



MEFMI
Macroeconomic and Financial Management
Institute of Eastern and Southern Africa

UPDATE

| | |
|---|--|
| Impact and Needs Assessment Report 2009.....Page 3 | Governor Mbewe and Deputy Governor Nkosi Officiate at Workshops.....Page 7 |
| Kenya Progressing with Medium Term Debt Strategy.....Page 5 | DeMPA Mission to Uganda.....Page 8 |

MEFMI PARTICIPATES IN PREPARATORY MEETING FOR G20 SUMMITRY

The following is a summary of a presentation made by the MEFMI Executive Director, Dr Elias Ngalande, at the recently held Financial Crisis and G20 Summitry: Decoding (South) African Positions.

The South African Institute of International Affairs (SAIIA) organised a two- day conference aimed at exploring the implications of the global economic crisis for Africa with a view to informing G20 Leaders about the parameters of a realistic medium-term agenda that could serve African interests amidst the broader G20 reform agenda.

The financial crisis has major economic implications for the continent, hence the invitation of high-level decision makers - primarily the policy oriented research community and government stakeholders.

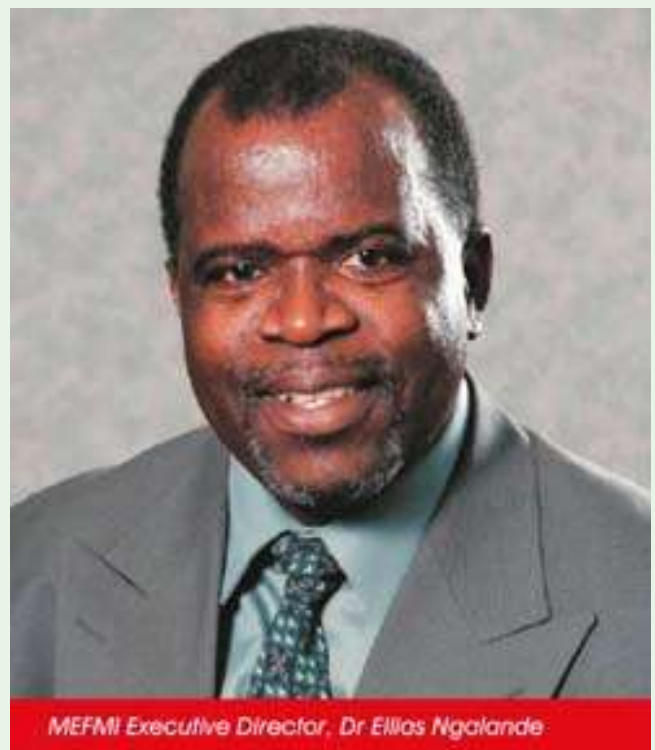
In addition to these targeted institutions, selected African academics and policy thinkers were also invited. Similarly, selected South African private sector representatives actively engaged in monitoring global economic and financial developments participated at the conference in order to broaden the workshop perspectives.

The conference agenda was extensive and far-reaching. Thus through this conference, the entire African continent was represented at what could be the most critical economic governance forum for the next few decades.

Preamble

The financial crisis is deepening and spreading fast even to poor countries that were once sheltered from the business cycles of the global economy.

This is particularly so in view of increased globalisation of financial markets that has magnified the contagion effects of these cycles in developing countries.



MEFMI Executive Director, Dr. Elias Ngalande

A serious cause for concern to all African countries is the major implications to their economies. Some of these are capital flight from emerging markets, dwindling capital inflows from abroad (FDI), reduced remittances from diaspora residents, reduced tourism and related earnings, reduced trade financing and withdrawals of capital leading to losses in equity markets and increased interest rates; and reduced volumes and prices of commodity exports. Since the crisis will impact directly on Africa's access to international liquidity, there is need for African economies to consider ways of sustaining access to finance.

continued on page 2

DeMPA Mission to Uganda

MEFMI joined a World Bank Debt Management Performance Assessment (DeMPA) mission to Uganda from 30 March to 9 April 2009.


The DeMPA tool is a comprehensive metric for assessing public debt management performance using a scale of A to D, with a score of C reflecting attainment of the minimum requirements in relation to best practice. It covers a range of 15 performance indicators relating to debt management operations which are grouped into six clusters, namely: Governance and Strategy Development; Coordination with Macroeconomic Policies; Borrowing and Related Financing Activities; Cash Flow Forecasting and Cash Balance Management; Operational Risk Management; and Debt Recording and Reporting.

The objective of the Uganda mission was to make a comprehensive assessment of debt management operations and governance issues, using the 15 DeMPA indicators.

The mission team comprised Mrs Gallina Vincelette, an

Economist at the Economic Policy and Debt Department (PRMED) of the World Bank, Mr Per-Olof Jonsson a Consultant with PRMED, World Bank, and Mr Cornilious Deredza a MEFMI Debt Management Programme Officer.

The mission collated key inputs for the DeMPA country report. Some of the officials met were Mr. C.M. Kassami, the Permanent Secretary and Secretary to the Treasury of the Uganda Ministry of Finance, Planning and Economic Development, Mr. David G. Opiokello, the Deputy Governor of the Bank of Uganda, Mr. John Muwanga the Auditor General as well as Mr. B. Kainamura the Solicitor General.

The results of the mission will be shared with country officials once the mission report has been released. Uganda will be expected to use the results of the assessment as an objective baseline against which to monitor debt management performance in the above clusters over time. The areas of weaknesses identified through this assessment can also be targeted for sequenced reforms and capacity building. 

MEFMI PARTICIPATES IN G20 SUMMITRY

continued from page 1

Policy makers may have to consider the following issues in order to "Sustain Africa's Access to Finance" and avoid the negative effects of tighter global financial conditions:

Reduced capital flows

Sustained market turbulences abroad would affect equity prices for international stocks and bonds. This would in turn affect investors' profit and hence limit their expansion in developing countries. Likewise, prices of international bonds issued by developing countries to finance infrastructure development are likely to be affected and subsequently this will have an effect on funding for on-going projects. Some emerging countries that have approached the market recently have found lending rates to be prohibitive. For example, South Korea raised money at libor plus 600 basis points recently.

Reduced international demand for exports

The effects of the global economic downturn in developed economies significantly affected financial institutions' lending capacity; household incomes through the slackened labor market (job cuts) and subsequently consumption chain patterns. This has led to low industry utilisation of capacity, decline in manufacturing and slackened consumption.

Consequently, international demand for exports and industrial raw materials from developing countries has started to decline. Likewise demand for manufactured goods and other finished products (AGOA) from developing countries are equally affected especially after the "buy America" policy adopted by the United States of America recently. The implication to developing economies is a loss of export earnings, and constrained real economic expansion, resulting in lower growth rates going forward.

Reduced remittances from the diaspora

A number of Eastern and Southern African countries now depend on remittances from abroad (e.g. Ethiopia, Kenya, Lesotho). The retrenchment of employees from these countries as the growth in the global economy slackens is a major cause for concern for the region. Trends are already showing that remittances are declining.

Reduced official development assistance (ODA)

During the past few years, considerable progress had been registered in enhancing support for development in the East and Southern African economies. ODA volumes have increased and more commitments have been made by the advanced economies (G8) for stepped up assistance. At the same time efforts have been undertaken to render ODA commitments in a better delivery mode to achieve the Millennium Development Goals (MDG). All this might be lost as funds might need to be channeled to resuscitate the economies and/ or deal with the global financial crisis whose direction and extent of damage is yet to be fully evaluated.

The implication of reduced ODA assistance to Africa is double edged. On one hand, reduction in ODA will greatly constrain a number of countries whose programmes and sector development targets depend highly on ODA handouts. Such programmes include support for national poverty alleviation, government public service programmes, education, fighting corruption, and other state and administrative capacities. Reduction would mean that the commitments made and those that had been projected would fall short of the amounts required to achieve the MDG targets as

continued on page 4

Inception Report Released - Impact And Needs Assessment Study 2009

In early 2007, MEFMI commenced the implementation of the Phase III project document for the period 2007 to 2011. The year 2009 marks the midterm of the project implementation. In order to ascertain implementation progress made to date of the Phase III project, the Institute will conduct a mid-term review towards the end of 2009. Part of the review process involves the Institute conducting an impact and needs assessment study.

The Phase III Project is formulated in accordance with the principles of the Logical Framework Approach (LFA). LFA is a rigorous project design and planning methodology that imposes a strong discipline on the project design resulting in a high quality project plan. The LFA together with the introduction of a monitoring and evaluation function at the Secretariat will assist in assessing the impact of MEFMI's activities.

A team of consultants has been commissioned to conduct the impact and needs assessment study. The consultants commenced the study on 24 April 2009 and they will present the final report on 4 June 2009. The impact and needs assessment study also involves the consultants conducting an in-house impact assessment focusing on the extent of anticipated or actual impact of MEFMI's interventions in capacity building in member states.

The objectives of the assessment are:

- To assess the extent to which MEFMI as an institution has maintained its mandate and achieved or proposes to achieve set targets;
- To assess the extent to which the operational divisions of the Institute: Macroeconomic, Financial Sector, Sovereign Debt and Multi-Disciplinary Activities have fulfilled the intended objectives;
- To review the technical and financial sustainability of the Institute;
- Assess progress made in the implementation of project activities and identify areas of strength and those requiring improvement, and hence identify opportunities and threats;
- To review the overall effectiveness and efficiency of the delivery of products and services including attainment of internal capacity building with the objective of promoting sustainable capacity building in the region and to provide feedback for sustaining the implementation of the MEFMI's strategic vision and plan beyond 2011;
- To assess the extent to which issues and constraints raised in the past MEFMI impact assessment and mid-term review reports have been or are being addressed; and
- To assess capacity building needs of MEFMI stakeholders/client institutions in the medium term.

continued on page 6



MEFMI Management with the Impact and Needs Assessment Consultants

Seated L - R: Mr Ben Botolo, Mr Seabata Ntelo, Mrs Judith Ndissi, Dr Elias Ngalande (MEFMI Executive Director) and Mr Jerry Borerwe

Standing L - R: Mr Fred Twesime, Mr Raphael Otieno (Director Debt Management Programme), Mr Alphious Ncube (Director Financial Sector Management Programme), Dr Ephraim Kaunga (Director Macroeconomic Management Programme), Mr Posrick Mushendani, Mr Steve Mkandawire (Director Finance and Administration) and Mr Charles Mujajati

continued from page 2

fundswould be channelled to temper the global financial crisis in advanced economies. African countries therefore will not be able to create self propelling systems that will lead to independence from donor aid and ultimately to economic growth and development. On the other hand, reduction in the ODA might enable developing countries to work hard in order to reduce dependency, a syndrome that has kept African developing economies behaving as beggars all the time.

Possibility of increased non performing assets (NPA)

Banks that had funded long term investment projects, on account of booming growth and expectations of future high growth rates and performance are vulnerable to default as these projects would now technically find it difficult to honor their obligations. This, expected as a second round effect, would impact on the progress of the banking sector and going forward, greatly set the already achieved banking sector stability backward.

Policy responses to mitigate risks

Concerned that these effects would significantly affect the economic progress achieved, the African Union (AU) together with the African Development Bank (AfDB) organised a meeting of African Ministers of Finance and Planning & Governors of the Central Banks in Tunis, on 12 November 2008. The objective of the meeting was to discuss the impact of the global financial crisis on African economies, its impact on Aid to Africa and come up with a common African position on how to address the challenges and mitigate its effects. The meeting indicated that trade and investment flows are likely to be adversely affected because of the recession in developed countries.

With respect to official development assistance to Africa, the meeting observed that it is also likely to be negatively affected, thereby further worsening the achievement of the already off the track Millennium Development Goals (MDG) by 2015. During the meeting, it was agreed to set up a committee that will be responsible for monitoring developments, provide regular follow up, advise and make proposals on how best to contribute to the international deliberations in relation to the economic impact of the financial crisis and mitigating measures.

The meeting also welcomed the proposed responses by the African Development Bank, the Emergency Liquidity Facility, and the Trade Finance Facility for the innovative ways that will be employed to support low income countries to mitigate the effects of the global financial crisis.

Regional economic blocks within Eastern and Southern African

(i) There is no current evidence to suggest that different regions within Africa have merged in order to become stronger after the revelations of the global financial crisis. This is something we are yet to see in the near future as hangover events filter through various stages. The AU

meetings do not necessarily mean that Africa has emerged stronger as one economic block but rather, it is a sign of concerted efforts by the block to get together and address a common problem. Country level consultations between central banks and ministries of finance of various countries are an ongoing process, while at the economic regional level (SADC, EAC, and COMESA) consultations are also an ongoing process to try and find ways to mitigate these risks.

(ii) Africa as a block needs to stand ready for any eventuality and not necessarily meet when a crisis has arisen. Concerted efforts therefore must be designed to establish long and sustainable institutions that will deal with such problems. From another perspective, as a continent there is need to foster focused economic integration where countries would come together under one umbrella and take advantage of large economies of scale.

Lessons learnt – integrating South-South Cooperation

The ultimate objective of regional integration is to bring together a group of countries, in most cases neighbouring countries, into a cooperating arrangement that will positively foster social, economic and political issues within the region.

By promoting a well designed and focused African regional cooperation, these economies will effectively accelerate the transition to a more open, valuable and balanced economic independence and benefit from the following:

- Within the integrated approach, both quality and marketing techniques will improve and promote diversification and export production on a larger scale with wider markets and increased regional demand.
- Integration will also increase the market size and, where economies of scale are present, reduce the cost per unit. This will benefit both producers and consumers in the integrated market.
- To the consumers, it will make it possible to purchase goods at their real prices due to the competitive environment which would impose an obligation to the producers of goods and services to offer the best prices possible.
- According to Thomsen (1994) host country market size is one of the strongest determinants of where foreign firms invest. Consequently Investors outside the integrated regions would be attracted in large numbers to take advantage of the concessionary policies put in place to safeguard the region's industries.

continued on page 5

Kenya has been implementing a debt management reform programme with support from the World Bank since 2004.

Some of the targets in the reform agenda include establishment of a well structured and modern Debt Management Office, further development of the secondary market for Government securities, institutional capacity building and staff training, development of a comprehensive debt database and the development of a Medium Term Debt Strategy (MTDS).

The development of the MTDS is spearheaded by the Ministry of Finance with the support of the Central Bank of Kenya and in close collaboration with MEFMI and its technical cooperating partners - the World Bank, International Monetary Fund (IMF) and the Commonwealth Secretariat (COMSEC). Each of these partners has a specific role to play in order to ensure that Kenya develops the MTDS

In a bid to meet the set target for the development of the Kenya MTDS, MEFMI and the above cooperating partners recently conducted a joint country mission to Kenya. The objective of the mission was to provide technical assistance to the Kenyan authorities in applying a systematic framework for developing a medium term debt management strategy.

The mission also provided an opportunity for the World Bank and the IMF to test the MTDS and its tool-kit, given that Kenya was the first country to receive an MTDS mission in the region.


The mission met with staff from various departments within the Ministry of Finance, including the Departments of Debt Management, Economic Affairs, External Resources and Government Investment and Public Enterprises (DGIPE).

The team also met with the staff of the Central Bank of Kenya Departments such as Research and the Monetary Operations and Debt Management. Meetings were also held with the Market Leaders Forum¹, the Treasury Departments of major commercial banks, the capital markets authority (CMA) and the Nairobi Stock Exchange (NSE).

The mission team comprised Ms. Eriko Togo (Team Leader), Mr. Tomas Magnusson and Mr. Lucas Bandiera all from the World Bank, Ms. Allison Holland and Ms. Yinqiu Lu from IMF, Mr. Calirus Odumbe from COMSEC, and Mr. Leslie Mkandawire from MEFMI.

Apart from the meetings with technical government officials, the team held separate meetings with the Minister of Finance and the Governor of the Central Bank of Kenya at the beginning and at the end of the mission. There were three training sessions held with technical officials including directors of the debt and debt related departments.

The mission was quite successful and clearly established the costs and risks that Kenya would face based on different borrowing strategies.

The authorities are, therefore, expected to use its results in formulation of Kenya's borrowing strategies for the medium term. 

¹ The Market Leaders Forum is a group of key financial market players and draws its membership from the Central Bank of Kenya, Ministry of Finance, Key Investment Banks, Key Commercial banks, the Capital markets authority, insurance industry and retirement benefits industry players.

MEFMI PARTICIPATES IN G20 SUMMITRY

continued from page 4

- Investor relocation to take advantage of concession would bring along substantial transfer of technology.
- Integration will enable such countries to bargain with additional strength in what they produce best (comparative advantage) and consequently get better returns.

Once achieved, regional integration will boost the African bargaining power in the international markets, and create a viable domestic market.

Potential inter-regional Investment Fund

The potential for an inter-regional investment fund is high and the will has already been kick-started by the African Union (AU) meeting for African Ministers and Central Bank Governors that took place in Tunis. Plans are already underway to establish the African Investment Bank and the African Stock Exchange which will organise domestic resources and redirect them to bigger investment projects.

Lessons from the current global financial crisis

1. The African region is not immune to global financial crisis as most of the countries are already feeling the pinch from recession in the major economies. The recession has negative effects on export led economies. This calls for the diversification of exports to include manufacturers, the increase of local demand and reduction of dependence on commodity exports.
2. In the financial services sector, there is need to improve corporate governance and controls even in developed economies, and to avoid excessive leveraging as witnessed recently. Unsound risk management including weak underwriting practices should not be swept under the carpet.
3. The problems of Fannie Mae, Freddie Mac and AIG call for strong oversight and regulation, even of Government institutions. In the African context, we still have a lot of such institutions with very weak regulation and supervision.

During the first four days of the study, the consultants conducted a desk study in order to ascertain the implementation of programmes conducted by MEFMI during the last two years. They also studied relevant source documents available at the MEFMI Secretariat, which will form a basis for the overall assessment. The documents studied included the Project Document for Phase III 2007-2011, the MEFMI 2007 Annual Report, the draft report for the 2008 Annual Report, Mid-Term Review Report for Phase II 2002-2006 (undertaken in 2004), Phase III Back to Office Reports, briefs and presentations by the Executive Director and Programme Directors, and information on course content.

While a lot has been done in order to capacitate institutions in relevant areas, a number of challenges still exist. Some of the challenges are that;

- Not all MEFMI countries are using the latest data capturing systems such as BOP Manual 6, GFS 2001, SNA 1993, and MFS 2001.
- Most countries are still to adopt and implement MEFMI region specific generic manuals and policies particularly given integration initiatives in the region and the impact this will have on trade.
- Most MEFMI countries need to develop clear delineation of responsibilities in order for institutional frameworks to be in compliance with best practices.
- Some critical areas in member institutions still lack requisite skills. The skills lacking include corporate governance, auditing, accounting, fund management, brokerage skills and asset pricing techniques.
- The legal framework in most MEFMI countries still lags behind acceptable international levels. Legal infrastructures pertaining to business conduct, disclosure requirements, operational guidelines and prudential regulation are still inappropriate.


- The Institute faces a major challenge in growing its pool of Fellows. This is mainly due to continued delays in the graduation of Fellows mainly as a result of late submission of technical papers, dropping out of Fellows usually due to inability to cope with the robust requirements of the programme and weak or non-participatory of some member countries.

For the field surveys, the consultants will be divided into two groups. Each team will cover at least six countries. Group 1 will cover Swaziland, Lesotho, Angola, Namibia, Mozambique and Botswana. Group 2 will cover Malawi, Uganda, Rwanda, Kenya, Tanzania and Zambia. Zimbabwe will be covered by all consultants.

The consultants will employ three main approaches in the conduct of the assessment - review of documents, field surveys, interviews and analysis of data collected. The interviews will encompass direct interrogation of key stakeholders in various MEFMI programmes including the alumnae, senior management at Central Banks and Ministries of Finance, Planning and Economic Development, and staff and management of MEFMI.

The interviews will be guided by a set of questions. The guiding questions have also been forwarded to members countries to be visited in order to prepare for the consultants and obtain views and opinions beforehand.

The consultants will also interview Executives and Senior Officials in Central Banks, Treasuries, and Finance and Planning ministries, and also some beneficiaries of MEFMI capacity building (participants and Fellows), to appraise the effectiveness and efficiency of both the programmes and the process, and draw the road map for the future.

The impact and needs assessment is estimated to take 27 days and will comprise the following activities; 

| ACTIVITY | DELIVERABLE | TIME FRAME | RESPONSIBLE |
|---|--|----------------------|--------------------|
| Draft and Send Question guides | Comments/ responses from member countries | April 20 to April 24 | MEFMI |
| Prepare inception report | Inception report | April 21 to April 23 | Consultants |
| Present inception report | Comments from MEFMI Secretariat | April 24 | Consultants/ MEFMI |
| Conduct country interviews/surveys | Comments from member countries. (filled in questionnaires) | April 27 to May 22 | Consultants/ MEFMI |
| Preparation and Electronic submission of draft report | Draft report | May 21 to May 24 | Consultants |
| Receipt of Comments | Comments from MEFMI Secretariat | May 29 | MEFMI |
| Finalisation of report | Integration of comments | June 2 | Consultants/ MEFMI |
| Submission of final report | Final report | June 5 | Consultants/ MEFMI |



Deputy Governor Nkosi (seated fifth from left) with participants and some resource persons at the in-country workshop on Corporate Governance and Risk Management for the Reserve Bank of Malawi (RBM) Management and the Board

Governor Mbewe and Deputy Governor Nkosi Officiate at Workshops

Central banks' statutory functions present them with a wide spectrum of risks and challenges which require effective policies, processes and systems to manage. The risks that arise out of the statutory activities if not properly managed may lead to operational failure, litigation, inflation and financial sector instability. To deal with these risks, central banks need to adopt a culture of risk management that emphasises proactive risk management processes in operations across the board.

In recognition of the importance of risk management as an integral aspect of corporate governance, the MEFMI Financial Sector Management Programme (FSM) recently conducted in-country workshops on Corporate Governance and Risk Management for the Reserve Bank of Malawi (RBM) Management and the Board.

The objective of the workshop was to create awareness amongst the bank's decision makers - board and management on corporate governance and risk management issues. This was the first time that MEFMI had conducted an in-country workshop for the central bank's board of directors. This event enhanced MEFMI's relationship with RBM and future support of its activities.

The workshops were divided into two, with the first being attended by the bank's management during the period 23 to 25 March 2009 at the RBM's Club House in Lilongwe, Malawi while the second was held on 26 March 2009 at the Capital Hotel also in Lilongwe. The latter was held specifically for the Board and Executive Directors.

The RBM Governor, Mr. Victor Mbewe, presented the official address for the Board and Executive Director's workshop which followed the management workshop.

In his presentation, the Governor highlighted the impact of the current global financial crisis on Africa and its likely impact on the financial services sector in the MEFMI region. He underscored the need for enhancing central banking risk management functions.

He said, "Risk management is a topical issue for contemporary central banks. Its importance lays on the fact that the key tasks of central banking - monetary and exchange rate policy, financial stability, foreign reserves management, crisis management - all require central banks to manage risk."

The Governor further stated that risk management techniques are pertinent to central banks' operations. He said failure to effectively manage the risks that may arise from the global financial crisis will directly affect economic activities in the MEFMI region. He said, "We

are grateful to MEFMI for organising this workshop on corporate governance and risk management as it will broaden and deepen RBM's Board awareness and knowledge in risk management."


The workshop for the RBM management which was held between 23 and 25 March preceded the one for the Board and was officially opened by the Deputy Governor of the Reserve Bank of Malawi, Mrs Mary Nkosi.

In her opening speech, the Deputy Governor stated that RBM has established a risk management structure to assess risks that may arise from and affect its operations and activities. The RBM's risk management framework is founded on an Australian / New Zealand based design on the Standard on Risk Management.

Mrs Nkosi said, "Risk management in the Bank is based on the key principle that it is the responsibility of the Board, Senior Management, Heads of Department and all employees. It is embedded in the Bank's strategic planning, management processes, and all its other daily activities to ensure that stakeholders rely on the continuation of services from all business units even in times of crisis."

The Deputy Governor also stated that the workshop was pertinent to the effective operation of the Bank. She said, "Central Banks are faced with challenges in applying risk management techniques to their public policy duties such as adapting risk management to particular challenges which central banks face. We are also faced with the problem of integrating risk management into the operational processes complementing the objectives of the internal audit and financial control functions of the central bank and benchmarking their work with best practice in risk management.

"MEFMI's Financial Sector Management Programme is in the fore front of building sustainable capacity on risk management in the the sub-region. In October 2008, they held a similar workshop for our bank examiners and representatives of our commercial banks in Blantyre. The workshop was well attended and we were advised by our Director of Supervision that it addressed some of the skills gaps that had been noted within the market and that the individual resource persons were excellent in discharging their duties."

The first workshop was attended by 50 participants, including directors and heads of department while the second workshop was attended by eleven RBM Board members and Executive Directors. 


continued from page 5

4. Stabilisation of systemically important institutions (so called too big to fail institutions) has introduced a new paradigm shift in policy especially with respect to ownership of these institutions. We are seeing big governments taking equity in previously private entities – a position African countries have been denied by the Brettonwood Institutions. Hence the pillar for privatisation has been tempered with seriously.
5. There is a strong call for effective oversight of “too big to manage institutions” that conduct business across borders. The question is – can these conglomerates be managed effectively from the centre or should the management be decentralised?

Some strategies to consider for sustaining access to finance

- 1 Africa must strengthen its regional and local banks. For example Eastern and Southern Africa have three regional banks namely PTA Bank, AfreximBank and East African Development Bank. These regional banks are the main sources of funding for developmental financial services to the member countries. Strengthening the regional banks would mean capital injection by member countries and institutional shareholders. A policy decision to recapitalise these banks would sustain their trade and project financing business. Once capitalised, there would be scope to underwrite more business through the introduction of new products such as regional bonds hence sustain member countries’ access to finance.
- 2 Banks in Sub Saharan Africa account for over 80% of the assets of financial systems¹. In the circumstances, the cost of a banking crisis could be very high hence the need for strong oversight of the system to reduce vulnerability. Moreover, most countries in the region may not have the money to bail out their banks should they encounter some problems. Better regulation and supervision of banks would ensure that banks are adequately capitalised thereby reducing the need for bail outs. Further, well supervised institutions are in a better position to compete for the dwindling capital inflows from the international markets.
- 3 There is need for African countries to consider coming up with innovations such as central banks pooling resources to provide liquidity to participating countries to compensate reduction of official development assistance and mitigating the effects of global recession.
- 4 The financial crisis has caused monetary policy to become less effective. Governments have been more inclined to consider engaging in active fiscal policy to stimulate the economy to

induce demand and financial innovation. Using fiscal policy may result in some governments expanding their debt burden, thereby effectively transferring debt from the private sector to the public sector. This action could help to counter some of the credit contraction from occurring in the private sector.

- 5 Monetary policy measures which may be adopted such as the lowering of cash reserves and liquidity ratios would help ease liquidity conditions. These measures have already been adopted by some countries like Nigeria and Kenya.
- 6 The adoption of more flexible exchange rate regimes would allow the nominal exchange rate to absorb some of the impact of the external shocks and reduce the real effects in the domestic economy.
- 7 Additional stimulus packages increase the level of aggregate demand in the economy and help to boost output and employment. Such policies may include investment in infrastructure. The problem may arise when it comes to choosing projects to invest in. Governments should invest in projects or programs that add to capital formation and general economic development.
- 8 Accessibility to international institutions like the World Bank and IMF is based on the individual country contributions. This leaves African countries with no influence in policy issues affecting international financial systems. There is need for more involvement of African countries in discussions to improve the management of international financial systems through representations in new governance structures that are designed to address the current global financial crisis to ensure that Africa’s concerns are represented. The formulae for representation should take into consideration usage of resources as well to reflect the role of all stakeholders. In this respect, it is encouraging to note that the World Bank has approved an extra board seat for Africa, giving poor nations a larger voice in its decision-making which should be emulated by other organisations. 

¹ Osakwe, P.N. Sub-Saharan Africa and the Global Financial Crisis. Trade Negotiations. Insight Vol.7. No.10. December 2008

Staff Changes at the Secretariat

We wish to inform all our valued stakeholders that two of our longest serving staff members, Mr. Steve Mkandawire, Director Finance and Administration and Dr. Ephraim Kaunga, Director Macroeconomic Management Programme, are due to leave MEFMI at the end of their tour of duty. Both gentlemen have played a critical role in shaping the image, growth and development of the Institute. Their integral role in the growth of MEFMI is a feat for which they should both be proud and for which we greatly appreciate and sincerely thank them.

We have since advertised the prospective vacancies on our web-site: www.mefmi.org

• Building Sustainable Capacity • Fostering Best Practices • Raising Awareness: Opportunities & Challenges



12th Floor, Social Security Centre, Cnr Julius Nyerere /Sam Nujoma Street, Harare, Zimbabwe
Tel: +263 - 4 - 252 163/6/7, 735073/6 Fax: +263 - 4 - 252 164, 735074
Email: capacity@mefmi.org, Website: www.mefmi.org

