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**AFRICA
EXPERT
PANEL**



Growth, Debt and Development: Opportunities for a New African Partnership

Report of the South Africa G20 Africa
Expert Panel for the G20 Leaders' Summit

November 2025



Solidarity

Equality

Sustainability



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Acronyms

ADF	African Development Fund
AfCFTA	African Continental Free Trade Agreement
AfDB	African Development Bank
AU	African Union
CRA	Credit Rating Agency
DFI	Development Finance Institution
DSSI	Debt Service Suspension Initiative
GDP	Gross Domestic Product
GEMS	Global Emerging Markets Risk Database Consortium
IDA	International Development Association
IFF	Illicit Financial Flows
MDB	Multilateral Development Bank
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
SDR	Special Drawing Rights
UN	United Nations
USAID	United States Agency for International Development

**The greatest opportunity
for global prosperity in the
21st century lies in increased
African productivity.**

**This requires productive
investment to realise the
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human potential.**

EXECUTIVE SUMMARY

A Plan for Partnership

Structural changes in the global economy demand a shift from old development paradigms. African nations must initiate and maintain high rates of economic growth and transformation to create a multitude of good jobs for their rapidly expanding workforce. The greatest opportunity for global prosperity in the 21st century lies in increased African productivity. This requires productive investment to realise the continent's economic and human potential.

African institutions are evolving and becoming increasingly effective. A system of nation-states and pan-African organisations is gaining coherence and momentum. A growing and youthful population is demanding change. In response to the global crisis, the people who lead African institutions must chart a new course. They must overcome barriers to the movement of people, goods, and capital across Africa, and realise the immense potential of continental integration. This vision has the potential to soften Africa's borders, extend its internal market, and drive growth and investment. African leaders must build a new partnership among African institutions to drive investments, negotiate fairer financing terms and export access, localise supply chains, and ensure technology transfer.

A New Partnership with Africa

At this global crossroads, African and G20 leaders must choose which path they will take. Business as usual. Or a new partnership with Africa, one that leverages the continent's institutions, its youth, and natural resources, to accelerate economic transformation and drive investment, for the benefit of Africa and the world.

Beyond the turbulence, the fundamentals for Africa's long-run growth remain strong. By 2050, one in every four people will live on the African continent. Every year, tens of millions of young Africans enter the labour market, ready to work, innovate, and contribute to their communities, and to a global economy

where populations are ageing and investment opportunities are few. Africa's natural resources, including critical minerals and arable land, position the continent as a potential driver of global prosperity and human progress. New technologies and other global changes offer Africa opportunities to build new pathways to development. In a world of ageing populations, climate change, and slow economic growth, Africa's success is not a regional concern; it is a global imperative.

To realise this potential, Africa needs a surge of productive investment in infrastructure, energy, education, health, and climate resilience. Carefully designed growth strategies can unite society behind the goals of economic transformation, and national investment frameworks can mobilise capital behind critical investments. An investment take-off also depends on credible fiscal and monetary policies, and structural reforms in key sectors, including those targeted for investment. Domestic resources are a critical foundation for sustainable investment. The growing effectiveness of pan-African institutions is also important, and the African Development Bank (AfDB), as well as regional and national development lenders, must play a catalytic role.

Partnership with the G20

Over recent presidencies, the G20 has debated Multilateral Development Bank (MDB) reform, debt sustainability, and climate finance, yet progress has been slow and credibility is waning. The South African Presidency offers an opportunity to reverse this trend by building consensus around bold, systemic reforms that benefit not only Africa but the entire global economy.

The Africa Expert Panel, convened by the South African G20 Presidency, believes that African efforts to accelerate productive investment require new global partnerships and strong multilateral cooperation. Africa offers the best opportunity for growth and development in the twenty-first century, but this requires a paradigm shift from aid dependence to a model of productive investment anchored in African agency and global partnership. The G20 can support this effort by building a global

policy framework that unlocks long-term finance at lower cost and investment at scale.

While returns on investments in Africa often exceed those in developed economies, investors are deterred by regulatory barriers and distorted perceptions of risk.

Some of our proposals offer immediate opportunities for progress, while others call for the sustained effort needed to achieve lasting transformation. The simplest and easiest actions seek to create a better environment for African infrastructure finance; while returns on investments in Africa often exceed those in developed economies, investors are deterred by regulatory barriers and distorted perceptions of risk. The G20 can help with the following:

- **Swift action to reduce investment costs by increasing project transparency.** The G20 can ask MDBs to create a public repository to disclose project-level financial data. This would enable better risk appraisal and the identification of high-return investments.
- **Simple adjustments to global banking regulations could unlock more finance for infrastructure and development.** The G20 can ensure that a development lens is applied to international financial regulation and convene discussions among development lenders and global regulators.
- **Credit rating agencies (CRAs) hold considerable power to shape borrowing costs and must be held accountable.** The G20 can help ensure that rating agencies' methods are sound, their sources are fully disclosed, and their actions are subject to regulatory oversight.
- **Transparency in sovereign lending must involve both debtors and creditors.** The G20 can help African countries strengthen debt transparency and ensure that creditors participate in reconciling debt data. Debt sustainability analysis should be improved to better distinguish between liquidity and

solvency issues, account for new external and domestic debt, and reflect sovereign net worth.

The G20 plays a critical role as a coordinating structure for global development finance. Its work to extend the balance sheets of all MDBs, expand their concessional and non-concessional lending, and innovate to crowd in private finance and insure against new risks must continue. Indeed, in a context of painful setbacks for global development finance, these efforts take on even greater importance.

Difficult reforms are required to transform the global financial architecture. All nations benefit from a rules-based system of global finance, where financial safety nets are fair and dependable. Given the IMF's significance for financial stability and development on the African continent, and the continued absence of an effective African voice in the Fund, the panel suggests an independent review of the IMF.

- **In cooperation with the G20 Finance Track, African institutions should initiate an independent review of the IMF.** This review should consider how global and continental conditions have affected the IMF and propose how the fund's governance arrangements and operating practices can be changed to more effectively perform its role in the global financial system, with a particular focus on Africa.

Debt and Development

Sovereign debt has once again emerged as a critical obstacle to development in Africa. Where debt is clearly unsustainable, it must not be allowed to linger and poison the prospects for development. It must be dealt with speedily and decisively. Only then can an economy shift its focus to the core underlying problem of investment and growth.

As in the past, this outcome is a shared responsibility of debtors, creditors, and international institutions. Each has played a part in generating the crisis, and all must contribute to finding a solution in the interest of global development

This year, negotiations in the G20 Finance Track have been unable to deliver a response that meets the scale of the debt and development crisis. A comprehensive solution is in everybody's interests but critically depends on agreement between creditor nations.

Most pressing, the global community must take action to address the position of low-income and vulnerable countries, where debt payments threaten to reverse development gains. For these countries, the next few years are expected to see a peak in debt obligations. Their challenge is not debt sustainability but sustaining development in a harsh global context.

- **Launch a new G20 Debt Refinancing Initiative for low-income countries.** The G20 can work with the IMF and World Bank to develop a debt refinancing initiative for low-income and vulnerable countries with contributions from the official sector, to address the bunching of debt service costs over the medium term.



The world needs the dynamism and creativity of Africa's youth to drive the next wave of global development.

Longer-term work is required to build stronger multilateral institutions that include both Western and “non-traditional” creditors in an agreed debt resolution framework. All Africa's major creditors are represented at the G20 table and bringing them together in a reformed and strengthened G20 Common Framework is the best way forward toward a sovereign debt resolution mechanism that is predictable, accountable, and responsive to the development needs.

A key gap can be filled if borrowing nations convene a coalition to raise their collective voice, safeguard their interests, and mobilise their agency. The expert panel welcomes the multilateral efforts underway to establish a borrowers' club and calls on African finance ministers to lead in this process.

- **Convene African finance ministers and host a global forum to launch a borrowers' club.**

Time for Collective Action

The Africa Expert Panel will continue to work with the African Chairs in the G20 Finance Track to strengthen the partnership and engagement among pan-African institutions. This work will strengthen the G20's *Africa Engagement Framework* and help to sustain the focus on Africa's priorities in the years ahead. Our goals are to reinforce Africa's voice and build continental perspectives on debt sustainability, trade, finance, climate, and technology transfer to shape global decisions.

The choice is stark: Shared prosperity or systemic fragmentation. The world needs the dynamism and creativity of Africa's youth to drive the next wave of global development. Africa offers a partnership that can deliver growth, stability, and climate resilience for the world. However, the window for action is closing fast.

The G20 nations must act now, not with rhetoric, but with real commitments to investment, reform, and partnership. This is not a call for charity. It is a call for a new global compact that positions Africa as a pillar of a more balanced, prosperous, and resilient international order. **If we fail, there will be no winners. The time for incrementalism has passed. We need bold and collective action now.**

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Recommendations

Sovereign Debt Crisis: A Shared Responsibility

A fresh debt-refinancing initiative	Launch a new G20 debt refinancing initiative for low-income and vulnerable countries with contributions from the official sector.
A Borrowers' Club	Establish a Borrowers' Club to strengthen the collective voice of borrowers and coordinate peer learning, technical assistance, and research. Convene African Finance Ministers to take this agenda forward and host the launch of the borrowers' platform.
Sovereign debt resolution mechanism	Build a multilateral sovereign debt resolution mechanism that is transparent, timely, and effective. Include middle-income countries in the G20 Common Framework, enable automatic debt standstills, accelerate negotiations, and ensure fair burden-sharing among all creditors.
Debt transparency and analysis	Assist developing countries to strengthen debt transparency, build systems for the automatic exchange of information between debtors and creditors, and ensure that creditors participate in the reconciliation of debt data. Improve debt sustainability analysis to better distinguish between liquidity and solvency issues, account for heterogeneous external and domestic debt, and reflect sovereign net worth. The G20 Finance Track should receive regular updates on work to develop and refine the debt sustainability analysis framework for both low-income and market-access countries.

Accelerating Productive Investment in Africa

Growth and investment frameworks	Define and develop national growth programs and national and regional investment frameworks to drive economic transformation and identify critical investments, supported by robust data and governance.
Empowering African Trade and Finance Institutions	Accelerate implementation of the African Continental Free Trade Agreement (AfCFTA) as a core platform for African integration and investment. Activate regional investment platforms as the drivers of cross-border economic infrastructure. Empower pan-African, regional and national development finance institutions (DFIs) to complement national strategies and capitalise African DFIs with the resources necessary to scale up investment.

Better data for African infrastructure investment

Build an information ecosystem to improve risk appraisal and attract private capital, including by creating a public repository of historical investment returns and an atlas of African trade, integration, and development.

Global financial regulation through a lens of development

Apply a stronger development lens to global financial regulation. Improve international banking and capital market regulation (e.g., Basel III, Solvency II) to support lending for infrastructure based on evidence of project risk.

Credit rating agencies: the need for transparency and good conduct

Improve the regulation of CRAs by ensuring full disclosure of rating assessment data and reforming their methodologies that recognise economic diversity and avoid procyclical rating actions. There should be ongoing dialogue with CRAs and regulators convened by the G20 Finance Track in pursuit of global standards for transparency and conduct.

Global Finance for Development

Concessional finance and development banks

Bolster and sustain the financial capacity of the International Development Association (IDA) and the African Development Fund (ADF), which are vital for low-income, fragile and vulnerable countries.

Extend the balance sheets of all MDBs and DFIs to increase the scale and reduce the cost of capital for infrastructure investment by expanding their concessional and non-concessional lending, building infrastructure project pipelines, and adapting business models to better mobilise private finance.

International Financial Architecture

Build a rules-based approach to the issuance and allocation of SDRs in a fair and balanced global financial safety net. Scale up the use of SDRs to boost long-term financing through MDBs. .

Review the IMF and its role in Africa

In cooperation with the G20 Finance Track, African institutions should initiate an independent review of the IMF.

Mobilising Domestic Resources

International tax cooperation and illicit financial flows (IFFs)

Use the G20 Leaders' Summit to restore momentum for international tax cooperation and action to combat illicit financial flows and to ensure fair and effective taxation of the ultra-wealthy and multinational corporations.

1. Introduction

The South African Presidency of the G20 offers an opportunity to build momentum behind a stronger African voice in global affairs. The Africa Expert Panel was appointed by the South African Minister of Finance to prepare an independent report for G20 leaders to advise on the collective actions needed to realise the global potential of Africa's development.

The most practical and enduring way to address the African challenge of debt, development, and growth is to unleash the productive capacity of Africa's human and natural resources through economic transformation. This report focuses on partnerships and approaches to accelerate the pace of productive investments in Africa. It identifies multilateral policy responses that can help catalyse investment.

The Africa Expert Panel has benefited from the expert input and contributions of panellists, as reflected in this report, but due to time constraints, it was unable to commission comprehensive technical advice or research. This report provides a high-level summary of the issues the panel considers most important. Some of our recommendations are straightforward opportunities for immediate action, such as disclosing data or forming a borrowers' coalition. Other recommendations involve changes that will require time to implement. Beyond the G20 Leaders' Summit, the panel will continue working with the South African National Treasury, the African Union (AU) and other African institutions to strengthen the continent's voice through the G20 Finance Track's African Engagement Framework.

Africa and the New Global Era

In 2015, world leaders agreed on a broad and ambitious set of Sustainable Development Goals and national actions to promote development and curb the rise in global temperatures. This year, a decade later, the G20 will meet knowing that progress towards these goals is off track and that previous commitments to a larger, better, and more comprehensive global action agenda have fallen short of expectations.

Instead of meeting the huge investment gap, we are witnessing a dramatic scaling back of development cooperation, as major development partners turn inward and shift their focus to military spending. Moreover, hopes of development through trade and market access have been dealt a sharp blow by unilateral tariffs that undermine the rules-based, multilateral trading system and penalise poor countries. The USA's Africa Growth and Opportunity Act has lapsed, and the spectre of the EU's Carbon Border Adjustment Mechanism looms large.

Alongside these policy-induced income shocks, Africa and low- and middle-income countries generally face significant macroeconomic shocks. Commodity prices have fallen below their long-term trend, and the combination of slower growth and higher global interest rates has increased the risk of debt distress in many nations. Even for those not facing immediate risk of debt default, the rising burden of debt service payments is crowding out essential investments in economic and human development.

Behind these multiple shocks lies a deeper crisis of global development. Inequality between rich and poor countries began to decline significantly in the mid-1990s, as developing countries implemented reforms that allowed them to reap the benefits of integration with an expanding global economy. Initially, China's exceptional development played a key role in this trend, but it was quickly reinforced by a strong catching-up process among most developing countries, including those in Africa. Over the last decade, however, the living standards of many in low-income countries have fallen back, and progress towards global equity has stalled. This reversal of fortunes risks becoming entrenched. Security concerns and narrow geopolitical interests are increasingly eclipsing solidarity as the primary driver of concessional financing. The global goals of sustainable development, agreed upon a decade ago, now face a deep crisis of credibility.

At the same time, geo-economic, demographic, and technological shifts present new opportunities for change and growth across Africa. The energy transition and emerging technologies, including artificial intelligence, offer new prospects for development and international economic interaction. The prospect of a multipolar world presents the African continent with opportunities to break free from old modes of development and trade. New investments and sources of investment finance are emerging. New forms of multilateral cooperation and development partnerships are being forged.

Africa holds the solutions to the challenges the entire world faces. Its youth are striving for development across the continent, demanding change and accountability. Every year, tens of millions of young Africans enter the labour market, ready to work, innovate, and contribute to their communities and to a global economy where populations are ageing and investment opportunities are limited. The world also needs Africa's vast natural wealth to meet its climate goals. The continent's critical minerals, renewable energy resources, agricultural land, and biological assets make it a vital pillar of tomorrow's world and an essential partner in achieving it.



As the old development model fades, African leaders and the people they serve must now approach development with a greater focus on investment discipline.

Action to Shape the Future

Action is needed to realise this potential. African leaders and institutions must shape the continent's future through increased agency and accountability, ongoing improvements to its enabling environment for business, and strategic global partnerships to harness its vast resources. As the old development model fades, African leaders and the people they serve must now approach development with a greater focus on investment discipline.

This report supports this shift by focusing on:

- Responding meaningfully and multilaterally to Africa's debt crisis today and addressing global factors that contribute to recurring debt issues.
- Accelerating productive, job-creating investment in human and physical capital across Africa, supported by increased domestic resource mobilisation, regional cooperation on cross-border infrastructure, and data-rich country investment frameworks to enhance transparency, performance, and accountability.
- Harnessing African DFIs (at continental, regional and national levels) as key facilitators of national investment frameworks through their advice and the provision of data and analyses needed for both public and private sectors to make productive investment decisions.
- Multilateral action to complement African efforts by ensuring secure, stable, affordable, and long-term finance for infrastructure investment.

2. Sovereign Debt Crisis: A Shared Responsibility

Debt has once again become a major obstacle to development in Africa. As in the past, this outcome is a shared responsibility of debtors, creditors, and international institutions. Each has played a part in generating the crisis, and all must work together to find a solution in the interest of global development. It is in everyone's interest to resolve unsustainable debts, but this can only be achieved through multilateral action, which is often hard to coordinate, especially between creditor nations.

Following the 2008-2009 global financial crisis, central banks in high-income countries provided unprecedented monetary stimuli to support their flagging economies. This monetary easing caused a significant decline in global interest rates. African nations seeking funding to bolster their economies and fill the funding gap caused by the crisis increased their issuance of Eurobonds, initially at low interest rates. The growing involvement of new development partners, including China, the Gulf states, and other middle-income countries, has also contributed to elevated sovereign borrowing across Africa. Since 2010, Africa's public debt has almost doubled, with the median debt ratio projected at about two-thirds of Gross Domestic Product (GDP) in 2025.



Governments are defaulting on development in order to honour their debt obligations.

Current global shocks have led to acute difficulties for many countries in servicing external debt. For many, Covid-19 was a long-lasting shock to income. Fiscal space has further weakened due to rising global interest rates, global growth shocks, and falling commodity prices. At the same time, the surge in private bond flows has reversed, concessional flows have declined, and debt-related flows

from various sources have turned negative, as interest payments exceed new lending.

Global economic conditions remain uncertain, but it is certain that global temperatures will keep rising. The increasing frequency and severity of climate-related disasters, such as droughts, floods, and cyclones, now serve as major structural causes of fiscal distress and rising debt. These events are no longer isolated emergencies but recurring shocks that continually weaken fiscal buffers, destroy productive capital, and require emergency borrowing for response, mitigation, and recovery.

Debt servicing costs have reached unprecedented levels, crowding out vital spending on health, education, climate adaptation, and other development priorities. According to UNCTAD and the World Bank, public debt in developing countries surpassed US\$31 trillion in 2024, with debt service costs rising by over 10% in a single year. Globally, more than 3.4 billion people live in countries which spend more on servicing debt than on education or healthcare. Governments are literally defaulting on development in order to honour their debt obligations.

Restoring fiscal space will require a stronger, more effective response to debt restructuring for countries facing debt distress, as well as solutions for those with high debt service burdens. The key to achieving sustainable debt lies in its structure, purpose, and the country's capacity to borrow and repay. Building fiscal resilience and sustainability, therefore, demands investment in better accountability and stronger fiscal capacity, including sound tax administration and revenue collection, as well as prudent and productive use of available resources.

Despite carrying unsustainable debt burdens, many countries are hesitant to default due to inefficient debt-resolution mechanisms and very high political and economic costs. The available multilateral instruments are limited and inadequate to ease the funding constraints faced by many.

Africa's seats at the G20 table – South Africa and the African Union – should continue to advocate for a comprehensive response to the debt and development crisis, particularly by building consensus among creditor nations on a new global sovereign debt framework. Many excellent reports on debt, growth, and development emerged in 2025, each offering clear recommendations to tackle the debt challenge. Notably, the reports from the Expert Review of Debt, Nature and Climate, the Jubilee Commission Report, and the UN Secretary-General's Expert Panel on Debt stand out. The African Union has also adopted a “Common African Position on Debt” as a balanced and pragmatic roadmap that recognises the shared responsibility of both debtors and creditors in finding lasting solutions.

The Africa Expert Panel has concentrated on four areas, which we believe have the potential to catalyse a shift in the debt landscape: (a) taking steps to reduce the debt burden in Africa through a refinancing initiative, (b) empowering borrowers' voice and technical capacity in the global debt architecture, (c) building on the G20's Common Framework to improve creditor arrangements for sovereign debt restructuring, and (d) promoting the agenda to enhance information about debt through better analysis and greater transparency.

2.1 A Fresh Debt-Refinancing Initiative for Low-Income Countries

The global community must act to address the situation of low-income and vulnerable countries where debt repayments threaten to undo development progress.¹ Many anticipate a peak in their current debt obligations over the next five years. This reflects the bunching of principal repayments, mainly on private bonds issued since the pandemic, coupled with significantly higher interest rates. This pressure is now causing a development crisis, including in countries where most debt is owed to

official lenders and institutions that are partly overseen by the G20.

The G20 should work with the IMF and the World Bank to establish a debt refinancing scheme for these low-income and vulnerable countries. Unlike the Debt Service Suspension Initiative (DSSI), this proposal would focus on refinancing rather than rescheduling debt obligations. Its implementation could take several forms, including creating a funding body like the Jubilee Fund or using concessional resources to buy back expensive debt.² Funding for official participation in such a scheme could involve the use of SDRs or the sale of IMF gold, if supported by G20 shareholders.

Ideally, the additional resources generated would be directed towards key development and climate priority investments. As with the DSSI, countries might be hesitant to participate. However, the fiscal space created, the initiative's collective nature, and the fact that the refinancing offer would target countries that borrow little from private creditors would make participation appealing. Simultaneously, proactive engagement by the G20 with credit rating agencies would be advisable to minimise the risk of automatic rating downgrades arising from participation in this initiative.

Launch a new G20 debt refinancing initiative for low-income and vulnerable countries with contributions from the official sector.

1 This recommendation draws from the Expert Review of Debt, Nature and Climate (2025), see p43-45

2 The establishment of a Jubilee Fund aimed at repurchasing debt in distress has been recommended by the Jubilee Commission. This fund would provide loans on favourable terms to eligible countries that seek to repurchase foreign currency debt trading at steep discounts on secondary markets.

2.2 A Borrowers' Club

Building on the South African G20 Presidency's theme of solidarity, developing countries can act collectively by forming a Borrowers' Club.³ This might fill a critical gap in the global debt architecture, providing a platform that amplifies the collective voice of debtor nations, protects their interests, and promotes peer learning.

A Borrowers' Club must be a coalition of the willing. It cannot succeed unless it is owned and initiated by borrower countries themselves, and finance ministers should be at the forefront of convening it.

Its primary mandate would be to strengthen debtors' voices in negotiations on reforms to the international financial and debt architectures. It could also promote responsible sovereign borrowing and lending practices and serve as a technical assistance hub for debt restructuring processes. A Borrowers' Club can also contribute to more prudent debt management practices by working with existing technical assistance and capacity-building programmes.

A Borrowers' Club must be a coalition of the willing. It cannot succeed unless it is owned and initiated by borrower countries themselves, and finance ministers should be at the forefront of convening it. The African Union (through its "Specialised Technical Committee") and the South African National Treasury have committed to supporting these efforts by convening African Finance Ministers.

These efforts should build on the Common African Position on Debt and reinforce existing African institutions that work on debt management and debt sustainability, including the Collaborative Africa Budget Reform

3 This recommendation draws from the UNSG Expert Group (2025)

Initiative, those established by the AfDB,⁴ and the proposed African continental debt monitoring mechanism.⁵ African initiatives should complement and support global initiatives, such as the Sevilla Forum on Debt and the Global Sovereign Debt Roundtable.

Establish a Borrowers' Club to strengthen the collective voice of borrowers and coordinate peer learning, technical assistance, and research. Convene African Finance Ministers to take this agenda forward and host the launch of the Borrowers' Club.

2.3 A Sovereign Debt Resolution Mechanism

Borrowers can raise their voices through collective action. However, the primary issue in the global debt architecture is the need to strengthen coordination among creditor nations within a rules-based, timely, transparent, and efficient framework for resolving unsustainable sovereign debt.

Creditor institutions such as the Paris Club and the Bretton Woods Institutions have historically been dominated by Europe and the USA, and they are not adapting quickly enough to new global realities. The G20 finance track is the most suitable forum to address these issues, but despite significant engagement, creditor nations have been unable to deliver a response to the scale of the debt and development crisis. This reflects both the turn away from solidarity and development assistance in "traditional" donor countries and the need to include new creditor nations effectively within a transparent, effective global framework. All of Africa's major creditors are represented at the G20 table, and it is crucial that they reach a consensus on the way forward that enhances multilateral cooperation.

4 The Collaborative Africa Budget Reform Initiative is a platform for peer learning and exchange for African ministries of finance, budget and planning. The AfDB has initiated the African Debt Managers Initiative Network (ADMIN) and an African Legal Support Facility (ALSF) to provide legal advice and technical assistance.

5 African Union. (2025). Common African Position (CAP) on Debt.

All of Africa's major creditors are represented at the G20 table, and it is crucial that they reach a consensus on the way forward that enhances multilateral cooperation.

The best track to pursue this agenda is through the G20's Common Framework.⁶ Reform is necessary because uptake through the Common Framework has been poor and the results have been meagre. In Africa, only four countries, Chad, Ethiopia, Ghana and Zambia, have applied for debt treatment under the Common Framework, and although substantial progress has been made none has completed a full debt restructuring.

The Framework does not cater to lower-middle-income countries with access to private capital markets. Low participation by debtors reflects fear of credit rating downgrades and the resulting complete lockout from international debt markets, with no moratorium on debt servicing. Whatever the long-term benefits of default may be, this makes the short-term costs very high and uncertain. As a result of these weaknesses, ad hoc approaches to debt restructuring remain the norm, and there is no systemic, 'fit-for-purpose' approach to debt resolution.

Responding to these challenges requires reforms to the Common Framework:⁷

- Access to middle-income countries. The majority of African nations are middle-income, and broadening eligibility is vital to ensuring wider, fairer access to debt restructuring.
- Automatic debt service standstill during negotiations. An automatic standstill on debt service during restructuring negotiations would offer urgent liquidity relief and encourage a timely, constructive resolution with full participation by private creditors.

6 The G20 Common Framework for Debt Treatments beyond the Debt Service Suspension Initiative (DSSI)

7 These recommendations draw from the UNSG Expert Group (2025)

- Faster completion of debt restructuring. Common Framework processes have involved a complex sequencing of commitments between official and private creditors. Parallel rather than sequential processes may provide a route to timely resolution.
- Fair burden sharing among creditors. Clarifying and enforcing comparability of treatment is essential to ensuring fair burden-sharing across all creditors. The increased adoption of collective action clauses would facilitate orderly restructurings and prevent holdout behaviour, thereby reducing legal and financial uncertainties for everyone involved. The framework must also ensure fair treatment for both domestic and external debt holders.

Build a multilateral sovereign debt resolution mechanism that is transparent, timely, and effective. Include middle-income countries in the G20 Common Framework, enable automatic debt standstills, accelerate negotiations, and ensure fair burden-sharing among all creditors.

2.4 Debt Transparency and Analysis

Sovereign borrowers face higher interest costs, increased refinancing requirements, and more restricted access to markets due to incomplete reporting of debt contracts and payments. When sovereign debt becomes unsustainable and restructuring is necessary, a lack of transparency presents a key obstacle to prompt and equitable solutions. Information about the identities of sovereign creditors and the terms of debt contracts is essential for assessing solvency, accurately evaluating risk, and holding stakeholders accountable.

Governments and international institutions must work together to ensure the provision of accurate, comprehensive, and timely debt data by governments and adherence to transparent financing practices by creditors.

Assist developing countries to strengthen debt transparency, build systems for the automatic exchange of information between debtors and creditors, and ensure that creditors participate in the reconciliation of debt data.

Both sustainable borrowing and effective debt restructuring rely on debt sustainability analyses, which assess how much debt a country can sustain without facing a significant risk of default. The current approach is limited in scope, focuses on the short term, and does not consider the purposes for which borrowed funds are used. Enhanced methodologies should better differentiate between liquidity and solvency issues, consider all forms of external and domestic debt, and promote investment in growth-enhancing public goods by accurately reflecting countries' net worth rather than just their debt levels.

Improve debt sustainability analysis to better distinguish between liquidity and solvency issues, account for heterogeneous external and domestic debt, and reflect sovereign net worth. The G20 Finance Track should receive regular updates on work to develop and refine the debt sustainability analysis framework for both low-income and market-access countries.



3. Accelerating Productive Investment in Africa

African nations need to sustain a high rate of economic growth that generates a multitude of good jobs for their rapidly expanding workforces. The greatest opportunity for global prosperity in the 21st century lies in increasing the productivity of Africa's people and, through this, their livelihoods.

By the middle of this century, one in four people on earth will be African, and Africa's youth will significantly shape the trajectory of global culture, technology, and development. Realising this potential requires sustained investment in health, education, and infrastructure. Africa's cities are also growing rapidly, both in extent and population. Investments that integrate these cities into continental and global supply chains therefore have the potential for large productivity gains and agglomeration effects.

Africa remains at the bottom of the infrastructure ladder, which means there are significant economic benefits to be gained if capital is directed towards the right projects. When executed effectively and combined with country-specific economic reforms, a boost in productive investment can drive growth, create jobs, improve macroeconomic indicators, and attract greater private capital, both domestically and internationally. It can also unlock the potential for sustainable utilisation of Africa's vast natural resources, including agriculture and minerals. Increased investment in clean energy and climate-resilient infrastructure is essential and can support a more sustainable and inclusive growth trajectory.

Africans are also painfully aware, however, of the dangers of a "big push" for public investment that fails to raise productivity. White elephants and enclave projects that fail to catalyse broad development cannot be repeated. Instead, the right approach is to identify and prioritise those investments, which crowd in complementary investment, unleash private economic activity, and support rising incomes.

3.1 Growth and Investment Frameworks

The cornerstone of national development is a national mission for growth and investment. Carefully designed national growth strategies can help to mobilise society behind the goals of economic transformation. A national investment framework can help mobilise capital behind critical investments and sectors. The aim is to signal development priorities, reduce transaction costs, and provide the data and analysis needed to incentivise smart investments that drive economic transformation.

Mobilising affordable finance for development relies on credible fiscal and monetary policies, as well as structural reforms in key sectors, including those targeted for investment. Public finance systems need strengthening to ensure accountability and value for money. Careful project selection, based on a solid business and economic rationale, is essential to guarantee high-quality investments. New, realistic, data-driven forms of planning and coordination are required to create an integrated strategy, develop and publicise pipelines of bankable projects, craft a credible financing and fiscal framework, and ensure strong institutions for implementation and accountability.

Country platforms have become a key method for organising a country's relations with its international development partners. This is particularly crucial in low-income countries where the official sector dominates. The G20 Finance Track should continue to develop this instrument to improve the coordination of international financial institutions.

G20 countries can play a catalytic role by providing technical and financial support to establish effective platforms in Africa, ensure strong data systems, and build capacity for project appraisal. They can channel concessional and blended finance through these platforms and employ risk-sharing tools to mobilise larger private investments. G20 members can also mandate MDBs to collaborate with governments to create strong project pipelines and verify the quality of investment platforms, thereby boosting

investor confidence. Additionally, G20 nations can assist in harmonising reporting and disclosure standards, reducing transaction costs for both African countries and international financiers.

Define and develop national growth programs and national and regional investment frameworks to drive economic transformation and identify critical investments, supported by robust data and governance.

3.2 Empowering African Trade and Finance Institutions

African institutions are evolving and becoming increasingly effective. A system of nation-states and pan-African organisations is gaining coherence and momentum. A growing, youthful population is demanding change and calling for responsive, accountable governments. In response to the global crisis, the leaders of African institutions must chart a new course that overcomes the barriers to the movement of people, goods, and capital across Africa. The project of continental integration offers a vision to soften Africa's borders, extend its internal market, and drive growth and investment.

A new generation of development finance institutions with clear mandates from African governments is playing an increasingly significant role in financing the continent's development.

This project has both continental and regional dimensions. The AfCFTA is more than just an opportunity for free trade; it serves as a continental platform for infrastructure investment, growth, and development that can transform the structure of trade among Africans. By creating a large internal African market, economic integration can boost demand, drive productivity growth, and spur investment.

Realising Africa's growth potential also requires stronger regional integration, and regional blocs must drive the softening of borders to achieve economies of scale. Migration governance reform, mobilising a key factor of production, is critical for developmental integration in Africa. Large-scale, cross-border infrastructure projects, such as transport corridors, energy grids, and digital networks, are vital for trade facilitation. Coordinating and financing such complex projects is challenging and often falls outside the scope of national strategies. Regional initiatives also present complex challenges of regulatory and financial integration. Global and regional MDBs play a key role in addressing coordination failures by financing and promoting regional investment platforms.

Accelerate implementation of the AfCFTA as a core platform for African integration and investment. Activate regional investment platforms as the drivers of cross-border economic infrastructure.

The reform and strengthening of African development finance institutions is in everyone's interest. The pillars of an AU financial architecture should be reinforced to help the continent develop its financial markets and attract international investment at scale. This year, the continent's leaders agreed to establish an African Financial Stability Mechanism to monitor systemic financial risks and, if necessary, backstop or resolve failing institutions.

A new generation of development finance institutions with clear mandates from African governments is playing an increasingly significant role in financing the continent's development. The Alliance for African Multilateral Financial Institutions was launched by AU heads of state in February 2024 to foster collaboration and coordination among African multilateral financial institutions. The Alliance is making substantial progress on this agenda and requires further support.

Pan-African, regional, and national development finance institutions have a central role to play in planning, financing,

and catalysing the acceleration of African investment. The AU, AfDB, and national or regional development finance institutions should act to support and develop national investment frameworks, including country platforms.

Action to further strengthen the AfDB and other African institutions so that their resources are sufficient to meet investment needs must remain a critical African priority. While many African countries may face challenges contributing to large capital increases, there may be potential for greater contributions from others, including expanding non-regional donors to better mirror the new international balance in development finance. Regional and national development banks could also benefit from improved capitalisation.

Empower pan-African, regional and national DFIs to complement national strategies and capitalise African DFIs with the resources necessary to scale up investment.

Coordinated multilateral action could create a better data environment for African infrastructure and unlock billions of dollars in private and institutional finance.

3.3 Addressing the Cost of Capital

At the heart of sustainable investment accelerations are a multitude of projects that generate returns well above their financing costs. This demands careful project selection, effective execution, and strong accountability for public decisions. Facilitating the private sector's identification and proper evaluation of risks related to investment projects is also critical, and reforms that enhance access to data for risk analysis can have a substantial impact. At the same time, lowering the cost of capital could make a wide array of new investments possible. The most important

determinants of the cost of capital are domestic conditions, including macro-fiscal and structural economic factors. However, relatively simple reforms to the global architecture could make a big difference at little cost to the global economy.

There are many reasons why Africa faces higher costs of finance for its investments. These include genuine credit risks related to the structure of African economies, as well as macro-fiscal and governance conditions. In the worst cases, when debt becomes unsustainable, a sovereign faces prohibitive interest rates, which worsens their situation and signals the need to recognise the default sooner rather than later. However, even more broadly, across all African countries (including those not explicitly in debt distress), concerns about debt sustainability are a key factor driving up the cost of capital for the entire economy.

However, even when credit risks are considered, the cost of capital appears higher than appropriate for African borrowers. Additionally, the level of equity investment in Africa remains very limited compared to the opportunities available. These results are partly because those who hold capital are poorly informed about the risks and returns of such investments, as well as the broader credit environment. Measures to increase data transparency, standardise processes, and enhance regulation could encourage more private participation in development financing and help lower funding costs.

Better data for African infrastructure investment

Obstacles to private finance, especially equity finance, in Africa include a lack of knowledge about investment returns. The current poor information set means that private analysts and credit rating agencies don't account for country- and firm-specific elements of project risk, and thus lump all sovereigns, corporations, and projects into one African basket. Therefore, more and better information about the risks and benefits of large infrastructure projects should become a key part of investment frameworks and country platforms.

Coordinated multilateral action could create a better data environment for African infrastructure and unlock billions of dollars in private and institutional finance. Governments, savers, investors, and civil society can use this data to make more informed decisions about the social efficiency and commercial profitability of various infrastructure investments. Improved data on investment returns can help enhance risk pricing, increase blended finance and private capital flows, and lower the cost of capital in Africa and other developing countries.

Analytical studies find that rates of return on certain infrastructure investments in lower-income countries exceed those in high-income countries. For example, the International Finance Corporation's equity investments in key infrastructure projects in Africa yielded average returns that were 5 times those of the S&P 500.⁸ The risk of investing in businesses in developing economies is also lower than is often believed. Default rates on large infrastructure projects in developing countries that have reached the post-completion phase are no higher than those on investment-grade (BBB-) corporate debt in high-income countries' economies.⁹ The Global Emerging Markets (GEMS) Risk Database Consortium of 26 DFIs found similar results when they pooled their more than 30 years of credit risk data on around 15,000 loans to private companies in developing economies.¹⁰

These studies are encouraging, but they do not bridge the data gap because they lack granular information about projects and firms across different sectors and regions. An initial and simple step would be to make the current GEMS data publicly available in formats that enable analysis at the country, sector, and project levels.¹¹ Building on this work, the G20 should require the MDBs to provide full disclosure of their accounting records for past

and (where appropriate) current equity and debt investments. These disclosures will form the backbone of a comprehensive, up-to-date, and publicly accessible repository of historical data on the economic and other financial rates of return on infrastructure investments in low- and middle-income countries. This will reinforce the case for effectively directing savings from developed countries to African nations and enable leaders and investors to make better-informed infrastructure decisions, lower countries' borrowing costs, and attract more equity capital.

Enhancing data availability by requiring MDBs to provide granular disclosure of all historical data on the performance of their investments, both equity and debt, in developing-country infrastructure, to clear up misconceptions about risk and catalyse the development of infrastructure as an asset class.

Build an information ecosystem to improve risk appraisal and attract private capital, including by creating a public repository of historical investment returns and an atlas of African trade, integration, and development.

Global financial regulation through a lens of development

Relatively simple and prudent adjustments to banking regulations, both globally and nationally, could unlock more financing for infrastructure and development. Where countries have the policy space to amend their regulatory frameworks to support long-term infrastructure investment, we urge them to utilise this space to promote transformative investment. However, a multilateral response is also necessary.

International banking regulations are a welcome effort to make global finances less susceptible to crises. The principles of Basel III, Solvency II, and other regulatory frameworks are well-founded and have helped prevent systemic financial crises over the last decade.

8 Chari, Henry, and Mauro (2025).

9 Hu and Perraudin (2020).

10 Galizia and Lund (2024).

11 The GEMS database is a comprehensive credit-risk dataset from developing economies built by a consortium of development finance institutions

However, some regulations have inadvertently constrained international bank financing and allocations from institutional investors for projects in low- and middle-income countries, particularly infrastructure projects. For instance, capital charges can be excessive, and risks are sometimes overestimated for infrastructure investments that are cofinanced or guaranteed by MDBs. Furthermore, reporting or liquidity standards do not sufficiently account for the context of low- and middle-income countries. These issues have been well recognised and documented.¹²

As a result, we believe that the global regulatory framework unnecessarily raises the cost of capital and hinders development, especially in poorer nations. Reforms that address these weaknesses without compromising prudential objectives are both essential and achievable. Moving forward, a fact-based infrastructure perspective should be



We believe that the global regulatory framework unnecessarily raises the cost of capital and hinders development, especially in poorer nations.

applied to global regulations to ensure they do not unintentionally deter global banks, insurers, and other private financial institutions from funding infrastructure and climate-related projects across all countries, particularly low- and middle-income ones.

The G20 Finance Track is well placed to build bridges between DFIs and regulatory bodies, such as the Financial Stability Board, the Basel Committee on Banking Supervision, the International Organisation of Securities Commissions, and the International Association of Insurance Supervisors. These organisations should be urged to review their regulations concerning infrastructure investment in low- and middle-income countries. This work should focus on modifying regulatory capital

requirements and other standards where they are shown to inadvertently deter banks and non-bank allocators of private capital from investing.

Apply a stronger development lens to global financial regulation. Improve international banking and capital market regulation (e.g., Basel III, Solvency II) to support lending for infrastructure based on evidence of project risk.

Credit rating agencies: better methods and more transparency

In any system where judgments have material consequences, there is a strong need for accountability and transparency. Credit rating agencies exert considerable influence over borrowing costs, investor confidence, and fiscal flexibility. African countries face a higher hurdle rate partly due to subjective credit ratings. There is evidence of substantial differences in how rating agencies and markets perceive and price risk in Africa compared to other regions of the world. Perception biases distort markets and increase the costs of both debt and equity for African borrowers.

The rating agencies' methodologies remain flawed. In most low- and some middle-income countries, ratings are heavily skewed by a single metric: GDP per capita. This indicates that CRAs do not adequately consider factors such as growth potential, the value of the resource endowment, institutional strength, or fiscal sustainability indicators when assessing the probability of default, resulting in all entities with the same GDP per capita being placed in the same rating bracket.

CRAs also fail to uphold international standards of debt transparency that they themselves require of national treasuries and global lenders. For example, they continue to conceal the data sets and technical model details that support their rating decisions. Public accountability, as in the case of national budgets, demands data disclosures that allow others to replicate their modelling using the same dataset.

12 See, for instance, Agarwal et al (2023).

The Africa Expert Panel believes that the G20 can play a critical role in promoting greater transparency and oversight of CRAs and their methodologies, as well as facilitating regular dialogue between CRAs and African nations. Enhancing cooperation between national regulators and establishing global quality standards for CRAs are also essential steps.

Improve the regulation of CRAs by ensuring full disclosure of rating assessment data and reforming their methodologies that recognise economic diversity and avoid procyclical rating actions. There should be ongoing dialogue with CRAs and regulators convened by the G20 Finance Track in pursuit of global standards for transparency and conduct.

4. Global Finance for Development

Development finance has a central role in addressing the cost of capital. Multilateral action should seek to build a global framework in which external capital flows that support efficient investment are affordable, stable and predictable over the long term. Africa is interested in a rules-based global financial system in which financial insurance is provided on an equitable and effective basis.

4.1 Concessional Finance and Development Banks

Since the dawn of African independence, one relatively stable aspect of external financial flows has been official development assistance (ODA) from high-income countries. Unfortunately, the current situation regarding bilateral ODA has become very serious. For the first time in nearly 30 years, France, Germany, the United Kingdom, and the United States all cut their ODA in 2024. The Organisation for Economic Co-operation and Development (OECD) projects that the decline will be even greater during 2025, and the outlook beyond 2025 remains highly uncertain.

The largest donors face stiff fiscal pressures while also increasing their military spending. The OECD believes that cuts to ODA will adversely affect the poorest countries and the most vital human services the hardest. The sudden and disruptive closure of USAID, which had provided a critical pillar of support for Africa's HIV/AIDS response, has led to unnecessary loss of life and livelihoods and followed a long-term decline in concessional transfers. Many UN agencies, including those providing critical humanitarian services, are also facing severe cuts.

Despite the bleak outlook, multilateral concessional finance remains an extremely important source of funding for Africa. While increased non-concessional lending is welcome (see below), it is not a substitute for ODA in terms of the types of recipients and projects. In Africa, the International Development Agency and the African Development Fund are the

largest sources of grant finance, and these institutions also play a vital role in concessional lending. This is an area where IDA, in particular, has significant unused firepower that can be deployed principally in Africa.

Bolster and sustain the financial capacity of IDA and ADF, which are vital for low-income, fragile and vulnerable countries.

MDBs and other DFIs offer the largest potential source of affordable additional finance for African investments in the coming years, and they are key facilitators of investment policy frameworks, capacity-building, and private investment mobilisation. However, in Africa, MDBs and DFIs have not stepped up as much as they could to provide stable, low-cost, long-term funding to support the scale of investment needed for economic transformation and resilience to environmental and climate shocks. The G20 includes all major shareholders of MDBs and DFIs and can ensure that the boards of these institutions adopt three key steps, which have been well canvassed in the G20 Roadmap for the Reform of the MDBs, but require stronger shareholder support and action.



Rating Agencies have indicated that MDBs can assume more risk without jeopardising their AAA rating.

First, they must push much further to create MDB and DFI lending capacity for deployment in Africa. The question of MDB capital adequacy and lending capacity has been extensively canvassed in the G20 Finance Track, and the work on stretching MDB balance sheets has delivered a considerable increase in MDB lending capacity. However, more action is required, as the current increase in lending capacity is insufficient to meet the scale of demand. Credit Rating Agencies have indicated that MDBs can assume more risk without jeopardising their AAA rating, but little

progress has been made in converting callable capital into lending capacity. Furthermore, despite extensive discussions, major G20 shareholders have yet to signal support for substantial and regular capital increases.

Second, more work is needed to build and develop project pipelines that convert notional investment needs into tangible, bankable proposals, supported by long-term commitments from public and private institutions. Unless MDBs can effectively deploy their capital, the additional lending capacity will become a bridge to nowhere. MDBs and DFIs are uniquely placed to help create the upstream economic and sector-specific conditions necessary for public and private investments to arise, and to offer the essential hands-on project development support, including risk capital and technical assistance. They are playing a leading role in establishing country platforms and other investment frameworks, and this work must be further supported and expanded.

And third, the MDBs and DFIs should adapt their business models to systematically mobilise private capital into African investments. These lenders can offer a financial foundation on which more risk-averse private finance can be layered to deliver development finance. This type of blending and tiering can help lower the cost of capital. Some DFIs have started adopting new approaches, and the resulting increase in private co-financing and risk-sharing has demonstrated the significant potential of this approach.¹³

Extend the balance sheets of all MDBs and DFIs to increase the scale and reduce the cost of capital for infrastructure investment by expanding their concessional and non-concessional lending, building infrastructure project pipelines, and adapting business models to better mobilise private finance.

¹³ The AfDB has already pioneered innovative financing techniques, such as the Room2Run programme, a form of debt securitisation that increases lending capacity without a capital increase by transferring portfolio risks to the private sector.

4.2 International Financial Architecture

Africa's long-term prosperity will be secured by building its own resilience to global change and the volatility that it brings. The primary engine for this is the accelerated implementation of the AfCFTA, which can reduce reliance on global supply chains and drive growth by creating an integrated continental market.

However, the international financial architecture has many features that reinforce procyclicality, limit policy space, and inhibit national development and the low-carbon transition. In the current global environment, with multiple and cascading shocks, the direction of capital flows indicates that scarce resources are leaving the African continent, disrupting its development path, precisely when it is most vulnerable to reversals.

Moral hazard is deeply embedded in the global debt architecture because official lending in times of crisis often tends to bail out private creditors. In the past, large lending programmes have allowed many private creditors to be repaid fully, despite their investments in high-risk assets. No private lenders took part in the DSSI, indicating that new funding and forbearance under this scheme merely provided liquidity to lessen private-debtor exposure. New actions are needed to alter market expectations and procedures.



The world needs an SDR allocation system that is rules-based and analytical, and which reduces the discretionary and political nature of the current allocation process.

As the world transitions to a new era of trade and finance, deep reforms are more essential than ever to ensure that global institutions are fit for purpose. These include rebalancing voice and governance to better reflect contemporary economic realities.

A key focus is on fixing the special drawing rights system. SDRs are a critical reserve asset in the international monetary systems, and their regular issuance could help to scale up liquidity support, helping developing countries respond more effectively to external shocks. The world needs an SDR allocation system that is rules-based and analytical, and which reduces the discretionary and political nature of the current allocation process.

The current quota-based system allocates most SDRs to high-income countries that do not need them, while low-income countries that do need them receive less, resulting in a large amount of idle SDRs that could be used for development financing. UNECA reports that about \$992 billion in SDRs remain idle.¹⁴ The African and Inter-American development banks estimate that re-channelling SDRs could boost financing for Africa by approximately \$46.2 billion annually for a decade.¹⁵ Efforts have been made to achieve this, but out of the \$100 billion pledged, less than \$2.5 billion has been disbursed to developing countries.¹⁶

Build a rules-based approach to the issuance and allocation of SDRs in a fair and balanced global financial safety net. Scale up the use of SDRs to boost long-term financing through MDBs.

4.3 Review the IMF and its Role in Africa

Over the life of the G20, there have been notable changes in the global financial architecture. New multilateral financial institutions have been established regionally, including a new wave of African multilateral finance agencies. Additionally, new entities have emerged at regional and cross-border levels to tackle financial stability challenges. These include the Chang Mai Initiative, the BRICS' Contingent Reserve Arrangement, the African Financial Stability Mechanism, and the African Monetary Fund. These developments have occurred without careful review by the

14 AfDB (2024a)

15 AfDB and IDB (2023)

16 Kharas and Rivard (2024)

international community of their implications for the effectiveness and equity of the international financial system.

While the IMF has reviewed its own governance framework, there has not been an external review of its governance and operations in over ten years. The G20 has dedicated considerable effort to examining the work of the World Bank and MDBs more broadly through the capital adequacy framework and the work of the Independent Experts Group. But no similar review of the IMF's functions, governance, operating practices, and policies has been undertaken, despite substantial evolution in its role and the global environment.

African countries continue to lack an effective voice in the IMF, and, at root, this is because the continent holds only 5.2 per cent of quotas. Besides limiting voice, quotas determine and restrict access to liquidity from the fund; the IMF's role as "lender of last resort" is highly constrained on the continent. On the other hand, African countries account for about 40% of IMF loan commitments and are subject to the conditions attached to those loans. A comprehensive Africa-focused review of the IMF can ask how the G20 can help to make it work better for the continent and the world. This review should consider how global and continental conditions have affected the IMF and propose how the fund's governance arrangements and operating practices can be changed to more effectively perform its role in the global financial system, with a particular focus on Africa.

In cooperation with the G20 Finance Track, African institutions should initiate an independent review of the IMF.

5. Mobilising Domestic Resources

Most of the resources required to boost investment must be mobilised domestically. Tax revenue and public financial management are the two most crucial elements of domestic resource mobilisation.

5.1 Taxation for Development

Accelerated investment involves enhancing human capabilities through increased expenditure on health and education, which must be financed by domestic taxes, especially during a period of declining ODA contributions. Effective public investment strategies also rely on stable and expanding tax revenues, enabling the government to make long-term and credible commitments. Sovereign creditworthiness generally determines the cost of capital within an economy. The mobilisation of domestic savings is essential for sustainable financing, and domestic capital markets critically depend on robust fiscal institutions.

Increasing tax collection depends on the growth of the national economy and investments in fiscal institutions. Tax policies must distribute the tax burden equitably, and changes in tax structures need to be mindful of their incentive effects on the national economy. Tax policies should be simple, equitable, transparent, and promote voluntary compliance.

Tax-to-GDP ratios averaged 16% across 36 African countries in 2022, well below the middle-income country average of 18.9%.¹⁷ In Africa and other developing countries more broadly, there is considerable potential to increase tax revenues through enhanced compliance and the use of technology that improves efficiency, even without increasing tax rates. Expanding the tax base is essential, yet Africa faces substantial challenges in broadening the tax net to include large informal and cash-based sectors. Non-tax revenues remain negligible, and state assets are often a burden on the fiscus rather than a source of revenue.

17 OECD, AU & ATAF. (2024)

In these circumstances, investments in tax administrations can yield high returns. An effective, modern tax authority is a critical element of fiscal reforms, as seen in Rwanda and South Africa.



Effective tax systems depend on a social contract between taxpayers and the state, where the quality of expenditure is a critical element.

Nevertheless, it is important to recognise the heterogeneity of African countries' tax structures, with tax-to-GDP ratios ranging from below 5 per cent in some states to over 33 per cent in others. Consequently, policy priorities must be highly tailored. For a resource-rich state facing fragility or conflict, the primary challenge may be securing revenue from the extractive sector through transparent contracts and robust anti-corruption measures to curb illicit financial flows. In contrast, for a stable, service-oriented economy, the focus might be on broadening the tax base into the formal services sector, improving the efficiency of value-added taxes and leveraging digitalisation to formalise small enterprises.

5.2 Public Financial Management

Effective tax systems depend on a social contract between taxpayers and the state, where the quality of expenditure is a critical element. Public trust in the tax administration and the broader state must be impeccable. This trust, combined with the extensive resources available to governments through taxation, makes public financial management a second key pillar of domestic resource mobilisation.

Weak public finance management systems have contributed to Africa's debt crisis by causing revenue shortfalls, expenditure overruns, arrears, and dependence on

external borrowing. Poor fiscal frameworks and unreliable debt data undermine investor confidence and increase borrowing costs. Strengthening public finance management, fiscal discipline, and the effective utilisation of concessional financing is essential to restoring debt sustainability.

More generally, governance and weak institutions are among the main challenges facing many African countries. There have been some positive developments in recent years, including through the use of digital technologies, such as improvements in budgetary processes, increased transparency, and greater accountability in public financial management. With ongoing efforts to address these challenges and strengthen institutions, there is potential for significant progress in public financial management across Africa.

5.3 International Tax Cooperation and Illicit Financial Flows

Capital flight and illicit financial flows are major external factors driving Africa's debt crisis. These outflows, which include illegal cross-border movements of money or assets through trade misinvoicing, tax evasion, and corruption, significantly weaken national tax bases and deplete foreign exchange reserves. The United Nations Conference on Trade and Development estimates that about \$88.6 billion leaves the African continent each year in the form of IFFs.¹⁸ These outflows exacerbate the need for external borrowing, raising the debt burden and increasing vulnerability to crisis.

As digital trade grows and financial integration supports the mobility of capital, increasingly effective national tax systems depend on international tax cooperation. There is a strong case for new and global approaches to taxing the ultra-wealthy and using financial wealth as a tax base. Not only are huge volumes of financial wealth concentrated in the hands of a few, but these individuals and families are globally mobile and can deploy complex structures to minimise their tax contributions. Strengthened international cooperation is, therefore, a critical factor and could yield significant revenue.

18 UNCTAD (2020)

Further work is needed to define the global ultra-wealthy, identify the asset base, and prepare tax administrations for the implementation of wealth taxes. The wealth management and advisory services industry needs to be fully incorporated into these efforts. Tax authorities need to step up their analysis of balance sheets, including through tax pilots, and consider introducing asset registries. Some African countries (e.g., South Africa and Uganda) have established specialised units within their revenue agencies to tax high-net-worth individuals

The G20 can intensify its efforts to combat IFFS and support national tax systems by deepening international cooperation on these issues. The Brazilian G20 Presidency made significant progress on international tax cooperation, building on the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting. This included

- An agreement to implement a minimum profit tax of 15 per cent for firms with revenue exceeding €750m. This should discourage the practice of firms booking profits in low-tax jurisdictions and foreclose a race to the bottom on corporate tax rates.
- Strengthened implementation of the automatic exchange of information between tax authorities and financial institutions. This should enhance tax transparency and facilitate data sharing. Work on beneficial ownership and cross-border tax arrangements, however, needs to be strengthened.
- A declaration of intent by G20 Finance Ministers on the taxation of ultra-high-net-worth individuals, in which they commit to exchanging best practices, encouraging debates, and devising anti-avoidance mechanisms

Unfortunately, some key G20 nations appear to have stepped away from these commitments. It is essential that the G20 reaffirm and sustain its essential work on tax cooperation and the combating of illicit capital flows.

Use the G20 Leaders' Summit to restore momentum for international tax cooperation and action to combat illicit financial flows and to ensure fair and effective taxation of the ultra-wealthy and multinational corporations.

5.4 Domestic Capital Markets

While there has been notable growth in domestic capital markets, many still lack the depth and liquidity needed to mobilise long-term, affordable capital due to limited savings. The expanding role of domestic debt in sovereign borrowing introduces its own challenges. In some instances, domestic savers have been subordinated, bearing the initial and largest losses during restructurings, which complicates debt restructuring negotiations. Excessive domestic debt may also crowd out private investment, as government borrowing tends to drive up domestic interest rates, diverting financing from productive investment to government bonds and shifting fiscal resources away from developmental spending.

Further work is needed to define the global ultra-wealthy, identify the asset base, and prepare tax administrations for the implementation of wealth taxes.

6. Conclusion

Ten years after the world embraced the Sustainable Development Goals, progress has stalled. Financing for development is shrinking, climate shocks are intensifying, and multilateral solidarity faces a historic test, as bullying, protectionism, and crude self-interest become the order of the day. Meanwhile, the old development model has not delivered and is now being dismantled by many of its former supporters. Trade barriers are increasing, and the protections provided by a rules-based system, especially for the least developed countries, are being tested. Instead of increasing funding, concessional flows are declining, and the broader promise of development finance remains out of reach. Private capital flows to Africa remain limited, volatile, overly expensive, and dominated by debt.

Against this backdrop, Africa faces mounting vulnerabilities: Slowing growth, high debt burdens, climate shocks, and the repercussions of a volatile global economy. These structural challenges demand a decisive shift from an aid-based approach to a productive-investment-driven model, rooted in African agency and bolstered by global cooperation.

The South Africa G20 Presidency Africa Expert Panel presents a clear proposition: the future of global prosperity hinges on unlocking Africa's potential. With a youthful, vibrant population, rich natural resources, and emerging technological opportunities, Africa can be a driver of global economic growth and sustainability. However, this promise will only be realised with affordable capital on a large scale, stronger integration of African economies, and a more efficient and equitable global financial system.

African countries must lead by establishing strong growth and investment frameworks that align with national priorities and long-term development strategies. These should coordinate sources of financing and promote good governance, transparency, and accountability. Domestic resource mobilisation remains central to fiscal sovereignty, requiring

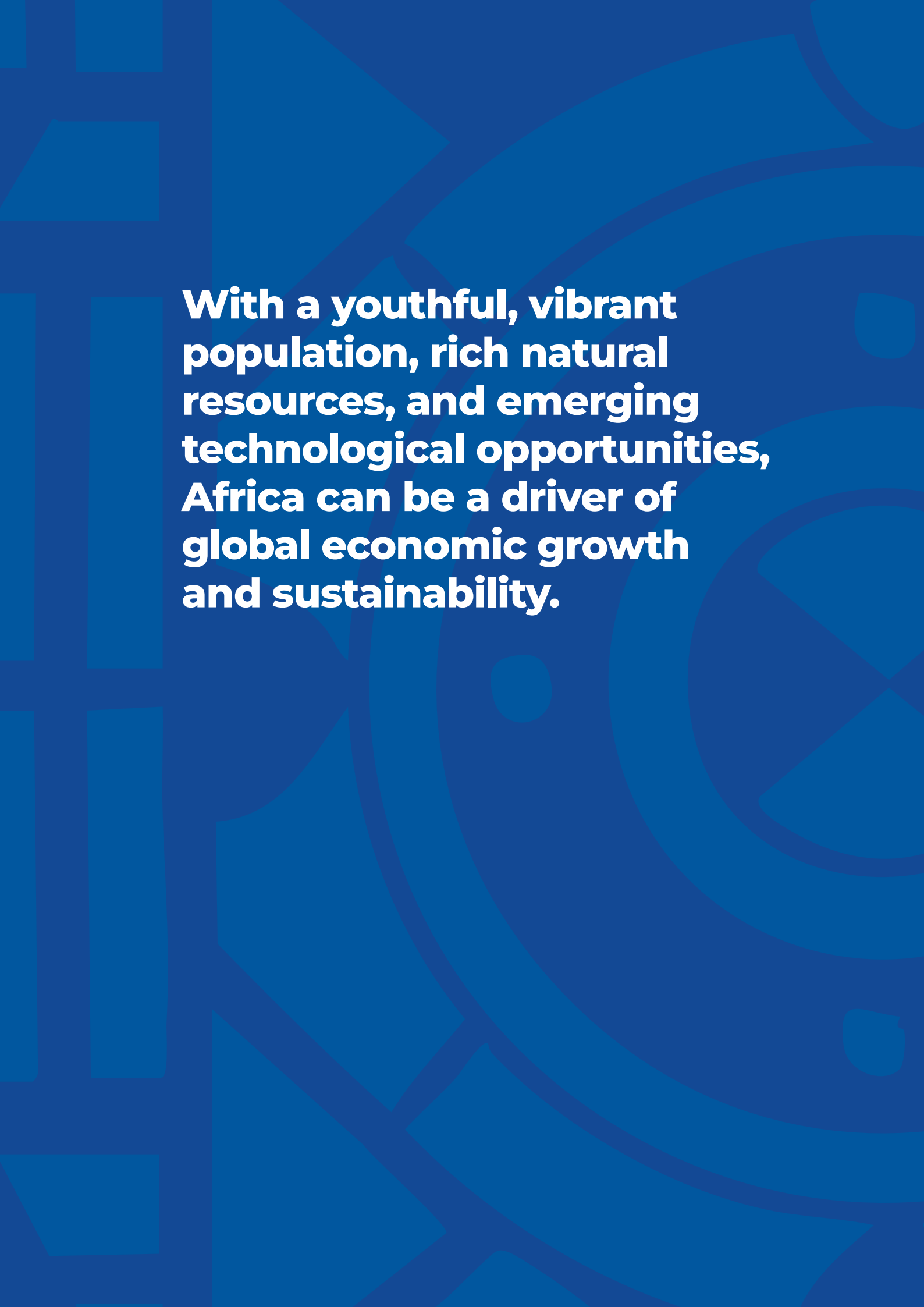
enhancements in tax systems, public financial management, and capital market development.

Continental and regional development finance institutions must be capitalised and empowered to complement national efforts. The AfDB and similar entities are crucial in mobilising resources, mitigating shocks, and scaling up project pipelines. At the multilateral level, MDBs must deliver on their commitment to leverage balance sheets, increase non-concessional facilities, and innovate financing instruments such as guarantees, hybrid capital, and climate-resilient debt clauses.

Africa cannot succeed in isolation. Reducing the cost of capital requires the G20 to mandate adjustments to international banking regulations that deter investment, as well as to standardise MDB investment processes and disclose MDB data to reduce transaction costs and enhance transparency about the risks and returns of core infrastructure investments. The G20 must also act to tackle biases in credit ratings, address procyclicality in debt resolution, and make faster progress towards a sovereign debt restructuring mechanism. The G20's common framework must include middle-income countries and provide for automatic standstills during crises, faster restructuring processes, and fair treatment of all creditors in a transparent environment. Debt sustainability is a prerequisite for development. The G20 should champion a comprehensive debt refinancing initiative for low-income and vulnerable countries.

The framing of the challenges and the recommendations in this report represents a call for partnership, not charity: An agenda that aligns Africa's development ambitions with global stability and shared prosperity.

A new strategy for global development is essential. The South African G20 Presidency offers a historic opportunity to secure commitments that restore trust in global objectives, attract transformative investment, and position Africa as a key pillar of a fairer international system. The era of small steps is over; what is required now is bold, coordinated, and ongoing action.



With a youthful, vibrant population, rich natural resources, and emerging technological opportunities, Africa can be a driver of global economic growth and sustainability.

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- **Esther Duflo:** Professor: Massachusetts Institute of Technology
- **Isaac Kwaku Fokuo:** Founder of Botho Group
- **Peter Blair Henry:** Senior Fellow, Hoover Institution and Freeman Spogli Institute, Stanford University; Dean Emeritus, NYU Stern School of Business
- **Alan Hirsch:** Professor: Nelson Mandela School of Public Governance, University of Cape Town
- **Donald Kaberuka:** Chairman and Managing Partner: SouthBridge
- **Johann Kirsten:** Professor & Director: Bureau for Economic Research, Stellenbosch University
- **Hans Peter Lankes:** Deputy Chief Executive and Managing Director: ODI
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- **Patrick Njoroge:** Former Governor: Kenya Reserve Bank
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- **Patrick Olomo:** Director of Economic Policy at the African Union Commission
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- **Bright Simons:** President: mPedigree (Ghana)
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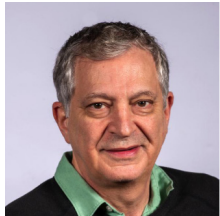
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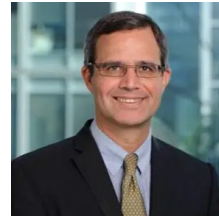
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