.

Faced with these major challenges, an urgent and coordinated response is essential, aligned with the SDGs, the Paris Agreement on climate change, and the Kunming-Montreal Global Biodiversity Framework. To this end, a large number of public and private actors came together in Paris in June 2023 for the Summit on a New Global Financing Pact, declaring their collective determination to build a new international financial architecture, with and for Africa. The fourth Finance in Common Summit (FiCS) brought together 530 public development banks in Cartagena, Colombia, in September 2023 to redirect public and private financial flows toward sustainable finance, in particular by providing technical assistance to African public banks. The first Africa Climate Summit, held concurrently by the African Union in Kenya, enabled Africa to speak with a clear, strong, and united voice on this crucial topic. And COP28 was marked by the publication of the first Global Stocktake and its irrefutable conclusions: the extent of climate change and its consequences are likely to be worse than expected. But it is still possible to reverse the direction of travel through collective, multilateral endeavor.

It is in this unfavorable context that this fifth edition of *African Economies* is published. As with previous editions, the pages that follow take the “All Africa” approach espoused by AFD Group. This enables the continent to be taken as a whole, in order to better grasp the diversity of situations experienced by populations.

In the face of global challenges, contextualized sustainable development solutions must be defined, structured within effective and inclusive public policies. The various chapters of this publication aim to help us identify what some of these might be.

In chapter I, Lucie Châtelain, Matthieu Morando, and Françoise Rivière explain how the African economy suffered in 2023 as a result of the global economic slowdown. In an international context of high inflation and tighter monetary policies, African countries face significant fiscal constraints and are encountering much less favorable financing conditions. Governments risk having to postpone both investment in public services and spending on the fight against climate change, potentially compromising countries' chances of reaching or returning to a path to lasting prosperity.

In chapter II, Jean-Louis Weber, Ndeye Fatou Mar, Abir Ben Romdhane, Thierry Tapsoba, and Emmanuel Fourmann draw on the ENCA (Enabling a Natural Capital Approach) method of ecosystem accounting and the AfrikENCA database built by the Sahara and Sahel Observatory to analyze changes in the condition of natural environments across mainland Africa and Madagascar between 2005 and 2019. Their overall conclusions are alarming, as more than half of the continent experienced major deterioration of its ecosystems, calling into question the sustainability of human activities and production.

Correlations are apparent between the acceleration of the effects of climate and environmental changes, natural disasters, and human mobility. Such connections raise questions about nomenclature, methodologies, and data, between cautious projections and alarmist predictions about the future of Africa. In chapter III, Serge Rabier gives an overview of definitions across these different but complementary approaches and sketches out some solutions, particularly as regards adaptation to climate change.

In a context where Africa is becoming of capital importance in the supply of critical minerals to the major economic powers, and where the latter are stepping up their investment in the continent, in chapter IV Julien Gourdon, Harouna Kinda, and Hugo Lapeyronie analyze the capacity of African countries to profit from this major commercial trend, based on the experiences of eight key countries: South Africa, Gabon, the Democratic Republic of the Congo, Madagascar, Mozambique, Tanzania, Zambia, and Zimbabwe.

In order to fight against climate change and at the same time attempt to make up Africa's funding shortfall, various actors have their roles: states or central banks, international development banks, national financial institutions, commercial banks, and businesses. In chapter V, echoing the work undertaken within the FiCS movement, Colin Bermingham studies the increasingly ambitious climate goals of financial institutions and weighs them against the magnitude of the climate risks that banks face in Africa in financing key economic sectors.

Chapter VI is particularly fitting in this Olympic year, with Gerard A. Akindes, Michel Desbordes, Christophe Dias, and Victoria Eche offering us the opportunity to shift our perspectives on Africa through the prism of its most popular sport: football. The love of the game is deeply embedded in African society, transcending sociocultural barriers and uniting populations. Through its impact on health, education, social and territorial cohesion, and even gender equality, football can accelerate sustainable development. The economic effects of the sport on the continent are also sizable. Match broadcasting rights constitute an essential source of revenue for leagues, clubs, and federations, although television broadcasting in Africa presents a mixed commercial picture. This chapter calls for broader reflection on the conditions that must be met in order to realize the sport's development potential, a path AFD has been actively and decisively exploring since 2018.

Finally, as is the case every year, we conclude with a future timeline and statistics from Vincent Joguet, covering the African events that will punctuate 2024, along with key economic and social data for the continent.

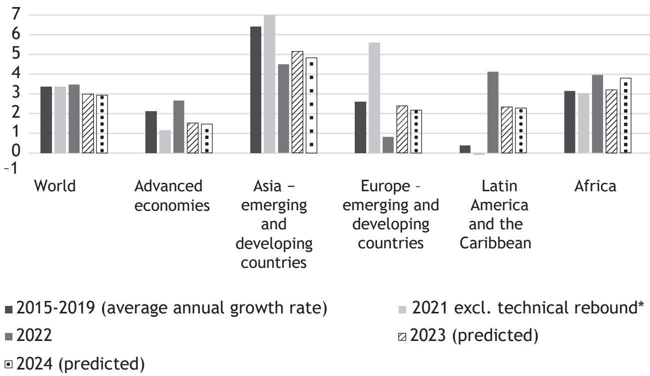
Year after year, *African Economies* demonstrates the fruitfulness of collaboration between African researchers, European researchers, and AFD officials. My hearty thanks go to these authors, actors, and thinkers in the field of sustainable development, who are so closely attuned to developments on the ground. Their work helps to open up fresh perspectives for the analysis of the changes underway on the continent.

I / Major macroeconomic trends in Africa

Lucie Châtelain, Matthieu Morando, and Françoise Rivière (AFD)

The African economy suffered in 2023 as a result of the widespread slowdown in global economic activity. In real terms, i.e. excluding the effect of inflation, economic growth was at +3.2%, compared to +3.9% in 2022. The African continent was alone in having a higher growth rate than it had achieved before the shock of the COVID-19 pandemic in 2020. This relative resilience nonetheless masks contrasting developments in different countries, with growth trajectories being affected by social or security tensions, and also by climate-related shocks or natural disasters (Mozambique, Horn of Africa, West Africa, etc.). In a context of widespread high inflation and tighter monetary policies, African countries, like most countries around the world, have faced increasingly harsh fiscal constraints and are encountering much less favorable financing conditions. The title of the International Monetary Fund (IMF) Regional Economic Outlook report of April 2023 was very telling: the continent is indeed experiencing a "Big Funding Squeeze." The global pandemic and later the Russo-Ukrainian conflict have both contributed, via their respective collateral effects, to accentuating the fiscal and financial imbalances that pose structural problems in many countries in the region.

Figure 1. **Growth in the major global regions**



*A part of the 2021 growth can be automatically explained by the economy recovering the ground lost in the recession that emerged in 2020 in the context of the global pandemic (technical rebound). The figures in this graph have been corrected for the technical rebound in 2021.

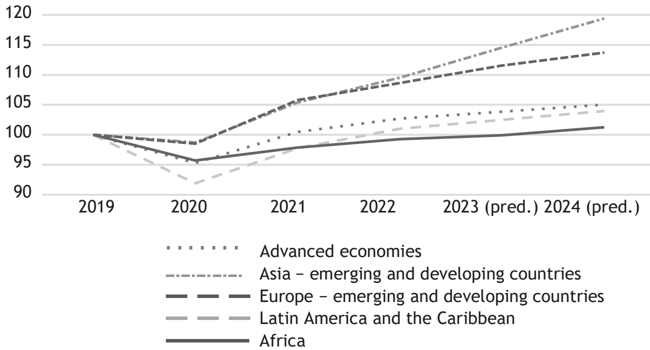
Source: IMF, World Economic Outlook Database, October 2023; AFD calculations.

How have African economies responded compared with those in other parts of the world? How do we explain the current slowdown and the differences in trajectories across the continent? What levers do economies have at their disposal to address these issues? What vulnerabilities are being exacerbated by the high levels of debt and the refinancing difficulties experienced by a number of countries? Such are the questions that this introductory chapter will attempt to answer.

Slowdown in 2023, after relatively strong growth in 2022

Since 2022, the African economy has seemed to be more vigorous than the world economy, which was not the case in the period leading up to the global pandemic. The IMF predicted a growth of +3.2% for Africa in 2023 (consolidated figures for the continent as a whole), compared with +3% globally.

Figure 2. **Change in GDP per capita, per major global region**
(Index, 2019=100)



Source: IMF, World Economic Outlook Database, October 2023; AFD calculations.

The slowdown observed compared with 2022 (-0.7 percentage points) is more marked in Africa, but the projected recovery for 2024 should allow the region to reestablish its 2022 pace of growth, while the worldwide figure will lag behind, remaining the same as in 2023 (Figure 1).

This dynamism should however be viewed in the context of demographic growth, which remains high and is only decreasing very slowly, thus absorbing a large part of this economic growth [Ined, 2020]. Indeed, fertility rates remain particularly high, in particular in the Sahel and certain Central African countries, even if we are starting to see initial reductions with the spread of contraceptive practices. As a result of this demographic dynamism, gross domestic product (GDP) per capita in Africa only returned to its pre-COVID level in 2023, later than other major global regions (see Figure 2). The pace of its progress is similar to that observed in Latin America and in the advanced economies and is much slower than that of other emerging and developing countries in Asia and Europe.

A stalling recovery in comparison to other emerging regions

Beyond demographic considerations, there are several reasons why Africa's growth trajectory is different from that of other emerging regions. First and foremost, Africa did not benefit from the large-scale offshoring that enabled Asia to secure a significant growth in investment during the 1990s and the gradual integration of these economies into the global economy. The significant dependence of many African countries on natural resources (oil, other extractive resources, agricultural produce, etc.) constitutes another major obstacle to growth. The large-scale exploitation and exportation of these resources did of course enable the continent's GDP to increase by an average of 5.1% each year between 2000 and 2010, but being an exporter of natural resources inherently exposes a country to major fluctuations in demand for and prices of these resources. The recurrent conflicts in the Sahel, as well as the Arab Spring and the institutional instability of a number of countries more broadly, also contributed to stemming the flow of exports out of Africa and the flow of foreign direct investment (FDI) into the continent, thus exacerbating the deterioration of the economic situation.

Moreover, African growth is systematically affected by low labor productivity, which largely explains the gap between the continent's growth trajectory and those of other emerging regions, in particular in Asia but also in Latin America. This low productivity particularly affects the agricultural sector and small-scale mining (due to the very high level of informality and fragmentation), prominent sectors in many African economies.

As far as trade links are concerned, Africa does not have the same level of regional integration as Asia or Latin America (where 20% of imports and exports are intraregional), although such links are gradually being established. The integration of regional value chains, e.g. the establishment of the African Continental Free Trade Area (AfCFTA) [Gourdon, 2022], improvements in trade and transport infrastructure, and productive investment remain important factors, but these require funding that most countries in the region cannot furnish independently.

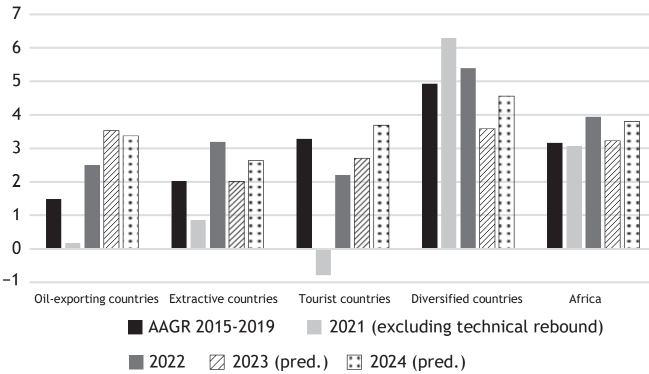
A final major hindrance to the diversification of African economies is related to the level of domestic consumption, which remains much lower than in other developing regions, where it has rapidly increased since the turn of the century. As shown by the analyses in the McKinsey report [McKinsey Global Institute, 2023], indicators of household monetary poverty show that almost 80% of the population of Africa is in the "below consuming class," i.e. with purchasing power of less than $11 per day. To illustrate this lag in domestic consumption, the proportion of the African population currently in this class is the same as the proportion of the South-East Asian population in this position in 2003, and that of the Chinese population in 2009.

Differences in growth trajectory between African regions, reflecting the specialization of the countries within them

Different regions of the continent are on different growth trajectories, mainly because of the economic specializations of the countries within them. The Sahel, East Africa, Central Africa, and the Gulf of Guinea demonstrate strong growth, generally speaking. In North Africa and Southern Africa, Egypt and Mozambique stand out as especially dynamic, but the picture is more nuanced for other countries in these regions. The continental average is dragged down, however, by the sluggish growth in some of the largest countries in these regions, in particular South Africa.

Patterns of economic growth vary considerably from one sub-group of countries to another. Four groups of countries can be distinguished: 1) countries whose GDP is not heavily reliant on natural resources, with diversified and more resilient economies; 2) countries that export natural resources other than oil; 3) oil-exporting countries; 4) tourist countries (Figure 3).

Figure 3. **Change in real GDP by category of country**



Source: IMF, World Economic Outlook Database, October 2023; AFD calculations.

Diversified countries remain the most dynamic, with a projected growth in GDP of +3.6% in 2023. This is of course down almost two percentage points compared with 2022, but it is predicted to bounce back in 2024, with growth of +4.6%. Rwanda, Ethiopia, Côte d'Ivoire, and Mozambique, relatively diversified countries compared to the average African country, have growth rates between +6% and +7% for 2023, which are among the highest in the world. The second group, composed of countries that rely on natural resources other than oil, have suffered greatly due to a context of decreased demand in 2023 (only +2.0% growth), but should benefit from new mining projects beginning in 2024 (in Liberia, Sierra Leone, and Uganda, for example). Growth accelerated in oil-exporting countries in 2023 (+3.5%, compared to +2.5% in 2022), despite large fluctuations in oil prices throughout 2023. Finally, growth continues to become stronger in tourist countries. Bloom Consulting[1] confirms this favorable trend in its latest country brand rankings.

1. The *Bloom Consulting Country Brand Ranking* provides an exhaustive analysis of the country brand of almost two hundred countries and territories worldwide, based on

Despite internal challenges and social unrest, Egypt stands out for the improvement in its country brand and is now among the twenty-five most attractive tourist destinations in the world. Other countries such as Tanzania, Nigeria, and Rwanda are developing real tourism potential, while South Africa, Morocco, and Mauritius remain among the continent's top performers.

Factors in the slowdown, some of which will last into 2024

The widespread reduction in growth in 2023 partly reflects the slowdown in demand from rapidly growing countries like China. Two other factors should also be emphasized. Countries have less fiscal space for both short-term actions and long-term reforms, which is slowing down public spending and holding back growth. Moreover, the threat of geopolitical fragmentation within the continent, which is exacerbated by the posture of certain Sahel countries towards the conflict in Ukraine, also affects African states' prospects for growth. The increase in geopolitical tensions may result in an upsurge in trade disputes and risks impeding international capital flows toward countries that nevertheless have significant financing needs (as previously mentioned).

Inflation is slowing down but remains significant, and its future course remains uncertain

Pressures on fuel prices abated during the first half of 2023, with a significant drop in international prices compared to the high point of mid-2022. But prices have once again been moving upward since the summer. Simultaneously, the prices of many food items and certain commodities (wheat, maize, sunflower oil,

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four components: economic performance, digital demand, country brand strategy, and online performance.

fertilizer, etc.), whose steep rise since 2021 became steeper still following the start of the war in Ukraine, are gradually subsiding, although they have not yet returned to their end-of-2020 levels.

In this context, inflation remains very high overall in the majority of African countries, although it did drop in over half of the countries under consideration during 2023. Average inflation reached a historic high in 2023, exceeding 20% (+5 percentage points compared with 2022). The median level of inflation was 7.1% in 2023, compared to 2.8% in 2019, and inflation was above 15% in a quarter of the countries studied. Median inflation excluding energy and food (referred to as "core" inflation) is also at a historic high and remains highly volatile, not yet having taken a clear downward turn at this time. The removal of fuel and food subsidies in a number of countries (Cameroon, Central African Republic, Ethiopia, Senegal), combined with wage demands (Cameroon, Mali, Rwanda, The Gambia) explains the volatile nature of inflation and raises the possibility of a wage-price spiral in certain countries. According to IMF projections, world inflation will continue to fall in 2024, but in Africa it will remain above pre-pandemic levels until 2027.

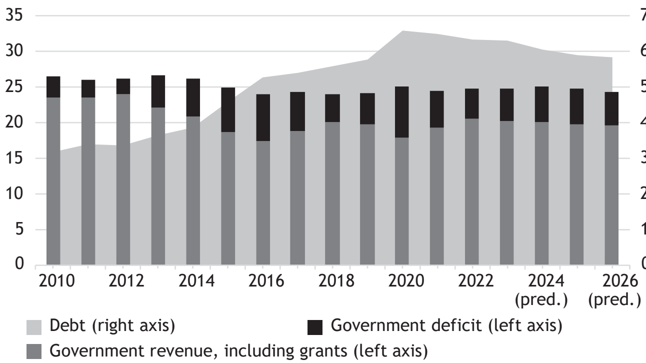
Growing fiscal pressures exacerbated by monetary pressures

Debt is once again reaching worrying levels

The level of public debt in Africa, which fell to around 30% at the end of the 2000s following the Heavily Indebted Poor Countries (HIPC) Initiative[2] has once again increased considerably, doubling over the period 2008–2019 (Figure 4).

2. The Heavily Indebted Poor Countries (HIPC) Initiative is a global debt relief scheme, where eligible countries benefit from negotiated debt reduction programs in order to bring their debt down to sustainable levels.

Figure 4. **Projection of the extent to which government revenue covers public spending and levels of debt in Africa**
(as % of GDP)



Note: in 2023, public spending represented 24.7% of GDP, of which 20.2 GDP points were covered by government revenue and grants, and the remainder by government deficit (4.5 GDP points).

Source: IMF, World Economic Outlook Database, October 2023; AFD calculations.

It peaked at over 66% in 2020 (+8 percentage points in that year alone, compared with an annual increase of less than two percentage points in the three preceding years), with a pronounced scissor effect caused by a drop in government revenue (2 GDP points below the 2015–2019 average) combined with an increase of urgent expenditure (the equivalent of 1 GDP point). The level of debt has steadily decreased since then and is expected to fall below the 60% threshold by 2027, according to current IMF projections, provided that worsening financing conditions (see above) do not create a snowball effect that is difficult to counteract.

The consistent increase in debt in the region appears above all to be structural, in particular due to notoriously inadequate domestic resource mobilization in the majority of countries (the informal sector continues to predominate), meaning that

Box 1. The new direction of French policy on international cooperation and development aid

Following the Presidential Development Council meeting on May 5, 2023, the members of the CICID set out the direction of France's development policy in July 2023. They resolved to move from a development aid policy to a policy of solidarity and sustainable investment, combining the fight against inequality and the protection of common goods.

They agreed to remove all reference to the list of nineteen priority countries agreed by CICID on February 8, 2018 (of which sixteen were in Africa), and to targets for concentrating aid in these countries. These have been replaced by a target for concentrating state financial contributions that aims to gradually increase French state aid to least developed countries (LDCs) over the period 2024–2027. With regard to both bilateral and multilateral aid, the government will ensure that at least 50% of France's financial contributions go to LDCs from 2024 onward.

In this context, with the aim of ensuring the continued financial sustainability of the countries concerned, France will refrain (with only limited, properly justified exceptions) from making sovereign loans to LDCs considered to be at high risk of over-indebtedness. Those LDCs at moderate risk of over-indebtedness will require an IMF program to receive loans, and risky middle-income countries will have restricted access to borrowing. Furthermore, financial aid to countries that are not eligible for loans will be increased, and a trial of highly concessional loans will be launched to respond to the needs of countries in fragile financial circumstances. Administrative cooperation will be encouraged to help better mobilize funds and upskill local actors: tax collection, anticorruption measures, justice, training of public officials, mobilization of domestic savings by national public development banks, etc.

increased public spending cannot be covered. Tax expenditure—which shows the scale of the shortfall that tax exemptions cause for the budgets of the governments concerned—is also generally high and sometimes poorly controlled. The urgent needs created by a series of long-term crises are an aggravating factor, as they necessitate additional spending, although this should gradually reduce over time. The efforts many countries have made to reform their tax systems—widening their tax bases, improvements in tax collection, overhauling moratoria relating to new resource extraction activity (see chapter IV)—are also expected to be continued and enhanced. In this context of significant debt re-accumulation, not one of the thirty-eight countries featured in an analysis of debt sustainability is now classified as low risk of over-indebtedness. Seventeen countries are considered to be at moderate risk, thirteen at high risk, and eight are classified as already over-indebted (the Republic of the Congo, Malawi, Mozambique, São Tomé and Príncipe, Somalia, Sudan, Zambia, and Zimbabwe).

In reality, this debt crisis is much more than just an African issue. All regions of the world have accepted, in the context of successive crises, that their public spending is going to go up while their revenue is shrinking, resulting sometimes in major deficits, which fuel debt as they accumulate over time. The question of the level at which this debt is no longer sustainable, i.e. when a country is no longer able to pay it back independently, is being asked far beyond Africa. For developing countries, the central question concerns their continuing capacity to service their debt[3] (very often through refinancing on the local or international market), more than the level of debt itself. This subject was a central issue at the Summit on a New Global Financing Pact that took place in Paris in June 2023, as well as for the Comité interministériel de la cooperation internationale et du développement (CICID) (Interministerial Committee for International Cooperation and Development), which set out a new direction for France's development aid policy (Box 1).

A widespread and incremental tightening of monetary policies

Inflation in developed countries, which had remained low for an unprecedented period, began to accelerate sharply in 2021: global supply, still constrained by persistent logistical difficulties,

3. The payment of interest and the repayment of the principle for outstanding loans.

was unable to keep pace with the dynamism of global demand boosted by post-COVID recovery plans and significant household liquidity. Inflation was further exacerbated in 2022 not only by the conflict in Ukraine, but also by the increasing strength of the US dollar (imported inflation, as a large proportion of global trade is conducted in USD).

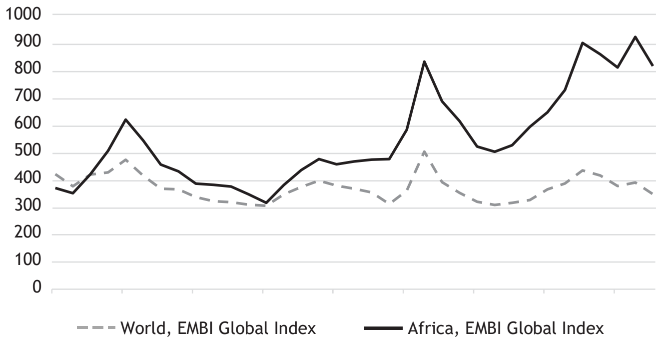
In this context, all of the central banks in developed countries (with the notable exception of Japan) have incrementally raised their policy rates, with the aim of limiting demand and stopping inflation from snowballing. The long period of accommodative monetary policies has thus come to a brutal, unexpected end, with a major impact on financial and monetary markets, as well as on the behavior of international investors.

Refinancing on international markets has been compromised for many African countries

The gradual rise in public debt in Africa has notably resulted in a steep rise in external debt, as domestic markets in most African countries lack the depth required to respond to the rapid growth in public financing needs (low rates of bank use and of mobilizable savings). Between 2008 and 2019, a number of African countries became attractive to foreign investors and were able to issue Eurobonds[4], which represented a significant source of financing for countries that were able to enter these markets

4. Eurobonds are bonds denominated in a currency other than that of the country in which they are issued, not necessarily the euro as their name would suggest. With the exception of South Africa, sub-Saharan African countries were totally absent from the international financial markets until 2007. However, between 2007 and 2020, more than twenty African countries raised money on financial markets, most of them for the first time. Outstanding Eurobonds represent over 10% of GDP in six African countries: Ghana, Senegal, Gabon, Cote d'Ivoire, Zambia, and Benin.

Figure 5. **Changes in average spreads**



Sources: JP Morgan and EMBI; calculations by AFD.

during this period. At the same time, China, which had a great deal of capital and wanted to strategically position itself in the region, became the main bilateral lender to the continent. Thus, more than half of external debt now consists of commercial borrowing, the bulk of which is denominated in foreign currencies, as investors were generally unwilling to shoulder the exchange rate risks linked to investments in local currency.

Recently, however, the combination of these countries becoming less attractive due to the rise in interest rates and the aversion to taking risks on those markets seen to be the most precarious (complex geopolitical situation, debt once again reaching worrying levels, etc.), has led an overwhelming number of international investors to reposition themselves on traditional bond markets. This decreased appetite for risk is demonstrated by the way "sovereign spreads" – which measure the risk premium demanded by external investors – have soared (Figure 5). External shocks have amplified impacts on African spreads, which therefore remain prohibitive for many African countries, thus restricting these countries' access to international markets since spring 2022. Loans from China and Chinese involvement in infrastructure projects have both also slowed down significantly since 2020. Finally, the continent is indirectly bearing the cost of the Russo-Ukrainian conflict, which has refocused attention and a proportion of the funding from major donors away from Africa: according to provisional figures from the Organisation for Economic Co-operation and Development (OECD), development aid allocated to sub-Saharan Africa fell by almost 8% in 2022.

The sovereign debt of many African countries is increasingly vulnerable

In addition to the difficulties that many African governments have in meeting their financing needs and the net higher costs that follow from this, some countries that have issued bonds on international markets will have many of these coming to maturity over the next few years. Many Eurobonds involving very high amounts will mature in 2024 and 2025, more than did so in 2023, leaving the countries involved (Egypt, South Africa, Tunisia, and Kenya in particular) with liquidity requirements that will be particularly onerous to meet in current interest rate conditions.

The rising cost of external debt for certain African countries is also the consequence of the worldwide trend for hard currencies, which has resulted in the depreciation of many African currencies against the US dollar (at its highest, it has exceeded 10% in Sierra Leone, Ghana, and elsewhere). This has automatic consequences for countries where a significant proportion of external debt is denominated in those currencies. The impact of the appreciation of the US dollar also partially comes from debt owed to multilateral lenders, or certain bilateral lenders (Sierra Leone, The Gambia, Sudan, and Mali are particularly affected, as well as the Republic of the Congo and Guinea-Bissau, whose currencies are pegged to the euro, but who owe a great deal in USD).

Conversely, some countries in the region (exporters of raw materials), in particular Angola, have seen their currencies appreciate.

Public finances need to adapt to the paradigm shift caused by the sustained sharp increase in the cost of borrowing

To try to prevent inflation from accelerating and to limit capital outflows by attracting international investors, African central banks (including the two regional banks) have felt the need—as have central banks in advanced countries—to gradually increase their policy rates, and to bring most of the easing measures implemented during, or even before the COVID-19 pandemic, to an end. As a result, alongside the rising cost of external debt, domestic debt (held by residents) has also become more onerous. In order to curb the depreciation of their currencies, some countries have further needed to intervene directly in foreign exchange markets, sometimes drawing heavily on their foreign exchange reserves.

In addition to fiscal policy constraints, there are thus now strict monetary constraints. As a result, financing conditions (rather than the general level of African debt), are the main driver of uncertainty, and place major restrictions on fiscal space for numerous countries across the continent. Although more onerous financing conditions are not abnormal (it is important to remember that very low interest rates prevailing for an extended period was exceptionally atypical), their return has greatly raised public debt service. This cost in 2021 represented almost 4.5% of GDP in Africa on average (latest available data), while it represented only 1.5% ten years earlier, when it was at a particularly low point. The proportion of government revenue (excepting grants) allocated to these repayments is now above 15% in more than twenty African countries, presenting an enormous obstacle to public spending on social provisions (health and education) and public investment. The rising cost of recent borrowing, which will add increasing weight to states' repayment burdens, will reinforce the crowding-out effect of this spending.

Public services and climate change coming up against constrained budgets: The cost of inaction

Public services

With rising food and energy prices, purchasing power has plummeted for the poorest households, and there is a great need for social safety nets in the majority of African countries. In fact, investment in public services, in particular education and health, is decisive for a country's long-term growth trajectory. Such investment has enabled African countries to significantly improve their Human Development Index (HDI) performance since the 2000s, including countries with the lowest HDI scores, such as those in the Sahel. Even today, however, one African child in five of primary age is not in school, and almost four adolescents in ten do not receive lower secondary education, according to UNESCO [2020].

Furthermore, the World Bank [2021] calculates a Human Capital Index (HCI) that quantifies the loss of economic productivity suffered by countries that underinvest in human capital: each country receives a score between 0 and 1, with 1 representing full potential. African countries are near the bottom of the rankings (according to calculations based on data from 2020 [World Bank, 2021]). Sub-Saharan Africa scored 0.4, meaning that a future worker will only realize 40% of his or her full potential (which could be reached with optimal health conditions and full, high-quality schooling). In North Africa, the figure is higher (around 0.5). The Central African Republic, Chad, Niger, and Mali have the lowest HCI scores (under 0.32).

Climate change

Climate change has both short- and long-term consequences for the debt trajectories of African countries, with the continent having an especially high level of exposure to the consequences of climate change [Woillez, 2023]. These states' great physical vulnerability to global warming and the increase in natural disasters, combined with lower socio-economic resilience (food and agricultural insecurity, high population growth, absence of social safety nets, and political instability), weigh heavily on public finances, while their fiscal space is already minimal. As Cabrillac *et al.* [2023] have shown, the loss of economic growth caused by climate change may affect their ability to borrow. Rating agencies, which evaluate the risk of non-repayment of loans, now take into account a country's climate vulnerability.

Conclusion

After strong growth in 2022 (+3.9%), African economic activity slowed down in 2023 (+3.2%). This slowdown is slightly more marked than that observed at the global level (-0.5 points), but the continent is expected to bounce back to its 2022 growth level in 2024, which is not expected to be the case worldwide. This dynamism partly masks significant vulnerabilities: low GDP per capita and low productivity, widespread poverty (80% of Africans live on less than $11 per day), and a non-negligible disparity between African regions, whose performance is better for those that have diversified their economies.

Additionally, a worrying level of debt and a tightening of monetary policies due to inflation have contributed to worsening financing conditions on the continent. Faced with a pronounced and enduring rise in the cost of borrowing, the shortage in financing from major providers, and exclusion from international bond markets, African countries' financing needs are now too often met by resorting to national or regional monetary markets, in the form of short-term private credit, which is more onerous and comes with significant transaction costs.

The question of debt sustainability is already having noticeable repercussions, not only on household purchasing power, but also on the ability of African states to put in place and develop social policies, in particular in education and health, as well as policies around adaptation to climate change that seek to limit the harmful effects of this phenomenon on economies and populations.

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