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MACRO RESEARCH FOR DEVELOPMENT
An IMF-FCDO Collaboration



Article IV Mission Presentation: 'Development Policies in Chad in the Face of Climate Change'

A presentation to the Chadian authorities was given in the context of the Article IV Mission to Chad, led by Edouard Martin. Alejandro Badel and Ljubica Dordevic delivered the presentation in French entitled "Development Policies for Chad in the Face of Climate Change". The presentation emphasized the importance of using potential fiscal space from the reduction of oil subsidies for infrastructure and education, as well as climate adaptation. The team discussed the analysis with the Chadian authorities and received valuable feedback. The upcoming delivery of a Special Issues Paper, along with the staff report, will include the final analysis and policy conclusions.

Tax Revenues in Low-income Countries

Published in the *Economic Journal* by A. Peralta-Alva, X. Tam, X. Tang and M. Mendes, the paper consolidates the theoretical insights on revenue mobilization in low-income countries obtained from applications using the inequality toolkit developed in earlier phases of the program. It quantitatively investigates the welfare costs of increasing tax revenues in low-income countries. Three tax instruments are considered in the paper: consumption, labour income, and capital income taxes. The analysis is conducted using a parsimonious version of the inequality toolkit which is a general equilibrium model featuring heterogeneous agents, incomplete financial markets, and rural and urban areas. The model is calibrated to the Ethiopian economy and the welfare costs are decomposed into their aggregate and distributional components. The paper finds that taxes alter the composition of demand. This, together with limited labour mobility, causes the incidence of higher taxes to fall disproportionately on the rural population, regardless of the instrument. Among all, consumption taxes are the instrument with the largest welfare loss.

Gender Labor Market Tool

The Gender Labor Market Tool is an Excel-based toolkit that simplifies gender labor market analysis. The user-friendly toolkit helps to identify the most important factors contributing to employment gender gaps in levels and rates of change. The tool uses an accounting decomposition approach to decompose employment gender gaps into *employment rates*, *labor force participation rates*, and *population shares*. It can be applied at the country, regional, income group, and global

levels. The [toolkit](#) is populated with data covering advanced economies and emerging markets, while also covering 59 low income developing countries, making it an essential resource for staff working in gender issues.

Bank Ownership Around the World

This commissioned [working paper](#), authored by Ugo Panizza (Geneva Graduate Institute & CEPR), builds a dataset on bank ownership that covers more than 6,500 banks in 181 countries (including 59 low-income economies) over the period 1995-2020. It is found that until 2010, there was a reduction in state-ownership of banks and an increase in foreign ownership. However, the Global Financial Crisis interrupted or reversed these trends. At the country level, results show that the presence of foreign owned banks is positively associated with future economic growth, while state ownership is negatively but not robustly associated with future financial depth. Bank-level regressions indicate that state-owned banks are less profitable and have a higher share of non-performing loans than their private (domestic or foreign) counterparts. State and foreign-owned banks located in developing economies pay and charge lower interest rates than their domestic private counterparts. There is also evidence that state-owned banks stabilize credit in the presence of domestic shocks, while foreign banks amplify external shocks. Regarding domestic shocks, foreign banks are not significantly different from their domestic private counterparts.

Will Working from Home Stick in Developing Economies?

This [working paper](#), co-authored by Conesa Martinez, Futoshi Narita, and Chris Papageorgiou, aims at measuring the impact of COVID-19 on remote work in developing economies, including Vietnam. The study surveyed 500 respondents in 10 countries, revealing varying shifts to teleworking. The increase in teleworking days ranged from 0.7 to 17.6 percentage points. Surprisingly, the income discount associated with telework temporarily disappeared during the pandemic's onset. Workers' preferences for telework seemed linked to their education levels, as indicated by a calibrated model. The sustainability of telework may depend on obstacles faced by less-educated workers and economy-wide externalities. The study offers valuable insights into the challenges faced by less-educated workers and the potential impact on telework viability.

Mining Revenues and Inclusive Development in Guinea

Using a heterogeneous-agents, general equilibrium multisector macro-inequality model, Alejandro Badel and Rachel Lyngaas investigate the creation of fiscal space through taxation of mining revenues and how to invest these resources to stimulate growth and reduce poverty. [This research](#) helps to bridge a persistent gap in analytics for effective macroeconomic policies in low-income countries (LICs) by simulating the long-run macro/inequality impact of diverse economic policies and shocks in a customized model economy. The model-based assessment suggests that Guinea's mining can provide additional revenues of around 2 percent of GDP under realistic and moderate reforms. Such additional mining revenues, if properly invested, could have transformative effects. Jointly increasing investment in infrastructure, education spending, and social transfers, would have the greatest impact on output with additional 1.1 percentage points of annual growth over 30 years, a poverty reduction of 17.8 percentage points, and substantial improvements in several inequality indicators. These results were echoed in the Staff Report for the 2022 Article IV Mission to Guinea.

Workshop on the IMF book 'Promoting Inclusive Growth in the Middle East and North Africa: Challenges and Opportunities in a Post-Pandemic World'

The event was organized by the IMF and Université Mohammed V in Rabat (Faculty of Legal, Economic and Social Sciences-Agdal). It is part of a series of IMF events organized in Morocco, in preparation for the World Bank Group and IMF Annual Meetings in Marrakech in October 2023. This workshop featured the presentation of a few chapters from the [IMF book](#), including Chapter 5 on "Addressing Gender Gaps in MENA Labor Markets", which was co-authored and presented by IMF-FCDO staff. Some themes that were discussed include: i) the impact of the lack of inclusiveness (particularly, the existence of barriers to private entrepreneurship) on economic growth and stability; ii) the causes and macroeconomic effects of large gender gaps in MENA labor markets; and iii) the implications of, and possible policy responses to, the still limited access to financial services for many households and firms in the region.

Monetary Policy Frameworks Project

On April 3rd, D. Filiz Ünsal presented [Monetary Policy Frameworks-An Index and New Evidence](#) in a special session of the Royal Economic Society annual conference in Glasgow on "New monetary policy databases". The session covered three recent databases which identify monetary policies and/or policy frameworks across wide ranges of countries and years and are freely available for researchers. They include the database of macroprudential policies covering 134 countries, including 42 LICs, by Erlend Nier (IMF); the Independence and Accountability, Policy and Operational Strategy, and Communications (IAPOC) index, which includes LICs, by Filiz Unsal (IMF/OECD); and the Comprehensive Monetary Policy Frameworks classification, by David Cobham (Heriot-Watt University). Charles Nolan (Glasgow University) and Tim Willems (Bank of England) provided comments.

A Monetary Policy Framework for Low Income Countries

On May 18th, the paper was presented during the Annual Conference of the Banco Central do Brasil. It is based on an Open Economy Heterogenous Agents model with relevant features for low-income countries (LICs): i) poor households with no access to markets (hand-to-mouth), and ii) a subsistence level of consumption for tradable goods. With the model calibrated for an average LIC, the team, composed of Carlos van Hombeeck, Juan Passadore, and Filiz Unsal, analyzes the effects of a shock to external prices on macro variables, inequality, and poverty. The shock causes a consumption-led recession, an increase in inflation, and a drop in real wages. Consumption inequality increases: poor households can't insure against the shock, while richer households exploit their wealth. Households at the bottom and at the top of the income distribution are the most negatively affected by the shock. The former suffers from lower wages and consumption, the latter from negative revaluation of their assets. A less aggressive monetary policy stance benefits poorer households since a lower drop in labor demand offsets lower real wages.

or visit the IMF-FCDO Macroeconomic Research for Development [website](#).