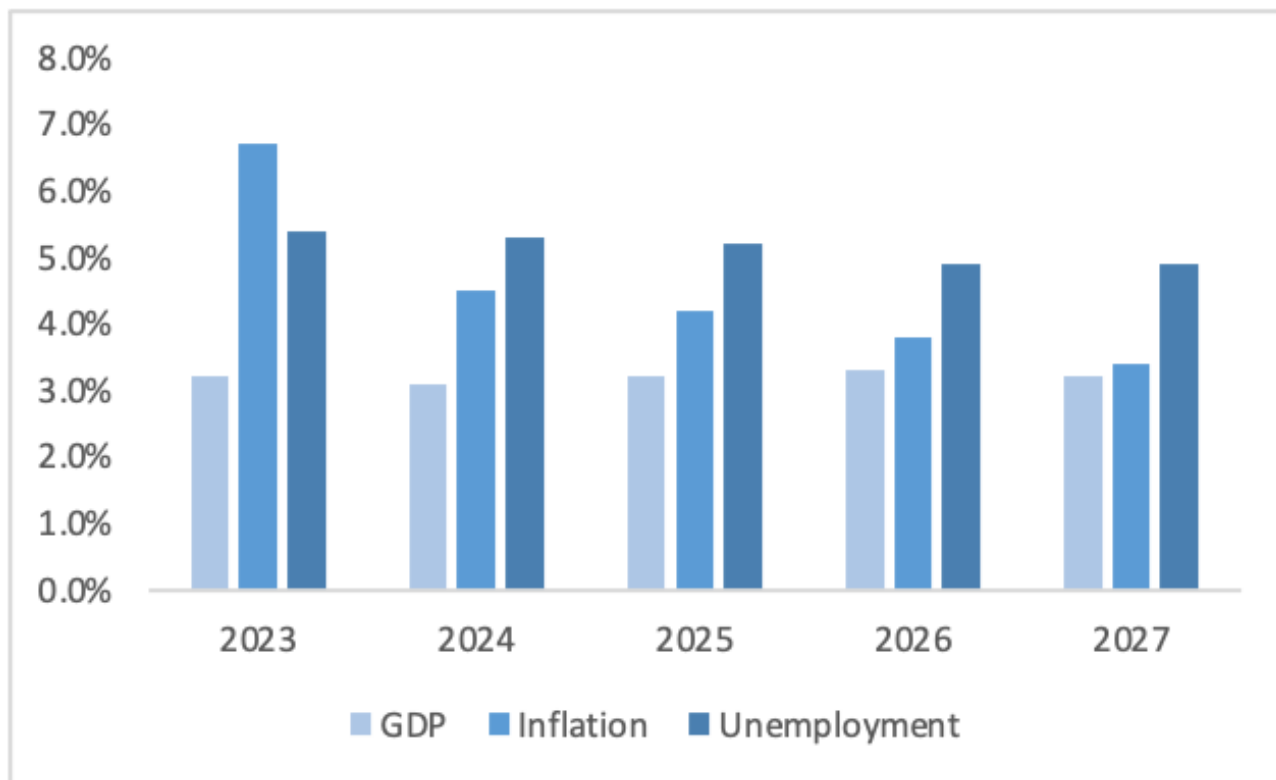


I. SOCIO-ECONOMIC REVIEW FOR 2025 AND FORECAST FOR 2026

II.1. Global Economy in 2025



The global economic environment in 2025 was shaped by a complex mix of resilience and uncertainty, as economies navigated persistent inflationary pressures, shifting trade dynamics, and policy uncertainty. Economic activity was supported by stockpiling of goods, strong investor confidence, and increased investment in artificial intelligence (AI)¹. Average global GDP growth was 3.2% (see Fig. 1), with advanced economies growing by 1.5% and emerging markets and developing economies by 4%³. Inflation eased globally in 2025, supported by tighter monetary policies and improving supply conditions. Global inflation was about 4.2%², marking a steady decline from 4.5% in 2024 and 6.7% in 2023³ (see Fig. 1). Labor market conditions in 2025 remained relatively stable, with the global unemployment rate at 5.2% (see Fig. 1). Higher tariffs and shifting trade policies disrupted supply chains, increased production costs, and contributed to financial market volatility. As a result, the pace of global trade growth slowed, with merchandise trade volumes expanding by about 2.9%, down from 3.5% in 2024⁴. Trade activity in early 2025 was temporarily boosted by firms accelerating shipments ahead of anticipated tariff increases, a phenomenon known as front-loading, which inflated short-term trade volumes⁵. Total trade in goods and services reached over \$35 trillion in 2025, up about \$2.2 trillion from 2024, driven largely by services and high-technology trade^{6,7}.

¹ <https://blogs.worldbank.org/en/developmenttalk/the-global-economy-in-five-charts2>

² <https://desapublications.un.org/publications/world-economic-situation-and-prospects-mid-2025>

³ <https://www.imf.org/en/Publications/WEO/Issues/2024/10/22/world-economic-outlook-october-2024>

⁴ https://www.wto.org/english/news_e/news25_e/stat_07oct25_e.htm?utm_source=chatgpt.com "AI goods and frontloading lift world trade in 2025 but ..."

⁵ https://www.linkedin.com/pulse/2025-2026-tech-trade-outlook-key-points-from-imf-wto-october-reports-lutuf?utm_source=chatgpt.com "2025 and 2026 Tech Trade Outlook: Key Points from the ..."

⁶ https://unctad.org/news/global-trade-hit-record-35-trillion-despite-slowing-momentum?utm_source=chatgpt.com "Global trade to hit record \$35 trillion despite slowing ...".

⁷ <https://unctad.org/publication/global-trade-update-december-2025-global-trade-poised-record-breaking-2025-flows>

II.2. Africa's Economy in 2025

Africa's GDP was \$3.6 trillion in 2025, with the region showing strong economic resilience and a real GDP growth rate of 4.2%, above the global average of 3.2%. South Africa, Egypt, Nigeria, and Algeria led in GDP size, driven by regional integration under AfCFTA, improved agricultural conditions, eased inflation, and rising oil/gas production⁸. In 2025, 12 of the 20 fastest-growing economies in the world were in Africa. East Africa maintained its lead as the continent's fastest-growing region (posting 6.4% GDP growth). Africa's average inflation rate declined to 12.5% in 2025, down from 15.7% in 2024 (see Fig. 3), driven by stricter monetary policies and improved food supply. Despite this decrease, high inflation persisted in certain countries, with Nigeria (approx. 14%-25%) and Zimbabwe (approx. 23%-89%) among the highest due to currency instability, import costs, conflicts, and structural supply constraints. South Sudan, Zimbabwe, Sudan, Burundi, and Malawi - ranked among the top 10 countries globally with the highest inflation rates in 2025.⁹ Africa's infrastructure deficit in 2025 remains a major hurdle, requiring about \$130-\$170 billion to meet development needs, with a funding shortfall of about \$68-\$108 billion. Key areas lacking investment include energy, transportation (roads, ports), and digital infrastructure, which together hamper economic growth by an estimated 2% annually¹⁰.

In 2025, **West Africa** continued to experience significant economic and geopolitical adjustments, building on earlier regional realignments, including the withdrawal of Mali, Burkina Faso, and Niger from ECOWAS, which has further reshaped regional cooperation and trade dynamics. Across the region, economic performance remained mixed but generally improved, with real GDP growth in West Africa at 4.4% (see Fig. 2), supported by strong performance in countries such as Côte d'Ivoire, Benin, and Senegal. Côte d'Ivoire's performance was driven by infrastructure investment, expanding agro-industrial activity¹¹, energy, and robust agricultural exports, which continued to support growth above 6% in 2025. Nigeria's economy showed signs of gradual stabilization following major reforms, with growth strengthening to around 3.5%-4.0% in 2025, driven by the non-oil sector, although high inflation, currency pressures, and tight monetary conditions continued to weigh on household consumption. Ghana made notable progress in macroeconomic stabilization, as inflation declined sharply to single digits around 9% by late 2025, supported by debt restructuring efforts, fiscal consolidation, and improved investor confidence¹². Across the region, high public debt levels and fiscal pressures persisted, even as some countries made progress in debt restructuring and macroeconomic management¹³. In East Africa, economic momentum strengthened further, with the region maintaining its position as the fastest growing on the continent. Growth was supported by infrastructure expansion, improved business environments, and increased investment in extractive industries. Countries such as Ethiopia continued efforts to deepen financial sector development, while Uganda's growth remained robust at around 6%-7% in 2025. Vulnerabilities in East Africa included debt sustainability concerns, inflationary pressures, and geopolitical uncertainty¹⁴.

⁸ <https://africarenewal.un.org/en/magazine/new-un-report-africas-economy-improve-2025-despite-global-stagnation#:~:text=Africa's%20economic%20growth%20is%20forecast,pressing%20concerns%20across%20the%20continent.>

⁹ <https://africa.businessinsider.com/local/markets/10-african-nations-with-the-highest-inflation-in-2025/cn3brbp>

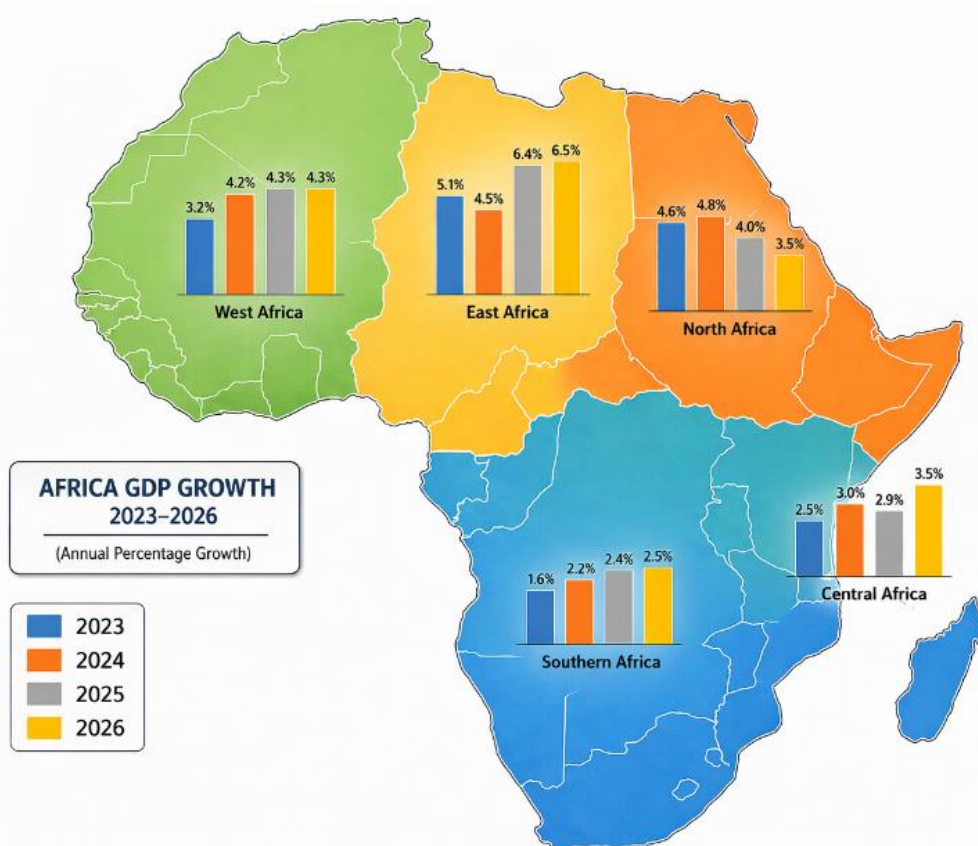
¹⁰ [https://www.nepad.org/news/new-report-calls-unlocking-170-billion-annually-meet-africas-infrastructure-needs#:~:text=28%2C%202025%20%7C%20News-,New%20Report%20calls%20for%20unlocking%20\\$170%20billion%20annually%20to%20meet,when%20sectors%20operate%20in%20isolation.](https://www.nepad.org/news/new-report-calls-unlocking-170-billion-annually-meet-africas-infrastructure-needs#:~:text=28%2C%202025%20%7C%20News-,New%20Report%20calls%20for%20unlocking%20$170%20billion%20annually%20to%20meet,when%20sectors%20operate%20in%20isolation.)

¹¹ https://www.afdb-org.kr/wp-content/uploads/2025/02/2025_meo_-_complete_enversion_05.02.2025.pdf?utm_source=chatgpt.com

¹² https://thedocs.worldbank.org/en/doc/c50bc3c87bc2666b9e5fa6699b0b2849-0050012025/related/GEP-Jan-2025-Analysis-SSA.pdf?utm_source=chatgpt.com

¹³ https://www.deloitte.com/us/en/insights/topics/economy/emea/africa-economic-outlook-11-2025.html?utm_source=chatgpt.com

¹⁴ https://www.pwc.com/ng/en/publications/west-africa-economic-outlook.html?utm_source=chatgpt.com



Despite contributing less than 4% of global greenhouse gas emissions, the African continent remains disproportionately vulnerable to the impacts of climate change. In 2025, empirical evidence highlights the scale, persistence, and intensification of climate-related risks across the region. Over 20 million people across Africa were affected by climate-related disasters in 2025, with extreme weather events becoming more frequent and severe¹⁵. In the Southwest Indian Ocean, cyclone activity disrupted livelihoods in countries such as Madagascar, Mozambique, and Mauritius, with combined impacts affecting hundreds of thousands of people annually through displacement, infrastructure damage, and agricultural losses¹⁶. In East Africa, intensified rainfall patterns were a major concern. In 2025, above-average seasonal rainfall, estimated at 150–200% of long-term averages in some areas, contributed to widespread flooding in countries such as Kenya and Tanzania, affecting over 300,000 people and causing significant damage to infrastructure and farmland¹⁷. The Democratic Republic of Congo (DRC) experienced compounded climate and conflict-related vulnerabilities. Recent data suggest that flooding and landslides affected more than 600,000 people, particularly in eastern provinces, where fragile infrastructure and ongoing insecurity amplified humanitarian risks¹⁸. Across the Sahel region, the rainy season continued the trend of increasing flood intensity. An estimated 2 million people were affected across countries such as Nigeria, Niger, Chad, Cameroon, and Sudan. In Nigeria alone, over 700,000 people were displaced, with tens of thousands of hectares of agricultural land destroyed, further worsening food insecurity¹⁹. These empirical trends highlight the urgent need to scale up adaptation financing, resilient infrastructure, and climate-smart development strategies.

In 2025, amid macroeconomic challenges, political crises, and conflicts, and the negative impact of climate change, poverty, and labor market conditions across Africa remained a major development concern, despite modest improvements in some areas. An estimated 430–435 million people on the continent continued to live in extreme poverty, based on the international poverty line of \$2.15 per

¹⁵ World Meteorological Organization, 2024; Internal Displacement Monitoring Centre, 2025

¹⁶ International Federation of Red Cross and Red Crescent Societies, 2025

¹⁷ United Nations Office for the Coordination of Humanitarian Affairs, 2025

¹⁸ World Bank, 2025; UNICEF, 2025

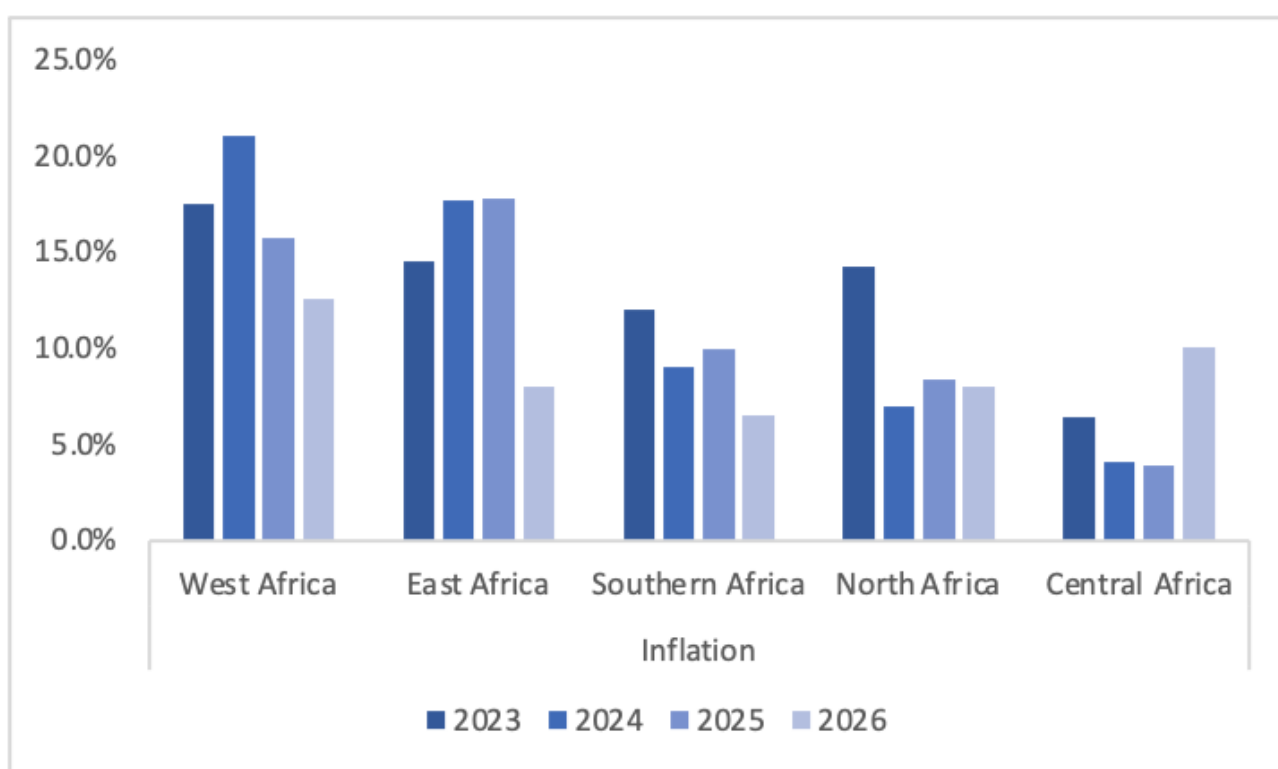
¹⁹ Food and Agriculture Organization, 2025; World Food Programme, 2025

day, with rural populations disproportionately affected due to limited access to economic opportunities and social services. About 10 to 12 million young people entered Africa’s workforce, yet job creation has continued to lag significantly behind this pace, with only about 3 to 4 million formal jobs generated in 2025, resulting in an unemployment rate of 6.2%.

II.2.1. North Africa

North Africa’s combined GDP growth in Mauritania, Morocco, Algeria, Tunisia, Egypt, and Libya reached 4% in 2025 (see Fig. 2), compared with 3.9% for the rest of the continent and 2% in the Middle East. North Africa’s inflation was about 8.3%²⁰, higher than 6.9% in 2024 (see Fig. 3). Morocco and Algeria experienced lower inflation or even deflation due to easing food prices and stable currencies, whereas Egypt faced continued price pressures, with inflation at 21.2% in 2025²¹. Poverty in North Africa remained a persistent challenge, with extreme poverty in the broader MENA region at about 9-10%, affecting tens of millions of people (World Bank, 2025).

II.2.2. East Africa



East Africa was the fastest-growing region on the continent, driven by trade, infrastructure, and technological advancements, despite challenges such as rising debt and high inflation. Eastern Africa balanced high growth (6.4%; see Fig. 2) with soaring inflation (17.76%; see Fig. 3) and moderate unemployment (4.74%). Ethiopia, Kenya, Tanzania, Uganda, and Zambia presented a mixed but generally positive growth in 2025, supported by sectoral investments and economic reforms, albeit with notable macroeconomic risks. GDP growth was 7.2%, 5.3%, 5.6%, 6.1%, and 4% in 2025 for Ethiopia, Kenya, Tanzania, Uganda, and Zambia, respectively, compared with 8.1%, 4.7%, 5.1%, 5.3%, and 5.4% in 2024, respectively. Growth in Ethiopia was driven by investments in mining, agriculture, and energy, though risks remain from political instability and inflationary pressures. Kenya’s expansion was supported by agricultural recovery, tourism, and investment reforms, but is constrained by high public debt and climate vulnerability. Tanzania and Uganda benefited from infrastructure and energy investments, as well as oil sector developments and regional trade, respectively, although both faced risks related to currency depreciation, rising import costs, delays in oil production, and external debt vulnerabilities. In contrast, Zambia’s growth was moderate despite resilience in agriculture, a rebound in mining, and progress in debt restructuring, with persistent

²⁰ <https://www.imf.org/external/datamapper/PCPIPCH@WEO/GEO?year=2024>

²¹ https://www.uneca.org/eca-events/sites/default/files/resources/251106_subregional-profile-report-2025-en.pdf

inflation and exchange rate volatility posing challenges.²² In 2025, East Africa exhibited mixed inflation trends, with key economies showing signs of stabilization. Kenya's inflation averaged around 4.04%, with figures stabilizing around 3.8%-4.1% by mid-2025. Tanzania's inflation was at 3.33%, while Ethiopia experienced high inflation at 13.6%. The region's average inflation stabilized at 17.76%²³.

II.2.3. West Africa

West Africa's GDP growth was 4.4% in 2025 (see Fig. 2), driven by oil and gas production in Senegal and Niger. Larger economies such as Nigeria and Ghana both recorded growth in 2025. Nigeria's GDP grew by 3.98%, driven by domestic reforms and growth in the services sector (finance and insurance, mining and quarrying, and ICT), while Ghana recorded 5.5% growth over the same period, driven by strong performances in agriculture and services. Despite overall improvements and a decline in public debt in parts of the region, West Africa still faced high debt levels in 2025. Nigeria's public debt stood at over ₦152 trillion (around USD 100 billion) in Q2 2025, while Ghana's public debt stood at GHS 630.2 billion in October 2025. The average inflation rate in West Africa declined to approximately 15.7% in 2025 from a high of over 21% in 2024 (see Fig. 3), driven by moderating food and energy prices and stabilization in major economies. Youth unemployment in West Africa stood at 24.95%, but overall, youth unemployment in Africa stands at 30%.

II.2.4. Central Africa

The Central African economy in 2025 faced a mixed outlook, characterized by high-risk, slow-growth environments in countries such as the Central African Republic and Chad, constrained by security challenges, high debt, inflation, climate risks, and infrastructure deficits. The Central African Republic's (CAR) nominal GDP was approximately \$2.93 billion in 2025, with a 2.9% growth rate (see Fig. 2), while Purchasing Power Parity-based GDP is estimated at \$7.33 billion. The economic growth rate was due to improved fuel access and gold exports, despite persistent poverty and high debt risks²⁴. Inflation in Central Africa was between 3.9% and 4.0% for 2025 (see Fig. 3), driven by resilient growth and economic shifts. The unemployment rate in the Central African Republic was around 5.9% to 6.18% in 2025, showing a slight decline from previous years²⁵.

II.2.5. Southern Africa

Southern Africa grew by about 2.2% in 2025 (see Fig. 2), constrained by structural bottlenecks, fiscal vulnerabilities, infrastructure gaps, weak external demand, and a climate shock. Region-wide, inflation averaged 12.1% in 2024 and 9.9% in 2025 and is expected to be 7.9% in 2026 (see Fig. 3), supported by tighter monetary policy, easing global food and energy prices, and better harvests. Southern Africa's current account deficit stood at 1.5%, 3.0%, and 2.9% of GDP in 2024, 2025, and 2026, respectively.

II.1. Economic Forecast and Policy Recommendations for 2026

Global growth is projected to remain resilient at 3.3% in 2026 and 3.2% in 2027 (see Fig. 1), rates similar to the 3.2% outturn in 2025. This steady performance on the surface results from the balancing of divergent forces. Headwinds from shifting trade policies are offset by tailwinds from surging investment in technology, including artificial intelligence (AI), and from fiscal and monetary support.

²² <https://www.deloitte.com/us/en/insights/topics/economy/emea/africa-economic-outlook-07-2025.html>

²³ https://www.worldbank.org/en/publication/africa-pulse#:~:text=The%20region's%20activity%20is%20expected%20to%20expand,rapidly%20than%20in%20any%20other%20developing%20region**

²⁴ <https://www.afdb.org/en/countries/central-africa/central-african-republic/central-african-republic-economic-outlook#:~:text=Economic%20growth%20in%20the%20Central,and%200.1%20respectively%20in%202023.>

²⁵ <https://www.worlddeconomics.com/Demographics/Unemployment-Rate/Central%20Africa%20Republic.aspx#:~:text=Central%20Africa%20Republic%20unemployment%20rate,Access%20Now>

Global headline inflation is expected to decline from 4.2% in 2025 to 3.8% in 2026 and further to 3.4% in 2027 (*see Fig. 1*).

In 2026, Africa's economies are projected to be led by South Africa (\$443B-\$492B), Egypt (\$399B), and Nigeria (\$334B), with the continent experiencing moderate economic growth. Africa's real GDP growth is projected to stabilize at 4.3% in 2026 and rise to 4.5% in 2027 (*see Fig. 2*). Inflation is projected to average 10.3% in 2026. Africa's economic outlook in 2026 reflects a complex interplay of resilience, structural constraints, and uneven regional performance.

In West Africa, economic activity is projected to remain robust, with growth ranging between 4.5% and 5.5% in 2026 (*see Fig. 2*), driven largely by the region's largest economies, including Nigeria, Côte d'Ivoire, Ghana, and Senegal²⁶. Nigeria alone is expected to grow at approximately 4.4%, supported by reforms in the oil and foreign exchange sectors²⁷. Despite this positive outlook, inflation remains high, averaging between 10% and 15%, reflecting ongoing currency pressures and food price volatility²⁸. Unemployment, particularly among youth, continues to pose a structural challenge, with rates estimated between 6% and 10%²⁹. While the expansion of digital financial services and fintech ecosystems is improving financial inclusion, the benefits of growth remain unevenly distributed, and poverty reduction has been relatively slow due to high informality and rural-urban disparities³⁰. Debt pressures are expected to stabilize or rise slightly in 2026 across West Africa. Ghana's debt dynamics may improve further as ongoing restructuring and fiscal discipline rebuild confidence, easing refinancing and interest costs. Additionally, reforms in the domestic gold sector are expected to improve and sustain support for the domestic currency, preventing a burgeoning of the public debt denominated in foreign currency. In contrast, Nigeria remains fiscally vulnerable, with debt service projected at ₦15.52 trillion against revenue of ₦34.33 trillion, implying a high debt service-to-revenue ratio of 45%.

North Africa presents a more moderate growth outlook, with GDP expected to expand between 3% and 4.5% in 2026³¹ (*see Fig. 2*). Countries such as Egypt, Morocco, and Algeria are central to the region's performance, with Egypt projected to approach 5% growth as macroeconomic reforms begin to yield results³². Inflation, although gradually moderating, remains high at between 8% and 15% (*see Fig. 3*), driven by currency adjustments and global commodity price fluctuations³³. Unemployment remains persistently high, averaging 10% to 13%, with youth unemployment exceeding 25% in several countries³⁴. The region continues to grapple with high public debt levels, particularly in Egypt, and remains vulnerable to external shocks, especially in food and energy markets. Nevertheless, a recovery in tourism and gradual industrial diversification are expected to support medium-term stability³⁵.

East Africa is projected to remain the fastest-growing subregion on the continent, with GDP growth ranging between 5.5% and 7% in 2026 (*see Fig. 2*)³⁶. This strong performance is underpinned by sustained infrastructure investment, regional integration, and expanding service sectors in countries such as Kenya, Ethiopia, Tanzania, and Rwanda. Inflation is expected to be relatively contained, ranging between 6% and 10%, while unemployment rates are estimated at 7% to 12%³⁷. The region continues to benefit from strategic positioning as a logistics and trade hub, alongside rapid urbanization and public investment in transport and energy infrastructure. However, rising public

²⁶ IMF, 2026; AfDB, 2026

²⁷ IMF, 2026

²⁸ World Bank, 2026

²⁹ AfDB, 2026

³⁰ World Bank, 2026

³¹ IMF, 2026

³² AfDB, 2026

³³ World Bank, 2026

³⁴ IMF, 2026

³⁵ World Bank, 2026; AfDB, 2026

³⁶ AfDB, 2026; IMF, 2026

³⁷ IMF, 2026

debt and vulnerability to climate-related shocks, including droughts and floods, remain significant risks that could undermine long-term sustainability³⁸.

In Central Africa, economic growth is forecast to remain modest, averaging 3% to 4% in 2026, largely driven by extractive industries such as oil and mining in countries like Angola, Cameroon, and the Democratic Republic of Congo. Inflation is projected to be between 8% and 12%, reflecting structural inefficiencies and external price shocks. Unemployment remains elevated, estimated at 8% to 14%, with limited job creation outside the resource sector. The region's heavy reliance on commodity exports continues to expose it to global price volatility, while weak industrial diversification and governance challenges constrain inclusive growth. Persistent poverty and, in some cases, conflict dynamics further complicate the socioeconomic landscape, limiting the transmission of resource-driven growth to broader development outcomes.

Southern Africa is expected to record the slowest growth among the subregions, with GDP expanding between 2% and 3% in 2026. South Africa, the region's largest economy, is projected to grow at approximately 1.4%, constrained by structural challenges including energy shortages, logistics bottlenecks, and weak investment. Inflation is relatively more stable compared to other regions, ranging between 5% and 8%, reflecting tighter monetary policy frameworks. However, unemployment remains the most pressing issue, with rates between 20% and 35%, among the highest globally, particularly affecting young people. While financial systems in the region are relatively developed, structural rigidities in labor markets and persistent inequality continue to limit inclusive growth and socioeconomic mobility³⁹.

Across the continent, broader socioeconomic indicators highlight the scale of the development challenge. The World Bank estimates that approximately 464 million Africans remain in extreme poverty, with only gradual improvements expected over the medium term. At the same time, demographic pressures are intensifying, with an estimated 12 million young people entering the labor force annually, far outpacing the creation of formal employment opportunities. Inflationary pressures, particularly from food and energy prices, continue to erode real incomes, while debt vulnerabilities remain elevated, with more than half of low-income African countries at high risk of or already in debt distress⁴⁰.

As Africa continues to recover from global and domestic challenges carried over from 2025, the Iran-United States conflict in the first quarter of 2026 has disrupted global energy, trade, and logistics systems and is expected to further worsen the continent's socio-economic conditions. In particular, disruptions to the global oil supply, especially through the Strait of Hormuz, could drive energy prices up by an estimated 20-40%, leading to higher fuel and transportation costs across African economies. The resulting cost-push inflation, especially in food prices, may erode household purchasing power and deepen poverty levels. At the same time, increased shipping costs and delays in the importation of essential goods such as fertilizers and machinery will constrain agricultural productivity and industrial output.

In addition, rising import bills and heightened global uncertainty are likely to weaken African currencies, increase external debt burdens, and reduce foreign investment inflows. While oil-exporting countries may experience marginal gains from higher crude oil prices, such benefits will likely be offset by structural inefficiencies and fiscal pressures. In contrast, oil-importing countries will face more severe economic strain, including widening trade deficits and declining foreign reserves, thereby reinforcing the overall negative impact of the crisis on Africa's economic outlook in 2026.

II.2. Policy Recommendations for 2025

Drawing on the projections and economic indices the report proposed the following policy recommendations:

³⁸ World Bank, 2026

³⁹ IMF, 2026; AfDB, 2026

⁴⁰ IMF, 2026; World Bank, 2026

- i. A central priority across all regions is restoring and maintaining macroeconomic stability, particularly in response to persistent inflation. With inflation rates still in double digits in parts of West and North Africa, monetary authorities should sustain prudent tightening where necessary while improving policy credibility through clear forward guidance. However, monetary tightening alone is insufficient; it must be complemented by supply-side interventions, particularly in agriculture and energy, to address the structural drivers of inflation. Strengthening domestic food systems, reducing import dependency, and investing in buffer storage and logistics infrastructure can help stabilize prices over the medium term.
- ii. On the fiscal side, governments must pursue fiscal consolidation without undermining growth. High debt burdens across several African economies require improved domestic revenue mobilization, particularly through broadening the tax base, digitizing tax administration, and reducing leakages. At the same time, expenditure rationalization is essential. This includes phasing out inefficient subsidies, especially fuel subsidies, while redirecting spending toward productive investments in infrastructure, health, and education. Enhancing public financial management systems will also be critical to improving efficiency and transparency in public spending.
- iii. Given the continent's significant unemployment and demographic pressures, especially in Southern and West Africa, labor market policies must prioritize job creation through structural transformation. Governments should focus on promoting labor-intensive sectors such as agro-processing, manufacturing, and services. This requires improving the business environment, reducing regulatory bottlenecks, and expanding access to finance for small and medium-sized enterprises (SMEs). In addition, targeted youth employment programs, vocational training, and digital skills development are essential to align the labor force with emerging economic opportunities.
- iv. To address the persistent challenge of low productivity and limited industrial diversification, African economies must accelerate industrial policy frameworks that support value addition and export diversification. In Central Africa, where growth remains heavily dependent on extractive industries, policies should incentivize downstream processing and local content development. Regional integration frameworks, particularly the African Continental Free Trade Area (AfCFTA), should be fully leveraged to expand intra-African trade, reduce trade barriers, and create larger markets for domestic industries.
- v. Debt sustainability remains a critical concern, with many countries at high risk of debt distress. Governments should adopt more prudent borrowing strategies, prioritize concessional financing, and strengthen debt management frameworks. Enhancing transparency in debt reporting and improving coordination between fiscal and monetary authorities will be key to maintaining investor confidence. Where necessary, countries should engage in orderly debt restructuring processes to restore sustainability and fiscal space.
- vi. Improving socioeconomic outcomes, particularly poverty reduction and inequality, requires a stronger focus on inclusive growth policies. Social protection systems should be expanded and better targeted to cushion vulnerable populations from inflationary shocks. Investments in education and healthcare are essential for long-term human capital development, while rural development strategies can help address spatial inequalities and reduce poverty in underserved regions.
- vii. Given the increasing exposure to climate-related risks, especially in East, Southern Africa, and West Africa, climate resilience must be integrated into economic planning. Governments should invest in climate-smart agriculture, renewable energy, and resilient infrastructure. Access to climate finance should be expanded through international partnerships, while domestic policies should incentivize green investments and sustainable resource management.
- viii. Strengthening institutional capacity and governance is fundamental to the success of all policy interventions. Transparent regulatory frameworks, anti-corruption measures, and

efficient public institutions are necessary to attract investment and ensure effective policy implementation. Digitalization of government services can further enhance efficiency, reduce corruption, and improve service delivery.

Policy Recommendations for DFIs

- i. A key priority for DFIs is to scale up countercyclical financing in response to inflationary pressures and tightening global financial conditions. With high interest rates constraining private sector access to credit, DFIs should expand concessional and blended finance instruments, particularly for SMEs and strategic sectors such as agriculture, manufacturing, and renewable energy. By offering longer tenors and lower borrowing costs, DFIs can stabilize investment flows and mitigate the adverse effects of macroeconomic volatility on productive sectors.
- ii. Given the slow pace of job creation and rising unemployment, DFIs should adopt a more deliberate, employment-focused investment strategy. This involves prioritizing projects with high job multipliers, including agro-processing, light manufacturing, and digital services. DFIs should also integrate employment metrics into their project appraisal frameworks, ensuring that job creation, particularly for youth and women, is treated as a core performance indicator rather than a secondary outcome.
- iii. Given the persistent challenge of low industrial diversification, particularly in central and resource-dependent economies, DFIs should play a catalytic role in supporting value chain development and industrial transformation. This includes financing downstream processing industries, supporting local content initiatives, and investing in special economic zones and industrial parks. In addition, DFIs should provide technical assistance to help firms upgrade technology, improve productivity, and access regional and global markets, especially under the African Continental Free Trade Area (AfCFTA).
- iv. To address high inflation and food insecurity, DFIs should significantly increase their support for climate-smart agriculture and food systems development. Investments should target irrigation infrastructure, storage facilities, rural logistics, and agricultural value chains to reduce post-harvest losses and enhance food supply stability. Blended finance mechanisms can also be used to crowd in private investment into agribusiness, particularly in high-risk environments.
- v. Recognizing the importance of financial inclusion and private sector development, DFIs should accelerate investments in digital financial infrastructure. Supporting fintech ecosystems, digital payment platforms, and credit information systems can expand access to finance, particularly for underserved populations and informal enterprises. Digitalization also enhances transparency and efficiency, reducing transaction costs across financial systems.
- vi. Finally, institutional strengthening remains essential. DFIs must invest in governance, risk management, and operational efficiency by adopting digital tools and artificial intelligence for credit assessment, project monitoring, and portfolio management, and by leveraging established transformative tools such as the Prudential Standards Guidelines and Rating System (PSGRS) and the Sustainability Standards Certification Initiative (SSCI). Collaboration with organizations such as the Association of African Development Finance Institutions can further support capacity building, knowledge sharing, peer learning, and the harmonization of best practices across the continent.