Alumni Newsletter No 4

JOINT VIENNA INSTITUTE

MAY 2013

CONTENTS

Joint Vienna Institute

Panel Discussion on Sound Fiscal Institutions: February 18, Joint Vienna Institute. From left to right: Franz Nauschnigg (OeNB); Aurel Schubert (ECB); Norbert Funke (JVI); Friederike Schwarzendorfer (BMF); Harald Waiglein (BMF); Thomas Wieser (Council of the EU)

Dear JVI Alumni,

The last six months at the JVI were once again eventful. Besides our intensive course program, we hosted several high-level policy discussions and conducted the first-ever JVI Alumni Survey among those of you who attended courses in 2011 and 2012. We also held a meeting with high-level country officials in Washington to discuss JVI training priorities.

In this edition of Alumni News you will learn more about the results of the survey, we will report on several policy discussions, and we will update you on course news and other developments. For the remainder of this year, the JVI schedule foresees again a large variety of courses.

A big thank you to all JVI Alumni who participated in the JVI Alumni Survey: 1570 responses in 2½ weeks - an amazing result. I also want to thank all country authorities that provided feedback at the Meeting on Training during the IMF – World Bank Spring Meetings in Washington.

Please enjoy this edition and I hope to see many of you again in Vienna.

Norbert Funke, Director, JVI

Participant Survey and Meeting on JVI Training

During late February to mid-March, the JVI conducted a survey among participants who attended courses in 2011 and 2012. The survey was emailed to 3523 alumni (of which 328 email addresses were invalid). With 1570 replies, the response rate was about 50 percent. Respondents represented a good mix of participants from all JVI target countries, central banks, ministries, and other agencies. Close to one third were in managerial positions and more than one third had attended more than one course at the JVI. Some three quarters of respondents had attended other work-related economics training outside the JVI, including at national central banks in advanced economies. Overall, the survey results indicate the following:

- JVI training is much appreciated, effective, and helpful for current jobs and future career development. More than 90 percent of the respondents rated the knowledge and skills learned 4 or 5 – on a scale of 1 (no impact) to 5 (best) – and stated that the training met their expectations. More than 70 percent rated the training as very helpful for career development.

- Compared to other training providers, the JVI scores favorably in terms of analytical rigor, overall training quality, teachers' quality, facilities, and case studies (Figure 1). While still doing well, there is scope for improvement, particularly in the area of learning from peers.

- The course program seems to match demands of former participants well (Figure 2); standard macroeconomic topics remain much in demand. Participants would like to have more training on financial sector issues, and debt and external vulnerability issues also scored highly. The envisaged new course on Structural Reforms also attracted much support.

- To further strengthen the impact of training, respondents saw scope for more workshops, a stronger sub-regional focus, and clearer course sequences (Figure 3). And they favored integrating e-learning into our courses. The lower support for high-level seminars could possibly reflect a selection bias, as many former participants are mid-level officials.

- To unlock synergies between training and TA, survey participants saw the highest potential in (i) making some courses more operational; (ii) inviting more guest lecturers with TA experience; and (iii) exploring ways to integrate more training and TA.

A Powerpoint presentation summarizing the survey findings can be found at: http://www.jvi.org.

At the Meeting on JVI Training in Washington on April 21, high-level country representatives discussed key medium-term priorities for the JVI and desirable course topics, ways to further improve the effectiveness of JVI training, and modalities for enhancing the partnership between the JVI and its target countries. They broadly confirmed the findings of the survey, though opinions differed on some issues, largely reflecting the heterogeneity of JVI target countries. Some officials, for example, preferred some shorter and more specialized training events and the emphasis they put on some topics varied by country. But there was general support for integrating innovative learning methods into JVI training, including building on recent successes with pilots on e-learning.

Country authorities welcomed the JVI efforts to foster an even closer partnership. Together with our member organizations, we will reflect on how best to take these suggestions forward in the months ahead.

Norbert Funke, Director, JVI
Burkhard Drees, Deputy Director, JVI

Alumni Survey Results: The Role of JVI Courses in Career Development

Score / Question	1	2	3	4	5
The knowledge and skills learned during the course(s) are helpful in your current job	1 .2	0.7	6.3	46.9	44.9
The knowledge and skills learned during the course(s) are helpful for career development	1.6	3.1	19.9	43.8	31.6
Overall, the training met your expectations	1.1	1.1	4.4	45.2	48.2

Note: 100% = 1570 respondents. Differences due to rounding. Scale 1 (strongly disagree) to 5 (strongly agree).
Source: JVI Participant Survey.

Figure 1
JVI relative to Other Training Providers

The figure aggregates answers 1 and 2 (red); 3 (yellow); and 4 and 5 (green) on a scale of 1 (far below) to 5 (far above) to the question: "Please rate how the JVI compares in your view with other training providers in the following areas." Option 6 "No View/N.A." (selected by about 15-20 percent of participants) was excluded from the total number of responses and the shares were rescaled accordingly. 100% = 1570 respondents

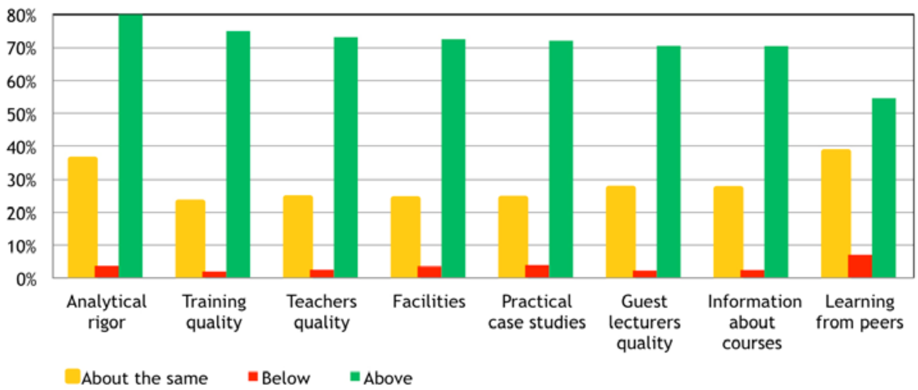


Figure 2
Demand for Various Topics

The figure shows the share of answers with scores 4 and 5 (on a scale of 1 to 5) to the question: "Which courses should be offered more or which new courses would be of particular interest to you?" The answer "Do not know" (selected by some 10 percent of survey participants) was excluded from the total number of responses, and the shares were rescaled accordingly. 100% = 1570 respondents

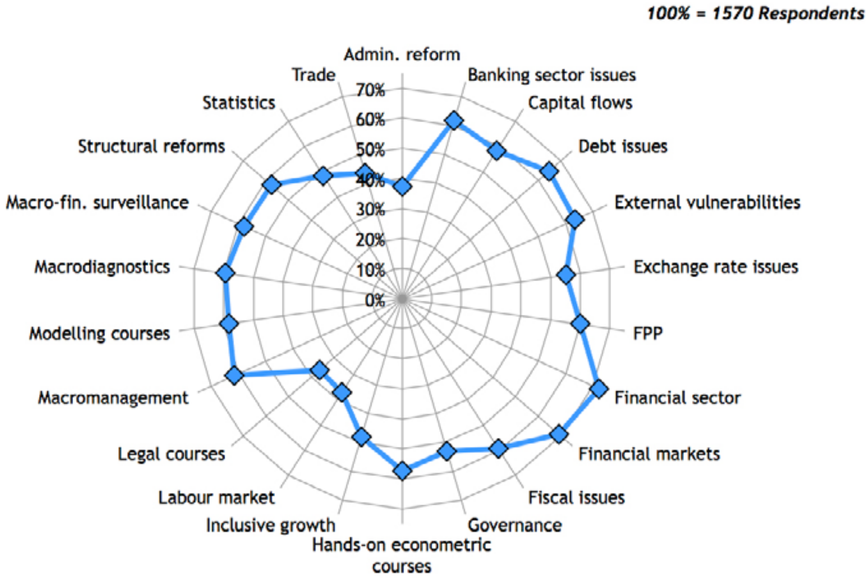
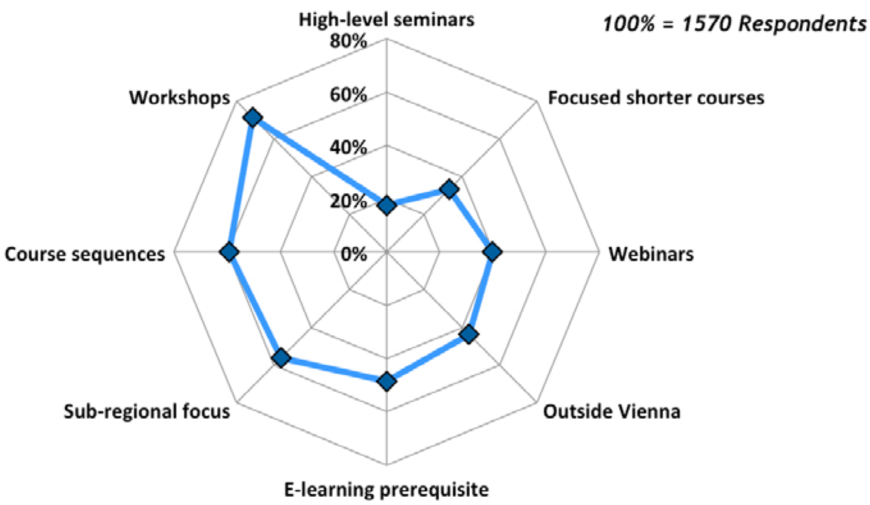


Figure 3
Views on Innovations

The figure shows the share of answers with a score 4 and 5 (on a scale of 1 (no impact) to 5 (largest impact)) to the question: "Please indicate how the impact of training at the JVI could be strengthened further, while keeping the overall level of training delivery broadly unchanged?" Option 6 "Do not know" (selected by some 10 percent of survey participants) was excluded from the total number of responses, and the shares were rescaled accordingly. 100% = 1570 respondents



Policy Debates – Outreach

Macro-Fiscal Institutions for Stability and Growth: A High-Level Panel Discussion

On February 18, 2013, the JVI hosted a high-level panel discussion on how macro-fiscal institutions can contribute to macroeconomic stability and growth. The event was a highlight of two courses that ran simultaneously at the JVI: a joint course by the Austrian Ministry of Finance (BMF) and the JVI on *Sound Fiscal Institutions: The Basis for Stability, Growth and Prosperity*; and an IMF course on *Macro-Fiscal Modeling and Analysis.*

Moderated by the JVI Director, Norbert Funke, the panel included high-level representatives from national and international financial institutions, including George Kopits, a Senior Scholar at the Woodrow Wilson International Center for Scholars and a former IMF official; Franz Nauschnigg, Head of Division at the Oesterreichische Nationalbank (OeNB); Aurel Schubert, Director General at the European Central Bank (ECB); Friederike Schwarzendorfer, Deputy Director General at the Austrian Ministry of Finance (BMF); Harald Waiglein, Director General at the BMF; and Thomas Wieser, President of the Euro Working Group.

The panel discussion focused on three themes: (1) how can fiscal credibility and sustainability be reestablished at national levels; (2) what type of fiscal framework is needed for a functioning euro area; and (3) what are the linkages between fiscal and monetary policy, and between a fiscal union and a banking union?

Starting with the first theme, Mr. Waiglein noted that fiscal credibility was a vague concept and highly dependent on expectations, highlighting the importance of expectations management. For example, counter to widespread accusations of Europe having mishandled the crisis, he contended that compared with the last crisis of similar proportions, that of 1929, this crisis had not turned into a great depression or led to mass unemployment or an evaporation of private savings. That said, Mr. Waiglein acknowledged that the current crisis was unique and in fact a simultaneous debt, growth, and banking crisis—maintaining and reestablishing fiscal credibility in his view required addressing all three dimensions.

Policy Debates – Outreach

Focusing on fiscal aspects, Ms. Schwarzendorfer pointed out that the financial crisis had caused budgetary crises in many countries. Austria's recent budget reforms, including a medium-term budget framework and performance budgeting, could hold important lessons for other EU countries to achieve sound fiscal institutions.

Moving from a national to a transnational level, Mr. Wieser mirrored Mr. Waiglein's comments that the crisis had many different aspects and noted that they had played out to varying degrees in different countries. For example, while Greece's problems were fiscal in origin, Ireland's crisis had arisen in the financial sector, and Spain's problems were in the areas of banking supervision and imbalances induced by unsustainable current account deficits; these had led to excess credit growth, a real estate bubble, and a vast increase in net external debt. Common to all, however, was that fiscal concerns eventually became binding. For a functioning euro zone, a common fiscal framework would be necessary, although Mr. Wieser noted that a "perfect international framework is useless without functioning domestic systems (and vice versa)."

In the context of the institutions necessary for economic growth and stability, Mr. Kopits reported on his own research, which found that, worldwide, all 16 countries (with one exception) that had complied with fiscal rules recorded higher average growth rates and lower volatility, in comparison to their corresponding regions. But he cautioned that the implementation of stronger institutions can be challenging: while a country must have the capacity to implement the rules, the penalty for violating rules is loss of credibility in financial markets. On a European level, he felt that movement toward fiscal and political union had to balance the subsidiarity principle with the solidarity principle. In his view, government activities with externalities, including macroeconomic stabilization, should be centralized and financed with union-wide broad-based tax revenue and issuance of euro-bonds.

Mr. Nauschnigg remarked that crisis management had not been as successful as it could have been. By way of contrast, he cited the Vienna Initiative during the 2008/09 crisis in Central and Eastern Europe, which helped stabilize the region, including Austria. He said that a similar initiative would also have been useful within the euro area. Mr. Nauschnigg concluded with a call for an EU Banking Union with a single supervisory mechanism, a bank resolution regime, and a European deposit insurance system as the key ingredients for resolving the current crisis.

As the final speaker, Mr. Schubert highlighted the dual role of fiscal policy in the crisis: fiscal policy as an instrument to contain the crisis, but also as a source of the crisis. The bank-sovereign nexus materialized strongly in, for example, Ireland, where bank recapitalizations raised public debt by about 30% of GDP, or Germany, where public debt went up by about 12% of GDP. How to avoid such vicious cycles? Mr. Schubert considered it important that markets distinguish between countries, as they now do again. And he agreed with other speakers on the need for single supervision to reflect banks' cross-border activities and to avoid a national bias; a bank resolution regime allowing for bail-in of owners and unsecured creditors; and, once both are fully implemented, to be complemented by a deposit insurance system, all at the European level.

The panelists' presentations were followed by a lively Q&A session with the audience. To mention just a few: in response to a question with whom a government should aim to establish fiscal credibility, Mr. Waiglein responded that it would have to be the financial markets, as they were needed to finance fiscal deficits. Regarding a question on the growth impact of fiscal consolidation, Mr. Wieser acknowledged that

Policy Debates – Outreach

fiscal space was limited in most countries, but that the composition of fiscal adjustment mattered, including, for example, a shift in expenditures from backward sectors, such as agriculture, to growth sectors.

A strong message from the panel discussion was the broad agreement that existed among speakers on the key steps that should be taken next. These include a single supervisory authority, a bank resolution regime, and a deposit insurance system, all at European levels, as well as steps toward an international fiscal framework, complemented by improved fiscal institutions at national levels. Austria (and several others) have led the way as models of fiscal reform. With such good examples in front of us, and with such unanimity about what needs to be done, there is much hope for the possibility of a strengthened Europe emerging from the crisis.

Martin Schindler, Senior Economist, JVI

High-Level Discussion on the Global Fiscal Outlook and the European Debt Crisis

On March 19, 2013, the Joint Vienna Institute (JVI) hosted a high-level outreach event. Carlo Cottarelli, Director of the IMF's Fiscal Affairs Department, and Aasim Husain, Deputy Director of the IMF's European Department, presented the IMF's views on "The Global Fiscal Outlook and the European Debt Crisis". The event that took place a few days after the Eurogroup meeting on Cyprus was introduced and chaired by Harald Waiglein, Director General for Economic Policy and Financial Markets at the Austrian Federal Ministry of Finance.

In his opening remarks, Mr. Waiglein, who had participated in the Eurogroup meeting on Cyprus, briefed the audience on the most recent developments. During long discussions lasting into the night all those involved had been searching for a sustainable solution to the crisis with appropriate burden sharing.

Mr. Cottarelli surveyed the public debt landscape in advanced economies, noting that the fiscal accounts in many advanced countries were in their weakest state in history. He divided the advanced countries into three groups: (1) countries where debt has stopped rising or was declining (Korea, Germany, Switzerland, Finland, Sweden, Czech Republic, Denmark); (2) countries where debt was still rising but was fairly low (Australia, Austria, Netherlands, Canada, Slovak Republic, New Zealand, Estonia); (3) countries where debt was still rising and was high, and thus faced more difficult fiscal challenges

Policy Debates – Outreach

From left to right: Aasim Husain (IMF); Carlo Cottarelli (IMF); Harald Waiglein (BMF).

(Greece, Italy, United Kingdom, Japan, France, Portugal, Ireland, Belgium, Spain, United States). The current fiscal situation was largely the result of the global financial crisis, which had lowered growth trajectories and worsened fiscal balances. Looking ahead, Mr. Cottarelli recognized that "it will take decades to lower public debt to where it was before the crisis or, in any case, to levels that do not expose countries to risk." He concluded, however, that "the task is not impossible; what is critical is to ensure that the direction of the adjustment is clear and that the adjustment process is perceived as credible." According to Mr. Cottarelli, a credible adjustment process, he stressed, requires (1) a clear medium-term fiscal plan and strong fiscal institutions; (2) an appropriate pace of fiscal adjustment; (3) the right mix of revenue and expenditure measures; and (4) a relaxed monetary policy stance while fiscal adjustment is ongoing.

Mr. Husain considered the challenge of reconciling the recent improvement in market sentiment with the more downbeat data on the real economy. He emphasized that some countries in the euro area suffer not only from over-extended government and bank balance sheets, but also from over-extended household and corporate balance sheets. While the type of financial stress – whether for households, corporates or banks – differs from country to country, it is sufficiently large to be a drag on domestic demand. Such balance sheet considerations argue for a more nuanced policy response that allows balance sheets to adjust but with minimum output and job losses. Mr. Husain noted that at the country level, fiscal policy should focus on long-term measures to raise cyclically adjusted balances, combined with structural supply-side reforms to offset some of the output cost of depressed demand. At the EU level, the most pressing task is to translate expansionary monetary policy into lower lending rates and easier credit conditions. Mr. Husain added that "a faster move to a banking union is essential, and policymakers will need to make progress on the broader reform of the European Monetary Union's architecture, including fiscal union and – more urgently – the use of the European Stability Mechanism for direct recapitalization of banks."

The presentations were followed by a lively discussion with the audience. The main issues raised included: the role of financial repression in bringing down the post-war public debt overhangs during the Bretton Woods system and the impossibility to rely on such policies in today's world with complex financial systems; the effects of a possibly overvalued euro for the euro area periphery; the reasons for the relatively favorable position of the health and pension systems in Italy; difficulties in running countercyclical fiscal policies and bringing down public debt in good times; and the role of various factors in explaining the size of fiscal multipliers.

Martin Schindler, Senior Economist, JVI

Policy Debates – Outreach

JVI Guest Lecture: OECD Sovereign Borrowing Outlook 2013

One of the highlights of the Banque de France/JVI course on *Public Debt Sustainability and Sovereign Risk* was the lecture by Hans J. Blommestein (Head of the Bond Market and Public Debt Management Unit, OECD) on the just-released *OECD Sovereign Borrowing Outlook 2013.*

Hans J. Blommestein (OECD)

Describing recent fiscal trends in OECD countries since the beginning of the global financial crisis, Mr. Blommestein explained that in a first stage, government liabilities had initially been driven largely by the need to support the financial sector and provide fiscal stimulus, and in a second stage, by the influence of recession-induced negative growth dynamics. Despite falling interest rates during 2008-2012, the average government gross debt-to-GDP ratio in the OECD as a whole was expected to increase further.

Against that background, Mr. Blommestein presented various indicators for assessing sovereign stress, with illustrations from OECD countries. One such indicator is rollover risk based on the redemption profiles in the coming years. For the OECD area as a whole, governments would need to refinance around 30 percent of their outstanding long-term debt in the next three years. Moreover, Mr. Blommestein noted that emerging OECD countries would have even higher long-term refinancing requirements over the same period. He stressed that the large refinancing needs posed the biggest risk for sovereigns that faced spikes in interest rates, pushing up borrowing rates. At the same time safe-haven countries might benefit from ultra-low (sometimes negative) bond yields.

Mr. Blommestein further discussed the notion of sovereign risk and argued that market variables (e.g., sovereign interest rate spreads, CDS spreads) were not good indicators of sovereign risks. The borrowing environment for governments had become more difficult as a result of sudden shifts in sentiment and risk perceptions vis-à-vis certain sovereigns: the so-called swings in the "risk-on" and "risk-off" trades. Over the past decade, prolonged periods of risk underpricing, which were characterized by excessively compressed spreads but during which risks were actually building up, were followed by sudden spreads widening, reflecting in many cases systematic overpricing of sovereign risk. As a result, the sudden mood swings between optimism and pessimism ("animal spirits") could typically lead to sustained periods of under- and over-pricing of sovereign risk.

All in all, market discipline was not operating consistently but spasmodically, Mr. Blommestein stressed. Apart from "animal spirits," sovereign mispricing could also arise from abrupt changes in the supply and demand for safe public assets. Sharp changes in relative demand and the perceived shortage of safe assets could destabilize government securities markets, thereby creating huge policy problems for sovereign issuers.

Irina Bunda, Economist, JVI

Course on Public Debt Sustainability and Sovereign Risk, Feb. 25-28, 2013

This four-day course provided jointly by the Banque de France (led by Régine Monfront) and the JVI (Irina Bunda), was aimed at deepening the understanding of public debt by providing the analytical and quantitative tools to assess debt sustainability. It reviewed interrelations between macroeconomic variables, public finances and indebtedness, and investigated the current challenge of crafting economic policies for the post-crisis world.
The core technical blocks of the course included tools to assess fiscal vulnerabilities and risks, elements of forecasting fiscal variables, and public debt sustainability analysis. The program also incorporated hands-on workshops, participants' presentations, and panel discussions of policy issues related to fiscal sustainability in Europe.

IMF Fiscal Affairs Department and European Department Conference:

Designing Fiscally Sustainable and Equitable Pension Systems in Emerging Europe in the Post-Crisis World


From left to right: Benedict Clements (IMF); Sanjeev Gupta (IMF); Aasim Husain (IMF).

On March 18, 2013, the JVI hosted a conference entitled "Designing Fiscally Sustainable and Equitable Pension Systems in Emerging Europe in the Post-Crisis World", jointly organized by the International Monetary Fund's Fiscal Affairs (FAD) and European Departments (EUR) to promote a wider discussion of policy challenges related to pension systems.

Following opening remarks by Carlo Cottarelli (Director, FAD) and Aasim Husain (Deputy Director, EUR), leading pension experts examined pension systems in emerging Europe with a focus on (i) the outlook for public pension spending; (ii) the impact of pension reform; and (iii) reform experiences. The conference concluded with a panel discussion of the policy options for achieving sustainable and equitable pensions in emerging Europe. The program and presentations can be found at http://www.imf.org/external/np/seminars/eng/2013/vienna/.

In the first session, chaired by Sanjeev Gupta (Deputy Director, FAD), the overview presentation by Benedict Clements (Division Chief, FAD) showed that public pension spending had increased more in emerging Europe than elsewhere, accounting on average for about 10 percent of GDP and absorbing a large share of government spending, notwithstanding important cross-country differences. He cited higher replacement rates and aging populations as the key drivers of pension spending pressures. Other presenters (Aasim Husain; Anna D'Adidio, Economist, OECD; and Thomas Dominique, Chair, EU Social Protection Committee) noted that despite recent reforms in a number of countries, spending pressures could squeeze other priority spending, especially beyond 2030, as the old-age dependency ratio (the population 65 and older relative to the population aged 15-64) is projected to rise fast: for example, from 20 percent or less in 1990 in Poland, Hungary, Bulgaria and Lithuania to 35–50 percent by 2050.

Many countries have already implemented parametric adjustments and structural reforms to deal with rising public pension spending, but more needs to be done, as highlighted by speakers in the second session, chaired by Yusuf Altintaş (Head of Social Security Department, Treasury, Turkey). Sanjeev Gupta's presentation provided an overview of pension reform options: raising retirement age, reducing replacement rates, and increasing payroll contributions or other revenues and the role of private sector pensions.

Igor Guardiancich (Fellow, Collegia Carlo Alberto) discussed the political process which resulted in the structural pension reforms of the late 90s in Eastern

Europe. The presentation also explored some of the reasons which may have led to the slowdown and, in cases, reversal of these reforms.

Jan Drahokoupil (Senior Research Fellow, University of Mannheim) gave an assessment of whether structural reforms partially privatizing social security have actually met expectations in terms of diversifying away risks, ensuring acceptable returns, and keeping transition costs at a manageable level.

The presentation of Gregorio Impavido (Senior Economist, European Department, IMF) focused on the design and regulatory challenges facing mandatory private (2nd pillar) pension schemes and the manner in which some of these issues – the role and regulation of marketing, governance, controlling fees, promoting sufficiently diversified investment policies, among others – may be best addressed.

The third session, chaired by Alexander Lehmann (Lead Economist, EBRD), reviewed country experiences in more detail. Per Eckefeldt (Deputy Head of Unit, European Commission) reported on the Commission's views on pension-related issues as set out in the 2012 and 2013 Annual Growth Surveys. Aligning the retirement age with increases in life expectancy, limiting access to early retirement schemes, supporting longer working lives, equalizing the pensionable age between men and women, and supporting the development of supplementary retirement savings schemes were of high importance. Mikhail Dmitriev (President, Center for Strategic Research); Róbert Iván Gál (Senior Researcher, TÁRKI Social Research); and Edgars Voļskis (Director, KPMG) focused more specifically on the cases of Russia, Hungary, and Latvia. Challenges with supplementary savings schemes point to the need for enhanced regulation, transparency in fee structures, and the need to find the right balance between diversifying long-term investments and avoiding excessive risk taking. The subsequent discussion highlighted the close link between pension reform and labor market reform, as an increase in the retirement age would need to be supported by labor market reforms that supported longer working lives.

The panel discussion, moderated by Carlo Cottarelli, focused on the policy options for achieving sustainable and equitable pensions in emerging Europe. The panelists – Lans Bovenberg (Professor, Tilburg University and Netspar); Agnieszka Chłoń-Domińczak (Assistant Professor, Warsaw School of Economics); Najat El Mekkaoui (Professor, University Paris Dauphine and Associate Researcher, Oxford University); and Robert Holzmann (Professor, University of Malaya) addressed the lessons from the financial crisis, the impact of reforms on fairness, the political economy of reforms, and the future role of public and private sectors in providing pensions. There was agreement among the panelists on the basic objective of public pensions, namely, to provide retirement income security within a sustainable fiscal framework. Equity considerations should play a key role for pension reform. Transition costs from moving to multipillar structures needed to be taken into account. However, while pension reforms that led to the introduction of mandatory private pensions improved the long-term sustainability of public finances, the diversion of contributions to mandatory private pensions had put pressure on budget deficits. The panelists concluded that in the context of looming fiscal pressures, pension reform would need to be an important component of countries' structural reform agenda for the years to come, but the menu of critical reforms had to be country-specific, taking into account various factors, such as the status quo, demography, and political economy considerations.

Eugenia Shevtsova, Junior Economist, JVI

Course News

Joint JVI/BMF Course on "Administrative Reform in a Global Environment"

In December 2012, the Austrian Ministry of Finance (BMF), together with the JVI, launched a new course on *Administrative Reform in a Global Environment*, largely based on the Austrian reform experience. Fourteen top BMF officials, two officials from the Austrian Federal Chancellery, and an IMF Fiscal Affairs expert shared their practical experience and expertise, and discussed issues of administrative reform in Europe.

The course covered the main aspects of administrative reform, such as the reform of tax and customs administration, the reduction of administrative burdens, intergovernmental fiscal relations, budget reform, quality management, shared services, and public financial management.

The course started on a high note when Gerhard Steger (Director General for the Budget, BMF) gave a lecture on "Challenges for National Fiscal Policies in the Financial Crisis." He talked about durable fiscal consolidations and explained one of the key elements of Austria's budget reform, namely the medium-term expenditure framework, with its three key components: binding expenditure ceilings for main budget headings, rolling forward planning, and increased flexibility for line ministries through full carry–forward.

The course also included two policy lectures by Gösta Ljungman, an expert from the IMF's Fiscal Affairs Department, on "Public Financial Management: The Need for Improved Fiscal Transparency" and "Fiscal Policy Outlook: Current and Future Challenges."

During the applied sessions (intergovernmental fiscal relations, performance budgeting, and shared services), participants discussed in small groups and gave summary presentations of their conclusions in plenary session. They also prepared group presentations on how to improve the efficiency of the tax system, how to reform the budget process, and how to reduce the administrative burden in their countries. Other interactive features of the course included short video clips and an eLearning module on budget reform in Austria developed by the BMF.

The course will be offered again in December 2013.

Irina Bunda, Economist, JVI

Course News

Joint CCBS/JVI Course on "Monetary Policy in Post-Crisis Mode: Interactions with Macroprudential and Fiscal Policies"

In November 2012, the Joint Vienna Institute (JVI) and the Bank of England's Centre for Central Banking Studies (CCBS) organized a joint one-week course at the JVI as part of the series of regular biannual CCBS/JVI seminars. The course analyzed the interplay between monetary policy, macroprudential policy, and fiscal policy. It explored how the monetary policy transmission mechanism worked under stress, reviewed how inflation targeting performed during the crisis, and looked in detail at the UK experience. It also touched upon the various approaches to assess systemic risk and discussed macroprudential instruments such as countercyclical capital buffers. A part of the course was also devoted to governance and accountability of central banks with both monetary policy and financial stability mandates, and to related challenges for central bank communication. Finally, the links between monetary and fiscal policies, as well as the two-way interaction between fiscal policy and financial stability during crisis and post-crisis period, were explored. Twenty-eight participants from core JVI countries plus Austria and Greece took part in the course – mostly from central banks but also from ministries of finance and from supervisory agencies.

In addition to regular lectures, the course also featured two guest lectures. Philip Reading, Director of Financial Stability and Bank Inspections at the Oesterreichische Nationalbank, described the Austrian experience with macro- and micro-prudential policy, and Christian Keuschnigg, Director of the Institute for Advanced Studies (IHS) in Vienna, addressed the question whether the EU should become a fiscal union. A panel debate on macroeconomic policies, which included Clemens Jobst, Economist at the Oesterreichische Nationalbank, and Gunter Deuber, Head of CEE Research at the Raiffeisen Bank International AG in Vienna, as a representative of the private sector, concluded the course.

The course included several interactive sessions. First, in a Group Discussion on Rethinking Central Banking, three groups of participants explored, and subsequently presented, their thinking on the future role of central banks. Second, in a country presentations session, participants from Croatia and Turkey described their countries' experiences with macroprudential policy. Third, in a new Workshop on Countercyclical Capital Buffers, developed at the JVI in collaboration with the Bank of England, participants were asked to calculate countercyclical capital buffers for three virtual emerging market countries. As part of this exercise, they had to deal with issues that are not covered by Basel III (such as large shares of FX lending, cross-border and non-bank credit substituting for bank credit, and structural breaks in the data series of bank credit). Fourth, the course included a Group Exercise on Coordinating and Communicating Monetary and Financial Stability Policy, which was prepared and run by the Bank of

England's CCBS. The exercise required participants to simulate the policy decisions and communication strategy of a Monetary Policy Committees (MPC) and a Financial Stability Council (FSC) in response to an emerging economic and financial crisis in a virtual country.

The course was very well received. Participants appreciated its focus on the interaction of the various macroeconomic policies, the combination of conceptual lectures and lectures on the UK experience, the strong interactive component of the course, as well as the good mixture between lectures, workshops, case studies and group work.

Adam Gersl, Senior Economist, JVI

Joint JVI/BMF/WB Course on "Tools and Policies for Inclusive Growth for Europe and Central Asia (ECA)"

During October 29–November 9, 2012, the Austrian Ministry of Finance (BMF), the JVI and the World Bank jointly delivered a new course on *Tools and Policies for Inclusive Growth for Europe and Central Asia (ECA)* at the JVI. The course was organized in response to an increased demand for a better understanding of not just the level of GDP growth, but also its distributional consequences. While a relatively broad consensus has emerged about the key conditions necessary for raising economic growth – for example, sound institutions, well-developed financial markets and a consistent and sustainable macro policy framework – attention is increasingly also devoted to the *inclusiveness* of growth. Are there groups who have little or no access to (formal) jobs, incomes, or to finance and essential services? Are there substantial regional or urban-rural disparities? And what are the intergenerational implications of high-growth policy frameworks excessively reliant on the use of natural resources? The course addressed many of these issues through a mix of lectures, hands-on workshops, case studies, and participant presentations, and it also dealt with several policy issues of particular relevance to the ECA region, including the importance of economic diversification. To ensure that participants could learn from top experts on the various topics, the course took advantage of delivering several lectures by videoconference, which was well received by the participants. The course is scheduled to be repeated in late 2013 with the IMF as an additional partner.

Martin Schindler, Senior Economist, JVI

Course News

Update of the External Debt Statistics Guide Discussed at the JVI Course

The IMF Statistics Department conducted the first two-week regional course on external debt statistics based on the revised international statistical standards at the JVI in December 2012.

The need for comprehensive, comparable, and reliable statistics on external debt to inform policymakers, financial markets, and other users of statistics has been once again reinforced by recent international financial crises. Because they carry obligations to make future payments, external debt liabilities have the potential to create circumstances that render an economy vulnerable to solvency and liquidity problems. As experience has shown, external vulnerability can have widespread economic costs and not just for the initially affected economy. Therefore, external debt needs to be measured and monitored.

The *EDS Guide* provides guidance on the concepts, definitions, and classifications of external debt data; the sources and techniques for compiling these data; and the analytical uses of these data. The work on the update of the *EDS Guide* has been carried out by the Inter-Agency Task Force on Finance Statistics (TFFS)[1] to take into account changes introduced in the sixth edition of the *Balance of Payments and International Position Statistics Manual (BPM6).*[2] *BPM6* addresses important developments in the international statistical fora since the release of the fifth edition of the IMF's *Balance of Payments Manual (BPM5)* in 1993.

Training activities are essential to assist countries in compiling reliable and timely statistics. Against this background, the IMF Statistics Department conducted the first two-week regional course fully aligned with the revised international statistical standards on external debt statistics at the JVI in December 2012. It is worth noting that the first regional course that presented the 2003 *EDS Guide*, before its publication, was conducted at the JVI in May 2002.

The main text for the recent course was the complete draft update of the *EDS Guide*, which was posted for worldwide comments in November 2012.

The course was attended by external debt compilers from 22 countries of the region. It comprised lectures covering the conceptual framework for the compilation of external debt statistics and provided practical guidance on their compilation and analysis. At the end of the course, participants presented key findings and future challenges in implementing the update of the *EDS Guide*. The course at the JVI provided a constructive environment for in-depth discussion of the main changes addressed by the updated *EDS Guide*. Indeed, several comments received during the course were incorporated, together with public comments, in the revised version of the draft *EDS Guide* presented at the March 2013 TFFS meeting. The pre-publication version of the updated *EDS Guide* will be released in September 2013.

Eduardo Valdivia-Velarde, Deputy Chief
Balance of Payments Division, Statistics Department, IMF

1 The TFFS also prepared the *2003 EDS Guide*. The TFFS is chaired by the IMF and includes the Bank for International Settlements (BIS), the Commonwealth Secretariat (ComSec), the European Central Bank (ECB), Eurostat, the Organization for Economic Co-operation and Development (OECD), the Paris Club Secretariat, the United Nations Conference on Trade and Development (UNCTAD), and the World Bank.

2 *BPM6* also incorporates changes arising from other statistical manuals, particularly the 2008 System National Accounts (2008 SNA).

The e-Institute – the World Bank Group's Online Learning Initiative

The World Bank Institute (WBI), the training arm of the World Bank, has completed a far-reaching renewal in the last 4 years, transforming itself from a retail training institute to a capacity development institution providing innovative services. The WBI now focuses on strengthening the capacity of domestic leadership teams & multi-stakeholder coalitions to collectively solve pressing development problems. This is achieved through a number of platforms offering knowledge services, collaborative governance and innovation services.

With regard to knowledge services, the WBI has focused its attention on the development of two new platforms. The first one is an e-learning platform, which turns the Bank knowledge content into high quality e-learning courses and wholesales this content through partner institutions. The second one is a global knowledge exchange platform to facilitate South-South exchanges to build inspiration, practical know-how, and ownership among development practitioners.

Many development practitioners around the world do not have easy access to cutting-edge learning facilities. Available courses are usually not customized to local realities and potential participants have no budget to travel to a central location. Many struggle with problems similar to their peers in other developing countries but they have no platform to connect with each other and get feedback on their issues and concerns.

The e-Institute is a global virtual learning platform, which turns cutting edge global knowledge into interactive content. Learning activities take the form of self-paced and virtually facilitated e-courses, and in the future immersive learning experiences using games will be available. These are strengthened by informal learning through online learning communities between peers and experts on a continuous and just-in-time basis. To date, 60 e-courses have been developed, and approximately 4,000 e-course participants have received training. The portal registers 60,000 hits.

Currently the e-Institute offers a range of courses in the following areas: Growth and Competitiveness, Governance, Urban, Climate Change, Health Systems. The e-Institute offers fully facilitated courses that are 4, 5 or 6 weeks in duration. Participants who complete the course successfully obtain a certificate. This requires the completion of each module's learning exercises, active participation in each week's discussion forum, completion of the end-of-course project, and completion of the course evaluation form.

The e-Institute is the Bank Group's first online learning initiative aimed at facilitated courses. It has demonstrated proof of concept and in a short span of two years has already expanded our reach and provided valuable lessons on our clients' preferences regarding learning products and technology platforms which work best in their context.

Internally, our e-learning initiative has brought much needed discipline in managing our knowledge and learning assets. Whereas in the past, our knowledge and learning assets resided in various documents and systems, our content is now better organized and is packaged using common pedagogical approach and quality standards. Increasingly, we are able to download the immense amount of knowledge in the WB research and knowledge networks and make it accessible through interactive multi-media technology and pedagogically accessible learning content.

The Institute is now working on a second generation of e-learning programs and products. Recent innovations in technology and instructional design make it possible to go much further and to provide high quality online learning opportunities via Massive Open Online Courses (MOOCs), Computer-supported collaborative learning (CSCL) and Mobile-assisted learning (MAL).

For more information please visit: http://einstitute.worldbank.org.

Bruno Laporte, Former WBI Director,
March 2009 – March 2013

JVI Course Schedule June – December 2013

DATES	ORG.	ID	TITLE	LENGTH	LANG.	ATTENDANCE
Jun 3 - 7	IBRD/WB	**(DGDM)**	Designing Government Debt Management Strategies	1 week	E	By invitation
Jun 3 - 7	IMF	**(LAIF)**	Legal Aspects of International Financial Institutions **(JV13.16)**	1 week	E/R	By invitation
Jun 10 - 14	IBRD/WB	**(IGDM)**	Implementing Government Debt Management Strategies	1 week	E	By invitation
Jun 10 - 21	IMF	**(FMN)**	Financial Markets and New Financial Instruments **(JV13.17)**	2 weeks	E	By invitation
Jun 17 - 21	EBRD	**(EB3)**	The EBRD Trade Facilitation Programme Workshop	1 week	E	By invitation
Jun 24 - 28	IMF	**(MSF)**	Mortgage Markets and Financial Stability **(JV13.18)**	1 week	E	By invitation
Jun 24 - 28	WTO	**(TP)**	WTO Regional Advanced Trade Negotiations Simulation Skills Course for the CEECAC Region	1 week	E	By invitation
Jul 1 - 12	IMF	**(MF)**	Macroeconomic Forecasting **(JV13.19)**	2 weeks	E	Application by Feb 1, 2013
Jul 15 - 26	IMF	**(FSLF)**	Central Banking and Financial Sector Legal Frameworks **(JV13.20)**	2 weeks	E/R	By invitation
Jul 29 - Aug 2	IMF	**(MTBF)**	Medium-Term Budgetary Frameworks, Fiscal Rules and Fiscal Councils—Options to Ensure Fiscal Sustainability **(JV13.29)**	1 week	E/R	Application by Mar 1, 2013
Jul 29 - Aug 9	IMF	**(MS)**	Macro-Financial Surveillance **(JV13.22)**	2 weeks	E	By invitation
Aug 5 - 16	IMF	**(QNA)**	Quarterly National Accounts **(JV13.23)**	2 weeks	E/R	By invitation
Aug 12 - 23	IMF	**(CBS)**	Core Elements of Banking Supervision **(JV13.24)**	2 weeks	E	Application by Mar 15, 2013
Aug 19 - 23	IMF	**(RASM)**	Reserve Assets Measurement **(JV13.25)**	1 week	E/R	By invitation
Aug 26 - Sep 6	IMF	**(MFP)**	Macroeconomic Management and Fiscal Policy **(JV13.26)**	2 weeks	E/R	Application by Mar 29, 2013
Sep 2 - 13	IMF	**(MF)**	Macroeconomic Forecasting **(JV13.27)**	2 weeks	E	Application by Apr 5, 2013
Sep 9 - 20	IMF	**(LMS)**	The System of Macroeconomic Accounts Statistics and the Linkages **(JV13.28)**	2 weeks	E	By invitation
Sep 16 - 18	OeNB	**(CCPS)**	Cash Circulation and Payment Systems in Austria	3 days	E	By invitation
Sep 16 - 20	WTO	**(TP)**	Trade Policy	1 week	E	By invitation
Sep 23 - 27	AA	**(FDI)**	Foreign Direct Investment Policies	1 week	E	By invitation
Sep 23 - Oct 4	IMF	**(FPP)**	Financial Programming and Policies **(JV13.30)**	2 weeks	E/R	Application by Apr 26, 2013
Sep 30 - Oct 11	IMF	**(FMA)**	Financial Market Analysis **(JV13.38)**	2 weeks	E	Application by May 3, 2013
Oct 7 - 18	IMF	**(MERP)**	Monetary and Exchange Rate Policy **(JV13.32)**	2 weeks	E/R	Application by May 10, 2013
Oct 14 - 18	OeNB	**(MFS)**	Macro-Financial Stability in Central, Eastern and Southeastern Europe	1 week	E	By invitation
Oct 21 - 25	OeNB/BMF	**(EMIE)**	Economic and Monetary Integration in Europe	1 week	E	By invitation

JVI Course Schedule June – December 2013

DATES	ORG.	ID	TITLE	LENGTH	LANG.	ATTENDANCE
Oct 21 - Nov 1	IMF	**(EXV-EWE)**	External Vulnerabilities and Early Warning Exercise (JV13.33)	2 weeks	E	Application by May 24, 2013
Oct 28 - Nov 1	IMF	**(FSI)**	Financial Soundness Indicators (JV13.34)	1 week	E/R	By invitation
Nov 4 - 8	EBRD	**(EB4)**	To be announced	1 week	E	By invitation
Nov 4 - 15	BMF/IMF/JVI/WBI	**(TPIG)**	Tools and Policies for Inclusive Growth	2 weeks	E	By invitation
Nov 4 - 15	IMF	**(MDS)**	Macroeconomic Diagnostics (JV13.35)	2 weeks	E	Application by Jun 7, 2013
Nov 11 - 15	BIS/FSI	**(CBST)**	Banking Supervision: Core Banking Supervisory Topics	1 week	E	By invitation
Nov 18 - 22	OeNB	**(MFSC)**	Monetary and Financial Statistics Collected and Compiled by the ESCB	1 week	E	By invitation
Nov 18 - 29	IMF	**(PDS)**	Public Sector Debt Statistics (JV13.36)	2 weeks	E/R	Application by Jun 21, 2013
Nov 25 - 29	AA	**(PPP)**	Public Private Partnership	1 week	E	By invitation
Nov 25 - 29	EC	**(AEU)**	Applied European Union Economic Policy related to the Economic and Monetary Union Legislation for Officials from EU Candidate Countries and Potential Candidates	1 week	E	By invitation
Dec 2 - 5	OeNB	**(BFT)**	Building New Skills in Financial Translation	4 days	E	By invitation
Dec 2 - 6	BMF/JVI	**(ARG)**	Administrative Reform in a Global Environment	1 week	E	By invitation
Dec 2 - 6	EBRD	**(EB5)**	To be announced	1 week	E	By invitation
Dec 9 - 20	IMF	**(MPA)**	Monetary Policy Analysis (JV13.37)	2 weeks	E	Application by Jul 12, 2013

PUBLISHER: Joint Vienna Institute,
Mariahilfer Straße 97, 1060 Vienna, Austria
T: +43 (0)1 798 9495, F: +43 (0)1 798 0525
jvi@jvi.org, www.jvi.org

DIRECTOR: Norbert Funke

DEPUTY DIRECTOR: Burkhard Drees

COORDINATION: Tatiana Arnhold

EDITING: Michèle Burlington-Green, James McCracken

PHOTOS: Fotostudio Ludwig Schöpp

GRAPHIC DESIGN: Sibylle Gieselmann