



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**

3:00pm to 6:00pm, 25 June 2009
ECOSOC Chamber, UNHQ, New York

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?