



Department
for International
Development

[Monetary Policy, Credit Dynamics, and Economic Activity in Developing Countries](#)

Existing studies suggest that the effects of monetary policy in developing countries on credit and the real economy are weak. This column challenges this view using rich loan-level credit register data from Uganda. It shows that monetary policy tightening significantly reduces credit supply – especially for banks with greater leverage and sovereign debt exposure – and identifies spillovers on inflation and economic activity. The effects are larger in more financially developed areas, highlighting the importance of financial development for policy effectiveness. Read the full [blog](#).

[The Effect of Regional Trade Agreements on Growth Volatility](#)

The debate over regional trade agreements is ongoing. It has been argued that they can heighten exposure to shocks as they lead to more specialisation, and conversely that they can alleviate volatility by improving policy coordination within the anchors of a formal trade contract. This column suggests that the benefits from lowering long-term growth volatility tend to dominate potential costs, with the magnitude of this effect depending on the depth of the regional integration and the development stage of trade partners. Read the full [blog](#).

[Conference on “Managing Capital Flows: Challenges for Developing Countries”](#)

On May 5, 2017, the International Monetary Fund (IMF) hosted a conference on “Managing Capital Flows: Challenges for Developing Countries” in Livingstone, Zambia. The purpose of organizing this high-level conference was to provide a forum for policy makers to share their experiences on managing capital flows and, along with academics and market participants, discuss policy options. The intimate setting of such a closed-door event facilitated frank and open peer-to-peer discussions, exchange of information, and learning. While the past two decades have seen unprecedented private capital inflows to developing economies, capital flows to many developing countries have recently declined because of low commodity prices and weak growth. Questions about the behavior of capital flows in these leaner times, how to manage capital account liberalization going forward, and how to better manage capital flow volatility are very relevant and timely. Participants were very appreciative of the effort by the Fund to convene this event in Zambia, especially during the challenging times faced by many LIDCs. Several authorities pointed out that the discussions and exchange of views had helped them to deepen their understanding of the issues and to think through questions in a clearer way, while also affording opportunities for follow up with policy makers in other countries. See the [conference page](#).

[Macroeconomic Implications of Scaling Up Public Investment in Madagascar](#)

This [paper](#) assesses the macroeconomic issues related to the substantial scaling up of public investment planned by the Malagasy authorities between 2017 and 2020. It examines the expected implications for absorptive capacity, growth, debt sustainability, and the external sector (including the exchange rate). IMF Staff tested the realism of the assumptions underlying the impact of Madagascar’s scaling up by applying the Debt-Investment-Growth (DIG) model. The paper concludes that a carefully managed scaling up can boost growth and incomes, although the risks to debt sustainability and macroeconomic stability are significant and merit careful monitoring.

[Towards 2030: Trends, Opportunities, Challenges and Policies for Inclusive Growth](#)

The IMF will host a conference, *“Towards 2030: Trends, Opportunities, Challenges and Policies for Inclusive Growth,”* **on Thursday, October 12th** featuring two sessions. The first one, on *“The World in 2030: risks and opportunities for inclusive growth for developing economies”* will discuss how the demographic transition and automation will impact developing countries and their ability to achieve sustainable and inclusive growth. The second session will be a panel discussion on *“The Road Ahead and Policy Priorities for Inclusive Growth.”* This session will focus on policies priorities to deal with challenges coming from long-term trends, while preserving inclusive and sustainable growth. The conference is aimed at government officials, academics, think tanks, civil society representatives, media, students from the local universities, and Bank-Fund staff. The event will be live webcast on [imf.org](#). Questions will also be taken from the audience/Twitter.

[Peer-learning Event Aimed at Building Capacity on Gender Policies and Programs in LICs](#)

Building on the successful [Gender and Macroeconomics conference](#) hosted in DC in March, the IMF is planning a three-day peer-learning event aimed at building capacity on gender policies and programs in low-income countries, in particular in sub-Saharan Africa. To be held in Kigali on November 2-4, the conference will include participants from across the region, and speakers from government, the private sector, and civil society. Participants will have the opportunity to share best operational practices for closing gender gaps, and the conference will serve as a forum for information exchange among policy makers and other stakeholders and build and strengthen a network for peer learning to facilitate future collaboration. Topics will highlight:

- National gender strategies—experiences in developing strategies in terms of content, scope, degree of ambition, and generating buy-in.
- Public service delivery—focusing on the role of the state in translating the big picture gender targets into concrete programs capable of delivering those objectives, including mainstreaming via gender budgeting.
- Data collection and dissemination—highlighting key data constraints to gender analysis and showcasing useful formats and platforms across countries, and discussing the role of NGOs.
- Creating a supportive environment—pointing to key initiatives to provide equality in opportunities, including through legal and fiscal reforms, equality in access to finance, and ICT-based solutions to advance gender equality.

Conference on “Global Transformations: Challenges and Opportunities for Developing Economies”

On 22 August, the Graduate Institute’s Centre for Finance and Development and the International Monetary Fund (IMF) co-organised a [conference](#) on “Global Transformations: Challenges and Opportunities for Developing Economies”. During the meeting, Institute Director Philippe Burrin highlighted the importance of collaboration between the Institute and the IMF in policy and research projects, IMF Deputy Managing Director Tao Zhang assessed global growth from the perspective of low income countries, and there was a keynote speech from Antoinette Sayeh, former Liberian Minister of Finance. Anne-Marie Gulde-Wolf, an Institute alumna who is currently deputy director of the IMF’s Africa Department, discussed the challenges and opportunities faced by African countries and a range of experts debated the potential role of the IMF in fostering poverty reduction and economic development.

What’s It Like to Work on a Fragile State

Ralph Chami, a former mission chief and division chief for a number of fragile states in MENA, including Sudan, South Sudan, Libya, Yemen, and Somalia, [presented](#) at the ILO on the challenges of working on fragile states and the lessons learnt. In particular, the presentation highlighted the role of political economy along with the technical and economic challenges facing policymakers and development institutions while working on stabilizing such states, and underscored the need for persistent and patient engagement in these countries.

Oil Prices and Inflation Dynamics: Evidence from Advanced and Developing Economies

A new IMF [paper](#) studies the impact of fluctuations in global oil prices on domestic inflation using an unbalanced panel of 72 advanced and developing economies over the period from 1970 to 2015. The paper finds that a 10 percent increase in global oil inflation increases, on average, domestic inflation by about 0.4 percentage point on impact, with the effect vanishing after two years and being similar between advanced and developing economies. The paper also finds that the effect is asymmetric, with positive oil price shocks having a larger effect than negative ones. The impact of oil price shocks, however, has declined over time due in large part to a better conduct of monetary policy. The paper further examines the transmission channels of oil price shocks on domestic inflation during the recent decades, by making use of a monthly dataset from 2000 to 2015. The results suggest that the share of transport in the CPI basket and energy subsidies are the most robust factors in explaining cross-country variations in the effects of oil price shocks during the this period.

Emissions and Growth: Trends and Cycles in a Globalized World

Recent investigations of the extent of decoupling between greenhouse gas emissions and economic growth provide mixed evidence, thus generating intense much debate. This [paper](#) shows that to get a clear picture of decoupling it is important to distinguish cycles from trends: there is relationship between emissions and output over the business cycle that often obscures the trend relationship between emissions and real GDP. The paper shows that, once the cyclical relationship is accounted for, the trends show evidence of decoupling in richer nations but not yet in emerging markets (EMs) and low-income countries (LICs). And even for the advanced countries, at least some of the decoupling has occurred because emission-intensive production has moved to EMs and LICs. The good news is that countries with underlying policy frameworks

more supportive of renewable energy and climate change mitigation show greater decoupling between trend emissions and trend GDP.

For more information, please contact MacroResDev@imf.org.
See IMF-DFID Macroeconomic Research for Development [website](#) for further details on the project.