

# GLOBAL ECONOMIC CRISIS: THE NEED FOR AFRICAN GOVERNMENT INTERVENTIONS FOR RAPID ECONOMIC RECOVERY AND STABILITY

By

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## Abstract

*Prior to the global crisis, banks in the sub-Saharan Africa were well capitalized, operating profitably and highly liquid. Capital market recorded major gains and countries such as Ghana, Kenya, Nigeria, Uganda, and Zambia managed to attract substantial numbers of foreign investors into the debt and equity markets. The money market experienced high liquidity, which in effect reduced interest rates and appreciation in foreign currency markets. The major causes of the crisis were the low interest rate in the United States (US), which eased credit conditions with poor credit rating coupled with the delay in taking actions by the US government against the imminent crisis. The undisciplined use of credit card by card owners also contributed to the crisis. The crisis initially had little impact on sub-Saharan Africa financial systems but later deepened. As a result, offshore investors began to divest from African government securities and holding equity markets to meet liquidity needs. The spillover effects of the crisis reflected global financial flows, stock market, and economic growth. Since the crisis, Africa has begun to respond quickly by providing the necessary guide to economic policy through available fiscal space that is creating fiscal expansion in order to help smooth the impact of the shock. Other measures included increasing investment programs in supporting domestic demand, easing monetary policy and allowing the exchange rate to adjust to external environment, introducing short term mitigation policies and strengthening risk management in banks in tandem with intensifying surveillance. Overall, they have also realized the need to provide for liquidity support from various central banks and strengthen institutional infrastructure for financial market systems.*

**Key words: Fiscal Space, Sub-prime mortgage, Mortgaged-backed Securities.**

**JEL classifications: G0 G01 G19**

**Sub-Theme: Responses by African Governments to the Crisis and lessons**

## Introduction

Many African economies and indeed most emerging and developing countries have thrived in the two decades to 2007/2008. They have experienced considerable economic developments and changes during the 20<sup>th</sup> century. They have also made remarkable gains in promoting growth and achieving economic stability. These achievements were attributed to strong economic policies, liberalization of current account, favorable external environment, especially rising commodity prices, debt relief and aid from international community as well as the boom in South-East Asia and China. However, the

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recent global economic downturn poses a serious threat to African economies, though sound economic policies hitherto pursued by the region have helped to place the region in a better pedestal to respond to exogenous shocks.

Like the rest of the world, Africa is feeling the impact of the global financial crisis, nevertheless, economies of several African countries are still showing limited growth, which explain why the United States' (US) exports to the region have not fallen as sharply as in other regions. Available reports have shown that African countries may be heavily hit by the global crisis because of the fast declining rate of their revenue from commodity exports and drying up of development assistance from the developed economies, which could impact directly on the region's ability to meet the Millennium Development Goals (MDGs). Therefore, African governments may need to reconsider their policy options and start to adopt new ideas that would change the structure of African economies from the state of overdependence on few exportable commodities to a more diversified economy. Meanwhile, South Africa and countries of North Africa have diversified their production systems, yet the economy of most Africa countries is still characterized by underdevelopment.

The priority for all sub-Saharan African countries, however, must be to contain the adverse impact of the crisis on economic growth and poverty, while striving to sustain the hard-won gains of the recent years including macroeconomic stability and debt sustainability. They are advised not to respond to weakening balance of payments positions by adopting protectionist measures or administrative controls. Therefore, economic policy to be used to tackle the crisis should be guided by certain principles: striving to adjust to new external environment, drawing down the reserves and allow the exchange rate to adjust in the external environment. There will be the need to closely monitor possible financial vulnerabilities and be ready to act promptly. There is no denial of the fact that Africa still needs additional aid resources to cushion the effect of the global crisis, even though, they are also conscious of the growing pressure facing the donor countries at these difficult times. The role of the International Monetary Fund (IMF) since the start of the global crisis is highly recognized as it is doing its part to help

Africa. It has been revising its lending instruments to make them more flexible, and working to double the concessional lending to low-income countries.

Overall, the objective of this paper is to discuss measures required by African governments in cushioning the effects of the global economic crisis on the region's economies. To this end, the paper is organized into five sections. Aside from the introduction, section two reviews causes of the global crisis, while section three briefly discusses the impact of the global economic meltdown on African economies. The global response coupled with those policy actions implemented by African governments is presented in section four of the paper. The summary, conclusion and recommendations are contained in section five.

### **Causes of Global Economic Meltdown**

Prior to the start of the crisis, there was ease in monetary policy designed to avoid recession. The inflow of funds combined with the low US interest rates contributed significantly in easing credit conditions, which in turn triggered both housing and credit bubbles in the US. It was a policy designed to encourage widespread home ownership in the US but turned out to become a sub-prime lending. The foreclosing and declining property values left mortgage banks with huge non-performing assets (toxic assets), which, in turn reduced the net worth of home owners and consequently impaired the spending ability of consumers on goods and services. Sub-prime lending eventually weakened some American banking institutions such that they had to approach the US government for loans to recapitalize in order to avoid bankruptcy.

Due to the cheap borrowing by individuals with poor credit rating, the unprecedented lull in housing business in the US housing market led to the sudden burst of the US housing bubble and high default rates on sub-prime and Adjustable Rate Mortgages (ARMs). As ARMs began to reset higher rates, mortgage payment delinquency rates began to rise rapidly. The inability of home owners to make their mortgage payments, poor judgment by borrowers and lenders, speculation and overbuilding during the boom period further worsened the crisis. Thus, the development created adverse consequences for banks and

financial markets not just in the US alone but also in other economies. Securities backed with sub-prime mortgage widely held by financial firms lost most of their values. This resulted in declines in capital of many banks coupled with tightening credit around the world. There were large scale insolvent threats to investment banks and other institutions. As the net worth of banks and other financial institutions deteriorated because of losses related to sub-prime mortgages, providers of insurance cover find it difficult to settle their counter parties. The development created uncertainty and loss of confidence across the system as investors could not get strong insurance company to pay or cover mortgage defaults.

Another causal factor of the global crisis was the investment of large amount of debts or leverages in Mortgage Backed Securities (MBS) in anticipation of rising house prices. The borrowing at a lower interest rate and investing the proceeds at a higher interest rate was more or less a financial leverage designed to make profit in times of housing boom. Unfortunately, it turned sour when house prices faltered leading to large losses and rapid defaults in mortgages. Thus, investors including financial institutions holding MBS suffered significant losses from mortgage payment defaults and the decline in the value of MBS.

The delay in taking actions by the US government against the imminent crisis was also adduced to the worsening state of the crisis. It was observed that the US government did not act in good time, not until when the large and respected investment banks started to report huge losses. The monetary authority initially believed that they are solely concerned with price and financial stability, and less concerned with avoiding asset price bubbles such as the housing and dot-com bubbles. Various stakeholders including most economists viewed that the current American regulatory framework was loose and outdated, while officials of the Securities and Exchange Commission (SEC) opined that self regulation of investment banks was not properly coordinated. Government, on their own part, felt that they could react after such bubbles burst to minimize collateral damage to the economy rather than trying to prevent or stop the bubble itself.

The undisciplined use of credit cards by card owners was another factor that contributed to the economic crisis. An unsustainable personal debt overhang eventually subverts the ability of consumers to consume as larger percentages of incomes are spent on debt servicing and repayments. Moreover, the credit card holders use the instrument to purchase largely imported goods, which consequently affect the BOPs in particular increasing the amount of dollar liabilities held by non-Americans abroad.

### **Global Impact**

Over time, the world has become a global village where deep interdependence makes everyone feel safe but remain vulnerable to rapid ecological transformation. The resultant decline in house prices had significant impact not only on the global scene but also on different economies of the world. In terms of the global impact, it has significantly reduced household wealth as well as their collateral for home equity loans with attendant pressure on consumption. Other noticeable impact includes:

- The strong effect on the financial market. It has shaken the foundations of the financial architecture, the credit and equity markets and the framework of financial regulations, assets valuations and transfer of risks in most developing countries. It has generally weakened financial institutions owing to write-offs of toxic assets and corporate and consumer credit losses. The far-reaching effect has been the loss of confidence or trust in financial system on a scale that threatens financial stability. The sudden panic in the financial markets spurred investors to divest out of risky mortgage bonds and equities into commodities as store of values;
- The squeeze in the financial market reflected drop in business activity and job losses. The institutions shed jobs in millions every month. According to the International Labor Organization (ILO, 2009), a total of about 20 million jobs are likely to be shed in the light of the crisis. In Europe, for instance, countries are facing high unemployment rate especially in the global automobile industry;
- There were shrinking global financial flows, foreign investments, portfolio-investments, Overseas Development Assistance (ODA) and remittances resulting from loss of confidence in the market. The private capital flows, which in 2007

surged to \$53 billion for the first time exceeding foreign aid to the continent are fast declining by 40 per cent with that of Nigeria falling by over 60 per cent. Donor countries increased aid to Africa in 2008 but is about \$20 billion short of commitment since the global crisis. This is as a result of the mounting fiscal pressures to stimulate the donors' own economies. Remittances, which had peaked at about \$20 billion a year in 2008, are expected to decline by 4.4 per cent in 2009;

- Similar to the stock market crash in China, Europe and USA, Nigeria has also recorded continuous drop in All-Share Index. The stock markets recorded unprecedented losses at end-December, 2008. The market capitalization, which was N13.0 trillion at the Nigerian Stock Exchange (NSE) in September 2008, fell to N9.1 trillion in September, 2009. The main stock market in South Africa has declined considerably: weakness in financials has been compounded by weakness in manufacturing and mining equities. Credit default swap spread have widened, signaling an elevated perception of risk among investors. Net portfolio inflows have turned negative, with some limited foreign direct investment inflows, nonresident deposits, and bank foreign asset repatriation financing the large current account deficit;
- The global credit crunch and re-pricing of risks combined to push up interest rates on lines of credit for Nigerian banks. The seemingly implication of this scenario is that it has made it difficult for the country to open new lines of credit rather pushed creditors to call up the lines of foreign credits, hitherto enjoyed by Nigerian banks;
- Nearly all the region experienced a marked reduction in GDP growth. Nigeria, for instance, had its output down in the first quarter of 2009 to 4.85 per cent from 5.75 per cent estimated for 2008. It also had its country's revenue due from oil falling, so also a massive depreciation of exchange rate of the Naira in Nigeria and the rand in South Africa. Exporters of other commodities, such as Zambia and South Africa, are also experiencing a substantial drop in export revenues;
- Since most countries are not immune to the effects of the global crisis, the magnitude of the impact varies considerably. The most severely affected group is

the oil exporters and countries with more financially developed markets including South Africa. Available statistics showed that Ghana has not been hardly hit by the global crisis though, the flow of remittances, a significant source of foreign exchange resources has slowed down, while prices of Ghana's major exports commodities (gold and cocoa) have remained reasonably firm. Oil prices have retreated for sometime in the international market; and

- The contagion effect was not much on Ugandan's financial system. The reason for this is because the financial system is dominated by commercial banks and these banks had very little exposure to either the type of toxic assets, which caused failed financial institutions in the advanced economies. More so, banks in Uganda do not rely on short term foreign borrowing to mobilize funds, and they ensure high degree of surveillance on the financial condition of these commercial banks. However, the global recession affected its exports, tourism earnings, remittances and private capital flows. Consequently, it sparks off volatility in the foreign exchange market, thereby weakening the Ugandan shillings against the dollar further.
- Overall, financial institutions in SSA countries have been resilient. Banking systems, which account for the bulk of the financial system, have so far reported no incidences of insolvencies associated with contagion effects, nor of government-led bank recapitalizations, which would be directly due to the ongoing turmoil. Generally, the banks have low leverage and moderate loan-deposit ratios. The spillover of the financial crisis to the real sector has increased the risk of an adverse feedback looming between the real economy and the financial sector. With adequate surveillance of banks and other financial institutions, and proper linkage between the preferred sectors of the economy, growth will be resumed and the global crisis will eventually surmount.

From all indications, a sharper growth slowdown in most big countries especially South Africa and Nigeria could seriously affect other African countries. This is because of the close trade and financial linkages of these countries with other neighboring countries.

### **Global Stimulus Intervention**

The growing meltdown in the global economy has brought about increased awareness to various agencies and regulators in the world. As a result, world political leaders, national ministers and central banks have taken comprehensive steps to handle the crisis. While countries took legislative and regulatory actions, central banks in most countries complemented the gesture with monetary actions. Various authorities have now adopted sound lending practices, bankruptcy protection, stringent tax policies, affordable housing credit, and improved licensing qualification of lenders. An early warning system has been designed to help detect a confluence of events leading to systemic risk. For instance, in November 2008, the G20 countries pledged to take measures to support their economies, coordinate and refuse any resort to protectionism (Reinhart & Rogoff, 2008). They also reiterate the need to foster a balance growth in member countries during their deliberations in London/US in April and early part of September, 2009. These actions were brought to bear because many countries are in recession and desperate to put an end to the lingering crisis.

- In addition, the then US President George Bush and Secretary of the Treasury announced a proposal for the Federal Government to buy up to \$700 billion of illiquid mortgaged backed securities from financial firms with the intent to increase the liquidity of the secondary mortgage markets and reduce potential losses encountered by financial institutions owning the securities. This was expected to improve confidence in the mortgage backed securities market and the financial firms participating in it;
- The erstwhile President also signed into law the Economic Stimulus Act of 2008, which allows the government to implement the economic stimulus package of \$168 billion. The package took the form of income tax rebate directly to taxpayers. As of December 2008, the Fed used its independent authority to spend \$1.2 trillion on purchasing various financial assets and making emergency loans to address financial crisis above and beyond the \$700 billion authorized by Congress from the federal budget. This includes emergency loans to banks, credit card companies, general businesses and the bail outs of American International Group (AIG), (Reinhart & Rogoff, 2008) etc;



- Central banks around the world took decisions to cut interest rate, particularly Asia and Pacific region, including China. China, for instance, reduced its overnight repo rate at which commercial bank borrows overnight funds from the central bank by 2.0 percentage points to 10.25 per cent and implemented economic stimulus packages. In addition, the central government of the People's Republic of China announced an injection of RMB¥ 4trillion (\$586 billion) to its economy and offered Term Auction Facility (TAF) to provide short term loans/liquidity to banks. All in a bid to stimulating economic growth and inspiring confidence in the financial markets (Bernanke 2008);
- The incumbent US President, Barack Obama in January 2009 announced a stimulus plan to revive the US economy. The cost of proposed recovery plan was estimated at \$825 billion (5.8 per cent of GDP), designed to control further contraction in the US economy. By February 2009, the President, in addition, announced a \$73 billion program to help nine million homeowners in avoiding foreclosure, which was later supplemented by additional \$200 billion for easy re-financing mortgages. Overall, the Federal Reserve Bank expanded its collateral for lending to include commercial paper in order to help address continued liquidity concerns (Bernanke 2009);
- The Federal Reserve, Treasury, and Security and Exchange Commission (SEC) in the US took several steps to intervene in the crisis. The Treasury announced a new \$50 billion program to insure investments similar to the Federal Deposit Insurance Corporation (FDIC) program, while the SEC announced the termination of short selling of 799 financial stocks as well as naked short selling as part of its reaction to mortgage crisis (Blunder, 2008);
- In addition, the US President introduced a series of regulatory proposals to address consumer protection, executive pay and expanded regulation of the shadow banking system and derivatives. Authority of the Federal Reserves Bank was also enhanced to safely wind-down systemically important institutions, among others;
- In pursuance of its macroeconomic objectives through monetary policy, the Fed lowered its fund rate from 5.25 per cent to 2.0 per cent and its discount rate from

- 5.75 per cent to 2.25 per cent as of April 2008. They also offered short-term loans to member banks in order to remain liquid, and was collateralized by government securities;
- A fiscal stimulus in form of capital injection into banks and companies was offered by governments of the US, UK, European Union (EU), Japan and Indonesia. For instance, a rescue plan was announced for the Swiss banks UBS and Credit Suisse following substantial withdrawals by domestic depositors and large losses suffered by the banks. This was one of the ways to recapitalize the institutions etc;
  - The various governments reviewed the deposit insurance policy to accommodate possible risk. They also provided guarantee for short and medium term debts issued by banks and revive ailing banking system through recapitalization and strengthening of supervision; and
  - As a matter of curiosity about the possibility of fraud by mortgage financing companies, the US Federal Bureau of Investigation (FBI) assigns agents to monitor mortgage-related crimes and institute probe into countrywide crisis. This is with the aim of detecting fraudulent lending practices and securities fraud.

In spite of all these efforts, the crisis persisted, thereby changing the pace of economies of many countries including Africa. Consequently, a number of emerging economies have begun to seek for aid from the International Monetary Fund (IMF) to further cushion the devastating effects of the global economic meltdown.

### **Responses by African Government to the Crisis**

Sub-Saharan African countries have realized the need to promptly respond to the effects of the global economic crisis. This is to be carried out in a way that will not compromise economic gains over the past decade. The various interventions that were witnessed in developed countries are clear indications for African governments to critically re-examine their roles. What then should be the new role of African in boosting recovery and stability in the region, especially in the era of global recession? This is a pertinent question that needed to be addressed by Africa in a careful manner. Therefore, every

effort directed at cushioning the effects of the current global crisis will require African government to re-appraise their existing structural and institutional reforms. It is only through this approach that the government will be able to set a concrete agenda for economic recovery and stability.

One of the issues that requires urgent attention is the understanding of the key lesson to be learnt from the crisis by African. This is the issue of regional integration which needed to be pursued with utmost vigor. Integration process is increasingly becoming a crucial element to the survival and long term development strategy of African region. It is only a collective and concerted effort that can help Africa overcome the multiple obstacles preventing the realization of truly people-centered, democratic and sustainable development. So far, the region has wasted a lot a time in pursuing the goal of achieving unity and common force. However, the global crisis is already an eye-opener to African leaders and citizens that the only way for Africa to survive this storm is to move towards a genuine integration of states and peoples.

African cannot continue to rely on external source to financing its development when one considers the external debt crisis, the declining trend of Overseas Development Assistance (ODA) and the low level of remittances and Foreign Direct Investments (FDI). Available estimate showed that African countries are losing close to US\$160 billion each year, as a result of tax avoidance, tax reduction and tax exemptions by foreign companies. This has been due to the lack of enforcement of agreements with foreign companies investing in various sectors, especially in the oil and mining industries. According to the African Development Bank (AfDB), the continent still needs to boost domestic resource mobilization through financial and fiscal instruments to support growth and development. Concerted efforts are being dissipated at raising resources internally and shouldering a greater part of the resources needed to finance regional development.

African policies have been focused to minimize the contagion effects of the crisis. Some preventive measures complemented by crisis management frameworks are in place. The

preventive measures include actions billed to intensify surveillance in order to facilitate early detection of risks and improve monitoring, ensure that adequate liquidity is available in the financial system, instill public confidence in the functioning of markets and institutions. Crisis management and resolution measures are designed to strengthen the financial system, establish effective bank resolution, and create procedures for coordination with other supervisory and monetary authorities.

Easing both fiscal and monetary policy has formed part of the measures put in place by many African governments in addressing the recession. Some have increased their fiscal deficits in order to stimulate demand and further improve standard of living by decreasing their projected surplus. Nigeria government, for instance, proposed to borrow N1.6 trillion to finance fiscal deficit for economic growth. In the case of Zambia, a modest fiscal deficit (2.6 percent of GDP) is being maintained, and a medium-term expenditure program had been established before the crisis. Fiscal expansion has become desirable in many countries to cushion the declining growth. The fiscal expansion would need to be timely and well targeted. Policymakers have been strongly advised to come up with different types of tax and expenditure measures that will support fiscal multiplier.

Increased focus is on expenditure, particularly on labor-intensive infrastructure projects that would help to bolster employment and have low import content. Public wage increases are now being avoided because they are not well targeted and are difficult to reverse. Recently, Nigerian government reviewed its budget oil price benchmark downward from \$59 a barrel in 2008 to \$45 a barrel in 2009 due to the global crisis. In a related development, the National Economic Council endorsed the cuts in remunerations of political office holders, and a new salary regime was approved. However, a number of countries have greater scope for fiscal expansion. In the case of Gabon, low domestic debt is being pursued, while hard-countries such as Mozambique and Tanzania with little debt are well placed to maintain expenditure as revenue declines. A few countries like Nigeria and Ghana have scope for discretionary fiscal stimulus to sustain demand.

On the part of African central banks, they have reiterated their commitments to meeting inflation targets, even if it would cause the monetary policy to be loosened. The coordination of monetary, fiscal and exchange rate policy to facilitate adjustment and avoid undermining other policy objectives is also part of the measures taken by the region. It is gladdened to state that sub-Saharan Africa has not faced a systemic financial crisis because their banks have few direct linkages with toxic assets affecting major financial centers. As the slow down continues, monetary authorities have initiated series of measures designed to identify banking system vulnerabilities, monitor and safeguard against financial vulnerabilities such as rising credit risk and possible cross-border contagion, considering that many financial institutions in Africa are foreign owned.

Banking supervisions now insist on high frequency data to assist in regular assessment of bank liquidity and solvency, and conduct credit risk diagnostics and stress testing. Stringent stress tests carried out in Ghana confirm that its banking industry as a whole is quite robust to exogenous macroeconomic shocks given the current level of capital adequacy of banks. Similarly, in Nigeria, the coherent regulatory and supervisory activities going on in the banking sector, aimed at ensuring strict compliance and preventing a rebirth of financial distress in her country. Resident and stand-by team of target examiners have been deployed to banks since January 2009 to ensure timely regulatory actions. The creation of credit bureau for information gathering on credits and dissemination has already been in place to guide the CBN on when to issue circulars to monitor the banks' daily operations.

Consistent with its mandate, the International Monetary Fund (IMF) has responded quickly to requests from member countries and sharply scaled up its financial assistance to SSA. The IMF has committed new concessional lending to SSA of about US\$3.0 billion compared with US\$1.1 billion in 2008 and US\$1.0 billion in 2007.

### **Summary, Recommendation and Conclusion**

The paper noted that the global crisis which started in the US has spread to other countries of the world. It has also had negative effects on the global growth projections of many countries in Africa as reflected by the protracted declines in various economic indicators. The global stock markets declined sharply, while currencies of countries lost their values against the dollar. In the growing efforts at getting the US businesses back on track, the US government has realized the major cause of the crisis was the low level of interest rate, which culminated in to cheap borrowing and unprecedented consumption. The US government might require immediate liquidation of inventories of newly built houses.

Rather than adopting only basic economic stimulus as it were in most developed countries, Africa government chooses to combine both economic stimulus and interventionism in addressing the effects of the global crunch on its domestic economy. Critical among the measures is the bail out scheme designed to strengthen the financial system and at the same time help to grow the real sector of the economy. The national goals of the region are on how to improve the energy security, advance its technological base, expand manufacturing job base and improve net exporter status having learnt great lessons from the global downside.

In pursuit of economic recovery, the region would need to sustain its financial and economic reforms, strengthen institutional frameworks, promote international cooperation and ensure effective policy coordination in a manner that would make the monetary policy forward looking. The financial market must be made to function effectively through a transparent and proactive monetary policy that will provide greater support to spending and promote strong competitive financial environment. The floating exchange rate of central banks must be carefully coordinated with the monetary policy targeting framework so as to avoid a depreciation-induced inflation and speculative attack on regional currency.

The fiscal stimulus of the government must be sustained and given the necessary backing to avoid an overheated domestic economy. More importantly is the fiscal spending of governments, which must be devoted to improving infrastructure and providing safety nets for the vulnerable group. Countries should use their available fiscal space to help cushion the impact of the global crisis. African countries have no option than to adjust to the new external environment but must come up fiscal stimulus through discretionary policy actions that would help to revitalize the domestic economy.

In addition, various African governments will have to reorder their policy priorities and improve their coordination with main players and counterparts. They should continue to reform their financial systems and take into account the emerging lessons from the crisis and give priority to measures capable of mitigating the current and potential impact. There is also the need to coordinate financial sector and macroeconomic imbalances in a manner that macroeconomic policies do not exacerbate financial sector vulnerabilities.

It is important that countries review their monetary and legal frameworks to ensure that the central banks act as lender of last resort and adapt collateralization framework. Strengthening institutional infrastructure for financial systems and markets remain a key issue to the revival of the African economy. As already noted that prior to the crisis, weaknesses in the operating environment of financial institutions and associated infrastructure, for example, payment systems were a source of vulnerability. Though some countries have made significant stride in developing strong financial infrastructure, more still needs to be done to improve the implementation of auditing and accounting standards, credit information systems including credit registries and credit bureaus, payment and settlement systems and, capacity for enforcing creditors' rights and bankruptcies. Coupled with this is the need to beef up the risk management in the financial institutions. It is increasingly important that banks become fully equipped to properly assess household credit risk and at same time strengthen debt collection mechanisms.

In conclusion, one tends to observe that the global economic meltdown cannot be resolved by any experts as different institutions and governments that are involved in putting it right are still groping and searching for the solution. The time has come to begin the search into “New Economic Paradigm” that would be explained by new economic theories. It is high-time for Africa to note that realities have begun to manifest and these realities are expected to guide us in setting out our priorities. The current global upheaval has provided an opportunity to re-launch the African country in a manner to consolidate the foundations of democracy towards engendering peaceful coexistence of Africans and enhancing development of the region as a whole. To foster growth and development, there is need to transform our national mindset, reform the way we do business and changed the structure of our politics in the spirit of good governance and nationhood.

As the global economic moves to recovery, there are grounds for optimism that sub-Saharan Africa’s performance relative to that of the world will be better than in the past. Most member countries in the region are already sustaining domestic demand and oil exporters, in particular, have begun to increase their capacity to expand output. The ongoing trade liberalization and capital account will enable the region to take advantage of the rising world demand. Although the recovery may seem to be slow in some part and faster in some. In general, both monetary and fiscal policies of the region should remain supportive until there are clear indications that the recovery is gaining momentum. Countries need to avoid imposing new restrictions on trade flows as they work to mitigate the impact of the global crisis.



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