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An IMF-FCDO Collaboration



Building Resilience to Natural Disasters: Growth and Income Distribution Implications of Alternative Government Financing Instruments (Dominica)

Natural disasters disproportionately and recurrently affect small state economies like Dominica. In this [Selected Issues Paper](#), Marina Mendes-Tavares, Wei Guo, and Alejandro Guerson develop a multi-sector general equilibrium model and studies the macroeconomic and distributional implications of financing resilience-building using different fiscal instruments. The results indicate that investing in resilience capital is efficient despite its high economic cost, but the financial instrument used to mobilize revenue matters. When building resilience is financed using donors' support or by cutting unproductive government spending, the return of building resilience is higher than when it is financed via distortionary taxes.

Towards More Gender Equality in Kenya

Mame Astou Diouf, Vivian Malta, and Francine Nyankiye prepared a [Selected Issues Paper](#) that analyzes Kenya's multi-faceted profile of gender inequality. Using a general equilibrium model, they show that greater gender equality would generate substantial macroeconomic and socioeconomic benefits. They discuss several gender gaps in Kenya, including in education, access to health services, employment, earnings, and financial inclusion. They also assess legal provisions and customary and religious practices that contribute to reinforcing gender gaps. The findings suggest that policies aimed at reducing the educational gender gap and discrimination in the informal sector have the largest positive effects. The paper also offers policy advice on how to further increase policy efficiency and ensure that the COVID-19 crisis does not erode much of the recent gains towards gender equality.

Training Course on Macroeconomics of Climate Change

This virtual training on "Macroeconomics of Climate Change (AT22.24v)" was held on April 20, 2022, hosted by the African Training Institute (ATI), collaborating with the IMF's other departments (FAD, ICD, RES). The MRLIC team presented an overview of the DIGNAD model of resilience to natural disasters, an example application to a disaster-prone country and policy trade-offs in building up climate resilience. The training was well attended by country officials

from a wide range of sub-Saharan African countries (including 20 low-income countries). The participants engaged actively, asking many questions, and expressed their appreciation of the presentation.

What Explains Remittance Fees? Panel Evidence

In this [Working Paper](#), Thorsten Beck, Mathilde Janfils and Kangni R Kpodar use data across 365 corridors to document time and country variation in remittance fees and explore factors predicting variation in remittance fees. The paper documents a general reduction in such fees over the past decade, although the goal of fees below 3 percent has not been met yet in many corridors. It identifies both cost- and risk-based constraints and market structure as barriers to lower remittance fees. Higher transaction costs as result of a more rural population in the sending country and lower scale can explain high remittance fees. Remittance corridors dominated by banks and few players are also characterized by higher fees. However, easier geographic access to financial institutions, exchange rate stability and cashless transactions are associated with lower remittance fees. While these factors are largely structural in nature, implying a limit to the extent to which remittance fees can be lower with policy actions, there is still some room for policymakers to act. The paper offers some insights in that regard. A summary of the findings has been featured in a [VoxEU](#) column.

Trade and the COVID-19 Pandemic: Lessons from French Firms

Mariya Brussevich, Chris Papageorgiou, and Pauline Wibaux published a [Working Paper](#) that uses granular customs data on trade flows between France and its trade partners in advanced economies (AEs), emerging market economies (EMs), and low-income developing countries (LIDCs) to investigate propagation of the COVID-19 shock along the supply chains in 2020. It quantifies the effect of the COVID-19 shock on trade adjustment and identifies mitigating and amplifying factors contributing to French firms' heterogeneous adjustment paths. Early in the pandemic, firms mainly responded to global lockdowns and spread of the virus by reducing trade volumes (intensive margin) as opposed to exiting from import and export markets (extensive margin). However, adjustment along the extensive margin played a more important role in trade with EMs and LIDCs. It is shown that the impact of lockdowns was stronger for final consumer goods and the trade recovery was predominantly demand-driven. More automated, inventory-intensive, older, and medium-sized firms were more insulated from the shock, whereas firms' reliance on air transportation for shipping goods amplified the shock. Trade bans and promotion measures implemented by governments in response to the pandemic had little impact on aggregate trade flows. These results have also been featured in [April 2022 WEO](#) (Box 4.3).

Social Protection and Poverty during the Pandemic

An analysis on poverty conducted as part of the FCDO-IMF partnership is featured in [April 2022 Fiscal Monitor](#) (Box 1.1, Online Annexes 1.1, 1.2). It finds that an estimated 70 million more people were in extreme poverty in 2021 relative to pre-pandemic trends, assuming no change in inequality. If inequality had risen, poverty would have been even higher, with a one percentage point increase in the Gini index translating into a poverty increase similar to the impact from a one percentage point decrease in per capita real GDP growth. It also explores to what extent policy and structural factors are associated with the projected post-pandemic rise in poverty, with a special focus on LIDCs where poverty remains pervasive. The box takes a close look at the changing impact of fiscal support and social safety nets. Poverty projections are also classified along other dimensions such as the economic sector, health preparedness, size of the informal sector and initial income inequality.

Intergenerational Social Mobility in Africa: What Do We Know?

An analysis of intergenerational social mobility in Africa since 1920 has been presented at an [Analytical Corner](#) by Rasmene Ouedraogo during the 2022 Spring meetings (April 2022). A summary of the underlying paper has been featured in the [March 2022 newsletter](#).

Model-based Framework on climate policies in developing and low-income countries

Vu Chau and D. Filiz Ünsal presented "A Macroeconomic Framework for Climate Adaptation and Mitigation Analysis" at the IMF Climate Innovation Challenge 2022 (May 26th, 2022) and won the first prize. The presentation is a part of an interdepartmental project (jointly with African Department and Institute for Capacity Development) aimed at incorporating climate risks and climate adaptation analyses into the macroeconomic framework used at the Fund. The underlying model features novel aspects of climate risks and key characteristics of developing economies and low-income countries.

Monetary Policy Frameworks

R D. Filiz Ünsal presented the [Working Paper](#) "Monetary Policy Frameworks: An Index and New Evidence" at the Bank for International Settlements (March 11, 2022) and at the Peterson Institute for International Economics (March 14, 2022). Both presentations based on this working paper focused on showcasing the underlying novel methodology and resulting IAPOC Index that captures the soundness of monetary policy frameworks. The IAPOC Index covers 50 countries across advanced economies, emerging markets, and low-income developing countries over 2007–2018.

D. Filiz Ünsal and Chris Papageorgiou launched the internal toolkit database on Monetary Policy Frameworks through a presentation entitled "Introducing the IAPOC Index: An Assessment of Monetary Policy Frameworks" on May 18, 2022. This presentation to all Fund staff under the "Spark Event format" introduced the methodology in the precedent [Working Paper](#) and presented the IAPOC toolkit for 50 countries across advanced economies, emerging markets, and low-income developing countries over 2007–2018 (being extended). D. Filiz Ünsal showcased how to use and download the IAPOC index and its pillars and sub-pillars through the internal toolkit website with different country case examples.

The views expressed in this newsletter are those of the contributors and do not necessarily represent the views of the International Monetary Fund (IMF), or UK's Foreign, Commonwealth and Development Office (FCDO). For more information, please contact MacroResDev@imf.org or visit the IMF-FCDO Macroeconomic Research for Development [website](#).