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TRADE AND DEVELOPMENT BOARD  
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Sessional Committee II

**ECONOMIC DEVELOPMENT IN AFRICA: ISSUES RELATING  
TO AFRICA'S DEBT SUSTAINABILITY**

**Draft Agreed Conclusions**

1. The Board welcomes the report by the UNCTAD secretariat entitled “Economic Development in Africa: Debt Sustainability: Oasis or Mirage? ”, as a contribution to the debate on debt sustainability and it:

2. Underscored that the continent’s debt burden and debt overhang is a deterrent to investment, and damages prospects for economic growth and poverty eradication, and thus requires urgent action towards a durable solution if Africa is to make progress on attaining the International development goals, including those contained in the Millennium Declaration.

3. Considered the enhanced Heavily Indebted Poor Countries (HIPC) Initiative as an improvement on the original framework, and welcomed the extension of the sunset clause of the HIPC initiative to end – December 2006, and other international actions on debt issues in favor of developing countries.

4. Noted with concern that African HIPCs still face daunting challenges, including high levels of poverty as depicted by the socio-economic indices and the high incidence in particular of HIV/AIDS, malaria and tuberculosis. A significant number of

African HIPC countries continue to face serious difficulties in meeting their external debt service obligations and several have returned to unsustainable debt levels even after graduating from the HIPC Initiative.

5. Stressed that debt sustainability depends on a wide range of variables, and therefore debt sustainability analyses should incorporate a comprehensive set of variables, including country-specific factors as well as vulnerabilities; and considered that this should be addressed by the international community. In this regard there were suggestions that an independent panel of experts might be useful.

Noted with great concern that in some cases progress in implementing the Initiative has been slow. Funding has not always matched the estimated total costs of debt relief. These conditions, also considering current economic growth rates, contribute to the severe problems that many African countries face in achieving the internationally agreed development goals, including those contained in the Millennium Declaration, by any date close to 2015. In this regard the importance of interim debt relief was stressed.

7. Noted that a substantial majority of the 11 pre-decision countries are conflict and post-conflict African countries which face special challenges in accessing HIPC debt relief. Among these challenges, substantial resources are needed for rehabilitation and reconstruction of infrastructure, returning and resettling of refugees and clearing large arrears to MFIs.

8. Welcomed efforts by donor countries and MFIs to consider additional ways to promote debt sustainability including finding additional finance for debt relief. Encouraged further efforts to address multilateral and bilateral debt in a meaningful way. The recent announcement by the UK government to pay 10 per cent of the debt service for eligible poor countries was highlighted, as well as other innovative proposals.

9. Recognized that even a substantial debt relief would need to be complemented by additional flows from all sources including ODA and FDI and that debt relief should be seen in the context of development policy as a whole, including commitments made in order to meet the Internationally agreed development goals, such as those contained in the Millennium Declaration; and stressed that HIPC debt relief should not be a substitute for bilateral ODA flows.

10. Welcomed the establishment of the African Peer Review Mechanism of NEPAD to promote good governance, including the adoption of prudent debt management systems.

11. Took note of innovative ways for generating additional resources inflows for development in order to augment official sources of finance.

12. Underscored the shared responsibility of both creditors and debtors in preventing and resolving unsustainable debt situations and the importance of directing

resources released by debt relief towards activities aimed at higher and sustained economic growth and development consistent with the attainment of the International development goals, including those contained in the Millennium Declaration; stressed that for developing countries to be able to achieve their development objectives it would be important to take into account the need for appropriate balance between national development priorities and international disciplines and commitments.

13. Stressed that the issue of long-term sustainability in middle income countries remains a concern and noted the new Evian approach of the Paris Club to treating debt in non-HIPC countries.

14. Agreed that UNCTAD should, within its mandate, continue to provide analysis and policy advice on African development and to support African countries in their endeavour to implement the programmes of NEPAD, and to attain the International development goals, including those contained in the Millennium Declaration.

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