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CCAMTAC-IMF ICD Webinar Discussion on Macroeconomic Frameworks / Financial Programming 2.0 (FP2.0)

Wednesday, May 19 at 7:00am (Washington DC time)

Moderator:

Fernando Delgado, Deputy Division Chief, Institute for Capacity Development

Presenters:

Andrew Berg, Deputy Director, Institute for Capacity Development, IMF

Holger Floerkemeier, Deputy Director, Joint Vienna Institute

Evan Tanner, Senior Economist, General Macroeconomic and Fiscal Division, Institute for Capacity Development, IMF

Well-developed, flexible and easily adaptable macroeconomic frameworks have become even more important during the current COVID-19 pandemic, which has raised questions about the near-term policy stance, medium-term macroeconomic developments, and about longer-term debt dynamics. Moderating the event, Fernando Delgado explained that capacity development in this area is relatively new in the IMF's range of assistance to member countries. While the Institute for Capacity Development has been providing training on financial programming for decades, and econometric modeling courses have been added to the course catalog, what is new is going one step further: Assisting member countries to develop their own macroframework or to build econometric models for macroeconomic forecasting and policy analysis. The webinar was targeted at senior managers and staff responsible for macroeconomic analysis, forecasting, macro-fiscal analysis, and forecasting and policy analysis systems (FPAS) from Central Banks, Ministries of Finance and Economy, and Statistical Agencies.

Andy Berg offered an overview of ICD's tools for capacity development, stressing that while all countries are different, they face common challenges. The approach ICD takes is to have a range of canonical or standard approaches. "It is not that one size fits all, but (like hats) a few sizes fit most", he noted. In catering to the growing demand for technical assistance on macro-frameworks, ICD is therefore developing a flexible customizable toolkit. Our revamp of traditional financial progamming (FP) approaches, which we callFP2.0 consists of four pillars, considering the needs and capacity of countries: (i) an Excel-based spreadsheet, mostly for judgmental projections supported by behavioral projection equations, (ii) a simple general equilibrium model with adaptive expectations, mostly for countries with pegged exchange rates, (iii) a semi-structural model, often used in countries with inflation targeting central banks, and (iv) a DSGE model for structural policy questions, successfully implemented for example in Georgia and Armenia. These pillars are complemented by near-term forecasting / nowcasting tools and an Excel-based tool for the analysis of longer-term debt dynamics. Each of these approaches and models has its advantages and challenges. Thus, while starting from a limited number of models and templates, the product is always tailored for the specific country context. While developing and customizing the tools are important steps, the positive impact will be only be felt if the analyses are integrated successfully into the policymaking process, reflected in a better analytical basis for economic policy decisions and policy making.

Evan Tanner and Holger Floerkemeier showcased with some concrete country examples how capacity development projects are implemented in this area. In Bangladesh the team started with the authorities' existing framework and helped to integrate further macroeconomic interlinkages and auxiliary projection equations to guide projections and allow for scenario analysis. In Uzbekistan, an initial focus was on the institutional set-up, including creating a core team of officials and strengthening coordination between macroeconomic policy institutions (Ministries of Finance and Economy, Central Bank, Statistical Agency). In both cases, close cooperation with the IMF country teams helped to foster integration between surveillance and capacity development. In sharing the authorities' perspective, Mr. Ilhom Umrzakov, Ministry of Economic Development and Poverty Reduction of Uzbekistan, confirmed the importance of creating a conducive institutional set-up for such a project and needed time commitment from the authorities.
Questions from participants included issues related to how to request technical assistance in this area, modelling aspects, and the appropriate institutional set-up, including whether it is better for each institution to have its own approach and model or to focus on a coordinated approach. A good entry point to discuss technical assistance needs and priorities is the IMF country team. There was agreement that there is no clear-cut answer on the best institutional set-up, which may be country specific.

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