

Preface

Many finance ministries and central banks, as well as many public and private financial institutions, maintain and apply computer-based multiannual macroeconomic programming exercises. The World Bank's "Revised Minimum Standard Model" ("RMSM," or "RMSM-X" in its Excel version) and the International Monetary Fund's "monetary-programming" exercise are among the better-known examples. Some governments have adapted versions of these exercises for their own use, and some have developed, or have had consultants develop, their own exercises. Analysts have several typical uncertainties when they begin working with such exercises. "Having switched on the computer and opened the Excel file, where do we start?" "How do we proceed — indeed, what are we trying to accomplish through the projection work?" "How do we know we are 'done'?" — or, "How can we tell whether we have formulated a 'good' projection?" And then, of course, many analysts want principles and ideas to enable them to construct their own projection exercises. This book's core purpose is to provide some of the basics to help analysts with these matters.

University economics programs don't always cover practical macroeconomic programming techniques adequately. People with economics degrees who go to work with governments and financial institutions sometimes realize this when first assigned — say — to estimate the future external financing requirements implied by given policy programs. Macroeconomic projection analysis is a practical necessity for policy-makers in financially constrained developing economies, as well as for financial and development institutions who lend to them and monitor their performance. To learn macroeconomic programming techniques, those able do so should make every effort to

attend the International Monetary Fund's and World Bank's specialized courses. Not everyone can, unfortunately. This book describes an approach that is in some ways similar and in some ways different, which some readers may find useful for practical needs, and which may in any case provide a helpful alternative perspective.

This book is based on several seminars I have presented since 2000. It began as notes for a three-day seminar on medium-term macroeconomic projection methods presented in Guatemala, July 30–August 2, 2000. The participants were officials and analysts from various public-sector entities, brought together by the SIAF-SAG program, a World Bank-funded project to modernize Guatemala's public-sector management. An initial draft of the book served as the basis of a three-week course I presented in Kigali, Rwanda, June 3–21, 2002. The participants were analysts from Rwanda's Ministry of Finance and Economic Planning, the Rwanda Revenue Authority, and the National (central) Bank of Rwanda. The African Development Bank provided financing.

Over the latter half of 2002 and then during various visits to Santo Domingo in 2003, 2004 and 2005, I had yet another opportunity to apply, test, and revise the approaches this book describes, while working as consultant for the Dominican Republic's "Integrated State Financial Management Program," funded by the Inter-American Development Bank. Over 2004 I helped develop a projection exercise for Peru's Ministry of Economy and Finance, under a project financed by the United States Agency for International Development. In late 2004 I helped develop a projection exercise for Ecuador's Ministry of Finance, under a project financed by the United Nations Development Program. In February 2005 I led a five-day seminar in macroeconomic projection for Nigerian public officials in Kaduna, Nigeria, and in May 2006 I led a two-week seminar in macroeconomic projection for public-sector officials in Luanda, Angola. Both seminars were funded by the U.S. Agency for International Development. In August 2007 I presented a one-week seminar for analysts in the economic analysis unit of the Dominican Republic's Technical Secretariat of the Presidency. Most recently, in May 2008 I presented a three-week course on macroeconomic projection techniques for public-sector analysts in

Georgetown, Guyana, again with funding from the U.S. Agency for International Development.

Because this book is based on experience in different institutions and country settings, I owe thanks to many more people than I could name here. I would like particularly, however, to record my gratitude to Punam Chuhan, Magín Díaz, Frank González, Mark Gallagher, Jariya Hoffman, Raju Kalidindi, Ricardo Lago, Katherine W. Marshall, Gardiana Melo, Mariana Naranjo, Oscar Masabo, Prosper Musafiri, Lars Pedersen, Bisa Octavién Samali, Andrés Solimano and William Tyler for relevant advice, challenging questions, and valued dialogue. I would like also to record my gratitude to the Guatemala, Rwanda, Dominican Republic, Nigeria, Angola, and Guyana course organizers and participants, as well as to many different people in the corresponding finance ministries and central banks. Their interest and enthusiasm persuaded me to complete the spreadsheet exercise and write the book. Of course I alone am responsible for all errors of fact and judgment. Views this book expresses do not necessarily reflect those of any institutions with which I am now or have been associated. I must also record thanks to Azucena and Edward Beckerman for many different kinds of support, especially for cheering up and broader perspectives when these were much needed.

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