AFRICA'S VICIOUS CYCLE OF DEBT AND CLIMATE CHANGE

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DEBT RELIEF FOR A GREEN & INCLUSIVE RECOVERY

ABOUT

The mission of the Debt Relief for Green and Inclusive Recovery (DRGR) Project is to utilize rigorous, policy-oriented research to advance innovative solutions to address the challenges of 21st century sovereign debt crises.

Taking a holistic approach, the DRGR Project engages with policymakers, thought leaders and civil society to further ambitious, evidence-based policy dialogue for sustainable development around the world. The DRGR Project has been designed since its inception with input from stakeholders in the Global South, and to advance its policy recommendations through a development-centered lens.

The Boston University Global Development Policy Center, Heinrich-Böll-Stiftung, and the Centre for Sustainable Finance at SOAS, University of London founded the DRGR Project in 2020 during the height of the COVID-19 pandemic. Heinrich-Böll-Stiftung and the Centre for Sustainable Finance at SOAS, University of London remain active contributors. The DRGR Project focuses on the linkages between sovereign debt distress and climate change, advancing pioneering proposals to unlock finance for sustainable development and to achieve shared climate and development goals.

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KEY MESSAGES

- Many African countries are caught in a vicious circle: climate shocks worsen debt distress, while debt service crowds out the investments needed for resilience.
- Public external debt has more than tripled since 2008, with significant increases in the debt owed to private bondholders. The pain of this debt burden has been worsened by increases in global borrowing costs and a continued decline in African currencies versus the U.S. dollar.
- In 2023, African governments spent on average 13 percent of total expenditure on debt service, double the levels witnessed in 2012. More than half of African countries are now spending more on interest payments than on health care.
- In Sub-Saharan Africa, climate finance needs exceed US$1.4 trillion this decade, yet actual flows average just US$35 billion per year – with over 50 percent coming in the form of debt rather than grants.
- The IMF's debt sustainability analysis (DSA) systematically understates risks by ignoring climate and SDG investment needs, leaving many African economies vulnerable. An enhanced DSA reveals that many more countries face unsustainable debt paths than official assessments suggest.
- The worsening external debt situation warrants a concerted effort to tackle the debt crisis facing many African low- and lower-middle income countries. The Common Framework's case-by-case approach has proven prolonged, complex and unpredictable, leaving debtor governments in a structurally weak position. As a result, overindebted governments will try all they can to avoid a default, even if this in effect means that they are defaulting on their own development. The creation of a Borrowers' Forum at the Fourth International Conference on Financing for Development in Seville marks an important first step to improve collective bargaining, but much more will be needed to deliver timely and fair debt treatment.
- The DRGR proposal calls for comprehensive, equitable debt relief across all creditor classes, coupled with fresh concessional finance and strict transparency standards. For liquidity-constrained but solvent countries, DRGR recommends credit enhancements, SDR reallocation, concessional finance, and innovative swaps to lower capital costs.

- Breaking the cycle of debt and underinvestment requires systemic reform of the international financial architecture and global debt governance. This includes not only enhanced debt sustainability analysis, linking debt treatment to climate and development goals and ensuring fair participation by all creditors, but also broader measures to lower borrowing costs and expand liquidity.
- Recent political momentum on debt is unprecedented. The African Union's Lomé Declaration, the United Nation's Compromiso de Sevilla, South Africa's G20 Presidency, the Jubilee Commission's blueprint, and the African Leaders Debt Relief Initiative have all elevated debt to the top of the regional and international agendas. Yet, despite this growing awareness, concrete action and systemic reform remain elusive.

INTRODUCTION

African nations today find themselves stuck in a vicious circle of climate vulnerability and debt. Many of the continent's economies rank amongst the most climate-vulnerable in the world, yet also among the least fiscally able to respond to this threat. There is strong empirical evidence that climate vulnerability drives up the cost of sovereign debt (Kling et al. 2018, 2025), causing a climate risk premium on African debt. The higher cost of capital leaves governments with even less fiscal room to invest in adaptation and resilience. The underinvestment that follows only heightens exposure to future climate shocks, feeding back into rising vulnerability to further shocks – setting in motion a vicious circle (Figure 1).

This cycle does not only threaten African countries' development trajectories; it also undermines global efforts to achieve the Paris Agreement and the 2030 Agenda. Without systemic debt relief and reforms to the international financial architecture, the region risks a prolonged period of austerity, underinvestment, and recurrent crises. Breaking this cycle requires a new approach that links debt treatment directly to climate and development objectives, ensuring that scarce fiscal resources are used to build resilience rather than service unsustainable debts.

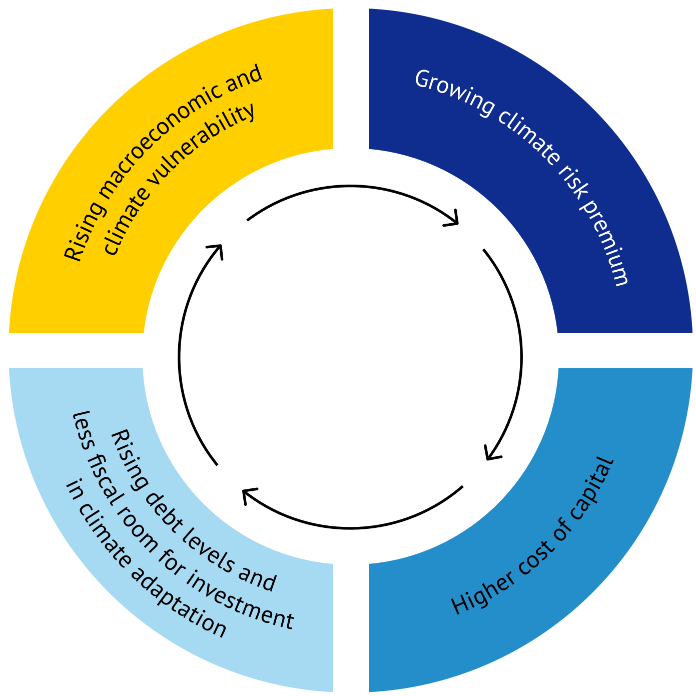
In parallel with these economic and climate pressures, debt has climbed rapidly on the political agenda in Africa and globally. In March 2024, the African Union convened its first-ever continental conference on debt, culminating in the Lomé Declaration, which for the first time articulated a joint African position and set out proposals for reform (African Union, 2024). This momentum continued at the UN's Fourth International Conference on Financing for Development in Seville in June 2025, where African negotiators pressed for a UN Framework Convention on Sovereign Debt to establish fairer and more predictable restructuring processes (United Nations, 2025).

At the same time, South Africa has placed debt sustainability at the heart of its G20 Presidency, launching an African Expert Panel on Debt tasked with producing high-level recommendations ahead of the G20 Leaders' Summit in November 2025 (National Treasury of South Africa, 2025). Beyond formal negotiations, new coalitions are mobilising support. The Jubilee Commission's "Jubilee Debt and Development Blueprint" called for systemic reforms to prevent future crises (Jubilee Commission, 2024), while the African Leaders Debt Relief Initiative has brought together former heads of state to advocate for debt relief and lower borrowing costs (African Leaders Debt Relief Initiative, 2024).

Meanwhile, Africa is simultaneously experiencing the intensifying human costs of climate change, with recent floods devastating Kinshasa, Gaborone and South Africa's Western Cape, and severe heatwaves across South Sudan. Together, these developments highlight both the urgency of the debt crisis and the growing recognition that without meaningful action, Africa risks being locked into a cycle of debt, vulnerability and underdevelopment, despite the unprecedented political momentum for reform.

In the following, we detail the challenging debt dynamics facing African nations, highlighting that the region is struggling under the weight of a large and expensive debt burden that threatens fiscal stability. We subsequently outline the level of climate vulnerability experienced in Africa, showing that the region has received only a small fraction of the climate finance required to meet the challenges of climate change. We then discuss the shortcomings of the debt sustainability analysis (DSA) as conducted by the International Monetary Fund (IMF) and provide an enhanced DSA which demonstrates that the IMF's analysis systematically understates the debt distress situation across the region and that the IMF's debt sustainability thresholds will be crossed when including critical climate investment needs. We then outline the Debt Relief for a Green and Inclusive Recovery (DRGR) proposal as a framework for linking debt treatment with sustainable development, and discuss how such an approach could help break the vicious circle of debt, climate vulnerability and underdevelopment.

Figure 1: The vicious cycle of climate vulnerability, debt, and underdevelopment

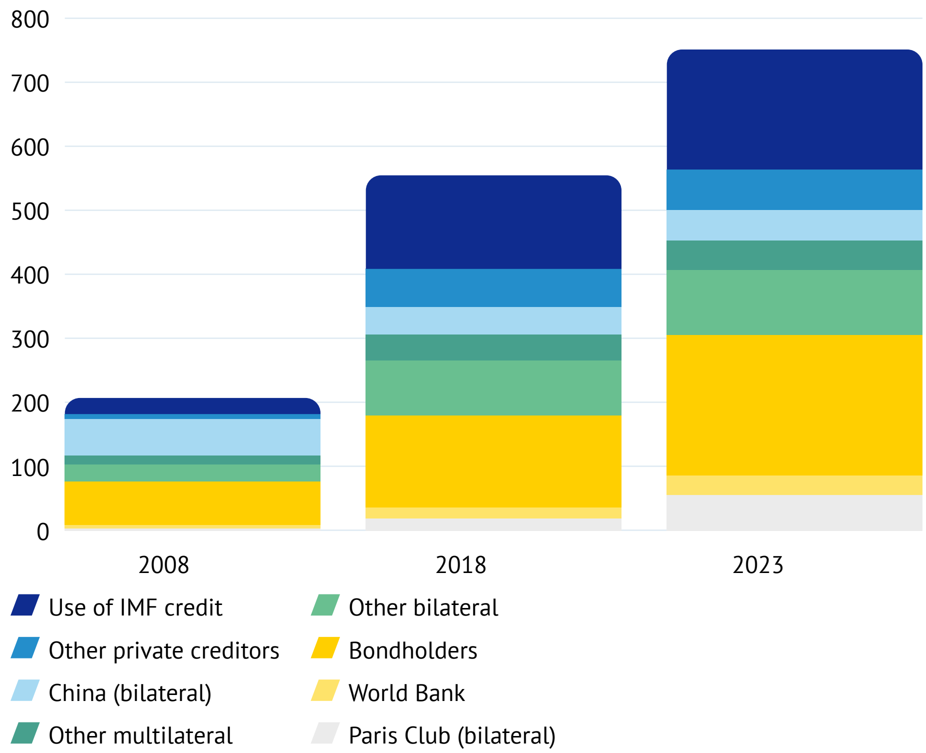


Source: Adapted from Volz (2018, 2025).

THE DEBT SURGE AND FISCAL SQUEEZE

Public external debt across Africa has more than tripled since 2008, reflecting a decade and a half of heavy borrowing in response to successive economic and environmental shocks. Figure 2 shows that the composition of this debt has shifted dramatically. Debt owed to private bondholders rose from around US$25 billion in 2008 to nearly US$186 billion in 2023, while obligations to China and other bilateral lenders also expanded. Similarly, debt owed to the World Bank has risen from US$68 billion in 2008 to US$218 billion and the usage of IMF lending facilities has increased to US$56 billion.

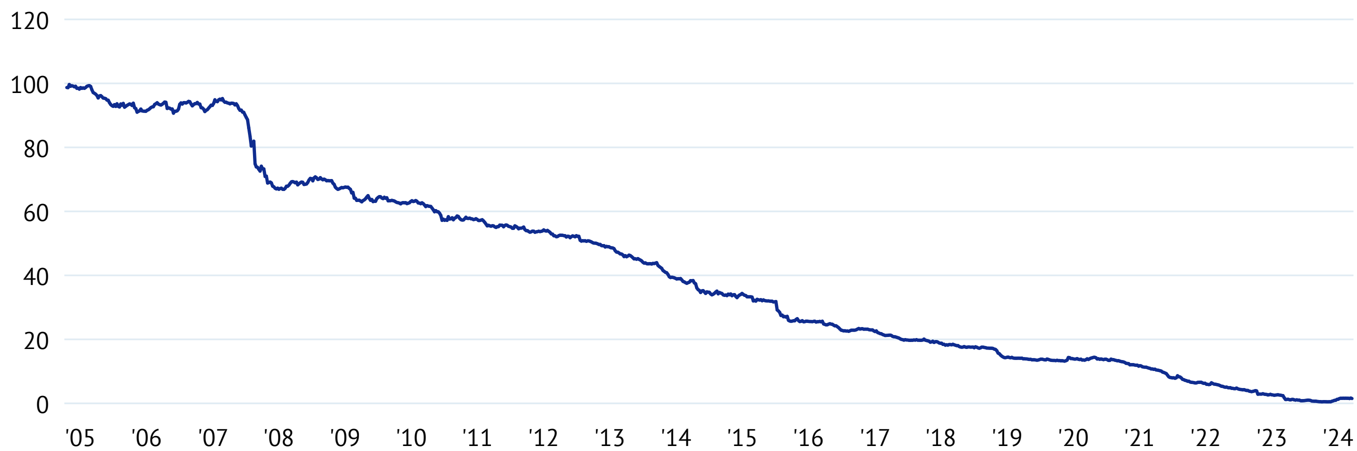
Figure 2: Public external debt composition (in US$ billions) by creditor type for African nations, 2008-2023



Source: Compiled by authors using the World Bank's December 2024 International Debt Statistics (IDS) database. Note: Includes data from 52 African nations, as per World Bank IDS coverage. The World Bank Group comprises the International Bank for Reconstruction and Development (IBRD), International Development Association (IDA), International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA). Libya and Seychelles are not included due to a lack of data.

This surge in borrowing has been accompanied by a sharp rise in the cost of servicing debt – from both a currency and a borrowing cost perspective. Figure 3 shows the performance of a basket of free-floating regional currencies versus the U.S. dollar, which has fallen to 1/5th of its 2005 level. Such prolonged depreciation of the domestic currency places considerable strain on fiscal finances as it forces governments with large external debt burdens to either collect more domestic tax revenues, cut expenditure or borrow more foreign-denominated debt in order to continue servicing their large external debt.

Figure 3: Equal-weighted currency index of African floating currencies (indexed to 100 as of December 2005)



Source: Authors' calculations based on weekly exchange rate changes vs US$ for the following African countries: Algerian Dinar (DZD), Egyptian Pound (EGP), Ethiopian Birr (ETB), Tanzanian Shilling (TZS), Congolese Frac (CDF), Gambian Dalasi (GMD), Ghanaian Cedi (GHS), Liberian Dollar (LRD), Sierre Leonean Leone (SLE), Seychellois Rupee (SCR), Mauritian Rupee (MUR), Malagasy Ariary (MGA), South African Rand (ZAR), Zambian Kwacha (ZMW).

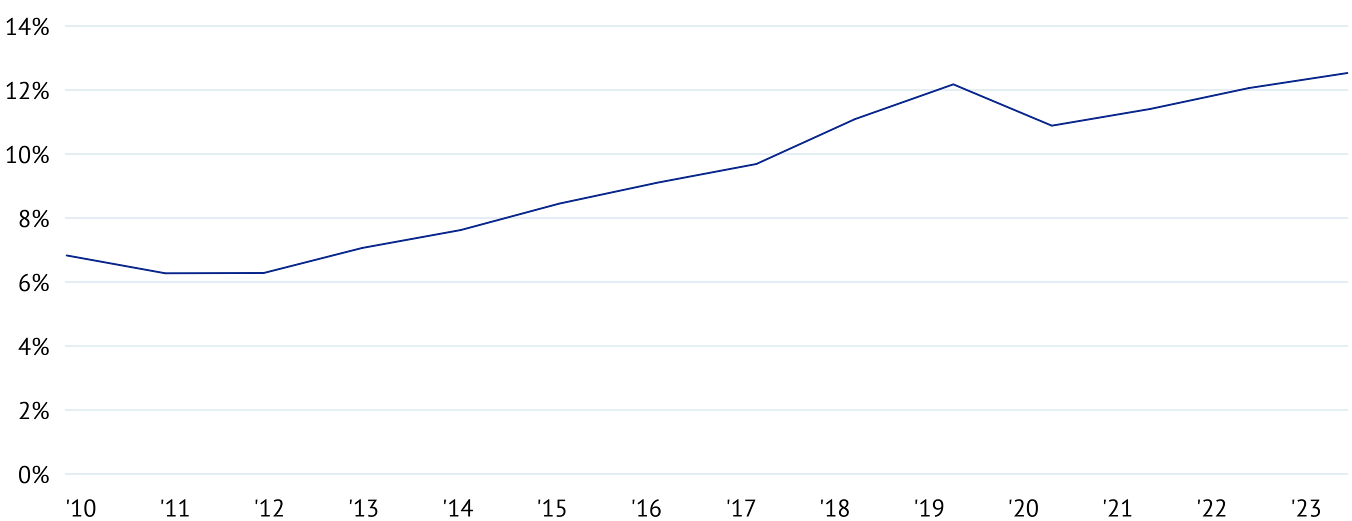
This ongoing decline in domestic exchange rates has been made worse by the rise in borrowing costs for many African economies. Figure 4 charts the yield on African sovereign bonds since 2019. After falling to below 9 percent prior to the COVID-19 pandemic, the region has struggled as rates rose sharply in 2021 and 2022, locking many countries out of international markets or forcing them to borrow at punishing rates. The average yield on African debt reached a record 13.5 percent in January 2024, up from a long-run average of 10.6 percent. While regional bond yields have stabilised over the last 12 months, countries like Angola, Cameroon, Gabon, Kenya and Nigeria have all ended up issuing dollar-denominated debt at elevated yields above 9.5 percent. Issuance at these elevated yields is rare and rarely ends well. Since 2016, only 17 countries have issued debt at such rates across 30 separate bond issuances. Out of the 17 nations, six economies have defaulted on their debt and only four countries have managed to repay the principal on this expensive debt (Dryden and Volz, 2025). Refinancing has thus become both more expensive and more precarious, with a growing number of African economies effectively shut out of capital markets.

Figure 4: Average US$ yield of S&P Africa Sovereign Bond Index

Source: Compiled by authors with data from Standard & Poor's S&P Africa Sovereign Bond Index.

The fiscal consequences of higher borrowing costs have quickly taken a toll on government budgets. Figure 5 shows that between 2012 and 2023, the average share of government expenditure devoted to interest payments doubled, rising to 12.7 percent in 2023. In absolute terms, African governments are estimated to have spent US$163 billion on debt servicing in 2024, up from $61 billion in 2010 (African Development Bank Group, 2024).

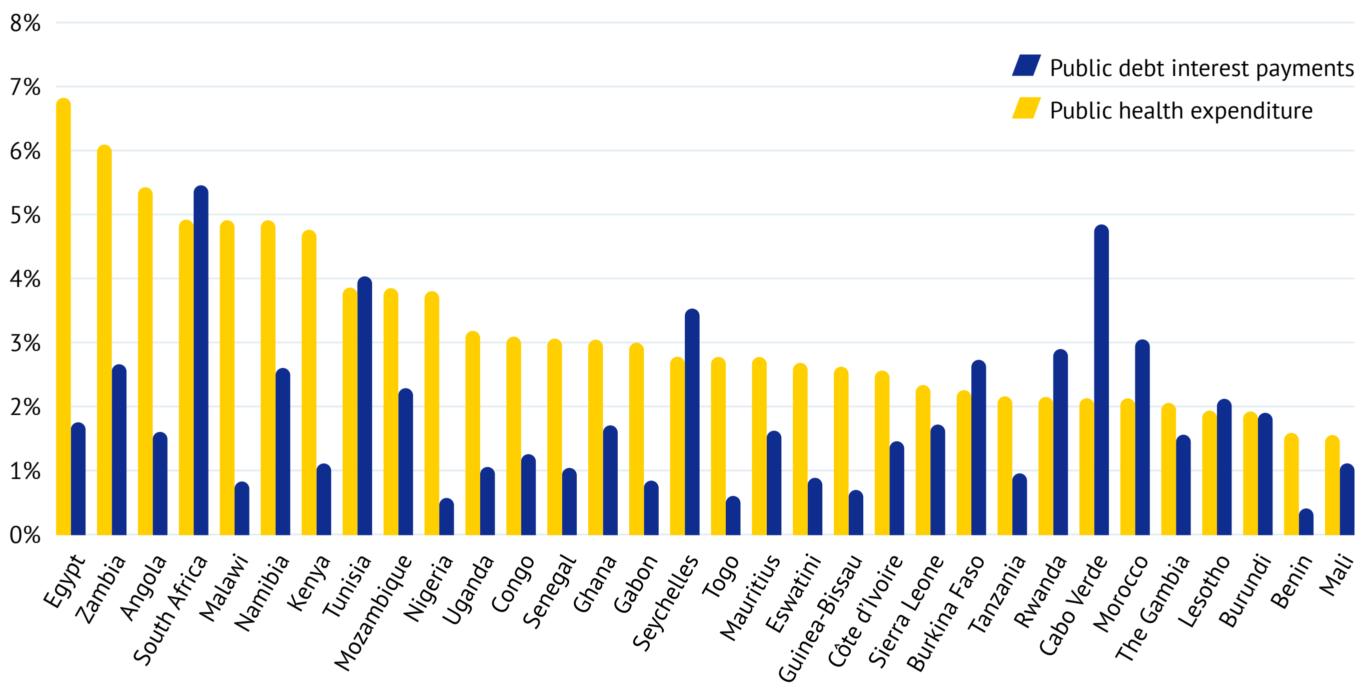
Figure 5: African government interest payments (percentage of government expenses)



Source: Compiled by authors with data from the World Bank's December 2024 IDS database. Note: The chart covers the following African countries: Angola, Burundi, Burkina Faso, Botswana, Central African Republic, Côte d'Ivoire, Cameroon, Democratic Republic of Congo, Republic of Congo, Cabo Verde, Egypt, Ethiopia, Gabon, Ghana, Guinea-Bissau, Equatorial Guinea, Kenya, Morocco, Madagascar, Mali, Mozambique, Mauritius, Malawi, Namibia, Rwanda, Sudan, Senegal, Somalia, Eswatini, Seychelles, Togo, Tunisia, Tanzania, Uganda, South Africa, Zambia, and Zimbabwe.

The strain on budgets means that resources are being diverted away from vital social spending such as education and health care. Figure 6 shows that more than half of African countries now spend more on interest payments than on health, with Egypt, Zambia, Angola, and Malawi among the most extreme cases. On average, African countries allocated 2.2 percent of GDP to interest payments between 2021-2023, compared with just 1.9 percent for health. Without access to affordable refinancing, these governments confront the risk of either default or deeper austerity, which would further constrain investment in development and resilience. The result is a vicious circle in which debt service crowds out growth-enhancing spending, leaving economies weaker and more vulnerable to climate shocks and other external pressures.

Figure 6: Health expenditure and interest repayments in Africa (2021-2023)



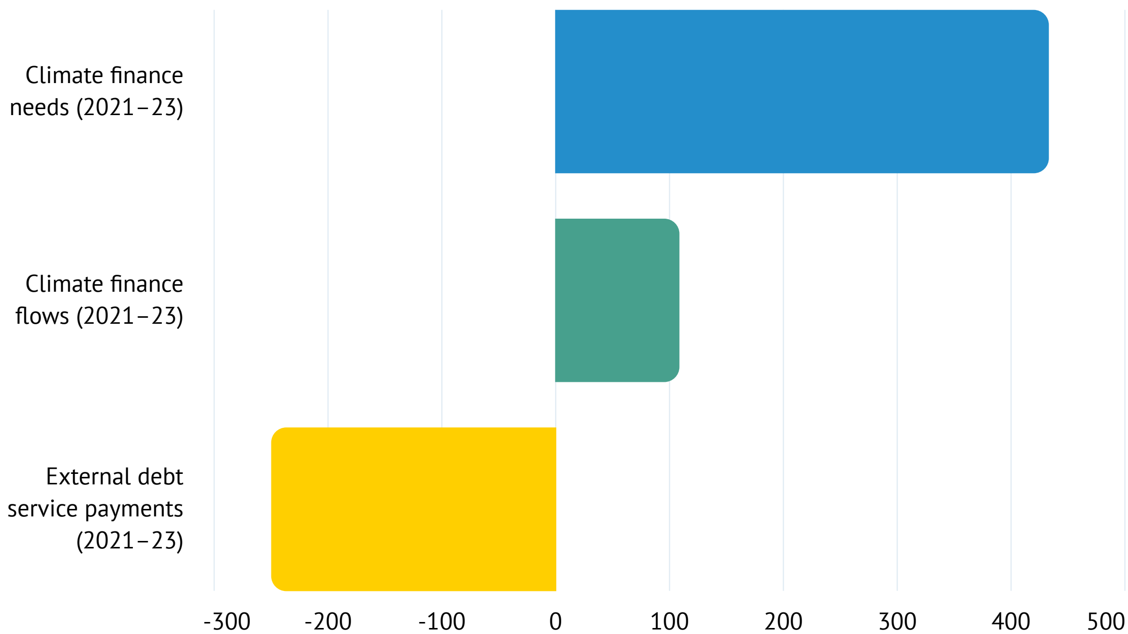
Source: Compiled by authors with data from UNCTAD (2024).

AFRICA'S CLIMATE FINANCING NEEDS ARE NOT NEARLY MET

The debt crisis is unfolding just as Africa faces unprecedented investment requirements to adapt to climate change and sustain growth. According to the ND-GAIN Vulnerability Index, 31 of the 50 countries most exposed to climate risks are in Africa. The cost of inaction is severe: climate change is projected to reduce the continent's GDP by around 20 percent by 2050, rising to as much as 64–80 percent by 2100 if decisive action is not taken (CPI, 2024). Yet despite the heavy cost, climate financing flows have been limited.

Figure 7 illustrates that between 2021 and 2030, Sub-Saharan Africa will require over US$1.4 trillion in climate finance, equivalent to US$143 billion per year, to meet adaptation and resilience needs. Yet actual flows fall far short of this benchmark. From 2021 to 2023, the region received just US$107 billion in climate finance, averaging US$35 billion per year – less than a quarter of annual requirements. The financing gap is thus not only large but widening, threatening to derail African countries' ability to deliver on their Nationally Determined Contributions (NDCs) and the Sustainable Development Goals (SDGs).

Figure 7: Sub-Saharan Africa: Climate finance needs, flows and external debt service payments (cumulative figures in US$ billions)



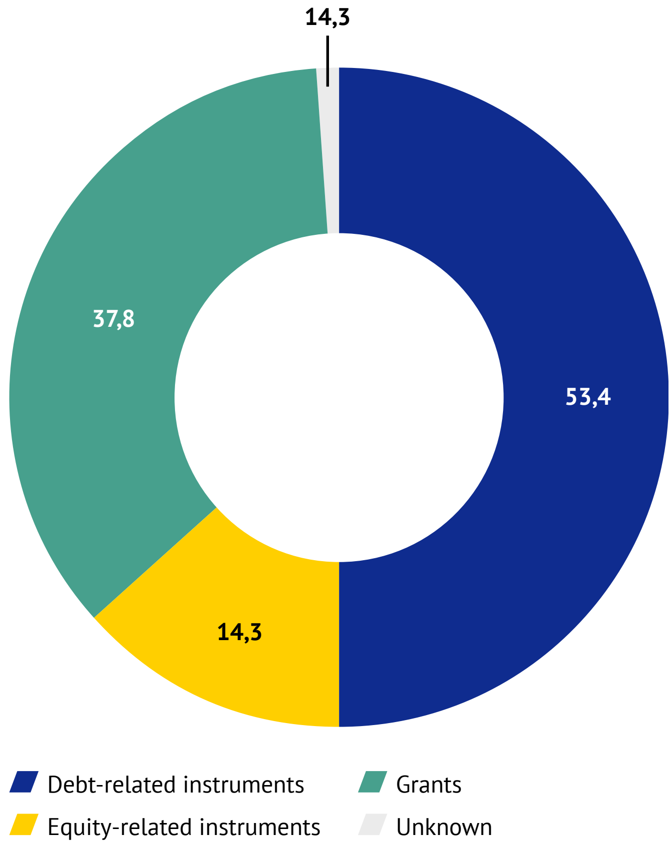
Source: Compiled by authors with data from World Bank (2024) and CPI (2025). External Debt Payments uses data series: DT.TDS.DECT.CD. Climate finance needs are calculated as the annual average between 2021 and 2023 of the cumulative figures required for 2021-2030.

Even more troubling than the shortfall is the composition of existing climate finance. Figure 8 provides the breakdown of Sub-Saharan Africa climate flows by financing instrument, demonstrating that more than half of the flows to Sub-Saharan Africa have come in the form of debt. These add directly to already unsustainable sovereign debt burdens. By contrast, grants, financing which does not require repayment, makes up just 36 percent of the total, with equity-related instruments accounting for the remainder. This loan-heavy structure means that countries are borrowing to fund resilience measures against climate shocks, deepening their overall debt distress.

The imbalance is made starker when viewed alongside Africa's debt servicing profile. Over the same decade in which the continent faces US$1.4 trillion in climate finance needs, Sub-Saharan governments are projected to pay US$865 billion in external debt service (World Bank, 2024). In effect, almost as much money will flow out of the continent in debt payments as is required to protect its people and economies from climate disaster. Redirecting even a fraction of this through meaningful debt relief and reforms to the sovereign debt architecture could unlock significant fiscal resources for climate action and investment in sustainable development.

This dynamic leaves Africa in a profound bind: the region urgently needs to invest in resilience projects to protect livelihoods, but the climate financing received thus far is just a fraction of the required amounts and has come mostly via loans that intensify debt distress. Mobilising the necessary resources will therefore require a structural shift away from the current debt-heavy model towards grant-based, low-cost, and predictable climate finance. Without this, Africa risks remaining trapped in a vicious circle where debt obligations crowd out climate investment, climate shocks worsen fiscal pressures, and the cycle of vulnerability accelerates.

Figure 8: Instruments of Climate Finance Flows to Sub-Saharan Africa in US$ billions



Source: CPI (2025). Debt-related instruments include balance sheet financing (debt portion), low-cost project debt, and project-level market rate debt. Equity-related instruments include balance sheet financing (equity portion) and project-level equity. Grants are reported separately. 'Unknown' refers to flows where the instrument type was not identified.

THE LIMITS OF THE IMF'S DEBT SUSTAINABILITY ANALYSES

The imbalance between Africa's climate finance needs and its debt service profile points to a deeper problem: the tools used to judge whether countries are in debt distress are not fit for purpose. Conventional Debt Sustainability Analyses (DSAs), carried out by the IMF, largely assess whether a government can service its existing debt under baseline macroeconomic scenarios. What they fail to consider is the scale of investment required for climate resilience, the potential shocks from disasters, or the costs of meeting the SDGs (Volz et al 2020; Maldonado and Gallagher, 2022; Kraemer and Volz, 2022). As a result of narrow DSAs, countries are often assessed as being at "low" or "moderate" risk of debt distress even when they face rising vulnerabilities from climate shocks, costly debt service, and stagnant development spending (Zucker-Marques, Gallagher and Volz, 2024a, 2024b).

The IMF publishes the results of its Debt Sustainability Analysis for Low-Income Countries (LIC DSA). Information is available for 38 African countries. As of March 2025, the IMF classified only four regional economies as having "unsustainable" debt exposures. However, the IMF's framework systematically underestimates risks, particularly in climate-vulnerable economies. In Sub-Saharan Africa, this has meant that official classifications frequently lag reality, only shifting to "high risk" or "in distress" once a crisis is already underway, as recent defaults in Zambia, Ghana, and Ethiopia illustrate.

Table 1: LIC DSAs conducted by the IMF (as of March 2025)

Country	Risk of External Debt Distress	Debt Sustainability Assessment
Benin	Moderate	Sustainable*
Burkina Faso	Moderate	Sustainable*
Burundi	High	Sustainable
Cameroon	High	Sustainable
Cabo Verde	Moderate	Sustainable*
Central African Republic	High	Sustainable
Chad	High	Sustainable
Comoros	High	Sustainable
Democratic Republic of Congo	Moderate	Sustainable*
Republic of Congo	In debt distress	Sustainable
Côte d'Ivoire	Moderate	Sustainable*
Djibouti	In debt distress	Unsustainable
Eritrea	-	Sustainable*
Ethiopia	In debt distress	Unsustainable
The Gambia	High	Sustainable
Ghana	High	Sustainable
Guinea	Moderate	Sustainable*
Guinea-Bissau	High	Sustainable
Kenya	High	Sustainable
Lesotho	Moderate	Sustainable*
Liberia	Moderate	Sustainable*
Madagascar	Moderate	Sustainable*
Malawi	In debt distress	Unsustainable

Mali	Moderate	Sustainable*
Mauritania	Moderate	Sustainable*
Mozambique	High	Sustainable
Niger	High	Sustainable
Rwanda	Moderate	Sustainable*
Sao Tome and Principe	In debt distress	Sustainable
Senegal	Moderate	Sustainable*
Sierra Leone	High	Sustainable
Somalia	Moderate	Sustainable*
South Sudan	High	Sustainable
Sudan	In debt distress	Sustainable
Tanzania	Moderate	Sustainable*
Togo	Moderate	Sustainable*
Uganda	Moderate	Sustainable*
Zambia	High	Sustainable
Zimbabwe	In debt distress	Unsustainable

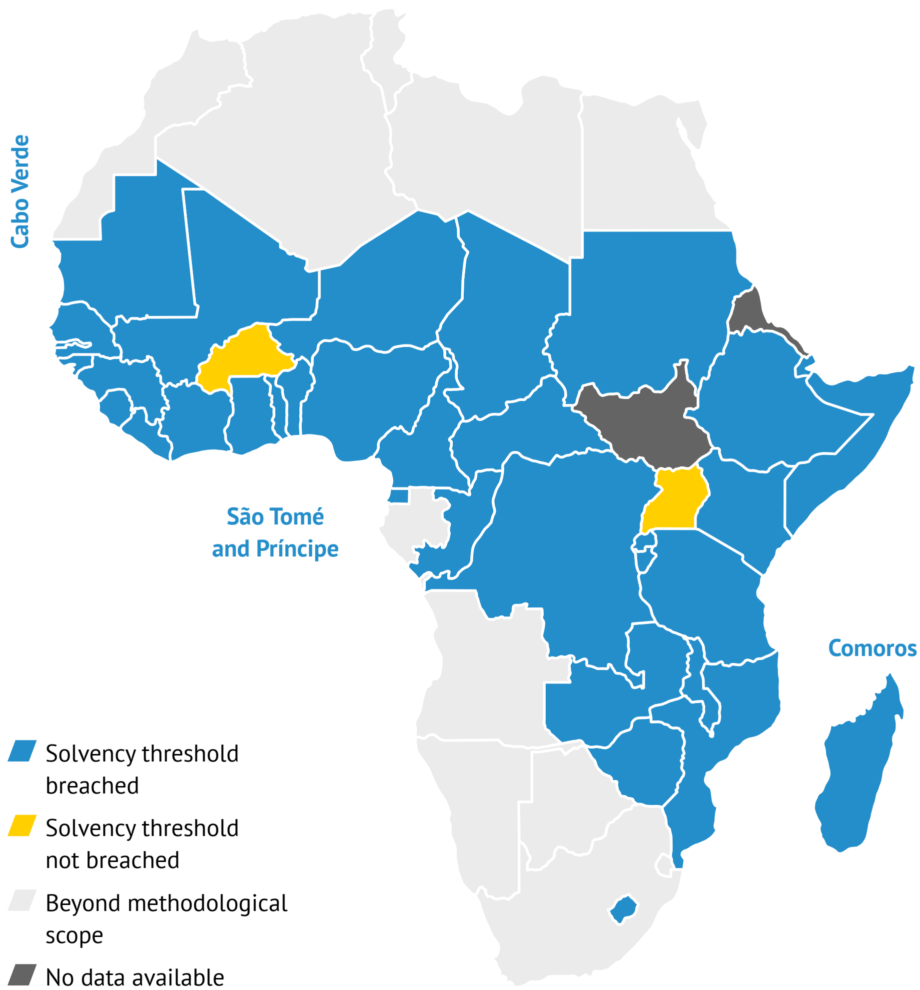
Source: International Monetary Fund, "Low-Income Country Debt Sustainability Framework (LIC DSF) Country List," as published on the IMF Debt Sustainability Analysis (DSA) page, accessed March 31, 2025. The LIC DSF is the IMF–World Bank framework used to assess debt sustainability in low-income countries. *For countries assessed at low or moderate risk of external debt distress, the overall public debt is considered sustainable and does not have a formal assessment by the IMF.

The enhanced DSA methodology developed by Zucker-Marques, Gallagher and Volz (2024a, 2024b) provides a more sobering picture of Africa's debt outlook.[1] This approach integrates climate-related spending needs and SDG investment requirements into debt assessments (Zucker-Marques, Gallagher and Volz, 2024). When these factors are included, the outlook for Africa changes dramatically. In the initial analysis, conducted in 2024, the authors identified 14 Sub-Saharan African economies that had already breached debt sustainability thresholds in 2022 before new climate investments were incorporated into the enhanced DSA. Our updated analysis in Figure 9, uses the same methodology as in the initial study and highlights that in 2022 and 2023 15 economies have breached one or more of the thresholds. Looking ahead, once new investments are incorporated, a further 21 are projected to exceed either the present value debt-to-GDP ratio or debt-to-export ratio. Only Burkina Faso and Uganda will not breach either threshold by 2029. Despite its flaws and reliance on publicly accessible debt data only up to

1 The enhanced DSA applied builds on the IMF Debt Sustainability Framework for Low-Income Countries (LIC DSF). It does not extend to the separate framework used for market-access countries (MAC DSA).

2023, this updated analysis suggests that while regional countries may look solvent on paper, and in the eyes of the IMF, most African countries would breach the IMF's debt thresholds and are on an unsustainable path if they were to invest adequately in adaptation, mitigation, health and education.

Figure 9: External debt sustainability analysis results under baseline scenario: Countries breaching solvency thresholds by year



Source: Authors' calculations based on 2023 data from the World Bank's December 2024 IDS database and the IMF's April 2025 World Economic Outlook database. Methodology follows Zucker-Marques et al. (2024a, 2024b).

	Country	PV/GDP	PV/Exports
2022	Guniea-Bissau	2022	2022
	Mozambique	2022	
	Somalia	2022	2022
	Sudan	2022	2022
	Zambia	2022	
	Cabo Verde	2022	
	Cong, Rep.	2022	
	Djibouti	2022	
	São Tomé and Príncipe	2022	2022
	Ethiopia		2022
	Burundi	2024	2022
	Central African Republic	2023	2022
2023	Lesotho	2023	
	Niger	2028	2023
	Kenya	2029	2023
2024	Sierra Leone	2024	2024
	Gambia	2024	
	Malawi	2026	2024
	Senegal	2024	2025
	Comoros	2026	2024
	Ghana	2024	2027
2025	Madagascar	2025	2028
	Liberia	2025	
	Benin	2025	2027
	Cote d'Ivoire	2025	2026
2026	Chad	2026	2028
	Cameroon	2028	2026
	Congo, Dem. Rep.	2026	
	Zimbabwe	2027	2026
2027	Nigeria	2029	2027
	Rwanda	2027	
	Mauritania	2027	
	Mali	2027	2028
	Togo	2027	2029
	Tanzania	2029	2027
2028	Guinea	2028	

Without reforming the way sovereign debt sustainability is assessed, which is the first step towards addressing unsustainable debt exposures, African governments will remain caught between two impossible choices: servicing their debts at the expense of critical social and climate investment, or borrowing further to finance resilience and risk falling deeper into distress. Both options perpetuate the vicious circle of debt and underdevelopment. A more realistic framework that properly accounts for climate vulnerability, external shocks, and financing needs is essential to break this cycle. This call is echoed in the outcome document of the Fourth International Conference on Financing for Development in Seville, where countries advocated for a debt sustainability framework that fully reflects development and climate considerations (United Nations, 2025).

THE DRGR PROPOSAL

The worsening external debt situation warrants a concerted effort to tackle the debt crisis facing a large number of African low- and lower-middle income countries. The Common Framework's case-by-case approach is proving to be a prolonged, complex and unpredictable process that puts debtor governments in a structurally weak position. As a result, overindebted governments will try all they can to avoid a default, even if this in effect means that they are defaulting on their own development.

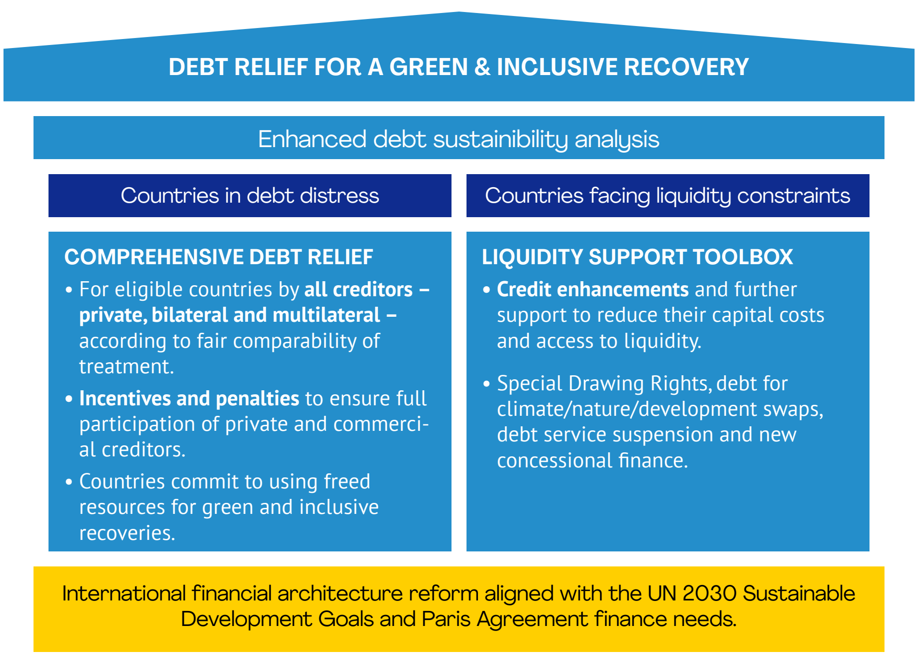
The Debt Relief for a Green and Inclusive Recovery (DRGR) Project has put forward a proposal that is built on three key components (Volz et al. 2020, 2021; Zucker-Marques et al. 2023, 2024). Its foundation, as illustrated in Figure 10, is a thorough reform of the DSA framework so that climate risks and the critical investment needs for achieving the SDGs and climate targets are fully incorporated. Current DSAs focus primarily on whether countries can service their debt, while neglecting the fiscal requirements of climate resilience and just transitions. By integrating these considerations, the international community can align debt relief with sustainability objectives and more clearly distinguish between countries in need of debt restructuring and those facing liquidity constraints.

Following an enhanced DSA, the DRGR proposal provides a differentiated response. For economies in distress, substantial debt relief must be delivered, and this requires the active participation of all creditor classes – including private bondholders and multilateral development banks. Establishing fair comparability of treatment rules is essential to ensure an equitable distribution of haircuts, while a combination of incentives and penalties will be needed to secure full participation from private and commercial creditors. Debt relief should be complemented with new concessional finance to underpin recovery, and governments benefitting from such treatment would commit to directing freed resources into green and inclusive development strategies, aligned with Nationally Determined Contributions and SDG implementation plans. Transparency, enhanced debt standards, and strengthened public financial management would form part of these commitments.

For countries not in distress but facing liquidity pressures, the DRGR toolbox focuses on lowering borrowing costs and safeguarding access to finance. This includes credit enhancements such as partial guarantees, the issuance and rechannelling of Special Drawing Rights (SDRs), expanded concessional finance from multilateral lenders, and innovative instruments such as debt buybacks and debt-for-climate or debt-for-nature swaps. These measures help prevent liquidity challenges from sliding into solvency crises while linking new financing more explicitly to sustainability outcomes.

Ultimately, the DRGR proposal makes clear that debt relief alone cannot substitute for the systemic reforms needed in the global financial architecture. It must be part of a broader package that expands liquidity provision, increases affordable development finance, and embeds sustainability and justice into the rules governing sovereign debt. Only in this way can indebted developing countries secure the fiscal space required to invest in a just, inclusive, and climate-resilient future.

Figure 10: Two Pillars for Debt Relief for a Green and Inclusive Recovery



Source: Debt Relief for a Green and Inclusive Recovery Project (2025).

CONCLUSION: STRATEGIC PATHWAYS FOR ADDRESSING AFRICA'S DEBT AND CLIMATE CHALLENGES

Africa's debt crisis and climate crisis are inseparable and mutually reinforcing. African economies face escalating debt burdens, rising borrowing costs, and severe currency depreciations that constrain fiscal space and crowd out health and education spending. At the same time, the continent has immense financing needs for climate adaptation and resilience, but current climate finance flows fall far short and are predominantly loan-based, exacerbating debt distress. Conventional IMF and World Bank debt sustainability analyses fail to account for these climate and development investment requirements, underestimating risks and delaying necessary action.

Against this backdrop, the past year has seen unprecedented political momentum, from the AU's Lomé Declaration and the Seville Financing for Development outcome to South Africa's G20 Presidency and new advocacy coalitions. Yet, this growing recognition has not yet translated into action. The DRGR proposal offers a bold framework to integrate climate and SDG investment needs into debt assessments, providing tailored responses through comprehensive debt relief for distressed economies and liquidity support for those under strain. Its implementation, however, will not be easy in the current geopolitical environment, even though the problem will not fade in the near to mid-term.

In the meantime, the upcoming G20 summit provides an opportunity for more immediate steps: improving the Common Framework by expanding it to middle-income countries, introducing automatic debt standstills, linking debt relief more explicitly to climate risks and development needs, establishing a global debt registry, and supporting the emerging Borrowers' Forum as a platform for collective debtor action. Taken together, such measures would help shift political momentum into practical reforms that could help to break Africa's vicious cycle of debt and climate vulnerability, freeing resources for green and inclusive growth.

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