

**UNITED NATIONS
ECONOMIC COMMISSION FOR AFRICA**

Ministerial Conference on the Financial Crisis

Statement

by

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**Tunis, Tunisia
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Mr. Chairman;

Your Excellency Mr. Mohammed Ghannouchi, Prime Minister of Tunisia; Your Excellency, Mr. Jean Ping, Chairperson of the African Union

Commission,

Your Excellency, Mr. Donald Kaberuka, President of the African Development Bank,

Honourable Ministers,

Excellencies,

Distinguished Ladies and Gentlemen

I am glad to be here today at this your ministerial conference where we seek to determine a coherent and coordinated African response to the global financial crisis. This ministerial meeting is being held alongside the third annual economic conference whose aim is to provide a forum for the promotion of economic research on Africa and the dissemination of the outcomes of the research.

Let me at the outset thank you, Mr. Prime Minister, for your presence at this conference as well as for the hospitality extended to me and my colleagues since our arrival in this beautiful country by the Tunisian people.

I am particularly glad also to be here with my friends, Mr. Jean Ping, the Chairperson of the African Union Commission, and Mr. Donald Kaberuka, President of African Development Bank with whom we have been working closely in the optimal organization of this conference since the idea of such a gathering was put forward by the President of the African Development Bank. I would also like to thank you, our Ministers of Finance and Central Bank Governors and researchers for coming to this meeting. Without you, this meeting will not take place and without you the outcomes of this conference will not inform the policy

process on our continent. Thank you.

Excellencies;

The world today is different from when we met eight months ago in Addis Ababa for the first African Union Conference of Ministers of Finance and the UNECA conference of Ministers of Finance, Planning and Economic Development. It is also different from when we met a month later for the Annual Meetings of the African Development Bank.

We are meeting at a time of increasingly grave outlook for the global economy and by extension the African economy. The financial meltdown in key economies has spread to other parts of the world and is also impacting negatively on the real economy. Accordingly we are faced with the prospect of global economic recession and slow down which contrary to the view in some quarters will certainly have serious implications for economic and social development in Africa both in the short-run and intermediate term.

Although we are unable to immediately measure the full impact of the crisis on African economies because of the rapidly changing situation and time-lags in reporting, there are clear signs of a slow-down. Indeed, as President Kaberuka has just stated, recent forecasts show a likely decrease in the continental growth rate by up to 1.5%. There is moreover clear evidence of financial contagion as all the four major African stock markets have fallen as dramatically as the US stock market. Falling commodity prices, which portend lower export revenues, are of equal concern especially as many African countries are still struggling to cope with the lingering effects of recent historically high food and oil prices.

There is also a strong likelihood of increased cost and reduced availability of capital due to reduced private investment, official development assistance and remittances. Tourism, which is key for several African countries, is also likely to be seriously affected. Indeed, I had in several statements made this year cautioned against the danger of letting Africa fall into the severe economic conditions reminiscent of the 1980s and 1990s when its economies were ravaged by severe balance of payments crisis, huge external debt burdens and large fiscal deficits arising partly from difficult global economic conditions.

Excellencies;

These developments put at risk the enormous efforts Africa has made and is making to meet the UN Millennium Development Goals. Many of you here were present at the recent World Bank/IMF October meetings where the World Bank presented the grim estimate “that up to one hundred million people are at risk of falling into poverty because of recent food price increases, marking a setback equivalent to seven years of progress towards meeting the poverty MDGs.” In 2008, the number of malnourished people could reach 967 million people up from 848 million in 2003. Now, combine the food crisis with the financial crisis and what we are presented with is a policy environment that most policy makers, like you, will find unappealing.

So what shall we do?

First, I know what we will NOT do: we will not panic. The crisis is not due to failures of policy and economic management on our part but to events beyond our shores and our control. Prudent management in an environment of possible decrease in ODA and export earnings is imperative. Countries should continue

with responsible macro-economic policies that have been largely instrumental for the continent's impressive growth performance of the past several years. The crisis, nonetheless, surfaces the need for a closer look at micro and structural reforms.

Second, there should be no delay in taking the short term actions necessary for ameliorating the impact of the financial crisis and deceleration of growth in the advanced economies on Africa's real economy.

Third, we should pursue the establishment of international economic, financial, monetary, trade systems that enhance global economic governance to ensure the protection of our countries from future financial turbulence. In this regard, we should strongly support South Africa, as the only African member country of the G-20, to the fullest extent possible in the next week's G-20 Summit on the global financial crisis. It is imperative that South Africa be enabled to convey the African view point to the Summit.

Africa should support the ongoing "voice reform" in the World Bank and IMF. Our countries should commend the World Bank for the establishment of an additional African Chair in its Board of Directors for sub-Saharan Africa. But a lot still remains to be done to enhance Africa's voice in the multilateral financial institutions.

In addition to the above, international partnership is fundamental to maintain global stability. Ministers, you should emphasize that protectionism and retreat behind national boundaries will not be the long term answer to our crisis. In this regard, African countries must continue to insist on the rekindling of the Doha Round on Trade negotiations. The inability to reach agreement on the Doha

Round is a great cost to many African countries.

In the Medium to Long Term, our countries should develop instruments and capacity to deal with the three failures believed to have caused the crisis: failure of supervision and oversight; failure of regulations; and failure of the market mechanism. Our countries need to emulate the flexibility displayed by the major industrial economies dealing with the crisis. We need to develop optimum regulatory structure, and consider the extent of government involvement in the economy that is consistent with long term economic stability.

Honourable Ministers;

Our continent must never be reluctant to emphasize to its development partners that this is not the time to reduce Aid and ODA to our countries. Focus on the financial crisis must not deflect attention from efforts to meet the MDGs. UK Prime Minister Gordon Brown made this point most eloquently at the September 25 UN High Level Event on the MDGs. Let us insist that the need for sustained commitment of the international community to development be clearly signaled by the G-20 leaders meeting in Washington on 15 November and be built upon at the forthcoming Financing for Development Conference in Doha from 28 November to 2 December.

But we must be aware of the possibility that ODA flows could decline, along with private capital flows (and remittances from our Diaspora) as a consequence of this crisis and the deceleration of growth in advanced market economies. Worrying as the potential impact of the current crisis seems to be, it also points to an opportunity in the sense that our economies must both individually and collectively begin to focus on the key issue of domestic resource mobilization.

The Economic Commission for Africa and the African Union Commission plan to put this item on the agenda of the next AU/ECA Conference of African Ministers of Finance and Planning.

The ideas that I have set up above, in order to be effective, have to be founded on solid economic research. For example, we need a better understanding of the regulatory environment in many of the countries and the scope for additional regulation. What are the constraints? We also probably need to understand better the impact of the global financial crisis on our economies and to internalize the lessons so that we do not repeat the mistakes in the future.

This places a heavy burden on research. But our capacity to undertake the kind of economic research that our continent needs remains very limited.

It is for this reason that ECA and AfDB have jointly set up the African Economic Conference. This is the third year of this conference which brings together academic and policy research economists from Africa and beyond to share new research and explore new research ideas with the aim of providing a strong local knowledge undergird for many of the policies that we enact. It is our hope that this conference series will grow and become an independent entity like similar organizations in Europe (European Economic Association) and in North America (the American Economic Association).

I strongly commend this association to you, honourable Ministers, to support and nurture it.

Finally, I would like to reaffirm ECA's commitment to support African countries to design and implement policies to attenuate the impact of the financial crisis on

their economies. With our presence at the regional level, working closely with the African Union and AfDB and through our network of sub-regional offices and in collaboration with Regional Economic Communities and other partner institutions, we can assist countries to factor in appropriate measures in their national plans and strategies.

I wish you, Honourable Ministers, a successful meeting and our researchers a successful conference with meaningful outcomes. I look forward to participating in what should be a very rewarding and productive meeting.

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