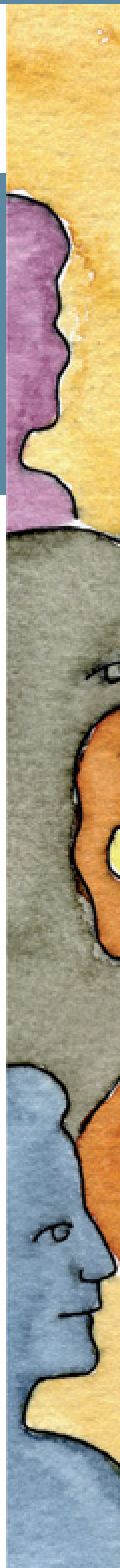
The EU, the Global Financial Crisis and its Impact on Democracy Building in Africa



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Abstract

The global economic crisis is having significant consequences for growth and poverty in Africa. These trends could undermine the economic expansion seen in the past decade, having already reduced growth from the relatively high levels of recent years. For average Africans, who broadly have not prospered despite several years of good macroeconomic performance, the negative effects on livelihoods are likely to be abrupt and unsettling. For some countries, the consequences could be more disruptive as violence and opposition intensify. For donors, a central predicament will be how to respond effectively to Africa's economic and political disruption even as they face increased domestic resource constraints. The paper outlines five key themes: the likely economic effects on sub-Saharan Africa in the short to medium term; how economic dislocation will affect democracy and governance in the region; the essential policy responses to these impending challenges; how the global downturn might influence the ability of the EU to provide support for distressed African states; and the strategic conclusions that should be drawn regarding future EU assistance for democracy and governance in sub-Saharan Africa. Democratic governance can have significant effects on the course and management of economic crisis. The ability to advance popular demands and negotiate distributive pressures could be a source of resilience for democratic systems, as was evident during the Asian financial crisis a decade ago. Greater accountability on the part of leaders may lead to more concerted and effective policy responses to economic downturn. While electoral regimes have no inherent advantage in managing economic crisis, the record of authoritarian rule in Africa clearly shows the deficits of dictatorship in hard times.

Summary of Recommendations

Assessing the available policy responses to this severe economic downturn in the areas of democracy and governance, the central consideration should be to encourage sources of resilience in Africa's electoral regimes while avoiding or managing identifiable political risks. It is also important to sustain initiatives that preserve government performance. Programmatically, the most appropriate areas of assistance focus on civil society, specific democratic functions – most notably elections and legislative development – and aspects of general governance. An emphasis on civil society is in line with the current scope of EU cooperation, though there is a risk that the changing context might prompt a reassessment of priorities and initiatives.

Specialized groups devoted to budget transparency, anti-corruption efforts, service delivery and legal reform may also play important roles in framing the policy debate in many countries. Survey research is an increasingly effective method for tracking public opinion and livelihoods, and polling projects by civic organizations merit support. Democratic institutions and processes face many stresses in hard economic times. Two salient areas for EU cooperation are elections and legislative development. Providing assistance to independent electoral authorities and for independent observers – from domestic civil society and overseas – is a relatively low-cost but crucial way to ensure credible and peaceful elections.

The development of capable, independent legislatures is another area that can be important in fostering capacities for democratic governance. Most African legislatures lack the expertise, staff and facilities to effectively engage in economic policy debates or serious fiscal oversight. Assistance to African legislatures can enhance the countervailing pressures on executives and dominant parties in many systems. At a time of difficult policy choices and concerns over government performance, the role of an independent assembly can be crucial in shaping the public agenda.

Assistance programmes should seek to maintain public goods and to improve capacities to manage economic dislocation. Anti-corruption agencies should be enabled to sustain or expand their activities at a moment when the incidence of official misconduct could well rise.

Economic crises have distinct political dimensions that merit special attention from donors. Economic decline will foster identifiable political risks, with particular challenges for electoral regimes and more general challenges to stability in African states. Cooperation in the African region should seek to build on the potential advantages of democratic regimes in managing economic and social stresses.

1. Introduction

The global economic crisis is having significant consequences for growth and poverty in Africa. As financial distress developed in the United States and other Organisation of European Co-operation and Development (OECD) economies, there was initially some hope that sub-Saharan Africa would be insulated from adverse shocks, owing to the region's limited exposure in world financial markets. It is now evident that African economies have been seriously affected by repercussions from the widening crisis. The major implications for Africa arise from the slowdown of international economic activity, with highly unfavourable movements in trade, investment, capital flows and development assistance. These trends could undermine the economic expansion seen in the past decade, having already reduced growth from the relatively high levels of recent years.

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For average Africans, who broadly have not prospered despite several years of good macroeconomic performance, the negative effects on livelihoods are likely to be abrupt and unsettling. Political turbulence is likely to accompany the economic downturn. At a minimum, it can be expected that many countries will experience increased protest and political pressure on governments to furnish stronger social support. For some countries, the consequences could be more disruptive as violence and opposition intensify.

The current economic crisis carries significant implications for democracy and governance assistance by the European Union (EU) and other major donors. African countries will confront further problems of managing distressed economies, and many will face new risks to the stability of fragile democracies. Economic governance and democratic resilience pose major challenges throughout the region. For donors, a central predicament will be how to respond effectively to Africa's economic and political disruption even as OECD governments face increased domestic resource constraints and ambivalent political commitment.

Economic difficulties for donor countries are likely to encourage reductions in overseas assistance, but the global crisis makes it all the more important to sustain support for African political reform and democratic development.

Although economic difficulties for donor countries are likely to encourage reductions in overseas assistance, the global crisis makes it all the more important to sustain support for African political reform and democratic development. Countries in economic distress require sound economic management, effective policy responses to popular discontent, and stable institutions to foster growth and social provisions. EU member states and other donors can best respond by preserving existing programmes to support governance reforms, and by devoting greater political and diplomatic resources to the management of governance challenges in the region.

By way of elaborating these issues, this paper outlines five key themes: the likely economic effects on sub-Saharan Africa in the short to medium term; how economic dislocation will affect democracy and governance in the region; the essential policy responses to these impending challenges; how the global downturn might influence the ability of the EU to provide support for distressed African states; and the strategic conclusions that should be drawn regarding future EU assistance for democracy and governance in sub-Saharan Africa.

2. The Impact of Economic Crisis in Africa

The current global downturn originated in 2007 with distress in the US housing market. Deteriorating mortgage performance triggered collapses in securities and equities markets in mid-2008, accompanied by dislocation in the banking sector. While the crisis quickly spread to other OECD economies, there was some hope in the early months that poor developing countries, especially those in sub-Saharan Africa, might be dissociated from its most negative effects (Council on Foreign Relations, 2008; Osakwe, 2008). African financial sectors are small and relatively isolated from global capital markets, and housing has generally not been subject to the speculative bubble seen in wealthier economies.

Since the end of 2008, however, a spreading international recession has had cascading effects throughout the global economy. Financial disruption, slower growth and rising unemployment have affected most OECD countries, including much of the EU. In addition, major global economies, including China and India, have been adversely affected. Economic downturn in the leading economies has already depressed international trade and capital flows, with expanding effects as the crisis deepens (Massa and te Velde, 2008). Poor countries are substantially exposed to these adverse shocks. A recent World Bank policy note stresses that most developing countries are at risk of reduced growth or increased poverty (World Bank, 2009b).

These shifts in the global economy threaten to reverse a tentative recovery in sub-Saharan Africa. After many years of decline and volatility, general economic growth in Africa has accelerated in the past decade. Over the period 2003–2008, Africa's economies displayed average growth in excess of six per cent – a promising rate that has produced net gains in per capita income (IMF, 2009: 6). Such countries as Ghana, Nigeria, Senegal, Mali, Mozambique, Tanzania, Kenya and Zambia have had reasonably strong growth in the recent period. To a degree, these developments are a result of improved economic management, including better policy regimes and efforts to rehabilitate essential institutions.

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This encouraging performance, however, is both fragile and shallow. Much of the economic buoyancy of recent years has been rooted in a global price boom in commodities, which, according to the World Bank, was the most sustained price increase since the early decades of the 20th century (World Bank, 2009a: 55). Commodity prices, in turn, have been driven by expanding demand from China, India and other emerging economies. Furthermore, capital inflows from China and South Africa have promoted growth in many African countries. For such countries as Ghana, Nigeria, Zambia, Tanzania, Kenya and South Africa, the combination of higher commodity prices and new investment has spurred economic expansion.

Although capital inflows have expanded some infrastructure and service activities, African economies have not appreciably diversified their productive capacities or skills base. The economic fundamentals of the region remain weak, as most countries continue to rely on external catalysts for growth. Substantial increases in development assistance have bolstered the fiscal conditions of many countries, and an increasing number of poor states, including Senegal, Mali, Niger, Ghana, Benin, Malawi, Tanzania and Zambia, have benefited from debt reduction from bilateral and multilateral donors (IMF, 2008). Many African countries, such as Ghana, Mozambique, Tanzania and Malawi, remain highly aid-dependent. There is limited evidence of broadly based growth, substantial poverty reduction or significant transformation in the structure and competitiveness of Africa economies.

In this context, the global economic slowdown will seriously affect Africa. The World Bank categorizes 37 of sub-Saharan Africa's 48 states as either 'high exposure' or 'high poverty' countries affected by the current crisis (World Bank, 2009b:1). Prices for most key African commodities (including cocoa, coffee, tea, palm oil, cotton, timber, petroleum, bauxite and copper) have declined significantly. Private capital flows, which have also risen substantially in recent years, are expected to subside. Some African countries with greater international exposure, such as South Africa and Nigeria, are experiencing domestic banking and capital market distress. Donor countries are likely to freeze or curtail their allocations for development assistance, deferring further achievement of the call in the United Nations Millennium Development Goals (MDGs) for 0.7 per cent of their GDP to be devoted to aid (Holmqvist, 2008).

Several consequences are already clear: the forecast is that growth in sub-Saharan Africa will decline. The World Bank expects that growth in sub-Saharan Africa will decline from slightly less than 5 per cent in 2008 to 2.4 per cent in 2009 (World Bank, 2009c: 3). For countries that rely heavily on exports of petroleum and solid minerals, the shocks are especially sharp, with prices down as much as two-thirds from their 2008 peak levels. Commodities such as cocoa, tea and gold have been especially volatile, although the terms of trade will suffer in nearly all the African economies (Massa and te Velde 2008: 5).

In addition to lower commodity prices, private capital flows have rapidly diminished. Net portfolio investment for all emerging markets in 2009 is expected to drop by two-thirds and foreign direct investment will undoubtedly contract as well (Khor, 2009). Overseas remittances are projected to diminish by at least six per cent, although there are reports of much greater reductions in remittances to particular countries (Kamau and Reuters, 2009).

Other implications for African economies, and for average citizens, have not entirely played out, although many unwelcome trends are evident. Macroeconomic problems have been stark and immediate. Many African economies confront budget deficits and an increasingly adverse balance of payments, with varying levels of fiscal resilience. In the light of lower export receipts and portfolio inflows, many currencies have rapidly depreciated. Reduced government spending and private credit will erode employment, and reduced trade and capital flows will reduce incomes.

Exporters, urban formal-sector employees, many professionals, and segments of the informal service sector will face hard times. For subsistence farmers and many of the urban poor, diminishing aggregate growth could have modest effects – especially if key domestic prices also decline. However, despite the recent drop in the world prices for food and fuel, domestic prices are often 'sticky', meaning that consumers are not enjoying relief from the diminishing cost of imports. Lower incomes and a stubbornly high cost of living provide a recipe for volatility. Slower growth, constraints on social spending, and pressures on livelihoods will have far-reaching effects on African politics and societies.

From an economic viewpoint, the multilateral financial institutions have promised assistance to beleaguered poor countries, and they are likely to accept greater flexibility in fiscal and monetary targets in order to support stimulus programmes. Bilateral aid will face strong constraints as distressed OECD governments face reduced revenues and heightened domestic demands for stimulus and social spending. Some flows arising from earlier debt reduction will naturally subside as programmes are completed, while other flows, for example, those attached to HIV/AIDS programmes, will probably be sustained. Philanthropic flows could diminish as major givers face reduced investment income. It will be difficult for external resources to furnish sufficiently strong counter-cyclical support to beleaguered African economies.

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3. Economic Stress and Governance

How will these economic difficulties affect democratic governance in Africa? As in earlier episodes of economic distress, the current regional crisis is likely to be accompanied by political turbulence. In addition to the immediate challenges of fiscal management and poverty alleviation, African governments face significant new risks to political stability. Economic hardship will undoubtedly sharpen distributional politics, with implications at both the elite and the mass level. Political business cycles, driven by electoral pressures, will be especially problematic as resource constraints tighten.

Although elected governments are now widespread in Africa, democratic regimes face enduring challenges of consolidating new institutions and achieving durable legitimacy. Many democracies in the region are shaped by legacies of elite politics, patronage-based political systems, weak institutions and pervasive corruption (Lewis, 2008). This political context raises issues in the areas of policy management, politics among elites and popular responses to economic distress.

From a policy perspective, there are several important dilemmas for economic governance. Pressures for public services and redistribution gain urgency in hard times. Electoral constituencies and organized interest groups will resist austerity while demanding stronger social provisions to compensate for declining employment and incomes. Democratic governments will necessarily seek to prime the economy and respond to popular hardship, but they may also be vulnerable to populist pressures that could aggravate fiscal problems and competition over distribution.

Anti-poverty programmes, recently enabled by the reduction of external debt, will be jeopardized as governments confront new limits on revenues. While policymakers are inclined to pursue fiscal stimulus, many will find limited space for increasing spending. Governments as diverse as Botswana, South Africa, Kenya, Tanzania and Nigeria could have some budgetary leeway, but others have much less room for manoeuvre.

Economic management is increasingly unpredictable in adverse circumstances. Executives face claims from politically strategic groups, including electoral supporters, party loyalists, ethnic constituents and business cronies. Legislators will raise additional claims for their constituencies and projects. These myriad pressures make fiscal management more difficult, and compromise the effectiveness of key institutions such as central banks, regulatory authorities or anti-corruption bodies. Tentative improvements in African economic bureaucracies could be quickly eroded by strained resources and political demands.

Elite politics are strongly affected by an economic downturn. As opportunities diminish and the basis of patronage shrinks, perennial struggles over rents and spoils take on greater intensity. Political corruption and violence may well proliferate in these conditions. The premium on gaining office or preserving tenure is raised, which sharpens competition for access to political power. Rivalries in the arena of party competition may become more aggressive, and many elections are likely to be tense.

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Economic hardship can also heighten ethnic appeals in politics as elites seek to bolster support, and communities make appeals to politicians for assistance and favours. The general competition for political largesse also fuels political corruption, self-seeking behaviour and the misuse of public finance.

At the popular level, political attitudes and strategies are also greatly affected by economic distress. Current survey evidence suggests that citizens in Africa's new democracies are inclined to be patient over economic conditions, hoping for improvement even when circumstances are difficult. However, a sharp downturn may strain patience, opening possibilities for social unrest, political turbulence (especially at election time), and, in some acute instances, the potential for democratic breakdown.

More commonly, popular groupings and constituencies mobilize in response to economic hardship and government austerity measures. Organized labour, women's groups, professional associations and student organizations will resist price increases or subsidy reductions, and press governments for improved services. Similarly, civil society organizations (CSOs) and opposition political groups will pressure policymakers to improve economic performance and address social needs. CSOs may also call attention to issues of corruption, electoral abuse and generally poor governance.

Adverse popular responses are also possible. Ethnic, regional and religious tensions may be accentuated by the uneven effects of economic decline. Recent incidents of communal violence in Kenya, Nigeria, South Africa and Zimbabwe have been influenced by economic rivalries (along with political tensions), and these stresses obviously intensify in a difficult economy. It has also been observed that ethnic competition is sharpened during election periods, and economic distress often raises the appeal of ethnic or religious identification among party supporters and allied associations. The climate for human rights is also negatively affected in situations of uncertainty and resource competition. Tensions over livelihoods and economic opportunities may prompt discrimination or violence against women, minorities and other social groups.

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More generally, economic failure may give rise to opportunistic challenges against unpopular governments, a possibility raised by the events surrounding the recent collapses of the democratic process in Madagascar and Mauritania. Fragile post-conflict states such as Liberia, Sierra Leone and the Democratic Republic of the Congo are at greater risk of instability as tensions revive and former antagonists face economic pressures.

While the brittle character of democratic governance in Africa raises the potential for political breakdown, it is also important to note the sources of resilience in Africa's electoral regimes. More open political systems offer greater opportunities for calling leaders to account and negotiating the distribution of burdens in circumstances of economic decline. Furthermore, Africans clearly value democracy as a 'good' in itself, and not simply as a vehicle for economic performance (Bratton and Lewis, 2007). The experience of the Asian financial crisis a decade ago indicated the capacity for democracies to manage economic dislocation. While regimes were toppled in the region's autocracies (e.g. Indonesia), democratic governments merely experienced a change in leaders (e.g. Thailand and South Korea). If similar constitutional changes in leadership occur in Africa, the flexibility of political systems could bolster democratic regimes.

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The most likely scenario in contemporary Africa is that regimes will 'muddle through' the crisis, albeit buffeted by protests, diminished popularity and some electoral reversals. Nonetheless, political life in many countries could become more uncertain, contentious and even violent. Furthermore, the tenuous institutional performance of African governments could be further jeopardized by fiscal crisis, political turbulence and corruption. As is noted above, elections are especially hazardous in these circumstances.

4. Responding to Economic and Political Dislocation

Assessing the available policy responses to this severe economic downturn in the areas of democracy and governance, the central consideration should be to encourage sources of resilience in Africa's electoral regimes while avoiding or managing identifiable political risks. It is also important to sustain initiatives that preserve government performance. Programmatically, the most appropriate areas of assistance focus on civil society, specific democratic functions – most notably elections and legislative development – and aspects of general governance. In line with the Africa-EU Strategic Partnership, continued support for African regional arrangements will be important. It is also essential to sustain assertive political and diplomatic engagement with countries in economic distress.

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Civil society is an important area of assistance in economically distressed countries. Civil society organizations play crucial roles in focusing popular grievances and demands, framing policy debates, providing alternative sources of information and serving in the role of watchdog over government (Diamond, 1999). Autonomous associations and civic actors are critical forces in holding leaders to account and sustaining demands for the fair provision of public goods. Contentious politics are often healthy for democracy, provided that violence and divisive actions are held in check. While an emphasis on civil society is in line with the current scope of EU cooperation, the changing context might prompt a reassessment of priorities and initiatives.

EU partnerships with CSOs can improve the quality and availability of information, policy analysis and public advocacy.

In circumstances of economic decline, civil society will inevitably be a source of protest, criticism of government policy and demands for improved welfare and distribution. EU partnerships with CSOs can improve the quality and availability of information, policy analysis and public advocacy. While recognizing the varied capacities and roles of civil society across Africa, assistance programmes in a crisis environment should aim to enhance the analytical and advocacy capacities of key organizations. Organized labour, professional associations, women's organizations, business groups and representatives of marginalized minorities could all benefit from initiatives to develop their research roles and dissemination abilities. Enhancing the voice of civil society fosters democratic processes in managing the economic downturn.

In addition, independent economic policy institutions can play crucial roles in evaluating government policies and assessing alternative choices, as has become evident in Ghana, Kenya, Nigeria and South Africa. Specialized groups devoted to budget transparency, anti-corruption efforts, service delivery and legal reform may also play important roles in framing the policy debate in many countries. Survey research is an increasingly effective method for tracking public opinion and livelihoods, and polling projects by civic organizations merit support.

Democratic institutions and processes face many stresses in hard economic times. Two salient areas for EU cooperation are elections and legislative development. Elections can serve as mechanisms for choosing leaders and, by extension, renewing confidence in a democratic regime. They can also become flashpoints for competition over resources and outlets for grievances among groups and factions. Flawed elections have created recurring instability and periodic violence in Africa's nascent democratic regimes, and it can be expected that economic stress will sharpen contentious elections. Providing assistance to independent electoral authorities and for independent observers – from domestic civil society and overseas – is a relatively low-cost but significant way to ensure credible and peaceful elections.

Flawed elections have created recurring instability and periodic violence in Africa's nascent democratic regimes, and it can be expected that economic stress will sharpen contentious elections.

The development of capable, independent legislatures is another area that can be important in fostering capacities for democratic governance. Just as civil society is an essential force for accountability and oversight, the legislature can also exercise oversight of the executive and significantly influence the policy process (Barkan et al., 2004). Most African legislatures lack the expertise, staff and facilities to effectively engage in economic policy debates or serious fiscal oversight. At the same time, recent studies of African legislatures have identified the importance of 'change coalitions' even among small clusters of MPs. Assistance to African legislatures can enhance the countervailing pressures on executives and dominant parties in many systems. At a time of difficult policy choices and concerns over government performance, the role of an independent assembly can be crucial in shaping the public agenda.

State functions and government performance in all regimes will be under stress. Assistance programmes can play important roles in maintaining public goods and improving capacities to manage economic dislocation. Priorities and resources will obviously vary among countries, but it is possible to identify central categories of cooperation. First, support for economic analysis and policy planning will be warranted in many countries. Technical assistance for managing volatile fiscal conditions can be directed to a number of areas, most notably research, monitoring and fiscal oversight units in central banks, finance ministries and executive offices.

Initiatives to gauge the social costs of the downturn are also needed, as statistical tracking of economic and social conditions will provide an invaluable guide to targeting policy interventions. Such donor-supported efforts were effective in South East Asia during the financial crises of the mid-1990s, and African states would equally benefit from additional statistical capacity and analytical efforts. Through the Poverty Reduction Strategy Papers associated with debt reduction programmes, countries such as Mali, Senegal, Ghana, Nigeria, Kenya, Tanzania, Malawi and Mozambique, among others, have already made significant efforts to analyse domestic poverty and inequality, but close monitoring is needed as economies decline. Household surveys and other specialized studies are especially useful in circumstances of rapid change.

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Fiscal stability and social services also merit attention. The deterioration of services linked to austerity, corruption or uneven distribution can have destabilizing effects as economies decline. Such measures as budget supports and interventions in social sectors, such as health and education, are usually placed under the category of economic assistance, but these provisions have political implications that should be taken into consideration as part of a broad donor response in many countries. Transparency and equitable delivery are at a premium in a constrained economy.

In addition to support for policy design and service delivery, special attention may be directed to key regulatory and juridical institutions. Anti-corruption agencies should be enabled to sustain or expand their activities at a moment when the incidence of official misconduct could well rise. This will be particularly relevant for countries such as Zambia, Kenya, Nigeria and Ghana. In another domain, regulators of the financial system and key procurement or allocation roles should be supported where feasible. In many countries, most notably South Africa and Nigeria, financial regulatory institutions will face additional challenges in the new economic environment.

In addition to bilateral and EU assistance to individual countries, the EU has committed to partnership with regional African institutions, including the African Union and the New Partnership for Africa's Development (NEPAD), to advance governance reform and democratic development on the continent. The expansion of democratic norms, the advancement of NEPAD's African Peer Review Mechanism and the enforcement of principles through the censure of authoritarian regimes, such as Mauritania and Guinea, are all important trends that should be encouraged through diplomatic engagement and, in appropriate areas, material assistance.

More generally, the EU and its member states, in tandem with the United States and others, can focus greater diplomatic and political attention on sub-Saharan African countries that are struggling with economic distress. Many political crises, such as those accompanying the 2007 Nigerian and Kenyan elections or the tensions surrounding the 2008 Ghanaian elections, could be managed or assuaged through concerted diplomatic engagement. In view of the limited finances of the OECD countries in the next few years, the use of diplomatic efforts along with ongoing political contact with key leaders and institutions would provide outlets for cooperation with Africa that are far less resource intensive and therefore less susceptible to domestic political debates.

5. Engagement by the EU and Major Donors

Recession in donor countries will undoubtedly reduce the political commitment to and resources for development assistance. Fiscal realities will limit the funding available for overseas development aid, while the sentiment of parliaments and public opinion may well turn to domestic priorities and discourage foreign cooperation. Budgets for governance assistance are politically vulnerable in the best of times, and the current economic difficulties are likely to accentuate these concerns (Holmqvist, 2008). Tightened resources could incline donors to focus on essential humanitarian assistance and security concerns such as peacekeeping and post-conflict support. In addition, prominent programmes in health and education, which deliver immediate benefits for poor people, are likely to be sustained. There is a risk that efforts to promote democracy, governance and economic reform will be reduced or suspended.

Recession in donor countries will undoubtedly reduce the political commitment to and resources for development assistance. There is a risk that efforts to promote democracy, governance and economic reform will be reduced or suspended.

These problems should be kept in mind when assessing strategies to enhance governance assistance to Africa. Although the global recession will limit resources and complicate policy choices, there are compelling reasons for the EU member states and the OECD countries to maintain support for democratic governance in Africa. Economic crises have distinct political dimensions that merit special attention from donors. Any effective response to the downturn in Africa will rely on flexible actions by leaders in the region as well as effective governance structures. Moreover, economic decline will foster identifiable political risks, with particular challenges for electoral regimes and more general challenges to stability in African states. Cooperation in the African region should seek to build on the potential advantages of democratic regimes in managing economic and social stresses.

In recent years, several EU member states along with the European Commission have substantially increased the resources devoted to governance, human rights and democracy programmes. Overall, in the first half of the decade, global funding by the European Commission for these programmes increased by one-third, while funding by some countries (e.g. the UK, Germany, the Netherlands and Sweden) nearly tripled (Youngs, 2008: 161). The largest proportion of these programmes has gone to sub-Saharan Africa. The growth in governance assistance has in some instances exceeded the overall expansion of foreign aid.

Generally, overseas assistance commitments among major donors have not matched the targets set out in the framework of either the United Nations MDGs or the 2005 Gleneagles G-8 meeting. While these forums looked towards assistance levels equal to 0.7 per cent of GDP for the donor countries, the actual proportion overall has reached less than half that level (Blanchflower, 2009). Moreover, a significant portion of this aid has been extended in the form of debt cancellation, which often translates into general budget support or anti-poverty spending and has little direct effect on governance.

In the light of these trends, there is a reasonable concern that overseas development assistance will grow more slowly, or perhaps stagnate, during the period of economic contraction. Some of the reduced allocations may be the convenient result of diminishing debt reduction, as many of African countries have reached completion of the HIPC and MDRI programmes and related measures. Other categories of assistance, however, are vulnerable and, in this context, it is important to recognize the crucial roles of democracy and governance programming, and to sustain political commitment in the EU for such assistance.

Scarce resources will not be managed better by governments that are less accountable, less capable or less transparent, and the degeneration or collapse of democratic governance could jeopardize the long-term prospects for economic management.

While some reordering of priorities may be inevitable, the importance of long-term investment in institutions and policies for improved governance cannot be overemphasized. Scarce resources will not be managed better by governments that are less accountable, less capable or less transparent, and the degeneration or collapse of democratic governance could jeopardize the long-term prospects for economic management. Donor governments also have the opportunity to reinforce commitments to democratic governance through enhanced diplomatic and political efforts – along with closer coordination, which does not directly draw on fiscal resources.

As the global economic downturn has expanded and worsened, the integrated nature of the crisis has become apparent. The pace and depth of recovery will depend on effective responses in all regions and economies. If Africa manages a shorter and shallower downturn, the effects will not only be beneficial for the livelihoods of average Africans, but will also have positive implications for political stability and security on the continent. Furthermore, economic resilience in Africa could provide advantages for the economies of the USA, the EU member states and China, while stability in the region will mean fewer costs for emergency humanitarian assistance and security spending.

If Africa manages a shorter and shallower downturn, the effects will not only be beneficial for the livelihoods of average Africans, but will also have positive implications for political stability and security on the continent. Furthermore, economic resilience in Africa could provide advantages for the economies of the EU members, while stability in the region will mean fewer costs for emergency humanitarian assistance and security spending.

A focus by donors on democratic governance in Africa could play a highly constructive role in addressing the crisis by supporting the political elements that can constructively manage external shocks, and by sustaining the still-fragile progress on political reform that has been achieved over the past two decades. Programmatic resources, diplomatic engagement and political initiative are each important in this process. Effective strategies are possible even in circumstances of economic constraint.

6. Conclusions

Global economic shocks have adversely affected African economies. On the trade and investment side, declining commodity prices and slowing foreign investment mean slower growth for most African countries. On the financial side, most sources of capital will be constrained over the new few years. Portfolio investment has evaporated, several banking sectors are in distress, remittances are significantly lower and overseas development assistance is likely to remain flat or even suffer declines. African countries which have reflected reasonably strong growth and diminishing debt loads in recent years face an uncertain period in which these gains may be eroded. The next few years will be difficult for many Africans as employment and services decline, prices for exports diminish, and remittances and credit become less reliable.

The relationship between economics and politics works in two directions. Economic downturn across Africa will have significant political repercussions. Popular groups and CSOs will seek to resist austerity, preserve social services and subsidies, and make particular claims on resources. Governments, facing acute resource constraints and public pressure, will seek to mange distributive demands and preserve governance functions. At both the elite and the popular level, economic pressures are likely to be reflected in communal tensions, stresses on women's rights, growing corruption, increasingly contentious electoral politics, rising levels of protest and sporadic conflict. These trends present substantial challenges for all regimes and special problems for democratic governments.

Democratic governance can also have significant effects on the course and management of economic crisis. The ability to advance popular demands and negotiate distributive pressures could be a source of resilience for democratic systems, as was evident during the Asian financial crisis a decade ago. Greater accountability on the part of leaders may lead to more concerted and effective policy responses to economic downturn. While electoral regimes have no inherent advantage in managing economic crisis, the record of authoritarian rule in Africa clearly shows the deficits of dictatorship in hard times.

External cooperation and assistance will be important for Africa in managing economic dislocation. At the programmatic level, support for governance functions and institutional development could counteract the erosion of fragile states facing abrupt resource constraints. Assistance to civil society will enable popular sectors to express and advocate for their interests, and help to defend gender rights as well as human rights more generally in stressful economic circumstances. Sustained diplomatic efforts and political engagement, at both the bilateral and the regional level, will be equally essential in managing foreseeable political risks such as electoral tensions and communal rivalries. Diplomacy and political cooperation are also low-cost interventions in times of constraint for donors.

It is important to recognize the distinct political components in addressing the economic crisis and the role of governance assistance in managing a more effective recovery in Africa.

The EU and its member states have significantly expanded the size and scope of assistance for African governance in recent years. For many countries, the pace of growth in governance assistance has outpaced the general growth in foreign aid. The current period will place new pressures on foreign cooperation, as resources within donor countries are strained and political priorities shift away from sustained development assistance. In this context, it is important to recognize the distinct political components in addressing the economic crisis and the role of governance assistance in managing a more effective recovery in Africa.

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