

## MACRO RESEARCH FOR DEVELOPMENT

An IMF-DFID Collaboration



Department  
for International  
Development

### Senegal Workshop on Diversification

The team held a peer learning workshop on diversification in Dakar on January 22-25, 2018. The workshop shared diversification experiences and brainstormed potential ways forward, with UNECA and the Africa Centre for Economic Transformation joining the conversation. Positive outcomes had in common a focus on supporting and creating firms that result in a dynamic export sector and adopting policies to lift binding constraints, whether regulatory, infrastructure, logistics, or skills. Many countries found it easier to create a separate system, often in special zones, where more liberal trading arrangements and better infrastructure could be offered. The team also offered a day-long training with the technical staff of the Ministry of Finance on the DIG model and a presentation on modelling methodologies.

### 2018 ASSA Annual Meeting

Jonathan Ostry made a presentation on [Making Globalization More Inclusive](#), and other speakers in the session included Joseph Stiglitz (Columbia University), Jeffrey Frieden (Harvard University), and Dani Rodrik (Harvard University). Other presentations by the team included *The Agricultural Wage Gap: Evidence From Brazilian Micro-data* in the session on [Sectoral Wage Gaps and the Returns to Migration](#) and *Financial Development and Monetary Policy: Loan Applications, Rates, and Real Effects* in the session on [Channels of Monetary Transmission](#).

### 2018 CSAE Conference

The team will be presenting a variety of papers at the upcoming [CSAE Conference](#) in Oxford. The opening plenary panel will feature a discussion of the recent research on inequality and inclusive growth, gender, and structural transformation. Other sessions featuring presentations from the IMF-DFID research project will focus on globalization and inclusive growth, government spending shocks, access to finance, and poverty and inequality.

### Modernizing Monetary Policy in Sub-Saharan Africa

The IMF-DFID team continues to collaborate closely with selected central banks in sub-Saharan Africa and respective IMF country teams in their efforts to modernize the practice and analysis of monetary policy, mainstreaming ongoing research and drawing on the experience in other countries. As part of this initiative, the IMF expert participated and helped facilitate the annual meeting of the East African Community's (EAC) Technical Working Group on Forecasting and Policy Analysis System (FPAS WG), which took place in Nairobi (Kenya) in December 2017. The EAC FPAS WG initiative is a unique platform for knowledge-sharing and harmonization of FPAS development among the EAC Partner States' central banks.

In addition, the IMF organized a joint IMF/Bank of Uganda (BoU) annual modelling and forecasting workshop in January 2018. The IMF team assisted the BoU modelling team to further develop their quarterly projection model, which captures the authorities' view of the monetary transmission mechanism and of the shocks hitting the economy, in line with best practices in emerging economies.

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### Conference on Financial Inclusion

There will be a one-day conference on “Financial Inclusion: Drivers and Real Effects” at the IMF Headquarters in Washington, DC on March 22, 2018. Agenda and details can be found [here](#). The conference brings together scholars conducting research on various aspects of financial inclusion, as well as policymakers and financial sector experts working in this space. The program is structured in three sessions (on *access to and use of bank accounts*; *access to and use of credit*; and *access to and use of payment services*) including nine papers with a balanced mix of different approaches. Each paper presentation will be followed by comments from a discussant. There will also be time for an open floor discussion after each paper. The conference will close with a panel discussion on policies that can promote financial inclusion and ensure that greater access to financial services has positive economic effects without endangering financial stability.

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### Structural Transformation and the Agricultural Wage Gap

A key feature of developing economies is that wages in agriculture are significantly below those of other sectors. Using Brazilian household surveys and administrative panel data, the [paper](#) uses information on workers who switch sectors to decompose the drivers of this gap. The author finds that most of the gap is explained by differences in worker composition. The evidence speaks against the existence of large short-term gains from reallocating workers out of agriculture and favors recently proposed Roy models of inter-sector sorting. A calibrated sorting model of structural transformation can account for the wage gap level observed and its decline as the economy transitioned out of agriculture.

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### The Distributional Effects of Capital Account Liberalization

Episodes of account liberalization increase the Gini measure of inequality, based on panel data estimates for 149 countries from 1970 to 2010. These episodes are also associated with a persistent increase in the share of income going to the top. The [paper](#) investigates three channels through which these impacts could occur. First, the impact of liberalization on inequality is stronger where credit markets lack depth and financial inclusion is low; positive impacts of liberalization on poverty rates also vanish when financial inclusion is low. Second, the impact on inequality is also stronger when liberalization is followed by a financial crisis. Third, liberalization seems to alter the relative bargaining power of firms and workers: the labor share of income falls in the aftermath of capital account liberalization.

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### Solomon Islands

Solomon Islands has wide infrastructure gaps, even when compared with other small developing states. Building and maintaining adequate levels of infrastructure has been challenging due to the high frequency of natural disasters. This [paper](#) applies the Debt-Investment-Growth (DIG) model to help illustrate the outcomes of different profiles of public investment and evaluate macroeconomic and financial implications of alternative investment programs, financing

strategies, as well as institutional capacity and managing public investment. The model is extended to incorporate vulnerability to natural disasters. The findings show the benefits of climate and natural disaster resilient infrastructure on fiscal indicators, investment and growth. Also underlined are the benefits of PFM reforms that strengthen public investment management. Tapping into external concessional financing not only facilitates recovery from natural disasters, but also minimizes the risks of an unsustainable debt build up.

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### FDI and Global Value Chains

A [new wave](#) of foreign direct investment has swept sub-Saharan African countries, with inflows becoming more diversified both geographically and sectorally. This column presents an analysis that shows a high degree of complementarity between involvement in global value chains and FDI. Policies supporting the entry and upgrading of countries in such chains – especially via a [strong institutional setting and a well-educated labor force](#) – can help maximize the spillovers from foreign investment.

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### World Government Summit Session on Gender Budgeting

The 2018 World Government Summit plenary [session](#) on innovative gender budgeting in governments, co-organized with the UAE Gender Balance Council, underscored the importance of evaluating how fiscal policies affect gender equity goals. The IMF Managing Director and OECD Secretary General offered opening remarks. Panelists from the IMF, UN Women, UAE Ministry of Finance, and the OECD discussed strategies for advancing gender equality through fiscal policies. Hadley Gamble from CNBC moderated the [panel](#).

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### Peer Learning Workshop on Gender Budgeting

Building up on the success of the November [conference](#) on gender equality in Kigali, the IMF and UN Women convened a peer learning event at the Africa Training Institute to share best-practices in gender budgeting. The workshop provided a forum for technical-level staff from ministries of finance and sectoral ministries to share information on and approaches to successful fiscal initiatives designed to close gender gaps. Staff from Malawi, Mauritius, Mozambique, Tanzania, and Uganda participated. Panel discussions focused on linkages between planning and budgeting, gender disaggregated data collection and analysis, tracking allocations, sectoral plans, and engaging with parliament and civil society.

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For more information, please contact [MacroResDev@imf.org](mailto:MacroResDev@imf.org) or visit the IMF-DFID Macroeconomic Research for Development [website](#).