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**REPORT OF THE CONFERENCE OF AFRICAN MINISTERS OF
FINANCE AND PLANNING AND GOVERNORS OF CENTRAL
BANKS ON THE IMPACT OF THE INTERNATIONAL
FINANCIAL CRISIS**

Tunis, 12 November 2008

**COVER NOTE ON THE REPORT OF THE CONFERENCE OF AFRICAN MINISTERS
OF FINANCE AND PLANNING AND GOVERNORS OF CENTRAL BANKS
ON THE IMPACT OF THE INTERNATIONAL FINANCIAL CRISIS
(Tunis, 12 November 2008)**

1. Faced with the major global financial crisis, of an incomparable magnitude in nearly a century, which has been developing since July 2008, starting in the United States with the mortgage crisis in 2007, the African Development Bank (AfDB), the Economic Commission for Africa (ECA) and the African Union Commission jointly organised a Meeting of African Ministers of Finance and Planning and Governors of Central Banks, to discuss the impact of this situation on economies of Africa and review ongoing discussions on the reform of the international financial architecture.
2. During the Conference, the Ministers mainly concluded that the crisis will affect African countries basically through its effects on the external demand of developed economies and on financial flows (official assistance and direct investments) received from the latter. The direct consequences of this crisis are limited and have been observed mostly in African countries with a developed finance sector. They also noted that speeding up regional integration, especially in the area of trade and infrastructure, should ease the pressure of external shocks on African economies.
3. In the Communiqué published at the end of the Conference, the Ministers regretted that Africa had been marginalized in discussions on prospects for the global economy and finance, notably at the G20 Summit of 15 November 2008, and emphasized that a global crisis would demand a global response. Thus, they called for the application of a “new multilateralism’ ... that fully reflects current global realities and ensures the proper representation of all countries”.
4. Lastly, the Ministers undertook to constitute a Small Committee of Ministers and Governors to prepare proposals on all aspects related to voice and representation of Africa in discussions on the reform of the international financial system. The Committee will be assisted by a Secretariat comprising the AfDB, the ECA and the AUC.

**REPORT ON THE CONFERENCE OF AFRICAN MINISTERS OF FINANCE
AND PLANNING AND GOVERNORS OF CENTRAL BANKS ON
THE CURRENT FINANCIAL CRISIS AND ITS IMPACT
ON AFRICAN ECONOMIES
(12 November 2008, Tunis, Tunisia)**

1. Introduction

The Conference of African Ministers of Finance and Planning and Governors of African Central Banks on the current global financial crisis and its impact on African economies took place in Tunis on 12 November 2008. It was convened on the initiative of the African Development Bank (AfDB) and organized in conjunction with the African Union Commission and the Economic Commission for Africa. The delegation of the Commission, which was led by its Chairperson, Dr Jean Ping, included the Commissioner for Economic Affairs, Dr Maxwell Mkwezalamba, Mrs Habiba Merj-Scheik, Head of the Information and Communication Division, Mr. Abdallah Msa, Head of the Economic Policy and Research Division, Mr. Djimadoum Mandekor, Senior Economist, and Fliss Liwaaddine, Economist.

Most African countries and central banks were represented. The meeting was also attended by officials of Regional Economic Communities, sub-regional and regional development banks, as well as representatives of the World Bank, the International Monetary Fund and the French Secretary of State in charge of Cooperation and the Francophonie, as representative of the European Union presidency. The opening ceremony was presided over by the Prime Minister of Tunisia, Mr. Mohammed Ghannouchi.

In his keynote address, the President of the African Development Bank Group, Donald Kaberuka, observed that the current financial crisis threatened Africa's main sources of growth for the past five years, such as exports, foreign direct investments (FDI), Official Development Assistance (ODA) and remittances from migrants. He also invited the Conference to send a strong message to the international community about the need to maintain the growth of the global economy. The President of the AfDB also said that efforts to stabilize international finance should be made in the interest of all countries.

Taking the floor after him, Mr. Abdoulie Janneh, Executive Secretary of the Economic Commission for Africa, said that according to the World Bank, if the current financial crisis were to cause a global economic recession, it could increase the number of poor people in the world by 100 million. He therefore urged African Ministers to back South Africa so that it would speak on behalf of the entire continent at the G20 Summit planned for 15 November 2008 and call for the institution of an international monetary and financial system that promotes good financial governance for all.

In his address, the Chairperson of the African Union Commission affirmed that the extraordinary meeting of African Ministers and Governors was truly a court martial, given the gravity of the stakes. The Chairperson of the Commission said that over and above South Africa's membership of the G20, owing to its status of an emerging economy, its Africa, with its 53 countries and a population whose proportion of the total world figure is

ever increasing, deserves a direct presence at forums to discuss and decide on the planet's economic fate. In order to assume a greater role in a world characterized by interdependence and globalization, he recommended that African countries should prepare themselves to be able to react more rapidly to future contingencies.

Lastly, in the face of African-country vulnerability to external shocks, the Tunisian Prime Minister, in his opening speech to the Conference, stressed the necessity for African economies to develop their competitiveness by redeploying to sectors with prospects for sustainable development, such as agriculture, infrastructure and the business environment. Mr. Ghannouchi also underscored the importance of building a solid national finance sector and a suitable regulatory system.

2. Discussions, conclusions and recommendations of the Conference

Jointly chaired by Dr. Donald Kaberuka, Dr. Jean Ping and Mr. Abdoulaye Janneh, discussions between the Ministers and Governors were introduced by two brief presentations. The first dealt with the current financial crisis and options for mitigating its likely impact on African economies and the other with the implications of the crisis for the international financial architecture and how to deal with ongoing initiatives from an African perspective, including the G20 meeting of 15 November 2008.

a. Current financial crisis, impact on Africa and possible responses

On the whole, the cover note underscored the fact that, considering Africa's low level of insertion in the international finance sphere, the immediate effects of the current financial crisis could be controlled. In the short term, FDIs should contract and ODA stagnate. In the medium to long term, the slowdown in the global economy should induce a reduction in export earnings and subsequently in budgetary revenues as well as foreign currency reserves.

To mitigate the immediate negative effects of the crisis, countries with substantial budgetary surpluses and international reserves may use a part thereof to stimulate their economies. In the medium term, appropriate solutions should be elaborated at country level, by the various Regional Economic Communities as well as at continental level, notably by intensifying economic integration.

During discussions on this theme, the following major observations and conclusions were made:

- The current financial crisis will also affect African countries because of its obvious effects on the growth of the developed economies;
- The acceleration of regional integration, particularly in the fields of trade and infrastructure, should help to reduce the pressure of external shocks on the African economies. The decision taken recently by the East African Community (EAC), the Common Market for East and Southern Africa (COMESA) and the Southern African Development Community (SADC) to

merge their organization in the near future was welcome since it is a decision in the right direction.

- The diversification of African economies through improved investment conditions (energy, transport, legal environment, etc.) and the enhanced productivity of companies mitigates the effects of fluctuations caused by the international economic situation;
- The fiscal leeway existing in some countries should be used wisely in order to check the social impact of the crisis, maintain growth and development as we focus on the Millennium Development Goals;
- The monetary and international reserves policy must be adapted to the present context and be flexible enough to avoid recession and macroeconomic imbalances.
- The ongoing review of instruments and the assistance provided by multilateral financing institutions (ADB, IMF etc) in the light of the current crisis, must rapidly lead to appropriate solutions for the African economies.

b) Current financial crisis and new international financial architecture.

The globalization of markets increased the frailty of all the economies to external shocks. Whereas the international financial market is global, the regulation and supervision of financial operations have remained national or regional despite, in particular, the recent crises experienced respectively by Mexico in 1994-1995 and by South East Asia in 1997-1998.

In spite of the changes observed worldwide in the distribution of wealth, trade and international reserves and particularly with the growth of the emerging economies, the international financial institutions continue to be dominated by the industrialized countries and their activity has not fully integrated the monitoring of financial innovations. The voice of Africa is particularly weak in this sphere, even after the marginal adjustments made this year by the World Bank and the International Monetary Fund (IMF). The reforms envisaged and to be discussed at the G20 Summit on 15 November 2008 should therefore take into account the concerns of Africa regarding better representation during discussions on the future of the world and the guarantee of substantial liquid assets at the international level in order to achieve the ultimate objective of economic growth and development.

The following are the main conclusions and recommendations that emerged from the discussions on this issue:

- Africa should obtain a stronger representation in the working parties to be set up after the next G20 meeting if there is no increase in the G20 membership of African Heads of State and Government;

- The new world, economic and political governance should be carried out in an inclusive manner involving the developed economies, the emerging economies and the least developed countries;
- African countries should forcefully request their participation in the deliberations of the Financial Stability Forum, a body set up after the 1997-1998 Asian crisis and which includes G7 countries and international institutions as the World Bank, the Bank for International Settlements (BIS), the International Monetary Fund (IMF), the Organization for Economic Cooperation and Development (OECD), the International Organization of Securities and Exchange Commissions which is composed of stock exchange and financial regulators as well as invited countries or organizations (Australia, the Netherlands, Hong Kong, Singapore, the International Accounting Standards Committee (IASC) and the European Central Bank (ECB);
- Africa must also speak with one voice at the United Nations Conference on Financing and Development scheduled for the end of November 2008 in Doha (Qatar). It must mainly stress the need for the international financial community to respect its commitments in the area of development aid.
- The International Monetary Fund (IMF), in the new financial architecture, should regain a central role with redefined objectives that are inspired by the original spirit of Bretton Woods according to which human development and the fight against poverty seem absolutely necessary. Regional financial institutions of development like the African Development Bank (ADB) should secure a role in this organization.
- It will be important to establish cooperation between African supervision bodies and harmonize banking and financial regulations given the development in Africa of cross-border financial operations.
- It will be absolutely necessary to establish a Committee of Ministers and Governors of Central Banks to draw up Africa's' proposals concerning the reform of the international financial system.

3. Recommendations for the African Union Commission

The Tunis Conference was an exploit in Africa as far as concerns discussions on contemporary economic issues. This meeting of Ministers and Governors of African Central Banks, which was jointly organized by the African Development Bank (AfDB), the Economic Commission for Africa (ECA) and the African Union Commission to reflect on and propose solutions for a crucial problem of our time is a singular initiative that is worth commending and repeating on other occasions.

The decision to establish a Committee of Ministers and Governors of Central Banks to make African proposals on the functioning of the international financial system should materialize quickly. Considering the urgency of the situation, the composition of the said

committee could be proposed by the Commission to the African Development Bank (AfDB) and the Economic Commission for Africa (ECA) and subsequently submitted to the current Chairperson of the African Union before being recommended for a decision by the next African Union Summit.

This Committee could comprise six (6) ministers from countries that are members of the current Bureau of the African Union; five of these would be representatives of the various AU regions, and South Africa should be included because of its experience in G20 activities. The Committee would also comprise five (5) members of the Board of the Association of African Central Banks (AACB) and again include the representative of the Central Bank of South Africa. At the same time, the Commission should also make its proposals on the composition of the joint Secretariat of the three institutions concerned.

The results of the deliberations of this Committee could be examined at the second joint Conference of Ministers of Finance, Economy and Planning organized by the Economic Commission for Africa (ECA) and the African Union Commission. The acceleration of the drive to establish an African Monetary Fund should also be an agenda item of this Conference.

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Annex 1

**COMMUNIQUE OF THE MEETING OF
AFRICAN MINISTERS OF FINANCE AND PLANNING
AND GOVERNORS OF CENTRAL BANKS**

**COMMUNIQUE OF THE MEETING OF
AFRICAN MINISTERS OF FINANCE AND PLANNING
AND GOVERNORS OF CENTRAL BANKS**

1. We, the African Ministers of Finance and Planning and Governors of Central Banks met in Tunis under the Co-Chairmanship of Dr. Donald Kaberuka, President of the African Development Bank Group (AfDB), Dr. Jean Ping, Chairperson of the African Union Commission and Mr. Abdoulie Janneh, Executive Secretary of the Economic Commission for Africa (ECA). The meeting was called to discuss the global financial crisis and to consider options for mitigating its likely impact on African economies. In addition, the meeting discussed the implications of the crisis for the international financial architecture and how to deal with new and ongoing initiatives from an African perspective.

2. We note that this crisis could not have come at a worse time for the African continent; it constitutes a major setback at a time when African economies were turning the corner. It is undermining the significant progress made over the last ten (10) years and, further exacerbates the impact of the recent sharp increase in food prices and volatility in the oil markets. Climate change will also impose additional costs on African economies. Together, these will particularly impact on the millions of poor in Africa; we are facing a human as well as financial crisis. We are therefore gravely concerned that the prospects for reducing poverty and attaining the Millennium Development Goals will be reduced.

3. It is clear that a global crisis demands a global response. We commend actions taken by the G8 Group of countries to restore financial stability and confidence in the markets, to unfreeze credit and money markets, to ensure access to liquidity, and to recapitalize and support important financial institutions and to boost demand. We welcome the new instruments put in place by the International Financial Institutions (IFIs), and the steps taken to provide urgent support to the emerging market countries. We call upon them to be ready to provide appropriate support, in an expeditious and flexible manner, to African countries in case of contagion.

4. We believe that the global slowdown will diminish trade opportunities, access to finance, migrant remittances and Foreign Direct Investment (FDI). Whilst noting that the first round effects have been relatively limited to deterioration in exchange rates and in stock markets, we are deeply concerned at the adverse medium to long-term effects on our economies. We note that this will dampen our growth prospects and call upon the developed countries to take appropriate measures to support continued growth in Africa.

5. We agreed, in light of the continuing financial and commodity market volatility, to deepen economic reforms in the full conviction that such reforms have served African countries well, yielded strong macroeconomic stability, fostered growth and resilience to external shocks. We agree to strengthen the regulation and oversight of our financial institutions and to focus on risk management. We will continue harmonization as

appropriate of prudent fiscal and monetary policies. We also agreed to strengthen reserves management strategies designed to minimize losses at times of financial crises. We will continue our efforts to improve our structures of governance and accountability.

6. We are fully cognizant that African exports are still dominated by commodities and minerals. We note that the demand and prices for them are already being depressed by the wholly unprecedented loss of consumer confidence in the major economies. Consequently, we reaffirm the importance of economic diversification; we will continue to implement policies to that end, as well as take necessary actions for the judicious use of export and fiscal revenues and with recognition of the need for sound management of external debt. We agree to intensify our efforts to promote regional integration.

7. We commit to more effective mobilization of domestic revenues and deepening of African capital markets for a more robust mobilization of local savings and financial integration. We further request the AfDB to intensify its capital markets programmes. In this regard, we look forward to the forthcoming joint African Union Commission/ United Nations Economic Commission for Africa (AUC/ECA) Conference of Ministers of Finance and Planning on this theme.

8. We noted the financing pipeline of the AfDB for the period 2008-2012 and the five operational focus areas of infrastructure, governance, private sector, agriculture and higher education, technology and vocational training. In view of the crisis, we encouraged AfDB in collaboration with other IFIs, to maintain its central focus on this growth agenda while further examining potential to expand financing activities under its various windows to affected countries.

9. We urge for the successful conclusion of the Doha Round in light of the spillover of the financial crisis to trade. This will stimulate the world economy and enhance opportunities for the poor, particularly in Africa. We call on all countries to refrain from protectionist tendencies. In light of the financial crisis, the Round should pay particular attention to sequencing of reforms in financial services. We will take steps to improve the supply capacity of African economies' through enhancing competitiveness, building infrastructure, and promoting greater economic integration within Africa.

10. We recognize the progress made in providing debt relief to Africa, and the credible efforts made to respect the commitments made in successive G8 and EU Summits, and in the Millennium Summit, to increase aid to Africa. We urge that in spite of the financial crisis and the challenges that it engenders, the commitments be kept and equal attention be given to improving the quality of aid consistent with the principles agreed in the Paris Declaration and the Accra Call to Action and we pledge to play our part in this area. We call upon the forthcoming Financing for Development Conference in Doha from 29 November to 2 December 2008 to endorse these issues and reconfirm the sustained commitment of the international community to development.

11. We welcome the forthcoming G20 meeting in Washington to consider issues of the international financial architecture and governance. We look forward to a time bound process and plan of action that is inclusive. We ask South Africa to convey our views. However, that cannot be a substitute for enhanced African participation in order to ensure its voice is heard and its interests are taken into account. Only in this way can the process be transparent and solutions proposed be truly global. This crisis has demonstrated how interlinked we all are; developed countries, emerging economies, low income countries. A new global accord must be inclusive and reflect the interests of all in negotiations and decision-making. We call for a “new multilateralism” that fully reflects current realities and ensures the proper representation of all countries.

12. We welcome the assurance given by the European Union through the current Presidency (France) that it will maintain its commitments to increase aid. We commend the President of the World Bank for his commitment to increase support to Africa.

13. We welcome the improved collaboration between the continental and regional institutions in Africa - the African Development Bank, the AU Commission and the United Nations Economic Commission for Africa (ECA) - and welcome the initiative of this meeting. We thank the President of the AfDB for the initiative and for hosting us in Tunis. We commit to another extraordinary session in case of radical changed circumstances in the global situation.

14. We call on the AfDB, AUC and the United Nations Economic Commission for Africa (ECA) to continue to emphasize the growth agenda, strengthen their respective work on infrastructure, regional integration, and the private sector. We call on the AfDB to further deepen its analysis of the impact of the crisis, develop a program of action including instruments and facilities to assist African countries in collaboration with other IFIs.

15. We underscore that the Bretton Wood Institutions must be comprehensively reformed so that they can more adequately reflect changing economic realities in the global economy and be more responsive to future challenges. Emerging and developing economies should have greater voice and representation in these institutions. We welcome the progress made this year in reforming the IMF. We also note the first step in the ongoing process of reform of the World Bank Group, which is to be followed by a wider share realignment. We emphasise our commitment to further reforms of the Bretton Woods Institutions in order to increase their legitimacy and effectiveness. Such reforms should also take into account the interest of the poorest countries and reflect their distinct mandates. We call for reforms that promote sound regulation, transparency and accountability to be implemented without delay in order ensure a sound financial system that promotes global growth.

16. We hereby agree to constitute a Committee of Ministers and Governors to prepare proposals for our consideration on all aspects related to voice and representation of Africa within the International Financial Architecture and request AfDB,

AU and the United Nations Economic Commission for Africa (ECA) to provide the necessary technical support to the committee.

17. We will bring this communiqué to the attention of our Heads of State at their next Summit, and to the attention of the development partners.

2009

Report of the conference of African ministers of finance and planning and governors of central banks on the impact of the international financial crisis Tunis, 12 November 2008

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