

March 2022

MACRO RESEARCH FOR DEVELOPMENT

An IMF-FCDO Collaboration



Gender-Macro modelling

On January 25th 2022, IMF-FCDO experts joined the IMF, ATI, UN Women experts to deliver the first course on Gender Equality and Macroeconomics. During the training, IMF-FCDO experts presented a model to assess gender public policies, with an application to Senegal. The 45 participants, including 25 women, represented 21 countries (with 17 low-income), including 11 fragile states. The course covered a wide range of macro-relevant topics, including: trends and recent developments along multiple dimensions of gender equality; the impact of gender equality on macroeconomic performance; and policy options for tackling barriers to gender equality, with a focus on fiscal policy and gender-responsive budgeting. The course was well received (average rating 4.7 / 5) and led to significant learning, as demonstrated by some excellent end-of-course group presentations.

Online Course on Monetary Policy Analysis and Forecasting

With the support from the Government of Japan and FCDO, the IMF developed an additional module (on model-based forecasting) for the existing online course on Monetary Policy Analysis and Forecasting (MPAFx), which has been supporting capacity development in low-income countries. The new module has been completed and was included in the February 2022 MPAFx offering.

The Distributional Implications of the Impact of Fuel Price Increases on Inflation

In this paper published in [Energy Economics](#), Kangni Kpodar and Boya Liu investigate the response of consumer price inflation to changes in domestic fuel prices, looking at the different categories of the overall consumer price index (CPI). Using data from the updated Global Monthly Retail Fuel Price Database, the paper finds that: (i) the response of inflation to gasoline price shocks is smaller, but more persistent and broad-based in developing economies than in advanced economies; (ii) past studies using crude oil prices instead of retail fuel prices to estimate the passthrough to inflation significantly underestimate it; (iii) while the purchasing power of all households declines as fuel prices increase, the CPI of the 20 percent richest households rises more than that of the 20 percent poorest households. But this progressivity

phases out within 6 months after the shock in advanced economies, whereas it persists beyond a year in developing countries.

[Taking Stock of IMF Capacity Development on Monetary Policy Forecasting and Policy Analysis Systems](#)

This [departmental paper](#) authored jointly by IMF Institute for Capacity Development (ICD) and IMF Monetary and Capital Markets Department (MCM) takes stock of the Forecasting and Policy Analysis System Capacity Development (FPAS CD), drawing extensively on the experience and lessons learned from developing FPAS capacity in African and Asian central banks. By sharing the insights gained during FPAS CD delivery and outlining the typical tools developed in the process, the paper aims to facilitate greater understanding of FPAS CD within the IMF and to inform future CD on building macroeconomic frameworks. As such, the paper offers a qualitative assessment of the experience with FPAS CD delivery and the use of FPAS in the decision-making process in central banks.

[Monetary Policy Frameworks: An Index and New Evidence](#)

This [Working Paper](#) by D. Filiz Ünsal, Chris Papageorgiou and Hendre Garbers provides a multidimensional characterization of monetary policy frameworks across three pillars: Independence and Accountability, Policy and Operational Strategy, and Communications (IAPOC). The authors construct the IAPOC index by analyzing central banks' laws and websites for 50 advanced economies, emerging markets, and low-income developing countries, from 2007 to 2018. Due to its scope and granularity, the index provides a holistic view of monetary policy frameworks which goes beyond existing measures of transparency or independence, as well as monetary policy or exchange rate regime classifications. Comparing the IAPOC index across countries and over time, the authors find that monetary policymaking is varied, fast-changing, and eclectic across the Policy and Operational Strategy and Communications pillars, especially in emerging markets and low-income developing countries.

[Loss-of-Learning and the Post-Covid Recovery in Low-Income Countries](#)

In this [Working Paper](#), Edward Buffie; Christopher Adam; Luis-Felipe Zanna and Kangni Kpodar provides an analysis of the medium-term macroeconomic impact of the Covid-19 pandemic and associated lock-down measures on low-income countries. It focuses on the impact over the medium run of the degradation of health and human capital caused by the pandemic and its aftermath, exploring the trade-offs between rebuilding human capital and the recovery of livelihoods and macroeconomic sustainability. A dynamic general equilibrium model is calibrated to reflect the structural characteristics of vulnerable low-income countries and to replicate key dimensions of the Covid-19 shock. The results show that absent significant and sustained external financing, the persistence of loss-of-learning effects on labor productivity is likely to make the post-Covid recovery more attenuated and more expensive than many contemporary analyses suggest.

Intergenerational Social Mobility in Africa

Rasmane Ouedraogo and Nicolas Syrichas published a [blog](#) on F&D magazine based on their [Working Paper](#) on intergenerational social mobility in Africa since 1920. Using a large harmonized dataset of more than 72 million individuals, the paper finds substantial geographical variations in the degree of upward/downward educational and occupational mobility across and within African countries, and the gender and rural/urban divide. In exploring the determinants of social mobility in Africa, the paper finds that social mobility on the continent could be partly explained by observable individual characteristics (gender, marital status, age, etc.), and that educational mobility is a driver of occupational mobility. The quality of institutions, the level of public spending on education, social protection coverage, natural resource endowments, and countries' fragility are strong predictors of social mobility in Africa.

Fragile and Conflict-Affected Economies Are Falling Further Behind

The continuing pandemic poses a significant risk that the divergence between fragile and conflict-affected states (FCS) and the rest of the world will widen—and persist. As featured in the IMF's [chart of the week](#) published on January 21, 2022, an analysis produced as part of the FCDO-IMF research collaboration shows that per capita incomes in FCS will not recover to near their 2019 levels until 2024 based on IMF projections; and by then, the gap with pre-pandemic per capita income trends is set to remain larger for FCS than for other countries. Low-income FCS are particularly at risk to be left behind. The outputs and ongoing workstreams under the FCDO-IMF research collaboration are also featured as existing and forthcoming analytics on FCS in the IMF's newly established [comprehensive strategy](#) to strengthen its support to FCS, discussed at the IMF Board Meeting on March 9 with a [launching event](#) on March 18.

Food insecurity in Low-Income Countries

John Spray presented the paper Food insecurity in Low-Income Countries at a seminar organized by IMF and the World Food Programme. This is joint work with Diogo Baptista and D. Filiz Unsal. The paper develops an open economy spatial macro model which is used to understand the forces driving food insecurity in low-income country settings. The model is calibrated for a typical low-income country in Sub-Saharan Africa and then simulates shocks to mimic climate change shocks. We show evidence that government policy through fiscal support, better transport infrastructure and climate smart investments can help build resilience to shocks.

The Socio-Economic Impact of Special Economic Zones: Evidence from Cambodia

Mariya Brussevich presented the paper entitled "[The Socio-Economic Impact of Special Economic Zones: Evidence from Cambodia](#)" in a virtual poster session at the American Economic Association Virtual Meetings (January 2022). The study examines the socio-economic impact of special economic zones (SEZs) in Cambodia, using a database on existing and future SEZs in Cambodia with matched household surveys at the district level. To identify causal effects of the SEZ program, the paper (i) constructs an alternative control group including future SEZ program participants and districts adjacent to SEZ hosts; and (ii) employs a propensity score weighting technique. The study finds that entry of SEZs disproportionately benefits female workers and leads to a decline of income inequality at a district level. However, land values in SEZ districts tend to rise while wage levels remain largely unchanged relative to other districts. In addition, the

paper tests for socio-economic spillovers to surrounding areas and for agglomeration effects associated with clusters of multiple SEZs.

Search Externalities and Firm-to-Firm Trade

John Spray presented the paper entitled [Search Externalities and Firm-to-Firm Trade](#) in a session of the [STEG Annual Conference](#). This paper uses firm-to-firm transaction level data from Uganda and a structural model to quantify search frictions between firms and to quantify the welfare gains from opening to trade. The paper finds strong support for government interventions to support firms to resolve search frictions in identifying buyers both domestically and abroad.

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](#).