

## Department of International Economics

Academic year 2020 - 2021

## 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.

The sessions cover current topics in fiscal and monetary policy, public finance and external policies. 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.

### 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 Giulia Sabbadini.

For general background on open-economy macroeconomics, see:

*Obstfeld, Maurice, and Kenneth Rogoff, 1996, Foundations of International Macroeconomics*

### > COORDINATING PROFESSOR

Ugo Panizza  
[Ugo.Panizza@graduateinstitute.ch](mailto:Ugo.Panizza@graduateinstitute.ch)

Office : MdP - P1-664  
Phone : +41 22 908 59 52

---

### > LECTURERS

Corinne Deléchat (IMF)  
Michael Jelenic (World Bank/OECD)  
Signe Krogstrup (Danish Central Bank)  
Tommaso Mancini-Griffoli (IMF)  
Aurélié Martin (Autonomy Capital)  
Paul Mathieu (IMF)  
Luca Ricci (IMF)  
Raju Singh (World Bank)  
Piritta Sorsa (OECD)  
Daria Taglioni World Bank)

*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.*

---

### > ASSISTANT

Giulia Sabbadini  
[giulia.sabbadini@graduateinstitute.ch](mailto:giulia.sabbadini@graduateinstitute.ch)

(Cambridge, MIT Press).

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

## Course Schedule and Description

### Part 1: Investing in Frontier Markets After Covid: a Private Sector's Perspective

(Aur lie Martin, Autonomy Capital) = Wed. 24 Feb. and Friday February 26 **Room tbc**

This session starts with an overview of the course, and introduction of the lecturers via video link, before going into the first lecture of the course.

Debt and foreign exchange markets in Frontier Markets have attracted increasing attention from international investors in recent years after generating interesting financial returns. Frontier markets have offered some risk diversification as they are less correlated to global financial flows. However, while macroeconomic performance had generally strengthened in recent years, the Covid shock has magnified macroeconomic, structural and institutional vulnerabilities. In this context, will international investors continue to invest in Frontier Markets? Will lower global rates trigger a renewed search for yield? Or will weaker fundamentals deter investors? This session will discuss risks and rewards of investing in local and foreign currency denominated sovereign debt and in currency markets in frontier markets and compare it with investing in more mature emerging markets.

**Case study:** you will be asked to elaborate an investment decision in sovereign debt instruments for either Egypt or Ghana. You will be given a methodology blueprint, a set of country reports, macroeconomic data, and bonds prices. Based on those, you will replicate the investment decision process and decide whether you would invest in Egypt or Ghana, and whether you would prefer local currency, or USD bonds. You will be looking in particular at recent and projected growth, inflation, balance of payments, exchange rate, FX reserves, fiscal and public debt dynamics, as well as political developments, and articulate how these influence expected investment returns. You will identify the key risks and uncertainties that could impact your investment.

#### Suggested readings:

International Monetary Fund, 2013, Issuing International sovereign Bonds: Opportunities and Challenges for Sub-Saharan Africa, in *Regional Economic Outlook: Sub-Saharan Africa*, Chapter 3, May 2013 (Washington D.C.: International Monetary Fund).

International Monetary Fund, 2013, Managing Volatile Capital Flows: Experiences and Lessons for Sub-Saharan African Frontier Markets, in *Regional Economic Outlook: Sub-Saharan Africa*, Chapter 3, October 2013 (Washington D.C.: International Monetary Fund).

Arvai, Zsofia, Heenan, Geoffrey (2008) A Framework for Developing Secondary Markets for Government Securities, IMF Working Paper 08/174 (Washington DC: International Monetary Fund).

Guscina, Anastasia, Pedras Guilherme, Presciuttini, Gabriel (2014) A Framework for Developing Secondary Markets for Government Securities, IMF Working Paper 14/127 (Washington DC: International Monetary Fund).

#### Optional readings:

Standard Chartered Local Market Compendium 2020, Standard Chartered.

Local Markets Guide, 12th Edition (2018), Emerging Market Research, J.P. Morgan, especially sections on Egypt, Ghana, and Nigeria.

Latest IMF Staff Reports on Egypt and Ghana (available on the IMF website at [www.imf.org](http://www.imf.org)).

### Part 2: Fiscal Policy Challenges in Emerging Markets in a World of Surprises and Shocks

(Piritta Sorsa – OECD) = Wed. 3 and Friday 5 March, **room tbc**

This session will discuss first the basics of fiscal policy in emerging markets: role of government; balancing efficiency, equity, stabilization and sustainability. The session will then elaborate on the difficulties in measuring fiscal policy in emerging markets and its stance (output gaps, structural deficits, nominal deficits, size of the public sector, statistical issues) and institutional issues. It then focuses on fiscal policy responses to external shocks like the COVID-19 pandemic, including the importance of “TTT”: designing targeted, temporary, and timely policies and how this can be done in the emerging market context. Examples from various emerging markets are discussed in light of actual experience. Finally, the session discusses the notion of fiscal space as a multidimensional concept: ability to expand public spending without risking sustainability of debt.

**Case studies.** Compare the COVID-19 fiscal policy responses of Brazil, Chile and India and discuss how well the policies complied with the TTT and sound fiscal policy. Discuss pros and cons of applied policies in terms of TTT, where they constrained by fiscal space, what other constraints did they have (e.g. high informality, ability to transfer funds to right targets, etc.). For references see the country policy trackers and other references below.

**Suggested readings:**

<https://www.oecd.org/coronavirus/country-policy-tracker/>

<https://www.oecd.org/coronavirus/en/policy-responses>

Huidrom-Kose-Ohnsorge (2016) Fiscal Policy Challenges in Emerging and Developing Economies, World Bank Policy Research Working Paper;No. 7725

<http://documents.worldbank.org/curated/en/2016/06/26514565/challenges-fiscal-policy-emerging-developing-economies>

IMF (2020): Here's how fiscal policy can support emerging markets and developing economies through COVID-19 and beyond:

<https://www.weforum.org/agenda/2020/06/covid19-fiscal-policy-emdes>

OECD (2020): Tax and Fiscal Policy in Response to the Coronavirus Crisis: Strengthening Confidence and Resilience

<http://www.oecd.org/fr/fiscalite/politiques-fiscales/tax-and-fiscal-policy-in-response-to-the-coronavirus-crisis-strengthening-confidence-and-resilience.htm>

**Part 3: Managing Public Sector Governance Reforms in Developing Countries**

Michael Jelenic (OECD/World Bank) = Wed. 10 and Friday 12, March, **Room tbc**

This session examines a broad array of public sector governance challenges that practitioners face in developing country contexts, including, among others, those related to revenue mobilization and management, strategic planning and public expenditure management, budget execution and oversight, civil service reform, public accountability and anticorruption. This module will then contextualize these issues in an African context by presenting examples of key governance trends and challenges, which threaten to hinder poverty reduction and shared prosperity across the continent. Finally, this session will present the key elements included in policy-based budget support operations, known as Development Policy Finance, which is a key tool used in confronting governance challenges in developing country contexts, using an actual Development Policy Operation (DPO) developed by the World Bank for Tanzania.

**Case study:** Building on the introductory session, the case study will allow students to delve deeper into specific governance themes and apply them in the design of a mock budget support operation. The exercise will start with students reading a Systematic Country Diagnostic (SCD), which is a core operational document of the World Bank that identifies the most important challenges and opportunities a country faces. From this, student will choose one public sector governance reform area and develop a set of reforms to be included in the mock budget support operation. In particular, students will need to develop a case study presentation that covers the following:

- Identification and sequencing of a public sector governance reform area which they believe to be the most pressing based on a review of the country analytic data
- Developing a policy matrix, which includes key prior (policy) actions for the government to meet as well as (policy) triggers for sub-sequent years of financing.
- Developing indicators to measure the impact of the proposed reforms.
- Highlighting any risks that may emerge that could endanger the achievement of the project development objective.

### **Suggested readings:**

*World Development Report 2017*, Chapter 1: “Governance for development”, World Bank (2017), available at:

[https://openknowledge.worldbank.org/bitstream/handle/10986/25880/9781464809507\\_Ch01.pdf?sequence=30&isAllowed=y](https://openknowledge.worldbank.org/bitstream/handle/10986/25880/9781464809507_Ch01.pdf?sequence=30&isAllowed=y)

*World Development Report 2017*, Chapter 2: “Enhancing governance for development: Why policies fail”, World Bank (2017), available at:

[https://openknowledge.worldbank.org/bitstream/handle/10986/25880/9781464809507\\_Ch02.pdf?sequence=31&isAllowed=y](https://openknowledge.worldbank.org/bitstream/handle/10986/25880/9781464809507_Ch02.pdf?sequence=31&isAllowed=y)

Open Government and Public Financial Management Development Policy Operation (DPO) for Tanzania, World Bank (2015), available at:

<http://documents1.worldbank.org/curated/en/522551468300592178/pdf/905930PGD0P1330100OUO0900BOX391428b.pdf>

### **Optional Readings:**

Country Policy Institutional Assessment (CPIA) 2017 Africa Report: Assessing Africa’s Policies and Institutions, World Bank (2018), available at:

<http://documents1.worldbank.org/curated/en/850151531856335222/pdf/128558-REVISED-WB-CPIA-Report-July2018-ENG-final-web.pdf>

World Bank, 2004, *World Development Report*, Chapter 2: “Governments should make services work”, World Bank (2003) available at:

[https://openknowledge.worldbank.org/bitstream/handle/10986/5986/9780821354681\\_ch02.pdf?sequence=5&isAllowed=y](https://openknowledge.worldbank.org/bitstream/handle/10986/5986/9780821354681_ch02.pdf?sequence=5&isAllowed=y)

World Bank, 2004, *World Development Report*, Chapter 3: “The Framework for Service Provision”, World Bank (2003), available at:

[https://openknowledge.worldbank.org/bitstream/handle/10986/5986/9780821354681\\_ch03.pdf?sequence=6&isAllowed=y](https://openknowledge.worldbank.org/bitstream/handle/10986/5986/9780821354681_ch03.pdf?sequence=6&isAllowed=y)

### **Suggested readings for case studies (choose one):**

Central African Republic: Systematic Country Diagnostic: Priorities For Ending Poverty And Boosting Shared Prosperity, World Bank (2019), available at:

<http://documents1.worldbank.org/curated/en/459721563221464687/pdf/Central-African-Republic-Systematic-Country-Diagnostic-Priorities-for-Ending-Poverty-and-Boosting-Shared-Prosperity.pdf>

United Republic Of Tanzania Systematic Country Diagnostic: “To The Next Level Of Development”. World Bank (2017), available at:

<http://documents1.worldbank.org/curated/en/510681488823616126/pdf/TZ-SCD-Final-Approved-by-AFRVP-03012017.pdf>

**Part 4: Monetary Policy at the Lower Bound and the Response to the COVID-19 crisis**  
(Signe Krogstrup – Danmarks Nationalbank) = Wed. 17 and Friday 19 March, **Room tbc**

When interest rates fell to levels near or below zero in the wake of the global financial crisis, many central banks found their policy space for reacting to further negative shocks constrained. This led to the development and refinement of a set of unconventional monetary policies such as quantitative easing and forward guidance, as well as the use of negative policy interest rates. It also opened up a debate on the appropriate tools, targets and mandates for central banks, notably reflected in the ECB's and the Fed's ongoing monetary policy reviews. Moreover, the role of fiscal and monetary policy interactions and the policy mix became central. This course part will present the background and discuss how central bank policymakers have responded in practice to the lower bound constraint in carrying out monetary policy, with the COVID-19 crisis erupting in March 2020 as the focus of two case studies.

**Case studies:**

- A. The ECB's response to the COVID-19 crisis: Objectives, measures and impact
- B. The Federal Reserve's response to the COVID-19 crisis: Objectives, measures and impact

**Required readings**

The reading list is preliminary and suggestive. The literature is developing fast, so required readings will be revised and completed before the beginning of course.

Bernanke, B. 2020. The New Tools of Monetary Policy. AEA Presidential Address. Brookings Institution [https://www.brookings.edu/wp-content/uploads/2019/12/Bernanke\\_ASSA\\_lecture.pdf](https://www.brookings.edu/wp-content/uploads/2019/12/Bernanke_ASSA_lecture.pdf)

Williams, John, 2014: Monetary policy at the zero lower bound: Putting theory into practice. <https://www.brookings.edu/wp-content/uploads/2016/06/16-monetary-policy-zero-lower-bound-williams.pdf>

**Suggested readings for case studies**

Ihrig et al, 2020, How the Fed Has Responded to the COVID-19 Pandemic?: <https://www.stlouisfed.org/open-vault/2020/august/fed-response-covid19-pandemic>

Hutchinson and Mee, The impact of the ECB's monetary policy measures taken in response to the COVID-19 crisis, Part of the ECB Economic Bulletin, Issue 5/2020. [https://www.ecb.europa.eu/pub/economic-bulletin/focus/2020/html/ecb.ebbox202005\\_03~12b5ff68bf.en.html](https://www.ecb.europa.eu/pub/economic-bulletin/focus/2020/html/ecb.ebbox202005_03~12b5ff68bf.en.html)

**Optional readings**

Bernanke, Ben S., Michael T. Kiley, and John M. Roberts (2019). "Monetary Policy Strategies for a Low-Rate Environment," Finance and Economics Discussion Series 2019-009. Washington: Board of Governors of the Federal Reserve System, <https://doi.org/10.17016/FEDS.2019.009>.

Krogstrup, Munch Grønlund, and Spange (forthcoming): Negative interest rates: A cross country study.

US Fed responses to the Covid19 crisis: <https://www.brookings.edu/research/fed-response-to-covid19/>

IMF log of policy responses to the Covid19 crisis across countries: <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>

**Part 5 : The Rise of Digital Currencies**

(Tommaso Mancini-Griffoli – IMF) = Wed. 16 and Friday 18 April, **Room tbc**

The IMF provides advice in a variety of fields. You might instinctively think of exchange rate regimes and fiscal positions. But the Fund has also traditionally provided advice in the area of payments and

financial market infrastructures. To date, most of that advice focused on compliance with regulation and international best practices.

Today, the field of payments is undergoing a revolution, as is the work of the Fund. Digital currencies have come to the forefront of policy debates. Central banks wonder whether they should provide digital currencies directly to households and firms, and how to regulate privately issued currencies such as Facebook's Libra. Macro-economic implications are far reaching, touching for instance on financial inclusion, monetary policy control, and capital flow management. For instance, imagine a dollar-based digital currency that can be held and transacted at no cost abroad. As a result, countries with weak institutions, high inflation, and volatile exchange rates may well see widespread substitution into foreign digital currencies. The Fund is therefore actively engaged in developing policy lines and advising countries in this field.

This portion of the course is intended to give you a feel for this work. It will first introduce different forms of digital currencies, and compare these to existing forms of money. It will then discuss the pros and cons of central bank digital currencies, and review the deliberations relevant to central banks. Finally, it will discuss the macro-financial implications of digital currencies and tentatively raise some policy implications.

**Case study A:** You are the governor of the central bank of The Bahamas and must decide whether to implement a central bank digital currency. A pilot is already under way. You will need to understand it, draw lessons from it, and decide whether to move ahead with a fully-fledged version widely available to domestic households and firms. What characteristics of your country might make you tip one way or the other? Also, you will also need to decide on the design features of this digital currency: will you pay interest rates, will the currency be available outside The Bahamas, and how will it be distributed? You are facing scrutiny from parliament and will need to carefully argue your decision.

**Case study B:** You are the governor of the central bank of Brazil, and you have noticed a strong increase in substitution towards the US dollar since the Fed introduced a digital dollar. Households and firms in your country are increasingly saving in the digital dollar, and using it to transact. Moreover, prices of goods and services are increasingly being quoted in US dollars. What do you do? What measures might you consider to quell and perhaps reverse the dollarization trend? What measures may have worked abroad and more generally how do you manage your capital account in the digital age?

### **Suggested readings:**

Mancini-Griffoli and Martinez-Peria and an IMF team (2018), "Casting light on central bank digital currencies," IMF Staff Discussion Note.

Adrian and Mancini-Griffoli (2019), "The rise of digital currencies," IMF Fintech Note.

Mancini-Griffoli and IMF team (2020), "Operationalizing synthetic central bank digital currencies," forthcoming IMF Fintech Note.

IMF team (2020), "Macro-financial implications of cross-border digital currencies," forthcoming IMF Fintech Note.

Adrian (2020), "Evolving to Work Better Together: Public-Private Partnerships for Digital Payments," Speech available on : <https://www.imf.org/en/News/Articles/2020/07/22/sp072220-public-private-partnerships-for-digital-payments>

### **Optional readings**

He, Haksar, Leckow, and Mancini-Griffoli (2016), "Fintech and financial services," IMF Staff Discussion Note.

Adrian and Mancini-Griffoli (2019), "The rise of stablecoins," IMF Blog: <https://blogs.imf.org/2019/09/19/digital-currencies-the-rise-of-stablecoins/>

Adrian and Mancini-Griffoli (2019), "From stablecoins to central bank digital currencies," IMF Blog: <https://blogs.imf.org/2019/09/26/from-stablecoins-to-central-bank-digital-currencies/>

Adrian and Mancini-Griffoli (2019), "Central bank digital currencies, 4 questions and answers," IMF Blog: <https://blogs.imf.org/2019/12/12/central-bank-digital-currencies-4-questions-and-answers/>

See also publications from the BIS, the Bank of England, the Bank of Canada, and the Singapore Monetary Authority.

Finally, see also articles on <https://www.coindesk.com/>

**Part 6: The Political Economy of Fiscal Reforms: the Case of Fuel Subsidy Reforms**  
(Raju Singh - World Bank) = Wed. 19 and Friday 23 April **Room tbc**

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. Taking the case of Cameroon and using the tools presented in class, you will be asked to understand the interests of the main stakeholders, come up with options to mobilize your supporters and neutralize your opponents, and strategies to possibly change their minds.

#### **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>

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/s/CPHP%20Stakeholder%20Analysis%20Note.pdf>

Walsh, A and Boys, J. (2020). The political economy of fossil fuel subsidies in the Middle East and North Africa. K4D Helpdesk Report 835. Brighton, UK: Institute of Development Studies.

[https://opendocs.ids.ac.uk/opendocs/bitstream/handle/20.500.12413/15493/835\\_%20Political\\_economy\\_fossil\\_fuel\\_subsidies\\_in\\_MENA.pdf?sequence=1&isAllowed=y](https://opendocs.ids.ac.uk/opendocs/bitstream/handle/20.500.12413/15493/835_%20Political_economy_fossil_fuel_subsidies_in_MENA.pdf?sequence=1&isAllowed=y)

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](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 7: The IMF's COVID-19 Response in Developing Economies: Fighting an Unprecedented Crisis**  
(Corinne Deléchat - IMF) = Wed. 28 and Friday 30 April, **Room tbc**

This session will discuss the IMF's response to COVID-19 in low income and developing economies. It will provide behind-the-scenes insights into the design of IMF lending operations and policy recommendations during a crisis. The session will start by presenting the key economic characteristics and challenges faced pre-COVID by low-income and developing economies (LIDCs), and the IMF's financing toolkit for these countries. The session then moves on to the COVID-19 shock, its nature, and transmission channels focusing on sub-Saharan Africa, and comparing the economic COVID-19 response to other types of catastrophic events, such as the 2010 earthquake in

Haiti and the 2014-15 Ebola crisis in Guinea, Liberia and Sierra Leone. The operational design of the IMF's emergency financing and policy recommendations are examined, as well as the country authorities' views and perspectives on the appropriate policy responses. Other types of non-financial support including capacity development and policy guidance, and cooperation with other development partners will also be briefly discussed.

**Case study:** Providing emergency financing to Senegal in the COVID-19 pandemic. You are the IMF mission chief for Senegal and have just (in March 2020) received a request for emergency financing from the authorities. Using the recent IMF staff reports on Senegal's RCF/RFI request and first PCI review, your first task is to provide a critical analysis of the IMF team's assessment of the economic impact of the pandemic on Senegal's economy, including on growth, the current account and the fiscal deficit, highlighting key points, uncertainties, risks. Second, you will use this analysis to make the case for emergency financing. You will present the arguments you will make to gain internal approval, including on the amount of emergency lending, as well as the main issues you will discuss with the authorities. Third, you will present (or role-play) the negotiations between the authorities and the IMF team, highlighting possible points of disagreement and how they could be resolved.

### **Suggested readings:**

The reading list is preliminary and suggestive. New relevant papers will be published in the Fall 2020, so required readings will be revised and completed before the beginning of course.

International Monetary Fund, 2020, Factsheet: "How the IMF Can Help Countries Address the Economic Impact of Coronavirus". Available on the internet at:

<https://www.imf.org/en/About/Factsheets/Sheets/2020/02/28/how-the-imf-can-help-countries-address-the-economic-impact-of-coronavirus>

International Monetary Fund, 2020, *Regional Economic Outlook for Sub-Saharan Africa*, April 2020, COVID-19: An Unprecedented Threat for Development, (Washington, D.C., International Monetary Fund). Available on the internet at:

<https://www.imf.org/en/Publications/REO/SSA/Issues/2020/04/01/sreo0420>

International Monetary Fund, 2019, *Macroeconomic Developments and Prospects in Low-Income Developing Countries—2019*, Chapter I, (Washington, D.C., International Monetary Fund). Available on the internet at:

<https://www.imf.org/en/Publications/Policy-Papers/Issues/2019/12/11/Macroeconomic-Developments-and-Prospects-in-Low-Income-Developing-Countries-2019-48872>

Mühleisen, Martin, Vladimir Klyuev, and Sarah Sanya, 2020, "Courage under Fire: Policy Responses in Emerging Market and Developing Economies to the COVID-19 Pandemic", IMF blog, June 3 2020. Available on the internet at:

<https://blogs.imf.org/2020/06/03/courage-under-fire-policy-responses-in-emerging-market-and-developing-economies-to-the-covid-19-pandemic/>

The Economist, August 4, 2020, Official Economic Forecasts for Poor Countries are Too Rosy.

Available on the internet at:

<https://www.economist.com/finance-and-economics/2020/08/04/official-economic-forecasts-for-poor-countries-are-too-rosy>

### **Optional readings:**

Bal Gündüz, Yazemine, 2016, "The Economic Impact of Short-term IMF Engagement in Low-Income Countries", *World Development*, Vol. 87, pp. 30–49.

COVID-19 in Developing Economies (2020), edited by Simeon Djankov and Ugo Panizza. An e-book available on the internet at:

<https://voxeu.org/content/covid-19-developing-economies>

Gaspar, V., Amaglobeli, D., Garcia-Escribano, M., Prady, D., and Soto, M., 2019, *Fiscal Policy and Development: Human, Social, and Physical Investment for the SDGs*, Staff Discussion Note 19/03 (Washington D.C.; International Monetary Fund). Available on the internet at: <https://www.imf.org/en/Publications/Staff-Discussion-Notes/Issues/2019/01/18/Fiscal-Policy-and-Development-Human-Social-and-Physical-Investments-for-the-SDGs-46444>

International Monetary Fund, 2020, Policy Responses to COVID-19, Policy Tracker, available on the internet at: <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>

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>

### **Suggested readings for the case study:**

Additional background documentation will be provided to students selecting the case study.

<https://www.imf.org/en/Publications/CR/Issues/2020/07/24/Senegal-First-Review-Under-the-Policy-Coordination-Instrument-and-Request-for-Modification-49608>

<https://www.imf.org/en/Publications/CR/Issues/2020/04/16/Senegal-Request-for-Disbursement-Under-the-Rapid-Credit-Facility-and-Purchase-Under-the-49335>

### **Part 8: Sovereign Debt: Management, Sustainability and Restructuring**

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

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 and recent initiatives in the context of the COVID-19 pandemic.

**Case study:** A tripartite role-play of the debt restructuring in Seychelles (2008-10); the Government; Creditors; and the IMF.

### **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

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/>

VoxEU/CEPR; "Covid-19 in Developing Economies"; Simeon Djankov and Ugo Pannizza, Editors, 2020; Chapter 23: "A debt standstill for developing and emerging market countries" Patrick Bolton, Lee Buchheit, Pierre-Olivier Gourinchas, Mitu Gulati, Chang-Tai Hsieh, Ugo Panizza, Beatrice Weder di Mauro. <https://voxeu.org/content/covid-19-developing-economies>

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

International Monetary Fund, 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>

### **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>

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>

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>

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.

### **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

IMF Working Paper No. 20/34; 2020, *Barbados' 2018–19 Sovereign Debt Restructuring—A Sea Change?*; Myrvin Anthony; Gregorio Impavido; Bert van Selm;

<https://www.imf.org/en/Publications/WP/Issues/2020/02/21/Barbados-201819-Sovereign-Debt-RestructuringA-Sea-Change-49044>.

### **Part 9: The Future of Globalization: New Developments and Changing Patterns in International Trade and Global Production**

(Daria Taglioni – World Bank) = Wed. 12 and Friday 14 May, **Room tbc**

The global spread of COVID-19 has put the workings of international trade in the spotlight. It has also demonstrated how reliant our global economy and societies are on global production networks and global value chains (GVCs). Travel restrictions, local lockdowns, a consequent drop of both supply and demand for products and services as well as decreased investments worldwide have led to a considerable disruption of trade and GVCs. What these changes mean for globalization is yet unclear. Ultimately, the future of globalization will depend on fundamentals (technology, production

costs, trade costs), risks from external shocks and systemic uncertainty.

This session will examine the dramatic recent changes in world trade and reflect on how fundamentals are likely to reshape the global economy. Key issues that will be discussed include:

- **Global reallocations:** Rising costs in China and geostrategic tensions to some relocation of assembly activities, mainly to other Asian countries (Bangladesh, Cambodia, Myanmar, Vietnam). The reshoring vs rewiring/reconfiguration of the global trade system will be discussed.
- **Services trade:** what will be the short and medium-term impact on domestic and international trade in services of massive investments in digital equipment and literacy? Will the sunk cost nature of digital investments lead to reglobalization driven by data intensive services?
- **Technology:** People may be worrying about the wrong technology issues: automation is viewed with great suspicion, but in recent years it has led to more exports of parts from developing countries; digital platforms are lauded for reducing trade costs, particularly for small firms, but the rising market power of platform firms may be concentrating gains from trade in the hands of few.
- **Trade costs:** Liberalizing trade measures have exceeded restrictive measures in recent years. In the long term, investments in trade facilitation and logistics will reduce costs, but more subsidies, more regulation, and more “pre-cautionism” may offset the reductions and push costs higher up
- **Risks and systemic uncertainty:** Linger uncertainty from the continuation of geostrategic tensions and from the COVID-19 health crisis, risks of food and financial crises in the aftermath of COVID-19, and new climate-related shocks can dampen trade significantly. Evidence from past crises suggest that systemic uncertainty has a permanent and sizeable negative effect on export growth, because it affects decisions on production and investment.

The case study in the trade session will be devoted to a discussion of global technology ecosystems and production chains underpinning mobile telecom. The case-study will examine the rise of tech-nationalist policies in the United States and China, and it will characterize the various types of vulnerabilities exposed by sudden changes in policies for firms in the United States and China, and for third countries tied to mobile telecom’s global ecosystem. The case-study will also reflect on the development implications of trade tensions in this industry.

#### **Suggested readings:**

Paul R. Krugman, Increasing returns, monopolistic competition, and international trade, Journal of International Economics, Volume 9, Issue 4, 1979, Pages 469-479, ISSN 0022-1996, [https://doi.org/10.1016/0022-1996\(79\)90017-5](https://doi.org/10.1016/0022-1996(79)90017-5).  
<http://www.sciencedirect.com/science/article/pii/0022199679900175>)

World Bank, World Development Report 2020, <https://www.worldbank.org/en/publication/wdr2020>  
<http://blog.gdi.manchester.ac.uk/watch-covid-19-and-the-future-of-global-value-chains/>

Additional suggested readings will be provided closer to the seminars’ dates.

#### **Suggested readings for case study:**

Suggested readings for the case study will be provided closer to the seminars’ dates.

#### **Part 10: Assessing External Imbalances**

(Luca Antonio Ricci - IMF) = week of May 18-21 **Room tbc**

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 studies:**

- What has driven the change in global imbalances in the past few years before COVID-19 and what can be done about it?

- What is driving the impact of COVID-19 on countries' current accounts (see also the IMF 2020 external sector report)?

**Suggested readings:**

*Policy assessment:*

IMF external sector assessment page: <http://www.imf.org/en/Publications/SPROLLs/External-Sector-Reports>

IMF External Sector Report 2020: <https://www.imf.org/en/Publications/ESR/Issues/2020/07/28/2020-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>

The IMF external balance assessment methodology 2018 update:

<https://www.imf.org/~media/Files/Publications/WP/2019/WPIEA2019065.ashx>

The LEVEL REER methodology <https://www.imf.org/en/Publications/WP/Issues/2019/09/13/The-Level-REER-model-in-the-External-Balance-Assessment-EBA-Methodology-48588>

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.

## General guidelines for case studies

The case study represents 45 percent of the course grade. The objective of the case study is for students (ideally in groups of 2) to demonstrate that they understand the topic of the lecture and are able to apply key concepts to the case at hand. This is also a test of the students' ability to put together a clear and interesting presentation in a relatively short time. Presentations should be ideally interactive and, depending on the cases can also feature role play, to highlight the different perspectives of various groups of stakeholders (for example, international institution, private investors, central bankers, ministers of finance)

Presentations are flexible, but they should follow a basic academic structure:

1. Introduction (see below)
2. Theory and/or Methodology
3. Research/ Case study
4. Conclusions/ Challenges/ Policy implications/Issues for discussion

Some general recommendations: do not prepare more than 15-20 substantive slides to allow sufficient time for group discussion. You should spend more of your slides on Section 3 (Research/ case study). Section 4 should relate the main conclusions from the case study and indicate how they relate to key points from the lecture. It is recommended to present at least 2-3 slides introducing the topic and presentation outline. After the first 5 minutes, the audience should know:

1. Objective (What are you presenting?)
2. Motivation (Why this is important?)
3. Literature review (What does the economic literature tell us about this topic?)
4. Key messages (What are the main contributions of your study?)

\*\*\*

## Course Lecturers

**Corinne Deléchat** is Division Chief in the African Department of the International Monetary Fund. She is currently leading missions to Senegal and has led missions to Burkina Faso, Cameroon, 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.

**Michael Jelenic** is a Policy Analyst in the OECD's Directorate for Public Governance (GOV), where he provides technical assistance and capacity building support to countries in the Middle East and North Africa region with the implementation of their Open Government reform agendas, including among other areas, fiscal transparency, local government, media freedom, access to information, and open data. Prior to this, Michael spent more than 10 years as a public sector specialist in the World Bank's Governance Global Practice/Poverty Reduction and Economic Management Network. As a Task Team Leader, he has worked in over 25 countries in sub-Saharan Africa, North Africa, and the Middle East, delivering numerous investment projects and budget support operations to support countries' critical governance reforms. Most recently, his analytical and operational work focused on providing support to the governance dimensions of the reconstruction and recovery efforts in a number of fragile and conflict-affected countries, including Syria, Libya, Yemen, and Iraq.

**Signe Krogstrup** is Assistant Governor and Head of Economics and Monetary Policy at the Danmarks Nationalbank. She was previously Advisor in the Research Department of the IMF, and Assistant Director and Deputy Head of Monetary Policy Analysis at the Swiss National Bank, and Visiting Fellow at the Peterson Institute for International Economics. During 2012–2016, she 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 the Division Chief of the Payments, Currencies, and Infrastructure division at the International Monetary Fund (IMF). His work focuses on digital currencies and fintech, monetary policy, foreign exchange interventions, modelling, and central bank operations and communication. He has advised country authorities and published widely on these topics. Prior to joining the IMF, Mr. Mancini-Griffoli was a senior economist in the Research and Monetary Policy Division of the Swiss National Bank, where he advised the Board on quarterly monetary policy decisions. Mr. Mancini-Griffoli spent prior years in the private sector, at Goldman Sachs, the Boston Consulting Group, and technology startups in the Silicon Valley. He holds a PhD from the Graduate Institute in Geneva, and prior degrees from the London School of Economics and Stanford University.

**Aurélie Martin** is an economist with more than 15 years of experience and expertise in economic research, forecasting and economic policy advice in emerging and frontier markets, especially Africa. Until recently, she was responsible for developing investment strategies in Africa and frontier markets at Autonomy Capital, a Hedge Fund in London for 8 years. Prior to joining Autonomy Capital in 2012, she was an Associate Director at Standard & Poor's where she was in charge of Sovereign ratings in Africa. She was also an economist at the IMF, covering Africa, the Middle East and Central America. Aurélie holds a Ph.D. and a Masters degree in Economics from The Graduate Institute of International

Studies in Geneva (Switzerland), and an undergraduate degree in Economics and Government from Institut d'Etudes Politiques in Paris (France).

**Paul Mathieu** is a division chief in the Monetary and Capital Markets Department of the IMF. He has led a number of financial stability assessments (FSAP), in Africa, Asia, and Europe, including that on Switzerland in 2019. He has also managed several IMF teams on crisis cases in Africa, involving work on post-conflict, crisis management, debt restructuring, and financial sector issues. He also has extensive program experience in transition economies in Eastern Europe and Central Asia. He holds a bachelor's degree, Honors Economics, from Concordia University in Montréal and a PhD in International Economics from the Graduate Institute. He is past president of the Alumni Association of the Institute.

**Luca Antonio Ricci** is currently Division Chief in the Western Hemisphere Department, leading missions to Chile. He previously held positions in the IMF's Research Department, 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. 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 research has focused on exchange rates, finance, optimal inflation, macroeconomic insurance, external debt, growth, trade, and firms' location choices.

**Raju Singh** is Lead Economist at the World Bank covering Central Africa. His current work focuses on applied political economy and natural resource management. Prior to that, he was Program Leader for Haiti at the World Bank and mission chief 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 finance, 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** worked most recently at the OECD as Head of Division of Country Studies in the Economics Department supervising projections and country studies, among others, Argentina, Brazil, Chile, Colombia, Iceland, India, Lithuania, Mexico, Russia, 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.

**Daria Taglioni** is the Manager for Trade and International Integration (DECTI) in the Development Research Group (DRG). She joined the World Bank Group in 2011 as Senior Trade Economist in the International Trade Department of the Poverty Reduction and Economic Management Network (PREM). Since then, she has held various positions and roles, including Team-Task Lead for the World Development Report 2020, Principal Economist in the International Finance Corporation, and World Bank's Global Lead on Global Value Chains. Previously, she worked as Senior Economist at the European Central Bank (ECB) and as Economist at the Organization for Economic Cooperation and Development (OECD). She has published in the American Economic Review, Journal of International Economics, and other scholarly journals. Her work has been featured in international media outlet such as the New York Times and Forbes. She authored various books on international trade. She is Italian and holds a PhD in International Economics from the Graduate Institute, Geneva.