EUROPEAN CENTRAL BANK

EUROSYSTEM

OCCASIONAL PAPER SERIES

NO 124 / MARCH 2011

WHO HAS BEEN AFFECTED, HOW AND WHY?

THE SPILLOVER OF THE GLOBAL FINANCIAL CRISIS TO SUB-SAHARAN AFRICA AND WAYS TO RECOVERY

by Sophie Chauvin
and André Geis

EUROPEAN CENTRAL BANK

EUROSYSTEM

OCCASIONAL PAPER SERIES

NO 124 / MARCH 2011

WHO HAS BEEN AFFECTED, HOW AND WHY?

THE SPILLOVER OF THE GLOBAL FINANCIAL CRISIS TO SUB-SAHARAN AFRICA AND WAYS TO RECOVERY [1]

by Sophie Chauvin [2]

and André Geis [3]

In 2011 all ECB publications feature a motif taken from the €100 banknote.

1 The views expressed in this paper do not necessarily represent those of the European Central Bank (ECB), the Banque de France or the Eurosystem. The authors would like to thank Bruno Cabrillac and Emmanuel Rocher (Banque de France) and Frank Moss and Michael Sturm (European Central Bank) for helpful comments and suggestions.

2 Banque de France, Service de la Zone franc et du financement du développement, Direction Générale des Études et des Relations Internationales.

3 European Central Bank, Directorate General International and European Relations.

Address
Kaiserstrasse 29
60311 Frankfurt am Main, Germany

Postal address
Postfach 16 03 19
60066 Frankfurt am Main, Germany

Telephone
+49 69 1344 0

Internet
http://www.ecb.europa.eu

Fax
+49 69 1344 6000

Information on all of the papers published in the ECB Occasional Paper Series can be found on the ECB's website, http://www.ecb.europa.eu/pub/scientific/ops/date/html/index.en.html. Unless otherwise indicated, hard copies can be obtained or subscribed to free of charge, stock permitting, by contacting info@ecb.europa.eu

ISSN 1607-1484 (print)
ISSN 1725-6534 (online)

CONTENTS

ABBREVIATIONS

COUNTRIES

AO	Angola	KE	Kenya
BJ	Benin	LS	Lesotho
BW	Botswana	MG	Madagascar
BF	Burkina Faso	MW	Malawi
BI	Burundi	ML	Mali
CM	Cameroon	MR	Mauritania
CV	Cape Verde	MU	Mauritius
CF	Central African Republic	MZ	Mozambique
TD	Chad	NA	Namibia
KM	Comoros	NE	Niger
CG	Congo	NG	Nigeria
CD	Congo, Democratic Republic	RW	Rwanda
CI	Cote d'Ivoire	SN	Senegal
DJ	Djibouti	SC	Seychelles
GQ	Equatorial Guinea	SL	Sierra Leone
ET	Ethiopia	ZA	South Africa
GA	Gabon	SZ	Swaziland
GM	Gambia	TZ	Tanzania
GH	Ghana	TG	Togo
GN	Guinea	UG	Uganda
GW	Guinea-Bissau	ZM	Zambia

ABSTRACT

This paper first presents a comprehensive analysis of the significance of different transmission channels of the global economic and financial crisis to Sub-Saharan African countries. It then examines the repercussions of the crisis for the growth of gross domestic product (GDP) and its components; this is complemented by a study of the responses of monetary and fiscal authorities to the challenges posed by the crisis, both in regional terms and on the basis of selected country case studies. Finally, the paper highlights medium-term to long-term challenges for ensuring a sustainable recovery and for fostering resilience against potential future shocks.

The authors find that the intensity of the impact of the crisis varies widely across countries, with a lack of export diversification apparently having been particularly conducive to its transmission. However, the analysis of the magnitude of the observed swings in macroeconomic variables also reveals that although they were large, they were not exceptional and are comparable to fluctuations Sub-Saharan Africa has witnessed in the recent past. Furthermore, in a non-negligible number of instances the extent of the slowdown seems to have been determined by domestic factors as well. Particularly, policies and conditions prior to the global recession, rather than crisis contagion *per se,* appear decisively to have shaped the scope of possible responses in many cases.

As a result, many of the policy lessons Sub-Saharan Africa might draw from the crisis do not involve radical deviation from the policies in place before. Efforts to improve the management of resource revenue for commodity-dependent countries, necessary reforms of the economic and business environment to enable a diversification of the export base, and further regional integration might help to alleviate possible future external shocks. Additionally, the crisis re-emphasises the need to back growth prospects by redefining sectoral priorities, for example by concentrating on infrastructure and agricultural supply. Lastly, new challenges in the wake of the crisis may call for a re-focusing of policy initiatives, e.g. to address an emergence of potential financing constraints for aid-dependent economies or the exposure of domestic financial sectors to systemic shocks.

JEL code: R11, E60, F30, O10

Keywords: regional growth, Sub-Saharan Africa, balance of payments, global economic crisis, international spillovers.

1 INTRODUCTION

Since the start of the new millennium, the integration of Sub-Saharan Africa into the world economy has increased considerably, driven by substantial surges in demand and prices for its main export commodities which coincided with an extended period of enhanced macroeconomic and political stability in many countries. While this process has to a large extent been driven by emerging economic powers such as China or India, the region's largest trading partner has remained the EU, which accounts for about a quarter of its merchandise trade, although its role is declining. However, less than five percent of goods traded between the EU and non-EU countries originated in Sub-Saharan Africa. Nevertheless, for individual EU Member States, particularly for those with former colonial ties, Sub-Saharan Africa's share in their trade with countries outside the EU ranges from about five percent in Belgium, the Netherlands and the United Kingdom, to seven percent in France, eight percent in Spain and almost 21 percent in Portugal.[1]

Imports of primary goods,[2] particularly energy-related products, accounted for around two thirds of total EU trade with Sub-Saharan Africa in 2008, with South Africa (33%), Nigeria (23%) and Angola (11%) constituting the most important counterparts. Thus, despite only five percent of the EU's oil imports currently being sourced from Sub-Saharan Africa,[3] and Nigeria, the largest exporter of gas to the EU from the region, having a mere 5.1% market share,[4] economic and political events on the continent are of more than negligible importance for the EU and the euro area. Both energy security and development assistance are issues of long-term relevance, for example to achieve a diversified supply of oil and gas or alleviate migration flows by ensuring sustained development in Sub-Saharan Africa. Additionally, more immediate incidents may also have repercussions for macroeconomic developments in the EU. The unrest in Nigeria's Niger delta in 2008, for example, put additional pressure on oil prices at a time when supply concerns were a feature of many commodity markets. In acknowledgement of these trends, since the start of the new millennium the EU has ramped up its efforts to engage with Sub-Saharan Africa, as have other advanced and emerging economies. This is evidenced by the adoption of an EU Strategy for Africa[5] in 2005, the signature of an Africa EU partnership on energy[6] at the EU-Africa summit in 2007 and the ongoing negotiation of Economic Partnership Agreements with African states. Furthermore, for Sub-Saharan African countries, the experience of the EU and the euro area with progressively closer economic and monetary integration frequently serves as a blue print for similar regional integration schemes in Africa.

The increasing integration of long-neglected Sub-Saharan Africa into the world economy may also make the countries of the region more vulnerable to spillover effects from the "Great Recession". Against this background, the paper first presents a comprehensive analysis of the transmission channels of the crisis to Sub-Saharan Africa, examining the relevance of different transmission channels for the continent, such as trade, aid, migrant transfers and foreign direct investment, and gauging their significance on a country-by-country basis. After a brief overview of the impact of the crisis on some key macroeconomic variables, the study turns to its repercussions for the growth of GDP and its components in individual countries. The paper then explores the response of monetary and fiscal authorities to the challenges posed by the crisis, both in regional terms as well as on the basis of selected country case studies. Lastly, the study

1 The large share of Portugal's trade with Sub-Saharan Africa is mainly the result of a brisk expansion of its trade relations with Angola and Nigeria since the early 2000s. Between 2000 and 2008, imports from Nigeria tripled to USD 2.5 billion, while exports to Angola (USD 3.3 billion) rose ten fold and imports (USD 0.6 billion) twelve fold during the same period.
2 The classification of primary goods follows Lall (2000).
3 See Youngs (2009), p. 5.
4 See Commission of the European Communities (2010), p. 31.
5 See Commission of the European Communities (2005).
6 See Council of the European Union (2007).

presents a short-term outlook for Sub-Saharan Africa, before emphasising medium-term to long-term challenges that need to be addressed in order to ensure sustainable recovery and foster the continent's resilience against potential future crises.

2 THE TRANSMISSION CHANNELS OF THE CRISIS

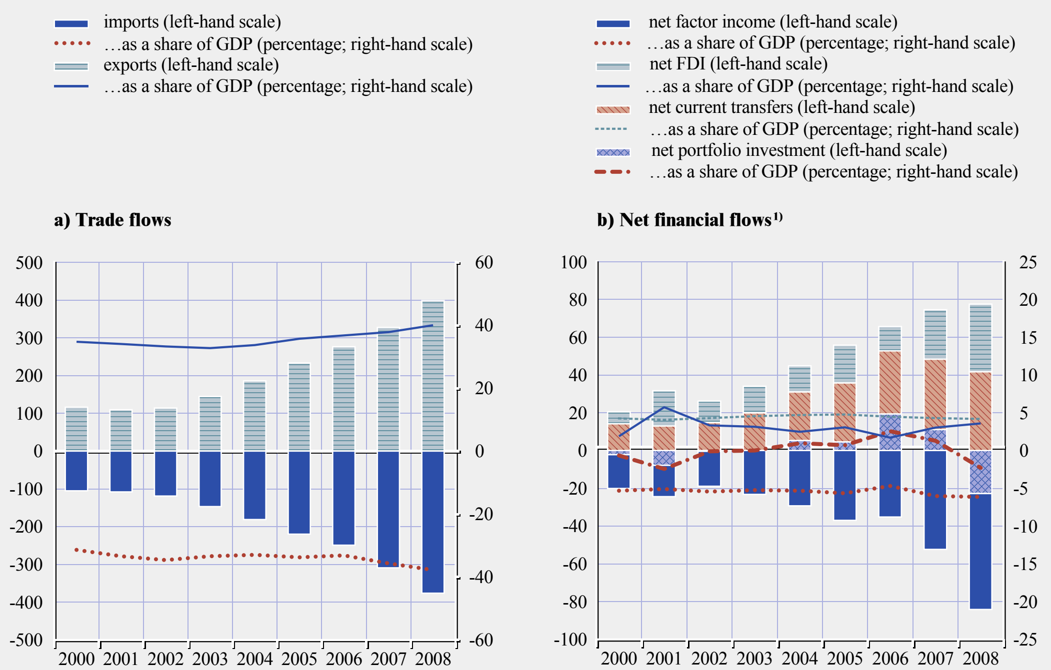
While the repercussions of the global financial and economic crisis were undeniably felt on a considerable scale in Sub-Saharan Africa, the impact appears to have been distinctively different from that experienced by advanced and many other emerging and developing countries and regions. Indeed, the first wave of the crisis, characterised by the rapid spread of financial turmoil in the United States to other developed economies and some emerging markets via their closely interconnected financial systems, left Sub-Saharan Africa, with the exception of South Africa, comparatively unscathed. This was due to the very weak cross-border integration of the region's often poorly developed financial markets, the fact that its banking sectors had virtually no exposure to assets immediately affected by the fallout, and the only limited dependency of its private and public sectors on obtaining financial-market-based funding abroad.

However, the second wave of the turmoil, when the disorder in the financial sector began to have an impact on the real economy, had profound consequences for the continent,[7] which since the start of the new millennium has become increasingly integrated into the world economy (see Chart 1). A large part of this closer integration resulted from a significant increase in the demand for commodities and in their prices, which started in the late 1990s, and an extended period of enhanced macroeconomic and political stability in many countries, making them viable business partners, often for the first time.

7 For an overview, see also Chauvin and Lantéri (2009).

Chart 1 Sub-Saharan Africa, trade and net financial flows[1)]

(USD billions)



Sources: IMF and own calculations.
1) Excluding the capital account balance and net other investment which were subject to significant distortions due to debt restructuring and debt cancellation operations.

Against this background, the main channels through which the global recession affected Sub-Saharan Africa are likely to have been those that have always been important to the continent, namely trade and aid, as well as those that have increasingly become so in recent years, such as migrant transfers or foreign direct investment.[8]

The next three sections thus attempt to assess the transmission of the global economic slowdown to Sub-Saharan Africa, differentiating between its impact on exports and on capital flows. They do so on a country-by-country basis, thereby avoiding grouping countries before any analysis is conducted (for example by income level or resource endowment), and so following an approach different from that which is frequently used when studying the continent.[9] This should ensure that similarities among economies with regard to the consequences they experienced from the crisis, which may potentially be due to similar country characteristics, are not blurred by any predetermined country classifications. In order to ensure comparability across countries, the IMF's World Economic Outlook database is used for the analysis; this provides sufficient information for 42 of the 48 economies under consideration.[10]

2.1 THE RELEVANCE OF DIFFERENT TRANSMISSION CHANNELS

Before assessing the impact the crisis may have had on Sub-Saharan Africa's trade and capital flows, it seems warranted to consider the importance of those flows for the continent from the perspective of individual countries. Indeed, classifying economies according to the share of different balance of payments items in terms of their respective GDPs reveals a rather heterogeneous picture (see Table 1).[11]

Exports of goods contributed significantly to the GDP of Sub-Saharan African economies, with their share remaining below 10% in only eight cases. The major oil producers and small land-locked Lesotho and Swaziland in particular rank among those countries where merchandise exports account for the largest share of GDP. Conversely, exports of services, apart from a few exceptions,[12] play a relatively minor role in the vast majority of Sub-Saharan African countries.

A comparison of net foreign direct investment with net portfolio investment flows yields similar results.[13] While the latter are of at best marginal significance for Sub-Saharan Africa, the former are one of the key sources of external financing for the region, with oil- and mineral exporters generally the main beneficiaries.

8 Over the last decade, net other investment flows and transactions recorded in capital accounts were influenced to a considerable extent by international efforts to alleviate Sub-Saharan Africa's sizeable debt burden. Countries whose debt was cancelled recorded positive capital account balances which were offset by correspondingly negative net other investment flows, representing the erasing of the respective debt stocks. Because they are mere accounting identities and difficult to disentangle from any "real" flows owing to their often disparate accounting treatment, net other investment and the capital account balances are not considered in this paper.

9 See for example Dorsey et al. (2008) or various editions of the IMF Regional Economic Outlook for Sub-Saharan Africa.

10 The data supplied by the World Economic Outlook database for Eritrea, Liberia, Sao Tome and Principe, Somalia, Sudan and Zimbabwe are not sufficient for the analysis conducted in this paper.

11 The classification in Table 1 takes into consideration the average share of the respective balance of payments item over GDP for the period 2000 to 2009. This timeframe was chosen as it coincides with a range of structural changes directly affecting Sub-Saharan Africa, such as a prolonged rise in demand and prices for the region's main export commodities, the ascent of China and some other emerging economies as major trading partners of and investors in Africa, efforts to restructure and cancel a substantial part of the continent's debt, and non-negligible improvements in the business climate and the governance structure of a number of countries.

12 Services represent a noteworthy share of GDP in the Seychelles (43.7%), Djibouti (32.0%), Cape Verde (29.2%), Mauritius (25.3%) and the Gambia (19.8%) only, reflecting their comparatively high dependency on tourism or their role as trade hubs.

13 This study considers exports as gross flows while all capital flows are measured net, since the World Economic Outlook database does not offer a breakdown into gross amounts for all non-trade related items in the balance of payments. As an example, private and official current transfers are not obtainable on a gross basis. Nevertheless, as most Sub-Saharan African countries are more likely to be recipients of capital than its source, it is probable that net flows are a reasonable approximation for corresponding gross (in)flows in many instances. Net income flows which are persistently negative for almost all countries seem to be the only exception to this pattern (see also Chart 1, Panel B).

Table 1 The importance of trade and capital flows for Sub-Saharan Africa

	(Number of countries)			
	More than 40% of GDP	Between 25% of GDP and 40% of GDP	Between 10% of GDP and 25% of GDP	Less than 10% of GDP
Trade flows (gross)				
Exports of goods	9	10	15	8
Exports of services	1	3	4	34
	More than 10% of GDP	**Between 5% of GDP and 10% of GDP**	**Between 1% of GDP and 5% of GDP**	**Less than 1% of GDP**
Capital flows (net)				
Current account				
Net factor income	6	9	15	12
Net current transfers (private)	4	6	19	13
Net current transfers (official)	6	7	18	11
Financial account				
Net foreign direct investment	5	8	26	3
Net portfolio investment	1	0	8	33

Sources: IMF and own calculations.
Note: Countries are classified into the four groups according to the absolute value of the respective item's average annual share in a country's GDP between 2000 and 2009.

As well as foreign direct investment, aid and workers' remittances[14] are similarly vital to Sub-Saharan Africa, with their share of GDP surpassing 10% in six and four countries respectively. Cape Verde, the Comoros, Nigeria and Ghana are the main recipients of migrant transfers, recording average annual net flows of 17.3%, 15.6%, 12.3% and 12.2% of GDP respectively between 2000 and 2009, whereas in most of the remaining economies, which are rich in oil and mineral resources, remittances represent a much smaller share of GDP. Some oil producing countries, such as the Congo, Equatorial Guinea or Gabon, even displayed negative net flows over that period. Likewise, oil and mineral producers, with their comparatively elevated income levels, are not the primary targets of aid. Rather, these funds are directed at poorer countries (Ethiopia, Malawi) and those emerging or having emerged from political crises (the Democratic Republic of Congo, Mozambique, Sierra Leone). Additionally, some of Sub-Saharan Africa's smallest countries have received the highest aid in relation to their GDP, with ratios of 26.5% (Lesotho), 17.4% (Burundi), 13.0% (Swaziland), and 10.6% (Rwanda).

Lastly, net factor income, which encompasses the remuneration of employees working but not living abroad, as well as any income received from or paid on foreign direct, portfolio and other investment, is a sizeable component of the balance of payments in a wide range of Sub-Saharan African countries, and is predominantly negative. As a share of GDP, oil producing countries show the largest outflows of this type, at 42.4% (Equatorial Guinea), 29.9% (the Congo), 14.7% (Angola), 13.4% (Gabon), 13.8% (Chad), and 7.7% (Nigeria). In fact, Benin (2.1%), Djibouti (7.8%), and Lesotho (27.0%) are the only economies in the region displaying a steadily positive flow of net factor income at a significant level, possibly because some of their populations commute to work in third countries.

As the analysis above shows, exports of services and portfolio investment flows play

14 The World Economic Outlook database does not give aid and workers' remittances as separate items, but reports net current transfers from private and official sources respectively. While these categories are slightly broader, in the case of Africa they are likely to provide a reasonable approximation of aid and remittances flows.

only a marginal role in Sub-Saharan Africa and are therefore unlikely to have acted as an important channel of transmission for the crisis. There is thus no more detailed analysis of these balance of payments items in the following sections. Additionally, countries where the share of merchandise exports is below 10% of GDP or where net factor income, net current transfers or net FDI as a proportion of GDP does not exceed 1% are unlikely to have been substantially affected by fluctuations in any of these balance of payments flows. Nevertheless, even though the application of this methodology entails an ex ante reduction in the number of countries, it does not preclude the consideration of individual (out-of-sample) cases should this appear warranted.

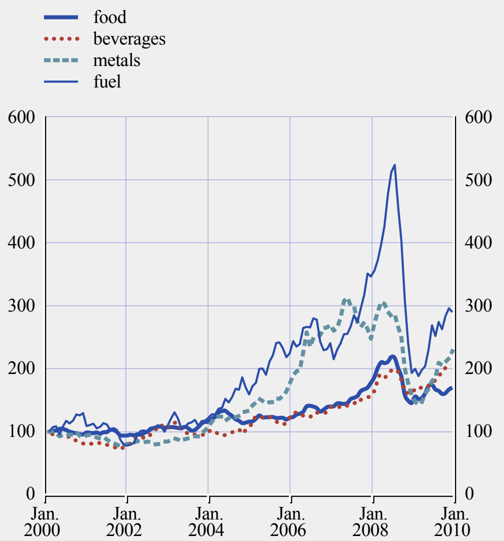
2.2 TRANSMISSION VIA MERCHANDISE EXPORTS

Although the first signs of the impending global financial market turmoil were already felt in the summer of 2007, raw material prices initially continued to rise until the summer of 2008, primarily driven by the presumed ability of emerging and developing countries to "decouple" from a progressively worsening outlook for advanced economies and the supposed diversification benefits of commodities as a separate asset class. However, after the scale of the downturn became increasingly evident and with the intensification of the crisis in September 2008, commodity prices fell precipitously until the end of 2008. A rebound since then notwithstanding, by the end of 2009 price levels remained considerably below the peaks witnessed in 2008 (see Chart 2).

Thus, in sharp contrast to the global commodity price shock experienced in 2008, which had immediate major implications for Sub-Saharan Africa's net food and energy importers, many countries in Sub-Saharan Africa felt little effect from the financial crisis at the start, its repercussions on their exports of goods only manifesting themselves when commodity prices started to drop. Consequently, in 2008 the ratio of merchandise exports as a share of GDP declined to below its multi-year (2000-2007) average in only 13 of those 34 Sub-Saharan African countries for which such exports constitute an important component (i.e. more than 10%) of GDP, and significantly so in just seven cases (see Chart 3). In 2009, however, these figures increased to 23 and 13 respectively, which suggests a deteriorating situation in a sizeable number of countries, irrespective of the proportion of their GDP exports represent.

Chart 2 Commodity price developments

(index; January 2000 = 100)



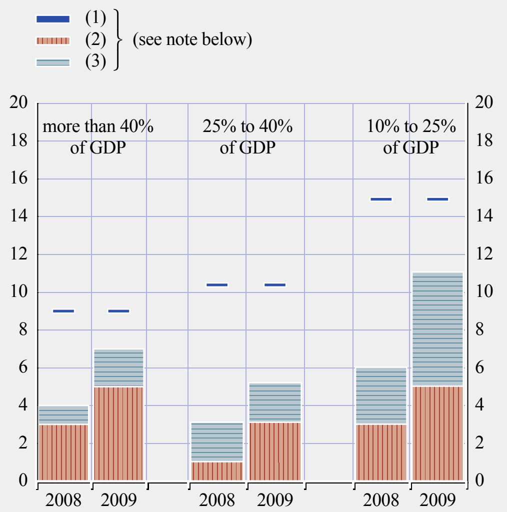
Sources: IMF and own calculations.

Among those economies gravely affected, most major oil producers feature prominently, as well as Botswana, which derives a large part of its export revenues from the sale of diamonds. Furthermore, textile manufacturers (Lesotho, Madagascar and Mauritius) seem to have been hit hard by the crisis. Being located near South Africa also appears to have been detrimental for some countries, particularly South African Customs Union (SACU) members Botswana, Lesotho, and Swaziland, which are closely integrated with South Africa and have therefore suffered from the slowdown of its economy.[15]

15 For a complete overview of countries which were subject to a (significant) drop in their merchandise exports as a share of GDP in 2008 and 2009, see Annex A.

Chart 3 Development of merchandise exports

(number of countries)



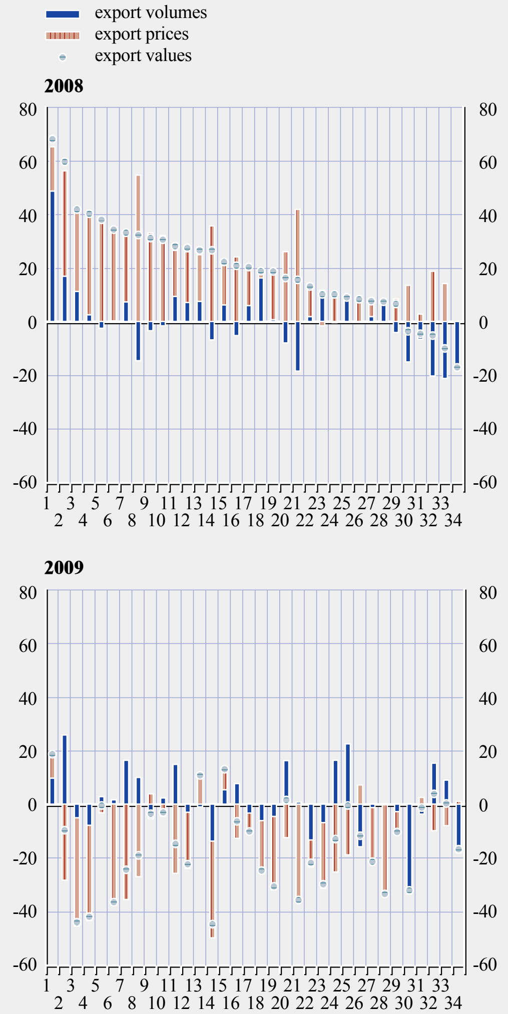
Sources: IMF and own calculations.
Note: The chart shows the total number of countries (1) in the respective category and those displaying a negative change of more (2) or less (3) than one standard deviation in merchandise exports as a share of GDP in 2008 and 2009 in comparison to the 2000-2007 average.

Interestingly, however, not all economies recorded a fall in the share of merchandise exports in their GDP, with a non-negligible number (21 in 2008 and 11 in 2009) actually showing rises, indicating that the impact of the global contraction in trade volumes across Sub-Saharan Africa was somewhat selective. This finding is also confirmed if changes in export values are broken down into price and volume effects: seven countries actually saw a rise in their export volumes in both 2008 and 2009, among them the Congo, Gabon, Namibia, Tanzania and Uganda. Moreover, the export volumes of 20 economies were higher at the end of 2009, after the crisis had fully unfolded, than at the end of 2007.

Such a differentiation also reveals that the massive fluctuations in Sub-Saharan Africa's export prices witnessed in 2008 and 2009 were the main driver of corresponding changes in export values in many instances (see Chart 4). As a result, the primary repercussion of the crisis for the merchandise exports of Sub-Saharan Africa was frequently not so much a reduction in export volumes but rather a contribution to the collapse of the very high raw material price levels observed in the summer of 2008. Accordingly, the impact of the crisis on the economic growth of a wide range of countries

Chart 4 Development of values, volumes and prices of merchandise exports

(annual percentage changes; 2008 and 2009)



1 UG	8 SN	15 TZ	22 ZA	29 MG
2 GW	9 ML	16 TG	23 MZ	30 BW
3 AO	10 MW	17 KE	24 ZM	31 GM
4 GQ	11 SC	18 GN	25 NA	32 SL
5 NE	12 MR	19 CM	26 LS	33 SZ
6 GA	13 GH	20 CI	27 MU	34 CF
7 CG	14 NG	21 TD	28 CD	

Sources: IMF and own calculations.

can be expected to be of a more indirect nature, namely via subdued commodity revenues depressing domestic demand, rather than via the direct link of export to GDP growth (see also Section 4.2 for a more in-depth analysis).

2.3 TRANSMISSION VIA CAPITAL FLOWS

Besides its effects on trade, the crisis also resulted in considerable disruptions of cross-border capital flows. A reduction in profitable investment opportunities owing to a deteriorating economic outlook, coupled with less availability and increased costs of financing and a rise in perceived risk premia, significantly reduced cross-border investment. Workers' remittances and aid flows developed negatively as a result of worsening labour market conditions in advanced economies, which were the first to be hit by the crisis and where the overwhelming majority of migrants reside, and as a result of constrained government budgets in the face of substantial domestic policy challenges. Lastly, flows of factor income, whether derived from the provision of labour or capital, were adversely affected too.

In the case of Sub-Saharan Africa, capital flows decreased in a range of countries, even though the scope and size of this development was probably less dramatic than initially estimated (see Chart 5). In fact, many economies recorded net flows of capital in 2008 and 2009 above their annual 2000-2007 average, which may suggest a continuing commitment on the part of foreign counterparts. Even for those economies registering a drop, the change was often not considerably different from similar fluctuations experienced in the recent past, implying that the impact of the crisis was in many instances rather subdued.

The contraction in net foreign direct investment flows across Sub-Saharan Africa was comparatively mild. By 2009, less than half of all economies had registered a fall to below their respective 2000-2007 averages and in only six countries was the decline in excess of one standard deviation (see Chart 5, Panel A; Chart 6). Net foreign direct investment as a share of GDP contracted most tangibly in some oil (Cameroon, Equatorial Guinea, Nigeria) and mineral producing countries (Mauritania, Zambia),[16] with Tanzania and Togo also witnessing substantial drops (see Chart 6).

Turning to net current transfers of a private origin (see Chart 5, Panel C), which are primarily determined by remittances of migrants, substantial decreases are notable in three (Cape Verde, Ghana and Nigeria) of the four countries where such transfers account for more than 10% of GDP, while the groups where they are less prominent appear to be affected to a smaller degree, with only Benin seeing a ratio of these transfers to GDP in 2009 of more than one standard deviation below its 2000-2007 average. This relatively benign picture of a rather subdued fall in this type of capital flow to Sub-Saharan Africa is also corroborated by World Bank estimates of the volume of remittances destined for developing countries. While their overall volume is expected to have declined by 6.0% in 2009, the fall in Sub-Saharan Africa is projected to be limited to 2.7%, among the lowest of the regions surveyed by the World Bank.[17]

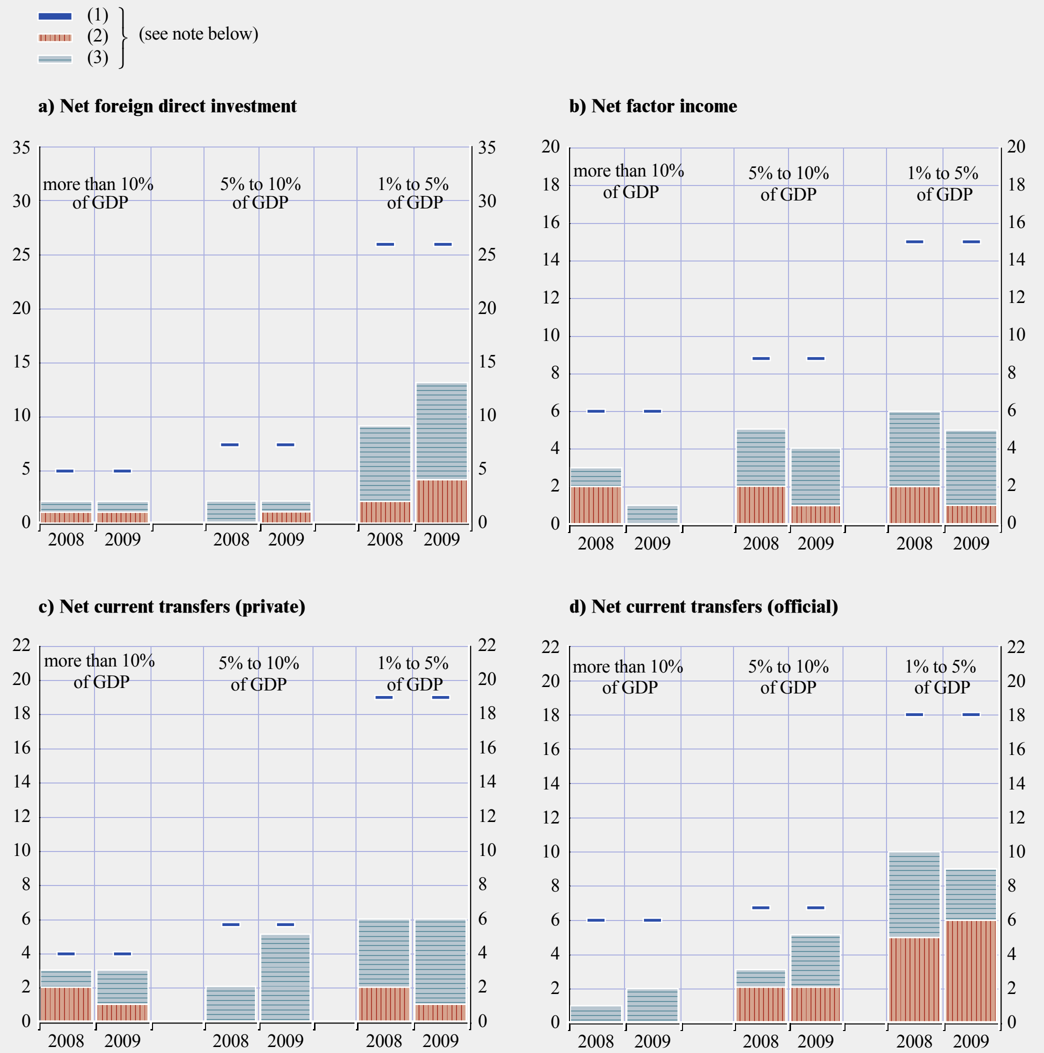
Aid, which makes up net current transfers of an official nature, had registered a sizeable reduction in a few countries by 2009, mainly in those less reliant on official assistance such as Chad, Djibouti, Madagascar, Mauritania, and Senegal (see Chart 5, Panel D and Annex B), whereas there seemed to be virtually no noticeable impact on economies which are highly dependent on this type of finance. Thus, some isolated cases of tangible aid cuts notwithstanding, the pattern of aid provision to Sub-Saharan Africa in 2008 and 2009 as compared to annual average (net) flows between 2000 and 2007 does not seem to support the

16 In the same group, Angola and Botswana were also negatively affected but with the fall limited to less than one standard deviation around their respective 2000-2007 averages. For a complete overview of countries which experienced a (significant) drop in their net foreign direct investment (and other capital flows) as a share of GDP in 2008 and 2009, see Annex B.

17 See World Bank (2010), p. 18.

Chart 5 Development of net capital flows

(number of countries)



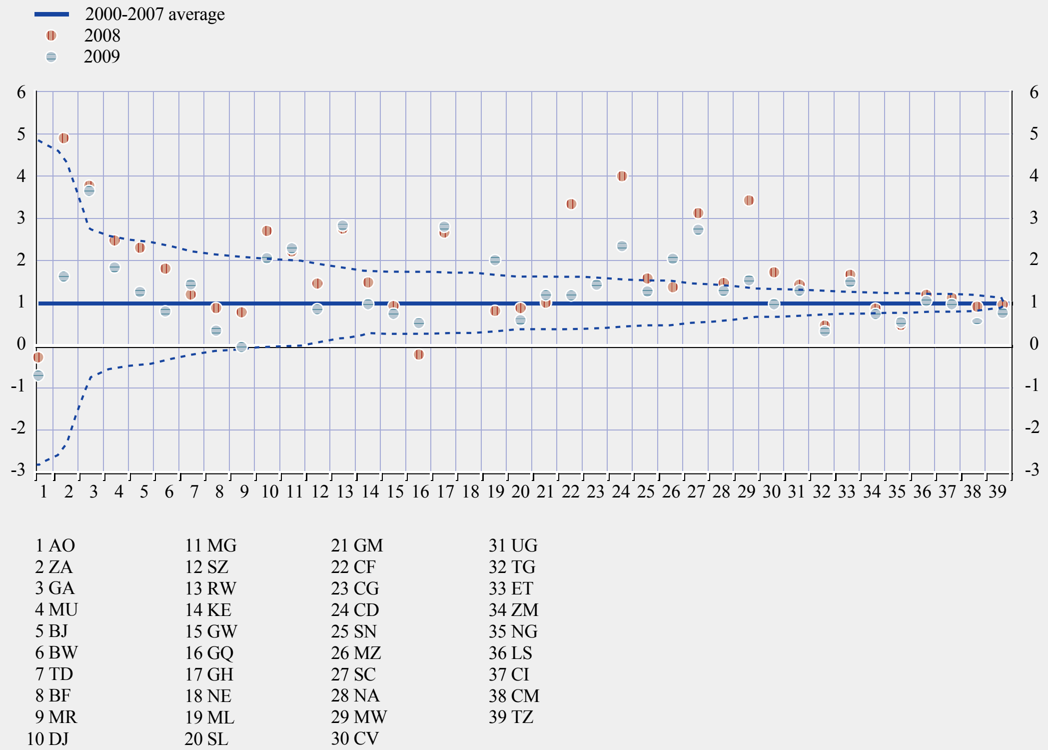
Sources: IMF and own calculations.
Note: The charts show the total number of countries (1) in the respective category and those displaying a negative change of more (2) or less (3) than one standard deviation in the respective net capital flow as a share of GDP in 2008 and 2009 in comparison to the 2000-2007 average.

notion of a broad retrenchment on the part of official donors to the continent. However, despite there still being no evidence of a widespread curtailment of aid, the evolution of official development assistance (ODA) from Scandinavian countries in the wake of their banking crises in the early 1990s proves instructive (see Table 2). In that instance, aid budgets were indeed reduced substantially, with ODA from Finland and Sweden shrinking by a respective 58 and 20 percent between 1991 and 1995. Thus, trends in aid flows towards Sub-Saharan Africa bear watching, particularly in the light of constrained public finances in many donor nations.[18]

18 See also Dabla-Norris et al. (2010) and Roodman (2008).

Chart 6 Net foreign direct investment

(as a ratio of 2000-2007 averages)



Sources: IMF and own calculations.
Note: Blue dashed lines indicate one standard deviation around each country's 2000-2007 average.

Finally, and broadly in line with developments observed for the other capital flows, net factor income had not materially declined by the end of 2009. However, given that the vast majority of Sub-Saharan African economies are net payers of factor income, the fact that these outflows did not become even larger must be interpreted positively, as an indication of diminished pressure on their current account positions from this perspective. Among the

Table 2 ODA flows from Scandinavian countries

(USD billions)

	(1991)	(1992)	(1993)	(1994)	(1995)
Finland					
All recipients	0.9	0.6	0.4	0.3	0.4
of which:					
Developing countries	0.6	0.4	0.2	0.2	0.2
Sweden					
All recipients	2.1	2.4	1.8	1.8	1.7
of which:					
Developing countries	1.5	1.8	1.3	1.4	1.2

Source: OECD.

only noteworthy net recipients of factor income in the region, Djibouti and Lesotho continued to receive this form of income at close to pre-crisis levels, whereas Swaziland recorded a fall of more than one standard deviation from the 2000-2007 average in its net factor income to GDP ratio.

If developments in capital flows to Sub-Saharan Africa since the onset of the crisis in 2007 are considered, it becomes evident that while some effects are visible they are more observable in certain countries than on a continent-wide scale. Moreover, the comparison of capital flows in 2008 and 2009 with their 2000-2007 averages raises the question of whether the in some cases massive capital flows Sub-Saharan Africa (and other emerging and developing regions) had received in the years immediately before the crisis would have been sustainable over the longer term and whether the levels seen in 2008 and 2009 to a certain extent signify a "return to normal", since in many instances there have been no substantial deviations from the multiyear averages so far. Nevertheless, the fact that the crisis has not had a widespread impact on capital flows to Sub-Saharan Africa to date does not preclude further repercussions and effects of a longer-term nature in the future; these might include permanently lower availability and/or higher costs of finance or increased pressure on aid budgets resulting from the need to consolidate government finances in some donor nations.

3 THE IMPACT OF THE CRISIS ON KEY MACROECONOMIC INDICATORS

Before examining the interaction between the transmission channels outlined in section 2 and Sub-Saharan Africa's GDP and its components, which is the focus of this paper, this analysis should be placed in a wider context with a brief review of the development of other important macroeconomic variables after the outbreak of the crisis in the summer of 2007.

Across the continent, current account and fiscal balances worsened by sometimes considerable margins between 2007 and 2009 in the vast majority of countries (see Chart 7).[19] The deterioration was especially pronounced on the left-hand side of the distribution where surpluses had previously been particularly high, with substantial convergence to region-wide averages by the end of 2009. At the centre of the distribution, current account balances (see Chart 7, Panel A) declined mainly in 2008, whereas there was a slight improvement in 2009, possibly related to opposing terms of trade shocks experienced by many economies during these two years.[20] By contrast, budget balances registered comparatively slight drops in 2008, with the main weakening taking place in 2009 (see Chart 7, Panel B).

Inflation rates also reflected fluctuations of raw material prices to a significant extent. Since food and, to a lesser degree, energy represent the major items in the consumption baskets of many Sub-Saharan African countries, the commodity price shock of 2008 was in many instances rapidly transmitted to domestic prices, as evidenced by a pronounced upward

19 It is important to note that the charts presented in this section only allow conclusions to be drawn about shifts in the distribution of the respective indicator across Sub-Saharan Africa as a whole, as the applied ranking of the variables from highest to lowest outcome might result in a different order of countries for each year.

20 Indeed, many producers of agricultural commodities witnessed a substantial worsening of their terms of trade in 2008, as price increases affecting the value of their energy imports far outpaced corresponding price rises for their main exports. To a certain extent, the precipitous fall in commodity prices after the summer of 2008 had the opposite effect, and this partly explains current account fluctuations in 2009.

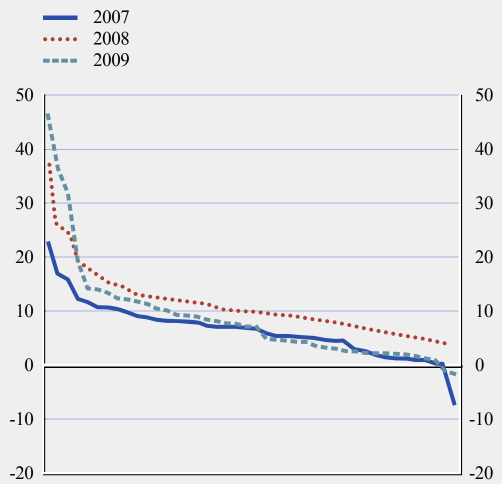
Chart 7 Distribution of changes in current account and budget balances across Sub-Saharan Africa

(as a percentage of GDP)

Sources: IMF and own calculations.
Note: Indicators are ranked from highest to lowest country observations along the x-axis, giving an indication of the distribution of the respective variable across Sub-Saharan Africa in each year.

Chart 8 Distribution of inflation rates across Sub-Saharan Africa

(annual percentage changes)



Sources: IMF and own calculations.
Note: Inflation rates are ranked from highest to lowest country observations along the x-axis, giving an indication of the distribution of inflation across Sub-Saharan Africa in each year.

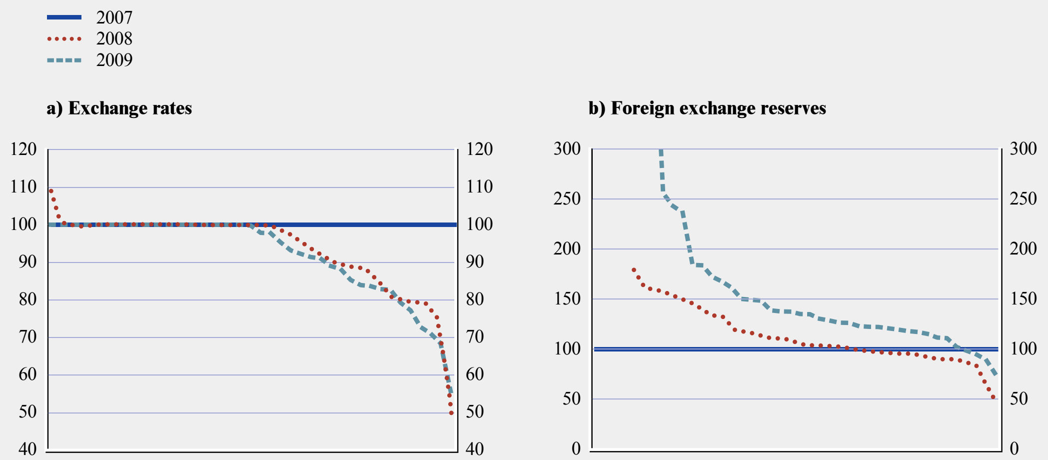
shift of inflation rates across Sub-Saharan Africa in 2008 (see Chart 8). In 2009, inflation subsided somewhat, although the overall level was still higher than in 2007, possibly owing to pass-through effects from the large exchange rate depreciations witnessed in some countries in the wake of the crisis and the renewed upswing in raw material prices observed in the course of 2009.

However, most countries operating a pegged or closely managed exchange rate regime managed to maintain these frameworks during the turbulence (see Chart 9, Panel A).[21] Nevertheless, in some instances this stability came at the expense of considerable losses of foreign exchange reserves (see Chart 9, Panel B). Consequently, depleted stocks of central banks' foreign currency holdings had to be replenished by bilateral or multilateral financing support (see also section 5.2.2 and Annex D), and this ultimately raised reserves to more comfortable levels in 2009.

21 Chart 9, Panel A shows exchange rate developments of Sub-Saharan African currencies against their respective anchor currencies. Where the anchor currencies are not clearly discernible or there is no anchor currency, the exchange rate against the US dollar is shown. For an overview of monetary and exchange rate frameworks in Sub-Saharan Africa, see Annex C.

Chart 9 Distribution of changes in exchange rates and foreign exchange reserves across Sub-Saharan Africa

(index, 2007 = 100)



Sources: IMF and own calculations.
Note: Indicators are ranked from highest to lowest country observations along the x-axis, giving an indication of the distribution of the respective variable across Sub-Saharan Africa in each year.

4 THE IMPACT OF THE CRISIS ON GDP AND ITS COMPONENTS

While the relationship between real GDP growth and export volumes is relatively straightforward, the link between real GDP growth and fluctuations in export prices and capital flows is of a more indirect and subtle nature. Even though a fall in Sub-Saharan African raw material producers' export prices is per se a negative event, as it might weigh on spending and investment opportunities of the government and the private sector, a non-negligible number of countries on the continent are importers of the same commodities that others are selling, with oil and its derivatives being the most notable example. For these economies, a fall in the prices of primary goods is actually beneficial, as it augments the spending possibilities of households, corporations and the public sector, and this ultimately makes a positive contribution to GDP growth.

A contraction in inflows of foreign direct investment may reduce the pace of capital accumulation in an economy. This effect is likely to feature most prominently where domestic saving rates are low, ultimately adversely affecting long-term potential GDP growth. A retrenchment in migrant transfers could have a similar impact, to the extent that such transfers are channelled to productive investment opportunities, but is more likely to depress private consumption. The primary ramifications of diminished aid flows are likely to be constrained government budgets, which in turn reduces the public sector's margin for manoeuvre in pursuing investment projects or financing spending, and potentially further pressures on private consumption or investment when donor support is provided without direct government involvement. Lastly, in those instances where factor income flows are positive, a drop might entail repercussions comparable to those of a fall in current transfers from private sources, namely a reduction in private consumption and investment.

4.1 THE EVOLUTION OF GDP IN SUB-SAHARAN AFRICA

Analysing the development of real GDP growth rates in Sub-Saharan Africa for the years 2008 and 2009 and contrasting them with annual averages over the period 2000 to 2007 shows that most countries (32) had witnessed a slowdown by 2009 (see Chart 10, blue bars). Notably, however, a deterioration in economic performance of more than one standard deviation is observable in only 21 cases (see also Chart 12), which suggests that the repercussions felt in half of the countries in the sample were not considerably different from fluctuations experienced in the recent past.

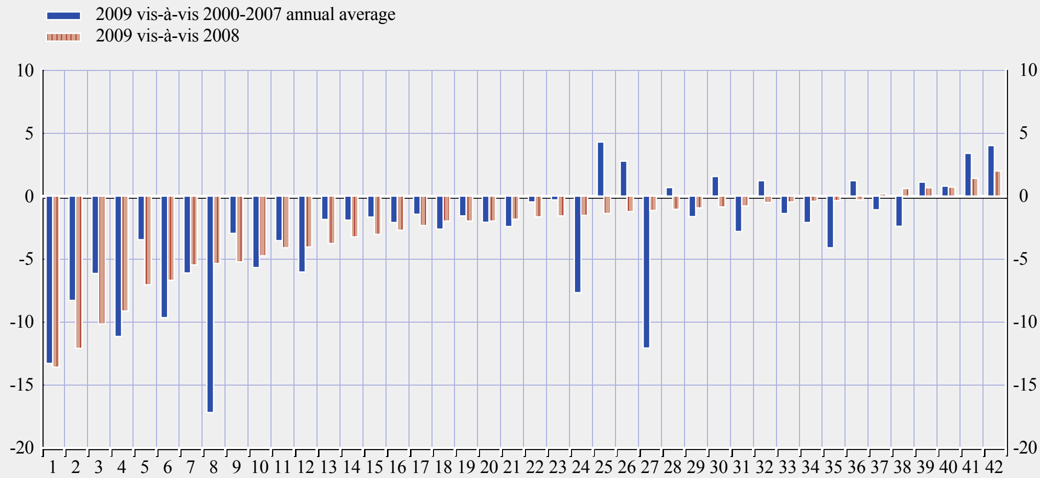
Taking a narrower focus and contrasting increases in output in 2009 with 2008 levels only, 28 countries in the sample showed a decline in GDP growth of more than one percentage point (see Chart 10, red bars). Of those, eight recorded a deceleration of between two and five percentage points, while in nine the drop was of more than five percentage points (Angola, Botswana, Equatorial Guinea, Guinea, Madagascar, Niger, Rwanda, the Seychelles, and South Africa).

Despite this general trend of in some cases significantly lower rates of GDP growth, six countries nevertheless recorded a rise in economic activity in 2009 (the Comoros, the Congo, Cote d'Ivoire, Kenya, Togo, and Zambia). In particular, the Congo was helped by an increase in oil production from new fields, while Kenya recovered from the political crisis in early 2008 that followed its elections in late 2007. Similarly, Cote d'Ivoire continued to recuperate from protracted internal turmoil and benefited from improved terms of trade.

The extent to which the downturn can be explained by spillover effects from the crisis has been investigated by Drummond and Ramirez (2009), who show such effects to account for about 90% of the projected deceleration in growth in 2009 for the continent as whole,

Chart 10 Changes in real GDP growth rates

(percentage points)



1 AO	8 GQ	15 LS	22 UG	29 CM	36 CF
2 MG	9 GN	16 MU	23 GM	30 DJ	37 KM
3 NE	10 MR	17 BJ	24 SL	31 SN	38 KE
4 BW	11 GA	18 BF	25 MW	32 GW	39 ZM
5 RW	12 NA	19 TZ	26 ET	33 ML	40 TG
6 SC	13 GH	20 SZ	27 TD	34 MZ	41 CI
7 ZA	14 CD	21 CV	28 BI	35 NG	42 CG

Sources: IMF and own calculations.

considerable differences between countries notwithstanding. In fact, a one percentage point decrease in world output is found to reduce growth in Sub-Saharan Africa by an estimated 0.4 to 0.5 percentage points in the following two years, with the impact partly being felt at the time (0.2 percentage points) and partly in the following year (0.2 percentage points).

Surprisingly and somewhat counter-intuitively, Drummond and Ramirez attribute the economic slowdown in Angola, Botswana and Equatorial Guinea mainly to domestic factors, with only a small fraction being accounted for by spillover effects. To a certain extent this stands in contrast to the results presented in this paper further above.[22] For another group, including Benin, Burkina Faso, Cameroon, the Comoros, Cote d'Ivoire, Kenya, Mali, Nigeria, and Senegal, Drummond and Ramirez find the projected decline to be mostly consistent with spillover effects from the global contraction and lower commodity prices, with these two developments potentially being closely linked. Lastly, for the remaining countries, the variation in growth is generally explained by spillover effects even though some domestic factors or shocks, partially of an offsetting nature, appear to have been relevant too.

If Sub-Saharan Africa is broken down by its sub-regions, SACU[23] countries registered the sharpest decline in GDP between 2008 and 2009, followed by CEMAC[24] countries, with

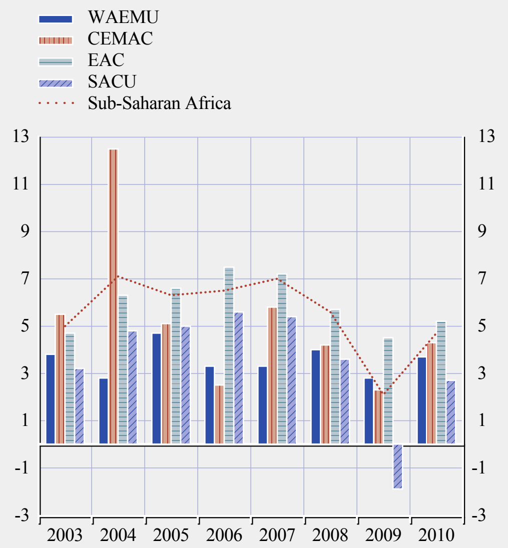
22 In contrast to the far simpler approach taken in this study, Drummond and Ramirez (2009) use a series of dynamic panel regressions, relating real growth in domestic output to growth in the rest of the world, weighted by exports to the respective economy's trading partners and adjusted for a range of control variables, such as oil prices and global financial conditions. On the basis of these regressions, the authors conduct country-specific simulations of the effect of changes in commodity prices and fluctuations in world output on domestic growth.

23 South African Customs Union (Botswana, Lesotho, Namibia, South Africa, Swaziland).

24 Central African Economic and Monetary Union (Cameroon, Central African Republic, Chad, the Congo, Equatorial Guinea, Gabon).

Chart 11 Real GDP growth across sub-regions

(annual percentage changes)



Source: IMF.
WAEMU: West African Economic and Monetary Union.
CEMAC: Central African Economic and Monetary Union.
EAC: East African Community.
SACU: South African Customs Union.

WAEMU[25] and EAC[26] countries seemingly less affected (see Chart 11). For SACU members Botswana, Lesotho, Namibia, and Swaziland, the crisis was transmitted mainly through trade channels, coupled with a reduction in output in mining (Botswana, Namibia) and textiles (Lesotho). Additionally, these countries rely heavily on receipts from their customs union with South Africa, which account for an average of 20% of their GDP and represent a large part of their government revenues.[27] As South Africa's share in SACU's revenue pool is high on account of the large volume of its imports as compared to the other members, the contraction in its economic activity and thereby its imports considerably reduced the funds available to Botswana, Namibia, Lesotho and Swaziland.

Among CEMAC countries, Equatorial Guinea recorded the most significant slowdown, with its GDP expanding by only 5.3% in 2009, down from 10.7% in 2008. Region-wide growth similarly weakened to 2.3% in 2009, compared to 4.2% in 2008, reflecting the repercussions of the crisis on global demand for oil and hence its price. Even though the direct impact of fluctuations in commodity prices only manifests itself in nominal GDP, in CEMAC such fluctuations also indirectly affect real GDP on account of their strong link to public expenditure, with the government's oil revenues on average accounting for more than 22% of GDP (IMF, 2009).[28]

By contrast, WAEMU countries weathered the crisis comparatively well, helped by good harvests and improvements in their terms of trade, the latter triggered by declining energy prices coupled with a favourable performance of prices for agricultural products. Similarly, EAC fared better than other regions, possibly due to its largely prudent pre-crisis macroeconomic policies, which enabled it to enact timely and effective stimulus measures to cushion the downturn's impact (see AfDB, 2010). Moreover, EAC's level of trade integration, one of the deepest among Sub-Saharan Africa's regional arrangements (see Table 3), may have sheltered its members from global economic developments to some extent.

Membership of regional arrangements thus appears to have been a mixed blessing, with negative ramifications for SACU members contrasting with a more positive assessment in the case of EAC. However, membership of a regional arrangement is still clearly less important than a country's association with the production of a specific raw material or group of commodities, as evidenced by the differing GDP developments in CEMAC and WAEMU countries.

25 West African Economic and Monetary Union (Benin, Burkina Faso, Cote d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, Togo).
26 East African Community (Burundi, Kenya, Rwanda, Tanzania, Uganda).
27 Under the SACU agreement, all customs duties and excise taxes collected by the members of the union are paid into a common revenue pool (CRP) administered by South Africa which is subsequently distributed among members. Allocation of the revenue is based on several rules, involving a customs component, an excise component and a development component (for more details see Kirk and Stern (2003) and IMF (2009d)).
28 This average masks considerable differences between countries, however, with government revenue from oil as a share of GDP ranging from 44.1% in Congo and 34.4% in Equatorial Guinea to zero in the Central African Republic.

Table 3 Intra-Sub-Saharan African trade patterns

	Global trade volume (USD billions)		*of which:* trade with Sub-Saharian Africa (percent)		*of which:* trade within the regional arrangement (percent)	
	(2000)	(2009)	(2000)	(2009)	(2000)	(2009)
CEMAC	13.1	40.1	6.7	6.3	23.7	24.8
WAEMU	13.4	39.7	26.2	24.2	40.6	41.4
EAC	9.2	31.3	22.4	20.2	58.4	52.0
SACU[1)]	62.7	163.4	15.7	15.8	49.4	41.0

Sources: IMF, United Nations and own calculations.
1) Data for Lesotho are unavailable; 2009 data refer to 2007.

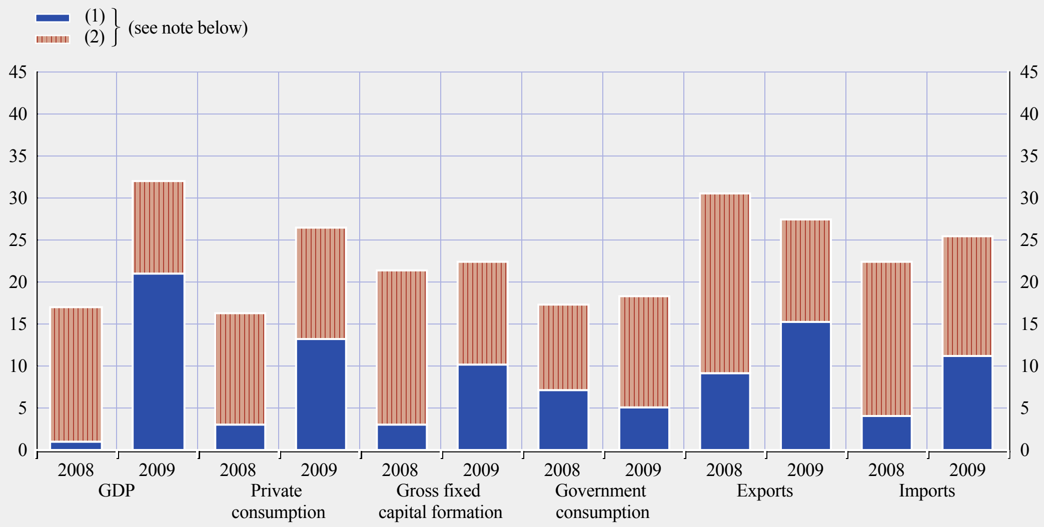
Although the rapid global economic slowdown resulted in a fairly substantial deceleration of growth in many Sub-Saharan African countries, its effect has nevertheless been heterogeneous across the continent. While a dependency on commodity production, most notably on oil and minerals, seems to have been one of the key determinants of individual economies' susceptibility to the crisis, other factors, such as the macroeconomic policy pursued before the crisis as well as domestic political circumstances, appear to have had a non-negligible impact as well. This broad pattern is also confirmed by the analysis of the development of individual GDP components set out below.

4.2 THE EVOLUTION OF INDIVIDUAL GDP COMPONENTS

If the contribution of individual GDP components to overall growth is taken into account, it seems that exports were the most prominent underlying force in the deceleration of growth (see Chart 12). By contrast, domestic demand, particularly from the public sector, appears to have remained rather resilient,

Chart 12 Development of real GDP growth and its components

(number of countries)



Sources: IMF and own calculations.
Note: The charts show the number of countries that experienced a fall in the growth rates of GDP and its components in 2008 and 2009 of more (1) or less (2) than one standard deviation below their respective 2000-2007 averages.

with substantial declines in private consumption, gross fixed capital formation, and government consumption only witnessed in thirteen, ten and five instances respectively by the end of 2009. This may also explain why imports reacted to the clouded economic outlook at a comparatively sluggish pace.

A country-by-country analysis shows that of the 32 countries for which exports of goods on average represented more than 10% of GDP during the period 2000-2007, 19 recorded a negative contribution of exports to growth in 2009, particularly producers of oil and minerals, such as Angola, Botswana, and Sierra Leone, where the negative impact exceeded 20% (see Table 4).

On the domestic side, investment depressed GDP in 13 countries in 2009, possibly as a result of a scaling-down or cancellation of investment projects against the background of the observed decline in the demand and prices for commodities. In turn, this may also explain why imports had a positive impact in several countries. In fact, nine of the thirteen countries which registered a negative contribution of investment to growth showed a corresponding positive contribution of imports.[29] In some instances, this may reflect a comparatively high level of imports needed to sustain these economies' exports, as also evidenced by the relatively large share of machinery, vehicles and electronic equipment in the imports of countries such as Ghana and Madagascar. Likewise, the Seychelles registered a high level of oil imports destined for re-export (oil accounts for around one third of their total imports and half of their total exports) and of FDI-related imports.

Table 4 Contribution of exports to real GDP growth

(percentage points)

…in 2008		…in 2009	
Most negative contributions of exports to real GDP growth			
Gambia	-6.3	Angola	-22.8
Togo	-5.0	Sierra Leone	-21.5
Sierra Leone	-4.7	Botswana	-20.2
Cote d'Ivoire	-3.7	Guinea	-7.5
Zambia	-3.7	Togo	-6.5
Most positive contributions of exports to real GDP growth			
Equatorial Guinea	5.3	Uganda	4.7
Lesotho	5.9	Guinea-Bissau	6.4
Angola	10.2	Zambia	6.4
Uganda	14.5	Congo	8.2
Seychelles	24.5	Cote d'Ivoire	11.5

Sources: IMF and own compilation.

On average over the period 2000-2007, private consumption was a positive factor for growth in all countries across Sub-Saharan Africa, with the notable exception of Tanzania. However, 19 economies recorded the opposite development in 2009, the worst outcomes being felt in Cameroon, Kenya, Mauritania, the Seychelles, and Zambia. In several cases, a drop in remittance flows may have weighed on private consumption, such as in Lesotho, where workers' transfers, mainly from South Africa, constitute around 20% of GDP, or in Benin and the Comoros. On the positive side, private consumption accounted for more than 10 percentage points of GDP growth in Angola, Equatorial Guinea, Ethiopia, and Malawi.

Finally, government spending boosted economic activity in two thirds of the countries of Sub-Saharan Africa in 2009, though the magnitude of the public sector's stimulus varied. In many instances, the leeway to support economic activity hinged on pre-crisis fiscal positions and the risk of debt distress. Even though benchmarks in this regard have improved in recent years, helped by improved implementation of macroeconomic policy, the favourable external environment, and debt relief obtained under the Highly Indebted Poor Countries (HIPC) and Multilateral Debt Relief Initiative (MDRI) programmes, a number of countries, particularly importers of oil, were subject to relatively severe budget constraints on account of the measures they had to take to mitigate the impact of the food and fuel price shock of 2008. Individually, Lesotho recorded the highest contribution of government

29 These countries were the Central African Republic, the Comoros, Djibouti, Ghana, Guinea, Kenya, Madagascar, Senegal, and the Seychelles.

expenditure to growth in 2009, while the fiscal stance in Chad, Malawi, Swaziland and Tanzania was also particularly expansionary, helping to cushion the impact of the crisis. By contrast, several countries (the Congo, Djibouti, Nigeria and Zambia) tightened and/or contained (Senegal) expenditure in order to consolidate their budgets, and were thus unable to rely on fiscal policies to sustain their economies. In addition, underspending on budgeted investment outlays reduced public sector backing to below intended levels in certain cases, such as in Uganda.

To sum up, a number of conclusions may be drawn from the analysis in section 4:

- First, the impact of the crisis on the growth performance of Sub-Saharan Africa varied considerably from country to country, with the slowdown in real GDP mainly attributable to decelerating exports, whereas domestic demand components generally proved to be comparatively resilient. Government spending in particular has helped to alleviate the slowdown's repercussions in a number of economies.

- Second, the crisis was initially primarily felt by countries that are heavily reliant on the production of (a single) raw material(s), specifically where prices for those commodities fell sharply after the summer of 2008, and by textile exporters. Coupled with sometimes deteriorating export volumes, these developments had negative implications for domestic demand, often in connection with the sustainability of government budgets and the fact that investment plans are dependent on the production and profitable sale of a narrow range of goods.

- Third, in many instances internal factors, such as political issues, macroeconomic policies pursued before the downturn or a budget dependency on commodity revenues, were at least as important in explaining GDP trends in 2008 and 2009 as the fallout from the crisis itself.

- Fourth, membership of regional arrangements played an at best ambiguous role in sheltering economies from the ramifications of the slowdown, possibly on account of their frequently still limited trade and financial integration, their sometimes rather weak institutional set-up, and an occasional lack of political support.

- Lastly, whereas several Sub-Saharan African countries indeed registered a sharp drop in their output in 2009, growth rates as compared to historical trends have overall remained comparatively high. In fact, a significant set of economies has resisted the crisis relatively well, with some even recording an improved performance in 2009.

5 REACTIONS TO THE CRISIS – HETEROGENEOUS CHALLENGES CALLING FOR HETEROGENEOUS RESPONSES

Although the monetary and fiscal policy challenges faced by Sub-Saharan African economies as a consequence of the crisis and the measures implemented as a result frequently differ from country to country, the following sections nevertheless first attempt to provide an overview for the region as a whole and compare it with the emerging economies of the G20, before focusing on individual country studies with a view to defining common characteristics in how the authorities responded to the impact of the crisis.

5.1 OVERVIEW

Although the economies of a total of 42 Sub-Saharan African countries are analysed in this study, the broad patterns of policies pursued to counter the negative repercussions of the crisis show some similarities, including when compared to the rather disparate group of the emerging members of the G20.[30]

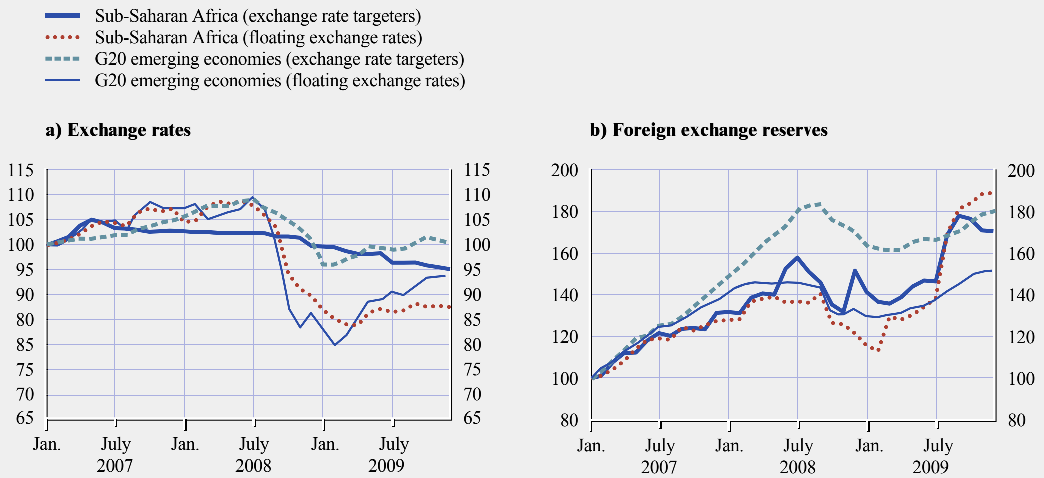
In the wake of the substantial fall in commodity prices after the summer of 2008 and the intensification of financial market tensions in the autumn of 2008, exchange rates in the region depreciated considerably, more than reversing the appreciation trend witnessed until then. Notably, both the currencies of floating regimes and those of countries managing their exchange rates[31] fell significantly (see Chart 13, Panel A). Nonetheless, the currencies of the latter group generally depreciated less, a stability that was ensured, in some cases, by significant interventions in foreign exchange markets, resulting in sizeable losses of reserves (see Chart 13, Panel B). However, economies with floating regimes observed a similar

30 The emerging members of the G20 are Argentina, Brazil, China, India, Indonesia, Mexico, Russia, Saudi Arabia, South Africa, South Korea, and Turkey. South Africa is excluded from the comparison in the subsequent analysis as it is part of Sub-Saharan Africa.

31 The classification of countries into floating regimes and those targeting their exchange rate follows the IMF's de facto classification of exchange rate arrangements presented in Annex C. As regards the G20 members, China, Russia, and Saudi Arabia are identified as targeting their exchange rates whereas all the other countries follow a floating regime.

Chart 13 Development of exchange rates and foreign exchange reserves

(index; January 2007 = 100)



Sources: IMF and own calculations.
Note: Exchange rate and foreign exchange reserve levels were indexed to 100 in January 2007 for each country, before the indexes were arithmetically averaged across all countries in the respective group.

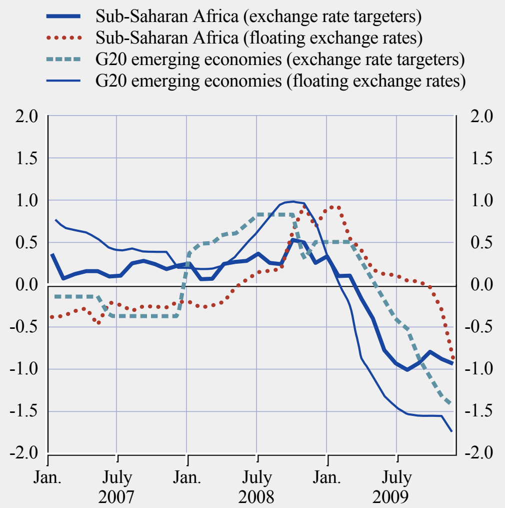
deterioration of reserve levels, in spite of at most limited official intervention.[32]

In order to further cushion the economic slowdown, more accommodative monetary policies were adopted across the region, particularly from the beginning of 2009 when inflationary pressures emanating from the commodity price spike in the first half of 2008 started to subside (see Chart 14). Interestingly, the magnitude of easing as well as the extent of tightening observed beforehand was roughly comparable for Sub-Saharan Africa and G20 emerging economies, irrespective of whether they follow a floating regime or pursue an exchange rate target.

Overall, the monetary policy response of Sub-Saharan African central banks to the supply and demand shocks experienced in rapid succession appears to have been generally adequate.[33] While interest rate increases in response to rising raw material prices were appropriately moderate in the light of their temporary nature, the global recession was met with comparatively vigorous reductions in borrowing costs. This room for manoeuvre, which allowed the monetary authorities to play a growth-supportive role, is a reflection of successful past disinflationary policies pursued in a wide range of countries. The latter represent one of the most distinctive features distinguishing this crisis from previous crisis episodes.[34]

Chart 14 Development of policy rates

(percentages[1)])



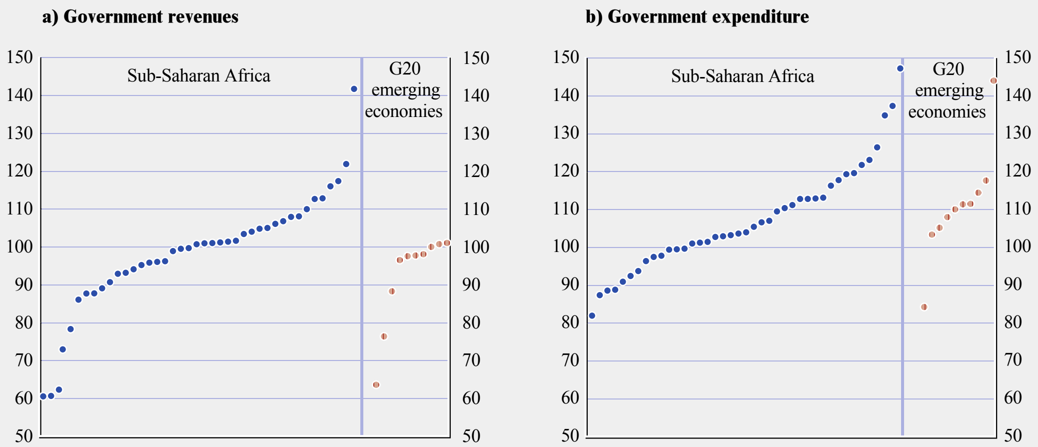
Sources: IMF and own calculations.
1) Policy rates for each country were normalised to a mean of zero and a standard deviation of one to allow averaging across countries.

Similarly, countercyclical fiscal policies were able to mollify the worst consequences of the crisis in many cases, thus helping to stabilise economic output.[35] A largely prudent management of government revenue and expenditure in an increasing number of countries before the downturn allowed a departure from the often pro-cyclical fiscal stance witnessed in earlier periods.[36] In fact, a majority of Sub-Saharan African economies expanded their government expenditure in 2009 as compared to 2008, thereby providing stimulus of an extent akin to that of emerging members of the G20 (see Chart 15, Panel B). Remarkably, this support from the public sector was possible despite fairly substantial contractions of government revenues (see Chart 15, Panel A), demonstrating the non-negligible fiscal leeway some countries had accumulated over recent years. Indeed, at the onset of the crisis many economies had positive overall budget balances and reduced public debt burdens, which allowed them to increase discretionary spending and protect or expand core areas of government outlay. Measures included public infrastructure spending (Kenya, Namibia), increases in the wages of civil servants (Benin, Namibia, South Africa), and temporary

32 In Sub-Saharan African countries targeting their exchange rates, foreign exchange reserves fell by almost 20 percent from peak to trough, with those of floating regimes declining to a similar extent. However, after adjustment for some of the multilateral assistance provided during this period (see also Annex D), reserves in economies managing their currencies decreased more strongly.
33 For an in-depth analysis of the implementation of monetary policy in Sub-Saharan Africa following the commodity price shock and the global recession, see IMF (2010k).
34 See also OECD and AfDB (2010).
35 For a more thorough analysis of fiscal policies in Sub-Saharan Africa during the downturn, see IMF (2010j).
36 See for example Thornton (2008) and Lledo, Yackovlev and Gadenne (2009).

Chart 15 Government revenues and expenditures[1)]

(index, 2008=100)



Sources: IMF and own calculations.
1) Government revenues and expenditures were adjusted for nominal GDP growth to account for increases resulting from economic growth and inflation.

support for prices for key commodities or subsidies for agricultural inputs (Burkina Faso, Tanzania).

Nevertheless, depending on the pre-crisis fiscal situation, stimulus packages varied from increasing discretionary expenditure despite revenue shortfalls to small or partial adjustments to the shock and full-scale fiscal tightening.[37]

5.2 COUNTRY STUDIES

Following this regional overview of Sub-Saharan Africa's policy response to the global crisis, the case studies below try to define some commonalities among the responses of a number of Sub-Saharan African economies; frequently these depend on shared country characteristics.

In general the measures taken were primarily determined by the severity of the impact of the crisis and the monetary and fiscal framework in place, the latter often being dependent on the type of commodities produced. More specifically, three broad groups can be identified, namely countries that are defined by a concentration of their production structures and that faced a collapse in their export prices, countries whose room for manoeuvre was primarily determined by the way macroeconomic policy had been conducted in the years leading up to the crisis or which suffered from regional, intra-Sub-Saharan African spillover effects, and lastly a non-negligible group of economies that weathered the crisis relatively well, be it because of country-specific factors, improving terms of trade, which is particularly observable in the case of many producers of agricultural goods, or resilient bilateral and multilateral support.

5.2.1 CONCENTRATION OF PRODUCTION STRUCTURES AND COLLAPSE IN EXPORT PRICES

Across Sub-Saharan Africa, producers of oil and minerals were hit exceptionally hard by the crisis, as these commodities often represent a high share of their GDP, exports and government revenues. Consequently, countries such as Angola, Botswana, Equatorial Guinea and to a lesser extent Nigeria experienced some of the most pronounced decelerations in GDP growth in 2009. In response, some of these countries

37 See Krumm and Kularatne (2010).

made use of the leeway they had to implement counter-cyclical monetary and fiscal measures, though others had to tighten their stance since the sharply deteriorating economic environment limited their policy options.

In Angola, the collapse of oil revenues led to a deterioration in the balance of payments and the fiscal situation, triggering a fast depreciation of the kwanza, especially between the first quarter of 2009 and the end of 2009 (see Table 5). The central bank was therefore forced to intervene to stabilise the exchange rate. At the same time, rising pressures obliged the government to draw on its foreign currency deposits to finance its deficit (IMF, 2009a). Additionally, a system of foreign exchange rationing was put in place between April and October 2009 and monetary policy was actively tightened via increases in the rediscount rate. Lastly, in November 2009, Angola concluded a USD 1.4 billion Stand-By Arrangement with the IMF to alleviate the adverse effects of the crisis.[38]

In Nigeria, lower oil revenues and capital outflows led to a 28% depreciation of the naira against the US dollar between June 2008 and June 2009. Partly as a result of exchange rate interventions, reserves fell to USD 43 billion by July 2009, a 30% reduction in comparison to September 2008. Among other measures, the authorities introduced a retail Dutch auction system and required oil companies and government agencies to sell foreign exchange directly to the central bank rather than in the interbank market. Moreover, monetary policy was tightened by raising reserve requirements and redefining the policy rate as the mid-point between the central bank lending rate of 8% and a deposit rate of 4%.

On the fiscal side, some oil producers (Angola, Equatorial Guinea) had followed pro-cyclical policies before the downturn, resulting in a deterioration in their non-oil budget balances (see Table 5, second to last column). This limited the scope they had to accommodate the repercussions of the crisis. Consequently, Angola had to tighten its fiscal

38 For a complete overview of all IMF programmes currently in place in Sub-Saharan Africa, see Annex D.

Table 5 Economic indicators of selected Sub-Saharan African countries

	Main export commodities	Commodity price changes (percentages)		Exchange rate changes (percentages)			Change in foreign exchange reserves (percentages)		Change in the trade balance as a percentage of GDP (percentage points)		Change in the fiscal balance as a percentage of GDP (percentage points)	
		June 08 to Dec. 08	Dec. 08 to Dec. 09	vis-à-vis	June 08 to Dec. 08	Dec. 08 to Dec. 09*	June 08 to Dec. 08	Dec. 08 to Dec. 09*	2007 to 2008	2008 to 2009	2007 to 2008	2008 to 2009
Angola 1)	oil	-68.4	80.3	USD	-0.2	-15.9	13.6	-23.6	-1.3	-21.9	-2.7 (-13.3)**	-16.2 (17.4)**
Botswana 2)	diamonds	-42.3	81.8	ZAR	3.9	-10.5	-8.8	1.3	-10.0	-9.2	-3.9	-8.3
Equatorial Guinea 1)	oil	-68.4	80.3	EUR	0.0	0.0	1.8	-14.9	-6.2	-25.1	-1.9 (-14.3)**	-23.3 (-41.2)**
Nigeria 3)	oil	-68.4	80.3	USD	-11.1	-10.9	-10.4	-13.7	1.0	-12.6	4.8 (-0.5)**	-13.8 (3.8)**
Zambia 4)	copper	-62.6	124.7	USD	-34.1	4.1	-21.3	133.8	-5.0	4.2	-0.2	-1.5

Sources: IMF, Bloomberg and own calculations.
* Or latest data available.
** Non-oil fiscal balances.
1) Fixed peg.
2) Crawling peg.
3) Managed float.
4) Independent float.

stance considerably with the adoption of a supplementary budget in July 2009. Similarly, the scope for government support in Nigeria was hampered by financing constraints (IMF, 2009e). Equatorial Guinea, however, increased its 2009 expenditure as a share of non-oil GDP beyond its pre-crisis plans, despite its already high non-oil deficit (IMF, 2009b). Likewise, Botswana's reliance on diamonds, which accounted for about three-quarters of the country's total exports and around half of its government revenues (Clausen, 2008), is likely to have substantially contributed to the sharp collapse of the country's GDP in 2009. In response, the government increased its expenditure by 41% between the fiscal years 2007/08 and 2008/09, even though corresponding revenues were improving by only 10%; this resulted in a deficit of around 4% of GDP for 2008/09. In addition, monetary policy was eased in the first half of 2009 to foster economic activity; this involved several reductions in the bank rate between February and June (Bank of Botswana, 2009). These developments in Botswana, a country that is undeniably one of Africa's success stories, demonstrate that good levels of governance and prudent policy cannot fully compensate for a high level of resource dependence, although they probably put Botswana in a better position to implement counter-cyclical policies.

In contrast to the aforementioned cases, Zambia recorded an acceleration of growth in 2009 as compared to 2008, even though it was particularly badly affected at the beginning of the crisis. The swift deterioration of copper prices after the summer of 2008 led to a substantial deterioration of Zambia's trade balance, causing a 36% drop of the kwacha against the US dollar between June 2008 and June 2009. In order to moderate this depreciation, the central bank intervened in the foreign exchange market, resulting in a 27% fall in reserves, to USD 952 million, between August 2008 and March 2009. At the same time, the government responded to the revenue shortfall and delays in the release of donor funds by restructuring public debt, substituting domestic borrowing for concessional external financing in order to create more leeway for credit extension to the private sector (IMF, 2010g). Nevertheless, a bumper harvest and higher economic activity in mining and construction, particularly the coming on-stream of a new copper mine (IMF, 2010h), helped to bring about the observed increase in output growth in 2009.

5.2.2 REGIONAL SPILLOVERS AND RELEVANCE OF PRE-CRISIS POLICIES

Several countries either felt the consequences of the crisis because of their close regional ties to economies suffering from the downturn or were particularly vulnerable due to an already precarious economic environment before the crisis (see Table 6).

Because in financial terms South Africa is the most globally integrated African economy, it was rapidly affected at the onset of the financial market turmoil, even though its banking sector was hardly exposed to the assets at the core of the crisis. Sizeable outflows of portfolio investment resulted in declining stock prices and, together with a substantial current account deficit and restrained inflows of other capital, this led to a depreciation of the rand by the end of 2008. Following the intensification of the crisis in late 2008, the economy entered recession, triggered by a substantial decline in external demand and the slump in commodity prices, but also partly in reaction to a restrictive monetary policy up to this point. However, because of the balanced budget and public debt of less than 30% of GDP, the government was able to implement counter-cyclical policies to the tune of 4.5% of GDP in the fiscal year 2008/09, focusing on infrastructure spending and supporting demand in the short run. Additionally, monetary policy under the inflation targeting regime was switched to an accommodating stance by easing key interest rates by 500 basis points between December 2008 and August 2009, thereby assisting an output recovery.

Table 6 Economic indicators of selected Sub-Saharan African countries

	Main export commodities	Commodity price changes (percentages)		vis-à-vis	Exchange rate changes (percentages)		Change in foreign exchange reserves (percentages)		Change in the trade balance as a percentage of GDP (percentage points)		Change in the fiscal balance as a percentage of GDP (percentage points)	
		July 08 to Dec. 08	Dec. 08 to Dec. 09		June 08 to Dec. 08	Dec. 08 to Dec. 09*	June 08 to Dec. 08	Dec. 08 to Dec 09*	2007 to 2008	2008 to 2009	2007 to 2008	2008 to 2009
Ghana 1)	cocoa	-19.9	45.4	USD	-15.0	-14.4	n.a.	n.a.	-4.1	15.8	-5.3	4.8
	gold	-7.3	36.4									
Kenya 1)	coffee	-25.2	-10.9	USD	-16.8	2.5	-16.5	33.7	-2.6	3.0	-0.9	-1.0
	tea	-19.7	63.8									
Lesotho 2)	n.a.			ZAR	0.0	0.0	n.a.	n.a.	-0.6	-6.7	-5.3	-5.0
Namibia 2)	uranium	-7.9	-18.2	ZAR	0.0	0.0	5.6	67.4	-5.7	-4.7	-1.9	-6.8
South Africa 3)	coal	-50.8	5.7	USD	-16.0	26.1	-1.7	15.2	0.5	1.7	-3.1	-4.2
	gold	-7.3	36.4									
	platinum	-59.2	67.3									
Swaziland 2)	sugar	-6.2	120.0	ZAR	0.0	0.0	-2.8	21.0	3.0	-1.5	-6.0	-7.5

Sources: IMF, Bloomberg and own calculations.
* Or latest data available.
1) Managed float.
2) Fixed peg.
3) Independent float.

The downturn in the South African economy had a considerable impact on the country's immediate SACU neighbours (Botswana, Lesotho, Namibia, and Swaziland). The sharp drop in South Africa's imports in the aftermath of the crisis affected SACU members because of their strong trade links with the customs union's dominant economy[39] and the loss of a large share of a major income source for their governments, namely the SACU revenue pool, which is primarily fed by taxes on South African imports. Nonetheless, SACU authorities continued to raise expenditure, resulting in a sharp deterioration of their fiscal and external positions. In order to bring these back to long-term sustainability, Namibia, Lesotho and Swaziland primarily had to rely on fiscal consolidation because they are pegged to the rand in the Common Monetary Area.

Having been exposed to several sizeable shocks, Kenya suffered a downturn as early as 2008. Against the background of an economy weakened by the country's political crisis at the beginning of 2008, the subsequent considerable surge in fuel and fertiliser prices further depressed growth. The financial crisis then manifested itself in an outflow of private capital and a slowdown of exports, giving rise to substantial declines in the exchange rate. As a result, official foreign exchange reserves fell by almost USD 800 million (20% of their stock) between mid-2008 and early 2009 (IMF, 2010f). In order to support economic activity, monetary policy was eased by reducing the policy and cash reserve requirement rates by a total of 125 and 150 basis points respectively over the course of 2008 and 2009 (IMF, 2010f) and a counter-cyclical fiscal policy focused on a reprioritisation of expenditure. Kenya also received a USD 200 million loan from the IMF's Exogenous Shocks Facility in June 2009 to alleviate balance of payment pressures (see Annex D).

39 Indeed, around 80% of Swaziland's trade in 2007 was conducted with South Africa, with corresponding shares of more than 50% and 40% in Namibia and Botswana respectively. Data for Lesotho are unavailable.

Whereas South Africa and Kenya were able to implement expansionary policies, Ghana faced a different situation. Although the cedi depreciated by around 30% against the US dollar between mid-2008 and mid-2009, in line with trends observed for other currencies in Sub-Saharan Africa, this was probably as much due to repercussions from the global economic contraction as to domestic macroeconomic imbalances which emerged prior to the crisis. In fact, in 2008 Ghana's environment was characterised by major fiscal slippages due to election-related spending, resulting in a fiscal deficit of 14.5% of GDP, high inflation and a widening current account deficit. Consequently, neither the government nor the central bank was able to follow expansionary policies, the latter being forced to tighten its monetary stance in the light of second round effects from the commodity price shock in the first half of 2008, which affected the prices of other goods and services, and the pass through of the cedi's fall to domestic prices. However, this lack of room for manoeuvre notwithstanding, the country was significantly helped in cushioning the impact of the crisis by its improving terms of trade, stemming from consistently high prices for gold and cocoa, its main export products, which account for one third and one quarter of its total exports respectively.

Box

THE ROLE OF MULTILATERAL SUPPORT IN COPING WITH THE CRISIS – THE EXAMPLE OF THE IMF

Alongside domestic policy responses, Sub-Saharan Africa has had considerable backing from the international community, through increased commitments and/or front-loaded disbursements under existing loan agreements, to help it to cope with the impact of the twin shocks of briskly rising energy and food prices until the summer of 2008, followed rapidly by the global economic crisis. For example, the IMF has placed a total of USD 5.8 billion at the disposal of Sub-Saharan Africa since May 2008, of which USD 0.3 billion was targeted at alleviating the ramifications of the rise in commodity prices and USD 2.7 billion was meant to be used in addressing challenges arising from the deteriorating economic climate. The remainder (USD 2.8 billion) was intended for the implementation of governments' economic programmes, a more general form of support.[1]

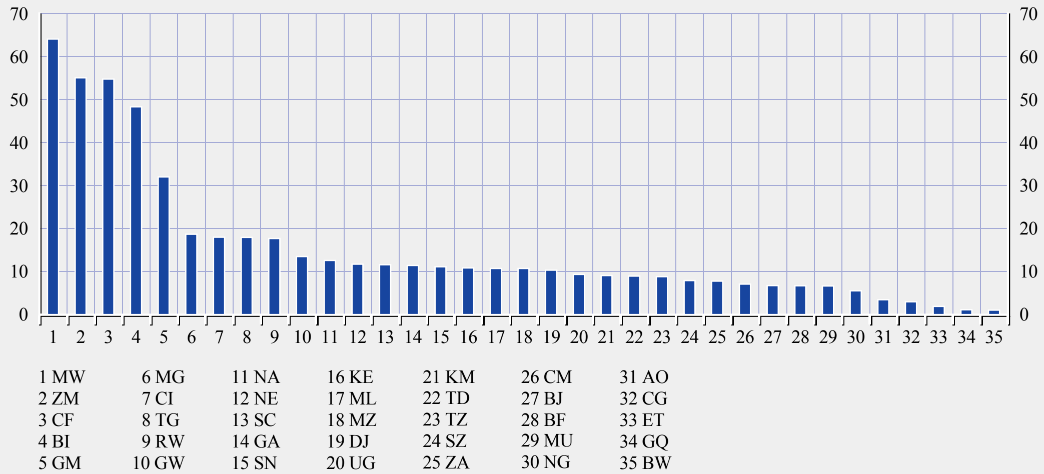
Additionally, in August 2009 the IMF allocated USD 280 billion of special drawing rights (SDRs) globally as a response to the crisis and this allowed a wide range of Sub-Saharan African countries to substantially improve their reserve positions. Indeed, these payments augmented the available foreign exchange reserves of Cote d'Ivoire, Malawi and Zambia by more than half (see Chart). For most of the rest of Sub-Saharan Africa, the figure ranged between 10% and 20%, and the payments thus provided significant assistance to these countries in dealing with potential balance of payments pressures.

Lastly, the IMF also enhanced its concessional financing to low-income countries. As of September 2009, new commitments to Sub-Saharan Africa had reached USD 3 billion, compared with USD 1.1 billion in 2008 and USD 0.2 billion in 2007 (IMF, 2009).

1 See Annex D for a detailed overview of all IMF programmes currently in place in Sub-Saharan Africa.

Global general and special SDR allocation by the IMF in August 2009 – impact on Sub-Saharan Africa

(as a percentage of total foreign exchange reserves in June 2009)



Sources: IMF and own calculations.

5.2.3 IMPROVING TERMS OF TRADE AND COUNTRY-SPECIFIC FACTORS

In contrast to the countries discussed so far, upon which the crisis had a significant impact, producers of agricultural commodities appear to have been somewhat more resilient to its repercussions, possibly because the prices of their food-related exports performed better than those of their energy and fuel-related imports. Moreover, a rather limited integration into the global economy seems to have played to the benefit of some Sub-Saharan African economies in this particular period (see Table 7).

Indeed, as Cali and Kennan (2009) show, agricultural exporters apparently resisted the ramifications of the crisis better than mineral, fuel and textile exporters, since agricultural goods are generally income inelastic, and all the more so because they satisfy primary needs. Additionally, international prices of commodities such as cocoa, tobacco and cotton performed rather well in 2009 (see Table 7). Nevertheless, the global economic downturn was also felt in these countries and often their ability to address its consequences was hampered by fiscal measures that had been implemented to alleviate the impact on their populations of the 2008 commodity price shock. For example, in WAEMU member states, policies that were taken in response to food and energy price increases in 2007-2008 weakened the fiscal position of governments in 2009. Measures which resulted in revenue losses included value-added tax decreases and exemptions on several key staples (Burkina Faso, Mali, Senegal) and the suspension or abolition of customs duties on certain consumer products (Burkina Faso, Cote d'Ivoire, Niger, Senegal), as well as subsidies on energy products in Senegal and the temporary suspension of the automatic oil price mechanism in Burkina Faso. Thus, while the slowdown was generally less pronounced in low-income and fragile economies, it still entailed the risk of being particularly harmful in these countries, given the background of widespread poverty and the potential for policy reversals (AfDB, 2010).

Despite being a relatively open economy with exports accounting for around 40% of GDP, Cote d'Ivoire proved to be largely resilient to the global crisis. With cocoa accounting for about one third of its exports, the country benefited from buoyant cocoa prices and from the effect of good rains on agriculture and

Table 7 Economic indicators of selected Sub-Saharan African countries

	Main export commodities	Commodity price changes (percentages)		Exchange rate changes (percentages)			Change in foreign exchange reserves (percentages)		Change in the trade balance as a percentage of GDP (percentage points)		Change in the fiscal balance as a percentage of GDP (percentage points)	
		July 08 to Dec. 08	Dec. 08 to Dec. 09	vis-à-vis	June 08 to Dec. 08	Dec. 08 to Dec. 09*	June 08 to Dec. 08	Dec. 08 to Dec. 09*	2007 to 2008	2008 to 2009	2007 to 2008	2008 to 2009
Cote d'Ivoire 1)	cocoa	-19.9	45.4	EUR	0.0	0.0	-9.9	45.0	1.1	4.0	0.2	-1.0
	oil	-68.4	80.3									
Malawi 1)	tobacco	n.a.	n.a.	USD	-0.1	0.0	17.5	22.3	-6.0	6.9	-0.7	-0.1
Mali 1)	cotton	-28.0	38.4	EUR	0.0	0.0	-10.3	49.7	-1.8	-0.1	0.0	0.5
	gold	-7.3	36.4									
Togo 1)	cocoa	-19.9	45.4	EUR	0.0	0.0	3.4	20.9	-1.8	-1.2	1.0	-1.6
	cotton	-68.4	80.3									
Uganda 2)	coffee	-25.2	-10.9	USD	-16.9	1.3	-14.3	29.8	2.0	-0.9	-1.7	1.0
	gold	-7.3	36.4									
	tea	-19.7	63.8									

Sources: IMF, Bloomberg and own calculations.
* Or latest data available.
1) Fixed peg.
2) Managed float.

agro-processing. Moreover, growth also reflected strong activity in the mining, refining, and chemical industries. As it is a member of WAEMU, the country was also supported by the accommodative monetary policy stance of the Banque Centrale des États d'Afrique de l'Ouest (BCEAO) adopted in early 2009 to mitigate the regional impact of the crisis. Nevertheless, tight domestic liquidity conditions made the financing of Cote d'Ivoire's fiscal deficit challenging, especially during the first quarter of 2009, notwithstanding the fact that it was in line with the country's IMF programme target. These constraints were eased, however, by World Bank and IMF disbursements in April 2009, followed by the Paris Club debt restructuring in May 2009. Finally, the authorities were assisted by supplementary BCEAO funding through the general allocation of SDRs by the IMF amounting to 1.6 percent of GDP. This was passed on to local authorities and used in part to substitute for more expensive forms of regional funding (IMF, 2009c).[40]

In Uganda, the slowdown in growth was relatively contained too. Total exports continued to perform strongly, buoyed by a large increase in non-traditional exports, notably agricultural products such as maize and beans, to neighbouring countries. It is possible that this development might indicate that the country was able to reap some benefits from the comparatively high levels of intra-regional integration in the EAC. Following portfolio investment outflows, the shilling fell 25% against the US dollar between mid-2008 and mid-2009 (IMF, 2010d), but later regained some of its losses as capital outflows tapered off and reversed and export earnings were better-than-expected. Even though the central bank intervened punctually in the foreign exchange market to smooth the exchange rate fluctuations at the beginning of the crisis, it let the exchange rate largely reflect market forces. At the same time, it stepped up its provision of short-term liquidity to banks to mitigate the impact of the shortfall in external financing, temporarily loosening the monetary stance while allowing some drawdown of international reserves.

40 Following a decision by the WAEMU Council of Ministers in September 2009, it was agreed that the BCEAO would lend to WAEMU countries an amount in domestic currency equivalent to the general portion of their SDR allocation, which they could use in turn to clear domestic arrears.

On the fiscal side, a shortfall in government spending due to weaknesses in investment planning limited the impact of the fiscal stimulus initially introduced by the authorities (IMF, 2010e).

In Mali, the impact of the global recession has been limited, notwithstanding the economy's general vulnerability to external shocks. In particular, prices for gold, comprising 80% of Mali's exports, remained at elevated levels and the fall in food and oil prices in the second half of 2008 helped to soften the impact of the crisis (IMF, 2010b). Additionally, Mali's external accounts benefited from exceptional inflows of capital, namely USD 400 million from the privatisation of the telecommunications parastatal SOTELMA and USD 100 million from the IMF's allocation of SDRs.

Malawi also weathered the crisis better than expected due to good harvests and an improvement of its terms of trade in 2009. With tobacco accounting for 60% of total exports, high tobacco prices resulted in robust trade revenues. Malawi also profited from the IMF's revised Exogenous Shocks Facility, which was intended to mitigate the impact of the commodity price shock in 2008, and in turn allowed the country to follow a rather loose fiscal policy in the run-up to presidential elections in May 2009.

In Togo, growth remained low but did not decelerate significantly, although the global recession delayed recovery from the flood damage and the food price shocks witnessed in 2008. Activity was supported by a counter-cyclical fiscal policy, stable remittances flows and good harvests.

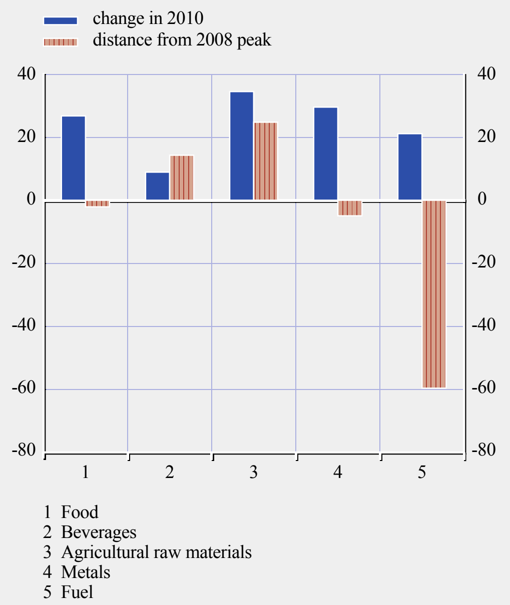
6 SUB-SAHARAN AFRICA AFTER THE CRISIS – SHORT-TERM PROSPECTS AND LONG-TERM CHALLENGES

Against the background of a sustained recovery in global demand, particularly from emerging and developing economies, raw material prices continued to improve in the course of 2010, with most commodity groups either approaching or surpassing their peaks of 2008 by the end of the year (see Chart 16). Thus, food and metals were a mere two and five percent below the levels reached in 2008, whereas beverages and agricultural raw materials were already being quoted at a respective 14% and 25% above their 2008 highs. Only fuel remained close to 60% below the prices achieved in 2008.

In parallel to these developments, the short-term economic outlook for Sub-Saharan Africa improved considerably, resulting in a quicker than anticipated emergence of the continent from the repercussions of the crisis. The IMF therefore repeatedly adjusted its projections for the region upwards, from 2010 growth of 4.0% forecast in the autumn of 2009, to 4.75% in the spring of 2010 and 5.0% in the autumn of 2010.

Chart 16 Commodity price developments

(percentages)



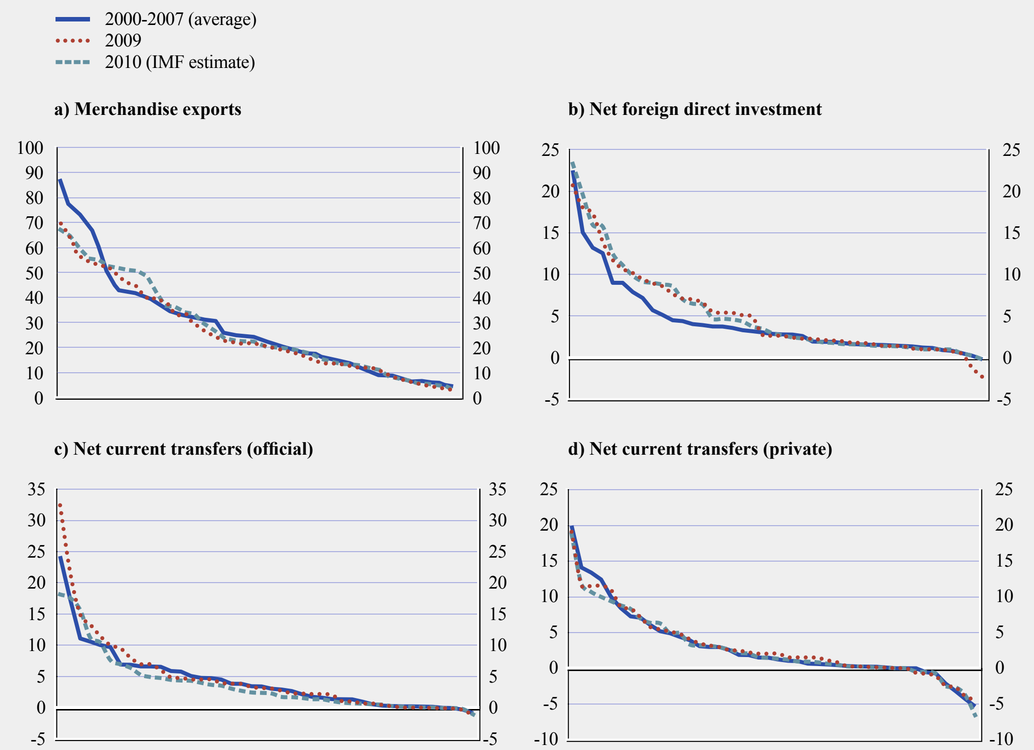
Source: IMF.

In addition, trade and capital flows displayed some normalisation, although the return to pre-crisis performance is not uniform across countries and indicators (see Chart 17). Merchandise exports as a share of GDP (see Chart 17, Panel A) were estimated by the IMF to reach or exceed their 2000-2007 averages in a large number of instances, except where the drop had been particularly pronounced, such as for the oil producers Angola, the Congo and Equatorial Guinea. Remarkably, net foreign direct investment in 2010 (see Chart 17, Panel B) was forecast broadly to remain above the 2000-2007 average, as it had in 2009. This suggests that Sub-Saharan Africa has sustained its attractiveness as a destination for foreign investment during and since the crisis. By contrast, net current transfers from official and – to a lesser extent – from private sources appear to have failed to rebound to a significant extent so far, which may be a reflection of comparatively lacklustre labour market developments and constrained government budgets in advanced economies which are typically the main source of these types of funds.

Despite this comparatively positive view of the economic outlook for Sub-Saharan Africa in the short term, it is also evident that the pace of expansion is highly dependent on external factors, such as future trends in world demand, especially for commodities, and sustained provision of aid and investment. A protracted period of relatively low growth in advanced economies or less expansionary policies in fast-growing emerging markets would therefore pose a considerable downside risk for Sub-Saharan Africa. In addition, a further rapid increase in raw material prices would be likely to create macroeconomic challenges similar to those observed during the food and energy price spikes in 2008, particularly for importers of these goods.

Chart 17 Selected trade and capital flows in 2010

(as a percentage of GDP)



Sources: IMF and own calculations.
Note: Indicators are ranked from highest to lowest country observations along the x-axis, giving an insight into their distribution across Sub-Saharan Africa in each period.

This raises the question of which policies countries in the region could pursue to reduce their substantial reliance on variables largely beyond their control, particularly the extent to which domestic demand can become a more important driver of growth in the future, taking into account the fact that improvements in this respect depend to a large degree on supply side factors. Some of the answers to this question also highlight some of the key lessons that can be drawn from the impact on Sub-Saharan Africa of the global economic crisis, and the food and energy crisis before it, as many of these events have served vividly to highlight the region's traditional vulnerabilities, notwithstanding the significant progress it has recorded in some areas during the last decade.

6.1 FISCAL ISSUES

With a substantial share of export and government revenues dependent on the prices and production volumes of a single commodity in many countries, the spike in raw material prices in 2008 and their subsequent collapse has put the need for a prudent management of this source of fiscal income into the spotlight. It has also underlined the budgetary challenges for economies which suffer rather than benefit from rises in the prices of these goods because they comprise a large share of their imports and – in processed forms – of their consumption baskets.

Commodity-related wealth raises issues of intergenerational equity and long-term fiscal sustainability, particularly with regard to non-renewable resources, as well as of macroeconomic management and budget planning in the short to medium term.[41] Saving revenues derived from the exploitation of raw material deposits in the form of financial assets, for example in a sovereign wealth fund (SWF), is generally regarded as an effective way to preserve national wealth and to distribute it equally among present and future generations. Moreover, it is also perceived to address the potential Dutch disease effects that are frequently observed in countries relying on commodity-related exports.[42] However, the policy of advocating an approach based on a permanent income rule is sometimes seen as sub-optimal for emerging or developing countries (Brahmbhatt and Canuto, 2010), where devoting a larger proportion of resource revenues to high-return public projects, such as infrastructure, education or health, might be a more promising alternative (see also Collier and Venables, 2008). With the majority of the world's least developed economies located in Sub-Saharan Africa, the trade-off implied by this analysis is of paramount relevance, although it has to be emphasised that an economy's capacity to absorb such investments has to be taken into consideration.

In the shorter run, the unpredictability of commodity price fluctuations poses formidable challenges for the conduct of fiscal policy. Indeed, the transfer of cycles in raw material prices to government revenues may result in periods of elevated levels of spending, potentially on investments of doubtful value and with unsatisfactory returns, followed by phases of considerable fiscal retrenchment, which might also hamper the implementation of viable projects. The overall result might then be a lower level of potential growth than could be achieved in a less volatile environment. As a remedy, the establishment of fiscal rules, fiscal responsibility legislation, or the use of budgetary raw material prices is widely encouraged in order to smooth the impact of commodity price cyclicality on government spending (York and Zhan, 2009). In Sub-Saharan Africa, such policies are indeed in place in some economies,[43] even though their implementation is not always particularly rigorous and could be strengthened.

In spite of high commodity prices generally being a boon for the vast majority of countries in Sub-Saharan Africa, asynchronous changes in the terms of trade across the continent are common, since many exporters of raw materials are at the same time importers of other commodities. Particularly during the price boom in 2008, many producers of agricultural goods experienced a substantial worsening of their terms of trade, when the rising value of their exports was eclipsed by the cost of their energy imports. Besides worsening their balance of payments position, this development also put significant strain on government finances, insofar as several countries tried to offset potential negative repercussions for their consumers by implementing measures such as price controls, the elimination of import taxes, the lowering of value-added taxes, or the direct subsidisation of food and energy products. While these strategies in some instances appeared to be justified as a short-term solution to protect the most vulnerable sections of the population, in some cases they threatened to undermine fiscal and debt sustainability and subsequently limited the policy options available to address the economic downturn which immediately followed. Consequently, although such measures may be necessary in specific circumstances, rigorous assessment is of the essence to determine whether their presumed benefits are not outweighed by their associated costs.

6.2 MONETARY AND FINANCIAL ISSUES

Despite the financial sector being at the heart of the crisis in advanced economies, for Sub-Saharan Africa developing the sector to a more advanced stage of intermediation may actually help to improve the capacity of policy-makers

41 For an overview of fiscal challenges in oil-exporting countries, see Sturm et al. (2008).
42 See Das et al. (2009) for a detailed analysis of SWF policy and operational considerations.
43 For an overview, see Böwer et al. (2007).

to react more flexibly to domestic economic conditions and ultimately to achieve higher growth. Indeed, a more developed financial system should enhance the ability of central banks to implement a more sophisticated monetary policy strategy through a stronger transmission mechanism.

Furthermore, fostering the development of Sub-Saharan Africa's financial systems might also allow governments to rely more on domestic sources to meet their funding requirements. This could considerably enhance their range of options in response to changes in the economic environment, such as in the case of the recent crisis, when external sources of finance became unavailable at the very moment when they were most in demand. However, these beneficial aspects of increased levels of financial intermediation notwithstanding, the ability of the public and private sector in Sub-Saharan Africa to cover their borrowing needs at home not only hinges on the sophistication of the financial system, but in many cases also crucially depends on the availability and mobilisation of domestic savings.

As well as underlining the importance of financial sector development, the experiences of some emerging and developing countries before and after the crisis have rekindled an interest in the role of capital restrictions as a tool in addressing the potentially destabilising effects of substantial in- and outflows of capital Indeed, limitations on cross-border transactions and payments may have helped to allay currency volatility, either via outright constraints on foreign purchases of certain financial instruments or through price-based measures such as taxes on selected inflows (Ltaifa, Kaendera and Dixit, 2009). Similarly, recent research[44] has explicitly singled out capital controls as a legitimate component of the policy response to surges in capital inflows, even though it should be considered a temporary measure of last resort – in the light of its likely adverse side-effects – in cases of strong currency appreciation pressures or an inflationary environment that impedes the ability of monetary policy to lower interest rates.[45]

6.3 STRUCTURAL ISSUES

The World Bank's estimate that the global economic downturn and the preceding food and energy price shocks will have left an additional 90 million people in extreme poverty by the end of 2010 and resulted in 30,000 to 50,000 additional infant deaths in Sub-Saharan Africa in 2009 (Friedman and Schady, 2009) serves as a stark reminder that, besides their monetary and fiscal impact, crises also impose extraordinary human costs in terms of lower income and consumption levels, higher unemployment, less investment in education, and a deterioration in health and nutrition. These developments also put into perspective Sub-Saharan Africa's resilience during the crisis in comparison with other emerging economies and its relatively quick recovery when measured by standard macroeconomic indicators.

Indeed, while addressing the factors presented in the previous two sections may also help to alleviate some of the human costs of the crisis, most of these issues do in addition call for accelerated structural reform and a re-prioritisation of policies. First, a diversification of Sub-Saharan Africa's economic base, away from an often exclusive reliance on commodity production and exports and towards output of a higher value-added appears to be key to making economic activity and fiscal and monetary policy more independent of the vagaries of global demand for raw materials and fluctuations in their prices on international markets, and ultimately to guaranteeing a more stable pace of development. To achieve this goal, an important related issue which needs to be addressed is whether Sub-Saharan Africa should rely on the development of a competitive export sector for its long-term progress, considering the potential difficulties with this approach given the comparative advantages of other emerging markets and the non-negligible risk of an extended period of more subdued global demand, or whether in the short-term at least the

44 See Ostry et al. (2010).
45 For a comprehensive overview of the policy dilemmas emerging economies are facing in this context, see also BIS (2010).

continent should rather focus on an import-substitution strategy in a regional context. However, irrespective of the answer to this question, a second prerequisite for Sub-Saharan Africa's advancement is further improvement of the business environment through better enforcement of property rights and good governance. This would encourage private sector activity and foster investment. In fact, against the background of the progress achieved so far, investment in Sub-Saharan Africa might have especially beneficial effects at the current point in time,[46] since it would not only help to safeguard the advancements made to date, but might potentially lift the region to a higher level of development, and so help achieve the Millennium Development Goals. Third, as the energy and food price shocks in 2008 demonstrated, there is an urgent need to address issues of food security and supply-side constraints in Sub-Saharan Africa. Investment in agriculture and in infrastructure, particularly in energy and transport, is therefore an indispensable precondition for attaining a permanently higher growth trajectory in the region. Finally, the crisis has brought to light some tentative signs that regional integration might actually reinforce the resilience of economies to external shocks, as in the case of Uganda, although the absence of well-designed rules may potentially harm member states which are party to regional arrangements, as demonstrated by the SACU countries. Indeed, SACU's heads of state and of government meeting in July 2010 agreed to review the revenue-sharing arrangement, as the shortfall of income registered in the wake of the crisis highlighted several shortcomings of the current formula, most notably the high dependence on economic activity in South Africa.

46 See for example Collier and Warnholz (2009).

7 CONCLUSIONS

Even though the consequences of the global downturn have been felt on a considerable scale in Sub-Saharan Africa, the scope and magnitude of its impact have varied widely across the region. Besides differences in economic structures from country to country, the circumstances under which individual countries entered the crisis also played a non-negligible role.

Despite the wide-spread repercussions of the "Great Recession" in Sub-Saharan Africa, the analysis of the magnitude of the observed swings in macroeconomic variables reveals that, in contrast to advanced economies, comparable fluctuations, although large, are not exceptional in Sub-Saharan Africa and are often in line with those witnessed in the recent past. Moreover, to a certain extent the present slowdown also reflects domestic factors, such as pre-crisis political developments or macroeconomic policies, rather than contagion *per se*. In many instances, these have significantly shaped the scope of possible responses, both positively and negatively.

As a result, many of the policy recommendations that might be made for Sub-Saharan Africa on the basis of the recent crisis do not differ radically from those made previously. The management of commodity resources in particular remains a challenge and a priority for countries relying on a single product. Moreover, efforts to diversify the economy, supported by the necessary reforms of the economic and business environment and further regional trade and financial integration, appear to be of the essence if possible future external shocks are to be alleviated and macroeconomic stability preserved.

Nevertheless, like the food and energy crisis, the financial crisis also teaches some new lessons, such as the need to back growth prospects by re-defining sectoral priorities, for example by focusing on infrastructure and agricultural supply. Lastly, further challenges may also emerge, such as persisting financing constraints for developing economies after the easing of the crisis, resulting in particular from budget consolidation efforts in many donor countries, or the exposure of domestic financial sectors to systemic shocks, which might require a re-focusing of policy priorities

ANNEX A

SUB-SAHARAN AFRICAN COUNTRIES WHICH EXPERIENCED A FALL IN MERCHANDISE EXPORTS

Countries are classified into three groups according to the average share of merchandise exports in their GDP between 2000 and 2009. A fall in merchandise exports is defined as a drop in the export-to-GDP ratio to below its 2000-2007 average in either 2008 or 2009. Where this decline is larger than one standard deviation the country is highlighted in bold.

Larger than 40% of GDP		Between 25% and 40% of GDP		Between 10% and 25% of GDP	
(2008)	(2009)	(2008)	(2009)	(2008)	(2009)
	Angola	Botswana	**Botswana**		Cameroon
	Chad		Guinea	**Central African Republic**	**Central African Republic**
Congo	**Congo**	**Mauritius**	**Mauritius**	**Gambia**	**Gambia**
Cote d'Ivoire		Nigeria	**Nigeria**		Guinea-Bissau
Equatorial Guinea	**Equatorial Guinea**		South Africa		**Kenya**
	Gabon			**Madagascar**	**Madagascar**
	Lesotho				Mali
Swaziland	**Swaziland**				Mozambique
				Senegal	**Senegal**
				Sierra Leone	Sierra Leone
				Togo	Togo

Sources: IMF and own calculations.

ANNEX B

SUB-SAHARAN AFRICAN COUNTRIES WHICH EXPERIENCED A FALL IN CAPITAL FLOWS

Countries are classified into three groups according to the average share of the respective (net) capital flow in their GDP between 2000 and 2009. A fall in one of these variables is defined as a drop of this GDP ratio to below its 2000-2007 average in either 2008 or 2009. Where this decline is larger than one standard deviation the country is highlighted in bold.

Larger than 10% of GDP		Between 5% and 10% of GDP		Between 1% and 5% of GDP	
(2008)	(2009)	(2008)	(2009)	(2008)	(2009)
Net foreign direct investment					
Equatorial Guinea	Equatorial Guinea		Cape Verde	Angola	Angola
Mauritania	**Mauritania**	Gambia			Botswana
		Zambia	**Zambia**	Burkina Faso	Burkina Faso
				Cameroon	**Cameroon**
					Cote d'Ivoire
				Guinea-Bissau	Guinea-Bissau
					Kenya
					Lesotho
				Mali	
				Nigeria	**Nigeria**
				Sierra Leone	Sierra Leone
					Swaziland
				Tanzania	**Tanzania**
				Togo	**Togo**
Net factor income					
Angola	Angola	**Congo, Democratic Republic**	Congo, Democratic Republic	Cape Verde	Cape Verde
Gabon		Guinea			Ghana
Chad		**Seychelles**	**Seychelles**		Malawi
		Zambia	Zambia	Sierra Leone	
				South Africa	
				Swaziland	**Swaziland**
				Togo	Togo
Net current transfers (private)					
Cape Verde	**Cape Verde**	Togo	Togo	**Benin**	**Benin**
Ghana	Ghana		Guinea-Bissau	Chad	
Nigeria	Nigeria	Gambia	Gambia	Gabon	Gabon
			Guinea		Madagascar
			Kenya	**Mauritania**	Mauritania
				Rwanda	Rwanda
				Sierra Leone	Sierra Leone
Net current transfers (official)					
	Burundi		**Cape Verde**	Central African Republic	Central African Republic
Rwanda	Rwanda	Ethiopia	Ethiopia	**Chad**	**Chad**
			Malawi	**Djibouti**	**Djibouti**
		Sierra Leone	Sierra Leone	Gambia	Gambia
		Uganda	**Uganda**	Madagascar	**Madagascar**
				Mali	
				Mauritania	**Mauritania**
				Niger	**Niger**
				Senegal	**Senegal**
				Tanzania	Tanzania

Sources: IMF and own calculations.

ANNEX C

DE FACTO MONETARY POLICY AND EXCHANGE RATE FRAMEWORKS IN SUB-SAHARAN AFRICA (AS AT APRIL 2010)

	Monetary Policy Framework						
	Exchange rate anchor				Monetary aggregate target	Inflation targeting framework	Other
Exchange rate arrangement	US dollar	Euro	Composite	Other			
Currency board	Djibouti						
Conventional peg		Cape Verde Comoros Benin Burkina Faso Cote d'Ivoire Guina-Bissau Mali Niger Senegal Togo Cameroon Central African Rep. Chad Congo Equatorial Guinea Gabon		Lesotho Namibia Swaziland			
Stabilised arrangement					Burundi Rwanda		
Crawling peg			Botswana				
Crawl-like arrangement	Ethiopia						
Other managed arrangement	Angola				Guinea Malawi Nigeria		Mauritania
Floating					Congo, Democratic Rep. Gambia Kenya Madagascar Mozambique Seychelles Sierra Leone Tanzania Uganda Zambia	Ghana South Africa	
Free floating							Mauritius

Source: IMF (2010i).

ANNEX D

IMF PROGRAMMES IN SUB-SAHARAN AFRICA (AS AT AUGUST 2010)

	(1)	(2)	(3)	(4)	(USD million)	Date of approval	Date of expiration	Objective
Stand-By Arrangements (SBA)								
Angola				√	1,400.0	Nov. 2009	Feb. 2012	To restore macroeconomic balances and rebuild international reserves
Gabon	√				117.3	May 2007	May 2010	To support the government's economic programme
Seychelles		√			26.1	Nov. 2008	Dec. 2009	To support the government's economic reform
Extended Fund Facilities (EFF)								
Seychelles		√			31.1	Dec. 2009	Dec. 2012	To support the government's economic programme
Exogenous Shocks Facility (ESF)								
Cameroon				√	144.1	July 2009	ESF-RAC [1]	To cope with commodity price shocks
Congo, Democratic Republic				√	195.5	Mar. 2009	ESF-RAC [1]	To rebuild international reserves and to adjust for deteriorating terms of trade
Ethiopia			√		50.0	Jan. 2009	ESF-RAC [1]	To mitigate the impact of higher fuel and fertiliser prices on its balance of payments
				√	240.6	Aug. 2009	Oct. 2010	To cope with the effects of the global economic crisis on its balance of payments
Kenya			√	√	209.0	June 2009	ESF-RAC [1]	To rebuild international reserves
Malawi			√		77.0	Sep. 2008	Dec. 2009	To adjust for the terms of trade shock owing to increases in fuel and fertiliser prices
Mozambique				√	176.0	June 2009	June 2010	To cushion the country from the effects of the global economic downturn
Senegal			√	√	186.0	Dec. 2008	June 2010	To cope with the repercussions of the food crisis and to help finance the balance-of-payments impact of the global economic crisis
Tanzania				√	336.0	May 2009	June 2010	To rebuild international reserves and provide balance of payments support
Extented Credit Facility (ECF)								
Benin	√				9.1	Aug. 2005	June 2009	To support the government's economic programme
				√	109.0	June 2010	June 2013	To support the government's economic programme
Burkina Faso	√				9.2	Apr. 2007	Apr. 2010	To support the government's economic programme
				√	67.7	June 2010	June 2013	To support the government's economic programme to enhance growth prospects and proverty reduction efforts
Burundi		√	√		75.6	July 2008	July 2011	To support the government's economic programme, to consolidate macroeconomic stability and to cope with commodity price shocks
Central African Republic	√				107.5	Dec. 2006	Dec. 2010	To support the government's economic programme
Congo		√			12.5	Dec. 2008	Dec. 2011	To support the government's economic programme
Cote d'Ivoire		√			565.7	Mar. 2009	Mar. 2012	To support the government's economic programme
Djibouti		√			20.0	Sep. 2008	Sep. 2011	To support the government's economic programme
Congo, Democratic Republic		√			551.5	Dec. 2009	Dec. 2012	To support the government's economic programme
Gambia	√			√	37.3	Feb. 2007	Feb. 2011	To support the government's economic programme, extension for one year of the ECF arrangement in Feb. 2010
Ghana		√			602.6	July 2009	July 2012	To support the government's economic programme and to address macroeconomic imbalances

	(1)	(2)	(3)	(4)	(USD million)	Date of approval	Date of expiration	Objective
Guinea	√		√		110.1	Dec. 2007	Dec. 2010	To support the government's economic programme. In 2008 augmentation in the arrangement to help to cope with rising food and fuel prices.
Guinea-Bissau		√			33.3	May 2010	May 2013	To support the government's economic programme
Lesotho				√	61.4	June 2010	June 2013	To support authorities' adjustment programme and help reduce balance of payments risks
Liberia		√			391.0	Mar. 2008	Mar. 2011	To support the government's economic programme
Madagascar	√		√		119.7	July 2006	July 2009	To support the government's economic programme. Access augmented in 2008 to cope with rising food and oil prices.
Malawi		√			79.4	Feb. 2010	Feb. 2013	To support authorities' economic programme
Mali			√		45.7	May 2008	May 2011	To cope with commodity price shocks
Mauritania	√				24.2	Dec. 2006	Nov. 2009	To support authorities' economic programme
			√	√	118.1	Mar. 2010	Mar. 2013	to support economic growth and fiscal position weakened by the global fuel and food crisis in 2007-08 and subsequent financial crisis in 2008-09
Niger		√			37.5	June 2008	June 2011	To support the government's economic programme
Rwanda	√				12.0	June 2006	June 2009	To support the government's economic programme
Sierra Leone	√			√	75.8	May 2006	June 2010	To support the government's economic programme. Augmentation access under the arrangement approved in 2009 to help support international reserves
		√			45.4	July 2010	June 2013	To support the government's economic programme
Togo		√	√		140.8	Apr. 2008	Apr. 2011	To support the government's economic programme. Increase in financial support in Sep. 2008 to cope withe global price shocks and flooding.
Zambia		√		√	329.7	June 2008	June 2011	To support the government's economic programme. Increase in financial support in May 2009 to cope with the effects of the global economic crisis

Source: IMF.
Note: IMF programmes that are (1) pre-crisis, (2) post-crisis, but not crisis-related, (3) post-crisis, related to the 2008 commodity price shock, (4) post-crisis, related to the global economic crisis.
1) Exogenous Shocks Facility-Rapid Access Component.

REFERENCES

African Development Bank (AfDB) (2010), "Africa in the wake of the global financial crisis: challenges ahead and the role of the Bank", *Policy Briefs on the Financial Crisis*, No 1, January.

Bank of Botswana (2009), *The Research Bulletin*, Volume 23, No 1, November.

Bank for International Settlements (2010), "Post-crisis policy challenges in emerging market economies", *80th Annual Report*, pp. 47-58, June.

Böwer, U., Geis, A. and Winkler, A. (2007), "Commodity price fluctuations and their impact on monetary and fiscal policies in Western and Central Africa", *Occasional Paper Series*, No 60, ECB, Frankfurt am Main, April.

Brahmbhatt, M. and Canuto, O. (2010), "Natural Resources and Development Strategy after the Crisis", *Economic Premise Series*, No 1, Poverty Reduction and Economic Management (PREM) Network, The World Bank, February.

Cali, M. and Kennan, J. (2009), *The effects of the global financial crisis on exports in Least Developed Countries*, paper presented at the African Economic Research Consortium conference in Nairobi, 6-8 December.

Chauvin, S. and Lantéri, M. (2009), *How the financial crisis is affecting Sub-Saharan Africa*, presentation at the VIIth Workshop on Emerging Markets, Banco de España, 21-22 September. (http://www.bde.es/webbde/Secciones/SobreBanco/Conferencias/Ponencias/Fic/7._Session2_Africa.pdf).

Clausen, R.J. (2008), "Calculating Sustainable Non-Mineral Balances as Benchmarks for Fiscal Policy: The Case of Botswana", *IMF Working Paper*, No 08/117.

Collier, P. and Venables, A.J. (2008), *Managing resource revenues: lessons for low-income countries*, October.
(http://www.economics.ox.ac.uk/members/tvenables/images/stories/unpublishedpapers/managerev.pdf).

Collier, P. and Warnholz, J.-L. (2009), "Now's the Time to Invest in Africa", *Harvard Business Review* (http://hbr.org/web/2009/hbr-list/now-the-time-to-invest-in-africa).

Commission of the European Communities (2005), *EU Strategy for Africa: towards a Euro-African pact to accelerate Africa's development*, Brussels, October.

European Commission (2010), *EU energy and transport in figures – statistical pocket book 2010*, Publications Office of the European Union, Luxembourg.

Council of the European Union (2007), *Presidency-Commission joint background paper on energy cooperation between Africa and Europe*, document 8376/07, Brussels, April.

Dabla-Norris, E., Minoiu, C. and Zanna, L.-F. (2010), "Business Cycle Fluctuations, Large Shocks, and Development Aid: New Evidence", *IMF Working Paper*, No 10/240.

Das U.S., Lu, Y., Mulder, C. and Sy, A. (2009), "Setting up a Sovereign Wealth Fund: Some Policy and Operational Considerations", *IMF Working Paper*, No 09/179.

Dorsey, T., Tadesse, H., Singh, S. and Brixiova, Z. (2008), "The Landscape of Capital Flows to Low-Income Countries", *IMF Working Paper*, No 08/51.

Drummond, P. and Ramirez, G. (2009), "Spillovers From the Rest of the World into Sub-Saharan African Countries", *IMF Working Paper*, No 09/155.

Drummond, P. and Ramirez, G. (2009), "Spillover Effects and the East African Community: Explaining the Slowdown and Recovery", *African Departmental Paper Series*, No 09/2, IMF.

Friedman, J. and Schady, N. (2009), "How Many More Infants are Likely to Die in Africa as a Result of the Global Financial Crisis?", *Policy Research Working Paper*, No 5023, The World Bank, August.

IMF (2009a), "Angola: Request for Stand-by Arrangement", *Country Report Series*, No 09/320, December.

IMF (2009b), "Central African Economic and Monetary Community: Staff Report on Common Policies of Member Countries", October.

IMF (2009c), "Cote d'Ivoire: 2009 Article IV Consultation", *Country Report Series*, No 09/326, December.

IMF (2009d), "Namibia: Selected Issues Paper", *Country Report Series*, No 09/132, April.

IMF (2009e), "Nigeria: 2009 Article IV Consultation", *Country Report Series*, No 09/135, November.

IMF (2009f), *Sub-Saharan Africa: Challenges for 2010*, remarks by Ms Antoinette Sayeh, Director, African Department of the IMF, The Brookings Institution, 19 November.

IMF (2009g), "Regional Economic Outlook: Sub-Saharan Africa – Weathering the Storm", *World Economic and Financial Surveys*, October.

IMF (2010a), "Kingdom of Lesotho: 2008 Article IV Consultation", *Country Report Series*, No 10/5, January.

IMF (2010b), "Mali: Third Review Under the Three-Year Arrangement Under the Extended Credit Facility and Request for a Modification of Performance Criteria", *Country Report Series*, No 10/64, March.

IMF (2010c), "Kingdom of Swaziland: 2009 Article IV Consultation", January.

IMF (2010d), “Uganda: Sixth Review Under the Policy Support Instrument and Request for an Extension of the Policy Support Instrument”, *Country Report Series*, No 10/1, December 2009.

IMF (2010e), “Uganda: Seventh Review Under the Policy Support Instrument, Request for a New Policy Support Instrument and Cancellation of Current Policy Support Instrument”, *Country Report Series*, No 10/132, May.

IMF (2010f), “IMF shocks loan, policy changes help Kenya’s recovery”, *IMF Survey Magazine*, January. (http://www.imf.org/external/pubs/ft/survey/so/2010/CAR010810A.htm).

IMF (2010g), “Zambia: 2009 Article IV Consultation, Third Review Under the Three-Year Arrangement under the Poverty Reduction and Growth Facility, and Request for Modification of Performance Criteria”, *Country Report Series*, No 10/17, January.

IMF (2010h), “Zambia – Fourth Review Under the Three-Year Arrangement Under the Extended Credit Facility, Requests for Waiver of Non-observance of Performance Criteria and Modification of Performance Criteria, and Financing Assurances Review”, *Country Report Series*, No 10/208, July.

IMF (2010i), *Annual Report of the Executive Board for the Financial Year Ended April 30, 2010*.

IMF (2010j), “Regional Economic Outlook: Sub-Saharan Africa – Back to High Growth?”, *World Economic and Financial Surveys*, April.

IMF (2010k), “Regional Economic Outlook: Sub-Saharan Africa – Resilience and Risks”, *World Economic and Financial Surveys*, October.

Kirk, R. and Stern, M. (2003), “The New Southern African Customs Union Agreement”, *Africa Region Working Paper Series*, No 57, The World Bank, June.

Krumm, K. and Kularatne, C. (2010), *Fiscal Policy for Growth in Africa in Light of the Crisis*, paper presented at the African Economic Conference 2010, Tunis.

Lall, S. (2000), “The Technological Structure and Performance of Developing Country Manufactured Exports, 1985-1998”, *Oxford Development Studies*, Vol. 28, No 3, pp. 337-369.

Lledo, V., Yackovlev, I. and Gadenne, L. (2009), “Cyclical Patterns of Government Expenditures in Sub-Saharan Africa: Facts and Factors”, *IMF Working Paper*, No 09/274, December.

Ltaifa, N.B., Kaendera, S. and Dixit, S. (2009), “Impact of the Global Financial Crisis on Exchange Rates and Policies in Sub-Saharan Africa”, *African Departmental Paper Series*, No 09/3, IMF, December.

Meyn, M. and Kennan, J. (2009), “The implications of the global financial crisis for developing countries’ export volumes and values”, Working Paper Series, No 305, Overseas Development Institute, June.

OECD and AfDB (2010), *African Economic Outlook 2010*.

Ostry, J.D., Gosh, A.R., Habermeier, K., Chamon, M., Qureshi, M.S. and Reinhardt, D.B.S. (2010), "Capital Inflows: The Role of Controls", *IMF Staff Position Note*, No SPN/10/04, February.

Roodman, D. (2008), "History Says Financial Crisis Will Suppress Aid", *Global Development: Views from the Center*, Blog of the Center for Global Development. (http://blogs.cgdev.org/globaldevelopment/2008/10/history-says-financial-crisis.php).

Sturm, M., Gurtner, F. and Gonzalez Alegre, J. (2009), "Fiscal policy challenges in oil-exporting countries – a review of key issues", *Occasional Paper Series*, No 104, ECB, Frankfurt am Main, June.

Thornton, J. (2008), "Explaining Procyclical Fiscal Policy in African countries," *Journal of African Economies*, Vol. 17, No 3, pp. 451-464, January.

Wakeman-Linn, J., Portillo, R., Iossifov, P. and Milkov, D. (2009), "The International Financial Crisis and Global Recession: Impact on the CEMAC Region and Policy Considerations", *IMF Staff Position Note*, No SPN/09/20, July.

World Bank (2010), "Outlook for Remittance Flows 2010-2011", *Migration and Development Brief*, No 12, April.

York, R. and Zhan, Z. (2009), "Fiscal Vulnerability and Sustainability in Oil-Producing Sub Saharan African Countries", *IMF Working Paper*, No 09/174, August.

Youngs, R. (2009), "What role for Sub-Saharan Africa in Europe's Energy Policies?", *Working Paper Series*, No 5, European Development Cooperation to 2020 project, November.

ISSN 1607-1484
9 771607 148006