

# **JVI 20<sup>th</sup> Anniversary Conference**

## **JVI Training: Lessons from the Past Twenty Years**

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# Overview

- Questions
- Analytical perspective
- Two phases of JVI training
- Advantages of training model
- Challenges

# Questions

- **Narrow remit**
- **Assess JVI curriculum** in light of the profound changes that have taken place around the world and in the countries served by JVI
- **Identify areas** in which JVI has been **successful**
- **Draw lessons** regarding **content and delivery modes**

# Background

- You are all familiar with this stuff but it is useful to begin by recalling some **initial conditions**
- The **institutions of central planning** were ill suited for reforming transition economies (Gelb, Sahay-Fischer)
- **Incentives matter** but so does **behaviors, habits, culture, organizational ethics** (Dixit, Shleifer)
- **New institutions were needed**, but these take time to build, require trained workforces, change in people, attitudes. **This requires a lot of training!**

# Stylized Facts about JVI training

- 29,000 officials, 1102 courses, 57,218 JVI participant weeks amounting to about 3,200 years of “university” schooling.
- 89 percent of participants during 1992-2011 came from EBRD member countries.
- Based on 26.5 participants per course on average, average course length of 1.8 weeks, seven hours of instruction a day.
- Rigorous selection process, target counterparts of area department and TA missions. Transatlantic operation.
- Evens playing field: familiarizes officials with language, analytical frameworks of training-providing institutions.
- Helps raise human capital of officials (portable), possibly TFP of country (if it has impact on policy making, institutions).
- Small social program, promotes understanding of Austrian institutions, culture
- Frontier of growth literature: Aghion emphasizes role of culture on growth.

# Growth and Human Capital: the JVI effect

- Lucas (1988): two models linking human capital to economic growth, persistent cross-country income differences
- One based on education, other Learning By Doing (LBD) based on Arrow (1962). Lucas prefers LBD.
- Training is formal education but closer to LBD than schooling.
- Heroic attempt at quantification based on Mankiw-Romer-Weil (1995), Gylfason-Hochreiter (2007):

$$Y = AL^{1/3}H^{1/3}K^{1/3}, \quad \frac{Y}{L} = A\left(\frac{H}{L}\right)^{1/3}\left(\frac{K}{L}\right)^{1/3},$$

- Mincer equation: a year of schooling raises wages by 10 percent

$$\frac{H}{L} = e^{0.1u}$$

- Marginal effect of schooling

$$\frac{\partial \ln\left(\frac{Y}{L}\right)}{\partial \frac{JVI}{L}} = \frac{\partial \ln A}{\partial \frac{JVI}{L}} + \frac{1}{3} \frac{\partial \ln\left(\frac{H}{L}\right)}{\partial \frac{JVI}{L}} = \frac{\partial \ln A}{\partial \frac{JVI}{L}} + \frac{1}{3} * 0.1 * \frac{\partial u}{\partial \frac{JVI}{L}}$$

# Some Arithmetic

- JVI training conservatively equivalent to 3200 years of schooling
- Population of EBRD countries during 1992-2010 (19 year average) is 474 million people
- JVI training amounts to  $3.2 \cdot 10^3 / 474 \cdot 10^6 = 0.00000675$  years of extra schooling per person.
- Apply Mincer: impact on GDP per capita (lower bound):  
 $0.1 \cdot 0.33 \cdot 0.00000675$
- Cumulative (19 years) GDP per capita is  $\text{US\$}7,058 \cdot 19$ , or  $\text{US\$}134,102$  (2000 prices).
- JVI training must have raised GDP per capita by  
 $(0.1 \cdot 0.33 \cdot 0.00000675) \cdot (\text{US\$}134,102) = \text{US\$}0.0299$  .

This is 2.99 cents per person, or  $\text{US\$}14.17$  million (in 2000 prices).

# Phase I: 1992-2001

- Fairly **uniform** training needs across JVI target countries in a setting in which officials had generally low levels of understanding of economics
- Training focused on **foundational material**: basic applied macro and microeconomics, labor, trade, ...
  - *Basic Economics, Market Definition, Applied Market Economics*
- **Focus on Macroeconomics**: need to understand sources of macro instability of early phase, design policies to restore macro stability
  - Monetary Policy (interest rates and inflation: **Taylor rule on its head**)
  - Public Finance, Principles of Budgetary Policy (**revenue v. financing**)
- **Personal reflection**: Two FAD courses in 1997-98: expenditure policy and social safety net design. **Closely tied to TA missions.**



# Phase II: 2000-present

- **Rising** educational, linguistic **attainment** in core JVI countries, **greater differentiation** in economic, political development, **EU integration**
- **Greater differentiation in training needs:**
  - “Advanced” CEE
  - South-Eastern Europe
  - Russia, Ukraine
  - Caucasus and Central Asia
- **Rising training sophistication expectations:** policy, technical courses
  - **Forward-looking monetary policy analysis**
  - Macro-forecasting methods
  - **Finance courses**
  - Macro-financial issues
  - Fiscal Policy

# Crisis and Expansion

- **Crisis of 2008-09** led to greater IMF involvement in core JVI region and to rising demand for training
- **JVI Expansion.** Decision to expand training. Course weeks up by about 40 percent between 2009-12: extra classroom, resident economics faculty
- More **staples**, including *Financial Programming and Policies*, *Macroeconomic Diagnostics*, *Macro forecasting*
- **Specialized Courses** dealing with **external** and **fiscal** vulnerabilities:
  - Macro-financial linkages (Economic Policies for Financial Stability, External vulnerabilities and Early Warning, Macroeconomics with High Capital Mobility)
  - Macroeconomic and Fiscal Management and Policy, Sound Fiscal Institutions, Macroeconomic Management and Natural Resources
- **Emerging Issues:** Restoring Inclusive Growth and Competitiveness

# Collaboration

- **Collaborative courses** on the rise:
  - Primary members and JVI
  - Contributing members and outside users
  - WBI and Austria, JVI and Bank of England
- Some **JVI training outside Vienna**:
  - Poland High Level Conference; Belarus FPP;
  - Collaboration with Center for Excellence in Finance (Slovenia)
- Bolster JVI impact: **Special Events, Outreach, Networking**:
  - Vienna Initiative, events for staff based in region,...
  - Public Lectures, Annual Lecture, WEO, REO presentations,...
  - Contacts, seminars, exchanges with Austrian think tanks, universities
  - JVI alumni network

# Advantages of hub approach

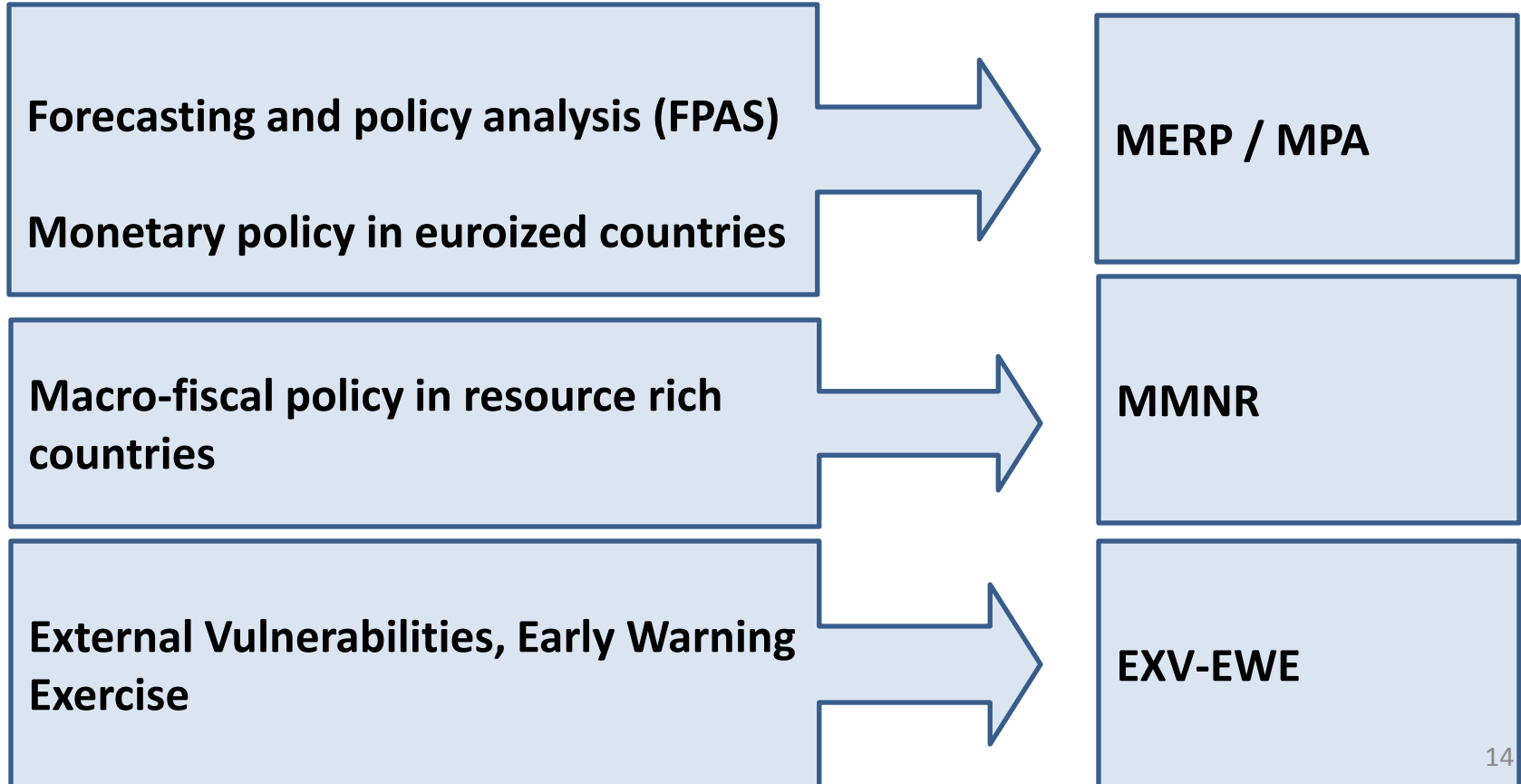
- Facilitates synergies by bringing together different training providers
- Ensures secure funding from Austria, recently expanded
- Saves on costs, raises effectiveness: first rate facilities, streamlined selection, course administration
- Permits long-term planning of curriculum development

# Intangible benefits

- **Peer to peer learning** of analytics, practical work in intensive workshops
- **Mutual understanding:** trainers interact with officials in relaxed, non-confrontational settings facilitates mutual understanding, long term relationships with officials
- **Revelation of demand:** informal exchanges help in policy dialogue and facilitates revelation of demand for training.
- **Socialization:** bringing together officials from different ethnic, cultural backgrounds in neutral settings helps overcome various barriers

# Advantages

- **Synergies between Training, TA and Surveillance:** some connections are there and easy to see...

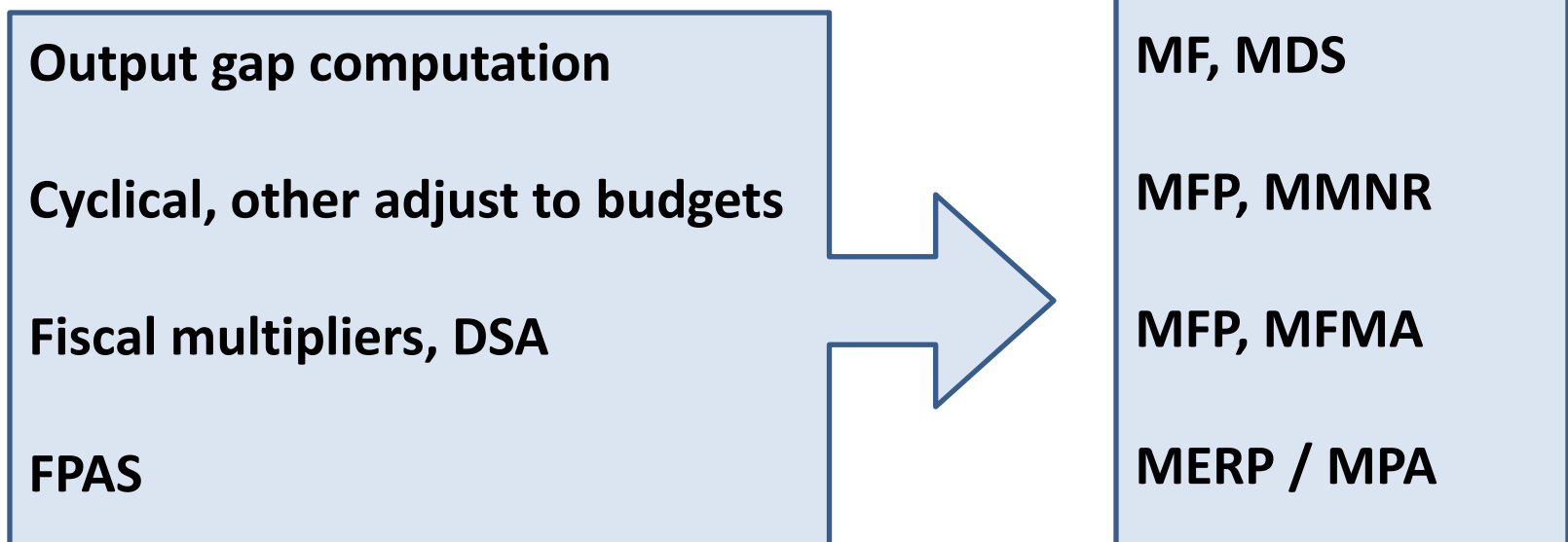


# Challenges

- **Potential drawbacks of existing training model:**
  - **Participant selection:** *some countries do a good job identifying participants; others need to do better filtering nominations*
  - While useful, **course evaluations** do not measure **impact**
  - More **systematic thinking, inputs of stakeholders** needed to assess, raise impact
- **Tweaking the training model:**
  - Is training agenda sufficiently demand-driven? Scope for more connection with country needs, coordination on ground.
  - Two-three officials per country, less scope for specialization and targeting to national and regional needs

# Challenges

- Greater scope for holding more **targeted national, regional courses**
- ICD-JVI does some of this already: **National FPP, outreach** for Belarus
- But we need to do more to meet *known* demand.
  - **National Bank of Albania**: training on output gap computation: need macro-forecasting course, with IMF area dept participation
  - **Central Bank of Russia**: training to build capacity of new Financial Stability Dept





# Challenges

- **Training component in emerging TA demand** from crisis countries.
- **How to engage the southern periphery?**
  - At the JVI? With the “transition” countries or separately?
  - Made a start with SFI. But need more courses: on **competitiveness, labor markets, inclusive growth, trade...** Working on it.
  - Stakeholders, including the **WBI, OECD and European Commission**, will need to come up with a **coordinated approach** to capacity development for crisis countries. **JVI well positioned** to play an important role in meeting this challenge.
- How to meet **emerging NICs** (Slovakia, Poland) with others?
- Overarching question: How to ensure that skills of officials being trained at the JVI are transplanted to their units, departments, agencies. **Peripatetic training? Pre- and post-TA training?**