Capacity Development

Strengthening the capacity of institutions, such as central banks and finance ministries, results in more effective policies and greater economic stability and inclusion. That is why the IMF works with countries to strengthen these institutions by providing technical assistance and training focused on issues that are critical to economic stability.

Capacity development is one of the three core functions of the IMF, along with lending and surveillance activities, and accounts for 28 percent of its budget. Capacity development includes hands-on technical assistance and policy-oriented training for member countries to help them build effective policies and institutions to strengthen their economies, improve inclusive growth, and create jobs. Strengthening economic policies through capacity development also helps increase the understanding of IMF policy advice in the country, keeps institutions up to date on global innovations and risks, and helps address crisis-related challenges and spillovers. Similarly, the IMF's surveillance and lending work may identify how capacity development activities can have the biggest impact in a country.

IMF capacity development is delivered through short-term staff missions from IMF headquarters in Washington, DC; long-term in-country placements of resident advisors; and a network of regional capacity development centers and online learning. A well-structured and comprehensive vision ensures that each effort is focused on economic institution building and is aligned with a country's developmental priorities.

There are 16 regional centers, which help the IMF to respond quickly to a country's emerging needs and allow for closer coordination with other development partners. These efforts are supported by bilateral and multilateral partners that presently finance about half of all the IMF's capacity development efforts, including through their support for the *regional centers*. In 2018, the IMF and the People's Bank of China established a new center to build up economic institutions and foster human capacity development in core areas of IMF expertise. It serves officials in China and other countries and was inaugurated by IMF Managing Director Christine Lagarde, China Vice Premier Liu He, and People's Bank of China Governor Yi Gang on April 12, 2018, in Beijing.

Over the past 50 years, the IMF has provided capacity development support to all 189 member countries in line with their priorities. In FY2018, low-income developing countries received about half of all IMF technical advice. Emerging market and middle-income economies received just over half of IMF policy-oriented training.

As countries work toward achieving the Sustainable Development Goals, the IMF's capacity development efforts focus on the following fundamental areas:

- **Fiscal policy:** Helping governments better mobilize revenues and effectively manage expenditure, via tax and customs policies, budget formulation, public financial management, domestic and foreign debt, and social safety nets. This enables governments to maintain fiscal sustainability; enhance infrastructure such as schools, roads, and hospitals; improve social safety nets; and attract greater investments.
- **Monetary and financial sector policies:** Working with central banks to modernize their monetary and exchange rate policies, frameworks, and implementation; with financial sector regulators and supervisors to strengthen financial infrastructures and institutions; and with other relevant bodies to build and enhance macroprudential oversight and crisis management capacity. These efforts help to improve macroeconomic and financial stability in the country, fueling domestic growth and international trade.
- **Legal frameworks:** Aligning legal and governance frameworks to international standards, enabling countries to develop sound fiscal and financial reforms, fight corruption, and combat money laundering and terrorism financing.
- **Statistics:** Helping countries compile, manage, and report macroeconomic and financial data to facilitate a more accurate understanding of their economies and help formulate informed policies.

The IMF's capacity development work, as well as its policy advice and research, is increasingly focused on helping member countries tackle their developmental priorities, including:

- **Reducing inequality:** The IMF trains policymakers to implement inclusive policies such as expenditure and subsidy reform, and progressive taxation and financial inclusion including through new financial technologies. It also provides analytical, operational, and monitoring tools that countries need to abolish inequality.

- **Gender equality:** The IMF capacity development and training on gender equality has expanded to include training for government officials, peer learning workshops, and technical assistance missions in gender-responsive budgeting.
- **Climate action:** The IMF works with countries on environmental tax reform and efficient energy pricing to minimize the effects of climate change. It also helps create robust frameworks and public financial management plans to prepare countries for natural disasters and climate-related shocks.

The following pages highlight priority areas and country examples from each core area of IMF capacity development.

HIGHLIGHTS: FISCAL

Medium-Term Revenue Strategy

Revenue mobilization is critical for countries to secure resources for sustainable development and, in the case of low-income countries, to reduce dependency on external aid. The IMF promotes a new initiative on Medium-Term Revenue Strategies (MTRS) that involves helping countries develop and implement comprehensive reform strategies to achieve medium-term revenue goals encompassing tax policy, tax administration, and tax legislation. The MTRS approach was developed by the Platform for Collaboration on Tax to enhance countries' revenue mobilization efforts. The Platform recommended the adoption of MTRS in its July 2016 report to G20 Finance Ministers, entitled "Enhancing the Effectiveness of External Support in Building Tax Capacity in Developing Countries." The MTRS concept was further developed in the July 2017 "Update on Activities of the Platform for Collaboration on Tax" report to the G20. A flagship event was held at the 2017 IMF-World Bank Annual Meetings with more than 200 participants to discuss the MTRS approach to tax system reform, including its four interdependent components: (1) building broad-based consensus on revenue goals; (2) designing a comprehensive reform of tax system (policy, administration, and legal framework); (3) committing government-led and whole-of-government sustained political support to implementation; and (4) securing resources domestically and from donors for effective implementation.

In Uganda—where the tax-to-GDP ratio was 13.5 percent in 2016–17— increasing domestic revenue is critical to implement the country's development strategy. Building on ongoing work, the IMF helped the authorities prepare a five-year MTRS framework, starting in FY2018, with the goal of achieving a tax-to-GDP ratio of 16 percent by FY2022. It included options for tax policy reform, key measures to raise tax and increase customs compliance, and selected tax law components to support the compliance programs.

The IMF also helped Papua New Guinea develop its first comprehensive MTRS. Papua New Guinea faced a severe downturn in revenue and needed to revitalize the tax system and mobilize domestic revenue. The government developed a MTRS to modernize the tax system, aiming to increase the tax-to-GDP ratio and to ensure that reform plans were integrated across the main revenue agencies. The MTRS conveys the government's commitment to the revenue reform program and outlines a multiagency roadmap for reforming tax policy, tax administration, and the legal framework over the next five years.

Hackathons

The IMF has organized "hackathons"—an innovative initiative funded by the Bill and Melinda Gates Foundation to support technological innovation—in Senegal (2016), Uganda (2017), and Côte d'Ivoire (2018) as part of ongoing technical assistance programs for supporting tax administration. The two-day event typically brings together experts from different disciplines—the tech innovation sector, tax and customs administrators, officials of other government agencies, and representatives of the private sector and civil society—to prototype innovative solutions to improve the tax administration's capacity to manage compliance risks and respond to rising service expectations. In each country, approximately 80 participants from various countries attended the event. The hackathons have been a resounding success largely due to their lively and intense format, creative atmosphere, and high degree of engagement and expectations from the authorities.

In Senegal, among four prototypes, Mon Espace Perso is being implemented, creating personalized tax space that allows individuals and businesses easy access to their tax data, targeted information and services, and the ability to file and pay their taxes. In Uganda, eight prototypes were developed that are currently being considered by the authorities for implementation as part of the broader MTRS. In Côte d'Ivoire, the hackathons took on a higher degree of sophistication and ambition. Among the prototypes was SICI, Système Intégré de la Côte d'Ivoire, a platform that provides a single window for tax officials to access tax-related data for compliance purposes, backed by a system that integrates internal and external data sources via Blockchain technology.

Online Course on Public Financial Management

Each year, the IMF conducts more than 100 field missions to work side by side with government officials to improve aspects of public financial management (PFM). For six weeks in October–November 2017, staff reached almost 700 officials from 141 countries with a single online course about PFM. The course focused on why PFM is an effective tool for implementing public policies and how PFM institutions support macroeconomic stability, economic growth, the Sustainable Development Goals, and good governance. The United States Agency for International Development (USAID) funded development of the course.

Over nine months, IMF staff developed and filmed course modules covering a wide range of topics. In addition to teaching modules, the PFM course included interviews with ministers of finance, other senior officials, and representatives from civil society on all aspects of PFM. A discussion forum created an interactive platform where participants asked questions and shared views and country experiences. Gender budgeting was a much-debated topic.

The first course offering was open only to government officials and staff of development agencies. Registrants included government officials from 141 countries, including 162 participants from 25 fragile states, such as Afghanistan, Haiti, Iraq, and Somalia. Almost 700 participants successfully completed the course, far beyond what IMF staff could hope to train in face-to-face courses on PFM in a year.

The PFM online course garnered strong interest from bilateral donors and development agencies, including USAID, the United Kingdom's Department for International Development (DfID), the European Commission, and the World Bank. The course created a forum for donors and recipients to share views on PFM, as well as capacity building challenges. The course will be offered regularly as a massive open online course (MOOC) open to the general public.

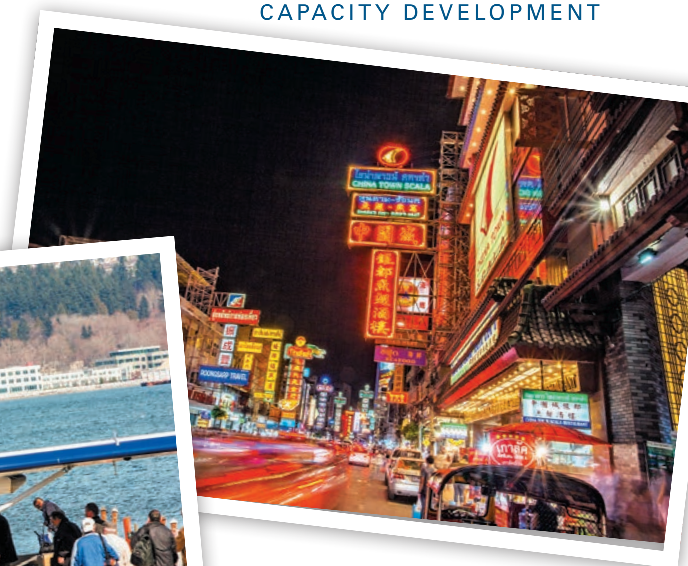
Peer-to-Peer Learning on Gender Budgeting

The IMF organized a seminar on Gender Budgeting in Costa Rica in December 2017, with participants from seven countries (Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and Panama). This was the first regional seminar using the public financial management framework for gender budgeting developed by the IMF, in 2017. It was followed by similar workshops in 2018 at the Africa Training Institute (ATI), Joint Vienna Institute (JVI), South Asia Regional Training and Technical Assistance Center (SARTTAC), and the Caribbean Technical Assistance Center (CARTAC).

Infrastructure Governance

The IMF is committed to helping countries improve capacity for infrastructure governance and thereby to maximize the impact of investment on growth and development. In Benin, a Public Investment Management Assessment (PIMA) was conducted in the context of implementation of an ambitious national development strategy (Programme d'Action du Gouvernement), which puts great emphasis on investments and infrastructure. Based on IMF mission recommendations, the authorities initiated some reforms (for example, implementation of commitment authorizations), and the World Bank revamped its $15 million technical assistance project on public investments.

The IMF also conducted a PIMA mission to Ireland. The Minister of Finance strongly endorsed the report, which was published in November 2017, noting that it was specifically tailored to Ireland's needs and would play an important role in strengthening public investment institutions and improving the efficiency of public investment. The government later made the compelling case for increased public investment to strengthen Ireland's capital infrastructure and announced in the budget additional capital allocations of €4.3 billion for the period 2018–21. In its National Development Plan 2018–27, published in February 2018, the government again noted its positive response to several key recommendations in the report, including: (1) the establishment of a high-level Infrastructure Projects Steering Group to lead a cross-sectoral dialogue on infrastructure; (2) the development of a Capital Tracker, a primary management tool for preparing and prioritizing a pipeline of projects in the main infrastructural sectors, and



supervising timelines and performance targets; and (3) the revision of Ireland's Public Spending Code for the Department of Public Expenditure and Reform to independently assess the appraisals of large projects.

Fiscal Transparency and Fiscal Risk Management

Georgia has made substantial inroads in recent years to enhance disclosure and improve management of fiscal risks. The IMF supported the authorities in developing a framework for monitoring risks related to state-owned enterprises, establishing a sound legal framework to govern public-private partnerships (PPPs) and to better assess fiscal risks associated with long-term power purchase agreements (PPAs) in the hydropower sector. Using this information, the authorities could adjust the pace of its hydroelectricity expansion to better match demand and, at the same time, restructure the PPA contracts to reduce fiscal risks. Disclosure of fiscal risks has also improved, including strengthened analysis of macroeconomic and debt-related fiscal risks that Georgia was already publishing. This, combined with a suite of other reforms, such as the development of annual financial statements and introduction of program-based budgeting, has seen Georgia climb from 34th to 5th on the Open Budget Survey's rankings between 2010 and 2017. An IMF Fiscal Transparency Evaluation in 2016 also found that Georgia now meets the level of good or advanced practice in many areas, while highlighting areas for continued improvement.

Moldova published its first Fiscal Risk Statement (FRS) in December 2017. The FRS provides a comprehensive overview of key fiscal risks facing the country and is a useful tool for assessing the consistency and credibility of fiscal policies. The FRS indicates the potential impact of major fiscal risks, assesses the likelihood of direct fiscal risks, and provides a basis for prioritizing risk-mitigation measures. Macroeconomic shocks are identified as having both high potential impact and a high probability, and more frequent updates of macroeconomic forecasts are recommended as a measure to mitigate the risks. Risks resulting from potential bailout of insolvent state-owned enterprises and from insolvent, systemically important banks were also assessed to be high. The draft of the FRS was subject to public consultation and was discussed with members of parliament.

Building a Sustainable Revenue Base in the Gulf Cooperation Council Countries

Although more than 150 countries have some form of value added tax (VAT), until recently this was not the case in the countries of the Gulf Cooperation Council (GCC)—Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates. The introduction of a VAT was challenging due to the GCC's unique political systems and heavy reliance on oil and gas revenue to finance government operations. For over a decade, the IMF has provided substantive technical assistance in the design and administration of broad-based indirect taxes, with the advice focused on introduction of a wide-ranging VAT and selected excises coordinated at the GCC to leverage the benefits of the Customs Union.

On January 1, 2018, Saudi Arabia and the United Arab Emirates introduced a generalized VAT at a rate of 5 percent. In 2017, both countries introduced excise taxes on tobacco and sugar-sweetened drinks at rates comparable to those in high-income countries. VAT and excises followed the 2016 Agreements among GCC countries as part of their VAT framework for deepening economic integration. Other GCC countries are expected to follow the lead of Saudi Arabia and UAE, and introduce their VATs in coming years. The IMF has also played a critical role in helping with the implementation of excise and VAT by guiding the execution of the administrative arrangements for a new excise. This helped develop the capacity and the confidence to implement a new tax and provided a model for other countries in the GCC.

HIGHLIGHTS: MONETARY

The IMF has remained actively engaged in responding to member countries' critical needs on financial and monetary stability by promoting sound and efficient financial systems and effective monetary and exchange rate policy frameworks. The IMF fielded more than 1,000 technical assistance missions last year on such core topics as supervision and regulation, monetary policy and foreign exchange operations, crisis prevention and management, and official-sector asset and liability management. Other growing areas of assistance include support for developing effective macroprudential policy frameworks and systems consistent with the formulation of monetary policy, setting up broader financial stability and systemic risk monitoring mechanisms, producing financial stability analyses and reporting, and stress testing.

The IMF has obtained financing for a Financial Sector Stability Fund, with contributions from China, European Investment Bank, Italy, Luxembourg, Saudi Arabia, Switzerland, and the United Kingdom, with other countries expected to join soon. This funding will support financial sector stability, inclusion, and deepening and will be focused on low- and lower-middle-income countries. It will finance Financial Sector Stability Review missions and follow-up for improving financial sector statistics to assess financial sector stability risks, vulnerabilities, and interconnectedness. Financial Sector Stability Reviews were completed during FY2018 for Costa Rica, Fiji, Paraguay, and Uganda, and others are planned for FY2019 in Nicaragua, Sri Lanka, and the West Bank and Gaza.

A joint symposium on capacity building was sponsored by the IMF and the Bank for International Settlements (BIS) in February 2018, bringing together technical assistance providers, international standard-setting bodies, donors, and technical assistance recipients to share experiences and discuss ways of enhancing capacity development delivery in financial sector regulation and supervision. IMF Managing Director Christine Lagarde and Bank for International Settlements (BIS) General Manager Agustín Carstens delivered keynote speeches on the respective roles of the two institutions in capacity building. This symposium laid a foundation for enhanced cooperation between the IMF and the BIS's Financial Stability Institute (FSI), which are jointly developing an online training program for bank supervisors.

Other examples of IMF monetary and financial sector capacity development include:

- **Support for inflation targeting in Albania:** The IMF contributed to development of a framework to assess the policy space for conventional monetary policy, estimate the effective low policy rate bound, and monitor possible unintended consequences. The project is helping to enhance the design and implementation of monetary policy by strengthening the authorities' capacity for communications, modeling, and forecasting.
- **Reforming Algeria's domestic liquidity management framework:** The work program revolves around developing a liquidity management and forecasting framework that can work during periods of both liquidity surplus and liquidity deficit and can (1) support development of daily liquidity monitoring; (2) contribute to preparation of daily forecasts of factors impacting the central bank's balance sheet; and (3) assist with implementation of open market operations and introduction of standing facilities.
- **Strengthening debt management capacity in the Eastern Caribbean Currency Union (ECCU), Barbados, Belize and Jamaica through technical assistance funded by the government of Canada:** the most recent project in this area helped national authorities develop medium-term debt management strategies (MTDS) using the IMF-World Bank framework. All the beneficiary countries now produce MTDS, demonstrating notable improvement in the understanding of the cost and risks embedded in their respective debt portfolios and in the selection of borrowing strategies appropriate to the circumstances of each country.

- **Monetary policy support to Ghana:** This work spans a number of areas including financial sector supervision and regulation, foreign exchange management, liquidity management, and implementation of an inflation-targeting monetary policy framework. Ghana has been working steadily toward implementation of Basel II and III, with support from the IMF and the Swiss State Secretariat for Economic Affairs (SECO). Basel II/III implementation is expected to contribute to a more resilient and stable financial sector. A major milestone is the development of a new Capital Requirements Directive, and consultations are under way with the banking industry in advance of final issuance in the near term.

- **Helping Myanmar modernize the Central Bank of Myanmar and strengthen banking supervision:** Myanmar is one of the largest recipients of IMF technical assistance, which is financed by the Government of Japan. The work initially focused on enhancing core functions conducive to macroeconomic and financial stability, including building capacity in monetary and foreign exchange operations, developing interbank market and monetary instruments, and strengthening central bank accounting including auditing, systems deployment, and financial services generally. The second phase supports the Central Bank of Myanmar in professionalizing and upgrading its bank supervision functions. The technical assistance activities focused on strengthening risk-based supervision, upgrading tools and processes, training supervisors, and updating regulations.

HIGHLIGHTS: STATISTICS

The IMF's work in statistical capacity development provides technical assistance and training to member countries to strengthen their capabilities to produce and disseminate consistent and comparable macroeconomic and financial statistics. Over the past eight years, capacity development in this area has increased by 84 percent, with the largest shares in real sector statistics and government finance statistics, followed by external sector statistics, monetary and financial statistics, and finally, data dissemination. The focus has been on delivering assistance to low-income countries and fragile states, the countries with the greatest needs. Capacity development for fragile states has grown by 68 percent over the past eight years.

The IMF's work in statistics has also directly supported countries' work to meet the Sustainable Development Goals (SDGs). Economic data are relevant to monitor the SDGs, given that around 40 percent of the SDG indicators include economic variables. For example, capacity development provided in national accounts and prices impacts SDG 1 for "No Poverty," and SDG 2 for "Zero Hunger." The IMF is precisely targeting its assistance in statistics to countries with the weakest capacity for production of statistics, countries that are often the most in need of achieving the SDGs.

The G20 communiqué in March 2018 highlighted political support for the provision by the IMF of technical assistance to the recording and reporting of debt by low-income countries, given that their increasing debt levels give rise to concerns over their debt vulnerability. Capacity development activities address the debt data gaps that cause the biggest risks to debt sustainability. In some countries, for example, there is lack of data on debt by state-owned enterprises; in others, arrears are not recorded properly.

The new Overarching Strategy on Data and Statistics at the Fund in the Digital Age has also begun to shape the future delivery of capacity development by supporting the use of Big Data through statistical innovation. Big Data provides opportunities largely related to the digitalization of the economy that generates booming amounts of data that expose the behavior of individuals and firms. This offers potentially new data sources for statistical agencies. For example, one example of the use of Big Data for the compilation of statistics is employing mobile banking data to produce more accurate estimates of international remittance flows, services payments and transfers, and disposable income. These estimates can feed into official statistics and help measure financial inclusion. Thus, the overarching strategy advises tailoring IMF technical assistance to help countries use Big Data to produce statistics and recommends that the IMF develop new partnerships with other agencies to support this innovation.

HIGHLIGHTS: LEGAL

Demand for technical assistance on legal issues continued during FY2018 in both program and nonprogram countries. The focus was on financial integrity, financial and fiscal law, insolvency, and claims enforcement. The IMF responded to these needs following a results-based management framework and in accordance with the priorities embodied in the Global Policy Agenda.

Capacity development work continued on topics related to financial integrity topics—anti-money-laundering and combating the financing of terrorism (AML/CFT), anti-corruption efforts, and correspondent banking relationships. The IMF regularly coordinates its technical assistance activities both internally and with other donors to maximize results and prevent duplication of efforts. The AML/CFT Trust Fund finances technical assistance projects in 21 countries, two research projects (on Terrorist Financing and on Entity Transparency), and four regional adviser positions in Buenos Aires, Doha, Nairobi, and Singapore. In addition, projects in seven countries are funded by bilateral donors, five other projects are self-funded, and two projects are funded by other multilateral trust funds. Moreover, the IMF is currently assessing Colombia and China under the revised Financial Action Task Force (FATF) international standards.

Technical assistance in the area of financial and fiscal law continued at previous levels, including for central banking, bank regulatory and supervisory frameworks, and bank resolution and crisis management. Assistance on market infrastructures (payment systems) grew at a slower pace and built on work related to legal frameworks for public financial management, as in previous years.

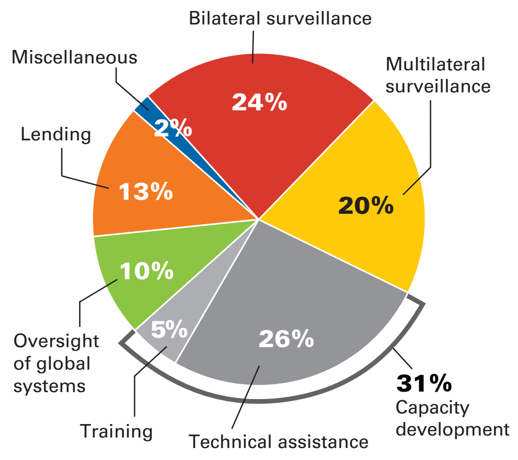
There continued to be strong demand for technical assistance on tax law in the main areas of income taxation, value added taxes, and tax procedures, reflecting heightened global attention to international tax issues. Similarly, issues related to the design of international tax law were at the core of two seminars, one at IMF headquarters in Washington, DC, and the other regional seminar in Kuwait. These issues also featured in key legal contributions made to G20-mandated toolkits and other outputs designed to support capacity development in low-income countries.

The IMF also continued to provide technical assistance to its members on insolvency and creditor rights to help ensure early and rapid rehabilitation of viable businesses and liquidation of nonviable businesses, provide a fresh start for overindebted households, and improve the protection of creditor rights. The IMF organized a workshop for high-level officials at the Joint Vienna Institute on corporate and household insolvency.

IMF CAPACITY DEVELOPMENT IN NUMBERS

Initiated by member countries, IMF capacity development support, which includes both institutional and policy development (technical assistance) and staff development (training), has reached all 189 members. Capacity development represented over a quarter of the IMF's administrative spending in FY2018. Most of this spending was on technical assistance, which represents 26 percent, while training accounts for 5 percent (*Figure 2.4*).

Figure **2.4**
Share of costs of major IMF activities, FY2018



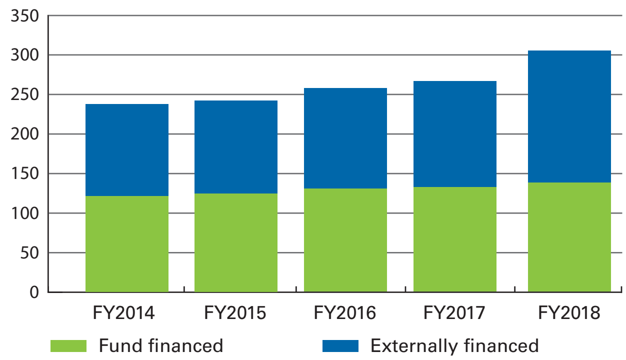
Source: IMF Office of Budget and Planning, Analytic Costing and Estimation System.

What We Do

Figure **2.5**

Spending on capacity development, FY2014–18

(Millions of US dollars)

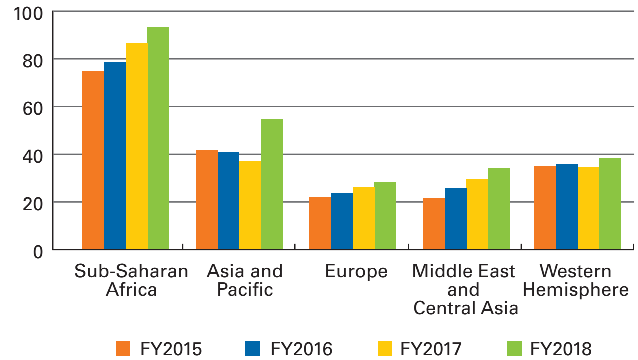


Sources: IMF Office of Budget and Planning (OBP) Analytic Costing and Estimation System (ACES); and IMF staff calculations.

Figure **2.6**

Capacity development spending, by region, FY2015–18

(Millions of US dollars)

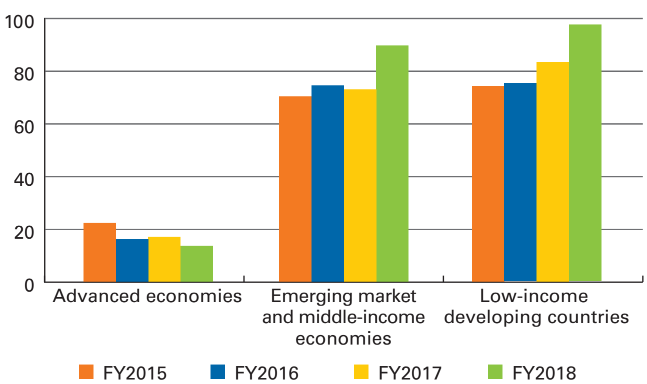


Sources Office of Budget and Planning (OBP) Analytic Costing and Estimation System (ACES); and IMF staff calculations.

Figure **2.7**

Capacity development spending, by income group, FY2015–18

(Millions of US dollars)

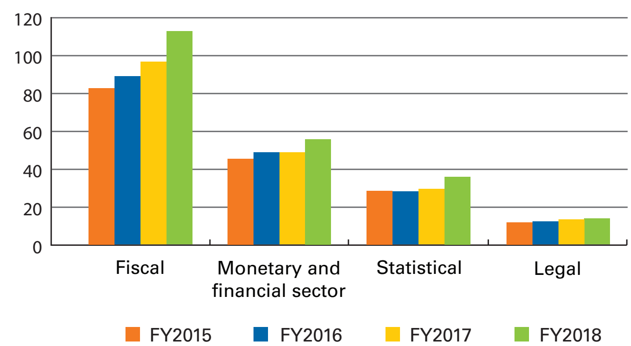


Sources Office of Budget and Planning (OBP) Analytic Costing and Estimation System (ACES); and IMF staff calculations.

Figure **2.8**

Capacity development spending, by topic, FY2015–18

(Millions of US dollars)



Sources Office of Budget and Planning (OBP) Analytic Costing and Estimation System (ACES); and IMF staff calculations.

IMF capacity development activities continued to grow in FY2018, reflecting mainly greater delivery to sub-Saharan Africa, Asia and Pacific, and the Middle East and Central Asia. Total direct spending on capacity development activities (excluding general support and governance overhead) was $303 million in FY2018, compared to $267 million in FY2017, a growth of 14 percent (*Figure 2.5*). The externally funded component amounted to 55 percent of the total in FY2018, and grew by 23 percent.

Capacity Development

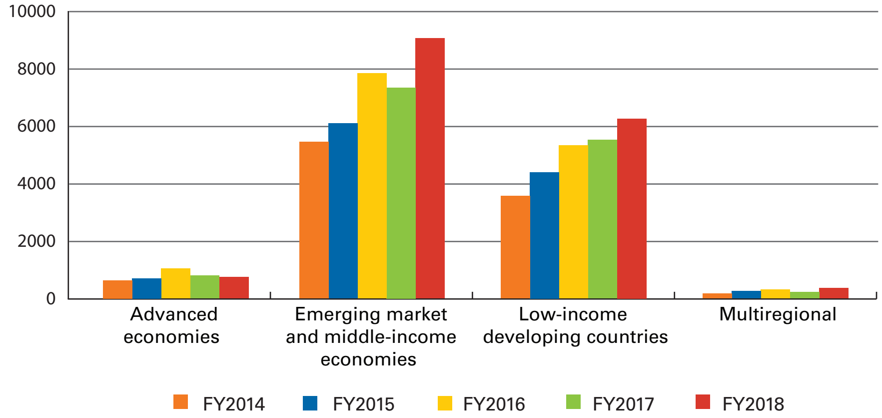
Sub-Saharan Africa received the largest share of capacity development spending, reflecting the high number of low-income developing countries in this region. Capacity development spending increased 14 percent in FY2018, and grew in each of the five major regions, but the increase was particularly high in Asia and Pacific, where it climbed by 48 percent (*Figure 2.6*). Most of IMF capacity development assistance continues to go to emerging market and middle-income economies and low-income developing countries (*Figure 2.7*).

Delivery of capacity development assistance on all topics (fiscal, monetary and financial sector, statistical, and legal) increased, in response to demand from the membership (*Figure 2.8*). Capacity development assistance on fiscal topics constitute 37 percent of the assistance provided by the IMF.

Figure **2.9**

Training participation, by income group, FY2014–18

(Number of participants)

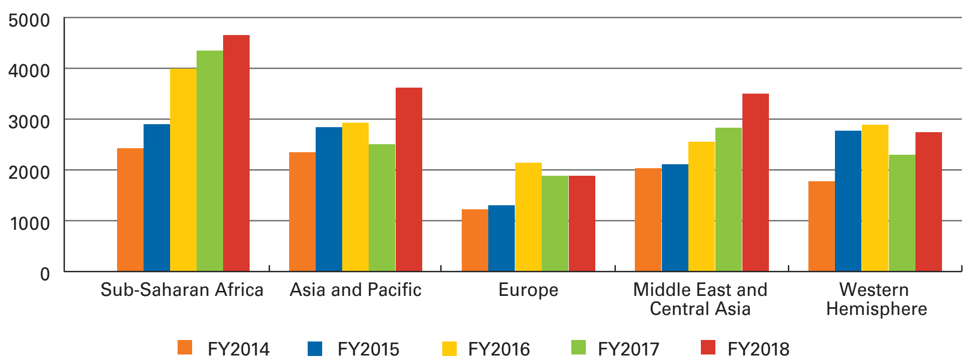


Sources: Participant and Applicant Tracking System (PATS); and IMF staff calculations.
Note: FY18 data are preliminary.

Figure **2.10**

Total training participation, by participant region of origin, FY2014–18

(Number of participants)



Sources: Participant and Applicant Tracking System (PATS); and IMF staff calculations.
Note: FY18 data are preliminary.

Training

The IMF offers a broad array of training activities to help government officials improve their ability to analyze economic trends; develop and apply forecasting models; use and adopt diagnostic tools; and formulate and implement sound macroeconomic and financial policies.

The IMF's institute of capacity development relies on several modes of delivery to achieve these objectives, including face-to-face, online and customized training. For face-to-face training, officials apply to attend courses and are selected through a competitive process. During FY2018, the IMF delivered 422 training events, in which 16,410 officials from 186 member countries participated.

Most of these events were delivered through the IMF's network of regional training centers and programs and online courses, with the remainder delivered at IMF headquarters or overseas locations. A wide range of topics met different needs, spanning macroeconomic policies, forecasting and macroeconomic modeling, financial programming and policies, financial sector issues, specialized fiscal courses, macroeconomic statistics, safeguards assessments, and legal issues. Emerging market and middle-income economies received the largest share of IMF training, 55 percent of the total for the year (*Figure 2.9*). Regionally, the share of sub-Saharan Africa was the largest at 28 percent, followed by the Asia and the Pacific region (*Figure 2.10*). A 2017 survey of recent participants from member governments revealed that 84 percent thought that the courses improved their ability to offer policy advice.

The IMF's capacity development support is delivered to countries through short-term staff missions from IMF headquarters, long-term in-country placements of resident advisors, a network of regional capacity development centers, and via online learning. There are 16 regional capacity development centers, which facilitate an enhanced ability for the IMF to respond quickly to a country's emerging needs, as well as closer coordination with other development partners. These efforts are supported by bilateral and multilateral partners that presently finance about one half of all IMF capacity development efforts, including through their support of regional capacity development centers. In 2018, the IMF and the People's Bank of China established a new center to build up economic institutions and foster human capacity development in core areas of IMF expertise; it serves officials in China and other countries and was inaugurated by IMF Managing Director Christine Lagarde and People's Bank of China Governor Yi Gang on April 12, 2018, in Beijing, China.

The IMF has also scaled up online learning in recent years, adding new courses on Public Financial Management, Macroeconomic Diagnostics, and Macroeconomic Management in resource-rich countries. More than 12,000 government officials have successfully completed an online course since the launch of the program in late 2013. Courses in the past year have been tailored to the needs of specific countries, including a specialized seminar on gender-responsive budgeting in Africa; a customized financial surveillance and policy workshop in China; and projects on dynamic stochastic general equilibrium modeling for policy analysis. Customized training often involves working with a specific group of people at regular intervals to enhance skills or improve an institution's policy-making capabilities.

PARTNERSHIPS FOR CAPACITY DEVELOPMENT

Strong global partnerships underpin the IMF's capacity development activities. Partners enrich discussions on thematic and regional issues by sharing their own experiences and engaging with member countries. In addition, financial contributions from partners, paired with resources from member countries and the IMF, ensure the delivery of high-quality technical assistance and training that responds to member country needs and aligns with IMF and global development priorities.

IMF capacity development helps countries build a strong foundation for reaching the Sustainable Development Goals. Multilateral regional and thematic initiatives are the anchors of these efforts, and bring together partners to leverage resources and amplify results worldwide in fundamental macroeconomic areas. Thematic funds are aligned with key global development needs and initiatives and respond directly to the Financing for

Development Agenda. Their activities are complemented by a global network of regional capacity development centers that coordinates much of the IMF's capacity development work on the ground, fostering peer learning and providing hands-on implementation support with consistent follow-up. These multilateral initiatives are complemented by tailored bilateral programs. All IMF capacity development initiatives are designed to foster partnerships and strong country ownership for economic institution building.

In FY2018, new contributions to IMF capacity development of $281 million were received, and activities financed by partners totaled about $174 million, roughly half of total capacity development activities. Over the past three years, the top five contributors to IMF capacity development were the European Union (EU), Japan, Switzerland, China and Kuwait.

All partnerships for capacity development efforts are greatly appreciated. Key highlights include the following:

- With over 25 years of consistent support, Japan is historically the IMF's largest and longest-standing capacity development partner. With a $33.6 million contribution in FY2018, support was given to a wide range of areas, with particular focus on Asia that included contributions to the IMF Technical Assistance Office in Thailand (TAOLAM) and the IMF-Singapore Training Institute (STI), as well as an increased contribution to the Revenue Mobilization Fund.

- The European Union (EU) expanded collaboration with the IMF in line with the institutions' Strategic Partnership Framework. A €5 million public financial management partnership program, signed in March 2018 with the Directorate General of International Cooperation and Development (DG-DEVCO), focuses on countries in fragile situations and low- and lower middle-income countries and complements the ongoing public financial management program in Southeast Europe with the Directorate General of European Neighborhood Policy and Enlargement Negotiations (DG-NEAR). The IMF participated in the EU's flagship development event, the European Development Days (EDD), in June 2017, where IMF Managing Director Christine Lagarde gave an opening speech on gender equality and a keynote address during an IMF-Oxfam panel on domestic resource mobilization. The EU also continued its participation in the Managing Natural Resource Wealth Fund, with a contribution of €7 million.

- The first meeting of the new Strategic Partnership on Capacity Development between the United Kingdom's Department for International Development (DFID) and the IMF took place in November 2017, a strong step toward streamlining collaboration and deepening partnership. The United Kingdom contributed to regional capacity development centers that work with 20 countries in Africa and the Financial Sector Stability Fund, and is also committed to deepening support for other multilateral initiatives, with a particular focus on strengthening public financial management and improving revenue mobilization.

- The People's Bank of China and the IMF signed a Capacity Development Partnership in May 2017, with total contributions of $50 million over a five-year period. This partnership includes the establishment of the China-IMF Capacity Development Center (*Box 2.1*), as well as support for other regional and thematic initiatives, notably regional capacity development centers in Africa and the Financial Sector Stability Fund.

Box 2.1.
China-IMF Capacity Development Center

CICDC
CHINA-IMF CAPACITY DEVELOPMENT CENTER
中国一国际货币基金组织联合能力建设中心

In April 2018, IMF Managing Director Christine Lagarde and People's Bank of China Governor Yi Gang formally launched the China-IMF Capacity Development Center (CICDC). The CICDC is the result of a partnership between the People's Bank of China and the IMF that aims to develop government officials from China and other countries in effective institution building and policy making. Training courses will include a combination of general macroeconomics and forecasting, fiscal and financial issues, and legal and statistics topics to equip officials with the knowledge and analytical tools they need to make sound policy decisions. Workshops and other peer-learning activities involving multiple countries will support a global environment of sustained economic growth and integration. CICDC's first Steering Committee meeting took place immediately following the Center's launch.

Box 2.2. Partners Connect

Partners' financial contributions play an important role in helping the IMF strengthen macroeconomic institutions in its member countries. As a core part of efforts to enhance reporting to—and better communicate with—its partners in capacity development, the IMF launched **Partners Connect** in FY2018. This secure, one-stop shop lets contributing partners and member countries access timely financial and narrative information without logging in to different websites. Broad overviews and detailed reports are available on a mobile-friendly platform and accessible from almost any type of device. **Partners Connect** is the latest way the IMF is using technology to better share information with member countries.

- In the context of Germany's recent contribution of €30 million to the IMF's six regional capacity development centers across Africa, the first annual consultations between Germany and the IMF took place in early 2018. This provided an effective forum to discuss strategic issues related to the capacity development partnership. At the operational level, the close cooperation between regional centers across Africa and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), one of Germany's implementing organizations providing technical assistance on the continent, ensures that synergies are used for better outcomes.

- Denmark and the IMF signed a Capacity Development Partnership in April 2018. This marks a major step forward in the engagement between the IMF and Denmark on capacity development and is supported by a contribution to the Revenue Mobilization Fund.

- The European Investment Bank (EIB) signed a Capacity Development Platform with the IMF for €3 million in December 2017. With a focus on financial stability and inclusion, this platform includes funding for regional capacity development centers in Africa, the Financial Sector Stability Fund, and online training activities.

GLOBAL THEMATIC FUNDS FOR CAPACITY DEVELOPMENT

IMF partnerships on global thematic funds for capacity development directly respond to the Financing for Development Agenda and ensure that less-developed economies have the tools they need to reach their post-2015 SDGs. Specifically, these funds pool together resources to support countries as they improve revenue mobilization; enhance fiscal and natural resource management; promote financial sector stability and access; address debt issues; and strengthen economic decision making through better statistics.

Highlights for thematic funds include the following:

- Following a successful fundraising effort, the Revenue Mobilization Fund is now fully financed for its current phase, until April 2021. Apart from the Danish contribution (DKK 20 million/about \$3.3 million), Sweden also (SEK 40 million/about \$5 million) contributed as a new partner in April 2018, and Japan and Belgium increased their contributions by \$5 million and €6 million, respectively. In addition, contributions from the European Union and Norway are being finalized. These countries partner alongside Australia, Germany, Korea, Luxembourg, the Netherlands, and Switzerland to support low-income and lower-middle-income countries as they design and administer effective tax systems to generate sustainable revenue for growth and development objectives.

- China, Saudi Arabia, Switzerland, the United Kingdom, and the European Investment Bank joined Italy and Luxembourg in supporting the work of the new Financial Sector Stability Fund. In addition to financial sector stability, this fund supports inclusion and deepening in low- and lower-middle-income countries.

REGIONAL CAPACITY DEVELOPMENT CENTERS

Regional centers remain the backbone of the IMF's capacity development infrastructure. Tailored to each region's priorities, the centers facilitate an enhanced ability for the IMF to respond quickly to a country's emerging needs and coordinate closely with other stakeholders on the ground. Development partners and host and member countries provide more than three-quarters of the resources needed to run these centers.

Highlights for the regional capacity development centers include the following:

- The IMF's first regional capacity development center, the Joint Vienna Institute (JVI), celebrated its 25th anniversary in June 2017. In April 2018, Austria and the IMF renewed their agreement to continue the JVI for another four years,

affirming the importance of the center to policy-oriented capacity development in emerging Europe and Central Asia. Since its establishment in 1992, the JVI has trained more than 42,000 public officials, many of whom have gone on to senior positions, including central bank governor, minister, prime minister, and even one president.

- New program phases began for AFRITAC West, based in Côte d'Ivoire and working with 10 countries; AFRITAC South, based in Mauritius and working with 13 countries; and AFRITAC Central, based in Gabon and working with 8 countries. They are part of the core network of six centers on the continent that support economic institution building and good governance across Africa.

- AFRITAC Central also welcomed a new member, São Tomé and Príncipe, which has already begun learning from a regional peer, Cabo Verde, on best practices for implementing and managing value-added tax (VAT) to generate more revenues for the country's development objectives.

- In its first nine months of operation, SARTTAC, based in India, has already delivered 18 courses to over 500 officials, including staff from subnational governments. In addition to peer-learning regional events, SARTTAC has been working with Bhutan to identify priority issues and design a customized workshop on macroeconomic and fiscal forecasting to guide the Finance Ministry in building and implementing strong economic policies.

- In the aftermath of the natural disasters that struck the region, CARTAC, based in Barbados, has boosted its support for advising member countries on how to build disaster risks into their medium-term fiscal frameworks, as well as establish contingency and resilience funds as insurance against disasters. CARTAC continued to work side by side with its member countries in reconstructing and rebuilding disaster-resilient infrastructure while implementing effective public financial management frameworks. In addition, Aruba joined CARTAC as the newest member country.

- CARTAC also was the first regional capacity development center to include gender budgeting in its workplan for 22 member countries, and other centers are following suit. IMF regional centers continue to be at the forefront of operationalizing the IMF's research and advice on gender budgeting, with workshops held at the Africa Training Institute (ATI) in Mauritius, CAPTAC-DR in Guatemala, JVI in Austria, and SARTTAC in India. These workshops provide a forum for policymakers to learn from each other's experience, and understand best practices and tools for implementing measures to advance gender equality in their countries.

- The IMF's newest regional capacity development center, the China-IMF Capacity Development Center, was officially opened in April 2018 (*Box 2.1*).

Table **2.5**
IMF thematic funds for capacity development

Name	Partners
Revenue Mobilization (RM)	Australia, Belgium, Denmark, Germany, Japan, Korea, Luxembourg, Netherlands, Norway, Sweden, Switzerland, European Union
Tax Administration Diagnostic Assessment Tool (TADAT)	Germany, Japan, Netherlands, Norway, Switzerland, United Kingdom, European Union
Managing Natural Resource Wealth (MNRW)	Australia, Netherlands, Norway, Switzerland, European Union
Anti-Money-Laundering/ Combating the Financing of Terrorism (AML/CFT)	France, Japan, Luxembourg, Netherlands, Norway, Qatar, Saudi Arabia, Switzerland, United Kingdom
Financial Sector Stability Fund (FSSF)	China, Italy, Luxembourg, Saudi Arabia, Switzerland, United Kingdom, European Investment Bank
Debt Management Facility II (DMF II) *joint with World Bank*	Austria, Germany, Netherlands, Norway, Russia, Switzerland, African Development Bank, European Union
Financial Sector Reform Strengthening Initiative (FIRST) *joint with World Bank*	Germany, Luxembourg, Netherlands, Switzerland, United Kingdom
Data for Decisions (D4D)	Luxembourg, Switzerland

Source: IMF staff compilation.

What We Do

Table **2.6**
IMF regional capacity development centers

Center	Partners	Member countries
Africa Training Institute (ATI)	Australia, China, Germany, Korea, Mauritius (host)	45 countries in sub-Saharan Africa
AFRITAC Central (AFC)	France, Gabon (host), Germany, Netherlands, European Union	Burundi, Cameroon, Central African Republic, Chad, Republic of Congo, Democratic Republic of Congo, Gabon, Equatorial Guinea, São Tomé and Príncipe
AFRITAC East (AFE)	Germany, Netherlands, Switzerland, Tanzania (host), United Kingdom, European Investment Bank, European Union	Eritrea, Ethiopia, Kenya, Malawi, Rwanda, Tanzania, Uganda
AFRITAC South (AFS)	Australia, Germany, Mauritius (host), Netherlands, Switzerland, United Kingdom, European Union	Angola, Botswana, Comoros, Lesotho, Madagascar, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Zambia, Zimbabwe
AFRITAC West (AFW)	Cote d'Ivoire (host), France, Germany, Luxembourg, Netherlands, European Investment Bank, European Union	Benin, Burkina Faso, Côte d'Ivoire, Guinea, Guinea-Bissau, Mali, Mauritania, Niger, Senegal, Togo
AFRITAC West 2 (AFW2)	Australia, Canada, China, Germany, Ghana (host), Switzerland, African Development Bank, European Investment Bank, European Union	Cabo Verde, The Gambia, Ghana, Liberia, Nigeria, Sierra Leone
Caribbean RTAC (CARTAC)	Barbados (host), Canada, United Kingdom, European Union	Anguilla, Antigua and Barbuda, Aruba, Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Curaçao, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago, Turks and Caicos
Central America, Panama, and Dominican Republic RTAC (CAPTAC-DR)	Canada, Guatemala (host), Luxembourg, Mexico, European Union	Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, Panama
China-IMF Capacity Development Center	China (host)	China and other member countries
Joint Vienna Institute (JVI)	Austria (primary member and host) and international partners	31 countries, including 29 in Central, Eastern, and Southeastern Europe, the Caucasus, and Central Asia; as well as Iran and Turkey
Middle East Center for Economics and Finance (CEF)	Kuwait (host)	22 Arab League member countries
Middle East RTAC (METAC)	France, Germany, Lebanon (host), Netherlands, Switzerland, European Union	Afghanistan, Algeria, Djibouti, Egypt, Iraq, Jordan, Lebanon, Libya, Morocco, Sudan, Syria, Tunisia, West Bank and Gaza, Yemen
Pacific Financial RTAC (PFTAC)	Australia, Fiji (host), Korea, New Zealand, Asian Development Bank, European Union	Cook Islands, Fiji, Kiribati, Marshall Islands, Micronesia, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tokelau, Tonga, Tuvalu, Vanuatu
Singapore Training Institute (STI)	Australia, Japan, Singapore (host)	37 countries in the Asia-Pacific region
South Asia Regional Training and Technical Assistance Center (SARTTAC)	Australia, India (host), Korea, United Kingdom, European Union	Bangladesh, Bhutan, India, Maldives, Nepal, Sri Lanka
Technical Assistance Office in Thailand (TAOLAM)	Japan, Thailand (host)	Cambodia, Lao PDR, Myanmar, and Vietnam (core beneficiary countries), plus other countries in the Southeast Asia and Pacific Islands regions under select projects

The IMF also delivers courses through regional training programs in Brazil and Georgia, and other locations worldwide.

Source: IMF staff compilation.