

Department of International Economics

Academic year 2018 - 2019

Economic Policy in Developing and Emerging Countries: A Practitioners' View

EI 047 - Spring - 6 ECTS

Course Description

This course focuses on current policy issues for developing countries and emerging markets, and covers monetary, fiscal and external policies. The course is taught by a group of HEID alumni with at least 10 years of professional experience, working in national governments or international organizations such as the International Monetary Fund or the World Bank, combining a sound academic background with hands-on expertise.

The course consists of ten parts, each covering a different policy issue. Each of the parts will consist of a first session providing a targeted overview of the recent literature, highlighting issues of interest, and of a concise presentation by students in the second session of a case study related to the part's topic, individually or (preferably) in small groups, followed by a class-wide discussion.

The sessions cover the challenges for policy makers of aid, private capital flows, debt management, and the rise of global value chains, topics in public finance including natural resources management and fuel subsidy reform, emerging monetary policy issues and external sector assessments in developing countries and emerging markets. Case studies will be drawn from recent country experiences. The grading will combine the case study presentation (45%), a final exam (45%) and participation in the class discussions (10%). The final exam format will be to write two short essays out of a choice of 8 questions on policy topics related to any of the sessions' themes.

> COORDINATING PROFESSOR

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> LECTURERS

Corinne Deléchat (IMF)
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Raju Singh (World Bank)
Piritta Sorsa (OECD)
Luca Ricci (IMF)
Sherry M. Stephenson (ICTSD)
Jaroslaw Wieczorek (IMF)

The invited lecturers are participating in their personal capacities. The views expressed by the invited lecturers are their own and do not reflect those of the institutions they work for.

*Office hours (lectures)
Thursdays 15:00 to 17:00 p.m.
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(on appointment only)*

> ASSISTANT

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Syllabus

The course is open to Graduate Institute's Master and PhD students in International or Development Economics, and to Graduate Institute's PhD students from other departments with a Minor in International or Development Economics. Students from other Swiss Universities should contact Prof. Ugo Panizza or Dante Sanchez Torres.

For general background on open-economy macroeconomics, see:

Obstfeld, Maurice, and Kenneth Rogoff, 1996, Foundations of International Macroeconomics (Cambridge, MIT Press).

Carlos Vegh, Open Economy Macroeconomics in Developing Countries, (MIT Press).

Course Schedule and Description

Part 1: Macroeconomic Impact of Aid and Role of International Financial Institutions

(Corinne Deléchat - IMF) = Wed. 27 Feb. and Friday March 1 **Room S3**

This session starts with an overview of the course. It then discusses the macroeconomic impacts of official development assistance, including aid effectiveness, in terms of (a) the overall picture; (b) a more granular view- types of aid flows, aid and the budget, political economy aspects. The session then assesses the role of multilateral institutions (in particular that of the IMF), bilateral donors and non-governmental organizations in developing countries, including fragile and post-conflict countries, and stabilized developing economies.

Case study (Select only one):

A. Rebuilding Haiti after the January 2010 earthquake. The challenges of (i) aid to a fragile country, and (ii) donor coordination. The case study will cover the pros and cons of centralizing aid through the government's budget versus decentralizing aid and basic services delivery through NGOs; the Interim Haiti Recovery Commission and the Haiti Reconstruction Fund as new vehicles of donor coordination and aid delivery; and the role of the IMF and post-earthquake IMF program.

B. The 2016 crisis in CEMAC. The CEMAC region is part of the CFA Franc Zone in Central Africa and comprises Cameroon, Central African Republic (CAR), Chad, Equatorial Guinea, Gabon and the Republic of Congo. All but CAR are oil exporters, and they all share a common currency and a common central bank. With the 50 percent drop in oil prices at end-2014 and higher security spending needs due to the crisis in the Lake Chad region, CEMAC reserves had dropped to less than 2 months of import cover by end-2016. At a heads of state summit in Yaoundé in December 2016, all countries agreed to undertake a sharp fiscal adjustment supported by external financing from the IMF and other donors including the World Bank, the African Development Bank, the European Union, and France. The case study should discuss (i) why did the heads of state not decide to devalue the common currency instead of going the route of (possibly painful) fiscal adjustment? (ii) the challenges of a coordinated rescue of an entire currency union (a first), including coordination among countries, among donors, and between countries, donors, and common regional institutions; and (iii) the role of the IMF in re-establishing macroeconomic stability in the CEMAC.

Suggested readings:

Addison, T., O. Morrissey and F. Tarp, 2017, "The Macroeconomics of Aid: Overview", *The Journal of Development Studies*, Vol. 53, No.7, pages 987-997.

Bourguignon, F., and M. Sundberg, 2007. "Aid Effectiveness – Opening the Black Box," *American Economic Review*, Vol. 97(2), pages 316-321

Juselius, K., N Framroze Møller and F. Tarp, 2014, "The Long-Run Impact of Foreign Aid in 36 African Countries: Insights from Multivariate Time Series Analysis", *Oxford Bulletin of Economics*

and Statistics, Vol.76, No.2, pages 153-184.

Hussein, M., Berg, A., and S. Aiyar, 2009, "The Macroeconomic Management of Increased Aid: Policy Lessons from Recent Experience," *Review of Development Economics*, Vol. 13(s1), pp. 491-509.

International Monetary Fund, 2015, *IMF Engagement with Countries in Post-Conflict and Fragile Situations-Stocktaking*, (Washington, D.C., International Monetary Fund). Available on the internet at: <http://www.imf.org/en/Publications/Policy-Papers/Issues/2016/12/31/IMF-Engagement-with-Countries-in-Post-Conflict-and-Fragile-Situations-Stocktaking-PP4955>

Optional readings:

Bwire, T., T. Lloyd, and O. Morrissey, 2017, "Fiscal Reforms and the Fiscal Effects of Aid in Uganda", *The Journal of Development Studies*, Vol. 53, No.7, pages 1019-1036.

Easterly, W., 2007. "Was Development Assistance a Mistake?," *American Economic Review*, Vol. 97(2), pages 328-332.

International Monetary Fund, 2016, *Handbook of IMF Facilities for Low-Income Countries* (Washington, D.C., International Monetary Fund). Available on the internet at: <http://www.imf.org/external/np/pp/eng/2016/022216a.pdf>

IMF Independent Evaluation Office, 2018, *the IMF and Fragile States* (Washington, D.C., International Monetary Fund). <http://www.ieo-imf.org/ieo/pages/CompletedEvaluation284.aspx>

Roodman, D., 2007, "Macro Aid Effectiveness Research: A Guide for the Perplexed", Working Paper 134, (Center for Global Development, Washington, D.C.).

Temple, J., N. Van de Sijpe, 2017, "Foreign Aid and Domestic Absorption", *Journal of International Economics*, Vol. 108, pages 431-443.

Suggested readings for case studies:

A. Rebuilding Haiti after the January 2010 earthquake

[UN Special Envoy Report, 2011, Has Aid Changed? Channelling Assistance to Haiti before and after the earthquake](#)

International Monetary Fund, 2010, *Haiti: 2010 Article IV Consultation and Request for a Three-Year Arrangement Under the Extended Credit Facility*, IMF Country Report 10/263, August 2010. <http://www.imf.org/external/pubs/cat/longres.aspx?sk=24140.0>

IMF Factsheet: the Post-Catastrophe Debt Relief Trust Fund
<http://www.imf.org/external/np/exr/facts/pcdr.htm>

OXFAM, 2011, *From Relief to Recovery: Supporting good governance in post-earthquake Haiti*
<http://www.oxfam.org/en/policy/relief-recovery>

B. The 2016 Crisis in CEMAC: IMF Blog and Reports on the CEMAC for 2017 and 2018, available at:

<http://www.imf.org/en/Publications/SPROLLs/Central-African-Economic-and-Monetary-Community-Reports>

<https://blogs.imf.org/2017/08/01/a-common-cause-for-sustainable-growth-and-stability-in-central-africa/>

<http://www.imf.org/en/News/Articles/2018/07/26/NA072718-CEMAC-Economic-Outlook-Improving-But-Faster-Progress-Needed>

<https://www.imf.org/en/Publications/CR/Issues/2018/07/10/Central-African-Economic-and-Monetary-Community-CEMAC-Staff-Report-on-the-Common-Policies-in-46056>

<https://www.imf.org/en/Publications/CR/Issues/2017/12/19/Central-African-Economic-and-Monetary-Community-CEMAC-Common-Policies-of-Member-Countries-45496>

Part 2 : Unconventional Monetary Policy Spillovers to Emerging Economies

(Tommaso Mancini-Griffoli – IMF) = Wed. 6 and Friday 8 March, **Room S3**

Financial integration brings benefits. But to small countries, it also comes with challenges. In particular, when large countries adjust their monetary policy, smaller neighbors feel the impact on asset prices, credit growth, and capital flows. The main question is whether small countries can remain in control of their domestic monetary and financial conditions by running independent and effective monetary policy. Complex tradeoffs potentially emerge between price stability and financial stability, inducing some central banks to resort to additional instruments such as foreign exchange interventions.

This part of the course begins with a brief review of the theory linking foreign monetary policy and domestic financial and macro conditions. It then reviews major empirical results, and ends with a discussion of policy alternatives, eliciting student participation.

Case study. The US Federal Reserve is in the process of normalizing its interest rates. What impact will this have on Switzerland, versus Mexico—two small open economies, the first advanced and the second emerging. What should central bankers in these countries be concerned with, how should monetary policy react, and what other policies could be deployed (prudential policies, capital controls, or foreign exchange interventions)?

Required readings

Cecchetti, Stephen, Tommaso Mancini-Griffoli, and Ratna Sahay (2018), “Monetary Policy and Foreign Firm Leverage, a Connection,” manuscript (in progress; will be made available prior to the course).

Bruno, V., and H.-S. Shin (2015b), “Capital flows and the risk-taking channel of monetary policy”, *Journal of Monetary Economics*, vol71.

IMF Regional Economic Outlook (October 2015), “To hike or not to hike,” Chapter 3.

<http://www.imf.org/external/pubs/ft/reo/2015/whd/eng/wreo1015.htm>

Kalemli-Ozcan, S., X. Liu, and I. Shim (2018), “Exchange rate appreciations and corporate risk taking”, manuscript. <https://www.bis.org/publ/work710.pdf>

Obstfeld, Maurice (2015), “Trilemmas and tradeoffs: living with financial globalization,” BIS Working Paper 480. <http://www.bis.org/publ/work480.pdf>

Vegh, Carlos A.; Morano, Luis; Friedheim, Diego; Rojas, Diego. 2017, “Between a Rock and a Hard Place : The Monetary Policy Dilemma in Latin America and the Caribbean,” LAC Semiannual Report; October 2017. Washington, DC: World Bank.

<https://openknowledge.worldbank.org/handle/10986/28443>

Optional readings

Adrian, Tobias, Daniel Stackman, and Erik Vogt (2018), "Global Price of Risk and Stabilization Policies," manuscript (in progress).

Aizenman, Joshua, Menzie D. Chinn, and Hiro Ito (2015), "Monetary Policy Spillovers and the Trilemma in the New Normal: Periphery Country Sensitivity to Core Country Conditions," NBER Working Paper 21128. <http://www.nber.org/papers/w21128>

Cecchetti, Stephen, Tommaso Mancini-Griffoli, and Machiko Narita (2016), "Does Prolonged Monetary Policy Easing Increase Financial Vulnerability?" IMF Working Paper, forthcoming.

Chen, Jiaqian, Tommaso Mancini-Griffoli, and Ratna Sahay (2014), "Spillovers from United States Monetary Policy on Emerging Markets: Different This Time?" IMF Working Paper 14/240. <https://www.imf.org/external/pubs/cat/longres.aspx?sk=42563.0>

Frankel, Jeffrey, 2011, "Monetary Policy in Emerging Markets: A Survey," Handbook of Monetary Economics, edited by Benjamin Friedman and Michael Woodford (Elsevier:Amsterdam, 2011).

Hofmann, B., H.-S. Shin and M. Villamizar-Villegas (2018): "Sterilised foreign exchange intervention as reverse QE", work in progress.

IMF Spillover Reports. <http://www.imf.org/external/ns/cs.aspx?id=316>

Osorio Buitron, Carolina, and Esteban Vesperoni (2015), "Spillover Implications of Differences in Monetary Conditions in the United States and the Euro Area," IMF Policy Discussion Paper 15/1. <https://www.imf.org/external/pubs/ft/pdp/2015/pdp1501.pdf>

Rey, Helene, 2013, "Dilemma not Trilemma: The Global Financial Cycle and Monetary Policy Independence," paper prepared for the 2013 Jackson Hole Meeting. <http://www.nber.org/papers/w21162.pdf>

Sahay, Ratna, Vivek B. Arora, Athanasios V Arvanitis, Hamid Faruquee, Tommaso Mancini Griffoli, Papa M N'Diaye (2014) "Emerging Market Volatility : Lessons from The Taper Tantrum," IMF Staff Discussion Note 14/9. <https://www.imf.org/external/pubs/cat/longres.aspx?sk=41890.0>

Part 3: Assessing External Imbalances

(Luca Antonio Ricci - IMF) = Wed. 13 and Friday 15 March **Room S3**

How do we assess imbalances in the external position of a country? In particular, is the level of the current account and of the real effective exchange rate in line with fundamentals? How do we take into account the difference between actual policies and desired policies?

Case study: What has driven the recent increase in global imbalances in the past few years and what can be done about it?

Suggested readings:

Policy assessment:

- IMF external sector assessment page 2018: <http://www.imf.org/en/Publications/SPROLLs/External-Sector-Reports>
- IMF External Sector Report 2018: <http://www.imf.org/en/Publications/ESR/Issues/2018/07/19/2018-external-sector-report>

Methodology, data and programs:

- The IMF external balance assessment methodology 2013: <http://www.imf.org/en/Publications/WP/Issues/2016/12/31/The-External-Balance-Assessment-EBA-Methodology-41200>

- Technical supplement to the methodology 2018: <http://www.imf.org/~media/Files/Publications/ESR/2018/TechnicalSupp.ashx?la=en>
- DATA and PROGRAMS 2018: <http://www.imf.org/external/np/res/eba/data.htm>
- the previous IMF methodology ("[Exchange Rate Assessments: CGER Methodologies](#)", 2008, IMF Occasional paper 261).

Chinn, Menzie D., Barry Eichengreen, Hiro Ito, 2011, "[A Forensic Analysis of Global Imbalances](#)", [NBER Working Paper 17513](#)

Christiansen L., A. Prati, L.A. Ricci, T. Tressel, 2010, "[External Balance in Low Income Countries](#)", 2010, [NBER Seminar on International Macroeconomics. Vol. 6 No.1](#)

Optional reading:

Edwards, S. 1989, *Real Exchange Rates, Devaluation, and Adjustment, Exchange Rate Policy in Developing Countries*, The MIT Press, Cambridge, Mass.

Part 4: Monetary Policy Developments and Issues in Emerging Markets and Developing Economies
(Thomas Helbling - IMF) = Wed. 20 and Friday 22 March **Room S3**

This session will review the evolution of monetary policy regimes and policy conduct in emerging market economies over the past two decades, a period of rapid economic growth and financial deepening as well as increasing international integration in these economies. The focus will be on the trend toward inflation targeting regimes in these economies and specific aspects in the implementation, notably the question of how inflation targeting emerging economies have dealt with capital flow and exchange rate volatility in settings where external shocks contribute significantly to macroeconomic fluctuations and where financial markets are relatively less developed.

Case study: A comparison of monetary policy regimes and policy conduct in Brazil, Chile, Indonesia, and Malaysia after the Global Financial Crisis.

Suggested readings:

Anaya, Pablo, Micahel Hachula, and Christian Offermanns, 2017, "Spillovers of U.S. Unconventional Monetary Policy to Emerging Markets : The Role of Capital Flows," *Journal of International Money and Finance*, Part B, May 2017, v. 73, pp. 275-95.

Aizenman, Joshua, and Mahir Binici, 2016, "Exchange Market Pressure in OECD and Emerging Market Economies : Domestic vs. External Factors and Capital Flows in the Old New Normal," *Journal of International Money and Finance*, v. 66, pp. 65-87.

Chinn, Menzie D., 2014, "Central Banking: Perspectives from Emerging Economies," paper prepared for the Norges Bank conference Norges Bank, bicentenary project conference "Of the Uses of Central Banks: Lessons from History," 5-6 June 2014, Oslo. Available at: <http://www.ssc.wisc.edu/~mchinn/CBEM.pdf>

Devereux Michael, Philip Lane, and Juanyi Xu, "Exchange Rates and Monetary Policy in Emerging Market Economies," *Economic Journal*, v. 116(511), pp. 478-506.

Frankel, Jeffrey, 2011, "Monetary Policy in Emerging Markets: A Survey," *Handbook of Monetary Economics*, edited by Benjamin Friedman and Michael Woodford (Elsevier:Amsterdam, 2011).

Kursat Onder, Yasin, and Mauricio Villamizar-Villegas, 2018, "The Effects of Monetary and Exchange Rate Shocks : Evidence from an Emerging Market Economy," *International Journal of Central Banking*, v. 14 (1), pp. 159-99.

Ostry, Jonathan D., Atish R. Ghosh, and Marco Chamon, 2012, "Two Targets, Two Instruments: Monetary and Exchange Rate Policies in Emerging Market Economies," *IMF Staff Discussion Note SDN/12/01* (International Monetary Fund, Washington, DC).

Rey, Helene, 2013, "Dilemma not Trilemma: The Global Financial Cycle and Monetary Policy Independence," paper prepared for the 2013 Jackson Hole Meeting. Available at: http://www.helenerey.eu/RP.aspx?pid=Working-Papers_en-GB&aid=84976899_67186463733

Part 5: Cross Border Capital Flows and Domestic Financial Market Structure
(Signe Krogstrup – IMF) = Wed. March 27 and Friday, March 29, **Room S3**

Understanding the underlying drivers and causes of disruptive capital flows is key for designing a policy framework for capital flow management. This course investigates the features of local financial market structures that drive the response of cross border capital flows to global factors. Building on Part 4, the session documents recent developments and shifts in the behavior of gross and net cross border capital flows across countries and time. It zooms in on the role of financial market structure in explaining these shifts, including the mix of domestic financial institutions intermediating cross border flows, shifts in the regulation and behavior of institutions, the use of FX derivatives to hedge foreign exposures, and the role of the buildup of net and gross foreign assets.

Case studies: Korea's capital flows are particularly sensitive to global financial conditions, notably because it is easier for foreign investors to exit investments in Korea than exiting similar investments in similar countries (the ATM effect). However, this may be changing as domestic institutional investors play an increasing role in cross border flows. Denmark experienced previously unseen procyclical safe-haven type capital inflows during the financial crisis. These flows turned out to be related to changing behavior of domestic pension and insurance funds rather than demand for safe assets from foreign investors.

Required readings

Yuko Hashimoto and Signe Krogstrup, 2019. Capital Flows: The Role of Bank and Non-bank Balance Sheets. Unpublished Manuscript. (available on Moodle)

Forbes, Kristin and Francis Warnock (2012). Capital flow waves: Surges, stops, flight, and retrenchment. *Journal of International Economics*, 88:235 – 251.

GFSR Chapter 2, April 2014: How Do Changes in the Investor Base and Financial Deepening Affect Emerging Market Economies? <https://www.imf.org/en/Publications/GFSR/Issues/2016/12/31/Moving-from-Liquidity-to-Growth-Driven-Markets>

Hashimoto, Yuko and Signe Krogstrup (2018) Capital Flows: The Role of Bank and Nonbank Balance Sheets. Unpublished manuscript.

Background readings for case studies

Ree, Jack Joo K., Kyoungsoo Yoon, and Hail Park, 2012. "FX Funding Risks and Exchange Rate Volatility—Korea's Case," IMF Working Paper WP/12/268.

Danmarks Nationalbank (2015). The Danish Krone Under Pressure in January-February 2015. Chapter in the *Monetary Review*, 1st Quarter 2015.

Optional readings

Adrian, Tobias and Hyun Song Shin (2013). Procyclical Leverage and Value-at-Risk. NBER Working Papers 18943.

Cerutti, Eugenio, Stijn Claessens, and Damien Puy (2015). Push Factors and Capital Flows to Emerging Markets: Why Knowing Your Lending Matters More than Fundamentals. Working Paper 127, International Monetary Fund.

Krogstrup, Signe and Cedric Tille (2018). Global factors, bank currency mismatches, and capital flows. IMFWP 18/97.

Goldberg, Linda and Signe Krogstrup (2018). International Capital Flow Pressures. IMFWP 18/30.

Fratzcher, Marcel (2012). Capital flows, push versus pull factors and the global financial crisis. *Journal of International Economics*, 88(2):341–356.

Habib, Maurizio M. and Livio Stracca (2012). Getting beyond carry trade: What makes a safe haven currency? *Journal of International Economics*, 87(1):50–64.

Part 6: Public Finance in Developing and Emerging Countries

(Piritta Sorsa - OECD) = Wed. 3 and Friday 5 April **Room S3**

This session will discuss why a sound fiscal policy is good for development? It will examine the proper role of government; balancing efficiency, equity, stabilization and sustainability. How to measure fiscal policy and its stance (output gaps, structural deficits, nominal deficits, size of the public sector, statistical issues). It then looks at how consolidation can be effective (multipliers, transparency), and tax and expenditure policies: what are their roles in redistribution, growth and stabilization. Next, it turns to institutional issues such as the importance of public expenditure management (efficient provision of education, health and other public services); and fiscal governance (fiscal rules, councils). Finally it looks at the financing of spending—debt, taxes, state enterprises, and the links to other macroeconomic policies – monetary, financial and structural.

Case studies (Select only one).

A. Colombia, fiscal policy and issues of growth and inequality (tax reforms, transfers, spending allocation, assessing the appropriate fiscal stance with volatile commodity revenues (stabilization, fiscal rules, structural balance, etc.)

B. India, spending efficiency, issues with fiscal decentralization, issues with coverage and efficiency of basic public services, issues with efficient taxation (direct, indirect taxes, tax expenditures, tax base etc.), fiscal sustainability in an emerging market.

Suggested readings:

Hageman (2010), Improving fiscal performance through fiscal councils, OECD Economics Department working paper no. 829.

OECD 2010, “Health care systems: Getting more value for money”, OECD Economics Department Policy Notes, No. 2.

Barry Eichengreen, Kevin H O’Rourke (2012), Gauging the multiplier: Lessons from history, VOX.eu 23 October 2012.

OECD 2012, “Income inequality and growth: The role of taxes and transfers”, OECD Economics Department Policy Notes, No. 9. January 2012.

OECD (2012), “What are the Best Policy Instruments for Fiscal Consolidation?”, OECD Economics Department Policy Notes, No. 12, April.

Fournier- Betin (2019) Limits to government debt sustainability in middle-income countries. OECD Economics Department working paper no. 1493.

Suggested readings for case studies:

A. Colombia

OECD (2013), OECD Economic Assessment of Colombia, Chapter 1 on fiscal policy and equity.

OECD (2015), OECD Economic Survey of Colombia, Chapter 1 on tax reform.

OECD (2017), OECD Economic Survey of Colombia.

B. India

OECD (2017), OECD Economic Survey of India. Chapter 1 Making income taxes more growth-friendly and redistributive.

Journard-Holler-Fournier-Mourgavi (2017) Public debt in India. Moving towards a prudent level? OECD Economics Department working paper no. 1400.

Tapsoba, S. (2013), "Options and Strategies for Fiscal Consolidation in India", IMF Working Paper No. 13/127, <http://www.imf.org/external/pubs/cat/longres.aspx?sk=40592.0>

Herd-Hill-Koen (2011), Fiscal Prospects and Reforms in India, OECD Economics Department Working paper No. 911, December 2011.

Part 7: New Developments in International Trade: Growing prominence of Services; the Digital Transformation; Global Value Chains, E-Commerce

(Sherry Stephenson - ICTSD) = Wednesday 10 and Friday 12 April, **Room S3**

This session will examine the dramatic recent changes in world trade, including the digital revolution and the growing importance of services and how this is at the basis of the digitization of international trade. It will discuss the predominant global value chain structure of trade. The session will look at the impact that data flows have on competitiveness in international markets and examine how these are treated in existing trade agreements, if at all. Questions are also raised about privacy concerns and the new types of trade barriers that are being erected in our digitalized economy.

The case study in the trade session will be devoted to a discussion of E-commerce and how it is opening new channels of trade for exporters around the world. The development benefits of E-commerce will be discussed, along with the challenges for small firms in particular to engage in international markets via Internet platforms. The case study will also look at the work the WTO has been carrying out in the area of E-Commerce both prior to and since the 11th Ministerial Conference in December 2017 and may cover as well how E-commerce rules have been drafted in recent trade agreements such as the TPP and the TiSA.

Suggested readings:

Ciuriak, Dan and Maria Ptashkina, 2018. *The Digital Transformation and the Transformation of International Trade*, RTA Exchange, Geneva, International Centre for Trade and Sustainable Development (ICTSD) and the Inter-American Development Bank (IDB), https://www.ictsd.org/sites/default/files/research/rt_a_exchange-the-digital-transformation-and-trade-ciuriak-and-ptashkina.pdf

Drake-Brockman, Jane, 2018. *Global Value Chain Policy Series: Services*, World Economic Forum, Initiative on Shaping the Future of International Trade and Investment, http://www3.weforum.org/docs/WP_Global_Value_Chain_Policy_Series_Services_report_2018.pdf

Wolfe, Robert, 2018. *Learning about digital trade: Privacy and e-commerce in CETA and TPP*, European University Institute, Robert Schuman Centre for Advanced Studies Studies Global Governance Programme- EUI Working Paper RSCAS 2018/27

UNCTAD, 2017. Information Economy Report: Digitalization, Trade and Development Overview, UNCTAD, Geneva. http://unctad.org/en/PublicationsLibrary/ier2017_overview_en.pdf

Stephenson, Sherry, 2017. *The Linkage between Manufacturing and Services*, WITA, Americas Trade Policy, 2017, Washington DC, available at <http://americatradepolicy.com/the-linkage-between-services-and-manufacturing-in-the-u-s-economy/#.WUf9rujyuU>;

Miroudot, Sébastien, Dorothée Rouzet and Francesca Spinelli, 2013. *Trade Policy*

Implications of Global Value Chains, OECD Trade Policy Paper No. 161, at <http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=TAD/TC/WP%282013%2913/FINAL&docLanguage=En>

Stephenson, Sherry, 2013. *Global Value Chains: The New Reality of International Trade*, Geneva: E15 Initiative, WEF-ICTSD, <http://e15initiative.org/publications/global-value-chains-the-new-reality-of-international-trade/>

Suggested readings for case study:

ICTSD, 2018. *Updating the Multilateral Rulebook on E-Commerce*, ICTSD Policy Brief, Geneva https://www.ictsd.org/sites/default/files/research/electronic_commerce_negotiations-ictsd_policy_brief_2018.pdf

APEC, 2017. *Promoting E-Commerce to Globalize MSMEs*, APEC Policy Support Unit, publication APEC#217-SE-01.29 Singapore, <https://www.apec.org/Publications/2017/11/Promoting-E-commerce-to-globalize-MSMEs>

UNCTAD, Summary Report on E-Commerce Development Week, 2017, http://unctad.org/en/PublicationsLibrary/dtlstict2017d7_en.pdf

OECD, 2016. *Consumer Protection in E-Commerce: OECD Recommendations*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264255258-en>,

ICTSD. 2017. "Debating the Future of E-Commerce and Digital Trade in Buenos Aires." *Bridges Weekly* 21(40). Geneva: International Centre for Trade and Sustainable Development (ICTSD), <https://www.ictsd.org/bridges-news/bridges/news/debating-the-future-of-e-commerce-and-digital-trade-in-buenos-aires>

Part 8: Sovereign Debt: Management, Sustainability and Restructuring

(Paul Mathieu - IMF), Wednesday, May 8 and Friday, May 10, **Room S3**

This session will discuss sovereign borrowing and debt management issues, medium-term debt sustainability analysis; and debt crises and restructurings, including the path-breaking case of the Seychelles, and more recent cases that have followed from that. It will discuss the policies that support sustainable debt; the keys to a successful restructuring; the particular challenges faced when dealing with domestic creditors. It will also look at the recent update of the IMF-WB Debt Sustainability Framework for LICs.

Case study: the debt restructuring in Seychelles (2008-10).

Suggested readings:

General

Das, Udaibir S. and Michael G Papaioannou, and Christoph Trebesch (2012) *Sovereign Debt Restructurings, 1950-2010: Literature Survey, Data, and Stylized Facts*, IMF Working Paper WP/12/203, August 2012.

International Monetary Fund and World Bank; [Developing a Medium-Term Debt Management Strategy \(MTDS\) — Guidance Note for Country Authorities](http://www.imf.org/external/np/pp/eng/2009/030309a.pdf); March 03, 2009 <http://www.imf.org/external/np/pp/eng/2009/030309a.pdf>

IMF-iBlog, *Acting Collectively: A better Way to Restructure Government Debt*, Sean Hagan, November 24, 2014. <http://blog-imfdirect.imf.org/2014/11/24/acting-collectively-a-better-way-to-restructure-government-debt/>

International Monetary Fund: *A Survey of Experiences with Emerging Market Sovereign Debt Restructurings*, Monetary and Capital Markets Department, June 2012 <http://www.imf.org/external/np/pp/eng/2012/060512.pdf>

Debt Sustainability Framework for Low-Income Countries (LIC DSF)

International Monetary Fund, 2017, "Guidance Note on the Bank-Fund Debt Sustainability Framework for Low Income Countries," IMF Policy Paper (Washington), December.

<http://www.imf.org/en/Publications/Policy-Papers/Issues/2018/02/14/pp122617guidance-note-on-lic-dsf>

———, 2017, "Review of the Debt Sustainability Framework for Low Income Countries: Proposed Reforms," IMF Policy Paper (Washington), August. <http://www.imf.org/en/publications/policy-papers/issues/2017/10/02/pp082217lic-dsf>

———, 2018, "Macroeconomic Developments and Prospects in Low-Income Developing Countries—2018," IMF Policy Paper (Washington), February. <https://www.imf.org/en/Publications/Policy-Papers/Issues/2018/03/22/pp021518macroeconomic-developments-and-prospects-in-lidcs>

Optional readings:

International Monetary Fund, 2014 *Strengthening the Contractual Framework to Address Collective Action Problems in Sovereign Debt Restructuring*; October 2014.

<http://www.imf.org/external/pp/longres.aspx?id=4911>

Jahan, Sarwat, 2012, Experiences with Sovereign Debt Restructuring: Case Studies from the OECS/ECCU and Beyond (chapter 9), in *Eastern Caribbean Economic and Currency Union—Macroeconomics and Financial Systems*, ed. by Alfred Schipke, Aliona Cebotari, and Nita Thacker, (Washington, DC: IMF), December 2012.

Reinhart, Carmen M. and Kenneth S. Rogoff (2010); *This Time is Different, Eight Centuries of Financial Folly*, Princeton University Press. Chapters 2, 4, 5, and 17.

Reinhart, Carmen M., Kenneth S. Rogoff and Miguel Savastano (2003); "Debt Intolerance", NBER Working paper 9908, August 2003.

Suggested readings for the case study:

International Monetary Fund, 2008 *Seychelles: 2008 Article IV Consultation and Request for a Stand-By Arrangement*; Country Report 08/365, December 2, 2008.

<http://www.imf.org/external/pubs/cat/longres.aspx?sk=22521.0>

Paul Mathieu and Patrick Imam, *IMF Support Pull Seychelles Back from the Brink*, IMF Survey magazine, June 30, 2009, <http://www.imf.org/external/pubs/ft/survey/so/2009/car063009a.htm>

International Monetary Fund, 2010, *Seychelles: Third Review Under the Stand-By Arrangement, Financing Assurances Review, Cancellation of the Stand-By-Arrangement, and Request for an Extended Arrangement-Staff Report; Staff Statement*, Country Report 10/3; Staff statement, pages 80-81; January 5, 2010, <http://www.imf.org/external/pubs/cat/longres.aspx?sk=23506.0>

Government of Seychelles presentations to creditors (available from the instructor):

- Economic and Financial Update, November 2008
- Indicative Debt Restructuring Scenarios, March 2009
- Memorandum to Paris Club Creditors on the Economic and Financial Situation; request for Debt Reduction, April 2009
- Review of Paris Club Agreement, May 2009
- Debt Restructuring Review, DMF Stakeholders' Forum, Bern, June 8, 2011

Part 9: The Political Economy of Fiscal Reforms: the Case of Fuel Subsidy Reforms
(Raju Singh - World Bank) = Wed. 15 and Friday 17 May **Room S3**

This session will discuss why bad economic policies are carried out and how difficult it is to implement good ones. Why do governments pay for the gasoline consumed by its relatively few rich people,

while the same money could be enough to *double* the budget for public education or *triple* the construction of hospitals -- all services mostly used by the poor? Why is it that obvious reforms don't get done? Political economy aspects of implementing complex fiscal reforms in developing countries will be examined. Tools to assess the distributional impact of policies, and map the winners and losers of a reform will be presented, taking the example of fuel price subsidy reforms. The cases of Cameroon and Haiti will be examined in more detail.

Case study: fuel price subsidy reform in Cameroon.

Suggested readings:

International Monetary Fund (2013), Energy Subsidy Reform: Lessons and Implications, (Washington, D.C.: International Monetary Fund). <https://www.imf.org/en/Publications/Policy-Papers/Issues/2016/12/31/Energy-Subsidy-Reform-Lessons-and-Implications-PP4741>

International Monetary Fund (2013), Case Studies on Energy Subsidy Reform: Lessons and Implications, (Washington, D.C.: International Monetary Fund). <http://www.imf.org/external/np/pp/eng/2013/012813a.pdf>

Khemani, S. (2017), "Political Economy of Reform", Policy Research Working Paper, No 8224, October, The World Bank. <http://www1.worldbank.org/publicsector/politiceconomy/November3Seminar/Stakeholder%20Reading/CPHP%20Stakeholder%20Analysis%20Note.pdf>

World Bank (2008), The Political Economy of Policy Reform: Issues and Implications for Policy Dialogue and Development Operations, Report No 44288-GLB. http://siteresources.worldbank.org/EXTSOCIALDEV/Resources/The_Political_Economy_of_Policy_Reform_Issues_and_Implications_for_Policy_Dialogue_and_Development_Operations.pdf

World Bank, "Guidance Note: Stakeholder Analysis", Guidelines for Concept Note. <https://openknowledge.worldbank.org/bitstream/handle/10986/28584/WPS8224.pdf?sequence=1&isAllowed=y>

Part 10: Natural Resources Management

(Jaroslaw Wieczorek - IMF) = Wed. 22 and Friday 24 May, **Room S3**

This session will focus on policy challenges for resource-rich countries and their implications for fiscal policy design, foreign exchange regime choices, and political economy. The segment will start with the discussion of the Permanent Income Hypothesis (PIH), its applicability in resource-rich developing countries, alternative concepts of PIH (including to account for investments in physical infrastructure and human capital) and price-based rules. Finally, the segment will look at the experience of sub-Saharan African oil exporters in the context of the 2014–15 oil price shock and determinants of their relative performance.

Case studies: Chile (Chile's Fiscal Rule); or Timor Leste (Fiscal Framework and Petroleum Fund); Angola, Nigeria, and CEMAC oil exporters (2014–15 oil shock and adjustment).

Suggested readings:

Barnett, S., and R. Ossowski, (2003) "Operational Aspects of Fiscal Policy in Oil-Producing Countries," in Fiscal Policy and Implementation in Oil-Producing Countries, ed. by J. M. Davis, R. Ossowski, and A. Fedelino (Washington: International Monetary Fund).

Baunsgaard T, Villafuerte M, Poplawski-Ribeiro M, Richmond C. (2012) Fiscal Frameworks for Resource-Rich Developing Countries, International Monetary Fund, Staff Discussion note (2012).

Collier, P., Van Der Ploeg, R., Spence, M, and A. J. Venables, (2010). "[Managing Resource Revenues](#)

[in Developing Economies," IMF Staff Papers](#), Palgrave Macmillan, vol. 57(1), pp 84-118, April.

Ossowski, R., M. Villafuerte, P.A. Medas and T. Tomas (2008). Managing the Oil Revenue Boom: The Role of Fiscal Institutions, Occasional Paper 260, International Monetary Fund, Washington, D.C.

Suggested reading for case studies:

Macroeconomic Policy Frameworks For Resource-Rich Developing Countries, Background Papers (Case Studies), International Monetary Fund (2012).

Optional readings:

Berg, A., Portillo, R., Yang, S.-C. S., Zanna, L.-F., 2013. Public investment in resource-abundant developing countries. IMF Economic Review 61, 92–129.

Devarajan, S., D. Go, Y. Dissou, and S. Robinson (2014). "Budget Rules and Resource Booms; A Dynamic Stochastic General Equilibrium Analysis." World Bank Policy Research Working Paper 6984.

Course Lecturers

Corinne Deléchat is Division Chief in the African Department of the International Monetary Fund. She is currently leading missions to Cameroon and has led missions to Burkina Faso, Liberia, Panama and Haiti, where she handled the Fund's response after the 2010 earthquake. She has held positions in the Western Hemisphere Department and the Strategy, Policy and Review Department, covering a number of low- and middle-income countries, as well as financial sector and private capital flow issues, donor coordination, capacity building, and external debt sustainability. She has also worked at the Swiss Ministry of Economy, in charge of bilateral assistance to a group of low-income countries, and at the OECD. Her publications focus on development, financial inclusion, banking, external debt, and international migration. Ms. Deléchat holds an M.A. and a PhD in economics from Georgetown University, and a Masters in International Economics from the Graduate Institute of International Studies in Geneva.

Thomas Helbling is the Chief of the Australia and New Zealand Division of the Asia Pacific Department of the International Monetary Fund. Previously he was the Chief of the World Economic Studies Division in the Research Department, where he co-directed the work on the *World Economic Outlook*. Earlier assignments included deputy division chief positions in the Research Department and the Western Hemisphere Department. His recent research papers have focused on commodity price dynamics and global economic conditions; international economic policy issues; international business cycle linkages; and economic history. Thomas has a PhD in international economics from the Graduate Institute of International Studies in Geneva.

Signe Krogstrup is Advisor in the Research Department of the IMF. She was previously Assistant Director and Deputy Head of Monetary Policy Analysis at the Swiss National Bank, and a Visiting Fellow at the Peterson Institute for International Economics. During 2012–2016, Krogstrup was a member of the World Economic Forum's Global Agenda Councils. In 2012–13, she served as an external expert on the Danish government appointed Committee on the Identification, Regulation, and Resolution of Systemically Important Financial Institutions in Denmark. Krogstrup has taught graduate courses in international macroeconomics and finance at the Graduate Institute in Geneva, University of St. Gallen, and at ETH in Zurich. She received a PhD in international economics from the Graduate Institute in 2003, and a master's in economics from the University of Copenhagen in 1999.

Tommaso Mancini-Griffoli is a deputy division chief in the Monetary and Capital Markets department at the IMF. He currently leads much of the department's analytical work in monetary policy and central banking operations, as well as fintech, and advises central banks on issues related to their monetary policy frameworks. Prior to joining the Fund, he worked at the Swiss National Bank in the Research department, as well as in the private sector at Goldman Sachs, The Boston Consulting Group, and at a startup in the Silicon Valley. Tommaso was a visiting fellow at the Paris School of Economics after receiving his PhD from the Graduate Institute in Geneva, and prior degrees from the London School of Economics and Stanford University.

Paul Mathieu is an advisor in the Monetary and Capital Markets Department of the International Monetary Fund where he coordinates and oversees work on European and Western hemisphere countries. In the past five years, he has led financial stability assessment program (FSAP) missions to several countries in Africa, Asia, and on Switzerland. Prior to that he held senior positions in the African Department where he was a mission chief for Burundi, Mauritius, the Seychelles, and Ethiopia, covering a variety of post-conflict, crisis management, debt restructuring, and financial sector issues. He has been a senior desk economist on Central European countries in transition such as Albania, Moldova and Kazakhstan. Mr. Mathieu holds a Bachelor's degree, Honors Economics, from Concordia University in Montréal, and a PhD in international economics from the Graduate Institute of International Studies in Geneva. He is the president of the IHEID Alumni Association and of the Washington Alumni Chapter.

Luca Antonio Ricci is currently Division Chief in the Western Hemisphere Department, where he is leading missions to Chile. He previously held positions in the Research Department of the IMF, where he was working on external sustainability issues, and was involved in the creation of the exchange rate assessment methodology for advanced economies and emerging markets. Other positions at the IMF include the African and the Middle Eastern departments. He also worked as Managing Director and Head of International Economic Research at Barclays Capital for a year. Prior to joining the IMF, he was Visiting Fellow at Harvard University and a Researcher at the University of Konstanz. Mr. Ricci received a Ph.D. and an M.A. in Economics from The Graduate Institute of International Studies in Geneva, and a B.A. in Economics from the University of Rome "La Sapienza". His analytical work has focused on exchange rates, financial contagion, financial liberalization, optimal inflation, macroeconomic insurance, external debt, growth, trade, and firms' location choices.

Raju Singh is Sector Leader/Lead Economist at the World Bank, overseeing the work on economic policy, poverty, gender, governance, and trade for Haiti. His current work focuses on applied political economy and natural resource management. Prior to that, he was lead economist on Central African states at the World Bank and senior economist at the International Monetary Fund where he held positions in the Fiscal Affairs, Asian, and African Departments, working on a wide range of countries and leading missions to China, Cyprus, and Tonga. He was also advisor in the Swiss Executive Director Office, and held positions in the International Finance Section of the Swiss Finance Administration and in private banking in Geneva, as well as consulted for the Swiss Development Cooperation. He has widely published on public finance, intergovernmental relations, and remittances. Mr. Singh holds an MA and a PhD in economics from the Graduate Institute of International Studies in Geneva.

Piritta Sorsa is currently Head of Division of Country Studies in the Economics Department of the OECD supervising projections and country studies, among others, Australia, EU/Euro Area, Greece, Colombia, India, Luxembourg, Slovenia and Tunisia. Prior to joining the OECD she held senior positions at the International Monetary Fund, leading missions to Honduras, Guyana, Slovenia, Serbia, Montenegro and working on various emerging countries; she was also the IMF's resident representative in Bulgaria and worked for the World Bank mainly on Africa and Asia. She has published on macroeconomic issues on emerging markets and developed countries. Ms. Sorsa holds a PhD in economics from the Graduate Institute of International Studies in Geneva.

Sherry Stephenson is a Senior Fellow with the ICTSD and a member of the Services Task Force of the PECC (Pacific Economic Cooperation Council). Previously she was Senior Advisor and Director of the Department of Trade at the OAS. She has been an Advisor to the Minister of Trade in Indonesia and held positions with the OECD as well as with the GATT and UNCTAD Secretariats. She was a member of the Global Trade Agenda Council of the World Economic Forum and continues to provide support to the APEC process. She has advised governments around the world and been involved in capacity building activities. Her publications address in particular services, global value chains, regional economic integration, and labor mobility. She received an M.A. in Economics from New York University and a PhD from the Graduate Institute of International Studies.

Jaroslav Wieczorek works at the International Monetary Fund as a Deputy Division Chief in Regional Studies Division of the African Department and leads missions to The Gambia. Before that, he worked for several years in the Middle East and Central Asia Department and in the Policy Development and Review Department covering a range of middle and low-income countries. Prior to joining the IMF, he held teaching positions at Warsaw Polytechnic, and Warsaw University. His research interest and areas of expertise include macroeconomic adjustment in crisis-stricken countries, economics of post-conflict countries, and natural resource management. Mr. Wieczorek holds a PhD and an M.A. in Economics from the Graduate Institute of International Studies in Geneva, and M.A. in Economics and M.A. in Philosophy from Warsaw University. He was also a George Soros scholar at Lincoln College, Oxford.