

IMMPA: Integrated Macroeconomic Model for Poverty Analysis

**Workshop EAE 5918
IPE/USP – 2009**

Introduction and Overview

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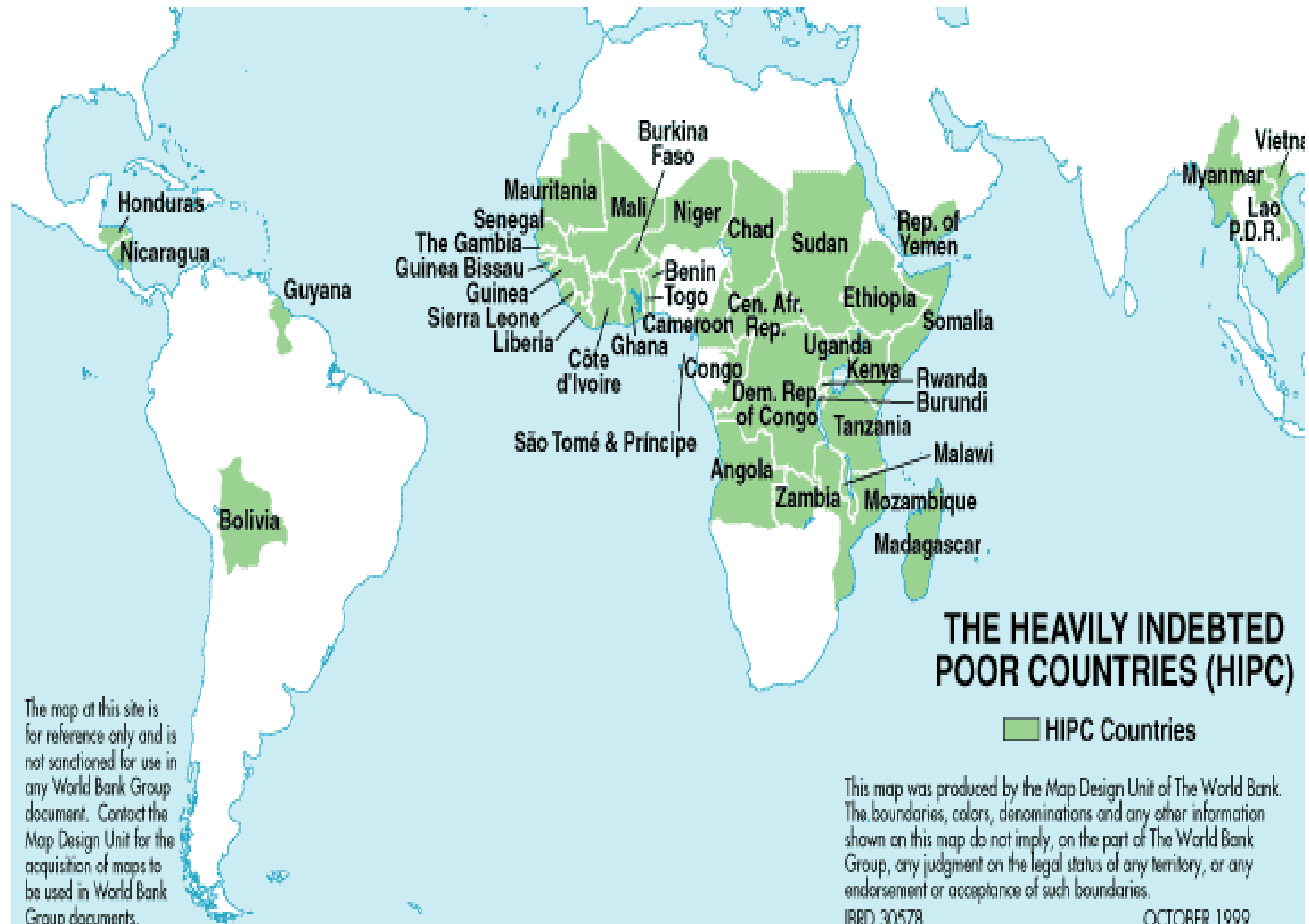


**The World Bank
University of Sao Paulo**

- Background
- Objectives of the workshop
- Workshop overview

Background

- Sept. 1999: World Bank and IMF adopt **Poverty Reduction Strategy Papers** (PRSPs) as basis for concessional lending to low-income countries, including resources under the enhanced initiative for debt relief for Heavily Indebted Poor Countries (HIPC).
- PRSP: in principle, formulated and written by national authorities in consultation with civil society; aims to **describe** the poverty conditions in the country and to set out a **medium-term action plan** to reduce the incidence of poverty and strengthen economic growth.



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- Design of a PRSP: as in any type of adjustment program, involves considering the nature of **policy tradeoffs** that authorities face in allocating (scarce) public resources.
- Understanding the nature of these trade-offs requires to
 - Take into account the **key linkages** between micro and macro factors in designing a poverty reduction strategy;
 - Use appropriate **policy tools** to prepare and compare consistent, quantitative assessments of alternative strategies.

- Poverty reduction is also at the forefront of the policy agenda in middle-income countries.
- It is as much an issue in Chile, Brazil, or Morocco, as it is in Burkina Faso; designing a poverty reduction strategy is therefore a “generic” one.
- Eradication of poverty is the first among the **Millennium Development Goals** (MDGs), adopted by the UN in Sept. 2000; also OECD (DAC, 2001).
- Monitoring poverty trends and advice on poverty reduction: a key job for the Bank; impact of macro policies on poverty: key issue for WBI’s Macro Program.

- Issues for macroeconomists:
 - Macroeconomic and financial stability is not an end in itself; putting poverty explicitly in the “welfare” function requires renewed effort to better understand analytically the micro-macro linkages that matter when designing poverty reduction strategies.
 - Existing policy tools must be amended, and new ones must be developed, in order to account quantitatively for those channels that are deemed important in determining how adjustment policies affect the poor.

- **IMMPA**: an integrated quantitative macroeconomic framework developed at the World Bank for analyzing the impact of policy and external shocks on income distribution, employment and poverty in both low-income, highly-indebted countries and middle-income developing economies.
- Dwells on the analytical and applied research conducted in academic and policy circles over the past two decades on macro- economic and structural adjustment issues in developing economies.

Millennium Development Goals (MDGs)

Goals and Targets	Indicators
Goal 1: Eradicate extreme poverty and hunger	
Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day	Proportion of population below \$1 per day Poverty gap ratio [incidence x depth of poverty] Share of poorest quintile in national consumption
Target 2: Halve, between 1990 and 2015, the proportion of people who suffer from hunger	Prevalence of underweight children (under-five years of age) Proportion of population below minimum level of dietary energy consumption
Goal 2: Achieve universal primary education	
Target 3: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling	Net enrolment ratio in primary education Proportion of pupils starting grade 1 who reach grade 5 Literacy rate of 15-24 year olds
Goal 3: Promote gender equality and empower women	
Target 4: Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015	Ratio of girls to boys in primary, secondary and tertiary education Ratio of literate females to males of 15-24 year olds Share of women in wage employment in the non-agricultural sector Proportion of seats held by women in national parliament
Goal 4: Reduce child mortality	
Target 5: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate	Under-five mortality rate Infant mortality rate Proportion of 1 year old children immunised against measles
Goal 5: Improve maternal health	
Target 6: Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio	Maternal mortality ratio Proportion of births attended by skilled health personnel

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Is the incidence and depth of poverty rising in the world? Does income inequality increase with rising average standards of living? How much do the poor share in the benefits of higher average levels of living? How much do they lose from aggregate contraction? These questions are often asked. But they are hard questions to answer convincingly.

In principle, household surveys can address such questions. But coverage and quality are uneven. Data on poor people has historically been wanting relative to most other data. For example, the 1979 World Development Rep (WDR), and the WDRs for many years after, only gave distributional data from household surveys for 20 or so developing countries. Yet macroeconomic aggregates were available for almost all countries.

The availability of distributional data for developing countries has improved over the last 10 years. For example, t

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Macro-economics and Policy Assessment Skills

Theme Leader: [Pierre-Richard Agénor](#)

The Macro-economics and Policy Assessment Skills (MPAS) program has two main objectives:

(a) to expand the capacity of policymakers, academics, Bank staff, staff from other international organizations (such as the IMF and the African Development Bank), and other development practitioners, to analyze current issues in macro-economic management. In particular, it aims to help design appropriate policy responses to the increasing flows of capital across national borders--flows whose scale and speed make the task of



What's new

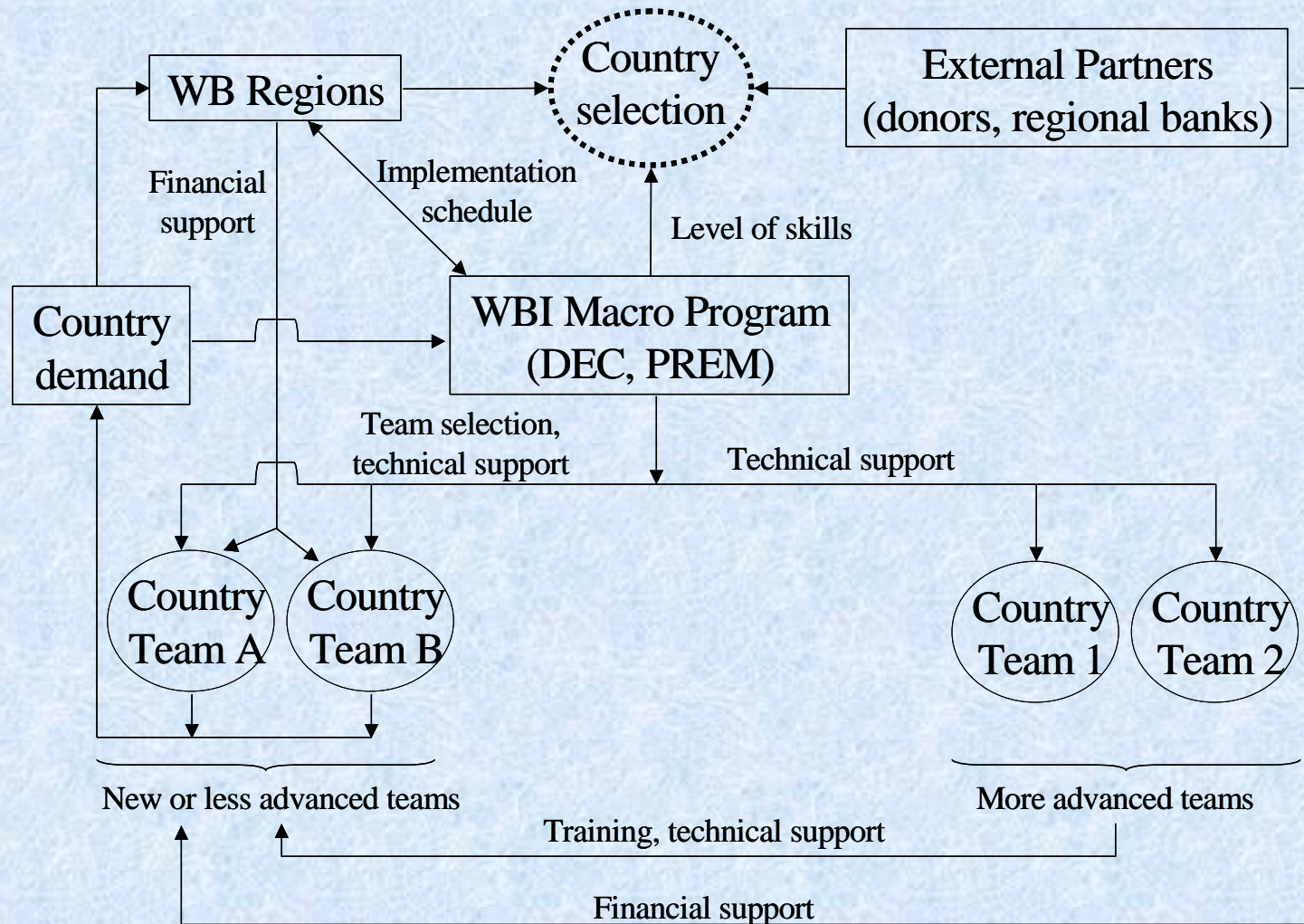
- [Washington, DC Workshop;](#) December 9-12, 2002
- ["Does Globalization Hurt the Poor?,"](#) by Pierre-Richard Agénor, World Bank PRE Working Paper
- ["A Poverty Analysis"](#)

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IMMPA Country Team Approach: Relations between Partners



IMMPA: Country Implementation Process¹:

Countries	Identification Stage		Model Development Stage				Operational Stage	Dissemination Stage
	Initiation	Team Selection	Training	Database Compilation	Model Specification	Calibration & Policy Simulations	Incorporation into Public Policy Process	Dissemination to Civil Society
Algeria**	X							
Benin**	X	X						
Bolivia**	X	X	X					
Brazil*	X	X	X	X	X	X		
Cameroon	X	X	X	X	X	X		
Cote d'Ivoire	X							
Indonesia**	X							
Morocco**	X	X	X	X	X			
Senegal	X	X	X	X				
Tunisia	X	X						

¹ As of October 10, 2002

* denotes WBI Focus Country

** denotes WBI Priority Country

Objectives of the Workshop

- 1. Strengthen understanding of the micro-macro linkages that are essential for the design of growth and poverty reduction strategies.
- 2. Familiarize participants with the IMMPA framework developed at the Bank that can be used to quantify poverty reduction strategies.

Workshop Overview

Part 1
“The Big Picture”
IMMPA: Overall Structure
and Approach

Issues

- Analytical issues associated with modeling micro-macro linkages in the context of poverty reduction strategies.
- Disaggregation on the production and demand sides, degree of heterogeneity among households, structure of the labor market, composition of public expenditure.
- Ways in which micro-macro linkages should be incorporated in applied economic models.

Part 2

“Kaleidoscope Analysis”

IMMPA: The Complete Model

Issues

- Specification.
- Conceptual underpinnings.
- Detailed description of the production side, the structure of the labor market (sources of segmentation, migration, and skills acquisition), the financial system,...
- ...and the modeling of public expenditure (both supply and demand side effects).

Part 3
“Hands-on”
The IMMPA Framework:
Policy Exercises

Issues

- Overview of the IMMPA simulation package.
- Policy exercises with IMMPA include an analysis of **external debt relief** and its impact on the economy through changes in the various components of public investment.