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MACRO RESEARCH FOR DEVELOPMENT
An IMF-FCDO Collaboration



[Article IV Consultation for Guinea: Macro-Inequality Impact of the Simandou Project](#)

During an Article IV Consultation for the Republic of Guinea (from January 29th to February 14th, 2024), the IMF team presented A. Badel's ongoing research on the macro-inequality impact of the Simandou project, a large mining project in Guinea. The research concludes that the project's success in boosting growth, reducing poverty, lowering inequality, and addressing climate change is heavily dependent on proactive government policy, particularly in infrastructure and education. Without such policies, the impact of the project would have been much limited.

The findings were well-received by key stakeholders, including government officials such as the Minister of Economy and Finance, the Minister of Planning and International Cooperation, and the Governor of the Central Bank. The study received similar positive feedback from IMF management and the company in charge of the Simandou project.

The research also helped extend the capabilities of the Multi Sector Incomplete Markets Macro Inequality (MIMMI) App, a product of the IMF-FCDO Macro Research for Low Income Countries program. The MIMMI App is available for IMF staff and external users.

In addition to the upcoming working paper, this research is expected to be published as a Special Issues Paper (SIP) and to be considered as an important input for a roundtable at the next IMF Annual Meetings.

[Addressing the Hidden Dimensions of Poverty in Knowledge and Policies](#)

On February 15th, 2024, the Research Department of the IMF, together with the International Movement ATD Fourth World, and the World Bank Poverty Global Practice, organized a conference titled 'Addressing the Hidden Dimensions of Poverty in Knowledge and Policies'.

The conference drew on research from a multi-year project by the International Movement ATD Fourth World, in collaboration with Oxford University across Bangladesh, Bolivia, France, Tanzania, the United Kingdom, and the United States. This project integrates insights from action-based knowledge, academic research, and lived experiences of individuals facing challenges associated with poverty, offering fresh perspectives on its multidimensional nature. The conference brought together academics, practitioners, and researchers to discuss how to make further progress in poverty measurement, policy, training, and action.

Highlights from the conference include a keynote address by Ester Duflo (Professor, MIT - Massachusetts Institute of Technology), titled 'Evaluating the Impact of Anti-Poverty Policies: The Value of Multiple Approaches', the presentation of the Instrument for the Deliverative Elaboration and Evaluation of Policies (IDEEP) tool, and a roundtable with Martin Kalisa (Deputy Director, International Movement ATD Fourth World), Ceyla Pazarbasioglu (Director of Strategy, Policy, and Review, IMF), and Olivier De Schutter (Special Rapporteur, United Nations), among others. The agenda of the event and recordings can be found [here](#).

How Do Transaction Costs Influence Remittances?

Published in [World Development](#) by K. Kpodar and P. Imam, this paper investigates the elasticity of remittances to transaction costs using local projections and a new quarterly panel database on remittances.

The findings suggest that cost reductions have a short-term positive impact on remittances within a quarter before stabilizing at a higher level. Reducing transaction costs to the Sustainable Development Goal target of 3 percent could generate an additional US\$32 billion in remittances, higher than the direct cost savings from lower transaction costs, thus suggesting an absolute elasticity greater than one.

The cost-elasticity exhibits some heterogeneity along several characteristics of the recipient country, notably competition in the remittance market, financial sector deepening, correspondent banking relationships, transparency in remittance costs, financial literacy, and Information and Communications Technology (ICT) development. Micro data from the USA-Mexico corridor confirm that migrants facing higher transaction costs tend to remit less, and this effect is less pronounced for skilled migrants and those who have access to a bank account.

Structural Reforms and Elections: Evidence from a World-Wide New Dataset

Authored by A. Alesina, D. Furceci, J. D Ostry, C. Papageorgiou, and D. Quinn, this paper, published in the [Journal of the European Economic Association](#), presents two new constructed databases to explore the electoral consequences of structural economic policy reforms.

One database measures reforms in domestic finance, external finance, trade, product, and labor markets, covering 90 advanced and developing economies from 1973 to 2014. The other database chronicles the timing and results of national elections. The authors find that liberalizing reforms are associated with economic benefits that accrue only gradually over time. Due to this delay, liberalizing reforms are costly to democratic incumbents when they are implemented close to elections. Electoral outcomes also depend on the state of the economy: reforms are penalized during contractions but are often rewarded in expansions.

When Will Global Gender Gaps Close?

On January 24th, 2024, A. Badel and R. Goyal published a paper in [Economics Letters](#) titled 'When Will Global Gender Gaps Close?', which motivates the urgent need for persistent and enhanced policy efforts towards bridging the global gender gap.

The paper challenges the idea that development alone will be sufficient to close the global gender gap. Furthermore, it examines widespread extrapolation methods used by several policy institutions for calculating the 'time to close the gender gap', by proposing a novel application of a statistical method developed by Quah (1993) to gender gaps.

Divided We Fall: Differential Exposure to Geopolitical Fragmentation in Trade

In this [working paper](#), S. Hakobyan, S. Meleshchuk, and R. Zymek present evidence of increased fragmentation of international markets for goods and financial assets and the potential implications of this trend for low-income countries (LICs).

The paper demonstrates that under reasonable scenarios, LICs are significantly more exposed to the fallout from possible geoeconomic fragmentation in trade than other economies. This heightened exposure is due to i) LICs being smaller and less diversified, and therefore more dependent on international trade, and ii) LICs tending to be more geopolitically "distant" from both the U.S. and China. Additionally, the paper highlights that increased regional integration among LICs – such as through the proposed African Continental Free Trade Area – could, at best, partially compensate for income losses arising from geoeconomic fragmentation.

Furthermore, the paper was presented as part of the topic session 'The End of Globalization? Exploring the Drivers and Effects of Geopolitical Fragmentation' during the 2024 Annual Meeting of the American Economic Association held on January 5th, 2024. The session was attended by approximately 60 audience members.

Monetary Policy Frameworks and Communication in the Caucasus and Central Asia

This [working paper](#), authored by O. F. Akbal, K. Akepanidaworn, E. Cabezon, M. Comunale, M. Conesa, and F. Ünsal, documents the progress made by central banks in the Caucasus and Central Asia (CCA) region, especially in their communications and the current state of their Monetary Policy Frameworks.

The methodology relies on the Independence and Accountability, Policy and Operational Strategy, and Communications (IAPOX) index, developed by Ünsal and others (2022). Furthermore, it scrutinizes the statutes and websites of central banks, while also analyzing press releases to assess the features, content, and tones of their communications. The authors emphasize that while most central banks in the CCA region (which includes some LICs) have recently transitioned to inflation-targeting regimes, they continue to encounter credibility challenges. According to the IAPOC index, the covered central banks in CCA have shown improvement compared to their pre-inflation-targeting regime and were, on average, comparable to emerging market and developing economies (EMDEs). However, there is room for further enhancements in terms of independence, accountability, and communications.

Additionally, on February 8th, 2024, F. D. Ünsal, M. Comunale, and K. Akepanidaworn presented the paper at the Caucasus, Central Asia, and Mongolia Regional Capacity Development Center (CCAMTAC) Seminar Series of the IMF. The seminar titled '[Monetary Policy Communication in the Caucasus, Central Asia and Mongolia](#)' was open to the public and attended by member state authorities, IMF staff, and colleagues from the World Bank and the Inter-American Development Bank.

A Macroeconomic Framework of Climate Adaptation

On December 13th, 2023, Gabriela Cugat presented ongoing work titled 'A Macroeconomic Framework of Climate Adaptation' at the International Economic Association 2024 World Congress in Medellin, Colombia.

This upcoming paper, co-authored with V. Chau and F. Unsal, entails the development of a small open economy model aimed at analyzing climate adaptation in developing nations. The model incorporates slow-moving climate risks and allows for endogenous entry and adaptation choices within the climate-vulnerable sector. The calibrated model, based on an average developing country (including low-income nations), reveals that the optimal approach to incentivize adaptation hinges on the interplay between returns on adaptation and financing constraints. It underscores the necessity of combining private climate action with public sector initiatives to avert widespread output decline.

Notably, this paper belongs to a larger team project by three IMF departments—the African Department, the Institute for Capacity Development Department, and the Research Department—which was a winner in the IMF Climate Innovation Challenge. The end goal is to use the model presented in this paper to create a toolkit for country teams.

Climate Change Impacts in Guinea

On December 6th, 2024, A. Badel presented ongoing research on climate change impacts in Guinea during a Research Therapy Workshop organized by the African Department of the IMF. The findings reveal that inequality metrics, including poverty rates, rural-urban gaps, and the Gini coefficient, exhibit higher sensitivity to climate change compared to Gross Domestic Product (GDP) due to the observed initial concentration of poverty in rural areas. Consequently, the study shows that additional adaptation policies would be needed to significantly improve inequality indicators, compared to those targeting GDP alone.

Climate Change extensions to the Multi Sector Incomplete Markets Macro Inequality (MIMMI) App were developed as part of this study. The presentation helped highlight the MIMMI App as a useful analytical tool for climate change assessment within the IMF.

The views expressed in this newsletter are those of the contributors and do not necessarily represent the views of the International Monetary Fund (IMF), or UK's Foreign, Commonwealth and Development Office (FCDO). For more information, please contact MacroResDev@imf.org or visit the IMF-FCDO Macroeconomic Research for Development [website](#).