## AFE—Workshop on understanding and improving the link between fiscal and monetary policy

## PRELIMINARY AGENDA

| Workshop title:   | Regional Workshop on understanding and improving<br>the link between fiscal and monetary policy:<br>April 25-28, 2016 |  |
|-------------------|---|--|
| Workshop dates:   |   |  |
| Location:         | Zanzibar  |  |
| Venue:            | Hyatt Stone town  |  |
| Participants:     | TBC Burundi (4), Eritrea (4), Ethiopia (4), Kenya (4),<br>Malawi (4), Rwanda (4), Tanzania (4), and Uganda (4)        |  |
| Resource persons: | Alain Vandepeute (workshop moderator and speaker),<br>Herve Joly, Thordur Jonasson, Paul Seeds (speakers).            |  |

| Day           | Activity   | Resource Persons    |
|---------------|--|---------------------|
| Day 1: Monda  | y, April 25  | ·                   |
| 8.30-9.15     | Registration   |                     |
| 9.30-9.45     | Opening of the workshop  | By Alain Vandepeute |
| 9.45-11.00    | Session 1:<br>Monetary policy and fiscal policy a macro<br>perspective   | By Herve Joly       |
| 11.00 - 11.30 | Coffee/tea break and photo session   |                     |
| 11.30-12.45   | Session 2:<br>Monetary policy and fiscal policy a macro<br>perspective   | By Herve Joly       |
| 12.45 -14.00  | Lunch Break  |                     |
| 14.00-15.15   | Session 3:<br>Country experiences on issues and challenges<br>arising from the link between fiscal and<br>monetary policy. | By member countries |
| 15.15-15.30   | Coffee/tea Break   |                     |
| 15.30-16.45   | Session 4:<br>Country experiences on issues and challenges<br>arising from the link between fiscal and<br>monetary policy. | By member countries |
| 16.45-17.00   | Closing remarks.   | By Alain Vandepeute |

| 8.45-9.00     | Opening   | By Alain Vandepeute |
|---------------|---|---------------------|
| 9.00-10.30    | Session 5:<br>Liquidity forecasting and liquidity<br>management: a monetary policy approach<br>including the Memorandum of Understanding<br>between the Central Bank and Government | By Alain Vandepeute |
| 10.30-10.45   | Coffee/tea Break  |                     |
| 10.45-12.30   | Session 6:<br>Treasury single account and cash management:<br>a fiscal approach   | By Paul Seeds       |
| 12.30-13.30   | Lunch Break   |                     |
| 13.30-15.30   | Session 7:<br>Country presentations and discussion on<br>integrating Government cash management into<br>Central Bank Liquidity management   | By member countries |
| 15.30-15.45   | Tea Break   |                     |
| 15.45-17.00   | Session 8:<br>Country presentations and discussion on<br>integrating Government cash management into<br>Central Bank Liquidity management   | By member countries |
| 17.00-17.15   | Closing remarks.  | By Alain Vandepeute |
| Day 3: Wedne  | esday, April 27: Development of financial markets   |                     |
| 8.45-9.00     | Opening   | By Alain Vandepeute |
| 9.00-10.15    | Session 9:<br>Money market and Government debt market:<br>Yield curve   | By Thordur Jonasson |
| 10.15-10.45   | Coffee/tea Break  |                     |
| 10.45-12.30   | Session 10:<br>Coordination of Debt and Cash Management<br>and Monetary Policy Operations   | By Thordur Jonasson |
| 12.30-13.30   | Lunch Break   |                     |
| 13.30-15.00   | Session 11:<br>Government debt market: Countries<br>experiences   | By member countries |
| 15.00-15.30   | Tea Break   |                     |
| 15.30-17.00   | Session 12:<br>Government debt market: Countries<br>experiences   | By member countries |
| 17.00 - 17.15 | Closing remarks   | By Alain Vandepeute |
| Day 4: Thursd | lay, April 28   |                     |
| 3.45-9.00     | Opening remarks   | Alain Vandeneute    |

| 9.00-10.30  | Session 13:<br>Important features of the primary market-<br>MTDS    | By Thordur Jonasson |
|-------------|---|---------------------|
| 10:30-10:45 | Coffee/tea Break  |                     |
| 10.45-12.15 | Session 14:<br>Fostering the development of the secondary<br>market | By Thordur Jonasson |
| 12.15-13.30 | Lunch Break   |                     |
| 13.30-15.15 | Wrap-up.  |                     |























































































| <ul> <li>Period of sharp output decline started in 1999 (Tobacco, Maize) –<br/>Simultaneously significant increase in Government Spending in the Defense<br/>sector financed through Monetization as tax base insufficient</li> </ul> |       |   |  |  |  |  |
|---|-------|---|--|--|--|--|
| <ul> <li>Wave of emigration due to the domestic economic situation and food<br/>shortage further eroded the tax base =&gt; Sharp increase in Monetization from</li> </ul>   |       |   |  |  |  |  |
|   | 1980  | 2008                                    |  |  |  |  |
| Inflation (Annual)  | 5.4%  | 231 000 000%                            |  |  |  |  |
| Inflation (Monthly)   | 0.5%  | 2 600%                                  |  |  |  |  |
| Largest Denomination  | Z\$20 | Z\$100 000 000 000 000 (issued in 2009) |  |  |  |  |
| Exchange rate Z\$/USD   | 0.647 | Z\$4 000 000 (Dec)                      |  |  |  |  |
| Real GDP Growth (y/y basis)   | 14.6% | -17%                                    |  |  |  |  |
| External Debt/GDP   | 11%   | 119%                                    |  |  |  |  |
| <ul> <li>In 2008, GDP/capita declined to US\$136 back to average 1954 GDP/capita<br/>level, eliminating gains of past 53 years</li> </ul>   |       |   |  |  |  |  |
















































| Bank Reserve Projections  |                         |                       |                                 |                    |                                |                  | Mer -                  |                                 |  |
|---|-------------------------|-----------------------|---------------------------------|--------------------|--------------------------------|------------------|------------------------|---------------------------------|--|
|   | Currency in circulation | Net Foreign<br>Assets | Net<br>governemen<br>t position | Other items<br>net | Total<br>autonomous<br>factors | Bank<br>reserves | Reserve<br>Requirement | Projected<br>Excess<br>Reserves |  |
| 1/4/2016  | 5                       |                       |                                 |                    |                                |                  |                        |                                 |  |
| 1/5/2016  | 5                       |                       |                                 |                    |                                |                  |                        |                                 |  |
| 1/6/2016  | 5                       |                       |                                 |                    |                                |                  |                        |                                 |  |
| 1/7/2016  | 5                       |                       |                                 |                    |                                |                  |                        |                                 |  |
| 1/8/2016  | 5                       |                       |                                 |                    |                                |                  |                        |                                 |  |
| 1/9/2016  | 5                       |                       |                                 |                    |                                |                  |                        |                                 |  |
| 1/10/2016   | 5                       |                       |                                 |                    |                                |                  |                        |                                 |  |
| 1/11/2016   | 5                       |                       |                                 |                    |                                |                  |                        |                                 |  |
| 1/12/2016   | 5                       |                       |                                 |                    |                                |                  |                        |                                 |  |
| 1/13/2016   | 5                       |                       |                                 |                    |                                |                  |                        |                                 |  |
| 1/14/2016   | 5                       |                       |                                 |                    |                                |                  |                        |                                 |  |
| 1/15/2016   | 5                       |                       |                                 |                    |                                |                  |                        |                                 |  |
| 1/16/2016   | 5                       |                       |                                 |                    |                                |                  |                        |                                 |  |
| 1/17/2016   | 5                       |                       |                                 |                    |                                |                  |                        |                                 |  |
| 1/18/2016   | 5                       |                       |                                 |                    |                                |                  |                        |                                 |  |
| 1/19/2016   | 5                       |                       |                                 |                    |                                |                  |                        |                                 |  |
| 1/20/2010   | 5                       |                       |                                 |                    |                                |                  |                        |                                 |  |
| European Union Union Union Union Confederation Strate Secretariat for Economic Affairs SECO |                         |                       |                                 |                    |                                |                  |                        |                                 |  |











| oreca     | sting           |                  |                        |                                 |                    |                  |                        |                         |
|-----------|-----------------|------------------|------------------------|---------------------------------|--------------------|------------------|------------------------|-------------------------|
|           | Government flow | Bank<br>reserves | Reserve<br>Requirement | Projected<br>Excess<br>Reserves | Government<br>flow | Bank<br>reserves | Reserve<br>Requirement | Projec<br>Exce<br>Reser |
| 1/4/2016  | 5               | 5                | 2                      | 3                               |                    |                  | 2                      |                         |
| 1/5/2016  | 5               | 5                | 2                      | 3                               |                    |                  | 2                      |                         |
| 1/6/2016  | 5               | 5                | 2                      | 3                               |                    |                  | 2                      |                         |
| 1/7/2016  | 5               | 5                | 2                      | 3                               |                    |                  | 2                      |                         |
| 1/8/2016  | 5               | 5                | 2                      | 3                               |                    |                  | 2                      |                         |
| 1/9/2016  | 5               | 5                | 2                      | 3                               | 5                  | 5                | 2                      |                         |
| 1/10/2016 | 5               | 5                | 2                      | 3                               | 5                  | 5                | 2                      |                         |
| 1/11/2016 | 5               | 5                | 2                      | 3                               | 5                  | 5                | 2                      |                         |
| 1/12/2016 | 5               | 5                | 2                      | 3                               | 5                  | 5                | 2                      |                         |
| 1/13/2016 | 5               | 5                | 2                      | 3                               | 5                  | 5                | 2                      |                         |
| 1/14/2016 | 5               | 5                | 2                      | 3                               | 5                  | 5                | 2                      |                         |
| 1/15/2016 | 5               | 5                | 2                      | 3                               | 5                  | 5                | 2                      |                         |
| 1/16/2016 | 5               | 5                | 2                      | 3                               | 5                  | 5                | 2                      |                         |
| 1/17/2016 | 5               | 5                | 2                      | 3                               | 5                  | 5                | 2                      |                         |
| 1/18/2016 | 5               | 5                | 2                      | 3                               | 5                  | 5                | 2                      |                         |
| 1/19/2016 | 5               | 5                | 2                      | 3                               | 5                  | 5                | 2                      |                         |
| 1/20/2016 | 5               | 5                | 2                      | 3                               | 5                  | 5                | 2                      |                         |





| Comparison Fiscal versus Monetary Policy |   |   |  |  |  |  |
|--|---|---|--|--|--|--|
|  | Fiscal Policy   | Monetary Policy   |  |  |  |  |
| Definition                               | Use of Revenues, Borrowing,<br>Expenditures and Investment to<br>influence the economy  | Process of controlling monetary supply<br>and use of interest rates to meet<br>objectives of sustainable growth and<br>stability in economy |  |  |  |  |
| Principle                                | Stimulate aggregate demand to<br>achieve economic stability,<br>sustainable growth and full<br>employment   | Money supply and interest rates<br>impacting demand, influencing inflation,<br>exchange rates, growth and<br>unemployment                   |  |  |  |  |
| Policy Maker                             | Government  | Central Bank  |  |  |  |  |
| Policy Tools                             | Revenue Mobilisation; Trade<br>facilitation; Public Investment Plan<br>(PIP) linked to Medium Term<br>Expenditure Framework (MTEF),<br>linked to Program Based Budgeting<br>(PBB); Public Investment; Natural<br>Resource Revenue Management. | Interest rates; reserve requirements;<br>currency peg; discount window;<br>quantitative easing; open market<br>operations; signalling       |  |  |  |  |
|  |   |   |  |  |  |  |
| European Union                           | Confederation Svizera<br>Confederation Svizera<br>Confederazione Svizera<br>Sviss Confederazion   | nt of bootname Attains,<br>search EAER<br>fer Economic Affairs SECO<br>Ministry of Foreign Affairs of the<br>Netherlands                    |  |  |  |  |












































































































































































































































| Auction calendar |     |        |     |  |  |  |
|------------------|-----|--------|-----|--|--|--|
| 11-Jan           | 400 | 16-May | 200 |  |  |  |
| 25-Jan           | 400 | 30-May | 200 |  |  |  |
| 8-Feb            | 400 | 13-Jun | 200 |  |  |  |
| 22-Feb           | 400 | 27-Jun | 150 |  |  |  |
| 7-Mar            | 300 | 11-Jul | 150 |  |  |  |
| 21-Mar           | 300 | 25-Jul | 150 |  |  |  |
| 4-Apr            | 300 | 19-Sep | 150 |  |  |  |
| 18-Apr           | 300 | 17-Oct | 150 |  |  |  |
| 2-May            | 200 | 14-Nov | 150 |  |  |  |



| 2         | month 1 | month | 2 -           | nonth 1- | nonth |
|-----------|---------|-------|---------------|----------|-------|
| 3-<br>Ian | 150 III | 150   | 3-1<br>20-Eeb | 150 150  | 150   |
| Ian       | 150     | 150   | 20-Feb        | 125      | 125   |
| Ian       | 200     | 200   | 5-Mar         | 125      | 125   |
| Ian       | 200     | 200   | 12-Mar        | 125      | 125   |
| Jan       | 200     | 200   | 12 Mar        | 125      | 125   |
| Feb       | 200     | 200   | 26-Mar        | 175      | 25    |
| Feh       | 150     | 150   | _ •           | - / -    |       |


































































































































| Non-marketable  | Marketable  |
|---|---|
| Concessional loans<br>Semi-concessional loans<br>Commercial loans<br>Other non-marketable sources | <ul><li>International bonds</li><li>Domestic securities</li></ul> |


































































