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MACRO RESEARCH FOR DEVELOPMENT
An IMF-DFID Collaboration

Department for International Development

Women in the Labor Force: The Role of Fiscal Policies

Fabrizio, Fruttero, Gurara, Kolovich, Malta, Tavares, and Tchelishvili published a Staff Discussion Note (SDN) that explores how gender-responsive fiscal policies affect women's participation in the paid workforce as well as other macroeconomic and distributional outcomes. Based on two life-cycle general equilibrium models with heterogenous agents, one calibrated for an advanced economy and another one calibrated for a low-income country, they show how gender-responsive fiscal policies can support female labor force participation while positively impacting economic growth and income equality, reducing poverty, with eventually positive fiscal impact in the long run. Policies such as switching from family-based taxation to individual-based taxation in advanced economies and providing women-friendly infrastructure in low-income countries can increase female labor force participation and boost growth, while reducing gender wage gaps, poverty and income inequality. The SDN was launched by the IMF Managing Director at the Global Women's Forum on February 16th in Dubai. It was also presented at the Africa Training Institute in Mauritius during the IMF workshop on gender.

Investing in Public Infrastructure: Roads or Schools?

Why do governments in developing economies favor roads rather than schools in public investment scale-ups? Atolia, Li, Marto and Melina recently published a paper where they study this question using a dynamic general equilibrium model and argue that the different pace at which roads and schools contribute to economic growth, public debt intolerance, and political myopia are central to this decision. In a thought experiment with a large return differential in favor of schools, a benevolent government would intuitively devote the majority of an investment scale-up to them. However, the fraction of schools chosen by the government falls with increasing levels of debt intolerance and political myopia. In particular, political myopia is a meaningful explanation for the observed result to the extent that an extremely myopic government would not invest in schools at all.

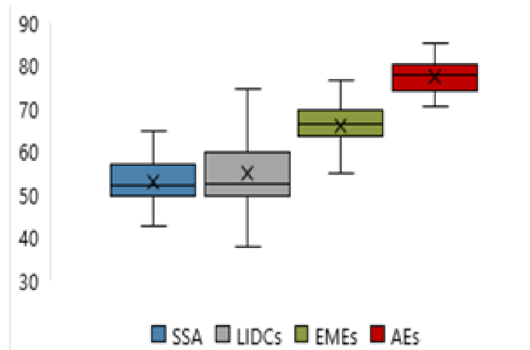
Using Google Data to Narrow Information Gaps for Low-income Developing Countries

The research work titled “In Search of Information: Use of Google Trends’ Data to Narrow Information Gaps for Low-income Developing Countries” was featured in the poster session videos at the 2020 Annual Conference of the American Economic Association (AEA) in San Diego, on January 3-5. The paper—prepared by Futoshi Narita and Rujun Yin and summarized in a one page poster —aims to address a long-standing challenge of timely data availability for low-income developing countries (LIDCs), by using an innovative dataset based on online search frequencies compiled from the Google Trends service. The Google data are found to be more useful in nowcasting real GDP than famous nighttime lights, demonstrating their potential to facilitate timely assessments of economic conditions in LIDCs.

Sustainable Development, Sustainable Debt

This IMF Conference Paper highlights questions to be explored to allow Sub-Saharan African (SSA) countries to meet their development needs while safeguarding debt sustainability. While development needs remain large in SSA countries, the financing space has narrowed in recent years. SSA countries have made significant socio-economic progress in the last two decades. Income per capita improved; poverty rates declined; education and health outcomes expanded. However, SSA countries are only about half-way to achieving the Sustainable Development Goals (SDGs). The ability to finance development needs has become more constrained as public debt increased rapidly between 2011 and 2016, albeit stabilizing thereafter. In addition, official development assistance (ODA) has stagnated or even declined.

Figure 5. SDG Composite Index, 2018
(score 0-100, 100=best)



Note: Line inside the box indicates the median value, and the marker indicates the average value.
Sources: 2018 SDG Index and Dashboards; and IMF staff estimates.

SPR’s Engagement in Fiscal Policy and Inequality

Stefania Fabrizio and Xin Tang presented SPR’s engagement in the inequality implications of fiscal policy under the DFID project at the *IMF African Department Inclusive Growth Network’s peer learning workshops*. After giving an overview of SPR’s analytical and operational work so far on the role of fiscal policy in enhancing inclusion, they covered the inequality toolkit developed under the DFID project, which has been applied to more than 10 country applications so far. The presentation was joined by several IMF’ mission chiefs and desk economists. This toolkit also got interest from the Department of Economics at Gettysburg College, who invited Xin Tang to teach a one-day course attended by faculty members and undergraduate students. The course covered the IMF’s efforts to inclusive growth; the toolkit’s analytical framework and some practices.

Gender Inclusion in Kenya

In February, during the 2020 Article IV Consultation mission to Kenya, IMF staff in collaboration with UN Women presented and discussed with authorities the preliminary results of the forthcoming Selected Issues Paper on gender inclusion in Kenya. Kenya has successfully closed gender gaps in access to primary and secondary education. However, gaps in other dimensions such as tertiary education and labor market (including earnings) remain large. The paper finds important GDP and income equality gains from policies such as reducing gender disparities in the informal sector, closing education gaps between boys and girls, and reducing time spent on fetching water.

For more information, please contact MacroResDev@imf.org or visit the
IMF-DFID Macroeconomic Research for Development website.