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# **Forging Links: Economic Research and Policy Making in Sub-Saharan Africa**

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**Report of the 1995  
Senior Policy Seminar**

**by Matthew Martin and Gillian Ngola**

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# Forging Links: Economic Research and Policy Making in Sub-Saharan Africa

## EXECUTIVE SUMMARY

Report of the 1995  
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African Economic Research Consortium

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## **Introduction**

The Senior Policy Seminar, held in March 1995 in Nairobi, successfully furthered AERC's efforts to disseminate research findings to the policy making community. The seminar focused on the topics of exchange rate, fiscal and financial policy as well as the policy process itself, which have been treated by AERC researchers. The purpose of the seminar was to create an environment of exchange between policy makers and AERC researchers to elicit useful feedback concerning research priorities as well as to highlight a growing capacity within the region for policy research.

Twenty-five senior economic policy makers from 13 countries took part in fruitful discussion of papers presented by AERC researchers. The policy makers were unanimous in their praise of the opportunity to interact with AERC researchers. The policy makers responded with questions and observations from their perspective as practitioners.

### **Joining forces for better policy**

Dr. Thomas Kibua, Deputy Governor of the Central Bank of Kenya, opened the seminar by stating how important it was for policy makers to be aware of the research available and how it can be utilized to the benefit of each country's agenda. The interaction between economic researchers and economic policy makers is vital and needs whole-hearted encouragement.

Together the two groups listened and discussed issues of mutual interest – problems in need of answers so that policy can be directed both by research and practical experience.

The policy makers held a wide range of responsible positions. There were central bank governors and deputy governors, directors of research and their assistants, and top officials from ministries of finance and economic planning, including one deputy minister. These men and women listened to the AERC researchers who presented syntheses of research on several topics of vital interest and importance to the policy makers. These included: exchange rate policy, fiscal and monetary policy and financial policy. One major session encompassed a broader macroeconomic research agenda, particularly the design of macroeconomic policy programmes. The

concluding session focused on the process of interaction between policy makers and researchers.

Discussions were lively and indicated clear interest and appreciation on both sides. The researchers were eager to hear reactions to the work and suggestions of further research in order to improve their policy involvement. The policy makers were keen to make use of the existing research, a large portion of which had been condensed into executive summaries for their use. They also saw the seminar as a unique opportunity to exchange candid views with one another and to realize that their countries had similar policy environments and problems which could derive solutions from sharing experience.

### **Sorting out priorities**

After one and a half days of detailed presentations and fruitful discussions, the participants formed four working groups based on geographical areas within sub-Saharan Africa: francophone, anglophone west, anglophone east and anglophone south. Each comprised both researchers and policy makers.

From these groups, from the discussions within each session and from the seminar evaluations, there emerged a set of priority research issues:

- the role of exchange rate policy in a liberalized economy, especially the scope for intervention in forex markets.
- the process of budget formulation and execution, particularly new sources of revenue mobilization.
- the implementation of indirect monetary policy.
- how to encourage investment in production (with the emphasis on medium, small and micro enterprises) through enhanced financial sector reform, and the encouragement of informal financial markets.
- the role and credibility of government.
- macroeconomic responses to external shocks from excess or insufficient external capital flow.

## **Pointing the way**

How to study these topics needs careful consideration to ensure a clear and productive division of labour among researchers and policy makers. Researchers could contribute surveys of literature and of non-African experiences, theoretical background papers, econometric modelling and sample surveys of private sector reactions to a variety of policies. Policy makers could identify key issues in each country to ensure policy relevance, and analyse government data, institutional capacities and current policy thinking.

Many other topics and sub-topics suggested would best be pursued by sub-groups of countries, or policy makers and researchers. They could be fed into any future design of projects in these areas by AERC researchers to make them more policy relevant.

## **How the seminar was rated**

A questionnaire was completed by the policy makers at the end of the seminar, evaluating its utility and suggesting improvements. The overall evaluation was extremely positive: one said it had been an “eye-opener” about AERC and the potential for cooperation among policy makers and researchers.

- Every policy maker found the seminar worthwhile due to interaction with the researchers and the exchange of experiences with other policy makers.
- All would attend another seminar, though their priorities for topics varied. Around half wanted a seminar on the financial sector, on fiscal and monetary policy or on relative roles of government and private sector; other popular subjects were regional integration and trade promotion, overall macro-micro policies and links, and exchange rates.
- All wanted to pursue joint research projects with researchers. The top priorities were exchange rate policy, expanding fiscal revenue and overcoming financial sector distress. Other prominent issues were the role of government in a liberalized economy,

macroeconomic sequencing, indirect monetary targets and policy, how to finance SMEs innovatively, investment and savings, private sector promotion and privatization, capital flows and external shocks, and informal finance.

- All participants indicated they would be more likely to use AERC researchers and research materials in future policy-relevant research.
- With one exception, they agreed that the research presented had added to their knowledge of policy issues, especially through the informal financial sector and overall macro agenda papers.
- Again, with one exception, they agreed that the seminar had suggested mechanisms for interaction among policy makers and researchers in their own countries, including joint research, seminars, staff exchanges, cooperation in “policy units” or working groups, production and dissemination of executive summaries and data collection.

### **Dissemination into the future**

The seminar was an extremely successful mechanism for disseminating knowledge of AERC’s aims, procedures and products to policy makers. Both the seminar papers and the executive summaries of existing papers were very well received. The seminar was small in order to enhance fruitful discussion, and therefore reached relatively few policy makers. To disseminate the seminar results and future AERC products to a wider network of policy makers, several avenues were suggested for the AERC secretariat:

- produce three written outputs from the seminar itself: a very brief summary of the seminar; an edited version of the seminar report; and a full volume of proceedings, including the text of the papers presented. Each would target different audiences: the first would be useful for senior policy makers; the second for seminar participants, research-oriented policy makers and AERC researchers; and the third for all those interested in policy-oriented research areas.

- create a directory of the researchers in its network, with their research interests, highlighting those interested in policy issues, and circulate it to African research institutions and governments.
- make all possible efforts to widen the group of enthusiastic policy makers created by the seminar into a permanent network of Africans interested in policy research. Each of the policy maker and/or researcher participants in the seminar could act as a “contact point” to name other research-oriented policy makers in their country, particularly those in planning commissions and policy units, and to disseminate AERC outputs.
- ensure that more of its researchers are informed of the results of the seminar, in order to involve them in follow-up projects. It might consider devoting a plenary day or half-day to presenting the papers or discussions at the senior policy seminar.
- organize more national policy workshops, and highlight the conclusions of the policy seminar (and any follow-up policy research projects) in such workshops.
- strengthen links with francophone policy makers. Contacts would be made with BCEAO and BEAC, to organize a presentation of the results of this senior policy seminar, and to discuss cooperation on policy-oriented research (especially given the seminar findings that almost all issues were similar for CFA and non-CFA countries).
- Lusophone policy makers and researchers are particularly poorly served by research networks and AERC should remedy this gap urgently.

All the participants expressed the strong hope that AERC would organize similar seminars in future, focusing more closely on individual issues and research projects. Several participants expressed their gratitude to AERC for giving them such a valuable opportunity. To quote one policy maker, “We all came away different”. The researchers also had a first time opportunity to engage in real dialogue with those who design and implement policy – they were “a window to the real world”.

**A report of the senior policy seminar and a full proceedings containing all the papers is available upon request at the address below.**

**AFRICAN ECONOMIC RESEARCH CONSORTIUM (AERC)**

The principal objective of the African Economic Research Consortium (AERC), established in 1988, is to strengthen local capacity for conducting independent, rigorous inquiry into problems pertinent to the management of economies in sub-Saharan Africa. In response to special needs of the region, AERC has adopted a flexible approach to improve the technical skills of local researchers, allow for regional determination of research priorities, strengthen national institutions concerned with economic policy research, and facilitate closer ties between researchers and policy makers. AERC is supported by private foundations, bilateral aid agencies and international organizations. Further information concerning the AERC and its publications can be obtained by writing to:

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