



United Nations  
Economic Commission for Africa



**Afrinem**

*The African Institute for Economic Modelling  
at The University of Pretoria*

**Sustainable Capacity**

**Training Workshop  
On  
“Macroeconomic Policy and  
Convergence in Southern Africa”**

**23-26 September 2008  
Farm Inn, Pretoria  
South Africa**

**Programme of Work**

**Organized by the United Nations Economic Commission and the University of Pretoria**

Principal Lecturer: John Weeks  
Professor Emeritus  
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## **Purpose and Goals**

This training workshop surveys the field on macroeconomic convergence in the context of development strategies. To do this, it provides a review of the relevant analytical frameworks, especially those, which are explicitly used to guide policymakers. While the focus is on southern Africa, it reviews international as well as African evidence. In addition to examining the trends and constraints to macroeconomic convergence, the presentations analyse policy for the design and implementation of strategies for macroeconomic convergence in Eastern and Southern Africa. Macroeconomic convergence is considered for its importance in contributing to accelerated and sustained pro-poor growth in Southern Africa. The sessions highlight regional as well as some country-specific experiences, identify key constraints and factors that enhance macroeconomic convergence.

## **Workshop Programme**

- Note:**
- (1) Additional reading list and material will be provided during the opening session**
  - (2) Participants will be given time to present and discuss country experiences during sessions.**

## Tuesday, 23 September

- 09:00 – 9:30 Registration
- 9:30 – 10:00 Opening and introductory remarks: UNECA, University of Pretoria
- 10:00 – 11:15 Session 1: Review of closed economy macroeconomics

This session reviews two schools of macroeconomic analysis, the neoclassical and the structuralist. This is done with closed economy assumptions in order to focus on three basic building blocks of macroeconomics: theory of money, general equilibrium market clearing and aggregate production.

### **Primary readings:**

[Numbers are the same as on the documents in the CD Rom provided to participants.]

- 1 Weeks and Aybar, Basic Macroeconomics manual
- 2 Weeks and Patel, Fiscal Policy

- 11:15 – 11:30 Tea/coffee break
- 11:30 – 13:00 Session 2: Review of closed economy macroeconomics (Continued)
- 13:00 – 14:00 Lunch break
- 14:00 – 15:30 Session 3: Open economy macroeconomics

The model economy is opened to trade and capital flows. The standard policy rules from the Mundell-Fleming Model are derived. It is demonstrated that these policy rules are based on a fundamental analytical inconsistency with regard to the role of the exchange rate. Fixed and flexible exchange rate regimes are discussed in the context of Southern Africa.

### **Primary reading:**

- 1 Weeks and Aybar, Basic Macroeconomics manual
- 2 Weeks and Patel, Fiscal Policy
- 3 Weeks, Effectiveness of Monetary Policy

- 15:30 – 15:45 Tea/coffee break

## Wednesday, 24 September

09:00 – 10:45            Session 5: Macro policy for growth and poverty reduction

The appropriate policy combination to combine rapid growth with poverty reduction is first considered theoretically, and then applied to southern Africa. Past and present growth performances are reviewed for their poverty reduction potential.

### **Primary reading:**

- 4        Weeks, Policies for Pro-poor Growth
- 5        Weeks and McKinley, Macroeconomic Implications of MDG-based Strategies in sub-Saharan Africa
- 6        Weeks, Employment for Poverty Reduction

10:45 – 11:15            Tea/coffee break

11:15 – 13:00            Session 6: Macro policy for growth and poverty reduction  
(Continued)

13:00 – 14:00            Lunch break

14:00 – 15:30            Session 7: Policy convergence: Appropriateness of inflation  
targeting

Constraining macro policy with an inflation target is common across sub-Saharan governments. This session considers the theoretical basis for making inflation targets the constraining macro objective, the empirical evidence on inflation in southern Africa, and the implications of an inflation target for other policy objectives such as poverty reduction and growth.

### **Primary reading:**

- 7        Saad Filho, Pro-poor Monetary and Fiscal Policy

15:30 – 15:45            Tea/coffee break

15:45 – 17:00            Session 8: Policy convergence: Appropriateness of inflation  
targeting (continued)

## Thursday, 25 September

09:00 – 10:45            Session 9: Policy convergence: Management of foreign income flows.

Since the mid 2000s a boom in natural resource prices has generated large capital inflows to several African countries. Managing these inflows, as well as official flows of assistance, to maintain macro stability is the subject of this section. The theory of the 'Dutch Disease' is considered, as well as other analytical frameworks, and applied to empirical evidence.

### **Primary reading:**

- 8      Aybar, Patel, Stever, and Weeks, Macroeconomic Management During a Resource Boom
- 9      Weeks, Patel, Mukungu and Seshamani, Implications for the Zambian Economy of the Appreciation of the Kwacha
- 10     Weeks, Does Debt Relief increase fiscal space? Case of Zambia

10:45 – 11:15            Tea/coffee break

11:15 – 13:00            Session 10: Policy convergence: Management of foreign income flows (continued)

13:00 – 14:00            Lunch break

14:00 – 15:30            Session 11: Convergence or divergence: Behaviour of key macro variables.

This session reviews the movements of key economic variables among Southern African countries to see whether there has been a tendency for economic outcomes to converge.

### **Primary Reading:**

- 11     McKinley, Economic Policies and the MDGs
- 12     Weeks, Macro Trends in Africa

15:30 – 15:45            Tea/coffee break

15:45 – 17:00            Session 12: Convergence or divergence: Behaviour of key macro variables (continued)

## Friday, 26 September

09:00 – 11:00            Session 13: Convergence: Policy management for stability and growth in southern Africa.

This session reviews the factors determining convergence and considers whether a common policy framework for southern Africa is possible.

### **Primary reading:**

13      Geda, Fiscal Policy Harmonization in the Context of African Regional Integration

11:00 – 11:15            Tea/coffee break

11:15– 13:00            Sessions 14: Summary and review

This session summaries the main points and opens a discussion of the role ECA would play in furthering an agenda for sustainable, rapid and equitable growth.

13:00 – 14:30    Lunch break and closing of the workshop