



# SEATINI Bulletin

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## PARTICIPANTS AT FfD REVIEW CONFERENCE CALL FOR FUNDAMENTAL REFORM OF GLOBAL FINANCIAL INSTITUTIONS

*Reported by Ambassador Nathan Irumba*

The follow up international conference on Finance for Development to review the implementation of the Monterrey Consensus concluded its work in Doha on 2<sup>nd</sup> December 2008 with adoption of the Declaration in which participants reaffirmed the Monterrey Consensus in its entirety and agreed to consider the convening of a follow up of Finance for Development conference in 2013. They called for an all inclusive UN conference to review the international Financial and Monetary Architecture.

The conference which took place in Doha Qatar from November 29-December 2 2008, was addressed by forty Heads of States and governments.

The review conference took place against the backdrop of the world financial crisis and therefore the impact of the crisis on finance for development commitments was a major concern and a preoccupation of all the delegates in their statements.

The UN Secretary General **Mr. Ban Ki-moon**, in his opening statement, called on the conference to take decisive action to tame the global economic turmoil and reinvigorate the international development financing agenda to reduce its impact on poor countries. He said “the global finance crisis has brought a long era of global growth to an abrupt end and also compounded other major threats namely; climate change, food insecurity and terrible persistence of poverty.”

The address to the crisis must be bold, decisive, and well coordinated and “to promote that coordination, we need to build a bridge between the G-20 and the rest of the world,” he said.

“Such a bridge must stand on three pillars: cooperation, sustainability, and inclusive governance.” There was a need to support “green” technologies, battle climate change and create jobs.

Rescue and assistance packages should not stop at the borders of rich and powerful countries. “Are we to “economize” on official development assistance (ODA), worth some hundred billion dollars, while trillions are mobilized in the rich countries to fight financial problems? Inclusive multilateralism was of key importance since virtually all growth in the next year would come from emerging economies. “Without them, the global economy would sharply contract,” he stated.

Mr **Ban Ki-Moon** said, the Monterrey Consensus was a major achievement that, at the time, had been seen as opening a new era of cooperation bridging the old North-South divide. “The Monterrey vision could yet deliver all that and more. Faithfully implemented, it is a path out of our current predicament,” he emphasized.

President **Nicolas Sarkozy, of France** speaking on behalf of the European Union, argued that the comprehensive and sustainable development of the countries that need most should not be sacrificed to the current economic crisis. The international community had two choices: it could adopt a business-as-usual stance and let its institutions and mechanisms remain as they were; or it could see the economic turbulences as an opportunity to change the way in which global institutions operated to ensure the ability of devel-

oping countries, especially those in Africa, to achieve broader growth and sustainability.

He said a major step in the right direction would be overhauling global institutions so that they were adapted to the new political, economic and financial realities. Noting the presence in Doha of so many African Heads of State and Government, he said that “The continent must have a seat at the international decision-making table and representation in global financial institutions. It was unrealistic that not a single African State held permanent membership on the Security Council. How could the world’s problems be solved if 1 billion people were not represented?” He asked.

Calling for the expansion of the representation and participation of African and other developing nations in the International Monetary Fund (IMF) and similar institutions, he said that while the G-8 format had been useful in the past, it was clear that comprehensive decisions could not be made without the participation of such countries as China, India Brazil and Mexico or any such American country, for that matter. “This is the twenty-first century and we are still working with twentieth century institutions,” he urged the delegations to pull together for reform. “Let us reject paralysis, we cannot continue with business as usual,” he declared.

In his opening remarks, the president of the General Assembly, **Mr. Miguel D’escoto Brockmann**, stressed, that the democratization and reform of the United Nations system included the international financial and trade institutions as part of the architecture of the international economic order. New proposals on innovative sources of finance for development had been put forward, including for climate change and food security. Innovation solutions on debt should also be identified. Developing countries needed support to strengthen domestic resources mobilisation. Negotiations on the Doha Development Round needed to be restarted. “The above measures should not be seen as expression of charity but rather as moral duty of social justice,” he counselled.

**President Jakaya Kikwete of Tanzania and current chairman of the African Union** while addressing the UN Review Conference on Finance for Development in Doha, called for the reform of international financial architecture and international financial institutions as a matter of utmost urgency and for Africa to be given greater voice in the World Bank, International Monetary Fund, WTO and UN Security Council. “*It is unacceptable for this governance deficit to continue in these institutions whose decisions normally directly affect African countries and the lives of African peoples,*” he declared.

Referring to the financial crisis he said that “Something is amiss. How could the world be landed into a crisis of so huge a magnitude without prior warning? It appears there is no global mechanism for overseeing the functioning of the global financial system. This is dangerous. We need to correct this anomaly very urgently.” “The crisis poses a great danger to Africa’s development as it threatens to reverse the hard won socio-economic gains made by African countries over the past few decades,” he stressed.

President **Dr. Bingu Wa Mutharika**, of Malawi, expressed concern that the development dimension of the Doha Round of the WTO is now in limbo, and the flow of foreign direct investment to Africa is not sufficient to promote greater technology transfer. He called for reform of the international financial architecture in order to protect African countries from the financial crisis.

He said “Malawi is concerned that over the past three to four decades there has been a reduction in financing to Agriculture by the World Bank and other multilateral and bilateral development financing institutions. This has led to chronic food shortages, insecurity and soaring world food prices.”

He urged the donors to shift their mindset and significantly increase aid and investment finance to agriculture, food production, irrigation and water development in order to ensure adequate food production at affordable cost. Development finance should also be channelled to climate change, the environment rural infrastructure, food storage facilities and soft loans and credits for poor as well as the commercial farmers.

Calling on the conference to consider agricultural input subsidies as an integral part of the implementation of the Monterrey Consensus, he said that in Africa, much of the food production is in the hands of poor farmers who cannot afford to buy fertilizers, improved seeds, insecticides and herbicides. He warned that “without subsidies to enable peasant farmers to produce beyond subsistence, Africa will be more hard hit by the financial crisis than is generally realized.”

“Let us not forget the commitment of the Millennium Development Goals to eradicate poverty. The solution of the financial crisis should not divert resources away from the poverty reduction programmes,” he advised.

President **Mwai Kibaki**, of Kenya, said “At the midpoint since the consensus, progress on the Monterrey commitments has been on of the mixed blessings. Some regions, particularly in Sub-Saharan Africa, are clearly not on track and expectations under the Monterrey Consensus have not been met.”

While the levels of official development assistance, including new commitments, rose after 2002, they fell beginning 2006. The sustained increase in aid required to meet targets agreed at the Monterrey have not materialized. The commitment to create an international environment conducive to the growth of developing countries has remained elusive following the collapse of the World Trade Organization negotiations here in Doha. Accordingly, progress on the Monterrey Consensus must be cast in less than flattering light. The situation in most developing countries has been worsened by the challenges of climate change, high cost of food and energy as well as the current global financial crisis.”

He emphasized that “For the majority of the developing countries, concessional finance remains an essential input for the realization of the MDGs and other development goals. There was need, therefore, for the developed countries to enhance official development assistance flows, particularly meeting 0.7 per cent target, is therefore an absolute imperative.”

Saying that many developing countries lack the ability to attract private investment flows required to finance projects, fundamental to sustainable development, he urged the United Nations system, to put together a plan of action that would enhance the ability of developing economies to attract private and multilateral investments.

“The world needs to develop a consensus on a strategy for comprehensive reform of the international and monetary system in order to facilitate rapid, balanced and sustained economic growth across the world. In particular, action is needed to increase the voice and participation of developing countries in the international financial institutions,” he stated.

“In an integrated and globalized world economy, developing countries are increasingly vulnerable to actions and policies originating in the developed countries over which they have no control. There is clearly need for stronger regulatory mechanisms and greater transparency in the management of such new products and instruments in view of the recent impact they have on global financial markets,” he continued.

The President of the European Commission, **Mr. Jose Manuel Barroso**, said that “we are facing global and multi-dimensional crisis and that is increasingly clear that none of us can deal with it on our own.” The crisis requires global answers and global alliances, based on shared responsibilities.” The G20 meeting had agreed on principles that pave the way for a global response to the financial crisis. “The aim is to increase the protection for consumers, savers and investors and to create a new global regulatory architecture,” he continued.

On global governance he declared that Doha represents a historic opportunity to ensure a concrete follow up to the G-20 Washington meeting, to put on the table concrete proposals on the global financial and economic governance being re-defined is inclusive and more inclusive multilateralism will allow for fast and coordinated action to tackle common threats.

Global crisis call for global solutions and a global answer requires the presence of all regions of the world, representing the voice of the rich, emerging and the poorest. Furthermore “Multiple crises are no reason to weaken our global partnership for development targets,” he stated.

He emphasized the need to be very innovative about financing development in all its forms including adaptation for climate change,

which is going to be crucial for developing countries,” and “we must ensure that aid commitments are further enhanced to respond to new challenges.” He assured the conference that the EU committed to improving both the quality and the volume of the Aid for Trade it provides to developing countries to reinforce their ability to exploit the potential of trade to support their own development. He emphasized developing countries; too, need to respect their commitments, namely regarding the governance and promotion of national measures for inclusive growth.

He said at this time of uncertainty on prospects for the global economy and as we deal with the implications of the economic crisis, open markets and the rules-based trading system built on the World Trade Organisation are crucial bulwarks against a resort to protectionism and beggar-thy-neighbour policies. Perhaps the single most important single contribution we can make at this time to ensure a successful conclusion of the Doha Round trade negotiations in the WTO. Success in this “other Doha” will strengthen the insurance policy against protectionism that the WTO system provides.

He cautioned that a North-South clash at the conference would be disastrous: as it might only provide an excuse for some developed countries not to deliver on their commitments.

*“we are facing global and multi-dimensional crisis and that is increasingly clear that none of us can deal with it on our own.”*

On world financial architecture, he said “The reform is not only about the organisational structure of the Bretton Woods Institutions and about representation therein. It is also about substance. The reform is not only about financial supervision, but also about global economic and financial policy decision-making and the impact of globalisation on the economies of the world. This entails rethinking the current models of development cooperation; we need to be innovative and move towards a new development paradigm,” he declared.

President **Mahmoud Ahmadi Nejad**, of Iran said the oil market was a clear example of the manipulative techniques and deceptive economic ploys by which the capitalist bloc determined prices for commodities of other nations in its own interest. By financial, monetary, economic and political pressures, the capitalist system imposed its problems on others while diverting their wealth to it-self. It was regrettable that the capitalist system had imposed its views in the form of absolute principles of economy and finance. Even more regrettably, that system had never allowed other nations to oversee the workings of its financial centres despite the thousands of billions of dollars circulating in those nations.

#### **Outcome of the conference**

The conference adopted Doha Declaration on Financing for Development document A/CONF.212/L1. The declaration affirmed in its entirety the Monterrey Consensus. It emphasized that the economic slowdown and all other obstacles must not slow down efforts to achieve “people-centred development” in developing countries, particularly those in Africa.

## SEATINI BULLETIN

### SEATINI

**Headquarters**  
**20 Victoria Drive, Newlands,**  
**Harare, Zimbabwe,**  
**Tel: + Fax: +263 4 788078/9,**  
**Email: [seatini.zw@undp.org](mailto:seatini.zw@undp.org),**

\*\*\*\*\*

**Plot 101 Kira Road Kamwokya,**  
**P.O Box 3138, Kampala, Uganda**  
**Tel: + Fax: +256 414 540 856/7**  
**Email: [seatini@infocom.co.ug](mailto:seatini@infocom.co.ug),**

\*\*\*\*\*

**Msanduku Lane, Off Gitanga/Vanga**  
**Roads,**  
**P.O.BOX, 26063, 00504**  
**Nairobi, Kenya.**  
**Tel: +254-20-386 0745/6**  
**Email: [Ong'wen@seatinikenya.org](mailto:Ong'wen@seatinikenya.org)**

**<http://www.seatini.org>**  
**<http://www.seatini.org/uganda>**

It affirmed that that the international community is now challenged by the severe impact on development of multiple, interrelated global crises and challenges, such as increased food insecurity, volatile energy and commodity prices, climate change and a global financial crisis, as well as the lack of results so far in the multilateral trade negotiations and a loss of confidence in the international economic system.”

They affirmed that commitments for an increase in official development assistance made in Monterrey should be maintained despite the crises, including the pledge by many developed countries to devote 0.7 per cent of their gross national product to development aid by 2015.

It encouraged continuing efforts to increase the quality, as well as the quantity, of assistance, based on the fundamental principles of national ownership, harmonization and management for improved results. In that regard, it called upon donors to “untie” aid and make it predictable to the maximum extent possible, while calling for increased transparency in its use.

Participants acknowledged the need for low-income countries to participate in current discussions of the world financial crisis, and said the debate should include a review of the global economic governance structures, “in order to ensure more effective and coordinated management of global issues”. It decided that the UN will convene a high level meeting on the world financial and economic crisis and its impact on development.

Declaration also stressed that foreign direct investment must be funnelled to the sectors that would most advance development, reduce poverty and increase employment opportunity. It also stressed the importance of gender equality for development. The declaration pledges to increase the tax base in developing countries and to combat tax evasion, the conference acknowledged the need to further promote international cooperation in that area, requested the Economic and Social Council to examine the strengthening of the United Nations Committee of Experts on International Cooperation in Tax Matters.

It was agreed to strengthen the follow-up on development financing, including the ongoing review of the fulfilment of commitments and challenges to be overcome, it was agreed that the need to hold an additional follow-up conference in five years, by 2013 would be considered.

#### **Follow-up Mechanism**

In para 88 the declaration recognizes that “maintaining a comprehensive and diverse multi-stakeholder follow-up process, including with civil society and the private sector, is critical.

In Paragraph ECOSOC was requested to consider this matter during its Spring Meeting and a its 2009 substance session, with a view to making appropriate and timely recommendations for final action by the General Assembly as early as possible in its 64<sup>th</sup> Session.

An issue, at which became a make or break of the conference was the proposal to hold a UN conference to consider the world economic and financial crisis. It pitted the developing countries versus developed countries, particularly the USA who preferred dealing with these problems under the G.2 process initiated by President Bush. The developing countries led by South Africa stood their ground and a compromise was reached. The challenge for developing countries will be how to make that conference a platform for pushing their agenda for the reform of the international finance architecture ■

# DEVELOPMENT TRADE ROUND IS A RED HERRING

By Aldo Caliarì

*Speaking on behalf of the civil society organisations at the Round Table on trade at the FfD conference Mr. Aldo Caliarì of Centre of Concern said that trade should be a tool for generating finance for development and financial stability rather than of financial unreliability. The civil society forum was concerned at “the level of attention being given to the WTO Doha Round, which we feel is a bit of a red herring” he said.*

He called the conference to review what has been done to address some real problems that developing countries face in engaging in the trade system, which problems are not even on the agenda of the Doha Trade Round in the WTO, is mainly about market access.

As a result of the financial crisis, exports of developing countries are going down and will continue to do so not because they don't have market access or the level of market access not changed. In the last seven years, and in spite of absolutely no progress in the Doha Trade Round, world trade has grown a startling 70 percent.

He said that what is crucial is that the FFD process should be addressing issues regarding how trade can become a tool for generating development finance, “and, more importantly, a tool for financial stability, rather than financial vulnerability.” The impacts of the financial crisis on developing countries will be mostly felt through trade channels. For years their economies have been oriented to exports without putting adequate emphasis on the need for diversification of products, sectors and markets, as well as value addition.

He stressed that the impact of decreasing prices of commodities—on which most of the developing world are still dependent and the lower demand for manufactures, are primarily responsible for the ripple effects that developing countries will suffer on investment, terms of trade, infrastructure financing, debt and macroeconomic balances.

Mr. Caliarì outlined the following five key issues where the FFD process could deliver a lot more for developing countries than the Doha Trade Round and stressed that the **Financing for Development is the only negotiating process where these issues should be addressed, as there was no other forum for them.**

**First** is how to secure more, and avoid the erosion of, public revenue from trade. This requires implementing best practices at national level.

In many cases national policies in this area cannot be effective unless they are accompanied by a more effective international cooperation.

**The second** concerns the pattern of foreign investment. There is need to design regulatory tools that best enable private sector investment in exports to yield broad-based benefits for the country. As regards trade-related infrastructure, there is need to achieve an equitable distribution of the risks and returns in public private partnerships that provide infrastructure.

**Thirdly**, Aid for Trade is critical in order to build the necessary productive capacities without which there would be no trade, observed that it is not clear whether Aid for Trade will really be

geared towards this purpose and if so, to what extent.

**The Fourth** is the need to break the export-debt service cycle. If the revenues from exports keep going into paying excessive debt burdens, they can never therefore initiate a virtuous export-investment process to jumpstart development. The current Debt Sustainability Framework does not take this, or the dynamics of terms of trade, into account.

**Finally**, there are systemic issues which affect trade, one of which is access to trade finance on affordable terms. International financial regulations, especially Basel II rules, should be reformed with these needs in mind. Such reform should enable access to credit for production at affordable terms.

Another important issue is how to handle exchange rate volatility. Large fluctuations among major reserve currencies have a negative impact on the trade performance of developing countries. They create uncertainty in the value of market access and export revenue projections, the availability of domestic and foreign investment for exports, and the access to capital in international financial markets.

“The Financing for Development discussion around trade would focus more on these urgent issues, rather than keep weighing the likelihood or not of the Doha Trade Round moving forward” he said ■

## AFRICA DEMANDS GREATER VOICE AND REPRESENTATION IN THE INTERNATIONAL FINANCIAL INSTITUTIONS AS IN UN SECURITY COUNCIL

*Addressing the UN Review Conference on Finance for Development in Doha, the President of Tanzania and current chairman of the African Union Jakaya Kikwete called for the reform of international financial architecture and international financial institutions as a matter of utmost urgency and for Africa to be given greater voice in the World Bank, International Monetary Fund, WTO and UN Security Council. It is unacceptable for this governance deficit to continue in these institutions whose decisions normally directly affect African countries and the lives of African peoples, he declared.*

*“Something is amiss. How could the world be landed into a crisis of so huge a magnitude without prior warning? It appears there is no global mechanism for overseeing the functioning of the global financial system. This is dangerous. We need to correct this anomaly very urgently.” He stressed that “the crisis poses a great danger to Africa’s development as it threatens to reverse the hard won socio-economic gains made by African countries over the past few decades.”*

He recalled that at Monterrey, we solemnly entered into an international partnership for addressing the challenges of financing for development in developing countries.

Under this unique partnership countries in the South committed themselves to implement sound economic policies, ensure good governance, invest in the development of their people and establish a conducive investment climate to attract private capital. Developed nations agreed to scale up their financial and technical assistance to developing countries to help them meet the internationally-agreed development goals including the MDGs.”

“Since adoption of the Consensus in March, 2002 African nations have endeavoured to fulfil their part of the bargain. The continent has so far made significant progress on its commitment on good governance. The majority of African countries have adopted and entrenched democratic governance, the rule of law and protection of human rights. They have also created conducive investment environment for attracting private capital to their respective countries on the continent,” He said.

“African countries have made notable progress in the area of mobilizing domestic financial resources. The ratio of domestic savings to GDP has increased from an average of 18 percent in 1997-2002 to an average of 23.8 percent over the period 2005-2007. However, domestic resources are still inadequate to finance development expenditures and significantly accelerate growth for poverty reduction.”

Africa has also made encouraging progress in the mobilization of international capital flows to the continent. Private investments FDI inflows to Africa increased from billion US dollars in 2002 to 45 billion dollars in 2007. This however, “is too little a share of FDI flows worldwide. It is only about 2 percent” and “much of the FDI continued to be concentrated in the extractive sector and in a few oil-producing countries,” he continued

He pointed out the challenge, in Africa, therefore is about how to attract more FDIs in more sectors other than the extractive sectors particularly those which have high value-addition as well as high potential for job creation. Which at the same time, are environmental friendly.

He noted that while Africa has done all it can to implement the Monterrey Consensus, the performance of developed countries to meet their commitments remains wanting.

Apart from debt relief where there has been substantial progress, in the other areas such as trade, official development assistance and systemic issues, developed countries continue to under-perform.

While, appreciating to the increase in ODA from 21 billion dollars in 2002 to 38.7 billion dollars in 2007, he said that “donors are not on track to meet their commitments to double aid to Africa by 2010 relative to the 2004 level. There is a wide gap between donor commitments and actual aid flows to Africa. Moreover, the quality of aid is still below what is needed to ensure accelerated and sustained growth on the continent.”

Regarding trade, he said “It is in the interest of all of us that the Doha Development Round negotiations are resumed at the earliest possible. It is in the best interest of all of us also to ensure that the development concerns and needs of developing countries including those in Africa are properly taken care-of in the final agreement.”

He welcomed the recent Aid-for-Trade initiative of the World Trade Organization (WTO) as a step in the right direction. “However, it is taking too long to operationalize. We call for its being expedited. There is, thus, urgent need for all parties involved in the initiative to fast-track its implementation so that valuable time is not lost in increasing the capacity of African countries to take advantage of existing opportunities in the multilateral trading system.”

on systemic issues President Kikwete observed that “To date, African countries still do not have fair representation in decision-making organs of international institutions. It is unacceptable for this governance deficit to continue in these institutions whose decisions normally directly affect African countries and the lives of African peoples.”

He called the international community to increase the participation and voting power of African countries in the World Bank, the International Monetary Fund and the World Trade Organization.

“Africa's effective representation will ensure that these institutions are more responsive to the needs and concerns of African countries. They will become more accountable to all of us they are meant to serve.”

Commenting on ongoing global financial crisis, he said that “this poses great danger to African development. It threatens to reverse the hard won socio-economic gains made by African countries over the past few decades.

The global economic slowdown will lead to contraction of international demand for commodities. This may also extent downward pressure on lowering commodities prices. Africa is predominantly dependent on commodities and tourism which now seem to be vulnerable. Tightening of credit will lower FDI to Africa, reduce access to credit and make credit more expensive. This may also curtail flow of remittances.”

President Kikwete proposed the following as a way forward:

“**Firstly**, the global financial crisis concerns and affects all nations and peoples, therefore, efforts to find solutions to the crisis should involve all of us. The current arrangement where the LDCs are not involved is an omission which needs to be corrected in future. It has to be all inclusive and Africa should be involved in the discussions and processes.

**Secondly**, reform of the international financial architecture and international financial institutions is a matter of utmost urgency. Something is seriously amiss. How could the world be landed into a crisis of so huge a magnitude without prior warning. We don't seem to have a mechanism for overseeing the functioning of the global financial system. This is dangerous. We need to correct this anomaly very urgently. In the same vein, I believe, time has come to look into the pricing mechanism of vital commodities, such as oil, which have pivotal role in the functioning of the global economy.

**Thirdly**, African countries should also be given greater voice in the decision-making organs of the World Bank, the International Monetary Fund (IMF) and the World Trade Organization.

**Fourthly**, we must do everything possible to ensure that the Doha Development Round negotiations are resumed and concluded at the earliest possible time. And, the Aid-for-Trade initiative should also be operationalized.

**Fifthly**, with regards to the Monterrey Consensus all nations should keep and deliver on their commitments and obligations.

**Sixth**, developed countries should make good their promise to double official development assistance to Africa by 2010. The current financial crisis should not be used as an excuse to reduce aid flow to developing countries. After all, a prosperous Africa will assist the world in endeavours to overcome the financial crisis.” ■

## IMPACT OF THE GLOBAL FINANCIAL CRISIS IN EAST AFRICA

*By Francis Mangeni*

Now that the financial crisis has assisted get Barry Obama elected the first African President of the USA, it is time for sober reflection and action on challenges the world faces. The rest of the world can expect that measures he supported or proposed during the election campaign will be implemented to tackle the financial crisis from its roots in America. Obama was clear that Wall Street and the big banks had caused the problem through their greed; and that they needed to be regulated. Hope, therefore, continues to be an important ideal even with the ramifications of the financial crisis; particularly as confidence in financial markets is an important requirement for resolving the crisis.

But more than the historic election of Obama, given the frenzy with which everyone is trying to help out the banks, no longer should the banks say “I am not my brother’s keeper”. It is time for every country to have a banking ombudsman, a measure some countries have already taken, to protect banks from themselves and from those that run them.

This is not the first financial crisis in the world; but it is the first in recent years to hit the developed countries and produce such huge consequences for the global economy at large. Yesterday, it was the food crisis; some saying the Chinese and Indians were too many and had eaten up all the food, others that more and

more land had gone to bio-fuels instead of food; and yet others that public funding for agriculture had been neglected except in Malawi where bumper harvests continued thanks to refusing mainstream advice against assisting agriculture for food and nutrition security in developing countries. Then it was the fuel crisis, the price soaring to levels never seen before, \$100-140 a barrel. Now it is the financial crisis, another one after a number of them in the recent past in Asia, Latin America and Russia.

Global governance, then, must remain high on the international agenda, for our world is not for sale, should not be auto piloted by blind forces; our world is ours, with care we manage it for the good of all and for our children and their children, and we enjoy it in reverence.

### Explaining the Financial Crisis

It is possible to explain the financial crisis. A period of economic boom creates excessive optimism and an affinity for risk taking which initially pays off; more aggression on the market for higher returns spurns a huge web of transactions with little transparency and risk assessment particularly by

huge and global financial institutions; mistakes made are quickly realised, one being the sub-prime mortgages in the US where rising property prices led to wild lending; mortgage lenders don't get paid, the houses don't get sold, re-financing is hard to find, banks fear to lend to customers and to other banks causing a credit squeeze; lack of demand and credit facilities result in production cuts, layoffs, less demand, less investment, and a recession; and because the financial institutions involved and the amounts are enormous and cross-border, and there is little or no regulation, almost everyone gets affected as employees, employers, investors, consumers, property owners, parents, and so on.

In this regard, the Statement of the G20, of November 14 2008, explains the root causes of the crisis as follows: During a period of strong global growth, growing capital flows, and prolonged stability earlier this decade, market participants sought higher yields without an adequate appreciation of the risks and failed to exercise proper due diligence. At the same time, weak underwriting standards, unsound risk management practices, increasingly complex and opaque financial products, and consequent excessive leverage combined to create vulnerabilities in the system. Policy-makers, regulators and supervisors, in some advanced countries, did not adequately appreciate and address the risks building up in financial markets, keep pace with financial innovation, or take into account the systemic ramifications of domestic regulatory actions. Major underlying factors to the current situation were, among others, inconsistent and insufficiently coordinated macroeconomic policies, inadequate structural reforms, which led to unsustainable global macroeconomic outcomes. These developments, together, contributed to excesses and ultimately in severe market disruption.

Others argue, though, that the basic problem has been simply greed and speculation; that the economy cannot grow beyond its real production despite the allure of windfalls from speculative activities, and that debt and liquidity are not the solutions and will only provoke the need for corrections. While others, on the extreme end, argue that these are simply market cycles that should be left to resolve themselves or at worst to weed out inefficiency and self-correct in due course.

I say, it was all these; but interventions are required and the crisis will not auto correct. For once and for all, global governance should address the impact on global welfare and on attainment of international priorities such as the MDGs, resulting from malfeasance of a few adventurous, greedy and irresponsible individuals and companies. And East Africa should realise that continuing to be a mere appendix of the developed countries may be no good at all; there is need for alternatives through diversification of development and trade partners, and for consolidated regional markets and regional economic communities that can address cross-border crises.

### **The ramifications – immediate and medium and long term**

The failing financial institutions and other economic activity from the knock-on effects, result in loss of jobs and incomes; uncertainty about

the future results in low consumer spending; low demand results in low production and cut backs on working hours and work force; low demand for products from around the world results in low economic growth rates; economies get into recession.

Countries that have adopted export-led growth strategies will be affected as growth in world trade slows down. The IMF estimates are that world trade growth will slow down to 4.9% in 2008 and to 4.1% in 2009. Given that advanced developing countries will continue to grow faster than the developed countries, though at a slower speed, developed countries are expected to resort to protectionist measures closing their markets or limiting imports, which will have implications for exportation from developing countries. It is important therefore, to have capacity to challenge such protectionist measures.

The crisis started in the US, the direct manifestations being the mortgage crisis, the failure and nationalisation of various financial institutions in record bailouts and street protests against this, approval of a record package for stabilising the financial markets (\$700 billion), and the credit squeeze when banks didn't readily lend to each other or to customers. Because of rising commodity prices and fear of inflation, banks didn't lower interest rates further. It is remarkable that well into the crisis, some developed countries in Europe, the French finance minister in particular, were insisting that the US financial crisis would not hit them. As it turned out, European countries were among the first to hold summits and to adopt measures on the financial crisis.

The financial crisis in East Africa is manifested in various ways: currency depreciation against the US dollar for instance because of scarcity or general outflows, high prices for fuel and other commodities for instance because fuel prices affect other prices, and shortage of trade finance including letters of credit, overdraft and open account operations. Estimates are that the liquidity gap in trade finance is about \$25 billion. There are still exceptions in East Africa though; for instance, the PTA Bank has just given a huge loan to Hashi Impex for fuel production and supply to the Government of Rwanda. Shortage of trade finance results mainly from shortage of liquidity and the re-assessment of risk resulting from the slowing down of the world economy.

### **East African aspects**

What East Africans are told to fear about the current financial crisis, is that resource flows from developed countries could reduce, and that this can adversely affect their needed or projected government expenditures, the more so

where the budgets are heavily donor-dependent: the wisdom of reducing donor-dependence will again show. In the Treaty establishing the East African Community, and in key development programs, the Governments have adopted a private-sector driven, export led strategy. East Africans are told to fear that low consumption and demand in developed countries, which are their major export markets, will result in low exports, leading to deceleration of trade growth and economic growth; also, foreign direct investment into the region may further reduce due to limited credit in developed countries and re-assessment of risk, leading to less job creation. So, trends are to be watched, and developed countries urged to at least maintain their current commitments on resource flows and not to resort to trade protectionist measures. Also, as developing countries are generally classified as risky, the on-going asset re-assessment will result in increased resource outflows. India, for instance, though an advanced developing country, has reported that there were net outflows of \$7.5 billion of portfolio investments by institutional investors this year.

Above all, things are expected to get worse before they can get any better.

The crisis is already here with us in East Africa; in an appreciating dollar, high fuel prices without a political crisis in Kenya, inflation estimated to rise to 12% (30% in some cases), in difficulties accessing trade finance, lower levels of remittances from abroad, lower tourist arrivals especially budget tourism, worsening balance of payments due to higher import prices, stock exchange performance (more direct for South Africa and Egypt which are more closely integrated into developed country exchanges), and major projects put on hold such as floating of the sovereign bond in Kenya.

In light of the initiatives for macroeconomic convergence, the ongoing negotiations for the common market, and the planned monetary union, East Africa should take all necessary measures both political and economic to ensure a seamless process for deeper and wider regional integration, which is all the more important in light of cross-national issues illustrated by the global financial crisis. Appropriate regulation, in light of the financial crisis and other cross-border issues, will be required as East Africa is marketed as a common investment destination, within the framework provided by the EAC and its institutions.

At their meeting on November 12 this year, in Tunis, African Finance and Planning Ministers, and Central Bank Governors, considered the financial crisis and issued a communiqué. They noted:

“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 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 MDGs will be reduced”.

The background document for the meeting carried some case studies. On the EAC, the document said:

“Three East African countries (Tanzanian, Kenya, Uganda) have experienced speculative currency demand and their currencies have depreciated by 12%, 9% and 14% respectively between 1<sup>st</sup> and 29<sup>th</sup> October 2008. In response, the Central Bank of Tanzania has announced that it would help any bank needing extra liquidity. The statement came despite the sound banking sector situation and foreign exchange receipt of US\$2.7 billion, an equivalent of five month import cover. Kenya has been forced to issue an official statement to shore up domestic confidence. In Uganda, the Central Bank has reduced growth forecasts in 2008 to between 5% and 6%, down from 8%, and has sold US dollars but this has not halted the depreciation of the Uganda shilling.”

It can be seen, then, that there have been immediate effects in terms of deterioration of exchange rates and in stock markets, as well as price increases; and that medium to long term effects are also expected, affecting economic performance, social economic welfare, and attainment of key goals including the MDGs.

### Measures taken

Consideration of the measures taken shows the disadvantage that developing countries, the EAC countries included, grapple with; for the developed countries have the resources that developing countries don't.

The main responses from developed country governments, where the crisis originated and quickly spread, have been to acquire equity or take over the affected financial institutions, inject phenomenal amounts of cash into the system, and take urgent regulatory measures. Governments have convened several summits, but significantly the Summit of the G20 to collectively consider the problem. Other high level meetings have also been convened, for instance in Tunis of the Conference of African Finance and Planning Ministers and Central Bank Governors. The call from such meetings has been for a reformulation of the architecture of the international financial institutions.

The G20, for instance, recognised the important role that the advanced developing countries now had in the world, and how they had a key role in assisting

deal with the financial crisis. The emerging countries are expected to sustain production and trade as the developed economies slow down. China, for instance, has assets estimated at \$3 trillion notwithstanding the financial crisis, while many developed economies run huge deficits.

Measures so far taken by Governments, central banks and other regulatory authorities include injecting liquidity, recapitalising and restructuring financial institutions, controlling risky behaviour. The World Bank plans to triple the ceiling of the trade finance guarantees under the IFC's trade finance facilitation program to \$3 billion. The Berne Union being a coalition of the world's main export credit agencies and insurers, has reported that it has in the last 12 months increased their business by more than 30%. China has initiated construction projects for housing and infrastructure (railways, highways and airports) as measures to stimulate domestic demand.

Speaking on behalf of LDCs at a recent meeting at the WTO, on 13 November 2008, Tanzania said: "Certainly, it is not possible for LDCs to bail out their companies or banks as has been done in the developed countries. For the LDCs, our priority is to immediately operationalise the enhanced Integrated Framework which is a facility dedicated to LDCs, without any hitch. LDCs should also be given priority to benefit from the Aid for Trade initiative. It is only through such measures that it will be possible to attain the MDGs of reducing poverty in LDCs and adapt to and participate in global trade."

## The G20

The G20, in their statement, agreed to take the following measures:

- a. Continue the efforts to stabilise the financial system
- b. Recognise the importance of monetary support policy
- c. Use fiscal measures to stimulate domestic demand while maintaining fiscal sustainability
- d. Assist developing economies gain access to finance including through liquidity facilities and program support, and

Encouraged the World Bank and others to use their full capacity in support of their development agenda, welcoming the introduction of the new infrastructure and trade finance facilities.

In addition, the G20 adopted an action plan and agreed upon the following principles for reform:

- f. Strengthening transparency and accountability (disclosure)
- g. Enhancing sound regulation (oversight)
- h. Promoting integrity in financial markets (investor and consumer protection, avoiding conflict of interest, manipulation, fraud)
- i. Reinforcing international cooperation (across all segments of financial markets particularly for crisis prevention, management and resolution)

j. Reforming international financial institutions (to reflect changing economic weights; "In this respect, emerging and developing economies, including the poorest countries, should have greater voice and repre-

## Africa's Finance and Planning Ministers

On their part, Africa's Finance and Planning Ministers and Central Bank Governors, in their communiqué, called upon the developed countries to "take appropriate measures to support continued growth in Africa".

In addition, the Ministers and Governors agreed to:

- a. "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"
- b. "strengthen the regulation and oversight of our financial institutions and to focus on risk management"
- c. "continue harmonisation as appropriate of prudent fiscal and monetary policies"
- d. "Strengthen reserves management strategies designed to minimise losses at times of financial crises"

To deal with the depressed demand and prices for commodities, they re-affirmed their commitment to economic diversification and regional integration. They agreed upon and noted other important measures, such as the ADB financing pipeline for the period 2008-2012 covering infrastructure, governance, private sector, agriculture and higher education, technology and vocational training. They welcomed the assurance from France as EU President to maintain the commitment to increase aid, the increased collaboration among the continental and regional institutions; and they underscored the need for a comprehensive reform of the Bretton Wood institutions. Finally, they agreed 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".

So, African countries fully count on developed and advanced developing countries, within the G20 framework, to put their house in order; and at the same time, they see the importance of better regulation and harmonisation, and other flanking social economic measures.

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Paragraph 4  
Paragraph 5  
Paragraph 7  
Paragraph 9

## Conclusion

The financial crisis is a global phenomenon, affecting the country where it originated and other countries closely knit with it. In this regard, the G20 have taken initiatives to address the crisis, through principles and quite specific measures translated into a short term action plan, covering better cooperation and regulation. The financial crisis affects other developing countries as well, including East Africa. In this regard, African Finance and Planning Ministers and Central Bank Governors have met to address the matter, and agreed upon key measures to continue economic reforms and strengthen regulation. The East African countries plan a common market by 1 January 2010 and a monetary union by 2012. It is important to ensure that the financial crisis doesn't adversely affect the establishment of the monetary union as an institution to further promote the common market and the wider process of economic integration.

## Recommendations

Given that the financial crisis has had adverse consequences for East Africa, and will continue to affect medium and long term goals, the Governments and the people of East Africa should consider the crisis as an important public policy issue to be kept high on the agenda at the national and regional levels. A concrete action plan should be elaborated and implemented to effectively address the deleterious aspects of the crisis, as well as the systemic nature of financial crises generally.

Addressing the financial crisis should include measures to stimulate national and regional growth including through public and private investment, diversification of key export markets and strengthening of regional integration to build on the rapidly increasing trade, strengthening of regional integration as a solid framework for addressing cross-border economic issues,

better regulation of financial markets in an appropriately harmonised manner that is consistent with promoting macroeconomic convergence and regional integration at large, seeking and operationalising finance lines to promote access to credit, taking measures that promote confidence in financial markets, reviewing policies that may not be appropriate for dealing with financial crises through introduction or strengthening of appropriate safeguards on unexpected resource outflows, better protection of consumers of financial services particularly through better scrutiny of financial products, and continuing with the national and regional programs for social economic prosperity and regional integration.

To assist observation of the international and regional financial architecture, the timely taking of corrective measures against adverse practices and developments, and to assist the preparations for the monetary union in due course as appropriate, there should be established, the soonest, an East African Monetary Institute.

We need a banking ombudsman, to protect society and consumers against inappropriate financial products. And as already pointed, no longer should the banks say, "I am not my brother's keeper". ■

## THE CIVIL SOCIETY FORUM - *Presented by Gemma Adaba*

*Presenting the CSOs forum report to the FfD conference Ms Glenna Adaba said overcoming these crises requires decisive action and leadership from the global community. To date however, such leadership has been sorely lacking.*

Here below is an abridged version of the statement.

Today the world is consumed by an urgent series of crises: energy, food, climate, and finance, that not only threaten the realization of the Millennium Development Goals (MDGs) and the lives and livelihoods of hundreds of millions of people, in the North and the South, but also the stability of the world's economies. The Northern governments and financial system are responsible for the current crises, but the costs and the impacts are paid for by the entire world and by the poorest countries in particular.

In recent years the world has witnessed a substantial and growing transfer of capital from the global South to the North through, among others tax evasion facilitated by tax havens, debt servicing and unfavourable terms of trade. Taking into account all financial sources, there is a net capital flow of hundreds of billions of dollars per year going from the South to the North. This is a scandalous "reverse welfare" in which the poorest countries are financing the richest.

### Global leadership lacking

Most Northern countries are falling far short of meeting their aid commitments. Persistent gender inequalities reflect and are related to all of these structural imbalances in the global economic system. Thus it is urgent to include a gender perspective in all policies, and at all levels and sectors.

Overcoming these crises requires decisive action and leadership from the global community. To date however, such leadership has been sorely lacking.

The swift and massive response of governments of the richest countries to bail out banks and private financial institutions with more than three trillion US dollars of public guarantees and funds stands in stark contrast to their failure to respond decisively to the unabated crisis of poverty, and marginalization that has afflicted the majority of peoples in the world.

According to the Food and Agriculture Organization \$30 billion are required every year to eradicate poverty. According to the World Bank, to cut by 2/3 the child mortality in the poorest countries, some 20 - 25 additional billion dollars per year are needed. Every minute a woman is dying because of complications in pregnancy and birth.

The International Labour Organization (ILO) estimates that the current crisis will result in the loss of 20 million jobs by the end of 2009; another 100 million people will be pushed into the informal economy, on top of the existing 200 million unemployed and 1.3 billion underemployed workers.

So far the international community has proven incapable of raising the sums necessary to tackle these human crises, even though these are in the range of a few percentage points of the enormous capital dished out to save financial institutions. In addition, twelve years of debt relief initiatives have generated only slightly more than 100 billion dollars in debts cancelled.

Working people, particularly, women are being forced to pay the bill for a system founded on the concentration of wealth and economic control in the hands of a few and the continuing and deepening impoverishment of the majority.

The commitments made by the G-20 government leaders two weeks ago in Washington DC to strengthen regulation and oversight will not be sufficient. Moreover, we are deeply concerned to see the G-20 process give a central role to failed global financial and trade institutions such as the IMF, World Bank and the WTO. In the last 30 years, these institutions have pushed for increased capital flows and market liberalization, resulting in the erosion of national policy space, and the violation of national sovereignty. They are among the major institutions responsible for the current situation, have no legitimacy and no credibility to play such a role in the reform of the international financial system, let alone to start a self-reform process.

Trade liberalization, of the kind pursued under the Doha Round, has contributed to increased vulnerability of developing countries in key areas. These include unemployment, downward pressure on workers' conditions and rights, the reduction of access to key public services and the threat to food sovereignty.

We demand global economic structures and policies that put peoples' rights first, that respect and promote human rights, gender equality, as well as social and environmental justice. We demand policies that ensure decent work based on employment opportunities, respect for labour rights, social protection, social dialogue, sustainable livelihoods, provision of essential services such as health, education, housing, water and clean energy, and that take account of the care economy, largely dependent on women. People need to have greater control over resources and the decisions that affect their lives. We observe that instead of engaging in a high-level comprehensive debate on financing for development at this United Nations Review Conference, most

countries from the North have opted not to participate at Heads of State level, and the absence of the Heads of the IMF and the World Bank at this conference reveals their disregard for an inclusive process that links the critical areas of development and finance.

We are convinced that the United Nations and the FfD process are key to reaching enduring solutions to the multiple human crises we have outlined. We call on governments to agree to a strong FfD follow-up process. This should provide for a new institutional mechanism within the legitimate framework of the UN, which ensures full respect of all aspects of the Internationally Agreed Development Goals, and brings together all institutional stakeholders, not only the International Financial Institutions and the World Trade Organization, but also the World Health Organization, the UN specialized agencies such as the International Labour Organization and UNIFEM, as well as civil society

The Civil Society Forum reviewed a number of key Global issues, organized around the six thematic areas of the Monterrey Consensus:

#### **Trade**

With respect to trade, we conclude that the impact of the global financial crisis in developing countries is exposing vulnerabilities that stem from the implementation of an export-led model that placed much emphasis on the liberalization of trade, without looking at mechanisms for ensuring that trade would become an instrument for the stable provision of development finance. We call upon Member States to use the FfD Doha process to reshape the WTO Doha negotiations towards a genuine development round. In the interests of policy coherence, outcomes should be fully aligned with the Internationally Agreed Development Goals (IADGs) including the MDGs, as well as with decent work objectives and the observance of core labour standards. Developing countries must be accorded the policy space to determine whether, how and when they want to liberalize sectors and markets.

The FfD follow-up process should provide for a new institutional mechanism within the legitimate framework of the UN, which ensures full respect of all aspects of the Internationally Agreed Development Goals and brings together all institutional stakeholders, not only the International Financial Institutions, the World Trade Organization and World Health Organization, but also the UN specialized agencies such as the International Labour Organization and UNIFEM, as well as civil society.

“A major international conference at Summit level should be held in 2009 to comprehensively review the international financial architecture and global economic governance structures”. Such a Conference should be held under the umbrella of the United Nations with the inclusive principles that govern the Financing for Development process, including the active participation of civil society organizations.

In the longer term, in order to bring the more limited agenda of the G-20 initiative, with its restricted membership, into the universal forum of the United Nations, a permanent Executive Committee under the auspices of the UN with regional representation and a rotation systems needs to be established that can deal with pressing economic and financial issues in a comprehensive way. Modalities for the establishment of such a forum should be set up in the coming months. A more effective ECOSOC BWI High Level meeting would provide an opportunity to start such a process. Recognizing the global challenges to meet cuts in Green House

Gas emissions, countries should acknowledge responsibility for their historic emissions and commit additional funds to address climate change, and explicitly outline by how much they will finance the adaptation needs of developing countries.

In the face of the multiple crises, we urge governments to take the side of women and men workers, farmers, youth and children to promote environmental sustainability by taking an alternative economic path. Therefore call for change in Doha that puts effective development, poverty eradication, human rights, gender equality, decent work, and environmental sustainability at the forefront of the discourse, the policies, and the search for enduring solutions. ■

## **EDITORIAL – USE FORTHCOMING UN CONFERENCE ON ECONOMIC AND FINANCIAL CRISIS TO PRESS FOR FUNDAMENTAL REFORMS OF INTERNATIONAL FINANCIAL SYSTEM**

*By Ambassador Nathan Irumba*

At a conference on finance for development convened in Doha, Qatar, it was agreed to convene a UN conference on the Economic and Financial Crisis, under the auspices of the United Nations. This is an opportunity to put in motion moves for the reform of the international Finance Architecture.

The Monterrey conference was convened in the wake of the Asian financial crisis. The Doha review conference similarly took place against the backdrop of the severe global financial crisis which threatens to derail the achievements of the Millennium Development Goals and undermine the implementation of commitments contained in the Monterrey Consensus.

The crisis, whose epicentre is in the USA initially appeared as a problem of sub-prime mortgages in 2007. It has since widened causing deeper cracks in the global financial system resulting in the collapse of major banks, steep falls on stock markets values and a credit squeeze. These shockwaves have triggered off an economic crisis that has pushed most advanced countries into a recession. Governments are still scrambling to put in place appropriate measures that will contain the crisis. Africa and other regions are also being hit by its repercussions.

For decades the fundamental ideology of markets including the logic of unregulated finance, have more or less captured the globalisation process putting aside the necessary international checks and balances. This crisis which is systematic has its origins in the working of the financial markets. As pointed out by the UN policy brief (*UN-DESA No.9*), the advocates of efficient financial markets promised lasting prosperity and stability so long as political interference was kept to a minimum and macroeconomic policies stuck

to keeping a tight reign on inflationary pressures. Such phrases as the “goldilocks economy”, the “great stability” and the “great moderation” rolled around policy making circles and the financial press as the boom began to take hold giving the impression that a new era of macroeconomic tranquillity and unbounded prosperity had arrived. In reality, with asset prices conveniently left out of inflation-targeting models, macro policy was overseeing a debt-driven boom in which asset prices rather than income flows determined spending decisions and attitudes to risk, and where investment became identified with rearranging existing assets through leveraged buyouts, stock buybacks and mergers and acquisitions.

The end result was the evolution of a shadow financial economy driven by securitization and leveraging. This extracted double-digit dividends for a couple of years and it generated hundreds of billions of dollars of “toxic waste”. Many are wondering how Governments could have allowed the mushrooming of a huge casino economy above the real economies, and did not take notice of the clear signals that the casino was failing to allocate capital in an efficient way, and was actually a time bomb waiting to explode.

The current crisis has challenged the fundamentals promise of many economies. It has shaken faith in the policies hitherto being pursued, regulatory stances and free-market “engineering” that are increasingly perceived as being responsible for creating the state of irrational complacency, if not exuberance, that led to the current debacle.

The international financial institutions, which should have known better wittingly or unwittingly failed to identify and effectively respond to the current financial crisis. UNCTAD attributes this failure to two main reasons namely that:

“They have a strong belief in the self-correcting mechanisms of the market and this has made them not only blind to market failures, but also reluctant to encourage a stronger role of the State in regulating financial markets;

The international financial institutions have focused mainly on “reforming” the financial markets in their debtor countries, the developing countries, but have been ineffective in encouraging reform and greater transparency in the financial markets of their creditor countries, the industrialized countries.”

We agree. With benefit of hindsight they now appear like accomplices in the crime. As President Kikwete said when addressing the conference; *“Something is amiss. How could the world be landed into a crisis of so huge a magnitude without prior warning? It appears there is no global mechanism for overseeing the functioning of the global financial system. This is dangerous. We need to correct this anomaly very urgently.”* He stressed that *“the crisis poses a great danger to Africa’s development as it threatens to reverse the hard won socio-economic gains made by African countries over the past few decades.”*

UNCTAD correctly observes out that the wave of bailouts and the nationalization of large parts of the financial sector in the United States and Europe, and the repercussions of the crisis on currencies in developing brings into question the whole structure of modern market-based financial capitalism. This requires fundamental reforms of and, not a mere tinkering, of the global financial architecture.

It is instructive to note that the measures which have been put in place by the western countries such as massive bailouts of banks and private institutions, and public guarantees are contrary to the policy advice and conditionalities which has been imposed on developing countries. These measures run counter to the market model which has been promoted as the only way of meeting the challenges of globalisation. This development should logically lead African governments to rethink and question the policies that have been forced on them under structural adjustments programme. President Mutharka argued for subsidies for African agriculture.

A key lesson arising from the crisis is that financial markets must be effectively regulated and supervised, and that there is need for a fundamental reform and for re-designing of the international financial system. The discussions for reforms should include even raising fundamental issues as to whether some of the Bretton Woods Institutions are still relevant and if so what role they should play. Prof. Tandon, Executive Director of South Centre for example at one of the side events in Doha questioned the relevance of the World Bank and instead proposed the strengthening of regional arrangements in the South. The discussions must also be widened to include the pertinent agencies of the United Nations, and many more developing countries, who are now victims of actions not of their own making.

A positive outcome of the Doha FfD Review meeting was the decision to convene a conference at the highest level on world financial and economic crisis and its impact to be organized by the President of the General Assembly if well arranged this should facilitate the input of the entire stakeholder. The proposal for holding such a conference was very much resisted, for their own reasons and self interest, by the USA and a number of developed countries. They saw the G-20 process which involves limited countries as adequate from their perspective. This is most unfortunate. The developing countries should therefore use the opportunity of the forthcoming conference to press forward their agenda for the reform of the international systems. The Southern Governments, NGO and Think Tanks are now therefore challenged to bring forward credible well articulated proposals for reforms. Invariably these will be resisted by those who control the present system. It is imperative for the developing countries to have a unity of purpose and avoid the temptation of being divided through co-option and other decisive measures. It was encouraging that in Doha all countries developed and developing countries recognised the need of having a more inclusive system.

The seed for reform has been planted by the crisis and let us help it germinate. ■

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**Editor: Ambassador Nathan Irumba**  
**Assistant Editor: Rangarirari Machemedze**

**Editorial Board: Chandrakant Patel, Jane Nalunga, Percy Makombe and Helene Bank, Nathan Irumba, Yash Tandon**

For more information and subscriptions, contact SEATINI, 20 Victoria Drive, Newlands, Harare, Zimbabwe,  
Tel: + Fax: +263 4 788078/9, Email: [seatini.zw@undp.org](mailto:seatini.zw@undp.org), [seatini@infocom.co.ug](mailto:seatini@infocom.co.ug); Website: [www.seatini.org](http://www.seatini.org)

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