

CREDIT RATINGS IN AFRICA

ADVOCACY BRIEF



REDUCING THE COST OF BORROWING IN AFRICA

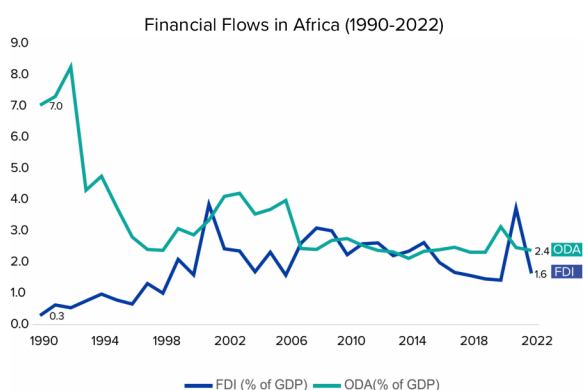
UNDP seeks to partner with African governments, global and African credit rating agencies, private sector entities and the media to support African countries to improve their credit ratings and unlock affordable development financing to advance sustainable development across Africa.



Development costs of credit ratings in Africa

African countries face some of the highest borrowing costs in the world, partly due to structural problems (economic, governance and public finances) but also because of low credit ratings. Such ratings lead to higher interest costs and lower borrowing through sovereign bonds.

Ratings also indirectly affect the amount of equity flowing to the continent, as Foreign Direct Investment (FDI) is often deterred by low credit ratings.



As more African countries borrow on international capital markets, sovereign credit ratings have become a necessary step in assessing their credit worthiness. Sovereign credit ratings affect risk perception and impact countries' development in three key areas:



Lending



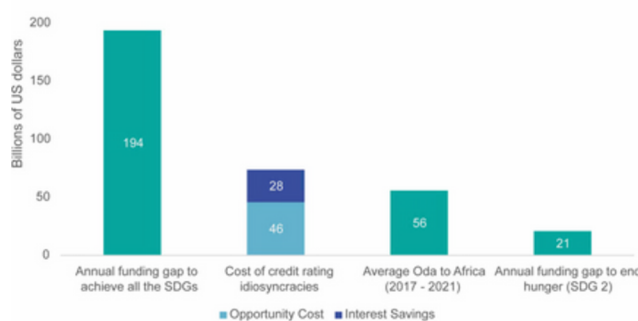
Interest Rate



Foreign Direct Investment

In 2023, UNDP released a [report](#) which found many idiosyncrasies (subjectivities) in the global credit ratings of 13 African countries. The report suggested that these African countries could save up to **US\$74.5 billion** if credit ratings were based on more objective assessments.

Development Costs of Credit Ratings Idiosyncrasies

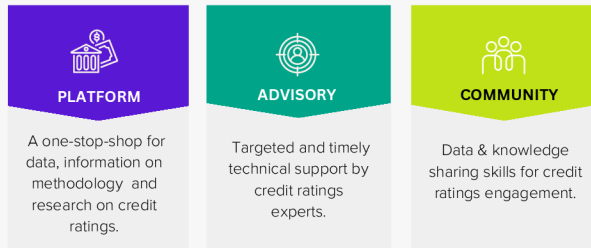


The estimated cost of subjectivities in the credit rating is more than 80 per cent of Africa's annual infrastructure investment needs (estimated at \$93 billion), and more than twice the cost of reducing malaria by 90 per cent (US\$34 billion).

UNDP's Credit Rating Initiative

Following the release of the credit rating report in 2023 and a pilot exercise in Tanzania, UNDP and AfriCatalyst have developed an initiative to provide technical support to African countries to better prepare and engage in ratings review processes.

The UNDP credit rating initiative includes:



Partnerships with UNDP

The credit rating process is complex, and it is important for African countries to be well-prepared and clearly understand the process. UNDP is well-positioned to support African countries.

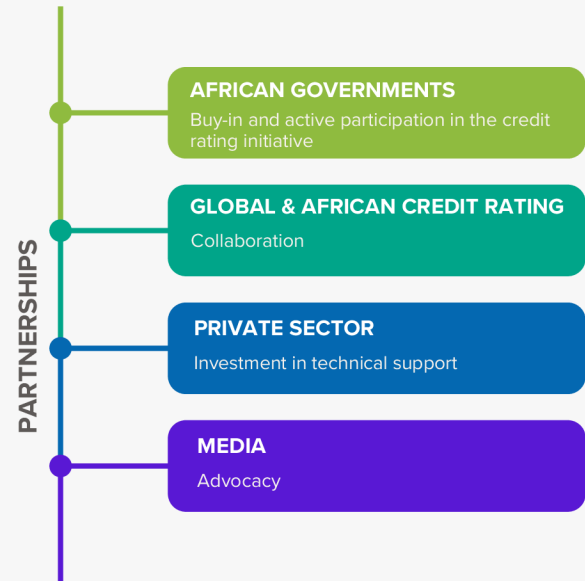
Credible Track Record

- 1994**
Only South Africa had a sovereign credit rating
- 2003**
13 African countries rated following partnership between UNDP and S&P
- 2023**
33 African countries have a rating
- 2024**
UNDP launches credit ratings initiative

Unlocking Affordable Development Financing in Africa

UNDP is seeking partnerships from the following key stakeholders to support

African countries to improve their credit ratings and access affordable financing to advance their development aspirations:



Training of Government Officials on Credit Rating in Tanzania

Contact us at:

rba.creditratings@undp.org / comms-africa@undp.org

For more information, visit the Africa Credit Ratings Resource Platform:

www.undp.org/africa/credit-ratings-resource-platform