2014 ANNUAL MEETINGS

International Monetary Fund
World Bank Group
Washington, D.C.

FLAGSHIP SEMINARS

RECOMMENDED READING

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INTRODUCTION

Recommended Reading supports the open dialogue of the Annual Meetings Seminars by highlighting publicly available resources relevant to each discussion. Compiled from a variety of bibliographic sources, the resources selected have been determined to meet the Library Network's standards for quality, relevance, and accuracy. When possible, full text links are provided to encourage electronic access, regardless of location. It is our hope that the publications featured in this issue of Recommended Reading encourage knowledge exchange among development experts during the Annual Meetings and into the future.

The Library Network of the International Monetary Fund and World Bank Group contributes to the Annual Meetings 2014 Flagship Seminars by presenting the very best of world research on key topics of development and international economics. Sharing this knowledge with experts mobilizes our resources on behalf of the world's poor. We encourage you to share this publication with others working in the field of international development, students, concerned citizens, or others striving to build shared prosperity in a stable world economy.

The Library Network of the World Bank Group and IMF
Washington, DC
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ACKNOWLEDGEMENTS

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Special thanks go to the staffs of the IMF and WBG who were generous with their knowledge, expertise, and time.

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2014 Flagship Seminar

A REFORM AGENDA FOR EUROPE'S LEADERS

Sponsored by the IMF's European Department

Europe's new leaders are taking the policymaking reins as the acute phase of the euro area crisis is subsiding, but with serious challenges remaining and many voters having signaled their discontent. Despite improving economic prospects, the obstacles to strong and sustained growth remain significant, unemployment is stubbornly high, reform fatigue is setting in, and financial market fragmentation persists. The seminar will bring together a set of panelists from the public and private sectors and academia to discuss the merits of further economic and financial integration following European elections: whether more integration is necessary and feasible to ensure the long-term viability of the euro area; what types of integration are likely to command support and whether this would be sufficient to generate enough growth to reduce very high unemployment; and whether partial integration is a sustainable outcome.

Al-Eyd, Ali, and S. Pelin Berkmen. 2013.

"Fragmentation and Monetary Policy in the Euro Area." Working Paper 13/208, International Monetary Fund, Washington.

The European Central Bank has taken a range of actions to address bank funding problems, eliminate excessive risk in sovereign markets, and safeguard monetary transmission. But euro area financial markets have remained fragmented, driving retail interest rates in stressed markets far above those in the core. This has impeded the flow of credit and undermined the transmission of monetary policy. Analysis presented in this paper indicates that the credit channel of monetary policy has broken down during the crisis, particularly in stressed markets, and that small and medium-sized enterprises in these economies appear to be most affected by elevated lending rates.

- **http://www.elibrary.imf.org/view/IMF001/20843-9781484328750/20843-9781484328750/20843-9781484328750.xml?rskey=sgs7C3&result=1**

Al-Eyd, Ali, Angana Banerji, Bergljot Barkbu, Pelin Berkmen, John Bluedorn, Andreas Jobst, Huidan Lin, and others. 2014.

"Euro Area Policies: 2014 Article IV Consultation Selected Issues." Country Report 14/199, International Monetary Fund, Washington.

This Selected Issues report covers five topics: Youth Unemployment in Europe: Okun's Law and Beyond; Investment in the Euro Area: Why Has It Been Weak?; Capital Market Development: SME Financing in the Euro Area; External Rebalancing in the Euro Area: Development and Policies; and Fiscal Governance in the Euro Area: Progress and Challenges.

- **http://www.elibrary.imf.org/view/IMF002/21481-9781498308007/21481-9781498308007/21481-9781498308007.xml**

Allard, Céline, Petya Koeva Brooks, John C. Bluedorn, Fabian Bornhorst, Katharine Christopherson, Franziska Ohnsorge, Tigran Poghosyan, and an IMF Staff Team. 2013.

"Toward a Fiscal Union for the Euro Area." Staff Discussion Note 13/09, International Monetary Fund, Washington.

The crisis exposed a critical gap in Economic and Monetary Union (EMU): the capacity for country-level shocks, whether exogenous or homegrown, to spread across the euro area. This paper explores the role that deeper fiscal integration can play in correcting architectural weaknesses in the system, thereby reducing the incidence and severity of future crises. The paper argues for a clearer ex ante approach to fiscal discipline and transfers to further strengthen the architecture of EMU, ensuring the stability of the euro area.

- **http://www.elibrary.imf.org/view/IMF006/20673-9781484307373/20673-9781484307373/20673-9781484307373.xml?rskey=ABlBb2&result=1**

Bluedorn, John, and Shengzu Wang. 2014.

"Euro Area: An Unbalanced Rebalancing?" *iMFdirect* (blog), July 22.

The unbalanced current account trade balances within Europe are discussed. Creditor nations continue with large surpluses, even though debtor nations are moving toward surpluses themselves.

- **http://blog-imfdirect.imf.org/2014/07/22/euro-area-an-unbalanced-rebalancing/**

Bordo, Michael D., Lars Jonung, and Agnieszka Markiewicz. 2013.

"A Fiscal Union for the Euro: Some Lessons from History." *CESifo Economic Studies* 59 (3): 449–88.

The recent financial crisis (2007–09) is the longest and the deepest recession since the Great Depression of 1930. The crisis that originated in the U.S. subprime mortgage markets spread and amplified through international financial markets and resulted in severe debt crises in several European countries. Events revealed that the European Union had insufficient means to halt the spiral of the European debt crisis. The aim of this study is to identify the characteristics of a robust common fiscal policy framework that could have alleviated the consequences of the recent crisis.

- **http://cesifo.oxfordjournals.org/content/59/3/449.full.pdf+html**

Eichengreen, Barry. 2010.

"Imbalances in the Euro Area." Unpublished, University of Berkley, Berkley, CA.

- **http://eml.berkeley.edu/~eichengr/Imbalances_Euro_Area_5-23-11.pdf**

Enderlein, Henrik, Jacques Delors, Helmut Schmidt, Peter Bofinger, Laurence Boone, Paul De Grauwe, Jean-Claude Piris, and others. 2012.

"Completing the Euro: A Roadmap towards Fiscal Union in Europe." Studies & Reports 92, Notre Europe - Jacques Delors Institute, Paris.

This report is the result of the work of the "Tommaso Padoa-Schioppa group," to reflect on the future of the Economic and Monetary Union (EMU). After a thorough analysis of the roots of the crisis, the report identifies three major challenges the euro area will have to solve in the coming decade: preventing large and persistent EMU heterogeneities; making the EMU fiscal framework more sustainable and resilient to "self-fulfilling solvency" crises; and breaking the nexus between national banks and national sovereigns with the establishment of an appropriate EMU framework for banking supervision and resolution.

- **http://www.eng.notre-europe.eu/011-3317-Completing-the-EuroA-road-maptowards-fiscal-union-in-Europe.html**

Goyal, Rishi, Petya Koeva Brooks, Mahmood Pradhan, Thierry Tressel, Giovanni Dell'Ariccia, Ross Leckow, Ceyla Pazarbasioglu, and an IMF Staff Team. 2013.

"A Banking Union for the Euro Area." Staff Discussion Note 13/01, International Monetary Fund, Washington.

A case is made for the design of a banking union for the euro area. The paper discusses the benefits and costs of a banking union, presents a steady-state view of the banking union, elaborates difficult transition issues, and briefly discusses broader European Union issues. It is accompanied by three background technical notes that analyze the various elements of the banking union: a single supervisory framework, a single resolution and a common safety net, and urgent issues related to direct European Stability Mechanism recapitalization and repair of weak banks in Europe.

- **http://www.elibrary.imf.org/view/IMF006/20274-9781475521160/20274-9781475521160/20274-9781475521160.xml?rskey=R9ySIz&result=1**

Kang, Joong Shik, and Jay C. Shambaugh. 2014.

"Progress Towards External Adjustment in the Euro Area Periphery and the Baltics." Working Paper 14/131, International Monetary Fund, Washington.

The euro area periphery countries and the Baltic countries, which had large current account deficits in the run-up to the crisis, needed adjustment of relative prices to achieve both internal and external balances. Thus far, tangible progress has been made through lower wages and/or higher productivity relative to trading partners ("internal devaluation"), which contributed to narrowing current account deficits and shifting output toward the tradables sector. Some early adjusters cut wages more rapidly followed by productivity improvement, but others have only slowly improved productivity, largely through labor shedding.

- **http://www.elibrary.imf.org/view/IMF001/21512-9781498364713/21512-9781498364713/21512-9781498364713.xml?rskey=Q5oKUc&result=1**

Moghadam, Reza. 2014.

"Europe's Road to Integration." *Finance & Development* 51 (1): 8–13.

- **http://www.imf.org/external/pubs/ft/fandd/2014/03/moghadam.htm**

Moghadam, Reza. 2014.

"Sustaining the Recovery: Strategies and Policies for Growth and Stability." Speech prepared for the Brussels Economic Forum, Brussels, June 10.

- **http://www.imf.org/external/np/speeches/2014/061014.htm**

"More Fiscal Integration to Boost Euro Area Resilience." 2013.

***IMF Survey*, September 25.**

Deeper fiscal integration in the euro area can correct weaknesses in the system's architecture, make the area more resilient to future crises, and provide long-term credibility to crisis-response measures already adopted.

- **http://www.imf.org/external/pubs/ft/survey/so/2013/car092513a.htm**

Pisani-Ferry, Jean, André Sapir, Nicolas Véron, and Guntram B. Wolff. 2012.

"What Kind of European Banking Union?" Bruegel Policy Contribution Issue 2012/12, Bruegel, Brussels.

This paper discusses the creation of a European banking union. First, it discusses questions of design. It then highlights seven fundamental choices that decision makers will need to make: Which European

Union countries should participate in the banking union? To which categories of banks should it apply? Which institution should be tasked with supervision? Which one should deal with resolution? How centralized should the deposit insurance system be? What kind of fiscal backing would be required? What governance framework and political institutions would be needed?

- **http://www.bruegel.org/download/parent/731-what-kind-of-european-banking-union/file/1595-what-kind-of-european-banking-union/**

Schindler, Martin, Helge Berger, Bas B. Bakker, and Antonio Spilimbergo, eds. 2014.

***Jobs and Growth: Supporting the European Recovery.* Washington: International Monetary Fund.**

Five years after the onset of the global financial crisis, Europe's economy is still fragile. Notwithstanding recent positive signs amid calmer financial markets, medium-term growth is likely to remain frail owing to continuing weaknesses and vulnerabilities at the country level and in the fabric of European institutions and banks, especially in the euro area. In addition, unemployment in many countries has reached very high levels. The IMF research collected in this volume provides a number of guideposts that offer an opportunity for stronger and better-balanced growth and employment in Europe after what has been a long and dismal period of crisis.

- **http://www.elibrary.imf.org/view/IMF071/20900-9781484304464/20900-9781484304464/20900-9781484304464.xml**

Tressel, Thierry, Shengzu Wang, Joong Shik Kang, Jay Shambaugh, Jörg Decressin, and Petya Koeva Brooks. 2014.

"Adjustment in Euro Area Deficit Countries: Progress, Challenges, and Policies." Staff Discussion Note 14/7, International Monetary Fund, Washington.

Imbalances within the euro area have been a defining feature of the crisis. This paper provides a critical analysis of the ongoing rebalancing of euro area deficit economies (Greece, Ireland, Portugal, and Spain) that accumulated large current account deficits and external liability positions in the run-up to the crisis. It shows that relative price adjustments have been proceeding gradually. Real effective exchange rates have depreciated by 10–25 percent, driven largely by reductions in unit labor costs due to labor shedding. Although exports have typically rebounded, subdued demand accounts for much of the reduction in current account deficits. Hence, the current account balance of the euro area as a whole has shifted into surplus.

- **http://www.elibrary.imf.org/view/IMF006/21467-9781498373814/21467-9781498373814/21467-9781498373814.xml**

Tressel, Thierry, and Shengzu Wang. 2014.

"Rebalancing in the Euro Area and Cyclicality of Current Account Adjustments." Working Paper 14/130, International Monetary Fund, Washington.

The paper examines progress with the external rebalancing of euro area deficit countries. Relative prices are adjusting at different paces across countries and with different compositions of wage cuts and labor shedding. There is so far limited evidence of resource reallocation from nontradable to tradable sectors, while improved export performance is still dependent on external demand from the rest of the world. Current account adjustments have taken place, reflecting structural changes but also cyclical forces, suggesting that part of the improvements may unwind when cyclical conditions improve.

- **http://www.elibrary.imf.org/view/IMF001/21508-9781498334426/21508-9781498334426/21508-9781498334426.xml?rskey=ozAm9G&result=1**

Vêron, Nicolas. 2013.

"A Realistic Bridge towards European Banking Union." Bruegel Policy Contribution Issue 2013/09, Bruegel, Brussels.

New obstacles to the European banking union have emerged during the past year, but a successful transition remains both necessary and possible. The key next step will be in the second half of 2014, when the European Central Bank will gain supervisory authority over most of Europe's banking system. This needs to be preceded by a rigorous balance sheet assessment that is likely to trigger significant bank restructuring, for which preparation has barely started. It will be much more significant than current discussions about a bank resolution directive and bank recapitalization by the European Stability Mechanism.

- **http://www.bruegel.org/download/parent/783-a-realistic-bridge-towards-european-banking-union/file/1669-a-realistic-bridge-towards-european-banking-union/**

2014 Flagship Seminar

CITIES AND CITIZENS: Challenges for Inclusive Development

Sponsored by the World Bank Group's Social, Urban, Rural and Resilience Global Practice, the Governance Global Practice and the Fragility and Conflict Cross Cutting Solution Area

What types of institutions make a city inclusive and its citizenry healthy and prosperous? How can opportunities be created for the urban poor? What policies can address crime and violence? Can new technologies bridge the gap between citizens and governments?

Development leaders will discuss the transformative power of inclusive institutions and citizen engagement for enhancing accountability and improving public services for the poor. The panel will address the relationship among key elements of inclusiveness—institutions, governance, and citizen engagement—against the backdrop of rapid urbanization and social change, growing inequality and rising crime and violence.

Benouaret, Karim, Raman Valliyur-Ramalingam, and François Charoy. 2013.

"CrowdSC: Building Smart Cities with Large-Scale Citizen Participation." ***Internet Computing, IEEE*** **17 (6): 57–63.**

A platform that connects citizens effectively to local government, letting them contribute to their community's general well-being, would be an elegant way to make cities smarter. CrowdSC is a crowdsourcing framework designed for smarter cities. The framework lets users combine data collection, selection, and assessment activities in a crowdsourcing process to achieve sophisticated goals within a predefined context. Depending upon this process's execution strategy, different outcomes are possible. The authors describe CrowdSC's process model and evaluate three execution strategies.

■ **http://dx.doi.org/10.1109/MIC.2013.88**

Bezdek, Barbara L. 2014.

"Citizen Engagement in the Shrinking City: Toward Development Justice in an Era of Growing Inequality." ***St. Louis University Public Law Review*** **33 (3): 3–54.**

This paper argues that enhanced public participation rules are necessary and feasible in local-government-level decisions to provide public support for urban economic redevelopment projects. The paper examines the burgeoning field of community engagement practices and process models and considers their utility to enhance public participation of traditionally under-included poor and minority people in redevelopment decisions. The author preliminarily restates and revises the Arnstein ladder, proposing additional functional and legal dimensions, and proposes principles for the design of citizen engagement practices in municipal development decision making, identifying steps for citizens and city officials to take toward development justice.

■ **http://digitalcommons.law.umaryland.edu/cgi/viewcontent.cgi?article=2451&context=fac_pubs**

Burton, Victoria. 2013.

"Social Media: Its Emerging Importance and Impact on Citizen Engagement." ***International Affairs Forum*** **4 (1): 98–100.**

This article examines the impact of social media that not only provide citizens alternative avenues to express themselves about government policies but present new challenges and means for government to provide services to the public. An example is the CovJam online venture presented by Coventry City and IBM that used social media as part of a three-day brainstorming event about the city. Social media have facilitated government programs to carry out surveys and fine-tune services, but perhaps the greatest aspect is that of greater public participation. Moving forward, it will be important to address social media across public sectors and establish strategies to leverage its advantages and benefits.

■ **http://dx.doi.org/10.1080/23258020.2013.824250**

Foth, Marcus, Laura Forlano, Christine Satchell, and Martin Gibbs, eds. 2011.

From Social Butterfly to Engaged Citizen: Urban Informatics, Social Media, Ubiquitous Computing, and Mobile Technology to Support Citizen Engagement. **Cambridge, Massachusetts: MIT Press.**

Web 2.0 tools, including blogs, wikis, and photo-sharing and social-networking sites, have made possible a more participatory Internet experience. *From Social Butterfly to Engaged Citizen* examines how this increasingly open, collaborative, and personalizable technology is shaping not just our social interactions but new kinds of civic engagement with cities, communities, and spaces. It offers analyses and studies from around the world that explore how the power of social technologies can be harnessed for social engagement in urban areas. Chapters by leading researchers study technological innovations for improving civic engagement and discuss design research approaches for understanding the development of sentient real-time cities, including interaction portals and robots.

■ **http://mitpress.mit.edu/books/social-butterfly-engaged-citizen**

Ghadarjani, Razieh, Nima Gheitarani, and Mojtaba Khanian. 2013.

"Examination of City Governorship Pattern and Citizen Participation as a New Approach to City Management in Region 5 of Isfahan Municipality Using T-Test in SPSS." ***European Online Journal of Natural and Social Sciences*** **2 (4): 601–08.**

The present article attempts to analyze the attitudes toward people's management of the city and the effective factors in citizens' participation in city management based on the findings of a field study of the region 5 of Isfahan municipality. Data were collected via library, documentary, survey, and descriptive-analytical

studies. It was found that although the institutions and organizations have been discussing the theme of participation, its true sense and institutionalization among the authorities and citizens, especially in the society under study, is a problem that requires further study and guidelines.

- **http://european-science.com/eojnss/article/view/203/pdf**

Gigler, Bjorn Soren, and Savita Bailur, eds. 2014.

***Closing the Feedback Loop: Can Technology Bridge the Accountability Gap?* Washington: World Bank Group.**

The report aims to address the following four main questions: How do new technologies empower communities through participation, transparency, and accountability? Are technologies an accelerator for closing the accountability gap—the space between supply (governments, service providers) and demand (citizens, communities, civil society organizations) that must be bridged for open and collaborative governance? Under what conditions does this occur? What are the experiences and lessons learned from existing grassroots innovators and donor-supported citizen engagement and crowdsourcing programs, and how can these programs be replicated or scaled up?

- **http://documents.worldbank.org/curated/en/2014/05/19556545/closing-feedback-loop-can-technology-bridge-accountability-gap**

Kilcullen, David. 2013.

***Out of the Mountains: The Coming Age of the Urban Guerrilla.* New York, New York: Oxford University Press.**

This is a book about future conflicts and future cities, and about the challenges and opportunities that four powerful megatrends—population, urbanization, coastal settlement, and connectedness—are creating across the planet. It is also about what cities, communities, and businesses can do to prepare for a future in which all aspects of human society—including, but not limited to, conflict, crime, and violence—are changing at an unprecedented pace. It offers a compelling case on the spread of urban warfare in coastal cities across the world, representing the future of conflict.

- **http://global.oup.com/academic/product/out-of-the-mountains-9780199737505**

Kim, Soojin, and Hindy Lauer Schachter. 2013.

"Citizen Participation in the Budget Process and Local Government Accountability: Case Studies of Organizational Learning from the United States and South Korea." ***Public Performance and Management Review* 36 (3): 456–71.**

Citizen participation in budgeting can be a governmental mechanism to minimize organizational learning pathologies resulting from sole reliance on an administrative accountability model. This study analyzes case studies of Los Angeles, California, and Bukgu, the Republic of Korea, to show how participative budgeting combines exploration and refinement strategies to create processes that foster information exchange between citizens and public officials. Although the analysis finds representativeness problems in both cases, scholars, administrators, and citizen advocates should have an interest in the narratives on how cities construct and refine processes that can improve citizen-administrator information exchange.

- **http://mesharpe.metapress.com/content/94302418360u5386/**

Lakhani, Sadaf, and Alys M. Willman. 2014.

"Trends in Crime and Violence in Papua New Guinea." Research and Dialogue Series: The Socio-economic Costs of Crime and Violence in Papua New Guinea Paper 1, World Bank Group, Washington.

Crime and violence are widely viewed as posing a considerable challenge to development in Papua New Guinea (PNG). Various commentators and surveys estimate that violence victimization rates in PNG are among the highest in the world. This paper presents some preliminary findings regarding the prevalence of crime and violence in PNG. It was prepared as part of a broader study to understand the socioeconomic costs of crime and violence to businesses, government agencies, civil society organizations, and households in PNG. The different data sources are reviewed, and the most significant challenges with the data available are noted in Annex 1.

- **http://documents.worldbank.org/curated/en/2014/05/20037306/trends-crime-violence-papua-new-guinea**

Lall, Somik V., Om Prakash Agarwal, David Dowall, Michael Klein, Nancy Lozano-Gracia, and Hyoung Gun Wang. 2013.

***Planning, Connecting, and Financing Cities - Now: Priorities for City Leaders*. Washington: World Bank Group.**

This report provides mayors and other policymakers with a policy framework and diagnostic tools to anticipate and implement strategies that can prevent their cities from locking into irreversible physical and social structures. It provides a framework to help city leaders make informed decisions for sustainable development in their cities. Putting financing first, without full consideration of the other dimensions, is a mistake because it often neglects the overriding need to coordinate infrastructure improvements (connecting) with policies (planning). And the lack of such coordination will be regretted by later urban generations.

- **http://documents.worldbank.org/curated/en/2013/01/17197253/planning-connecting-financing-cities-now-priorities-city-leaders**

World Bank. 2011.

***Crime and Violence in Central America: A Development Challenge*. Washington: World Bank.**

Crime and violence are now a key development issue for Central American countries. In three nations, El Salvador, Guatemala, and Honduras, crime rates are among the top five in Latin America. The report argues that successful strategies require actions along multiple fronts, combining prevention and criminal justice reform with regional approaches in the areas of drug trafficking and firearms. It also argues that interventions should be evidence based, starting with a clear understanding of the risk factors involved and ending with a careful evaluation of how any planned action might affect future options. In addition, the design of national crime-reduction plans and the establishment of national cross-sectoral crime commissions are important steps to coordinate the actions of different government branches, ease cross-sectoral collaboration, and prioritize resource allocation.

- **http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2011/04/19/000333038_20110419233141/Rendered/PDF/567810ESW0P0951white0cover01PUBLIC1.pdf**

World Bank. 2013.

***Fostering Citizen Engagement through Public Consultations in Jordan, Morocco, and Tunisia*. Washington: World Bank.**

To support citizen engagement through public consultations in the Middle East and Northern Africa, the World Bank Institute and the World Bank Middle East and North Africa Vice-Presidency organized a knowledge exchange series bringing together government officials and civil society practitioners from Morocco, Jordan, and Tunisia to discuss how citizen engagement can contribute to more informed and inclusive policies and laws. The highlights of this report include (1) the latest developments around public consultations in their respective countries; (2) recognition of the limited legal framework for public consultations in Tunisia and Jordan, while in Morocco there are constitutional provisions; and (3) agreement on the need to develop mechanisms to conduct and evaluate public consultations.

- **http://documents.worldbank.org/curated/en/2013/01/17910190/fostering-citizen-engagement-through-public-consultations-jordan-morocco-tunisia**

World Bank. 2013.

***Inclusion Matters: the Foundation for Shared Prosperity*. Washington: World Bank.**

Today, the world is at a juncture at which issues of exclusion and inclusion are assuming new significance for both developed and developing countries. This report tries to put boundaries around the abstraction that is "social inclusion." Placing the discussion of social inclusion within global transitions and transformations, the report argues that social inclusion is an evolving agenda. It offers two easy-to-use definitions and a framework to assist practitioners in asking, outlining, and developing some of the right questions that can help advance the agenda of inclusion in different contexts. This report builds on previous analytical work, especially by the World Bank, on themes that touch upon social inclusion, including multidimensional poverty, inequality, equity, social cohesion, and empowerment.

- **http://documents.worldbank.org/curated/en/2013/01/18410713/inclusion-matters-foundation-shared-prosperity**

Zahra, Kanwal, Khalid Majeed, Afzal Mahmood, and Muzaffar Asad. 2012.

"Impact Assessment of Community Participation in Solid Waste Management Projects in Selected Areas of Faisalabad City." ***Journal of Urban Planning and Development*** **138 (4): 319–27.**

This paper attempts to determine the impact of community participation projects on the management of solid waste in some selected areas of Faisalabad, Pakistan. The government of the Punjab province initiated a project to upgrade the environment and solid waste management system in Faisalabad in different phases. This project was thought to be successful because it created a great sense of ownership among the residents of that particular society. With the help of questionnaire techniques, 800 households and shops in commercial areas were surveyed. The results have shown that the awareness campaign had a highly significant impact on the mindset of people. The behavior of people toward solid waste management has also been changed.

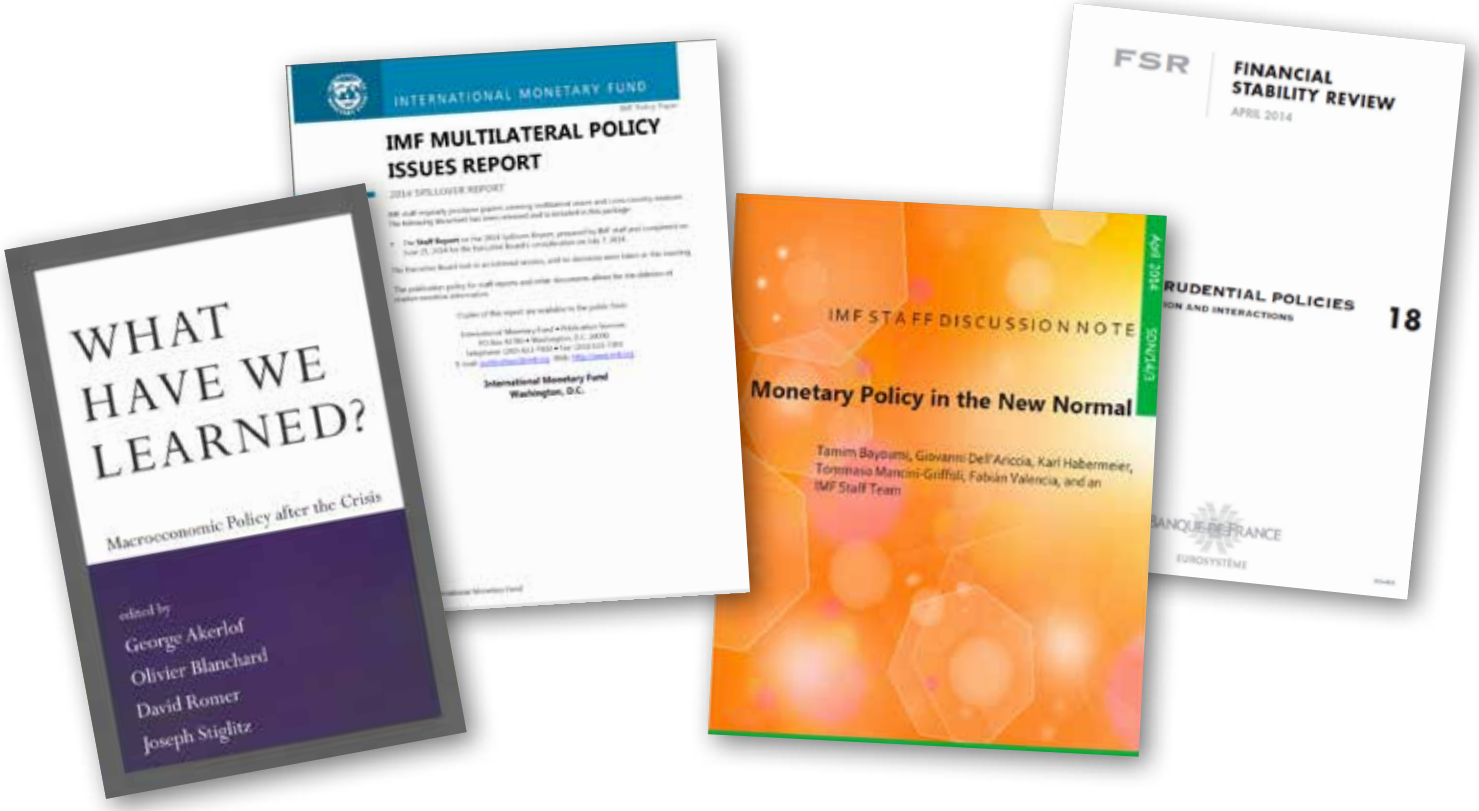
- **http://dx.doi.org/10.1061/(ASCE)UP.1943-5444.0000127**

2014 Flagship Seminar

CNN DEBATE ON THE GLOBAL ECONOMY

Sponsored by the IMF's Research Department and Communications Department

An uneven global recovery continues but growth has weakened in 2014—reflecting a surprisingly weak first quarter in the United States and a less optimistic outlook for several large emerging market economies. Global growth is expected to rebound but downside risks remain a concern. Market conditions have noticeably eased alongside disappointing growth, but risks to financial stability are a key concern from an extended period of low rates and from a possible reversal of recent risk spread and volatility compression. Geopolitical risks have risen in some corners. Looking ahead, global growth could be weaker for longer. Robust demand momentum in advanced economies has yet to emerge, and supply-side constraints and tighter financial conditions over the past year in some major emerging market economies weigh on growth. Amid these economic and financial worries, there is renewed interest on exchange rates and reform of an international monetary system with de facto dollar dominance. The debate will focus on how policymakers could collaborate globally to better manage the risks and durably boost jobs and growth.



Akerlof, George, Olivier Blanchard, David Romer, and Joseph Stiglitz, eds. 2014.

***What Have We Learned? Macroeconomic Policy after the Crisis*. Cambridge, Massachusetts: MIT Press.**

This book brings together leading economists and economic policymakers to discuss the slowly emerging contours of the macroeconomic future. Contributors consider the lessons learned from the crisis and its aftermath. They discuss, among other things, post-crisis questions about the traditional policy focus on inflation; macroprudential tools (which focus on the stability of the entire financial system rather than of individual firms) and their effectiveness; fiscal stimulus, public debt, and fiscal consolidation; and exchange rate arrangements.

Bayoumi, Tamim, Giovanni Dell'Ariccia, Karl Habermeier, Tommaso Mancini-Griffoli, Fabián Valencia, and an IMF Staff Team. 2014.

"Monetary Policy in the New Normal." Staff Discussion Note 14/3, International Monetary Fund, Washington.

The global financial crisis challenged the existing monetary policy paradigm. Before the crisis, dangerous financial imbalances grew under stable output gaps and low inflation. After the bust, a massive stimulus mitigated the downturn, but could not prevent the deepest recession since the Great Depression, as policy rates rapidly hit the zero lower bound, and large swings in capital flows complicated macroeconomic management in small open economies. This has led to an intense discussion about what shape monetary policy should take once economic conditions have settled down into the postcrisis "new normal." This paper reviews the current state of the debate to extract common policy conclusions where possible, and lays out the unresolved issues where extracting such conclusions is not possible.

- **http://www.elibrary.imf.org/view/IMF006/21217-9781475561784/21217-9781475561784/21217-9781475561784.xml?rskey=L47vAo&result=2**

Carstens, Agustín. 2014.

"Emerging Market Economies - Challenges and How to Move Forward." Speech at the Economic Club of New York, New York, March 28.

In this speech, Mr. Carstens lays out the challenges that face emerging market economies and provides a three-pillar approach to find their way out. He underscores the importance of strong fundamentals and policy settings, external sector resilience under stress scenarios, and improving potential GDP growth through competitiveness and increasing total factor productivity.

- **http://www.bis.org/review/r140515c.pdf**

Caruana, Jaime. 2014.

"Stepping Out of the Shadow of the Crisis: Three Transitions for the World Economy." Speech at the Bank for International Settlements Annual General Meeting, Basel, June 29.

In this speech, Mr. Caruana offers the BIS's view on current challenges and aims to examine policies that might help stepping out of the long shadow of the crisis. The BIS approach is to seek a long-term perspective with a view to shedding light on both the buildup of financial imbalances before the crisis and their lasting consequences. Mr. Caruana highlights three transitions that the global economy needs to step beyond the shadows of the crisis and toward patterns of growth that are less debt driven and therefore more sustainable, toward a more normal monetary policy, and toward a more reliable financial system.

- **http://www.bis.org/speeches/sp140629.pdf**

Caruana, Jaime, and Benjamin H. Cohen. 2014.

"Five Questions and Six Answers about Macroprudential Policy." Banque de France *Financial Stability Review* 18: 15–23.

This article provides six answers to the following five questions: when can we properly describe a policy as "macroprudential"? Is macroprudential policy in danger of being overburdened or misused? How can conflicts between monetary and macroprudential policy be resolved? Is independence needed for macroprudential policy? Is international cooperation a good idea when using macroprudential policy?

- **https://www.banque-france.fr/fileadmin/user_upload/banque_de_france/publications/FSR18_Caruana.pdf**

Cubeddu, Luis, Alexander Culiuc, Ghada Fayad, Yuan Gao, Kalpana Kochhar, Annette Kyobe, Ceyda Oner, and others. 2014.

"Emerging Markets in Transition: Growth Prospects and Challenges." Staff Discussion Note 14/06, International Monetary Fund, Washington.

After a short-lived slowdown in the immediate aftermath of the global financial crisis and a swift rebound, emerging markets are now entering a period of slower growth. In fact, growth is now lower than the postcrisis peak of 2010–11, as well as the rates seen in the decade before the crisis. This raises the question of whether emerging markets can bounce back to the growth rates seen in the last decade or whether their prospects are dimmer than thought a few years ago. This paper explores the drivers of the slowdown, how changes in external conditions that supported high growth in emerging markets will affect them over the medium term, and the policy priorities needed to sustain the growth rates seen in the past decades. In doing so, the paper differentiates emerging markets along various dimensions (for example, degree of commodity dependence, trade and financial openness) to highlight the need to tailor policy priorities.

Draghi, Mario. 2014.

"Monetary Policy Communication in Turbulent Times." Speech at the Conference "De Nederlandsche Bank 200 Years: Central Banking in the Next Two Decades," Amsterdam, April 24.

In this speech, Mr. Draghi highlights the importance of communication and transparency for central banks like the European Central Bank (ECB) in recent decades, and how it will become even more important in the decades to come. He discusses how "management by expectations," while working relatively well in normal times, makes the decision-making process more complicated during times of crisis and makes policies more difficult for the general public to understand. He further lays out the ECB's forward guidance policy, which aims to give guidance on the expected level of future interest rates and to remove uncertainty about that level by strengthening communication on the ECB's reaction function.

■ **http://www.bis.org/review/r140424b.pdf**

Fischer, Stanley. 2014.

"The Great Recession: Moving Ahead." Remarks at a Conference Sponsored by the Swedish Ministry of Finance, Stockholm, August 11.

In this speech, Mr. Fischer discusses three key aspects of the challenges policymakers face as they seek to move ahead: (1) the impact of the Great Recession and the associated global financial crisis on the growth of output, both in the short term and over the longer term; (2) the reform of the financial sector—how much progress has been made in creating a safer and more stable postcrisis financial environment; and (3) the impact of the crisis on the conduct of monetary policy, in particular, how to balance the goals of achieving stable inflation and full employment while also taking into account the need to maintain financial stability.

■ **http://www.federalreserve.gov/newsevents/speech/fischer20140811a.pdf**

International Monetary Fund. 2014.

"IMF Multilateral Policy Issues Report: 2014 Spillover Report." Policy Paper, International Monetary Fund, Washington.

Global spillovers have entered a new phase. With crisis-related spillovers and risks fading, changing growth patterns are the main source of spillovers in the global economy at this juncture. The report examines two key trends that are highly relevant for spillovers. First, signs of self-sustaining recovery in some advanced economies indicate that the unwinding of exceptional monetary accommodation will proceed and lead to a tightening of global financial conditions in the coming years. An uneven recovery, though, suggests normalization will proceed at different times in different countries, with possible spillover implications. Second, growth in emerging markets is slowing on a broad basis since its precrisis peak and can carry noticeable spillover effects at the global level.

■ **http://www.imf.org/external/np/pp/eng/2014/062514.pdf**

International Monetary Fund. 2014.

***Global Prospects and Policy Challenges*. Washington: International Monetary Fund.**

This note was prepared for the meetings of G20 Finance Ministers and Central Bank Governors, September 20-21, 2014, held in Cairns, Australia. An uneven global recovery continues, despite setbacks this year. Alongside supportive central bank policies, financial conditions have continued easing over the last few months. Looking forward, the global recovery should regain strength but downside risks have risen. Policy priorities are as follows: (1) Advanced economies should continue accommodative monetary policies, given still large output gaps and very low inflation; (2) In emerging economies, the focus of macroeconomic policies should remain on rebuilding buffers and addressing vulnerabilities, in preparation for an environment characterized by higher interest rates and tighter external financing conditions; (3) Decisive structural reforms are needed across G20 economies to boost potential output and help ensure that growth is more sustainable; and (4) If there is infrastructure investment in economies with clearly identified needs and economic slack, then current conditions are favorable for increasing public infrastructure investment.

■ **http://www.imf.org/external/np/g20/091714.htm**

Lagarde, Christine. 2014.

"The Road to Sustainable Global Growth—The Policy Agenda." Speech at the School of Advanced International Studies, Washington, April 2.

In this speech, Ms. Lagarde begins with what will be a priority issue. At a time when the world is still recovering from the Great Recession—and at a time when geopolitical tensions are rising—how can we strengthen the international cooperation that is key to addressing these challenges? Certainly the global economy has stabilized since the onset of the financial crisis, but the recovery is too weak for comfort. She highlights the challenges facing the world economy and offers some policy suggestions to improve medium-term growth.

■ **http://www.imf.org/external/np/speeches/2014/040214.htm**

Rajan, Raghuram. 2014.

"Concerns about Competitive Monetary Easing." Remarks at the 2014 BOJ-IMES "Conference on Monetary Policy in a Post-Financial Crisis Era," Tokyo, May 28.

In this speech, Mr. Rajan highlights two concerns about competitive monetary easing. First, unconventional policies tend to be feasible when domestic commercial banks are willing to accumulate significant central bank reserves without question. But those are typically situations in which lending is unattractive—because of debt overhang, structural problems, or simply weak demand. Second, such policies prompt a reaction by foreign central banks in both competitor industrial countries and in emerging markets. These may espouse unconventional policies once again to avoid exchange rate appreciation or capital inflows.

■ **http://www.bis.org/review/r140528c.pdf**

Sahay, Ratna, Vivek Arora, Thanos Arvanitis, Hamid Faruqee, Papa N'Diaye, Tommaso Mancini-Griffoli, and an IMF Team. 2014.

"Emerging Market Volatility: Lessons from the Taper Tantrum." Staff Discussion Note 14/09, International Monetary Fund, Washington.

The paper examines the impact of the Federal Reserve's policy announcements on asset prices and capital flows into and out of emerging markets, and explains the differentiated reaction across countries by looking at domestic and external factors, with a view to drawing broad policy lessons. The paper finds that the Federal Reserve's monetary policy announcements appear to be correlated with movements in asset prices and capital inflows in emerging markets; however, good macroeconomic fundamentals in emerging markets matter and help dampen market reactions to U.S. monetary policy shocks. Clear and effective communication by advanced economies' central banks considering exit from unconventional monetary support and enhanced global cooperation, including a strong global financial safety net, may offer emerging markets effective protection against market volatility as the global economy makes the transition away from large-scale liquidity support.

■ **http://elibrary.imf.org/view/IMF006/21608-9781498318204/21608-9781498318204/21608-9781498318204.xml**

Summers, Lawrence H. 2014.

"U.S. Economic Prospects: Secular Stagnation, Hysteresis, and the Zero Lower Bound." ***Business Economics*** **49 (2): 65–73.**

The nature of macroeconomics has changed dramatically in the last seven years. Now, instead of being concerned with minor adjustments to stabilize about a given trend, concern is focused on avoiding secular stagnation. Much of this concern arises from the long-term effects of short-term developments and the inability of monetary policy to accomplish much more when interest rates have already reached their lower bound. This address analyzes contemporary macroeconomic problems and proposes solutions to put the U.S. economy back on a path toward healthy growth.

- **http://larrysummers.com/wp-content/uploads/2014/06/NABE-speech-Lawrence-H.-Summers.pdf**

Zhou, Xiaochuan. 2009.

"Reform the International Monetary System." ***BIS Review*** **41: 1–3.**

Mr. Zhou explores the answer to the long-existing but still unanswered question: what kind of international reserve currency do we need to secure global financial stability and facilitate world economic growth, which was one of the purposes for establishing the IMF? He lays out a vision for an international monetary system that is disconnected from individual nations and is able to remain stable in the long run, thus removing the inherent deficiencies caused by using credit-based national currencies.

- **http://www.bis.org/review/r090402c.pdf**

2014 Flagship Seminar

ETHICS AND FINANCE

Sponsored by the IMF's Legal Department and Communications Department

In the wake of the crisis, we are witnessing a depletion of trust and a loss of faith in markets—with evident implications for financial stability, economic growth, and social cohesion. As a result, economists and policymakers are increasingly coming to the view that economic concerns cannot be divorced from ethical concerns. This seminar would facilitate a discussion of these issues, bringing together leading policymakers and other thinkers on the topic from a broad range of fields including the financial sector, academia, and religion. The discussion will reflect upon the continued tendency of the financial sector to prize short-term personal gain over longer-term social purpose; it will also explore implications of the idea that financial markets (and capitalism in general) are only sustainable if there is trust in the system, which in turn requires minimal standards of ethics and integrity.

Carney, Mark. 2013.

"Rebuilding Trust in Global Banking." Remarks at the 7th Annual Thomas d'Aquino Lecture on Leadership, Lawrence National Centre for Policy and Management, London, Ontario, February 25.

- **http://www.bankofcanada.ca/wp-content/uploads/2013/02/remarks-250213.pdf**

Carney, Mark. 2014.

"Inclusive Capitalism - Creating a Sense of the Systemic." Speech at the Conference on Inclusive Capitalism, London, May 27.

Inclusive capitalism is fundamentally about delivering a basic social contract comprising relative equality of outcomes, equality of opportunity, and fairness across generations. Different societies will place different weights on these elements, but few would omit any of them. Societies aspire to this trinity of distributive justice, social equity, and intergenerational equity for at least three reasons. First, there is growing evidence that relative equality is good for growth. Second, research suggests that inequality is one of the most important determinants of relative happiness, and that a sense of community is a critical determinant of well-being. Third, they appeal to a fundamental sense of justice.

- **http://www.bis.org/review/r140528b.pdf**

Cosgrove-Sacks, Carol, and Paul H. Dembinski, eds. 2012.

***Trust and Ethics in Finance: Innovative Ideas from the Robin Cosgrove Prize*. Geneva: Globalethics.net.**

The 23 best papers submitted for the competitions for the Robin Cosgrove Prize between 2006 and 2011 offer a range of perspectives on why ethics is considered to be important both in terms of personal conduct of finance professionals and the operation of financial markets and institutions. Part I introduces the Robin Cosgrove Prize and its global reach. In Part II the papers examine systemic issues. Part III, Ethics in Finance-Standards and Values, focuses on factors affecting the behavior of finance professionals. In Part IV the authors view ethics in finance in the context of solidarity, micro-finance and micro-credit, social responsibility, and sustainable environmental investment practices.

- **http://www.globethics.net/documents/4289936/13403236/GE_Global_6_final_1_web.pdf/106c34b4-03d7-4433-88ae-a4d6a4545712**

Economist Intelligence Unit. 2013.

***A Crisis of Culture: Valuing Ethics and Knowledge in Financial*. London: Economist Intelligence Unit.**

This report examines the role of integrity and knowledge in restoring culture in the financial services industry. The report looks at the global financial services industry's record on ethical conduct, investigates the level of knowledge financial services executives have of their own firms and of their industry, and explores the role that greater knowledge plays in building a stronger culture within financial services firms.

- **http://www.economistinsights.com/sites/default/files/LON%20-%20SM%20-%20CFA%20WEB.pdf**

Erhard, Werner, and Michael C. Jensen. 2014.

"Putting Integrity into Finance: A Purely Positive Approach." Finance Working Paper 417/2014, European Corporate Governance Institute, Brussels.

The scandals in the world of finance, with their damaging effects on value and human welfare, argue strongly for an addition to the current paradigm of financial economics. The authors summarize a new theory of integrity that reveals integrity as a purely positive phenomenon with no normative aspects whatsoever. Adding integrity as a positive phenomenon to the paradigm of financial economics provides actionable access to the source of the behavior that has resulted in those damaging effects on value and human welfare, thereby significantly reducing that behavior.

- **http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1985594**

Lagarde, Christine. 2014.

"Economic Inclusion and Financial Integrity." Address prepared for the Conference on Inclusive Capitalism, London, May 27.

- **https://www.imf.org/external/np/speeches/2014/052714.htm**

Lewis, Michael. 2014.

***Flash Boys: Cracking the Money Code*. London: Allen Lane.**

Flash Boys is about a small group of Wall Street employees who figure out that the U.S. stock market has been rigged for the benefit of insiders and that, since the financial crisis, the markets have become not more free but less, and more controlled by the big Wall Street banks. Working at different firms, they come to this realization separately; but after they discover one another, the flash boys band together and set out to reform the financial markets. This they do by creating an exchange in which high-frequency trading—the source of the most intractable problems—will have no advantage whatsoever.

Ng, Kok-Song. 2004.

"Spiritual Capital: An Untapped Resource for a Sustainable Global Economy." In *Making Capitalism More Inclusive: Selected Speeches and Essays from Participants at the Conference on Inclusive Capitalism*, edited by Diana Fox Carney and Chrystia Freeland, 72–73. London: Coalition for Inclusive Change.

- **http://www.conferenceoninclusivecapitalism2014.com/IC_ESSAY_Book_2.pdf**

Oberlechner, Thomas. 2007.

***The Psychology of Ethics in the Finance and Investment Industry*. New York, New York: Research Foundation of CFA Institute.**

The book provides insights into how finance and investment professionals consider ethics in their daily decisions and into the psychological processes that determine how ethical the decisions are. It explores how investment professionals sometimes make morally wrong decisions against their better judgment in situations that are crystal clear, but also how they can act most ethically in the midst of conflicting values and despite the temptations and possible rewards for a choice that is less than ethical.

- **http://www.cfapubs.org/doi/pdf/10.2470/rf.v2007.n2.4697**

Pontifical Council for Justice and Peace. 2012.

"Vocation of the Business Leader: A Reflection." Pontifical Council for Justice and Peace, the Vatican.

When businesses and market economies function properly and focus on serving the common good, they contribute greatly to the material and even the spiritual well-being of society. Recent experience, however, has also demonstrated the harm caused by the failings of businesses and markets. The transformative developments of our era produce problems alongside their benefits: inequality, economic dislocation, information overload, financial instability, and many other pressures leading away from serving the common good. Business leaders who are guided by ethical social principles can, nonetheless, succeed and contribute to the common good.

- **http://www.stthomas.edu/cathstudies/cst/conferences/Logic%20of%20Gift%20Semina/Logicofgiftdoc/FinalsoftproofVocati.pdf**

Sen, Amartya. 1993.

"Money and Value: On the Ethics and Economics of Finance." *Economics and Philosophy* 9 (2): 203–27.

Careful assessment of consequences is central to financial ethics and cannot be replaced by appeals to consequence-independent "duties." It can be argued, giving particular illustrations, that rules and regulations as well as codes of conduct may be seriously misdirected by the attempt to base public decisions or private behavior on the simple deontology of immediate concerns and obligations. In financial matters, no less than in other economic fields, the significant goes well beyond the proximate.

- **http://journals.cambridge.org/action/displayAbstract?fromPage=online&aid=2797284&fileId=S026626710000153X**

Sijbrand, Jan. 2013.

"Ethics and the Crisis in the Financial Sector." Speech to the Faculty of Economics and Business of the University of Groningen, September 5.

- **http://www.dnb.nl/en/news/news-and-archive/speech-2013/dnb296149.jsp**

Welby, Justin. 2014.

"The Future of Banking Standards and Ethics." Archbishop's Lecture on the Future of Banking Standards, Westminster, June 25.

- **http://www.archbishopofcanterbury.org/articles.php/5353/archbishops-lecture-on-the-future-of-banking-standards**

World Economic Forum Investors Industries. 2013.

"*From the Margins to the Mainstream: Assessment of the Impact Investment Sector and Opportunities to Engage Mainstream Investors*." In collaboration with Deloitte Touche Tohmatsu. World Economic Forum, Geneva.

Investors have great influence over the social, environmental, and economic challenges of societies, yet operate within a market infrastructure and investment ecosystem in which the incentives do not generally balance social, environmental, and economic impacts. Impact investing—an investment approach intentionally seeking to create both financial return and positive social impact that is actively measured—has been lauded as an emerging investment approach with the potential to reconcile key shortcomings in traditional financial markets. In this report we consult the senior-most decision makers and portfolio managers of the largest and most innovative investors in the world. This approach uniquely helps facilitate a more realistic vantage point on the challenges in scaling the sector. Working with this group is also instrumental in raising awareness and knowledge among key stakeholders for taking impact investing from the margins into the mainstream.

- **http://www3.weforum.org/docs/WEF_II_FromMarginsMainstream_Report_2013.pdf**

2014 Flagship Seminar

FINANCING ASIA'S NEW GROWTH MODELS

Sponsored by the IMF's Asia and Pacific Department and Monetary and Capital Markets Department

Asia is transforming from a manufacturing hub to a group of vibrant, diverse, and interconnected markets with a rising middle-class population. The financial sector needs to serve Asia's transformation to its new growth models—growth that is more consumption driven and more inclusive, with the private sector playing an increasingly important role. Such a transformation in the region would also have far-reaching effects for the rest of the world. Some key questions for discussion in this session include (1) how can Asia develop a long-term investor base (for example, pension funds and life insurance) to provide a stable source of finance for infrastructure and companies? (2) how can Asia's financial systems better support small and medium-sized enterprises, start-ups, and the region's service sectors? and (3) what are the appropriate roles for the private and public sectors in the process of financial development?

Baily, Martin Neil, and Douglas J. Elliot. 2013.

"The Role of Finance in the Economy: Implications for Structural Reform of the Financial Sector." Brookings Institution, Washington.

The financial system is critical to the functioning of the economy as a whole, and banks are central to the financial system. In addition to providing substantial employment, finance serves three main purposes: credit provision, liquidity provision, and risk management services. Many argue that the U.S. financial system grew overly large in the bubble period and is still too large today. We agree that some of the activities that took place in the bubble period involved taking on excess amounts of risk, but it is extremely hard to determine the right size of the financial system based on well-grounded economic theories.

- **http://www.brookings.edu/~/media/research/files/papers/2013/07/11-finance-role-in-economy-baily-elliott/11-finance-role-in-economy-baily-elliott.pdf**

Dabla-Norris, Era, and Narapong Srivisal. 2013.

"Revisiting the Link between Finance and Macroeconomic Volatility." Working Paper 13/29, International Monetary Fund, Washington.

This paper examines the impact of financial depth on macroeconomic volatility using a dynamic panel analysis for 110 advanced economies and developing countries. We find that financial depth plays a significant role in dampening the volatility of output, consumption, and investment growth, but only up to a certain point. At very high levels, such as those observed in many advanced economies, financial depth amplifies consumption and investment volatility. We also find strong evidence that deeper financial systems serve as shock absorbers, mitigating the negative effects of real external shocks on macroeconomic volatility.

- **http://www.elibrary.imf.org/view/IMF001/20248-9781475543988/20248-9781475543988/20248-9781475543988.xml?rskey=4c81tm&result=1**

International Monetary Fund. 2014.

"Does Growing Regional Integration Make Asian Economies Move More in Sync?" In *Regional Economic Outlook: Asia and Pacific—Sustaining Momentum: Vigilance and Reforms*, 47–60. Washington: International Monetary Fund.

In recent decades, especially during the 1990s, trade integration within Asia has proceeded faster than in other regions. In valued-added terms, intraregional trade grew, on average, by more than 10 percent a year from 1990 to 2012, twice the pace seen outside of Asia. While Asia's overall trade openness today does not particularly stand out compared with other regions—partly reflecting the presence of several large, less open economies—the intensity of intraregional trade does stand out, especially within the Association of Southeast Asian Nations. Concomitantly, financial integration within the region—as well as between the region and the rest of the world—has started to catch up, although it still lags behind trade integration.

- **http://www.elibrary.imf.org/view/IMF086/21109-9781484316573/21109-9781484316573/ch03.xml**

International Monetary Fund. 2014.

"Making the Transition from Liquidity- to Growth-Driven Markets." In *Global Financial Stability Report: Moving from Liquidity- to Growth-Driven Markets*, 1–65. Washington: International Monetary Fund.

Financial stability has broadly strengthened in advanced economies. However, as the United States makes the transition to a less accommodative monetary policy stance, global financial conditions are tightening, which poses new challenges and reveals vulnerabilities in some emerging market economies. Those potential spillovers could, in turn, wash back onto the shores of advanced economies. The key challenge in this environment is to make a successful transition from policy accommodation to self-sustaining, investment-driven growth while minimizing spillovers that threaten financial stability.

- **http://www.elibrary.imf.org/view/IMF082/20957-9781484357460/20957-9781484357460/ch01.xml**

Jeasakul, Phakawa, Cheng Hoon Lim, and Erik Lundbac. 2014.

"Why Was Asia Resilient? Lessons from the Past and for the Future." Working Paper 14/38, International Monetary Fund, Washington.

Asia proved to be remarkably resilient in the face of the global financial crisis, but why was its output performance stronger than that of other regions? The paper shows that better initial conditions—in the form of lower external and financial vulnerabilities—contributed significantly to Asia's resilience. Key precrisis factors included moderate credit expansion, reliance on deposit funding, enhanced bank asset quality, reduced external financing, and improved current accounts. These improvements reflected the lessons from the Asian financial crisis in the late 1990s, which helped reshape both public policies and private sector behavior.

- **http://www.elibrary.imf.org/view/IMF001/21193-9781475540284/21193-9781475540284/21193-9781475540284.xml**

Levinger, Hannah, and Chen Li. 2014.

"What's behind Recent Trends in Asian Corporate Bond Markets?" Current Issues Emerging Markets, Deutsche Bank AG, Frankfurt am Main.

Corporate bond markets in Asia have expanded rapidly. Since the global financial crisis, Asian corporations have made increasing use of bond issuance for their funding needs, complementing traditional channels such as bank lending. The boom in bond issuance, which grew more than fourfold since 2008, has been fueled by favorable global liquidity conditions and regional initiatives. Asian corporate bond markets provide a mixed picture. While the bond markets of Hong Kong SAR, China, Singapore, and Korea are comparatively advanced and liquid, markets in China, India, Indonesia, and Thailand are still at an early stage of development. Using data based on bond issuance also reveals variations in structural characteristics such as sector, currency, issuing volume, and use of funds.

- **http://www.dbresearch.com/PROD/DBR_INTERNET_EN-PROD/PROD0000000000328056/What%E2%80%99s+behind+recent+trends+in+Asian+corporate+bond+markets%3F.PDF**

Mohanty, Madhusudan, and Philip Turner. 2010.

"Banks and Financial Intermediation in Emerging Asia: Reforms and New Risks." BIS Working Paper 313, Bank for International Settlements, Basel.

The conventional view is that microeconomic reforms after the 1997–98 Asian financial crisis have greatly strengthened banking systems in Asia. Banks have become better capitalized, external exposures have been reduced, and credit risk has been managed more effectively. But this conventional view does not take enough account of the macroeconomic background. A sharp rise in domestic savings, combined with the recent large-scale sterilized intervention and easy monetary policy, has led to very easy financing conditions for banks. Bank credit expanded. Banks have accumulated a large stock of government bonds. How these conditions will change and how this will affect banks in Asia is uncertain. Supervisory authorities therefore need to be sure that the present very liquid position of most banking systems in Asia does not allow significant (but so far only latent) increases in market and credit risk to go undetected.

- **http://www.bis.org/publ/work313.htm**

Oliver Wyman Financial Services. 2010.

***The Future of Asian Banking. Volume 1. The Shaken and the Stirred: How Regulation and Economic Policy Will Transform Asian Banking*. New York, New York: Oliver Wyman Financial Services.**

Two years on from the depths of the financial crisis, governments in the United States and Europe are in the midst of the biggest overhaul of financial sector regulation in more than 70 years. In much of Asia, by contrast, the regulatory discussion has returned to where it was a few years ago, focused on whether the Asian economies are overly dependent on banks for financial intermediation, and on whether local financial sectors should be more or less integrated with global capital markets. While the banking sector in the West has been shaken, the financial markets of the East are stirring.

- **http://www.oliverwyman.com/content/dam/oliver-wyman/global/en/files/archive/2010/The_Future_of_Asian_Banking_Vol_1.pdf**

Rhee, Changyong. 2014.

"Asia: Achieving Its Potential," *Finance & Development* 51 (2): 7–9.

- **http://www.imf.org/external/pubs/ft/fandd/2014/06/rhee.htm**

Sheng, Andrew, Chow Soon Ng, and Christian Edelmann. 2013.

***Asia Finance 2020: Framing a New Asian Financial Architecture.* New York, New York: Oliver Wyman Financial Services; Hong Kong SAR, China: Fung Global Institute.**

Asia is getting richer, not only absolutely but relatively. Over the last decade, Asia increased its share of global GDP from 24 percent to 31 percent. Its vast population is increasingly urban and increasingly middle class. With both Europe and the United States struggling to bounce back from the deep recession triggered by the financial crisis, the world is again looking toward Asia as the engine of growth. However, Asia is also at a crossroads. It needs to shift from its current "old industrial" export-driven model toward a new economic model—one that is focused on domestic consumption and is more socially just and environmentally sustainable.

- **http://www.oliverwyman.com/content/dam/oliver-wyman/global/en/files/archive/2013/Asia_Finance_2020.pdf**

Walsh, James P. 2014.

"The Future of Asian Finance." *Finance & Development* 51 (2): 18–21.

- **http://www.imf.org/external/pubs/ft/fandd/2014/06/walsh.htm**

World Bank. 2013.

"Aging in East Asia and the Pacific." In *World Bank East Asia and Pacific Economic Update: Rebuilding Policy Buffers, Reinvigorating Growth*, 68–75. Washington: World Bank.

East Asia and the Pacific is in the midst of the most rapid population-aging process ever seen. Aging is driven by declining fertility and increasing life expectancy, and is occurring at relatively low income levels. It will have major effects on the labor force and aggregate growth, although with significant differences across countries. The effects may be compounded by urbanization, as a result of lower labor-force participation rates among the urban elderly. There are also growing concerns about the elderly poor, as family support networks become stretched. Aging raises several critical policy challenges: first, extending productive working lives, sustaining the skills of aging workers, and increasing labor-force participation rates; second, reforming pension systems to increase coverage and financial protection, taking into account administrative capacity and fiscal sustainability; and third, reforming health care systems, including in particular care for the aged and long-term care and through changes in how health care providers are paid.

- **http://documents.worldbank.org/curated/en/2013/10/18362461/rebuilding-policy-buffers-reinvigorating-growth**

World Bank. 2012.

***Global Financial Development Report 2013: Rethinking the Role of the State in Finance.* Washington: World Bank.**

The report addresses the following key policy questions: (1) What is the early postcrisis thinking on transforming regulatory practices around the world? (2) How should governments promote competition in the financial sector without planting the seeds of the next crisis? (3) When do direct government interventions—such as state ownership and guarantees—help in developing the financial sector, and when do they fail? (4) What should states do to support robust financial infrastructure?

- **http://documents.worldbank.org/curated/en/2012/09/16750906/rethinking-role-state-finance**

2014 Flagship Seminar

FINANCING DEVELOPMENT POST-2015: Towards a Shared Vision

Sponsored by the World Bank Group's Office of the President's Special Envoy

The upcoming Post-2015 development agenda will be more ambitious than its predecessor, the Millennium Development Goals. The new agenda embraces concepts of environmental, social and economic sustainability. Achieving these transformational goals will require financing that goes beyond current resources, while focusing on being innovative and inclusive. The event will explore how to facilitate an effective launch of the post-2015 agenda with all partners. It will familiarize Ministries of Finance and Development with the emerging goals, discuss the pillars of a financing approach, and draw upon lessons from case studies that apply a proposed financing framework to countries in diverse circumstances. Hosted jointly with the Multilateral Development Banks as part of the process of preparing a joint paper on issues of financing development, this event will engage high-level representatives of Ministries, the United Nations, the private sector, bilateral agencies, foundations, CSOs, and other development partners.

African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, European Investment Bank, Inter-American Development Bank, International Finance Corporation, International Monetary Fund, and the World Bank. Forthcoming.

"Issues Paper on Financing for Development - Perspectives from MDBs."

This is a living document jointly produced by multilateral development banks. It seeks to engage Ministers of Finance, Economy, and Development, development finance partners including the United Nations and other international financial institutions, bilateral agencies, the private sector, and foundations in a discussion about financing after 2015. As part of a global partnership for development, it contributes to the development of a financing framework for after 2015, building on the Monterrey and Doha Consensuses. It recognizes that the ambition of the post-2015 agenda will be associated with enormous financing needs, which go beyond the current capacity of many governments and donors, requiring improved domestic revenue mobilization, private investment, financial inclusion and innovation, and partnerships. This draft paper will be discussed at the periphery of the 2014 World Bank–IMF Annual Meetings, then further developed at the 2015 World Bank–IMF Spring Meetings, toward a shared perspective among multilateral development banks ahead of the Third International Conference on Finance for Development in Addis Ababa, Ethiopia, on July 13–16, 2015.

"*Report of the Intergovernmental Committee of Experts on Sustainable Development Financing*." 2014. Final draft, August 8.

The recommendations and analysis in this report are expected to stimulate discussions among all stakeholders and inspire new ideas and innovative solutions. Many of the recommendations call for exchanging ideas and sharing experiences between countries and for enhanced international cooperation based on a renewed global partnership for sustainable development. The scope of financing needs, the patterns of resource flows, and the options for integrated sustainable development financing are reviewed with an emphasis on global governance and cooperation to facilitate and strengthen the financing environment for development objectives.

- **http://sustainabledevelopment.un.org/content/documents/4588FINAL%20REPORT%20ICESDF.pdf**

United Nations Department of Economic and Social Affairs, Division for Sustainable Development. 2014.

"Introduction to the Proposal of the Open Working Group for Sustainable Development Goals." Unpublished, July 19.

The Rio+20 outcome document, "The Future We Want," set out a mandate to establish an open working group to develop a set of sustainable development goals for consideration and appropriate action by the General Assembly at its 68th session. It also provided the basis for their conceptualization. The Rio outcome gave the mandate that the Sustainable Development Goals (SDGs) be coherent with and integrated into the UN development agenda beyond 2015. Seventeen SDGs have been proposed by this working group, building on the foundation laid by the Millennium Development Goals. These SDGs are accompanied by targets and will be further elaborated through indicators focused on measurable outcomes. They are action oriented, global in nature, and universally applicable. They take into account different national realities, capacities, and levels of development, and respect national policies and priorities.

- **http://sustainabledevelopment.un.org/focussdgs.html**

World Bank Group. 2013.

"*Financing for Development Post-2015*." World Bank Group, Washington.

This paper is a contribution to United Nations–led efforts to articulate a post-2015 development framework, building on the Millennium Declaration and Millennium Development Goals (MDGs). It focuses on the challenge of financing development goals and complements the extensive work conducted by the United Nations and other institutions, including the World Bank Group. The report outlines elements of what it will take to achieve development outcomes; the importance of a global development cooperation framework; the role of targeted, evidence-based policies and sound institutions; and the mobilization of resources for global public goods. It also focuses on how best to support developing countries in mobilizing domestic resources for development, by boosting taxation capacity, harnessing natural resource revenue, improving expenditure efficiency, and curbing illicit financial flows. The authors examine issues of aid effectiveness and ways for development actors to provide better and smarter aid. Trends in private financial flows to developing countries and the growing mismatch between available financing and investment needs are highlighted. Finally, the report explores a range of emerging and innovative sources of finance, and the role an inclusive financial system can play to promote development.

- **http://documents.worldbank.org/curated/en/2013/10/18550431/financing-development-post-2015**

2014 Flagship Seminar

FOOD FOR THE FUTURE: Achieving Food Security in the Face of Climate Change

Sponsored by the World Bank Group's Agriculture, Environment and Natural Resources, Transport and Information and Communications Technology, and Water Global Practices

Our ability to feed a growing planet and achieve food security in uncertain and extreme climatic conditions will depend in large part on how we manage already strained natural resources for agriculture and aquaculture. This event will provide a better understanding of the environment-water-food nexus and the role that climate smart agriculture, sustainably managed landscapes and seascapes, and modern monitoring technologies can play in meeting food security and environmental needs. Speakers will represent business, civil society and public sector perspectives on political actions and investment priorities to maintain virtuous cycles that preserve natural capital, build resilience and sustain food security for all.

Akbar, Sameer, Gary Kleiman, Surabi Menon, and Laura Segafredo. 2014.

***Climate-Smart Development: Adding up the Benefits of Actions that Help Build Prosperity, End Poverty and Combat Climate Change*. Washington: World Bank Group.**

This report describes efforts by the ClimateWorks Foundation and the World Bank to quantify the multiple economic, social, and environmental benefits associated with policies and projects to reduce emissions in select sectors and regions. The report has three objectives: (1) to develop a holistic, adaptable framework to capture and measure the multiple benefits of reducing emissions of several pollutants; (2) to demonstrate how local and national policymakers, members of the international development community, and others can use this framework to design and analyze policies and projects; and (3) to contribute a compelling rationale for effectively combining climate action with sustainable development and green growth worldwide.

- **http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2014/06/20/000456286_20140620100846/Rendered/PDF/889080W-P0v10RE0Smart0Development0Ma.pdf**

Arnason, Ragnar, Kieran Kelleher, and Rolf Willmann. 2009.

***The Sunken Billions: The Economic Justification for Fisheries Reform*. Washington: World Bank.**

The contribution of the harvest sector of the world's marine fisheries to the global economy is substantially smaller than it could be. The lost economic benefits are estimated to be on the order of $50 billion annually. The losses represent the difference between the potential and actual net economic benefits from global marine fisheries. By improving governance of marine fisheries, society could capture a substantial part of this $50 billion annual economic loss. Through comprehensive reform, the fisheries sector could become a basis for economic growth and the creation of alternative livelihoods in many countries. At the same time, a nation's natural capital in the form of fish stocks could be greatly increased and the negative impacts of the fisheries on the marine environment reduced.

- **http://documents.worldbank.org/curated/en/2009/01/10298304/sunken-billions-economic-justification-fisheries-reform**

BMZ Federal Ministry for Economic Cooperation and Development. 2013.

"Promoting Sustainable Agriculture: Development Policy Strategy." Strategy Paper 3|2013e, BMZ Federal Ministry for Economic Cooperation and Development, Berlin.

Even though agricultural surpluses are produced in many parts of the world, it has not yet been possible to substantially reduce hunger around the globe. Hunger is not primarily the consequence of an absolute lack of food but of widespread poverty in rural regions in particular. Against this backdrop, German development policy focuses on two goals in its bilateral programs, in its multilateral commitment, and in its involvement in shaping the international agenda. Agriculture must first reduce poverty and hunger, and second it must be resource conserving and climate neutral.

- **http://www.bmz.de/en/publications/topics/rural_development/Strategiepapier332_03_2013.pdf**

Food and Agriculture Organization of the United Nations, the International Fund for Agricultural Development, and the World Food Programme. 2013.

***The State of Food Insecurity in the World 2013. The Multiple Dimensions of Food Security*. Rome: Food and Agriculture Organization of the United Nations.**

The 2013 report goes beyond measuring food deprivation. It presents a broader suite of indicators that aim to capture the multidimensional nature of food insecurity, its determinants, and outcomes. This suite, compiled for every country, allows a more nuanced picture of their food security status, guiding policymakers in the design and implementation of targeted and effective policy measures that can contribute to the eradication of hunger, food insecurity, and malnutrition.

- **http://www.fao.org/docrep/018/i3434e/i3434e.pdf**

Fukuda-Parr, Sakiko, and Amy Orr. 2013.

"The MDG Hunger Target and the Contested Visions of Food Security." FXB Working Paper, FXB Center for Health and Human Rights, Harvard School of Public Health, Cambridge, Massachusetts.

This paper explores the normative and empirical consequences of the Millennium Development Goal (MDG) hunger target (1C), to halve the proportion of people who are undernourished, measured by the proportion of children under 5 who are underweight for

their age, and the proportion of people who are "undernourished." We argue that the influence has been more normative (reframing thinking and influencing strategies) than empirical (increasing investments and efforts). The MDG hunger target has had little effect in drawing attention to this priority and raising its profile. While food security currently commands attention as a top global political priority, it has long been a neglected goal.

- **http://fxb.harvard.edu/wp-content/uploads/sites/5/2013/09/Goal-1_Hunger_FukudaParr_Orr_WorkingPaper.pdf**

Lal, Rattan. 2013.

"Food Security in a Changing Climate." *Ecohydrology and Hydrobiology* 13 (1): 8–21.

Challenges to global food security are (1) population increase from 7 billion in 2011 to 9.2 billion by 2050; (2) climate change; (3) soil degradation by erosion, salinization, organic matter and nutrient depletion, and elemental imbalance; (4) decreased availability of water; (5) land competition for urbanization, brick making, biofuel, and nonagricultural uses; and (6) preferences for an animal-based diet. Global hotspots for food insecurity are South Asia and sub-Saharan Africa. Adopting concepts of ecohydrology, enhancing green water in the root zone, can create climate-resilient agriculture to advance food security and improve the environment.

- **http://www.sciencedirect.com/science/article/pii/S1642359313000104**

Program on Forests. 2012.

"Mobilizing Private Investment in Trees and Landscape Restoration in Africa."

Growing demand for food, fuel, and other commodities, coupled with natural resource scarcity, has created an urgent need to produce more with less. Program on Forests (PROFOR) organized with a number of partners a new investment forum to discuss the main constraints to investment and to identify policy and institutional reforms needed to overcome those constraints, as well as mechanisms to help create an enabling climate for accelerated private sector investment.

- **http://www.profor.info/node/2062**

Rosegrant, Mark W., Jawoo Koo, Nicola Cenacchi, Claudia Ringler, Richard Robertson, Myles Fisher, Cindy Cox, Karen Garrett, Nicostrato D. Perez, and Pascale Sabbagh. 2014.

***Food Security in a World of Natural Resource Scarcity: The Role of Agricultural Technologies*. Washington: International Food Policy Research Institute.**

The world's population is expected to reach 9 billion by 2050. Climate change, population, and income growth will drive food demand in the coming decades. Baseline scenarios show food prices for maize, rice, and wheat would significantly increase between 2005 and 2050, and the number of people at risk of hunger in the developing world would grow from 881 million in 2005 to more than a billion people by 2050. This report examines which current and potential strategies offer solutions to fight hunger.

- **http://www.ifpri.org/publication/food-security-world-natural-resource-scarcity**

Tréguer, David, and Eija Pehu. 2014.

"Moving toward a Sustainable Landscape Approach to Development." Agriculture and Environmental Services Department Notes 12, Washington, World Bank Group.

Increasing food and nutrition insecurity and increasing poverty in the face of a rapidly changing climate and a degrading natural capital base are daunting challenges for agriculture, livestock, forests, and fisheries. To address these challenges, the World Bank's client countries are increasingly seeking support to move toward a more integrated approach to managing competing demands for land, water, and other natural resources. This desire comes out of simple recognition that it is the most efficient thing to do given the complex interlinkages among the different components of natural capital, and most important, it is essential for the communities that live in a reality in which all is connected, that is, in the landscape.

- **http://documents.worldbank.org/curated/en/2014/06/19607203/moving-toward-sustainable-landscape-approach-development**

World Bank. 2007.

***World Development Report 2008: Agriculture for Development*. Washington: World Bank.**

The 2008 *World Development Report* calls for greater investment in agriculture in developing countries and warns that the sector must be placed at the center of the development agenda if the goals of halving extreme poverty and hunger by 2015 are to be realized. According to the report, for the poorest people, GDP growth originating in agriculture is about four times more effective in reducing poverty than GDP growth originating outside the sector.

- **http://web.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/EXTWDRS/0,,contentMDK:23062293~pagePK:478093~piPK:477627~theSitePK:477624,00.html**

World Bank. 2012.

***Using Public Food Grain Stocks to Enhance Food Security*. Washington: World Bank.**

The recurrent global food price spikes in 2008 and 2010 rekindled interest in the use of national food grain stockpiles to enhance food security. They were a commonly used instrument in government responses to these food price spikes. They were also widely considered to be a useful tool after the 1974 food crisis and its associated food price volatility and supply disruptions. Large stocks became a reality at the global level in the 1980s and 1990s as a by-product of farm income support policies in the developed countries. However, large "buffer" or "intervention" stocks, as the grain accumulations in developed countries came to be called, eventually proved to be very costly forms of producer income support and were drawn down for fiscal and other reasons starting in the late 1990s. This report revisits the issues and evidence concerning grain stocks.

- **http://documents.worldbank.org/curated/en/2012/09/16687047/using-public-food-grain-stocks-enhance-food-security**

World Bank and International Monetary Fund. 2012.

***Global Monitoring Report 2012: Food Prices, Nutrition, and the Millennium Development Goals*. Washington: World Bank.**

Every year, the Global Monitoring Report (GMR) gauges progress across the Millennium Development Goals (MDGs), so we can better understand whether we are delivering on basic global needs. The 2012 edition highlights the need to help developing countries deal with the harmful effects of higher and more volatile food prices. It summarizes effects of food prices on several MDGs. It reviews policy responses including domestic social safety nets, nutritional programs, agricultural policies, regional trade policies, and support by the international community. And it outlines future prospects.

- **http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2012/04/20/000386194_20120420035221/Rendered/PDF/681710PUB0EPI00SE0ONLY090Box367902B.pdf**

World Bank Group. 2013.

***World Bank Group Agriculture Action Plan 2013–2015: Implementing Agriculture for Development*. Washington: World Bank Group.**

The future needs an agricultural system that produces about 50 percent more food to feed the world's 9 billion people by 2050. It can be done with more and better investment in the sector and with more attention to reducing gender inequality in access to resources and opportunities and to addressing cross-sectoral linkages between agricultural actions and outcomes for economic growth, livelihoods, the environment, nutrition, and public health. Income gains in agriculture are no more costly to achieve than income gains in other sectors, and the associated growth originating from agriculture has been two to four times more effective at reducing poverty than growth originating from other sectors.

- **http://documents.worldbank.org/curated/en/2013/01/17747135/implementing-agriculture-development-world-bank-group-agriculture-action-plan-2013-2015**

World Bank Group. 2013.

***Fish to 2030: Prospects for Fisheries and Aquaculture*. Agriculture and Environmental Services Discussion Paper 03, World Bank Group, Washington.**

The World Bank Group Agriculture Action Plan 2013–15 summarizes critical challenges facing the global food and agriculture sector. An ever-increasing global population necessitates adequate food and nutrition for the growing population through increased production and reduced waste. Production increase must occur in a context in which resources necessary for food production, such as land and water, are even scarcer in a more crowded world. The important issues addressed in the report are (1) the health of global capture fisheries; (2) the role of aquaculture in filling the global demand for fish; and (3) implications of changes in the global fish markets on fish consumption, especially in China and sub-Saharan Africa.

- **http://documents.worldbank.org/curated/en/2013/12/18882045/fish-2030-prospects-fisheries-aquaculture**

World Bank Group. 2014.

***Learning from World Bank History: Agriculture and Food-Based Approaches for Addressing Malnutrition*. Agriculture and Environmental Services Discussion Paper 10. Washington: World Bank Group.**

This paper provides forward-looking recommendations for linking agriculture and nutrition by looking back over the 40 years since both nutrition and rural development began at the World Bank in 1973. This paper sets out to explore whether what is currently being suggested has been attempted in the past. The initial motivation was to showcase the depth of historical resources available in the World Bank Group Archives, and to demonstrate how they can be used to inform current practice. Several lessons learned primarily from the World Bank experience are applicable to the Bank's current commitment to nutrition-sensitive agriculture, as well as to the development community at large, which is tackling the same agenda.

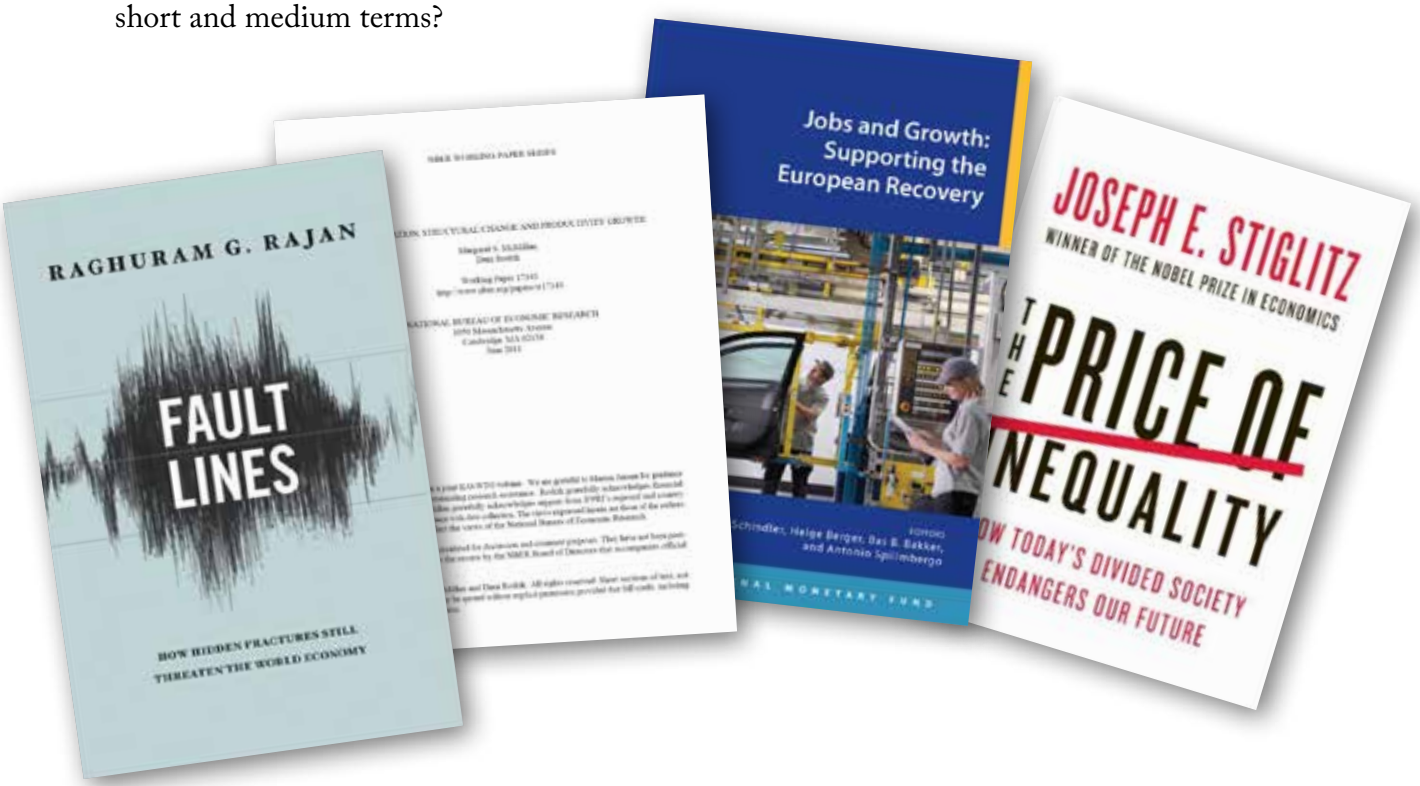
- **http://documents.worldbank.org/curated/en/2014/06/19755692/learning-world-bank-history-agriculture-food-based-approaches-addressing-malnutrition**

2014 Flagship Seminar

GROWTH AND REFORM CHALLENGES

Sponsored by the IMF's Strategy, Policy, and Review Department and Research Department

Drawing on the themes and lessons from the previous sessions, this concluding session will bring together policymakers and others with practical experience in the reform process to discuss the important dilemmas with which countries must inherently grapple as they seek to implement reforms to deliver job-rich and inclusive growth. Countries recognize that structural reforms are needed to raise medium-term growth prospects, but some reforms may be difficult to sell politically given winners and losers in the short run. A further balance needs to be struck between the scaling up of public infrastructure investment and the accompanying increase in public debt, which exacerbates the already-high debt trajectories in many countries. Similarly, there is concern about the pace and sustainability of global growth and growing concerns about the rise in inequality, yet a balance is needed to ensure that policy measures help reduce inequality without harming growth. Some key questions for discussion in this session include (1) are there better ways to design structural reforms that are both politically and socially more palatable, and that would also achieve the best possible impact in achieving sustained growth? (2) how do countries ensure that the gains from public investment offset the risks flowing from a further debt buildup? and (3) what lessons can we draw from cross-country experience about the impact of reforms on income distribution and growth in the short and medium terms?



Acemoglu, Daron, and David Autor. 2010.

"Skills, Tasks and Technologies: Implications for Employment and Earnings." Working Paper 16082, National Bureau of Economic Research, Cambridge, Massachusetts.

The authors argue that despite its notable successes, the canonical model is largely silent on a number of central empirical developments of the last three decades, including (1) significant declines in real wages of low skill workers, particularly low-skill males; (2) non-monotone changes in wages at different parts of the earnings distribution during different decades; (3) broad-based increases in employment in high-skill and low-skill occupations relative to middle-skill occupations (that is, job "polarization"); (4) rapid diffusion of new technologies that directly substitute capital for labor in tasks previously performed by moderately skilled workers; and (5) expanding offshoring opportunities, enabled by technology, which allow foreign labor to substitute for domestic workers in specific tasks.

- **http://www.nber.org/papers/w16082.pdf**

Bastagli, Francesca, David Coady, and Sanjeev Gupta. 2012.

"Income Inequality and Fiscal Policy." Staff Discussion Note 12/08 (Revised), International Monetary Fund, Washington.

This paper focuses on how fiscal policy can address income inequality in both advanced economies and developing countries. It reviews the relevant literature and assembles a comprehensive database on disposable income inequality for 22 advanced and 128 developing economies. It presents the redistributive impact of fiscal policy and how it can be enhanced if seen as desirable.

- **http://www.elibrary.imf.org/view/IMF006/12908-49781475504828/12908-9781475504828/12908-9781475504828.xml**

Bénabou, Roland. 2000.

"Unequal Societies: Income Distribution and the Social Contract." *American Economic Review* 90 (1): 96–129.

This paper develops a theory of inequality and the social contract aiming to explain how countries with similar economic and political "fundamentals" can sustain such different systems of social insurance, fiscal redistribution, and education finance as those of the United States and western Europe. With imperfect credit and insurance markets, some redistributive policies can improve ex ante welfare, which implies that their political support tends to decrease with inequality. Conversely, with credit constraints, lower redistribution translates into more persistent inequality, leading to the potential for multiple steady states with mutually reinforcing high inequality and low redistribution, or vice versa.

- **https://www.aeaweb.org/atypon.php?return_to=/doi/pdfplus/10.1257/aer.90.1.96**

Cubeddu, Luis, Alex Culiuc, Ghada Fayad, Yuan Gao, Kalpana Kochhar, Annette Kyobe, Ceyda Oner, and others. 2014.

"Emerging Markets in Transition: Growth Prospects and Challenges." Staff Discussion Note 14/06, International Monetary Fund, Washington.

After a short-lived slowdown in the immediate aftermath of the global financial crisis and a swift rebound, emerging markets are now entering a period of slower growth. In fact, growth is now lower than in the postcrisis peak of 2010–11, as well as lower than the rates seen in the decade before the crisis. This raises the question of whether emerging markets can bounce back to the growth rates seen in the last decade or whether their prospects are dimmer than thought a few years ago. This paper explores the drivers of the slowdown, how changes in external conditions that supported high growth in emerging markets will affect them over the medium term, and the policy priorities needed to sustain the growth rates seen in the past decades.

- **http://www.elibrary.imf.org/view/IMF006/21358-9781498327664/21358-9781498327664/21358-9781498327664.xml?rskey=0fsOCf&result=1**

Dabla-Norris, Era, Giang Ho, Kalpana Kochhar, Annette Kyobe, and Robert Tchaidze. 2013.

"Anchoring Growth: The Importance of Productivity-Enhancing Reforms in Emerging Market and Developing Economies." Staff Discussion Note 13/08, International Monetary Fund, Washington.

Fostering and sustaining robust economic growth is an imperative across advanced economies, emerging market economies, and low-income countries alike. Countries will need to focus on supply-side reforms to raise their potential output and anchor medium-term growth prospects. This paper emphasizes the role of structural reforms and supportive policy and institutional frameworks for boosting productivity—a key engine of economic growth—in the wake of the crisis. By examining a broad spectrum of reforms that eliminate impediments to growth, the paper seeks to highlight a differentiated policy agenda across countries.

- **http://www.elibrary.imf.org/view/IMF006/20913-9781616357290/20913-9781616357290/20913-9781616357290.xml**

International Monetary Fund. 2014.

"Sustaining Long-Run Growth and Macroeconomic Stability in Low-Income Countries – The Role of Structural Transformation – Background Notes." Policy Paper, International Monetary Fund, Washington.

This policy paper explores the following concepts: (1) A fundamental paradigm of economic theory and empirics is that economic development involves structural transformation, the dynamic reallocation of resources from less productive to more productive sectors. (2) While economic transformation and diversification are correlated with development, it remains unclear whether a causal relationship exists. (3) The approach presented here represents the first integrated empirical treatment of the diversification-growth debate.

- **http://www.imf.org/external/np/pp/eng/2014/030514a.pdf**

Johnson, Simon, Jonathan D. Ostry, and Arvind Subramanian. 2007.

"The Prospects for Sustained Growth in Africa: Benchmarking the Constraints." Working Paper 07/52, International Monetary Fund, Washington.

A dozen countries had weak institutions in 1960 and yet sustained high rates of growth subsequently. We use data on their characteristics early in the growth process to create benchmarks with which to evaluate potential constraints on sustained growth for sub-Saharan Africa. This analysis suggests that what are usually regarded as first-order problems—broad institutions, macroeconomic stability, trade openness, education, and inequality—may not now be binding constraints in Africa, although the extent of ill health, internal conflict, and societal fractionalization do stand out as problems in contemporary Africa. A key question is to what extent Africa can rely on manufactured exports as a mode of "escape from underdevelopment," a strategy successfully deployed by almost all the benchmark countries.

- **http://www.elibrary.imf.org/view/IMF001/07234-9781451866162/07234-9781451866162/07234-9781451866162.xml**

McMillan, Margaret S., and Dani Rodrik. 2011.

"Globalization, Structural Change and Productivity Growth." Working Paper 17143, National Bureau of Economic Research, Cambridge, Massachusetts.

Large gaps in labor productivity between the traditional and modern parts of the economy are a fundamental reality of developing societies. This paper documents these gaps, and emphasizes that labor flows from low-productivity activities to high-productivity activities are a key driver of development. The results show that since 1990 structural change has been growth reducing in both Africa and Latin America, with the most striking changes taking place in Latin America. The bulk of the difference between these regions' productivity performance and that of Asia is accounted for by differences in the pattern of structural change—with labor moving from low- to high-productivity sectors in Asia, but in the opposite direction in Latin America and Africa.

- **http://www.nber.org/papers/w17143.pdf**

Ostry, Jonathan D., Andrew Berg, and Charalambos G. Tsangarides. 2014.

"Redistribution, Inequality, and Growth." Staff Discussion Note 14/02, International Monetary Fund, Washington.

The IMF has recognized in recent years that one cannot separate issues of economic growth and stability on the one hand and equality on the other. Indeed, there is a strong case for considering inequality and an inability to sustain economic growth as two sides of the same coin. Central to the IMF's mandate is providing advice that will enable members' economies to grow on a sustained basis. But the IMF has rightly been cautious about recommending the use of redistributive policies given that such policies may themselves undercut economic efficiency and the prospects for sustained growth (the so-called "leaky bucket" hypothesis written about by the famous Yale economist Arthur Okun in the 1970s).

- **http://www.elibrary.imf.org/view/IMF006/21122-9781484352076/21122-9781484352076/21122-9781484352076.xml**

Ostry, Jonathan D., Alessandro Prati, and Antonio Spilimbergo. 2009.

"Structural Reforms and Economic Performance in Advanced and Developing Countries." Occasional Paper 268. International Monetary Fund, Washington.

This volume examines the impact on economic performance of structural policies—policies that increase the role of market forces and competition in the economy, while maintaining appropriate regulatory frameworks. Among the key results of this study, the authors find that real and financial reforms boost income growth. However, growth effects differ significantly across alternative reform sequencing strategies: a trade-before-capital-account strategy achieves better outcomes than the reverse, or even than a "big bang"; also, liberalizing the domestic financial sector together with the external capital account is growth enhancing, provided the economy is relatively open to international trade.

- **http://www.elibrary.imf.org/view/IMF084/09839-9781589068186/09839-9781589068186/09839-9781589068186.xml**

Rajan, Raghuram G. 2010.

***Fault Lines: How Hidden Fractures Still Threaten the World Economy*. Princeton, New Jersey: Princeton University Press.**

This book shows how the individual choices that collectively brought about the economic meltdown were rational responses to a flawed global financial order in which the incentives to take on risk are incredibly out of step with the dangers those risks pose. It exposes a system in which America's growing inequality and thin social safety net create tremendous political pressure to encourage easy credit and keep job creation robust.

Rodrik, Dani. 1999.

"Where Did All the Growth Go? External Shocks, Social Conflict, and Growth Collapses." *Journal of Economic Growth* 4 (4): 385–412.

This paper argues that domestic social conflicts are a key to understanding why growth rates lack persistence and why so many countries have experienced a growth collapse since the mid-1970s. It emphasizes, in particular, the manner in which social conflicts interact with external shock on the one hand, and the domestic institutions of conflict management on the other. Econometric evidence provides support for this hypothesis. Countries that experienced the sharpest drops in growth after 1975 were those with divided societies and with weak institutions of conflict management.

- **http://link.springer.com/article/10.1023/A%3A1009863208706**

Schindler, Martin, Helge Berger, Bas B. Bakker, and Antonio Spilimbergo, eds. 2014.

***Jobs and Growth: Supporting the European Recovery*. Washington: International Monetary Fund.**

Five years after the onset of the global financial crisis, Europe's economy is still fragile. Notwithstanding recent positive signs amid calmer financial markets, medium-term growth is likely to remain frail owing to continuing weaknesses and vulnerabilities at the country level and in the fabric of European institutions and banks, especially in the euro area. In addition, unemployment in many countries has reached very high levels. The IMF research collected in this volume provides a number of guideposts that offer an opportunity for stronger and better-balanced growth and employment in Europe after what has been a long and dismal period of crisis.

- **http://www.elibrary.imf.org/view/IMF071/20900-9781484304464/20900-9781484304464/20900-9781484304464.xml**

Stiglitz, Joseph E. 2012.

***The Price of Inequality: How Today's Divided Society Endangers Our Future*. New York, New York: W. W. Norton & Co.**

This work examines how the wealthy classes have contributed to growing inequality in society and explains how the quest to increase wealth has hindered the country's economic growth as well as its efforts to solve its most pressing economic problems. The author argues against America's vicious circle of growing inequality. America currently has the most inequality, and the least equality of opportunity, among the advanced countries. While market forces play a role in this stark picture, politics has shaped those market forces. Here the author exposes the efforts of well-heeled interests to compound their wealth in ways that have stifled true, dynamic capitalism.

Teal, Francis. 2011.

"Structural Transformation, Employment Creation, and Labor Markets: The Implications for Poverty Reduction in Sub-Saharan Africa." Paper prepared for the "Annual Bank Conference on Development Economics" (ABCDE), Paris, May 30–June 11, 2011.

This paper reviews the evidence for the links between structural change and poverty reduction in sub-Saharan Africa. The recent revival of growth in these economies is placed in a longer-term context and contrasted with the patterns of more sustained growth that have characterized other countries. It is argued that this growth revival has been associated with some, but very modest, reductions in poverty rates. The extent of structural change over the period since 1980 is documented and it is shown that together with a decline in the share of agriculture in GDP has been an accelerating decline in the share of manufacturing within industry.

- **http://siteresources.worldbank.org/EXTABCDE/Resources/7455676-1292528456380/7626791-1303141641402/ 7878676-1306270833789/Structutal_Transformation-Teal.pdf**

2014 Flagship Seminar

MAKING EXTRACTIVE INDUSTRIES' WEALTH WORK FOR THE POOR

Sponsored by the World Bank Group's Macroeconomics and Fiscal Management, Energy and Extractives, and Governance Global Practices

Join a discussion on channeling revenues from extractive industries—oil, gas and mining—to end poverty through diversified growth and development. Oil and gas in Tanzania and Mozambique, iron ore in Guinea, copper in Mongolia, gas and gold in Latin America, oil, gas, bauxite and gold in Central Asia. If managed well, these can contribute to sustainable development, but when poorly handled they can present long-term challenges for governments, communities and the environment. How can governments capture and channel revenues from this resource wealth into smart investments? How can they unlock this wealth to make it work for the poor? What can we learn from past experience?

Barma, Naazneen H., Kai Kaiser, Tuan Minh Le, and Lorena Vinuela. 2012.

***Rents to Riches? The Political Economy of Natural Resource–Led Development*. Washington: World Bank.**

This volume focuses on the political economy surrounding the detailed decisions that governments make at each step of the value chain for natural resource management. From the perspective of public interest or good governance, many resource-dependent developing countries pursue apparently short-sighted and sub-optimal policies in relation to the extraction and capture of resource rents, and to spending and savings from their resource endowments. This work contextualizes these micro-level choices and outcomes.

- **http://www.imf.org/external/np/seminars/eng/2013/fiscalpolicy/pdf/rajaram.pdf**

Burr, Lars, Ole Therkildsen, Michael W. Hansen, and Mette Kjær. 2013.

"Extractive Natural Resources Development: Governance, Linkages and Aid." Report 2013:28, Danish Institute for International Studies, Copenhagen.

This report—based on literature reviews and limited fieldwork in Mozambique, Tanzania, and Uganda—identifies the main factors influencing the political incentives for African governments to use industrial and other policies to create linkages between extractive industries and other parts of the economy to create jobs, sustain growth, and alleviate poverty. This governance perspective complements analyses of the economic implications of resource-based development strategies, and identifies implications for donor assistance to support development of extractive resources for growth and poverty reduction.

- **http://en.diis.dk/files/publications/Reports2013/DIIS-RP-2013-28_Extractive-dev_lbu-mfl_web.pdf**

Calder, Jack. 2014.

***Administering Fiscal Regimes for Extractive Industries: A Handbook*. Washington: International Monetary Fund.**

Revenues from natural resources often pose unique challenges for tax administration. This Handbook focuses attention on effectively administering revenues from extractive industries. It provides policymakers and officials in developing countries and emerging market economies with practical guidelines to establish a robust legal framework, organization, and procedures for administering revenue from these industries. It discusses transparency and how to promote it in the face of increasing demands for clarity and accountability in the administration of public revenues from extractive industries, and discusses how developing countries can strengthen their managerial and technical capacity to administer these revenues.

- **http://www.elibrary.imf.org/view/IMF071/20884-9781475575170/20884-9781475575170/20884-9781475575170.xml**

Collier, Paul. 2008.

***The Bottom Billion: Why the Poorest Countries Are Failing and What Can Be Done About It*. New York, New York: Oxford University Press.**

This book, published two years before *The Plundered Planet*, includes a chapter focused on those low-income countries rich in natural resources, and that argues that these countries are paradoxically usually worse off than countries not so endowed. This arises for several reasons, Collier argues. Resources make conflict for the resources more likely. Natural resource wealth means governments do not need to tax citizens who, consequently, are less likely to demand accountability from the government on the use of revenues it has collected. Exploitation of natural resources, Collier notes, can also result in Dutch disease, in which a country's other industries become less competitive as the result of an overvalued currency that results from high demand for the resource.

Collier, Paul. 2010.

***The Plundered Planet: Why We Must, and How We Can, Manage Nature for Global Prosperity*. New York, New York: Oxford University Press.**

Collier proposes a series of international standards and policy approaches to help poor countries discover and manage natural resource assets so that the revenues they produce deliver more positive development outcomes. Among other ideas, he proposes that donor countries provide financing for natural resource exploration to ensure that governments can negotiate with extractive companies on the basis of symmetric information. He also calls for policy changes to raise world food supply, and an approach to climate change that acknowledges the benefits of industrialization while addressing the need for alternatives to carbon trading. Revealing how these are all interconnected, *The Plundered Planet* charts a way forward to avoid the mismanagement of the natural world that threatens our future.

Diongue, Abdou Kâ, Gaël Giraud, and Cécile Renouard. 2011.

"Measuring the Contribution of Extractive Industries to Local Development: The Case of Oil Companies in Nigeria." Working Paper 1109, ESSEC Research Center, Cergy.

Extractive industries face two main challenges of corporate social responsibility and poverty reduction: (1) they need to recognize that societal activity is part of their core business and; (2) they need to take part in socioeconomic projects that contribute to their stakeholders' empowerment and not only to their living conditions. Based on surveys in Nigeria in 2008, the paper presents two societal performance indices: the Poverty Exit Index (PEI) and the Relational Capability Index (RCI). It shows that, while extractives have fostered the PEI of the local communities, the development projects of the oil companies had a negative impact on their RCI. Key variables are identified that can have a positive influence on the RCI and on which a sensible development policy should focus.

- **http://hal-essec.archives-ouvertes.fr/docs/00/62/62/47/PDF/WP1109.pdf**

Dobbs, Richard, Jeremy Oppenheim, Adam Kendall, Fraser Thompson, Martin Bratt, and Fransje van der Marel. 2013.

***Reverse the Curse: Maximizing the Potential of Resource-driven Economies*. New York, New York: McKinsey Global Institute.**

Resource-driven countries need a new growth model to transform the potential resource windfall into long-term prosperity. This report lays out such a model, drawing on successful approaches adopted by some resource-driven countries. It has six core elements: building the institutions and governance of the resources sector; developing infrastructure; robust fiscal policy and competitiveness; supporting local content; deciding how to spend a resource windfall wisely; and transforming resource wealth into broader economic development.

- **http://www.mckinsey.com/insights/energy_resources_materials/reverse_the_curse_maximizing_the_potential_of_resource_driven_economies**

Harvey, Bruce. 2014.

"Social Development Will Not Deliver Social Licence to Operate for the Extractive Sector." *The Extractive Industries and Society* 1 (1): 7–11.

This paper focuses on social responsibility in the extractive industries. It argues that an approach in which companies are encouraged to focus on social responsibility can prompt priorities and behaviors that blur appropriate boundaries between firms, governments, and communities. This may lead to unintended consequences that ultimately result in poorer community outcomes, and hence dilution of the "social license" that firms are eagerly seeking. An argument is made for limiting social development "outreach" and focusing more on "in-reach," in which extractive companies prioritize activities aimed at behavioral (and consequently, attitudinal) change across the whole of their organization to secure trust and support from host communities.

- **http://www.sciencedirect.com/science/article/pii/S2214790X13000038**

Mayorga, Eleodoro Alba. 2009.

"Extractive Industries Value Chain: A Comprehensive Integrated Approach to Developing Extractive Industries." Africa Region Working Paper Series 125, World Bank, Washington.

Proper stewardship of revenues from the oil, gas, and mining industries has tremendous potential to lift people out of poverty and contribute to sustainable development. These industries create jobs and transfer technologies and knowledge. The extractive industries sector is known for generating high economic rents. Indeed, the difference between the value and cost of production and the government's share of this rent can be very large in times of high commodity prices, as in the last several years. This paper outlines an approach, based on the Extractive Industries Transparency Initiative, by which resource-rich countries can maximize development gains from exploitation of their oil, gas, and mineral resources.

- **http://siteresources.worldbank.org/INTOGMC/Resources/ei_for_development_3.pdf**

Ramdoo, Isabelle, and San Bilal. 2014.

"Extractive Resources for Development: Trade, Fiscal and Industrial Considerations." Discussion Paper 156, European Centre for Development Policy Management, Siege.

For Africa, the capacity to mobilize domestic revenue and to stimulate industrial development from extractive resources is viewed as essential to economic priorities.

- **http://ecdpm.org/wp-content/uploads/DP-156-Extractive-Resources-for-Development-2014.pdf**

Sheldon, Christopher Gilbert, Alonso Zarzar Casis, Georg Caspary, Verena Seiler, and Fernando Ruiz Mier. 2013.

***Innovative Approaches for Multi-Stakeholder Engagement in the Extractive Industries*. Extractive industries for Development Series 29. Washington: World Bank.**

Extractive industries can generate significant wealth for developing countries and serve as catalysts for growth. They generate large revenues through royalties, taxation, and exports. They also create jobs. In some cases, however, resource wealth is associated with political turmoil, deteriorating standards of living, civil conflict, and elite capture. The management's response to the Extractive Industries Review signaled a critical turning point in the World Bank Group's engagement in the sector, which had focused on exploration and development activities, sector policy reform, and commercialization of state-owned enterprises. This publication presents four case studies, highlighting issues of scalability, replicability, innovation, and level of multistakeholder collaboration.

- **http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2013/08/01/000356161_20130801150122/Rendered/PDF/798930NWP002900Box0379795B00PUBLIC0.pdf**

Short, Clare. 2014.

"The Development of the Extractive Industries Transparency Initiative." *Journal of World Energy Law and Business* 7 (1): 1–8.

Transparency in the extractive industries is becoming the norm. The Extractive Industries Transparency Initiative (EITI) has played a leading role in mobilizing governments, industry, and civil society in advancing this agenda. This paper reflects on the development of the EITI and explores its potential to contribute to national debates about the management of the extractive industries. The work by the Nigerian EITI is an example of how information about the revenue flows from the sector can help stimulate debate and reform. As the EITI grows, there is a need to strengthen standards and provide incentives for innovation. A challenge remains: how to harness transparency to promote accountability.

- **http://eiti.org/files/The-development-of-the-EITI-Clare-Short.pdf**

Van Alstine, James, and Ralf Barkemeyer. 2014.

"Business and Development: Changing Discourses in the Extractive Industries." ***Resources Policy*** **40 (6):4–16.**

This paper analyzes development agency policy documents and corporate reports to identify converging and diverging discourses and changing "institutional logics" by key actors in extractive industries. For example, attempts by the United Nations Development Programme and other international organizations to manage the outcomes of market-driven development in extractive industries have given rise to a logic seeking good governance, while a parallel "logic" of partnership for development drives that of the private companies in the extractive industries sector. These coinciding trends may lead to fragmentation in the sector, or prompt a move toward greater convergence and restructuring.

- **http://www.sciencedirect.com/science/article/pii/S0301420714000075**

2014 Flagship Seminar

PUBLIC DEBT, PUBLIC INVESTMENT, AND GROWTH

Sponsored by the IMF's Fiscal Affairs Department and Research Department

The global financial crisis has left a legacy of very high public debt across advanced economies, which has elicited calls to gradually decrease public debt to reduce risks of sovereign debt crises and to reestablish buffers. Public infrastructure in many countries has also deteriorated and consequently affected growth trajectories, prompting calls for scaling up public investment, given the still very low real costs of public borrowing. Some key questions for discussion in this session include the following: First, is a further debt buildup warranted to meet public investment goals? How can the efficiency of public investment be improved? Second, Is the legacy of high public debt a problem, or should countries simply live with higher public debt in the future? Third, what normative guidelines are appropriate for countries as they try to manage the multiple challenges associated with high public debt, deficient public infrastructure, and lackluster medium-term growth prospects?

Arslanalp, Serkan, Fabian Bornhorst, Sanjeev Gupta, and Elsa Sze. 2010.

"Public Capital and Growth." Working Paper 10/175, International Monetary Fund, Washington.

This paper estimates the impact of public capital on economic growth for 48 Organisation for Economic Co-operation and Development (OECD) and non-OECD countries during 1960–2001. Using the production function and its extensions, it finds a positive—but concave—elasticity of output with respect to public capital, which is robust to changes in time intervals and varying depreciation rates. Furthermore, in non-OECD countries the growth impact of public capital is higher once longer time intervals are considered.

- **http://www.elibrary.imf.org/view/IMF001/11178-9781455201860/11178-9781455201860/11178-9781455201860_A001.xml**

Berg, Andrew G., and Jonathan D. Ostry. 2011.

"Equality and Efficiency." *Finance & Development* 48 (3): 12–15.

- **http://www.imf.org/external/pubs/ft/fandd/2011/09/berg.htm**

Bom, Pedro R.D., and Jenny Ligthart. 2008.

"How Productive Is Public Capital? A Meta-Analysis." Working Paper 2206, CESifo, Munich.

The paper analyzes the contribution of public capital to private output using several meta-analytical techniques. Both fixed and random effects models are estimated by weighted least squares. Sample overlap across studies is explicitly controlled for by employing a "full" generalized least squares estimator. The weighted average output elasticity of public capital amounts to 0.08 after correcting for publication bias. A substantial part of the heterogeneity across studies is explained by study design parameters, such as econometric specification, estimation technique, empirical model, type of public capital, and level of aggregation of public capital data.

- **http://www.cesifo-group.de/DocDL/cesifo1_wp2206.pdf**

Dabla-Norris, Era, Jim Brumby, Annette Kyobe, Zac Mills, and Chris Papageorgiou. 2012.

"Investing in Public Investment: An Index of Public Investment Efficiency." *Journal of Economic Growth* 17(3): 235–66.

Pritchett (*Journal of Economic Growth* 5: 361–84, 2000) convincingly argues that the difference between investment cost and capital value is of first-order empirical importance, especially for developing countries where public investment is the primary source of investment. This paper constructs a public investment efficiency index that captures the institutional environment underpinning public investment management across four different stages: project appraisal, selection, implementation, and evaluation. Covering 71 countries, including 40 low-income countries, the index allows for benchmarking across regions and country groups and for nuanced policy-relevant analysis and identification of specific areas where reform efforts could be prioritized. Research applications are outlined.

- **http://link.springer.com/article/10.1007/s10887-012-9078-5**

Gupta, Sanjeev, Alvar Kangur, Chris Papageorgiou, and Abdoul Wane. 2014.

"Efficiency-Adjusted Public Capital and Growth." *World Development* 57: 164–78.

This paper constructs an efficiency-adjusted public capital stock series and reexamines the public capital and growth relationship. The paper also examines the effects of four specific stages of the public investment process—appraisal, selection, implementation, and evaluation—on capital accumulation and growth. The results show that public capital is a significant contributor to economic growth. The quality of public investment, as measured by variables capturing the adequacy of project selection and implementation, is statistically significant in explaining variations in economic growth, a result mainly driven by low-income countries.

- **http://dx.doi.org/10.1016/j.worlddev.2013.11.012**

Gupta, Sanjeev, Michael Keen, Benedict Clements, Victoria Perry, David Coady, Ruud De Mooij, Stefania Fabrizio, and others. 2014.

"Fiscal Policy and Income Inequality." Policy Paper, International Monetary Fund, Washington.

Fiscal policy is the primary tool for governments to affect income distribution. Rising income inequality in advanced economies and developing countries has coincided with growing public support for income redistribution. This comes at a time when fiscal restraint is an important priority in many advanced economies and developing countries. In the context of the IMF's mandate to promote growth and stability, this paper describes (1) recent trends in the inequality of income, wealth, and opportunity in advanced economies and developing countries; (2) country experience with different fiscal instruments for redistribution; (3) options for the reform of expenditure and tax policies to help achieve distributive objectives in an efficient manner that is consistent with fiscal sustainability; and (4) recent evidence on how fiscal policy measures can be designed to mitigate the impact of fiscal consolidation on inequality.

- **http://www.imf.org/external/np/pp/eng/2014/012314.pdf**

International Monetary Fund. 2014.

***Fiscal Monitor: Public Expenditure Reform—Making Difficult Choices.* Washington, April.**

The global fiscal outlook has strengthened from late 2013, but repairing the public finances remains a priority. Recent policy moves in advanced economies have reduced near-term risks, but medium-term prospects are still uncertain and debt remains at historic highs. Fiscal vulnerabilities are rising in both emerging market economies and low-income countries, although in most cases from relatively moderate levels. In most advanced economies, the pace of fiscal consolidation will slow in 2014 as average gross debt stabilizes and the focus appropriately shifts toward ensuring that the composition of adjustment supports the still-fragile recovery.

- **http://www.elibrary.imf.org/view/IMF089/20956-9781475557121/20956-9781475557121/20956-9781475557121.xml?rskey=Id7GeC&result=1**

International Monetary Fund. 2014.

"Time for an Infrastructure Push? The Macroeconomic Effects of Public Investment." In *World Economic Outlook: Legacies, Clouds, Uncertainties*, 75-114. Washington: International Monetary Fund.

Krugman, Paul. 2014.

"Redistribution and the Lesser Depression." *The Conscience of a Liberal* (blog), *New York Times*, March 8.

- **http://krugman.blogs.nytimes.com/2014/03/08/redistribution-and-the-lesser-depression/?_php=true&_type=blogs&_r=0**

Ostry, Jonathan. 2014.

"We Do Not Have to Live with the Scourge of Inequality." *Financial Times*, March 3.

- **http://www.ft.com/intl/cms/s/0/f551b3b0-a0b0-11e3-a72c-00144feab7de.html#axzz39WrGs1cn**

Ostry, Jonathan D., and Andrew G. Berg. 2014.

"Measure to Measure: Inequality May Be a Hot Topic, but Describing It Is a Difficult Proposition." *Finance & Development* 51 (3): 35–38.

- **http://www.imf.org/external/pubs/ft/fandd/2014/09/ostry.htm**

Ostry, Jonathan D., and Andrew Berg. 2014.

"Treating Inequality with Redistribution: Is the Cure Worse Than the Disease?" *iMFdirect* (blog), February 26.

- **http://blog-imfdirect.imf.org/2014/02/26/treating-inequality-with-redistribution-is-the-cure-worse-than-the-disease/**

Ostry, Jonathan David, Andrew Berg, and Charalambos G. Tsangarides. 2014.

"Redistribution, Inequality, and Growth." Staff Discussion Note 14/02, International Monetary Fund, Washington.

The IMF has recognized in recent years that one cannot separate issues of economic growth and stability on the one hand and equality on the other. Indeed, there is a strong case for considering inequality and an inability to sustain economic growth as two sides of the same coin. Central to the IMF's mandate is providing advice that will enable members' economies to grow on a sustained basis. But the IMF has rightly been cautious about recommending the use of redistributive policies given that such policies may themselves undercut economic efficiency and the prospects for sustained growth (the so-called leaky bucket hypothesis written about by the famous Yale economist Arthur Okun in the 1970s).

- **http://www.elibrary.imf.org/view/IMF006/21122-9781484352076/21122-9781484352076/21122-9781484352076.xml?rskey=eNJ0Tg&result=2**

Oxfam International. 2014.

"Challenge to World Bank and IMF to Get Serious about Extreme Inequality." Press release, April 9.

- **http://www.oxfam.org/en/pressroom/pressreleases/2014-04-09/challenge-world-bank-and-imf-get-serious-about-extreme-inequality**

Porter, Eduardo. 2014.

"In New Tack, I.M.F. Aims at Income Inequality." *New York Times*, April 8.

- **http://www.nytimes.com/2014/04/09/business/economy/in-new-tack-imf-aims-at-income-inequality.html?module=Search&mabReward=relbias%3Ar%2C%7B%221%22%3A%22RI%3A7%22%7D&_r=0**

2014 Flagship Seminar

TRANSFORMING WORLD TRADE: Global Value Chains and Development

Sponsored by the World Bank Group Trade and Competitiveness Global Practice

The global economy has been transformed by changes in trade and investment. Business processes that once took place only within national borders have been broken down into ever-smaller components, spread across many countries in the form of Global Value Chains (GVCs). GVCs offer developing countries the potential to grow faster, import skills and technology, and boost employment and productivity. Opening borders and attracting investment are important, but governments must also invest in education, boost infrastructure connectivity, and set the right labor market policies. Panelists will discuss these issues from the perspective of multilateral organizations, the private sector, and individual, developing-country governments.

Arvis, Jean-François, Daniel Saslavsky, Lauri Ojala, Ben Shepherd, Christina Busch, and Anasuya Raj. 2014.

***Connecting to Compete 2014: Trade Logistics in the Global Economy—The Logistics Performance Index and Its Indicators*. Washington: World Bank.**

This is the fourth edition of *Connecting to Compete: Trade Logistics in the Global Economy*. It features the logistics performance index (LPI) based on a worldwide survey of global freight forwarders and express carriers. The LPI is a benchmarking tool developed by the World Bank that measures performance along the logistics supply chain within a country. It allows leaders in government, business, and civil society to better assess the competitive advantage created by good logistics and to understand the relative importance of different interventions.

- **http://lpi.worldbank.org/sites/default/files/LPI_Report_2014.pdf**

Asian Development Bank and World Trade Organization. 2013.

***Aid for Trade in Asia and the Pacific: Driving Private Sector Participation in Global Value Chains*. Manila: Asian Development Bank.**

This study analyzes the overall context in which aid for trade can facilitate development. Based on experiences from Asia and the Pacific, where aid for trade has supported key trade-related investments, it expands on the regional production component of Asia's impressive trade-led growth. It highlights the specific role value chains play in promoting the assimilation of Asia's developing countries into dynamic production networks that can thereby promote growth. The content is based on discussions at several meetings of the Regional Technical Group on Aid for Trade for Asia and the Pacific and takes into account external consultations at the World Trade Organization and other forums.

- **http://www.adb.org/sites/default/files/pub/2013/aid-for-trade-asia-and-the-pacific.pdf**

Cattaneo, Olivier, Gary Gereffi, and Cornelia Staritz, eds. 2010.

***Global Value Chains in a Postcrisis World: A Development Perspective*. Washington: World Bank.**

The world is in the midst of a sporadic and painful recovery from the most severe economic crisis since the Great Depression in the 1930s. The unprecedented scale of the crisis and the speed of its transmission have revealed the interdependence of the global economy and the increasing reliance by businesses on global value chains. These chains represent the process of ever-finer specialization and geographic fragmentation of production, with the more labor-intensive portions transferred to developing countries. As the recovery unfolds, it is time to take stock of the aftereffects and to draw lessons for the future.

- **http://documents.worldbank.org/curated/en/2010/01/12833926/global-value-chains-post-crisis-world-development-perspective**

Cattaneo, Oliver, Gary Gereffi, Sebastien Miroudot, and Daria Taglioni. 2013.

"Joining, Upgrading and Being Competitive in Global Value Chains: A Strategic Framework." Policy Research Working Paper 6406, World Bank Washington.

Global value chains have played an increasing role in business strategies, profoundly affecting international trade and development paradigms. Global value chains now represent a major source of opportunities for social upgrading and a new path for development. Trade, competitiveness, and development policies should be reshaped accordingly to seize these opportunities and avoid the risks. This paper provides a framework and analytical tools for measuring and improving a country's performance with respect to participation in global value chains. It provides guidance for countries willing to join, maintain participation in, or move up global value chains. In pursuit of the ultimate objective of increasing the value (the development content) of trade, it also offers strategies for maximizing the benefits and minimizing the risks of developing countries' participation in global value chains.

- **http://documents.worldbank.org/curated/en/2013/04/17558147/joining-upgrading-being-competitive-global-value-chains-strategic-framework**

Center on Globalization, Governance & Competitiveness. 2014.

"Global Value Chains & Development." Website.

The Global Value Chains Initiative provides an industry-centric view of economic globalization that highlights the linkages between firms and other economic actors from the global to the local levels of analysis. The initiative seeks to disseminate recent developments and applications of this research agenda and to foster the development of an international community of global value chain researchers using the tools provided by the Internet. The site links to various organizational, regional, country, and industry-specific report collections focusing on global value chains.

- **http://www.cggc.duke.edu/projects/gvc.php**

European Centre for Development Policy Management. 2014.

"Value Chains and Industrialisation." ***Governance, Regional integration, Economics, Agriculture and Trade (GREAT) Insights*** **3 (5): 2–31.**

This issue of *GREAT Insights* brings together a number of key insights on the dynamics of moving toward better integration into regional and global value chains, focusing on a range of opportunities, challenges, and policy recommendations. Although these remain country and context specific, the balance between unleashing market forces and harnessing them to sustainable and inclusive development objectives stands as a critical concern for all stakeholders.

- **http://ecdpm.org/wp-content/uploads/Great_vol3_issue5_Value_Chains_industrialisation_may_2014.pdf**

Farole, Thomas, and Deborah Winkler, eds. 2013.

Making Foreign Direct Investment Work for Sub-Saharan Africa: Local Spillovers and Competitiveness in Global Value Chains**. Washington: World Bank Group.**

Foreign direct investment (FDI) is becoming an increasingly significant catalyst for output and trade in developing countries, in part due to a major expansion in the scope of global value chains. FDI delivers a number of important contributions to economic development in investment, employment, and foreign exchange. However, it is FDI's spillover potential—the productivity gain resulting from the diffusion of knowledge and technology from foreign investors to local firms and workers—that is perhaps its most valuable input to long-term growth and development. Underpinned by substantial research and analytical work, this volume sets out the implications for policymakers hoping to harness the power of FDI for greater development outcomes.

- **http://documents.worldbank.org/curated/en/2013/12/18680570/making-foreign-direct-investment-work-sub-saharan-africa-local-spillovers-competitiveness-global-value-chains**

Gereffi, Gary. 2014.

"Global Value Chains in a Post–Washington Consensus World." ***Review of International Political Economy*** **21 (1): 9–37.**

Contemporary globalization has been marked by significant shifts in the organization and governance of global industries. In the 1970s and 1980s, one such shift was characterized by the emergence of buyer-driven and producer-driven commodity chains. In the early 2000s, a more differentiated typology of governance structures was introduced, which focused on new types of coordination in global value chains. Today the organization of the global economy is entering another phase, with transformations that are reshaping the governance structures of both global value chains and global capitalism at various levels.

- **http://www.tandfonline.com/doi/abs/10.1080/09692290.2012.756414**

Gereffi, Gary, and Xubei Luo. 2014.

"Risks and Opportunities of Participation in Global Value Chains." VoxEU website of the Centre for Economic Policy Research.

The explosion of trade in intermediate goods has created new development opportunities, but many of the jobs at the bottom of global value chains are low paid, insecure, and dangerous. This column argues that participation in global value chains brings risks as well as opportunities. The gains from "moving up the global value chain" are not equally distributed—large, professional, high-tech firms with diversified export markets, and high-skilled workers with formalized contracts benefit the most.

- **http://www.voxeu.org/article/global-value-chain-participation-risks-and-opportunities**

Park, Albert, Gaurav Nayyar, and Patrick Low. 2013.

***Supply Chain Perspectives and Issues: A Literature Review*. Geneva: World Trade Organization; Hong Kong SAR, China: Fung Global Institute.**

Global value chains have become ubiquitous. The literature that attempts to understand and explain global value chains is vast, multidisciplinary, and no less complex than the phenomenon itself. This volume is an ambitious attempt at a fairly comprehensive review of literature on the subject.

- **http://www.wto.org/english/res_e/booksp_e/aid4tradesupplychain13_e.pdf**

Saez, Sebastian, Daria Taglioni, Erik Van der Marel, Claire H. Hollweg, and Veronika Zavacka. Forthcoming, Fall 2014.

***Valuing Services in Trade: A Toolkit for Competitiveness Diagnostics*. Washington: World Bank.**

The Service Trade Competitiveness Diagnostic Toolkit is part of a larger agenda of trade competitiveness work developed by the World Bank's International Trade Unit. Services are a key input in countries' trade competitiveness, as well as a new source of trade diversification, making it critical to understand what factors and main constraints matter most for services competitiveness. The toolkit provides a framework, guidelines, and set of practical tools for conducting a thorough analysis and diagnostic of trade competitiveness in the services sector using a methodology that sheds light on a country's ability to both export services and improve its export performance through policy change.

Saito, Mika, Michele Ruta, and Jarkko Turunen. 2013.

***Trade Interconnectedness: The World with Global Value Chains*. Washington: International Monetary Fund.**

Global value chains are creating more and more of world income, including labor income. This is by no means limited to manufacturing; indeed, more income is generated by exporting services within global value chains. Moreover, the fragmentation of the production process across different countries has led to a strong trade-investment nexus. Analyzing the role of global value chains is now feasible given the improvement in value-added trade data supported by a number of international organizations.

- **http://www.imf.org/external/np/pp/eng/2013/082613.pdf**

Staritz, Cornelia. 2010.

***Making the Cut? Low-Income Countries and the Global Clothing Value Chain in a Post-Quota and Post-Crisis World*. Washington: World Bank.**

The clothing sector has traditionally been a gateway to export diversification and industrial development for low-income countries, but recent developments may condition this role. In most advanced economies and middle-income countries, the clothing sector was central in the industrialization process. Changes in global supply and demand structures have increased competition between low-income country exporters but also offer new opportunities in fast-growing emerging markets. The second half of the twentieth century was characterized by rising demand for clothing and the replacement of advanced economies' domestic production by imports from developing countries. Today, however, demand has stagnated, and import penetration levels are close to 100 percent in most advanced economies. Thus, the growth of clothing exports from a few developing countries largely comes at the expense of clothing producers in other developing countries.

- **http://documents.worldbank.org/curated/en/2011/01/13362258/making-cut-low-income-countries-global-clothing-value-chain-post-quota-post-crisis-world**

Staritz, Cornelia, and José Guilherme Reis, eds. 2013.

***Global Value Chains, Economic Upgrading, and Gender: Case Studies of the Horticulture, Tourism, and Call Center Industries*. Washington: World Bank.**

This book provides a gendered analysis of the horticulture, tourism, and call center global value chains. It is based on case studies carried out in Honduras, Kenya, and Egypt. The focus is on export sectors that have been characterized by high female employment and that have been relatively underexplored from the angle of trade and gender research. The case studies show that global value chains and economic upgrading dynamics have important gender dimensions and that integration and economic upgrading both influence and are influenced by gender relations.

- **http://documents.worldbank.org/curated/en/2013/01/18621419/global-value-chains-economic-upgrading-gender-case-studies-horticulture-tourism-call-center-industries**

Taglioni, Daria, and Deborah Winkler. 2014.

"Making Global Value Chains Work for Development." Economic Premise 143, World Bank, Washington.

Global value chains are playing an increasingly important role in business strategies, which has profoundly changed international trade and development paradigms. Global value chains now represent a new path for development by helping developing countries accelerate industrialization and the "servicification" of the economy. Global value chains can create new opportunities on the labor demand side, but supply and demand cannot meet if the supply is missing. This potential gap illustrates the importance of embedding national global value chain policies into a broader portfolio of policies aimed at upgrading skills and physical and regulatory infrastructure, and enhancing social cohesion.

- **http://documents.worldbank.org/curated/en/2014/05/19517206/making-global-value-chains-work-development**

World Economic Forum. 2013.

***Enabling Trade: Valuing Growth Opportunities*. In collaboration with Bain & Company and the World Bank. Geneva: World Economic Forum.**

This report examines supply chain barriers to international trade and concludes that they are far more significant impediments to trade than are tariffs. The report combines empirical macroeconomic analysis with a series of in-depth case studies on individual companies and industries. This ground-level understanding informs a general set of lessons relevant to governments and companies as they attempt to promote trade and economic growth. The authors of the report offer specific policy recommendations with the lessons in mind.

- **http://www.weforum.org/reports/enabling-trade-valuing-growth-opportunities**

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