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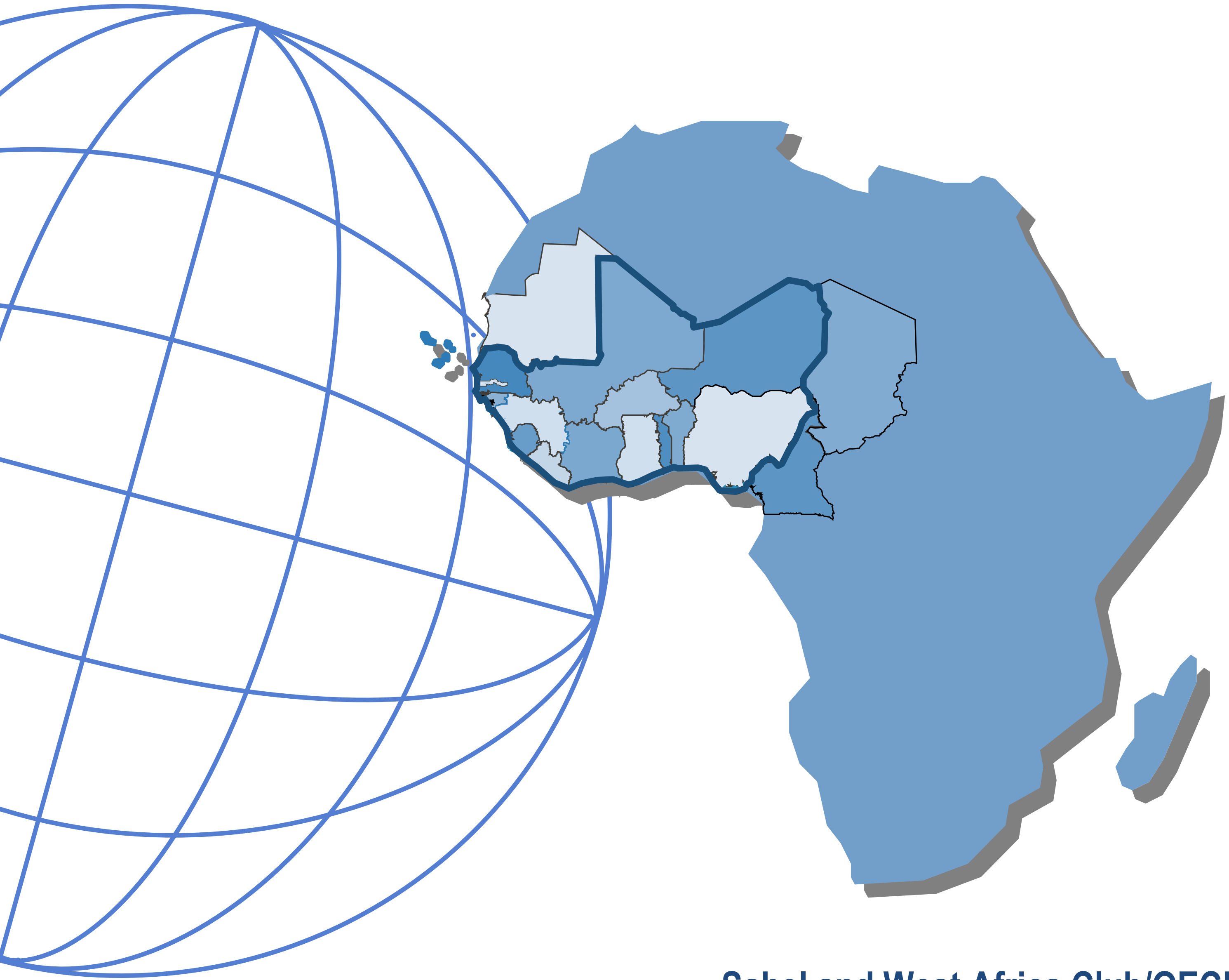
West Africa facing the global economic crisis



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West Africa facing the global economic crisis

This is a compilation of documents which were published by the Sahel and West Africa Club on West Africa and the global economic crisis.

INTERVIEW WITH MR. LIONEL ZINSOU, MEMBER OF THE PAI PARTNERS EXECUTIVE COMMITTEE (15.10.2008)

Mr. Lionel Zinsou holds a degree from the École Normale Supérieure in Paris. Involved in economic science, economic history and economic development, he has taught, consulted for the UNDP as well as worked as an advisor for two French Economic Ministers (Laurent Fabius and Pierre Dreyfus). Strongly involved in the private sector, he has successively worked as the Development Director for Danone, as mergers/acquisitions expert for the Rothschild Bank and as the co-Director General of Paribas Affaires Industrielles. He is a member of the Board of Directors of the French newspaper, Libération. In Benin, Lionel Zinsou is an economic operator – through the CSEB (a company providing Benin businesses with industrial cleaning, security, and computer services) – and a cultural operator – through the Fondation Zinsou, which organises artistic events. For several months, Lionel Zinsou has also been the special advisor to the President of Benin, Yayi Boni.

Q. *Information on the impact of the international financial crisis fluctuates between optimism and fear. Authorities in the Franc zone avow that their banking system is safe. On the other hand, the Nigeria's two parliament houses met urgently for a marathon debate and the World Bank announced that if the banking systems should be affected at all, it would be much more their capital flows. What is your analysis?*

It is true that the prevailing opinion is that the African economies are not very exposed and are thus "protected" from the after-effects. But no one anywhere is safe from the effects of a crisis of this scope. There are no isolated circumstances in such a serious situation.

The more modern and globalised the banking system, the more it is affected. The banking systems of South Africa, Egypt, Nigeria and, less so, the Maghreb countries, will be the most affected because they are the most exposed to the outside world. The banks of these countries depend very much on short-term capital. The more dynamic an economy, the more it depends on short-term capital.

In West Africa, Nigeria's banking system is the least immune. The country very recently completed a serious and courageous restructuring of its banking system at the urging of the Central Bank. Twenty-five small banks created five large groups better adapted to the size and dynamism of the national economy. Nigeria's banks should correspond to the size of the economy. It is not normal that the fifty biggest banks on the continent are almost all South African. The crisis comes at a time of recent merges which are still shaky. The Nigerian banks could face difficulties in mobilising short-term capital needed to be injected into the stock market and finance the economy. Therein lays the injustice. This country, as it were, is going to pay the price for modernising its banking sector and its economy. Ghana is practically in the same position.

The more dynamic an economy is, the more it is incorporated into globalisation, the more it consumes short-term working capital and thus the more it is exposed to the crisis.

Conversely, the countries in the Franc zone are protected by their "antiquated" banking system. Their economies are much less banked than those of Ghana and Nigeria and the big Anglo-Saxon banks have little influence there. Moreover, the banks there deal in working capital, mostly in Central Africa. This excess liquidity, which is normally a failing, becomes a protection.

Q. *We can thus fear that there will be, at least in the Maghreb, Nigeria and Ghana, short-term difficulties to finance business?*

Generally, all the activities that need to be financed by short-term borrowed liquidity could suffer over time. This is currently the case in maritime transport. Banks have abolished many short-term credits which ship-owners constantly need. A sharp drop in freight rates will be a fear over the coming weeks. This could have an impact on the prices of raw materials.

Q. *In addition to the banking crisis, could the anticipated recession in Europe and North America threaten West African growth?*

Don't forget China, India and other rapidly emerging economies. In the medium-term, these are the economies which will carry world growth, even if Europe and the United States are entering into a recession. If the Chinese growth rate goes from 10 to 6-8%, it is still a lot. The demand for raw materials will continue to increase but less rapidly. In Africa, growth should also continue but at a slower pace than foreseen.

It is frustrating. These external events will hinder economies from developing although the internal, intrinsic fundamentals are good. In my country, Benin, the IMF forecasted good economic growth prior to the crisis. Today, these forecasts have been revised with a decline. The economy of Benin will continue to grow but less rapidly. Foreign Direct Investment (FDI) will be less important, as will emigrants' remittances.

Q. *One of the visible consequences of the crisis is the collapse of raw material prices, notably agricultural. This is good news if we remember the "food riots". Are food prices going to drop?*

It is true that world prices have dropped enormously. This is explained by the exceptional global cereal harvest as much as the hedge fund debacle which greatly relied on these products. But fundamentally I see that West African agriculture, helped by the good climatic conditions – has risen to this challenge which it was facing with the sharp rise of prices. Much more was produced in 2008 than in 2007. Supply's flexibility has been established; much more corn and less cotton were produced.

However, I believe that this will not change anything in the basic trends. There will not be a lasting lull. Experts think that the prices related to agricultural products are going to continue to increase. Pure speculation in determining these prices will be less important and the pendulum swings less extreme, but fundamentally, do not forget that China, India and other emerging countries are going to continue to express growing demand.

Q. *And what about the psychological and political effects? Frustration and bitterness is felt in Africa regarding the fact that "you made us privatize everything and you nationalise your banks!" Many comparisons are made between the thousands of billions of dollars or Euros made available in several days to save the Northern banks and the difficulties to increase several billions of development aid.*

It is irritating to have been given decades of lessons, to have had forced liberalisation beyond that which developing countries impose on themselves. We cannot dispute the frustration that you are talking about. But we should not exaggerate by advocating going back to "total State intervention." The structural adjustments led to exceptional economic progress in some areas. In telecommunications, privatisation enabled unprecedented growth thanks to private investment which no State could have provided.

On the other hand, in agriculture, we have certainly gone too far. Thus, we see African States returning more to State intervention because pure market liberalisation has not enabled a balanced growth. Agricultural policies are back on the agenda. Regulation is vital. It is true that from now on, the “North” will have a more difficult time than before convincing Africa otherwise

Interview led by Mr. Laurent Bossard, *SWAC Deputy Director,* 15 October 2008

INTERVIEW WITH MR. HAMZA AHMADOU CISSÉ (13.03.2009)

Cabinet Director of the UEMOA Commission

"The current crisis calls for a serious overhaul of our economic fundamentals. Our economies cannot function properly nor sustainably by excluding a growing part of the population, destroying natural resources, having blind confidence in the capacity of international markets to guarantee the population sufficient supply of food commodities and energy products at the best prices."

led by the SWAC on 13 March 2009. Original Language: French

Q. *On a global level, how would you analyse the financial and economic crisis? Where does responsibility lie?*

For some, it was originally a financial crisis due to the failure of regulatory procedures. This failure first caused chaos in the financial markets and then in the banking system. This resulted in a credit crunch which led to the curbing of investment eventually affecting the real economy.

For others, the crisis was the result of inequitable development in which a minority controlled most of the wealth to the detriment of the majority, who had to rely on credit for housing, food, healthcare, education, etc. With the poor falling further and further into debt, the exacerbation of the rise in the prices of food commodities and energy led to the high-risk mortgage-backed security market crisis, or better known as the "subprime" crisis. The securities on this market involved high risk mortgages, with no additional risk premium, awarded to clients who could not normally obtain credit. This financial market crisis would affect the banking system, then the real economy which, in any case, grew above its potential, that is to say above consumer purchasing power. Based on this theory, developing countries constitute consumers who are on the fast track to becoming poor. In fact, these countries' export earnings for some products are evaporating, leading to a reduction in imports from developed countries.

This is a bit like the age-old question "which came first, the chicken or the egg?" Was it first a financial problem affecting the real economy, or vice versa? No one can say for sure because it is difficult to understand the collapse of the financial system if it is based on a solid real economy, nor the collapse of a sustainable economy when there is the least bit of weakening in the financial markets. Thus we have to believe that the current crisis is that of a real economy that became fragile at the same time that equity holders had the false impression of easy gains that were not explicitly linked to real economic performance. In some circles this is referred to as the "casino economy".

Q. *According to the World Bank, "Direct effects of the global financial and economic crisis are likely to be much more limited than in other regions, because African economies are less integrated into the international financial system and rely relatively less on international capital and bond markets to finance investment." (Global Economy Prospects 2009). What do you think?*

While Bretton Woods institutions initially focused on the purely financial aspect of the crisis concluding from this perspective that Africa was not very implicated in international financial markets and thus less exposed, they now assess the full extent of the crisis. On 3 March 2009, the IMF published a study in which it estimates that the poor countries, generally those in Sub-Saharan Africa, are exposed to a "third wave" of the crisis, after developed and then emerging countries. Developing countries are losing the benefits of the adjustment efforts undertaken during the last decade and that is due to some financial speculators and the lack of transparency in the economic management of developed countries.

The IMF identified "*22 low-income countries that face the most acute financing constraints*", their external reserves having fallen below the equivalent of three months of imports (International Monetary Fund, Press Release No. 09/53 (Washington, 3 March 2009). These countries face a sudden decrease in growth (just greater than 4% this year compared with 6% initially forecasted) of their exports, in foreign direct investment in their country, and the remittances from their citizens working abroad. The IMF estimates that "*to keep their external reserves at safe levels*", they will need at least 25 billion US dollars in additional concessional financing, and up to 140 billion US dollars "*if global growth and financing conditions deteriorate further*"; the number of vulnerable countries could then almost double. The IMF Director, Mr. Dominique Strauss-Kahn, urged donors "*to rise to the challenge and provide the financing needed to preserve these hard-won gains and prevent a humanitarian crisis*".

For their foreign currencies and thus for their imports of capital investment goods, UEMOA member countries rely heavily on exports of raw/unprocessed agricultural and mineral products of which the price has dropped due to the economic recession in the North. This could have medium-term effects on production capacities of countries in the sub-region.

On the other hand, the stimulus plans of UEMOA partner countries require considerable financial resources that could affect the financial support from which our zone benefits. We are not there yet and I think that developed countries realise that it is important not to create another bloodletting in the South which would only exacerbate the economic crisis, notably with further contraction of their markets.

However, trade between emerging countries and West Africa has increased greatly over the last ten years. This could accelerate, with the deepening of the crisis in developed countries, and particularly so if these countries where tempted by protectionist measures or a propensity to reduce their financial support.

> **Q.** *Today, what do you think the average growth rate would be for UEMOA countries in 2008 and 2009 (even 2010)? Are UEMOA countries being affected by the economic and social crisis?*

According to the UEMOA Commission's forecasting service, the growth rate in 2009 will be around 4.9% compared with 3.9% in 2008 if the effects of the global financial and economic crisis do not get worse than they are today. The majority of the population in our countries is essentially dependent on agriculture and the service sector, notably the segments of these sectors which are geared towards the domestic or sub-regional market. In the short-term, this will lead to a relative isolation from international market conditions which is due to the short-term inelasticity of agricultural supply to prices shocks.

The major short- and medium-term risks for most economies come from variations in climate conditions. These conditions are deteriorating due to this global environmental crisis known as climate change but which, in fact is much greater with prevailing lifestyles in the world in general, and especially in developed countries, having a destructive effect on natural resources.

Furthermore, our growth forecasts also depend on the socio-political context and the reestablishment of political stability in some States. From this viewpoint, what has just happened in Guinea-Bissau pulls into question some forecasts if the situation is not resolved rapidly. Of course, Guinea Bissau's economic weight does not affect the evolution of the Union's GDP, but we believe that any fragile socio-political situation can upset the economic dynamics in the UEMOA zone more or less in the long-term.

Q. *West Africa has to face two successive crises: the food crisis between 2007 and 2008 followed by the financial and economic crisis. Do countries today have the means to deal with this new situation? Which countries are/will be the most seriously affected? Why? Which countries are best equipped to deal with this crisis? On which resources can they rely to respond effectively?*

Looking at the changes between the second half of 2008 and now, we can see that countries in the sub-region have been able to implement some safeguard mechanisms, notably in the areas of food production and the supply of petroleum products. Countries which are doing the best are those that are effectively exploiting their comparative advantages, notably those that are doing everything to stimulate their agriculture and agro-food industries.

In fact, the two crises that you mentioned are precursors to this current crisis which is one and the same and is now shakening up the world. Of course, the mechanisms that resulted in the crisis within developed economies appeared as a sharp rise in food prices in Africa and even in the developed world. This occurred when the crisis was just beginning thus the mechanisms were able to mask the deep relationship between the two types of crises.

Coming back to the crises to which you referred, on the one hand, the consequences of the global crisis were seen early on in the sharp rise in oil and basic food commodity prices. This was due, in large part, to the backwardation of finance market speculators leaning towards commodity markets including food commodities. On the other hand, the economic and financial crisis was also the result of the bursting of real estate, financial and commodity speculative bubbles.

Q. *Is the banking sector in the UEMOA zone sound? Why? How is this sector adapting to the financial crisis? How is the Abidjan stock market reacting?*

Our banking sector is greatly evolving due to the arrival of many banks from South Africa, Nigeria and Maghreb countries, in particular Morocco. Having become more international, these banks are seeking to exploit the potential of the West African market. This is a positive trend, even if there are concerns that the effects of the international financial crisis will reduce available resources on the international financial market.

The Union has formidable foreign exchange reserves. The cover rate of the monetary base was greater than 125% at the end of October 2008. Similarly, the evolution of lending to the real economy was relatively favourable despite crowding out which took place in the second half of 2008 by public loans issued to deal with the effects of the food and energy crisis. As of September 2008, banks have been rather tepid regarding the issuing of long-term credit, but that is related to the wariness of international bank branches located in the zone fearing the effects of the crisis on the parent entity.

Of course, we have to worry about the recessionary effects of a slowdown of financial flows from the international financial market as well as parent entities of some banks draining bank liquidity in the zone. Such changes will compromise production capacities in the medium-term through their impact on investment.

Q. *UEMOA countries are very open with regard to trade. The volume of regional exports could decrease due to OECD countries' and emerging countries' slowing economic activity. Prices of mineral raw materials and food products have significantly dropped since autumn 2008. The dollar has been climbing over the last several months although the exchange rate has varied greatly. To what extent is this an advantage or a disadvantage for the region*

Certainly the economies of our sub-region are fairly open, around 73% compared with barely 30% in France, but that is still like most developing economies. A key factor is the dependency on foreign currency generated by a small number of exported products such as coffee, cocoa, cotton, gold, and phosphate by-products, etc for the provision of capital goods, petroleum products and some food commodities such as rice. Our overly high export concentration in only a few products is a source of vulnerability to price fluctuations for basic food products and the imported products that I just mentioned.

An illustration of this would be the "food riots" that occurred between the end of 2007 and throughout 2008, exacerbated by the sharp rise in the price of petroleum. Our economies feel the drop in exported raw material prices as a hindrance to future growth to the extent that it will limit our capacity to import capital goods and food products. But the decrease in the price of these food products somewhat offsets the drop in the prices of our exports.

Given our tie to the Euro, the dollar's rise against the euro offsets the fall in prices of our exports while at the same time eliminating some of the advantages of the decrease in imported food product prices and the drop in petroleum prices.

The measures we undertook in 2008, to revive our agricultural production and find joint community solutions to the energy problems, show international turmoil as an opportunity to correct the structural weaknesses of some policies. To this end, it can be said that the UEMOA has capitalised and will continue to capitalise on the evolutions of the international market in order to strengthen its economy, better orient its economic policies and strengthen solidarity among its member States.

Q. *What is the UEMOA's position with regard to the current crisis? What point would you like to get across to West African countries? To development partners? What actions do you envisage in the next few weeks and/or months? How can development partners help you?*

The current crisis calls for a serious overhaul of our economic fundamentals. Our economies cannot function properly nor sustainably by excluding a growing part of the population, destroying natural resources, having blind confidence in the capacity of international markets to guarantee the population sufficient supply of food commodities and energy products at the best prices.

It is still important to be at least somewhat self-sufficient and the virtues of globalisation are not the absolute solution as one would like to believe. Our fragile economies should guarantee a minimum of food production capacity in order to prevent the disastrous effects of an imperfect global market.

Within this context, we would like development partners to continue to provide support, despite the difficulties which they are currently facing.

As for envisaged actions by UEMOA, in addition to the short-term measures to support States and the most vulnerable populations, we are focusing on the implementation of the Union's Agricultural Policy, on the improvement of infrastructure and strengthening the energy sector. The Regional Economic Programme that we began in 2006 conveys this willingness before this current crisis occurred.

Furthermore, we expect current negotiations with the European Union, within the framework of the Economic Partnership Agreement (EPA), to lead to economic co-operation for the benefit of all and to strengthen the global competitiveness of our economies.

Africa had already entered the crisis in the first half of 2008 following the rise in food and fuel prices. Given the downturn in the global economy, the IMF estimates that the growth rate of sub-Saharan Africa will be 3.25% in 2009, as against an estimate of 5.25% some months earlier.

The contagion occurs through the reduction in capital flows and a decrease in the prices of mineral raw materials (oil[1], gas, metals) as well as of certain food and plant products since the autumn of 2008, especially coffee, cotton and timber. According to the World Bank, Nigeria will be the most severely affected, followed by Chad, Guinea-Bissau, Cameroon, Côte d'Ivoire, Ghana and Guinea. The present situation is more favourable to fuel importing countries, which suffered from high global prices and the impact on inflation in 2007 and 2008.

After the structural adjustment policies focusing on the balancing of public accounts, some economists are advocating a reasonable increase in public borrowing in order to implement a countercyclical policy. "Public demand must supplement private demand; African administrations and public enterprises must thus be financed by two heterodox but classic methods: putting the State into debt and providing it with money facilities. Putting States into debt is again possible thanks to the spectacular debt relief of the 2000s, which reduced African external debt to a quarter of GDP – a situation much better than that of all the major developed countries."[2]

Will the crisis speed up regional integration?

Recent interventions by the BCEAO and the BCEAC demonstrate that joint responses are possible. The meeting organised by the IMF in Dares-Salaam in March placed regional integration on the list of priorities for the continent, alongside agriculture and infrastructure: "Regional integration can sharpen regional economic opportunities through trade and movement of goods and people which could become a major motor for African economic development in the future. This is especially important as developed country markets are likely to remain relatively closed for the foreseeable future. African states should look beyond narrow national interest and the African Union and Regional Economic Communities need to be strengthened."[3]

The stock and bank markets in troubled water

I**n Nigeria**, market capitalisation of the Nigeria Stock Exchange (NSE) has fallen by 60% over the past 12 months, decreasing from 12 600 billion naira to 4 520 billion naira by the end of March 2009. In January alone, investors lost about 2 800 billion naira – enough to force the NSE's managers to resign.

The global crisis comes at a very particular moment for Nigeria, whose banks, now restructured and boosted by South African and Chinese investors, are embarking on the conquest of new markets. It is hard to get a clear picture of the situation. The Central Bank of Nigeria (CBN) ordered an audit at the beginning of April. The fall in the stock exchange would appear to have caused a loss of 900 billion naira (USD 6 billion) for the banks (although without threatening their liquidity ratio). According to Mr. Lamido Sanusi, First Bank of Nigeria's Chief Executive and Managing Director, "The bulk of the

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[1] Oil prices remain relatively high: at more than USD 50 a barrel, the current price of oil is higher than the historical average.

[2] "*Lever les tabous*", advocating a plan for an African revival, by Lionel Zinsou, Chairman of the Advisory Council of CAP Afrique, http://www.capafrique.org

[3] Intervention by Mr. Trevor Manuel, South African Finance Minister.

problems that we are facing are self-inflicted." (*Financial Times, 2 April 2009*). If the banks are experiencing liquidity problems, it is less because of "toxic assets" (which undoubtedly exist) than because of the collapse of the stock exchange, the drop in oil prices (with fewer cash deposits) and the weakening of the national currency (withdrawal of investments in naira) as well as the repatriation of the capital of European and American banks. In March, the CBN announced the injection of about 955 billion naira to compensate for the reduction in the banks' liquidity. There are regular calls for the creation of a new financial supervisory authority.

The Nigerian economy therefore has a shortfall of US dollars, reserves of which were 47 billion in March 2009, as against 64 billion in August 2008. The naira lost 28% of its value against the US dollar between November 2008 and March 2009. On 21 March, the CBN announced a set of measures to reduce the gap between the official and parallel markets. On the same day, the CBN proposed a reduction in interest rates, which should not exceed 22%.

The Ghana Stock Exchange (GSE) and the UEMOA Regional Stock Exchange (BRVM, Abidjan) are also in decline. However, Ghana and other countries of the West African Economic and Monetary Union (UEMOA) are less connected to the international financial market.

The situation of the UEMOA banking system seems relativelygood, and the region possesses exchange reserves. According to Mr. Hamza Ahmadou Cissé, Director of the UEMOA Commission President's Cabinet, "The Union has formidable foreign exchange reserves. The cover rate of the monetary base was greater than 125% at the end of October 2008. Similarly, the evolution of lending to the real economy was relatively favourable despite crowding out which took place in the second half of 2008 by public loans issued to deal with the effects of the food and energy crisis. As of September 2008, banks have been rather tepid regarding the issuing of long-term credit, but that is related to the wariness of international bank branches located in the zone fearing the effects of the crisis on the parent entity. Of course, we have to worry about the recessionary effects of a slowdown of financial flows from the international financial market as well as parent entities of some banks draining bank liquidity in the zone. Such changes will compromise production capacities in the medium-term through their impact on investment."[4]

Reactivity and determination to reduce government consumption

The regional institutions of the CFA franc zone are reacting. The BCEAO is setting up a supervisory unit to monitor the banking system and is determined to maintain an optimal liquidity level. On the part of the Economic and Monetary Community of Central Africa (CEMAC), a ministerial meeting took a series of steps at the beginning of March: lowering of the key interest rate of the Bank of Central African States (BEAC), tax relief for businesses in the timber sector, reduction in import duties on industrial equipment for mining companies, a proposal to create a fund within the Central African States Development Bank (CASDB) to support sectors affected by the crisis, and mechanisms providing access to credit for small and medium-scale enterprises and industries.

In addition, most of the governments are pursuing retrenchment policies to reduce State spending. Faced with growing inflation (20.5% in March, the highest in five years), a deficit of 14% in GDP, growing debt, the Ghanaian cédi depreciated against the US dollar, the new President of Ghana, John Atta-Mills, has pruned the number of ministries (from 27 to 23) and is promoting a "modest State" in an effort to reverse trends. On 10 March, the Nigerian President, Umaru Yar'Adua, signed – "with reservations" – a 2009 budget with a major deficit and the borrowing of USD 300 million to cover this deficit and ensure payment of debt servicing. He also promulgated some restrictive measures: a 50% reduction in travel allowances for officials, suspension of foreign training for civil servants, a freeze

[4] Interview published in the SWAC Newsletter, March 2009 (*Original version: French*).

on purchases of new office sites and vehicles and the creation of a presidential committee to monitor budget implementation. Similar measures were announced by the Burkina Faso Prime Minister Tertius Zongo (for example, improved management of the State's 23 000 vehicles).

The fear of domestic debt within the UEMOA zone

At the Ministerial meeting in Abidjan on 27 March, the UEMOA Council noted that the situation of public finances is characterised by accumulations of arrears in domestic payments, affecting the situation of the banking system in some member States. The ministers asked the BCEAO to carry out an assessment of the various States' domestic arrears. Although this situation cannot be linked to the onset of the global crisis, the latter could hamper governments' capacity to honour debts to their suppliers. In January, the Department of Forecasting and Economic Studies of the Senegalese Ministry of Economy and Finance commented, "Business leaders are forecasting cash-flow problems caused by difficulties in recovering debts, although they do place great hope on the settling of domestic debt as announced by the authorities."[5]

Are long-term investments under threat?

According to the most recent World Bank estimates, worldwide flows of foreign direct investments (FDIs) decreased by more than 20% in 2008. Contrary to this trend, FDI inflows into Africa increased and reached more than USD 60 billion in 2008, which is due to the continuation of many mining projects. There should be no question of shelving ongoing projects, especially in Nigeria. Despite the economic downturn, oil prices remain relatively high. The viability of off-shore projects, combined with international companies' need for access to oil, makes these companies hesitate to withdraw, for fear of not being able to return later. In the mining sector, the Areva Group signed an agreement in January, allowing it to exploit the uranium deposits at Imouraren in Niger, the largest deposits in Africa and the second largest in the world. China Union, a Chinese company, is about to sign a contract to exploit the Bong iron mines in Liberia (up to USD 2.6 billion, the largest investment in Liberian history).

Arcelor Mittal's iron exploitation project in eastern Senegal has been deferred. The interest of Arab capital (sovereign funds) in Africa had increased in recent years. These investors, who have little interest in raw materials, have made their presence felt in West Africa, with the building of housing, dams, cement works and a tourist complex in Senegal. Dubai Ports World is already managing the port of Dakar. The Zain (ex-Celtel) telecommunications group is present in 16 African countries and has been acquired by KSC of Kuwait. Sovereign funds now account for part of the capital of several banks in Nigeria and Ghana. Since the start of the crisis, these sovereign funds have been moving their investments to less risky placements and/or their domestic markets. Sovereign funds from Qatar, Kuwait and Russia thus intervened to prop up their own countries' stock markets in October.

Concerns regarding Diaspora remittances

According to recent World Bank forecasts, Diaspora remittances to developing countries will decrease by between 5 and 8% (USD 305 billion to USD 280–290 billion) between 2008 and 2009. Flows to sub-Saharan Africa could also decrease by about 5% to USD 19 billion in 2009.

Some observers are worried. According to Mr. Abdoulaye Diop, Senegalese Minister of Economy and Finance, "The persistence of the crisis will bring with it a loss of jobs in host countries. Already some emigrants who were doing two jobs in order to send money home have started to lose one of them.

[5] Monthly note on the economic situation, January 2009: http://www.dpee.sn

It is estimated that remittances from Senegalese emigrants will fall by close to 10%." The impact of the decrease in remittances will be particularly significant for Senegal and Nigeria; Cape Verde is even more vulnerable as remittances from its Diaspora account for almost 10% of GDP. The impact of the crisis on Diaspora remittances will be further examined at the International Conference on "Diaspora for Development", organised by the World Bank in Washington, DC on 13 and 14 July.

Monetary integration trudges along, while bank integration speeds up

In December 2008, the Governor of the Central Bank of Nigeria, Mr. Chukwuma Soludo, stated, "The second common currency of ECOWAS, the eco, could come into circulation by 1 December 2009." At the close of the first quarter of 2009, there was no concrete indication that this ambition would be achieved. As a first step toward a common currency for all ECOWAS countries, the West African Monetary Zone (WAMZ) unites the Gambia, Ghana, Guinea, Liberia, Nigeria and Sierra Leone. Postponed year after year, this goal is still more theoretical than practical. The impact of the crisis on national economies over forthcoming years is likely to move the prospect still further into the future.

While the project of a common currency is at a standstill, the regional banking scene seems to be in an accelerated process of integration, partly as a result of the restructuring of the Nigerian banking system, initiated by the federal government four years ago. The number of banks has been reduced from 89 in 2004 to 24 today, resulting in the emergence of powerful groups.

Riding high on petrol revenue and increased capital from China and South Africa, these groups are now spearheading a strategy to conquer the West African market.[6] Even if the world crisis seems to have shaken confidence momentarily and reduced the financial base of these groups, Diamond Bank, one of the largest Nigerian banks and already present in Benin, announced in the first weeks of 2009 the opening of branches in Benin, Côte d'Ivoire, Senegal and Togo. The cost of setting up Diamond Bank Senegal in Dakar (opening at the end of March) is estimated at CFA francs 25 billion. Another Nigerian group, United Bank for Africa (UBA), already well established in Côte d'Ivoire, announced plans to expand its presence in the UEMOA zone.

Ecobank[7] secured an increase of USD 1.5 billion in its capital through an appeal to public savings launched simultaneously on the Abidjan Regional Stock Exchange, the Ghana Stock Exchange and the Nigeria Stock Exchange. Lastly, the West African Development Bank (BOAD), a joint institution to finance development in the UEMOA countries, announced that it was doubling its activities and opening its capital to new operators, particularly Nigerians.

West African banks are not the only ones seeking to exploit the potential of the regional market. South African and particularly Moroccan groups have joined in. In March, the Moroccan Attijariwafal Bank became the leader of the Senegalese market when it purchased 79% of the capital of the Banking Company of West Africa (CBAO). Acquisition projects are also being negotiated in Niger and Mauritania.

This movement towards integration led by the private sector has the advantage of creating financial channels and regional transaction instruments, between Nigeria and Ghana on the one hand, and the CFA franc zone on the other. It thus brings about increased exchanges and will facilitate the development of region-wide enterprises.

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6 Following the example of Asia and the Middle East, the federal government's Financial System Strategy 2020 aims to make Nigeria an "*international financial centre*" by conquering the West African and African markets.

7 Created with the support of ECOWAS, Ecobank was intended as a regional banking institution that would be an instrument for the promotion of regional economic integration. ECOBANK has branches in 25 African countries, including all ECOWAS member countries.

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