

Perks M Ligoya: The challenge of making sound policy choices

Speech by Dr Perks M Ligoya, Governor of the Reserve Bank of Malawi, at the official opening of the Financial Programming and Policies Course, Lilongwe, 1 March 2010.

* * *

The Director, Macroeconomic Management Programme, MEFMI
Distinguished Resource Persons
MEFMI staff
Course Participants
Ladies and Gentlemen

It is a great pleasure and honour for me to join you on the occasion of the official opening of this regional course on Financial Programming and Policies.

Allow me to begin by extending a very warm welcome to you all on behalf of the Government and the people of Malawi, and also on my own behalf. I wish to extend a warm welcome to the Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI) staff and resource persons. We in Malawi are most delighted to be associated with MEFMI and to host one of your capacity building events once again. A special welcome to colleagues from MEFMI member states. May your two week stay in Malawi be both enjoyable and fruitful.

Let me acknowledge the presence of our regional resource persons, who have taken time off their busy schedules to assist us in this important event. I am pleased to note that the team wholly comprises experts trained by MEFMI under its flagship Fellowship Development Programme. This is an indication that MEFMI's capacity building efforts are now bearing fruit on a sustainable basis. We wish to commend the institute for this achievement.

This course, I am informed, is designed for middle to senior level officials from the ministries of finance and economic planning and central banks. These officials provide an important technical input into macroeconomic and financial policies and are sometimes also involved in policy design and implementation. This course aims at enhancing their understanding of the design and implementation of macroeconomic and financial policies. It is most pleasing therefore to see a number of you here representing key economic and financial institutions in our region. May I urge you all to make the most of this rare opportunity.

Experience from the region shows a general institutional bias in skills among our economists. For example, economists in the Ministries of Finance tend to have a firm appreciation of fiscal issues but limited understanding of Balance of Payments and Monetary and Financial issues. Similarly economists in central banks may also be weak in Fiscal and National accounting. This, coupled with the weak coordination among key macroeconomic management agencies, often leads to the formulation of inconsistent macroeconomic policies, resulting in poor economic performance. We should at all cost avoid this.

This course on Financial Programming is designed to take care of this problem by addressing inter-linkages between sectors and trade-offs associated with different policy mixes. The main challenge of making sound policy choices however still remains with principal officers in our institutions. The financial programming framework makes for more informed policy decisions and is not in itself a substitute for all important policy making process.

Ladies and gentlemen the programme for this course is quite comprehensive and covers theoretical issues, practical linkages and applications. The course also covers an analysis of the key macroeconomic accounts in an economy (the general government, non financial corporations, financial corporations, households and non profit institutions serving households). We hope that resource persons will demonstrate how an appropriate set of

policy measures can be developed and coordinated to promote growth and achieve macroeconomic adjustment. The course will of course also cover forecasting techniques.

At the end of the course, it is our expectation that the tools and techniques imparted to participants will help them achieve the following:

- Sharpen their understanding of the essential sectoral linkages and their impact on policy design;
- Improve capacity in forecasting and projection skills and applications to policy formulation;
- Improve appreciation of policy trade-offs and consistency;
- Enhance appreciation of the sequencing issues in policy design and implementation and the importance of commitment to see policy measures run their course.

This should enable participants tackle the following:

- Formulate in a fairly precise way the nature of interrelationships among sectors of the economy;
- Establish outcomes of various policy options and;
- Recommend desirable policy packages and possible sequencing of measures.

Ladies and gentlemen, I appreciate that this is a fairly heavy agenda for the two week period, but I would like to believe that you will be up to the challenge. MEFMI capacity building events fortunately are not designed as holiday packages! Note however, that as in any learning process, the ultimate success of this programme will hinge upon the extent to which each and every participant exerts himself or herself. Needless to say there is great potential for you to learn from each other as you come from diverse backgrounds and experiences, and there are unique contributions that each one of you can bring to the table.

It is therefore my hope that after this course, you will go out fully motivated to make a difference at your places of work by implementing what you have learnt. Share the fruits of this course with colleagues in your respective institutions. This is the very essence of the MEFMI capacity building model and we expect you to be agents of this effort. It is also our expectation that a few months down the line, MEFMI will get a positive feedback from your institutions.

Ladies and gentlemen, I would like to wish you all a fruitful programme. While I expect you to apply yourselves with full dedication to the core business at hand, please also find time to enjoy our Malawi hospitality. Lilongwe and its environs has quite a lot to offer, and I hope that over the next two weeks those of you visiting Malawi for the first time will be able to sample Malawi's social and cultural menu.

Without further ado, it is now my humble honour and duty to declare this workshop on Financial Programming and Policies officially open.

I thank you for your kind attention.