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The Center for Economic Analyses (CEA) is a think tank of economists who share a common vision for the Republic of Macedonia as an emerging new European economy integrated into the regional and worldwide markets.

The Mission of CEA is to continuously research economic development and public policy in the Republic of Macedonia and to offer recommendations, suggestions and measures to the government and non-governmental institutions.

IMF Civil Society Program – October 2013

Organized by the International Monetary Fund and the World Bank
October 5 – October 12, 2013, Washington DC

Report prepared by Mr. Marjan Nikolov

BACKGROUND

The Civil Society Program was held from Monday, October 7 to Saturday, October 12, prior to and during the 2013 Annual Meetings of the International Monetary Fund (IMF) and World Bank Group (WBG). It was organized by the Bank and Fund Civil Society Teams, and brought together IMF and WBG staff, CSO representatives, government officials, academics, and others to exchange views and dialogue on a wide range of topics.

The CS Program comprised CSO Orientation sessions on the IMF and WBG, CSO Roundtable with Executive Directors, CSO Townhall and Reception with the heads of the WBG and IMF Ms. Christine Lagarde and Mr. Jim Yong Kim, and a Civil Society Policy Forum with around 60 policy dialogue sessions on such issues as climate change, fiscal policies, post-MDGs agenda, and safeguards. These sessions were organized by CSOs, WBG, and IMF individually or jointly. CSOs participated in the [Program of Seminars](#) and other high level sessions.

This report will present chronologically day by day the main activities the author had as per the program with highlights of what the author believes was relevant to CEA. This report by no means represents the views and opinions of any concerned institution but solely those of the author. Conclusions follow at the end of this report.

SUNDAY

Visiting the main attractions at the DC. Too bad the museums and parks are closed due to the US government shutdown.



The Lincoln Memorial

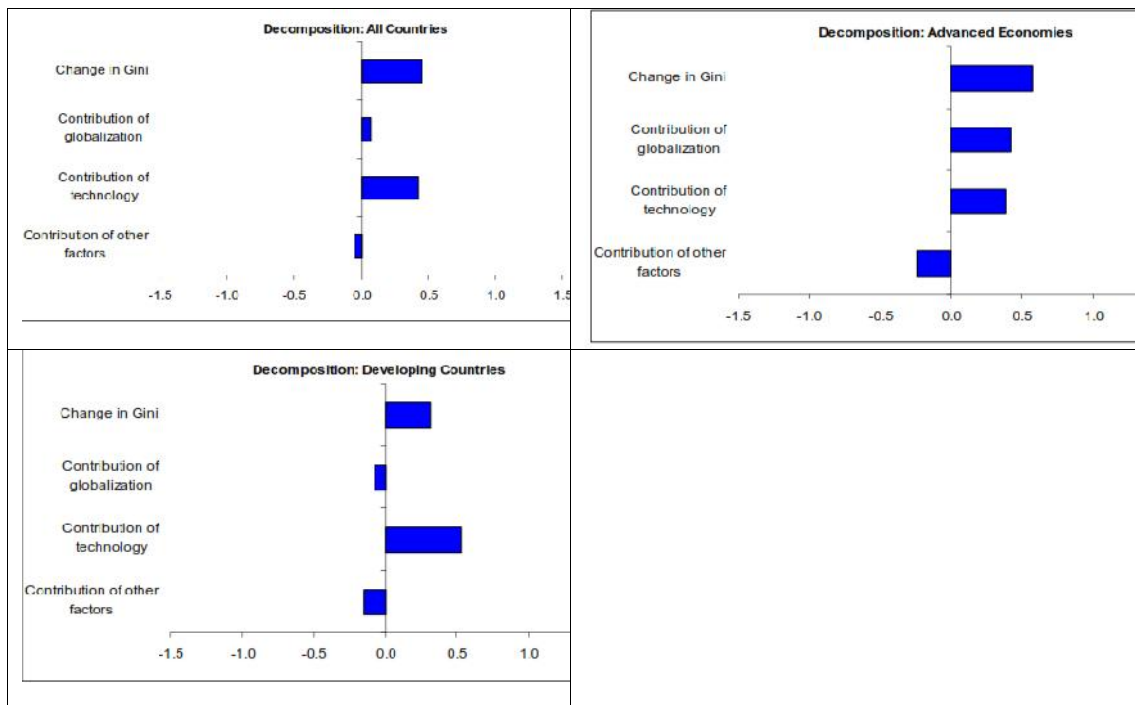
MONDAY

- Orientation session was organized focusing on the role of the IMF and Key Global Issues; Origin and mandate of the IMF; How the Fund works; IMF Management; Where Does the IMF Get its Resources? How does it lend the Money? Who are the beneficiaries of IMF work? How is the IMF refocusing? What are some of the issues that top the IMF agenda today? How is the Fund stepping up its global economic monitoring role to assist countries to anticipate looming problems and take early action to avoid crises?
- On the question related to the PCL risk insurance for the IMF, the IMF representative answered that it is the country's track record and the ex-ante assessment that IMF rely on when making the PCL arrangement decision. Macedonia was the first country to be allowed the PCL arrangement. More about the PCL see: <http://www.imf.org/external/np/exr/facts/pdf/pcl.pdf>. More about Macedonia and PCL see: <http://www.imf.org/external/country/MKD/index.htm>.
- IMF is ready to listen. The global financial crisis illustrated also that those big players that were already benefiting concessional access (not efficiently adjusted to risk) to capital markets before the crisis looks like have not learned the lessons yet. Namely, the era of cheap money (quantitative easing and unconventional monetary policies is the new language) looks like it continues and is endangering the global financial stability. IMF is in a difficult position on one side to say: enough of money printing and on the other side it is the pressure to the IMF from its "biggest shareholders". That is why it will be difficult for the IMF to achieve its: "the more multipolar global economy" milestone as well. The only suggestion from the IMF to the Central Bankers at the moment is: "Do the adjustment gradually".



The Arlington House

- What drives inequality? Results from a paper were presented where the relationship between trade and financial globalization and the rise in inequality in most countries in recent decades was examined. Findings are that technological progress as having a greater impact than globalization on inequality. A key finding is that both globalization and technological changes increase the returns on human capital, underscoring the importance of education and training in both developed and developing countries in addressing rising inequality.
- Certainly, it is interesting that the technology (measured as capital and ICT stock based on Fajnzylber and Lederman-1999) is the single variable that might on average worsen the inequality in developing countries whereas, private credit, education and sectoral employment can on average lead to less inequality.



Decomposition of the change in Income inequality overall, in developed and in developing countries. Source: Jaumotte, Lall, Papageorgiou (2008)

- Meeting with Mission Chief for Macedonia: Ms. Ivanna Vladkova Hollar and Mr. Marc Gerard-Economist to discuss the current developments in Macedonia.

TUESDAY

- A session to introduce the World Bank Group was organized to focus on the IMF and WBG (IBRD, IFC, MIGA) origins, organizational structure, major policies, and operational work, as well as on the WBG's compliance mechanisms.
- The elusive quest for growth¹. It was presented at the World Bank orientation session how the bank was evolving in the quest for what drives the economic growth.

50s – physical capital	90s – human capital
60s – natural capital	00s – institutional capital
70s – human capital	10s – environment/global public good
80s – financial capital	20s - ?

The table from above looks logical and it reflects the priorities for development of average OECD country but what about less developed world? How can the intertemporal mismatch be addressed in these countries? Namely, it would be difficult to make a priority for financial capital development and openness in a country that is less developed and have much lower physical capital than a country that is ready to talk about financial capital development and openness for example.

- Strengthening fiscal transparency and government accounting. The new Fiscal transparency code and its application to Ireland were presented. It all goes back to the basics of timeliness, scope, relevance, reliability etc. of budget and budget process and how to improve the PFS and PFM in a country to meet these basic standards.
- Meeting with the IBP. Center for economic analyses – CEA cooperates with IBP in preparing the OBS for Macedonia. More about the OBI ranking of Macedonia can be found at: <http://www.cea.org.mk/documents/OBI2012-MacedoniaCS-English.pdf>.



Mr. Marjan Nikolov, President of CEA and Mr. Michael Castro from the IBP

WEDNESDAY

- A welcome breakfast was organized to meet the Fund and Bank Civil Society Team staff, learn about Spring Meetings policy agenda and activities such as the CS Forum policy sessions, CSO Reception, and other high-level events, as well as discuss meeting logistics.
- Panel: Real Costs of Coal and Lessons from the Tata Mundra Coal Power Plant.

¹ Expression first used by W. Easterly in his book from 2001 talking about the adventures and misadventures of economists on the economic growth topic.

- The importance of good EIA, Social study and Communication strategy in infrastructure projects. The cost of coal event presented the Tata Mundra power plant project controversy that goes on also to the bottom of the global oligopoly of coal producers, controversy over coal price, controversy over power tariff, misplaced poor people and to the essence about who speaks on behalf of poor people. It is also a story about the urgent need of fast growing countries to provide its citizens with cheap electricity. Certainly, a lessons learned story.
- The panel session to present the new fiscal transparency code. It was brought to attention to the FAD representative of the IMF that what is most important for the citizens is: How to transfer i.e. what are the mechanisms to transfer higher fiscal transparency toward more accountability from national governments? The fiscal transparency is not a goal but a tool to achieve accountability. If the fiscal transparency is relatively achieved but there is a lack of accountability, IMF should be able in its new manuals, metrics and methodologies to pick up on that.
- Townhall meeting with heads of the WBG and IMF Ms. Christine Lagarde and Mr. Jim Yong Kim. Main points from the discussion:
 - o WB: end poverty by 2030 but only if countries grow economically at best rates they were growing in the last 20 years. A big challenge and too optimistic. Potential instrument is the: "Inclusive growth".
 - o IMF: "flexible, focus, service-guiding principles" of the IMF. Still there is a need to be explained better what these principles mean in practice and how to streamline them in the IMF's organizational structure up to viable national policies.

THURSDAY

- CNN global economy event. Richard Quest, International Anchor, CNN was moderating the event. See more at: <http://www.imf.org/external/am/2013/seminars/cnn/>.

FRIDAY

- Plenary session
- I am Malala. What can one say about the misfortune of a girl being shot in the head just because she wanted to educate herself? The girl is Malala Yousafzai 16 years old. World was expecting her to be nominated Nobel peace prize that do not happened. However, during the "I am Malala" event Mr Kim, the WB Head, announced that the WB will contribute \$200,000US to the Malala fund.



Ms. Malala Yousafzai

SATURDAY

- Meeting with Mr. Nichola Dyer Country Program Coordinator the World Bank for Western Balkans and Southeast Europe.

CONCLUSIONS

IMF and World Bank in a way recognize (at least at the top management level) that there is more than just economics in human lives. Human life is complex and sometimes economic efficiency doesn't have to do anything with happiness and morality issues of human lives for example. There is a new "language" that might involve the morale aspects of IMF and WB policies, like the use of and more emphasis to inclusion from the World Bank and thus, inclusive growth, clear objectives toward fighting poverty and even recognition that inequality slows growth. On the IMF side it is a bit more blurred but the General Manager of the IMF is trying to explain the: "Flexibility, focus and services" as a guiding principles for IMF.

There are risks to implement this new paradigm in the up-to-bottom management structure of the Bretton Woods Twins and there might be new "management" instruments needed to achieve the goals of the new paradigm. The sizable number of employees (IBRD, IDA, IFC, MIGA, ICSID) in the World Bank for example and the around 2,400 in the IMF organization with different attributes, culture and structure at the local offices will need time to first accept the new paradigm then to get use to listen to CSO, businesses and citizens instead of governments only and finally to implement the new paradigm with still awaited new instruments.

New paradigm requires also new "technical" instruments. IMF introduces a new Fiscal transparency code and already have implemented it to couple of countries (Ireland case was presented). However, the session with the CSOs clearly illustrated that there might be risks in achieving the goals of establishing the code if the IMF does not as well operate more transparently for example regarding interacting with governments and exposing to the public at least minutes from such a discussion. The case of the CSO from Egypt clearly illustrated that the government of Egypt was misreporting its citizens about the new IMF-Egypt arrangement. The case of Dominican Republic clearly presented how a country might have all the laws related to proper PFM and PFS but still to generate 8% budget deficit in just few months before elections provoking the establishment of the movement "Fiscal Justice" in the Dominican Republic. It is difficult to design a metric that will capture such obvious bad governance but that is the price and the challenge of the IMF and the FAD Department to listen to the CSOs and to be more open to the governments if it wants to increase its credibility before the citizens. This is how I see the IMF's "Flexibility, focus and services" principles in practice.

IMF and World Bank will continue with the paradigm that the key human life anchor is the economic growth. With all the risk for me to generalize I can see that the economic growth is seen as a solution to all the problems of humans in the Planet. Instead of treating it as a metric of certain economic activity with all the drawbacks that that measure have from at least measurement consistency across countries point of view up to the causality problems during estimations. Instead of recognizing that economic growth do not measure important facts of life for humans like household work, pollution and other externalities; economic growth is seen as savior from poverty, inequality, unemployment. Many statements can be reconsidered. For example, why it is suggested to countries to increase food production (thus, higher agriculture production=higher economic growth) when we know it is a fact of life that a huge fraction of food is thrown away as waste (not calculated in GDP growth)? Certainly, it is the redistribution and the supply chain that generates the problem and not the economic growth "per se" in the food sector even when

there are cyclical imbalances. It looks like the economists have lost down the road the main definition of the economics: It is about the scarce resources and managing them efficiently.

Perfect organization of the event by the WB and IMF teams and always accessible staff from the WB and IMF. Given the scale of the event, the number of the participants, the logistical and organizational challenges for organizing an event of this scale and its importance I would like to congratulate the IMF and World Bank team for everything being on time and by the numbers for the CSO participants.



From left to right: Mr. Joaquim Dai from Mozambique-Chair of Mozambican Association of Economist, Mr. Marjan Nikolov-President of CEA, Mr. John Garrison Sr. Communication Officer at the WB

Relevance to the CSO sector. The invitation to attend the Annual meeting of the WB and IMF itself and even more the participation is recognition and a credit to each CSO worldwide that they add value to the solutions related to the global processes, exercise leadership and are credible partners. Besides the trivial networking a CSO have the opportunity to get the sentiment of the top management of the Twins that sometimes is difficult to get from the proper offices in their countries. Many of the prejudices can also be reduced and overcome. The more technical discussions are priceless for research think tanks that use the many manuals and guidelines and apply them in their countries. CEA is surely looking forward to further study at least the new fiscal transparency code of the IMF.