

MONETARY AND FISCAL INSTITUTIONS IN RESOURCE-RICH ARAB ECONOMIES

November 4-5, 2015, AFESD, Kuwait

ECONOMIC
RESEARCH
FORUM



منتدى
البحوث
الاقتصادية



ARAB FUND FOR
ECONOMIC AND
SOCIAL
DEVELOPMENT
(AFESD)

ABOUT ERF

Our Mission

The Economic Research Forum (ERF) is a regional network dedicated to promoting high quality economic research to contribute to sustainable development in the Arab countries, Iran and Turkey.

Our Objectives

Established in 1993, ERF's core objectives are to build strong research capacity in the ERF region, to lead and support the production of independent, high quality economic research, and to disseminate research output to a wide and diverse audience.

Our Activities

To achieve these objectives, ERF carries out a portfolio of activities. These include mobilizing funds for well conceived proposals; managing carefully selected regional research initiatives and providing training and mentoring programs to junior researchers. It also includes organizing seminars and conferences based on research outcomes; and publishing research output through multiple channels including working papers, books, policy briefs and a newsletter – Forum.

Our Network

The ERF network comprises a distinguished Board of Trustees (BOT), accomplished researchers from the region and highly dedicated head-office staff. A not-for-profit organization, the Forum is supported by multiple donors, both regional and international.

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Context

The special characteristics of natural resources, such as price volatility, uncertainty and exhaustibility, pose challenges for effective macroeconomic management in oil-abundant Arab countries and elsewhere. Beyond the need to design appropriate policies to cope with these characteristics, institutions matter for economic outcomes (such as inflation, growth, diversification), especially those related to the design and implementation of fiscal and monetary policies.

To better understand the rules and procedures governing fiscal and monetary policies in oil-rich Arab countries, the degree of independence and interaction between fiscal and monetary institutions, and the influence of politics on both, the Economic Research Forum (ERF) has initiated a multi-faceted research project on “Fiscal Institutions and Macroeconomic Management in Resource- Rich Arab Economies,” “The institutional Requirements for Optimal Monetary Policy in Resource-Dependent Arab Economies,” and “The influence of Politics on Macroeconomic Institutions.”

This conference is intended to share the findings of these research activities with various stakeholders. Drafts of the papers were discussed in a workshop, that was held in Cairo in October 2014.

Conference Objectives

The primary objective of the conference is to provide a platform for the presentation of research findings, allowing for an open discussion among a well-informed audience, including international experts, regional academics and policymakers. Ultimately, the discussion is meant to be of relevance to policymakers, especially in oil-dependent Arab countries.

Conference Organization

The conference is organized jointly by ERF and the Arab Fund for Economics and Social Development (AFESD). It will host around 100 participants from the region and abroad and is set to last for a day and half. Each session is structured such that ample time is left for open discussion.

GENERAL INFORMATION

Travel Arrangements

- Transportation from the airport to the hotel will be provided to all participants.
- Kindly travel with a copy of the visa as it is needed for checking in with airlines in various airports.
- Upon your arrival in Kuwait, you will be met by a representative from the “Arab Fund for Economic & Social Development” who will be carrying your original visa.
- In case you miss your airport pickup, or you do not find the representative, please contact Mr. Ajeel Al-Mutoutah on the following mobile number +965 99886417 or Mr. Hossam Omar – mobile number +965 99701693.
- In case of any delay in your departure, it is imperative that you send a message or call +2 0108844995 to inform the person carrying your visa to arrange for your airport pickup and update your hotel reservation.

Hotel Accommodation

- Participants will be residing at: Four Points Sheraton - Safat 13058/Fahd Al Salem St · P.O. Box 5902 Safat · Kuwait City 13060 · Kuwait · Phone: 965 - 2242 2055 - Fax: 965 2448032/34.
- To speed up the check-in process, please advise the check-in clerk that you are with the Arab Fund Group.
- Kindly note that ERF does not cover expenses related to laundry, phone calls (local and long distance), room service, drinks or use of the mini-bar etc.

Meals

- Participants covered by ERF should take their meals at “El Saif” restaurant on the second floor of the hotel. Please sign your room number on the bill.
- Daily breakfast will be served for the participants covered by ERF at “El Saif” restaurant.

Transportation

- The trip from The Four Points Sheraton to the AFESD takes approximately 10 minutes. Buses be available to transport you from the hotel to the conference venue at 8:30 a.m. on November 4 and November 5, 2015.

Welcome Dinner

- There will be a welcome dinner Hosted by H.E. Dr. Mohammad Al-Sabah, Former Deputy Prime Minister and Minister of Foreign Affairs - Kuwait, on Wednesday November 4th.

DAY ONE: NOVEMBER 4, 2015

09:30-11:00 **OPENING SESSION**

Moderator: *Abdlatif Al-Hamad*, Arab Fund for Economic and Social Development (AFESD)

Opening Remarks:

Ahmed Galal, Economic Research Forum (ERF)

Ibrahim Elbadawi, Dubai Economic Council and ERF

Keynote Speaker:

Adeel Malik, University of Oxford, UK

Political Institutions and Macroeconomic Outcomes in Arab Oil-Rich Economies

While commodity volatility affects economic performance and could be associated with multiple economic ills and lack of economic development, only part of the answer lies in economics. The keynote speech will provide a political economy perspective on why some countries are able to develop resilient institutional structures, while others are not, focusing on the nature of underlying institutions in resource-rich Arab economies.

11:00-11:30 **COFFEE BREAK**

11:30-13:00 **SESSION 1: OIL AND FISCAL POLICY**

Moderator: *Yousef Al-Ebraheem*, Al-Diwan Al-Amiri, Kuwait and ERF

Speakers: *Jeffrey Nugent*, University of Southern California and ERF

Fiscal Institutions and Macroeconomic Management in Arab Oil Exporters

Kamiar Mohaddes, University of Cambridge and ERF

Oil, Volatility, and Institutions: Cross-Country Evidence from Major Oil Producers

Open Discussion

Fiscal institutions are critical links between oil prices, oil revenues, revenue volatility. As is currently witnessed, low oil prices raise questions about the sustainability of public spending and loose public finances. This is why Arab countries must now improve their budgetary institutions and overall fiscal discipline. This session will review the quality of budgetary institutions in resource-rich Arab economies. It will also examine the long-run effects of oil revenue and its volatility on economic growth, as well as the role of institutions in this relationship.

13:00-14:30 SESSION 2: RESOURCE ABUNDANCE, FISCAL DOMINANCE AND MONETARY OUTCOMES

Moderator: *Samir Makdisi*, The American University of Beirut and ERF

Speakers: *Bassem Kamar*, International University of Monaco
Raimundo Soto, Universidad Católica de Chile

Monetary Policy and Economic Performance in Resource Dependent Economies

Ibrahim Elbadawi, Dubai Economic Council and ERF

Fiscal-Monetary Interdependence and Exchange Rate Regimes in Oil-Dependent Arab Economies

Open Discussion

While monetary policy could play a key role in fostering economic growth and short-term stabilization, its implementation in oil rich economies is often complicated by commodity price volatility. This session explores the role of alternative monetary policy regimes on economic performance in resource-based economies, with a particular focus on Arab economies. It also examines the interdependence between fiscal and monetary policies in resource-dependent economies, in particular the fiscal drivers of the choice of the exchange rate regime.

14:30-16:00 LUNCH BREAK

16:00-17:30 SESSION 3: CENTRAL BANK INDEPENDENCE AND INSTITUTIONAL REFORMS

Moderator: *Hassan Hakimian*, University of London and ERF

Speakers: *Emilie J. Rutledge*, United Arab Emirates University
GCC Currency Union: Necessary Precursors and Prospects

Hoda Selim, Economic Research Forum

Central Bank Independence in Resource-Rich Economies

Open Discussion

Optimal monetary policy response to commodity price shocks requires the presence of credible and strong institutions, which are often absent in resource-rich Arab economies. It also requires clarity about central bank versus government objectives and clear institutional arrangements about the role of each. Among the ways to achieve credibility and instill a clear division of policy responsibilities is to promote central bank independence (CBI). This section aims to examine the independence of monetary institutions in several Arab resource-rich economies as well as other institutional reform required for an effective and well-functioning GCC currency union.

20:00

DINNER - HOSTED BY H.E. DR. MOHAMMAD AL-SABAH, FORMER DEPUTY PRIME MINISTER AND MINISTER OF FOREIGN AFFAIRS, KUWAIT

DAY TWO: NOVEMBER 5, 2015

09:30-11:00 **SESSION 4: OIL, RENTS AND POLITICS**

Moderator: *Sami Atallah*, Lebanese Center for Policy Studies, Lebanon

Speakers: *Francisco Monaldi*, Baker Institute and Harvard University, USA
Oil and Politics: The Venezuelan Experience

Michael Ross, University of California Los Angeles, USA
What Can Political Science Tell Us about Oil-Rich Governments?

Open Discussion

Forty-five years after Hossein Mahdavy developed the modern concept of a “rentier state,” hundreds of studies have been conducted on the ways that oil wealth seems to influence governance. This session will give an overview of some key insights about state-building, development policies, accountability and conflict, particularly those that cast light on the oil-rich Arab states during a period of low prices. Venezuela, under chavismo, offers a good political economy illustration of how a country can economically underperform during commodity booms, largely thanks to spending bonanzas related to electoral cycles.

11:00-11:30 **COFFEE BREAK**

11:30-13:00 **PANEL DISCUSSION: INSTITUTIONAL REFORM IN THE ARAB WORLD**

Moderator: *Abdlatif Al-Hamad*, Arab Fund for Economic and Social Development (AFESD)

Speakers: *Mohammad Al-Sabah*, Former Deputy Prime Minister and Minister of Foreign Affairs, Kuwait

Shantayanan Devarajan, The World Bank

Ibrahim Elbadawi, Dubai Economic Council and ERF

Francisco Monaldi, Baker Institute and Harvard University, USA

Open Discussion

This panel of experts will take stock of the main policy messages on the way forward, in terms of institutional reform for more effective macroeconomic policy management.

13:00-14:30 **LUNCH BREAK**