Professor Karl Wohlmuth,  
University of Bremen

**Statement in the Final Session of the Conference,**  
**January 29, 2010**

The title of the International Conference is

**The Impact of the Global Financial Crisis on Economic Reform Processes in Africa**

The four organizers of the conference (Dr. Joy Alemazung, Professor H. H. Bass, Dr. T. Knedlik, and Dr. O. O. Uzor) have indeed presented a great programme covering important issues. The overall theme and the programme elements for this important conference presented a great task to all of us, and it was necessary to go in the various sessions of the conference beyond the simple explanations, the many fallacies, and the superficial assessments in the context of the Global Financial Crisis (GFC) and its effects and outcomes for Africa.

The future of reform processes is at stake in Africa, and therefore it was very important to emphasize in the conference strongly the impact of the GFC on the economic reform processes in Africa. The numerous participants of the International Conference have proceeded in such a way as to emphasize strongly sustainable policies and long-term developments, but also other important aspects of the crisis were considered during the sessions.

**At least five important aspects of the GFC in its impact on Africa have to be considered.**

**First,** it is necessary to identify the origins and the causes of the GFC, meaning that more is needed than referring to the subprime mortgage market crisis in the USA. The growing global economic imbalances and the increasing global inequities come in, especially in the most recent phase of globalization. While the First World Economic Crisis of 1929 came at the end of the first wave of globalization (which started in 1870), the Second World Economic Crisis of 2008/2009 came at the end of the third wave of globalization (which has started around 1980). Growing global economic imbalances and increasing global inequalities have largely distorted the relation between income and debt capacity of the households and as well the relation between the value of global assets and the volume of global credit flows. The internal contradictions of the ongoing globalization processes were aggravated, and there is the danger of a “retreat” from globalization with new protectionist tendencies and a return to bad economic and trade policies. As Africa is affected strongly by globalization forces, the African countries have the right and the responsibility to demand from the international community and its supranational organizations swift corrective actions and coherent policies that prevent further harm done to Africa. It is a fallacy to assume that we have only a GFC; the huge global economic imbalances that have been accumulated between the USA and China/Asia and the severe global inequities in the OECD world that have built up in the last two decades are the “crisis behind the crisis”.

Participants of the conference have argued towards an inclusive approach; such an approach requires coherent action in the OECD countries - where the epicenter of the GFC was - and immediate and concerted action to compensate Africa for the losses.
Second, it is indeed necessary to study carefully the transmission channels via trade and financial flows, and nowadays it is also necessary to analyze the transmission channels via stock markets, as Africa is more and more affected by the global and regional stock markets. Africa is not only affected by the traditional channels such as trade, finance, direct investment, remittances, and aid flows, as around 20 countries in Africa have now stock markets, so that the contagion effects are increasing. In some papers to the conference these issues were raised, especially the opportunities and problems resulting from the (positive and negative) contagion effects of stock markets in Africa.

Third, it is necessary to identify the effects of the GFC on goods and factor markets, especially the repercussions on output, demand, and employment and on the financial markets and financial systems. However, also the effects of the GFC on economic sectors, like agriculture, manufacturing, and the informal economic activities have to be considered, as well as the effects on the disadvantaged social groups and the poor. The vulnerability of African economies has even increased because of the globalization processes, but the economic reforms (and in some countries the governance reforms) pursued over the last decade have also increased the resilience against unfavourable internal changes and external shocks; this is a good and a new development for Africa. Participants have in their contributions shown how vulnerability and exposure can be controlled by economic reform activity. It was therefore strongly emphasized in the discussions during the conference that without comprehensive economic reforms undertaken during the last decade these African countries would have suffered much more. A continuation of the economic reform processes is therefore very important for the future welfare of the people in Africa.

Fourth, it is necessary to follow up the policy reactions of governments and of regional African organizations to the GFC in Africa, and this means much more than looking at the stabilization of banks done by regulatory and financial measures and the stabilization of the macro-economy done by countercyclical fiscal policies and comprehensive stimulus packages. It means also protecting core development concerns like education and health, but also of the infrastructure needed for government administration, for agriculture, manufacturing, and for the export sectors; these core development expenditures have to be stabilized and even increased after the GFC. Much more is needed, especially protecting vulnerable groups by social safety nets, may it be by reinventing the public works programmes or by using other direct tools, instruments and measures like conditional cash transfers (CCTs). However, it is necessary to relate these expenditures to the long-run development perspectives, the future reform policies, and the visions for an economically integrated Africa region. The participants have in their papers given a lot of examples how policies can be evaluated at country level and at sub-regional level and how they can be made more resilient after crisis, so that economic reform processes get even stronger.

Fifth, it is necessary to design long-term strategies and visions for the time after the GFC, so that the African countries do not come out worse from the crisis than they were before. The way forward can only be deeper economic and political integration towards an effective African Union and towards a growing African Economic Community. The available evidence for the East African Community (EAC) shows that economic reforms in the context of an intensified regional integration between Kenya, Tanzania and Uganda have helped these countries to escape largely the GFC, and a deeper regional integration in other regional economic communities can help in future global crises too.
The participants to the conference have in their papers and also in the ongoing discussions emphasized very much the prospect of regional integration as a chance for African countries to consolidate and even to deepen economic reforms and to become more resilient at country level and at regional level.

**While all these five issues were in the background of the conference and of the contributions and debates, the issues four and five were given a prominent consideration.** Dangers, opportunities, prospects and perspectives were clearly articulated. It is indeed very necessary to avoid - what Professor Hartmut Elsenhans has mentioned in the keynote lecture - that Africa comes out of the crisis with an even higher degree of primary product specialization than before; it is therefore urgent to think about alternative patterns of African development, how they would look like, and how they could be reached by political action and by struggles of social groups and the civil society. It is also necessary - what Professor John Weeks has referred to - that African countries have to continue their macro-economic reforms; however they had and still have to use deliberately and offensively corrective fiscal policy measures but they are also advised not to overstretch the tool of countercyclical fiscal policies, as there are defined limits to fiscal policies, to monetary policies, and to exchange rate policies; and at any rate unsustainable twin deficits (budget and current account deficits) and unbearable debt levels have to be avoided. And it is very necessary - as Dr. L. J. van Rensburg and Professor Philippe Burger have shown - to look at the mechanisms how bubbles are generated in Africa on the basis of collateral value – credit expansion spirals, thereby destroying the basis of banking and financial systems; it became quite clear that Africa is not only victim of the crisis, but also an actor what refers especially to the role of the large banks in the SANE countries (South Africa, Algeria, Nigeria, Egypt).

**There are indeed optimistic signs for Africa.** Kasekende and other experts from the African Development Bank have shown that various countries in Africa have responded with well-designed countercyclical fiscal policies and with appropriate development interventions to the GFC, but that the proposed reforms at the G20 level and the actions taken so far by these countries are not really supporting this trend for Africa (Kasekende/Brixova/Ndikumana 2010). In overall terms, Africa has a relatively good record in reacting to the GFC, especially judged so when compared to Europe as the European Union and the Eurozone could have done much more in terms of countercyclical action (Ocampo 2010). There is also hope that Africa can avoid in the future a recurrence of “anti-growth syndromes” by continuing with their reforms. We learn from our colleagues at WIDER/UNU, Augustin Fosu from Ghana and Wim Naude from South Africa, that it is now possible to identify more clearly and more quickly “anti-growth policy syndromes” like crippling state controls, a suboptimal inter-temporal allocation of public expenditures hitting education and health sectors, and a biased redistribution of incomes and assets towards cronies, vested interest groups, selected ethnic groups, and privileged regions (Fosu/Naude 2009). They therefore propagate a “syndrome-free recovery” of Africa after the GFC so that Africa is prevented from staying as in the past only with short growth episodes, and so that Africa can move to a long-term sustainable growth path (which is highly needed for the realization of the MDGs). All these voices from African experts show that it is indeed possible to continue economic and political reform processes in Africa. The Freetown Declaration of the African Finance Ministers Meeting in August 2009, presented by Professor John Weeks, gives evidence of a new consciousness and willingness of the African institutions/sub-regional groupings/countries to adapt the economic policies to the needs of the African region.
I think that Augustin Fosu and Wim Naude are quite right in propagating three distinct types of reform policies to combat the effects of the GFC, ranging from actions for the short term to actions for the medium-term and then to actions for the long-term – first, mitigating strategies like restoring financial confidence and expanding trade and finance; second, coping strategies like expanding domestic demand, absorbing financial losses by foreign exchange reserves, and expanding self-employment; and third, longer term risk reduction strategies that will lead to export and production diversification, banking system strengthening, strengthening of social cohesion, providing for good governance, and involving Africa much more actively into the reform of the international financial and aid structures. They also see the coming up of a new paradigm for developing countries after the crisis – to rely more on their own forces and capacities by exchanging their experiences with tools and policies on the basis of the APRM (African Peer Review Mechanism) which was installed by NEPAD.

Various contributors to the International Conference have emphasized this medium to long-term view, like Dr. O. O. Uzor in his paper on the necessity to prevent a negative policy reversal that would eliminate the progress in industrial policy formation in Nigeria and all over Africa. In another paper on Cameroon- taken as a country case of needed social, economic and political reforms - Dr. J. Alemazung and Chr. Wonkom have emphasized the necessity to consolidate the economic and social policy reform processes in the country, but also to reform the legal frameworks and the governance systems, and then to introduce concrete steps towards better governance and democratic development in Cameroon. Dr. S. Bilal has emphasized the need for new strategies to improve the African-European trade relations after the crisis so that the African development objectives can be better met. Dr. S. Guobadia spoke about building the much needed infrastructure for macro-economic stability in Africa, so that - taken as an example - ECOWAS can better realize and sustain the sub-regional convergence criteria after the GFC for the benefit of an intensified regional integration (this being of importance also for other Regional Economic Communities in Africa). Dr. K. W. Menck has then argued in his paper that the G20 proposals have to be adapted to the context of Africa as the continent is more and more integrated into global financial markets; and the relevance and applicability of all these G20 proposals has to be ascertained for Africa.

Also further papers have brought up medium to long-term issues so as to allow African countries to continue their economic reform policies and their ongoing development processes after the GFC. Dr. O. O. Akinrinola spoke about the strategies how to link the informal economy better with the formal and the informal finance systems after the GFC so that the informal sector can increase employment and earnings so as to provide for better livelihood conditions. And Dr. A. J. van Niekerk brought in the various dimensions of strengthening sub-regional and regional integration in Africa as important elements to realize the MDGs after the GFC. Also Dr. R. A. Alabi discussed the new strategies that are needed in order to reach the MDGs in Nigeria after the GFC; it is in his view possible to improve the allocation of funds and to strengthen the commitment towards its objectives so that the MDGs can be reached.

So I think that altogether we have achieved a lot in this conference – a classification of themes, a prioritization of issues, and a mapping of policy concerns for the time after the GFC so as to be able to continue the economic reform processes in Africa. A publication of the papers in a new volume of the African Development Perspectives Yearbook (number 15 for the year 2010) is a good opportunity to make known the findings and the results of the International Conference to a wider international community. Some further papers are still expected because some experts could not participate because of prior commitments. These are papers on the GFC and the health sector developments in Africa; on contagion effects by the
way of stock markets developments after the GFC in Africa; on natural resource sectors in Africa as affected by the GFC with the specific case of Botswana as a background for the discussion; and a paper on the important issues of the perceived needs for a new economic paradigm for Africa after the GFC.

References:

