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LA COALITION POUR

LE DIALOGUE SUR

L'AFRIQUE (CoDA) 2009 ________________________________

Executive summary

Crise financière mondiale :
des réponses alternatives de l'Afrique

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One of the four-fold priorities of CoDA :

*"Africa's Response to the Global Financial crisis"*_________________

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ABSTRACT

The Coalition for Dialog on Africa (CoDA) offers an alternative perspective on the responses to the consequences in Africa of the financial crisis of 2008. The paradigm of economic and financial dependency can no longer explain the complexity of a systemic crisis facing African Nations. Breaking with the palliative economy, rejecting that Africa is conceived as the variable of adjustment for post-industrial economies, watching carefully the trap embedded in the *"poverty reduction"* concept which is not at all synonym of shared wealth creation, neutralization of straight-jacket solutions considered as *"universal solutions",* etc. These are the prerequisites.

What to do while facing the advanced dislocation of the African economy which is struggling to organize its monetary unity as a means to retrieve its monetary sovereignty?

The suggested responses are flexible, but based on counter-powers and suppose the creation of an African Pact in support to the purchasing power and the creation of the economic prosperity. Africa must find the mechanisms of anticipation in order to limit the strategic decisions ranging against its own interests.

MAIN MESSAGES

Africa is suffering from the direct consequences of an exogenous crisis linked to an excess of both deregulation and organization of the creation of wealth in disconnection with the production and the real economy. Thanks to its prudent macro-economic management and the weakness of its financial infrastructure, Africa is not particularly present in the virtual market, even less on that of the speculation. In this regard, Africa is neither guilty, nor responsible for the financial crisis of 2008. It will nevertheless undergo the collateral effects of economic externalities over a long period.

In this respect, the continent will propose selected responses which are not necessarily the same as those of the rich industrialized countries. The Coalition for the Dialog on Africa (CoDA) offers an alternative to the mainstream and dominant economy by focusing on the point of view of Africans while providing solutions to the consequences in Africa of the financial crisis of 2008. The paradigm of economic and financial dependency in which economic operations, financial transactions and strategic decisions are made in Africa no longer meets the concerns of the African economic agents, assuming that they have ever been met.

It is therefore necessary to identify a wholesome framework to break with the palliative economy and to bring the rich industrialized economies, well-advanced in entering a post-industrial civilization, to no longer consider Africa as a variable for adjustment. This is, moreover, the trend of this post-industrial society to consider as universal its own solutions to the wealth creation challenges which led regularly to unacceptable shortcomings for Africa such as the universalism of deindustrialization. Also, the financial crisis should not hide the systemic crisis that hold up Africa despite the notable inadequacies in terms of building unity on the major strategic issues related to the currency, the finance and the economy. In the search for a new consensus, the main impacts of the financial crisis of 2008 will be highlighted with the objective of breaking the vicious circle of old and common precepts which were not implemented, without falling into the *"poverty reduction"* trap which is not synonym of shared wealth creation.

Then, more than straightjacket solutions, it is an African pre-existing methodology, implemented and tested successfully by the African ancestors before the dislocation brought by the colonial economy and the transfers of African resources to the West which is recalled. It is appropriate to reinvent the *contractual solidarity* in economics in order to better manage the post-2008 crisis, building watch and alert systems in order to take advantages of anticipations. No solution is sustainable if it is not first intended to help Africa regaining its economic sovereignty.

Africa is not in recession in 2009. It should be able to recover its pre-crisis level of economic growth as of 2010 and pursue its slow growth. The main message of the financial crisis of 2008 is that the market is in no way a *"good"* or the "best" regulator of financial or economic crisis. The market is not supposed to reduce inequalities, whereas a responsible State acting as a regulator may do so and adjust exit crisis' strategies according to the various regions of Africa. It is the renaissance of this particular function of the State that Africa needs to organize.

In fact, the financial and economic vulnerability of Africa is based more on its strategic decision-making process. The 2008 financial crisis, succeeding two other crises, food and energy, weakened, among others, the overall fiscal balance, the external current account, the international reserves, the industrial fundamentals and, of course, it has eroded the trade surplus. The financial crisis of 2008 has had the effect of contracting considerably both the fiscal and budget of African States.

In the framework of a globalized world, transfers of financial resources to Africa are indirectly related to the demand of the industrialized and emerging countries. It becomes pertinent to recall the decline of transfers of the Diaspora, foreign direct investments, investments in portfolio, the development aid and the world demand for African products. This should not prevent Africans from preparing the paths for an economy based on the local demand and structured around an economy of proximity if they do not really wish to sacrifice the social sector and more particularly the social safety nets. Taken collectively, it is the lack of monetary and financial sovereignty in the Continent coupled with a weakness of productive structures which prevents from taking control over a new forthcoming possible financial crisis. Africa is invited to seek ways that lead to economic resilience in accelerating the emergence of its common currency.

With a modest support to the world economic growth, Africa must reinvent its paradigm of *"contractual solidarity"* in economics. It is suggested to evolve toward an economic and financial resilience based on a *"multifaceted Support Pact in support to purchasing power, wealth creation and economic prosperity".* This must be part of a new smart partnership between African leaders and the organized African civil society. It is proposed to use the financial crisis of 2008 as a leverage to support and promote alternative views centered on the well-being of the African peoples.

In addition, the marginalization of Africa in the multilateral decisions has led the major industrialized countries to believe that stating their solutions as universal solutions is de facto a response to African problems. It is in fact an oversimplification of the complexity of economic modes of operation on the ground in Africa which is the basis of strategic errors of decision-making and economic governance. Unfortunately, at the level of local decisions, the African economic agents namely taxpayers, consumers and voters, regarded as a market of a forthcoming purchasing power, were denied all transparency in the dissemination of information as well as in the decision-making.

It is therefore necessary to reinvent the ancestral forces of an economy based on the contractual solidarity where regulation, control and transparency will resume their right. This afrocentricity of the economy can only be done by Africans themselves. A large part of the African civil society and the private sector cannot be excluded, despite many constraints to the emergence of democracy in economic.

It is proposed to move toward an African Agile Pact supporting purchasing power, wealth creation and economic prosperity, which could be regulated to fit regional, sub-regional, sectoral or bilateral issues with democratic counter-powers composed of social partners originating from the civil society and the private sector. This common Pact should serve as *"common benchmarks"* for marking choice and alternative decisions in economics and finance which will frame the future of African citizens-taxpayers from a short, medium and long-term perspective.

Accordingly, Africa cannot subscribe to a future tax on the international financial transactions if the latter shall serve only to absorb the toxic financial assets, real sunk costs, instead of financing its Pact in support to purchasing power, creation of wealth and economic prosperity. The objective is to enable the African economy to become an economy classified among middle-income economies.

Three major classifications are suggested to frame an initiative limited to a specific geographical area such as emergency measures and short term (1 to 3 years), medium and long-term measures (3-7 years and 10-25 years) and the anti-palliative measures (or anti-poverty trap measures). Identified Economic agents have been distributed in seven major groups namely: 1. The African authorities (AA), 2. Providers of public funds (PPF), 3. Foreign direct investors (FDI), 4. African private sector (APS), 5. African Diaspora (AD), 6. African civil society (ASC), 7. International civil society (ISC). The proposed measures must necessarily avoid serving as antidotes to palliative approaches making sometimes the African, an unconscious actor of the perpetuation of its qualification as variable of adjustment.

To the extent possible, the operational modalities and relevant potential and alternative financial means for implementation should be systematically recommended without necessarily hiding behind the usual *"one should"* or appealing to the so-called *"international community"*, nor systematically to the State unless the latter has a function of a regulator and a coach who is supportive to the diffusing of knowledge, technology and know-how.