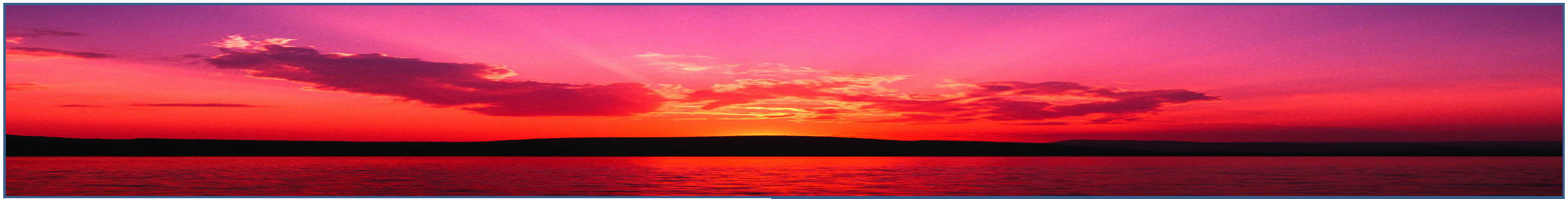

UNITED NATIONS UNIVERSITY

2009 Africa Day symposium

Africa and the Global Economic Crisis : Should we worry about the development process?

Tokyo 25 May

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UNU-WIDER

Financial Crisis Impacts on Africa

- Slowing down of overall economic growth, by about 3 percentage point in 2009.
- Lower demand for exports and commodity prices, hitting African producers of oil, minerals and cotton particularly hard.
- Foreign direct investment, remittances, tourism receipts and other sources of private capital flows are expected to decline in 2009.
- More pressure on limited donor aid resources, as developed countries become eligible for concessional financing.

Potential Implications for development process in Africa

- The effects of the current crisis might be more profound and as longer than expected
- The significant progress toward Millennium Development Goals made before the crisis may be reversed by the shortage of financial resources and slower growth.
- For some African countries damage to development process may be irreversible.

So, should we worry that the gains made over the last decade could be lost?

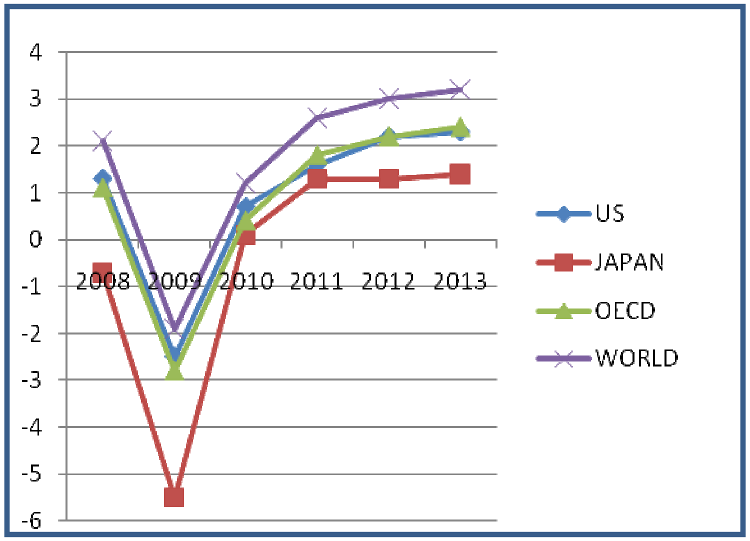
It depends on!

1. The time needed by the developed economies to recover.

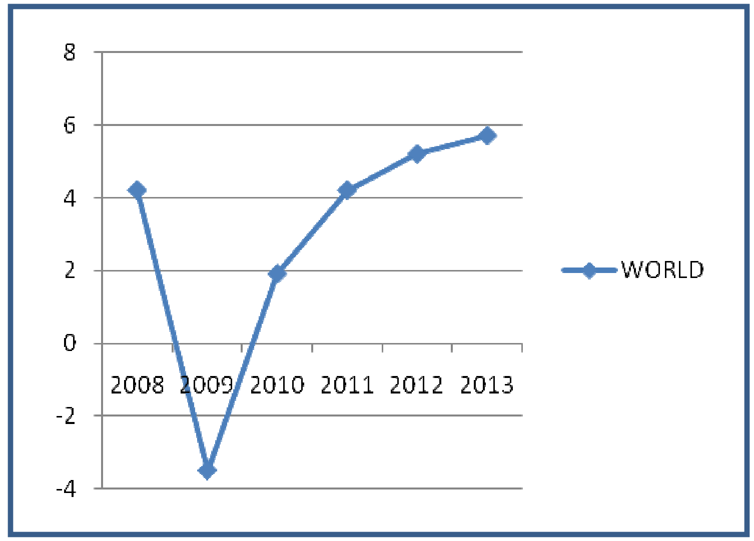
2. The ability of the African economies to adapt to the current circumstances and to recover from damage.

Projections (Sources: IMF and EIU)

Real GDP Growth

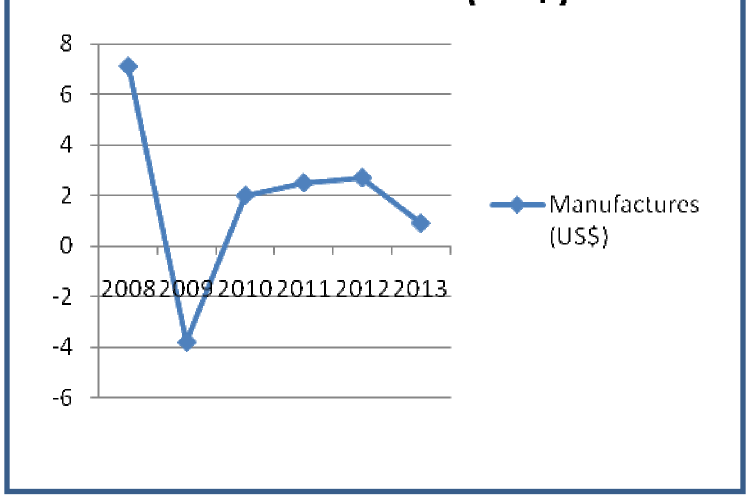


World Trade Growth

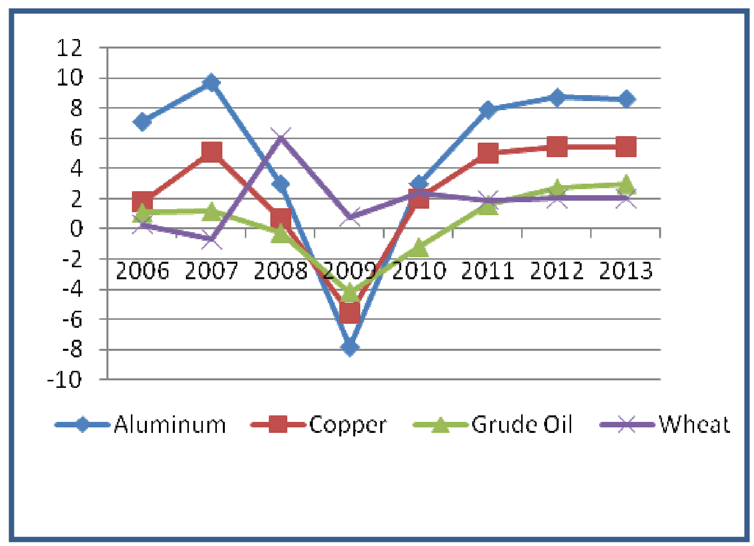


Export price inflation

Manufactures (US$)

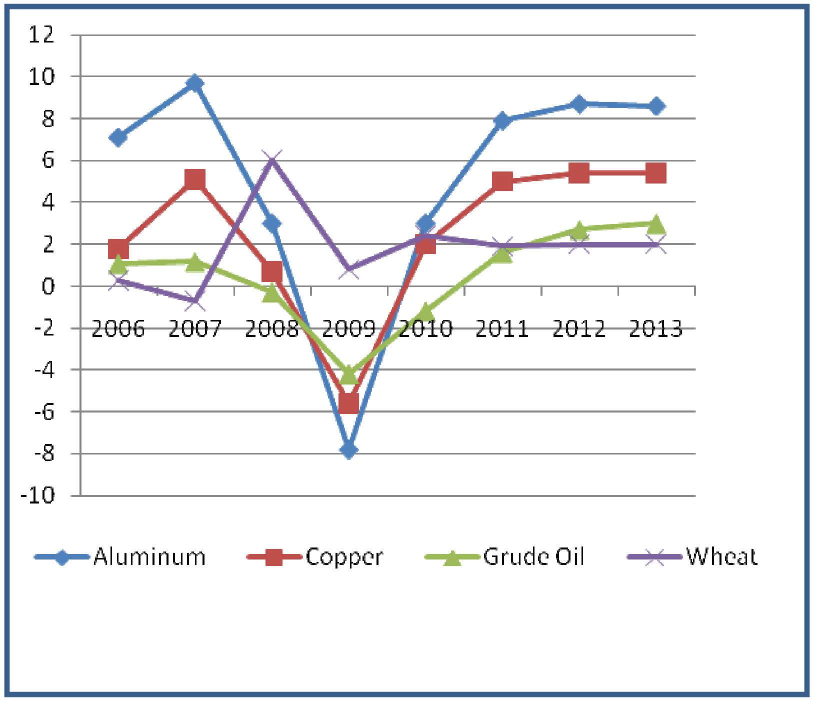


Demand Growth for Major Commodities

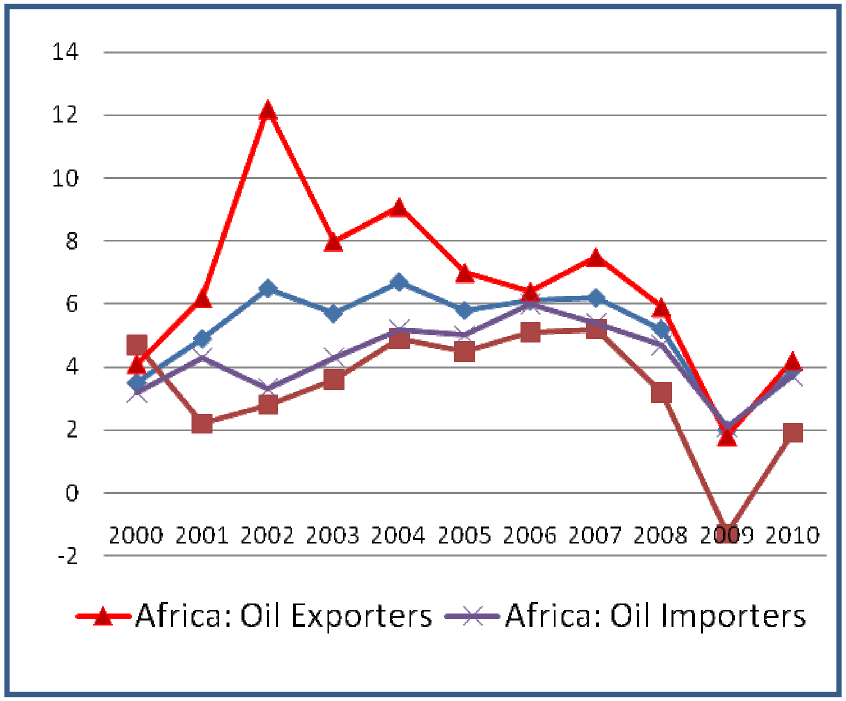


Some evidences that the world economy will recover by the end of this year

Demand Growth Projections for Major Commodities (IMF 2009)



GDP Growth (IMF 2009)

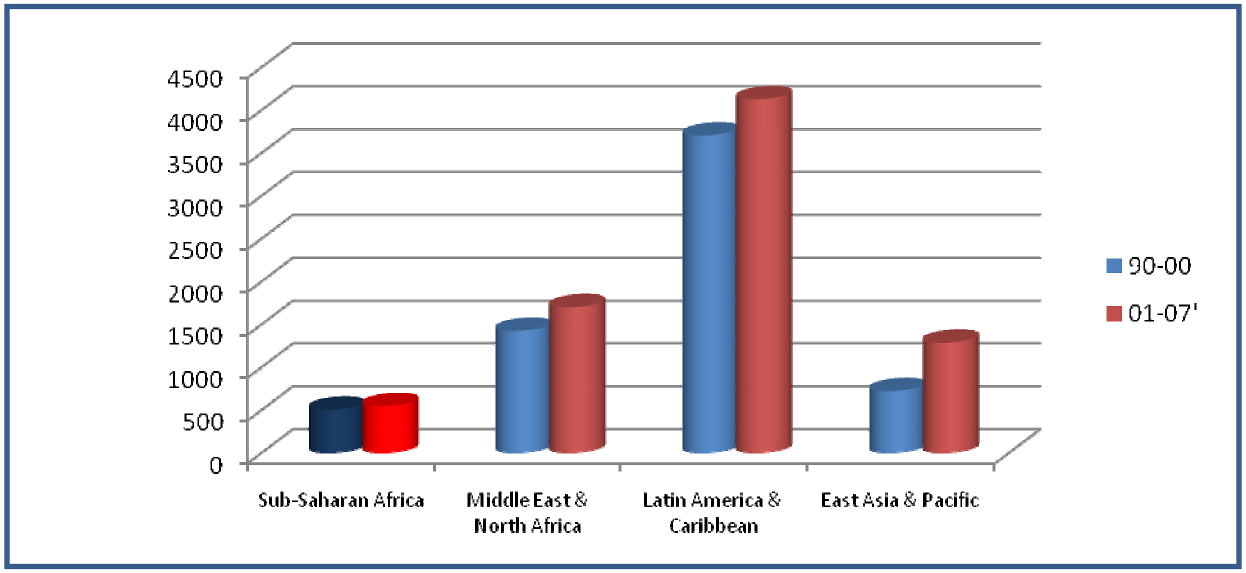


Resilience to economic shocks

- The ability of an economy to continue to function in the face of unexpected events will have a large influence on the duration of recovery.
- The ability to withstand perturbations depends, to a large degree, on the institutional structure and the operational systems in place, and the resilience of these.

African Economies are relatively vulnerable

- Lack of effective regional integration and excessive dependence on external demand : domestic demand is limited by low per capita incomes



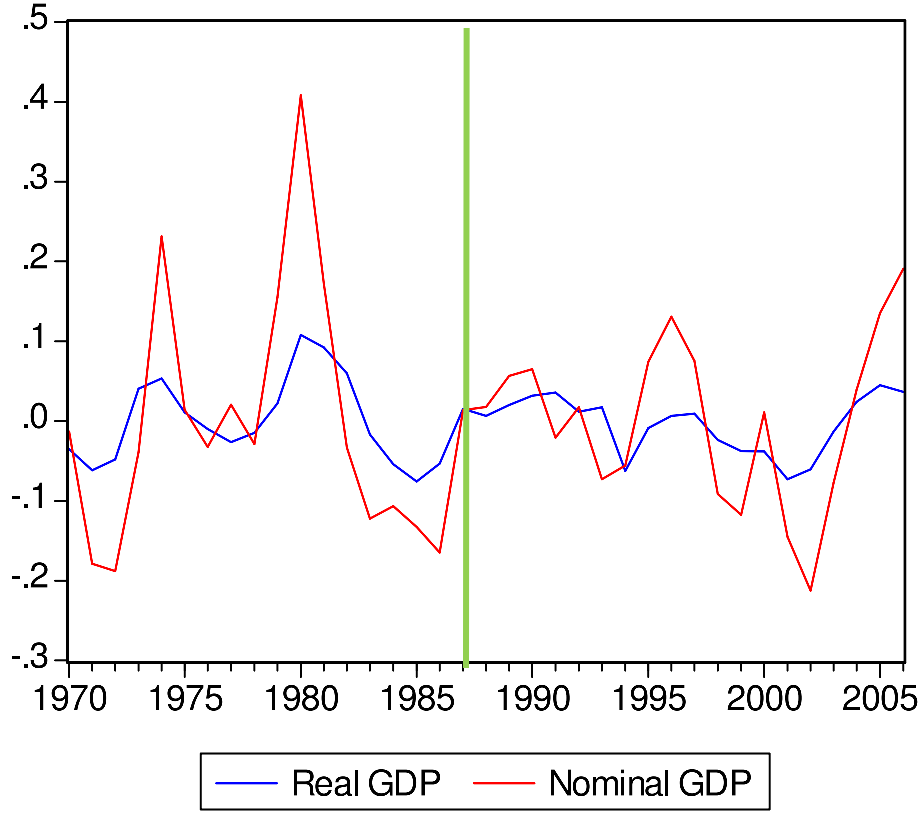
(Source of data: World Bank's World Development Indicators Online, and IMF, 2009)

+ Absence of well-functioning social safety nets
+ Tight borrowing conditions for small enterprises on the local markets

But relatively resilient

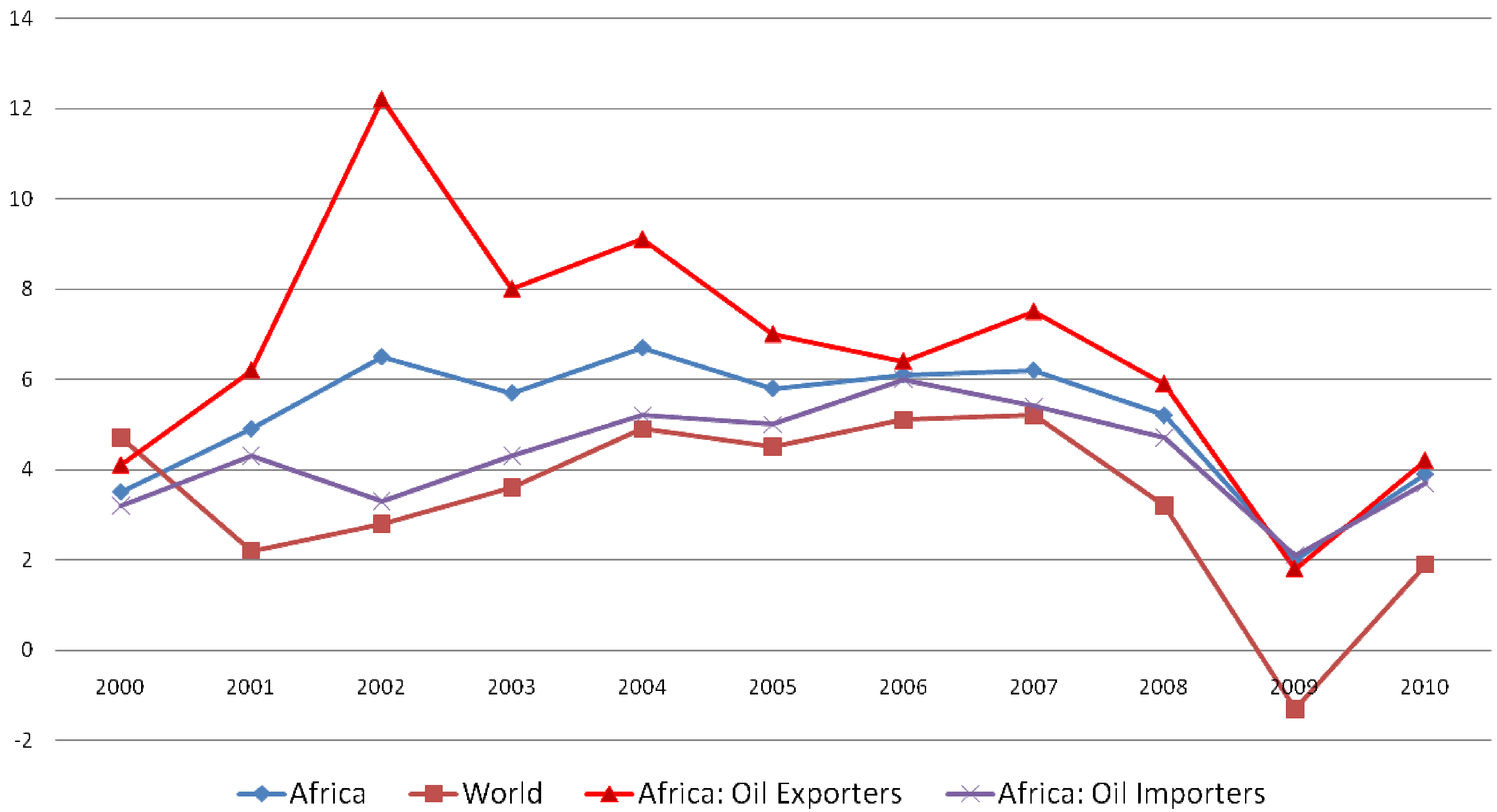
- The epicenter of the crisis is in the developed countries
- Several years of relatively high growth have allowed a number of countries to build up their monetary reserves, providing a cushion against short-term perturbations.
- Economic reforms to enhance the productivity and efficiency as well as better economic management have made economies more resilient.

Business Cycles In Africa Have Moderated over Time



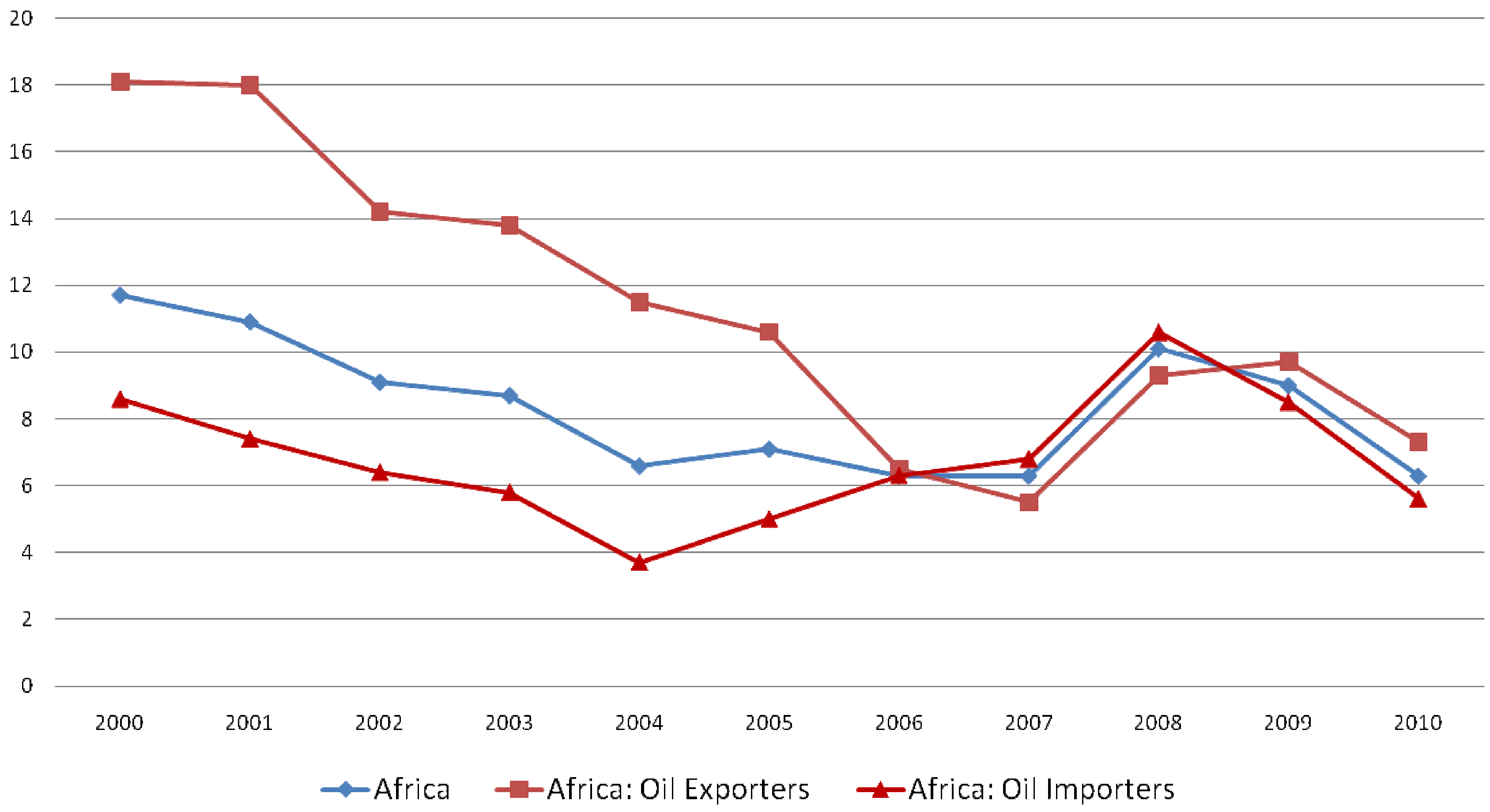
(Source of data: World Bank's World Development Indicators Online, and IMF, 2009)

GDP Growth



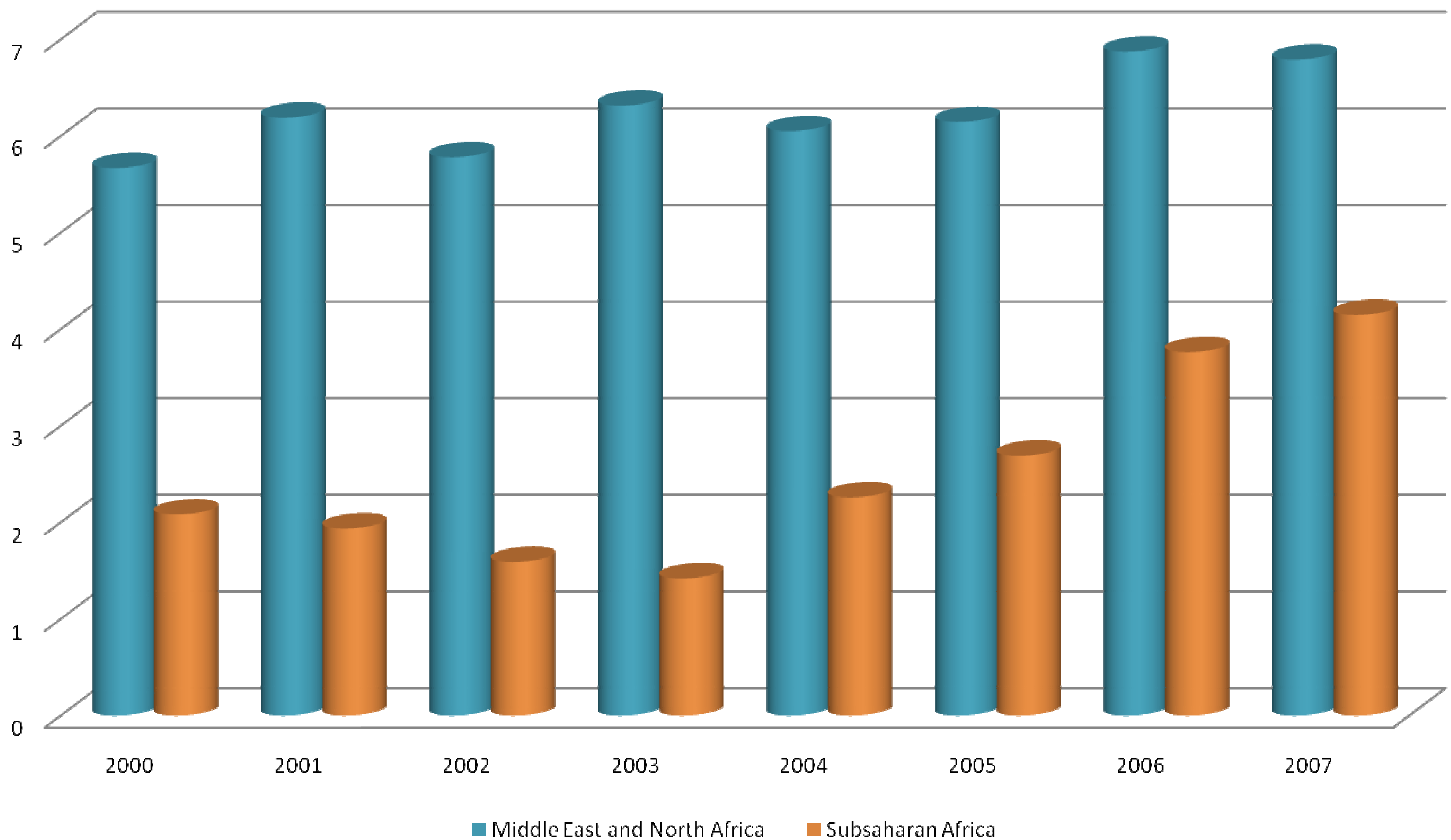
(Source of data: World Bank's World Development Indicators Online, and IMF, 2009)

Inflation



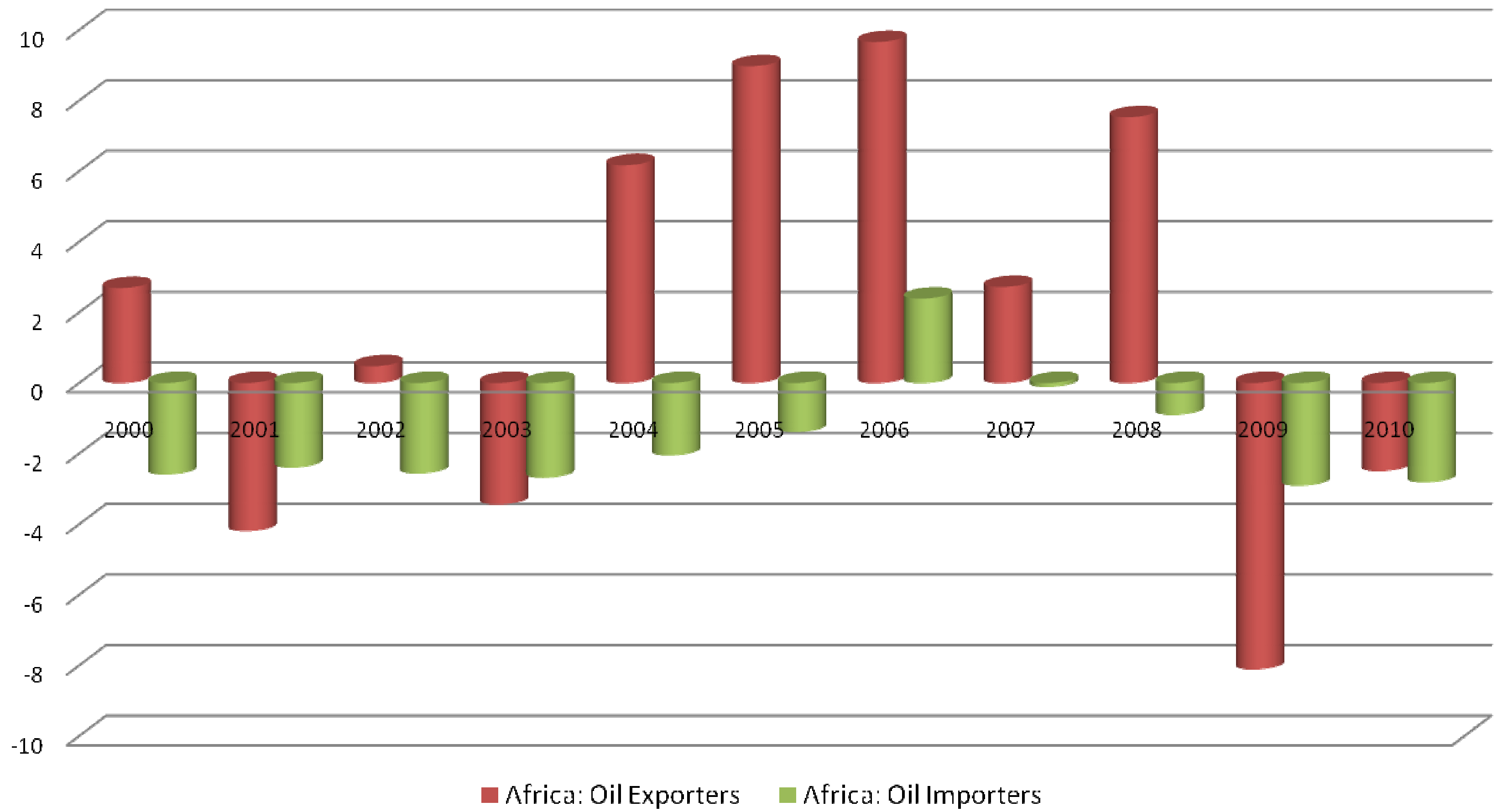
20
18
16
14
12
10
8
6
4
2
0
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
Africa
Africa: Oil Exporters
Africa: Oil Importers

Foreign Exchange Reserves; months of imports covered



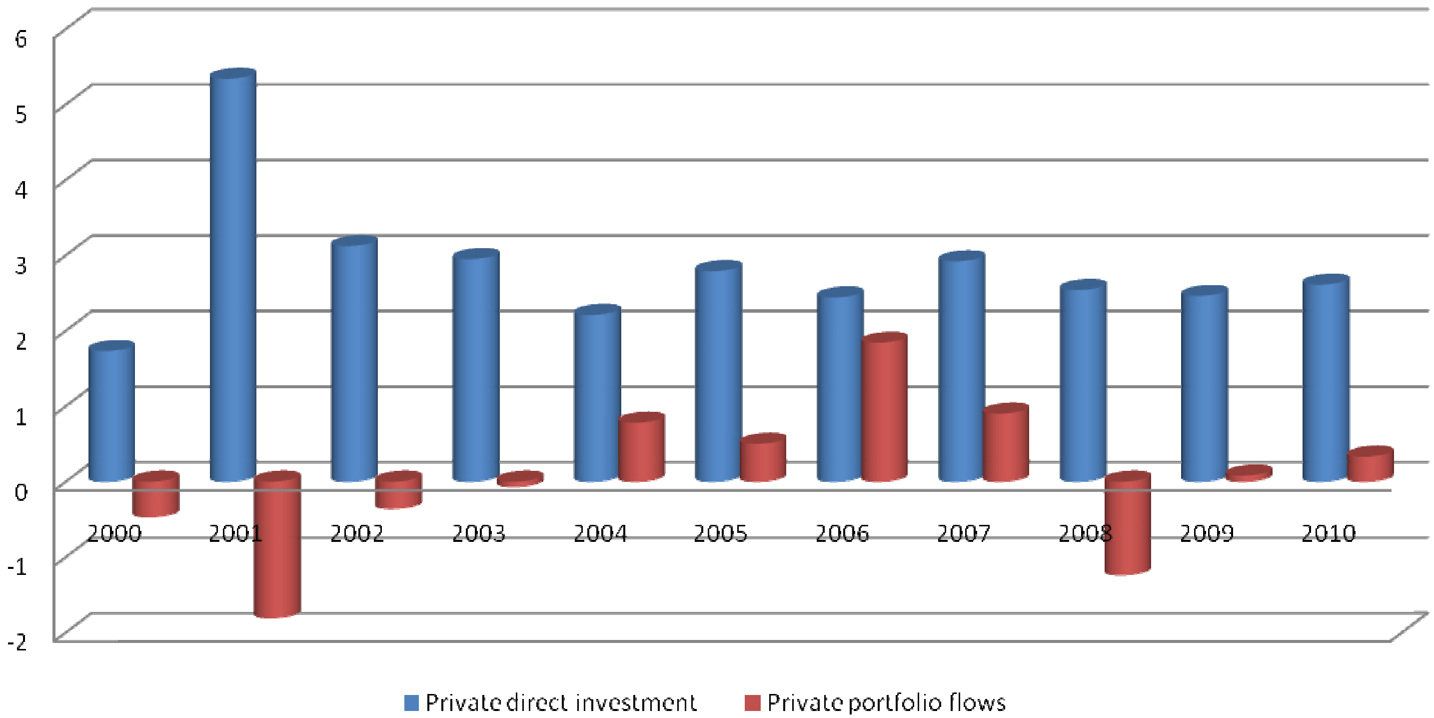
(Source of data: World Bank's World Development Indicators Online, and IMF, 2009)

Fiscal Balance



(Source of data: World Bank's World Development Indicators Online, and IMF, 2009)

Financial Flows



(Source of data: World Bank's World Development Indicators Online, and IMF, 2009)

Conclusion on resilience

Some African economies are still at risk and unless needed effort is done, the effect on the development process may be real.

How we should proceed to make our economies more resilient to crisis?

By identifying vulnerabilities and factors supporting resilience, we will have the opportunity to minimise the negative consequences of crisis.

Factors supporting resilience

- Access to financial resources
- Knowledge and skills

Main work to be done 1/2

1. Credit guarantee and investment mechanism to help strengthen financial stability
2. Countercyclical support facility to meet urgent needs stemming from the crisis

The facility will support the expansion of domestic demand and production, strengthen social protection, and facilitate trade to protect against job losses.

Main work to be done 2/2

1. Identify skills, expertise, knowledge, resources, networks and other capabilities that can be used to develop and sustain resilience.

2. Identify individuals, groups, communities, localities and systems that may be vulnerable or who may have particular strengths and capabilities.

These can be managed in terms of response activities and recovery programs.

Finally

Production networks, supply chains and partnerships, which have required much time and cost to build, as well as trained employees who risk losing their jobs, should be preserved to recover quickly.