



## Some Reflections on Macroeconomic Management in Africa's Transformation: Key Points

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- In an uncertain world, Africa's short, medium and long-term prospects are bright.
- The Global crisis and recession posed immediate challenges via trade and credit channels.
- Africa's strong fundamentals mean that global investor search for yield is increasingly playing in the Continent's favour.
- Africa needs transformative development and this requires inclusive growth - economic growth which is better shared.
- Government's have various policy instruments to steer the economy along a sustained desired growth path.
  - Macroeconomic instruments include fiscal, monetary and macroprudential policy,
  - Supply-side instruments include microeconomic reforms and sectoral policies.

- The global crisis has “shaken the consensus” on the conduct of macroeconomic policy.
- There are lessons to learn from the macroeconomic policy experience during the crisis<sup>1</sup>:
  - Financial sector imbalances are extremely dangerous – macroprudential regulation should be used to prevent their accumulation.
  - Long periods of low interest rates or high liquidity should be avoided as they have undesirable effects.
  - A safe level of public debt must take into account risk factors which could see it escalate.
  - Fiscal adjustment programmes should be medium term - to utilise eroding effects of inflation and raise the odds on economic and revenue recovery.
  - Fiscal adjustment programmes need to address fiscal discipline to anchor credibility and secure investor confidence.

<sup>1</sup>Blanchard, O., Dell’Ariccia, G., Mauro, P. Rethinking Macro Policy II: Getting Granular. IMF Staff Discussion Note SDN/13/03. IMF. Washington. April 2013

- Infrastructure development is central to Africa's transformative development.
- Macroeconomic policy needs to create the fiscal room for public sector infrastructure investment.
  - Fiscal policy needs to ensure an appropriate balance between capital and current expenditure provisions and contain public debt service costs.
  - Public Private Partnerships need to be leveraged for infrastructure provision.