



UR School of Economics holds 3d Research Seminar virtual, 18 March 2021

The SoE's Research Seminars take place under the partnership between University of Rwanda (UR), College of Business and Economics, School of Economics (SoE), Kiel University and Kiel Institute for the World Economy, with support of the GIZ-Macroeconomic and Investment Policies (MIP) project. The seminar, chaired by the SoE Dean Dr. Joseph Nkurunziza (on behalf of the CBE Principal, Dr. Faustin Gasheja), focused on the financial development—economic growth nexus in Rwanda and Tanzania, the impact of type 2 diabetes on the Rwandan economy, effects of trade on economic growth and investment in Sub-Saharan Africa (SSA), and assessing the war impact and reconstruction scenarios for the Yemeni economy.

Let's take a closer look at these topics!

FINANCIAL DEVELOPMENT AND ECONOMIC GROWTH NEXUS IN RWANDA AND TANZANIA

"There has been a considerable debate among economists on the role of financial development in economic growth" underscored **Faustin Maniraguha**, PhD student in Econometrics at the UR and Senior Economist at the National Bank of Rwanda, on a paper co-authored with **Dr. Etienne Ndemezo** of the UR. "For East-African countries, this is a very relevant question." While the findings regarding the role and effect of financial development on economic growth differ – many see it positive but some also negative - on balance a large body of evidence suggests that economies with higher levels of financial development grow faster. Using the IMF's Global Financial Development Database, the paper compared financial institutions and financial markets in Tanzania and Rwanda to show that financial development by itself is not a panacea; it has to be paralleled with robust regulation and supervision in order to promote long-term economic growth.

EFFECT OF TYPE 2 DIABETES ON RWANDAN ECONOMY

Type 2 diabetes is rapidly becoming a serious public health problem in traditional Africa, mainly because of rapid urbanization. In 2015, according to the World Health Organisation, the prevalence of type 2 diabetes reached 2.8%. By using socio-economic data of the Rwandan Ministry of Finance and Economic Planning and the Rwanda Diabetes Association, **Angelique Dukunde**, **Jean Marie Ntaganda**, **Juma Kasozi** (all of UR) and **Joseph Nzabanita** (of Makerere University), constructed a model showing that increases in the prevalence of type 2 diabetes are associated with substantial losses in GDP. Ms. Dukunde concluded her presentation by stressing that awareness-raising campaigns on how to prevent type 2 diabetes would go a long way towards reducing the costs of treatment and mitigating GDP losses.

IMPACT OF TRADE ON ECONOMIC GROWTH AND INVESTMENT IN SSA

Dr. Marcel Bahizi (Parliament of Rwanda/the Senate) and **Dr. Yank Jun's** (both of University of International Business and Economics) research examined how trade openness affected economic growth and investment in 44 SSA countries. Using trade and socio-demographic data for 1995-2017 from the World Development Indicators (WDI), their study showed that trade is a determinant of foreign direct investment (FDI) in SSA. In turn, FDI boosts economic growth by facilitating the transfer of advanced technology, especially in countries with a relatively higher stock of human capital. The results further showed that trade plays a significant role in promoting domestic investment. Key recommendation therefore for SSA is to take advantage of the newly established African Continental Free Trade Area (AfCFTA) to promote policies that allow free trade among the African Union member countries.

MODELLING WAR IMPACT AND RECONSTRUCTION SCENARIOS FOR THE YEMENI ECONOMY

Dr. Manfred Wiebelt of the Kiel Institute for the World Economy presented a recursive dynamic general equilibrium model for the Yemen economy to assess the war's economic impact and options for economic recovery, as well as their effect on employment, income distribution and poverty. Using pre-conflict socio-economic indicators and available estimates on conflict-related shocks, the model shows that the most severe losses are associated with disruptions in the agriculture and mining sectors (contributing 9.4 and 20.9 percentage points of GDP loss to total GDP contraction estimated at 36 percent during 2015-20). Therefore, a fast recovery of these sectors' activities should be a priority. Yet, even if the country succeeds in off-setting all conflict-related shocks, reaching the pre-conflict socio-economic level quickly will require major reforms in economic institutions, increases in investment, and catching up on total factor productivity.

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The virtual roundtable participants agreed to continue using the research seminars as a regular forum for researchers and graduate students to share analyses of economic issues important for Rwanda and to contribute to economic policy debates.

Interested to learn more? Additional questions, comments, or feedback? Please contact Dr. Ruhara Mulindabigwi Charles, email: ruharamch@yahoo.fr.