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**THE IMPACT OF THE CURRENT GLOBAL FINANCIAL AND ECONOMIC CRISIS
ON AFRICAN ECONOMIES AND AFRICA'S COMMON POSITION ON REFORMS
OF THE INTERNATIONAL FINANCIAL SYSTEM**

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1. Introduction

1. The current global economic and financial crisis is the most serious that has afflicted the world since the Second World War. Although the crisis emanated from the developed countries and is not of the making of Africa, the countries on the continent have not been immune from the contagious effects of the crisis. Indeed, being the poorest region with a high concentration of the least developed countries of the world, Africa is currently carrying a disproportionate burden of the adverse effects of the crisis. Many African countries have already started experiencing the negative impact of the global economic and financial crisis, which is undermining the limited recovery achieved in respect of the food and oil crises. Export earnings, remittances, private capital flows, including foreign direct investment are declining while capital outflows have accelerated. As a result, public and private sectors are having difficulties raising funds for long term investment projects, especially in the area of infrastructure.

2. The contagion effects of the global economic and financial crisis have been felt in many countries. Most obvious examples include the closure of mining industries in countries such as Botswana, Zambia and the Democratic Republic of Congo; reduction in trade volumes; reduction in volumes of remittances; decline in aid volumes, which will further affect the attainment of the Millennium Development Goals (MDGs); and low levels of foreign direct investment.

3. Trade is the major channel through which the global economic and financial crisis is impacting negatively on Africa's economic growth and development. Between 1995 and 2006, Africa's exports increased at an average rate of 12 per cent per annum. This growth of exports, which was due largely to increased global demand for and associated increase in the prices of African commodities, contributed significantly to the impressive economic growth performance achieved by many African countries in recent years. Since the onset of the economic crisis, the global demand for goods and services produced in Africa has witnessed a sharp fall. The resultant decline in export earnings coupled with the other effects of the crisis such as the decreasing inflows of direct foreign investment, remittances, trade finance and official development assistance are beginning to have a devastating impact on Africa's economic growth performance.

4. For Sub-Saharan African countries alone, the associated losses are estimated at over US\$50 billion in 2008-2009. According to IMF projections, Africa's economic growth rate will be reduced by half in 2009 and beyond. It is worth noting that in spite of the impressive growth rate recorded in recent years; many African countries were not on track towards attaining the Millennium Development Goals by the target date of 2015. The projected decline in Africa's growth rate will make the attainment of the Goals impossible. The aggravation of poverty and rising unemployment, among others, that are the major effects of the global crisis on

African countries, if not quickly and adequately addressed, could undermine social and economic stability on the continent.

5. The impressive economic performance experienced by Africa before the current crisis made it possible to implement economic reforms that have resulted in improved public financial management and a generally improved business environment and investment climate. Africa has also made significant improvements in the area of governance, following the commitment of African leaders to good governance by adopting the New Partnership for Africa's Development (NEPAD), a socio-economic programme of the African Union; as well as the African Peer Review Mechanism as its flagship programme. To date, twenty-nine (29) countries have signed on to the APRM and reviews have been completed for nine (9) countries. Following the completion of the reviews, a number of these countries are in the process of implementing their national programmes of action (NPoAs).

6. Many questions, therefore, remain unanswered -"How will African countries embrace the impact of this global economic and financial crisis which is aggravating poverty among the peoples? Who is to blame? What role has to be played by the international community, the developed countries and the international financial institutions such as the IMF and the World Bank in mitigating the adverse effects of the crisis on African countries?

7. It is indicative of the great concern that African countries have for the adverse impact of the global economic and financial crisis on their economies that, in the last few months, the crisis has received much attention from the leadership and membership of the African Union. On 12 November 2008, African Ministers of Finance and Planning and Governors of Central Banks met in Tunis to deliberate on the global crisis. The crisis and its effects was a major item on the agenda of the last Session of the Assembly of AU Heads of State and Government held in Addis Ababa on 1-3 February 2009 and of the recently concluded 5th Ordinary Session of the Conference of AU Ministers of Trade. The major outcome of Africa's intensive reflections on the global economic and financial crisis is the request for urgent actions to mitigate the adverse impact on African economies.

8. The other meetings that have focused on the global economic and financial crisis include the G20 Summit on Financial Markets and the World Economy , held in Washington on November 15, 2008; the meeting of the Committee of Ten African Finance Ministers and Central Bank Governors held in Cape Town, South Africa, on January 12, 2009; the meeting on "Changes: Successful Partnerships for Africa's Growth Challenge", organized jointly by the Government of United Republic of Tanzania and the International Monetary Fund in Dar es Salaam, Tanzania; and more recently, the G20 Summit held on April 2, 2009 in London, the United Kingdom. Among others, all these meetings have called for a comprehensive reform of governance of the global financial system and the Bretton Woods Institutions (BWIs), to adequately reflect the changing global economic realities and emerging

challenges, with special emphasis on greater voice and representation for emerging and developing economies. The recently held G20 Summit has gone further to take a number of key decisions to: (i) restore confidence, growth, and jobs; (ii) repair the financial system to restore lending; (iii) strengthen financial regulation to rebuild trust; (iv) fund and reform the international financial institutions to overcome the crisis and prevent future ones; (v) promote global trade and investment and reject protectionism, to underpin prosperity; and (vi) build an inclusive, green, and sustainable recovery. In order to implement the above key decisions, the G20 Summit also made a commitment to mobilise US \$ 1.1 trillion. This paper discusses the impact of the current global financial and economic crisis on African economies and presents Africa's Common Position on the reform of the international financial system. These proposals were also presented during the recently held G20 Summit.

2. The Impact of the Global Financial and Economic Crisis on African Countries

9. African countries are facing four main risks as a result of the financial crisis and global recession. The first is a capital outflow risk, namely private capital reversal and amplified volatility of private capital flows with the resulting impact on the exchange rate and ability to finance the current account deficit. The second is fiscal risk, arising from declining revenue as well as rising expenditure occasioned by the need to support financial institutions and to meet public debt service commitments. Also linked to the fall in revenue is the reduction in the capacity of government to provide safety nets for the victims of the global crisis. The third risk is export risk, related to slowing demand and declining prices of export commodities. The fourth risk is a liquidity risk affecting the domestic banking sector and the government due to the weakening of global financial market.

10. The crisis has also been accompanied by widespread currency depreciations in Africa, with inflationary pressures persisting in many countries. Remittances, which have become important aspects of external financing for African countries, have been affected by the economic downturn in developed countries. Public finances are being affected through lower revenue, which is making it difficult for countries to maintain the planned levels of public expenditures, including long term infrastructure investment as well as social expenditures. The crisis will reverse the achievements by African countries in raising growth rates, a key condition to reducing poverty. As a consequence of the Global financial and economic crisis, real GDP growth in Africa is expected to decline to around 3.2 percent in 2009 compared to 5.7 and 5.8 percent achieved in 2006 and 2007, respectively. Africa's GDP growth rate for 2008 has been revised downward to less than 5 percent, much below the 7 percent required for the attainment of the MDGs by 2015.

11. In addition, the current account balance as a percentage of GDP is expected to widen from a deficit of about 2 per cent in 2008 to about 6 per cent in 2009. This gap is projected to widen more for oil exporting countries. Furthermore, the fiscal

balance, as a proportion of GDP, is expected to decline from a surplus of 5 per cent in 2006 to a deficit of 4 per cent in 2009 owing to expected declining levels of aid flows (International Monetary Fund (IMF) estimates). In the light of the recent economic downturn and its impact on growth, among others, Africa's prospects of attaining the MDGs by the target date of 2015 have been substantially reduced.

12. The impact of the crisis on the private sector has been worsened by the tightening of credit markets due to shortage of bank liquidity as well as the rise in uncertainty. Thus, African banks are having difficulties securing lines of credit on international markets. While the immediate effects of the crisis have been mitigated, African economies are faced with severe threats of growth deceleration, which would undermine the progress in reducing poverty. Substantial negative effects have already been observed in terms of losses on stock markets, currency depreciation, worsening of macroeconomic balances.

13. Interest rates in Africa's banking systems remain high, external balances are deteriorating as export revenues decline leading to further accumulation of external debt to finance the current account deficits. Despite the recent decline in commodity prices, energy and food prices are expected to remain above their historical levels and some African countries continue to suffer from food shortage owing to drought and unfavorable supply conditions. Thus, the need for increased international emergency aid especially in conflict countries and drought areas remains high. As a result of high oil price in the first half of 2008, the fuel import bill of developing countries jumped from 2.7 per cent of GDP in 2002 to around 8 per cent in 2008.

3. Issues to be addressed: What does Africa expect from the international Community, including the G8?

3.1 Surveillance and Regulation of Financial Systems

14 **Surveillance:** One of the issues that has to be addressed in the new international architecture is the need to pay more attention to crisis prevention. In the past, international financial institutions such as the IMF put more emphasis on policy reforms at the expense of crisis prevention. It is important that more tools be developed to increase multilateral surveillance of policies in areas such as exchange rate policies, banking system, and capital account movements. There is also a need to improve our understanding of the link between financial systems and the real economy. Good surveillance creates an incentive for the adoption of policies and practices that are conducive to financial and real stability. If effective, surveillance helps countries avoid accumulating large private and public debt and unsustainable balance sheets during boom periods, thus reducing the likelihood of turbulences in international currency and financial markets. The IMF is, therefore, called upon to ensure effective surveillance, both bilateral and multilateral. This will be consistent with the recent G20 Summit commitment to "candid, even handed, and independent IMF surveillance" of G20 economies and financial sectors of the impact of their policies on others, and risks facing the global economy.

15. **Regulation and Supervision of Domestic and International Financial Systems:** Prevention of financial crisis requires appropriate regulation and supervision of domestic and international financial systems. A key component of any new regulatory framework is the need to ensure that financial institutions reveal the risks they are taking and also ensure that loans are kept on their balance sheets. Such transparency will enable regulatory authorities to monitor the activities of these institutions. The transnational nature of some financial institutions and increasing interdependence of markets imply that financial regulations cannot be confined to the national level. There is need for cross border regulation of financial markets. In this regard, efforts should be made to enhance international cooperation in monitoring and regulating financial systems.

16. The London G20 Summit recognized the importance of strengthening financial supervision and regulation to restore confidence in the financial system. In this regard, it agreed, among others, to establish a new Financial Stability Board (FSB) with a strengthened mandate, as a successor to the Financial Stability Forum (FSF), including all G20 countries, FSF members, Spain, and the European Commission. The Summit also agreed to take action against non-cooperative jurisdictions, including tax havens, and to extend regulatory oversight to Credit Rating Agencies.

3.2 Governance of International Financial Institutions, including Issue of Voice and Representation

17. The current global financial crisis provides a good opportunity to revisit the global financial architecture with a view to introducing changes to it that will account of current challenges and developments that have taken place since the architecture was introduced several decades ago. The new architecture must be an inclusive one that gives adequate voice to Africa in its the management and operations.

18. It should be noted that in the current frame of things, the developed countries enjoy a significant majority of voting power while developing countries have had a declining voting power in the decision making processes. Policy decisions are taken by the executive boards of the Bretton Woods Institutions where developing countries are underrepresented in terms of membership. For instance, forty three (43) African countries are represented at the boards of the IMF and World Bank by two executive directors each. In addition, African countries of the IMF, excluding Zimbabwe, represent only 6.61% of the vote. The rule of distribution of votes based on the economic weight presents a weak voice to the continent.

19. Africa wishes to request that its representation at both the IMF and the World Bank executive boards be increased to five executive directors each to reflect regional representation of the continent. As expressed by the Washington Declaration of 15 November 2008, the G20 was in favour of international financial institutions being more legitimate and more efficient, able to allow emerging and developing countries to be better heard and better represented in the bodies of these

institutions. Africa suggests that African countries should be grouped in line with the current structure of the continent comprising five regions (North, West, East, Central and Southern Africa), with one executive director for each region.

20. In addition, Africa supports the tripling of basic votes. Africa would also like to see a review of the appointment of the Heads of the World Bank and the International Monetary Fund, as well as an increase in the number of Africans in senior management positions of the two Bretton Woods Institutions. In addition, Africa should be represented in the new Financial Stability Board, and the G20, and the G8 should create formal channels through which Africa can be represented. Further, fora such as the G20 should be expanded to be more representative, based on the experience of the International Monetary and Financial Committee (IMFC) of the IMF, which consists of 24 Governors.

21. Most of the issues raised were agreed to during the London G20 Summit. For instance, it was agreed to implement the package of IMF quota and voice reforms agreed in April 2008 and World Bank reforms agreed in October 2008. The IMF was, therefore, called upon to complete the next review of quotas by January 2011. Further, it agreed that “the heads and senior leadership of the international financial institutions should be appointed through an open, transparent, and merit-based selection process”.

3.3 Fiscal Stimulus

22. While developed countries have developed stimulus packages to boost their economies, very little attention has been paid to boosting demand in Africa. African countries and peoples are no less deserving of such packages but lack the fiscal and financial capacities to adopt them as coping strategies. The international community should assist in the creation of a stimulus package for Africa. Such a package should be adequately funded but not with resources diverted from existing aid programmes.

23. There is need for Africa to be integrated into the coordinated effort to stimulate global aggregate demand. Possible sources of finance to boost demand in Africa include sale of gold reserves by the IMF; issuance of Special Drawing Rights (SDRs) in favour of Africa; increased resources for the IMF, the World Bank and multilateral development banks (MDBs), including the African Development Bank; and an acceleration of disbursements.

24. Regarding issuance of SDRs, Africa supports the agreement by the London G20 Summit for a general SDR allocation, which will inject US\$250 billion into the World economy and the call for an urgent 4th amendment of SDRs. For Africa, the SDR allocations should be such that they are in favour of low income countries (LICs), including those in Africa. This may entail an early review of quotas.

25. Pertaining to increasing resources for the IMF, Africa proposes that there be an augmentation of the Exogenous Shocks Facility (ESF), as well as the Poverty

Reduction and Growth Facility. In this regard, Africa welcomes the decision by the G20 Summit to increase the resources available to the IMF through immediate financing from members of US\$250 billion to be incorporated into a more flexible New Arrangements to Borrow and proposes that a significant share of these financial resources go towards supporting low income countries

26. In addition, budget support and balance of payment support are required as short-term instruments in addressing resource constraints for African countries. While applauding efforts of the IMF to increase the number of arrangements from four (4) in 2007 to fifteen (15) in 2008, there is need for increased flexibility of lending, as well as increased concessionary lending to African countries. In this time of crisis, Africa supports the proposal to increase access to the ESF and the PRGF from 75 percent of quota to 150 percent and looks forward to its implementation, having been agreed to by the G20 Summit..

27. **Recapitalization of the African Development Bank:** The African Development Bank (AfDB) has been able to implement emergency assistance programs by reallocating resources through the Emergency Liquidity Facility (ELF), the Trade Finance Initiative (TFI) and other ways of support to low income countries. However, for the AfDB to play its counter-cyclical role effectively, it would require shareholders to agree on a general increase in resources in particular a capital increase. This would ensure that the AfDB is able to scale-up financing without jeopardizing its long term viability and sustainability of its lending program.

28. The G20 Summit held in London supported a substantial increase in lending of at least US\$100 billion by the Multilateral Development Banks (MDBs), including to low income countries. However, the level of resources to be made to each one of the MDBs, including the African Development Bank is yet to be determined.

29. **Reduced Conditionalities and the Need to Frontload Funding:** Addressing the likely impact of the current Global financial and economic crisis requires that conditions be appropriate to the crisis. In this regard, it will be necessary to lower conditions, including cross conditions to enable African countries have easy access to resources of the IMF, the World Bank, and the MDBs. Africa also expects the frontloading of concessionary funds. In this regard, Africa welcomes the decision to frontload IDA resources by 150 percent frontloaded. The problem, however, is that frontloading would result in there not being IDA resources available in the third year of IDA 15, for example, which has US\$43 billion, of which US\$21 billion has been set aside for African countries during 2009-11 fiscal years. In this regard, Africa calls for an acceleration of IDA 16 replenishment. In addition,

30. **The need to deliver on ODA commitments:** Assessment of the delivery of commitments on aid shows mixed results. Total net ODA to Africa which increased to a record US\$43.4 billion in 2006 declined by 10.8 per cent to US\$38.7 billion in 2007. Similarly, Africa's share in total aid also declined to 36.9 per cent in 2007

compared to 41.2 per cent in 2006. Furthermore, at Gleneagles, the G-8 leaders made a commitment to increase ODA to Africa by US\$25 billion a year by 2010, relative to 2004 levels. The drop in ODA flows to Africa in 2007 was mainly due to decline in debt relief. Despite commitments to increase ODA flows to Africa, only a handsome of countries have met the 0.7 per cent ODA to GNI target set by the United Nations. On the other hand, the European Union has made a commitment to reach an ODA to GNI target of 0.56 per cent by 2010. This is welcome and represents an important first step towards meeting the overall target of 0.7 per cent.

31. Although a number of commitments have been undertaken by developed countries to scale up resources for Africa's development, all indications show that most of them are not on track to meet their stated commitments and they need to make unprecedented increases to meet their 2010 targets. In this respect, Africa welcomes the London G20 Summit commitment to meeting the Millennium Development Goals and to achieving to achieving respective country pledges, including on Aid for Trade, debt relief, and the Gleneagles commitments, especially to Africa. Development partners are, therefore, called upon to meet their commitments even in the face of the global financial and economic crisis, as re-affirmed during the London G20 Summit.

32. **Improve Aid Predictability and Effectiveness:** In addition to meeting their commitments, development partners must improve on aid predictability and effectiveness by fully committing to implementing the *Paris Declaration on Aid Effectiveness*.

33. **Debt Relief and Debt Sustainability Framework:** The increasing use of Debt Sustainability Framework (DSF) is a concern to African countries given its methodological limitations as well as judgement regarding what constitutes good policy. The DSF will need to be quickly re-designed to take into account its shortcomings. In this regard, we welcome and support the agreement by the G20 Summit held in London to review the DCF and we call upon the IMF and the World Bank to expedite this process.

34. While commending debt relief under the enhanced Highly Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI), which have contributed significantly to reducing the debt burden of many African countries, there is need to mobilize the support of the non-Paris Club members and official bilateral and commercial creditors to increase their delivery of debt relief.

35. **Increasing Policy Space:** The imposition and use of policy conditions in aid delivery has had the effect of constraining the freedom of African countries to choose their own policy mix and paths over time. An example is provided by the Country Policy and Institutional Assessment (CPIA) of the World Bank, which ranks countries according to the quality of their policies and institutional arrangements, and not

outcomes. Africa demands that the CPIA be redesigned to include outcomes. In relation to this, Africa demands that a report on the policy space for each country be made by the World Bank by the 2009 IMF/World Bank Annual Meetings, followed by a review of the CPIA and DSF thereafter..

3.4 Trade: The WTO- Doha Rounds/Trade Negotiations, Protectionism, Trade Finance and Aid for Trade

36. **Market Access:** Africa faces mounting challenges in improving its trade performance and integrating effectively into the global trading system. The problem stems partly from the slow progress towards successful conclusions of the multilateral and bilateral trade negotiations that were expected to deliver development outcomes to African countries. Trade has been a major engine powering economic growth in most African countries. This engine is still very much needed to lift African economies up from the current depression, to achieve the Millennium Development Goals and sustainable economic growth.

37. African countries stand to benefit significantly from a successful conclusion of the Doha Round of WTO negotiations. Progress in the negotiations is being held up by the inflexibility in the negotiating positions of the major players, especially the EU, USA, India and Brazil. Each of these players had repeatedly indicated to AU Ministers of Trade their support for the issues of concern and interests to Africa in the negotiations. Such support must be backed by a demonstration of their political will to bring the Doha Round to a successful conclusion with significant development outcomes, as agreed in 2001.

38. African countries need special and differential treatment and adequate space in the use of trade policy instruments to meet the challenges of the global crisis. Speedy removal of tariffs, subsidies and other trade distortions by the developed countries in manufacturing and agriculture (especially cotton) in which African countries have comparable advantage would generate significant gains for African countries and assist them in mitigating the adverse impact of the global crisis. The G20 Summit committed to reaching an “ambitious and balanced conclusion” of the Doha Development Round. Africa calls upon the G8 to work within the framework of the G20 in accelerating the pace towards a successful conclusion of the Doha Development Round.

39. **Protectionism:** The developed countries, including the G8 must keep their markets open for African products and avoid protectionism and inward-looking policies as their response to the global crisis. A few of the countries in recent months have, under pressure from domestic producers, taken measures to curtail imports and subsidize domestic production. The impact of stimulus packages on trade performance of developing countries needs to be monitored. A strengthening of the WTO trade policy review mechanism is required to keep watch over the behaviour of the developed countries in this area.

40. **The Commodity Problematique:** African countries have been particularly vulnerable to the current global economic and financial crisis because of their heavy dependence on commodity trade. Appropriate international mechanisms are needed to address problems of speculation and price instability in commodity markets. The UNCTAD mandate in the area of commodities should be strengthened.

41. **Trade Finance:** A major adverse impact of the current global financial crisis on African economies is the sharp reduction in the availability coupled with increase in the cost of trade finance. The freezing of export and import finance is a key factor in the slump of Africa's trade. Support by international community to African regional financial institutions (AfDB, Afrexim Bank, etc) could assist in the restoration of trade finance and removal of this constraint on African exports. The African Development Bank Board recently approved a Trade Finance Initiative of US\$1 billion over an 18 month period. The World Bank Group has also proposed a Trade Finance Initiatives, including the Global Trade Liquidity Programme "to reinvigorate trade finance and encourage trade with markets where trade is constrained". The G20 has also made a commitment to make available at least US\$250 billion over the next two years to support trade finance. Africa is of the view that special efforts are needed to ensure adequate trade finance that will be easily accessible.

42. **Aid for Trade:** The international community, especially the G20 and the G8, must attach high priority to the provision of predictable, additional and adequate funding, and effective implementation of Aid for trade initiative to assist African countries build their trade related capacity. There is no doubt that in comparison with other developing regions of the world, Africa lacks the trade related infrastructure, institutional and human capital are that are necessary for trade competitiveness in the current difficult global trading environment.

43. **Greater Coherence in Programmes and Policies of International Organizations:** There is need for greater coherence in the policies and programmes of international organizations (WTO, UNCTAD, World Bank, IMF, etc) as they relate to trade and development issues. For example, to get financial support from the Bretton Woods Institutions, some African countries have had to lower their tariffs below the bound rates they are committed to in the WTO. Thus, the policy space acquired in the latter organization had to be sacrificed to get support of the IMF and World Bank.

3.5 Social Protection for the Poor

44. There is need to come up with quick responses to the crisis, including social protection for the poor. In this regard, the African side is pleased to note that funds amounting to U\$ 2 billion have been set aside under IDA's Rapid Social Response Fund (RSRF) to help poor countries to deal with effects of the financial crisis on their economies. The funds are to be used for safety nets, infrastructure, education and health. Further, the World Bank projects nearly US\$ 3.0 billion in health, nutrition and population commitments in 2009 of which about 40 percent has already been

approved. Of this amount, nearly \$800 million will be aimed at assisting African countries.

45. Africa requests that the Rapid Social Response Fund be separated from IDA allocations so that it does not have to be allocated through the CPIA, which as indicated earlier needs to be reviewed. In view of the fact that the poor and vulnerable are likely to be the most affected by the crisis, Africa also requests that additional financial resources be made available to finance safety nets. In this regard, the proposal of the World Bank to create a Vulnerability Fund into which 0.7 per cent of the stimulus packages adopted by the developed countries should be paid requires the support of the G20 and the G8. Further, Africa supports the position that the level of resources under the Vulnerability Financing Facility, under which the RSRF falls be increased to between US\$5- 6 billion.

46. Finally, Africa supports the commitment by the G20 to provide US\$6 billion additional concessional and flexible financial resources for the poorest countries over the next 2- 3 years, arising from IMF gold sales and surplus income. In this regard, Africa joins the G20 in calling upon the IMF to make concrete proposals at the earliest opportunity.

3.5 Support for Regional Integration and in Particular Infrastructure in Africa

47. The current global and economic crisis has demonstrated the need for Africa to promote intra-African trade and regional integration in general to bolster economic growth and development by enlarging markets and reducing vulnerability to shocks. Africa, therefore, calls upon Partners, particularly the IMF, the World Bank, the African Development Bank and the European Union to strengthen their support for regional integration in Africa. This support should include development of new financing instruments for infrastructure development in Africa. Lack of infrastructure is seriously affecting the competitiveness of Africa and its political and socio-economic development and the integration of the Continent, as well as in the achievement of the Millennium Development Goals. To that end, Africa requires enormous and urgent financial resources, estimated at approximately US \$ 80 billion per year for infrastructure development (50% of it for investment and the rest for O&M).

4. Key Recommendations and Messages

48. The following are, therefore, the key recommendations and messages:

- i. There is **need for cross border regulation of financial markets** and efforts should be made to enhance international cooperation in monitoring and regulation of financial systems. In addition, there is need to increase the level of voice and representation of Africa within

the international financial architecture, particularly within the Bretton Woods Institutions.

- ii. Because African countries lack the fiscal and financial capacities to adopt stimulus packages as coping strategies, the **international community should assist in the creation of a stimulus package for Africa**. Such a package should be adequately funded but not with resources diverted from existing aid programmes. The IMF, for example, should increase the level of resources and accessibility to the ESF and the PRGF, with access to the ESF being increased from the current level of 75 percent of quota to 150 percent. In addition, there will be need to review the DSF as well as the CPIA to create additional policy space for African countries. The forthcoming IMF/World Bank Annual Meetings should report on the available policy space for each country.
- iii. Multilateral Development Banks and in particular the **African Development Bank will need to be recapitalised**. In addition, resources available will need to be frontloaded, accompanied by improved aid predictability and effectiveness. In view of the declining volume of trade finance, Africa proposes that special efforts be taken ensure adequate trade finance that will be easily accessible.
- iv. **The G20 and the G8 should work towards a successful and balanced conclusion of Doha Round, with development outcomes**. Further, there must be avoidance of protectionism as a response to the global economic and financial crisis. A strengthening of the WTO trade policy review mechanism, in this regard, is required to keep watch over the behaviour of the developed countries in this area. Further, there is need for adequate funding and effective implementation of Aid for Trade initiative..
- v. The risk of partners not meeting their commitments owing to the global financial and economic crisis is high. The financial and economic crisis should not be an excuse for donors to renege on their commitments. **Development Partners must deliver on their commitments, including those made in Monterrey to make concrete efforts towards the target of ODA equal to 0.7 percent of GNI, Gleneagles to double ODA to Africa by 2010, and those contained in the Paris Declaration on Aid Effectiveness**, to ensure that Africa does not lose out on the economic gains achieved in the past five (5) years or so and attains the MDGs by the target date of 2015.

- vi. **Quick response to the crisis including social protection to the poor is needed. Africa, therefore, supports the establishment of the Rapid Social Response Fund under the Vulnerability Financing Facility at the World Bank.** However, Africa requests that these funds be separated from IDA funds and that they be increased to around US\$5- 6 billion.

- vii. The current global financial and economic crisis has demonstrated the **need for Africa to promote intra-African trade and regional integration. Africa, therefore, calls upon Partners to strengthen their support for regional integration**, in particular infrastructure development in Africa. Innovative financing mechanisms, particularly for regional infrastructure projects, including leveraging of financial resources from the private sector.

5. Conclusions

49. Africa is convinced that these are exceptional times. Hence, in order to address the consequences of the financial crisis globally, reflect changing realities in the global economy, respond more effectively to challenges of world poverty, comprehensive reform of the global financial system is not only necessary but must extend the G20 deliberations beyond the narrower financial agenda. Africa is doing its utmost to mitigate against the negative impact of the current Global financial and economic crisis. However, it requires the support of Partners: It cannot do it alone. As it has been underscored several times, the crisis requires a global coordinated response. Africa, therefore, looks forward to the G8 Summit taking on board Africa's challenges, concerns and proposals so that Africa moves toward promoting sustainable socio-economic development and attaining the MDGs by the target date of 2015.