

REMARKS BY DR. KUPUKILE MLAMBO, DEPUTY GOVERNOR OF THE RESERVE BANK OF ZIMBABWE, DURING THE OFFICIAL OPENING OF THE MEFMI RESEARCH AND POLICY SEMINAR, 10TH DECEMBER 2015, HARARE, ZIMBABWE

Your Excellencies

Executive Director of MEFMI, Dr. Caleb M. Fundanga

Representatives of MEFMI Cooperating Partners

Senior Government officials

Distinguished Economic Experts from the MEFMI Region

Authors of MEFMI Research Papers

MEFMI Secretariat Staff

Ladies and Gentlemen

I am pleased to be here to officially open and to participate in this inaugural Research and Policy seminar organised by the Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI). At the outset, I would like to welcome you all to this Seminar, which I think is an event that is long overdue in the MEFMI menu of activities. I am particularly impressed by the high attendance, which demonstrates just how important the themes of this Seminar are to all of us. I would like to thank Dr. Caleb Fundanga and the MEFMI team for organising this Seminar. I hope it will become a regular event at MEFMI as it will be very useful in shaping the policies that MEFMI member countries can adopt.

Like all of you, I am excited that MEFMI has decided to hold this Research and Policy Seminar, whose main theme is “**Improving the Prospects for High and**

Inclusive Growth". This Seminar has been organised during very interesting times for Africa and the MEFMI region in particular, especially because Africa is currently attracting global attention for the right reasons. The continent has enjoyed impressive real GDP growth rates over the last decade and half, both relative to its own historical performance as well as average growth rates for the global economy. According to IMF's April 2015 Regional Economic Outlook, sub-Saharan Africa is set to register yet another year of solid economic performance, projected at 4.5 percent in 2015.

The main drivers of this growth include increased foreign direct investment from emerging markets, increased external trade, sustained remittances from Africans in the diaspora, pursuit of sound economic management policies and improved financial intermediation supported by mobile phone technology. A new story of hope is emerging out of Africa, and this was aptly elaborated by the US former Secretary of State for African Affairs who said three years ago that *"...Africa represents the next global economic frontier...."*

Despite rapid the economic growth, the pace of poverty reduction in Africa has been painfully slow while inequalities between the rich and the poor people remain high and widespread. In fact, the United Nations Development Programme (UNDP) Human Development Report of 2015 indicates that there has been only a marginal reduction in poverty levels for most countries in Africa in recent years.

In addition, most African countries are vulnerable to shocks as characterised by the global financial and economic crisis of 2008 and 2009. The global financial crisis was a firm reminder to all of us that the modest socio-economic gains that we have made in recent years can easily be wiped off by external shocks. Therefore, there is need for proper safeguards in the domestic financial systems in order to avoid a repeat of the crisis. I hope that the Papers to be presented

here today will outline some of the necessary safeguards that our countries can put in place.

The current build-up in public debt is another key issue that needs to be keenly watched by governments in the MEFMI region. Public debt of most countries in the region have increased dramatically in recent years, both as a proportion of GDP and in nominal terms. The main concern is that the recent wave of borrowing is increasingly dominated by semi-concessional and commercial sources of finance, which are not only expensive but also present more risks. This is happening less than a decade from the time that most of the low income countries benefited from external debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative, the Multilateral Debt Relief Initiative and other bilateral debt relief arrangements. There has also been a substantial increase in domestic debt. While not all borrowing is bad, excessive debt can hinder economic progress, and some of the Papers to be presented this morning will present evidence to show the impact of heavy borrowing on economic growth. You may also wish to note that Zimbabwe is right now going through a tough economic period, which is aggravated by the external debt burden.

A key question facing our region today is, ***“how do we generate and sustain high and inclusive growth in the face of the challenges I have just alluded to”***? I would say that research and innovation is one of the main answers to this question. A review of the development experiences of most emerging economies indicates that a key source of their impressive growth was due to increases in total factor productivity arising from research and innovation in particular. Our governments need to invest in research in order to generate new ideas and facilitate adoption of policies and technologies that add value. Research will enhance evidence-based policy making, which will result in more effective policies being implemented.

I would, therefore, like to commend MEFMI Secretariat for responding effectively to the region's needs by organising this inaugural annual Research and Policy Seminar. The main objective of the Seminar is to foster dialogue and exchange of knowledge in order to contribute to the search for solutions to challenges confronting the region, with a view to preserving and improving the prospects for sustaining high and inclusive growth. I am informed that the Seminar will feature presentations and discussions under the following sub-themes:

- 1) Growth, Poverty and Inequality;
- 2) Public Debt, Growth and Poverty;
- 3) Financial Inclusion and Impact on Economic Growth and
- 4) Mobilization of Resources to Finance Infrastructure and Pro-Poor Growth.

These are very relevant themes which focus on practical issues that policy makers in the MEFMI region are faced with on a daily basis. For instance, policy makers are faced with questions like: How can we achieve high and sustainable growth to create greater economic opportunities while at the same time ensuring equal access to those opportunities for everyone? What are the appropriate levels of public external and domestic borrowing that can support development while minimising the risk of defaults in future? A related question is about how governments can foster the development of domestic debt and capital markets in order to mobilise financing for development, especially in the wake of reduced grants and concessional loans to developing countries. How do we leverage on remittances to finance development while addressing the issue of brain drain?

This is by no means an exhaustive list of development challenges and dilemmas facing policy makers in our region. I am happy that the Papers to be presented

today will address these questions. I hope that the Papers to be presented and the ensuing discussions will provide deeper insights into these questions. May I also admit that, our Governments have for too long relied on policies that are not home-grown, which limits their efficacy. Certainly there are merits in adopting policies that are formulated by taking into account local context. This seminar offers a platform for generating home grown policies.

I am told that the discussions of this seminar will be moderated by a panel of experts made up of academics, policy makers as well as representatives from development organizations who share a passion for the development of the region and have unique perspectives on how it can be achieved. This diverse mix of expertise is commendable because it will enrich the discussions and thus provide a basis for formulating sound economic policies.

I would like to conclude by wishing you all a fruitful Seminar. I am sure that you will find the presentations and discussions interesting and productive. With those remarks, it is my singular honour and pleasure to declare this Seminar officially open.

I thank you for your attention!