

GLOBAL ECONOMIC SLOWDOWN: IMPLICATIONS FOR TRADE AND GROWTH IN SUB-SAHARAN AFRICA.

Dipo T. BUSARI,
UNIDEP,
Dakar, Senegal.
tdbusari@yahoo.com

Paper Submitted for the:
4th Annual trapca TRADE CONFERENCE (2009)
THEME: “LOOKING AHEAD: IMPLICATIONS OF THE GLOBAL
ECONOMIC CRISIS ON THE TRADE ACTIVITY PATH FOR
DEVELOPING COUNTRIES”

Dates: 26-27 November, 2009
Venue: Arusha, Tanzania.

Global Economic Slowdown: Implications for Trade and Growth in sub-Saharan Africa.

Abstract

The resumption of growth in sub-Saharan Africa (SSA) in the late 1990s was due primarily to favourable international prices of primary commodity exports due, in large, to high growth rates in countries like China and India. The expectations are that SSA countries will be able to generate the required foreign exchange for development financing and in particular for achieving the Millennium Development Goals (MDGs). However, recent global events since 2008 seems to suggest that generating the required foreign exchange for sustained growth which is important for meeting the MDGs will be a mirage. These events include economic slowdown in major advanced countries, financial crisis in major global financial markets and institutions, and general global credit squeeze. A direct consequence of these events is the drastic fall in international prices of major primary commodities that are fuelling growth in Africa. This implies that many SSA countries might witness drastic swings from fiscal and external current account surpluses to prolonged deficits. The global slowdown would also translate to tighter access to international (trade) credit. Already, many countries are witnessing massive reduction in foreign direct investment (FDI) inflows while domestic stock markets are recording outflow of foreign investments as well as declines in various stock indexes, and large reductions in the market value of equities and commodities. These are new challenges to recently recorded export-led growth in the sub-region and can significantly constraint development financing and the achievement of the MDGs. Thus, this study sets out to examine the actual and potential implications of these events for external trade and growth in SSA and considers possible emergency/short-run policy response as well as desirable regulatory proposals and long-term responses which should be designed and implemented to ameliorate the impact of the crises and possibly insulate the sub-continent from future crises. The policy implications of the findings are expected to contribute to informed policy response and the literature in general in terms of appropriate and desirable counter-cyclical policy measures to ameliorate the impact of the crisis.

Keywords: global economic crisis, trade, growth, sub-Saharan Africa.

JEL Classification: F01, F43.

1. Introduction

The global financial crisis which started in September 2008 in the advanced capitalist economies, particularly as a result of the financial crisis that hit the mortgage market in the United States of America (USA) has rapidly spread to other parts of the world in at least three dimensions—economic slowdown (recession), financial crisis, and credit crunch.¹ These dimensions were coming at a time when the whole world admits that Africa, particularly sub-Saharan African (SSA) countries, had never had it so good since the late 1970s in terms of export performance and growth. Prior to September 2008, average annual growth rate of per capita real GDP was above 5 percent with some countries like Botswana, Angola, and Sudan achieving annual growth rates above 6 percent. The source of growth has been largely due to impressive export performance and favorable international prices of the major exports from the sub-continent. This is largely as a result of huge demand for raw materials by other fast growing countries such as China and India.

This impressive growth path has raised expectations about the ability of SSA countries in meeting the Millennium Development Goals (MDGs). It is expected that SSA countries will be able to use international trade to generate the required foreign exchange to finance growth and development and thus achieve the MDGs. Also, with such sustained growth, reliance on foreign aid is expected to decline as those reasons which calls for aid will eventually be eliminated. Furthermore, the core development challenge of poverty reduction (which is the first MDG) will be addressed as SSA countries trade in goods which are produced by the vast majority of the poor people. In sum, all hopes were high that, given good governance and sound macroeconomic reform measures, resumption of growth in SSA countries—which seems to be sustained—will lift many SSA countries out of the low-income status by providing the necessary resources for financing development. Alas, the financial crisis which started in September 2008 in the Mortgage Market in the USA is now dashing all hopes that SSA countries will be able to finance development and meet the MDGs. In fact, chances that this century will not be lost by SSA countries have become very slim. The global economic slowdown which followed the financial crisis has led to drastic fall in

¹ In broad terms, the crisis could be described as a financial crisis and a recession. Morris (2008), Eichengreen et al. (2009) and Taylor (2009) provide detailed review and analysis of the crisis.

demand for traditional African exports subsequently leading to rapid fall in the international prices of these traditional commodities of export. Effectively, growth seems to have been arrested once again. This poses new (but unexpected) growth and development challenges. First is the drastic fall in international prices of major primary commodities that are fuelling growth in Africa. This implies that many SSA countries might witness drastic swings from fiscal and external current account surpluses to prolong deficits. Second, the global credit crunch could also translate to tighter access to international (trade) credit. Already, many SSA countries are witnessing massive reduction in Foreign Direct Investment (FDI) inflows while domestic stock markets are recording outflow of foreign investments and collapse in value of stocks. These are new challenges to recent recorded growth in the sub region and can significantly constraint the achievement of the MDGs. The sub continent that is expected to gradually reduce aid dependency may suddenly become in dire need of aid. With the economic crisis not easing fast enough, aid commitments by advanced economies will obviously not be met, thus there will be limited capacity by SSA countries to finance development.

Thus, the great concern here is the fact that this current growth crisis may have far reaching development implications. In other words, the growth crisis can degenerate into a development crisis (AfDB, 2009a). Why this concern is real is the fact that SSA countries are now more integrated than before with the global economy through trade, FDI, and remittances. Thus, the crisis is expected to significantly impacts SSA countries through reduced demand for their exports and sharp decline in commodity prices. Many SSA countries are likely to be hard hit by lower remittances and FDI while aid flows are under threat (IMF, 2009). Thus, there are serious concerns that the growth crisis has grave implications for development.

However, with appropriate counter-cyclical policy measures it may be possible for SSA countries to ameliorate the impact of the crisis and even get out of the slowdown faster than expected. Though export is necessary for sustained growth and development financing in SSA countries, the current crisis raises further questions about the nature of African production, export, and relationship with the global trading system in general. The crisis did not originate from Africa but SSA countries seem to have borne a disproportionate amount of the impact.

As things are now, it is like if there is no full recovery in the advanced economies, SSA countries will also not recover fully. The resumption of growth in SSA countries seems to be conditional on the speed of recovery in the advanced economies. Should this be so? Are SSA countries responding appropriately to the crisis and in their own best interest? How best can macroeconomic policy measures be put in place to shield the highly vulnerable members of the society who are primary victims of this crisis? What should be the post-conflict relationship and role of SSA countries with whatever new global financial and trading architectures that may emerge? These and related questions beg for urgent answers. Currently, this study sets out to examine the actual and potential implications of the various dimensions of the crisis for external trade and growth in SSA countries and considers possible emergency/short-run policy response as well as desirable regulatory proposals and long-term responses which should be designed and implemented to ameliorate the impact of the crises and possibly insulate the sub-continent from future crises.

The rest of the paper is arranged as follows. Section 2 discusses some of the major and significant expected channels through which the financial crisis and recession are expected to impact on SSA countries. Section 3 goes ahead to examine if these expected channels of transmission are already impacting on SSA countries and thus link them to trade and growth performance of SSA countries. Section 4 examines the policy responses of SSA countries so far in dealing with the crises and review the effectiveness or otherwise of such police measures. Section 5 proposes some important long-term policy measures that can be implemented by SSA countries in order to reduce the impact of the crises, while section 6 concludes the paper.

2. Expected Channels of Transmission of the Financial Crisis and Recession

There are several potential direct and indirect channels through which the three (or two) identified dimensions of the crisis can affect any given economy. However, the validity and severity of these channels will depend on several factors such as the level of (financial) integration of the economy with the rest of the world, extent of export diversification/primary commodity dependence, major trading partners, extent of aid dependence, nature and mode of domestic production and exchange, some initial conditions—like level of external reserves—and so on. The primary focus of this paper will be on issues of trade and growth implications of the various dimensions of the crisis, while recognizing the impact on others factors.

Given the nature and characteristics of exports of SSA countries and the level of financial integration with the rest of the global financial system, the initial direct impact is not likely to be from the financial (credit and liquidity) crisis but rather the collapse in global commodity trade arising from the economic slowdown (recession) in the advanced countries. It should be noted that the financial crisis precedes (but also led to) the economic slowdown, however, the economic slowdown in the real sector of the advanced economies is what is likely to impact immediately on SSA countries through fall in foreign demand for SSA exports and subsequent collapse of the prices of these commodities. As aggregate demand shrinks in advanced economies the prices of traditional commodity exports of SSA countries will collapse. Schema 1 traces and describes the potential impact the financial crisis and recession will have on a typical SSA country. In broad terms, Schema 1 demonstrates that there are four major aspects of the economy that will be immediately affected—fiscal balance, external current account balance, FDI flows, and remittances.

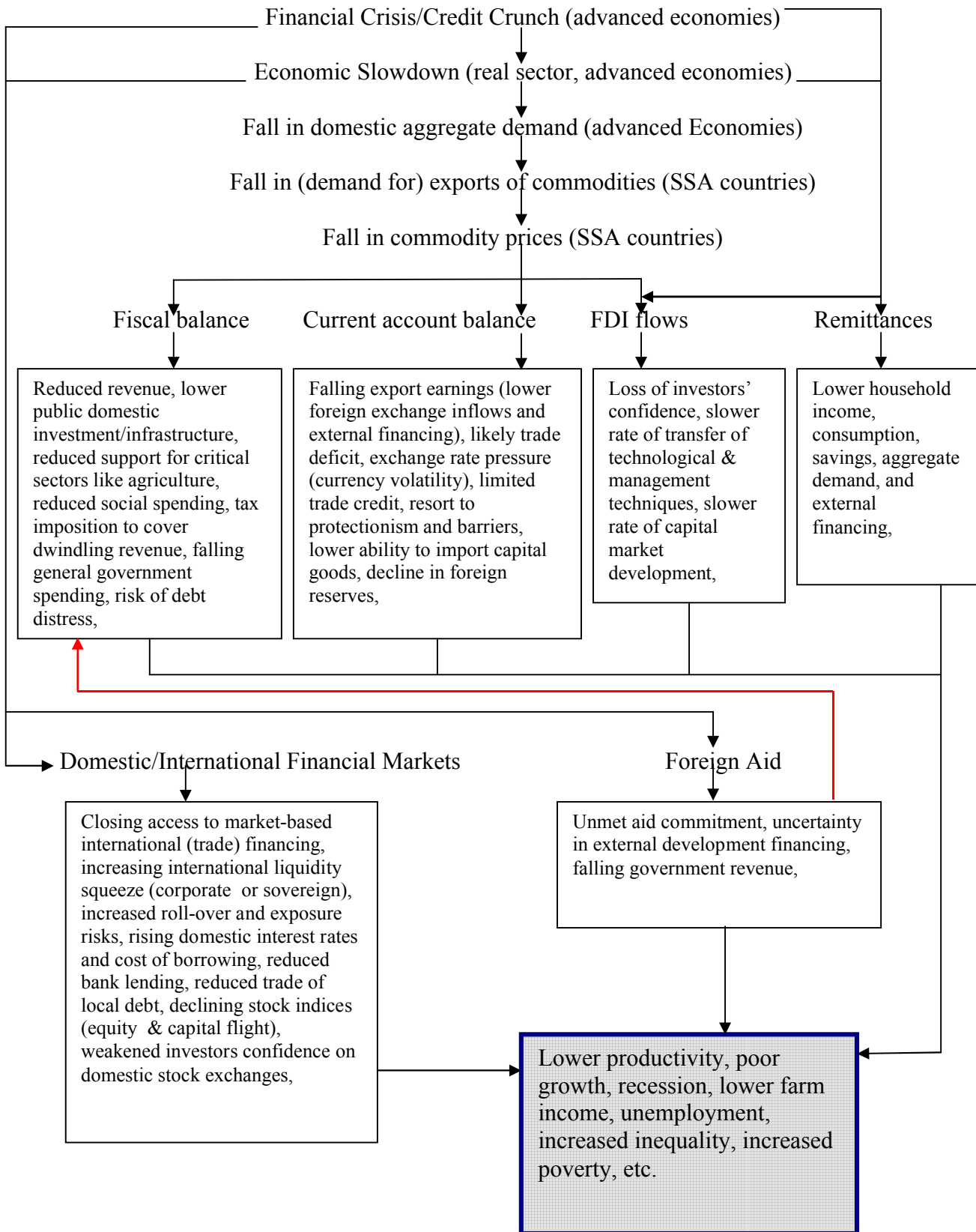
Commodity Prices-induced effects

Theoretically, in terms of fiscal balance, it is expected that the fall in commodity prices will reduce government revenue leading to fall in public investment in infrastructure, reduced spending support on critical sectors such as agriculture, reduced spending on social services, and so on. The fall in international prices of primary commodities will lead to reduced export earnings which imply lower foreign exchange inflows which are vital to development financing. In the extreme, countries can face trade deficit. All these are likely to put pressure on the domestic currencies of the various SSA countries. In general, countries might be tempted to impose trade restrictions in order to protect their external current account positions and the local currency. The ability to import intermediate capital goods will be constrained. Also, since most FDI inflow to Africa is in natural resources, fall in the prices of these goods will discourage foreign investment in these sub sectors. Some of the expected advantages of FDI such as technology transfer and the use of better management styles may be unrealized.

Non Commodity Price-induced Effects.

Apart from the fact that the crisis can lead to fall in international prices of primary commodities which will then impact on the economies of these countries, there are some effects that are non price-induced. They are as a result of the financial crisis and recession per se. For instance, economic slowdowns in advanced economies will slowdown the flow of FDI to SSA countries even if prices of natural resources are not falling. FDI flows depend, among other things, on the health of the economies of the parent companies' countries. Another impact which is not price induced is the issue of remittances. Due to the recession in advanced economies, employment will fall which implies that remittances by Africans living in the advanced economies will reduce. Lower remittances implies lower household income, lower income implies lower consumption and savings which will negatively impact on aggregate demand of the recipient economies. Remittances is a veritable source of external financing, thus lower remittances will imply reduced external financing. The financial crisis and the credit crunch can impact negatively on the domestic financial system depending on the level of financial integration with the global financial system. The crisis would reduce SSA countries' access to market-based international financing. Roll-over risks is also expected to increase as there are likely to be credit defaults and so on.

Schema 1: Possible Channels of the Impact of Global Crisis on SSA Countries



Source: Author's Expression.

With increasing international illiquidity, domestic interest rates are expected to rise in SSA countries which will increase domestic cost of borrowing. For countries with developed capital markets and stock exchanges, there are likely to be drastic decline in stock indices thereby significantly reducing the market value of many firms. This can lead to equity flight. Another non-price impact is the expected fall in the amount of aid flows to SSA countries.

Due to the financial crisis and recession, aid commitments are not likely to be fulfilled by donor countries thus leading to shortfalls in external financing. External debt is not likely to be an alternative source due to the international credit crunch. Many countries are likely to witness short falls in both aid-financed fiscal support and development financing thus slowing the pace of economic transformation.

In sum, the global financial crisis and recession are expected to affect SSA countries through the impact on the demand and prices of their major primary commodities of export and also through non-price effects which is mainly through (net) resource flow to the continent. Both sources ultimately can translate to slower growth. In the next section, the paper attempts to examine what has been the experience of (and predicted impact on) SSA countries since the global crisis started.

3. Actual and Predicted Trade and Growth Implications for SSA Countries.

3.1 Financial/Credit Shock

There is now a growing literature documenting the impact of the global financial crisis and recession on developing economies, particularly SSA countries. Several predictions have also been made regarding the expected impact of the crisis and recession on SSA countries. All economic and financial indicators point to the fact that grim times still lie ahead. Though the impact of the financial crisis and recession on SSA countries is expected to be less severe than in the advanced economies, the sub continent is by no means immune. Studies such as Macias and Massa (2009), IMF (2009) and actionaid (2009) argue that the implication of the financial crisis was not felt in SSA countries until around the third quarter of 2008. In general, two broad factors have been identified as responsible for the fall in direct and portfolio investments in SSA countries. The first being reduced capacity to invest and the second being the reduced propensity to invest (Macias and Massa, 2009). Both are attributed to the tight credit market, poor growth prospects, increased risk aversion, and reduced investors' appetite for risk.

This can be seen from the fact that the average growth rate of SSA countries fell from 6.9 percent in 2007 to 5.5 percent in 2008 and by January 2009, the International Monetary Fund (IMF) further reduced its forecast for growth for this year by 1.6 percentage points to 3.5 percent. By April 2009, the IMF finds itself further revising its forecast to a new projection of 1.7 percent for SSA countries. It becomes easy to see that, coupled to the end of commodity boom, SSA countries' financial instruments such as bonds and even the equity markets have become unattractive to foreign investors.

Already, it is reported that, given the tight global financial market conditions, Ghana has abandoned its plan for a US\$300 million debt issue, while Kenya is delaying the implementation of efforts aimed at securing a US\$500 million Eurobond. Also, it is reported that Tanzania has postponed plans to issue Eurobond of about US\$500 million, while Uganda has abandoned plans to issue Eurobond to fund infrastructure projects (Macias and Massa, 2009). The IMF (2008) reports that the value of SSA foreign currency denominated bond (Eurobond) in 2007 was US\$6.5 billion, while in 2008, no single one came to the market. A grave concern here is the fact that, by the end of 2009, the United States of America is expected to have a budget deficit in excess of US\$1000 trillion which is expected to be financed by bond issues. This is likely to crowd-out SSA and other developing countries' private and public debt issuers (Macias and Massa, 2009). Evidence suggests that bank lending has been the hardest hit of all financial flows to developing countries. Macias and Massa (2009) point out that banks total foreign claims on Zambia declined from \$2908 million in June 2008 to \$2607 million in September 2008, and Ghana experienced a similar drop over the

same period. According to actionaid (2009), bank lending to developing countries in 2008 was about 40 percent of the 2007 level and projections for 2009 suggest that it could drop by as much as 100 percent. This suggests that in 2009, instead of developing countries, witnessing positive net flows, there will be negative net flows. Though SSA countries are not heavily reliant on credit from foreign banks, available evidence points to the fact that “some countries had already seen the signs of a drop in foreign claims from the third quarter of 2008..... The countries most exposed to a fall in international bank lending are likely to be those with a high share of foreign-owned banks (e.g. Ghana, Tanzania, Zambia, Uganda and Swaziland)” (Macias and Massa, 2009: 7)”

A prominent fallout of the financial crisis is the rising cost of borrowing through bond issues by developing countries. As actionaid (2009) points out, due to the financial crisis, international lenders are increasingly looking for less and less risky assets to invest in, the cost of borrowing through bond issues for poor countries has increased. The reason being that the interest rates charged to the US government when it borrows money through the issuance of bonds—which is regarded as the least risky of all loans—and the rate charged to developing countries when they try to borrow by issuing their own sovereign bonds—which is regarded as more risky—has increased from over 2.5 percent in 2007 to about 7.5 percent in 2008. In 2009, it has averaged about 7 percent. Thus it is reported by actionaid (2009: 5) that “the financial crisis is making borrowing more expensive to those countries that bear least responsibility for the crisis, while reducing borrowing costs in those countries that were actually responsible.”

The impact of reduced net flows is also being felt in economies with equities market. Also, evidence suggests international traders are exiting in large droves from stocks that appear risky (IIF, 2009). The risk rating of African financial systems has deteriorated and this has encouraged the flight of international equities traders. One major implication is that some countries have witnessed significant fall in their stock markets (see Table 1). It is reported that in the year 2008, investors withdrew \$6.1 billion in South Africa and there are significant evidence of portfolio inflows reversal and capital flight in Kenya, Tanzania and Nigeria (IMF, 2009). According to AfDB (2009b), South Africa, Nigeria, Kenya, Mauritius and Côte d’Ivoire were among the most hit countries in 2008. It is reported that there are no indications that the situation will significantly improve in 2009, that in fact in Kenya, the Nairobi Stock Exchange (NSE) All-Share Index fell by 21.36 percent from 30 January to 27 February and stock market capitalization dropped by 21.35 percent over the same period. In turn, the Nigeria Stock Exchange All Share Index fell by 30.64 percent in January and increased by just 7.2 percentage points in February. In Côte d’Ivoire, the BRVM Composite Index has continued to fall to date (AfDB, 2009b). Evidence suggests that portfolio equity flows has significantly slowed down in many countries and some countries are actually witnessing reverse flows.

Table 1: Stock index change in 2008 in selected SSA countries (%)

Index	% change in 2008
Nigeria All Share Index	-45.90
Mauritius All Share Indices	-36.20
NSE 20-Share Index	-34.10
JSE All Share Index	-25.70
BRVM Composite Index	-10.70

Source: AfDB (2009b).

There are indications that remittances might show some resilience in the face of the financial crisis. However, the skewness in terms of the flow of remittances makes it less effective in compensating for any negative net flows. For example, as reported by AfDB (2009a), the top 10 ODA, FDI, and remittances recipient countries in Africa account for 46 percent of FDI, 32 percent of ODA and 34 percent of Remittances. The IMF (2009) points out that growth of remittances was flat in the second half of 2008, and is expected to be negative in 2009.

Furthermore, observers are of the opinion that the growth of FDI flows might reduce significantly, however, the sub continent is not likely to witness significant out flow of non-equity foreign investment. UNCTAD (2009) predicts that FDI inflows to Africa is expected to continue to grow but at a lower rate of about 16.8 percent compared to an average of 22 percent before the crisis. IMF (2009) predicts that FDI to developing countries is likely to shrink significantly in 2009 and cited projections from World Economic Outlook (WEO) which indicates that FDI inflows for 2009 is expected to fall by as much as 20 percent from their 2008 levels, compared to over 10 percent growth that was projected in April 2008 by WEO. IMF (2009) argues that reduced profit margin of Multinational Corporations, difficult financing conditions, and volatile commodity prices are some of the factors that will hinder the inflow of FDI to Africa. Due to the concentration of FDI in the natural resource sectors in Africa, it is expected that FDI flows can be delayed or even cancelled due to falling commodity prices. IMF (2009) reports FDI related to expansions of hydroelectric and mining projects has been delayed or suspended in Mozambique. Also, Macias and Massa (2009) report that the expected takeover of a South African mining conglomerate by Xstrata has been abandoned due to the economic crisis and fall in commodity prices. Furthermore, it is reported that in the Democratic Republic of Congo (DRC), most of the foreign mining companies have scaled back, postponed or completely abandoned their investment plans (AfDB, 2009b). AfDB (2009a: 5) reports that “due to the decline in global demand, copper production in the Democratic Republic of Congo (DRC) declined from 34,215 tons in June 2008 to 23,562 tons in October 2008. A similar trend is observed for cobalt and diamonds. As a result, 40 companies in the DRC extractive sector closed at the end of 2008 and over 300,000 jobs were lost.”

It has been reported that ArcelorMittal, regarded as the world’s leading steel company, has deferred indefinitely an Iron-ore project in Liberia. Currently, Malawi is on the verge of missing out on a gigantic uranium project. IDS (2009) reports that the Ethiopian Electric Power Corporation is concerned that its investment plans are likely to be severely affected by the crisis. Macias and Massa (2009) reports that in Tanzania, a US\$3.5 billion investment in aluminum smelting had been postponed and a US\$165 million nickel mining and extraction project had been rescheduled. In general it has been reported that Africa attracted 88 billion dollars worth of foreign investment in 2008 but FDI inflows plummeted in the first three months of 2009 by as much as 67 percent.² A major reason adduced for this is the global economic crisis which has significantly reduced demand for commodities which has been a major attraction for FDI in Africa, and particularly SSA countries. Thus, it is generally agreed that the prospects for FDI in Africa are intimately tied to the revival of global markets.

The financial crisis and economic slowdown have also been observed to have significantly lowered the flow of foreign aid to SSA countries. Thus, it is not just private capital flows that have been affected, but also official flows. Before the crisis, poverty-reducing initiatives being implemented by most SSA countries have led to significant inflow of official development assistance and other official aid to support poverty alleviation programmes. The Heavily Indebted Poor Countries (HIPC) initiative and the Multilateral Debt Relieved Initiative (MDRI) also provided avenue for significant flow of foreign official assistance to SSA countries. However, aid projections for 2009 have witnessed significant downward revision. Fosu and Naudé (2009) reports that the value of aid from the UK has been reduced by as much as US\$41 billion over the next seven years due to the shrinking of the UK economy and the depreciation of the pound sterling. Analysts are of the opinion that several aid commitments will not be fulfill thus this will have negative impact on SSA countries whose fiscal budget have significant aid content.

3.2 Commodity Prices/Trade Shock

This shock comes directly from the recession in the advanced economies which has led to lower aggregate demand and employment thus reducing demand for exports of SSA countries thus crashing their prices. This shock has a more direct and faster impact on SSA countries than the financial shock. Exports of SSA countries have performed well some years prior to the crisis due to

² http://news.yahoo.com/s/afp/20090918/wl_africa_afp/africaeconomyun.

strong growth in countries such as China and India. In fact, the observed rapid growth of SSA economies prior to the crisis has been fuel by impressive export performance. The growth has been largely export-led. However, with the collapse of aggregate demand in the advanced economies, many SSA countries have witnessed significant impact on current account balance, government revenue, and growth in general. Expectations have been significantly revised downwards. Expected external current account and fiscal surpluses are now turning into deficits.

The major oil exporting SSA countries suffered significant drop in the international prices of their oil exports. The World Bank (2009) reports that oil prices dropped drastically from \$133/barrel in July 2008 to \$41/barrel in December 2008. However, by August 2009 some recovery could be observed as the price rose to above \$70/barrel due to OPEC production restraint and expected demand increases occasioned by expected global recovery. In general, for most of the second half of 2009, oil prices have been between \$66/barrel and \$72/barrel. The AfDB (2009a: 1) reports that “exports from the continent are expected to fall by more than USD 250 billion in 2009. Oil and mineral exports will suffer the largest losses. Nigeria and Angola alone could experience a combined shortfall of USD 76.8 billion in exports receipts.

Also, it is reported that during the second half of 2008, non-energy commodity prices plunged 38 percent. Oil prices fell 69 percent between July and December 2008. Thus it is projected that there will be 42 percent and 43 percent decline in export in 2009 and 2010, respectively and that “African economies will likely suffer about \$578 billion in lost export earnings over the next two years, representing 18.4 percent of GDP and five times the aid to the region over the period. Oil exporters will suffer the largest losses, with a shortfall of \$420 billion over the next two years. Mineral exporters Zambia and the DRC together could lose about USD 6 billion in 2009.”³ It is also reported that Uganda, a major coffee exporter, suffered a 34 percent decline in coffee export in March 2009 when compared to the same period in 2008—amounting to a revenue decline from USD 36.3 million to USD 23.9 million (AfDB, 2009a). Thus, it could be observed that the impact of the crisis on major exports of SSA countries is though both price and quantity. Furthermore, projections suggest that Nigeria may witness a 34 percent decline in export revenue in 2009 compared to 2007—which will come from a 5 percent decline in production and a 31 percent decline in oil price (AfDB, 2009a). In sum, AfDB (2009c) points out that the expected shortfall in export revenues will be in the neighborhood of USD251 billion in 2009 and USD277 billion in 2010 for the continent as whole, with oil exporters suffering the largest losses.

An immediate fallout of this export revenue decline is the decline in trade tax revenue. (AfDB, 2009a) predicts that the continent is likely to suffer trade tax revenue shortfall to the tune of USD 15 billion which will be in the neighborhood of about 1 percent of the continent’s GDP and about 4.6 percent of government revenue. It is predicted that major oil exporting countries will experience significant losses with Nigerian and Algeria suffering about USD 4.6 billion trade revenue shortfall. As a group, trade revenue shortfall for major exporters is expected to be in the neighborhood of about USD 8.2 billion—representing 4 percent of government revenue—compared to USD 6.8 billion for non-oil exporters—representing 5 percent of government revenue. Thus, these trade tax revenue shortfalls will significantly impact on fiscal balance of the governments of SSA countries putting pressure on government spending on social support and other growth-inducing sectors.

Furthermore, prior to the global financial crisis and recession, many SSA countries had witnessed significant growth in trade in services, particularly tourism. The share of services in the total trade of countries like Cape Verde, Mauritius, Kenya, Uganda, Tunisia, and Morocco had witnessed significant increases over time. However, AfDB (2009a) reports that hotel operators and travel companies are already registering losses due to travel cancellations. Furthermore, the report indicates that in Mauritius and Tanzania, there have been significant reductions in the growth of tourism. For example, in Mauritius, the tourism industry contributes about 15 percent of the GDP and tourism revenues were down by about 15 percent in the last quarter of 2008 when compared to

³ <http://www.carnegieendowment.org/publications/index.cfm?fa=view&id=22995>

the same period in 2007. In Tanzania, tourism contributes about 17.2 to GDP and safari companies have reported up to 60 percent cancellation in November 2008. There are no concrete evidences to suggest that things will improve in 2009 unless there are rapid recoveries in the advanced economies. Thus, for countries with high contribution of tourism to foreign exchange earnings, one will expect significant negative impact on government revenue (and thus spending) and the external current account balance.

Thus, the implications of the commodity prices/trade shock will largely be on the international current account, the fiscal balance of the government and FDI flows. Looking at the current account position of low income countries (LIC), the IMF (2009: 16) posited that “On average, projected current account balances for 2009 have deteriorated by about 3 percent of GDP since the April 2008 WEO, with a more pronounced decline in export growth than in import growth.” With significant reduction in export growth compared to import growth, the current account position is expected to deteriorate further, leading to large reductions in foreign exchange reserves thus wiping the gains of the immediate pre-crisis era.

3.3 Growth Implications of the Shocks for SSA Countries.

Schema 1 depicts that the final implication of both the financial and economic crises would be on economic growth with attendant implications for other variable that are directly and indirectly related with economic performance—employment, poverty, inequality, and so on.

First, the source of growth of SSA countries in the recent pre-crisis years have been largely due to favorable international prices of major primary commodities of exports (price effect) and increased demand for these goods (quantity effect). With limited capacity for diversification and value-addition in productions and exports, the growth performance of SSA countries will continue to depend on the pace of recovery in other parts of the globe. Though as of September, 2009, there are sign of fragile recovery in countries like Japan, Germany, and even France, while it is believed that the worst is over in the USA, these are not sufficient to generate immediate and strong demand for the exports of SSA countries. Thus, expectations of early growth resumption for SSA countries are still being met with caution.

There are several forecasts that have been made about the expected growth performance of Africa in 2009 and even 2010. The, UN Economic Commission for Africa (UNECA), in May 2009, posited that Africa's growth rate would slow to a 20-year low of 2 percent in 2009, from 5.1 percent in 2008 and 6 percent in 2007.⁴ Also, the IMF in his May edition of African Economic Outlook (AEO) predicts that sub Saharan African will grow by about 1.5 percent in 2009 before making a slight recovery to 4 percent in 2010. There are also predictions that the entire continent should only look forward to achieving a growth rate of 2.8 percent in 2009 in contrast to the pre-crisis expected growth rate of 5.1 percent. Of this value, it is predicted that growth in oil-exporting countries in Africa will fall to 2.4 percent compared to 3.3 percent for the net oil importers.⁵ Already there are indication that South Africa's economy will contract by about 1.5 percent in 2009, the lowest in 17 years while Rwanda's economic growth rate will drop to about 5.3 percent for 2009 and 2009 compared to an impressive rate of 11.2 percent for 2008. There are expectations that small and open economies such as Botswana and Seychelles are going to be significantly impacted upon. The predictions are that gross domestic product in Botswana and Seychelles will probably fall 8 percent and 10 percent respectively (see footnote 4). Furthermore, due to lower oil output and weaker global energy prices, federal government revenues of Nigeria declined 32 percent below target in the first three months of 2009. Thus, the more an SSA country is integrated into the global financial system and the more commodity-dependent it is, the more it will suffer the effects of the crises.

A worrisome feedback aspect in the whole crisis is that given decreasing export revenue, falling capacity to earn foreign exchange, declining capital inflows (such as remittances and earnings from

⁴ http://news.yahoo.com/s/afp/20090918/wl_africa_afp/africaeconomyun

⁵ http://news.xinhuanet.com/english/2009-06/30/content_11627443.htm

tourism), it is easy for countries to dangerously rundown external reserves. For example, AfDB (2009c) reports that Democratic Republic of Congo (DRC) has only few weeks of import cover. Thus, the capacity to import capital and intermediate goods for further production will be jeopardized—further constraining economic growth.

An encouraging issue is the fact that all projections indicate that Africa will still grow during the crisis but at a much lower rate. However, staggered impacts are to be expected. For example, there are countries with weak economic fundamentals and are dependent on a single or few export commodity(ies), like Angola, Chad, DRC, and Nigeria. This group of countries will be heavily impacted upon. There are countries with strong economic fundamentals but are also dependent on a single or few export commodity(ies), such as Botswana, Algeria, and Cameroon. These countries are likely to show more resilience to the crisis. There are countries with weak economic fundamentals but less dependent on one commodity of export, such as Tanzania, Ghana, and Ethiopia. This group is also expected to show some resilience to the crisis. And finally, there are countries with strong economic fundamentals and less dependent on one export commodity, such as Kenya, Tunisia, and Uganda. Barring, other circumstances, this group are expected to be least impact upon.

The deceleration of growth and trade flows is, on the average, expected to increase government revenue in SSA countries by just 3 percent in 2009 as against an average of over 20 percent over the previous 8 years. Private investment is also expected to decrease by about 4 percent while FDI inflow is expected to decline by between 10-20 percent. There is also the expectation that government expenditure is expected to stagnate or even decline while public investment will decline by about 7 percent.⁶ The implications for poverty reduction and attaining the MDGs become obvious. Already, before the crisis, most SSA countries are lagging behind in terms of meeting the deadline for achieving the MDGs despite favorable growth. With the slow growth rates, achieving the MDGs at the stipulated time will become more difficult. It is also possible that in fragile states, there may be grave political implications of the slow growth process. In general, fiscal and external current account balances (as a percentage of GDP) are expected to be negative both within the range of -4 to -6 percent.

4. Policy Responses So Far.

Prior to the global crisis, many SSA countries are already implementing far reaching reform measures to usher in sound macroeconomic conditions, attract FDI, promote private investment, reduce inflation, and so on. These reform measures helped in mitigating the impact of the crisis on SSA countries. Thus, the impact could be described as less than expected. However, the situation does not suggest that all is well. Government revenues have declined significantly due to trade contraction and fall in the price of those primary commodities of exports. So how have African countries coped with the global financial crisis and the recession so far?

Revised Budgeting

This is one of the first thing done by almost all SSA countries. Most governments have made significant revisions to budgeted government spending in the face of dwindling government revenue. Many development projects have also been suspended while in some cases there have been outright cancellations. This policy response, though expected, has the potential of delaying achieving the MDGs and slowing the pace of development. Social spending has also been significantly affected in many countries.

Expansionary Monetary Policy

In many SSA countries, the relevant monetary authorities have embarked on expansionary monetary policy so as to stimulate aggregated demand. This has come largely in form of direct increase in money supply. This is aimed at boosting government revenue through seignorage and stimulating aggregate demand. The impact of this policy stance is mixed. Though many SSA

⁶ http://www.slideshare.net/OECD_Development_Centre/africa-and-the-global-crisis-impact-and-way-forward

countries have witnessed increases in aggregate price levels, it is yet to be analyzed if they are directly as a result of the expansionary monetary policy stance of the authorities—a lot of things are happening at the same time.

Banking and Equities Market Regulations

Many SSA countries have introduced new regulations in the banking system to protect the sector and avoid bank collapse. Countries that have large and international integrated banking sectors like South Africa and Nigeria have had to introduce stringent regulations to protect the system from contagion and systemic risks. However, most banking systems in Africa are not highly integrated into the global financial system and as such are protected from the global financial crisis, though stress indices remain high for most systems. Many prominent stock markets witnessed significant drop in market values and as such, regulations were put in place to stabilize the markets and restore investors' confidence. However, it should be stated that many investors in the prominent stock markets have suffered significant loss in wealth due to the crash in the market values of these equities and many of these markets witnessed equity flights.

Sector Specific Interventions and Assistance.

Many countries have also undertaken direct interventions in some key sectors such as agriculture by providing assistance to farmers. Also, in many countries, the banking system has received financial supports from the apex bank to prevent liquidity crisis and restore confidence. In general, key sectors in many SSA countries have received one form of support or the other so as to mitigate the impact of the global crisis and prevent compounded domestic crisis.

Foreign Exchange Controls.

A few countries have had to engage in foreign exchange controls to protect the value of their domestic currencies against major international currencies and also to prevent capital flight. Though this measure is not popularly used across the continent, some countries had to resort to its use. A major problem observers and analysts are worried about is that the introduction of exchange controls may gradually usher in the era of trade barriers and international capital restrictions. Significant decline in foreign exchange earnings have made countries like Nigeria to deliberately devalue her currency and introduce some controls in the transacting of foreign exchange.

Countercyclical Fiscal Stimulus Packages.

Many countries in Africa were able to inject some funds into their economies through a relatively modest fiscal stimulus package. However, how effective they are has not yet been fully analyzed. Some of the funds have come in form of higher government deficit, support for the financial/banking system, and so on. However, analysts are of the opinion that the effectiveness of the stimulus will depend on factors like the source of the funds, on what they are spent on, the size of the package, and so on.⁷ However, given the predicted export earning losses of SSA countries and the size of the stimulus injected by SSA countries, it is apparent that the stimulus will make little or no impact. The fact that some countries, such as Ghana, already have high deficit ratio implies that stimulus can crowd-out private investment and cause inflation if not well sources and administered. Nigeria, South Africa, Egypt and Algeria are among the countries that have provided some sizeable stimulus packages.

Short-term borrowing from Breton Woods Institutions.

As of May 2009, New IMF lending to Africa reached \$US1.6 billion, doubling the figure for 2008.⁸ The IMF has approved a total of \$545 million in emergency funding for Kenya and Tanzania, while Ghana and Mozambique are also discussing with the IMF for financial support. Other countries that have indicated that they will talk with the IMF include Ivory Coast, Ethiopia, Sao Tome and Principe and Zambia. Nigeria has also expressed interest in discussing with the World Bank for some financial support. Based on the nature of the impact of the crisis on the economies of poor

⁷ <http://blogs.worldbank.org/african/a-fiscal-stimulus-for-africa>

⁸ <http://www.reuters.com/article/latestCrisis/idUSN31397825>

countries, the IMF is exploring new lending instruments that will not require governments to tap IMF money immediately, but only when they need it. Also, the IMF has doubled the limits of its lending for its poorer borrowers giving countries access to larger amounts of funding.

Economic Monitoring Units

Countries have also responded by setting up crisis-specific economic intelligence and monitoring units to monitor the trend in the global economic system and evaluate how such activities are transmitting to the domestic economy and what policy responses are appropriate. The units are to provide advices to the relevant authorities on how best to design and implement policies to mitigate the impact of the global crisis on the economy and the citizens.

5. Beyond the Crisis: Which Way Forward Africa?

5.1 Immediate Pre-Crisis conditions

The impact of the crisis on SSA countries seems to have been milder than expected. A major reason adduced for this is the fact that, prior to the crisis, many SSA countries have started putting in place sound macroeconomic environment and other reform measures that made economic fundamentals stronger than before. Many governments have succeeded in putting in place measures that helps to nurture the private sector and enhance business climate indicators. Various kinds of business risks have reduced considerably in many countries and hitherto business-unfriendly countries have become very attractive to investors and also become more competitive. Here lessons are learnt about the importance of reform measures that promotes private entrepreneurship, sound macroeconomic management and stability, growth and development in general.

Again, the fact that SSA countries are not too integrated into the global financial system also helped reduce the impact of the financial crisis. Also, banking systems in many SSA countries are still largely regulated which somewhat insulates them from the impact of the financial crisis. It should be pointed out that the financial crisis increased the stress index of many banks in Africa, but a general banking crisis is not envisaged. Also, thanks to the HIPC initiative and MDRI, African countries have almost totally exited external liabilities which had freed resources for development financing. It is unimaginable that the crisis had happened at the time when most SSA countries were still heavily indebted to various bilateral and multilateral foreign lending institutions. Thus, currently, the rate of capital outflow is much lower due to the lower debt burden. Much of the outflows witnessed are equity flight. Here lessons are learnt about how SSA countries want to integrate with the global financial system and the need for less reliance on foreign debt (and other foreign sources) for development financing.

It should also be mentioned that SSA countries have become more politically stable prior to the crisis. Though there are still patches of fragile political regimes, in general the political landscape of the continent has become more conducive to growth and development. This again contributes to cushioning the effect of the crisis on the continent. Again, lessons are learnt on the need for good governance and a stable polity that ensures that a development-oriented state is created and entrenched.

Furthermore, the immediate pre-crisis era witnessed a more globally integrated Africa in terms of direction of trade than in previous periods. Africa has become less dependent on traditional OECD markets as trade with China, India, and Latin America increased significantly. Thus, this market diversification also contributed to mitigating the effect of the crisis on African countries. This does not discount the importance of OECD markets, but suggest the cushioning impact of market diversification. Though, at a later stage, when economies like China and India witnessed significant recession, SSA countries immediately felt the impact of the crisis. However, a lesson has been learnt on the importance of market creation and diversification.

5.2 Lessons and Issues for Consideration

Given the characteristics of most SSA economies and the impact of the crisis on government revenue, countercyclical fiscal response will have limited impact. At best, countercyclical policy responses will be emergency measures fit only for the short-run. Most SSA countries do not have the kind of external reserves that can sustain any meaningful stimulus package into the medium term. The crisis severely impacted on SSA countries because of the structure of their economies—aid dependency, primary commodity dependency, and so on. Also, suggesting increase in foreign aid to SSA countries at this time will be like looking for ice in the Sahara. Furthermore, in as much as the advanced economies are not fully recovered, FDI flows will not improve significantly. Thus, calling for increased FDI flows at this time will be futile. It is also disheartening that it may be increasingly difficult for SSA countries to gain trade access to the advanced countries since some of them are already introducing measures to keep out foreign trade. Ultimately, what Africa needs is an endogenously driven rapid structural transformation of its' various economies from rudimentary primary commodity dependent economies to sustainable wealth-creating knowledge-driven economies. Short-run policy responses, though required as urgent interventions, will not achieve long-term objectives of moving the majority of the citizens out of poverty and ignorance. Thus, any long-term policy response will have to address these structural rigidities and deficiencies. Hence, the following issues would require urgent consideration by SSA countries.

a. Level of Integration into the Global Financial System: China vs. South Africa Scenario

China and South Africa present two classic cases of the factors that can determine the extent of vulnerability of a country to the global financial crisis. Both are members of the G20 but pursue different policies since the early 1990s. China has historically been less open to the global economy than many other developing countries and retains capital controls. Its financial system is also relatively closed. South Africa is at the other end of the spectrum. Since 1994, the government has adopted a strategy of extreme openness to the global economy. The South Africa equity market and banking system is largely dominated by foreign buyers. China is largely hit by the recession while South Africa—also a major exporter of goods—is being hit by both the financial and economic crises. As actionaid (2009: 10) puts its “While China is already being hit by the recession, its financial system looks resilient enough to survive more or less intact. However South Africa, more integrated into precisely those global financial markets most affected by the crisis, is likely to be hit by both the recession and even more by the financial crisis, as those external sources of development finance on which it is most dependent dry up.”

It is predicted that the total drop in Chinese export earnings between 2007 and the end of 2009 will be around 18 percent which is estimated at 7 percent of the pre-crisis GDP. Due to the relatively low international financial inflows, large domestic financial sector, high rate of domestic investment and high rate of domestic sourcing of development financing, it is predicted that losses to China's financial system between 2007 and 2009 will be just over 2 percent of the country's pre-crisis GDP (WEO, 2008). It should be noted that the value of shares in South African stock market held by foreigners rose from an equivalent of 2 percent of GDP in 1995 to about 20 percent in 2005. In 2007, foreign lending accounted for about 20 percent of total bank credit (actionaid, 2009). Thus, the projections are that export earnings in South Africa will be down by about 7 percent from their 2007 levels or the equivalent of about 9 percent of pre-crisis GDP. However, fall in flows due to the financial crisis—mainly accounted for by dramatic drops in bank lending and the value of equities—is predicted to be more than 15 percent of pre-crisis GDP (actionaid, 2009). This suggests that the exposure of the South African equity market and financial sector will make the impact more pronounced in South Africa than in China with a larger economy.

So what lessons can African countries draw from this and what are the appropriate policy implications?

- First, it must be confessed that the whole issue of financial globalization has been more of risk than benefits to SSA countries. Globalization promised massive inflow of development funds into developing countries. Much of these funds did not come as expected and now

some countries risk development reversal as equities take their flight due to the crisis. Agreed, with limited capacity to mobilize domestic resources (in the short run), poor SSA countries will require external financing. The post-crisis global financial framework that will emerge should ensure that countries can get more productive and development-oriented external financing devoid of this kind of risks countries are facing now. International financial regulators must design a new system that effectively controls and manage risks and sudden shocks due to international financial flows. The current situation is a bitter lesson for a country like South Africa. SSA countries should exercise some caution in terms of the extent of integration of their financial system with the global financial system.

- Another lesson here is the issue of wholesome liberalization. Africa might have to re-think this neoliberal policy, particularly in relation to the international capital account. The rate and speed at which equities flew out of Africa due to the global crisis is really alarming and disturbing. Should SSA countries fully liberalize the international capital account? The current experience suggests that doing that exposes SSA countries to speculative capital flows, tax evasion and increased capital flight. This has a depressing impact on domestic savings and increases dependency on external finance for development.

b. Need for Domestic Resource Mobilization and Efficient Utilization.

Really, this is a point that needs no elaborate discussion. As it is said, experience is the best teacher. SSA countries must have realized the importance of domestic sources of development financing. International financial flows have gradually dried up and SSA countries are yet to record any meaningful success in terms of achieving the MDGs. So how best do they think they can finance development if not by exploring domestic sources? Again, the experience of China comes handy. China has succeeded to a large extent because it has relied on domestic resource mobilization for development. There are evidences in the literature that suggest that domestic capital is the most stable source of development financing and has the highest pay-off in terms of development. External financing should be seen as complementary rather than the main source of development financing. By now, African countries must have realized the importance of domestically generated and financed development. Just within weeks of the crisis, the advanced economies mobilized over US\$4 trillion to bail out various financial institutions and industries, yet aid commitments to SSA countries are unfulfilled. Africans have now realized that it has become increasingly difficult to rely on external development partners.

- Again, the basic lesson here is the importance of diversified sources of development financing and financial flows. SSA countries must now design appropriate mix of sources of development financing. Shock to the economy are inevitable and unpredictable, however, coping with shocks need not be ad-hoc. Predictable and reliable sources of development financing should be explored. Of course, how resources are deployed and used are also important. Corruption, waste, and mismanagement must be curtailed.
- Another important lesson here is that Africans must reclaim the debate on African development. African development must be made endogenous in all respect—concept, strategies, tools, financing, implementation, and so on. Others should not be allowed to speak on behalf of Africans. African development must be home-grown, based on domestic investment and consumption.

c. Domestic Market Development and Market Diversification

The recession in the advanced economies affected SSA countries significantly because the advanced economies are the main markets for SSA primary exports. It is important for SSA countries to develop their internal markets and also hasten the various regional integration schemes. Currently, less than 10 percent of African trade is regional. It is important that SSA countries explore the opportunities that regional integration can provide. This will reduce vulnerability to demand volatility coming from advanced economies. Domestic market development and regional integration are important if SSA countries are to shield themselves from global economic slowdown.

- The basic lessons here are that SSA countries need to reduce their dependency, not only on primary commodity exports, but also on traditional OECD markets. Also, there is the need to diversify on the range of commodities offered for exports and to improve on value-addition. SSA countries need to pay more attention to the issue of regional integration as a veritable source of market diversion. The fact that some countries produce and export similar products is not sufficient to pay lip service to the issue of regional integration. The global crisis should be sufficient to galvanize the necessary political will to hasten regional integration and enhance South-South trade and cooperation.

d. Structural Reforms, Political Stability and Governance.

It is important that SSA countries implement several structural reforms if domestic resources are to be effectively and efficiently mobilized and allocated. These reform measures are essential to overcoming infrastructure huddles and improving business environment. There is need for tax reforms that will make tax administration more efficient and increase government revenue, there is the need to put in place financial regulatory measures to control risks and reduce capital flight, there is the need to engage and partner the private sector in provision of infrastructure, there is the need to relax business regulations, there is the need to put in place measures to reduce cost of intra-African trade, and so on. Structural reforms that ensure investment in infrastructure are crucial to sustaining growth. This is one area that is generally deficient in SSA countries.

It is important that SSA countries continue to ensure that there is political stability so as not to discourage private investment. The relative stability within the continent should be sustained and consolidated. SSA countries will also have to improve on governance. All these will provide the required conducive environment for capital mobilization for development. Africa countries have now realized more than ever that there is need for development to be home-grown. They have to take ownership of their development strategies and tools. Thus the necessary reforms have to be put in place to ensure that investment is profitable and with little risks. Political instability and bad governance are not conducive to home-grown development.

- Again, an important lesson to be learnt here is the limitation of the market and the need for the state to be more involved in the development process. The state should partner all relevant stakeholders, like the private sector, civil society, and so on, in the development process. The global crisis reveals that there are still important roles to be played by the state, alongside the market, in the development process. The current global situation suggests that market failure is not significantly different from state failure, if not more costly. In fact, the current global crisis—which is due to market failure—is now being solved by the various states affected. Africa states must wakeup to their development responsibilities, the market is not sufficient in the development process, and development should not be left to the market alone.

e. Having a Meaningful Voice in the Post-crisis Global Financial System.

Unfortunately again, SSA countries seems not to be in the picture in terms of designing a post-crisis global financial system. In fact, meetings, grouping arrangements, and international governance institutions have largely excluded SSA countries (except South Africa in the G20). SSA countries are seemingly voiceless before and during the crisis, and now it is like after the crisis too. It is just too likely that the post-crisis global financial system will not adequately take care of the interest of SSA countries. This must not be allowed to be so. The impact of the crisis on SSA countries implies that Africa deserves a better stake in the global economy. There should be increased and effective African representation and active participation in the various multilateral financial arrangements and institutions. Thus, it is important that SSA countries strongly define and articulate their interest and press for adequate representation in whatever post-crisis global arrangements that are being fashioned out, else the airplane will take-off as usual without some passengers on board.

f. Continued Sector-specific targeting and Assistance.

Because many African countries are exporters of primary agricultural goods, the agricultural sector in most countries engages about 60 to 90 percent of the active labor force. This sector has been badly hit by the global recession and has suffered significant reduction in output and income. Farm income has reduced significantly and this will affect a large percentage of the active labor force. The consequences can be grave in terms of unemployment, poverty, and inequality, which could have significant negative political consequences. Thus governments may require intervening in this and similar vital sectors. Price/income support measures may be required despite falling government revenue. If this is not done, resources may move to other (speculative) sectors and when the global system recovers, it may be difficult to re-allocate resource back to the vital sectors. Thus, countries which are leading exporters of such products may lose their competitiveness. Though, in many SSA countries, the banking system is not badly hit by the crisis, it is important that governments continue to support the system and ensure that prudent supervisory and regulatory measures are in place to prevent the banking system and the financial sector from unnecessary exposures.

6. Concluding Remarks

It is rather unfortunate that a continent that did not contribute to the making of this crisis is this badly hit. However, it is a wake-up call to SSA countries. This global crisis should be seen in the context of development challenge rather than economic stabilization. What is required now is complete shift in development strategy. Reliance on external sources of development finance, primary commodity exports, and traditional OECD markets should be re-examined. It is important that the continent empower its citizens economically so that a large domestic market can be created in the continent. The potentials are there, and all it takes is focused and visionary leadership that can install a development-oriented state. Despite the fact that most of the advanced economies are shrinking, China, India, and Brazil have growing economies. This is largely due to the fact that development is domestically cultivated and the populations are economically empowered to create adequate domestic demand. SSA countries must start looking inward if it is to minimize the impact of future external shocks on their economies. It is also rather unfortunate that, as it is, the way out for SSA countries depends on the pace of recovery by the advanced economies. There is need for rapid structural transformation of the economies of SSA countries. They are just too weak, fragile, and vulnerable. The nature, composition, and direction of exports have not changed significantly in the past four or five decades. Efforts at enhancing regional integration to create larger markets are at best rhetorical. It has become imperative that SSA countries become more sincere in this respect. The sub-continent is far from achieving the MDGs and now, with the current crisis, it is unlikely that any meaningful progress will be recorded in this respect. The current global crisis is already increasing the number of 'newly-poor' Africans and unemployment is expected to rise and government social spending is heavily threatened. The gains from the HIPC and MDRI programs are rapidly being eroded. There is definitely a strong need for a change in development strategies.

References

- actionaid (2009) "Where does it hurt? The impact of the financial crisis on developing countries," www.actionaid.org.uk/doc_lib/where_does_it_hurt_final.pdf
- African Development Bank (AfDB) (2009a) "Africa and the Global Economic Crisis: Strategies for Preserving the Foundations of Long-term Growth" Paper prepared for: The 2009 Annual Meetings of the African Development Bank (May 13-14 2009, Dakar, Senegal).
- African Development Bank (AfDB) (2009b) 'Impact of the Financial Crisis on African Economies: An Interim Assessment'. Paper presented at the Meeting of the Committee of Finance Ministers and Central Bank Governors, Cape Town, South Africa, 16 January.
- African Development Bank (AfDB) (2009c) "Impact of the Crisis on African Economies – Sustaining Growth and Poverty Reduction: African Perspectives and Recommendations to the G20." A report from the Committee of African Finance Ministers and Central Bank Governors established to monitor the crisis. Online: <http://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/impact%20of%20the%20crisis%20and%20recommendations%20to%20the%20G20%20-%20March%2021.pdf> (Accessed 30/09/2009).
- Eichengreen, B., M. Mody, M. Nedeljkovic, and L. Sarno (2009). 'How the Sub-Prime Crisis Went Global'. NBER Working Paper 14904. Cambridge MA: National Bureau of Economic Research.
- Fosu, Augustin and Wim Naudé (2009) "The Global Economic Crisis: Towards Syndrome-Free Recovery for Africa" Discussion Paper No. 2009/03, UNU-WIDER (World Institute for Development Economics Research).
- Institute of Development Studies (IDS) (2009) Voices from the South: The Impact of the Financial Crisis on Developing Countries. Brighton: IDS.
- International Monetary Fund (IMF) (2008) Regional Economic Outlook Sub-Saharan Africa (October), Washington, DC: IMF.
- International Monetary Funds (IMF) (2009) "The Implications of the Global Financial Crisis for Low-Income Countries." Washington DC. IMF.
- Macias, José Brambila and Isabella Massa (2009) "The global financial crisis and sub-Saharan Africa the effects of slowing private capital inflows on growth," Working Paper 304, Overseas Development Institute.
- Morris, C. R. (2008). The Two Trillion Dollar Meltdown. New York. Public Affairs.
- Taylor, J. B. (2009). 'The Financial Crisis and the Policy Responses: An Empirical Analysis of What Went Wrong'. NBER Working Paper 14631. Cambridge, MA: National Bureau of Economic Research.
- The Institute of International Finance (IIF) (2009) "Capital Flows to Emerging Market Economies, January 2009
- UN Conference on Trade and Development (UNCTAD) (2009) "Assessing the Impact of the Current Financial and Economic Crisis on Global FDI Flows. Geneva: UNCTAD."
- World Bank (2009) "Protecting Progress: The Challenge Facing Low-Income Countries in the Global Recession." Background paper prepared by World Bank Group staff for the G-20 Leaders' Meeting, Pittsburgh, USA, September 24-25, 2009.
- World Economic Outlook (WEO) (2008) Chapter 4: Financial stress and economic downturn, October.