



There are **three workstreams** within this Subprogramme:

- *Macro-economic policy*
- *Micro-economic policy*
- *Economic Modelling*

Macro-economic policy

In pursuit of its developmental agenda, government uses a set of policy tools such as taxation, public expenditure, subsidies, credit access and interest rate changes. Macro-economic policy seeks to co-ordinate the use of these policy tools so that they deliver sustainable human development outcomes. As part of the broad levers of policy, macro-economic policy impacts on employment, investment and economic growth, among others. To achieve an environment that is conducive for sustainable employment-generating growth, macro-economic policy plays a key role. Policy work on the macro-economy should clarify the trade-offs that government faces at any given point in time, and provides guidelines for government to make choices in the face of these trade-offs.

The purpose of this workstream is to identify macro-economic policy options available to the country, evaluate different options against development and decent work goals and make recommendations to cabinet on policy issues. In so doing, it will identify pertinent macroeconomic policy issues with due regard to the policy goals of government, the lessons from international experiences, the priorities for African development and the challenges posed by the global economic crisis.

Micro-economic policy

Micro-economic policy deals with policies targeted at the development of economic sectors, firms and households. It aims to ensure the promotion of investment in the real economy, efficiency of economic institutions and productivity, thereby raising income levels and living standards.

The purpose of this workstream is to identify the available micro-economic policy options, evaluate different options against development and decent work goals and make recommendations to cabinet on policy and implementation issues. In so doing, it will identify pertinent micro-economic policy issues with due regard to the policy goals of government, the lessons from international experiences, the priorities for African development and the challenges posed by the global economic crisis. In order to perform its functions effectively, it will develop an economic intelligence database on real economy entities, economic entities that the state has a shareholding in and provides incentives to or which have received state support. In fulfilling its functions, the workstream will research and develop policies that help produce equity and the generation of full employment.

Economic Modelling

The economy is a complex dynamic system. A formal and quantified framework is an irreplaceable adjunct to the processes of policy thought. Many economic policy measures can only be understood and discussed properly with the help of a model which sets out the key relationships between economic variables. When analysing the consequences of a policy proposal at the macroeconomic level, where “everything relates to everything else”, a model is indispensable. Models help establish synergy between various policies by capturing empirically important effects and indirect links in the economy and quantify the impact of policy proposals on aggregate variables (e.g., growth, employment, inflation, etc), sector performance, poverty and inequality.

The purpose of this workstream is:

- To outline and analyse future paths of the economy under a different mix of policies in a consistent manner.
- To quantitatively analyse the likely impact of policy options and shocks on the main growth and development index.
- To analyse the impact of uncertainty on the economy by showing how the system will respond to different development in external factors such as oil prices or world trade.