

An illustration on the left side of the page depicts a person in a green suit pointing at a large screen. The screen displays a horizontal bar chart with years 2014 through 2019 on the y-axis. To the right of the bars is a pie chart divided into four segments: blue, red, green, and purple. The background of the illustration is a grid with various colored lines and dots. In the foreground, there is a crowd of stylized, colorful human figures.

# 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.

## INTRODUCTION

Capacity development is one of the three core functions of the IMF, along with lending and surveillance activities, and accounts for 30 percent of its budget. Capacity development helps member countries build effective policies and institutions to strengthen their economies, promote inclusive growth, and create jobs. The IMF has increasingly recognized that to serve its members well, capacity development cannot be a secondary or isolated activity. As such, considering capacity development in an integrated manner with surveillance and lending is an opportunity to realize potential synergies between its core functions and better serve its members. The IMF is uniquely positioned to support its members with its global reach and three-pronged mandate. The wealth of specialized knowledge and expertise in its capacity development work can strengthen the relevance, efficiency, and traction of its policy advice. Regular engagement with high-level policymakers can strengthen the targeting, visibility, and effectiveness of capacity development. The IMF is also well positioned to act as a knowledge hub and support knowledge sharing, peer learning, and coordination among capacity development providers to reinforce these efforts.

The IMF delivers capacity development through missions led by staff from IMF headquarters in Washington, DC; short-term expert visits; long-term in-country placements of resident advisors; a network of regional capacity development centers; and online learning. Sixteen regional centers help the IMF respond quickly to a country's emerging needs and allow for closer coordination with other development partners. A well-structured and comprehensive vision ensures that each effort is focused on economic institution building and is aligned with a country's development priorities. These efforts are supported by bilateral and multilateral partners that currently finance about half of the IMF's capacity development efforts, including through their support for the regional centers.

Over the past 50 years, the IMF has provided capacity development support to all 189 member countries in line with their priorities. In FY2019, low-income developing countries received about half of all IMF technical advice. Emerging market and middle-income economies received slightly more than 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 and strengthened revenue institutions, 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 investment.
- *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 their financial infrastructure and institutions; and with other relevant groups to build and enhance macroprudential oversight and crisis management capacity. These efforts help improve macroeconomic and financial stability in the country, fueling domestic growth and international trade.
- *Legal frameworks:* Aligning legal and governance frameworks with international standards, enabling countries to develop sound fiscal and financial reforms, fight corruption, and combat money laundering and terrorism financing.
- *Statistics:* Enhancing countries' ability to compile and disseminate macroeconomic and financial data to foment a more accurate understanding of their economies, enhance evidence-based policy formulation, foster transparency and accountability, and support the achievement of the Sustainable Development Goals.
- *Macroeconomic policymaking:* Strengthening the skills of officials to formulate and implement sound macroeconomic and financial policies, deepening the dialogue with members on policy issues and facilitating sharing of policy experiences through peer-to-peer learning.

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

- **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:** IMF capacity development and training on gender equality have 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. IMF staff members have engaged with experts in leading central banks on developing stress testing tools for climate risks.



### Capacity Development Strategy Review

In November 2018, the Executive Board discussed the Review of the IMF's Capacity Development Strategy. The review focused on two mutually reinforcing objectives: enhancing the impact and increasing the efficiency of capacity development. The impact of capacity development should be increased by further strengthening integration with the IMF's policy advice and lending operations and by tailoring strategies to each country's institutional capacity and specific needs, while focusing on implementation and outcomes. The efficiency of capacity development should be increased by improving capacity development processes and systems—aimed at enhancing transparency and accountability—and strengthening the basis for strategic decision-making.

Five specific areas of recommendation underpin the capacity development strategy:

- Clearer roles and responsibilities of internal and external stakeholders, with country authorities playing a leading role throughout the capacity development process, giving due consideration to institutional and capacity constraints. Such a country-centered strategy requires area departments to be in the leading role on overall country engagement, including establishing country strategies and priorities for capacity development, taking into account the country's own strategy, and working in collaboration with capacity development departments.
- Better prioritization and monitoring of activities, with the move to a medium-term orientation of capacity development planning and further strengthening of overall monitoring of capacity development activities.
- Enhanced country-tailored delivery, building on existing strategies to move toward greater modernization and agility in capacity development delivery, via continued experimentation with innovative technologies.
- More effective internal consultation and information sharing on capacity development activities within the IMF, via regular Executive Board engagement leveraging initiatives, such as Knowledge Management, the Digital Workplace, and the Capacity Development Management and Administration Program.



- Stronger external coordination with other capacity development providers, innovative communication approaches to raise awareness of the IMF's capacity development work in this area, improving the presentation of recommendations in technical assistance reports, and publishing more topical notes and technical assistance reports while preserving confidentiality and client trust.

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

#### HIGHLIGHTS: FISCAL

##### Revenue Administration

Revenue mobilization is critical for countries to secure resources for sustainable development and, in the case of low-income countries, to reduce dependence on external aid. The IMF has continued to design innovative approaches to strengthen revenue administration.

In the first event of its kind, the IMF organized a workshop, "Revenue Mobilization in the Caribbean and Pacific: Common Issues—Different Approaches," in July 2019, convening representatives from 35 small island states to share knowledge and experiences of their unique revenue challenges. Country delegates benefited from this exchange of ideas and increased their commitment to implementing revenue reforms.

The IMF also conducted a series of interactive workshops with the executive leadership team of a European revenue administration. The workshop, in February 2019, focused on developing key skills to build a strong headquarters where senior managers work collaboratively toward implementing an ambitious reform agenda while ensuring efficient delivery of day-to-day operations. This helped the leadership focus more on organizational performance and reform governance, resulting in better reform outcomes.

##### Tax Policy

Good tax policies help meet revenue objectives and ensure that the tax systems support robust, inclusive, and equitable growth. IMF experts have been providing assistance in this area.

In Guinea, following a surge in investments in mines, authorities became increasingly concerned about the capacity of the tax system to effectively deal with transfer pricing issues, and thus to mobilize higher revenue. The IMF suggested using this opportunity for a full review of international taxation provisions and sent a mission in September 2018. The IMF experts proposed rules and processes that were aligned with local conditions and translated these recommendations into specific legal texts. The urgency of the situation resulted in immediate adoption of the proposed international taxation provisions in the 2019 budget.



In the Central African Economic and Monetary Community (CEMAC), after a sharp decline in commodity prices in 2014, countries took steps to achieve fiscal consolidation by streamlining nonpriority expenditures, but it became apparent that more needed to be done in terms of mobilizing additional tax revenue. To help achieve region-wide reforms, the IMF conducted sustained technical assistance activities between 2017 and 2019 to establish a diagnostic, formulate policy recommendations, and assist with the legal drafting of new regional directives. As a result, in April 2019, CEMAC formally endorsed the adoption of a new Excise Tax Directive, which is expected to assist member countries in mobilizing significant additional tax revenues over the coming years.

### Public Financial Management and Expenditure Policy

The IMF has continued to help countries strengthen infrastructure governance to maximize the growth impact of public investment through assessments and capacity building.

The IMF conducted Public Investment Management Assessments in 18 countries in FY2019, bringing the total number to 53. These assessments help authorities identify necessary reform measures to strengthen infrastructure governance. In Vietnam, recommendations to introduce multiyear planning for public investment and strengthen appraisal of projects served as a critical input for the revision of their public investment laws. In Lebanon, findings led to further development of the framework for identifying and assessing fiscal risks with a focus on public-private partnerships.

The IMF organized various regional seminars and workshops to build capacity. In Vietnam and Ghana, regional high-level seminars on infrastructure governance took place to promote peer-to-peer learning and experience sharing among government officials in Asia and Africa, respectively. In the Caribbean region, the IMF organized three regional workshops over three years to provide hands-on training to government officials using the Public-Private Partnership Fiscal Risk Assessment Model—a tool designed to assess the fiscal implications of public-private partnership. Outcomes included a regional survey on public-private partnership management frameworks and practices and a paper with a road map to improve their fiscal management.

Fiscal transparency remains critical to effective fiscal management and accountability, and the Fiscal Transparency Code and Evaluation are the key elements of the IMF's ongoing efforts to support its member countries in this area. In June 2019, the IMF conducted a Fiscal Transparency Evaluation of Uzbekistan to identify gaps in fiscal transparency practices and develop a detailed action plan. Following the evaluation, the authorities issued a presidential decree to ensure budget openness and public participation in the budget and developed a road map to expand the coverage and quality of fiscal reports. These reforms were incorporated into the 2019 budget documentation. The IMF also held its first regional fiscal transparency peer-to-peer workshop for Francophone sub-Saharan Africa in Dakar, bringing together governments, development partners, and civil society.

The IMF continued to support fragile states to strengthen their public financial management capacity. In Guinea, the authorities prepared and adopted, with support from the IMF and financing from the European Union, a public financial management strategy and action plan for the next four years (2019–22) drawing on the findings of the public expenditure and financial accountability assessment and Public Investment Management Assessment, both conducted by the IMF in 2018. With IMF support, they have also been operating a treasury single account at the central bank since January 2019 for better cash management.

#### HIGHLIGHTS: MONETARY

IMF capacity development efforts in strengthening the monetary and financial sectors are particularly important in the current delicate state of the global economic outlook. Strong demand for capacity development in FY2019 covered a wide range of core thematic areas: financial regulation and supervision; central bank operations, including on exchange rate management, macroprudential policy, and financial stability; debt management; crisis prevention and management; and financial stability reviews. The IMF also continued building capacity to better support the membership in emerging areas such as cyber risk and fintech and remained very engaged in the modernization of the governance and delivery of technical assistance at the IMF.

Guided by the IMF-set priorities and the Monetary and Capital Markets Department's 2017–20 medium-term strategy, technical assistance delivery in the field comprised 75 full-time equivalents in FY2019, covering more than 137 beneficiary jurisdictions—bilateral institutions and regional bodies—across the globe. Sub-Saharan Africa was the largest recipient (40 percent in FY2019), followed by Asia and the Pacific and the Middle East and Central Asia. Major efforts continue to target low-income and fragile states as well as emerging and transition economies. Capacity building in the areas of financial stability, notably within the Financial Sector Stability Review workstream, saw the biggest growth.

Flexible technical assistance delivery modalities have proved particularly important in attaining good results in the past years. With the support of donors, the IMF stationed 36 bilateral long-term experts across all regions and rolled out the Financial Sector Stability Review as a demand-led technical assistance instrument to help low- and lower-middle-income countries detect risks and vulnerabilities in financial sectors and prepare a comprehensive and sequentially prioritized technical assistance road map for capacity building to address challenges. In FY2019 there were six diagnostic reviews (Cambodia, Kosovo, Nicaragua, Sri Lanka, West Bank and Gaza, Zimbabwe), and five more are planned for FY2020 (Bangladesh, Djibouti, The Gambia, Guinea, Rwanda). Follow-up implementation work on the Technical Assistance Roadmap progressed in three other Financial Sector Stability Review countries (Costa Rica, Fiji, Paraguay) with the support of IMF resources; work has also started in Uganda with Financial Sector Stability Fund support. In addition, under the umbrella of the Financial Sector Stability Fund, the pilot program of the Bank for International Settlements Financial Stability Institute–IMF Supervisory and Regulatory Online Course was completed in February 2019.

These are some other examples of IMF monetary and financial sector technical assistance:

- Argentina: Supporting program implementation efforts with capacity development on domestic debt management and the monetary policy implementation framework
- Cambodia: Assisting the authorities in revising and implementing several critical banking sector regulations in areas such as capital and loan impairment provisioning

- Gabon: Working with the Bank of Central African States to enhance its monetary operations framework
- Haiti: Modernizing the supervisory framework and capacity and introducing risk-based banking supervision
- Mauritius: Helping authorities upgrade contingency planning for crisis preparedness and management and presenting to Parliament a legislative package with a new resolution and crisis management regime together with other supporting reforms
- Montenegro: Strengthening the formulation of medium-term debt management and market relations strategies
- Myanmar: Helping the authorities implement prudential regulations in the banking system, enhance supervisor capacity and develop contingency plans, and support development of the money and foreign exchange markets
- Somalia: Supporting the central bank in building the essential foundations for effective supervision by reinforcing bank licensing and supervision
- Continued engagement with program countries (for example, Afghanistan, Georgia, Ukraine)



## HIGHLIGHTS: STATISTICS

The IMF's work in statistical capacity development is crucial to allow member countries to formulate policies based on timely and comparable macroeconomic and financial statistics. Capacity development has doubled since 2011, with more than 700 technical assistance and training activities in FY2019. This has positioned the IMF among the top five global providers of statistical capacity development. The IMF's capacity development in statistics is buttressed by its global leadership role in statistical methodologies and as an international standard-setter, as well as by the close nexus of this capacity development with IMF surveillance and lending operations.

In April 2019, the *2019 Financial Soundness Indicators Guide* was released. The guide updates the IMF Statistics Department's methodological guidance on the concepts and definitions, data sources, and methods for the compilation and dissemination of financial soundness indicators. It includes new indicators to expand sectoral coverage, including other financial intermediaries, money market funds, insurance corporations, pension funds, nonfinancial corporations, and households.

A new medium-term architecture for capacity development in statistics further improves the targeting and efficiency of delivery and facilitates reacting in an agile fashion to evolving global priorities and challenges from technological innovation. In this architecture, work through the Regional Capacity Development Centers, which focuses on improving the methodological framework for statistical compilation, is complemented by multidonor thematic funds such as the Financial Sector Stability Fund and the Data for Decisions (D4D) Fund, launched in June 2018.

With a broad mandate to enhance data availability and quality for decision-making, the D4D Fund allows for a flexible response to member countries' priority data needs in a more challenging international environment and addressing newly emerging data requirements from the global policy dialogue. For example, in response to rising global concerns about debt transparency, the D4D Fund is front-loading capacity development activities on debt statistics.



In addition to technical assistance missions and workshops that are tailored to address the most pressing economic risks from limited coverage of debt statistics, an online learning course on debt statistics is being developed under the D4D Fund to broaden the reach of the IMF's traditional face-to-face training. Over time, funding under the D4D Fund will allow the IMF to deliver a comprehensive online learning curriculum for all areas of economic statistics at no cost to the public.

Another example of the D4D Fund's response to the needs of policymaking is on financial inclusion. The D4D Fund sustains the availability and further enhancement of the Financial Access Survey, a unique survey covering 189 countries and collecting annual data on financial inclusion in a cost-efficient manner from the supply side (for example, central banks, regulatory agencies). This includes gender-specific data to support policymakers in decisions on how to improve women's access to financial services—one of the key avenues to improving women's access to opportunities. With the 2018 Financial Access Survey, gender-disaggregated data collection has been mainstreamed, supported by workshops to enhance countries' reporting to the survey and further widen its coverage.

Statistical capacity development plays a key role in implementing the IMF's new Overarching Strategy on Data and Statistics, launched in March 2018. The strategy aims to move toward an ecosystem of data and statistics that enables the IMF and its members to better meet the changing data needs of a digital world. To tackle the challenge of how to properly reflect technological changes in statistics and use

new technologies in measuring economic trends, the IMF is partnering with emerging market economies that are thriving amid digital innovation. For example, supported by the D4D Fund, a technical assistance project in Indonesia explored the use of big data to compile high-frequency price data. Capacity development projects for real estate price indices aim to address challenges to generating source data through big data in order to establish an early warning system for real estate bubbles, which can quickly threaten financial sector stability.

Sound economic data are essential for monitoring the Sustainable Development Goals, as more than one-third of these indicators are compiled directly or indirectly using economic variables for measurement purposes. For example, many Sustainable Development Goals use economic statistics such as GDP, exports, and fiscal revenues as their denominator. Because the main beneficiaries of its statistics capacity development are low- and lower-middle-income countries, especially fragile states, the IMF is well positioned to help support the monitoring of the Sustainable Development Goals. In the case of Liberia, GDP estimates for the period 2008–16 were published for the first time after the country received IMF technical assistance. Finally, 39 out of 42 fragile and conflict-affected states reported financial access and use data to the 2018 Financial Access Survey. In addition to its capacity development activities to help enhance monitoring of the Sustainable Development Goals, the IMF was chosen by the international community as custodian agency for four indicators covering financial stability, financial access, and fiscal variables.

**Box 2.1****Capacity development: GDP rebasing in IMF member countries**

In FY2019, the IMF Statistics Department provided support and advice on national accounts compilation, including GDP rebasing. In many cases, these changes have led to large revisions in the nominal GDP estimates. Over the past year, eight countries published very large GDP revisions, with GDP increasing by 20 percent or more. Large revisions impact macroeconomic analysis and forecasts, including key indicators, and carefully calibrated debt sustainability analyses based on debt-to-GDP ratios are sometimes called into question.

GDP rebasing is an important exercise to update the economic structure in macroeconomic statistics. Rebasing is generally done in conjunction with a comprehensive review and update of data sources, methods, and classifications used to compile national accounts. The IMF Statistics Department advises member countries to rebase their GDP every five years in line with international standards, or more often when there are important new economic developments. This moderates large and unexpected shifts in nominal GDP. Frequent rebasing ensures that the GDP estimates remain relevant for evidence-based policymaking and surveillance. However, this must be supported by clear and timely communication from national statistics offices to ensure that users maintain confidence in the data.

Finally, under the Financial Sector Stability Fund, the IMF focuses targeted technical assistance on financial sector statistics to help detect economic risks and vulnerabilities affecting low- and lower-middle-income countries' financial sectors. This includes capacity development on financial soundness indicators with the aim of quasi-universal coverage by 2022 in reporting, including to support global monitoring of the Sustainable Development Goals. It also encompasses capacity development to allow countries to undertake balance sheet analysis to detect interconnection and spillovers from one economic sector to another, or with the rest of the world, thereby also informing risk analysis and mitigating policy measures.

**HIGHLIGHTS: LEGAL**

Capacity development work continued on topics related to financial integrity—anti-money laundering and combating the financing of terrorism (AML/CFT), anti-corruption efforts, and correspondent banking relationships. The multidonor AML/CFT Thematic Fund finances technical assistance projects in 22 countries, in addition to advancing research projects on terrorism financing and beneficial ownership/entity transparency. An additional 16 countries are assisted under other multilateral, self-financed, or bilateral funds. The IMF continues to regularly coordinate its technical assistance activities to maximize results and prevent duplication of efforts. In Botswana, IMF teams worked alongside US and UK Treasury staff in delivering advice on financial intelligence and AML/CFT banking supervision. The IMF recently assessed China under the Financial Action Task Force international standards and has begun to assess South Africa. Comprehensive anti-corruption assessments on legal issues have been undertaken with a view to commencing targeted capacity development work in 2020.

Technical assistance in the area of financial and fiscal law continued at previous levels, including for central banking, financial sector legal frameworks, and bank resolution and crisis management. Assistance on legal frameworks for public financial management (including fiscal rules legislation) and financial market reforms (public debt securities, securities holding, tax) grew in line with a developed agenda. Each of these areas was at the core of various seminars (Washington, DC, Kuwait, Mauritius, Singapore), while a seminar held in South Africa in March 2019 also addressed legal issues related to fintech and emerging technologies.



There also 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, supported by the publication of an IMF Policy Paper, “Corporate Taxation in the Global Economy.” These issues were 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 has also continued to make technical assistance available to all its members, such as Madagascar and Myanmar, on their exchange systems to assist members in drafting their foreign exchange laws and related regulations with the objective of helping members to ensure compliance with their obligations under the IMF’s Articles of Agreement.

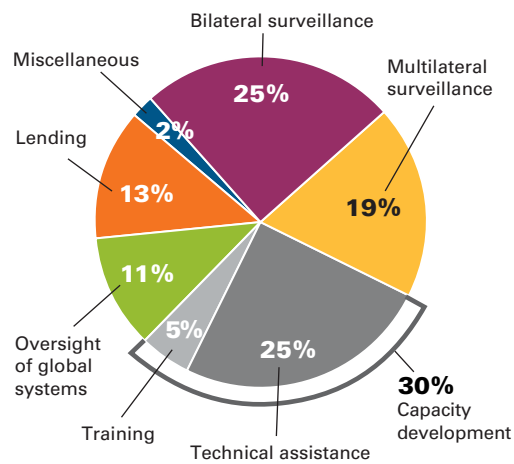
The IMF provided technical assistance to its members on insolvency and creditor rights to help ensure early and rapid rehabilitation of viable businesses and liquidation of nonviable businesses, provide a fresh start for overindebted households, and generally improve the protection of creditor rights. The IMF also provided assistance on specialized topics such as the regulation of insolvency administrators and the development of insolvency data collection systems. The IMF organized workshops on insolvency for public officials at the Joint Vienna Institute and at the Singapore Training Institute. In addition, the IMF co-organized with the Insolvency and Bankruptcy Board of India and the Indian Ministry of Corporate Affairs an insolvency workshop for public officials.

In terms of training, the IMF continued to teach courses for high-level officials, including Legal Aspects of International Financial Institutions at the Joint Vienna Institute and the Singapore Training Institute.



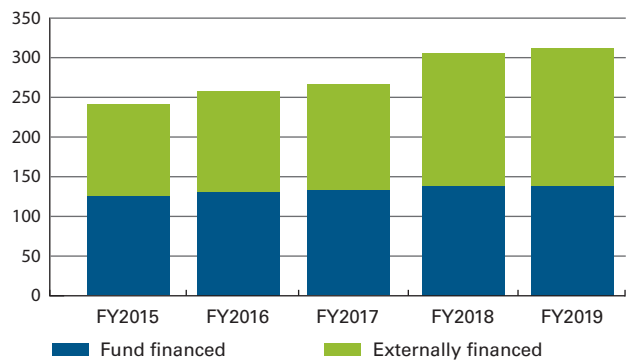


**Figure 2.4**  
**Share of spending of major IMF activities, FY2019**



Sources: IMF Office of Budget and Planning, Analytic Costing and Estimation System, and IMF staff calculations.

**Figure 2.5**  
**Spending on capacity development, FY2015–19**  
(Millions of US dollars)

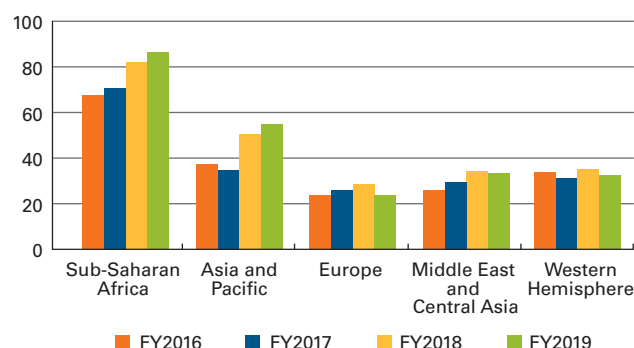


Sources: IMF Office of Budget and Planning, Analytic Costing and Estimation System, and IMF staff calculations.

Figure 2.6

**Capacity development spending, by region, FY2016–19**

(Millions of US dollars)

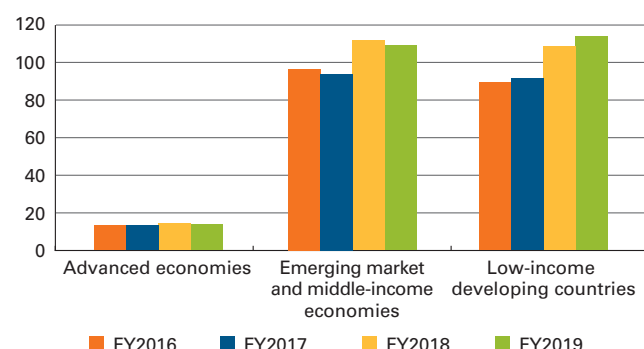


Sources: IMF Office of Budget and Planning, Analytic Costing and Estimation System, and IMF staff calculations.

Figure 2.7

**Capacity development spending, by income group, FY2016–19<sup>1</sup>**

(Millions of US dollars)



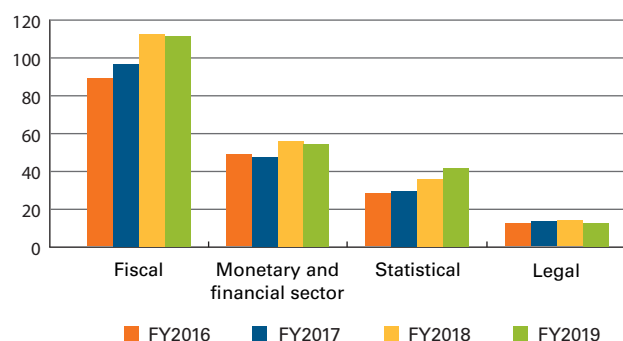
Sources: IMF Office of Budget and Planning, Analytic Costing and Estimation System, and IMF staff calculations.

<sup>1</sup> Advanced economies are classified according to the April 2019 *World Economic Outlook*. Advanced economies include small islands and territories. Low-income developing countries are those designated eligible for the Poverty Reduction and Growth Trust (PRGT) and whose per capita gross national income was less than the PRGT income graduation threshold for “non-small” states. Zimbabwe is included in the group, but it excludes some wealthier PRGT-eligible countries. Emerging market and middle-income economies include those not classified as advanced economies or low-income developing countries.

Figure 2.8

**Capacity development spending, by topic, FY2016–19**

(Millions of US dollars)



Sources: IMF Office of Budget and Planning, Analytic Costing and Estimation System, and IMF staff calculations.

**IMF CAPACITY DEVELOPMENT IN NUMBERS**

Initiated by member countries, IMF capacity development support, which includes both institutional and policy development and staff development, has reached all 189 members. Capacity development represented almost a third of the IMF’s administrative spending in FY2019. Most of this spending was on technical assistance, which represents 25 percent, while training accounts for 5 percent (Figure 2.4).

Aggregate spending levels for IMF capacity development activities in FY2019 are broadly in line with FY2018 levels. Total direct spending on capacity development activities (excluding general support and governance overhead) stabilized around \$306 million in FY2019, compared with \$303 million in FY2018 (Figure 2.5). The externally funded component amounted to 55 percent of the total in FY2019.

**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. Overall capacity development spending remained effectively flat but grew in sub-Saharan Africa (5 percent) and Asia and the Pacific (14 percent), reflecting the ramp-up of two regional capacity development centers (SARTAC and CICDC); it decreased in Europe (14 percent) and the Western Hemisphere (8 percent) (Figure 2.6). Most IMF capacity development assistance continues to go to emerging market and middle-income economies (46 percent) and low-income developing countries (48 percent) (Figure 2.7).

The composition of the delivery of capacity development assistance by category (fiscal, monetary and financial sector, statistical, legal) remained broadly unchanged, but the growth across categories was mixed. Spending in the area of statistics increased (14 percent) in FY2019, while spending focused on legal and monetary and financial sector matters declined by 13 and 3 percent, respectively (Figure 2.8). Fiscal capacity development assistance constitutes 37 percent of total IMF assistance.

## Training

Training is a type of ongoing essential capacity building through which the IMF supports member countries' efforts to boost the human capital necessary to develop and implement sound macroeconomic policies. IMF training is offered in key areas of interest for our member country officials, ranging from macroeconomic analysis to fiscal, monetary, and financial sector policies, as well as macroeconomic statistics and legal issues. It also covers cross-cutting issues like inclusive growth and emerging topics like gender budgeting and fintech. The global reach of IMF training through a network of regional training centers and programs ensures effective integration of region-specific issues into training content.

During FY2019, the IMF delivered 457 training events in which 16,950 officials from 188 member countries participated. Emerging market and middle-income economies received half of the total share of IMF training (Figure 2.9). Regionally, the sub-Saharan African share was the largest at 30 percent, followed by the Asia and Pacific region (25 percent) (Figure 2.10). Participation of officials from fragile states remains strong (3,739 officials in FY2019), accounting for 22 percent of total volume; online learning is the major training delivery vehicle.

Online learning has proved efficient in achieving its dual goals of sharing knowledge with the broader public and scaling up the volume of training to government officials. Since the program's launch in 2013, more than 18,960 government officials and over 13,400 members of the public from 191 countries have successfully completed an online course. Over 20 offerings of courses in five languages have been delivered in FY2019, with an increasing number of self-paced courses open for up to a year at a time. The curriculum has been expanded to include a new course on Banking Supervision and Regulation, developed in collaboration with the Bank for International Settlements, and new translations of the online Energy Subsidy Reform and Macroeconomic Management in Resource-Rich Countries courses. Massive online open courses (MOOCs) attract participants from all walks of life and are an effective form of IMF outreach and knowledge sharing.

The modalities of training have diversified and, in some cases, combined with technical assistance to deliver more country-focused capacity development and increase its impact. For example, customized training, which is anchored in the IMF's external training curriculum, provides country-specific training to teams of officials in their institutional context in support of forward-looking policymaking. In FY2019, as part of a model-based forecasting and policy analysis system customized training project for the Reserve Bank of Malawi, IMF training teams interacted closely with the IMF Malawi country team and the Resident Representative office to ensure good coordination of the program work and capacity development. A structural benchmark to develop a monetary policy communication strategy is included in the new Malawi Extended Credit Facility arrangement, and the Malawi authorities met this structural benchmark ahead of the target date. In Armenia and Georgia, finance ministry staff, in collaboration with IMF training teams, developed models for policy scenario analysis tools to weigh in on policy discussions and decisions. It is expected that such tools and associated analysis will be incorporated more systematically into their budget planning process.

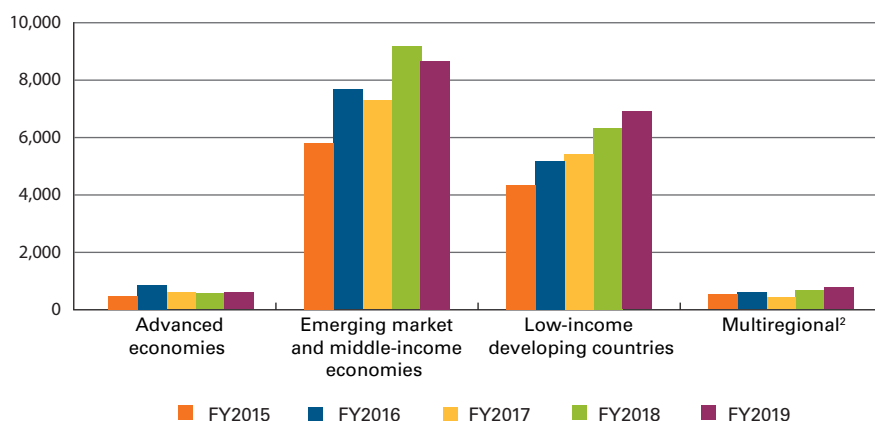
A high-level peer-to-peer workshop of Caucasus and Central Asian central bank practitioners is now held every year at the Joint Vienna Institute. It is organized jointly by the IMF's Middle East and Central Asia Department, the Swiss National Bank, and the Joint Vienna Institute. Participants at the most recent workshop discussed ways to strengthen monetary policy transmission mechanisms, improve their modeling and communication strategies, and refine central bank governance. Professor John Taylor from Stanford University was a special guest at the event.

The IMF continues to experiment with new technologies to support more flexible delivery and facilitate greater peer-to-peer learning. In FY2019, the *Interactive Guide on Debt Sustainability Framework for Low-Income Countries* accompanied the rollout of the general policy document and the associated analytical tool. The guide features a short video, interactive charts and tables, and other design elements that help users understand and apply the new IMF–World Bank low-income country debt sustainability framework template.

Figure 2.9

**Total training participation, by income group<sup>1</sup>, FY2015–19**

(Number of participants)



Source: Participants and Applicant Tracking System (PATS) and IMF staff calculations.

Note: Most of IMF's training falls under the IMF ICD Training Program, which includes training coordinated by ICD, and delivered by ICD and other departments in headquarters and globally at the IMF's Regional Training Centers and Programs to country officials. Training also includes IMF online courses successfully completed by country officials. It is also provided by functional departments outside of the ICD Training Program.

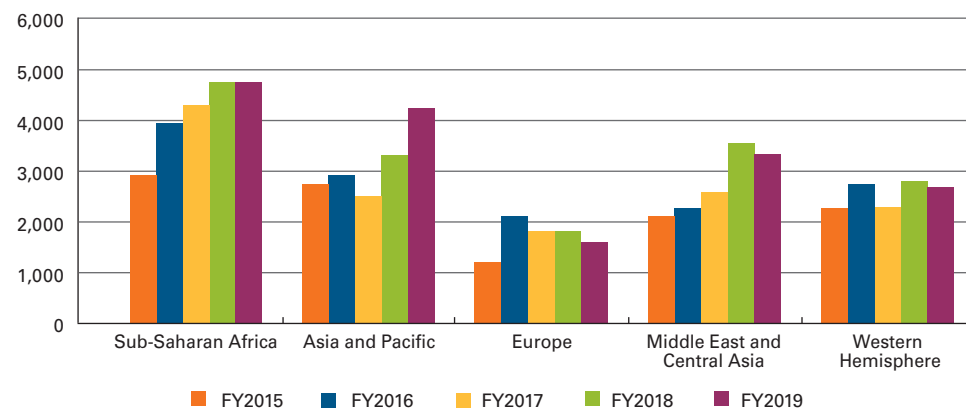
<sup>1</sup> Advanced economies are classified according to the April 2019 *World Economic Outlook*. Advanced economies include small islands and territories. Low-income developing countries are those designated eligible for the Poverty Reduction and Growth Trust (PRGT) and whose per capita gross national income was less than the PRGT income graduation threshold for "non-small" states. Zimbabwe is included in the group, but it excludes some wealthier PRGT-eligible countries. Emerging market and middle-income economies include those not classified as advanced economies or low-income developing countries.

<sup>2</sup> Includes regional training delivered to participants from regional institutions.

Figure 2.10

**Total training participation, by participant region of origin, FY2015–19**

(Number of participants)



Source: Participants and Applicant Tracking System (PATS) and IMF staff calculations.

Note: Most of IMF's training falls under the IMF ICD Training Program, which includes training coordinated by ICD, and delivered by ICD and other departments in headquarters and globally at the IMF's Regional Training Centers and Programs to country officials. Training also includes IMF online courses successfully completed by country officials. It is also provided by functional departments outside of the ICD Training Program.

### PARTNERSHIPS FOR CAPACITY DEVELOPMENT

Support from partners helps the IMF deliver high-quality capacity development that responds to member country needs and aligns with IMF and global development priorities. Partnerships support IMF capacity development in many ways. Financial contributions from partners bolster its delivery. In addition, partners contribute to the peer learning and dissemination of best practice on thematic and regional issues by sharing their own experiences and knowledge. They also share the IMF's focus on ensuring that capacity development is results-oriented.

Partner support is channeled through the IMF's multilateral regional capacity development centers and thematic funds, as well as through bilateral projects. These initiatives enable partners to leverage resources and amplify results globally. The regional centers comprise a global network of centers that coordinate much of the IMF's capacity development work on the ground. Their activities are complemented by the thematic funds, which are centered on the IMF's core areas of expertise.

In FY2019, new partner contributions to IMF capacity development of \$221 million were received, and activities financed by partners totaled about \$178 million, covering roughly half of total capacity development activities. Over the past three years, the top five contributors to IMF capacity development were the European Union, Japan, Switzerland, China, and Kuwait. All support for capacity development efforts is greatly appreciated and has helped deliver significant results in member countries. Key highlights include the following:

- With more than 25 years of consistent support, Japan is the IMF's longest-standing partner for capacity development. In FY2019, support was given to a wide range of areas, with particular focus on Asia that included contributions to the IMF Capacity Development Office in Thailand and to the IMF Singapore Training Institute. Japan also joined other partners of the Data for Decisions Fund, expanding its support to the IMF's thematic funds.

- The European Union is the IMF's largest partner for capacity development, and the only one that supports all IMF regional technical assistance centers and most thematic funds. In 2019, the European Union contributed to the Revenue Mobilization Thematic Fund, the Data for Decisions Fund, and regional technical assistance centers in central and west Africa. A public financial management program focusing on countries in fragile situations and low- and lower-middle-income countries was launched in October 2018 with support from the Directorate-General for International Cooperation and Development. In December 2018, the second phase of the public financial management and domestic revenue mobilization program in southeastern Europe, as well as a new fiscal governance program in EU Eastern Partnership Countries, were signed with the Directorate-General for Neighbourhood and Enlargement Negotiations. A project on statistics was signed with Eurostat in December 2018. In June 2018, the IMF participated in the European Union's flagship development event, the European Development Days, and showcased the IMF's work on gender.

### Box 2.2

#### A regional technical assistance center for the Caucasus, Central Asia, and Mongolia

The IMF has announced its intent to partner with countries and external counterparts on a new regional capacity development center covering the Caucasus, Central Asia, and Mongolia (CCAM). The diverse CCAM region, which comprises low-income, transition, emerging market, and resource-rich economies, has made good progress in building economic institutions and policy frameworks, yet countries continue to face challenges, especially vulnerability to external shocks such as commodity prices and geopolitics. A CCAM center would allow the IMF to respond quickly and flexibly to emerging needs, coordinate closely with member countries and development partners, and facilitate peer exchange across the region. This center would work directly with Armenia, Azerbaijan, Georgia, Kazakhstan, the Kyrgyz Republic, Mongolia, Tajikistan, Turkmenistan, and Uzbekistan.

■ The United Kingdom is a long-standing supporter of IMF capacity development, particularly in AML/CFT, the financial sector, tax administration diagnostics, and the regional centers in sub-Saharan Africa, the Caribbean, and south Asia. It also finances two large bilateral projects on statistics and research. In December 2018, its development agency, the Department for International Development, agreed to increase its financing to regional capacity development centers in sub-Saharan Africa and contribute to the Revenue Mobilization Thematic Fund. The new agreement also provides for capacity development targeted toward fragile states.

■ Korea, a strong partner in IMF capacity development, has supported a range of important initiatives in Asia and the Pacific and beyond, including work on revenue mobilization, anti-money laundering, statistics initiatives, and the IMF Africa training institute. During the 2018 Annual Meetings, Korea renewed its support and committed to an additional three years of support to IMF capacity development.

#### GLOBAL THEMATIC FUNDS FOR CAPACITY DEVELOPMENT

The IMF's global thematic capacity development funds, supported by external partners, ensure that less-developed economies have the tools to achieve the Sustainable Development Goals. These funds help countries increase revenue mobilization, improve fiscal and natural resource management, promote financial sector stability and access, address debt issues, and strengthen economic decision-making through better statistics. There are also two funds—working with South Sudan and Somalia—dedicated to countries in fragile situations.

Highlights of thematic funds include the following:

■ In June 2018, the Data for Decisions Fund was launched. It aims to help low- and lower-middle-income countries improve the availability, quality, coverage, timeliness, and dissemination of macroeconomic statistics—all of which enable better policymaking. A major outcome will be that countries will have the infrastructure necessary to compile and report on many Sustainable Development Goal indicators. The Financial Access Survey is also a key component of the Data for Decisions Fund.

■ In December 2018, the steering committee of the Revenue Mobilization Thematic Fund endorsed an increase in the size and duration of the fund. The phase will now run for six years with a budget of \$77 million (relative to the original plan of five years and \$60 million). This will bolster delivery of capacity development in revenue mobilization, an important development priority.

■ Phase III of the Debt Management Facility was launched during the 2019 Spring Meetings. The Debt Management Facility is a joint IMF–World Bank thematic fund focused on sovereign debt management and aimed primarily at low-income countries. It is the only multidonor fund dedicated to providing comprehensive debt management capacity development.

#### REGIONAL CAPACITY DEVELOPMENT CENTERS

The IMF's 16 regional capacity development centers are the backbone of the IMF's capacity development infrastructure. Tailored to each region's priorities, the centers allow the IMF to respond quickly to a country's emerging capacity development needs and coordinate closely with other stakeholders on the ground. The regional centers house resident advisors, foster peer learning, and provide hands-on implementation support with consistent follow-up. Development partners, center hosts, and member countries provide more than three-quarters of the resources needed to operate these centers. In spring 2019, the IMF announced plans to establish a new regional technical assistance center, serving countries in the Caucasus, Central Asia, and Mongolia (see Box 2.2).

Highlights of the regional capacity development centers include the following:

■ Partners and members of CARTAC—the regional center in the Caribbean—have pledged more funding for the center. CARTAC will also deepen its focus on climate change and resilience building, as agreed at the May 2018 steering committee meeting.



### Box 2.3

#### Celebrating 25 years of the Pacific Financial Technical Assistance Center

In December 2018, an anniversary event celebrated 25 years of the IMF's first technical assistance center, the Pacific Financial Technical Assistance Center (PFTAC). Fiji's Acting Prime Minister, Aiyaz Sayed-Khaiyum, and IMF Deputy Managing Director Carla Grasso opened the two-day conference, which also included Helen Clark, former Prime Minister of New Zealand and Head of the United Nations Development Programme. More than 200 policymakers, thought leaders, and representatives from the private sector, academia, and media discussed how PFTAC's 16 member countries can continue to make the most of growth opportunities, build resilience to natural disasters, and achieve inclusive growth, and how hands-on technical assistance and peer-learning activities can boost capacity. A youth photo contest highlighted the region's development journey and raised awareness of PFTAC's work. PFTAC is supported by Australia, New Zealand, the European Union, Korea, and the Asian Development Bank; the host country Fiji; and its member countries. For more, watch a video at: <https://www.imf.org/external/mmedia/view.aspx?vid=5982227772001>.

- PFTAC—the regional center for the Pacific Islands—celebrated its 25th anniversary in December 2018 (see Box 2.3). Partners and members also agreed to scale up substantially the current phase budget to nearly \$40 million to meet new demands on inclusive growth and resilience to climate change.

- To meet the significant demand for training in Africa, the IMF management endorsed a gradual scaling up of activities in Phase II of the Africa Training Institute (ATI). The new phase runs from May 2019 through April 2024 with an increased budget of \$35 million for the phase (the budget for Phase I was \$23 million). This will help deliver more training in core and emerging issues (including governance, gender, and climate change); more support to fragile states; and more customized training and peer learning. The customized training will continue to support projects prioritized by the technical assistance centers in Africa.

#### LAUNCHING OF ARABIC ONLINE COURSE ON ENERGY SUBSIDY REFORM

The IMF Middle East Center for Economics and Finance, in collaboration with the IMF departments, developed and delivered an online course on energy subsidy reform in Arabic. The course has been adapted to the Arab region and includes a special module that appraises the key challenges and lessons from Morocco's experience. The course was well received, with 180 public sector officials from Arab countries completing it on its first offering in January/February 2019.

**Box 2.4****High-level peer-to-peer forum: Monetary policy in Association of Southeast Asian Nations Countries**

During July 9–10, 2018, the IMF and the Monetary Authority of Singapore co-organized a high-level peer-to-peer forum on modernizing monetary policy frameworks and operations in Association of Southeast Asian Nations (ASEAN) countries. A key objective of the forum was to integrate IMF capacity development with country surveillance conversations on the challenges of implementing monetary policy in the face of large and volatile capital flows, uncertainty stemming from escalating trade tensions, risks to financial stability, rising global interest rates, and how and when to intervene in foreign exchange markets.

The forum featured highly interactive sessions among ASEAN Deputy Governors, Assistant Governors, and other senior central bank officials, with IMF staff delivering short motivational presentations and international experts discussing best practice and lessons learned. The program was designed to maximize dialogue around four intersecting areas of monetary policy: framework design, instruments and operations, modeling and forecasting tools, and communications. Professor John Taylor participated in the proceedings and delivered a stimulating keynote speech, calling for a multilateral approach to the design of transparent rules-based monetary policies and strategies.

**HIGH-LEVEL SYMPOSIUMS ON GLOBAL LESSONS FOR INCLUSIVE GROWTH AND GOVERNANCE**

The IMF Middle East Center for Economics and Finance led a series of high-level symposiums in Kuwait, jointly with the Arab Fund for Economic and Social Development and in collaboration with IMF departments. The series aims to enrich the debate on economic policy issues of special relevance to the Arab world's challenges, with panelists from diverse backgrounds, including IMF senior staff and policymakers with a variety of reform experiences. The first symposium, held in

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

Name	Partners
Revenue Mobilization (RM)	Australia, Belgium, Denmark, Germany, Japan, Korea, Luxembourg, Netherlands, Norway, Sweden, Switzerland, United Kingdom, 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, United Kingdom, 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, Germany, Italy, Luxembourg, Saudi Arabia, Sweden, Switzerland, United Kingdom, European Investment Bank
Debt Management Facility II (DMF II) <i>jointly with the World Bank</i>	Austria, Germany, Netherlands, Norway, Russia, Switzerland, African Development Bank, European Union
Financial Sector Reform Strengthening Initiative (FIRST) <i>jointly with the World Bank</i>	Phase III: Germany, Luxembourg, Netherlands, Switzerland, United Kingdom Phase IV: Germany, Switzerland
Data for Decisions (D4D)	China, Germany, Japan, Korea, Luxembourg, Netherlands, Norway, Switzerland, European Union
Somalia Country Fund	Canada, Italy, United Kingdom, United States, Arab Fund for Economic and Social Development, European Union
South Sudan Country Fund	Norway

Source: IMF staff compilation.

November 2018, focused on world economic developments' implications for the region, with former IMF Research Department Director Maurice Obstfeld as the keynote speaker. The second was held in February 2019, distilling lessons from global experiences on ways to strengthen good governance and transparency, with IMF Statistics Department Director Louis Marc Ducharme. The two events complemented the theme of the panel discussion held in February 2018 with IMF Middle East and Central Asia Department Director Jihad Azour on "Inclusive Development in the Arab World: A Call for Action."

Table 2.6

## IMF regional capacity development centers

Name	Partners	Member countries
Africa Training Institute (ATI)	Australia, China, Germany, Korea, Mauritius (host), European Investment Bank	45 countries in sub-Saharan Africa
AFRITAC Central (AFC)	China, France, Gabon (host), Germany, Netherlands, European Investment Bank, European Union	Burundi, Cameroon, Central African Republic, Chad, Republic of Congo, Democratic Republic of the Congo, Equatorial Guinea, Gabon, 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, China, Germany, Mauritius (host), Netherlands, Switzerland, United Kingdom, European Investment Bank, European Union	Angola, Botswana, Comoros, Eswatini, Lesotho, Madagascar, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Zambia, Zimbabwe
AFRITAC West (AFW)	China, Côte d'Ivoire (host), France, Germany, Luxembourg, 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, Ghana (host), Switzerland, African Development Bank, European Investment Bank, European Union	Cabo Verde, The Gambia, Ghana, Liberia, Nigeria, Sierra Leone
Capacity Development Office in Thailand (CDOT)	Japan, Thailand (host)	Cambodia, Lao P.D.R., Myanmar, Vietnam (core beneficiary countries), plus other countries in the Southeast Asia and Pacific Island regions under selected projects
Caribbean RTAC (CARTAC)	Barbados (host), Canada, Mexico, Netherlands, United Kingdom, Caribbean Development Bank, Eastern Caribbean Central Bank, European Union	Anguilla, Antigua and Barbuda, Aruba, The 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, Norway, Spain, Central American Bank for Economic Integration, 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/donors	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), Switzerland, Netherlands, 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

*The IMF also delivers courses through regional training programs.*

Source: IMF staff compilation.