UNCTAD WARNS ON DEBT, SAYS AFRICA SHOULD FIND NEW WAYS TO FINANCE DEVELOPMENT

Nairobi, Kenya, 21 July, 2016 – African governments should add new revenue sources to finance their development, such as remittances, public-private partnerships, and a clampdown on illicit financial flows, an UNCTAD report said on Thursday, warning that debt looks unsustainable in some countries.

This year’s UNCTAD Economic Development in Africa Report 2016 finds that Africa’s external debt ratios appear manageable, but African governments must take action to prevent rapid debt growth from becoming a crisis, as experienced in the late 1980s and 1990s.

"Borrowing can be an important part of improving the lives of African citizens," UNCTAD Secretary-General Mukhisa Kituyi said. "But we must find a balance between the present and the future, because debt is dangerous when unsustainable."

At least $600 billion will be needed each year to meet the Sustainable Development Goals in Africa, according to the report which is subtitled Debt Dynamics and Development Finance in Africa. This amount equates to roughly a third of countries’ gross national income. Official development aid and external debt are unlikely to cover these needs, the report finds.

A decade or so of strong growth has provided many countries with the opportunity to access international financial markets. Between 2006 and 2009, the average African country saw its external debt stock grow 7.8 percent per year, a figure that accelerates to 10 percent per year in the years 2011–2013 to reach $443 billion or 22 per cent of gross national income by 2013.

Several African countries have also borrowed heavily on domestic markets, the report finds. It provides specific examples and analyses of domestic debt in Ghana, Kenya, Nigeria, Tanzania, and Zambia. In some countries, domestic debt rose from an average 11 percent of GDP in 1995 to around 19 percent at the end of 2013, almost doubling in two decades.

"Many African countries have begun the move away from a dependence on official development aid, looking to achieve the Sustainable Development Goals with new and innovative sources of finance," Dr. Kituyi said.

The report argues that African countries should look for complementary sources of revenue, including remittances, which have been growing rapidly, reaching $63.8 billion to Africa in
2014. The report discusses how remittances and diaspora savings can contribute to public and development finance.

Together with the global community, Africa must also tackle illicit financial flows; which can be as high as $50 billion per year. Between 1970 and 2008, Africa lost an estimated $854 billion in illicit financial flows, roughly equal to all official development assistance received by the continent in that time.

And while governments should be vigilant of the borrowing risks, public-private partnerships have also started to play a more prominent role in financing development. In Africa, public-private partnerships are being used especially to finance infrastructure. Of the 52 countries considered during the period 1990-2014, Nigeria tops the list with $37.9 billion of investment, followed by Morocco and South Africa.

**Note to Editors:**

- *The Economic Development in Africa* report analyses major aspects of Africa’s development problems and policy issues of interest to African countries. It makes policy recommendations for action by African countries themselves and by the international community to overcome the development challenges that the continent faces. The report has been published annually since 2000.

- Globalization, including a phenomenal expansion of trade, has helped lift millions out of poverty. But not nearly enough people have benefited. And tremendous challenges remain. UNCTAD supports developing countries to access the benefits of a globalized economy more fairly and effectively.

- As the UN focal point for the integrated treatment of trade and development, and the interrelated issues of finance, technology, investment and sustainable development, UNCTAD helps developing countries to deal with the potential drawbacks of greater economic integration with the global economy by providing research and analysis, consensus-building, and technical cooperation.

- UNCTAD’s mandate is updated every four years when UNCTAD member states meet in a conference to agree on, the agency’s work program. UNCTAD’s 14th conference takes place this year in Nairobi between 17 and 22 July.

- With the tagline “From decision to action”, this year’s conference has extra importance as the first UNCTAD conference since the global community established the Sustainable Development Goals and mandated - via the Addis Ababa Action Agenda - UNCTAD as one of five international organizations to mobilize financing for development. The other four organizations are the World Bank, the IMF, the WTO, and the UNDP.