

INTERNATIONAL MONETARY FUND

SOUTH ASIA'S PATH TO RESILIENT GROWTH



**ASIA AND PACIFIC
DEPARTMENT**

ENHANCING MACRO-FINANCIAL MANAGEMENT

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Session 1: Based on Chapters 11-13

JANUARY 6, 2023



Outline

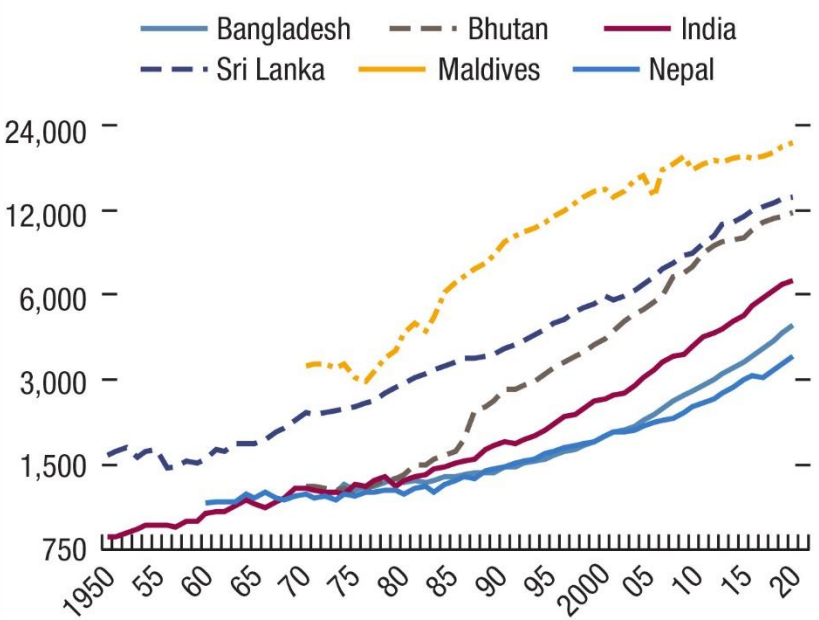
PART III. ENHANCING MACRO-FINANCIAL MANAGEMENT

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South Asia: Longer-term Progress

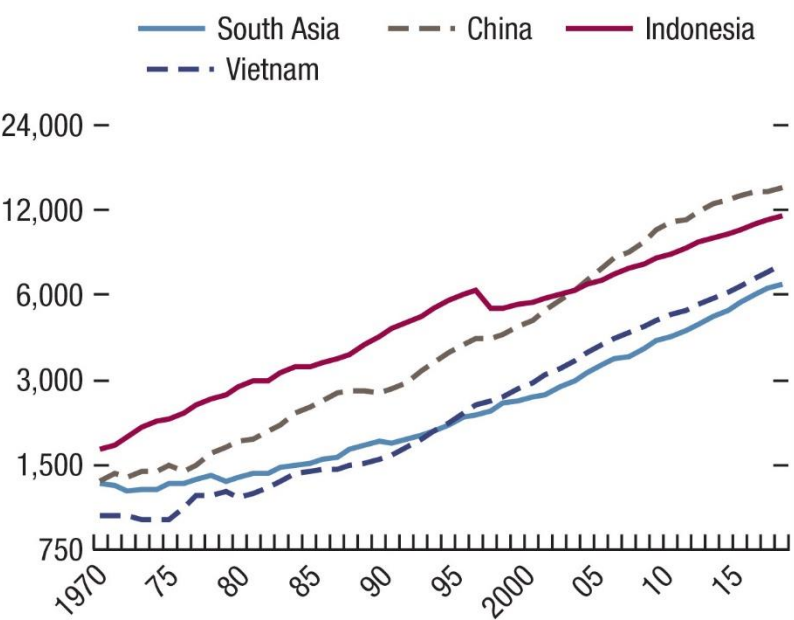
Strong Growth (Constant US\$, log scale)

1. GDP Per Capita in South Asia



Trailing Some Peers

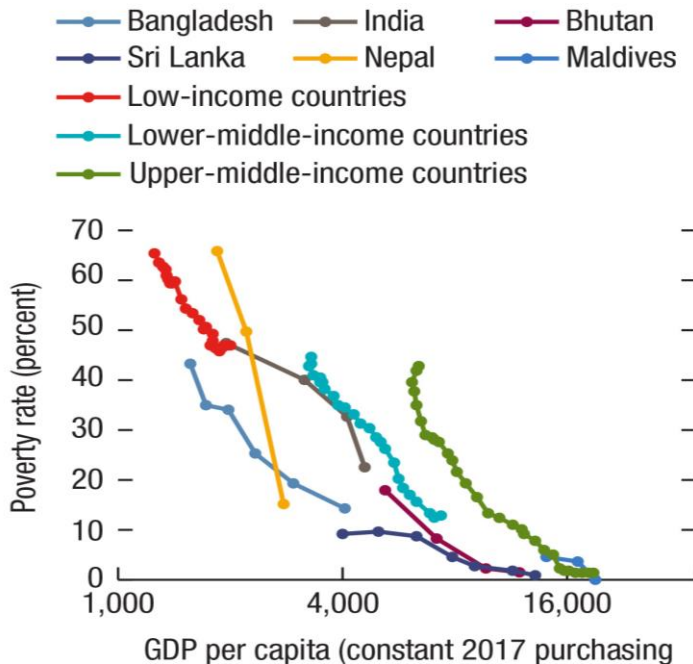
2. GDP Per Capita in Asian Peers



With Substantial Poverty Reduction

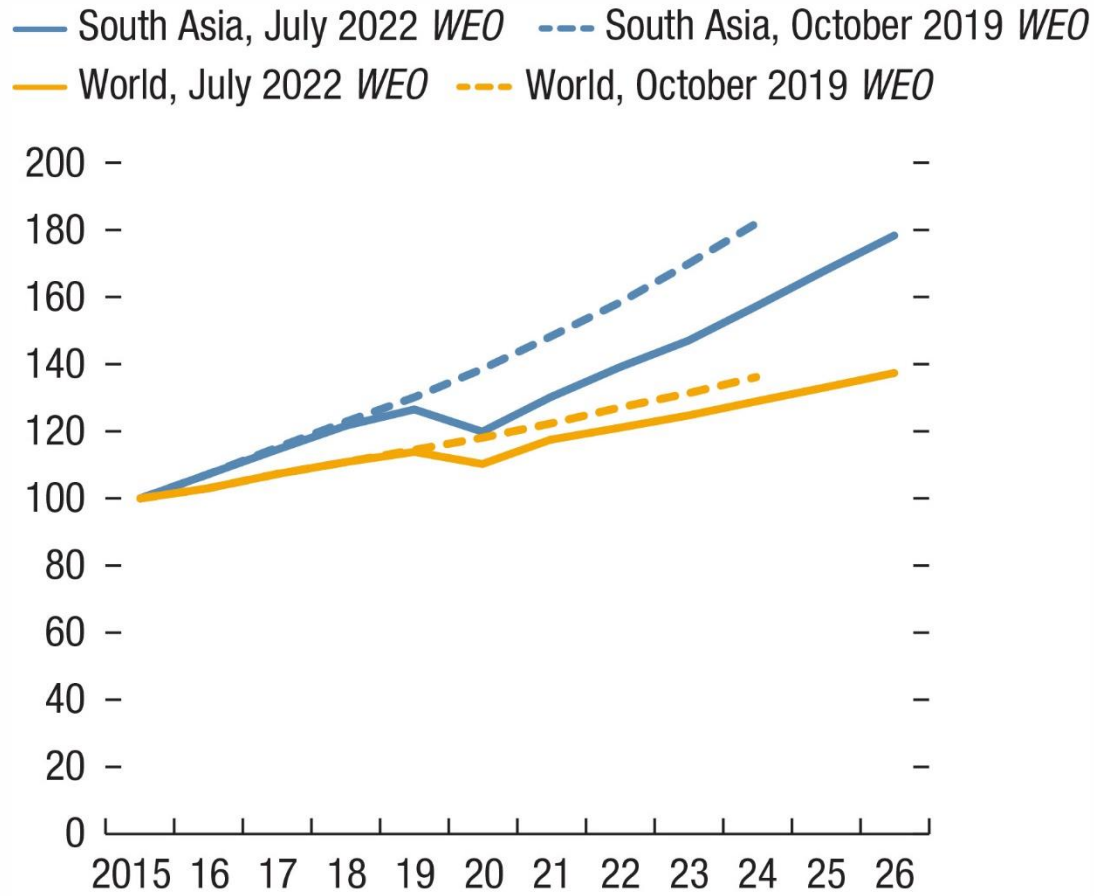
4. Poverty Rate

(Percent of population)

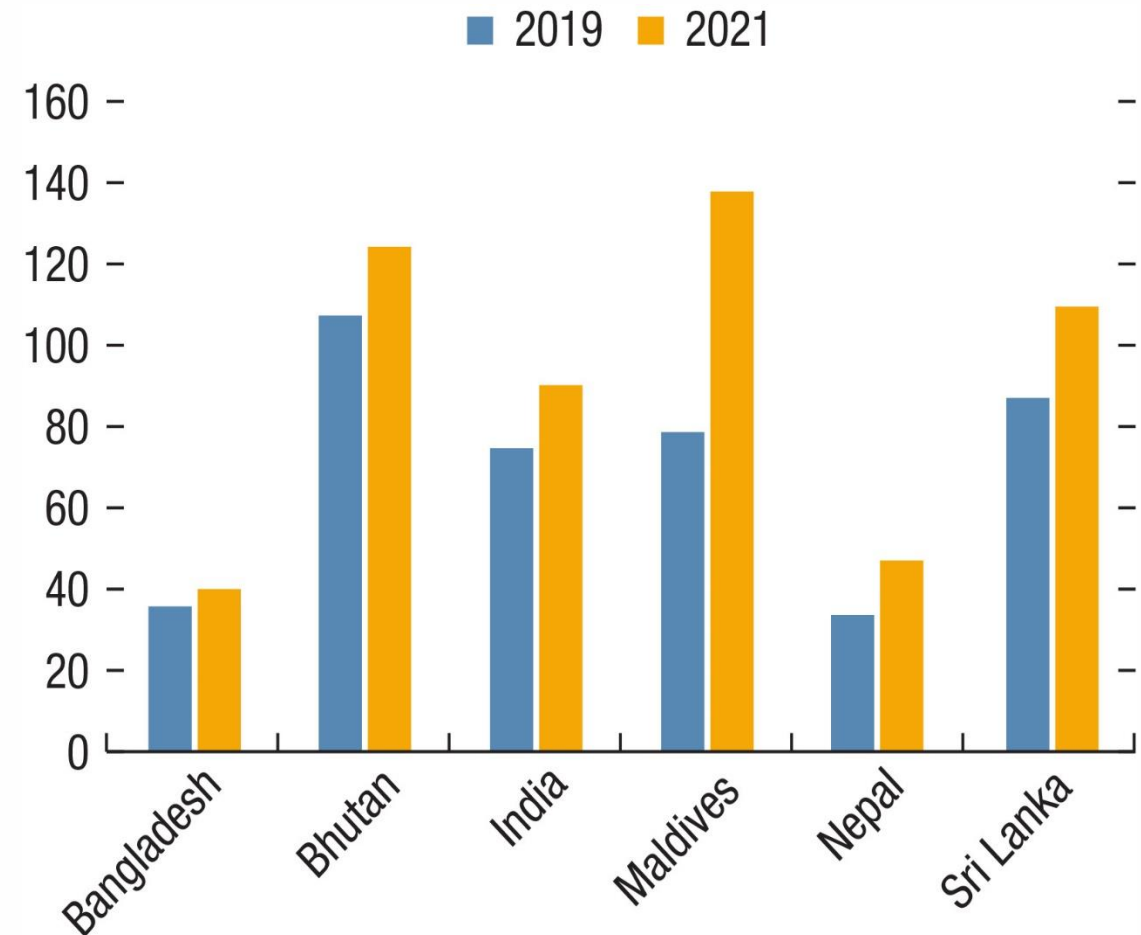


Impact of COVID-19 and other Shocks

Scarring Effects



Large Increases in General Government Debt



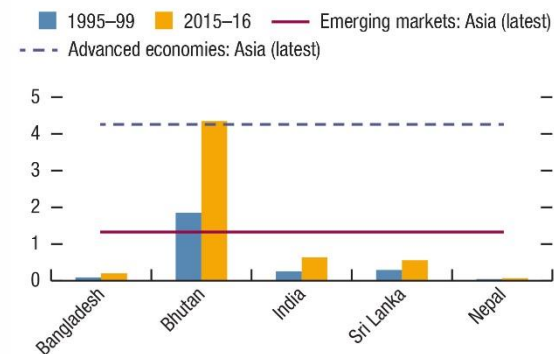
Need for Sustainable Macro-Financial Policies

- Fiscal policies: growth friendly, while maintaining/restoring sustainable public debt
- Monetary policies: price stability, consistent with other objectives such as financial stability and sustainable economic growth
- Financial sector policies: financial stability, development, and inclusion, supportive of resilient growth

Scaling Up Infrastructure Investment: Quantity and Quality

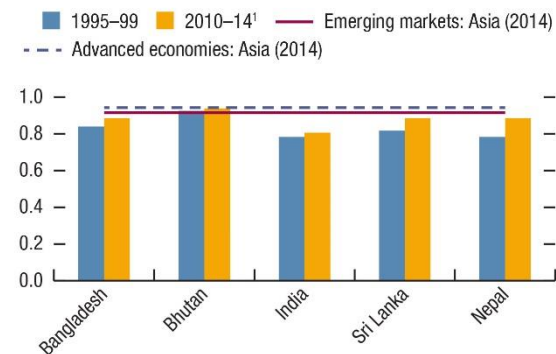
1. Electricity Generating Capacity

(Megawatts per 1000 workers)



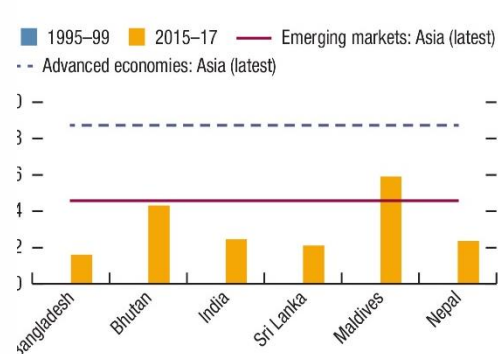
2. Electricity Transmitted and Distributed to Consumers

(Percent of total production)



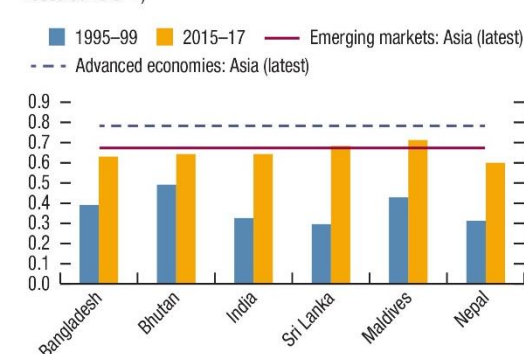
Internet Access

(Percent of households with internet access)



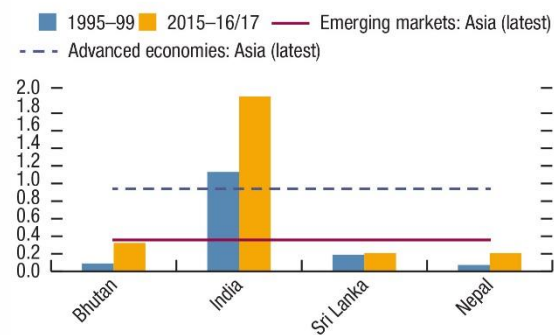
6. Internet Service Quality

(International Internet bandwidth per user, bit/s, rescaled to 0-1)



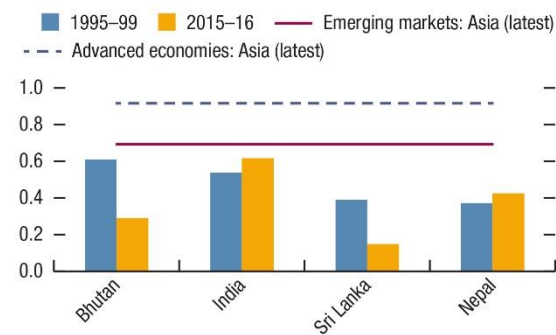
3. Road Length

(Kilometer per square kilometer of land area)



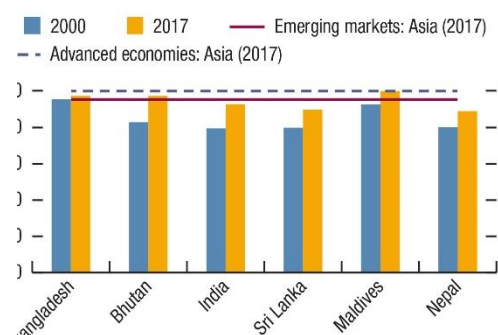
4. Road Quality

(Share of paved road to total road length)



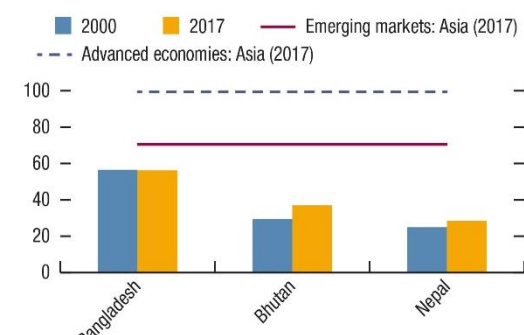
Access to Water, At Least Basic

(Percent of population)



8. Access to Safely Managed Water

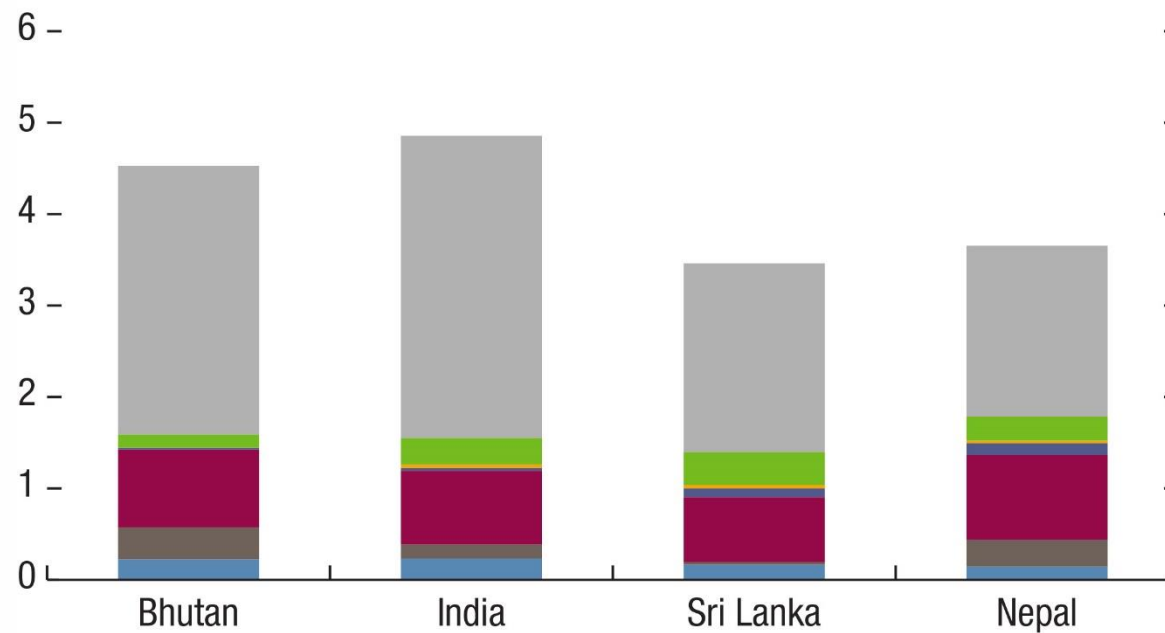
(Percent of population using improved water supplies)



Contribution of Infrastructure Development to Productivity Growth¹

(Annualized average in percentage points)

■ Utilities, quantity ■ Transportation, quantity ■ Telecommunication, quantity
■ Utilities, quality ■ Transportation quality ■ Telecommunication, quality
■ Others



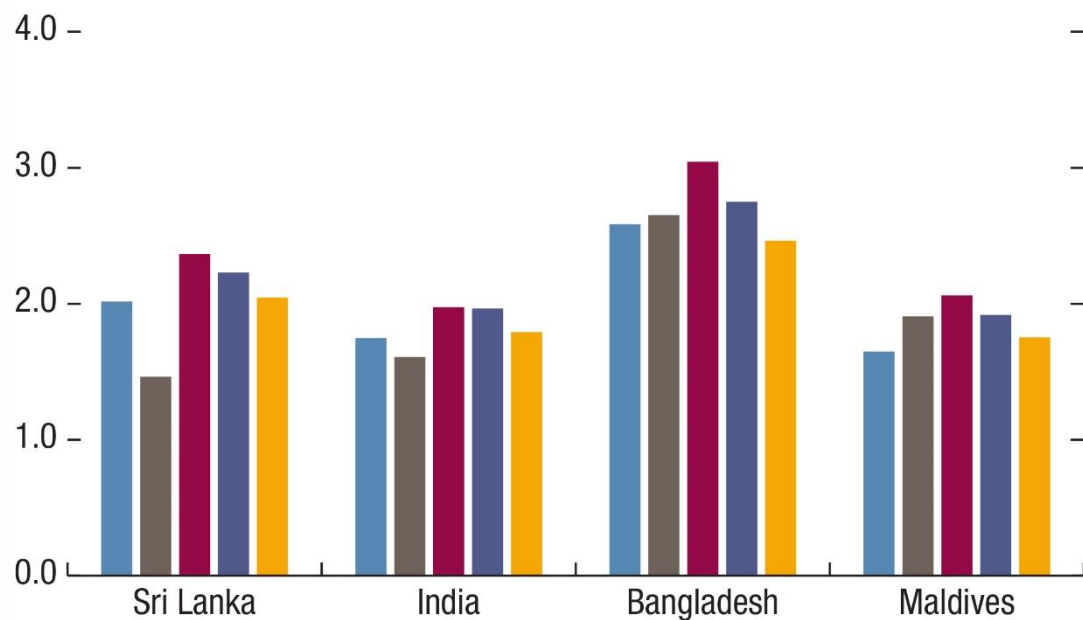
¹ Also see Chapter 9.

Financing Options for Infrastructure

Impact of 1 percent of GDP Higher Public Investment on Real GDP, Year 10

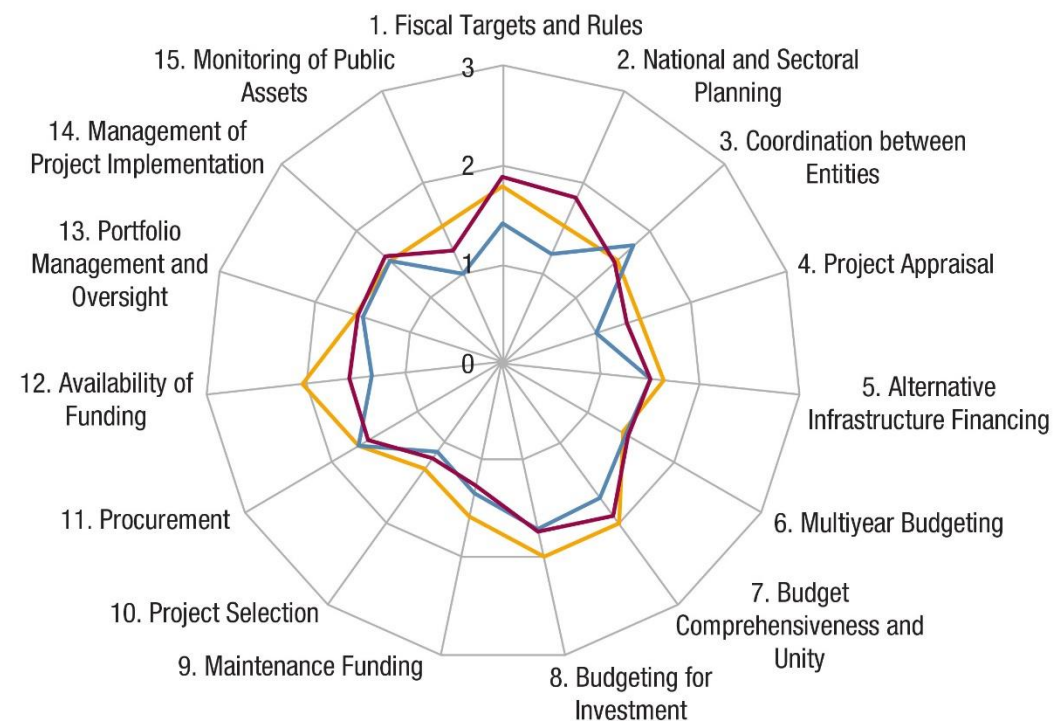
(Percent deviation from control)

- Financed by consumption tax (option 1)
- Market financing (option 2)
- Concessional financing (option 3)
- Private-public partnerships (baseline efficiency, option 4a)
- Private-public partnerships (lower efficiency, option 4b)



Public Investment Management Assessment (PIMA) Scores by Dimension

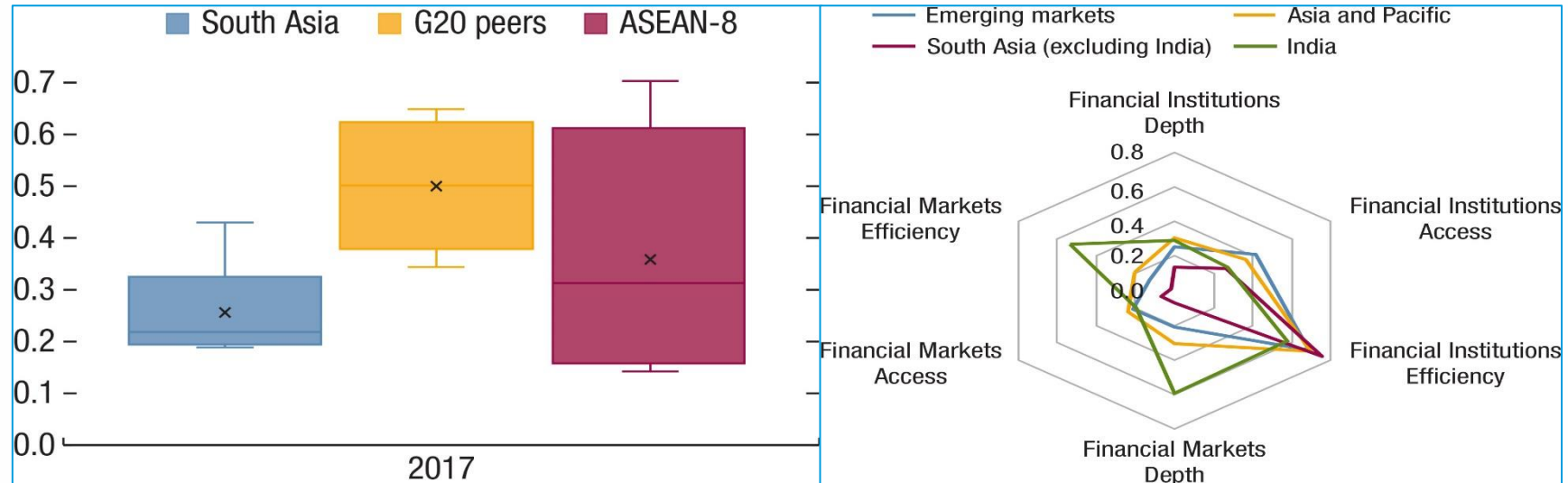
- South Asia (n=3)
- Emerging markets (n=30)
- Low-income developing countries (n=28)



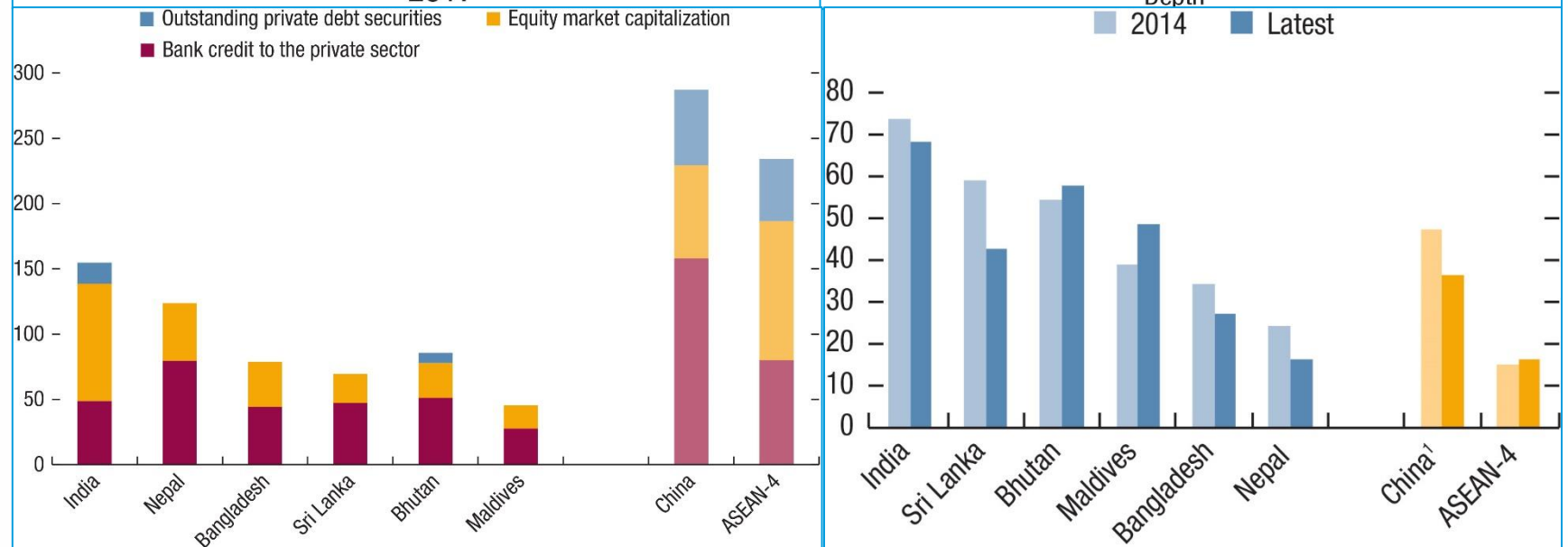
Modernizing Monetary Policy Frameworks – Chetan Ghate

Financial Development

IMF's Financial Development Index and Subindices

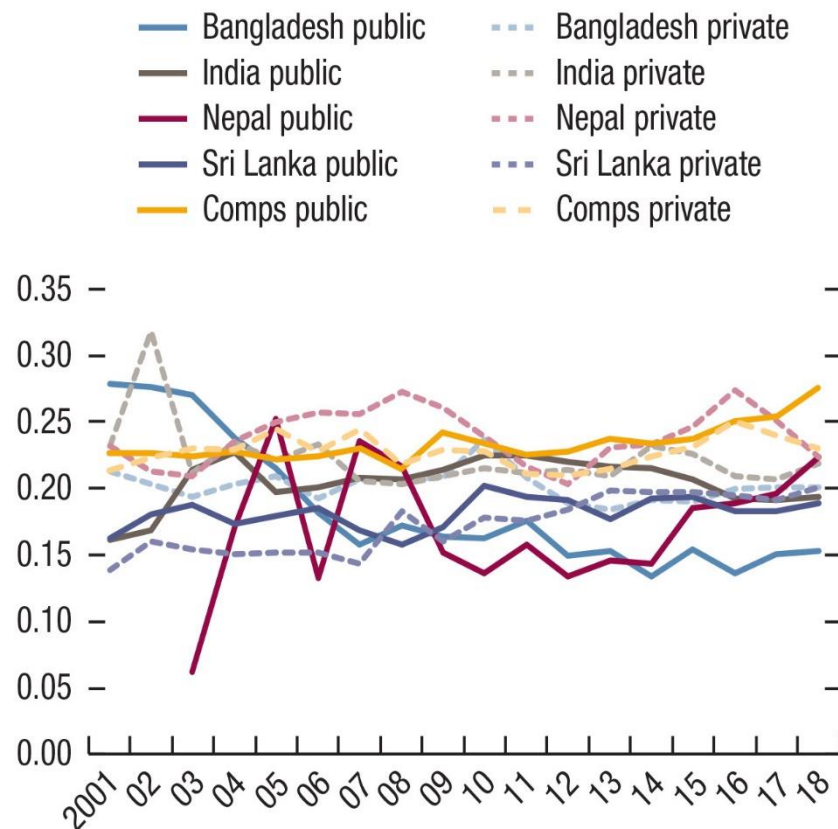


Financial Depth (Percent of GDP) & Share of Public Sector Banks (Percent of total bank assets)

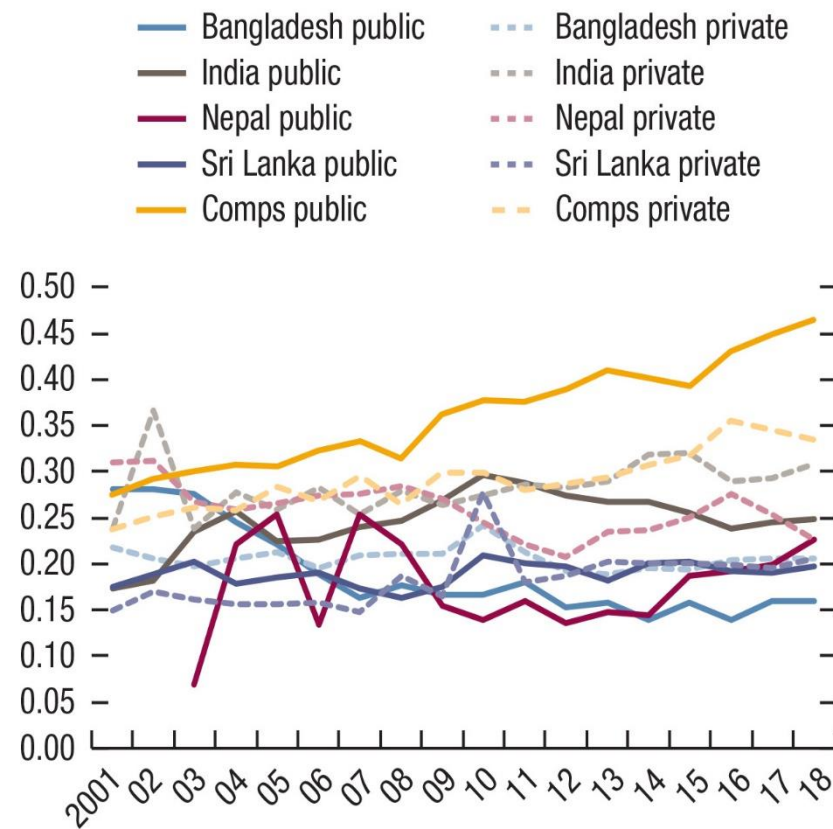


Bank Efficiency (Data Envelopment Analysis)

1. Technical Efficiency of Banks, by Ownership

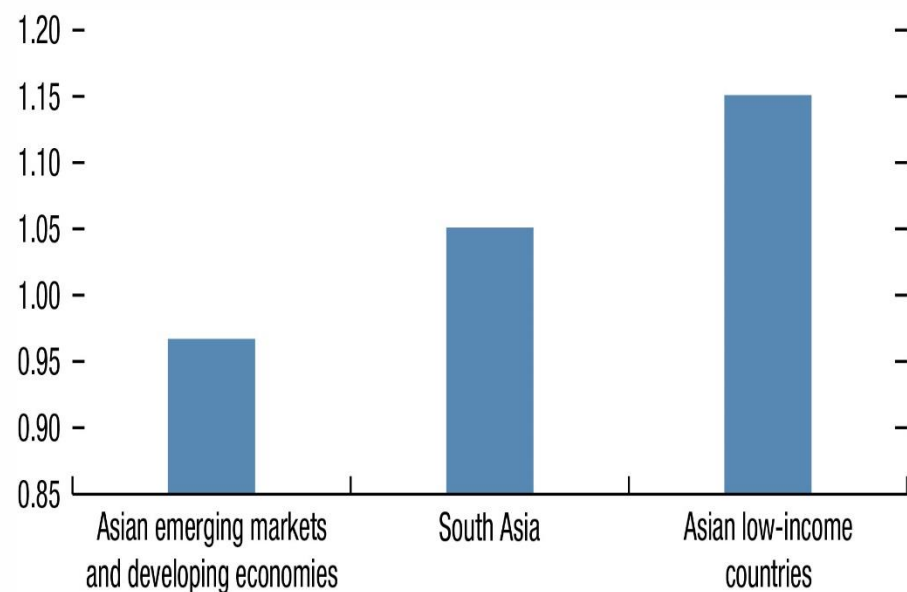


2. Pure Technical Efficiency of Banks, by Ownership

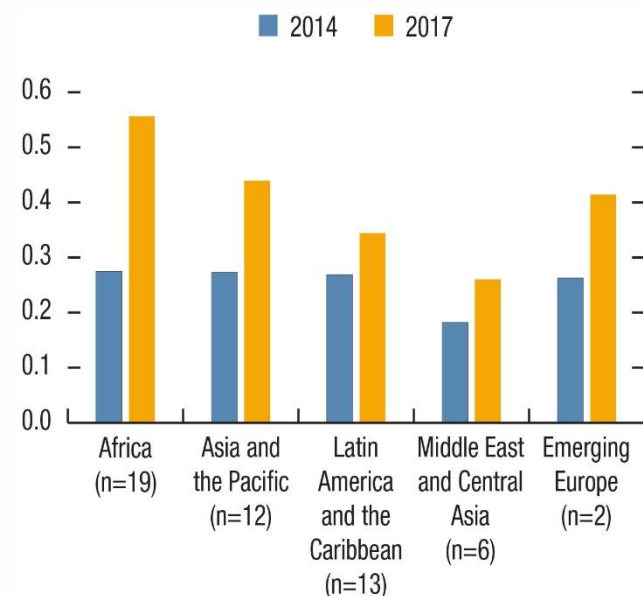


Potential Gains from Improved Financial Inclusion

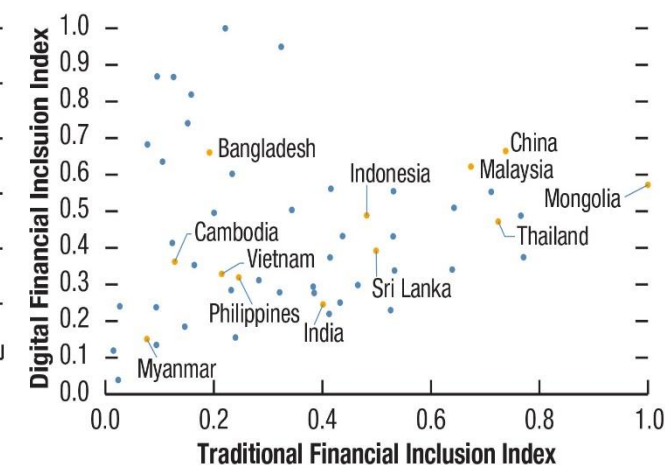
Effect of Financial Inclusion on Growth
(Percent, Closing gap to Frontier)



Digital Financial Inclusion Index



Traditional vs. Digital Financial Inclusion Index (2017)



Discussion Topics

- What macro-financial policies are needed for South Asia to promote resilient growth?
- How much fiscal space do South Asian countries have and how best should that space be used?
- What are the monetary policies that are needed to restore price stability given global inflationary trends? How should monetary frameworks be adjusted over the medium to longer term?
- What are the financial sector policies that are needed to support stability, development, and inclusion in the post-pandemic environment?

Thank you!