

**Office of the Special Adviser on Africa  
(OSAA)**

**Side Event:  
Recovering from Global Crisis: Towards an Action Plan for Africa  
and the Least Developed Countries**

**25 June 2009, 3:00 p.m. – 6:00 p.m.  
UNHQ, ECOSOC Chamber**

**Summary Report**

**June 2009**

## **Introduction**

1. The side event on ‘Recovering from Global Crisis: Towards an Action Plan for Africa and the Least Developed Countries’ took place on 25 June 2009 during the United Nations Conference on the World Financial and Economic Crisis and its impact on Development. The side event was co-organised by OSAA, OHRLLS and UNU. The meeting provided an excellent opportunity for world leaders, experts, academia, and private sector representatives to come together and debate on how to help Africa mitigate the impact of the crisis on their economies.
2. The side event was attended by representatives of UN Member States, UN system agencies, funds and programmes, Bretton Woods Institutions, members of the academia, civil society organizations, regional organizations such as the African Union, and the representatives of the private sector.

## **Panel Discussion**

3. The keynote speech was delivered by the Deputy Secretary-General H.E. Ms. Asha-Rose Migiro. The panel was co-chaired by Mr. Cheick Sidi Diarra, Special Adviser on Africa and High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States, and Mr. Jean Marc Coicaud, Director of United Nations University New York Office, who delivered welcoming statements. The panel discussion was divided into two parts, during which open and direct debate took place on the global financial crisis and its impacts on Africa and the LDCs.
4. In his statement, Mr. Diarra said that although the direct effects of the crisis on Africa and LDCs were limited due to the countries’ weak integration into the global economy, most have suffered second round effects arising from a decline in investment, tourism receipts, as well as falling export. The crisis has also undermined progress towards achievement of MDGs. Africa and the LDCs are also suffering disproportionately through the collapse in world trade due to their specialization in primary commodities. The combined effect of decline in commodity prices and demand for these countries’ export, coupled with withdrawal of FDI has led to negative effect on government revenue, employment and poverty. This will in turn affect government ability to provide health services, education, water and sanitation. The food and energy crises have further exacerbated the situation.
5. H.E. Ms Asha Migiro pointed out that the impact of the crisis on Africa and LDCs has been both direct and indirect. The direct effects have been mostly felt through financial sector and the indirect impacts through reduction in trade volume, commodity prices, remittances, tourism, foreign direct investment and ODA. In addition, the global financial crisis has caused a growth crisis in African

economies. The crisis could rapidly extend to a human and social crisis with severe political implications, posing a threat to the achievement of the MDGs. The Deputy Secretary-General also underlined the gender dimension of the crisis; it will erase their capital accumulation and also reduce women's incomes.

6. In her statement, Dr. Dipu Moni, the Minister of Foreign Affairs of the People's Republic of Bangladesh and Chair of the LDCs, stated that the crisis is having a negative impact on the LDCs. This has resulted in sharp contraction of output, loss of jobs, significant reduction in exports, falling prices for primary commodities, declining remittances, as well as severe credit crunch. With respect to policy measures to mitigate the effect of the crisis, she highlighted the following: restoration of market confidence and economic stability, a well-functioning financial system and an open trade regime; maintaining investments in infrastructure, education and health; adoption of countercyclical policies and programme to compensate for the fall in private demand and protection of the poor and the vulnerable.
7. In the ensuing presentation, Mr. Wim Naude highlighted the root causes of the crisis which included easy and cheap credit, a bubble in house prices, excessive deregulation and inadequate supervision of financial institutions, expansion of sub-prime mortgage lending among others that encouraged inappropriate risk-taking by financiers and traders. The global economic crisis has induced two negative shocks for African countries: credit crunch, financial shock. This is affecting Africa and LDCs through reduced investment and declined export earnings.
8. Speakers on the panel underscored the importance of taking necessary actions to mitigate the effect of the crisis on the most vulnerable. These include: restoring confidence in banks, through continued monitoring and regulation, expanding trade and avoiding protectionism, as well as increasing trade finance. Macroeconomic reforms implemented by Africa and LDCs are critical and should be sustained and deepened. In addition there is need to maintain investment in education, health, infrastructure as well as protecting government spending on programmes that target the poor. Furthermore, international community must undertake measures to support Africa's and LDC's development in line with international commitments as contained in the Millennium Declaration, the Brussels Declaration and Programme of Action for the LDCs for the decade 2001-2010, Monterrey Consensus and various G8 Summits.
9. Some speakers underscored the important role that the United Nations system could play in addressing the crisis. The UN system is analyzing the human development impact of the crisis and is designing policy responses on how to protect the most vulnerable. The Secretary-General had launched the Global Impact and Vulnerability Alert System (GIVAS) which gave voice to the poor and most vulnerable.

10. African leaders are also taking charge in dealing with the crisis. AU Conference of Ministers of Economy and Finance and ECA Conference of Ministers of Finance, planning and Economic Development held in Cairo in June 2009 reaffirmed the commitments made in Tunis in November 2008 to deepen economic reforms, strengthen regulation of financial institutions, harmonize fiscal and monetary policies, improve governance and accountability, diversify export structure and improve debt management.
11. Donor community was called upon to deliver its commitments to increase aid to Africa and the LDCs. Both developed and developing countries were advised to resist protectionist policies. Panelists also highlighted the need to reform the global financial system.

## **Part II**

12. As outlined by the panelists of the first part, maintaining aid flows towards Africa and LDCs was presented as a paramount element to face the crisis' negative effects. Thus, Mr. Stephen Groff (OECD) presented OECD's Action Plan which was implemented in May 2009 to bind donors to their commitments and to diversify aid commitments as efficiently and as fast as possible. Mr. Alexander Aboagye (UNDP) added that the crisis had exposed the weaknesses that are underlying African economies and at the same time provided an opportunity to rethink current economic policies and to create new economic strategies. It was also important to look at other factors influencing the poor economies other than the crisis.
13. Mr. Tukur, African Business Roundtable, noted that in response to sudden capital outflow, industries especially in Africa closed down which had serious implications on unemployment. South Africa lost an estimated 64,000 mining jobs in the last few months. There has also been a remarkable fall in the value of stock exchanges for example; there was a 40% decline in Uganda and 50% in Nigeria. He proposed measures to mitigate the impact of the crisis, among others: domestic resource mobilization, increasing international resource flows, conducive operative environment, infrastructure finance, increase earnings from trade, funding aid for trade, strengthening Africa's financial system and integrating stock exchange. He called on the wealthy countries to fund the vulnerability fund as proposed by the World Bank and announced by the G20 during the 2009 Meeting in London.
14. International community appeared active in reacting to the crisis. Mr. Roger Nord, Senior Advisor at the African Department of the IMF emphasized that, projected severe reduction in growth of one percent for 2009, slow reduction in inflation, lower demand for Africa's exports, lower commodity prices, contraction in foreign direct investment, and potential credit risk have led to change in economic policies. Many African countries have adopted loosening fiscal policies, allowing their fiscal deficits to widen in order to stimulate domestic demand. The IMF has

accordingly adjusted fiscal targets in eighty percent of their programs. Where possible, the IMF has allowed for accommodative monetary policy and lower interest rates where inflation is not a threat. Budgetary policies from the recent years coupled with debt relief have reduced the level of public debt for many African countries, thus providing fiscal space that can be used when growth is slowing.

15. In response to the impact of the crisis on Africa the IMF has focused on scaling and speeding up their assistance—in the first five months of 2009 the IMF has committed additional \$1.6 billion to Africa, and projects to ultimately double their outstanding commitments to Africa compared to the end of 2008. Furthermore, the IMF is working towards modernizing conditionality and making debt-ceiling under IMF-supported programs better reflect the diversity of country circumstances, ensuring a better balance between debt sustainability and access to financing for Africa's development needs, especially for infrastructure. IMF is also providing technical assistance to its African members, in some cases addressing issues related to the current crisis, in other—as part of ongoing capacity building. IMF regional centers in Tanzania, Mali, and Gabon are increasing their technical assistance and two new centers are expected to start functioning by early 2010.

### **Question and Answer Session**

16. During the question and answer session, a number of issues were raised which included: what unique characteristics the new action plan possesses that will make it work where other action plans adopted have failed; the role of the UN in resolving the global financial crisis; how to bring Africa from commodity dependence; need for new multilateralism; improving the mechanisms of reporting what has been done by the international community; and the role of youth in the crisis.
17. To the question on the need of a new action plan while the others including the Brussels, NEPAD, among others have not been fully implemented, Mr. Diarra stated that this action plan is not to replace the existing ones but it aims to produce policy recommendations to address the financial crisis. On new multilateralism, the UN is looking for ways to give rebirth to multilateralism to cope with emerging challenges and also opportunities. Panelists also highlighted the different partnerships between African continent and new emerging partners namely India, Turkey and China. With respect to regional integration, the panelists pointed out that regional integration is essential for sustained development and it could help to enhance economies of scale thereby making Africa more attractive for investment on a regional basis in areas such as infrastructure.

## **Recommendations**

18. The panel concluded by recommending that additional focus be paid to the following issues: establishing a joint action plan to mitigate the crisis, regional integration as a home grown solution, financial architecture, and reduce dependence on commodity. The international community should also play its role in ensuring that trade channels to Africa are kept open; that promised aid is distributed and at an accelerated pace; that irresponsible lending is avoided; and that fiscal stimuli and bank bailouts in the West do not inadvertently entrench the *status quo* of the current unsatisfactory global financial architecture.

## Annex

**Office of the Special Adviser on Africa**

**Office of the High Representative for the LDCs,  
LLDCs and SIDS**



**UNITED NATIONS  
UNIVERSITY**

United Nations Conference on the World Financial and Economic Crisis and  
its Impact on Development

**Side Event: Recovering from Global Crisis: Towards an Action Plan for Africa  
and the Least Developed Countries**

**25 June 2009, 3:00 pm – 6:00 pm  
ECOSOC Chamber**

### **PROGRAMME**

#### **Part I (3:00 – 4:15 pm)**

3:00 – 3:15 pm

Opening Remarks by:

- **Mr. Cheick Sidi Diarra**, Under-Secretary-General, Special Adviser on Africa and High Representative for the LDCs, LLDCs and SIDS; and
- Co-Chair - **Mr. Jean-Marc Coicaud**, Director, United Nations University Office at the UN in New York (UNU-ONY)

3:15 – 3:30 pm

Keynote Address by **H. E. Ms. Asha-Rose Migiro**, United Nations Deputy Secretary-General on “Causes and Impact of the financial crisis on Africa and LDCs. Global Response to support Africa and LDCs recovery from the crisis and laying the foundation for sustained growth and poverty reduction”

3:30 – 3:45 pm

Statement by **Her Excellency Dr. Dipu Moni**, Minister for Foreign Affairs of the People’s Republic of Bangladesh and Chair of the LDCs

3:45 – 4:00 pm

Presentation of Background Paper by **Mr. Wim Naudé**, Senior Research Fellow and Project Director, UNU World

Institute for Development Economics Research (UNU-WIDER), on “Challenges to Economic Development in Africa and the LDCs and Requirements for Recovery”

4:00 – 4:15 pm

Question and Answer session

**Part II** (4:15 pm – 6:00 pm)

Chair - **Mr. Jean-Marc Coicaud**, Director, UNU-ONY

4:15 pm – 5:10 pm

Presentations by the Panelists:

- **Mr. Alexander Aboagye**, Senior Economic Adviser, Regional Bureau for Africa (UNDP)
- **Mr. Stephen Groff**, Deputy Director, Development Co-operation Directorate, Organisation for Economic Co-operation and Development (OECD)
- **Alhaji Bamanga Tukur**, Chairman of the African Business Roundtable.
- **Mr. Roger Nord**, Senior Advisor, African Department, International Monetary Fund (IMF)

5:10 – 5:50 pm

Discussion

5:50 – 6:00 pm

Conclusion and closing remarks by **Mr. Wim Naude**, UNU-WIDER.

## CONCEPT NOTE

# United Nations Conference on the World Financial and Economic Crisis and its Impact on Development

### Side Event: Recovering from Global Crisis: Towards an Action Plan for Africa and the Least Developed Countries

25 June 2009, 3:00 p.m. – 6:00 p.m.  
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#### Motivation

The financial crisis that originated in the United States' financial sector has now spread to advanced, emerging and developing countries and engendered a global recession – considered by many observers to be the worst since the Great Depression of the 1930s. Although Africa and many of the Least Developed Countries (LDCs) were relatively insulated from financial contagion owing to their relatively limited integration into the global financial system, they are now being affected through second round effects of the crisis. These arise mainly from a fall in demand for their exports, a potential decline in official development aid (ODA), reduced private investment due to tightening of liquidity in global financial markets, as well as a decline in workers' remittances and tourism receipts. Owing to their limited economic diversification and heavy dependence on external finance for their development, Africa and LDCs could be hit hardest by the crisis.

As a result, Africa and LDCs are expected to experience a significant economic growth deceleration in 2009. According to the World Bank latest estimates, expected GDP growth for 2009 in Africa is being continually revised downwards, most recently to 2.4 per cent - half of the growth in 2007. LDCs, which grew by an average 7 per cent in the last four years (2003-2007) saw real GDP growth declining to 6.4 per cent in 2008. Growth is forecast to slow further to 5.3 per cent in 2009. Since the high growth rates in LDCs were accounted for by oil and mineral producing countries, it is possible that LDCs may experience significant deceleration in growth, especially if there is a sharp drop in commodity prices and demand for their export. Declines in tax revenues will also lead to deteriorations in countries' fiscal positions.

The crisis may stall efforts to reduce poverty by a number of years. According to the International Labour Organization's recent projection, worldwide, between 24 and 52 million people may lose their jobs. Although precise estimates for African countries are not yet known, at the start of the crisis around 81 per cent of African men and 64 per cent of African women were engaged in unstable, insecure jobs, with 55 per cent being working poor. Higher unemployment, and by implication higher poverty, seem a foregone conclusion. UNESCO estimates that the incomes of around 390 million Africans, who currently live on less than \$1.25 per day, may decline by as much as 20 per

cent. The impact on human welfare may be staggering: reduced educational attainments as children drop out of school and rising mortality rates as health services are impaired. According to ActionAid estimates, an additional 200,000 to 400,000 infant deaths are expected worldwide, a large proportion likely from Africa where infant mortality was already the highest in the world before the crisis. These impacts may leave lasting scars on African and LDCs development long after the crisis has passed.

Many African countries and LDCs will need external resources and assistance to mitigate these impacts. One estimate put the annual amount of additional financial resources at \$50 billion (ODI) while others, estimating that developing countries as a whole would need an additional \$1 trillion (CGD), suggest even higher figures. Even if such funding can be secured, the speed with which these resources could be provided may present challenges. In this regard, it should be kept in mind that in Africa and the LDCs in general many states can be described as 'fragile states.' Some have been mired in armed conflict for decades or have only recently emerged from such conflict. Also, whereas developed and emerging economies have introduced wide ranging policy measures, including fiscal stimuli and financial bailouts, supported by monetary policy, to mitigate the effects of the crisis on their economies, Africa and LDCs lack the fiscal space to pursue such countercyclical measures. Therefore, the global financial and economic crisis heightens the vulnerability of these fragile states of the world community, further accentuating their marginalization from the world economy.

In sum, despite significant development challenges, Africa and the LDCs had achieved good socio-economic progress before the crisis occurred. Many have on average been growing at historically high growth rates over the past seven years. The crisis threatens to reverse gains made, undermine efforts towards meeting the MDGs as well as targets of the Programme of Action for the Least Developed Countries for Decade 2001-2010, complicate potential integration of African and LDCs into the world economy, and delay efforts to end conflict and promote post-conflict reconstruction. It is clear that the financial crisis will pose a significant challenge to African and global leadership.

## **Objectives**

It is against this backdrop that the Office of the Special Adviser on Africa (OSAA), the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (OHRLLS), and the United Nations University (UNU) are co-organizing a side event during the UN Conference on the World Financial and Economic Crisis and its Impact on Development on 2 June 2009 at the United Nations Headquarters.

The side event is entitled **Recovering from Global Crisis: Towards an Action Plan for Africa and the Least Developed Countries** and aims to focus the attention of the international community on the policy responses and measures needed to accelerate Africa and LDCs recovery from the crisis. This is underpinned by a belief that the crisis will not diminish or eliminate the growing hope and progress that many countries have been experiencing, and that recovery can be achieved earlier rather than later, if the appropriate and coordinated responses are now implemented in timely fashion. Given that statistical offices in African countries and LDCs need support and resources now more than ever, this side event will also discuss the assessment and monitoring of the situation and its impact.

The event will consist of two conceptual papers, followed by a panel discussion. The event will allow sufficient time for an interactive discussion.

## **Critical Issues/ Potential Questions for the Panel**

Critical issues for consideration by the panelists will be:

### *Theme 1: Causes and Impact of the financial and economic crisis on Africa and LDCs*

1. What does the global crisis mean for Africa and LDCs?
2. What else has gone wrong? Have other factors beside the financial and economic crises contributed to the current situation?
3. How does the global financial and economic crisis impact Trade, ODA, and FDI / Remittances /Government revenue/ Employment and other economic sectors and MDGs?

### *Theme 2: Policy responses at the national and regional level*

1. How can African and LDCs governments as well as the private sector and civil society mitigate the effects of the crisis on their economies?
2. How could regional and subregional institutions mitigate the effects of the crisis?
3. How to mitigate the effects on the most vulnerable, especially in light of food insecurity problems?
4. How can financial sectors and capital markets be strengthened?

5. Is there scope for countercyclical policy in Africa and the LDCs?

*Theme 3: Global response to support Africa and LDCs recovery from the crisis and laying the foundation for sustained growth and poverty reduction*

1. Supporting Africa and LDCs recovery through ODA, trade, FDI, debt relief etc.
2. How to stimulate private investment and entrepreneurship in Africa and the LDCs in times of crisis?
3. What would be the role of the private sector?
4. Is the G20 response enough?
5. What is the role for the UN?
6. What are the priorities for long-term structural reforms in international finance and trade which would assist Africa and LDCs and reduce their vulnerability?
7. How can the emerging donors support Africa and LDCs in their recovery?
8. Humanitarian crisis and response. What is needed from governments, donors and NGOs?