

Report on Bachelor / Master Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University in Prague

Student:	Valeri Covalenco
Advisor:	Doc. Roman Horvath, Ph.D.
Title of the thesis:	The impact of IMF Financial Aid on Economic Growth and Inflation

OVERALL ASSESSMENT (provided in English, Czech, or Slovak):

I was pleased to be reviewer on topic around activities of IMF in which I was historically personally involved. In spite of the fact that Czech Republic during its transformation phase has not received any significant loan the topic is worldwide relevant. While the title of master thesis is promising (“The impact of IMF Financial Aid on Economic Growth and Inflation“), the content of the thesis suggest that the title sounds as an overexpectation. The author has underutilized the opportunity to deliver breathtaking contribution and limited himself to heterogeneous paper.

The submitted master/diploma thesis is focused on examination of the role of IMF loan programs. Despite the large literature on aid and growth, “the debate about aid effectiveness is one where little is settled” .While this approach has been developed in number of studies, Valeri tried further step forward demonstrating the impact of IMF loans in the course of 1970-2013. The submitted diploma thesis is not limited to the qualitative analysis and comes up with testing his hypotheses through selected econometric models. It is well-structured, after brief introduction, the second chapter of the thesis describes the qualitative background – characteristics of the IMF, the third is dedicated to methodology including data 1970-2013 elaboration, the fourth is empirical part based upon specification of model and data, the fifth is called conclusions.

The descriptive second chapter (characteristics of the IMF) is, however, very superficial. Beyond any doubt at the beginning, the author utilized only second-hand outdated sources without a look in the original IMF documents and IMF’s changes. It can be well illustrated e.g. on page 7: “And as a result, there has been no issue of SDRs since the 1970’s. This means that the more recent members have not received allocation of SDRs. As a result, currently the SDR does not have a very important role in world monetary policy (Bordo and James 2000). “ Let mi cite from <http://www.imf.org/external/np/exr/facts/sdr.htm> : “general SDR allocations have been made only three times. The first allocation was for a total amount of SDR 9.3 billion, distributed in 1970-72, the second—for SDR 12.1 billion—distributed in 1979-81, and the third—for SDR 161.2 billion—was made on August 28, 2009... The 2009 general and special SDR allocations together raised total cumulative SDR allocations to SDR 204.1 billion...The 2009 SDR allocations totaling SDR 182.6 billion played a critical role in providing liquidity to the global economic system and supplementing member countries’ official reserves amid the global financial crisis.

Hence Mr. Covalenco in his 2017 thesis has missed three allocations - two crucial ones responding to financial crises. Those allocations increased the IMF role (even for matured economies) that had declined before then. It is conflict with p18 in the Chapter 3 that accepts increasing total allocations and further processes key variable - IMF quotas that represents the share of SDR allocated to a country as a percentage of total amount of SDR. Less important is here a fact that he had not noticed very recent SDR basket change (addition of the Chinese renminbi).

Subchapters 2.1 and 2.1. are purely descriptive from IMF documents

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Subchapter 2.3 Economic Growth and IMF programs again is missing new programs and literature as well as subchapter 2.4.

I would expect from Mr.Covalenco in thesis with title “The impact of IMF Financial Aid on Economic Growth and Inflation” more professional approach in spite of the fact that chapter 2 is not the core of the thesis.

The third chapter starts with reference to the chapter two. It should be the case but as we have mentioned chapter 2 brought number of misleading statements, another were missing. Fortunately chapter 3 looks somewhat better and corrects implicitly some claims. In subchapter 3.2 we can find elaboration of the dataset for years 1970-2013 supplemented by Appendix 3 that is not simple. Author tested different features of full sample (see results in *Table 14* in *Appendix C*). E.g. test by Fisher-type ADF test identified several non-stationary variables and author described his responses. Econometrics with number of zero-missing figures could be a challenge. In subchapter 3.3 Mr. Covalenco dealt with assumptions of the most commonly used techniques for regression analysis with longitudinal data. He pointed out for number of models that underlying assumptions for OLS are less likely to be fulfilled. Then he suggested different specifications of his model with respect to dataset characteristics.

In chapter 4 Mr.Covalenco provided empirical estimates of number of his models. Unfortunately the outcomes are provided as a flow of tables with estimates without proper mutual analytical explanations. This is confusing chapter.

In the final conclusions (chapter 5) I was also missing wider comparison with benchmarks generated by other researchers in their more relevant papers such as C. Minoiu and S.G. Reddy (2009) WP IMF 09118, or nice survey L. Li et al., *Journal of Policy Modeling* 37 (2015) 891–914.

The author should discuss at the defence the comparison of his results with papers above.

Summing up, the thesis demonstrated analytical ability of the author to use econometric techniques in reasonable way but individual chapters are of very heterogeneous quality. The thesis complies with its defence requirements and the evaluation yields not better than the grade 3 (satisfactory / dobře).

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SUMMARY OF POINTS AWARDED (for details, see below):

CATEGORY	POINTS
<i>Literature</i> (max. 20 points)	10
<i>Methods</i> (max. 30 points)	25
<i>Contribution</i> (max. 30 points)	12
<i>Manuscript Form</i> (max. 20 points)	8
TOTAL POINTS (max. 100 points)	55
GRADE (1 – 2 – 3 – 4)	3

NAME OF THE REFEREE: *prof. Michal Mejstrik*

DATE OF EVALUATION: 29. 1.2017

Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

LITERATURE REVIEW: *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

Strong Average Weak
20 10 0

METHODS: *The tools used are relevant to the research question being investigated, and adequate to the author's level of studies. The thesis topic is comprehensively analyzed.*

Strong Average Weak
30 15 0

CONTRIBUTION: *The author presents original ideas on the topic demonstrating critical thinking and ability to draw conclusions based on the knowledge of relevant theory and empirics. There is a distinct value added of the thesis.*

Strong Average Weak
30 15 0

MANUSCRIPT FORM: *The thesis is well structured. The student uses appropriate language and style, including academic format for graphs and tables. The text effectively refers to graphs and tables and disposes with a complete bibliography.*

Strong Average Weak
20 10 0

Overall grading:

TOTAL POINTS	GRADE		
81 – 100	1	= excellent	= výborně
61 – 80	2	= good	= velmi dobře
41 – 60	3	= satisfactory	= dobře
0 – 40	4	= fail	= nedoporučuji k obhajobě