

Opening Comments for Workshop on Macro-Micro Linkages

July 3, 2001

- Good morning and welcome to the Fund. Nice to see so many colleagues here from both sides of the street.
- And what could be more symbolic for a joint gathering of Bank and Fund staff than a discussion of macro-micro linkages?
- Some critics would no doubt question why this meeting is taking place at the Fund at all. Shouldn't we simply get the macroeconomics right and leave analyzing and dealing with the impact that we have on poverty to the Bank?
- But we have learned that the world is not that simple. The Fund must be engaged.
- First, we cannot ignore that fact that most of the countries we lend to are poor. Poverty reduction is core objective for them and it is also important to public opinion in our leading shareholder countries.
- Second, policies in the Fund's mandate have uneven distributional effects. It is not enough to say that macroeconomic stabilization is good for growth and growth is good for the poor. Both these statements are true, but we need to know which pro-growth policies contribute most to poverty reduction.
- Third, there is a political argument. The policies we advocate will not be sustainable if they are perceived as inequitable. This could leave macroeconomic stability further away than before.
- These are some of the reasons why I am delighted we are hosting this event today.
- Having said all this, it is of course an area in which the Bank has broader expertise – and it is therefore fitting that most of the papers will be delivered by Bank staff.
- The Bank has played an enormously valuable role developing many of the tools and concepts we use in this area. We are collaborating closely together, in the elaboration of the PRSP process, the HIPC initiative, and – in a recent development to be discussed in one of today's papers – the tracking of poverty-reduction expenditure.
- It is necessary when helping countries to draw up programs under the Poverty Reduction and Growth Facility to have some quantified estimates of poverty impact.
- This is easier said than done. Industrial countries have reliable data and economic relationships that are relatively stable and amenable to modeling. Most countries do not.

- Hence there is a need for much more work in this area. Especially in developing models that link macroeconomic developments to outcomes at the microeconomic and household level.
- But even in the absence of quantification and modeling, there is more we can do.
- The work being discussed at this workshop is part of a vital research agenda that will help us understand in greater detail and with greater precision how our policies affect the poor. And there is certainly a lot more work to be done.
- Here are three areas where more work could be done:
 - Is it really true that higher expenditures on education and health lead to better outcomes?
 - Are the poor better protected during crises if government provides safety nets? If so, what kind?
 - How can we improve the available data and do more high frequency analysis?
- It is important to ensure that research work is closely linked to the work being done by desk economists. It must yield practical results that can be implemented.
- Research takes time. But in the meantime our commitment to policies that benefit the poor should not be in doubt. We must be ready to explain how our advice contributes to that end.
- Thank you all for coming. Let me thank Paul Collier and Paul Masson, whose idea it was to hold this gathering. And Ashoka Mody, Paulo Mauro and Cathy Pattillo – as well as Paul - who did the organizational work on our side of the street.