

Africa Most at Risk from the Current Recession – 7 May 2009

At a UNU-WIDER seminar this week on the impact of the global recession on the poorest countries, UNU-WIDER Senior Researcher Wim Naudé pointed out that Africa is by far the most at risk developing region. The continent is especially vulnerable to trade and financial shocks emanating from the advanced economies as “most of Africa’s trade is with Europe and the US and its banks are more closely integrated with the globalised financial system that we realise,” he said.

Prof Naudé painted a grim portrait of the consequences of ignoring Africa during the current recession which is expected to result in growth of only 1.7 per cent this year for the continent. “Unemployment is expected to increase by around three million, poverty will grow markedly and there are already signs of growing political instability in many [African] countries.”

Presenting the government response at the seminar to the growing crisis in many poor countries, the Ministry of Foreign Affairs said that development aid levels will increase in coming years, despite the downturn. “There will actually be a growth in our budgets for aid as Finland moves to reach the UN target of 0.7 per cent of its GNI by 2015,” said Nina Kataja, development finance adviser at MFA.

Since the mid-1990s, there has been a steady increase in Finland's aid flows. In 2007, Finland's ODA disbursements reached €711 million, which represents approximately 0.4 per cent of Finland's GNI. But there has been concern that this commitment to development aid may not continue given the worldwide economic situation. Prof Naudé believes that such development aid will be critical as financial resources for development will be put under immense pressure given that Africa could lose up to \$60 billion in resource inflows as a result of the crisis.

Kataja added that Finland’s aid priorities will remain long-term poverty reduction, as well as private sector development, improving infrastructure and agriculture and policies to improve trade.

Despite Africa being at such risk, Prof Naudé concluded the seminar on a more optimistic note, pointing out that the continent’s resilience to withstand the economic crisis is now better than at any time during the past thirty years, citing improvements in macro-economic management and governance. This gives hope that the impact of aid on preventing more people from falling into poverty may be better this time around than during previous recessions.

UNU-WIDER will host an event at the UN Conference on the World Financial and Economic Crisis and its Impact on Development on 2 June in New York, which will focus on Africa and Less Developed Countries. The event is being organised in collaboration with the UN’s Office of the Special Adviser on Africa ([OSAA](#)), the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States ([OHRLLS](#)) and the Office of the United Nations University at the UN. For more information see <http://www.ony.unu.edu/events-forums/upcoming/2009/towards-an-action-plan-for-afr.html>

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