Developing Country Studies
ISSN 2224-607X (Paper) ISSN 2225-0565 (Online)
Vol.4, No.25, 2014 www.iiste.org

Global Financial Crisis and African Economies (With Sub Saharan Specifics)

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Abstract
The illusion that African countries have escaped the adverse consequences of the global financial and economic crisis is becoming transparent, judging from the dire aftershocks of the global downturn, although the ultimate effects on individual countries are still inconsistent and unpredictable. The medium-term reactions of trade partners, donor countries, and private investors are still unknown. Today, the impact on Africa appears to centre around three major channels: global trade, capital flows, and policy responses. Efforts to mitigate Africa's pain should be continent specific; the international community may choose specific actions to address the fiscal, balance-of-payments shocks and the gaps in private capital. Regardless of steps taken externally, African leaders should seize the opportunity to develop homemade strategies to address her problems. In the mean time monetary control must continue to prioritize its mandates of inflation targeting or growth in a way that complement regulation. Regulatory duties should be more innovative on its core mandate of financial stability.
JEL Classification: G28, E58, N1
Keywords: Govt., Policy and Regulation; Central Banks and their Policies, Macroeconomics and Monetary Economics; Growth and Fluctuations

Preamble:
After the global crisis in 2007, the main worry of most emerging economies has been how the crisis impacted on Africa's; Trade, FDI, unemployment and livelihoods. This is an important dimension in this focus on African markets. According to Lin and Viñals, it is shocking to note that the crisis is still being felt two years after the onset. It is clear that the crisis will leave a legacy that will be with the world for many years, recent research shows that trade generally is likely to remain at 10–15 percent below pre-crisis trends in the foreseeable future; public debt as a share of GDP at 20–30 percent higher than pre-crisis levels, there are rising incentives for banks that were otherwise stable to become fragile especially in Europe, large liquidity overhang remains and there are treats of fiscal policy pressure in many countries (Lin and Viñals, 2010).

The global financial crisis has worsened, significantly, the economic outlook for the entire sub-Saharan Africa. Demand for African exports and commodity export prices have fallen, and remittance flows are becoming weaker. Tighter global credit and investor risk aversion have led to a reversal of portfolio in flows, less favorable conditions for trade finance, and have lowered foreign direct investment. As a result, growth has started to slow markedly and fiscal and balance of payments pressures are mounting. Risks remain high and the prospects for recovery remain uncertain. Financial systems in the region have so far been resilient to the global crisis, but the economic slowdown is likely to increase credit risk and nonperforming loans and weaken financial institutions' balance sheets. Sub-Saharan African countries should seek to contain the adverse consequences of the crisis on economic growth and poverty by stimulating investment, production and employment. They must not renege in preserving the hard-won gains of recent years, including macroeconomic stability and debt sustainability.

Notwithstanding the fact that most African countries recorded high pre-crisis growth rates and so far, have maintained a meaningful recovery from very low to moderately high growth rates. The fact remains that as was the case before the crisis, high unemployment and poverty remain the greatest challenges. African policy makers must therefore evolve unique home grown growth models that are capable of transforming her vast potentials into tangible improvements in people's livelihoods through sustained employment generation and poverty reduction. For instance an internally driven export-led strategy must replace subsisting trades' relationship motivated by the Core at the expense of the Periphery. In a recent conference of the Nigerian Economic Society there appear to be a common agreement that an all inclusive, time-based, country specific model is needed to resolve individual countries problems in Africa.

An all inclusive model must not only look at the usual macroeconomic concerns like reducing inflation and/or unemployment, stimulating; investment, output, production and equivalently the GDP but should also be conscious of the adverse effects of; wide income disparities, unfavorable economic mechanism for effective wealth redistribution and everything that can mediate in the present level of poverty in Africa. The time and country dimensions must consider the specific country's stage and existing capabilities to pursue a particular policy imperative. For illustration sakes, Brazil today is striving to open up her oil and gas sector to allow foreign expertise to integrate with already 'developed' local oil and gas technology. This is expected to create positive synergy for further advancement of the Brazilian economy. This country specific strategy is adopted at the right time, at a stage where it will appear Brazil has sufficiently explored the potentials of her local capacity. This has been found to pay off as Brazil is one of the very best in deep sea drilling technology. A country may never be as transformed as Brazil in oil and gas sector just by copying an 'open oil and gas Brazil' without passing through a relative sector closure periods like her. Countries should therefore seek or design unique policies that are appropriate to their economy and capable of accelerating their growth. Donor dependant economies must build shock therapy and/or crisis resistant mechanisms to avert or withstand both internally induced and cross-border spillover effects of crisis. These are discussed latter in this paper.

1.0 Africa and the Crisis of four Fs (fuel, fertilizer, finance and food):

Amongst the donor dependent countries, some countries in the sub Saharan Africa have been especially vulnerable. According to the HDI Report, 2010, "Sub-Saharan Africa is typically considered the region facing the greatest challenges in human development. Across all dimensions, it has the lowest Human Development Indicator (HDI). It is for this reason that the region is under spotlight in this attempt to look at the impact of the global crisis on African markets with specific reference on Trade, FDI, unemployment and poverty.

The contagious nature of the global financial crisis domiciled in the US is now wide spread. The root was in the sub-prime mortgage lending and some complex banking derivative products in the US. It has been attributed to a set of complex banking problems that were created over time, which include; lending lapses or excessive risk taking that increased default risks of mortgage borrowers, lack of market discipline on the part of bank managers who developed unbridled appetite for profit, improper approach to financial liberalization - financial self-regulation interpretable as lax regulation, speculation heightened by information asymmetry, excessive innovation that lead to crafting of complex derivatives (Collaterised Debt Obligation-CDO's and Over the Counter Derivatives-OTC's) complicity on the parts of rating agencies, Primary financial and mortgage institutions who arguably understood the extent of risk but concealed and sold that risk to a group of under-capitalised insurance companies called 'Monoline' etc. The crisis has now put into test the ability of the managements of various central banks in the global community to solve the daunting problems.

In response to these challenges, many countries, governments and their central banks have intervened by slashing interest rates, in addition to other country specific reactions in the bid to reduce the negative impacts. In Europe for instance, central banks have continued to inject cash to tackle liquidity problems in the financial system. The Euro zone countries bought into banks to boost their finances and announced the guarantee of inter-bank lending up to the end of 2009. Although, inter-bank lending among European banks at present appears to be only in the shortest periods. While the Bank of Japan tends towards this Euro regime, others like the central banks of China, Canada, Sweden and Switzerland had, had to cut rates. The British government on its part took up majority stakes in UK's four biggest banks while in Ireland, bank shares surged after government unveiled an unlimited guarantee on deposits at six domestic banks a day after the Irish Stock Exchange registered its greatest historic fall.

Although in Africa, there has been relative stability but the predictions are that the stability of African countries may not last as poor and donor dependent countries is expected to bear more seriously the brunt of the crunch, been less insulated. This view was expressed at the 119th meeting of the International Conference Centre in Geneva (CICG), Switzerland organized by the Inter-Parliament Union (IPU). The meeting rose with the expressed fear that the world's poorest nations are the most vulnerable, and that in this regard, Africa is not exempted from the spiral effects of the crunch. Compared with other regions of the developing world, Africa already faces the largest challenge in terms of meeting the target 1 of the Millennium Development Goals (MDGs). The UN's Food & Agricultural Organization (FAO) in its reports noted that 30 per cent of Africans are chronically hungry (evident among children under five). For instance for Sub Saharan Africa , in 2010, about 50.9 per cent of the population were living below the international poverty line (Appendix 1b and1c). Depending on the challenges and opportunities prevailing within each of the African countries, agriculture remains the primary means of addressing the challenges because 65 per cent of Africans derive their livelihood from the sector. According to the World Bank, the effects of financial crisis on the continent could manifest through drying up of liquidity and capital inflows, aids programmes and trade. This is because: many African banks that may be planning to seek funds from the developed economies would not be able to do so (ii) most African countries declaring foreign reserves portend low income in subsequent years because of the low interest rates following governments and central banks interventions; (iii)strong likelihood of decline in revenue from exports in African countries; (iv) low commitment by African governments to rural development agreements under the Millennium Development Goals (MDGs) and the New Partnership for Africa's Development (NEPAD); and (v) The Crisis of the four Fs (fuel, fertilizer, finance and food) still faces the continent, especially given that in Togo and Liberia, food inflation is still 25 per cent while in Ethiopia it is 92 per cent and (vi) poor response of African governments to the global financial crisis. The World Bank has in 2009 forecasted that commodity prices will nosedive to between 20-25 per cent.

Further in this work we consider a theoretical frame work and some stylized facts presenting Africa's mixed fortunes. The theories explored complacent application of market fundamentals that has given credence to an alternative to Anglo-American model. Next, are some analysis on; channels of impact, a post crisis first line of responses and factors that make economies resilient? Finally before our conclusion we made Policy recommendations.

2.0 Theoretical framework and some stylized facts:

2.1Market Fundamentals: The Failing Theories and Alternatives:

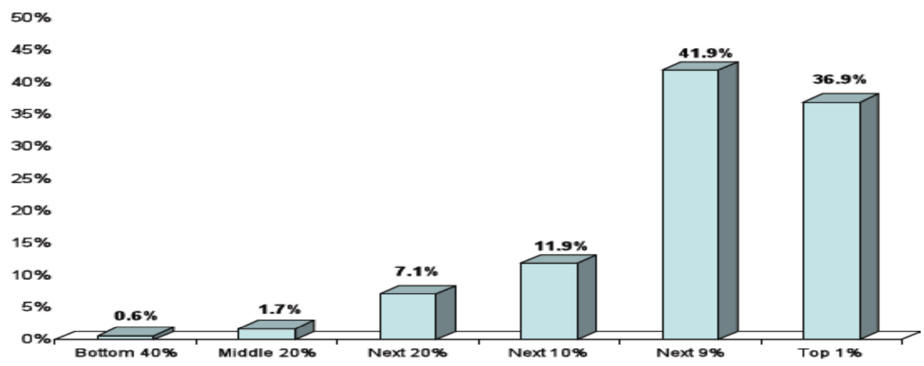
Primarily, the root of the US-Global Crisis has been blamed on extreme reliance on the neo-liberal policies, Anglo-American model of capitalism and on extreme 'ideology of the right'. Also on the fact that there was a substantial move away from the centre i.e. away from the tenets of Mix- Economy, leading to a complete neglect of the moderating influences of the 'left side ideologies' or Socialism.

For a major part of the twentieth century, there were two opposing ideologies on how society should be governed and developed: capitalism versus socialism or ideologies of the right versus ideologies of the left. Capitalist philosophy typified by neo-liberalism insists that a self–regulated system of market will bring about spontaneous process of development. The idea of determination of prices, output and income distribution through forces of demand and supply or free market was those of neoclassical school credited to David Richardo, 1870 by Keynes. The neoclassical school is thought to have emerged from the Classical school from where laissez faire (Let things be) doctrine emanated. Again this has its foundation in the work of Adams Smith (1776).

On the other hand, the Socialists and many other variants such as the interventionists, argue that unregulated capitalism will always bring about poverty, unemployment and human misery and there is the need to intervene to regulate the market. The emphasis on the role of State was initiated by Karl Marx (about same period the neoclassical school emerged i.e.1870)….he (Marx) saw the free market ideologist i.e. neoclassical school as 'Vulgar Political Economists'. But about 1917 during the Isarist-Soviet era, Lenin under the leadership of Bolshevik Party challenged the ideological constriction of the capitalist dogma…in a Marxist-Leninist framework he saw capitalism only as an engine of progress capable of building economic basis for socialism (it was socialism that later led to communism). At the end of the 20th century and with the end of the cold war between the west and the eastern block, there has been an ascendancy of capitalism and neo-liberalism. The economic travails of today's world has given credibility to the interventionist creed but ironically most are credited to John Maynard Keynes who in one of his several works said "Communism is not a reaction against the failure of the nineteenth century to organize optimal economic output. It is a reaction against its comparative success. It is a protest against the emptiness of economic welfare, an appeal to the ascetic in us all... The idealistic youth play with Communism because it is the only spiritual appeal which feels to them contemporary" (Ross, 2009). In this account Keynes posits that capitalism and socialism both complement each other. I personally believe communism or socialism (which I see as synonyms) is an ingenious creed except for the imperfections of the state which may arise when the leaders are greedy. This is the usual greed that arises when state resource is entrusted to few societal elites representing the state or serving in government. This is well hypothesized by Paul Collier and Anke Hoeffler (Collier 1999; Collier and Hoeffler 2002). Obiorah, (2011a) posit that the very 'weighty' edge of capitalism over socialism is found in the incorruptibility of the 'invisible hand' that controls it. The weight attached to this singular factor has helped to dilute the several short falls in capitalism explained below. The intense debate on the extent of the relevance of both the Anglo-American model of capitalism and the Marxian or Marx-Leninist framework of Commu-Socialism in modern society has given credence to the Stake holder's model of Japan and Germany.

For socialism the problem centers around the 'greed issue' mentioned above, this has created doubts about the ability of the government to; create wealth, distribute it fairly and guarantee each citizen a level of welfare demanded by plausible theories of social justice. While the virtue in Capitalism lies in the fact that the 'invisible hand' operates in such a way that make social well-being a product not of any one person's intention but the outcome of spontaneous forces which successfully co-ordinate the activities of dispersed agents each of whom is motivated by self-interest (Barry, 1998). The upshot of the several shortfalls in capitalism is found in the compounding inequality inherent in such systems as the US. According to Clarke, (2009), although the United States is the most prosperous country on earth, it is typified by mounting, severe and very visible inequality. While CEO salaries inflated through the roof, in recent years average earnings in America actually went down. Looking at the distribution of stock market holdings in the United States, the richest 1% of the population own 36.9% of these assets, and the richest 10% own 79%, in contrast 80% of the population own only 9.4% of these assets (Figure 3).

Figure 3 Distribution of Stock Market Holdings by Wealth Class 2004



Source: Economic Policy Institute: The State of Working America 2006-2007

The campaign for shareholder value of the last 20 years may be reinterpreted in this light. Looking at the boom time of the 1990s the advancing prosperity in the US hardly touched most of the population, and the meagre gains they made have been lost since 2001. Some would defend this extreme level of inequality as the price of incentives and performance, but given the awful impact on the quality of most people's lives, it hardly makes the Anglo-American model as attractive as it is often portrayed by the rich and famous who have benefited from it (EPI, 2008). According to Barry, (1998), it is the groundswell of opposition to this increasing poverty in the economy and society of US that led to the emphatic election of Barak Obama as President of the United States. It is probably for same reason that Nigerians jettisoned the usual 3 tribes to elect President GoodLuck Jonathan from extreme minority tribe, a wide deviation from normal Nigerian political arrangement.

It is therefore for this reason that I favour the Mix-economy hybrid with stronger emphasis on the growth of subsidized public utilities, in addition to providing other social amenities to address this unhealthy imbalance. Perhaps it is time according to Barry, (1998) for us to look at other market systems, notably those of Germany and Japan as possible alternatives to the Anglo-American system, since they seem to be founded on less individualistic economic principles. In this alternative, profit and returns to shareholders are not the only measures of success for an economy. They are driven by both economic and ethical considerations. This possible rival models to capitalism are thought to be more efficient in that they are able to take into account long-term objectives whereas the Anglo-American model, is governed by; the stock market's evaluation of economic prospects, produces short-termism and the neglect of investment which does not generate a more or less immediate return. The greater role played by bank financing is thought to generate the required long-term "rationality." And the participation of banks in the ownership and management of companies is thought to be a better method of ensuring accountability and efficiency than the threat of a takeover.

In Germany, trade unions have a formal, though limited role in management, through their representation on supervisory boards. At the ethical levels these economies take account of communal considerations in the allocation of resources and the "socially-minded" companies mitigate the adverse effects which industrial organization usually have on localities and pressure groups. These reasons explain the hostility to the takeover process that Germany and Japan regularly evince. Furthermore, an industrial enterprise is apparently not owned exclusively by its shareholders but is somehow the property of "stakeholders," these are not just shareholders but also workers, suppliers and members of the community in which it is situated: they play significant role in decision-making process, although the owners of a company have the final say in important strategic decisions. It is interesting to note that the state play a greater role in the provision of welfare in these countries than is the case in the Anglo-American model. Also a community's responsibility to the deprived is not limited to a guarantee of extra-market provision to those unable to cope or otherwise termed slothful. The system incorporates and integrates every citizen into the society by the collective supply and consumption of health care, pensions, education and many other welfare goods.

2.2 Some Stylized Facts of Mix-fortunes - Africa and Other Markets:

According to the report of Meegan, (2008), Africa has seen dramatic shifts over the past 20 years. It has always been a continent of both dynamic change and turmoil. Analysts feel the crisis will still shake the globe and the chain reaction could create more pain in Africa, especially amongst the poorest. Of course there are very real challenges facing Africa but interestingly there are also signs of hope which is a direct result of the renewed international and national intervention on; poverty, corruption, economic growth, financial aid and famine. The economic observers have rarely highlighted other trends and patterns that show any other side of Africa. Media reports portray new opportunities for business, industrial growth and positive shifts in global trade. The impact of the global financial crisis on Africa appears to have been cushioned by her limited involvement in international capital market deals and less integration to globalisation. The fact remains, that the downturn in the global market and the reduced incentive for Africa to access credit may discourage investors to increase their exposure in the continent at least in the medium term. Although China is a notable exception to this anticipated shift as she depends heavily on African's exports. In spite of the downturn China's trade with Africa has soared to $114.81 billion in the first 11 months of 2010 (Business Insider Inc, 2012). Looking back on economic and trade cooperation with Africa Chinese government's first white paper reveals that China-Africa bilateral trade volume was a mere $12.14 million in 1950. The trade relationship between the two has recorded an average increase of 43.5% year-on-year. This trend is expected to remain as Chinese demand for oil, gas, iron and other raw materials has continued to increase (Business Insider Inc, 2012). Generally speaking, Africa's trade is 'nose-diving' and may further worsen as Western world and the advance economies choose cheaper holiday destinations, import less and become more careful with spending owing to the chain reaction. Africa truly, has a long way to catch up with other areas like Brazil, India and China.

Nevertheless, there are encouraging signs, for instance less people now living in absolute poverty than thirty years ago, though the gap is greater than ever (FAO, 2010). Again, there are less people seriously malnourished than twenty years ago see appendixes 1a, 1b and 1c, although famines have continued to be manmade like in Darfur. While the global crisis may have negative effects on growth in the short term, advanced economies have already begun serious restructuring in order to protect national, regional and the global financial systems from further collapse and sustain the drive towards globalisation. There are significant cutbacks in spending and a better realization of the fact that the world economy is truly global and interrelated. This recognition alone means that no trading block can thrive if another is in decline. The World stock exchanges are so closely linked that share prices appear to follow mirror patterns. African Governments are following European central banks to protect their vulnerable economies.

For instance in Nigeria, the Central bank put the likely cost to stabilize the Nigerian financial system at N1.7 trillion which is about 5.85% of GDP. Moghalu, (2011), compared it with those of the United Kingdom 28.6%, France 19%, Spain 14% and Germany 19.8 %, to say it is low (GoddyEgene,2011; Moghalu, 2011).

Many African countries like Tanzania and Kenya are witnessing some increase in economic growth though small but some are still experiencing decline like Somalia and Zimbabwe that are being held in poverty traps and control feuds. Most of the Continent is moving, though rarely on its own terms towards integrated democracy. Although an entirely Western model of political management is not always ideal for Africa, because most sitting governments usually inherit huge management lapses characterized by past corruption and open dishonesty at every level of society from the educational system to judiciary. This difference makes it difficult for the financial policies of the West to exactly apply to Africa.

Nevertheless, Africa has made great progress over the last decade with improved Governance, widespread efforts for improvements in; Voice and Accountability, Political Stability and Absence of Violence/Terrorism, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. While there are many challenges throughout the continent, the World Bank indicators have improved over the past decade…..see appendix 3 for global ranking on two criteria; Rule of law and Control of corruption in five economies selected from the four regions of Africa between 2007-2010. Apart from setbacks in life expectancy in many countries largely due to HIV related deaths there are signs of improved health services, long term changes in infant mortality in the Sub Sahara as well as improved quality of life. But Africa must continue to learn from other emerging markets, for instance one of the key elements to the exponential success of South Americas rise out of poverty into middle income economies has been its economic diversity. South East Asia also moved from poverty in the 1950s and 60s into highly effective diversified markets by the early 1980s. The educational systems of countries like the Philippines provide useful examples of how poor countries can develop curricula that prepare their work force internationally. The Philippines realized how useful it would be to have children speaking English and like India they were outward looking in their strategic vision. Africa too has an opportunity of incorporating some of the lessons learnt from countries that have moved from being low income to middle income economies. Global economy has dramatically shifted in the last decade; fast emerging economies like; Thailand, Vietnam, South Korea, Malaysia and China are shifting global trade balances. With China exporting far more than it imports and fast becoming one of the richest economies in the World. A major part of the impact of this crisis on Africa has been the opening of new trading relationships with many countries turning away from the western trading blocks to more favorable partnerships with middle income economies. Some African countries like; Uganda, Kenya, Nigeria and South Africa, are said to be well positioned to joining the emerging middle income countries mainly because of their rapidly growing work force.

UNECA chief Abdoulie Janneh was reassuring taking an optimistic view, "It is frightening, but I am optimistic that the process of fixing the problems has begun, and at the end of the day, we hope this continent would be better off."(Peter Heinlein, Voice of America, Addis Ababa, 10 October 2008). Many economists agree that Africa will be among the least affected by the crisis, but it may slow down AID and development funding for some periods while markets recover. The setbacks and challenges have so far centered on endemic corruption, poor planning, lack of transparency and abject poverty of those not part of the new growth. Many cities in Africa are surrounded by slums which can easily be ignited as we now see in Lagos-Nigeria, Kenya and South Africa. Countries like Kenya are beginning to take initiatives to tackle rising slum populations to improve opportunities and living conditions. Raila Odinga, Prime Minister of Kenya launched an ambitious program to replace the ghettos and confront the poverty trap that millions find themselves in. If it works, it will be an important model of coping with urban slums in Africa.

Another challenge in Africa is that the wealth of natural resources rarely filters down to the poor, even heavily endowed country like Nigeria has too many areas and people facing intense poverty despite considerable oil exports. How successful Africa uses its natural wealth depends on its ability to learn how to manage her very feeble economies. African countries can start by harnessing her strengths for instance some countries are better at creating international image for themselves than others, South Africa and Egypt have highly successful overseas policies that promotes investment and tourism, others like Sudan and Zimbabwe have further to go in that regard. Nelson Mandela once said that the future of Africa lay in investing in the children - which is in education. This human resource holds perhaps the key to Africa's future and it will be great if the Western World makes a donor shift into this vital area.

Ultimately this crisis has been a wakeup call for the World. A reminder that we are all fragile and our world can easily fall apart. It will fall apart unless we are all working together, jointly as partners. Western Governments might learn a little modesty from the lessons of the Global melt down. They might pay more attention and trust more and adopt greater real partnership. The days of donor driven policies and agendas are at an end. The great wisdom of the capitalist consumer model (extreme capitalism) has been shown to be a dangerous illusion, and more honest transparent strategies will be needed as the world begins reforming and regrouping. For Africa this is an exciting opportunity, a real chance to be better engaged in a global economy, realizing we are interdependent. The rich may remain rich or can even get richer but must see reasons and the urgency to improve the quality of livelihood of the poor. Perhaps, the best we should be is a community of contemporaries working towards a common future learning from mistakes and building on successes. This truly ensures the peace which has continued to elude the world and like the Catholic Missions often say it is 'Just one World'.

3.0 Stylized Impact and First line of Responses:

3.1 Stylized Impact Analysis:

Growth in Sub-Saharan Africa rebounded sharply in 2010. Supported by the global economic recovery and developments on the domestic front, GDP in Sub-Saharan Africa grew by 4.8 percent in 2010—up from the 2 percent advance of 2009 and just shy of the region's 5 percent pre-crisis average growth. Excluding South Africa, the largest economy in the region, Sub-Sahara Africa grew by 6.0 percent, one of the fastest growth rates among developing regions. African export revenues, which had fallen to some 51 percent of their pre-crisis August, 2008 levels by January 2009, had almost recovered by November 2010, reaching 93 percent of earlier peaks.

Among the biggest winners from the terms of trade changes were the oil exporters in the region, with incomes gains of upwards 10 percent of GDP in Angola, Congo, and Gabon. Among oil importers in the region the picture was mixed. In general, exporters of commodities whose price increases were higher than the increase in crude oil prices also benefitted. This includes exporters of metals such as copper (Zambia), as well as exporters of agriculture products such as rubber (Liberia), and cotton (Burkina Faso, Benin, and Mali). However, though the prices of the principal merchandise exports of many oil importing Sub-Saharan African countries improved in 2010, they still suffered deterioration in their terms of trade, as in general, the recovery in prices was not sufficient to compensate for the sharp rebound in oil prices. Nonetheless, the impact of terms of trade changes on growth in 2010 remains mixed as stronger growth was associated with countries that recorded both favorable as well as unfavorable terms of trade changes, implying that there is more to the Sub Saharan African growth story than developments in commodity prices.

Growth in Sub-Saharan Africa rebounds close to pre-crisis average Percent growth GDP

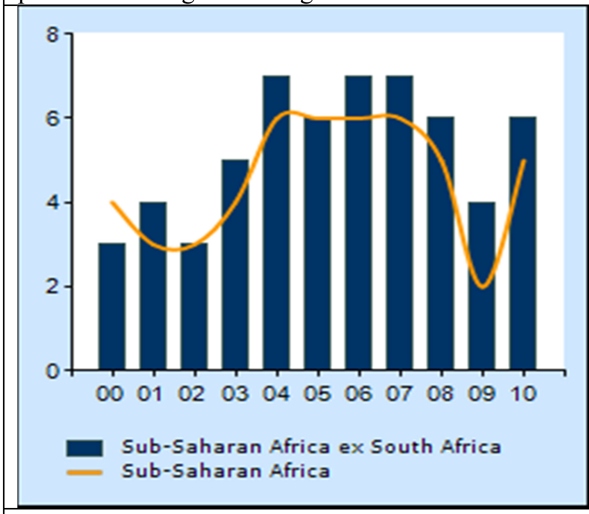


Figure 4: Source: World Bank..**Published June 2011**

Terms of trade changes in Sub-Saharan Africa countries Share of GDP (%)

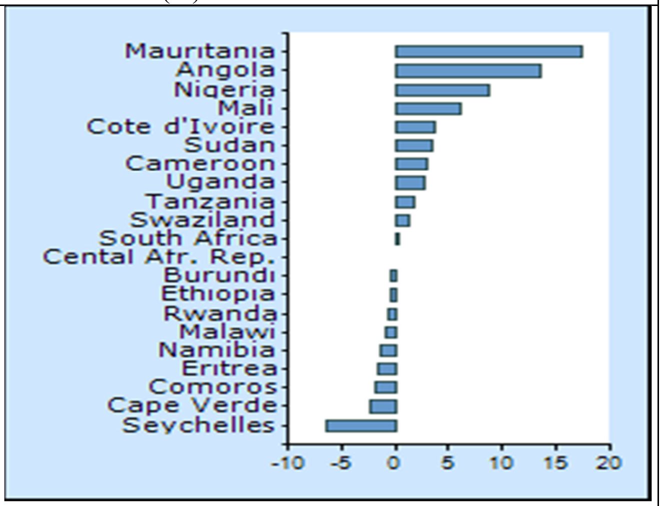


Figure 5: Source: World Bank. **Published June 2011**

Rebound in capital flows. Due to the recovery in the global economy, as well as an increasing recognition by investors of the opportunities presented in a rapidly growing developing region, net private capital inflows to Sub Saharan Africa increased from $35.8bn in 2009 to an estimated $41.1bn in 2010 and was projected to rise to $48.6bn in 2011 (see appendix 2 below).

Net private capital inflows to Sub-Saharan Africa rebounds after crisis US$ billion

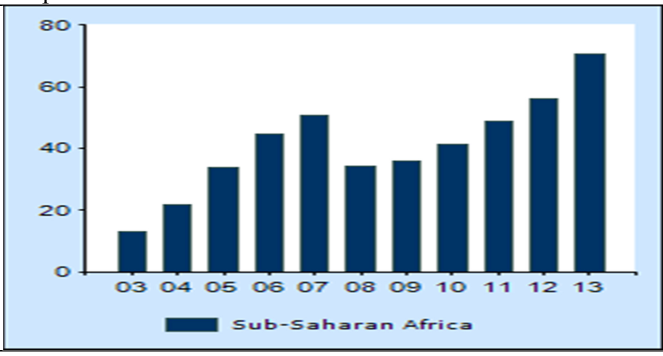


Figure 6: Source: World Bank..**Published June 2011**

The leading destination of FDI inflows, in value terms, is to the capital intensive mining sector. Indeed, higher commodity prices and the global competition to secure supplies of commodities have spurred investments globally in the natural resource sector. Sub Saharan Africa, a region with a high proportion of known mineral resources with great potential for further development is benefitting from this trend. This has been facilitated by improvements to regulatory regimes in the affected countries. Capital sourcing by African resource companies is reported to have increased by 240 percent compared to 2009. (Guests, 2011). Much exploratory activity has been ongoing in several countries during 2011, with new discoveries and production coming on stream.

Recent mineral discoveries and production

Discoveries in the 1st quarter of 2011

Natural resource	**Country**
Oil	Ghana (West Cape Three points)
Gold	Tanzania (Handeni region)
Iron Ore	Liberia (Bopulu and Timbo)
Manganese	Gabon (Ndjole)
Diamond	Sierra Leone (tongo)
Natural gas	Tanzania (offshore)

New production to come on stream in 2011

Natural resource	**Country**
Coal	Mozambique
Oil	Ghana
Copper	Zambia (Konkola North)
Manganese	Gabon

Source: *Africa Mining*, various issues…**Tables 1a and 1b**

These resource flows have supported growth by creating new jobs, increasing government revenues and helping to finance current account deficit. Yet in countries with poor governance and weak institutions, the natural resource sector which exists as an enclave in many countries, can be a deterrent to growth, as rents generated by the sector are appropriated by the elite minority, often leading to conflict (Collier and Hoeffler, 2004). But should this so-called 'resource-curse' be the norm? Twenty-one Sub-Saharan countries have sought to maximize the potential benefit from resource exploitation and reduce the potential for corruption by joining the Extractive Industries' Transparency Initiative. Five are currently considered compliant to the initiative (the Central African Republic, Ghana, Liberia, Niger, and Nigeria), while another 16 countries are candidates. Even though, natural resources and energy are the most important destination for Sub-Saharan FDI by value, combined they represent only 16 percent of the total number of new FDI projects. (WIA, 2010). Motivated by higher GDP growth rates, fast growing populations and a rising middle class, the bulk of new investment projects were in the non-natural resources sector. Developments in the telecommunications and retail sectors epitomize the interest in non-extractive industries in the region. In retail for instance, large South African retail firms have been busy opening up shopping malls across the region. Walmart, the world's largest retailer, is currently in the process of acquiring MassMart, a South African chain with operations in 14 countries in the region. See better details on FDI in the entire Africa below.

Portfolio equity flows to Sub Saharan Africa rose by 10 percent in 2010, reaching $11 billion. The strong growth performance of Sub Saharan African countries over the last decade (5 percent per year) coupled with increasing political stability and reforms that have lowered barriers to entry, have begun to place Sub Saharan African countries on the radar screens of portfolio equity managers. This is evidenced in the recent establishment of a number of Africa-focused private equity funds. Not surprisingly, South Africa receives the largest share of such inflows. However other economies, including Nigeria, with its fast growing economy and large population; Kenya, which is often viewed as the gateway to the $84 billion East African economy, and Ghana, with its stable political environment and fast growing economy, are of particular interest.

Africa Focused Funds
US$ millions

Fund	Size
ECP Africa Fund	613
Pan African Investment Partners II	492
Aureos Africa Fund	381
Leapfrog Microfinance Inclusion Fund	136
Evolution One Fund	91.0
Africinvest Financial Sector	43

Source: Africainvestor, November/December 2010.**Table 2.**

South Africa also dominated bond flows to the region, accounting for almost all of the $4.7 billion in regional bond sales during 2010. However, with an estimated $93 billion annual infrastructural deficit, and a funding gap of $31 billion, a number of countries in Sub Saharan Africa (Ghana, Kenya, Tanzania, and Zambia) continue to express interest in tapping the euro-bond market. In January 2011, Nigeria issued a $500 million debut Eurobond, which was oversubscribed. In March 2011 Zambia received a "B+" credit rating from international credit rating agencies. Several other countries are revamping their laws to tap into the nearly $1 trillion Islamic financial market. Senegal has indicated that it plans to raise $200m in Islamic financing by the end of 2011. Increasingly, foreign investors are participating in local bond markets, notwithstanding the foreign exchange risk. Ghana's February 2011 auction of GHS 400 million ($263m), in 3-year bonds attracted significant global interest and was oversubscribed by 88 percent. Kenya auctioned a 9-year infrastructure bond worth 31.6 billion shillings ($380m) in August 2010, and the country is likely to continue to tap the market in 2011. Indeed, local currency bond supply in Sub Saharan Africa is estimated to have increased from $7bn in the 1990s to almost $20bn by 2008. Improving liquidity is also supporting the extension of the yield curve in a number of countries, with Nigeria offering 20-year maturities and Kenya up to 30-year maturities.(Nwamba, 2011).

FDI Flows to Africa during the high growth years is anchored by the commodity price boom, i.e. 2001-2007. FDI flows into Africa increased rapidly and attained the highest ever of $87.6 billion in 2008 from a mere $14.2 billion in 2002. However, the decline in economic growth caused by global financial crisis and the plunge in commodity prices sharply reversed the trend in 2009. The FDI flows into Africa declined by over 33% in 2009 to $58.6 billion. While the growth in FDI flows into Asia and Latin America recovered in 2010, FDI flows into Africa continue a down ward spiral. It declined further by 14.4% in 2010 to $50.1 billion, the lowest level for four years. The decline in FDI flows into Africa has been driven by the flows into four major FDI recipients: South Africa, Egypt, Nigeria and Morocco. In 2009 FDI flows into Morocco, South Africa and Egypt declined by 56.6%, 24.6% and 13.9% respectively. As a result, Morocco lost its status as a major receiver of FDI in Africa and Nigeria emerged as second largest receiver of FDI after Egypt in 2009. However, in 2010 FDI flows into Nigeria collapsed by over 60% while those into South Africa plunged by 78%. Only Egypt maintained a marginal increase in FDI to stay as a leading destination in the African continent. However, South Africa remains to be a major destination of portfolio investment in the continent driven primarily by near zero yields in advanced economies. While UNCTAD, (2008, 2011) did not give any reason for such drastic contractions in FDI flows into South Africa and Nigeria, this is likely to negatively affect economic development and job creation agenda of the respective governments.

However, the 2011 World Bank Prospects for Development report paints a bright future for sub Saharan Africa. With better than expected pace of recovery from global economic crisis and with annual average economic growth expected to be in excess of 5% between 2010 and 2012, several sub Saharan Africa countries are better positioned to attract more FDI inflows in the coming years. The investment climate in Africa is improving, and many countries have improved their macroeconomic policies and debt sustainability; as a result many are increasingly talking of several African countries being on the verge of an economic takeoff (World Bank, 2011). Historically, FDI flows into Africa have exclusively focused on extractive industries but this has changed of recently. At present FDI inflows have diversified into the service sectors particularly telecommunications and banking sectors. For example, the recent offer of Walmart to acquire South Africa's MassMart is an equivalent of 13 times the pre-tax earnings of the latter and represents a significant injection in FDI into Africa. "Africa is also becoming an attractive destination for portfolio investment flows. Countries like Ethiopia, Ghana, Nigeria, and Rwanda are identified by several fund managers as possible destinations for Africa-centric investment funds" (World Bank, 2011).

Expectations of increased FDI inflows to Africa are boosted by the South-South cooperation or Africa's emerging economic partnerships particularly with China, India, Brazil, Malaysia and Turkey in recent years. For instance, the mid 2010 acquisition of the Africa business of the Kuwait based telecom company, Zain Telecom for $10.7 billion by an Indian telecom giant Bharti Airtel represents the largest South-South acquisitions ever. Zain operates in 17 African countries. Given its vast natural resource endowments and population of over a billion, Africa has a great potential to become one of the leading destinations of FDI in the near future. However, the realization of this potential depends on the size and sustainability of economic growth, continuity of economic reforms and political stability. The recent events in Cote d'Ivoire, Tunisia, Algeria, Libya and a host of other countries have not impacted positively on political stability of Africa.

According to ILO, (2011), more than three-quarters of workers (75.8%) in the region were in vulnerable employment, a rate significantly exceeding all other regions except South Asia. Due to the global economic crisis, the vulnerable employment rate is estimated to have increased by 0.5 percentage points in 2009, which is the first increase since 2001. According to the report, Sub-Saharan Africa is also characterized by very high working poverty rates; in 2009, around four out of five workers were among the ranks of the working poor (at $2 a day). The report projected economic growth for the region in 2011 at 5.5%, which is the same rate as just before the global economic crisis in 2008. Current projections of the unemployment rate show little change between 2010 (8.0%) and 2011 (7.9%). Workers in 'Vulnerable employment' were defined as the sum of own-account workers and contributing family workers. They are less likely to have formal work arrangements, and are therefore more likely to lack decent working conditions, adequate social security and 'voice' through effective representation by trade unions and similar organizations. Vulnerable employment is often characterized by inadequate earnings, low productivity and difficult conditions of work that undermine workers' fundamental rights. (Kanaja Raja, 2011). The number of working poor – people who are unable to earn enough to lift themselves and their families above the US$2 per person, per day, poverty line, may rise up to 1.4 billion, or 45 per cent of all the world's employed by 2012 ends (GET, 2010).

3.2 First line of Response by Some African Countries:

Given the adverse effects of the global economic and financial crisis, African governments and policy makers moved to reduce the impact of the crisis on the continent. According to Nurudeen and Obi (2010), in March 21st 2009, the committee of African Finance Ministers and Central Bank Governors established to monitor the crisis came up with its report on the impact of the financial crisis on African economies as well as first line of measures taken by some countries to reduce the impact of the crisis. Although new measures arise as cases on fold, but some of the maiden measures employed by countries to mitigate the impact of the crisis on individual economy and livelihoods are highlighted below:

In Botswana, the Central Bank of Botswana reduced interest rate by 50 basis points to 15 percent in December 2008. Given the uncertainty about the foreign exchange reserves to reduce the impact of the crisis on the economy, the government also made provision to allow borrowing on need-by-need basis. Moreover, government recurrent expenditure on items like personnel emoluments and cost of travel, and expenditure on some projects were reduced.

The government of Cape Verde ordered a careful management of the interest rates and the budget so as to ameliorate the impact of the crisis on the economy.

While in Egypt, the ministry of trade and industry promoted exports to maintain a healthier balance of payment and enhance export oriented domestic production. This was followed by the injection of 7 billion Egyptian pounds. The tourism sector is also being encouraged among other things, via tax-exemptions on charter flights and free nights in hotels. In order to boost the confidence of depositors, authorities created the Deposit Insurance Fund. In addition, the parliament approved integrated supervision of non-bank financial institutions like capital market, insurance, mortgage and so on. The central bank also reduced overnight deposit rate by 100 basis points to 10.5 percent, while the lending rate was cut down to 12.5 percent.

In Kenya, the Central Bank of Kenya reduced the threshold for investments in treasury bills (TBs) in the primary market from 1 million Kenyan shillings to 0.1 million Kenyan shillings in order to encourage small investors from January 2009. Moreover, the government issued infrastructure bond to the tune of Kshs18.5billion with a 12 year maturity in early 2009.

The government of Mauritius provided a stimulus package of about 10.4 billion rupees (3 percent of the GDP) in order to foster economic growth, create more jobs as well as enhance the purchasing power of its citizens.

In Morocco, the government gave firms the permission to buy-back their own shares, should their price fall below a certain level. Besides, insurance firms can hold up to 60 percent of their listed shares so as to cover their liabilities as compared to the previous 50 percent.

The Nigerian government moved to use her 2009 budget and the country's foreign exchange reserves as stimulus package to reduce the impact of the crisis and to promote economic growth. The federal and state governments were expected to raise about N1.7 trillion (stimulus) to meet the anticipated expenditure for over 10 years. In January 2009, the government established a presidential committee to develop a framework in response to the impact of financial crisis and injected 70 billion naira into the textile industry to revive ailing companies. Also, Soludo, (2009) reported that, in response to the global financial crisis, the monetary authorities adopted various measures for proper supervision and regulation, as well as ensure soundness of the financial (and banking) system. For instance, in an attempt to manage liquidity within the economy, the Central Bank of Nigeria (CBN) reduced the MPR from 10.25 % to 9.75 % and to 8.0 % (below inflation rate), CRR from 4.0 % to 2.0 % and to 1.0 %, and the liquidity ratio from 40.0 % to 30.0 % and to 25.0 %. The CBN also expanded the discount window which allows banks to borrow for up to 360 days (at an interest rate not exceeding 500 basis points above the MPR). It also suspended an initial policy for aggressive mop-up of liquidity since late 2008.

Under foreign exchange and exchange rate management, the CBN adopted an exchange rate adjustment that would help to preserve the country's foreign exchange reserves. It moved from the Whole Sale Dutch Auction System (WDAS) to Retail Dutch Auction System (RDAS) with an enlargement of eligible transactions through this window. The CBN embarked on the restructuring of the Bureau de Change (BDC) operations, categorizing them into Classes 'A', 'B' and 'C' based on capital structure, viability and turnover. Today, Foreign exchange sales can only be made through bank operated BDC. In January 2009 the CBN deployed resident examiners to the banks to improve supervision-regulation. There are also 'Target examination teams' that ensure conformity with established code of corporate governance. These measures were to enforce discipline and restore confidence in the system. The CBN now provides advisory service to banks on risk management issues. The CBN adopted for all banks a common accounting year end with effect from the end of December 2009. This was to improve data integrity, comparability of the status and soundness of every bank, and perhaps to meet International Financial Reporting Standards (IFRS).

Finally, the CBN undertook to continue to review the BOFIA in order to strengthen regulatory capacity. To reduce pressure on inter-bank rates and provide temporary liquidity for banks, the CBN reduced the Expanded Discount Window (EDW) rate to a maximum of 500 basis points above MPR beginning from March 16, 2009. Moreover, the bankers' committee pegged the maximum deposit and lending rates at 15 % and 22 % respectively, effective from April, 1 2009 to be reviewed after every 9 months; this was expected to impact on the growth of real sectors. In the area of confidence building, CBN has repeatedly emphasized that Government and the monetary authorities would ensure that all banks remain sound and no bank would be allowed to fail. In fact, a bailout of over N700 billion was made to banks facing liquidity problems.

In South Africa, the government planned a stimulus package of R690 billion for public investment projects for the first three years following the crisis, so as to encourage and sustain public sector employment programs. In addition, the government moved to support the financing of industries and gave incentives in order to bring back to life distressed companies. Moreover, government moved to sustain and expand public sector social expenditure. In an effort to reduce the impact of the crisis particularly on the middle and lower income earners, government gave tax relief of R13.6 billion. On its part, the Federal Reserve Bank of South Africa cut interest rate (i.e. the repurchase rate) by 100 basis points to 10.5 percent.

In Sudan, the regional government announced a 10 percent salary reduction for senior government officials and reduced the burden of housing officials in hotels.

The Tunisian government created a commission to monitor the impact of the crisis. In addition, the 2009 budget made provisions for expansion of public investment, promotion of external competiveness as well as creation of employment. Couple with these, is the reduction in money market rate from 5.2 percent in December 2008 to 4.65 percent in January 2009. Lastly, the key interest rate was cut down from 5.25 percent to 4.50 percent in February 2009.

4.0 Resilient Analysis factors and Related Dynamics:
From the experiences of the markets that have proved resilient in the recent past, we must look at the future based on some economic fundamentals, key macroeconomic policy imperatives and the need for a new financial systems regulation strategy.

4.1 Fundamentals that make markets tough:
The following essentials must be present for markets to show resilience to withstand financial crisis shocks (Lin and Viñals, 2010). There is need for sufficient fiscal room. This can be attained through; trade surplus, financial prudence and budget discipline, this has proved particularly effective and a ready instrument for Bail out. Analysis shows that those countries with significant foreign reserves and greater exchange rate flexibility were able to maneuver and 'weather the storm' as these increased resilience to shocks during the crisis. A Pre-crisis sound central bank and a credible banking sector proved helpful as it is easier to maintain or restore confidence in these systems since the people are more likely to accept recommendations from them. Other helpful factors are; lower short-term-debt-to-reserves ratio as it reduced the impact on liquidity/reserves and also less domestic debt denominated in a foreign currency.

4.2 Monetary Policy and the macro economy:
Jose Viñals, said "…. apparent macroeconomic stability can undermine financial stability: even if inflation is stable"(Lin and Viñals, 2010). Let's first analyze stability in the macro-economy. According to the Keynesian economics, equilibrium can only be achieved in the macro economy in the face of stable inflation, where there are no abnormal increases in either consumption spending and/or input costs of goods and services. For stability, changes in both demand and supply sides must reinforce each other. Please note that abnormal and unanticipated increases in investment spending causes demand pull inflation and while such increases on input cost of goods and services causes cost push inflation. During crisis situation, macroeconomic stability can only undermine financial stability in the short run, where government policy (bailout) affects only the supply-side i.e. output and production without affecting demands and consumption. A balanced fiscal stimuli must kindle both aggregate demand (AD) and aggregate Supply (AS) in a complementary way. The authorities must be careful with the choice of instruments; on the supply side, a banking sector directed bail out strategy through purchasing of toxic assets may keep the banks afloat to provide the funds needed by borrowers (producers) but it portends crowding out effect where larger funds may be directed to unproductive sectors. From the US experiences an indirect policy through the banks was complemented by a direct strategy where funds flow of the private sectors was increased using tax cut or tax rate reduction, this has proved very efficient. The tax rate reduction is a faster and better way of increasing the funds available to the private sector. Furthermore, the amount of tax paid is a better measure of volume of business whichis an entities' contribution to collective wealth, hence reduction of tax rate is a more equitable and efficient redistributors of bail out incentives to entities, it is preferable in that it encourages honesty in future tax matters, making for a more responsible society. The US has the best history of using very low tax rates as a means of stimulating output and production. They have used this effectively even when the economy is not in an intense pressure. The US economy was the worst hit in this crisis but because of these appropriate policies, US has a great chance of true recovery.

On the other hand nations must also stimulate AD of households, to absorb what is produced. Inapt demand side policies will create a ripple effect, for instance Nigerian government in an attempt to absorb an expected revival in output and production from her huge investment in bailout, she introduced a minimum wage adjustment of salaries and wages but this is not exactly right. This is because bail out is a temporary measure but increments in Salaries and Wages cannot be made transitory because of the actions of trade unions which has made it 'sticky' and cannot easily be readjusted at the end of a crisis. This argument is founded on the Keynesian's disequilibrium theory and well explained in his 'liquidity trap' scheme. A plausible alternative to enhance consumption and AD should have been to give a temporary relief say "Productivity inducement Pay" this will be 'one-off' with an added incentive a motivate the households not just to consume more but be more productive at least within the life span of a 'trough' session.

Indeed, to effectively stimulate consumption, the target should be the poor, unemployed, low income earners and pensioners…as further increases in the income of high income earners are more likely to make them switch to consumerism i.e. include in their consumption 'basket' ostentatious goods comprising mainly imports. Government can increase AD and livelihoods of its vulnerable citizens in the period of recession through several ways which may be indirect or direct. Indirect supports like granting 'very liberal credits' to the poor, unemployed and pensioners to go into small scale businesses or petty-trading has proved effective. A miniature of this was recently done by the Lagos government in Nigeria who bought insecticides treated nets and gave two each per home this is a direct measure. In the US, tax rebates are also employed in stimulating consumption equivalently the AD, this is done by grating refunds or tax credit not just the corporate bodies but to households as well. Ironically, most African nations except South Africa appear not to see justification for the use of tax rebate as a fiscal stimulus.

4.2 Financial System and Lax Regulation:
Looking at the global financial crisis, it is clear that the best way to find a solution to a problem is to trace the exact cause(s) which will then permit planning. The global financial crisis has been attributed to lax regulation. The regulatory authorities assumed 'Private Self regulation' and acted too late. The Bank Managers took undue advantage of the lapses, seeking too much profit for their banks, conceivably to enhance their compensation. It is now clear that the global crisis was precipitated in the US, where passionate appeals for government intervention were averted by the actions of Federal Reserve Bank as at the time. Perhaps, it is important for us to be reminded the tenets of 'Self-regulation' of the free market ideology. The idea that an economy can regulate itself through the interplay of market forces is based on the assumptions underlying a hypothetic system called 'Perfect Competitive Market', which is indeed the model of a 'Virtual System' perceived to be perfect. This is a simplification for comprehension sakes of the more complex real world situation. In reality no system has the complete attributes of this 'Virtual System' not even the US or UK or ICELAND. For instance one of the attributes of the "Virtual System" is 'perfect information' which removes 'asymmetric information' perfect information exist only in a market where buyers are as informed as the sellers concerning the quality of the seller's products or where Depositors is as educated as the Bank manager concerning the liquidity position of the bank or where the insurance company is as knowledgeable as a potential life policy holders concerning their health condition….or where the associated cost of acquiring information in each of these cases is negligible. Ironically The US and the other two markets that mirrored them were the worst hit by the crisis because they assumed the status of this 'Virtual System'. Financial and Monetary authorities must therefore seek proper clarification on all technical issues and verify the validity and practical adequacy of every conjecture, or alien policies with respect to their market.

5.0 Policy recommendations
From the fore going we feel able to offer the following policy recommendations which relate to; Central broad regimes at national and regional levels, with specific reference to the African market under spotlight.

Firstly, since African financial markets are becoming increasingly integrated with world financial markets, there is need for more serious oversight and control of all financial and associated institutions including those otherwise tagged as 'too big to fail'. In markets like; US, UK and South Africa where the role of monetary control and financial regulation is separated. Monetary policy authorities should continue to prioritize their mandates (price stability and in some cases growth) and financial regulators should concentrate on how best to achieve financial stability, monetary policy should take financial considerations into account at the margin. Financial institutions should be made to pay for their costs to society through a financial levy; in addition Central banks must create some remuneration schemes that discourage excessive risk-taking. The investors should also be encouraged to do their own due diligence. Ratings agencies, and every institution which could have a hand in creating crisis, must be better regulated. Finance officials should reduce their reliance on ratings, as the European Central Bank is doing and must be mindful of all the windows through which their markets can become fragile and do well to regulate both the financial system and their 'shadows'. Furthermore, monetary authorities should employ policies that would restore the proper functioning of the financial markets in order to restore the fading confidence in the markets.

Secondly, policy makers at the national levels must seek to create fiscal surpluses and lower debt in order to create the fiscal room needed to maneuver during crisis. They should enact automatic and easily verifiable countercyclical rules to create fiscal buffers during periods of economic growth. The adoption of a flexible exchange rate with a mind on purchasing power parity will help African countries to absorb external shocks, thereby reducing the adverse effects of any crisis on their economies. Recent experiences show that those policies that appear to undermine the role of government do not serve the interests of most transitional markets. Some recommendations of IMF, World Bank and other donor agencies that do not take full account of the unique situations in African may need some modified. There may be urgent need for various governments to revisit past policies to see how they can be made more impactful. For instance Obiorah, (2011a) posits that privatisation especially amongst poorer nation does not required the sale of public assets or commercializing of public utilities since the assets and utilities serve the very basic needs of the majority who are poor and can hardly afford commercial rate. He insisted that private initiative and profit orientation can be best achieved in such environment by installing a responsive team to manage the public institutions, while intensifying efforts at; attracting foreign investors through improved investment friendly environment, providing required infrastructure, reducing cost of doing business, stimulating the growth of existing and new businesses including SME's……..Trade between Africa and developed countries has declined substantially; African countries should seek for how to increase trade among each other (south-south cooperation). Countries must look for new product lines like tourism, or as in tables 1a, 1b and 2 etc. to attract other parts of the world.

Thirdly, at the regional level, given that there is declining rate of foreign investment to the continent, regional development banks and the African Development Bank should increase their funding of productive (real) sectors of the economies. In addition, the bank should invest in infrastructural development like transport, energy, power, communications, schools, and so on. Besides, country members should be made to increase their contribution so as to raise the capital base of both regional and development banks. This will help to increase the funding and financing of strategic and important sectors of the economies, as well as reduce their exposure to bail-out during recession. Moreover, these banks and various governments should promote and increase funding to Small and Medium Enterprises, as they have been recognized as major employers of labour across the globe. Africa must seek for better representation in the decision making and actions of international institutions like; the International Monetary Funds, World Trade Organization and the World Bank, since decisions made by these bodies usually have lasting effects on the well-being of the African people. For those countries with huge foreign exchange reserves and are facing limited inflow of international capital, they should emulate those who have drawn on their reserves to finance public works and projects as this will create room for investment, employment and accelerate economic growth. To further accelerate growth, employment and recovery process various governments may find need for (fiscal) policy of tax cut or reduction of other forms of indirect levy on the sprouting businesses and increased government commitment towards enhancing the efficiency of the productive sectors. To increase labour productivity African governments should employ appropriate labour market policies that would encourage and raise human capital development through training and education of workers. Governments should provide safety nets for highly vulnerable groups such as low income earners and the unemployed, so as to ameliorate the impact of the economic crisis on families.

Finally, richer countries may seek for ways to support poorer ones, where possible countries with adequate resources can serve as 'donor' or lenders to those that are hard hit. In addition, governments' efforts should be geared towards monetary stability, fiscal sustainability and fiscal consolidation. In all there is need to increase openness, transparency and accountability in government transactions.

Conclusion

To avoid further complications in periods of crisis it might be wrong for Central banks to introduce an entirely new and foreign regime(s) or product(s) except where it is the only measure to bring the economy back on track. In this exception the new banking product must have a complete market appeal that can; reduce the unbanked, reach the underserved. A complete market appeal is the only thing that will enable a product to create value in an economy, it must address both the people's legitimate and sentimental needs and be a delight to all…for instance Islamic Banking may have excellent economic merits but may lack market appeal in environment where there is strong religious divide, but 'Non interest' banking (although presumably the same) may serve in such an environment. Leaderships of monetary and financial authorities must not overlook the subsisting naivety and waning confidence peculiar to their own market and must reduce experimentation in periods of crisis.

From the antecedents of the financial crisis it is necessary that African policy makers must evolve unique growth models that are capable of transforming her vast potentials into tangible improvements in people's livelihoods through a sustained employment generation and poverty reduction. A true Mix economy is one that should allow the parallel growth of both the public and private at diverse rates to respectively support the poor who depend on the essential services of public enterprises and as well support capacity building and economic efficiency through free market competition. I feel happy to recommend to African markets the Stake holders model that stands Japan and Germany out among the top 10 economies of the world see Appendix 4. The 'Stakeholder's model' is in my opinion an improvement of the mixed-economy creed.

Finally, for Africa I see greater potentials in export-led strategies especially where it is internally driven. An all inclusive, time-based, country specific model is needed to tackle not just the usual macroeconomic problems but also to address the adverse effects of; wide income disparities, unfavorable economic mechanism for wealth redistribution which is capable of bring to African nations what a modern society accepts as fair, just and tolerable poverty levels.

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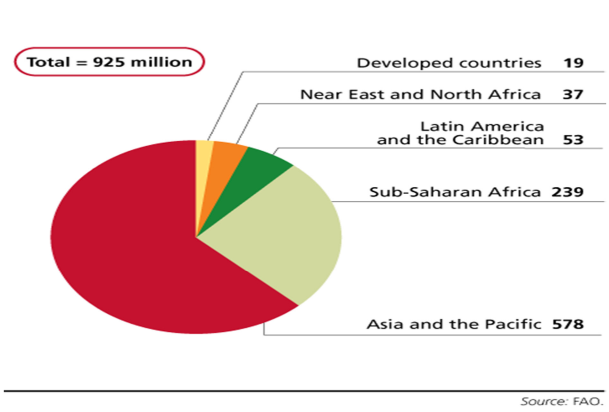
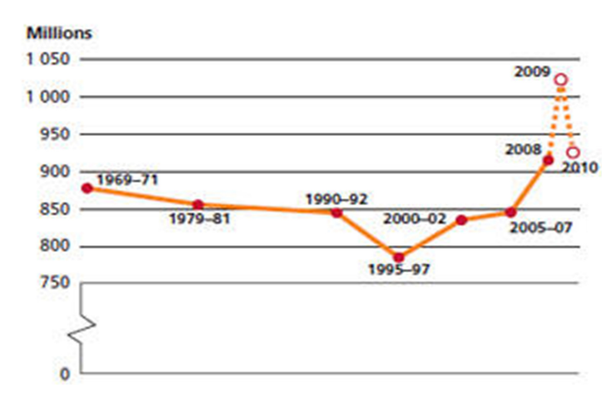
Appendixes:

Appendix 1a=925 million hungry people in 2010	Appendix 1b=Number of hungry people, 1969-2010
	
Source: FAO	Source: FAO

Appendix 1c: The table used to calculate Number of hungry people

Region	% in $1.25 a day poverty	Population (millions)	Pop. in $1 a day poverty (millions)
East Asia and Pacific	16.8	1,884	316
Latin America and the Caribbean	8.2	550	45
South Asia	40.4	1,476	596
Sub-Saharan Africa	50.9	763	388
Total Developing countries	28,8	4673	**1345**
Europe and Central Asia	0.04	473	17
Middle East and North Africa	0.04	305	11
Total<			

Appendix 2: Net capital flows to Sub-Saharan Africa2004-2013

	2004	2005	2006	2007	2008	2009p	2010	2011	2012
Financial Flows									
Net private and official flows	24.0	33.0	42.4	53.2	38.9	45.3	51.1	..	..
Net private flows (debt + equity)	21.7	33.9	44.4	50.7	34.3	35.8	41.1	48.6	
Net equity flows	4.0	5.3	6.0	5.9	3.5	3.9	3.7	3.9	
Net FDI inflows	17.7	26.1	37.0	38.7	28.9	40.2	34.8	39.1	
Net portfolio equity inflows	11.0	18.0	20.2	28.5	34.5	30.3	23.8	32.1	
Net debt flows	6.7	8.1	16.8	10.1	-5.6	10.0	11.0	7.0	
Official creditors	6.4	6.9	5.4	14.6	10.0	5.1	16.3	..	..
World Bank	2.3	-0.9	-1.9	2.5	4.6	9.5	10.0	..	..
IMF	2.5	2.4	2.2	2.4	1.9	3.1	3.4	..	..
Other official	-0.1	-0.4	-0.1	0.1	0.7	2.2	1.8	..	..
Private creditors	0.0	-2.9	-4.1	0.0	2.0	4.1	4.8	..	..
Net medium- and long-term debt flows	4.0	7.9	7.4	12.1	5.5	-4.4	6.3	9.5	
Bonds	2.7	4.8	-2.0	8.0	0.8	5.6	8.1	..	..
Banks	0.6	1.3	0.3	6.7	-0.7	1.9	3.4	..	..
Other private	2.4	3.8	-1.7	2.1	1.7	2.9	4.7	..	..
Net short-term debt flows	-0.3	-0.3	-0.7	-0.8	-0.1	0.8	0.0	..	..
Balancing item a	1.4	3.0	9.4	4.0	4.6	-10.0	-2.1	..	..
Change in reserves (- = increase)	-4.4	-32.4	-29.0	-16.8	-3.2	-17.7	-30.6	..	..
Memo items									
Workers' remittances	8.0	9.4	12.6	18.6	21.6		20.8	21.9	23.0

Source: World Bank. Data for 2010 is estimated, and for 2011 and 2012, forecast.

Page: Country: Sub-Saharan Africa Row: Series Column: Time

Appendix 3

Global Ranking on Two Governance Metrics								
	Rule of Law				Control of Corruption			
	2007	2008	2009	2010	2007	2008	2009	2010
EGYPT	50.23923	53.36538	53.5545	51.65877	28.64078	26.21359	39.23445	34.44976
GHANA	54.06699	52.40385	52.60664	54.02844	58.73786	57.28155	60.28708	60.28708
KENYA	16.74641	15.86538	16.11374	16.58768	17.47573	13.59223	13.39713	18.66029
NIGERIA	11.96172	13.46154	11.37441	10.90047	16.01942	21.35922	17.22488	15.78947
SOUTH AFRICA	57.41627	54.80769	57.34597	57.81991	62.62136	62.62136	61.72249	60.76555

Source: Extracts from WGI: World Bank Policy Research Working Paper No. 5430

Appendix 4

Top 10 largest economies by GDP in PPP terms: 2010 and 2020

Rank	Country - 2010	GDP (U$ million)	Country - 2020	GDP (U$ million)
1	USA	14,802,081	China	28,124,970
2	China	9,711,244	USA	22,644,910
3	Japan	4,267,492	India	10,225,943
4	India	3,912,911	Japan	6,196,979
5	Germany	2,861,117	Russia	4,326,987
6	Russia	2,221,755	Germany	3,981,033
7	United Kingdom	2,183,277	Brazil	3,868,813
8	France	2,154,399	United Kingdom	3,360,442
9	Brazil	2,138,888	France	3,214,921
10	Italy	1,767,120	Mexico	2,838,722

Euromonitor International from IMF, International Financial Statistics and World Economic Outlook/UN/national statistics

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