

Action needed to avert Africa foreign debt crisis - report

Africa's external debt, about one-third of gross national income, is higher than the average for all African countries and exceeds the value of the country's exports, according to the 2016 UN Conference on Trade and Development (Unctad) Africa economic development report.



Image by 123RF

The report also says the external debt of "several African countries" has rapidly risen in recent years, causing concern among policy makers, analysts and multilateral financial institutions. This follows 20 years of debt relief under the heavily indebted poor countries and multilateral debt relief initiatives.

Released on Thursday, the report says while Africa's external debt ratios appear to be manageable, their rapid growth in several nations requires action in order to avoid a recurrence of the debt crisis of the late 1980s and the 1990s.

"(Countries) do need to borrow - it is a key requirement for growth. But can (they) pay it back?" said Saul Levin, executive director at Trade and Industrial Policy Strategies (Tips), who presented the report. Tips is an independent, nonprofit, economic research institution based in Pretoria.

He said African countries had increasingly been issuing bonds as they moved away from a mixture of grant and debt funding by multilateral agencies to borrowing from commercial lenders.

The report said African leaders had committed themselves to implementing a continental plan that had seen Africa increasingly becoming self-reliant and financing its own development. This was mainly achieved through the use of domestic resources such as savings and taxes, and the enhanced use of capital markets, while keeping debt levels sustainable.

The release of the report came as South African Trade and Industry Minister Rob Davies was attending the 14th Unctad ministerial conference in Kenya. "This conference is taking place in the midst of a deepening global crisis," Davies said. "A feature of this" is sharply depressed commodity prices, which are having a significant impact on developing countries."

He said an investment-led strategy was needed to help transform Africa's economies. He also said Africa needed to engage in the regional integration of markets, the building of infrastructure and in industrial development, including across borders.

The Unctad report said the development of the Brics (Brazil, Russia, India, China and SA) bloc had opened up new sources of external finance for Africa. However, years of favourable growth had changed along with the latest commodity bust. This meant risk had increased and borrowing costs had risen sharply.

The report said at least \$600bn a year was needed to meet sustainable African development goals. This equated to about one-third of the continent's gross national income. "Official development aid and external debt are unlikely to cover these needs," the report said.

Source: [Business Day](#).

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