PRESS RELEASE

United Nations - Office of the Special Adviser on Africa OSAA

Promoting International Support for Peace and Development in Africa

7/12/05

REMITTANCES TO AFRICA OVERTAKES FOREIGN DIRECT INVESTMENT

Remittances from Africans working abroad in the period 2000-2003 averaged about US$17 billion per annum virtually overtaking Foreign Direct Investment flows which averaged about $15 billion per annum during the same period.

These figures are contained in a report *Resource Flows to Africa: An Update on Statistical Trends* just released by the United Nations Office of the Special Adviser on Africa in New York.

The report draws on official data from the World Bank, United Nations Conference on Trade and Development, UNCTAD, OECD and IMF. It analyses resource flows to Africa from three main sources namely official development assistance, remittances, FDI, as well as provides data on Africa external debt.

It notes that official development assistance remains the main source of external financing, increasing from US$15.6 billion to about US$25 billion between 1999 and 2003- a net increase of 67 per cent.

Official aid

Official development assistance is still the main external resource flow for Africa. Reflecting the commitments made at the Monterrey Conference on Financing for Development in 2002, net official aid from all donors increased by US$10.2 billion, from US$15.6 billion to about US$25 billion between 1999 and 2003. This represents a net increase of 67 percent. There is consensus that Africa would need twice as much as the current levels of aid by 2010 to enable it meet the MDGs and implement NEPAD. This need to double aid to Africa has been restated in the reports of the Commission for Africa, United Nations Millennium Project and the UN Secretary-General's Advisory Panel on International Support for NEPAD.

Remittances

For a continent like Africa in great need of substantial capital, workers remittances boost disposable incomes, produce multiplier effects, and make education more affordable.

Private transfers are large and stable sources of foreign exchange for poor countries and are more likely to reach poor households than other capital flows. The average per capita remittance by migrants in developed countries is around US$ 200 per month.

In the light of this it is becoming imperative that the cost of transmitting remittances needs to be reduced to allow African countries receive larger private capital flows.

FDI flows

Although FDI flows to Africa have increased in value terms during the last few years, total flows to the whole continent represent only a small percentage of total flows to developing countries. While the average annual FDI has increased from about US$ 2.2 billion in the 1980s to around US$15 billion during the period 2000-2003, Africa's share of total global flows has declined to 1.8 percent during 2000-2003 from an average of 2.3 percent in the 1980s.

Furthermore, Africa's share of total FDI flows to developing countries decreased from about 10 percent in the 1980s to 7 percent for the period 2000-2003. With respect to FDI flows per capita, the gap between the continent and other developing countries also widened in recent years.

Evidence seems to indicate that the composition of FDI flows to Africa is changing. Over the past few decades the largest recipients of FDI have been countries with large mineral and petroleum reserves and growing natural resources industries. However, the last five years have witnessed a shift of investors' focus to industrial and service sectors, including telecommunications, banking and textiles. Eventually the new trend may lead to the emergence of new comparative advantages in Africa.

External debt

Despite the HIPC Initiative's objective to reduce Africa's total debt, total external debt and the burden of debt service payments still remains high.

In 2003 African countries owed a total of US$307 billion to creditor countries and institutions, of which $218 billion was owed by the countries in Sub-Saharan Africa. This debt more than doubled from US$120 billion in 1980 to US$307 billion in 2003. Almost 80 percent of Africa's debt is owed to official institutions, of which approximately 33 percent is multilateral debt owed mainly to the IMF and the World Bank.

At the same time, total debt service paid by the continent increased from US$3.3 billion in the 1970s to a peak of US$28 billion in 2003, of which Sub-Saharan Africa's share was US$15 billion. In this context, the decision by the G8 countries to grant a 100 percent multilateral cancellation of the debt owed to the IMF, the World Bank, and the African Development Bank by 14 African countries that have reached the HIPC Initiative completion point could reduce the heavy debt burden and boost pro-poor growth by freeing resources for social and productive sectors.

The full report ***Resource Flows to Africa: An Update on Statistical Trends*** is available on *www.un.org/africa/osaa*

For further information contact
David Mehdi Hamam
Senior Economic Affairs Officer
United Nations - Office of the Special Adviser on Africa
Tel.: 1-212 963 2645
Fax: 1-212 963 3892
Email hamamm@un.org

Media Contact
Olaolu Akande
Advocacy/Communication Consultant
United Nations- Office of Special Adviser on Africa
Tel.: 1-917 367-3188
akandeo@un.org