THE IMPACT OF GLOBAL FINANCIAL CRISIS ON SUDAN ECONOMY

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ABSTRACT

The global financial crisis in2008 has effects on the various aspect of the global economy, the main objective of this study is to evaluation the impact effect of the global financial crisis in Sudanese economic. Data was generated from secondary sources .the main result that Sudan economy is partially insulated from the direct effect of the global economic meltdown. But as our economy is integrated with that of the U.S.A and U.K to some extents, we are filling some direct and indirect impacts of the crisis. This is because Sudan with more than 90% of her revenue coming from agricultural export, that means the effects of financial crises in low level. Because Sudan's economy is predominantly based on agriculture. The importance of agriculture rests on its substantial contribution to GDP, export, employment and production of food and raw material for industries.

Key Words: *global financial crisis, Sudan economy*

Concept of Financial Crisis

There is no precise definition of “financial crisis”, but the common view is that disruptions in financial markets rise to the level of a crisis when the flow of credit to households and businesses is constrained and the real economy of goods and services is adversely affected. In the simplest term, financial crisis could be called economic “go – slow”. Just like traffic jams which grind vehicular movements to a halt with attendant man hour losses, physical and a emotional stress, etc, economic meltdown literarily brings an economy to stop. And when such economy is the largest in the world, then one needs not wander only the rest of the world is catching cold (Ajakaiye and Fukiyeshi, 2009).

The term “financial crisis” is applied broadly to a variety of situations in which same financial institution or assets suddenly lose a large part of their value. In the 19th and 20th centuries, many financial crisis were associated with banking panics, and many recessions coincided with these panics. Other situation that are often called financial crisis include stock market crashes and the bursting of other financial bubbles, currency crisis, and sovereign defaults (Kindlerberger and Aliber, 2005; Laeven and Valencia, 2008).

World Bank (1999) described financial crisis as when financial system become illiquid or insolvent such have recurred throughout the history of capitalism. A situation in which the supply of money is outpaced by the demand for money is also described as financial crisis. This means that liquidity is quickly evaporated because available money is withdrawn from bank, forcing banks either to sell order investments to make up for the shortfall or to collapse (Business Dictionary, 2013). There are various types of financial crisis:

The banking crisis is a situation where there is credit crunch. A situation where there are insufficient funds for borrowing; speculative bubble and crashes is where present price has higher value than future income (over investment). Financial asset, say a stock, exhibits a bubble when it price exceeds the present value of the future income (such as interest and dividends) that would be received by owning it to maturity. While crashes refer to situations where there are many sellers and no buyer. International financial crisis occurs when a country forced to devalue its currency, either because of severe trade imbalances and speculative attack on currency or because it is not in a position to pay its debts and sudden stop in capital flow and capital flight. Wider economic crisis – this type of financial crisis is as a result of a recession, depression (or prolonged recession) and negative gross domestic product GDP. Therefore Global economic crisis is the downturn of the capitalist economy that spread to other economies of the world due to globalization or economic integration.

Antecedents, causes and effects of Global Economic Crisis

It could be safe to say that everyone – educated or not – regardless of which part of the world he/she resides would have known by now, that something is nations. The term "economic meltdown" has assumed the centre in the news media. So what it is all about? How did it come about? How are we affected? Antecedent show the first financial crisis to be the great depression of 1929-1933. The resent financial crisis which originated in the U.S.A was preceded by over a hundred episodes of financial crisis. It is pertinent to note that 75% of these crises had either been caused by the capital market. Some of these crises are discus below:

The Great Depression (Black Tuesday) of 1929-1933

This is the first known episode of financial collapse in history. The Great Depression began on "Black Tuesday" with the world street crash on October 29, 1929 in the United State of America. It is the largest and most important economic depression in 20th century. The market crash marked the beginning of a decade of high unemployment, poverty, low profit, deflation, plunging farms incomes and last opportunities for economic growth and personal advancement. The Great Depression of 1929 was caused by massive bank failures and stock market crashes. Economists point of Britain's decision to return to the Gold Standard at pre-world war 1 parities of US $4.86: £I. There are however difference current theories to the causes of the great depression, first we have the orthodox classical economies, under which we have the monetarist, Austrian economies and neoclassical economic theory, which focuses on the microeconomic effects of money supply, how central banking decisions led to over investment (or economic bubbles), or the supply of gold which backed many currencies before the great depression, including production and consumption. Secondary, we have the structural theories, most importantly, the Keynesian, but also including those of institutional economics, that point to under consumption and other investment, malfeasance by bankers and industrials, or incompetence by the government officials: As panic and deflation set in, many people believed they could not make more money by keeping clear of the markets as prices got lower and lower and a given amount of money bought ever more goods. The only consensus view points is that there was a large – scale lack of confidence. The third view of the cause of the great depression is the Marxist critique of political economy. This emphasizes the tendency of the capitalism to create unbanked accumulations of wealth, leading to over accumulation of a capital and a repeating cycle of devaluation through economic crisis. Marx saw recession and depression as unavoidable under free market capitalisms as there is no restriction on accumulation of capital other than market itself.

The Great Depression had devastating effects in virtually every country, rich or poor. Cities all round the world were hit hard, especially those dependent on heavy industry. In early 1930, credit was ample and available at low rates, but people were reluctant to add new dept by borrowing. Prices in general began to decline but wages were held steady in 1930 then began to drop in 1931. The decline in the U.S.A economy was the first factor that pulled down most other countries at first, and then the internal weakness or strengths of each country made conditions worse or better. Investment trust in the U.S.A, lost almost half of its gusted value on this single day. At that day of affairs on Wall Street, 16,410,000 share of stock had been dumped. By 1933 stock market lost almost 90% of its value. Co-operate profits had dropped from $10 billion in 1929 to $1 billion in 1932. Within the same period, 60% of Americans were categorized as poor by the federal government. 273,000 families had been evicted from their homes; the income of the average American family was reduced by 40%; nine million savings accounts had been wiped out. Industrial production fell by nearly 45% between the year of 1929-1932, and about 5000 banks went out of business. By 1933, 11,000 0f the U.S.A, 25,000 banks had failed. U.S.A GDP fell around 30%. In December 1929, the unemployed had numbered 1.5 million. By 1933 the number had risen eight fold until one person out of every poor in the entire labor was without a job. All the sectors of the economy was affected.

The oil crisis of 1973 – 1975

During this time, oil prices soared, casing the 1973 – 1974 stock market crash. The crash which was a result of inflation pressure. This has been regarded as the first event since the great depression to here a persistent economic event. However, a quad ling of oil prices by OPEC coupled with high government spending due to Vietnam War lead to stagflation in the United States, (Desmond 2008).

Latin American Debt crisis of Early 1980s (1980 – 1982)

According to (Desmond 2008), the Iranian Revolution sharply increased the price of oil around the world is 1979, causing the 1979 energy crisis. This was caused by the new regime in power in Iran, which exported oil at inconsistent intervals and at a lower volume, forcing prices to go up. Tight monetary policy in the united states to control inflation lead to another recession. The changes were made largely because of inflation that was carried other from the previous decade due to the 1973 oil crisis and the 1979 energy crisis.

However, the crisis in the early 1980s also known as the "LOST DECADE" when the Latin American countries reached a point where their foreign debt exceed their earning power and they were not able to repay it. This was said to have began in Mexico (Musa Muslim, 2011).

Black Monday (Black Swan Event) of 1987

In finance, Black Monday refers to Monday, October 19, 1987 when stock markets around the world crashed, shedding a huge value in a very short time. This financial crisis shorted in Hong Kong. It spread west through international time zones to Europe and hit the U.S.A only after Hong Kong and other markets had already declined by a significant margin. By end of October, stock markets in Hong Kong had fallen by 45.8%, Australia 41.8%, Spain 31%, the united king done 26.4%, the U.S.A 22.6% and Canada 22.5%. It took several years to recover (Musa Muslim, 2011) the Black Monday decline is the largest one – day percentage loss in stock markets history.

The Black Monday financial crisis was caused by program trading, over valuation, illiquidity and market psychology. The most popular explanation through was the selling by program traders. In program trading computers perform rapid stock executions based on external inputs such as the price of related securities. Common strategies implemented by program trading grew dramatically within world street firms. After the crash, many blamed program trading strategies for blindly selling stocks as markets fell, exacerbating the decline. Some economists theorized the speculative boom leading up to October was caused by program trading, while other argued that the crash was a return to normalcy either way, program trading ended up taking the majority of the blame in the public eye for the 1987 stock market crash. Another view state the causes of the 1987 stock out foreign exchange market crash can be divided into macroeconomic and internal reasons. The macroeconomic causes included international disputes about foreign, interest rates and fears about inflation, while the internal are as a result of innovations with index futures and portfolio insurance. A third view states that the crash was result of a dispute in monetary policy between the G7 industrialized nation, in which the U.S.A, wanting to proof up the dollar and restrict inflation, tightened policy faster than the Europeans. In this view, the crisis was caused when dollar – backed Hong Kong stock Exchange (HKSE) Collapse and this causes crisis of confidence (Muslim, 2011).

Finish financial crisis of 1990s

This was a deep systemic crisis of the entire finish financial sector that took place mainly in the years 1991 – 1993 after several years of debt – based economic born in the late 1980s. It total tax payer cost was roughly 8% of the finish GNP, making it the most severe of the contemporary Nordic banking crisis. The crisis has been attributed to a combination of macro-economic turbulence, weak regulation and bank-specific problems. Government intervention included bank takeovers, direct monitory assistant and temporary blanket guarantees to the banks. Until the 1990s, the finish financial market was tightly regulated in that the bank of Finland controlled interest rates, foreign exchange rates and import and export of currency. Low interest rates caused a chronic excess demand of debt. Finland financial market was more regulated than most market dummies.

But the financial market which started in the early 1980s led to massive credit expansion large based on foreign debt. Scaring stock and real estate price attracted frantic speculative activity by banks, private companies and individual investors. This lead to a period of late 1980s to be known in Finland as the "Casino economy". The domestic market was largely protected from foreign competition and operated under condition of monopoly or oligopoly. A large part of basic industry was owned by the state and there was little competition in many sectors. The operating environment made Finland vulnerable to inflation. There were inadequate bank loans and supervision as banks started to participate actively in profit seeking, but also in risky operation for which they had little experience, such as company takeovers and foreign investments. To stabilize the financial sector and to prevent a credit crunch, the government gave a 7.1 billion FIM (£1.2 billion) initially zero – interest convertible loan.

Most of the finish banks later paid back the loans. A special state – funded government guarantee fund was also set up to support the saving banks many of which were first consolidated and then broken up; the healthy part were sold to commercial banks. Total saving expenditure in support of the banks has been estimated as roughly 50 billion FIM (£ 8.4 billion); the vast majority of which was spend on the selling's banks (Muslims, 2011, cited in finish banking, 2009).

The Asian Financial Crisis of 1997

The Asian Financial Crisis was a period of financial crisis that grappled much of Asia beginning in July 1997, and raised fears of a worldwide economic meltdown due to financial contagion. The crisis in Thailand with the financial collapse of the Thai baht caused by the decision of the Thai government to float the both, cutting it peg to the U.S.A dollar, after expensive effort to support it in the face of a severe financial over expansion that was in part real estate driven. At the time, Thailand had acquired a burden of foreign debt that made the country effectively bankrupt even before the collapse of its currency. As the crisis spread, most of Southeast Asia and the Japan saw slumping currencies, devalued stock market and other asset prices, and a precipitous rise in private dept (Muslim cited in Asian 2009).

The effect of the crisis lingered through 1998. In the Philippines, growth dropped to virtually zero in 1998. Only Singapore and Taiwan proved relatively insulated from the shock, but both suffered serious hits passing the former more so due to its size and geographical location between Malaysia and Indonesia. By 1999 however, analysts saw signs that the economics of Asia were beginning to recover. Until 1997, Asia attracted almost half of the total capital inflow from developing countries. The economies of Southeast Asia in particular maintained high interest rate attractive to foreign investors looking for high rates of return. As a result of the region's economies received a large inflow of money and experienced a dramatic run-up in asset prices. At the same time, the regional economies of Thailand, Malaysia, Indonesia, Singapore and South Korea experienced high growth rates, 8 – 12% GDP, in the late 1998 and early 1990. This achievement was widely acclaimed by financial institution including the IMF as part of the "Asian economic miracle".

Such was the scope and the severity of the collapses in valued that outside intervention, considered by many as a new kind of colonialism, and became urgently needed. Since the countries melting down were among not only the richest in their region, but in the world, and since hundreds of billions of dollars were at stake, any response to the crisis had to be co-operative and international, in this case through the IMF. The IMF created a series of bailout ("rescue package") for the most affected economies to enable affected nation to avoid default, Trying the packages to reforms that were intended to make the restored Asian currency, banking and financial systems as much like those of the US and Europe as possible. In other world, the IMF`s support was conditional on a series of drastic economic reforms influenced by neo liberal economic principles called "a structural adjustment package" (SAP) The SAPS called on crisis-struck nations to cut back on government spending to reduce deficits, allow insolvent banks and financial institutions to fail, and aggressively raise interest rates. The reason was that these steps would restore confidence in the nations' fiscal solvency, penalize insolvent companies, and protect currency values. Above all it was stipulated that IMP – funded capital had to be administered rationally in the future, with no favored parties receiving funds by preference. There were to be adequate government controls. Set up to supervise all financial activities, ones that were to be independent in theory of private interest. Insolvency institutions had to be closed, and insolvency itself had to be clearly defined. In short, exactly the same kinds of financial institution found in the U.S.A And Europe had to be created in Asia, as a condition for IMF support. In addition, financial systems had to become "transparent" that is, provided the kind of reliable financial information used in the west to make sound financial decision.

Although such reforms were in most cases, long needed, the Countries most involved ended up undergoing an almost complete political and financial restructuring .They suffered permanent currency devaluations, massive numbers if bankruptcies , and collapse of whole sectors of once booming economies, real estate busts, high unemployment, and social unrest. For most of the countries involved, IMF intervention has been roundly criticized. The role of the IMF was so controversial during the crisis that many locals called the financial crisis the "IMF crisis". Many commentators in retrospect criticized the IMF for encouraging the developing economies of Asia down the path of "fast track capitalism", meaning liberalization of financial sector (elimination of restriction on financial flows). Maintenance of high domestic interest rates to attract portfolio investment and bank capital, and pegging of the national currency to the dollar to reassure foreign investors against currency risk. The crisis also severely hit the US and Japanese markets.

Russia Financial Crisis (Ruble crisis) of 1998

The Russian financial crisis (also called “Ruble crisis”) hit Russia on 17 august 1998. It was triggered by the Asia financial crisis, which started in July 1997. During the ensuring decline in world commodity prices, countries heavily dependent on the export of raw material where among those most severely hit. Petroleum, natural gas, metals and timber accounted for more than 80% of Russian exports, leaving the country vulnerable to swings in world prices. Oil was also a major source of government tax revenue. Declining productivity, and artificially high fixed exchange rate between the ruble and foreign currencies to avoid public turmoil, and chronic fiscal deficit where the background to the meltdown. The economic cost of the first war in Chechnya that was estimated at $ 5.5 billion (not including the rebuilding of the ruined Chechen economy) was also a cause of the crisis. In the first half of 1997,the Russian economy showed some signs of improvement. However, soon after this, the problems began to gradually intensify. Two external shocks, the Asian financial crisis that hail began in 1997 and the following declines in demand for (and that price of) crude oil and non ferrous metals, also impacted Russian foreign exchange resources (FER). The growth of external loan could only be provided at the expense inflow of foreign speculative capital, which was attracted by very high interest rates. The situation was worsened by irregular internal debt payments. Despite government efforts, the debt on wages continued to grow, especially in the remote religion.

Russian bounced back from the August 1998 financial crash with surprising speed. Much of the reason for the recovery in that world oil prices rapidly rose during 1999-2000 (just as falling energy prices on the world markets helped to deepen Russia’s financial troubled), so that Russia ran a large trade surplus in 1999-2000. Another reason is that domestic industries, such as food processing, had benefited from the devaluation, which, caused a steep increase in the prices of imported goods. Also since Russia’s economy was operating to such a large extent on barter and other non-monetary instrument of exchange, the financial collapse had far less of an impact on many producers than it would had the economy been dependent on a banking system. Finally, the economy has been helped by an infusion of cash; as enterprises were able to pay off arrears in back wages and taxes, it in turn allowed consumer demand for the goods and services of Russian industry to rise. For the first time in many years, unemployment in 2000 fell as enterprises, added workers. Since the 1998 crisis, the Russian government has managed to keep social and political pressures under control, and this has played a vital role in bringing about the current recovery.

The American Financial Crisis (2007 – 20xx) Present

The present global financial crisis began in the United States with the subprime mortgage in 2007 in the housing mortgage sector, and has expended to include financial credit and currency markets. The unprecedented crisis in the global financial sector has led to the drying up of liquidity, which is the life line of the global economy. Stock markets have crashed all across the world by 40 to 80% of their peaks. Oil prices have fallen to less than half of their all – time high. The world economy is practically in a recession (Gupta, 2008). This is due to the inter – linkages of the world financial system.

The subprime crisis or "credit crunch" or "credit crisis" as it is refer to (financial crisis 2008) is ongoing financial crisis characterized by contracted liquidity in global credit markets and banking systems triggered by the failure of mortgage companies, investment firms and government sponsored enterprises which had invested heavily in subprime mortgages. The crisis, which had roots in the closing years of the 20th Centaury but has become more apparent throughout 2007 till date, has passed through various stages exposing pervasive weaknesses in the global financial system and regulatory framework. Subprime lending is the practice making loans to borrowers who do not quality for market interest rates owing to various – risk factors (Wickramasinghe, 2008) such as income levels size of the down payment made, credit history and employment status.

Causes of the Present Economic Crisis

What actually caused the ongoing global financial and economic crisis? According to (Abubakar, 2011) The crisis has its roof in banking practice called "sub – prime and adjustable rate mortgage (ARM). Mortgage – is a long term mortgage lending in the United States. A Mortgage is a long term that is designed to make homeownership more affordable. Fiakpa, et al (2008) noted, in U.S.A there are three types of mortgage namely; conventional, interest, only prime. In conventional mortgage, part of each month' payment goes toward paying off the principal and part goes toward interest. Conventional mortgage include fixed rates mortgage, where the interest rate can vary in an interest – only loan or mortgage, the borrowers only pays interest each month this makes it cheaper than a conventional loan. The sub – prime mortgage is granted to borrowers whose credit history is not sufficient to get a conventional mortgage or who do not qualify for market interest rate owing to various risk factors, such as income c level, size of the down payment, credit history, and employment status. As such defaults and foreclosure activity increased drastically as easy initial term expired, home prices failed to go up as anticipated, and ARM interest rates reset higher. Fore closures accelerated in the U.S.A in late 2006 and triggered a global financial crisis through 2007 till date (fiakpa, et al, 2008 in Abubakar, 2011).

When banks booked these mortgages, they package then into financial instrument called Calleterised debt obligation (CDOs). Financial derivatives called mortgage Backed securities lives called mortgage Backed securities (MBS) and sell them to two institution known as federal national mortgage Association (Fannie mea) and the federal home loan mortgage corporation (Freddie Mac). Many investors assumed these securities were trustworthy, and ask few questions about their actual value. Because these companies were charted by congress, many believed they were guarantee by the government. The two institutions were created by the U.S.A government in 1968 for the purpose of buying off MBS from banks. These two institution in – turn repackage the loan and sell them to investors and financial institution around the world which spread the risk globally (Fiakpa, et al 2008 in Abubakar, 2011). However, major Bank and financial institutions borrowed and invested in MBS and reported losses of approximately U.S .A$ 435 billion as of July 17 2008.

He further stated that, banks usually give sophisticated "(Quack Jocks)" who wrote computer programs that could repackage these MBS into high and low risk product bundles. The computer programs were so complicated that no one really understood what exactly was in each product bundle or how much of the bundle had sub – prime mortgage. When times were good, it didn't matter and very one bought the risk bundle because of the high return given. As the housing market decline, however, everyone knew that these products were losing value but, since no other than the computer programmer understood them, the resale value of the product become under. Similarly, many people who purchased these MBS were not just banks, but individual investor, pension funds and hedge funds (Fiakpa, et al 2008 in Abubakar, 2011).

This demand helped fuel housing prices increase and consumer spending. Between 1997 and 2006, American home prices increased by 124% (Fiakpa, et al 2008). Some home owners used the increased property value experienced in the housing bubbles to refinance their homes with lower interest rate and take out second mortgage against the added value to used the funds for consumer spending (Fiakpa et al 2008 in Abubakar, 2011).

However, by 2006, a number of factors like, the rising gasoline price, the hurricane, Katrina, the war in Iraq and Afghanistan, outsourcing and the rising. Food price due to the global food crisis, led to rising unemployment and decline in business activities. This macroeconomic turbulence translated increasing the default by homeowners hence increasing the rate of foreclosure. Rising preclusive rates coupled with over building during the boom periods led to an over rising housing inventories, i.e excess supply of housing, and these in turn led to decline in housing prices. Due to the decline in housing prices, some home owners were in unable to re-finance and began to default on loans as their loans rest to higher Interest rates and payment amounts. other homeowners facing declines in home market value choose to stop paying their mortgage. They were essentially "walking away" from the property and allowing foreclosure Fiakapa, et al 2008, in Abubakar 2011).

The reasons for the crisis through are varied and complex. There are many different various on the causes, including the inability of homeowners to make their mortgage payment, poor judgment by the borrower and / or lender, speculation and overbuilding during the boom period, risky mortgage product, high personal and corporate debt levels, financial innovation that distributed and concealed default risk, central bank policies and government regulation (Stiglitz, 2008).

Avgouleas (2008) enumerated the causes of the crisis as: breakdown in under wrighting standard for subprime mortgages, flows in credits agencies assessments of subprime residential mortgage backed securities (RMBS) and other complex structured credit product especially collaterized debt obligation (CDOS); risk management weakness at some large US and European financial institution; and the regulatory policies, including capital and disclosure requirements that failed to mitigate risk management weaknesses.

Taken the views of the various commentators into consideration, the current day financial crisis is caused by the followings: Firstly, liberalization of Global financial regulation is one reason for the crisis. The regulatory model adopted by banks in the US emerged as a result of liberalization of banking business in the early 1990s and the international consensus reached within the Basle committee of banking supervision as regards the acceptance model prudential supervision of banking institution (Scott, 2008 in Abubakar, 2011). This liberalization facilitates the global abolition of restrictions on capital flow in the 1990s and caused the operation of international investment funds to the largely unregulated.

Another cause is the boom and boost in the housing market. A combination of low interest rates and large inflows of foreign funds help create easy credit conditions for many years leading up to the crisis. Due to low interest rates and large inflow of foreign funds, subprime lending / borrowing for investment became very attractive in both U.S.A and the U.K. Since the demand for housing has rapidly rising in the U.S.A, most investors and homeowners took mortgage loans and invested in housings. The overall U.S.A homeownership rate increase from 64% in 1994 (about where it was since 1980) to peak in 2004 with an all time high of 69.2% (IMF, 2008).

Furthermore, speculation in real estate is also one of the causes of the crisis. Traditionally, homes were not treated as investment likes stocks, but this behavior change during the housing boom as it attracted speculative buyers. This makes speculation in real estate a contributing factor.

During 2006 220% of homes purchased (1.65 million unit) were for investment purpose – it means that nearly 40% of home purchases were not primary residence (Wikipedia, 2010). This speculative buying makes housing prices to fall drastically. Also Mukhtar, 2008, has identified strategy complementation in financial markets as one of the causes of the crisis thus, it is often observed that successful investment required each investor in a financial market to guess what other investors will do. George Soros called this need to guess the intentions of others (reflexivity) John Maynard Keynes compared financial markets to a beauty contest game in which each participant tries to predict which model other participant will consider most beautiful. Furthermore, in many cases investors have incentives to co-ordinate their choices. For example, someone who thinks other investors went to buy lots of Japanese yen may expect the yen raise in value, and therefore, has incentive to buy yen too. Likewise, a depositor in a bank who expects other depositors to withdraw their fund may expect the bank to fail and therefore has an incentive to withdraw too. Therefore, financial crisis are sometimes viewed as a vicious circle in which investors shun some institution or asset because they expect others to do so. Economists call an incentive to mimic the strategic complementarily (Allan and Douglas, 2007).

Adekemi (2012) opinions that the main reason for the current economic crisis is the inflation launched by the U.S.A government in order to finance the military operations in Iraq. According to various sources such casts amount to 700 million to 2 trillion dollars. Inflation is the source for financing a war. The world governments have always supported ongoing wars at the expense of their own citizens and those of the other countries.

Others include new financial architecture (NFA):- According to Crotty (2008) NFA is "a globally integrated system of giant bank conglomerates and so – called 'shadow banking system' of investment banks, hedge fund and bank created special investment vehicles. This makes excessive risk to build up in giant banks during the boom; and the NFA generated high leverage and high systemic risk, with channels of contagion that transmitted problems in the US subprime mortgage packet around the world.

Poor credit rating-due to securitilization practices, credit rating agencies have the tendency to assign investment grade rating to MBS, and this makes loans with high default rate to originate packaged and transferred to others. Quoting black's dictionary (7thed.) in Wikipedia (2008), "securitilization is a structured finance process in which assets, receivables or financial instruments are acquired, classified into pools, and offered as collateral for third-party investment".

High-risk loans: - there appears to be widespread agreement that periods of rapid credit growth tend to be accompanied by loosening lending standards (Dell Arriccia, Igan and Leaven, 2008). For instance, in a speech delivered before the independent community Ban-bakers of America on 7th march 2001, the then federal reserve chairman, Alan Greenspan, pointed to 'an unfortunate tendency' among bankers to lend aggressive type of lending (IMF, 2008). Without considering high risk borrowers, lending give "ninja loans" –high risk loans to those with no income, no job, and no assets. They also give home loans to immigrants that are undocumented (Wikipedia, 2008).

Government policy – sum cities believed that the crisis was fuelled by US government mortgage policies which encouraged trends towards issuing risky loans. For instance, Fannie mea operation eases credit requirements on loans and encourages banks to extend home mortgage to people that do not have good enough credit rating. The securities and exchange commission (SEC) considered that self – regulation of investment banks also contributed to the crisis (IMF, 2008). According to stiglititz (2008), one time novel laureate in economics, the current global financial and economic crisis made in America. The crisis began in the U.S.A and spread Europe and finally engulfed other parts of the world. Most analysts agree that the closet point of origin of the financial crisis in the collapse of the U.S.A real estate market in 2006 and the subsequent sub-prime mortgage crisis triggered by dramatic rise in the mortgage delinquencies and home foreclosures by 2007. The high failure rates of the sub-prime mortgages were, however, just the symptoms of the end to a long period of credits boom in the U.S.A. Thus analysts believed that the ultimate point of origin of the current global financial crisis can be traced to an extremely indebted U.S.A economy.

African and the Global Financial Crisis

Prior to July 2008 and despite the sub-crime crisis, Africa recorded excellent economic growth. The drivers of strong economic growth included macroeconomic reforms, a world economic situation that was characterized by high demand for commodities, rising capital inflows and China's strong growth. Analysts were optimistic about the capacity of the continent and the world economy to generate the necessary resources for development and poverty reduction.

Despite early signs of a pending down turn since 2007, few could have anticipated a crisis of the magnitude observed since the second half of 2008. Today the world economy is officially in stagnation, industrialized countries are in recession and Africa faces serious uncertainties over its growth and development prospects. The current financial and economic crisis has affected Africa's growth drivers. Demand for and prices of commodities are falling, capital inflows are declining and promises of increased aid have not materialized yet. The immediate impact of the crisis were contained, the medium term effect are likely to be greater (ADB, 2009).

The direct impact of financial crisis on the African economies is low compared to emerging economies because of Africa's low level of financial integration with the rest of the world. Thus compared to emerging countries, Africans external financing (bond issue, stocks and private borrowing) is low, representing only 4% in 2007 of overall issue for emerging economies. In 2007, bond issue stood at only USD 6 billion, compared to USD 33 billion for Asia and USD 19 billion for Latin America. Furthermore, inters of access to private resources, Africa received only USD 3 billion in 2007, compared to USD 42 billion for Asia. African stock market capitalization is still very low, representing only 2.09% of capitalization. Furthermore, African banking asset, represent only 0.87% of global banking assets, compared to 58.15% for the 15 countries of the Euro zone and 15.09% for the U.S.A. African`s financial globalization ratio is comparable to Latin American's, at 181.3% and 176.4%, respectively, for behind that of Asia at 369.8% (ADB 2009). The low financial Integration indicators partly explain why Africa escaped from the direct impact of the crisis. This is why most commentators argue that Africa is so far insulated from the direct effects of the financial crisis. According to the African Development Bank (ADB) report (2009), the current financial crisis affects African countries in the following ways;

First, Impact of the financial crisis on markets. Thus, there could be financial contagion and spillovers for stock markets in Africa.

Effects on financial market

Although African banking systems were not directly exposed to the sub-prime crisis, there were strong indications of increased asset price and risk premium volatility on African financial markets as early as the summer of 2008. The contagion and interdependence significantly affected the region's financial markets. For some African markets (e.g. Egypt), the impact was much higher than for markets in developed countries. Africa's relatively liquid financial markets not only suffered from the contagious effects but also faced amplification thereof, possibly attributed to the over – valuation of stocks and the outflow of portfolio investments. African investors in general, and Egyptian and investors in particular, recorded within six months an average loss of more than half the wealth invested at the end of July 2008. This is higher than the losses recorded on American, French and Japanese markets (UNCTAD, 2008).

The rise of sovereign debt spreads

The cost of external debt for emerging countries on international financial markets started to increased in July 2007. The spread remained moderates until the beginning of the financial crisis. Tunisia felt the brunt of the crisis in its attempt to issue bonds on the international financial markets in July and august 2007. The first attempt to raise funds on the Japanese financial market was hampered by restrictive financial requirements. Indeed, faced with debt spreads estimated between 45 and 50 basis points, Tunisia had to increase its offer by 25 basis points. Tunisia had to increase its offer by 25 basis point to attract entice investors. The financial crisis amplified the increase in the margin applied to loans in the international financial market, especially for emerging and African countries. The increase in the risk premium forced Kenya, Uganda, and Tanzania to postpone tapping of international financial markets to mobilize long – term resources, turning instead to local markets.

Volatility of foreign exchange markets

In most countries, the impact of the financial crisis manifested itself through currency fluctuation, a specially against the U.S.A Dollar or the Euro. The depreciation of some currencies is attributable to the impact of the financial crisis on community prices particularly crude oil and decline in foreign reserves. For instance the Zambian kwacha exchange rate to U.S.A Dollar depreciated sharply in 2008 by as much 50%. Although the exchange rate slightly improved at the end of the year (IMF, 2008).

The fall of commodity prices

Commodity exports have been one of the main drivers of growth in many African countries. Strong growth in industrialized and emerging countries such as India and China has been an important factor of the increase in the prices and demand for commodities. Unfortunately, the financial crisis has had a negative impact on world growth Prospects and seriously damped expectations on commodity future markets, thus including falling prices and demand for most commodities, for instance the price of the crude oil dropped by 65%, from USD 125.73 per barrel at the start of the financial crisis to USD 43.48 in January 2009 (world Bank 2008).

Finally, the economic downturn in developed countries may also have significant impact on developing countries particularly Africa. The channels of impact include; falling of export revenue, and inflow of capital into the region, low remittance from abroad, decline in foreign aids, low. Foreign direct investments and other sartorial impact such as tourism, mining, textile, manufacturing, etc.

Finally, the financial crisis came as African economies were turning the corner. However, the effect is to the economies of African countries, in general. Effect of Global financial crisis is already being fact.

The Sudan Perspective on the Global Economic Meltdown

Globalization has broken down borders, increased inter – dependence of nations and created an integrated global economy as never witnessed in history (Aluko - olokun, 2009,). According to Ghofrani (2008), economies, developed or developing are tightly interdependent, undoubtedly, no nation may be immune from the dire consequences of the present economic turmoil. Nigeria in particular is not immune from the effects of global economic crisis.

Although, like other African countries, the Central Bank of Sudan, the finance ministry as Well as other government commentators have been arguing that Sudan economy is partially insulated from the direct effect of the global economic meltdown. But as our economy is integrated with that of the U.S.A and U.K to some extents, we are filling some direct and indirect impacts of the crisis. This is because Sudan with more than 90% of her revenue coming from agricultural export, that means the effects of financial crises in low level. Because Sudan's economy is predominantly based on agriculture. The importance of agriculture rests on its substantial contribution to GDP, export, employment and production of food and raw material for industries.

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