Alumni Newsletter No 9

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CONTENTS

Joint Vienna Institute

Thomas Wieser, President of the Euro Working Group of the EU

Dear JVI Alumni,

Testimony to another busy year, the JVI has held over 70 training courses and seminars, the Annual Lecture by Thomas Wieser, as well as several other high-level events. I hope you enjoy reading more about some of our recent activities in this issue of our newsletter, for the last time in this format. Starting in the first quarter of 2016, we will launch a new web-based version.

I am also very pleased to let you know that the JVI's training program for 2016 is available online, with my foreword giving a brief overview. Online learning, with new courses from the IMF's Institute for Capacity Development and other partners, complements our face-to-face training program. The JVI team looks forward to welcoming many of you in Vienna.

Norbert Funke, Director, JVI

Accelerating Growth in Austria

JVI 2015 Annual Lecture by Thomas Wieser, President of the Euro Working Group of the Euro Area and of the Economic and Financial Committee of the European Union

On September 4, Mr. Thomas Wieser, President of the Euro Working Group of the Euro Area and of the EU Economic and Financial Committee, delivered the 2015 JVI Annual Lecture. JVI Director Norbert Funke thanked Mr. Wieser for his long-standing support of the institute, as Board member, lecturer, and driving force. Mr. Funke noted that since the global financial crisis, long-term growth had declined throughout Europe, including in Austria,

In his view, further reforms are needed in the areas of labor markets and education. Unemployment among the young and the less qualified is high; female labor market participation, including those older than 60, is low. Austria's educational system is relatively costly, outdated, and it underperforms in promoting talent, innovation, and inclusion. Addressing these challenges requires raising the retirement age, making policies more encouraging of female participation, and welcoming immigrants. Education should become more efficient and accessible to more people. Universities should further embrace digital technologies and teach knowledge and skills that are relevant for the 21st century and for life-long learning. And attracting and retaining highly educated individuals must become a priority.

which trails Germany and the top three EU countries in several structural reform areas covered by the Global Competitiveness Index. The introduction provided some context to Mr. Wieser's main thesis, namely, that to maintain Austria's high income level as well as its competitive environment and to increase potential growth, a bold structural reform agenda is called for.

Mr. Wieser began his lecture on an optimistic note: the fact that economists have begun to discuss competitiveness and long-term global growth was, in his view, a welcome sign that the world is emerging from the crisis. To explain the low growth environment of the past few years, two strands dominate the debate, he noted. While Larry Summers predicts that industrialized countries are destined for secular stagnation, others argue instead that the slowdown is due to capital misallocation because of low interest rates. Mr. Wieser suggested a third explanation: the industrialized world has been slow to adapt to globalization and the corresponding shifts in comparative advantage.

Although Austria's income per capita and competitive environment appear generally positive, its medium- and long-term growth prospects raise important questions. "What should be the position of Austria in the globalized economy in 20 years? And how to benefit from globalization?," Mr. Wieser asked. In discussing reform priorities, he organized his thoughts within the framework of a neoclassical production function approach.

"The large share of industrial production in Austria is a bonus; it provides a high quality of employment," Mr. Wieser emphasized when he turned his attention to the capital factor. However, low interest rates and oil prices, a competitive exchange rate, and high demand from emerging markets have not translated into high growth because low expectations have depressed investment. In the banking sector nonperforming loans will need to be reduced, helping to create more space for private sector lending and financing real activity. Moreover, the advantage Austria had in corporate income taxation has gradually eroded: today, the complexity of the tax system implies high administrative costs. In reviewing the tax system, taxation should be rebalanced from labor to consumption. At the same time, tackling the bureaucracy should also be high on the reform agenda. Although Austria's fiscal stance in general is still satisfactory, fiscal policy should look to shifting the composition of the budget to pro-growth spending, an area where Austria is behind some North European countries.

Mr. Wieser concluded that Austria is an economy with a high quality of employment and strong social protection. To remain so, it needs a comprehensive reform strategy to establish Austria as an innovative and inclusive economy that produces high-quality products, based on sophisticated science and R&D and supported by a dynamic service sector. At 2.8 percent of GDP, Austria's financing of research and development should have been supportive of productivity, but the results for innovation have been somewhat disappointing — partly because the link between providers and users of R&D is broken.

A lively discussion followed. Comments ranged from the need for historical analysis, to reasons for weaknesses in competitiveness, to the effect on Austria of stalled growth in Central and Eastern Europe. In response, Mr. Wieser pointed to the period of stability from the end of World War II to the 1980s, when international trade was the main growth engine, providing for full employment and strong social protection. After that, globalization put pressure on low-wage, low-skilled sectors, leading to rapid changes in the composition of GDP. Instead of adjusting, governments opted for other options, including early retirement schemes. As a result, low-skilled employment has disappeared and put Austria in need of upgrading education for different jobs, as globalization has made structural changes ever more rapid. What has also become more important, he concluded, is the need to explain to the public the magnitude of the challenges and how they can best be dealt with.

Mikhail Pranovich, Economist, JVI

Macro-Financial Linkages and Current Account Imbalances: A Conference Snapshot

The JVI and the Oesterreichische Nationalbank (OeNB) in cooperation with the Centre for Economic Policy Research (CEPR), the Deutsche Bundesbank, and the IMF organized a two-day conference during July 2–3, 2015 on how macroeconomic and financial linkages affect current account imbalances. Global current account imbalances—reflecting large surpluses in some countries and sizeable deficits in others—have been a central subject of the international policy debate for over a decade. For instance, they are often blamed for causing the financial crises in Greece, Ireland, Portugal, and Spain, all of which had built up large current account deficits in the pre-crisis period.

Current account deficits in industrialized countries—notably the United States—have also met with concern; some see them as a result of policy actions by emerging economies, such as China, to promote their exports, contributing to deindustrialization and job losses in countries with deficits. While the sheer magnitudes of global current account imbalances has narrowed since 2008, those remaining are far from trivial. A new look at the issue was therefore timely.

To assess whether such imbalances are desirable and sustainable, the conference brought together international experts to probe two new elements: the extensive cross-border linkages of banks and the abundance of global liquidity. One conference conclusion was that the reasons for imbalances are so multifaceted and inter-twined that blaming just one or two culprits is unlikely to produce good policies. For instance, the low global interest rates in 2002–07 that fuelled the boom that in turn led to the post-2008 financial crises were the result of both heightened demand from growing emerging economies for "safe" assets and of the loose monetary policy of major central banks.

Similarly, higher external borrowing in recent years by corporations in emerging markets resulted not only from monetary loosening by central banks (following their "quantitative easing" policies), but also domestic frictions in the credit markets of emerging economies. When both factors interact, external borrowing can become unsustainable— especially if the loans are denominated in foreign currency and default becomes more likely as the domestic currency depreciates.

More broadly, panel discussions dealt with whether flexible exchange rates or the imposition of capital controls are more effective policy measures for emerging markets to successfully insulate themselves from global cycles. There is evidence that Mundell's Trilemma (which suggests that exchange rate flexibility is still an effective insulation device) remains alive, but the choice of restricting capital mobility or having to deal with greater macroeconomic volatility seems to have become starker. Indeed, Mr. Tobias Adrian, senior vice-president of the U.S. Federal Reserve Bank of New York and one of the keynote lecturers, presented empirical as well as theoretical evidence that domestic policies can affect the trade-off between faster or more crisis-prone growth—but that the trade-off line has become steeper with increased financial globalization and the standard risk-taking responses of large financial institutions. A related factor is whether central banks act together or asynchronously; if the latter, the question becomes whether early tightening by the Fed could be partly offset by continued loose monetary policies in the Euro Area and Japan, so that the effects on global interbank and foreign exchange swap markets are mitigated.

Another panel discussed the role of domestic liquidity policies in smoothing out the current account reversals that typically follow a sudden stop in the appetite of investors for risk. The other keynote speaker, Deutsche Bundesbank deputy governor Claudia Buch, presented evidence that Euro-system liquidity provision did smooth out adjustments in Greece, Ireland, Italy, Portugal, and Spain, compared with countries that had suffered a sudden stop but were outside the Euro system, such as Bulgaria, Estonia, Latvia, and Lithuania between 2009 and 2013. Evidence of smoother adjustment was clearer in sectors that are structurally more dependent on external finance, mitigating the compression in real wages and profits in those sectors.

An off-shoot of that discussion touched on whether ECB policies were effective in reducing bank risk-taking and facilitating the dismantling of feedback loops between deteriorating bank balance sheets and lower sovereign debt ratings. The answer as it related to lower bank risk-taking was an unequivocal "yes," but that related to the feedback loops was a more ambiguous "perhaps."

Based on the conference exchanges, it seems fair to conclude that weaknesses in banking systems, heavily leveraged corporations, and tepid economic growth in much of the world can to some extent explain the reduction in global imbalances since the crisis, and that policy action did contribute to smoothing out the transition. Yet the extent to which eventual improvement in these conditions will make current account imbalances substantially healthier is still open to debate.

Link to conference website:
https://www.oenb.at/Termine/Terminarchiv-2015/2015/research-workshop-2015-07-02.html

Luis Catao, Senior Economist, JVI

Policy Debates – Outreach

Consequences of the Eurosystem's Non-Standard Measures for the Western Balkans

What will be the domestic and global impact of the nonstandard monetary policy measures that the European Central Bank recently introduced? How will the policy affect the euro area's nearest neighbors—the Western Balkans? These questions were examined in detail at a panel discussion at the JVI on May 22, chaired by Franz Nauschnigg, Head of European Affairs and International Financial Organizations Division, Oesterreichische Nationalbank. Mr. Frank Moss, ECB Director General for International and European Relations, gave the keynote speech. The panel consisted of Maja Kadievska Vojnovik, Vice-Governor, National Bank of the Republic of Macedonia; Fernando Montes-Negret, Head of the Financial Sector Advisory Center, World Bank in Vienna; and Veselin Pjescic, Vice-Governor, National Bank of Serbia.

Frank Moss, Director General, ECB

Mr. Moss outlined the main features of recent ECB monetary policy for the audience, in particular its non-standard measures, and looked at its potential domestic and global impact. The ECB, Mr. Moss noted, had had no other choice but to engage in non-standard monetary policy at a time when the medium-term inflation outlook was deteriorating, interest rates had hit their effective lower bound and the transmission from policy to the real economy no longer seemed to be working. The latest instrument employed by the ECB was the quantitative easing (QE) package, in the form of the expanded Asset Purchase Program (APP) to buy euro area government securities. Mr. Moss argued that the new policy had already started to have the intended effect on the domestic economy. Market expectations about the future ECB policy rate have adjusted downward, and inflation expectations seemed to have gone up since April 2015. Furthermore, investors have been rebalancing their portfolios. In 2015, long-term government bond prices have declined in most euro area countries, while equity prices have shot up. At the same time, bank funding costs have decreased, which should ease lending to the real sector. Finally, portfolio rebalancing and the ECB's policy stance led to a significant depreciation of the nominal effective exchange rate for the euro, which has again eased monetary conditions in the euro area and promoted competitiveness. As a result, the economic growth forecast in 2016 has been revised upwards.

In Mr. Moss's opinion, the overall global impact of the APP is likely to be positive. The program has already boosted global equity markets by raising investors' confidence, though the effect on global bond markets remained unclear. Mr. Moss suggested that a more sustained positive impact could include increased appetite for risk in global markets and hence heightened investment, as well as a boost to international trade because of higher demand in the euro area, although he recognized that there was also an increase in the risks to financial stability because of the portfolio rebalancing. Ultimately, he concluded that the impact would depend on each country's fundamentals in terms of trade and finan-

Policy Debates – Outreach

cial linkages with the euro area, the exchange rate regime, the state of structural reforms, and how well the financial market is regulated.

The panel discussed how the ECB's monetary initiatives are likely to affect euro area neighbors in the Western Balkans.

While acknowledging the necessity of the current ECB policy, Mr. Montes-Negret concentrated on the challenges that it poses. He identified the threat of resource misallocation when low inflation and low nominal interest rates are prolonged, because that may undermine financial stability and project investment discipline. The risk is particularly important, he said, for the Western Balkans, where non-performing loans are already quite high. He also warned that excessive accumulation of open foreign exchange positions in some countries and in the corporate sector might trigger a vicious circle of capital flight and currency depreciation.

While stating that it is still too early to assess QE effects on Western Balkan countries, Mr. Pjescic also considered the euroization of Western Balkan economies, in particular the balance sheets of their banks, as one of the main challenges the APP poses. He called for countries in the region to build up their macroeconomic fundamentals and increase financial stability to limit the damage from the QE exit by the ECB in the future. At the same time, Mr. Pjescic noted that the APP is likely to have a number of positive spillovers for the Western Balkans and Serbia in particular. Besides helping to stabilize exchange rates and reduce the risk premium, the APP has helped push down interest rates for both the Serbian government and Serbian businesses, opening a channel for credit to the real economy and making public debt more sustainable. He stressed that countries that are carrying out credible fiscal consolidation programs are more likely to feel positive effects from the ECB's non-standard measures. The Serbian central bank also obtained additional space for easing monetary policy. However, together with other relevant institutions, he emphasized, central banks need to seek improvement in bank balance sheets through the regulatory framework.

Ms. Kadievska Vojnovik was similarly optimistic about the ECB's current policy. For her, the boost in trade is the most important channel through which the APP will benefit Western Balkan countries, although remittances from the euro area are also expected to rise. She did not expect a dramatic increase in FDI and portfolio investment, because some Western Balkan countries are still facing structural weaknesses in their regulatory business environment. In some countries, capital markets are still underdeveloped and institutions are not of sufficient quality. The search for yields on the European market resulted in a downward trend in prices of all financial instruments, even for Western Balkan countries that had already issued Eurobonds at lower costs. However, looking forward, deteriorating public finances are of concern not only in view of fiscal sustainability and wider economic performance, but also from the point of view of monetary policymaking. Like the other panelists, Ms. Kadievska Vojnovik concluded that keeping their economies stable and undertaking significant structural reforms are the two main conditions if neighboring countries are to benefit from the ECB's policy.

Policy Debates – Outreach

Questions from the floor were plentiful. The main threads were (a) whether the cure—the ECB's QE—might be worse than the disease—the buildup of financial stability risks; and (b) what could be done to reduce the negative effects of QE. Mr. Moss's response was that the objective of the ECB is to avoid entrenching expectations of low inflation, and to buy time for liquidity to spread to the real sector. He admitted that risks to financial stability are likely to build up, especially if the policy continues for a long period. Mr. Montes-Negret added that QE could indeed have many negative side effects, but that the alternatives were worse. Mr. Pjescic and Ms. Kadievska Vojnovik stressed again that macroeconomic stability, structural reforms, and active macro-prudential policies are necessary to harness the benefits of QE and minimize its costs.

Maksym Ivanyna, Economist, JVI

CESEE Outlook: Mind the Credit Gaps!

Outreach presentation by staff from the IMF European Department

On May 13, 2015, Jesmin Rahman, Deputy Chief, and Plamen Iossifov, Senior Economist, in the IMF European Department, presented the Spring 2015 Central, Eastern, and Southeastern Europe (CESEE) Regional Economic Issues Report titled "CESEE Outlook: Mind the Credit Gaps!" The event was held at the Joint Vienna Institute (JVI) as part of the IMF course on Macroeconomic Management and Fiscal Policy and open to the public. Mr. Mathias Lahnsteiner, Senior Economist in the Foreign Research Division of the Oesterreichische Nationalbank (OeNB), acted as discussant, and Mr. Martin Schindler, Deputy Director of the Joint Vienna Institute (JVI), initiated the event.

Ms. Rahman opened by discussing the growth outlook and the balance of risks for CESEE countries. Much of the region is recovering, she said, but at three different speeds: solid growth in Central Europe, Turkey, and the Baltic countries; sluggish growth in Southeastern Europe (SEE); and recession in the Commonwealth of Independent States (CIS). The growth disparities stem from the differing impacts of external shocks—lower oil prices, a stronger momentum for euro area growth, and geopolitical tensions, from incomplete repair of balance sheets, and from structural weaknesses, especially in some SEE and CIS countries.

After the 2008–09 global financial crisis, the drop in incomes and spike in risk premia made legacy private debt burdens no longer sustainable in many countries in the region. This triggered a prolonged process of deleveraging, with households cutting

From left to right: Plamen Iossifov (IMF); Jesmin Rahman (IMF); Martin Schindler (JVI); Mathias Lahnsteiner (OeNB)

Policy Debates – Outreach

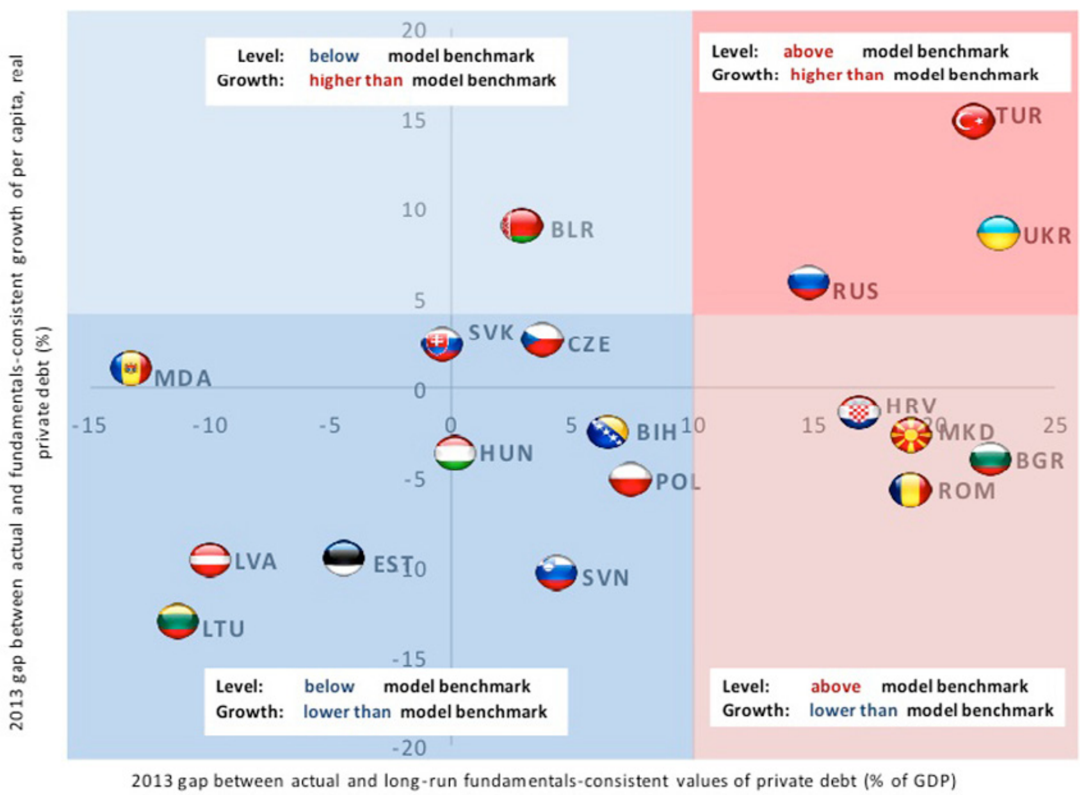
back on consumption and, alongside firms, on investment, using the freed-up funds to repay debt or build up equity. The resulting downward pressure on domestic demand exacerbated the decline in economic activity. As a result, sluggish credit growth and feeble investment rates are common challenges across the CESEE region, delaying the upswing of the credit cycle and holding back a more robust recovery and income convergence.

Mr. Iossifov presented the main findings of the report concerning the state of repair of private balance sheets across CESEE countries, based on the notion of "credit gaps," which are discussed at great length in the report. In a nutshell, the report's analysis compares the current level of private sector debt to a time-varying benchmark derived from the estimated long-term relationship between such debt and its fundamental determinants. CESEE countries are then grouped into four classes based on combinations of positive or negative gaps between the current level of private debt and its trend, and between the growth rate of private credit and the rate implied by the model (Figure 1).

The report's analysis suggests that the post-crisis deleveraging has not been sufficient to align private debt with fundamentals in a number of CESEE countries. Although the region as a whole shows signs of turning a corner, in many instances debt remains above the level consistent with fundamentals, acting as a drag on credit and real growth. As of 2013, Bulgaria, Croatia, FYR Macedonia, and Romania were among countries with positive credit gaps (i.e., private debt exceeding the model-based values), though the rate of growth was below the pace of adjustment predicted by the model. Ukraine, Turkey and Russia stand out as particularly exposed to negative shocks, with debts above the level consistent with fundamentals and continued rapid credit growth. However, more recently CIS countries have faced tighter financing conditions and experienced a significant deceleration of corporate credit growth.

The presenters concluded by summarizing policies needed over the medium term in countries where excessive debt burdens continue to weigh on the economy. Where policy space exists, accommoda-

Estimated Credit Gaps, 2013



Source: IMF

Policy Debates – Outreach

tive monetary and fiscal policies should be used to support the economic recovery and balance sheet repair. However, some SEE and CIS countries may find it difficult to grow out of debt without major structural and institutional reforms to address high rates of nonperforming loans, labor market rigidities to facilitate the adjustment, and advancing the structural reform agenda to raise the efficiency of debt workout mechanisms and private contract enforcement, as well as further enhance the infrastructure and human capital to boost productivity.

Mr. Mathias Lahnsteiner provided insightful discussion points. To start, he complemented the discussion on the growth outlook by presenting the OeNB's CESEE forecast. Regarding the private sector debt issue he suggested that the analysis of credit growth dynamics in the run-up to the crisis might reveal additional country-specific interpretations of subsequent private sector credit developments. By looking at the deviations (in percentage points) of the observed private credit-to-GDP ratio from its long-run equilibrium, Mr. Lahnsteiner showed that there were signs of the need for deleveraging in some CESEE countries (e.g., in the Baltics, Bulgaria, Hungary and Croatia) in 2008-09. In contrast, in some other countries (e.g., Czech Republic, Poland, Slovak Republic), the private credit-to-GDP ratio was lower than what the economic fundamentals would predict. Interestingly, up to 2014, the private credit-to-GDP ratio declined in the first group of countries (accompanied by a reduction of net external liabilities of the banking sectors), while it rose in the second group of countries. Mr. Lahnsteiner also pointed to the marked increases in the private credit-to-GDP ratio and the banking sector's net external liabilities in Turkey from 2009 to 2014.

The lively Q&A session that followed demonstrated the huge interest in JVI countries for country-specific policies to address unsettled legacies of the crisis and boost economic growth in the medium term.

Irina Bunda, Economist, JVI

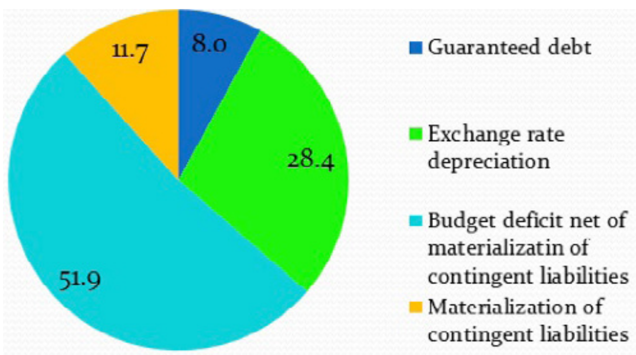
Fiscal Reforms in Serbia: Developments and Challenges

On August 7, 2015, as part of the IMF course on *Fiscal Analysis and Forecasting*, Mr. Daehaeng Kim, IMF Resident Representative in Serbia, delivered a guest lecture at the JVI on "Fiscal Reforms in Serbia: Developments and Challenges."

Public finances in Serbia had been deteriorating since about 2008/09. Mr. Kim explained that at their core, fiscal imbalances arose from: (1) stagnant growth and a weak labor market; (2) insufficient revenue despite tax rate hikes; (3) poor control of the public wage bill; (4) high pension spending compared to peer countries; and (5) expanding public aid to ailing state-owned enterprises (SOEs), usually in the form of direct subsidies and guarantees for borrowing that often were called.

The Serbian economy has also had to deal with protracted structural challenges, Mr. Kim continued, which led to mounting competitiveness problems, poor labor market outcomes, large current account deficits, high and volatile inflation, and periodic exchange rate pressures. Weak public institutions and large fiscal imbalances also contributed to a rapid buildup of public debt in the past.

Contribution to the change in public debt: 2011-14 (in percent)



Policy Debates – Outreach

Daehaeng Kim, IMF Resident Representative in Serbia

Attempts to stop the growth of public debt, including through measures contained in IMF-supported programs in 2009 and 2011 as well as short-run adjustment measures introduced in 2013, proved insufficient. In light of the unsustainability of previous policies, Mr. Kim reported that in 2014 the Serbian authorities took stronger policy ownership and started a new IMF-supported adjustment program to address the growing imbalances in a more fundamental manner. More specifically, the three-year precautionary Stand-By Arrangement (SBA) (200 percent of quota, or about € 1,122 million), approved by the IMF board in February 2015, aimed to restore fiscal sustainability, bolster growth, and boost financial sector resilience. On the fiscal front, the objective was to reverse the rise in public debt by 2017 and put it on a downward path thereafter. As Mr. Kim explained, this meant reducing the structural primary fiscal balance by about 3½ percent of GDP in 2015–17.

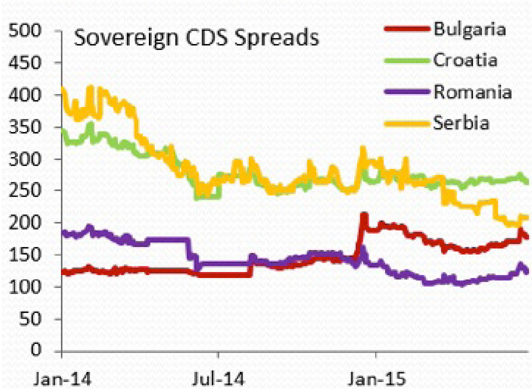
To achieve this, the Serbian authorities started implementing primarily front-loaded but durable measures to: (1) contain entitlement spending, which meant wage cuts and indexation freezes; and (2) curb state aid by reducing subsidies and eliminating liquidity support to SOEs. Structural fiscal reforms were introduced to support the fiscal consolidation effort, foster Serbia's medium-term growth potential, and reduce fiscal risks. Among them were comprehensive wage system reform, rightsizing the general government employment, enhancing fiscal transparency, improving public financial management, and reforming tax administration.

The program has been delivering good results. On the back of strong policies, Serbia has returned to positive economic growth, employment is rising and unemployment falling. The first review was completed successfully in June 2015: all performance criteria and indicative targets were met with good margins. That confidence in financial markets is also being restored, Mr. Kim said, is reflected in falling spreads on sovereign credit default swaps, a stable exchange rate against the euro, and more recently, improved banking sector resilience during the Greek crisis in July.

As for the future, Mr. Kim emphasized that continued efforts to push the structural reform agenda, particularly for SOEs and the public sector employment, and achieving the planned fiscal consolidation objectives will be critical to stabilizing the Serbian economy and sustaining its long-term growth. The nature of fiscal reforms and challenges in Serbia reinforced key messages of the course. Audience members appreciated Mr. Kim's unique insights into Serbia's fiscal policy implementation and renewed momentum for fiscal reforms.

Irina Bunda, Economist, JVI

Sovereign Spreads



Exchange Rate Developments

Source: IMF

Policy Debates – Outreach

EU Strategy for Jobs and Growth

On September 11, Karl Pichelmann, Senior Advisor to the European Commission Directorate General for Economic and Financial Affairs, presented his views regarding recent progress on the Europe 2020 strategy and its future prospects.

Karl Pichelmann, Senior Advisor to the European Commission

Mr. Pichelmann expressed concern about growth performance in the EU: the gap in GDP per capita in purchasing power parity terms between the U.S. and Europe has been widening over the past two decades, and especially so since the onset of the global financial crisis in 2007. He noted that the gap could be decomposed into two parts: a "structural" gap and a "crisis-induced" gap. The former can be understood as the gap arising from an extrapolation of the pre-crisis trend, reflecting the fact that growth is weaker in the euro area because of economic developments beyond the effects of the business cycle. The latter demonstrates that although both the euro area and the U.S. went through a crisis, the recovery has been weaker in Europe, thus widening the gap in income levels. A growth strategy, Mr. Pichelmann explained, should aim to close both gaps. The Europe 2020 strategy has been mainly directed at the structural side.

Based on a growth decomposition analysis in the economy of the EU, Mr. Pichelmann noted that in a "no policy change" scenario, the outlook in the region in the medium term looks to be only a modest 1 per cent annual growth in GDP. The Europe 2020 strategy constitutes a vision to reinvigorate growth in Europe by making it smart, sustainable, and inclusive. As such, it envisages support for new technologies and innovations to encourage greater efficiency and stronger competition to stimulate growth. The strategy also aims to create more employment opportunities and stronger social and territorial cohesion.

To achieve these objectives, the Europe 2020 strategy identifies pro-growth structural policies that can stimulate investment and economic rebalancing. Mr. Pichelmann gave examples of reforms some member states have made in such areas as taxation, pensions, the labor market, and the business environment. According to a recent study, identifying best performers among EU countries in various areas could help others identify opportunities for reforms. Closing gaps by adopting best practices is estimated to have significant growth effects.

Mr. Pichelmann reminded the audience of the five targets of the Europe 2020 strategy: 75 per cent employment, 3 per cent investment of EU GDP in research and development, climate/energy targets, reduction in school dropout rates, and less risk of poverty. He then admitted that the EU was likely to fall short of targets in almost all areas except for the climate/energy objectives, partly because the strategy is only a recommendation and so the EU cannot enforce the targets. He suggested that one potential solution to this problem could be closer European economic coordination. Some major moves have already been made. For instance, in 2010 the European Semester was adopted as a framework for

Policy Debates – Outreach

economic and fiscal coordination that provides for timely analysis of the fiscal and structural reform policies of every EU member state.

During the discussion that followed the lecture, audience members were interested in a wide array of European economic issues, such as what the priorities to boost economic growth should be, what the role of regional disparities was, and which of the Europe 2020 goals would be most difficult to achieve.

Mr. Pichelmann agreed that each EU country faces different circumstances and would therefore have different priorities for structural policies and reforms. He also noted that while there is still a good chance that the climate change and education targets could be met, achieving pension reform objectives would be difficult.

Asel Isakova, Economist, JVI

IMF World Economic Outlook October 2015: Adjusting to Lower Commodity Prices

Will declining commodity prices inflict long-term damage on commodity exporters? What do the recent large exchange rate fluctuations imply for external trade? On October 9, 2015, Ms. Zsoka Koczan and Mr. Marcos Poplawski-Ribeiro from the IMF Research Department presented the two analytical chapters of the latest *World Economic Outlook* providing some answers to these questions. They also provided a brief overview of the WEO's current growth projections. Mr. Martin Schindler, JVI Deputy Director, chaired the event.

Ms. Koczan spoke on how the evolution of commodity prices has affected economic growth in commodity-exporting countries. Commodity prices have plunged in the past three years, and output growth has slowed considerably in emerging market and developing economies that are net exporters of commodities. A critical question for policymakers in these countries is whether commodity windfall gains and losses influence potential output or merely trigger transient fluctuations of actual output around an unchanged trend for potential output.

Model-based simulations and empirical evidence from event studies, regressions, and case studies suggest that while actual and potential output move together with the commodity terms of trade, actual

Policy Debates – Outreach

output moves twice as much as potential output. The authors' estimates imply that during 2015–17 the depressed commodity price outlook will subtract almost 1 percentage point annually from average economic growth in commodity exporters; for exporters of energy commodities, the drag is estimated to be even larger, averaging 2¼ percentage points. The projected drag on the growth of potential output is about one third of that on actual output.

On the connection between exchange rates and trade, Mr. Poplawski-Ribeiro pointed out that the magnitude of the past year's exchange rate movements has triggered a debate about their likely effects on trade. History suggests that exchange rate movements typically have sizable effects on the volumes of exports and imports. Indeed, a 10 percent real effective depreciation in an economy is associated with an average rise in real net exports of 1½ percent of GDP, though there is a substantial amount of cross-country variation. Although these effects can take several years to fully materialize, much of the adjustment occurs in the first year. The boost to exports associated with currency depreciation is largest in countries with initial economic slack and with domestic financial systems that are operating normally.

There is some evidence that the rise of global value chains has weakened the relationship between exchange rates and trade in intermediate products used as inputs into other economies' exports. However, global trade is still mostly conventional, and there is little evidence of any disconnect emerging between exchange rates and total exports and imports.

The rich discussion that followed was mainly concerned with the differences between demand-driven and supply-driven commodity price cycles, the role of diversification and of labor market reforms in resource-rich countries, cross-country differences in the degree of involvement in global supply chains, and geopolitical factors influencing commodity prices.

Thomas Mitterling, Consultant, and
Adam Geršl, Senior Economist, JVI

Zsoka Koczan, Research Department, IMF


Marcos Poplawski-Ribeiro, Research Department, IMF

Course News

Asset Classification and Provisioning from Prudential and IFRS Perspectives

The Monetary and Capital Markets Department (MCM) of the International Monetary Fund (IMF) organized a seminar on Asset Classification and Provisioning from Prudential and IFRS Perspectives at the JVI during July 20 – 24, 2015, for 29 participants from 22 Eastern and South-Eastern European countries. This is the second year in a row that MCM has conducted this seminar, the third edition of which will be held at JVI from May 2-6, 2016. The seminar explored the diverging perspectives and approaches in loan loss provisioning between Basel Committee (BCBS) guidance and International Financial Reporting Standards (IFRS) and pertinent supervisory roles in dealing with the differences between the two in countries implementing IFRS.

Overall, participants related well to the issues discussed in the seminar. Participants from EU countries shared that, in addition to IFRS and BCBS frameworks, they also face national accounting standards and EU requirements and guidelines. Balancing the different accounting and prudential approaches, and making sure all requirements are satisfied, is a very relevant and practical topic for a number of countries in the region. MCM work on the matter (MCM working paper, "Supervisory Roles in Loan Loss Provisioning in Countries Implementing IFRS", served as background material for the course) and this seminar are therefore well on target to support such efforts.

Participants' main takeaways from the seminar included: i) global implementation of IFRS should be supported; ii) supervisors should have the power to require additional provisions when those recognized under either IAS 39 or IFRS 9 are deemed insufficient on prudential grounds to fulfill their role of capital adequacy assessment and credit review; iii) prudent provisioning is a preferred approach over additional capital charges in mitigating credit risks from expected losses; iv) while complying with IFRS in financial reporting, the prudential non-accrual of interest on NPLs should not be abandoned; and v) in the absence of specific guidance from IFRS, supervisors should help to formulate policies and criteria for timely write-off of uncollectible loans, which should not be guided by the derecognition rules under IFRS.

The seminar, which was well received, used a multi-pronged approach combining lectures, exercises, case studies, and Q&As, with active engagement by the audience. On a certain level, the seminar served as a useful platform for participants to exchange views and share experiences with their counterparts. In one of the sessions, participants from Azerbaijan, Russia, Turkey, and Uzbekistan discussed their own countries' approaches to asset classification and provisioning. In another session, participants presented their views on what the supervisory roles should be when dealing with a number of practical issues.

Ellen Gaston, Financial Sector Expert,
Monetary and Capital Markets Department, IMF

Course on Asset Classification and Provisioning from Prudential and IFRS Perspectives

Course News

IMF Course on Macro-Financial Surveillance

The IMF course on Macro-Financial Surveillance, organized by the IMF's Institute for Capacity Development (ICD), was held at the JVI during July 27 – August 7, 2015. The objective of this course is to learn sophisticated analytical tools for assessing macrofinancial linkages and conducting macrofinancial surveillance.

Course on Macrofinancial Surveillance

The course is quite advanced and technically challenging. Participants first learn methods for extracting information from asset prices. After a short introduction to the basics of asset pricing and interpreting financial data, the first module deals with the term structure of interest rates and yield curve analytics, reviewing theories of term structure and introducing the Nelson-Siegel model for estimating forward rates. The next module reviews methods for extracting probabilities of default from bond and credit default swap (CDS) spreads. The third module, dealing with equity markets, presents methods for estimating future economic growth based on equity price developments. The final module focuses on option prices: After an introductory lecture, contingent claims analysis is introduced: based on option theory, this type of analysis uses the Black-Scholes risk-neutral option pricing formula to estimate the probability of default for publicly listed companies. The first part of the course closes with a review of credit and market risk management models, especially those focused on Value at Risk (VaR).

The second part of the course deals with systemic risk. Its first module discusses the definition and sources of systemic risk, types of financial crises that constitute systemic events, and useful indicators of financial sector vulnerability, based mainly on credit and asset prices. It also reviews the Financial Soundness Indicators and explains the main steps in stress testing. The next module looks at systemic risk due to interlinkages in the financial system and asks participants to run scenarios of domino-type interbank contagion using a special Excel add-in. The final module presents methods for developing systemic risk measures and reviews several new techniques for macrofinancial surveillance, such as conditional VaR (CoVaR) or joint probabilities of distress.

In both parts of the course, all topics are presented through a combination of lecture and hands-on Excel-based workshop, in which participants apply the techniques presented in the lecture. Participants were also split into three groups and asked to apply one or two of the tools they learned in the course to either Sweden, Russia, or Hungary. As in other ICD courses, quizzes were conducted at both the beginning and the end of the course; the results indicated substantial learning progress.

The course closed with a guest lecture by Mr. Paul Hiebert, Deputy Head of the ECB Financial Stability Surveillance Division, who described the tools the ECB uses for macrofinancial surveillance. The teaching team also broadcast a video interview on the topic with Mr. Olivier Blanchard, former IMF chief economist.

In 2016, the two-week Macro-Financial Surveillance course is scheduled to be offered during July 25 – August 5, 2016. Anyone interested can check the JVI course page and apply online.

Adam Geršl, Senior Economist, JVI

Course News

Regional Economic Workshop for Parliamentarians from CCA Countries

IMF Continues Dialogue with Parliamentarians

As part of continued efforts to engage with parliamentarians from across the world, the IMF cohosted a forum for Members of Parliament from across Central Asia and the Caucasus to exchange views on the economic issues facing the region.

The Middle East and Central Asia Department of the IMF and the Joint Vienna Institute (JVI), in cooperation with the World Trade Organization (WTO), held a two-day workshop aimed at exposing parliamentarians to the role of the IMF and WTO in the region and explaining the economic policies recommended by the IMF. Held in Vienna, Austria on July 27–28, it provided a forum for parliamentarians to exchange views on their experiences in economic policymaking, including emerging challenges and issues.

Members of Parliament (MPs) from 7 countries—Armenia, Georgia, Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan—attended the two-day workshop. Most of the MPs currently sit on budget/finance committees.

The workshop sessions included presentations by IMF and JVI staff on the role of the IMF and the region's economic outlook. WTO staff delivered presentations on various trade-related topics, including the trade and development and the WTO's trade facilitation agreement.

Fiscal Management

One of the topics generating a lot of discussion at the workshop was fiscal management and how fiscal policy can balance the goals of macroeconomic stability and growth; income redistribution and provision of social safety nets; and the provision of other public goods, like healthcare and education. Procyclical spending, where government spending tends to increase during periods of economic growth, means governments often forego setting up "stabilization funds" or paying down existing debt. Excessive government debt can also hinder governments' ability to help stabilize economies during periods of slow economic growth. Public debt across the region

Regional Economic Workshop for Parliamentarians from CCA Countries

Course News

ranges from 8 percent of GDP in Uzbekistan to 53 percent of GDP in the Kyrgyz Republic.

Efficient fiscal management should attempt to avoid procyclical spending. A more prudent approach when the economy is flourishing would be to set money aside or pay down debt, so that governments are better able to step up spending during economic downturns. Fiscal rules can help contain pressures to overspend (provided they are adhered to), in particular in good times, to ensure fiscal responsibility and debt sustainability. Such rules can, for example, set limits for public debt in percent of GDP or could take the form of budget balance rules.

Commodities and energy subsidies

For a number of countries across the region, the export of commodities has led to sizable revenue gains for government. But while the revenue is welcomed, there are potential pitfalls of which governments need to be aware. Resource windfalls are often followed by capital flow surges, and participants heard how this has different implications for fixed versus flexible exchange rate systems. Commodity booms can also attract labor away from other sectors in the economy, which sometimes leads to output declines in these sectors.

For oil and natural gas producing countries, there is sometimes the temptation to help their citizens by ensuring prices for energy remain affordable. This is usually accomplished through some form of subsidy, perhaps paid directly to producers or consumers, or sometimes even by way of laws that keep consumer prices artificially low. But participants heard how subsidies are expensive for governments—and therefore taxpayers—to finance and can compete with other priority public spending on roads, schools, and healthcare. All consumers—both rich and poor—benefit from subsidies by paying lower prices. Governments could better help those who really need it by reducing subsidies and targeting the money directly to programs that help only the poor.

Trade considerations

During the lectures on trade, MPs heard how trade can be a powerful source of growth and development. Indeed Asian and Latin American economies have witnessed trade growth faster than economic output in recent years—yet, even though the Central Asian and Caucasus region launched the Eurasian Economic Union in 2014, trade within the region remains relatively weak. Experts at the workshop noted that trade can expand markets, facilitate competition and disseminate knowledge, raise productivity, and facilitate assimilation and exposure to new technologies.

At the same time, the WTO cautions that trade liberalization will not automatically lead to growth and development, and countries will need to ensure their path to increased trade is tailored to their own unique circumstances. Strong institutional infrastructure; competent financial institutions; and a transparent legal framework are also needed.

Engagement benefits all

The workshop was the latest example of how, in recent years, the IMF has attempted to expand its dialogue with legislators from across the world. This engagement helps improve legislators' overall understanding of the work of the IMF and how its advice to individual countries is formulated. At the same time, the IMF acquires a better understanding of the issues facing legislators and their countries.
Through its increased commitment to transparency, the IMF has begun collaborating regularly with organizations such as the Parliamentary Network on the World Bank and IMF, as well as Commonwealth Parliamentary Association, to engage directly with members of parliament. Interaction with parliamentarians through workshops or other venues ultimately contributes to greater transparency, ownership, and accountability of economic policy choices.

Partners in Knowledge Building

The IMF, the JVI, and Kosovo's Transition

Created after 1999, with the help of the international community, Kosovo had to create the basic economic institutions, starting with the Central Bank. The situation was tough; there was very little infrastructure available for immediate use, but more important was finding skilled people to staff the bank. The IMF and other international organizations committed to helping the Central Bank of the Republic of Kosovo (CBK) to build capacity. Through technical assistance (TA) and training, CBK staff gained the skills they needed to do quality work. Missions to deliver TA in Kosovo resulted in a close and continuous relationship between CBK staff and external experts.

Training helps to build the capacity of staff, and the CBK generally, to absorb the guidance TA missions deliver. Today, the CBK is solidly established and able to perform all the requisite central banking functions. The JVI is one of the main providers of training to the CBK because its courses are tailored to countries in transition; in the last 10 years, more than 116 CBK officials have taken JVI courses.

CBK officials are committed to applying what they learn at the JVI: For example, after each statistics seminar we discuss how to upgrade our methodologies for compiling and disseminating macroeconomic statistics. Progressively, we have been bringing the statistics we publish up to the latest international standards. Thus, when Kosovo became a member of the IMF and the World Bank in 2009, the CBK immediately started reporting monetary and financial data to the IMF for publication in the *International Financial Statistics*. Thereafter, we significantly increased the datasets reported to the IMF, such as quarterly balance of payments and IIP statistics. We also send external debt statistics to the World Bank QEDS database; participate in CPIS and CDIS; and now fully cover all financial institutions. The foundations for these achievements are IMF and JVI TA missions and training.

Today, the CBK has come full circle. It is no longer just a TA recipient; it is also a TA provider. Now that the IMF and the JVI have trained CBK staff like Mentor Geci, Bedri Zymeri, and Gani Gërguri, they have gone on to train people in other central banks. Mr. Geci is a short-term IMF external expert on monetary and financial statistics and Mr. Zymeri on external sector statistics. Mr. Gërguri is a long-term IMF advisor at the Central Bank of Suriname. This is clearly a success story for Kosovo and CBK, and we are pleased to be able to share our experience with other countries as others shared with us.

The new IMF e-learning courses are making it easier for CBK staff to participate in more training, and the videos recorded for training purposes and uploaded on the YouTube IMF website give us a real opportunity to enhance our knowledge quickly and efficiently.

In sum, we at the CBK could not have made the kind of progress we have achieved without the work of the IMF and the JVI. The skills we have gained through TA missions and courses have helped us to acquire the skills we need and build a central bank committed to best international practices. We look forward to benefiting from further course innovations in both the traditional courses that allow us to exchange experiences in person and new methods of e-learning. As new demands are made on central banks we look to the IMF, the JVI, and its other partners, to continue to help us find ways to respond.

From left to right:

Bedri Zymeri, Director, Statistics Department, CBK
Vjollca Terbunja, Training Recruitment Officer, CBK
Mentor Geci, Director, Banking Supervision Department, CBK
Arben Mustafa, Economic Analysis and Financial Stability Department, CBK

Partners in Knowledge Building

Impact of JVI Training and Training Priorities in the Baltic Countries

As part of the JVI's efforts to reach out to our partner countries and to further increase the effectiveness of our training, most countries have nominated training directors to help facilitate the integration of JVI training into the national institutions' human capital development strategies. Ms. Tatiana Arnhold from the JVI has recently spoken with several training directors in the Baltic countries: Ms. Helina Link (HR Specialist, Bank of Estonia), Ms. Diana Mäll and Nataly Abel (Analysts, Ministry of Finance, Estonia), Ms. Vineta Veikmane (Deputy Head of Personnel Department, Bank of Latvia), Ms. Edita Kazakeviciene (Specialist, Personnel Division, Bank of Lithuania), and Ms. Laura Vaisiauskaite (Deputy Head of the EU Affairs Coordination and Analysis Division, Ministry of Finance, Lithuania).

Laura Vaisiauskaite, Ministry of Finance of Lithuania

Your countries are now members of the EU and the Euro Area. From this new perspective, how does JVI training help your organization develop?

***Helina Link*, Bank of Estonia:** The JVI courses are known for their excellent quality and remain essential for the continuing education of our employees; they have certainly helped us prepare better-quality statistics, analyze and interpret the data, comply with various standards, and refine the macroprudential framework. Our employees appreciate an opportunity to communicate with peers from other countries in an international environment.

Vineta Veikmane, Bank of Latvia

***Diana Mäll* and *Nataly Abel*, Estonian Ministry of Finance:** Since becoming an EU member, Estonia has gained valuable insights into how fiscal policy decisions are made at the European level and how fiscal credibility promotes growth. Even though we have already learned a lot, we have to keep up with best practices in other countries, for which the JVI is a very useful platform. Our staff mainly participated in courses on macroeconomics, financial markets, and debt management.

Nataly Abel, Ministry of Finance of Estonia

***Vineta Veikmane,* Bank of Latvia:** The Bank of Latvia very much appreciates that the JVI enriches its courses with the insight of practitioners and the most recent research. It also provides a unique opportunity for peer-to-peer learning and networking. We welcome the attention the JVI is paying to courses on econometric modeling, financial stability issues, banking supervision, and macroprudential policy, as developing analytical skills in these areas provides a sound basis for taking part in specific processes of economic policy.

***Edita Kazakeviciene,* Bank of Lithuania:** JVI courses have helped us to develop state-of-the-art analytical and policy-making capacity and implement best practices in our organization. Overall, the JVI has given us a global perspective that has greatly benefited our Bank's contribution to Lithuania's economic and political progress.

***Laura Vaisiauskaite,* Lithuanian Ministry of Finance:** Our staff learned how to implement sound fiscal policy, how to ensure financial stability, and whether austerity measures should be taken to cope with economic crises. Although we were focused on European integration, the JVI gave us a truly global perspective, with practical examples of economic policies all over the world.

What training needs does your institution foresee for the near future?

***Helina Link,* Bank of Estonia:** Financial markets and securities are of particular importance. Courses on statistical data processing and management, statistics courses that cover the entire system of national accounts, including nonfinancial

Partners in Knowledge Building

and financial accounts and how to handle statistical errors, will be very valuable. From the financial stability perspective, there is a need for continued training on macroprudential issues, such as on the effectiveness of different policy instruments.


Edita Kazakeviciene, Bank of Lithuania

Diana Mäll **and** ***Nataly Abel,*** **Estonian Ministry of Finance:** For the near future, the training needs are likely to be the same as in previous years: courses associated with macroeconomic and fiscal policies, structural reforms, and financial markets.

Vineta Veikmane, **Bank of Latvia:** We would welcome advanced, specialized courses in econometrics (for instance, on instrumental variables approach or FAVAR), as well as courses on financial stability and macroprudential issues, focusing on how to calibrate macroprudential tools and how macroprudential policy interacts with other policies, and on identifying and assessing systemic risk. Workshops in which participants present their own case studies with feedback from instructors and other participants would also be useful.


Helina Link, Bank of Estonia

Edita Kazakeviciene, **Bank of Lithuania:** We are keen on building staff skills in economic modeling and forecasting, effective implementation of monetary and macroprudential policy, oversight of payment systems, management of foreign reserves, prudential supervision as well as technical and policy-making skills.

Laura Vaisiauskaite, **Lithuanian Ministry of Finance:** We need training in public spending and capital market development. We would also benefit from economics refresher courses, as different economic theories disagree on the causes of crises or appropriate policies for economic recovery.

Who determines how much training your staff needs and how is training organized?

Helina Link, **Bank of Estonia:** The training needs of each employee are agreed upon during annual performance reviews. Each department is responsible for planning sector-specific training. When training needs of various departments are similar, course participation is coordinated internally.

Diana Mäll **and** ***Nataly Abel,*** **Estonian Ministry of Finance:** Staff development aims at meeting the organization's strategic objectives through competent and motivated staff. Heads of departments are responsible for recognizing the training needs of their staff and evaluating training effectiveness afterwards.

Vineta Veikmane, **Bank of Latvia:** Line managers conduct the annual performance reviews and development talks with staff members, identifying their training needs based on the required professional and social competencies. Overall bank training plans also include new topics to help attain the Bank's strategic goals.

Edita Kazakeviciene, **Bank of Lithuania:** Performance appraisals within departments help employees assess their training needs and set priorities; information is then submitted to the Personnel Division, which evaluates intended training, coordinates applications, selects the best training opportunities, and assesses the results.

Laura Vaisiauskaite, **Lithuanian Ministry of Finance:** Employees may attend training courses abroad twice a year. Staff members identify their training needs during the annual assessment. When employees apply for a particular course, they require approval by the direct supervisor, the HR division, and the Chancellor of the Ministry.

Thank you very much. We are looking forward to many more participants from your institutions.

Partners in Knowledge Building

Comprehensive Course 4: Twenty Years On

This year, the JVI successfully concluded the 22nd edition of the *Applied Economic Policy (AEP)* course, the JVI's 8-week flagship course designed to introduce young public sector officials to some of the many facets of economic policy analysis and policy-making. The AEP course is currently the most extensive course in the JVI's training curriculum, but it was preceded by an even more extensive one: the *Comprehensive Course in Applied Market Economics (CC)*, which first took place in 1994. This course was taught jointly by some of the JVI's member organizations at the time—BIS, EC, IMF, OECD, and the World Bank—and although the structure varied over time, at that time it typically comprised three components:

- An integrated segment delivered at the JVI covering *Macroeconomic Analysis, Money Banking and Financial Reform, Trade Policy and International Trade Regimes, Industry, Social Policy, European Aspects, Policy Papers, Investment Decision-Making and Project Management, and Managing Transition.*
- A one-week study tour organized by the Austrian Authorities to visit firms, local industry, and regional government. The aim was to familiarize participants with the local market economy and the role played by regional authorities, particularly in infrastructure policy, environmental policy, and local distribution networks.
- The final segment at the JVI, which allowed participants to choose between various modules, such as *Macroeconomic Policy* or *Corporate Strategies.*

In this article, we look at the origins of the AEP by turning back the clock twenty years to 1995, when the 4th edition of the CC took place during August 14-December 15. To commemorate the 20th anniversary of the CC4, Ms. Michele Burlington-Green from the JVI tracked down those who attended this flagship course to find out what they are doing now and what the course meant to them.

With the exception of a few direct applicants, the majority of the 40 participants had undergone a rigorous pre-selection process having attended introductory courses in either Kiev, Moscow, Prague or Tashkent. Many impressive careers developed following the CC4, and we hope that at least a small part of our alumni's success can be attributed to the training delivered at the JVI. *Thank you to all we were able to reach.*

Leyla Abdrashitova, Uzbekistan

Then: Chief, Computerization Department, State Tax Committee
Now: Finance and Contract Officer, Finance, Contract and Audit Section, Delegation of the European Union to the Republic to Uzbekistan (overseeing EU aid management to the country)

The JVI and the Comprehensive Course helped me to foster new thinking—not only in sound public financial management and fiscal policy but more broadly too. It opened my eyes and made me more eager to accept change. I met people from different backgrounds and cultures and it was my first experience of the EU and integration. I also enjoyed beautiful, elegant Vienna, and the unforgettable study tour organized by the Austrian Authorities.

Azamat Abdymomunov, Kyrgyz Republic

Then: Senior Economist, National Bank of the Kyrgyz Republic
Now: Team Lead and Lead Financial Economist at the Federal Reserve Bank of Richmond (USA)

I have warm memories of the people that I met during the Comprehensive Course—the participants, the ad-

ministration, and the instructors. It was a great program covering a wide set of topics, and gave me the opportunity to exchange views, learn, and broaden my horizons. I had the chance to interact with peers with similar backgrounds, make lifelong friends, as well as to spend a most enjoyable time in Austria.

Lyubomir Datzov, Bulgaria

Then: Expert, Budget Department, Ministry of Finance (Deputy Minister of Finance 2003-2009)
Now: Municipal Counselor, Sofia Municipal Council, Assistant Professor in Public Finance at Sofia University, and Consultant in banking and public finance matters

*What did Comprehensive Course 4 mean to me? If someone still remembers the course in detail after 20 years, **as I do**, it means the Comprehensive Course was great! Thanks to everyone from the JVI!*

Dimitri Gulisashvili, Georgia

Then: State Counsellor, Cabinet of Ministers
Now: Head of Foreign Relations Department, State Procurement Agency of Georgia

Looking back over the years, the JVI is probably the sweetest memory I have. This unique initiative of leading international financial institutions to create a joint institute for post-Soviet countries was a great idea, which clearly proved a great success. The JVI hugely contributed to the professional development of young civil servants. Besides the excellent educational program, the JVI introduced us to Austria's unique culture by offering an unforgettable study tour. It was a great pleasure to be a part of a multicultural family, where I acquired friends from different countries. Special thanks to the JVI administration for their warm hospitality, which we felt on a daily basis. I am sure that our memories of the JVI will remain in our hearts forever.

Sevinj Hasanova, Azerbaijan

Then: Senior Economist, Ministry of Finance
Now: Deputy Minister of Economy and Industry

The JVI gave me the opportunity of gaining a broader perspective of the world and the world economy. It made me rethink what I already knew and made me realize what I needed to know. It helped to enrich my job with theoretical tools and provided a road map for adapting to a constantly changing environment and for addressing growing development challenges.

Alexandra Iarincovschi—formerly Soltan, Moldova

Then: Principal Expert, Ministry of Economy
Now: Freelance translator, member of the Association of Professional Translators of Moldova providing translation services for many local and international companies, including the IMF, WB and UNDP

Comprehensive Course 4 helped me to fulfill my dreams, i.e., to acquire a comprehensive knowledge in Applied Economics, to meet new people, improve my spoken and written English language capabilities, and to become acquainted with the magnificent city of Vienna and other parts of Austria.

Partners in Knowledge Building

***Boris Itkin*, Russia**

Then: Deputy Head, Department of Environmental Economics, Ministry of Environmental Protection
Now: Deputy Director, Quality Management, Frecom Russia

To summarize what the Comprehensive Course meant to me personally in only one sentence is too tough but I will endeavor. In general—it was a flash, a breeze, a discovery, a new vision, which made me believe in the opportunities available, and in my capabilities and myself.
I continue to be involved in environmental issues at Frecom Russia, one of the first Russian independent companies that has started to operate and provide professional services in the field of environmental protection and industrial safety.

***Ieva Jaunzeme*, Latvia**

Then: Head of Division, Ministry of Welfare
Now: Secretary of State, Ministry of Welfare

It seems that 1995 was just yesterday but 20 years have passed since Vienna. Remembering the time is easy because since then I have faced many challenges. I had a baby boy, Arthur, and when he was six months old I changed my field within the Ministry of Welfare to become Director of the Department for Labor. In 2000, I was asked to be Director-General of the Latvian Employers' Confederation and in 2004, when Latvia became a member of EU, I decided to be part of this new process and started work as a Counsellor at the Permanent Representation of Latvia to the EU. After a couple of years in Brussels a new assignment called, namely to become the Chairperson of the Competition Council of Latvia. Then my daughter Laura entered this world, which was a wonderful moment for me. For the last three years I have been back where I started, at the Ministry of Welfare, but this time as State Secretary. This is not the same ministry I joined in 1992, not even the same as in 2000—both the ministry and the challenges are completely different.
I believe the JVI created a solid background for my future due to the broad range of knowledge provided during the course. It also enabled me to improve and practice my English, which has been a competitive advantage for quite a long time.
Many thanks to the JVI for everything.

***Sergey Kamburov*, Russia**

Then: Head of the Monetary Policy Division,
Research Institute of the Central Bank of Russia
Now: Deputy Director, Market Operations Department, Central Bank of the Russian Federation

Participation in Comprehensive Course 4 was a turning point in my career. Before it, I had followed a more academic path but afterwards my career became focused on practical applications. In my current position, I am responsible for Foreign Asset Management.

***Gabriela Mihailovici*, Romania**

Then: Statistician/Expert, National Commission for Statistics
Now: Advisor to the Governor, National Bank of Romania

What CC4 means to me: (i) a cornerstone in my professional life (ii) my first cultural exposure (shock) and (iii) learning how to think outside the (former communist) box. Above all, it was meeting extraordinary people at the JVI, who changed the course of my life and whose friendship continues to be my most precious spiritual asset.

Partners in Knowledge Building

Ildiko Polacekova, Slovak Republic

Then: Statistical Analysis Expert, Ministry of Labor, Social Affairs and Family
Now: Director, Department of State Support and Strategy of Social and Family Policy, Ministry of Labor, Social Affairs and Family

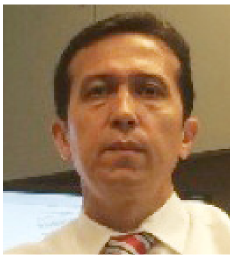
The time spent at the JVI during the 4th Comprehensive Course was great. I met many interesting people and made close friends and contacts. The course helped me in my developing and building my career in the field I work in and love.

Murad Sadikhov, Azerbaijan

Then: Chief Economist, Project Evaluation and Credit Utilization Unit, Ministry of Economy
Now: First Deputy Chief Executive Officer of Nobel Oil Services UK Ltd (based in Baku, Azerbaijan, overseeing business development and strategy)

The Comprehensive Course was a remarkable life-changing experience that opened up opportunities for my future career development and increased my self-confidence. Another important factor was the networking and life-long friendships established. I remember and share those good memories with my colleagues and subordinates to inspire them to go for overseas training.
It is very hard to write in a sentence about such a fabulous experience after 20 years. What I remember uppermost was the class "How to return home" at the end of the JVI course, which helped me to manage my expectations and emotions. It was the best experience I ever had and I am trying to give a similar opportunity to my children.

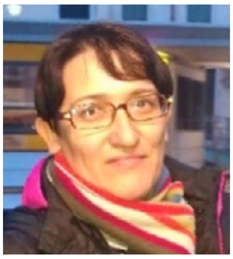
Utkirdjan Umarov, Tajikistan



Then: Foreign Investments Coordinator, Ministry of Foreign Economic Relations
Now: Results Measurement Specialist, International Finance Cooperation (IFC)

The Comprehensive Course and the JVI provided me with the necessary training to enable me to apply my knowledge and skills in practice. I was in the civil service when I attended the JVI and now I am currently working on building a micro-macro model at the IFC – Office of the Chief Economist. My work has always been related to the application of theory in real life.

Eugenia Veverita—formerly *Triboi*, Moldova



Then: Senior Economist, Ministry of Finance
Now: Freelance Public Finance Management Consultant

What the Comprehensive Course meant to me: it helped me in my career, I gained invaluable knowledge for the future, and I met very interesting people (networking).

JVI Course Schedule 2016

DATES	ORG.	ID	TITLE	LENGTH	LANG.
Jan 11 - 22	IMF	**(MFP)**	Macroeconomic Management and Fiscal Policy **(JV16.01)**	2 weeks	E/R
Jan 18 - 21	OeNB	**(STB-A)**	Advanced Course on Financial Stability Stress Testing for Banking Systems	4 days	E
Feb 8 - 19	AA	**(SFI)**	Sound Fiscal Institutions: The Basis for Stability, Growth, and Prosperity	2 weeks	E
Feb 8 - 19	IMF	**(MMF)**	Macroeconomic Management and Financial Sector Issues **(JV16.02)**	2 weeks	E/R
Feb 25 - 26	IBRD	**(AToT)**	Audit Training-of-Trainers	2 days	E
Feb 29 - Mar 4	JVI/DBB/ OeNB	**(BSBF)**	Banking Supervision within the Basel Framework	1 week	E
Mar 7 - 11	AA	**(CGC)**	Competitiveness, Growth and Crisis	1 week	E
Mar 7 - 11	JVI/DBB/ OeNB	**(MPI)**	Monetary Policy Implementation	1 week	E
Mar 8 - 9	IMF	**(JR)**	Judicial Reform **(JV16.03)**	2 days	E
Mar 14 - 18	EBRD	**(EB1)**	To be announced	1 week	E
Mar 14 - 25	IMF	**(EFS)**	Economic Policies for Financial Stability **(JV16.04)**	2 weeks	E
Mar 21 - 25	JVI	**(MPCM)**	Macroeconomic Policies in Times of High Capital Mobility	1 week	E
Mar 28 - Apr 8	IBRD/IMF	**(MTDS)**	Advanced Medium-Term Debt Management Strategy and Annual Borrowing Plan Workshop	2 weeks	E
Mar 28 - Apr 8	IMF	**(MDS)**	Macroeconomic Diagnostics **(JV16.05)**	2 weeks	E
Apr 11 - 15	OeNB	**(IEEU)**	Integration in Europe: European Union and Eurasian Economic Union	1 week	E
Apr 11 - 20	IMF	**(FSMP)**	Financial Stability, Systemic Risk, and Macroprudential Policy **(JV16.06)**	1 ½ weeks	E
Apr 18 - 29	IMF	**(FPP)**	Financial Programming and Policies **(JV16.07)**	2 weeks	E/R
Apr 25 - 29	IMF	**(SAC)**	Safeguards Assessments of Central Banks **(JV16.08)**	1 week	E
May 2 - 3	IMF	**(CHI)**	Corporate and Household Insolvency **(JV16.11)**	2 days	E
May 2 - 6	IMF	**(PACP)**	Asset Classification and Provisioning from a Prudential and IFRS Perspective **(JV16.10)**	1 week	E
May 2 - 6	IMF	**(MTBF)**	Medium-Term Budgetary Frameworks, Fiscal Rules, and Fiscal Councils: Options to Ensure Fiscal Sustainability **(JV16.09)**	1 week	E/R
May 9 - 13	AA	**(PGS)**	Public Governance and Structural Reforms	1 week	E
May 9 - 13	OeNB	**(CCPC)**	Challenges for Candidate and Potential Candidate Countries in the EU and EMU Accession Process	1 week	E
May 16 - 20	EBRD	**(EB2)**	To be announced	1 week	E
May 16 - 20	JVI/BdF	**(FSP)**	Financial Stability Policy of Central Banks: Recent Trends, Interactions with other Policies, and Key Challenges	1 week	E
May 16 - 27	IMF	**(MF-A)**	Advanced Macroeconomic Forecasting **(JV16.12)**	2 weeks	E
May 23 - Jun 3	IMF	**(VLN)**	Vulnerability Diagnostics **(JV16.13)**	2 weeks	E
May 30 - Jul 15	JVI	**(AEP)**	Applied Economic Policy	7 weeks	E
Jun 6 - 17	IMF	**(FMN)**	Financial Markets and New Financial Instruments **(JV16.14)**	2 weeks	E
Jun 13 - 17	WTO	**(TP)**	Trade Policy	1 week	E
Jun 20 - 24	IMF	**(LAIF)**	Legal Aspects of International Financial Institutions **(JV16.15)**	1 week	E/R

JVI Course Schedule 2016

DATES	ORG.	ID	TITLE	LENGTH	LANG.
Jul 4 - 15	IMF	**(MFP)**	Macroeconomic Management and Fiscal Policy (JV16.16)	2 weeks	E/R
Jul 11 - 15	IBRD	**(DGDM)**	Designing Government Debt Management Strategies	1 week	E
Jul 18 - 22	IBRD	**(IGDM)**	Implementing Government Debt Management Strategies	1 week	E
Jul 18 - 22	IMF	**(AML)**	Anti-Money Laundering and Combating the Financing of Terrorism (JV16.17)	1 week	E
Jul 25 - Aug 5	IMF	**(FAF)**	Fiscal Analysis and Forecasting (JV16.19)	2 weeks	E/R
Jul 25 - Aug 5	IMF	**(MS)**	Macro-Financial Surveillance (JV16.18)	2 weeks	E
Aug 8 - 12	IBRD	**(DeMPA)**	Government Debt Management Performance Assessment Tool	1 week	E
Aug 15 - 26	IMF	**(MFS-A)**	Advanced Course on Monetary and Financial Statistics (JV16.21)	2 weeks	E/R
Aug 29 - Sep 9	IMF	**(MRC)**	Macroeconomic Management in Resource-Rich Countries (JV16.22)	2 weeks	E/R
Aug 29 - Sep 9	JVI*	**(SR)**	Structural Reforms	2 weeks	E
Sep 12 - 16	IMF	**(BSAA)**	Balance Sheets and Accumulation Accounts (JV16.23)	1 week	E/R
Sep 12 - 23	IMF	**(MDS)**	Macroeconomic Diagnostics (JV16.24)	2 weeks	E
Sep 19 - 23	AA	**(FDI)**	Foreign Direct Investment Policies	1 week	E
Sep 26 - 30	IMF	**(MPP)**	Macroprudential Policies (JV16.26)	1 week	E
Sep 26 - 30	WTO	**(TP)**	Trade Policy	1 week	E
Sep 26 - Oct 7	IMF	**(FMI)**	Financial Markets and Instruments (JV16.25)	2 weeks	E
Oct 3 - 7	EBRD	**(EB3)**	To be announced	1 week	E
Oct 3 - 14	IMF	**(QNA)**	Quarterly National Accounts Manual (JV16.27)	2 weeks	E/R
Oct 10 - 14	OeNB	**(MFS)**	Macro-Financial Stability in Central, Eastern and Southeastern Europe	1 week	E
Oct 17 - 21	AA	**(PPP)**	Public Private Partnership	1 week	E
Oct 17 - 28	IMF	**(FPP)**	Financial Programming and Policies (JV16.28)	2 weeks	E/R
Oct 24 - 28	EIB	**(IIF)**	Investment and Investment Finance: Guiding Principles and EIB Group Expertise	1 week	E
Oct 24 - Nov 4	IMF	**(MPA)**	Models for Policy Analysis (JV16.29)	2 weeks	E
Oct 31 - Nov 4	IMF	**(FSLF)**	Central Banking Legal Framework (JV16.20)	1 week	E/R
Nov 7 - 11	EBRD	**(EB4)**	To be announced	1 week	E
Nov 7 - 18	AA/IMF	**(TPIG)**	Tools and Policies for Inclusive Growth	2 weeks	E
Nov 7 - 18	IMF	**(MERP)**	Monetary and Exchange Rate Policy (JV16.30)	2 weeks	E/R
Nov 21 - 23	OeNB	**(CCPS)**	Cash Circulation and Payment Systems in Austria	3 days	E
Nov 21 - 25	JVI/CCBS	**(MPT)**	Macroprudential Tools	1 week	E
Nov 28 - Dec 2	AA	**(ARG)**	Administrative Reform in a Global Environment	1 week	E
Nov 28 - Dec 2	OeNB	**(MFSC)**	Monetary and Financial Statistics Collected and Compiled by the ESCB	1 week	E
Dec 5 - 16	IMF	**(DSGE)**	The Use of DSGE Models in the Policymaking Process (JV16.34)	2 weeks	E
Dec 5 - 16	IMF	**(VLN)**	Vulnerability Diagnostics (JV16.33)	2 weeks	E

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