

Statement on the Global Economic and Financial Crisis to the 12 th Ordinary Session of the Assembly of Heads of State and Government of The African Union

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Excellencies

Distinguished Ladies and Gentlemen

I welcome the opportunity to address this august gathering on the grave and unprecedented global economic and financial crisis, which is not of the making of African countries but with which they have to contend.

Many of the key issues have already been addressed by previous speakers particularly His Excellency, Ato Meles Zenawi, Prime Minister of Ethiopia who has given an excellent interpretation of the issues at stake in his usual succinct manner. I will therefore be limiting my intervention to five key points.

First, it is now evident that the crisis will have a serious impact on African economies. While Africa 's banking systems have not been affected by the crisis because of prior reforms and limited integration into the global economy, the threat to its real economy is indisputable. At the most optimistic, growth in the continent will fall by up to 1.5 percentage points in 2009 from 2007 levels but the fall could be up to 4 percentage points. Trade and financial flows will also be greatly affected as is already evident from falling commodity prices and massive capital outflows reflected in sharply deteriorating exchange rates. Private capital inflows such as foreign direct investment, remittances, tourism receipts and trade credits are also drying up.

Second, the crisis will erode much of the gains that Africa has made in the recent past in both economic and social sectors. Better macroeconomic management, strong commodity prices and reduced debt underpinned Africa 's recent good economic performance. This strong performance was however buffeted last year by high food and oil prices and the current crisis will further compound the situation. The result is increased pressure on fiscal and external balances in many African countries which may lead to recurrence of huge external debt burdens that will wipe out the positive gains of recent debt relief. The ability of governments to undertake social expenditure to protect the most vulnerable groups will also be constrained and thereby impede progress towards achieving the MDGs.

Third, the solutions being put together in response to the crisis need to be carefully calibrated to take account of differences in the circumstances and needs of African countries. It is essential to ensure in this regard that short-term considerations do not impair Africa 's long-term development prospects. We need to scale up our efforts to promote economic diversification and increase the mobilization of domestic resources. This august gathering will be pleased to know that the next Joint Meeting of AU/ECA Conference of Ministers of Finance taking place in Egypt will deliberate on - “ *Enhancing the effectiveness of fiscal policy for domestic resource mobilization* ”. At the same time, our development partners will need to honour their commitments to double aid flows to Africa . These times call for bold and innovative policies and we should explore avenues for using resources raised to invest for the future by building pro-poor infrastructure and supporting educational and health systems.

Fourth, we must not forget that this crisis was brought about by failures of regulation and the inherent volatility in the international financial system as currently configured. Better governance is essential to improve the functioning of the international monetary and financial system and it is crucial to ensure that financial supervision keeps up with financial innovation . A credible international financial architecture must be transparent and inclusive with greater voice and representation for emerging and developing economies. This will improve coherence and coordination in policymaking at the global level.

This consideration also applies to international trade. At times like this, there is always the risk of reversion to protectionism which makes it particularly important to bring the Doha Round of trade talks to a speedy conclusion. The Doha Round should not however be concluded for its own sake but should also keep to the promise of a development outcome. A pro-development outcome in global trade talks will complement much needed changes in the international financial system.

Finally, Africa should use its existing institutions to the fullest in responding to the crisis. The African Union, African Development Bank and Economic Commission for Africa are already working closely together to assist in assessing the impact of the current crisis and in fashioning a common African position on needed reforms. The AU Commission represents the collective voice of this Union and should be in the vanguard of promoting African voice and representation in processes to reform the international financial architecture. The African Development Bank should be assisted to raise the additional resources it requires in order to provide counter-cyclical support in addition to its proposed initiatives on emergency liquidity and trade financing.

The United Nations is promoting an inclusive approach to deliberations on the crisis at the global level and will be convening an international conference on the world economic and financial crisis and its impact on development later this year. The Economic Commission for Africa will continue to promote and support Africa 's participation in this and other UN initiatives on the financial crisis.

I thank you for your kind attention.