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AFRICA'S PULSE

AN ANALYSIS OF ISSUES SHAPING AFRICA'S ECONOMIC FUTURE

IMPROVING GOVERNANCE AND DELIVERING FOR PEOPLE IN AFRICA

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WORLD BANK GROUP

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Executive Summary

Economic growth accelerates amid an uncertain global environment

- Economic activity in Sub-Saharan Africa is projected to edge up from 3.3 percent in 2024 to 3.5 percent in 2025 and further accelerate to 4.3 percent in 2026–27. The region's economic performance is still dragged down by some of its largest countries—namely, Angola, Nigeria, and South Africa. Excluding these countries, the rest of the subcontinent is expected to grow at 4.6 percent in 2025 and speed up to 5.7 percent in 2026–27. This outlook is subject to heightened risks arising from global policy uncertainty.

- As inflation cools down and converges to targets, and (global and domestic) financial conditions remain accommodative, it is expected that household consumption and investment will support the region's growth acceleration. The contribution of government consumption will remain modest as the public sector continues to balance revenues and expenditures while managing painful trade-offs between servicing the debt burden and investing in social and physical infrastructure. Across sectors of economic activity, the contribution of services is expected to remain robust in 2025–27, primarily driven by recoveries in information and communications technology, the financial sector, and tourism. Agriculture is expected to pick up from its lows in 2023–24, thanks to improved climate conditions, infrastructure, and technology.

- Despite the baseline forecasts of growth acceleration in the region during 2025–27, risks to the outlook remain tilted to the downside. Sub-Saharan African economies will navigate an uncertain landscape amid greater policy uncertainty, which may lead to changes in the world trade order; ongoing (regional and national) geopolitical shifts that may affect commodity prices, disrupt international relations, and yield further fragmentation; reduced foreign aid budgets worldwide; and challenges posed by extreme weather events. While this issue of *Africa's Pulse* does not analyze country-level impacts of potential trade disruptions on growth, preliminary analysis suggests that for the region as a whole, the indirect impacts of prolonged policy uncertainty may be more severe than the direct impacts.

- In per capita terms, growth in the region has been inadequate to yield significant reductions in extreme poverty. Real income per capita in 2025 is expected to be around 2 percent below its most recent peak in 2015. The per capita growth acceleration expected in 2025–27, at an annual average rate of 1.8 percent, will contribute to a modest decline in the poverty rate. Forecasts indicate that after reaching a peak of 43.9 percent in 2025, poverty, measured at $2.15 per capita per day in 2017 international purchasing power parity, will drop to 43.2 percent in 2027. Limited investments in income-generating sectors for the poor, lingering effects of past inflation, and the probable reduction of donor aid budgets worldwide pose a challenge for poverty reduction.

The path of disinflation in Sub-Saharan Africa is moving forward, with risks to the upside

- The median inflation rate in Sub-Saharan Africa declined from 7.1 percent in 2023 to 4.5 percent in 2024, and it is projected to bounce back slightly to an annual average rate of 4.6 percent in 2025–27. A deceleration of inflation was recorded by about 70 percent of the countries in the region in 2024. The drop for most countries can be explained by the gradual easing of supply chain pressures, the effects of contractionary monetary and fiscal policy, as well as greater currency stability. However, the variability of inflation across countries remains high: of 47 countries in the region, 14 still have inflation rates of two digits or more—including Angola, Ethiopia, Ghana, Malawi, Nigeria, Sudan, and Zimbabwe, among others. By 2027, the number of countries with two-digit or higher inflation rates is expected to fall to six.

- The monetary policy stance remains differentiated across Sub-Saharan African countries, although most central banks have started to cut interest rates or have paused their hiking cycle for several months. A few central banks in the region have raised rates due to a recent flare up in inflation. Although the path of convergence to inflation targets will continue across countries, it will hit some bumps along the way if upside risks to inflation are realized—for instance, policies that increase trade costs worldwide (including import tariffs and retaliatory measures). This would delay the easing cycle that has already started in many advanced and developing economies, thus rendering higher-for-longer interest rates. It could weaken African currencies and hence raise inflation—although the impact would depend on the magnitudes of the tariffs and the pass-through to consumer prices.

Primary balances are gradually narrowing amid government spending trade-offs

- Primary deficits have gradually narrowed as a result of African governments' ongoing fiscal consolidation efforts. By 2025, the region's primary deficit is expected to narrow slightly to 0.3 percent of gross domestic product (GDP), from 0.5 percent in 2024. Further actions to increase revenues and retrench (non-interest) expenditures are expected to shift the primary deficit into an average surplus of 0.1 percent of GDP in 2026–27. As primary deficits become balanced, governments' elevated gross financing needs are mainly driven by mounting debt service payments. Government efforts to balance revenues and expenditures are forestalled by rising interest payments—which are expected to be 3.4 percent of GDP, on average, in 2025–27. This tension is forcing governments to divert funds away from essential public services. Twenty of the 48 countries in Sub-Saharan Africa paid more in debt service than for healthcare and education combined in 2024.

- Total public debt service more than doubled prior to the pandemic (from 16 percent of government revenues in 2012 to 39 percent in 2019) and appears to have stabilized at a record high of about 50 percent of government revenues in 2024. As a result of debt restructuring and reprofiling efforts, total public debt service may start declining this year—although its future trajectory remains uncertain. Governments need to continue conducting liability management operations, improving fiscal balances, and implementing growth-enhancing structural reforms to reduce debt levels and debt vulnerabilities.

- The changing composition of external creditors has led to rising interest payments and principal repayments. By 2025, Sub-Saharan Africa is projected to pay about US$20 billion in interest on outstanding public and publicly guaranteed (PPG) external debt—of which nearly three-quarters is owed to private creditors, and China's official and private lenders. At the same time, principal repayments on the PPG external debt have increased at a faster pace than disbursements since 2016—thus leading to a sharp decline in net financial flows into the region. Net external debt flows into Sub-Saharan Africa have dropped dramatically, from an average annual amount of US$37.7 billion in 2016–19 to US$18.4 billion in 2023. As net financial flows from China and bondholders have decreased (turning into net outflows by the early 2020s), multilateral lending has surged, accounting for 80 percent of the financing flows into the region since the pandemic crisis.

Growth prospects in the region are held back by the inadequacy of preventive and coping strategies to address conflict and climate change

- The incidence and severity of conflict and violence across areas of the subcontinent increased throughout 2024 and the start of this year. Almost two years into the conflict that began in April 2023, the war in Sudan continues to take an enormous toll on lives and livelihoods. An estimated 12.9 million people have been forcibly displaced since the outbreak of the conflict, including 8.9 million internally and 3.8 million in neighboring countries. Mineral-rich areas in eastern Democratic Republic of Congo have become battlegrounds for armed groups. Hostilities between Congolese troops and M23 rebels have surged, and the rebels have taken control of the North Kivu and South Kivu provinces. The conflict has affected 14 percent of the Democratic Republic of Congo's population and has led to a surge in internally displaced persons. In 2024, fatalities caused by the Islamist insurgency remained at an all-time high, with the Sahel accounting for more than half of the Islamist activity on the subcontinent. The rise in conflict has led to acute food insecurity and a rapid increase in food emergencies. Recent estimations suggest that around 120 million Africans face acute food insecurity, of which 80 percent live in countries experiencing conflict. This situation will be compounded by reduced official development assistance for emergency response.

- Rising temperatures, anomalous rainfall patterns, and multiyear extreme weather events are repeatedly battering Sub-Saharan African countries. Devastating floods as a result of unprecedented rainfall in the third quarter of last year hit large parts of Central and West Africa (Cameroon, Chad, Niger, and Nigeria). The impacts of floods in Sudan were compounded by the complex humanitarian crisis that has weakened aid organizations' capacity to respond. Unpredictable growing conditions are adversely affecting not only the cocoa harvest and prices in Côte d'Ivoire and Ghana, but also stockpiles in the world marketplace. On average, the response to extreme weather events such as droughts and floods has diverted up to 9 percent of African governments' budgets and rendered losses of 2 to 5 percent of economic activity. It has been estimated that adapting to climate change will cost Sub-Saharan Africa between US$30 billion and US$50 billion per year over the next decade (2 to 3 percent of the region's GDP). This impact would hit the poor more than proportionally, as it harms crop yields and food supply and exacerbates food insecurity.

Accelerating and sustaining growth in the region requires governance reforms that support a functioning market economy that delivers wage jobs

- The failure of the state to deliver on its basic functions—such as guaranteeing peace, security, and economic stability—and to support an ecosystem that creates jobs and opportunities for the population has led to protests across African nations, the rise of nonstate armed groups, the militarization of politics, and a surge of coups since the start of this decade. Violent events in the region have shifted from interstate to intrastate, involving terrorist groups, criminal networks, vigilantism, ethnic militias, and insurgency. These conflicts compound challenges such as declining investments, low productivity, widespread poverty, and poor service delivery.

- Governance reforms may contribute to creating broad-based opportunities in the region through three interrelated channels. The first is strengthening the fiscal contract with African citizens by fostering fair and transparent management of public resources. People are more willing to pay their taxes if they perceive that the tax system is fair and accessible and delivers high-quality public services—from peace and social order to human and physical infrastructure. The second channel is supporting market confidence by strengthening legal institutions, courts, police, and regulatory agencies, among others. Having an institutional framework that protects property rights and enforces contracts, as well as an efficient court system for dispute resolution, is critical to facilitate investment and trade. The third channel is enhancing economic oversight by strengthening institutions that support the market economy and managing the benefits and risks from trade and financial openness, including through independent institutions enforcing competition laws. The economic transformation of African economies would then require designing and implementing regulatory frameworks that foster competition and innovation.

Fueled by a lack of economic opportunity, political turmoil has been on the rise

- Political protests have increased by 12 percent on average each year over the past decade, and the number of coups in the region has increased substantially since 2000. Unfortunately, this has also translated into violent conflict in places, with a 2.7-fold increase in casualties from conflicts between state forces and militias between 2014 and 2024.

- The causality between economic grievance and political stability runs both ways: poor economic opportunity exacerbates political discontent, while the risk of conflict and violence can severely undermine economic activity and investment. Where power is concentrated, decision makers have skewed incentives to privilege elites and divest from broad-based public resources. Incentives around transparency and accountability are especially important for making government functions equitable and accessible. Corruption is lower and the performance of service delivery is higher when leaders face re-election incentives, although electoral politics can create perverse incentives to invest in clientelism rather than public goods.

On a practical level, delivering results for the public at large requires creating transparency and accountability in the main pathways through which governments interact with people

- To build a broad political base, governments need to ensure that they can demonstrate results to their citizens. However, governments must contend with the complex historical, structural, socioeconomic, and geopolitical context in which their states have developed and governance structures have evolved. Practically, a good path to take is through focusing on areas in which governments can improve the lives of their citizens: service delivery and market oversight. Ensuring that systems work for people at the practical level can build broad support and create a more inclusive incentive structure. Inclusion and accountability are the main instruments in achieving these goals.

- In the face of tight fiscal conditions, improving the efficiency of service administration and the fairness of taxes can address many points of discontent among the population. Inequality in service provision in the region remains a problem, with low access to public services driving nonmonetary poverty averages above 50 percent. This leads to a dual system of public and private provisions, whereby low standards in public service delivery do not affect those who are wealthy and influential. Effectively, this represents an underlying problem of low transparency and accountability, which are key levers for operational management and empowerment of local providers. On taxation, the low levels of collection reflect the lack of public confidence in the system. Although the narrow tax base is largely driven by income inequality, high levels of tax exemptions and subsidies largely benefit the wealthiest members of society. Moreover, unequal enforcement and inefficient administration undermine the credibility of the system. Persistent corruption, evasion, and illicit financial flows have a large impact on public finances, especially in resource-rich and fragile states. In this respect, international cooperation and the use of new technologies have shown promise.

- Using the government's regulatory capacity to promote economic growth opportunities and jobs for a wider population is central to building broad political bases. Fair and transparent regulation is especially important for ensuring that new firms can compete and challenge incumbents effectively. Indeed, the private sector in Africa operates in a highly noncompetitive environment, contributing to the prevalence of informal, casual, and temporary work. To a large extent, this is political, as dominant firms tend to be politically connected, which allows them to shape policies and provides an incentive to keep competition authorities weak. Moreover, governments' roles in the market through state-owned enterprises, public-private partnerships, and procurement reflect the lack of broad access to political power in some countries. Similarly, petty corruption and legal system shortfalls disproportionately affect small firms, while state-owned enterprises often represent a channel for the politically connected to gain further advantage.

Section 1. Recent Developments and Outlook

1.1 GROWTH OUTLOOK IN SUB-SAHARAN AFRICA

The recovery from the poly-crisis has been uneven, with further challenges for resource-abundant and fragile countries

Economic activity in Sub-Saharan Africa is expected to accelerate from 3.3 percent in 2024 to 3.5 percent in 2025, and 4.2 percent in 2026. Private consumption and investment continue to drive the growth acceleration as inflation in the region slows down and financial conditions (both domestic and global) continue to ease. This outlook is subject to heightened risks arising from global policy uncertainty. The direct and indirect impacts of recent and future policy changes will materialize and evolve over time.

Growth per capita in Sub-Saharan Africa is set to accelerate from 0.7 percent in 2024 to 1.1 percent in 2025, and 1.7 percent in 2026. Over the past decade, the region has been buffeted by multiple global shocks, such as the 2014–15 plunge of international commodity prices, extreme weather events, the COVID-19 pandemic, the Russian Federation's invasion of Ukraine, and the conflict in the Middle East. Recovery from these shocks has been sluggish so far. Economic forecasts suggest that real income per capita in Sub-Saharan Africa in 2025 is expected to be only 0.6 percent lower than its level in 2019—the year prior to the pandemic.

Real gross domestic product (GDP) per capita is expected to surpass its previous peak in 2015 by 1.2 percent in 2027. However, the pace of recovery over the past decade differs across country groups in the region—with natural resource abundance and fragility representing challenges not only for the recovery, but also for sustaining growth over time.[1] On average, real income per capita in 2025 among non-resource-abundant, non-fragile countries in the region is projected to be 6 percent above its level a decade ago. By 2025, the income per capita of non-resource-abundant, fragile countries is expected to be 5 percent below its average level in 2015. Resource-abundant countries have recorded a decade of futility in growth per capita, with 2025 levels being lower than the 2015 peak by 12 percent among fragile countries and 19 percent among non-fragile countries (figure 1.1).

The region's inability to regain the growth momentum over the past 10 years is associated with the slowdown of investment growth. Previous editions of *Africa's Pulse* documented the sharp deceleration in growth of gross fixed capital formation that started in the decade prior to the pandemic.[2] Investment growth in the region slowed from 7.2 percent per year in 2010–14 to 5.1 percent in 2015–19 and contracted by 0.3 percent in 2020–21. So far, the estimate of average annual growth of investment for 2022–24 is a meager 0.2 percent. However, investment dynamics have varied widely across country groups in the region. Over the past decade, investment growth remained resilient among non-resource-abundant countries, whether they were fragile or not. The rate of growth of gross fixed capital formation among

1 Refer to Calderon, Dabalen, and Qu (2025).
2 World Bank (2023).

Figure 1.1: Real GDP per Capita in Sub-Saharan Africa, 2015–25

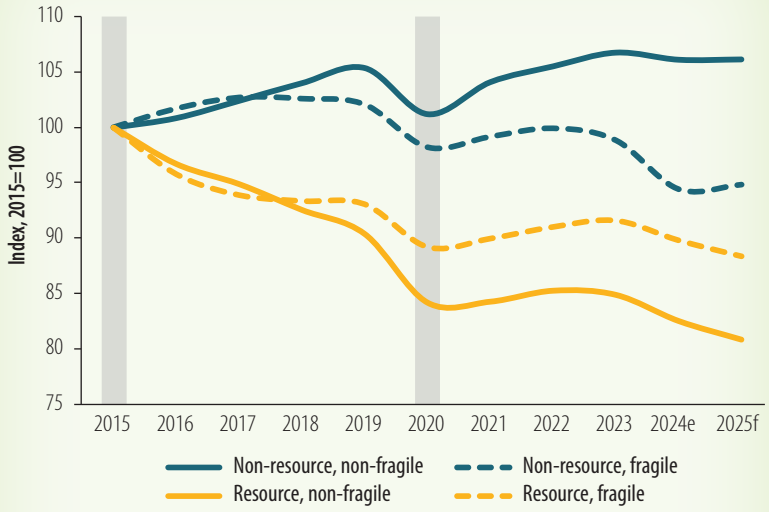
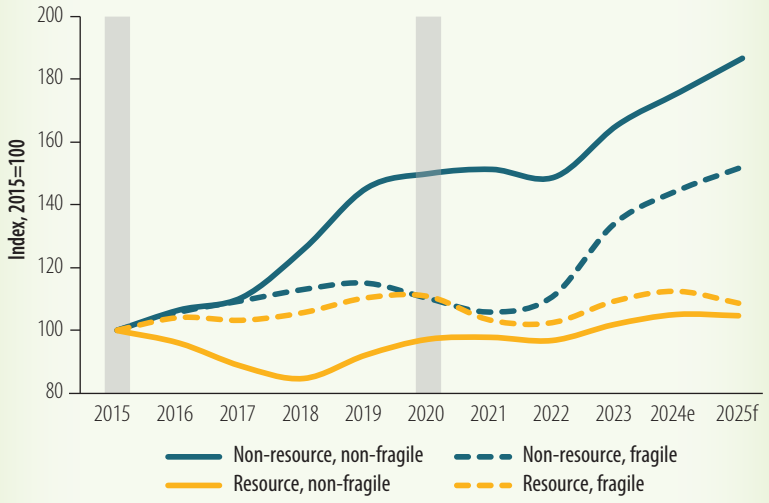


Figure 1.2: Total Investments in Sub-Saharan Africa, 2015–25



Sources: World Development Indicators, World Bank; Penn World Table 10.1, Feenstra, Inklaar, and Timmer 2015.

Note: Real GDP per capita and total investments are expressed in international dollars in 2021 purchasing power parity prices. The figures report indexes with 2015 as the base year. Group figures are weighted averages. e = estimate; f = forecast; GDP = gross domestic product.

non-resource-abundant, non-fragile countries was 6.4 percent per year during 2015–25, while investment among fragile and non-fragile resource-abundant countries grew by less than 1 percent per year (figure 1.2).

The resilience (or lack thereof) of real income per capita and investment growth is supported by the strength (or weakness) of institutions. For instance, the better performance of per capita income and investment growth among non-resource-abundant, non-fragile countries is related to the fact that this group of countries has better scores, for instance, on government effectiveness and the quality of regulation (figures 1.3 and 1.4). This implies that governments in non-resource-abundant, non-fragile countries outperform in service delivery and the quality of policies and have a more adequate regulatory framework for private sector activity. In contrast, resource-abundant, fragile countries in the region exhibit the lowest scores on these two governance indicators.

Generating and sustaining growth across Sub-Saharan African countries involves ensuring that people have the training and equipment they need to prosper. This, in turn, implies setting up governments to support an efficient business ecosystem. In this context, governance reforms may contribute to creating broad-based opportunities in the region through three channels: (1) strengthening the fiscal contract with African citizens, (2) supporting market confidence, and (3) enhancing economic oversight. The special focus section of this issue of *Africa's Pulse*, Improving How Governments Deliver for People, discusses the need for governance reforms that build public trust through the provision of efficient services and institutions that support

functioning markets. Economic transformation of African economies would require designing and implementing regulatory frameworks that foster transparency, competition, and innovation.

Governments need to *strengthen the fiscal contract* with their citizens by fostering fair and transparent management of public resources.[3] Governments must raise taxes more efficiently and use these resources to deliver a wide range of public services effectively—thus improving the welfare of African citizens.[4] Broadening the tax base and improving compliance with tax laws are essential, but will only be possible if taxpayers have confidence in the government's ability to transform these resources into efficient public services. People's willingness to pay taxes might be influenced by their perception of the fairness of the taxes and how the government uses these resources.[5] In addition to helping people in a practical way, a broad, fair tax system and accessible, high-quality public services—from peace and social order to education, health, and other basic infrastructure—will reduce the vulnerability of local communities to outside events by creating a robust support system at home.[6]

Figure 1.3: Government Effectiveness in Sub-Saharan Africa, 2015–19 and 2021–23

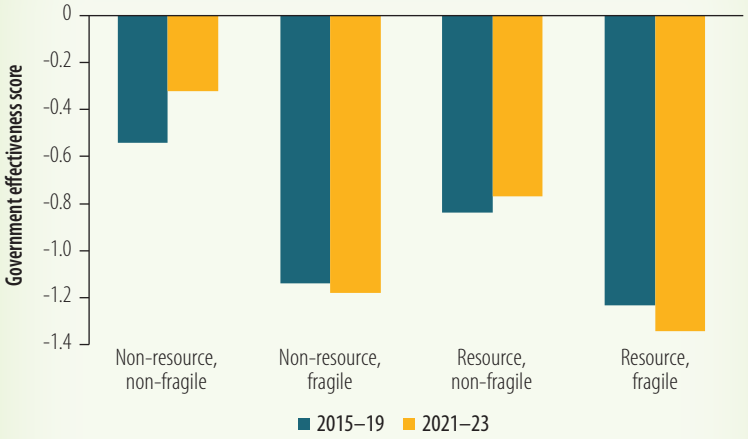
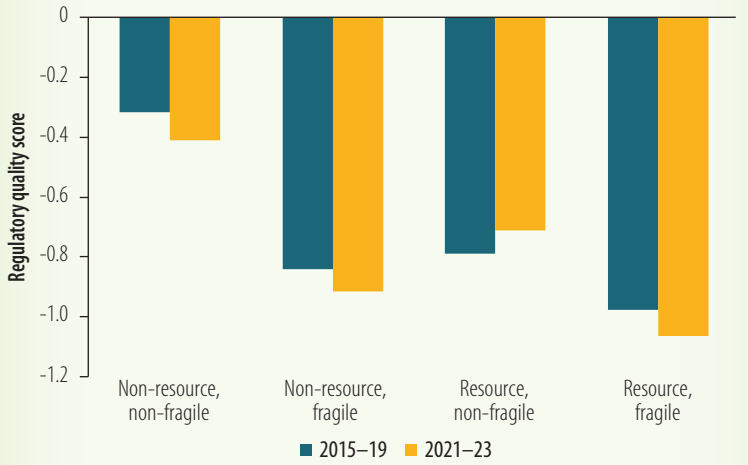


Figure 1.4: Regulatory Quality in Sub-Saharan Africa, 2015–19 and 2021–23



Source: Worldwide Governance Indicators, 2024 Update, World Bank (www.govindicators.org).

Note: Government effectiveness reflects perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. Regulatory quality captures perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development. Estimates of governance range from -2.5 (weak) to 2.5 (strong). Group figures are medians.

3 The special section in this issue provides actionable policies to strengthen the fiscal contract. For instance, efforts to introduce digital solutions to collect more taxes (taxpayer identification, e-filing, and e-payment). Other actions include e-government procurement systems and creating legal frameworks that allow greater participation of the population and civil society in decision-making processes at the community level, among others.

4 Besley and Persson (2014).

5 Ali, Fjeldstad, and Sjursen (2014); Isbell (2016).

6 About half of the survey respondents across 34 African countries indicated that taxes collected by their governments are used to foster the well-being of the population (Isbell 2022). This proportion was as low as three in 10 respondents (Eswatini and Zimbabwe) and as high as seven in 10 (Mauritius and Tanzania).

Supporting *market confidence* requires strengthening legal institutions, courts, police, and regulatory agencies, among other things. Having an institutional framework that protects property rights and guarantees contract enforcement is critical to encourage investment and trade. An effective court system would play an impartial role in enforcing contracts and resolving disputes between workers and employers, managers and owners, borrowers and lenders, and exporters and importers, among others. Evidence shows that more efficient judicial contract enforcement could enhance the investment climate,[7] increase firm size,[8] reduce the informal sector,[9] foster innovation,[10] and promote international trade.[11] Courts in a well-functioning judiciary need to be accessible to the public, predictable, and resolve disputes in a timely manner. A well-functioning police system is essential to ensure that the quality of justice is felt in communities, reducing common grievances such as extortion and petty crime. Trust in society would increase preference for a low-regulated, efficient court system and create an enabling environment for efficient contracting outcomes.[12]

In addition to establishing the necessary conditions for economic activity, independent institutions such as regulatory agencies and courts are critical to establishing confidence in markets, reducing a community's vulnerability to the excess volatility of global financial activity. From a macroeconomic standpoint, creating an environment that delivers price stability, fiscal sustainability, financial stability, and, more broadly, shock resilience is critical. Fostering trust in the government's ability to implement these policies effectively will require independence from the electoral cycle, a clear mandate, and a premium on transparency and accountability.

Strengthening state capacity is critical to creating an environment that *enhances economic oversight*. Governments need to strengthen institutions that support the market economy and manage the benefits and risks from trade and financial openness, including through independent institutions enforcing competition laws. Competition authorities can play a key role as advocates for regulation that ensures entry into markets, thereby creating job opportunities. Similarly, including competition considerations in the design of privatization, public procurement tenders, and sectoral regulation can have a large impact and boost private investment. Beyond the enforcement of competition policies, African governments need a more comprehensive policy to build opportunities for new market entrants and grow small businesses. Implementing policies that foster product, market, and asset diversification would improve robustness to real and financial external shocks. Such a framework for market diversification would support a more dynamic and responsive business environment, which would yield high-quality jobs.

African economies registered signals of improved business sentiment at the start of 2025

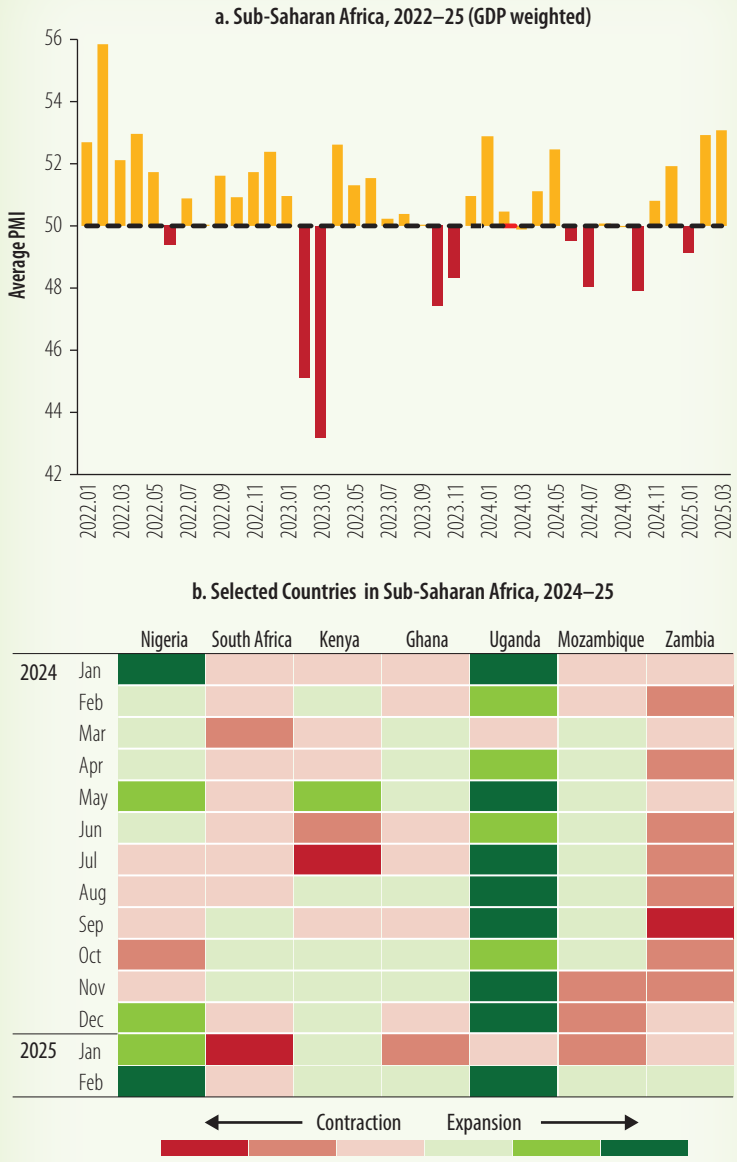
High-frequency indicators point to activity in manufacturing and services improving across countries in the region at the start of 2025. Business sentiment continues to expand in some countries (Kenya, Nigeria, and Zambia), while in others it has bounced back from contraction (Ghana and Mozambique) or remains subdued (South Africa and Uganda). Economic activity

7 Lu and Tao (2009).
8 Giacomelli and Menon (2016).
9 Dabla-Norris, Gradstein, and Inchauste (2008).
10 Cumming and Knill (2012).
11 Nunn (2007).
12 Cline and Williamson (2020).

across the subcontinent remains volatile, but signs of conducive conditions for business expansions are emerging (figure 1.5, panel a).

South Africa finished the year with a soft recovery. Real GDP grew 0.6 percent on a quarterly basis (0.9 percent year-over-year (y-o-y)) in the last quarter of 2024. This is attributed to a turnaround in agricultural activity (17.2 percent quarter-over-quarter (q-o-q)), followed by finance and trade. From the demand side, activity was supported by private consumption—as inflation declined to levels near the lower bound of the target range. Business activity contracted for a fifth consecutive month in March 2025, according to the seasonally adjusted Absa Purchasing Managers' Index (PMI). The contraction in March was milder than that of the first two months of the year as export sales helped to boost demand recovery. In turn, this might reflect improved delivery times and supply chains. The surveyed firms pointed to logistics disruptions and trade uncertainty as main concerns in the coming months.

Figure 1.5: Purchasing Managers' Index in Sub-Saharan African Countries



Sources: Haver Analytics; Bloomberg Analytical Services.

Note: Panel a plots the GDP-weighted average of the composite S&P Global PMIs for the seven countries with available data. The red and orange bars indicate the distance to the 50-point benchmark that distinguishes contraction from expansion. Panel b plots the evolution of the composite PMI across countries in the region. Red (green) colors denote contraction (expansion). Darker (lighter) shades of the color denote that the contraction or expansion is larger (modest). Last observation is March 2025. GDP = gross domestic product; PMI = Purchasing Managers' Index; S&P = Standard and Poor's.

In Nigeria, economic growth was higher than expected in the fourth quarter of 2024, thanks to faster growth in the non-oil economy, particularly in services. Real GDP growth accelerated from 3.1 percent y-o-y in the third quarter of 2024 to 4.6 percent in the final quarter. The solid growth of the service sector (5.4 percent y-o-y) was, in turn, driven by financial institutions and information and telecommunications services. The crude oil sector grew 5.5 percent in 2024, with the

industrial sector as a whole growing by 2.4 percent. Recovery of oil production from 1.47 million barrels per day in 2023 to 1.55 million barrels per day in 2024 supported the expansion of this sector. At the start of this year, the Stanbic IBTC Bank Nigeria PMI signaled a rapid improvement in business conditions (54.3 in March 2025) (figure 1.5, panel b). This was due to increased sales and the acceleration of new orders thanks to stronger demand and new project commitments. Although inflation was expected to ease as a result of base effects from the depreciation of the naira at the start of last year, rebased headline and core inflation still remained above target, at 2.04 and 2.52 percent month-over-month (m-o-m), respectively, in February 2025.[13]

Economic growth in Angola remained robust in the final quarter of 2024 (4.3 percent y-o-y), with the largest contribution being recorded by the non-oil industry (6.1 percent y-o-y, from 4.7 percent in the previous quarter). Non-oil mining (diamonds), public administration, defense and social security, construction, and trade are driving growth in the non-oil sectors.[14] Growth in Angola took place in an environment with still high but decelerating inflation. Consumer price inflation dropped to 26.5 percent y-o-y in January 2025, from a peak of 31.1 percent in July 2024. By March 2025, Kenya's business conditions remained in expansionary territory for a sixth straight month (the PMI was 51.7) as output, new orders, and employment lifted private sector activity. However, sentiment on future business activity among the surveyed firms remains subdued. Business activity in Mozambique and Ghana bounced back in February 2025 (figure 1.5, panel b). In Mozambique, the rebound of the PMI (from 47.5 in January to 50.2 in March) was attributed to the reduction of logistical disruptions due to mass protests, and expectations of a political settlement easing the likelihood of unrest. In Ghana, the PMI increased from 47.9 in January to 50.6 in March, as the subdued expansion responded to greater demand, easing of supply chain problems, and new business catch-up following the presidential elections in December.

Economic activity in Sub-Saharan Africa is expected to accelerate along the forecast horizon

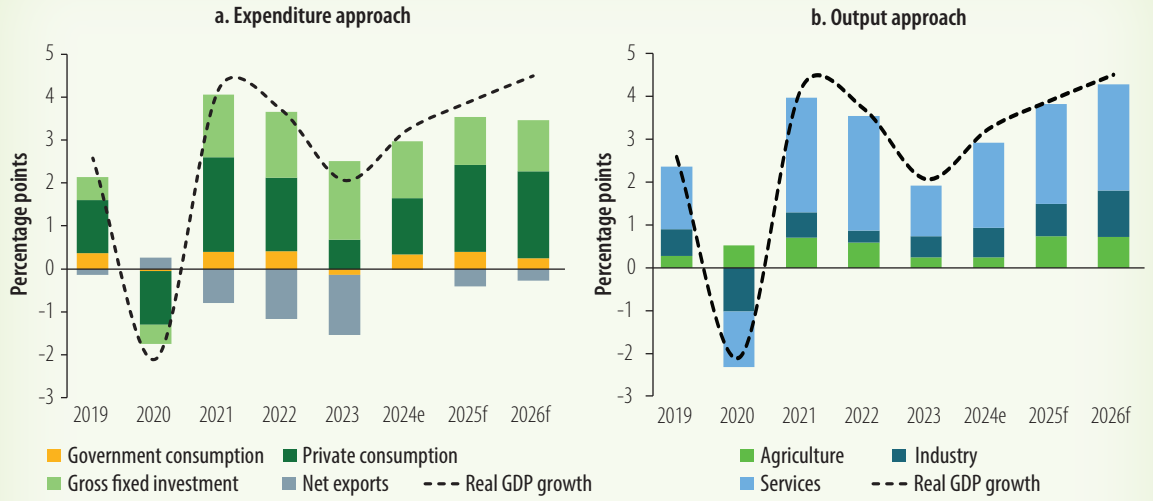
Economic activity in Sub-Saharan Africa grew by 3.3 percent in 2024, up from 2.1 percent in 2023. A moderate expansion in global economic activity—driven by resilient economic activity in the United States—along with a recovery in global trade and gradual easing of global and financial conditions drove the recovery of economic activity in the region last year. Growth is projected to pick up slightly in 2025 to 3.5 percent and further accelerate to an annual average rate of 4.3 percent in 2026–27. Greater commitment to macroeconomic stability, fiscal responsibility, and transparency across Sub-Saharan African countries will continue to boost aggregate demand and elevate investor sentiment. However, the region will navigate an uncertain global environment—characterized by, among other things, sudden changes in global trade policy; global, regional, and national geopolitical shifts that disrupt international relations; and challenges posed by climate change.

From the expenditure side, the recovery of economic activity in 2024 is mostly attributed to a pickup in private consumption and investment. As inflationary pressures eased for most African countries, the contribution of household consumption almost doubled (from 0.7 percent in

13 Nigeria's Consumer Price Index was rebased from 2009 to 2024. The number of goods and services in the basket was expanded to improve the coverage of consumer spending patterns, and weights for critical categories were adjusted. For instance, the share of household budget spent on food and nonalcoholic beverages was cut from 51.8 to 40.1 percent, while that of restaurants and accommodation services increased from 1.2 to 12.9 percent.

14 The growth of non-oil mining was supported by production at the Luele diamond mine starting at the end of 2023.

Figure 1.6: Contribution to GDP Growth in Sub-Saharan Africa, 2019–26



Source: World Bank projections (World Bank Macro-Fiscal Model).

Note: Africa's Pulse forecasts as of April 16, 2025. The figures plotted are weighted averages. Change in inventories and statistical discrepancy are not displayed in panel a. Net taxes are not presented in panel b. e = estimate; f = forecast; GDP = gross domestic product.

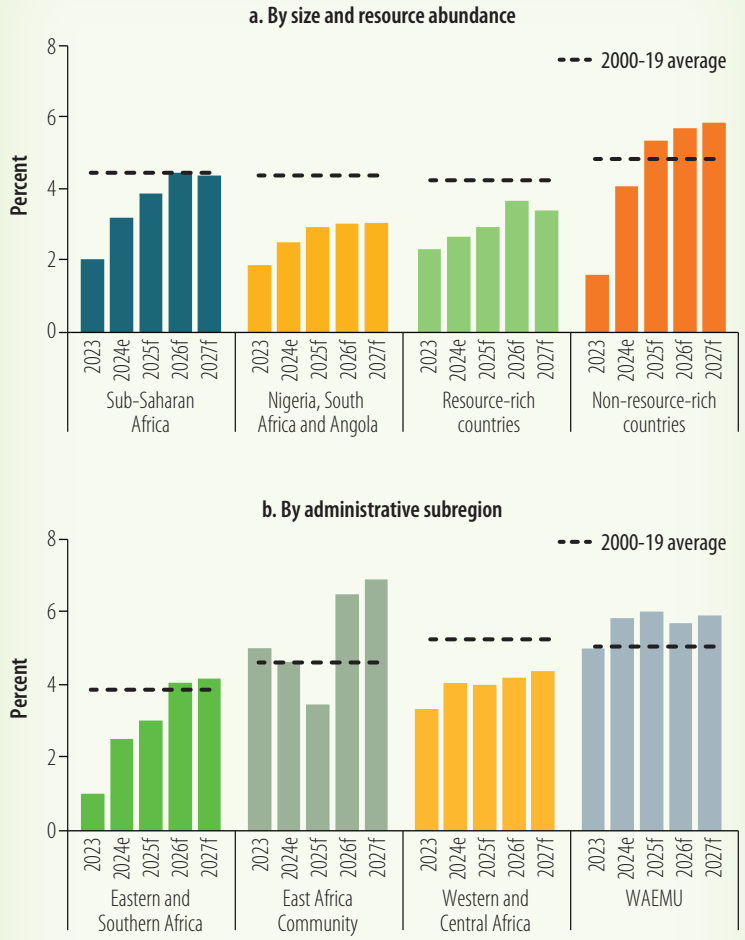
2023 to 1.3 percent in 2024). The contribution of investment to growth remained robust (at 1.3 percent in 2024) as central banks in advanced economies and within the region started adopting more accommodative monetary policies. As inflationary expectations remain well-anchored, some central banks will gear their monetary policies toward supporting aggregate demand. This will enhance private consumption and investment this year and throughout the 2026–27 forecasting horizon (1.9 and 1.2 percent per year, respectively).

The contribution of government consumption will remain modest as the public sector continues to balance expenditures and revenues while managing painful trade-offs between investing in social and physical infrastructure vis-à-vis managing debt service (figure 1.6, panel a). From the production side, about 60 percent of the rebound in economic activity in 2024 was attributed to a surge in the service sector—as information and communications technology, the financial sector, and tourism have recovered sharply (figure 1.6, panel b). The contribution of services to growth remains robust in the forecasting horizon (2.3 percent per year over 2025–27), while that of agriculture is expected to pick up from the lows recorded in 2023–24 (from an annual average of 0.2 percent in 2023–24 to 0.7 percent in 2025–27). This might be attributed to better climate conditions, supporting agricultural commodity prices, better infrastructure, and technology—say, irrigation systems, storage facilities, and climate-smart agricultural practices.

The economic upturn has been uneven across subregions in Sub-Saharan Africa

The speed of growth acceleration varies widely across countries in the region (figure 1.7, panel a). Growth was projected to accelerate in nearly two-thirds of the countries in 2024. The median growth acceleration for this group of countries is 0.7 percentage point in 2024, with economic activity in some countries rebounding at a faster pace—including Equatorial Guinea (6.7 percentage points), Niger (6.4 percentage points), and Angola (3.4 percentage points). However, GDP growth for most countries in the region still has not surpassed the annual average growth

Figure 1.7: GDP Growth across Regions in Sub-Saharan Africa, 2023–27



Source: World Bank projections (World Bank Macro-Fiscal Model).

Note: e = estimate; f = forecast; GDP = gross domestic product; WAEMU = West African Economic and Monetary Union.

during 2000–19. More than half of the African countries grew in 2024 at a slower rate than in the first two decades of the twenty-first century. On average, growth in these underperforming countries in 2024 was about 2 percentage points lower relative to their average growth during 2000–19. This year, the number of countries with an accelerating growth rate (relative to 2024) is expected to grow slightly to 33, and their median acceleration will be about 0.4 percentage point.

Growth of economic activity in the region is still dragged down by the underperformance of its largest economies—Angola, Nigeria, and South Africa—relative to their performance in 2000–19. Growth in these three large economies is expected to accelerate from 2.5 percent in 2024 to 2.9 percent in 2025, and projected to firm to 3.1 percent per year in 2026–27 (figure 1.7, panel a). The growth along the forecast horizon is still lower than that registered in 2000–19 (4.4 percent per year).[15] In South Africa, GDP growth is projected to accelerate from 0.6 percent in 2024 to an annual average of 1.8 percent in 2025–27. The positive sentiment brought by the successful political transition following the May 2024 elections was compounded by the suspension of load shedding across the nation since March 2024 and the significant reduction in inflation to 3.2 percent in February 2025—below the South African Reserve Bank's preferred midpoint target of 4.5 percent. The growth outlook is shaped by the government's ability to implement structural reforms (particularly in the energy and transportation sectors) to unlock economic opportunities and prudent fiscal management to stabilize government debt. For the year ending in March 2024, the government recorded its first budget surplus in 15 years (0.4

15 Excluding Angola, Nigeria, and South Africa, growth in the region is expected to strengthen from 4 percent in 2024 to about 4.5 percent in 2025, and accelerate further to 5.6 percent per year in 2026–27.

percent of GDP). Economic growth is expected to remain moderate in Nigeria. It is expected to increase from 3.4 percent in 2024 to 3.6 percent in 2025, and slightly increase to 3.8 percent in 2026–27. The gradual recovery of the Nigerian economy along the forecast horizon is driven primarily by the service sector—specifically, finance, information and communications technology services, and transportation—and, to a lesser extent, a rebound in oil production that converges to its OPEC+ quota.

Resource-abundant countries in the region have faced a myriad of challenges in their efforts to converge to the growth rate achieved in 2000–19 (figure 1.7, panel a). Still, growth in this group of countries is expected to accelerate from 2.7 percent in 2024 to 3.4 percent in 2026–27. The upturn in economic activity will be supported by commodity prices that are expected to remain above pre-pandemic levels. However, there is risk of heightened volatility in commodity prices in the event of potential increases in import tariffs and an intensification of existing geopolitical tensions.[16] In contrast, growth among non-resource-abundant countries is expected to converge to its long-term rate and surpass it along the forecast horizon (5.2 percent in 2025, and 5.6 percent per year in 2026–27). Faster disinflation along with structural reforms has provided a boost to aggregate demand and unlocked economic opportunities.

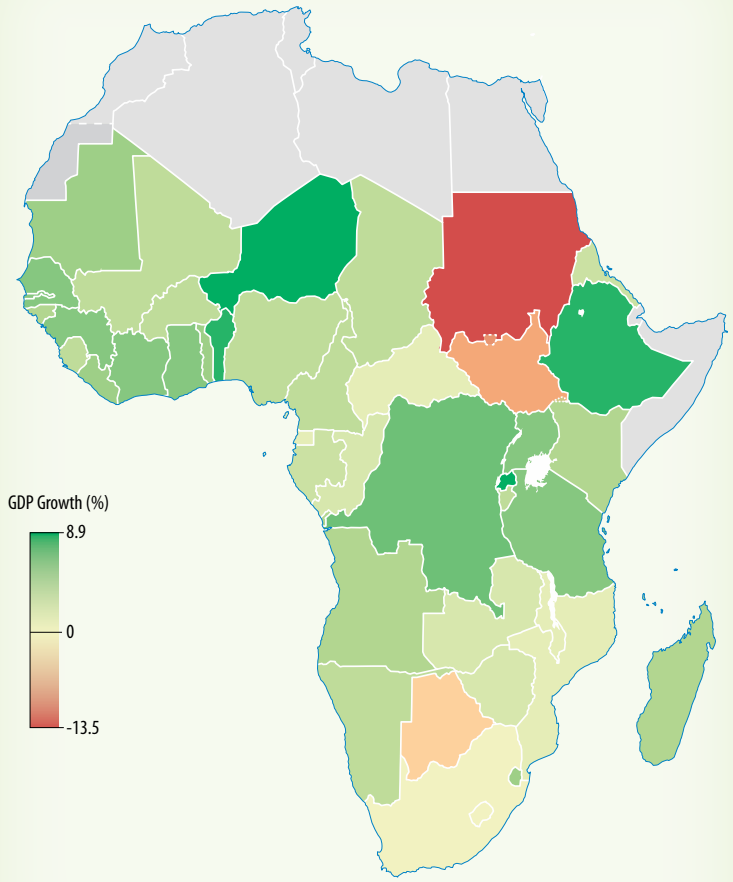
Economic activity in the Eastern and Southern Africa (AFE) subregion is set to pick up from 2.5 percent in 2024 to 3.0 percent in 2025, and to accelerate further to 4.2 percent in 2026–27 (figure 1.7, panel b). The AFE subregion's economic performance is dragged down by Angola and South Africa. Excluding these two countries, AFE is projected to grow by 3.3 percent in 2024, accelerate to 4.4 percent in 2025, and firm up at 6 percent in 2026–27.[17] The best performer in the AFE subregion is the East African Community, with economic activity growing at 4.7 percent in 2024 and expected to grow at a faster pace in 2026–27 (6.8 percent per year). Kenya, Rwanda, Tanzania, and Uganda were the largest contributors to the East African Community's growth performance. In the Western and Central Africa (AFW) subregion, economic activity is projected to accelerate from 4.1 percent in 2024 to 4.3 percent in 2026–27 (figure 1.7, panel b). Excluding Nigeria, the AFW subregion grew at a faster pace in 2024 (5.1 percent), and it is expected to speed up slightly to 5.3 percent in 2027. The West African Economic and Monetary Union (WAEMU) is projected to grow at 5.9 percent in 2024 and 6.0 percent in 2027. Strong growth in Côte d'Ivoire, Niger, and Senegal is supporting the WAEMU's performance.

The speed of growth acceleration across Sub-Saharan African countries remains varied as business activity in the region picks up, although earlier bright spots continue consolidating. The real GDP growth of 30 countries in the region accelerated in 2024 relative of the previous year (map 1.1). Eight countries are posting growth rates of 6 percent or more, notably, Côte d'Ivoire (6 percent), Benin (7.5 percent), Ethiopia (8.1 percent), and Rwanda (8.9 percent), among

16 Tariffs and geopolitics may, on the one hand, raise commodity prices and benefit resource-rich countries. On the other hand, increased volatility and lower demand may more than offset the benefits.

17 The projected drop in economic growth of the East African Community in 2025 can be attributed to the collapse of activity in South Sudan as a result of the disruption of oil production and drastic fall in export revenues. The ensuing downfall in government revenues is expected to contribute to salary arrears and reduced social spending—particularly in health and education. This is compounded by the freezing of US aid programs in the country.

Map 1.1: GDP Growth in Sub-Saharan African Countries, 2024 (percent)



Source: World Bank projections (World Bank Macro-Fiscal Model).
Note: Gray areas on the map represent non–Sub-Saharan African countries.

others. Within this group of 30 countries, about 17 countries outperformed their medium-term growth prior to the pandemic (2000–19). In most of these high-growth performers, a stable macroeconomic environment, public investments in infrastructure, and structural reforms drove their economic outcomes. Along the 2025–27 forecast horizon, 28 countries are projected to grow at a faster pace than in 2024. On average, the region is expected to grow by 0.7 percentage point faster in 2025–27 than in 2024. Additionally, the number of countries with an annual average growth rate exceeding 6 percent in 2025–27 is projected to increase to 10.

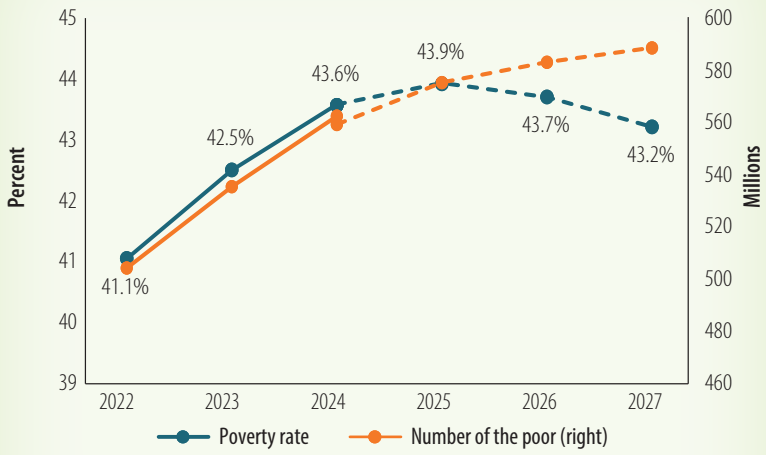
Economic growth in the region is inadequate to reduce extreme poverty significantly

The economic growth forecast for Sub-Saharan Africa over 2025–27 will not be sufficient to reduce extreme poverty significantly and meet people's expectations. Growth in the region is projected at 3.5 percent in 2025, and it is expected to increase to 4.3 percent in 2026–27. Cooling inflation and declining interest rates are expected to boost growth through improvements in household consumption and investment. Government consumption, however, remains constrained as fiscal consolidation efforts continue. Although income per capita for the region as a whole is expected to accelerate to 1.1 percent in 2025 and firm up at 1.8 percent in 2026–27, it would be insufficient to reduce poverty significantly. Furthermore, there are risks to the outlook, from trade policy uncertainty and reductions in foreign aid, which will further limit governments' fiscal space.

This is especially concerning given the region's low efficiency in translating growth into poverty reduction. Sub-Saharan Africa's high levels of income inequality and production distortions make growth less efficient at reducing poverty than in other regions, so that a 1-percent increase in GDP per capita is associated with a 1-percent decrease in poverty, compared to 2.5 percent in the rest of the world.[18] This is problematic because poverty reduction since 2000 has primarily been driven by growth rather than changes in the income distribution.[19] High structural inequality in the region hinders economic growth by preventing individuals from reaching their productive potential. This inefficient allocation of human resources limits growth's effectiveness in reducing poverty, as it fails to benefit those at the bottom of the income distribution. Addressing structural inequalities could enhance the impact of growth on poverty reduction and stimulate overall growth. Simply achieving growth is insufficient for poverty reduction, as it would require sustained, unprecedented levels of growth in the region.

The poverty rate is expected to increase slightly over 2022–27, while the number of poor is expected to increase by 90 million people during this time. Forecasts for 2025–27 indicate that the poverty rate,, measured at the $2.15 per capita per day international line in 2017 purchasing power parity, will continue to rise to 43.9 percent in 2025 before dropping to 43.2 percent in 2027, marking a net increase in poverty over the five-year period since 2022 (figure 1.8). This trend is due to modest growth, fast population growth, limited investment in sectors that generate income for the poor, and lingering effects of past inflation, which continue to pose a challenge for poor households. Given the region's fast population growth, the total number of poor is expected to increase from 576 million in 2025 to 589 million in 2027, even as the poverty rate falls in 2026–27.

Figure 1.8: Regional Poverty



Source: World Bank.

Note: The dashed line is forecasted data based on macro forecasts from the latest World Bank Macro Poverty Outlook. PPP = purchasing power parity.

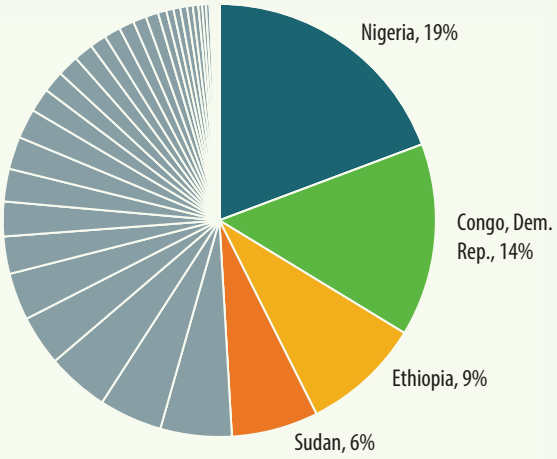
Sub-Saharan Africa has the highest extreme poverty rate globally, and a large share of the poor is concentrated in a few countries. About 80 percent of the world's estimated 695 million extreme poor resided in Sub-Saharan Africa in 2024, compared to 8 percent in South Asia, 2 percent in East Asia and the Pacific, 5 percent in the Middle East and North Africa, and 3 percent in Latin America and the Caribbean.[20] Within Sub-Saharan Africa, half of the 560 million extreme poor in 2024 resided in four countries (figure 1.9).

18 These elasticities are even lower for fragile and conflict-affected countries and resource-poor countries in Sub-Saharan Africa (Sinha, Inchauste, and Narayan 2024; World Bank 2024).

19 Growth accounted for 84 percent of the reduction in poverty between 2000 and 2010, whereas redistribution accounted for the remaining 16 percent.

20 The remaining 2 percent is split between Eastern Europe and Central Asia and the rest of the world.

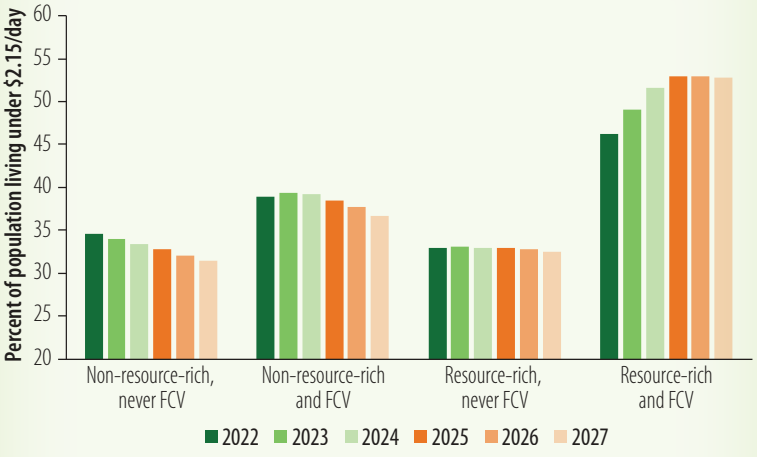
Figure 1.9: Distribution of the Poor, 2024



Source: World Bank.
Note: Values are from actual data and forecasts based on macro estimates for 2024.

Non-resource-rich countries are expected to continue reducing poverty faster than resource-rich countries. Thanks to higher prices of agricultural commodities, non-resource-rich countries will see higher growth overall, despite fiscal pressures. Conversely, resource-rich countries are not expected to grow at the same rate given decelerating oil prices. As a result, resource-rich countries are expected to see less progress in terms of poverty reduction (figure 1.10). Importantly, poverty in resource-rich, fragile countries (which include large countries like the Democratic Republic of Congo and Nigeria) is expected to increase by 3.6 percentage points over 2022–27, being the only group in the region with increasing poverty rates.[21] This follows a well-established pattern,[22] whereby resource wealth combined with fragility or conflict is associated with the highest poverty rates—an average poverty rate of 46 percent in 2024, 13 percentage points above non-fragile, resource-rich countries. Meanwhile, non-resource-rich, non-fragile countries saw the biggest gains in poverty reduction since 2000 and fully closed the gap in poverty with other non-resource-rich countries by 2010.[23]

Figure 1.10: Poverty in Sub-Saharan Africa, by Resource Abundance and Fragility Status ($2.15 per day at 2017 PPP)

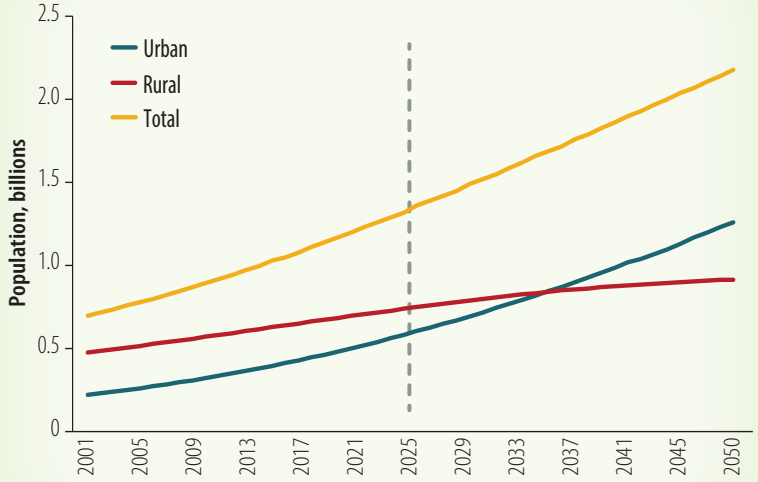


Source: World Bank Poverty and Inequality Platform.
Note: Green shades indicate actual or nowcasted data; orange shades denote estimates based on macro forecasts from the latest World Bank Macro Poverty Outlook. For the countries in each category, refer to Sinha, Inchauste, and Narayan (2024). FCV = fragility, conflict, and violence; PPP = purchasing power parity.

21 This finding calls for urgent improvement in service delivery in countries with rapidly expanding populations, such as the Democratic Republic of Congo and Nigeria.
22 World Bank (2024).
23 Sinha, Inchauste, and Narayan (2024).

Although most of the population of Africa and its highest levels of poverty are found in rural areas, rapid urbanization could accelerate poverty reduction under the right conditions. From 2010 to 2019, poverty reduction was primarily driven by urbanization rather than significant decreases in poverty within rural or urban areas. In 2020, only 41 percent of the continent was urbanized, but the urban population is projected to grow by over 238 million by 2035, surpassing the rural population (figure 1.11). This rapid growth presents opportunities for the rural poor seeking to improve their livelihoods through migration. However, the success of this transition will depend on the ability of urban areas to provide the necessary infrastructure, services, and employment opportunities to support the increased population.

Figure 1.11: Rapid Urbanization Will Change the Poverty Landscape

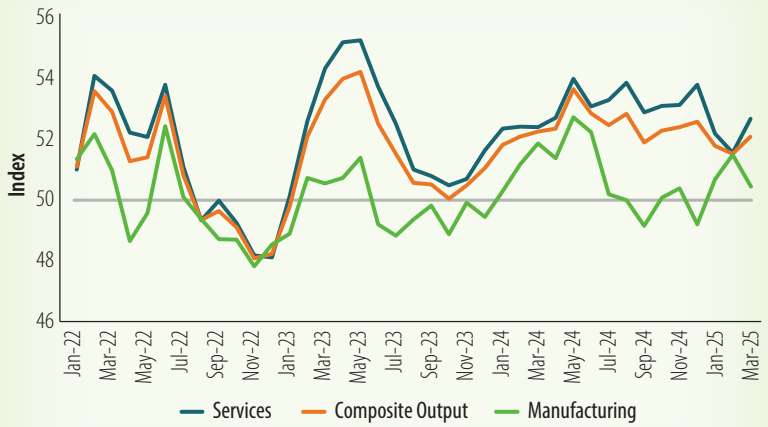


Source: United Nations population forecasts.

1.2 THE GLOBAL ENVIRONMENT

Global growth is expected to expand moderately, at 2.7 percent per year over 2025–26.[24] The growth slowdown in the United States and China is expected to be offset by firming growth elsewhere, partly driven by emerging markets and developing economies (EMDEs). Global activity has remained in expansionary territory in early 2025 amid some recent weakening of services activity (figure 1.12). Inflation has been moderating without a substantial growth slowdown in key economies, and monetary policy easing has become widespread. However, growth dynamics across advanced economies and EMDEs are forecast to diverge in 2025–26. Growth in advanced economies is expected to edge up, while continuing challenges in the property sector in China are anticipated to weigh on activity. Aggregate growth in other EMDEs is projected to firm over the forecast horizon, supported by easier financing conditions, recovering real incomes, and improving industrial activity and external demand.

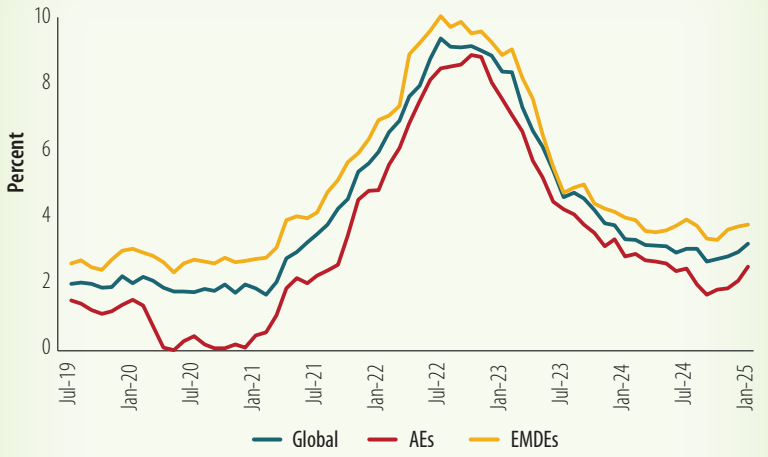
Figure 1.12: Global Purchasing Managers' Index, 2022–25



Source: Haver Analytics.

Note: Values above 50 signal expansion. The last observation is March 2025.

Figure 1.13: Headline Inflation, 2019–25



Sources: Haver Analytics; World Bank.

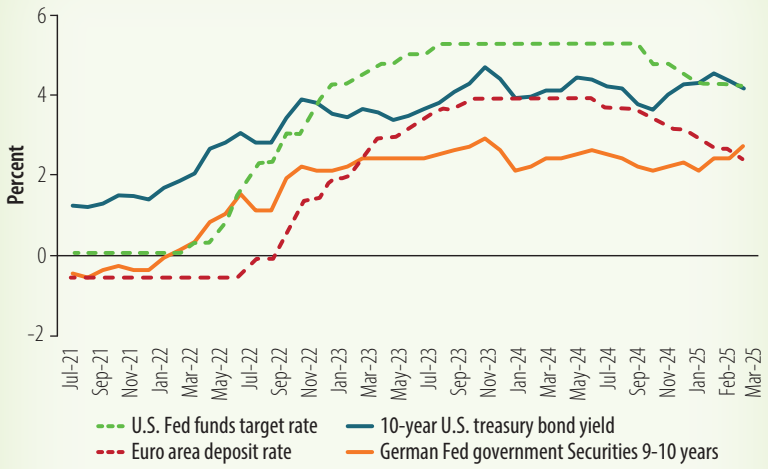
Note: Values are median year-on-year changes. The sample includes up to 135 economies. The last observation is January 2025. AEs = advanced economies; EMDEs = emerging markets and developing economies.

Global headline *inflation* has gradually eased—with the trend being consistent in advanced economies and EMDEs—but, more recently, this trend appears to have stalled (figure 1.13). The decline in inflationary pressure reflects the lagged effects of monetary tightening and easing commodity prices. Although core inflation briefly edged up in some advanced economies in mid-2024, driven by

24 World Bank (2025). The projections assume no substantial changes in US economic policies.

services inflation, it has since generally resumed a gradual decline. At the same time, key long-term sovereign bond yields have remained at heightened levels despite the beginning of monetary easing in the United States and the euro area (figure 1.14).

Figure 1.14: Interest Rates in the United States and the Euro Area, 2021–25



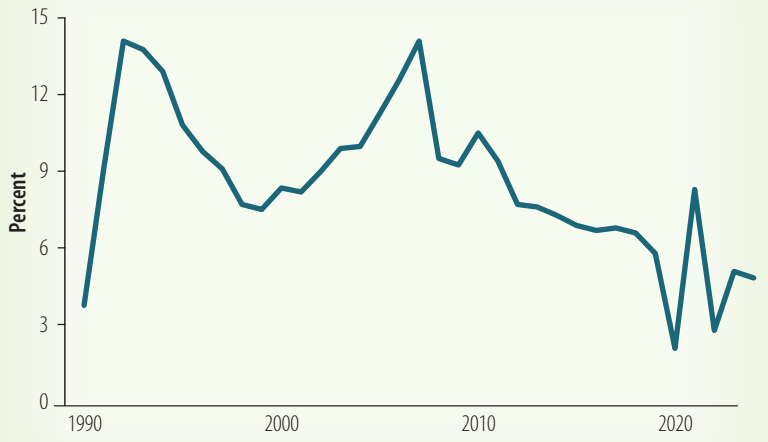
Source: Haver Analytics.

Note: Policy interest rates are for the end of period; bond yields are period averages. The last observation is March 2025.

Aggregate *growth in advanced economies* in 2025–26 is projected to remain at the average estimated growth for 2024, 1.7 percent. At the same time, activity in key economies is expected to diverge, with modest recoveries in the euro area and Japan helping to counter easing growth in the United States, where growth is projected to slow as inflation gradually declines toward its target level. In the euro area, growth is projected to pick up to about 1.1 percent as the cyclical recovery firms.

Growth in China declined to 5 percent in 2024, the slowest pace in over three decades, excluding the pandemic-affected years (figure 1.15). Activity was dampened by weak real estate investment and slow consumption growth amid weak consumer confidence; however, it was supported by manufacturing, which benefited from solid external demand. Growth is projected to slow further this year. Consumption is expected to remain weak due to soft labor market conditions, subdued consumer confidence, and mounting wealth effects from lower property prices. Export growth is expected to ease, while import growth will be dampened by subdued domestic demand.

Figure 1.15: Annual Growth in China, 1990–2024



Sources: World Bank; National Bureau of Statistics of China.

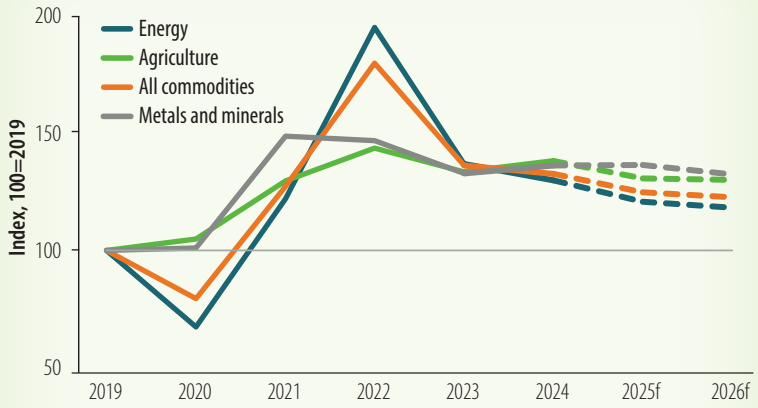
Growth in EMDEs is forecast to remain at about 4 percent over 2025–26 on average, as the projected slowdown in China is offset by an aggregate pickup in other EMDEs. Growth in EMDEs excluding China is projected to improve, mainly reflecting firming domestic demand, including strengthening investment in many EMDEs amid rising business confidence. Consumption is also expected to remain solid across EMDEs, supported by receding inflation, improved real household incomes, and stronger consumer confidence. At the same time, the recovery from the shocks of the past few years remains incomplete in many EMDEs. Long-term drivers of growth have come under pressure, with trade—a key driver of investment and productivity growth in EMDEs—facing headwinds from heightened geopolitical shifts, trade fragmentation, and elevated policy uncertainty. Furthermore, significant challenges continue to persist in vulnerable economies, including in low-income countries (LICs) and those facing elevated levels of conflict and violence.

Global trade in goods and services rebounded in 2024, with the recovery in global goods trade unevenly distributed across country groups. Globally, the number of new trade-restricting policies introduced in 2024 was five times higher than the average in the 2010s. The outlook for global trade is uncertain as more trade-restrictive measures kick in.

Commodity prices will decline over the next two years but remain above pre-pandemic levels

Commodity prices are forecast to decline in 2025–26, with substantial risks including sudden shifts in trade policy, adverse weather, and production disruptions in mining operations related to labor disputes, environmental issues, and constraints on power and water availability (figure 1.16). In particular, commodity markets face significant trade policy uncertainty due to tariffs and retaliatory measures between major economies. Commodity-specific tariffs are expected to create price differentials and trade diversion, while broad-based tariffs could weaken global economic activity and dampen demand, putting downward pressure on commodity prices. Still, most commodity prices are expected to remain well above pre-pandemic levels, supporting economic activity in many commodity exporters.

Figure 1.16: Commodity Prices, 2019–26



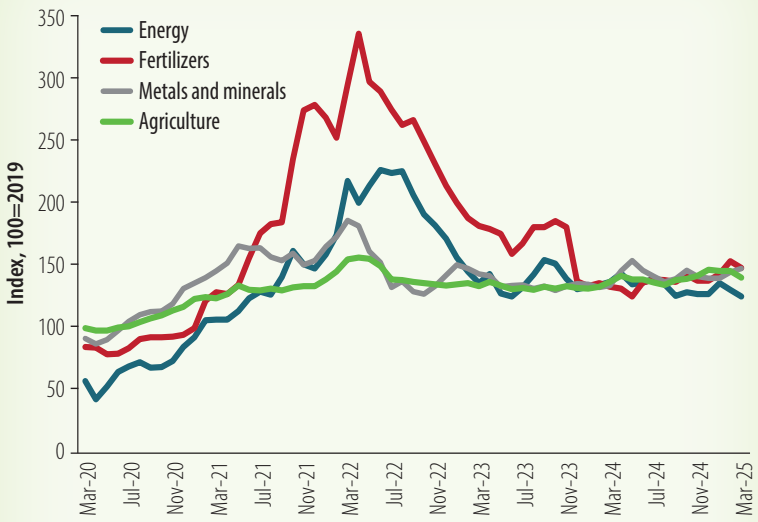
Sources: Commodity Markets Outlook (October 2024) and Commodities Price Data (January 2025), World Bank.
Note: f = forecast.

In the first quarter of 2025, the World Bank's total commodity price index increased 2 percent q-o-q, putting it 1 percent higher than a year ago (y-o-y).[25] The quarterly price increase was primarily driven by natural gas and beverages, which climbed 24 and 16 percent, respectively. In addition, energy, agricultural, metals, and fertilizer prices all increased in the first quarter of 2025.

Energy prices rose 2 percent in the first quarter of 2025 relative to the fourth quarter of 2024, and they are 3 percent lower than they were a year earlier (figure 1.17). The quarterly increase in energy prices responded to rising crude oil and natural gas prices (1 and 24 percent, respectively)—largely due to mid-January sanctions on Russian oil-carrying vessels and colder-than-usual weather. However, crude oil prices began to fall following the OPEC+ announcement of production increases, the reset in US-Russian relations, and improved risk perceptions in the Middle East and Black Sea regions. The surge in natural gas prices reflected colder weather in Europe and the United States, low inventories in Europe, and strong demand for liquefied natural gas (LNG) from Asia. Fertilizer prices increased 6 percent q-o-q in the first quarter of 2025, rendering them 11 percent higher than a year earlier. The strength of fertilizer prices was partly driven by higher natural gas prices, a key input for producing nitrogen-based fertilizers. Urea prices, the most commonly used form of nitrogen fertilizer, surged by 12 percent from the previous quarter and 19 percent y-o-y. Energy prices are forecast to decline in 2025 and 2026.

Agricultural prices rose in the first quarter of 2025 to their highest level since July 2022, largely driven by a significant rise in beverage prices—mainly cocoa and coffee prices (15 and 19 percent q-o-q, respectively). The food and agricultural raw materials price indexes declined 3 and 4 percent q-o-q, respectively. The rise in cocoa prices reflects concerns about adverse weather conditions in West Africa. However, the anticipated 17 percent recovery in cocoa production for the 2024/25 season, compared to the previous one, is expected to provide some relief to cocoa prices (figure 1.18). Arabica coffee prices surpassed US$9/kilogram in February 2025, reaching an all-time high, while Robusta coffee prices hit their highest nominal level in 48 years, driven by tight inventories and ongoing supply concerns, particularly in Brazil. Food prices decreased by nearly 3 percent in the first quarter of 2025, primarily due to reductions in the prices of oils and meals. Grain prices were broadly stable in the first quarter of 2025 as an 8

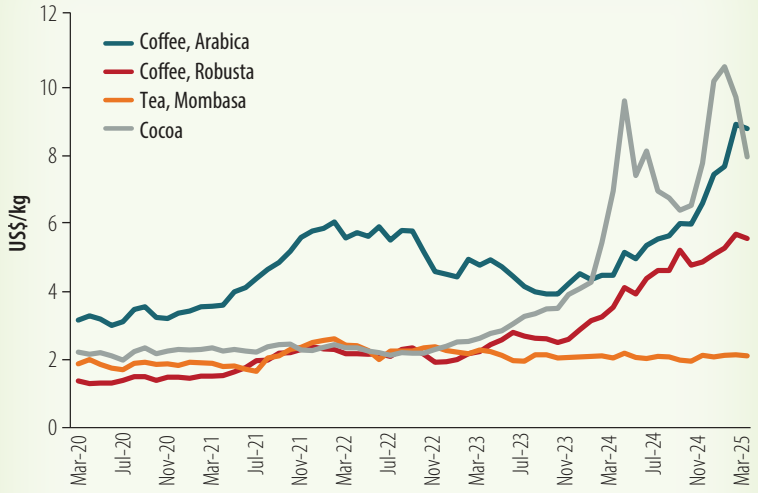
Figure 1.17: World Bank Commodity Price Indexes, 2020–25 (2019 = 100)



Source: Bloomberg; World Bank.
Note: The figure uses monthly data. The last observation is March 2025.

25 Note that q-o-q refers to a comparison of two consecutive quarters. This section refers to q-o-q percentage changes, unless otherwise mentioned.

Figure 1.18: Average Monthly Prices of Coffee, Cocoa, and Tea, 2020–25 (US$/kg)



Sources: International Coffee Organization; International Cocoa Organization; International Tea Committee.

Note: The figure uses monthly data. The last observation is March 2025. kg = kilogram.

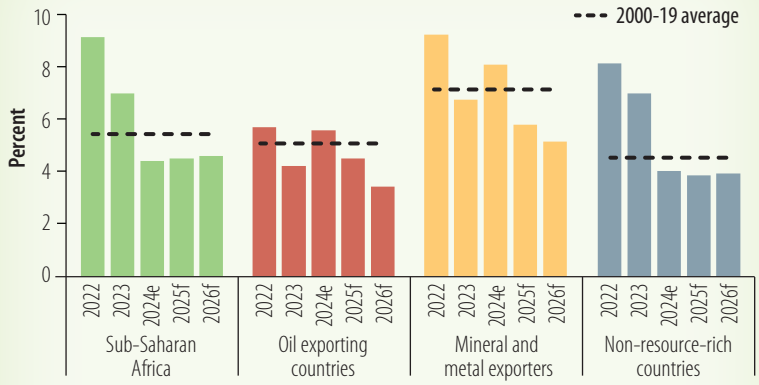
percent increase in maize prices, driven by adverse weather conditions in South America, was offset by a 14 percent drop in rice prices, supported by favorable weather conditions across major exporters in Asia. As their gains over the past two years were fully eliminated, rice prices fell back to levels last seen in 2019. Global rice production in 2024–25 is forecast to be at a record high, reflecting strong ongoing harvests in major exporters.

Industrial metal prices barely changed in the first quarter of 2025, although they are 8 percent higher than a year earlier. Metals markets experienced high volatility at the start of this year, fueled by escalating tariff uncertainty. This followed the US government's announcement in early February that it would impose 25 percent tariffs on all steel and aluminum imports, with the potential possibility of extending these measures to other metals—particularly copper. As a result, the World Bank's metals price index rose by 4 percent in February and 2 percent in March due to front-loading of demand before tariffs were implemented, with aluminum prices climbing to their highest level in nearly three years. Although the tariffs may initially trigger price spikes and heightened volatility, the broader risk of global trade tensions is expected to weigh on the demand outlook, putting downward pressure on industrial metal prices. In contrast, gold prices surged to historical record highs, rising 13 percent year-to-date as of March 2025. This rally reflects ongoing uncertainty tied to tariffs, trade wars, and broader geopolitical shifts. The strong performance of gold in 2024 was largely fueled by robust central bank purchases, a trend that is expected to continue in 2025 as precious metals act as a hedge against uncertainty.

1.3 MACROECONOMIC PERFORMANCE OF SUB-SAHARAN AFRICA

Consumer price inflation is converging to the target in most countries in the region, although at different speeds. The median rate of inflation in Sub-Saharan Africa was 4.5 percent in 2024, down from a peak of 9.3 percent in 2022. It is predicted to bounce back slightly to 4.6 and 4.7 percent in 2025 and 2026, respectively (figure 1.19). In 2024, about 70 percent of the countries in the region (33 of 47 countries) experienced a deceleration of inflation vis-à-vis the previous year. Within this group, the median inflation rate was 4.1 percent. However, seven countries in the region had two-digit inflation rates that accelerated in 2024 (Angola, Malawi, Nigeria, South Sudan, Sudan, Zambia, and Zimbabwe). Their median rate of inflation was about 32 percent.[26]

Figure 1.19: Inflation in Sub-Saharan Africa, 2022–26



Sources: World Bank projections; Haver Analytics; International Financial Statistics, International Monetary Fund.

Note: Inflation is measured by the percentage change in the Consumer Price Index, using the World Bank Macro-Fiscal Model database. Group medians are depicted in the figure. e = estimate; f = forecast.

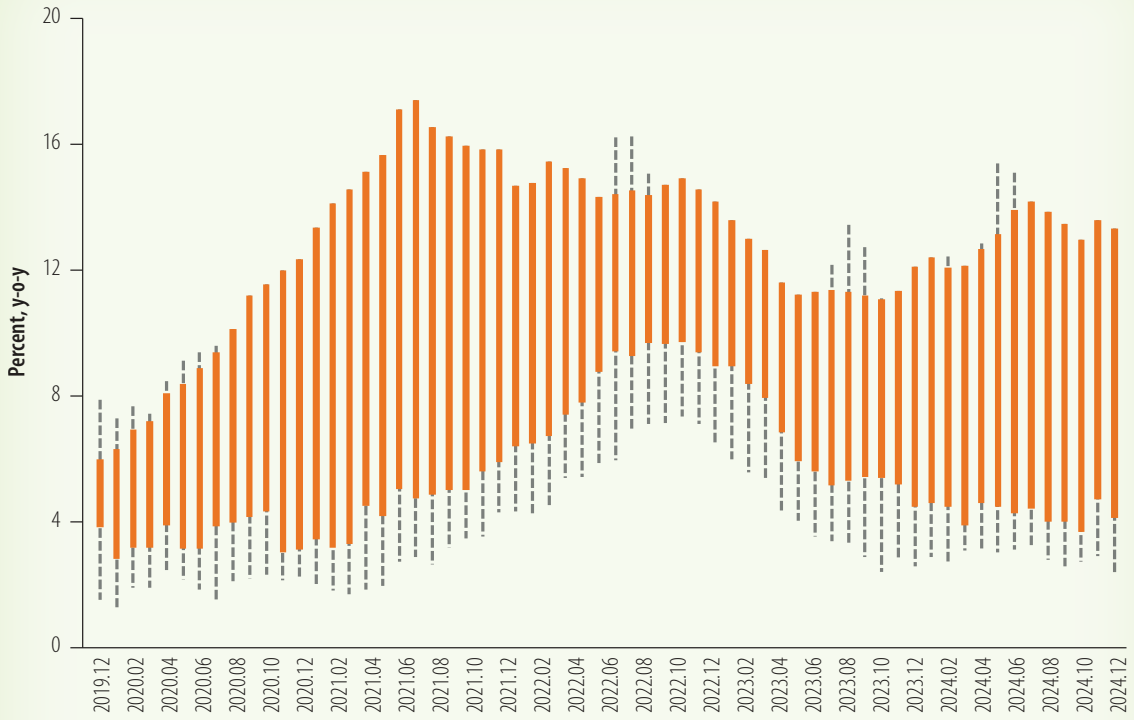
The effects of monetary policy tightening, which started in 2022, the ongoing fiscal consolidation, as well as the protracted decline in commodity prices from their peaks in the third quarter of 2022, among other factors, contributed to disinflation across countries in the region. Inflation in oil-exporting countries is expected to decelerate further, from 5.7 percent in 2024 to 4.6 percent in 2025, and further to 3.5 percent in 2026. The consolidation of structural reforms in some of these countries (Angola and Nigeria) and declining (but volatile) oil prices might explain the cooling of inflation. The rate of inflation in mineral and metal exporters is predicted to decline sharply, from 8.3 percent in 2024 to 5.3 percent in 2026 (figure 1.19), as downside risks to global activity as a result of tariffs may dampen international prices for this group of commodities. Additionally, some countries in the region might be exiting a period of high inflation (for instance, Sierra Leone). Inflation will continue converging to target across African countries, but it may hit some bumps in the road if the risk of increased inflation materializes as a result of the implementation of more restrictive trade policies around the world.

26 Although there is still a significant number of countries with inflation rates of two digits or more (14 in 2024), it is expected to decline to nine countries in 2026.

Incoming high-frequency data point to disinflation driven by declining food inflation and more stable currencies

Monthly data on inflation show the sharp progress in disinflation experienced by African countries. From its highest median rate of 9.8 percent y-o-y in November 2022, the rate of inflation decelerated to 4.2 percent y-o-y in January 2025 (figure 1.20).[27] In contrast, the variability of inflation rates across countries in the region remained elevated—with an interquartile range that surged from 6 percentage points in November 2022 to 10 percentage points in January 2025.[28] The increase in the interquartile range reflects that some countries still have inflation rates in the double digits or higher—such as Angola, Burundi, Ghana, Malawi, Nigeria, Sudan, and Zimbabwe, among others.

Figure 1.20: Monthly CPI Inflation, 2019–25



Sources: Haver Analytics; International Financial Statistics, International Monetary Fund.

Note: The figure plots the y-o-y evolution of monthly inflation across African countries from December 2019 to January 2025. The height of the orange bars denotes the distance between the median (low) and average (high), and the gray dotted lines represent the 25th and 75th percentiles of the distribution across countries in Sub-Saharan Africa. CPI = Consumer Price Index; y-o-y = year-over-year.

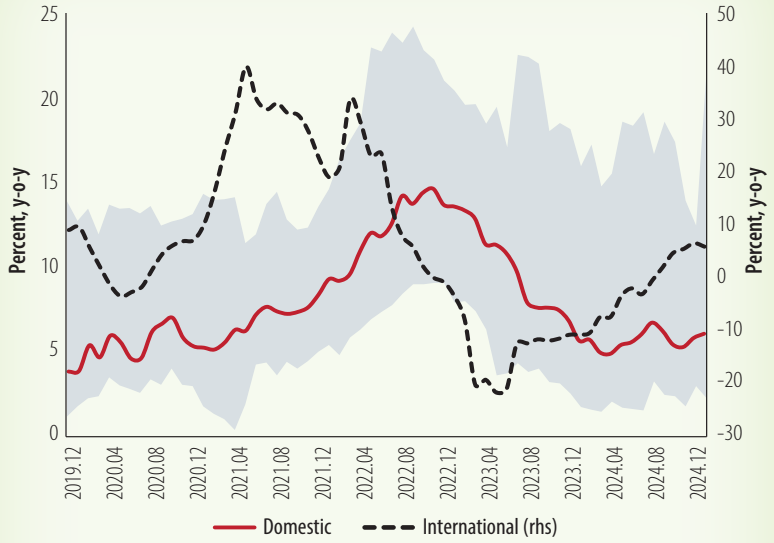
The decline in headline inflation from its peak in the last quarter of 2022 came with a deceleration of food inflation across countries in the region. The median rate of food inflation in the region slowed down from a historical high of 14.8 percent y-o-y in November 2022, to 6.1 percent in January 2025. The dispersion of food inflation rates across countries was slightly higher than that of headline inflation over the past 12 months. The slight increase in domestic food inflation since November 2024 might also be attributed to a moderate acceleration in the international price of food to 8.2 percent y-o-y in January 2025—up from 5.9 percent y-o-y in

27 The figures are medians computed over a sample of 39 countries in the region with available monthly information on headline and food inflation.

28 The interquartile range is computed as the difference between the 25th and 75th percentiles across the 39 countries in the sample in a specific year.

November 2024 (figure 1.21). In sum, domestic food inflation not only remained higher than headline inflation, but also decelerated at a slower pace. Furthermore, food prices remain stubbornly high in countries with double-digit (or more) rates of headline inflation.

Figure 1.21: Monthly Food Inflation in Sub-Saharan Africa, 2019–25



Sources: Haver Analytics; International Financial Statistics, International Monetary Fund.

Note: The figure plots the year-on-year evolution of monthly food inflation across African countries from December 2019 to January 2025. The fluctuation band of inflation (in gray) is defined by the 25th and 75th percentiles of the distribution across countries in Sub-Saharan Africa.

The disinflation process was also driven by more stable African currencies. As financial conditions became less restrictive and the gains from foreign exchange market reforms began to materialize, some African currencies gradually started to strengthen. For instance, the Kenyan shilling appreciated 20 percent throughout 2024 and has remained relatively stable in 2025. The South African rand and currencies that are pegged to the rand have fluctuated slightly in 2024 and so far in 2025 around the values registered by the end of 2023. African countries that experienced foreign exchange shortages—as a result of increased external debt service and subdued export revenues—saw their currencies weaken sharply, particularly in 2024.

The weakest performing currencies over the past year were the South Sudanese pound, the Ethiopian birr, and the Nigerian naira, with reductions in value that exceeded 40 percent in 2024 (figure 1.22). Policy efforts are aimed toward a unified and market-determined exchange rate to make the naira more competitive. As a result of these policies, improved foreign exchange liquidity and reduced volatility have led to a more stable naira

Figure 1.22: Currencies in Sub-Saharan Africa, 2024 and 2025

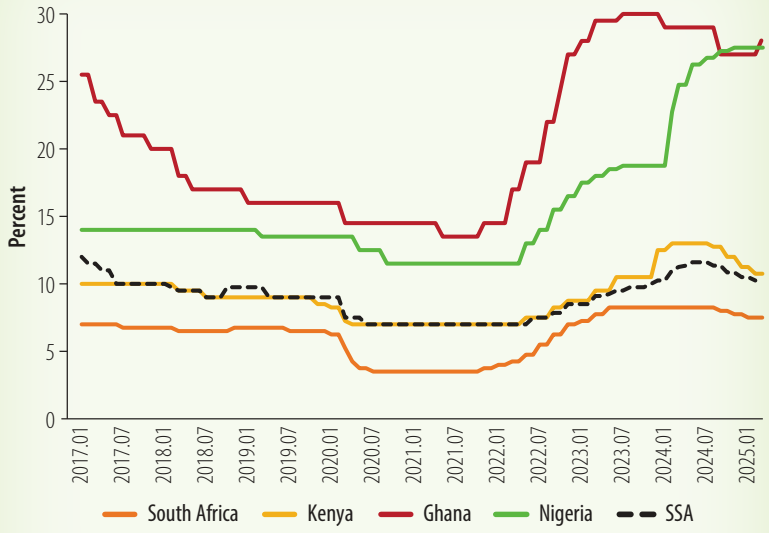
Sources: Haver Analytics; International Financial Statistics, International Monetary Fund.

Note: Year-to-date variation in the exchange rate for 2025 is computed as the cumulative percentage change in the exchange rate (in US$ per local currency) from December 31, 2024, to March 14, 2025. SSA = Sub-Saharan Africa.

so far this year. In Ethiopia, the government also embarked on a series of monetary policy and financial reforms. The central bank launched an interest rate–based monetary policy in July 2024, with a national bank rate initially determined at 15 percent. Open market operations were conducted to keep the interbank interest rate close to the national bank rate. A market-based exchange rate with limited foreign exchange intervention also started operating by end-July. The Ethiopian birr dropped by more than half of its value in 2024, but it has remained relatively stable in 2025.

Monthly information suggests that y-o-y inflation has been stabilizing at single-digit levels in seven out of 10 Sub-Saharan African countries, while in the remainder, inflation rates have peaked but are still far from their target. Although the monetary policy stance remains differentiated across countries, most of the region's central banks have started cutting interest rates (for instance, Kenya, Lesotho, Mozambique, Namibia, and South Africa) (figure 1.23). Some have paused their hiking cycle for several months (Angola, Malawi, Tanzania, WAEMU, and the Economic and Monetary Community of Central Africa). A few central banks in the region have recently raised rates due to a slight resurgence of inflation—namely, Ghana, Mauritius, Nigeria, and Zambia. Overall, the extent and direction of monetary policy responses across countries in the region will depend on: (1) whether the level of inflation is above or within target, (2) the degree of slack (or lack thereof) in economic activity, and (3) the desired speed of reversion to inflation targets.

Figure 1.23: Monetary Policy Rates in Sub-Saharan Africa, 2017–25



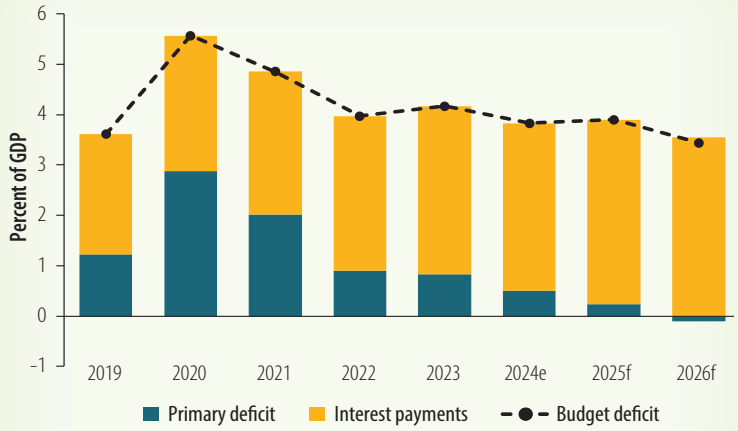
Sources: Haver Analytics; International Financial Statistics, International Monetary Fund.
Note: The SSA rate corresponds to the median of the sample of 18 emerging markets and developing economies in SSA. The last observation is March 2025. SSA = Sub-Saharan Africa.

Central banks in the region will have to manage the risks of higher inflation posed by likely protectionist policies and retaliatory measures worldwide. Monetary authorities were already taking a cautious approach to balancing the need to control inflation vis-à-vis supporting aggregate demand. In recent months, a series of foreign policy shocks—involving restrictive trade policies and global economic policy uncertainty—have already influenced this balancing act, along with domestic factors such as climate shocks, among others.

Fiscal balances are gradually narrowing but interest payments remain high

Ongoing fiscal consolidation efforts are signaling a gradual reduction of primary deficits in Sub-Saharan Africa. Although the primary deficit is expected to narrow slightly to 0.2 percent of GDP in 2025 (from 0.5 percent of GDP in 2024), revenue-increasing measures and non-interest expenditure retrenchment are expected to shift the deficit into an annual average surplus of 0.1 percent of GDP in 2026 (figure 1.24). On average, the primary balance in the region is projected to improve by 0.6 percentage point of GDP from 2024 to 2026. The deficit is expected to decline for 31 of 46 countries in the region during this period, and the median cumulative decline for countries with improving primary balances is projected at 0.9 percentage point. From 2024 to 2026, the countries with the largest projected improvements in primary balances include Ghana, Mozambique, and Togo, among others.

Figure 1.24: Budget and Primary Deficits in Sub-Saharan Africa



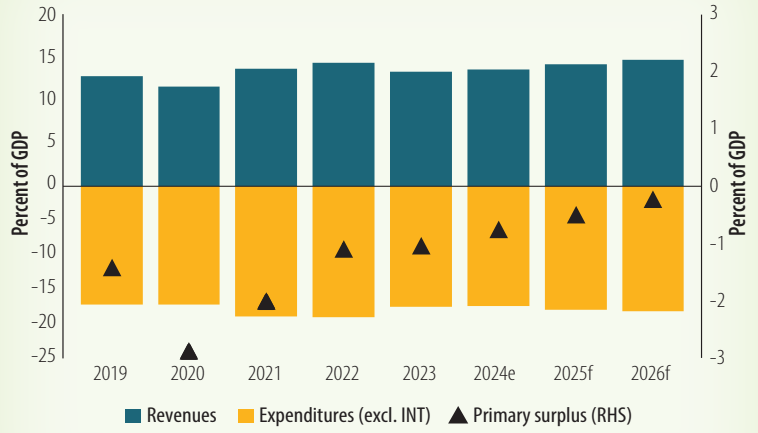
Source: World Bank projections.

Note: The figure presents GDP-weighted averages for the region. Interest payments are on outstanding debt, net. e = estimate; f = forecast; GDP = gross domestic product.

The overall budget deficit declines from 4.1 percent of GDP in 2023 to 3.8 percent of GDP in 2024, and further narrows to 3.4 percent of GDP in 2026. As revenues and non-interest expenditures are balanced, the budget deficit remains higher as a result of government interest payments that are projected to fluctuate between 3.3 and 3.6 percent of GDP during 2024–26. Still, the (weighted) average budget deficit is expected to drop by 0.4 percentage point of GDP from 2024 to 2026. The overall budget balance for nearly two-thirds of the countries in the region is projected to improve over the next two years (2024–26). Budget balances for this group of countries are expected to improve by a median cumulative rate of 1.3 percentage points of GDP. Fourteen countries with improved fiscal accounts in 2024–26 will have a narrow deficit (less than 3 percent) or shift into a surplus.

As economic growth accelerates from 2024 to 2026, government revenues and non-interest government expenditures will also increase—although at a faster pace for revenues. For instance, government expenditures are expected to grow at 0.3 percentage point of GDP per

Figure 1.25: Primary Balances, Revenues, and Spending in Sub-Saharan Africa



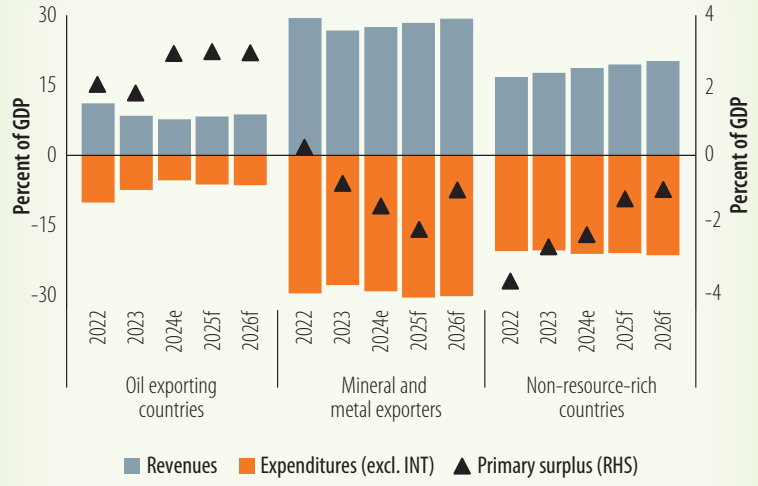
Source: World Bank projections.

Note: The figure presents GDP-weighted averages for the region. e = estimate; f = forecast; GDP = gross domestic product; INT = interest payments on outstanding debt, net.

year, while government revenues will increase at 0.6 percentage point of GDP per year in 2024–26—the latter increase exceeds 0.5 percent of GDP per year, a threshold of success in raising government revenues (figure 1.25).[29] From 2024 to 2026, more than half of the countries in the region will experience a cumulative increase in government revenues that exceeds 2 percentage points of GDP. At the same time, about 30 percent of the countries are projected to reduce non-interest spending.

An increasing number of countries in the region are projected to narrow their primary deficits or shift them into surpluses over the forecast horizon. Of the 46 countries with available data, the number with narrow primary deficits (below 3 percent of GDP) or surpluses is expected to increase from 32 in 2024 to an average of 40 in 2025–26. Although primary deficits among non-resource-rich countries are expected to narrow from 2.4 percent of GDP in 2024 to 1.3 percent of GDP in 2026, the primary surplus of oil-abundant countries will increase by 0.1 percentage point of GDP over the same period, to 2.4 percent of GDP in 2026 (figure 1.26).

Figure 1.26: Primary Balance in Sub-Saharan Africa, by Country Group



Source: World Bank projections.

Note: Values are GDP-weighted averages for the region. e = estimate; f = forecast; GDP = gross domestic product; INT = interest payments on outstanding debt, net.

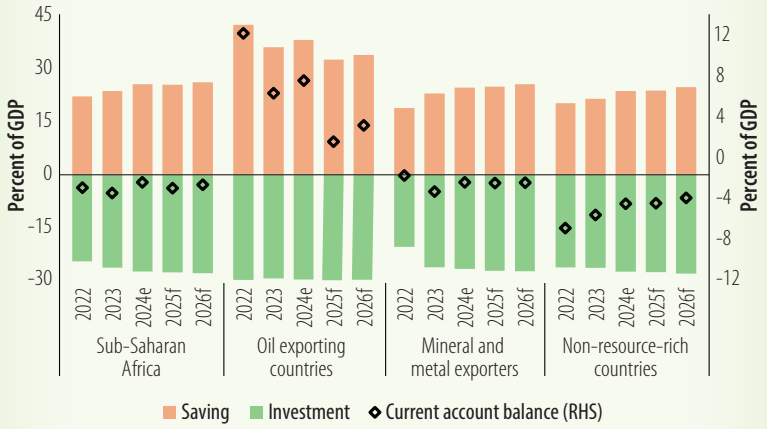
29 Jung (2023).

Current account deficits are narrowing, although surpluses are shrinking in oil-exporting countries

Sub-Saharan Africa's external economic outlook improved slightly in 2024, with the current account deficit expected to decrease from 3.4 percent of GDP in 2023 to 2.4 percent of GDP in 2024. However, the deficit is projected to deteriorate to 2.9 percent of GDP in 2025–26 (figure 1.27). Net oil-exporting countries are expected to strengthen their position in 2024, although it is projected to weaken in 2025–26 amid declining export revenues. Nigeria is projected to increase its current account surplus significantly due to the naira's depreciation, with lower imports and rising worker remittances. Its surplus is expected to increase slightly, from 9.2 percent of GDP in 2024 to 9.4 percent of GDP in 2026. Gabon's surplus is expected to remain high in 2024, at 30.7 percent of GDP, driven by strong commodity exports, while Angola's surplus is estimated to drop from 6.7 percent of GDP in 2024 to 2 percent of GDP in 2026.

In contrast, countries that are rich in metals and minerals and those lacking natural resources show different trends. Zambia is benefitting from rising copper exports, which are helping to reduce its current account deficit. Meanwhile, South Africa's deficit is expected to widen from 0.6 percent of GDP in 2024 to 1.7 percent of GDP by 2026, driven by strong import demand. Botswana's external outlook remains uncertain, as it is closely linked to fluctuations in the diamond market. Mauritania is projected to have a current account deficit averaging 5.9 percent of GDP in 2025–27, driven primarily by increased gas exports and reduced import prices.

Figure 1.27: Current Account, Savings, and Investment in Sub-Saharan Africa, 2022–26



Source: World Bank projections.

Note: Values are GDP-weighted averages for the region. e = estimate; f = forecast; GDP = gross domestic product.

Non-resource-rich countries recorded a current account deficit of 4.3 percent of GDP in 2024 and narrowing slightly to 4 percent of GDP in 2026 (figure 1.27). In Kenya, the current account deficit is expected to stabilize at 4.0 percent of GDP, supported by a gradual recovery in exports and foreign direct investment as trade agreements, particularly the African Continental Free Trade Area, progress. In Mozambique, the current account deficit is expected to stabilize at 12.1 percent of GDP from 2025 to 2027, with higher exports of coal and gas offset by a recovery of imports related to megaprojects, particularly as construction on the TotalEnergies LNG project resumes.

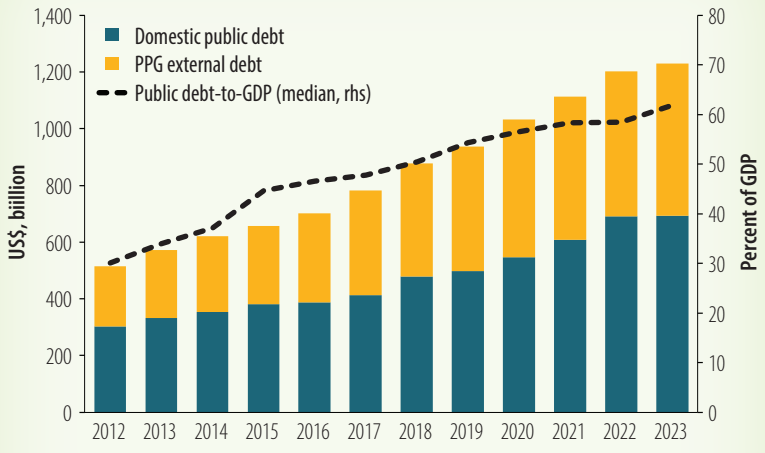
A look at the savings-investment gap shows that the current account deficit in the region narrowed in 2024 due to an increase in savings that offset higher investment levels. The persistent deficit also indicates that the region imports more than it exports and relies on foreign funding. This disparity suggests a structural imbalance, as many countries are facing expanding current account deficits. For oil-exporting countries, while a positive current account surplus is maintained—projected to decline from 12.3 percent of their GDP in 2022 to around 3.3 percent of GDP in 2026—the shrinking surplus reveals growing vulnerabilities to external market conditions.

In contrast, mineral and metal exporters and non-resource-rich countries struggle with chronic investment deficits, even as savings show modest increases. These trends underscore the structural challenges in achieving a sustainable current account balance. A significant component of the current account is the trade balance—if imports consistently outstrip exports, this leads to an unfavorable balance, regardless of rising savings rates. Although Sub-Saharan Africa's savings are projected to rise from 22.1 percent of GDP in 2022 to 25.8 percent of GDP by 2026, the ongoing trend of investment surpassing savings, partly due to massive infrastructure needs, contributes to the projected slight widening of current account deficits.

High debt levels and soaring borrowing costs are leading to painful trade-offs

Debt has surged to levels approaching those seen during the Heavily Indebted Poor Countries (HIPC) initiative. Public debt in Sub-Saharan Africa has followed a sustained upward trajectory over the past decade. It has doubled since 2012 to hit a staggering 63.2 percent of GDP by the end of 2024 (figure 1.28). The extensive debt relief from the HIPC and the Multilateral Debt Relief Initiative, coupled with favorable global financial conditions and a higher risk appetite for yield, facilitated more financing to countries in the region. The government debt surge is partly attributed to significant increases in domestic debt. Recent data from the World Bank–International Monetary Fund (IMF) Low-Income Countryies Debt Sustainability Framework database reveal that the median public domestic

Figure 1.28: Government Debt in Sub-Saharan Africa, by Subregion, 2012–24

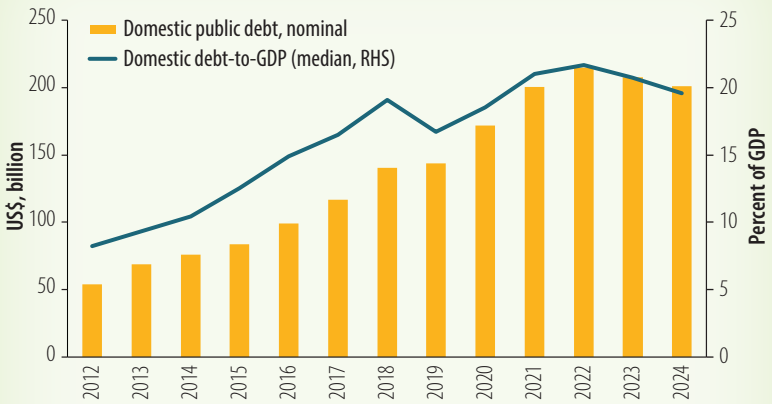


Source: Calculations based on data from the World Economic Outlook October 2024, International Monetary Fund.

Note: The figure includes data for 47 countries. AFE = Eastern and Southern Africa; AFW = Western and Central Africa; GDP = gross domestic product; PPG = public and publicly guaranteed.

debt-to-GDP ratio in this group of Sub-Saharan African countries grew from 8.2 percent in 2012 to 21.6 percent in 2022, before moderating to 19.6 percent in 2024 (figure 1.29).[30] The surge of government debt raises concern about long-term sustainability as it was not accompanied by increases in domestic revenue mobilization, which remained stagnant.[31] The recent moderation in 2023–24 might reflect a combination of fiscal adjustment, GDP growth, and more cautious domestic borrowing policies.

Figure 1.29: Domestic Debt in Sub-Saharan Africa, 2012–24



Source: Calculations based on data from the World Bank–International Monetary Fund Low-Income Country Debt Sustainability Framework database as of end-December 2024.
Note: GDP = gross domestic product.

The primary deficit has been the most significant contributor to debt accumulation in LICs in Sub-Saharan Africa. Public debt has increased at an average annual rate of 2.5 percent of GDP over the past 10 years. Primary deficits accounted for nearly three-quarters of this increase (1.8 percent of GDP)—thus offsetting most of the benefits from strong real GDP growth and contributing an average reduction of 2.0 percent of GDP due to debt accumulation. Prior to the pandemic (2012–19), public debt increased at an annual rate of 3.91 percent of GDP, with primary deficits accounting for 42 percent of this variation (figure 1.30).[32] Since 2021, the pace of net debt accumulation across Sub-Saharan African LICs has moderated, driven by a recovery in GDP growth and a decline in real interest rates, due to the increased share of concessional financing. However, these favorable dynamics have been insufficient to offset the sharp debt surge of 2020, which has led to a deterioration in external debt sustainability for several countries, despite improvements facilitated by debt relief initiatives.[33] Additionally, the post-2023 moderation in domestic public debt levels after fiscal adjustment—following a peak in 2022—has contributed to the deceleration in net debt accumulation, although cross-country heterogeneity remains a defining characteristic of the region's debt dynamics (figure 1.30).

Weak institutional capacity in domestic revenue mobilization and heavy reliance on the extractives sector have exacerbated the debt burden in Sub-Saharan African countries. Despite

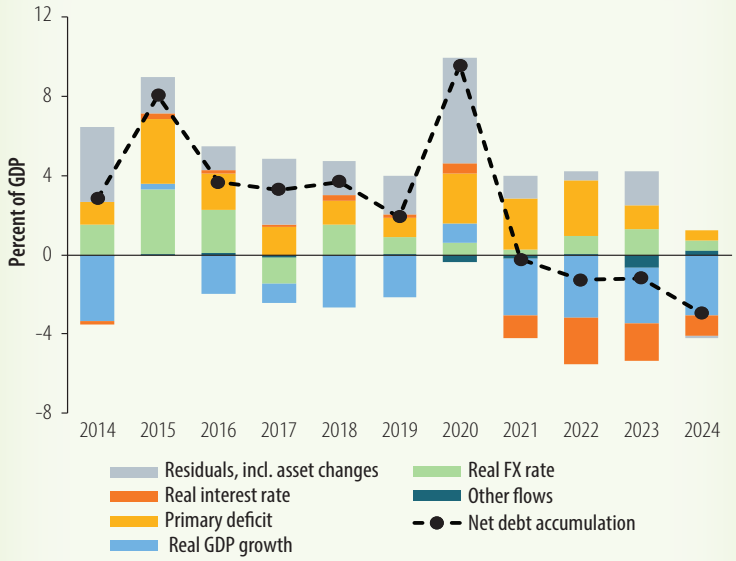
30 A Supplementary Guidance note to the Low-Income Country Debt Sustainability Analysis was published in August 2024. One of the main reforms is the incorporation of additional domestic market debt risk indicators (https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099080524122521588/bosib11adfe2380ba188a910e025c06859c).

31 Available data from the IMF's World Revenue Longitudinal Database suggest that the tax revenue-to-GDP ratio in Sub-Saharan Africa has been declining, from 14.1 percent in 2019 to 13.3 percent in 2022. Between 2012 and 2022, on average, 69 percent of the countries in the region had tax revenue-to-GDP ratios below 15 percent, and the regional average was 14 percent.

32 The Republic of Congo experienced substantial debt buildup from 2014 to 2016 as large primary deficits reached 17 percent of GDP. Some countries, like Mozambique and South Sudan, have achieved debt reduction through strong primary surpluses due to positive external sector performance.

33 Notably, in 2023, Mauritania and Somalia saw their external debt distress classifications improve to "moderate" from "high" and "in distress," respectively. Conversely, Ghana and Ethiopia were downgraded to "in debt distress" in May 2023 and July 2024, respectively, reflecting persistent liquidity and solvency challenges amid protracted debt restructuring processes. Having successfully completed a majority of its comprehensive debt restructuring, Ghana was reclassified as "high" in the November 2024 Debt Sustainability Analysis.

Figure 1.30: Drivers of Public Debt among Low-Income Countries in Sub-Saharan Africa, 2014–24



Source: Calculations based on data from the World Bank–International Monetary Fund Low-Income Country Debt Sustainability Framework database as of end-December 2024.

Note: The figures include data for 37 countries. FCV = fragile, conflict, and violence-affected countries; FX = foreign exchange market; GDP = gross domestic product.

some progress, the average tax revenue-to-GDP ratio in LICs in the region remained at 14 percent during 2012–22, significantly below other regions.[34] This underscores the region's heavy reliance on debt, as weak tax policy and administration continue to constrain revenue collection. The challenge is further compounded by a sizable informal economy, where nearly 90 percent of the labor force operates outside the formal tax net. Enhancing domestic resource mobilization is imperative for financing critical sectors such as healthcare, education, and infrastructure; reducing debt dependence; and fostering sustainable development.

Commodity-exporting LICs in the region have accumulated public debt five times faster than non-commodity exporters. Prior to the pandemic (2014–19), public debt in 29 of 37 commodity-exporting LICs in Sub-Saharan Africa rose by 3 percent of GDP per year, driven by price shocks, fiscal imbalances, and currency depreciation. The 2014–15 plunge in commodity prices and the pandemic crisis severely weakened fiscal balances, forcing some countries into default. As the commodity super cycle came to an end, deficits in Cameroon, Chad, Ghana, and Zambia widened as a result of falling revenues and high expenditures. Heavy reliance on commodities makes these countries vulnerable to sharp price fluctuations, which exacerbates fiscal instability and underscores the need for economic diversification, better revenue management, and stronger governance to mitigate these risks.

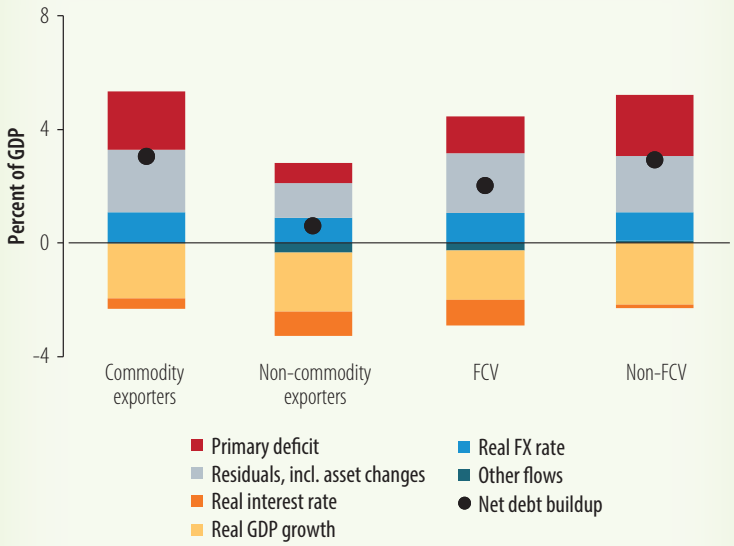
Fragility and conflict have significantly strained the fiscal and debt positions of several countries in Sub-Saharan Africa. The World Bank classifies nearly half of the LICs in the region as affected by fragility, conflict, and violence (FCV). Government debt has been building up by nearly 2 percent of GDP per year in these countries—mainly driven by high residuals, which stem from unexpected economic shocks, shifts in fiscal policies, and inherent unpredictability associated with the recognition of large contingent liabilities—similar to other LICs. The accumulation of external and domestic arrears (for example, the Republic of Congo) and undisclosed liabilities—such as the recognition of hidden and off-budget dividend payments

34 From 2012 to 2022, the average tax revenue-to-GDP ratio amounted to 24.3 percent in Europe, 17.3 percent in the Western Hemisphere, 16.5 percent in Asia and the Pacific, and 11.3 percent in the Middle East and Central Asia, according to the IMF's World Revenue Longitudinal Database.

that bypass recognized net debt-creating flows (for example, Mozambique)—along with persistent deficiencies in debt transparency, particularly regarding state-owned enterprise (SOE) liabilities and government guarantees (for example, South Sudan), have remained critical structural challenges for debt management in countries affected by FCV across Sub-Saharan Africa over the past decade.

Low economic growth and currency depreciation have further contributed to the debt buildup (figure 1.31).

Figure 1.31: Drivers of Debt Buildup in Sub-Saharan Africa, by Commodity Exporting and FCV Status, 2014–24

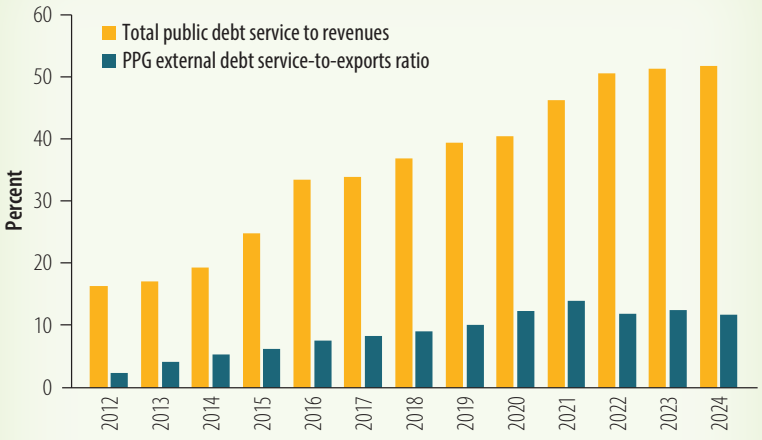


Source: Calculations based on data from the World Bank–International Monetary Fund Low-Income Country Debt Sustainability Framework database as of end-December 2024.

Note: The figures include data for 37 countries. FCV = fragile, conflict, and violence-affected countries; FX = foreign exchange market; GDP = gross domestic product.

The steady increase in debt service over the past decade has reduced fiscal space and heightened economic vulnerability. Growing dependence on domestic debt has driven increases in public debt service in World Bank–IMF Low-Income Country Debt Sustainability Framework countries, with public debt service projected to stabilize at 50 percent of revenue in 2024 (figure 1.32). As a result of debt restructuring and reprofiling efforts, total public debt service may start declining this year—although the future trajectory remains uncertain. Governments need to continue conducting liability management operations, improving fiscal balances, and implementing growth-enhancing structural reforms to reduce debt levels and debt vulnerabilities.

Figure 1.32: Debt Service Burden Indicators, 2012–24 (percent, average)



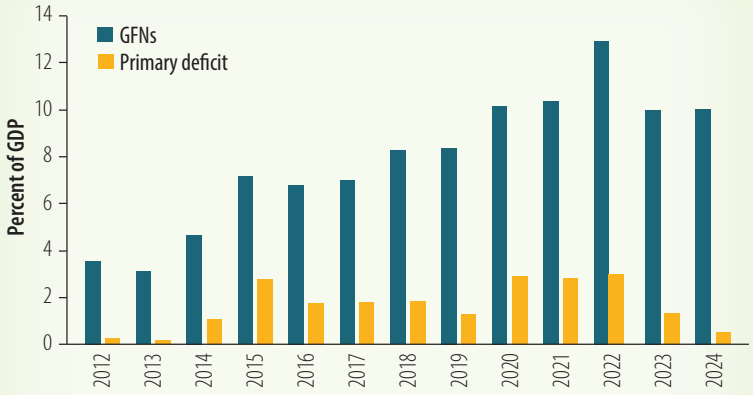
Source: Calculations based on data from the World Bank–International Monetary Fund Low-Income Country Debt Sustainability Framework database as of end-December 2024.

Note: GDP = gross domestic product; GFNs = gross financing needs; PPG = public and publicly guaranteed.

Rising public and publicly guaranteed external debt service is attributed to a growing landscape of creditors that includes non–Paris Club governments as well as private creditors—

particularly bondholders. African governments borrow from these different creditor groups at widely different rates. For instance, the average interest rate on sovereign external bonds is about six times as high as that on multilateral loans.[35] In 2024, African governments' public and publicly guaranteed external debt service totaled 12 percent of exports due to higher interest rates (particularly for countries with greater access to global financial markets), greater redemptions, and weakened local currencies.

Figure 1.33: Gross Financing Needs, 2012–24



Source: Calculations based on data from the World Bank–International Monetary Fund Low-Income Country Debt Sustainability Framework database as of end-December 2024. Regional figures are averages.

Note: GDP = gross domestic product; GFNs = gross financing needs; PPG = public and publicly guaranteed.

Amid narrower fiscal space, high debt levels and costlier borrowing costs, and financing needs have continued to increase sharply in the region—particularly following the COVID-19 pandemic. Average gross financing needs in Sub-Saharan African LICs rose from 6 percent of GDP in 2012–19 to nearly 13 percent of GDP by late 2022, before moderating to 10 percent of GDP in 2024 (figure 1.33). As fiscal pressures ease and primary deficits are narrowed, the elevated gross financing needs are primarily driven by high debt service requirements—particularly from short-term debt refinancing—exacerbating countries' liquidity pressures. At the same time, mounting interest payments are forcing governments to make painful trade-offs. In eight in 10 countries in the region, interest payments by the government exceeded public spending on health and/or education in 2019–21.

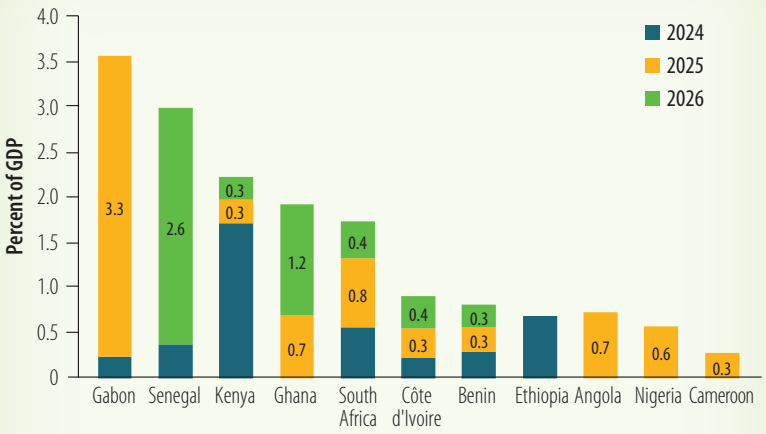
Eurobond redemptions were high in 2024 and are expected to increase in 2025. In 2024, seven countries in the region were expected to repay large amortizations on their sovereign bonds. That figure is expected to increase to nine in 2025. Principal repayments were the largest in Kenya during 2024 (1.7 percent of GDP), with lower amortizations expected for the next two years (figure 1.34). The largest cumulative amortizations for 2025–26 include Gabon (3.3 percent of GDP in 2025), Senegal (2.6 percent of GDP in 2026), Ghana (1.9 percent of GDP), and South Africa (1.2 percent of GDP). Higher redemptions are expected to drive up the government's financing needs, and amid higher market rates, they potentially account for a significant proportion of government revenues in some countries. Furthermore, the region has shown signs of renewed market activity following a hiatus in bond issuance since the COVID-19 pandemic. In July 2024, Cameroon issued a seven-year US$550 million Eurobond to clean domestic arrears. In December 2024, Nigeria raised US$2.2 billion in its first Eurobond sale since 2022. These government bond issuances have been more costly than those prior to the pandemic.[36]

35 Mihalyi and Trebesch (2023).

36 The yields for the bonds issued in 2024 were higher than those of the international bond issuances from these countries prior to the pandemic. In Cameroon, for instance, the July 2024 issuance attracted a higher yield of 10.75 percent, relative to 9.75 percent for the November 2015 issuance. In Nigeria, the December 2024 issuance attracted a yield of 10.0 percent, compared to the average of 8.54 percent for the November 2018 issuances.

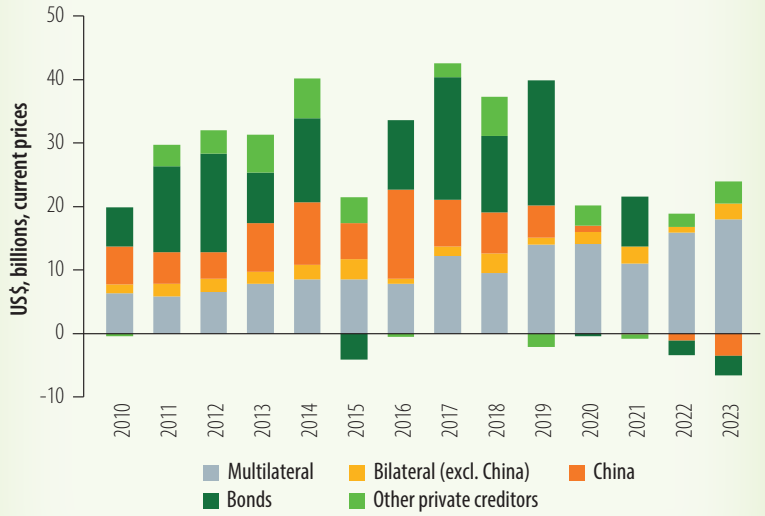
Net external debt flows into Sub-Saharan Africa have declined dramatically, from an average of US$37.7 billion in 2016–19 to US$18.4 billion in 2020–23. As net debt inflows from China and bondholders have sharply declined (recently becoming negative), multilateral creditors (such as the World Bank) have stepped up. Net flows from multilateral institutions surged from US$7.8 billion in 2016 to US$18 billion in 2023—accounting for 80 percent of the financing flows to the region since the pandemic crisis (figure 1.35). Chinese net financing flows shifted from inflows of US$14 billion in 2016 to outflows of US$3.5 billion in 2023, amid a massive drop in disbursements and increases in principal repayments. Analogously, bond disbursements declined dramatically over the same period. Flows from bondholders shifted from net inflows of US$11 billion in 2016 to outflows of US$2.2 billion and US$3.1 billion in 2022 and 2023, respectively. Overall, global lending resources have become scarce in the post-pandemic era as global financing conditions have become tighter.

Figure 1.34: International Bond Redemptions in Sub-Saharan Africa, 2024–26



Source: World Bank Debt Reporting System.
Note: Bond redemptions for Gabon reflect pre-buyback. GDP = gross domestic product.

Figure 1.35: Net Flows of PPG External Debt to Sub-Saharan Africa, 2010–23



Source: Calculations based on data from the International Debt Statistics, World Bank, 2024.
Note: PPG = public and publicly guaranteed.

Net debt flows from Chinese lenders and bondholders have taken a severe hit since the COVID-19 pandemic crisis, declining protractedly after reaching a peak in 2016. The rebalancing of the Chinese economy around the global financial crisis, the end of the commodity super cycle, and the sluggish performance of China's real estate market may explain the lower bond flows prior to the pandemic. Subdued economic activity in China, as a result of the pandemic lockdowns and the property market crisis, sharply reduced disbursements and led to net outflows of Chinese lending right after the pandemic (figure 1.35).[37]

37 Net debt outflows from China have had a significant impact on the financing of lower-middle-income countries in Sub-Saharan Africa as Chinese lending accounted for 27.4 percent of their end-2023 outstanding external debt stock (World Bank 2024a).

After the pandemic, as inflation increased rapidly due to supply chain disruptions, geopolitical conflicts, and excess liquidity from large stimulus packages in advanced economies, monetary policy rates were raised to tame inflation. For instance, the US Federal Reserve rapidly raised its interest rate from 0.25 to 5.375 percent between March 2022 and September 2023. The sharp rise in global interest rates priced out African governments from bond markets: gross bond inflows to African countries collapsed from US$12.1 billion in 2016 to US$1.1 billion in 2023.

The pattern of net external debt flows for LICs and middle-income countries (MICs) in Africa changed after the pandemic crisis. Although net inflows from multilateral creditors declined from an average of 1.3 percent of GDP in 2016–19 to 0.8 percent of GDP in 2021–23, they still played a predominant role in funding LICs in Sub-Saharan Africa (accounting for more than 70 percent of external financing). This was followed by bilateral lenders other than China, with net debt flows that accounted for nearly 25 percent of the external financing of the region's LICs. Small net debt outflows from private creditors (excluding bondholders) were experienced in 2021 and 2022—of about 0.1 percent of GDP on average (figure 1.36). For MICs, bondholders were the main source of net debt flows in 2016–19 (1.2 percent of GDP) and accounted for more than 40 percent of external financing of the region's MICs. However, their contribution declined drastically to a meager 0.1 percent of GDP in 2021–23—with net bond outflows being registered in 2022 and 2023. Multilateral creditors slightly scaled up their financing to MICs in the region—with net debt inflows growing from 0.5 percent of GDP in 2016–19 to 0.8 percent in 2021–23 (figure 1.37). Their share of

Figure 1.36: Net PPG External Debt Flows to Low-Income Countries in Sub-Saharan Africa, 2010–23

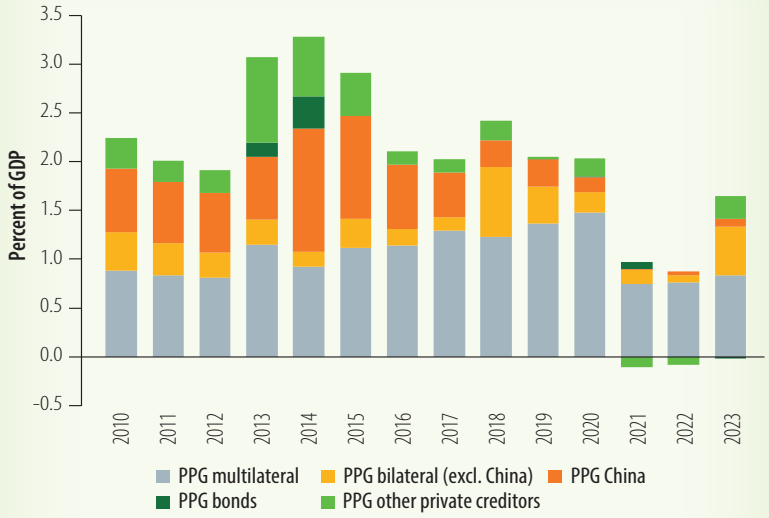
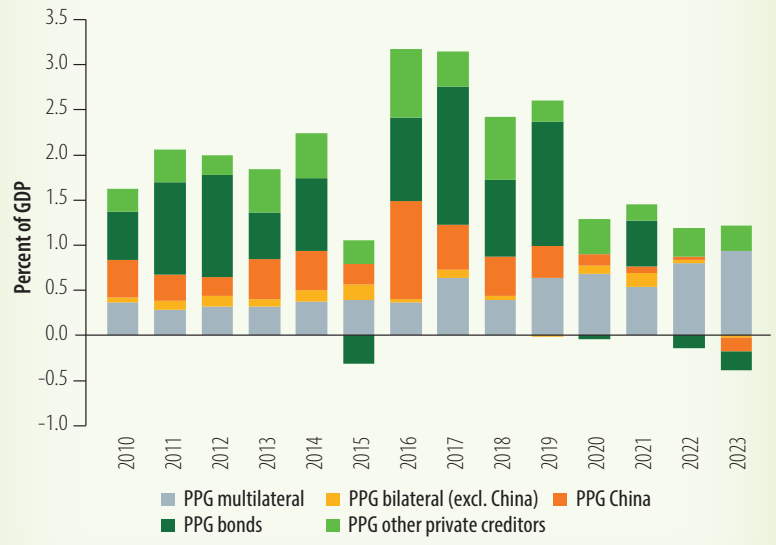


Figure 1.37: Net PPG External Debt Flows to Middle-Income Countries in Sub-Saharan Africa, 2010–23

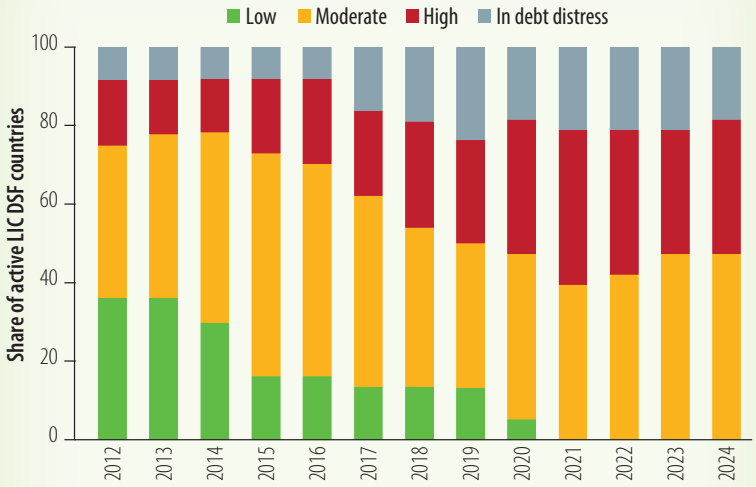


Source: Calculations based on data from the International Debt Statistics, World Bank, 2024.
Note: GDP = gross domestic product; PPG = public and publicly guaranteed.

financing to the region's MICs increased from 18 percent in 2016–19 to 68 percent in 2021–23.

External debt distress risks in Sub-Saharan Africa have increased dramatically since 2012. The percentage of countries in debt distress or at risk of it rose from 25 percent in 2012, doubling to 50 percent in 2019 (figure 1.38). The crisis peaked in 2021 when 61 percent of the countries were at high risk of or in debt distress, with a record 39 percent at high risk. Although 2022–24 showed some stabilization, with combined high risk and distress levels at 53 percent, no country in the region has been classified as low risk since 2021. By December 2024, 18 percent of the countries were in debt distress, 34 percent at high risk, and 47 percent at moderate risk, marking significant deterioration from the relative stability of the early 2010s.

Figure 1.38: External Risk of Debt Distress in Sub-Saharan African Countries, 2012–24



Source: Calculations based on data from the World Bank–International Monetary Fund Low-Income Country Debt Sustainability Framework database as of end-December 2024.
Note: LIC DSF = Low-Income Country Debt Sustainability Framework.

As debt levels and the debt service burden have increased, some countries face unsustainable debt situations. The pandemic pushed the persistent fiscal deficits in these countries to a tipping point, eventually leading to loss of market access that ultimately necessitated debt default and restructuring. As of end-2024, Chad, Ghana, and Zambia have completed or almost completed a comprehensive debt restructuring under the Common Framework endorsed by the Group of Twenty, while Ethiopia's debt restructuring is ongoing. Ghana and Zambia have concluded a Eurobond exchange and signed bilateral memoranda of understanding with all countries in the context of the implementation of a comprehensive debt restructuring under the Common Framework. As of mid-March 2025, Ethiopia has reportedly reached an agreement in principle with official creditors on restructuring US$8.4 billion of debt. This agreement is expected to provide US$2.5 billion in debt servicing relief during 2023–28. Malawi has made progress restructuring its external debt with its main official creditors, but negotiations with commercial creditors remain ongoing.

Many more countries are facing high liquidity pressures and require support to avoid these pressures morphing into solvency issues. To address liquidity pressures, the World Bank and IMF jointly introduced the following three-pillar approach in 2024:

- *Pillar I* focuses on structural reforms and domestic resource mobilization through technical assistance, supported by a joint World Bank–IMF initiative providing targeted policy advice.

- *Pillar II* emphasizes external financial support from international financial institutions and development partners, acknowledging that structural reforms take time to yield results, with the World Bank offering concessional financing through the International Development Association to low-income countries facing liquidity issues.
- *Pillar III* addresses debt servicing burdens for countries through innovative solutions like risk-sharing instruments to attract private investment, liability management operations, debt-for-development swaps, and debt buybacks. Notable innovations include Climate-Resilient Debt Clauses offering payment deferrals during natural disasters (benefiting 45 small islands and states) and the debt-for-development framework in Côte d'Ivoire's 2024 debt swap, which will save about €330 million in debt service.

Liability market operations (LMOs) to reduce liquidity pressures and improve debt profiles were conducted in Benin, Côte d'Ivoire, Gabon, and Kenya. For instance, Côte d'Ivoire concluded a Eurobond issuance and a buyback in early 2024 and implemented the first debt-for-development swap guaranteed by the World Bank. This allowed the country to buy back expensive debt and replace it with cheaper, partially guaranteed debt. In January 2024, Benin raised US$500 million through US dollar–denominated Eurobonds and secured a €500 million commercial loan backed by a World Bank Policy-Based Guarantee. The country used €250 million of the commercial loan for an LMO buying back some of its 2032 Eurobond. Kenya combined a new bond issuance in February 2024 with multilateral support to execute a partial buyback of the large 2024 maturity. In November 2024, Gabon concluded an early buyback of its June 2025 Eurobond (US$605 million) in two operations—the first operation in November 2024 (US$290 million) and the second one in February through a private placement.

Finally, the Sustainable Development Finance Policy (SDFP) offers a strategic framework for improving debt management and sustainability in African countries. By integrating its principles of transparency, equity, and simplicity and rules-based approach into national policies, African nations can avert the threat of debt distress and build a foundation for enduring financial stability and growth. Embracing SDFP not only addresses immediate debt challenges, but also paves the way for sustainable development in the future.

1.4 RISKS TO THE OUTLOOK

Risks to Sub-Saharan Africa's growth outlook are still tilted to the downside. Global growth could be lower than projected due to heightened uncertainty and the potential for substantial adverse policy shifts, particularly relating to trade policies, which could result in further trade fragmentation and dampen economic activity. Conflicts, such as a prolonged escalation of the conflict in the Middle East, could substantially disrupt oil and natural gas supplies, thereby adversely affecting economic activity. Furthermore, inflationary pressures, for example, driven by services price inflation, could resurge, even beyond the potential inflationary effects of heightened trade restrictions and conflict-related shocks. This could result in a slower-than-expected easing of monetary policies, reducing support for growth. Moreover, more severe and frequent climate events could reduce near-term activity, in addition to worsening food insecurity. However, there are some upside risks. Faster-than-anticipated global disinflation—driven by goods deflation—thanks to stronger productivity gains, might allow central banks to reduce policy rates faster than expected. Additionally, growth in major economies could be stronger than anticipated. For instance, more expansionary fiscal policy and resilient consumption could push near-term growth above expectations in the United States.

Tepid growth among major economies

Policy shifts and remaining uncertainty may decelerate growth in major economies—including the United States and Europe. This could dampen economic activity and disrupt financial flows to Sub-Saharan African countries. In China, lower-than-expected growth—as a result of subdued aggregate demand and the crisis in the property markets—may have an adverse impact on the global demand for metals and minerals, with the resulting lower international prices affecting countries in Sub-Saharan Africa that export these commodities. Slower growth in China could also reduce lending and investments in the region.

Ongoing geopolitical risks fueling further trade fragmentation

Russia's invasion of Ukraine and the conflict in the Middle East raise fears around global supply chains and the risk of sudden increases in the international prices of food and energy. Coping responses by African policy makers to food and energy security risks would be restricted by the constrained fiscal space of many governments in the region. The rising fragmentation of global trade, as a result of these conflicts along with numerous trade policy changes, can potentially limit diversification across products and markets for African exports. It can also limit the sources of intermediate inputs—thus elevating the cost of imported goods along the supply chain and exacerbating inflationary pressures.

Restrictive trade policies may affect economic activity in Africa

There is uncertainty about the duration and effects of new tariffs being imposed. While this issue of *Africa's Pulse* does not analyze potential country-level impacts of trade disruptions on growth, preliminary analysis suggests that for the region as a whole, the indirect impacts of prolonged policy uncertainty may be more severe than the direct impacts. Indirect impact may materialize through several channels. First, weaker growth of key trading partners could affect demand for African countries' exports—especially, those of commodity-exporting countries due

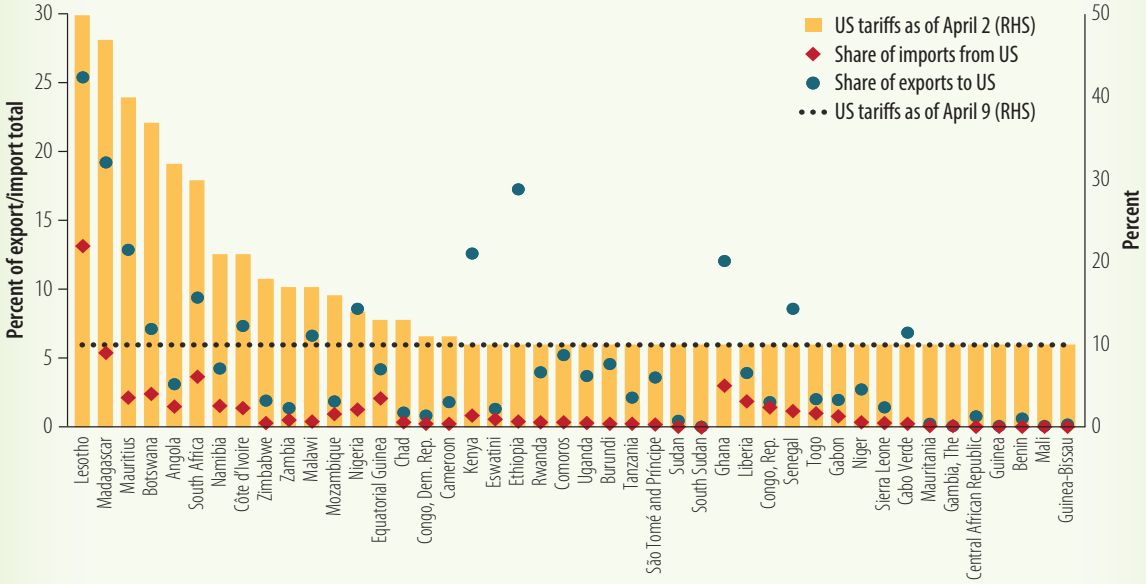
to their vulnerability to international price fluctuations. This could also reduce flows of foreign investment and official development assistance. Second, monetary policy tightening in the largest world economies to combat tariff-induced inflation could lead to many African countries being priced out of global financial markets—particularly emerging markets and frontier economies. In low-income countries, the impact of restrictive policies could be compounded by the loss of official development assistance—with adverse impacts on health and social outcomes as well as severe humanitarian consequences. Navigating an uncertain trade environment,[38] African governments may resort to a range of potential responses (box 1.1).

Box 1.1: Navigating an Uncertain Global Trade Landscape

While changes in trade dynamics are causing global policy uncertainty, Sub-Saharan Africa has options to reduce the impact of higher tariffs.

The region exported around US$18.5 billion worth of goods to the United States in 2023, accounting for only roughly 5 percent of Sub-Saharan Africa's total exports to the world and 1 percent of total US imports. Although the region's total exports have limited exposure to the US market, selected countries and sectors may face disproportionate effects. The potential impacts of the tariff changes announced in April are still unknown, but they will vary across countries and sectors in the region (figure B1.1.1).

Figure B1.1.1: Exposure to Changes in US Trade Policy across Sub-Saharan African Countries



Sources: UN Comtrade; World Integrated Trade Solution; World Development Indicators, World Bank.
Note: Export and import values are averages for 2022–23.

The region could potentially mitigate the impact by expanding to new markets and deepening trade with other existing markets. These options may face headwinds as higher tariffs could (1) dampen economic activity in the region's current and potential export destinations, and (2) increase the region's competition in searching for new markets. Alternatively, Sub-Saharan African countries could opt to lower tariffs and other trade barriers on the region's imports. Lowering

38 Recent tariffs levied on African countries effectively put an end to preferential trade access via the African Growth and Opportunity Act, which is set to expire in September 2025.

import tariffs is expected to reduce African governments' fiscal revenue, but it may be balanced by boosting productivity in industries that depend on imported inputs.

Overall, universal trade liberalization is estimated to have positive effects on economic activity. Simulations of global macroeconomic models suggest that global growth would be reduced by 0.2 percentage point (relative to a baseline) in 2025 if the United States increased tariffs on all trading partners and there were no retaliatory measures. In this scenario, growth in developing countries would be lower by 0.1 percentage point. If proportional retaliatory measures were imposed by trading partners, the adverse impact on global and developing countries' growth would be higher, 0.3 and 0.2 percentage point, respectively.[a]

a. Calderon, Dabalen, and Qu (2025).

A slowdown in the process of global disinflation

Global disinflation appears to be decelerating, with a slower-than-expected convergence of inflation rates toward the targets for some major economies. A slower-than-expected adjustment in policy interest rates across the globe would have a negative impact on debt dynamics in the region—particularly on the cost of debt service. Coping with elevated debt service obligations is particularly challenging for countries with high shares of external debt and that are dependent on foreign aid. By December 2024, more than half of the International Development Association–eligible countries in Sub-Saharan Africa were at high risk of or in public debt distress. A tightening of global financial conditions as a result of higher-for-longer global interest rates would not only strengthen the US dollar, but also increase the cost of borrowing externally—thus putting at risk the sustainability of government debt in African economies.

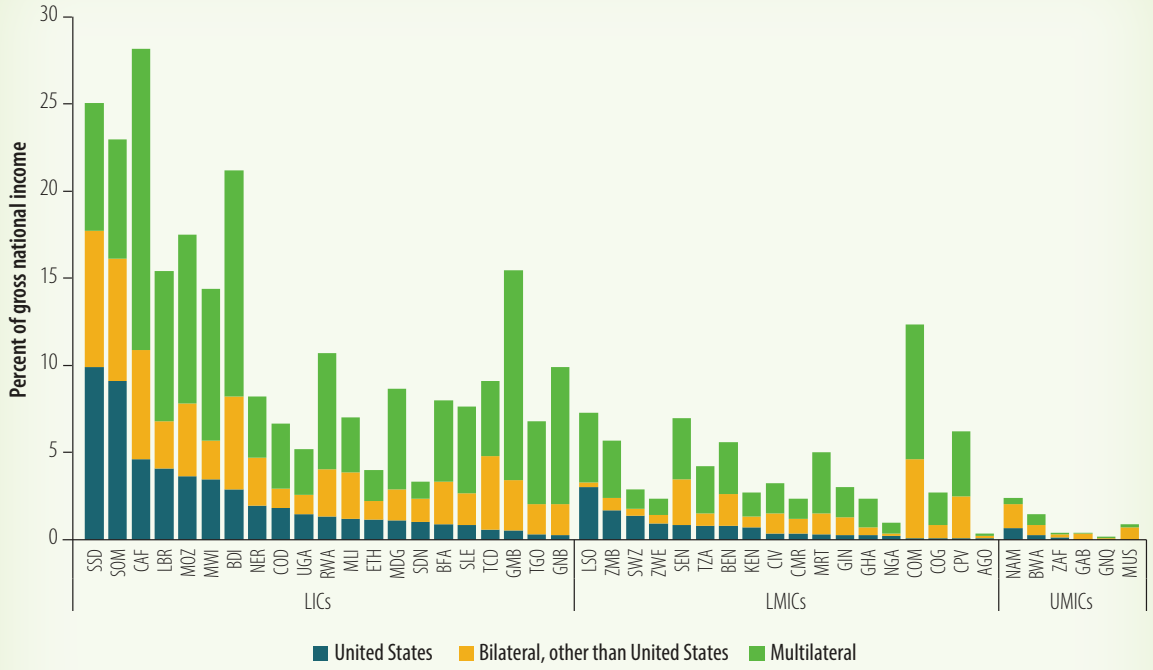
Uncertainty in foreign assistance disbursements and deployment

Trade and monetary risks are compounded by shrinking global aid. On this front, downward trends in international development assistance are likely to have an outsized impact on African countries and lives. Disbursements of official aid assistance from the United States have been mainly used to finance emergency response[39] and run large-scale health programs in Sub-Saharan Africa. Countries in the region with high incidence of HIV/AIDS and malaria, as well as those with large populations of internally displaced people, could be the most affected by a sustained United States aid pause (figure 1.39). Mitigating shortfalls in the financing of health and emergency response budgets will require mobilization of domestic resources as well as international cooperation in the near term.

As donor countries reconsider aid programs, the outlook for overall foreign assistance remains uncertain. Several European nations have announced significant budget cuts—thus reducing development financing and particularly funds for international nongovernmental organizations (NGOs) and humanitarian work—while others have ceased advocacy funding for NGOs in Africa. Multiyear reductions and scaling back of commitments also reflect a continued contraction of global donor contributions.

39 Emergency response includes assistance to cope with natural disasters (floods, storms, and droughts, among others), prevention of acute malnutrition and stunting, preparation for and response to infectious disease outbreaks, and humanitarian assistance programs.

Figure 1.39: Official Development Assistance Disbursements to Sub-Saharan Africa, 2023



Source: Mitchell and Hughes 2025.

Note: For a list of country codes, go to https://www.iso.org/obp/ui/#search. LICs = low-income countries; LMICs = lower-middle-income countries; UMICs = upper-middle-income countries.

Political instability, conflict, and violence

A record number of presidential, parliamentary, and local elections were held in Africa and around the world this past year. Elections in Botswana, Ghana, and South Africa saw results that reflected citizen frustration with lack of service delivery and economic opportunities in the marketplace. There are increasing expectations from the population that the newly elected government officials would deliver more and better jobs and improved health and living standards, while providing order and security within society. Failure of these new governments to put together an agenda to tackle structural constraints to the region's inclusive growth will lead to a cycle of dissatisfaction, protests, and civil strife.

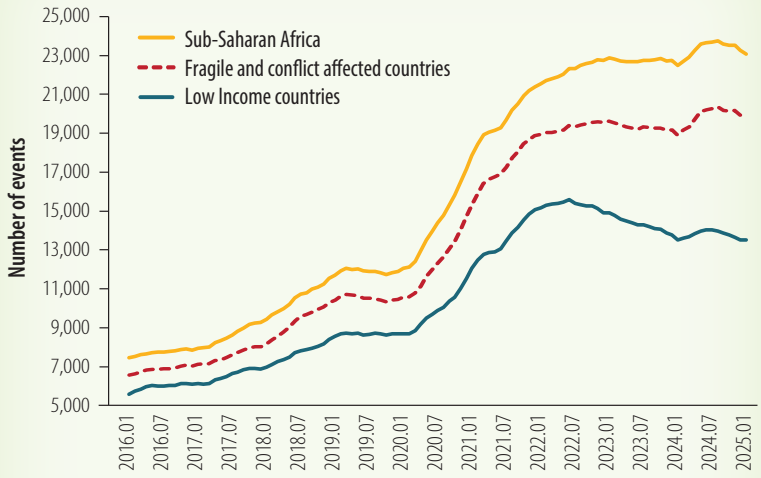
Several general elections will be held across countries in the region this year—including Cameroon, Côte d'Ivoire, Gabon, Malawi, and Tanzania, among others. Disinformation campaigns—particularly from external actors—will continue to attempt to manipulate and interfere in the region, particularly in areas affected by fragility and conflict. In this context, governments need to counteract the advance of misinformation campaigns through transparency interventions, by empowering citizens and supporting the role of the media.[40]

The special section of this issue of *Africa's Pulse* argues that the failure of the state to deliver on its basic functions (including peace, security, and economic stability) and to provide an environment that creates jobs and economic opportunities for its population, along with the rise of nonstate armed groups, have gone hand in hand with the militarization of politics and

40 Africa Center for Strategic Studies (2024).

the surge of coups since the start of this decade. Evidence points to a shift in the type of violence in the region, from interstate to intrastate violence involving terrorist groups, criminal networks, vigilantism, ethnic militias, and insurgency.[41]

Figure 1.40: Violent Events in Sub-Saharan Africa, 2016–25



Source: Armed Conflict Location and Event Data.

Note: The figure reports the number of violent events (12-month average) including battles, explosions, riots, and violence against civilians. The last observation is February 2025.

Conflict and violence across areas of the subcontinent have worsened last year and the beginning of this year (figure 1.40). The civil war in Sudan has been ongoing for nearly two years and is taking an enormous toll on lives and livelihoods. An estimated 12.9 million have been displaced since the war broke out in April 2023. As a result of precarious food production and supplies, more than half of the population is acutely food insecure. In Eastern Congo, hostilities between Congolese troops and M23 rebels have surged, with the rebels taking control of the cities of Goma and Bukavu. Social media disinformation campaigns have also magnified the risk of rising violence in these countries, with the possibility of spilling over to neighboring countries. Furthermore, fatalities from Islamist insurgents remained at an all-time high in 2024—with the Sahel accounting for more than half of all activity on the subcontinent in 2024. Islamist groups, such as the Jama'at Nusrat al Islam wal Muslimin coalition and the Islamic State in the Greater Sahara, have intensified attacks and expanded their territorial control in Burkina Faso, Mali, and Niger.[42] The rise in conflict has come along with acute food insecurity and a rapid increase in food emergencies. Recent estimations suggest that around 120 million Africans face acute food insecurity, of which 80 percent live in countries experiencing conflict.[43]

Climate change and extreme weather events

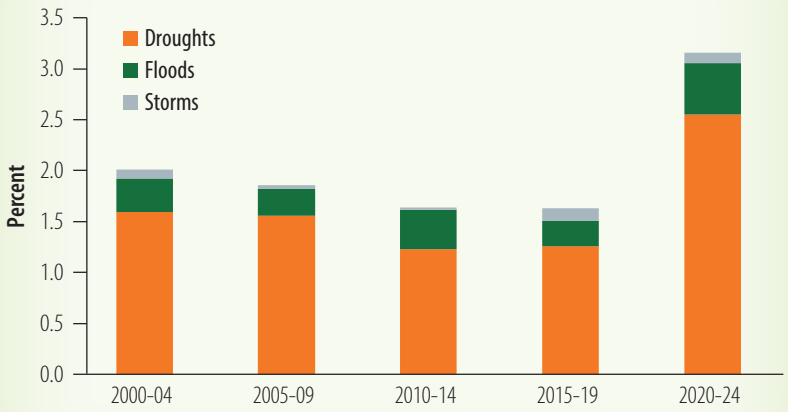
In recent years, Sub-Saharan Africa has been buffeted by rising temperatures, irregular rainfall patterns, and multiple extreme weather events (figure 1.41). In large parts of Central and West Africa, unprecedented rainfall from July to September 2024 led to devastating floods in Chad, Cameroon, Niger, and Nigeria. In August 2024, heavy rains led to widespread flooding across many regions of Sudan. The rainy season continued through October 2024, with several states experiencing above-average rainfall, resulting in additional flash floods and river flooding. The severe impact of the floods was particularly amplified in the country due to the complex humanitarian crisis caused by the civil war, which has strained the response capacity of aid organizations.

41 Isser et al. (2024).

42 Africa Center for Strategic Studies (2024).

43 IPC-CH (2025).

Figure 1.41: Share of the Population Affected by Extreme Weather Events, 2000–24



Sources: EM-DAT: The International Disaster Database.
Note: The figure shows the percent of the population affected. The last observation is December 2024.

Erratic rainfall patterns in West Africa, particularly in cocoa-producing countries Côte d'Ivoire and Ghana, are affecting tree regeneration and flowering, thus putting at risk the development of the mid-year cocoa crop to be harvested in April. Unpredictable growing conditions are adversely affecting not only cocoa harvests and prices, but also stockpiles at London and New York marketplaces. Current weather forecasts are pointing to lower-than-average rainfall in most parts of the Horn of Africa from March to May 2025, disrupting agricultural production, water availability, and food security.[44]

Response to extreme weather events is, on average, diverting up to 9 percent of African governments' budgets and causing losses of 2 to 5 percent in economic activity. It has been estimated that adapting to climate change will cost between US$30 billion and US$50 billion per year over the next decade, or around 2 to 3 percent of Sub-Saharan Africa's GDP.[45] The impact of the greater frequency and severity of climate events would hit the poorer segments of the population more than proportionally across the region, by harming crop yields and food supply and exacerbating food security problems.

44 ICPAC (2025).
45 WMO (2024).

Section 2. Improving How Governments Deliver for People

African governments are in a difficult predicament: they must contend with rising social unrest calling for better security, basic services, and access to economic opportunities at a time when public debt is on the rise. There is no easy fix to improve government performance. Breaking the cycle of mistrust between people and their government requires changing the way governments provide for their citizens, building public confidence through providing efficient services and fair regulations.[1] This starts with security and justice services to ensure a peaceful and fair environment for people to prosper.

Improving services and market regulation requires addressing concerns that public policies and actions are serving the interests of the wealthy and politically connected at the expense of the broader population. With the current levels of growth and strained government budgets, there is no room for wasted resources from bad governance.

This section highlights the links between citizens' rising dissatisfaction in Africa and the role of inclusion and accountability in the way governments deliver for people. The starting point is the urgent context of mounting social unrest, political instability, and stagnation in economic opportunities. The section then shows how more inclusive and accountable politics can help to break these negative cycles. Although there is no quick fix for failing social contracts, ensuring that states are better shielded from elite capture and rent-seeking will make governments responsive to the average citizen's demands for better services and economic opportunities. The section advocates for focusing on two pathways in which governments interact with people on a regular basis: providing quality services through fairer taxation and establishing a safe and fair environment for businesses to flourish.

2.1 THE CONTEXT: RISING DISCONTENT DUE TO POOR GOVERNMENT PERFORMANCE

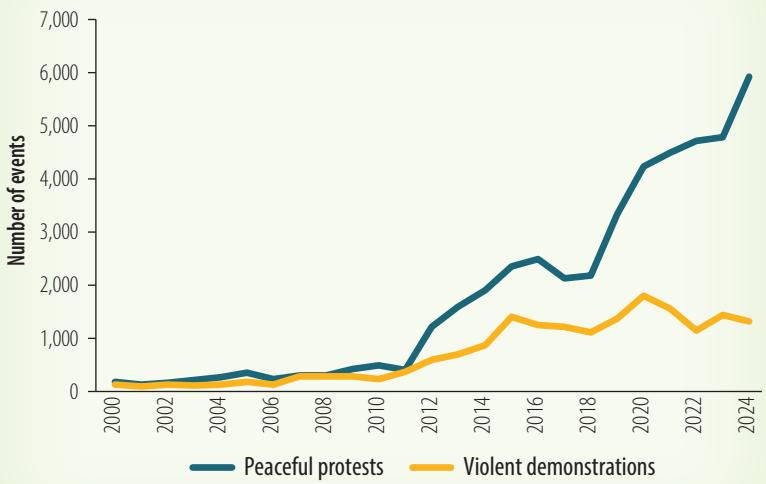
Citizen protests reflect a demand for more opportunities and better management of public resources

Social unrest is on the rise across the continent. Although most have been peaceful, there has been an exponential increase in mass demonstrations over the past 20 years (figure 2.1). The increase in protests has accelerated since the early 2010s, increasing by 12 percent on average each year over a decade. Particularly large and enduring events have occurred across the continent since 2019, facilitated by the spread of information and communications technology (box 2.1). Protests have arisen across levels of economic development, political regime types, and countries, including in Burkina Faso, Cameroon, Ethiopia, Kenya, Mozambique, Nigeria, Senegal, South Africa, and Sudan. In 2024, there were 7,224 demonstrations in the region, comprising 5,911 protests and 1,313 riots,[2] compared to 2,780 a decade earlier.

While protests tend be highly localized events, they are all triggered to some extent by citizens' dissatisfaction with their livelihoods, including the cost of living, job opportunities,

1 Cloutier et al. (2021).
2 Armed Conflict Location and Event Data.

Figure 2.1: Protests in Sub-Saharan Africa, 2000–24



Source: Armed Conflict Location and Event Data, February 2025.

and access to public services. African citizens consider unemployment, better management of the economy, and access to health services top policy priorities and are dissatisfied with how governments are handling them. According to the Afrobarometer, 66 percent of those surveyed believe that their country is heading in the wrong direction,[3] and more than half have negative views of their personal living conditions.[4] Protesters regularly attribute their lack of opportunities to the government's failure to manage the economy and its corruption and inability to deliver on its distributive mandate. In 2024, youth protests in Botswana, Kenya, and Uganda highlighted corruption as a major grievance, and protesters in Ghana and Nigeria focused on poor economic management and fiscal decisions that they perceived as unfair.

Box 2.1: Technology and Collective Action

The spread of information and communications technologies has the potential to facilitate collective action, but the use of mobile phones and social media can also backfire against civil protests. In many instances across the continent, social media has played a role in facilitating the organization of social protests and amplifying their impact. For example, the #EndSARS protest in Nigeria called for the dissolution of the Special Anti-Robbery Squad, which was notorious for police brutality, and led to its effective disbanding. The #StopGBV campaign against gender-based violence in South Africa brought gender to the forefront of political discussion in the country. In periods of economic downturns, when grievances surge and the cost of participation falls, mobile phones are instrumental for mass mobilizations, as they increase access to information about economic conditions and participation in protests.[a]

Nevertheless, in a number of countries, the role of social media remains constrained by restrictive regulations and outright repression, and access to digital technology is severely limited in some places. An average of 36 percent of individuals use the internet across the region, with significant variation and gaps between rural and urban areas.[b] Moreover, technology can also be used for government surveillance and control, and foreign actors and instigators can leverage these tools to spread misinformation and distrust.

a. Manacorda and Tesei (2020).
b. World Bank (2021).

3 Data from the Afrobarometer covering 39 countries (https://www.afrobarometer.org/wp-content/uploads/2024/08/AD833-PAP17-Africans-priorities-for-government-action-and-how-they-are-changing-Afrobarometer-7aug24.pdf).

4 https://www.afrobarometer.org/wp-content/uploads/2024/05/AD807-PAP15-Africans-bleak-views-of-economic-conditions-match-escalating-poverty-Afrobarometer-26may24-rev22jan25.pdf.

On the African continent, 2024 was a year of youth protests. Taking their demands seriously is key in the context of the demographic transition and youth migration. Youth are more educated, unemployed, and distrustful of institutions, compared with the rest of the adult population. Their modes of political engagement are also distinct—they are less active in political parties and elections but more likely to engage in protests and alternative modes of collective action. The fast growth of the working-age population, averaging 3 percent annually since the late 2000s, has not been met with matching levels of job growth. Moreover, it is expected that the youth population (ages 15 to 34) will nearly double, from 499 million in 2024 to 846 million by 2050.[5]

Citizens have also mobilized around election times. There is a trend toward enhanced electoral accountability across the continent. Over the past two decades, repeated multiparty elections have been held and democracy scores have improved.[6] To some extent, the electoral democracies that emerged during the Third Wave of democratization in the 1990s have demonstrated their relative durability—elections are regularly contested, peaceful turnovers are becoming common, and there has been progress on freedoms of expression and of the press.

In recent years, highly contested elections have seen widespread protests in Mozambique, Senegal, and Uganda. There have even been post-election protests in Angola, Chad, and Zimbabwe, where the public and political spheres are tightly regulated. These protests have played a pivotal role in ensuring that leaders stick to the rules of the electoral game. Moreover, Kenya and Malawi have weathered successful constitutional challenges to fraudulent elections. The 2024 elections reflect this progress and its limits: of the 17 scheduled elections in Africa, 13 were held and four were postponed. Incumbents won elections in seven countries, new leaders from parties already in power were elected in six, and power was transferred to an opposition party in four.[7]

The inability of institutions to respond to social expectations threatens to turn civic engagement into distrust, radicalization, and violence

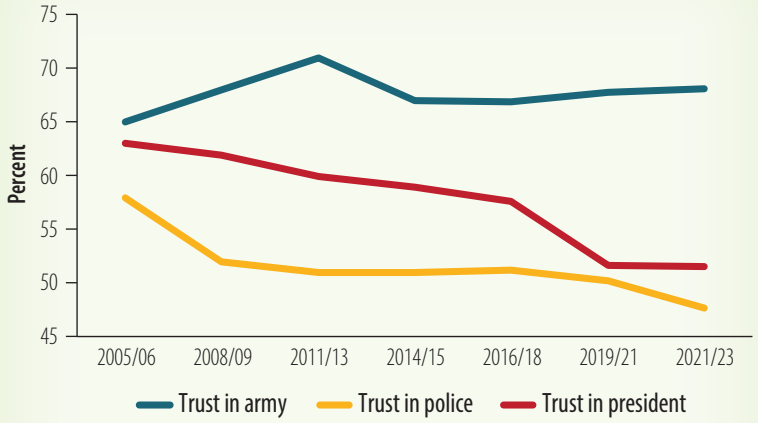
Social and electoral mobilizations can be powerful avenues for positive change. They can create incentives for governments to respond to citizens' demands for security and services. Although these are positive signs of institutional responsiveness, protests and elections have not generally succeeded in addressing economic grievances in a lasting way. In several cases, their inability to respond to citizens' demands has weakened states' legitimacy and created the conditions for instability and violence. This deterioration of the social contract has gone hand in hand with declining trust in elected governments (figure 2.2). It also explains the support of some segments of the population for recent military coups. While coups were a common occurrence in the post-independence era, their number decreased substantially in the 2000s. In the 2010s, there was on average only one successful coup per year. However, since 2020 the continent has seen the resurgence of military coups, with nine successful ones, as a result of mounting

5 These numbers refer to the entire African continent. Abdel Jelil et al. (forthcoming).

6 However, elections remain vulnerable to manipulation in many countries, and constitutional provisions protecting electoral democracy are threatened by autocratic reversals. Recent years have seen instances of modifications to term limits. In addition, progress remains constrained by weak checks and balances, and by persistent patterns of centralized and exclusive power arrangements. After an initial improvement in checks in balances in the 1990s, the level of constraint of judicial, legislative, and constitutional counterpowers has stagnated.

7 For more details, refer to Mo Ibrahim Foundation (2024).

Figure 2.2: Citizens' Trust in State Institutions, 2005/06 to 2021/23

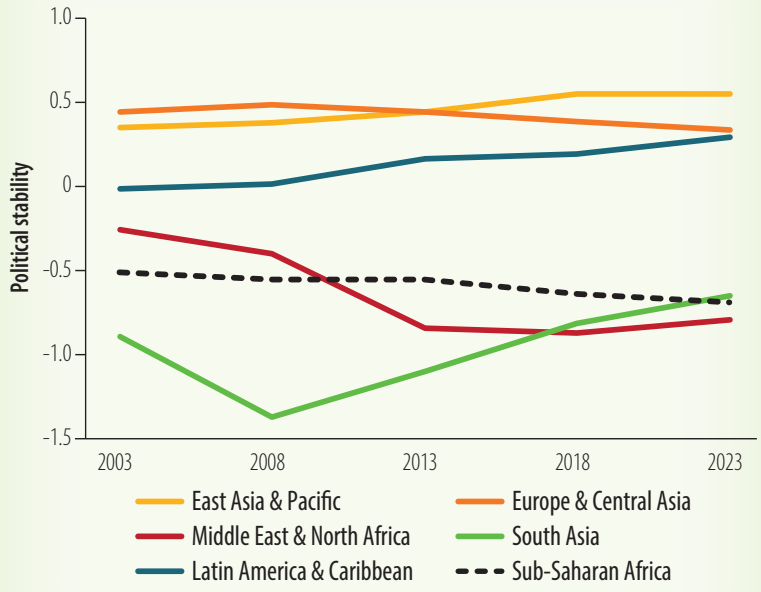


Source: Afrobarometer database, https://www.afrobarometer.org/online-data-analysis.

Note: The y-axis represents the share of respondents who trust the respective institution somewhat or a lot. The sample includes 16 countries: Benin, Botswana, Cabo Verde, Ghana, Kenya, Lesotho, Madagascar (except 2019–21), Malawi, Mali, Namibia, Nigeria, Senegal, Tanzania, Uganda, Zambia, and Zimbabwe.

tensions and conflicts among competing elite groups. Where successful, these coups have brought the military back to power, such as in Burkina Faso, Gabon, Guinea, Mali, and Niger, fueling a return to the militarization that dominated African politics in the 1970s. Despite citizens' strong preference for democratic forms of government in survey results, some military coups have been met with popular support and public demonstrations in favor of the change, at least in the initial stages—a sign of citizens' disillusion with the promises of their elected governments.

Figure 2.3: Political Stability in Sub-Saharan Africa versus Other World Regions, 2003–23



Source: Worldwide Governance Indicators, World Bank, www.govindicators.org.

Note: The y-axis represents the estimated political stability in standard normal units, with zero representing the global average.

A lack of engagement with citizens' grievances and a disaffected youth population are behind the rapid increase in violence and political instability across the region. States' inability to deliver security and services has facilitated the rise of nonstate armed groups and contributed to a sharp increase in intrastate conflict and violence. Indicators of political stability and the absence of violence have steadily declined over the past two decades (figure 2.3). From the Sahel to the Horn of Africa, extremist

groups have capitalized on locally based grievances, ranging from political marginalization to the lack of basic order and security. These groups have mobilized populations against the state and leveraged existing conflict, culminating in insurgencies, civil wars, and large swaths of areas outside state control.[8] The number of casualties from conflicts between state forces and militias increased 2.7-fold between 2014 and 2024, from 12,300 to 33,300.[9] These conflicts remain concentrated in a few countries, as the five countries with the highest numbers of casualties comprise three-quarters (74 percent) of the total.[10]

Dissatisfaction with government is partly fueled by a lack of economic opportunity

Citizens' dissatisfaction and social unrest find their roots in the unfulfilled promise of the early 2000s. The first decade of the millennium saw promising growth in much of the continent. Following two decades of overall economic contraction on a per capita basis between 1981 and 2000, real income per capita grew at an average annual rate of 2.4 percent during 2000–14. Indeed, nearly half of the 25 fastest growing countries in the world between 2000 and 2014 were in the region. However, starting in 2015, a series of crises with mostly external origins have challenged governments on much of the continent. A downturn in commodity markets, the spread of violent international groups, the COVID-19 pandemic, higher debt prices on global markets, and a major shift in the geopolitical landscape have tested states' resilience. As a result, since its peak in 2014, the region's output per capita has contracted by 1.8 percent, effectively amounting to a lost decade. This has occurred in the context of a young population entering the workforce to find a lack of high-quality jobs.

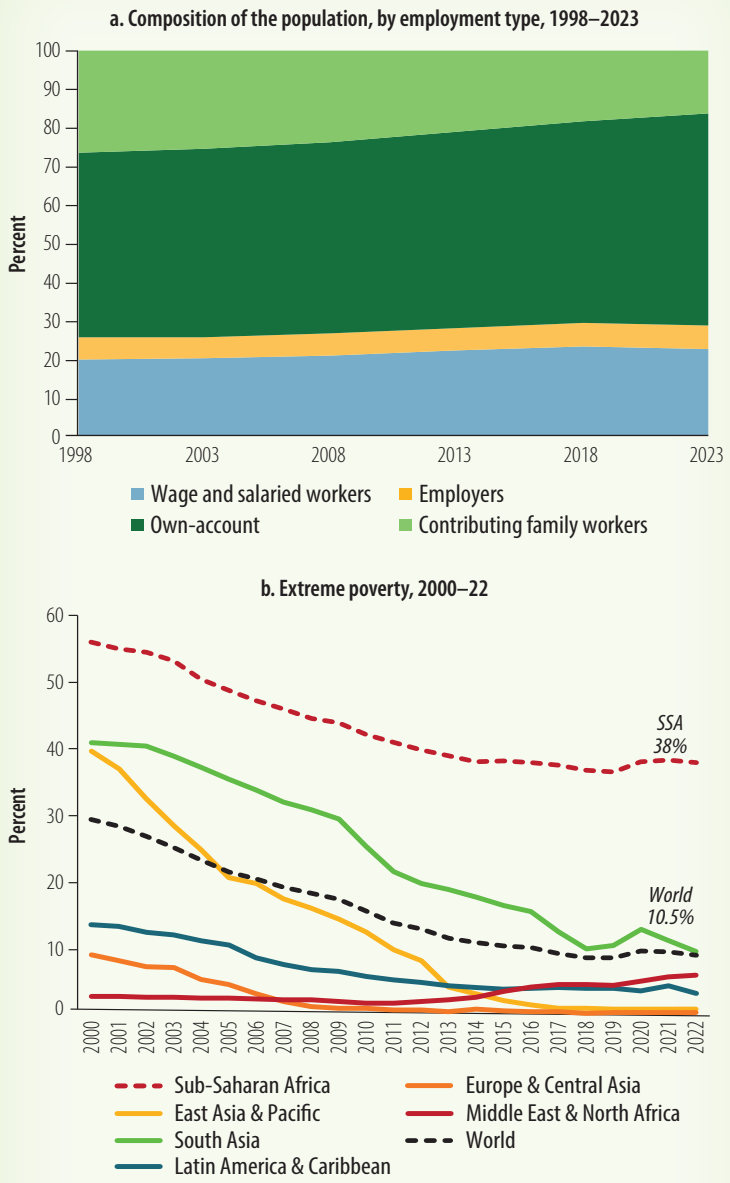
Moreover, the limited success in economic growth has not been felt widely, as poverty and inequality levels remain elevated. For each 1 percentage point increase in gross domestic product (GDP) growth in the region, the poverty rate has decreased by only 0.4 percent, and the proportion of workers with wage jobs has increased by 0.04 percent, far below the responsiveness in other regions. Although Africa's rate of extreme poverty has declined, it still stands at 38 percent, the highest of all world regions (figure 2.4). Moreover, at slightly higher thresholds for poverty measurement, progress has been even more limited: only one in eight people (12 percent) lives on more than US$6.85 per day, hardly changed from a decade ago. It is not surprising, therefore, that income is highly concentrated at the top levels of earnings: the richest 10 percent in the region receive almost 56 percent of total income, matching some of the highest levels worldwide. Furthermore, there has been no significant decline in in-country inequality since 2000.

8 Dowd (2015); Boly and Kere (2023).

9 Armed Conflict Location and Event Data Project.

10 The five countries are Burkina Faso, Ethiopia, Nigeria, Somalia, and Sudan.

Figure 2.4: Lack of Opportunity in the Region



Sources: For panel a, ILOSTAT, https://ilostat.ilo.org/data/. For panel b, Poverty and Inequality Platform, World Bank.

Note: In panel a, values are modeled estimates from the International Labour Organization. In panel b, the y-axis is the share of the population below the poverty rate at US$2.15/day (2017 purchasing power parity). SSA = Sub-Saharan Africa.

The link between economic grievance and political stability runs both ways: poor economic opportunity exacerbates political discontent, while the risk of conflict and violence can severely undermine economic activity and investment. Annual growth in countries in conflict is about 2.5 percentage points lower on average, with the impact on per capita GDP increasing over the duration of the conflict.[11] In addition, instability shortens policy horizons, leading to suboptimal macroeconomic policy decisions. Moreover, it creates policy volatility and generates concerns over potential policy reversals even in the absence of political change. This policy uncertainty decreases both consumption and investment due to risk aversion and deferred decisions. Conflict also negatively impacts public finances, including by lowering revenue and raising military spending, and incentivizes a shift in resources away from social spending.

11 Fang et al. (2020).

2.2 CONCENTRATION OF POLITICAL POWER LEADS TO POOR INCENTIVES TO DELIVER

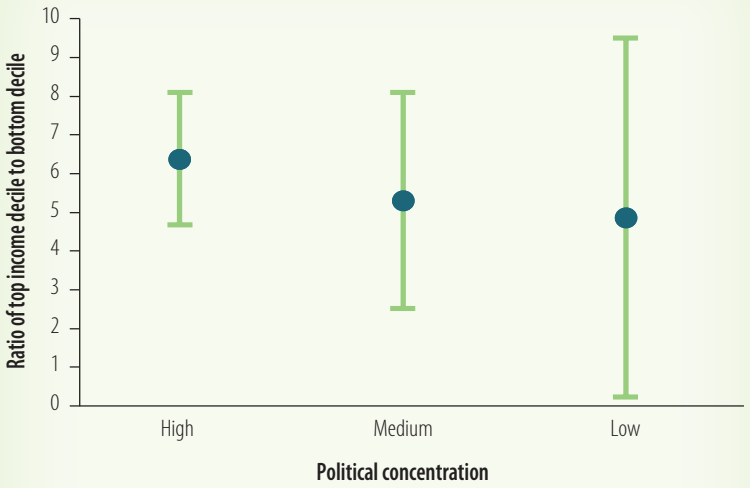
Escaping the cycle of poor growth outcomes and political grievances will require that governments prioritize the delivery of practical solutions for their citizens. This implies focusing on areas where governments directly affect people's lives—providing quality public services and fairly regulated market competition. Delivering such results will require a shift in the way many governments work, away from rent-seeking and narrow power bases and toward more inclusive, transparent, and accountable service delivery and market oversight. Such a focus can create incentives for government to deliver by creating broader constituencies for change and pressure on governments to respond to demands for fairness and redistribution.

This shift in governance is fundamental to building citizens' trust, strengthening the social contract, and creating incentives for positive engagement between citizens and their governments.[12] While fundamental, it is also profound and challenging in a region where wealth and power are concentrated and reformers must contend with entrenched vested interests.

Exclusive politics are behind many of the government failures that fuel low growth and high inequality

Countries where access to political power is concentrated in the hands of a few tend to display higher levels of inequality.[13] A higher income gap between the top and bottom income deciles is more common among countries with a higher concentration of power among the wealthy (figure 2.5).[14] In contrast, a more inclusive distribution of power promotes the representation of plural interests and creates political incentives to use public resources to benefit the population at large.

Figure 2.5: Unequal Power—Unequal Growth



Sources: World Bank Poverty and Inequality Indicators (y-axis); V-Dem database (x-axis).

Note: The dots represent median values, and the bars represent standard deviations. "Political concentration" refers to the V-Dem indicator "power distributed by socioeconomic position." Within this indicator, "high," "medium," and "low" refer to scores of 1, 2, and 3, respectively. No country in the region scored 4, and only one country scored 0, which has been excluded from this figure.

Where power is concentrated, decision makers have skewed incentives to engage in rent-seeking activities, whereby economic policies are designed and implemented to privilege elite interests, rather than invest in broad-based market and job opportunities. As a result, economies of

12 This idea of building public support through practical delivery is similar to the "development bargain" in Dercon (2022).

13 Acemoglu and Robinson (2012); World Bank (2017).

14 However, this relationship is not perfect, as plenty of unequal societies also have low political concentration among the wealthy, with a more varied wealth distribution among more inclusive political systems.

this nature lack the broad production base and firm dynamism needed for expanding opportunities and building resilience to global events. Moreover, exclusive politics weigh heavily on the quality of growth and service delivery.[15] Beyond their direct impact on general welfare, these distortions harm the fiscal health of governments and translate into higher debt levels, jeopardizing the continent's future.[16]

More inclusive politics hence create incentives for governments to be more responsive to broad-based interests and needs. Citizen participation, in particular through contested elections and social mobilization, can create incentives for governments to respond to citizens' demands and deliver opportunities and services for a larger share of the population.[17] Corruption is lower and the performance of service delivery is higher when leaders face re-election incentives.[18] Similarly, military expenditures are higher in autocratic regimes than in democratic regimes in Africa, whereas democratic regimes spend more on education and health.[19]

However, these developmental payoffs can be slow to materialize. Moreover, electoral politics can create perverse incentives to invest in clientelism rather than public goods.[20] In the context of poorly regulated political financing and the continuation of personalized and identity politics, leaders may have incentives to concentrate on easy, visible tasks with popular impact.[21] As a result, more complex and challenging reforms to deliver public goods can be neglected. While the opening of politics has a positive effect on long-run growth, this impact is strongest when political participation is accompanied by democratic protections, inclusive economic institutions, and an engaged civil society.[22]

Public scrutiny and strong checks and balances can shift incentives to deliver

Transparency can shape governments' incentives to respond to citizens and curb opportunities for cronyism and clientelism. It is an important channel through which inclusive politics can redress government failures to deliver equitable services and opportunities. The availability and accessibility of public information can facilitate citizen monitoring of fiscal management, policy decisions, and service delivery. This can also help to limit corruption. For example, fiscal transparency can limit the scope for embezzlement in budget administration or for patronage in the allocation of public contracts. Similarly, more transparency in tax, credit, and regulatory policies can decrease opportunities for collusion and rent-seeking by politically connected businesses. The effects of transparency hinge on the existence of strong systems of checks and balances, including civil society and media that are actively involved in demystifying and disseminating public data and information, and opportunities for citizens to reward or sanction political officials and service providers.

15 Persson and Tabellini (2009).
16 Raballand and Zovighian (2024).
17 World Bank (2016).
18 Ferraz and Finan (2011); de Janvry, Finan, and Sadoulet (2012); Khemani (2015).
19 Ndayikeza (2021).
20 World Bank (2016).
21 Tanzi and Davoodi (1998).
22 Acemoglu, Gallego, and Robinson (2014).

While more inclusion and transparency can generate positive incentives for governments to perform, their impact hinges on the possibility for citizens and counterpowers to hold governments to account for their performance, through effective accountability channels. In this area, the region still performs significantly worse than the global average, although some improvements have been made over the past decade (figure 2.6). As support bases broaden and the relative power of the wealthy declines, internal incentives within governments will promote opportunities and services that benefit a larger share of the population. However, this system of reinforcing positive incentives only works if systems for voice and accountability are strengthened concurrently, to support the goodwill created by public sector delivery through mechanisms that ensure that these results are recognized and rewarded, and poor behavior is sanctioned.

Figure 2.6: Most Countries in the Region Are in Negative Territory for Voice and Accountability, 2013 and 2023

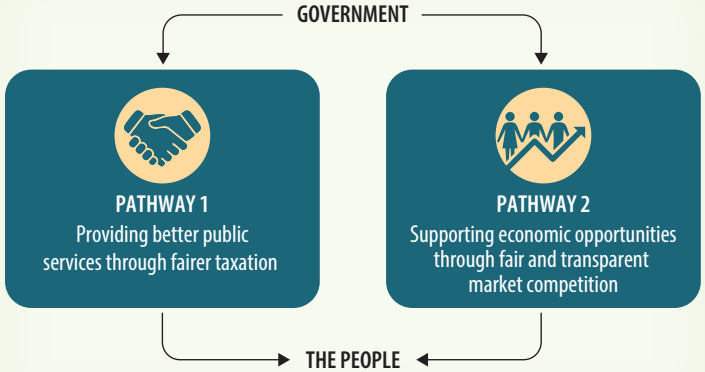
Source: Worldwide Governance Indicators, World Bank, 2023, www.govindicators.org.

Note: The units are normalized to have zero mean and a standard deviation of one, meaning that scores below zero are below the global average.

2.3 IMPROVING HOW GOVERNMENTS DELIVER FOR PEOPLE

Looking forward, responding to citizens' demands and mitigating the risks of social unrest will require providing results to people where they interact with government the most. This interaction happens through two major pathways (figure 2.7). First, it implies a fairer and more effective system of service delivery and taxation, providing tangible value to people where they live through services while building a sense of respect for the taxation process. Second, governments need to provide the foundations for economic growth and jobs, leveraging state intervention in the markets to create opportunities for all. Both pathways are currently constrained by political incentives that privilege elite interests; therefore, achieving inclusive growth will require effective mobilization of more inclusive coalitions to shift those incentives.

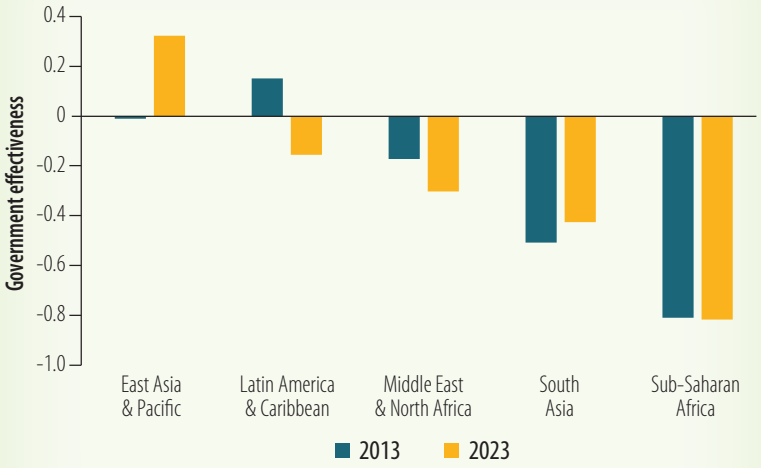
Figure 2.7: Pathways for Governments to Deliver for People



Source: Original figure for this publication.

In doing so, governments must contend with subpar institutional capabilities. Regional trends in government effectiveness indicate that on average, the capacity of African governments to provide public services and implement credible policies has stagnated (figure 2.8). As such, this process will necessarily be gradual, but governments' early establishment of goodwill and commitments to serving wide power bases are necessary to establishing a virtuous cycle of civic engagement and capacity building.

Figure 2.8: Government Effectiveness in Africa versus Other World Regions, 2013 and 2023



Source: Worldwide Governance Indicators, World Bank, www.govindicators.org.
Note: The y-axis represents estimates of governance in standard normal units, with zero corresponding to the global mean.

Pathway 1: Strengthening the Fiscal Contract through Fairer Taxation and Better Public Services

Investing in public services takes resources, and there is ample evidence of a large financing gap for infrastructure and services across the continent. The region requires between US$130 billion and US$170 billion in annual infrastructure financing to meet its needs, reflecting a financing gap of around US$68 billion to US$108 billion.[23] Yet, in many countries, the state's fiscal capacity is constrained. High global interest rate environments have put pressure on already elevated levels of debt in the region. Servicing this debt diverts public funds away from uses that would be more visible to the public. Indeed, 20 of the 48 countries in the region paid more in debt service than for healthcare and education combined in 2024.[24]

Despite the urgent need for increased fiscal resources, revenue collection is undermined by low public confidence in the tax system. Specifically, citizens doubt the state's ability to collect taxes fairly and administer resources transparently. In a recent regional survey, 83 percent of the respondents thought that it was difficult to find out how the government uses tax revenues. Almost half of the surveyed citizens believed that ordinary people were required to pay too much in taxes, although citizens are more willing to pay taxes after learning that the system is progressive.[25] In addition, there is a widespread belief that tax avoidance is normal—57 percent believe that their compatriots often or always avoid paying taxes—which is symptomatic of the low level of legitimacy of fiscal systems. Without commitment to demonstrably improving services, ensuring the fairness and transparency of tax systems, and implementing pro-poor fiscal and economic policies, increased taxes or cuts in subsidies are likely to exacerbate distrust and foment unrest.[26]

Poor governance feeds inequality in access to public services

A stronger fiscal contract starts with better and more inclusive service delivery. Gaps in service provision are especially apparent in access to basic infrastructure, as multidimensional nonmonetary poverty indicators highlight large populations without access to electricity and basic sanitation. Such issues are exacerbated by a growing dual system between public and private solutions, undermining investment in more equitable public systems.

Sub-Saharan Africa has made some advances in service delivery, notably in health and education. The region's average literacy rate improved from 56 to 68 percent of the adult population, and life expectancy at birth rose from 51 to 60 years between 2000 and 2020. In the education sector, countries have made substantial strides toward achieving universal primary education. In 2000, about a third of primary school-age children and two-fifths of lower secondary school-age children were out of school, compared to 17 and 33 percent, respectively, by the end of the 2010s.[27] The net enrollment rate at the primary level increased from 61 percent in 2000 to 80 percent in 2020. This translates to more than 95 million more children being enrolled in school, given the increasing child and youth population (from 87.6 million to 182.9 million), which is a vast expansion of education service delivery.[28]

23 Tayo (2024).

24 Calculations based on data from the World Development Indicators.

25 Hoy (2022).

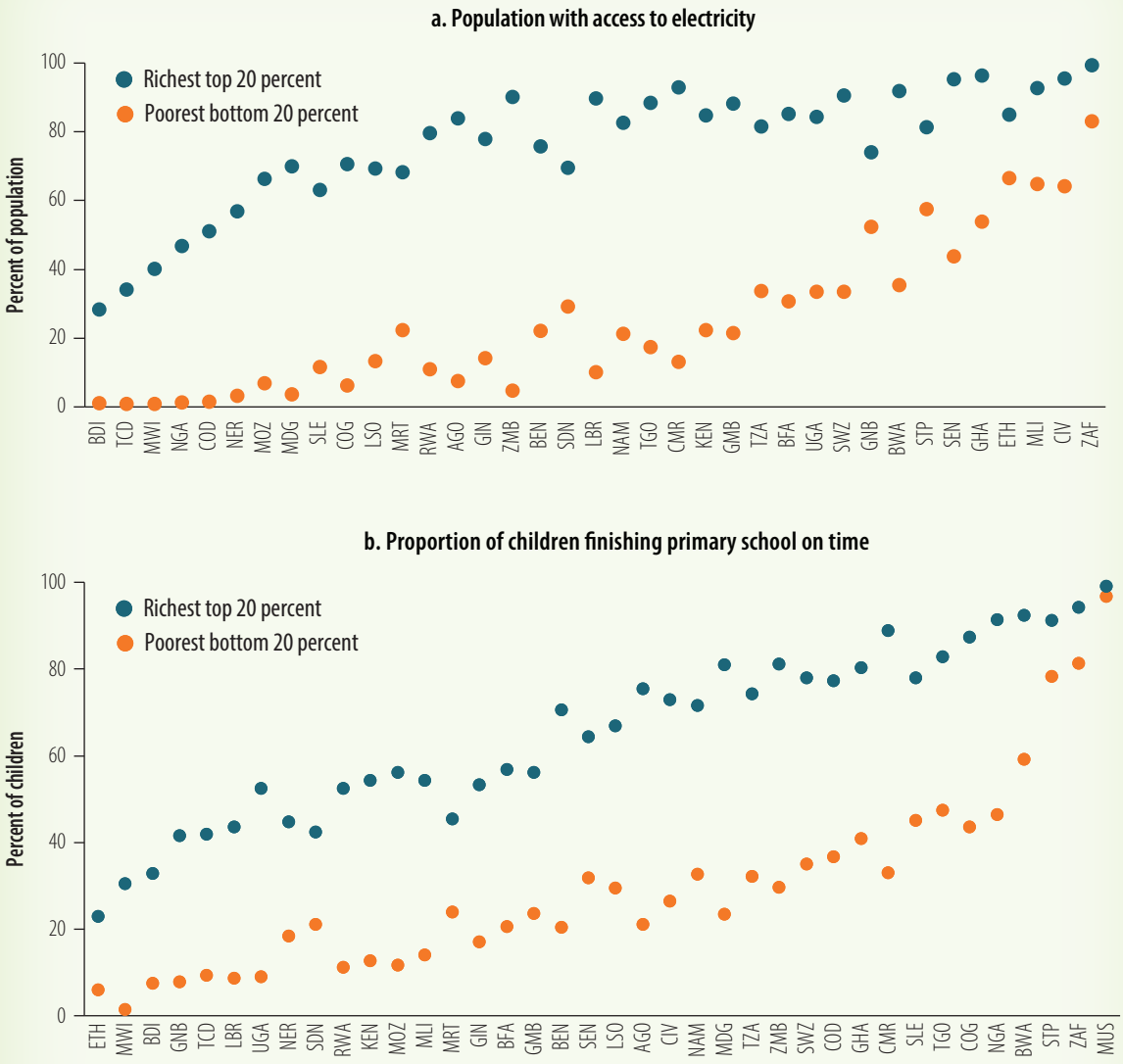
26 Afrobarometer Round 8. The countries included in the sample are Angola, Benin, Botswana, Cabo Verde, Cameroon, Côte d'Ivoire, Gabon, The Gambia, Ghana, Guinea, Kenya, Lesotho, Liberia, Malawi, Mali, Mauritius, Namibia, Nigeria, Tanzania, Togo, Uganda, Zambia, and Zimbabwe.

27 UNICEF (2021).

28 World Bank (2024).

Yet, trends in service *equality* lag behind, and many low-income citizens have not reaped the benefits of public investments in education and health. Sub-Saharan Africa continues to lag behind other regions on health equality and is only above South Asia in terms of education equality.[29] Moreover, there are large variations at the country level (figure 2.9). Especially in countries in Sub-Saharan Africa with high levels of fragility, conflict, and violence, equitable service delivery is a challenge. Across Sub-Saharan Africa, children's access to basic services is strongly driven by the circumstances into which they are born, like parental wealth and the location of their household. Working toward universal coverage of basic services, such as primary school completion, electricity, and sanitation, can address such inequalities.[30]

Figure 2.9: Inequality in Access to Basic Services



Source: Sinha, Inchauste, and Narayan 2024.
Note: For a list of country codes, refer to https:/www.iso.org/obp/ui/#search.

29 Public service equality as defined by V-Dem refers to the extent that high-quality service is guaranteed to all, sufficient to enable people to exercise their basic political rights as adult citizens.

30 Sinha, Inchauste, and Narayan (2024).

Box 2.2: Segmented Services: A Risk for the Social Contract?

Access to services in Sub-Saharan Africa is highly segmented between public and private providers, hurting social cohesion. Privatization of services for those who can afford it feeds a dual system in which low standards in public service delivery do not affect the wealthy, who are making decisions about public policy and spending on key services. Such a dual system is apparent in many urban centers in the region, with private solutions to the lack of public infrastructure leaving others lacking basic utilities and undermining investment in public projects.[a] Similarly, private provision of security in the region may fuel already existing tensions, as the security services themselves are not incentivized by the public interest, thereby potentially increasing the probability of conflict and violence overall.[b] A dual system is especially prominent in education, a key mechanism for social mobility, in which one in every six students in the region attended a private primary school before the COVID-19 pandemic.[c] As children from wealthier households increasingly attend private schools, the political incentives for maintaining quality in public school systems are undermined. At the other end of the spectrum, monitoring the quality of lower-cost private institutions remains a significant hurdle, especially in the context of already poor learning outcomes. In countries with weak regulatory capacity, governments must carefully consider the costs and benefits of effective regulation compared to direct provision of education, including the nonmonetary costs of undermining social cohesion.[d]

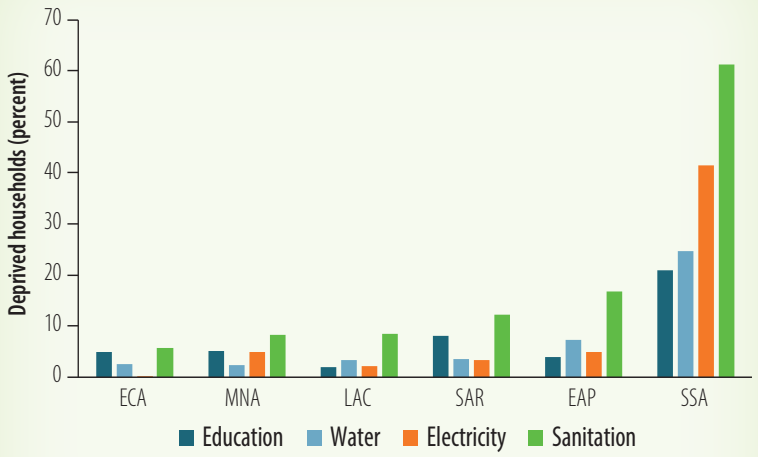
a. Sinha, Inchauste, and Narayan (2024).
b. Deininger and Goyal (2024).
c. Arias, Evans, and Santos (2019).
d. Arias, Evans, and Santos (2019); World Bank (2024).

Indeed, many people are seriously deprived of fundamental services. Measures of nonmonetary poverty remain significantly elevated compared to other regions, driven largely by access to basic public services, including sanitation, electricity, and running water (figure 2.10). The average multidimensional poverty levels, which include nonmonetary poverty as a component, are 53 percent, well above the next highest region, East Asia and the Pacific, at 11 percent. Such measures of nonmonetary poverty are closely associated with social exclusion, suggesting that a large portion of the population in the region is not integrated into society in many respects.[31] Moreover, nonmonetary poverty is closely linked with chronic poverty and a lack of intergenerational mobility, suggesting a lack of longer-term opportunity.[32]

Poor public service provision induces the wealthy to rely on private solutions, further undermining incentives for governments to invest in high-quality public offerings (box 2.2). The average education expenditure in Africa increased in the first two decades of the 2000s, both in absolute terms and as a percentage of GDP.[33] That said, education spending has not seen a differential prioritization within budgets, and the increases in spending have been driven by the effects of economic growth on government revenues.[34] Overall, spending on social services remains close to the lower end of international benchmarks. African countries spend on average 4.1 percent of their GDP on education, compared to a global average of 4.3 percent. There are wide variations in the levels of government education expenditure across countries, ranging from under 1 percent of GDP to close to 10 percent.[35] This challenge is compounded by a bias toward recurrent expenditure, to finance salaries, versus capital expenditure, to which countries devote on average only 13 percent of total education expenditures.

31 Anand et al. (2021).
32 Bolch, Lopez-Calva, and Ortiz-Juarez (2023); Carter and Barrett (2006).
33 UNICEF (2024).
34 World Bank (2024).
35 World Development Indicators, World Bank, 2024.

Figure 2.10: Public Service Access Deprivation



Source: World Bank Global Monitoring Database.
Note: EAP = East Asia and the Pacific; ECA = Europe and Central Asia; LAC = Latin America and the Caribbean; MNA = Middle East and North Africa; SAR = South Asia; SSA = Sub-Saharan Africa.

Low fiscal transparency and accountability hinder the efficiency of public spending, facilitating mismanagement and corruption. Despite its potential positive effects on service delivery, the quality of budgetary and financial management has been stagnating across the continent in the past decades.[36] Poor budget planning, low credibility, opaque cash management, poor account oversight, noncompetitive procurement, weak financial controls, and ineffective audits lead to massive waste of public resources and harm the efficiency of public spending. For example, several audits of COVID-19 funds by the Court of Accounts have demonstrated the large diversion of funds due to structural poor financial management practices.

Transparency and accountability are especially problematic for public investment management in Africa.[37] Project selection is often not based on economic criteria but on political considerations, leading to large wastes of public resources. This is especially true for large infrastructure projects financed by external debt. Poor public investment management practices, including uncompetitive public procurement practices, lead to massive cost and time overruns and corruption. For example, many projects are abandoned despite large payments made, as underfunded projects can be used to channel money to political backers.

Poor fiscal transparency and accountability also hinder the role of state-owned enterprises (SOEs), which are involved in delivering key services and managing public investments in a number of Sub-Saharan African countries. Most countries in the region fail to provide adequate public information on SOE operations and financial management, and oversight by audit institutions and parliaments is often weak. In effect, this prevents governments and citizens from holding SOEs to account. Their poor management has major fiscal implications for governments: many SOEs operate at a loss, straining public finances, and bailouts of SOEs in Sub-Saharan Africa have averaged a cost of around 3 percent of GDP.[38]

Improvements in fiscal transparency and accountability can create incentives for better use of resources for public services. Despite improvements across the continent in data availability over the past two decades, countries in Sub-Saharan Africa continue to perform below the global average on fiscal transparency.[39] A growing number of countries have enacted access to information laws and are publishing fiscal data, including budget and procurement data, but the impact remains limited for both

36 Isser et al. (2024).
37 Rajaram et al. (2014).
38 IMF (2022).
39 International Budget Partnership (2023).

public resource management and service delivery. Most African citizens continue to have difficulties accessing information about governments' budgets and policies. At the local level, more than seven in 10 citizens find it unlikely that they might get information from their governments on local budgets, development plans, or government contracts. Moreover, the impact of fiscal transparency hinges on the ability of media, civil society organizations, and citizens to mobilize and hold their governments to account for the better use of public funds or to solve local delivery problems.[40] These conditions are more likely to be met at the local service delivery level than at the level of national governance.[41] While in some countries civil society organizations are increasingly using these data to monitor the use of public resources, in many others accountability is limited by a lack of protection for the media, whistleblowers, and nongovernmental organizations.

In addition, effective service delivery tends to be hindered by poor civil service management, including a lack of autonomy and accountability of frontline workers.[42] Recent civil service management reforms have experimented with increasing the autonomy and accountability of workers and organizations, including through performance-based pay. With careful planning and monitoring, these reforms have shown some success.[43] For example, in Rwanda, pay for performance for teachers improved the quality of student learning, and similar programs in Tanzania were particularly effective in conjunction with additional funding for schools.[44] Nevertheless, risks such as exacerbating inequality are significant, such as through perverse incentives for teachers to concentrate on already strong schools and students.

Improving service delivery also requires paying attention to the role of local institutions and power dynamics. The decentralization of public services can have a positive impact on outcomes where roles, responsibilities, and accountability at the local level are properly defined.[45] For example, increased school autonomy and resources to hire and monitor teachers improved student learning in Kenya.[46] Yet, interventions need to be implemented over long timeframes with close attention to context and distributive impacts.[47] In particular, local institutions, including traditional authorities and community-based organizations, are central to success. While these institutions can help to improve outcomes, they are also prone to elite capture and collective action failures.[48] For example, increasing local government accountability through community monitoring may be offset by local clientelism and patronage. There are also potential trade-offs between decentralization and equality in public service provision, such as the increase in inequality between localities after reforms promoting school autonomy.[49]

Transparency and accountability breakdowns create corruption risks in service delivery, hindering service quality and equity. Petty corruption is prevalent in public administrations across the region. One in four individuals surveyed had paid a bribe in the previous year for access to public services. Petty corruption skews politicians' and bureaucrats' incentives to deliver public services. It is associated with poorer management and lower quality of public services.[50] Petty corruption also has regressive effects.

40 World Bank (2016).

41 Kosack and Fung (2014).

42 It also results from poor recruitment, promotion, and performance management practices, which lead to poor capacity across administrations and wage premiums. Public administrations are therefore costly for the quality of the services rendered.

43 In Ghana and Nigeria, reforms to management practices correlate with project completion rates. Increased autonomy for bureaucrats enhances completion rates, but the use of incentive and performance monitoring systems decreases completion rates (Rasul and Rogger 2018).

44 Leaver et al. (2021); Mbiti et al. (2019).

45 World Bank (2004).

46 Duflo, Dupas, and Kremer (2015).

47 Glewwe and Maiga (2011).

48 Mansuri and Rao (2013).

49 Blimpo et al. (2020); Reinikka and Svensson (2004).

50 World Bank (2004); Khemani (2015). In a similar vein, vote-buying is associated with lower levels of investments in public services.

The poorest are twice as likely to pay a bribe as the richest individuals,[51] and poor users pay a larger share of their incomes on bribes and are more likely to be discouraged from seeking public services.[52] Some African countries have successfully experimented with localized, sector-based approaches to anticorruption reform. For example, the reform of land mapping and titling in Rwanda, including through the digitization of records, contributed to enhancing transparency and thus increasing the cost of malfeasance and reducing corrupt incentives in service delivery.

New digital technologies can redress failures in service delivery. For example, e-governance is seen to be a relatively cheap and easy way to enhance public financial management or improve public service delivery. Already, governments in the region are implementing e-procurement platforms, financial management information systems, digital registries, e-filing, and digital public services.[53] However, their effectiveness and impact on quality have been uneven and undermined by a large digital divide, suggesting that digital solutions for public services are different in character from successes in other sectors, such as providing high-yielding varieties to farmers or cell phones to slum dwellers. Digital solutions are only as good as the analog systems they complement, and organizational inefficiencies and poor policy choices can be easily replicated within a digital environment.[54]

Perceptions of unfair taxation generate suboptimal tax revenues

African states face a major challenge—limited domestic resource mobilization leaves insufficient financing for service delivery. Despite rather similar tax rates compared to developed countries, domestic revenue levels are below 15 percent on average due to poor compliance. This is mostly caused by weak or absent service delivery and the collusive practices of tax and customs inspectors. Without more resources, service delivery is unlikely to improve, therefore leading to a consistently low applied rate of taxation. In a context of low public confidence and regressive tax systems, significant efforts will be required to improve the quality and equity of tax systems while ensuring that the money raised is managed correctly and put to effective use.[55] Without these efforts, domestic resource mobilization is likely to remain at a relatively low level in Africa.

Although there have been improvements in domestic resource mobilization across the continent, progress has been slow. Following a recent low of 11.9 percent of GDP in 2018, average tax revenues in the region gradually increased to an estimated 13.3 percent in 2023 (figure 2.11). In addition, increases in GDP per capita between 2000 and 2019 led to higher tax revenue gains in low-income and lower-middle-income countries in Sub-Saharan Africa than in other regions.[56] Nevertheless, the overall level remains low and will need to increase to address persistent budget deficits in the region. While tax-to-GDP levels are strongly correlated with GDP per capita, economic growth does not seem to generate automatic increases in tax revenue. Instead, improvements in the tax system, especially tax administration and enforcement, are required to increase revenue collection.[57]

51 Transparency International (2019).

52 For example, refer to Kaufmann, Montoriol-Garriga, and Recanatini (2008).

53 One area where technology has had a significant impact on the poor is mobile banking, which has enabled millions of poor Africans to have access to financial services.

54 Arvanitis and Raballand (2023); Cantens, Raballand, and Bilangna (2010).

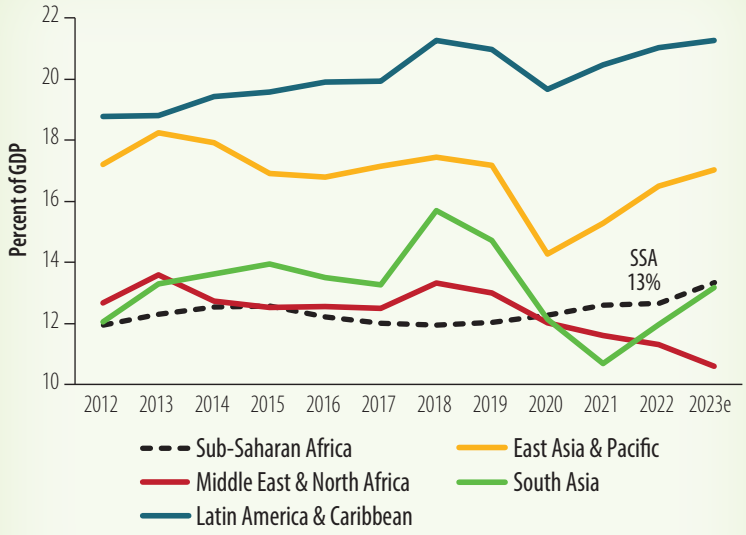
55 The actual burden for taxpayers in the informal sector can be high for low-income operators due to various taxes and informal payments. A representative survey of informal workers in Accra, Ghana, was found to have an average effective burden over 15 percent for the lowest income quintile, rising to over 20 percent for some operators located below the poverty line (Anyidoho et al. 2025).

56 Okunogbe and Tourek (2024).

57 Besley and Persson (2014). More generally, Awasthi and Matta (2024) find that institutional improvements have a significant positive impact on tax revenue mobilization, irrespective of the per capita income of a country.

Poverty, inequality, and resource dependence contribute to a narrow tax base. The large informal sector in Sub-Saharan Africa is an indication of the narrow tax base for governments across the region even though there is also untapped potential among some segments of the informal economy, including among some unregistered professionals. In addition, although the region exhibits larger reductions in inequality due to taxes, transfers, and subsidies than comparable countries in other regions, inequality remains higher than in other regions even after such redistribution. This suggests that there is an extremely tight concentration of pre-tax income in some areas in the region.[58] Furthermore, resource dependence tends to increase income inequality. In addition, narrow tax bases associated with resource dependence provide incentives for tax benefits to extractive companies. Indeed, countries in the region collect only about 40 percent of the potential resource revenue.[59]

Figure 2.11: Tax Revenues, by Region, 2012–23



Source: National Accounts, World Bank Macro-Fiscal Modeling Team.

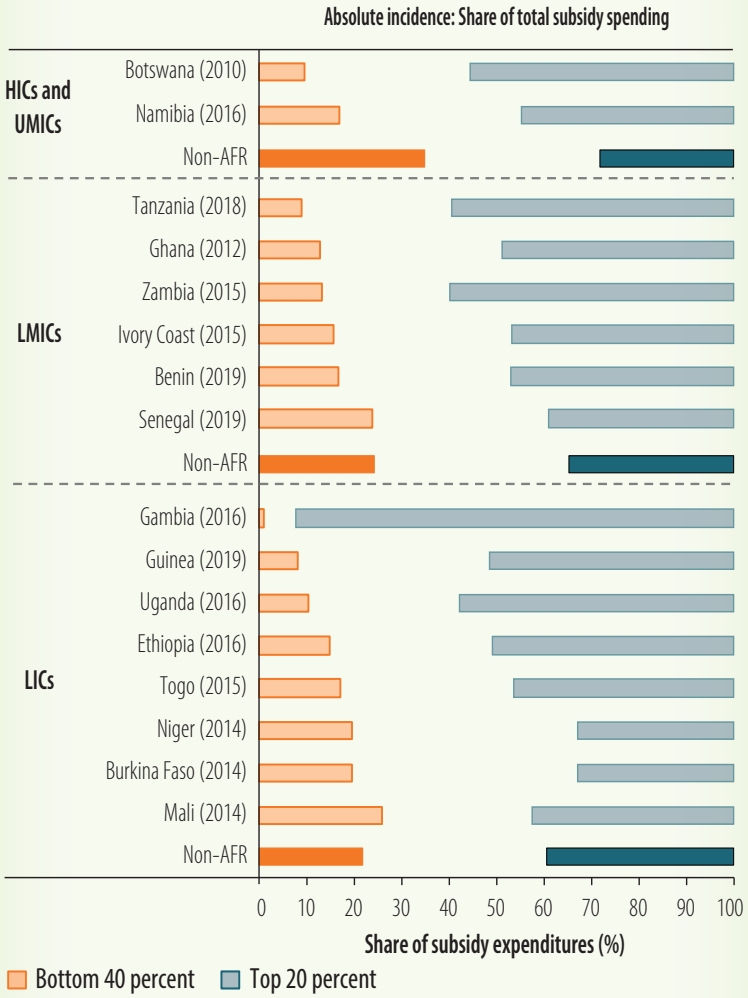
Note: Values are weighted averages for all regions. GDP = gross domestic product; SSA = Sub-Saharan Africa.

While states can improve equity outcomes through taxes and transfers, tax policy tends to disproportionately benefit the wealthiest, especially through tax exemptions. Although often politically expedient, tax exemptions can create a significant loss in revenue while increasing the inequality of the tax system. Overall, tax expenditures in the region comprise roughly 26 percent of overall tax revenue (3.5 percent of GDP), higher than education spending and almost double health spending.[60] Moreover, these exemptions have limited benefits as incentives to improve foreign direct investment have shown limited effectiveness. Furthermore, exemptions to reduce inequality are often offset by others.[61] For example, value-added tax exemptions, which account for roughly half of overall tax expenditures, largely benefit higher-income households.[62]

Similar to exemptions, wide-ranging subsidies, such as fuel or food subsidies, can be particularly expensive and disproportionately help the wealthier (figure 2.12). While subsidies targeted at the poor can be a useful tool for offsetting the impacts of price fluctuations on the most vulnerable, subsidies on inputs to production, such as petroleum or natural gas, do not target end users and therefore benefit the highest users the most. In Sub-Saharan Africa, such input interventions far outweigh the subsidies used to support poor households in both energy and fertilizer markets.[63]

58 Sinha, Inchauste, and Narayan (2024).
59 Cust and Zeufack (2023); Readhead, Lassourd, and Madzivanyika (2023).
60 Tax expenditures account for 103 and 191 percent of health and education spending, respectively (Readhead, Lassourd, and Madzivanyika 2023).
61 Dama, Rota-Graziosi, and Sawadogo (2024).
62 Warwick et al. (2022).
63 Sinha, Inchauste, and Narayan (2024).

Figure 2.12: Share of Total Subsidy Spending, by Income Level, Selected Countries in Sub-Saharan Africa



Source: Sinha, Inchauste, and Narayan 2024.

Note: Dark bars indicate averages of countries outside Africa for which data are available. The non-AFR LIC aggregate is composed of only Tajikistan. AFR = Africa; HICs = high-income countries; LICs = low-income countries; LMICs = lower-middle-income countries; UMICs = upper-middle-income countries.

Unequal enforcement of taxes erodes confidence in the system and contributes to low voluntary tax compliance. Along with poor voluntary compliance, tax enforcement remains weak, with limited political willingness in numerous cases, and evasion remains widespread through enablers. Tax evasion represents a major challenge in Sub-Saharan Africa and feeds illicit financial flows, undermining states' fiscal capacities to invest in much-needed public services.[64] The flow of proceeds from corruption to offshore centers is a substantial loss of revenues from African countries.[65] In 2020, the amount of illicit financial flows from Africa was estimated at US$88.6 billion annually, which was an increase since the turn of the century.[66] Countries that are endowed with natural resources appear to be substantially more exposed to capital flight than others (box 2.3). Moreover, this issue is especially problematic for the fossil fuel industry, as six of the top 10 African countries with the highest amounts of capital flight are oil exporters.[67]

Corruption and collusive practices continue to prosper in tax administrations on the continent, despite efforts to decrease poor practices. Across the continent, perceptions of tax corruption are high: 92 percent of survey respondents believe that at least some tax officials are involved in corruption, with 47 percent reporting that most or all are.[68] Better incentives and monitoring can help to address these

64 Based on data from the missingprofits.world website (Torslov, Wier, and Zucman 2022). Okunogbe and Tourek (2022) estimate that 26 percent of corporate taxes in Nigeria are lost due to profit shifting.

65 Illicit financial flows are illegally earned or used or illegally moved or diverted. Illicit financial flows do not all proceed from corruption; instead, some may proceed from criminal activity.

66 OECD (2023); Boyce and Ndikumana (2021).

67 Boyce and Ndikumana (2021).

68 According to Round 10 of Afrobarometer (2024/2025), "at least some" refers to the combined survey responses "some of them," "most of them," and "all of them." "Most or all" refers to the combined responses of "most of them" and "all of them." The countries included in the sample are Angola, Botswana, Cameroon, Côte d'Ivoire, Gabon, The Gambia, Guinea, Kenya, Lesotho, Liberia, Malawi, Mauritius, Namibia, Tanzania, Uganda, Zambia, and Zimbabwe.

issues. For example, performance contracts and the introduction of information technology systems to monitor inspectors' performance in Madagascar's main port incentivized customs inspectors to prevent tariff evasion and helped to increase fraud detection, decrease processing times, and increase customs revenue. However, those schemes are efficient only as long as there is political willingness to curb corruption and collusion (box 2.4).

Box 2.3: Fragility, Natural Resources, and Revenue Mobilization

Fragile and resource-rich countries face additional challenges in building strong and resilient fiscal contracts. On average, countries with high levels of fragility, conflict, and violence systematically perform poorly on the efficiency of revenue mobilization. This is in part due to instability, political polarization, and weak institutional capabilities, which make tax collection more costly to administer. Yet, some fragile countries, such as Liberia in the aftermath of its civil war, have managed to improve domestic revenue mobilization despite adverse initial conditions.

Similarly, resource-rich countries in Sub-Saharan Africa tend to have poorer fiscal management performance. Their capacities for budget and public financial management and their ability to raise revenues appear to be systematically lower than those of other countries in the region. This illustrates the risk of the "resource curse"—including the fiscal resource curse whereby governments benefiting from resource rents have less incentive to develop fiscal capacity and a fiscal contract with their citizens.

Resources need not be a curse, however. Countries with political arrangements that limit rulers' discretion over the management of natural resource revenues are more able to mitigate the negative effects of natural resources on fiscal and institutional capacities. Diamond-rich Botswana, for example, has managed to transform below-ground mineral wealth into above-ground prosperity, thanks to a political economy environment that is conducive to elite cooperation around resource management and accountable relationships between the state and citizens.

The governance environment is widely considered to be a key determining factor in whether natural resources generate prosperity on the one hand, or instability and foregone growth on the other.[a] Even before production begins, institutional quality can be predictive of whether countries succumb to the so-called "presource curse."[b] Here, countries may be at risk of overborrowing, driven by fiscal indiscipline and citizen exuberance following announcements of major natural resource discoveries.

Despite the challenges, there remains significant scope for better outcomes from natural resource wealth. Africa hosts more than 30 percent of the world's reserves of critical minerals.[c] However, African countries collect on average only around 40 percent of the rent value of their resource wealth in the form of government revenues, suggesting significant scope for governments to increase their revenues from resources.[d] Indeed, an estimated potential increase of 260 percent might be possible via improvements in contract negotiation and the institutional environment, and by reducing the risks faced by investors, among other factors.

[a] Robinson, Torvik, and Verdier (2006); Mehlum, Moene, and Torvik (2006).
[b] Cust and Mihalyi (2017).
[c] https://www.imf.org/-/media/Files/Publications/REO/AFR/2024/April/English/MineralsNote.ashx.
[d] Cust and Zeufack (2023).

Progress in transparency reforms to reduce tax evasion is undermined where coverage is not complete. For example, the Extractive Industries Transparency Initiative (EITI) now includes 24 African countries as members. Yet, the transparency and accountability instruments in the extractives sector have had relatively limited effects in African resource-dependent states. Among other things, disclosure and transparency pertaining to state-owned and public energy and mining enterprises have left relatively untouched the connections between political elites, transnational corporations, and global trading houses and offshore financial centers.[69]

Improvements in the effectiveness and accountability of tax administration can yield significant increases in tax revenue, estimated at 1.3 to 1.8 percentage points of GDP. In Sub-Saharan Africa, digitization of some tax collection processes has led to reduced compliance costs and increased tax revenues in some countries. For instance, integrated identification systems can expand tax authority reach and boost revenue potential when complemented by appropriate enforcement.[70] Technology can verify tax liabilities and detect likely evasion, especially with value-added taxes, but it ultimately depends on the behaviors and sanctions of tax officials.[71] However, reliance on technology needs to be sensitive to equity concerns. There is indeed evidence from across countries in Sub-Saharan Africa that female, rural, and less educated taxpayers and those heading less-established companies are less likely to use e-services and face higher adoption costs.[72]

Box 2.4: Country Snapshot: Tax Reforms in Liberia

In the post–civil war period, Liberia increased its tax revenues by 7.5 percent of gross domestic product (GDP) over nine years. The country's experience illustrates how a phased approach to tax reforms in a post-conflict state can help to expand the tax base and enhance the efficiency of revenue mobilization, emphasizing institutional rebuilding and gradual tax policy improvements.

In the immediate post-conflict period, Liberia focused on short-term measures to broaden the tax base, increase indirect taxes, and build the capacities of the revenue administration authorities. This included expanding the taxable base for the goods and services tax, reducing tax exemptions on rice and fuel, enhancing the transparency of key revenue-generating agencies, and, in the extractive industries, curbing smuggling and revenue leakages.

In a second phase, more fundamental tax reforms were implemented, including enhancing the collection of property taxes and further removing tax and customs exemptions. Efforts to improve tax administration were deepened, including strengthening the segmentation of taxpayers under a new organizational structure and reregistering and identifying taxpayers. Efforts were also made to digitalize internal processes to reduce human discretion and enhance efficiency.

Liberia's experience highlights the importance of political commitment: sustained reforms required strong leadership and political will. It also shows how targeted measures can help to make quick gains even in fragile contexts, and the central role of trade taxes in such environments. The revenue increase was indeed driven by an increase in trade taxes, by 3.33 percentage points of GDP in nine years, and through customs reforms.

Note: Refer to Akitoby, Honda, and Primus (2020).

69 OECD (2020).
70 Okunogbe and Tourek (2024).
71 Mascagni, Mengitsu, and Woldeyes (2021).
72 Okunogbe and Tourek (2023).

Pathway 2: Improving Private Sector Competitiveness through Fair and Transparent Regulation

Improving market competition has positive dividends for job creation, productivity, and growth. Yet, in many African countries, political distortions hinder fair and effective policies to support private sector growth and competitiveness. The concentration of political and economic power facilitates regulatory capture that protects the interests of selected players and creates barriers to entry. In that context, small businesses struggle to grow while a few large businesses control large market segments. While independent regulators could be a possible solution, the track record of those regulators has usually been poor, and political interference remains significant. Getting countries out of this low equilibrium will require fairer regulation and more transparent policy across all areas of government activity. That is, it will require giving voice to those demanding fairness in markets, empowering regulatory authorities, and actively supporting new entrants in markets dominated by incumbents. With the power structures in place, much of this will take considerable political will.

The private sector in Africa operates in a highly noncompetitive environment, with markets segmented between insiders and outsiders. For example, one mobile operator captures over 50 percent of the market in almost two-thirds of the countries, and over 65 percent in nine countries. The absence of competition in essential goods markets across Africa drives up prices for all households, with the poorest bearing the greatest burden. Even after accounting for transport costs, geography, and other factors, retail prices for 10 key consumer goods in African cities are, on average, at least 24 percent higher than in other economies worldwide.[73] However, there have been successes in selected cases in fighting anticompetitive behavior, including independent bakeries and a cement cartel in South Africa, upstream manufacture of ice for fishers in Sierra Leone, and transportation in Mauritius.[74]

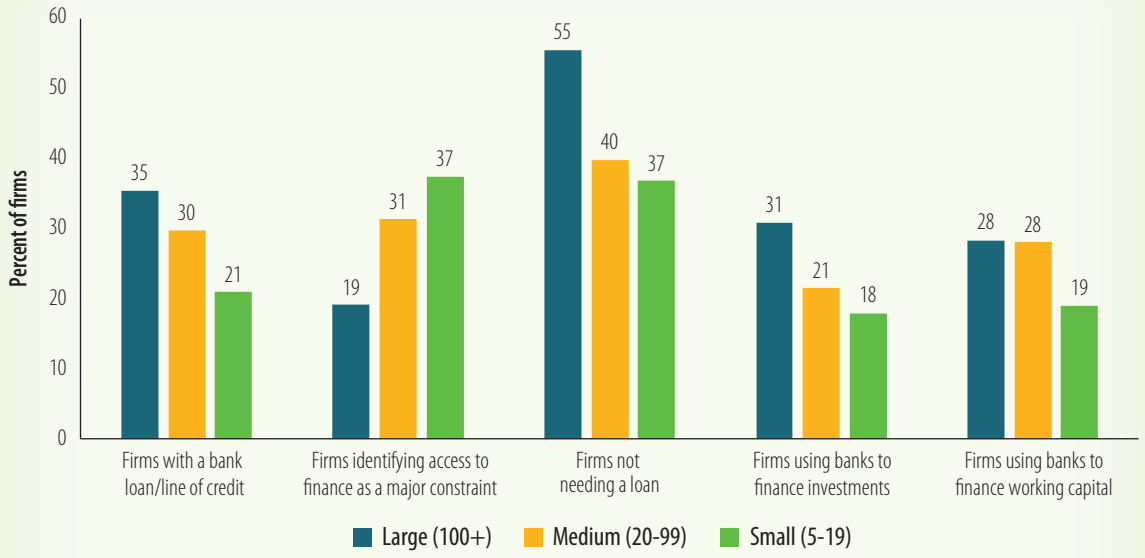
Political distortions create barriers to entry and prevent smaller firms from growing

The lack of firm dynamism contributes to the prevalence of low-quality work—informal, casual, and temporary. This type of work is associated with lower earnings, less employment security, and worse working conditions than in formalized wage employment.[75] The number of firms hiring employees in the region is disproportionately low, as 95 percent of firms are single owner-operator arrangements. These single-person businesses are disproportionately concentrated in low-value activities, especially in agriculture, and they are disproportionately informal, with low labor productivity and low hourly earnings. Similarly, piece-rate pay and partial payments when short on cash are common among micro firms in the region, passing a significant amount of income insecurity to the workers. Moreover, even when excluding own-account workers, the distribution of firms in the region is heavily skewed toward firms with fewer than five employees.[76] Indeed, when excluding own-account firms, Sub-Saharan Africa shifts from having the highest density of firms per capita to the second lowest (after South Asia).

73 World Bank Group African Competition Forum (2016).
74 World Bank Group Cartel Database; Purfield et al. (2016).
75 Fields et al. (2023).
76 Cruz et al. (2025).

Credit market distortions disproportionately affect smaller businesses (figure 2.13). Sub-Saharan Africa has seen significant expansion of financial inclusion as measured by account ownership, driven largely by the adoption of mobile money, with 55 percent of adults having an account. However, financial institutions' risk aversion to micro, small, and medium-sized enterprises remains high, affecting upwards of 50 percent of economic growth and 90 percent of new employment. Moreover, publicly owned financial institutions tend to prioritize politically connected firms. A shift from lending primarily to SOEs toward more private sector lending has contributed to economic growth in places. In Kenya, for example, the banking sector's profitability indicators have strengthened, leading to increased lending activities and both reflecting and contributing to economic recovery. However, in several countries, intermediation remains low, with low national savings rates contributing to the lack of financial sector development.

Figure 2.13: Financial Inclusion Survey Results, by Firm Size, 2020–24



Source: World Bank Enterprise Surveys.

Note: Values for the percent of firms are averages across countries in Sub-Saharan Africa with surveys conducted during 2020–24. Firm size is measured by the number of employees.

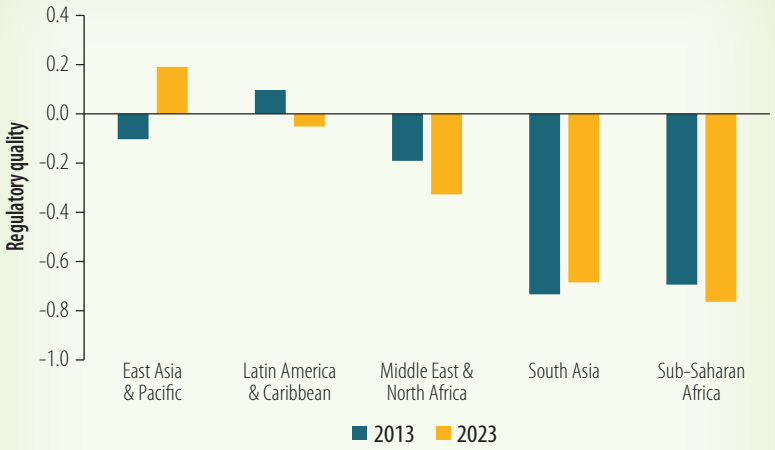
Weak and inequitable legal recourse prevents market challengers from gaining a foothold. Overall, the rule of law has declined in the region over the past decade, and countries in Sub-Saharan Africa fare worse on average than countries in other regions (figure 2.14). This includes the enforcement of contracts, the protection of property rights, and an effective court system. Smaller firms are more likely to experience requests for payments of bribes (figure 2.15). In addition, smaller firms face greater difficulties enforcing contracts and resolving disputes in courts, as reflected by their lower view of court independence in surveys, potentially hindering their growth or the creation of new businesses (figure 2.16).

Actively encouraging a competitive marketplace requires inclusive governance

Exclusive politics and lack of transparency facilitate regulatory capture by dominant market players. Access to state business opportunities remains largely in the hands of well-off groups in many African countries (map 2.1). Dominant firms tend to be well connected to political decision-makers, enabling them to influence economic policy, shape regulation, avoid accountability, and benefit from privileged access to permits, licenses, grants, public contracts, and subsidies.[77] As a result, investor perceptions of competition in Sub-Saharan Africa indicate that there are significant business risks associated with weak competition, particularly excessive trade protection, unfair competition practices, and vested interests.[78]

Weak competition authorities lack the capacity and mandate for effective enforcement. Budgets and staff allocations to competition authorities in Sub-Saharan

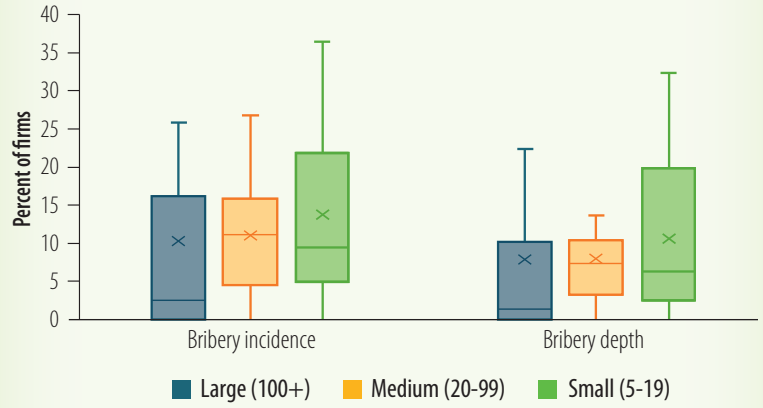
Figure 2.14: Regulatory Quality Has Declined in the Region, 2013 and 2023



Source: Worldwide Governance Indicators, World Bank, www.govindicators.org.

Note: The y-axis represents estimates of governance in standard normal units, with zero corresponding to the global mean.

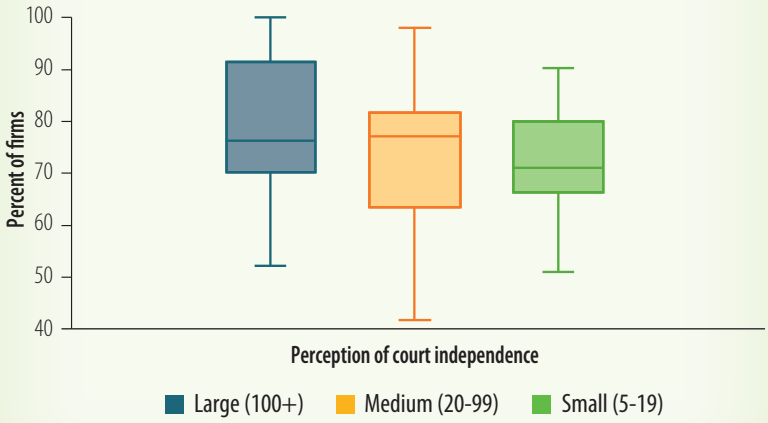
Figure 2.15: Bribery Incidence and Depth, by Firm Size, 2020–24



Source: World Bank Enterprise Surveys.

Note: Bribery incidence refers to the percent of firms experiencing at least one bribe payment request. Bribery depth refers to the percent of public transactions in which a gift or informal payment was requested. The box and whisker plots represent the distributions of the respective indicators across countries in Sub-Saharan Africa, with the line inside each box marking the median value and the "x" marking the average value. Only countries with surveys conducted between 2020 and 2024 are included. Firm size is measured by the number of employees.

Figure 2.16: Perceptions of the Rule of Law, by Firm Size, 2020–24



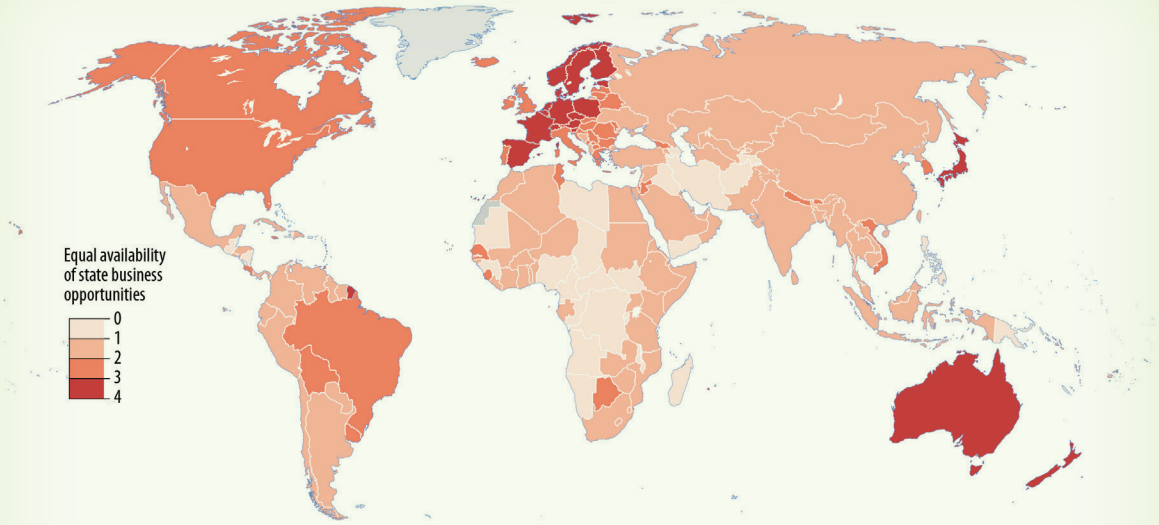
Source: World Bank Enterprise Surveys.

Note: Firm size is measured by the number of employees.

77 Canen and Wantchekon (2022).

78 Economist Intelligence Unit (2022).

Map 2.1: Privileged Access to State Business Opportunities, 2021



Source: Varieties of Democracy project, V-Dem Dataset v14, https://v-dem.net/data/dataset-archive/.

Note: The indicator measures on a scale of 0 (extremely unequal) to 4 (equal) whether state business opportunities are equally available to qualified individuals regardless of socioeconomic position. State business opportunities refer to public procurement contracts, public-private partnerships, and so on. Socioeconomic position refers to attributions of wealth, occupation, and other economic circumstances, such as owning property. This map was produced by the cartography unit of the Word Bank Group (IBRD 48774: April 2025).

Africa are among the lowest globally (figure 2.17, panel a). Operational autonomy is also low compared to the global average (figure 2.17, panel b), creating risks of political interference in the decisions of competition authorities. Competition authorities also seem to lack teeth: they have less power and resources to investigate and enforce sanctions than their counterparts globally. In addition, the quality of anticompetitive regulation is lacking, and Sub-Saharan Africa ranks the lowest globally in terms of the extent to which rules enable a market-based economy.[79] As of December 2022, 15 Sub-Saharan African countries did not have a national competition law, and three had a law but the competition agency was not in place. Various countries are members of a regional agreement establishing antitrust regulations, but regional enforcers lack the minimum resources needed for implementation.

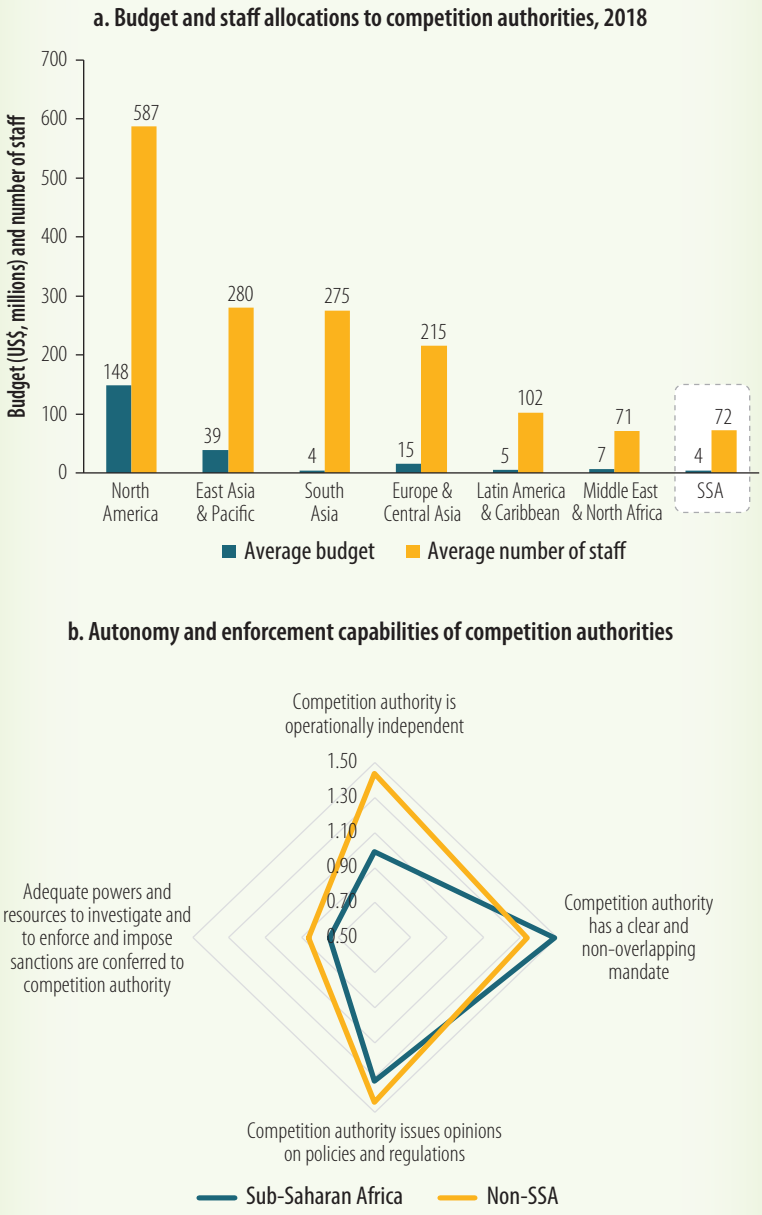
Moreover, the limited autonomy of regulatory agencies plays against the interests of smaller competitors and consumers. Across many African countries, political appointments in regulatory agencies limit regulators' autonomy and facilitate political interference in regulators' decisions. Regulators must contend with low enforcement capacity and unclear mandates, sometimes with multiple agencies regulating the same sector. In addition, the lack of transparency of regulatory processes creates an enabling environment for collusion between regulators and market players. In contrast with most high-income countries, most countries in Sub-Saharan Africa do not provide advance notice of regulatory changes, make information about existing regulations accessible, nor have mechanisms in place to report on the results and impact assessments of regulatory policies.[80] Regulatory issues are particularly salient in infrastructure provision. In the absence of strong and autonomous regulators, powerful private businesses and SOEs can influence government regulations, skewing decisions such as licensing

79 Bertelsmann Stiftung's Transformation Index 2022.
80 World Bank (2017).

fees, tariff structures, and dispute arbitration in their favor. Well-regulated utilities, whether public or private, indeed tend to experience fewer losses, fewer outages, and more efficiency gains.

The high degree of state involvement in markets also creates barriers to competition. SOEs are important employers in communities and play a major role in African economies, often providing key infrastructure. SOEs can address natural monopolies, manage strategic sectors that are critical to national security, and ensure universal access to essential services. Yet, while their presence in commercial markets needs to be carefully weighed, SOE creation and activities in Africa tend to be less subject to competition law and authorities than the global average (figure 2.18). They also tend to benefit from advantages from state support, such as barriers to entry, direct transfers, subsidies, lower tax burdens, and easier access to financing. Although such advantages can be justified by strategic policy objectives, they can also limit private sector participation and disincentivize investment. Poor SOE governance is also at stake. Political

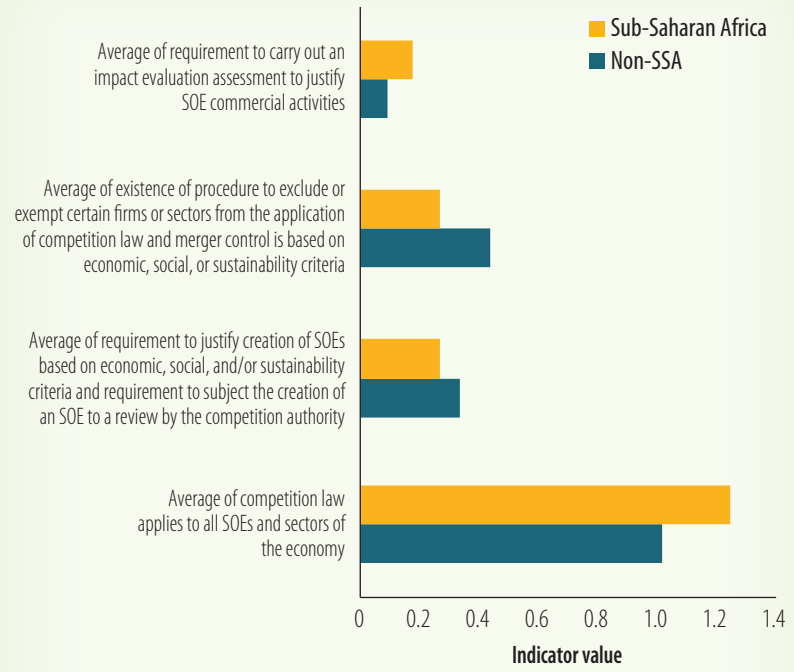
Figure 2.17: Competition Authorities in Sub-Saharan Africa and Other Regions



Sources: Africa Competition Forum, World Bank Group; International Debt Report database; B-READY database, World Bank.

Note: Panel b includes a subset of countries based on the first round of B-READY data available in 2024. SSA = Sub-Saharan Africa.

Figure 2.18: SOEs and Market Competition



Source: B-READY database, World Bank.

Note: Data for selected countries based on the first round of B-READY data available in 2024. SOEs = state-owned enterprises; SSA = Sub-Saharan Africa.

interference in appointments and management, the use of SOEs for political patronage, and the lack of transparency in SOE operational and financial management facilitate mismanagement and regulatory capture. These risks are heightened in countries where SOEs act as regulators and market players at the same time, creating potential conflicts of interest around market allocation and price regulation.

2.4 TAKING STEPS TOWARD STRENGTHENING THE FISCAL CONTRACT AND LEVELING THE PLAYING FIELD TO UNLEASH INCLUSIVE GROWTH

The dramatic rise in citizen protests and armed conflict over the past 20 years is a call to action. Where political institutions are failing to respond to the voice of a discontented population, the option of exit, whether through migration or insurgency, may be more appealing to some people. As Africa's population will nearly double over the next 25 years and the effects of climate change are mounting, the need to break patterns of exclusion and inequality is urgent.

Sub-Saharan Africa's growing divergence from the rest of the world is not for lack of technical solutions but for the difficulty of overcoming the skewed incentives that have kept much of the continent in a low-level equilibrium. From a technical perspective, there is general understanding of the types of policies and investments that are needed to establish a fair and broad-based tax system that is capable of supporting public services. It is also generally known what kinds of regulations are needed to facilitate a competitive private sector that creates jobs and economic opportunities.

Governments' skewed incentives to deliver for their citizens often have their origins in the complex historical, structural, socioeconomic, and geopolitical context in which states have developed and governance structures have evolved. For example, building nation-states in challenging circumstances where they did not previously exist often facilitated political dealmaking and patronage that compromised the public interest. States that are rich in natural resources have been susceptible to growth without development, as the extractive enclave economy undermines healthy fiscal contracts and broad-based investment. The demographics of a largely dispersed rural population combined with identity-based cleavages contribute to patterns of electoral politics that favor clientelist behavior over policy-based competition.[81] Governance solutions therefore need to be context-specific and to fix the incentive system by leveraging the power of transparency and accountability in ways that account for countries' historical and socioeconomic idiosyncrasies. This is particularly true for countries characterized by fragility, conflict, and violence, where limited state capabilities, deeply rooted grievances and divides, and instability must be wisely factored into the choice and sequencing of reforms.

In the face of an increasingly difficult global economic environment, governments have no choice but to show results to their citizens. Within governments, this will require building a broader power base for a more inclusive type of politics, but combatting the entrenched interests of the politically connected takes courage and time to build goodwill. Practically, a good path to take is through focusing on areas in which governments can improve the lives of their citizens: service delivery and regulation. Inclusion and accountability are important here, too. Ensuring that systems work for people at the practical level can build broad support and create an inclusive incentive structure at the higher level. An engaged and invested population will choose voice over exit, holding governments accountable through political discourse.

81 There is a large literature on the origins, evolution, and consequences of patrimonialism, elite bargaining, rent-seeking, and electoral politics in Africa (for example, Acemoglu, Johnson, and Robinson 2001).

Section 3. Policy Recommendations

Calls for better security, basic services, and access to economic opportunities are at the heart of citizen discontent and lack of trust in government. Existing growth and job opportunities are insufficient to meet the rapid expansion of the population. Tens of millions of young Africans join the labor market every year, and few of them can find wage employment—thus leaving the majority of young Africans unemployed or employed in low-productivity, non-organized modes of production with significant income insecurity. Compounded by the higher cost of living, weak governance in African countries has triggered protests and palpable anger among the young. This reflects the public perception that the state is not capable of delivering services and economic opportunities to the people.

Creating and sustaining broad-based economic opportunities for people in the region requires building a diverse and resilient economy. This, in turn, entails strengthening the inclusiveness and accountability of institutions so that they can deliver quality services and fairer market opportunities. The conditions necessary for broad-based opportunities include (1) prudent approaches to monetary and fiscal policy to manage risks; (2) adaptation to reduced foreign aid and transparent and accountable governance of service delivery; (3) fair tax enforcement and improved debt management practices that foster public confidence and create space for social and public investment programs; (4) effective systems of accountability and incentives within government to reduce corruption and rent-seeking; (5) an enabling environment for dissent, providing voice and engaging citizens; (6) a fairer and more efficient state role in the markets; and (7) international cooperation in areas where domestic solutions are insufficient.

A cautious approach to monetary policy making

Monetary authorities may need to manage the balancing act of reducing inflation and keeping inflationary expectations anchored against supporting economic activity. Over the coming months, central banks may need to manage the risks to inflation posed by domestic conditions and policy uncertainty across the globe. The likely inflationary effects of more restrictive trade policies around the world may pause and delay the easing cycle that central banks in major economies started in the second half of 2024. Higher-for-longer interest rates in the United States could strengthen the US dollar and heighten the risk for weaker currencies in Africa. In this context, central banks need to anchor expectations within inflation target bands (South Africa) and/or keep monetary policy tightened if inflation remains sticky (Ghana and Nigeria). Other countries with scope to ease monetary policy may do so prudently as long as inflation remains low (Kenya and Mozambique). Overall, safeguarding stability to boost growth would require the adoption of policies to prevent or cope with risks and strengthen resilience in the face of uncertainty.

The fiscal contract in a world with reduced foreign aid

African governments must adapt to the ongoing reduction of official development assistance by prioritizing the protection of critical health, education, and energy services while reducing long-term aid dependency. In the near term, securing emergency financing from international institutions, restructuring debt to free up fiscal space, and repurposing public expenditures

toward essential services are crucial to preventing disruptions in healthcare programs, including HIV/AIDS treatment, malaria prevention, and maternal care.

While growth is expected to accelerate over the next three years, African governments need to consolidate efforts to reduce primary deficits to maintain sustainable public debt levels. Strengthening domestic resource mobilization must be approached with careful attention to the implicit contract between citizens and states, providing greater government accountability in return for paying higher taxes.[1] Citizens will be more willing to pay their taxes if they are satisfied with public services, have confidence that their share is fair, and feel that they have influence over how taxes are used.[2] In this context, the government must balance increased interest payments on outstanding debt while trying to strengthen economic resilience and strengthening the enabling environment that unlocks economic opportunities. Improving access, quality, and equity in public services—ranging from security to social services and infrastructure—is thus a first-order priority to strengthen public confidence.

In practice, there are no quick solutions to poor governance of service delivery, but ensuring both transparency and opportunities for collective action can shift incentives.[3] Big push efforts, through national legislation on access to information or multilateral initiatives on open fiscal governance, such as the Open Government Partnership, have the potential to create incentives for governments to perform better in managing resources and delivering services. Targeted transparency initiatives can also be effective at changing the incentives and behaviors of politicians and service providers. This can take many forms, ranging from information sharing on government policies and services to the provision of data and information on fiscal management and government performance. Specifically, strategic communications on policy changes and introduction of one-stop citizen portals for service delivery can improve operational accountability, while budget transparency, procurement transparency, and publicization of audits can ensure strong fiscal practices. However, the impact of transparency can be slow to materialize or perverted in the absence of strong checks and balances. Transparency is especially potent when it is coupled with effective opportunities for citizens to voice their concerns and reward or sanction providers. Such efforts require an active civil society, independent media, protections for freedom of expression and association, and opportunities to hold governments accountable.

A fair, transparent, and efficient approach to fiscal sustainability

Fair domestic resource mobilization and transparent debt management are critical to manage fiscal and debt sustainability risks. Tax fairness and equity are central for citizens' trust in the fiscal contract. Broadened tax bases and more progressive tax structures will require focus on progressive instruments, such as personal income tax and the untapped potential of property taxes, while eliminating ineffective tax expenditures and subsidies.[4] However, *how taxpayers are taxed* arguably matters even more for the fiscal contract than how much is collected.[5] Taxpayers

1 Dom et al. (2022); Prichard (2015).

2 Cloutier et al. (2021).

3 For example, Kosack and Fung (2014).

4 The Uganda Revenue Authority found out that high net worth individuals underpay personal income tax due to absence of declaration or under-declaration (Kangave et al. 2018). On average, recurrent property tax contributes 0.38 percent of gross domestic product (GDP) in Africa, compared to 2.2 percent of GDP in Organisation for Economic Co-operation and Development countries (Prichard and Zebong A. 2017).

5 Moore, Prichard, and Fjeldstad (2018).

who are victims of bribery or extortion by the tax administration or who feel that rich people do not pay their fair share will be more reluctant to pay taxes. Here again, there are no easy ways out of unfair and corrupt tax administration systems, but solutions that incorporate norms, incentives, and behavioral factors and smartly leverage digital technology have been shown to curb some forms of corruption among tax officials.

Policies to improve governance in tax administrations can help African governments to improve public perception of the fairness of tax collection. Investments in tax administration are critical, including taxpayer identification, segmentation of taxpayers, and specialization of tax inspectors.[6] Digital solutions combined with proper incentives for tax officials can be effective in enhancing tax compliance and revenue collection. Tax e-filing and e-payment can help to reduce compliance costs, improve record-keeping, and identify missed declarations. Training and specialization of tax officials, combined with monitoring collusive practices, are critical to improving tax services and addressing corruption.[7]

Finally, enhanced fiscal transparency can help to reduce the cost of sovereign debt.[8] National debt management policies should be strengthened and governed by effective institutional arrangements that emphasize transparency, participation, accountability, and coherent decision-making. Debt transparency is at the heart of debt management reforms. Evidence shows that debt transparency contributes to higher creditworthiness, lower borrowing costs, and greater foreign direct investment inflows.[9] Adopting comprehensive data disclosure requirements as well as transparent and participatory borrowing procedures is critical to hold policy makers accountable.[10]

Enhanced accountability to reduce corruption in service delivery and markets

Corruption, both petty and grand, has a corrosive effect on growth, equity, and security, while more broadly creating distrust between the state and citizens. Although political campaigns often run on an anticorruption platform, with new governments showing early energy for investigations and prosecutions, these efforts tend to be limited in time and scope as crackdowns align with political interests. In practice, successful anticorruption efforts testify to the need for more gradual, targeted, and context-specific approaches. The menu of anticorruption measures in public administration is large, ranging from fiscal or policy transparency measures to asset declaration, whistleblower protection, and technology-based fraud detection systems. However, their impact has been uneven and hinges on the ability to build broad support and overcome the resistance of vested interests. In effect, practical measures that are in the interest of a critical mass with sufficient bargaining power or have the potential to contribute to concrete changes in development outcomes can gradually shift incentives in favor of integrity and the rule of law.[11] Shifting social norms around corruption by

6 Identification and registration efforts often disproportionately focus on low-income earners in the informal sector, leading to regressive impacts that undermine equity and morale (Gallien et al. 2025). Segmentation includes the setup of high-net-worth units, such as in South Africa (Oguttu 2024).

7 Some techniques, like lifestyle audits and cross-checking information from various sources, have demonstrated impact in some African countries (Oguttu 2024). Okunogbe and Santoro (2022) document the application of recent technological solutions to improve tax administration in Africa.

8 Kubota and Zeufack (2020).

9 Pazarbasioglu (2019); Kubota and Zeufack (2020); Rivetti (2021).

10 This includes making available information on the amount borrowed by the government as well as its contractual terms through domestic platforms.

11 Khan, Andreoni, and Roy (2016).

highlighting its costs or encouraging leaders to set examples can also contribute to changing patterns of corrupt behavior.[12]

Citizens' fight against corruption in the public administration also requires a strong system of institutionalized checks and balances. The work of whistleblowers and anticorruption advocates requires a strong and autonomous justice system and agencies that are able to investigate and prosecute cases. In markets, improving transparency and accountability can also help to limit corruption. Transparency in tax, services, and regulatory practices can decrease opportunities for collusion and rent-seeking between policy makers and politically connected businesses. Here again, however, transparency can be fully effective only if it is buttressed by strong institutional independence supporting procedures to regulate and punish wrongful behavior. A fair judiciary can play a fundamental role in fighting political distortions to market activity, while building the autonomy and capacities of competition and regulatory authorities is equally critical. Despite theoretically large mandates, most authorities struggle with inadequate budgets and strong staffing constraints, which are often deliberate. Some countries have shown that gradual improvements in the role and autonomy of these actors are possible, especially in emerging markets and where the interests of critical market players create opportunities for reform coalitions.

Creation of an enabling environment for collective action and government responsiveness

An independent civil society, an established and autonomous judiciary, and a plural legislature are critical to ensure that governments are held to account on their mandate to deliver to the people. In many countries, these counterpowers face limits to their independence and are vulnerable to repression. Safeguarding their independence and building their capacities, in often challenging political contexts, are a critical dimension for improving accountability in the region.

Civil society can play an important role in supporting collective action and contestation. Recent events show that protest and civic mobilization are an important avenue for voicing citizens' demands. Civil society can also contribute to fostering citizen participation in policy or budget deliberation—in townhall meetings or other forums—and to enhancing social accountability through citizen monitoring of services. Yet, civil rights and free speech need to be safeguarded and built upon, within a challenging environment, to allow civil society to play its role.

Civil society is at the forefront of the reform agenda on digital inclusion and digital rights, and these efforts should be supported and sustained. Although access to the internet and social media has dramatically expanded since the 2000s, the continent still regularly witnesses internet and social media disruptions and shutdowns, especially during times of political crisis and protests. Poor regulation, malfeasance, and political manipulation also expose internet users to a range of risks, from cyberattacks to identity theft and surveillance. More and better regulation is needed in the digital sphere, including protection of digital rights; regulatory frameworks on data protection, privacy, and security; and regulatory authorities, such as independent data protection agencies.

12 Patel and Hoffmann (2017).

Creating better conditions for electoral accountability is also central to generating incentives for governments to deliver. In the election sphere, electoral integrity requires strong and independent electoral commissions that are able to set, implement, and monitor electoral rules. It also requires better regulated political financing to reduce short-term funding incentives and conflicts of interest.

A reimagined role of the state in the market to reduce political distortions and create job opportunities

Political distortions hinder market competition. Across many economic sectors, opaque economic policy making and privileged access to policy makers protect connected market players while closing off opportunities for small firms and job seekers. More transparent and equitable regulations and tax and credit policies and fairer enforcement of existing policies can promote fairer access to business opportunities. Strong competition and regulatory authorities have an important role to play. Although there have been efforts to establish independent authorities, their capacities and resources remain limited compared to global averages, and political interference continues to be a major issue. Unequal treatment of market players is also reflected in the court system, making access to and integrity of the courts critical to lifting barriers for smaller firms and investors.

State involvement in markets can also be used in a much more inclusive manner. More transparent, competitive, and performance-oriented public procurement and public-private partnership processes can create fairer access to state business opportunities for non-connected market players. However, curbing rent-seeking requires high levels of political commitment from governments. Specific measures have been shown to be effective. For example, institutional oversight that is equipped to regulate, monitor, control, or audit state-business interactions and public pressure to deliver public goods and infrastructure can ensure proper incentives for public officials engaging with the private sector.

While state-owned enterprises (SOEs) have an important role to play in African economies, including in strategic sectors and to deliver selected public services, the role and governance of SOEs urgently need to be revisited to ensure that they do not crowd out private investment and are not used as vehicles for patronage and political corruption. Here again, shifts in governments' incentives to manage SOEs properly will largely depend on the ability to improve the financial and operational transparency of SOEs and hold their line ministries and managers to account for providing infrastructure, services, and jobs.

Use of supranational regulations to address the political incentives in Africa

The international community should tackle the continent's biggest challenges at the supranational level. Issues such as tax evasion, illicit financial flows, and smuggling all need to be addressed through international collaboration. Illicit financial flows alone cost Africa an estimated US$88.6 billion annually.[13] To address these flows, countries should prioritize multilateral cooperation on stolen asset recovery, financial investigations, and dealing with

13 UNCTAD (2020).

corruption cases.[14] Similarly, resource-rich economies will require international cooperation around base erosion and profit shifting to ensure that local communities benefit from the resources.

African governments must address the impact of reduced energy aid by strengthening regional energy cooperation. Expanding electricity trade through regional power pools and fostering private sector investment in renewable energy through public-private partnerships can help to sustain progress. Funding from institutions such as the World Bank Group and the African Development Bank, which have pledged to provide electricity access to 300 million people in Sub-Saharan Africa by 2030, can play a crucial role in bridging the region's energy gap.

Finally, national and supranational institutions supporting regional integration and cooperation should be strengthened to exploit economies of scale and agglomeration that are conducive to greater competition, technology adoption, and innovation in Sub-Saharan Africa.[15] Effective implementation of the African Continental Free Trade Area (AfCFTA) has the potential to deliver such promise. The AfCFTA Secretariat plays an essential role in aligning and coordinating the concerted efforts of regional economic communities and member states. The Secretariat can assist in administering the trade agreement for member states, including by providing a platform for the compliance of regional instruments and dispute resolution on the application or interpretation of the agreement. It can also serve as a portal for managing and coordinating regional trade-related cooperation projects.[16]

14 UNCTAD (2020).

15 This includes empowering National Implementation Committees and fostering cooperation between the AfCFTA Secretariat and other institutions, such as the African Development Bank and the United Nations Economic Commission for Africa.

16 Echandi, Maliszewska, and Steenbergen (2022) provide a more detailed discussion on the role of suprational institutions to ensure the success of the AfCFTA.

Appendix A. Macroeconomic Tables

Table A.1: Real GDP Growth at Constant Market Prices (%) and Consumer Price Index (annual change)

	Real GDP growth, at constant market prices (%)							Consumer Price Index, annual change (%)						
	2010-19	2022	2023	2024e	2025f	2026f	2027f	2010-19	2022	2023	2024e	2025f	2026f	2027f
Angola	2.0	3.0	1.0	4.4	2.7	2.6	3.2	17.0	21.4	13.6	28.2	25.0	18.0	12.2
Burundi	2.2	1.8	2.7	3.5	3.5	3.7	4.0	7.0	18.8	27.1	20.2	39.1	31.3	24.5
Benin	4.8	6.3	6.4	7.5	7.2	7.1	7.0	1.3	1.4	2.8	1.2	1.5	1.5	1.5
Burkina Faso	6.0	1.5	3.0	4.9	4.3	4.7	5.0	0.2	14.0	0.7	4.2	3.0	2.5	2.0
Botswana	4.7	5.6	3.2	-3.0	0.6	4.2	3.8	4.8	12.2	5.1	2.8	4.0	5.0	5.0
Central African Republic	-0.2	0.5	0.7	1.5	2.1	2.2	2.8	4.5	5.6	3.0	1.5	2.7	3.3	2.8
Côte d'Ivoire	7.5	6.4	6.5	6.0	5.8	6.1	6.4	1.4	5.2	4.4	3.5	3.0	2.6	2.3
Cameroon	4.3	3.7	3.2	3.7	3.7	3.8	3.9	1.9	6.3	7.4	4.5	3.7	3.2	3.0
Congo, Dem. Rep.	6.2	8.9	8.6	6.5	4.8	5.0	5.3	12.9	9.3	19.9	17.7	8.9	7.5	7.0
Congo, Rep.	1.3	1.5	1.9	2.6	2.8	3.1	3.0	2.3	3.0	4.3	3.8	3.8	3.0	3.0
Comoros	3.1	2.8	3.0	3.4	3.7	3.8	4.0	1.7	12.4	8.5	5.0	4.0	3.3	3.0
Cabo Verde	2.9	15.8	5.5	7.3	5.9	5.3	4.9	1.3	7.9	3.7	1.0	1.8	2.0	2.0
Eritrea	5.2	2.5	2.6	2.9	3.1	3.4	3.5	3.3	7.4	6.4	4.1	3.9	4.0	4.0
Ethiopia	9.8	6.4	7.2	8.1	6.4	6.5	7.2	13.5	33.7	32.6	26.7	20.7	16.9	10.6
Gabon	4.1	3.0	2.4	2.9	2.1	2.2	3.0	1.9	4.3	3.7	2.4	2.3	2.2	2.3
Ghana	6.7	3.8	3.1	5.7	3.9	4.6	4.8	11.3	31.9	39.2	22.9	17.2	9.4	8.0
Guinea	6.1	4.0	5.5	5.7	6.5	8.8	11.3	11.8	10.5	7.8	8.1	7.0	7.0	6.9
Gambia, The	2.9	5.5	4.8	5.7	5.6	5.3	5.5	6.1	11.5	16.9	11.7	9.0	6.5	5.0
Guinea-Bissau	4.2	5.6	4.4	4.6	5.1	5.2	5.2	1.3	7.9	7.2	3.8	3.0	2.8	2.5
Equatorial Guinea	-3.3	3.2	-5.1	1.6	-3.1	0.6	-1.1	3.0	4.9	2.4	3.4	2.9	2.6	2.1
Kenya	5.0	4.9	5.6	4.5	4.5	4.9	5.0	7.1	7.6	7.7	4.5	5.0	5.0	5.0
Liberia	3.1	4.8	4.7	4.8	5.1	5.5	5.7	12.0	7.6	10.1	8.4	7.2	5.6	5.1
Lesotho	1.6	2.4	1.8	2.3	1.5	0.9	0.6	4.9	8.3	6.4	6.1	5.6	5.7	5.8
Madagascar	3.0	4.2	4.2	4.2	3.7	3.9	4.4	7.3	8.2	9.9	7.6	8.5	8.1	7.7
Mali	4.4	3.5	3.5	4.0	4.8	4.8	4.7	0.3	9.7	2.1	3.2	2.6	2.3	1.9
Mozambique	5.7	4.4	5.4	1.8	3.0	3.5	3.5	7.8	10.3	7.1	3.2	5.5	4.5	4.5
Mauritania	4.1	6.8	6.5	5.2	4.9	4.5	5.4	2.0	9.5	5.1	2.5	2.0	3.5	3.5
Mauritius	3.8	8.7	5.0	4.7	3.2	3.0	2.9	3.0	10.8	7.0	3.6	3.0	2.9	2.9
Malawi	4.4	0.9	1.9	1.8	2.0	2.4	3.2	16.1	20.9	28.7	32.3	34.7	27.8	19.4
Namibia	3.1	5.4	4.4	3.7	2.9	3.4	3.5	5.2	6.1	5.9	4.2	4.2	4.6	4.6
Niger	6.2	11.5	2.0	8.4	7.1	5.1	4.5	0.7	3.9	3.7	9.1	5.3	4.7	3.0
Nigeria	3.6	3.3	2.9	3.4	3.6	3.7	3.8	5.2	12.2	17.9	26.6	22.1	18.5	15.9
Rwanda	7.2	8.2	8.2	8.9	7.0	7.3	7.3	3.7	12.1	15.4	4.8	5.0	5.0	5.0
Sudan	-0.9	-1.0	-29.4	-13.5	5.0	9.3	4.1	32.1	164.2	65.8	170.0	89.4	33.1	20.0
Senegal	4.8	3.9	4.3	5.8	7.9	5.9	6.7	1.1	9.7	5.9	0.8	2.0	2.0	2.0
Sierra Leone	5.2	5.3	5.7	4.0	4.1	4.2	4.2	9.7	24.9	47.2	29.1	18.0	15.5	12.0
South Sudan	-5.8	-2.3	-1.3	-7.2	-34.7	41.1	21.2	83.7	22.0	18.0	35.0	179.8	66.4	16.8
São Tomé and Príncipe	3.4	0.2	0.4	0.9	3.1	4.8	4.1	8.5	18.0	21.1	14.4	9.6	6.3	5.0
Eswatini	3.1	1.1	3.4	4.8	5.0	4.0	2.8	5.7	4.8	5.0	4.0	5.6	5.0	4.5
Seychelles	6.1	12.7	2.3	2.4	3.1	3.0	2.9	2.7	2.6	-1.0	0.3	1.0	1.4	1.9
Chad	4.7	13.0	4.1	3.7	3.5	4.5	4.4	1.5	5.8	4.1	5.7	4.6	3.5	3.0
Togo	5.4	5.8	6.4	5.3	4.9	5.4	5.5	1.4	7.5	5.3	2.9	2.6	2.7	2.4
Tanzania	6.3	4.6	5.1	5.5	5.7	5.9	6.1	7.1	4.4	3.8	3.1	3.6	4.0	4.0
Uganda	5.4	4.7	5.3	6.1	6.2	6.2	10.4	6.2	3.7	8.8	3.2	3.7	5.0	5.0
South Africa	1.7	1.9	0.7	0.6	0.7	1.1	1.3	5.2	6.9	6.0	4.4	4.1	4.6	4.6
Zambia	4.9	5.2	5.4	4.0	6.2	6.8	6.4	8.8	11.0	10.9	15.0	14.2	9.2	8.0
Zimbabwe	6.1	6.1	5.3	2.0	6.0	4.6	3.6	62.0	160.2	667.4	736.1	84.9	16.9	8.0

Source: World Bank estimates. *Note:* e = estimate; f = forecast; GDP = gross domestic product.

Note: For Nigeria, the Consumer Price Index (CPI) series reflects World Bank calculations on the back-casted series following CPI rebasing by the National Bureau of Statistics (NBS).

Table A.2: General Government Balance (% of GDP) and General Government Debt (% of GDP)

	General government balance (% of GDP)							General government debt (% of GDP)						
	2010-19	2022	2023	2024e	2025f	2026f	2027f	2010-19	2022	2023	2024e	2025f	2026f	2027f
Angola	-0.3	6.5	1.3	-1.5	-2.1	-2.2	-2.2	57.0	69.5	88.7	70.9	72.2	74.4	72.4
Burundi	-3.3	-10.7	-9.3	-6.9	-5.6	-5.3	-4.4	41.2	70.2	68.4	69.3	68.2	66.1	64.6
Benin	-1.8	-5.5	-4.1	-3.0	-2.9	-2.9	-2.9	29.0	54.2	54.5	53.4	51.3	49.7	48.3
Burkina Faso	-3.3	-10.3	-6.5	-5.6	-4.7	-3.8	-3.6	31.9	56.4	54.0	54.9	54.4	53.7	52.7
Botswana	-1.4	-1.9	-4.2	-9.2	-8.5	-7.8	-7.2	24.1	20.4	22.5	35.3	39.7	38.9	37.8
Central African Republic	-1.3	-5.3	-3.6	-4.9	-2.3	-1.3	-1.8	44.6	51.0	58.2	60.5	59.5	58.6	57.3
Côte d'Ivoire	-2.2	-6.7	-5.2	-4.0	-3.0	-3.0	-3.0	30.5	57.3	58.5	59.6	58.6	57.1	55.8
Cameroon	-2.7	-1.1	-0.7	-0.4	-1.0	-1.0	-1.2	27.1	43.7	43.0	41.7	39.2	38.7	36.9
Congo, Dem. Rep.	0.3	-0.9	-1.7	-2.0	-3.8	-2.4	-1.9	24.9	21.8	24.3	22.1	26.0	25.3	24.2
Congo, Rep.	2.7	7.9	3.6	2.0	2.7	3.4	3.6	57.4	86.6	96.0	93.5	89.6	83.2	79.3
Comoros	0.9	-3.9	-1.3	-3.9	-3.7	-3.3	-3.1	19.4	34.1	34.8	36.8	37.6	38.0	37.8
Cabo Verde	-5.5	-4.0	-0.3	-1.1	-1.5	-1.3	-0.6	98.3	126.7	116.4	110.2	104.6	99.3	93.9
Eritrea	-1.9	-5.6	-4.8	-4.8	-4.3	-4.1	-4.0	193.2	239.8	219.4	211.8	202.4	190.8	177.2
Ethiopia	-2.5	-4.2	-2.7	-2.0	-1.7	-2.0	-1.9	28.5	30.8	25.3	22.6	28.4	29.5	30.3
Gabon	0.2	-0.8	1.8	-3.7	-5.4	-4.7	-4.6	40.1	57.0	70.6	72.5	80.2	82.6	86.1
Ghana	-4.5	-11.8	-3.3	-7.7	-2.7	-2.0	-1.7	45.5	92.7	78.9	70.5	66.4	62.7	59.9
Guinea	-3.1	-0.9	-1.8	-3.0	-2.4	-2.0	-1.6	42.6	40.1	41.4	42.1	41.3	39.5	37.6
Gambia, The	-4.8	-5.8	-3.8	-3.5	-1.4	-1.4	-0.8	67.6	84.0	76.9	70.6	64.8	59.6	55.9
Guinea-Bissau	-2.7	-6.2	-8.2	-7.3	-4.8	-4.0	-3.3	52.2	75.5	76.5	82.3	80.5	77.6	74.6
Equatorial Guinea	-3.1	11.4	2.5	2.6	0.4	0.5	-0.4	23.3	33.4	36.9	31.3	31.5	29.4	27.8
Kenya	-6.5	-5.7	-5.4	-5.1	-4.5	-3.6	-3.3	51.1	76.2	69.9	68.1	65.8	62.9	59.9
Liberia	-11.1	-5.3	-7.1	-2.7	-3.5	-2.3	-2.1	30.4	53.9	58.8	57.2	57.0	56.1	54.5
Lesotho	-3.3	-5.5	7.1	8.8	0.1	-0.3	-2.5	39.7	57.3	55.1	59.2	58.9	57.1	53.9
Madagascar	-1.6	-5.5	-4.2	-3.3	-3.9	-4.2	-3.9	36.8	50.0	52.7	51.3	53.3	54.2	54.6
Mali	-2.7	-4.8	-3.9	-2.9	-2.7	-2.5	-2.6	30.9	51.8	53.3	52.6	52.6	51.9	51.3
Mozambique	-1.8	-4.0	-2.8	-5.5	-3.6	-2.6	-2.4	74.4	96.8	93.9	94.2	96.8	99.4	101.8
Mauritania	-0.1	-3.8	-2.4	-0.1	-1.4	-1.3	-1.0	50.2	48.5	46.4	44.0	44.8	45.2	44.6
Mauritius	-2.9	-5.7	-5.7	-5.9	-5.4	-5.5	-5.4	60.0	83.3	87.8	88.3	87.5	87.6	87.7
Malawi	-2.9	-10.8	-13.4	-8.4	-8.7	-7.1	-7.3	28.2	76.7	90.3	90.2	81.9	78.8	64.9
Namibia	-5.9	-5.1	-2.4	-3.9	-5.0	-4.3	-4.2	38.9	71.7	69.4	70.3	68.5	68.1	67.5
Niger	-3.1	-6.8	-4.4	-4.3	-3.9	-3.4	-3.2	27.9	51.7	54.7	47.6	44.5	43.0	41.9
Nigeria	-2.9	-4.4	-5.4	-3.5	-4.8	-3.7	-3.4	19.7	35.0	45.0	53.3	55.5	54.7	53.5
Rwanda	-4.1	-6.2	-4.6	-5.5	-4.8	-3.7	-3.4	35.5	68.7	73.8	78.8	84.8	86.4	86.4
Sudan	-4.2	-1.7	-3.8	-4.1	-3.7	-3.7	-3.4	113.8	183.6	167.3	147.4	142.7	124.2	106.4
Senegal	-4.5	-12.6	-12.3	-11.5	-7.6	-5.8	-4.2	45.5	86.6	99.7	105.9	99.9	93.4	88.2
Sierra Leone	-3.1	-5.4	-4.8	-4.8	-4.5	-4.1	-3.9	31.2	53.5	46.2	41.8	37.9	36.0	33.3
South Sudan	-3.1	-5.9	3.3	-6.6	-7.8	-7.2	-1.7	34.9	56.9	39.5	46.0	55.6	56.4	56.2
São Tomé and Príncipe	-7.0	-1.2	-0.1	0.7	3.9	2.1	3.3	87.7	68.8	50.7	45.7	40.3	36.6	31.6
Eswatini	-4.6	-4.8	-0.1	-2.0	-3.5	-4.5	-2.7	26.2	40.5	40.0	40.9	40.6	42.3	42.6
Seychelles	1.1	-1.4	-1.1	-0.4	-1.6	-1.0	-0.4	64.1	62.6	57.0	59.9	58.5	56.4	55.7
Chad	-1.9	2.9	-0.5	-1.9	-3.8	-2.4	-2.6	22.5	29.9	29.9	33.3	32.3	32.5	33.1
Togo	-3.6	-8.3	-6.6	-6.1	-3.0	-3.0	-3.0	48.5	67.1	67.2	69.7	68.4	66.7	65.2
Tanzania	-3.0	-3.7	-4.1	-2.8	-3.4	-3.5	-3.1	35.6	44.2	46.0	50.3	51.2	50.1	49.1
Uganda	-2.7	-8.4	-5.2	-5.1	-6.4	-6.5	-5.5	25.3	56.2	55.4	50.1	52.7	53.7	51.0
South Africa	-3.6	-3.6	-5.5	-5.9	-6.5	-5.5	-5.3	43.5	70.5	74.1	76.3	78.8	80.5	81.7
Zambia		..	..	..	..	..	..		..	..	..	..	..	..
Zimbabwe	-2.8	0.1	-6.4	-2.5	-2.7	-2.4	-2.3	38.7	1,229.2	96.6	93.3	64.6	59.0	56.7

Source: World Bank estimates. *Note:* e = estimate; f = forecast; GDP = gross domestic product.

Note: For Nigeria, the data on the general government balance is reported using a cash basis method. For Senegal, general government debt data and projections are based on the latest figures from the Court of Auditors.

Appendix B. Country Classifications

Table B.1: Western and Central Africa Country Classification

Resource-rich countries		Non-resource-rich countries	
Oil	**Metals & minerals**		
Chad	Guinea	Benin	Gambia, The
Congo, Rep.	Liberia	Burkina Faso	Ghana
Equatorial Guinea	Mauritania	Cabo Verde	Guinea-Bissau
Gabon	Niger	Cameroon	Mali
Nigeria	Sierra Leone	Central African Republic	Senegal
		Côte d'Ivoire	Togo

Note: Since July 2020, for operational purposes, the World Bank Africa Region has been split into two subregions—Western and Central Africa and Eastern and Southern Africa. The analysis in this report reflects this setup. Resource-rich countries are those with rents from natural resources (excluding forests) that exceed 10 percent of gross domestic product. The words "resource-rich countries" and "resource-abundant countries" have been used interchangeably throughout the document.

Table B.2: Eastern and Southern Africa Country Classification

Resource-rich countries		Non-resource-rich countries	
Oil	**Metals & minerals**		
Angola	Botswana	Burundi	Mozambique
South Sudan	Congo, Dem. Rep.	Comoros	Rwanda
	Namibia	Eritrea	São Tomé and Príncipe
	South Africa	Eswatini	Seychelles
	Zambia	Ethiopia	Somalia
		Kenya	Sudan
		Lesotho	Tanzania
		Madagascar	Uganda
		Malawi	Zimbabwe
		Mauritius	

Note: Since July 2020, for operational purposes, the World Bank Africa Region has been split into two subregions—Western and Central Africa and Eastern and Southern Africa. The analysis in this report reflects this setup. Resource-rich countries are those with rents from natural resources (excluding forests) that exceed 10 percent of gross domestic product. The words "resource-rich countries" and "resource-abundant countries" have been used interchangeably throughout the document.

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