



**PUBLIC FORUM
GLOBAL CRISIS FINANCIAL CRISIS
AND GHANA, 25th August 2010**

**AFRICA IN THE TURMOIL OF THE GLOBAL
FINANCIAL CRISIS**

**A Contribution to the Trade Union Debate and
Response: ITUC-Africa Perspective**

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Presentation Outline

1. How the Global Financial Crisis spreads to the African Economies
2. Socio-economic Impact on the Continent
3. Response by ITUC-AFRICA and the International Trade Union Movement
4. Conclusion : Some Suggested Actions for the Near Future.



2. How the Global Financial Crisis Spreads to African Economies

■ Four ways:

- ❖ Goods and services markets (with significant dependency upon foreign countries, $X+M/GDP > 50$ at 75% and a concentration of exports for 1 to 3 products)
- ❖ Capital Markets
- ❖ Money Market
- ❖ Labour Markets



Goods and Services Market

- **Crisis** → Drop in global demand for most goods and services → in Africa, Fall off in demand for African exports → Fall of prices.
- ❖ Some examples of fall of goods prices between end of July 2008 and end of March 2009.
 - **Coal: 66%, Barrel of oil: 60%**
 - **Platinum: 36%, Diamond: 30%, Silver: 24%**
 - **Robusta Coffee: 32%, Arabica Coffee: 21%, Cotton: 11% , Cocoa: 9%**
- ❖ **For services: reduction in tourist arrivals.**



Capital Markets

- Significant impact of the crisis on some financial markets in comparison with those of the North (USA, Japan, France)
- ❖ Some examples of asset value reduction on markets between end of July 2008 and end of March 2009 for seven African countries and three G8 countries.
 - Morocco (24.8%); South Africa (25%); Côte d'Ivoire (38.3%); Mauritius (39%); Kenya (44.5%); Egypt (55%); Nigeria (62.5%).
 - USA (31.71%); France (35.3%); Japan (35.5%).
- ❖ Therefore a Nigerian (or an Egyptian) investor (or saver) who had USD 10,000 at the end of July 2008, found him/herself, in March 2009, with only USD 3,750 (USD 4,500) respectively against USD 6,829, 6,270 or 6,250 respectively for an American, a French or a Japanese investor (or saver).



Money Market

- More significant depreciation of African currencies especially against the US dollar or Euro.
- ❖ Some examples of exchange rate depreciation between end of July 2008 and end of March 2009:
 - Countries of the CFA Zone (12.6%); Tunisia (14.2%); Botswana (16.2%); Algeria (16.3%); Kenya (17.2%); Ghana (18.1%); Namibia (20.6%); Nigeria (21.2%); Uganda (22.1%); Zambia (36.2%); DRC (38.7%); Sierra Leone, South Africa (21.8%); Seychelles (50.9%).
- ❖ In general, the depreciation of most of these currencies was said to be due to the impact of the financial crisis on the prices of raw materials and foreign exchange reserves.
- For the same period, the euro depreciated by 13% in comparison with the dollar, whereas the yen appreciated by 10%



Labour Market

- **Crisis** →
- **Massive job losses in host countries** (Namely North America and Europe) for African migrant workers and deterioration of their working conditions in terms of human rights.
- **Reduction of prospective job opportunities** (E.g. the current situation on the Spanish labour market)
- **Serious consequences, due to the reduction of remittance by migrant workers, on:**
 - **Governments** (Resource deficits)
 - **Populations** (Revenue loss for the poorest families living among the underprivileged groups)
 - **And the private sector** (funds drop)



Labour Market

- Evidence of the spread of the phenomenon on African economies →
- Recent estimates of money transfer made by African migrants to the continent amounted to USD 20 billion in 2008: 77% from USA and Western Europe.
- According to the official channels of the World Bank, the first ten countries that benefited from these funds are :
 - a. In 2007 (in billion dollars) : Nigeria (3.3), Kenya (1.3), Sudan (1.2), Senegal (0.9), Uganda (0.9), South Africa (0.7), Lesotho (0.4), Mauritius (0.2), Togo (0.2), Mali (0.2).
 - b. In 2006 (in GDP percentage) : Lesotho (24.5 %), Gambia (12.5 %), Cap-Verde (12 %), Guinea-Bissau (9.2 %), Uganda (8.7 %), Togo (8.7 %), Senegal (7.1 %), Kenya (5.3 %), Swaziland (3.7 %), Benin (3.6 %).



2. Social and Economic Impact on the Continent

- **Three-fold impact:**
 - ❖ Economic and social Impact;
 - ❖ Impact on income, poverty and development;
 - ❖ Impact on African Trade Unions.



Economic and Social Impact

Foreign Trade

- ❖ The fall of the growth rate was more significant in exports **7%** than imports **4.7%** → **deterioration of trade balance.**
- ❖ Therefore, from a trade balance which was generally positive in 2008 (**2.9%**), the continent will suffer a **4%** deficit of its GDP courant account in 2009
- ❖ Some examples:
 - Burkina Faso: degradation of the balance of payment due to the drop in agriculture production and export of cotton lint.
 - Botswana: **50%** drop in diamond production due to **30%** of price fall on the international market.
 - Zambia: the **65.8% reduction of coal price**, lead to a significant reduction of reserves.



Economic and Social Impact

■ Growth

- ❖ Reduction in growth rate on the continent: from **5.4%** in 2008 to **3.3%** in 2009
- ❖ Some examples for South Africa, Angola, Kenya and DRC.
- ❖ Respectively **1.8%**, **6.3%**, **2.1%** and **1.7%** growth rate expected in 2009
- ❖ Against **5.1%**, **21%**, **6.3%** et **6.5%** realised in 2007 for the above-mentioned countries.



Economic and Social Impact

- The situation of public finance
 - ❖ The crisis will lead to the degradation of public finance.
 - ❖ In general, Africa will drop from a 1.8% GDP budget surplus in 2008 to -5% deficit in 2009.
 - ❖ Oil exporting countries will record -7% GDP deficit in 2009 whereas in 2008, the budget surplus was 4%.
 - ❖ This situation will have a negative impact on State Programmes at all levels (functioning and investment)



Economic and Social Impact

Financial and Monetary Flows

- ❖ Generally, the falling trend should be noted in reduction of Foreign Direct Investment (**FDI**), Portfolio Investments, remittance by Migrant workers and Official Development Assistance (**ODA**)
- ❖ According to AfDB, no treasury bond was issued in foreign currency in 2008 on behalf of African countries. Investments have been dropping in Ghana, Kenya and Nigeria. **As a matter of fact, Kenya and Ghana had to postpone their issuance of bonds valued at 800 million dollars.**
- ❖ Official remittance by African migrants for a number of selected countries shall drop from USD **1,100 million** in 2008, to USD **800 million** in 2009; this is a drop of USD **300 million (about 27%)**.



Economic and Social Impact

- **Economic Activities and employment**
- ❖ Most industries are affected, however, the most affected ones seem to be mining, tourism, textile, agriculture, and manufacturing.
- ❖ Substantial job losses have been recorded, having direct negative impact on the living conditions of workers.
- ❖ Some examples in **2009**:
 - **20%** revenue reduction for tourism in Tanzania
 - Reduction of more than **20%** of investments in the tourism industry in Mozambique
 - Fall of **hotel occupancy rates** in Kenya, Tanzania and North Africa.



Economic and Social Impact

- Economic Activities and Employment (continued)
- ❖ Some examples in 2009 (continued)
 - More than 500,000 job losses in DRC
 - 36,500 job losses in the automobile industry in South Africa.
 - 5,000 job losses in the diamond industry in Botswana.
 - More than 3,000 jobs lost in the copper industry in Zambia –
 - More than 100,000 TV channel subscriptions cancelled leading to a loss of 11,000 jobs in 22 African countries.
 - 1,500 jobs are threatened in the mining sector of Liberia



Impact on Income, Poverty and Development

Income and poverty :

- ❖ It emerges from the analysis of the economic and social impact that the crisis will negatively affect the income distribution and level of poverty in various countries.
- ❖ Some simulations recently carried out using the calculable general equilibrium model, enabled us to clearly see the impact of a **10% reduction** on household income, government income, employment and welfare :
 - **Global prices of cash crops**
 - **Flows of foreign capitals**
 - **Remittances from the rest of the world (RW).**

Impact of a 10% Reduction on the Global Prices of Cash Crops

Indicators	Variation in %
Production of cash crops	-0.88
Export of cash crops	-10.4
Nominal income of households	-0.16
Available income of households	-4.45
Demand of informal work in agriculture	-2.58
Variation in the welfare of households	-6.81

Impact of a 10% Reduction on Remittances from the Rest of the World

Indicators	Variation in %
Total Added value	-0.12
Nominal income of households	-0.67
Available income of households	-5.16
Demand in informal work	-0.12
Variation in the welfare of households	-6.56
Government savings	-29.25

Impact of a 10% Reduction on the Flow of Foreign Capitals

Indicators	Variation in %
Total Added value	-0.92
Nominal income of households	-0.67
Available income of households	-4.67
Demand in informal work	-1.38
Variation in the welfare of households	-6.42
Government savings	-29.32



Impact on Income, Poverty and Development

Development :

❖ Africa, with about **13%** of the world population, contributes only **2%** of the global GDP and less than **1%** of the global industrial added value. Barely **2%** of exports come from developing countries.

❖ As far as the international trade is concerned, Africa is both marginalised, (**less than 5%** of FDI flow) and highly indebted (the foreign debt ratio over GDP is over **80%**)

❖ Out of the 49 least advanced countries, **34** of them are in Africa.

❖ The extent and persistence of poverty are high with an average of **35 to 60%** people living below the poverty line according to individual countries; they experience **poor access** to essential social services and public services (**health care, illiteracy, education, water and sanitation, electric power, internet**).



Impact on Income, Poverty and Development

Development (continued)

- ❖ The employment situation is worrying in most countries. Unemployment in those countries has become **endemic** with **high rate of precarious** jobs and **glaring inequalities, which do not favour women and the youth**. Depending upon the countries, unemployment affects between **20 and 40 percent** of the labour force.
- ❖ As for governance, save a few cases, there are still many challenges to administrative, economic, judicial, political and social governance. Some of the manifestations of these challenges are: **lack of democracy, non-transparent elections, lack of transparency when it comes to managing public affairs, malfunctioning of public institutions, corruption, embezzlement, impunity and lack of political will to organise social elections**.
- ❖ **This financial crisis may only worsen the situation and bring out the degradation of living conditions of both people and workers in Africa – the proof :**



Impact on Income, Poverty and Development

■ Development (end)

- ❖ The prospects of achieving the OMD by 2015 seem to be undermined as far as the objectives and targets are concerned.
- ❖ According to ILO, 50 million people could lose their jobs in 2009. The number of poverty stricken people in 2009 may exceed the 90 million predicted before the crisis.
- ❖ According to the World Bank, the food crisis and the new global financial crisis annihilates the progress achieved in the fight against hunger and malnutrition. Prior to the food crisis in 2007, some 850 million people in developing countries did not have enough food. This figure rose to 960 million in 2008 and should exceed 1 billion in 2009.
- ❖ In poor countries, the school performance and rates of school attendance also tend to decrease during the economic crisis, especially among girls.



Impact on Trade Unions

- Previous crisis had already affected negatively the trade unions, leading to :
- Membership decline in many countries.
- Splitting of trade union organisations which used to be strongly represented in the formal economy.
- The financial crisis threatens to exacerbate the problems facing the African Trade Union Movement.
- However, ITUC-Africa is aware of the marginalisation of Africa as well as the challenges ahead.



Impact on African Trade Unions

- ITUC-Africa is aware that the **low involvement or even the absence** of the key stakeholders, including **workers and trade union organisations** in developing and implementing the economic development policies, is one of the most significant reason why this situation is prevailing in Africa.
- That is why, to fill this gap, ITUC-Africa has undertaken **capacity building activities** in the socio-economic field for its affiliates and secretariat in order to be able to consider the alternative development strategies in lieu of neo-liberal policies.



3. ITUC-Africa and the International Trade Movement Response

- First of all, these are the ITUC-Africa initiatives:
 - ❖ First, the actions developed in the 2009-2012 Strategic Plan
- As far as the 2009-2012 Action Plan is concerned, research workshops have been planned as well as other activities aimed at seeking alternatives to the neo-liberal policies.
- In this respect, ITUC-Africa initiated a sensitization and training programme on the global financial crisis.
- Hence, ITUC-Africa organised, **in collaboration with ILO**, forums on the financial crisis for its affiliates **in April, and May 2009** in Nairobi, Kenya, **in September 2009** in Lomé.



ITUC-Africa Initiatives (continued):

- Sensitisation actions will continue throughout the year (The current sessions organised within the framework of the Regional Seminar on Gender as well as this Executive Bureau Meeting prove the same).
- Within the framework of this programme and considering the main trends within the African context, the recommendations made by ITUC-Africa, take into account **three major characteristics** :
 - ❖ **The need for a paradigm shift** in order to steer development policies and strategies in Africa.
 - ❖ **The need for** good governance in African countries.
 - ❖ **The need for a true reform of the global governance** to enable the African States to set themselves free from domination of international institutions, Western powers and emerging powers.



ITUC-Africa Initiatives (end)

- However, to ensure that the implemented policies will lead to productive and decent job creation, **ITUC-Africa is of the opinion** that **economic recovery plans** to be implemented in the African countries should take into account five measures :
 - ❖ **Debt alleviation ;**
 - ❖ **Support to vulnerable people and groups;**
 - ❖ **Support to productive investment;**
 - ❖ **Support to infrastructure investment;**
 - ❖ **Resource mobilisation.**
 - ❖ **Beyond these actions, ITUC-Africa is also involved in other initiatives together with like-minded organisations (those which advance the values and interests of the African workers and trade unions such as **FES** (Friedrich Ebert Stiftung), **ATN** (Africa Trade Network) and **TWN-Africa****



Current Actions Implemented Together with the International Trade Union Movement

- ❖ Since the beginning of the global financial crisis, **ITUC-Africa** has been working with **ITUC**, **TUAC** (Trade Union Advisory Committee to OECD), **GUFs** (Global Union Federations) in **regular and permanent actions**.
- In this follow up and monitoring process, **three important events** need to be mentioned:
- The Trade Unions' Declarations on the occasion of the **G20 Summits** in **Washington** November 2008 in **London** April 2009, in **Pittsburgh** September 2009 and in **Toronto** June 2010, as well as the Social Summits in **Rome** March 2009 and in Washington in March 2010
- And the **follow up of the decisions taken in the above-mentioned summits**.



The mains issues of Trade Union Declaration

- Engagement of the trade union movement in the five main focus areas :
 - ❖ A recovery plan and a sustainable growth programme coordinated at the international level (a)
 - ❖ Investments in the global economy to ensure that growth comes with little emission of carbon (b)
 - ❖ New regulations for global financial markets (c)
 - ❖ An efficient and responsible global economic governance (d)
 - ❖ A fairer world to work and live (e)
- Within the framework of this debate and its consultation sessions, ITUC-Africa made some suggestions relating to three focal areas : (a), (d) and (e)
 - Area (a) – the threat of job losses, increase of migration tensions and governance degradation.
 - Area (d) – the issue of fair voting rights.
 - Area (e) – the establishment of regulatory and compensatory commodity mechanisms.



4. Conclusion : Some Suggested Actions for the Near Future.

- The G20 Summits in London ended up with five focus areas:
 - ❖ Reviving growth and employment -
 - ❖ Reinforcing supervision ;
 - ❖ Strengthening global financial bodies ;
 - ❖ Rejecting protectionism ;
 - ❖ Guaranteeing a fair and sustainable recovery.
- It is obvious that these **measures and arrangements are mere intentions.**
- The crisis cannot end with these intentions. **It is now that the work to be done should begin for trade unions and civil society organisations in Africa and elsewhere in the world.**



4. Conclusion

- Since London, ITUC, the GUFs and TUAC (Trade Union Advisory Committee) have pursued monitoring activities by producing information materials for their members
- Given the current situation, **ITUC-Africa and the African Trade Unions have the responsibility** to push for significant changes leading to development and social progress on the continent. To this end, they must mobilise themselves to **push the leaders to take actions so that sustainable solutions** can be found. They should undertake concrete actions to **improve** their knowledge on this issue, **sensitise** the workers and **propose alternatives**. This entails developing strategies in the following areas :
 - **Information and research ;**
 - **Organising;**
 - **Capacity building in the area of socio-economic analysis;**
 - **Bargaining.**
- **In order to answer the questions HOW? WHEN? WITH WHOM? WITH WHAT MEANS? FOR WHAT PURPOSE?**
- **In the processes of discussions with AfDB , UN, AU, ³ILO RECs (ECOWAS, SADC, EAC, CEMAC, etc), States, etc.**



4. Conclusion

- By so doing, ITUC-Africa and the African Trade Unions would be able to influence the development strategies set by the States and international, continental and regional institutions so that in their implementation phase, the concerns of African people and workers can be taken into account in the following areas :
- i. sustainable economic growth focusing on the strengthening of regional integration processes based on competitive agricultural and industrial sectors focused primarily on market needs in order to limit the heavy dependency upon external markets ;
- ii. creation of productive and decent jobs, enabling to generate substantial income in order to break the poverty cycle ;



4. Conclusion

- iii. **Social justice guaranteeing quick and low cost access** of the population to the basic social services, basic infrastructure, water, electricity, and loans;
- iv. **Effective and efficient governance** based on rational use of public resources and **significant involvement of the trade unions**;
- v. **fairness to reduce and even eliminate**, within a reasonable period, **the discrepancies based on gender, place, age, ethnic group and religion.**



4. Conclusion

- Africa is rich, yet it is characterised by *widespread and continuing poverty*.
- Moreover, the continent is at a crossroads and is **completely marginalised**, yet it has **huge potential**.
- In the current context, the world has become a global village, a kind of **an economic battlefield where other people are emerging**. **In such a scenario, it is necessary to:**
 - be well prepared,
 - be willing to win, move rapidly, be on the offensive;
 - have good allies. Can we ?



4. Conclusion

- **Closing Remarks**
- If African trade unions mobilise themselves to achieve
- the ITUC-Africa Vision «To build a regional democratic, independent and united trade union organisation for the well-being of all African workers in a world where everyone can fully develop their potential in conditions of freedom, democracy, good governance, equality and social justice»,
- **It will be possible to answer “Yes, we can” to this question.**



Thank you for your attention!