Financial crisis to cost Africa over $200 billion, ECA

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The UN Under Secretary-General and Executive Secretary of the Economic Commission for Africa (ECA), Abdoulie Janneh, has said that the current economic downturn could cost the African continent $251 billion in 2009 and $277 billion in 2010 in export earnings, despite earlier predictions that the continent would not be hard hit.

In a paper presented at a high-level panel on the "Financial Crisis Impacts and Responses: An African Perspective" during the 65th session of the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), which was held in the United Nations Conference Centre (UNCC), Bangkok, Thailand, from 23-29 April 2009, Mr Janneh said that those predictions had been proven wrong by the hard realities of the economic crisis.

Now, it is clear that the "social effects of the crisis will be particularly hard felt in Africa because there are little or no mechanisms to cushion the effect on ordinary people such as unemployment benefits or social security arrangements," he pointed out.

Besides, the effects of the crisis have been manifested "in slowdown of growth, weakening currencies, declining stock market indices and sharply reduced commodity exports," he explained.

The ECA says snvestment flows, remittances and tourism receipts, growth and capital inflows have not been spared. For example, an assessment by the ECA indicates that in 2009 the crisis will reduce growth in Africa from an average of 6 percent over the past decade, by between 2 and 4 percentage points, depending on assumptions made about resource flows to the region as well as the effectiveness of policy responses to the crisis by advanced countries.

"Foreign direct investment and other sources of private capital flows are expected to decline in 2009. Prior to the crisis, countries such as Ghana and Gabon successfully issued bonds in international capital market. As a result of the crisis, this source of external finance has dried up and several African countries are facing difficulties issuing bonds in international capital markets," said Mr Janneh.

He also said the social impact of drying up of these sources of development finance has implications for achieving the MDGs in Africa. For example, the ECA believes that the expected declines in development finance will reduce the ability of African governments to fund health, education, infrastructure and nutrition programs with dire consequences for poverty reduction.

As explained by ECA executive secretary, the crisis would also affect poverty in the region through the impact on unemployment. Recent studies indicate that in 2009, the number of unemployed people in Sub-Saharan Africa will increase by 3 million relative to the 2007 figure.

Mr Janneh, who was in the official African delegation to the G20 Summit, also outlined the measures that African countries have taken in the form of policy responses to mitigate the impact of the financial crisis on their economies.

"These include interest rate reductions, recapitalisation of financial institutions, increase liquidity to banks and firms, fiscal stimulus, trade policy changes, and regulatory reforms," he said.

He recalled that "the policy measures advocated by Africa were presented to the G20 Summit by its representatives, notably the Prime Minister of Ethiopia who represented the continent in his capacity as Chairperson of the Heads of State and Government Implementation Committee of the New Partnership for Africa's Development (NEPAD)"

The 65th session of ESCAP comprised of a Senior Officials segment from 23-25 April 2009 and a Ministerial segment from 27-29 April was attended by delegates from 62 ESCAP member States to discuss their collective challenges and to propose a coordinated response.

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