



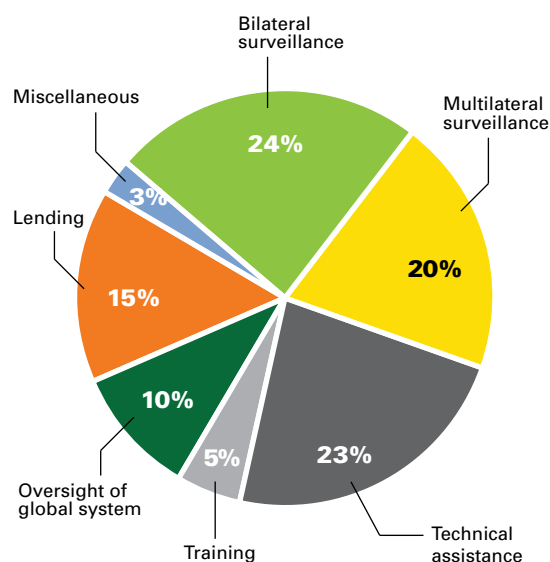
## Capacity Development

*The IMF provides technical assistance and training to officials in member countries—what it calls “capacity development”—to help countries build strong institutions and boost skills to formulate and implement sound macroeconomic and financial policies. Capacity development, which is closely linked to the IMF’s surveillance and program engagement, is demand-driven, responsive, and highly appreciated by member countries.*

In response to demand from member countries, and with strong support from external partners, the IMF's technical assistance and training activities—capacity development—have expanded rapidly in recent years. Capacity development represented over a quarter of the IMF's administrative spending in FY2016. Most of this spending was on technical assistance, which represents 23 percent, while training accounts for 5 percent (see *Figure 2.8*).

IMF capacity development activities continued to grow in FY2016, mainly reflecting greater delivery to the Middle East and Central Asia, as well as the Western Hemisphere and sub-Saharan Africa. Delivery of technical assistance on monetary and financial topics and fiscal topics increased. Total direct spending on capacity development activities (externally and IMF-financed) was \$256 million in FY2016, compared with \$242 million in FY2015, a growth of 6 percent (*Figure 2.9*). The externally funded component amounted to \$127 million, or 49 percent of the total, and grew by almost 8 percent in FY2016.

**Figure 2.8**  
**Share of costs of major IMF activities, FY2016**



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

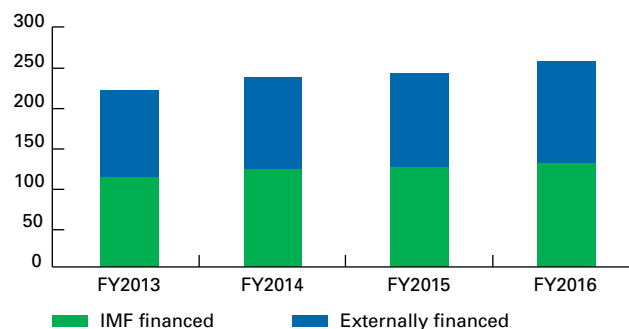
In March 2016, the IMF signed a memorandum of understanding with the Indian government for a new South Asian Regional Training and Technical Assistance Center (SARTTAC), to be based in New Delhi. The center will be the first that fully integrates IMF training and technical assistance and is a model for the IMF's future capacity development work. It will serve Bangladesh, Bhutan, India, Maldives, Nepal, and Sri Lanka in a wide range of areas, including macroeconomic and fiscal management, monetary operations, financial sector regulation and supervision, and macroeconomic statistics. SARTTAC was made possible by early financial commitments from India, the Republic of Korea, and Australia.

#### TECHNICAL ASSISTANCE

Technical assistance delivery increased in FY2016, mainly in the sub-Saharan African, Middle East and Central Asia, and Western Hemisphere regions (*Figure 2.10*). Nearly half of all IMF technical assistance continues to go to low-income developing countries (*Figure 2.11*).

In FY2016, sub-Saharan Africa received the largest share of technical assistance, reflecting the high number of low-income developing countries in this region. Delivery of technical assistance on monetary and financial topics and on financial

**Figure 2.9**  
**Spending on capacity development**  
(Millions of U.S. dollars)



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

and fiscal topics increased, in response to demand from the membership (*Figure 2.12*). Fiscal topics continued to constitute about half of the technical assistance provided by the IMF.

### HIGHLIGHTS OF FISCAL CAPACITY BUILDING

IMF capacity development activities are integrated with the policy dialogue between member countries and the Fund that take place under surveillance or Fund-supported programs. The IMF continued in FY2016 to assist countries under Fund-supported programs. In **Jamaica**, the IMF reviewed the impact of a recent tax reform and the taxation of financial and telecoms sectors, and assisted in developing options to improve the neutrality of the tax system. In **Malawi**, which was seeking to reduce its reliance on volatile grants, the IMF developed policy options for revenue mobilization, including rebalancing the tax burden from income to consumption taxes by reducing the corporate income tax rate and rationalizing tax preferences. In **Tunisia**, the IMF provided advice on a postrevolution tax reform that focused on simplifying the tax system, instilling more neutrality and progressivity, while generating additional revenues.

The Fund continues to provide capacity development designed to steadily enhance institutional and policymaking capacity in member countries, in particular low-income and

fragile countries, and small states. In **Mali**, in response to the need for a fiscal decentralization framework underpinning the 2015 Peace Agreement, the IMF provided intensive technical assistance to help ensure a gradual transfer of 30 percent of government revenue to the country's regions by 2018.

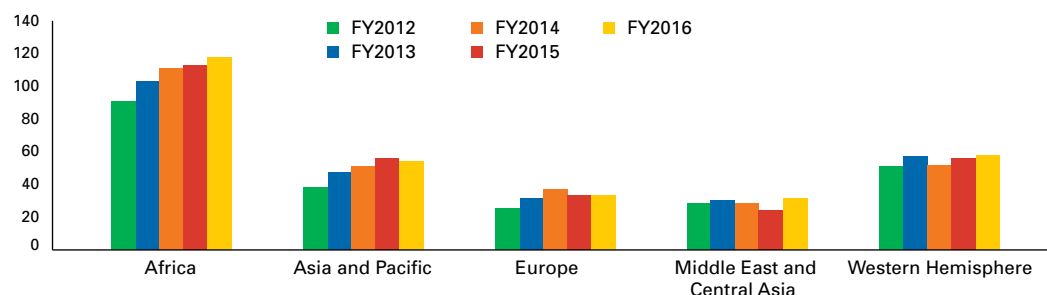
In **Guinea**, following the Ebola crisis, the IMF has continued its intensive engagement with the country, providing on-the-ground support to build capacity in treasury management and accounting systems, with the support of a resident advisor. In the **Central African Republic**, after three years of political disruption, the IMF responded quickly to the country's request for technical assistance by fielding a mission focused on restoring core public financial management functions. For **Somalia**, improving governance in key state institutions is critical for progress on economic reconstruction and development. At an IMF workshop in Nairobi, the Somali authorities prepared a draft reform strategy and action plan for public financial management covering the period 2016–20. The plan focuses on four critical areas: revenue mobilization (tax and customs), internal control (including arrears), cash forecasting and management, and accounting and fiscal reporting.

Domestic resource mobilization was among the fiscal topics most in demand during the year. In **Côte d'Ivoire**, a three-year project funded by the Tax Policy and Administration Topical Trust Fund has supported the authorities' efforts to establish

Figure 2.10

### Technical assistance delivery by region

(Person-years of field delivery)

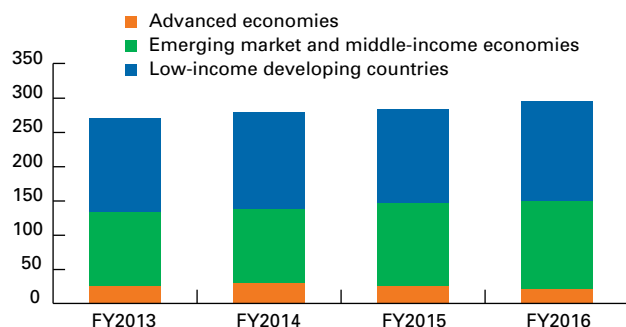


Source: IMF Travel Information Management System (TIMS).



Figure 2.11

### Technical assistance delivery by income group (Person-years of field delivery)



Source: IMF Travel Information Management System (TIMS).

a function-based tax administration headquarters, restructure the office network based on taxpayer segmentation principles, and implement a comprehensive compliance improvement plan. As a result, the authorities were able to achieve significantly improved compliance rates for large and medium-sized taxpayers. In **Grenada**, the IMF assisted the revenue department in its reform to help ensure fiscal sustainability and a stable macroeconomic environment for growth. Reform measures included a dedicated tax compliance unit for large and medium-sized taxpayers, writing off uncollectible tax debts and taking effective enforcement action, refocusing the audit plan on major compliance risks, and strengthening managerial capacity. In **Kuwait**, the IMF has assisted in designing its non-oil tax system since late 2011, well before oil prices started to plummet. The assistance included conducting diagnostic studies, designing policies for consumption and income taxes, and drafting new tax laws.

Among the IMF's capacity-building activities in resource-rich countries, in **Ukraine**, the IMF assisted in the design and implementation of a new gas fiscal regime. In **Ghana**, it held interactive workshops with the authorities on fiscal modeling and revenue forecasting for natural resource revenues, with the support of the multipartner Managing Natural Resource Wealth Topical Trust





Fund. In **Uganda**, recently passed legislation largely reflects IMF advice in key areas, including a new model for production sharing agreements, application of value-added tax to the extractive sector, and computation of taxable income for petroleum licensees. The IMF and the Ministry of Finance of **Colombia** jointly hosted a conference on “Determining the Tax Base for Extractive Industries in the Andean Region,” sharing experiences and views on effective tax base protection from tax planning, more responsive and flexible fiscal regimes for petroleum and mining, and improving regional cooperation.

The IMF has also been developing a suite of **fiscal assessment tools** to strengthen the analytical basis for fiscal surveillance, guide structural fiscal reforms, and set priorities for technical assistance. During FY2016, the Tax Administration Diagnostic Assessment Tool was launched with a wide range of partner agencies and has become an important basis for IMF technical assistance in revenue administration. The new Public Investment Management Assessment tool was also presented to the IMF’s Board during FY2016 and is being piloted in a range of countries in cooperation with the World Bank.

#### HIGHLIGHTS OF MONETARY AND FINANCIAL SECTOR CAPACITY BUILDING

Technical assistance on monetary and financial topics has continued to evolve, reflecting the changing needs of the membership and the increasingly interconnected and complex global financial system. New areas of IMF expertise have been added, including risk-based supervision, implementation of the Basel II/III capital requirements, and macroprudential policies, while work has continued in traditional areas such as financial regulation and supervision, crisis prevention and management, monetary and exchange-rate policies, and central bank operations.

In Africa, IMF technical assistance focused on fragile and postconflict countries, as well as other developing jurisdictions. For instance, in **South Sudan**, the Fund has been implementing a five-year multipartner trust fund program to support financial and macroeconomic stability by strengthening the central bank’s institutional capacity and frameworks. More broadly, substantial work in sub-Saharan Africa is supported through five Technical Assistance Centers located throughout the region. In Asia and the Pacific,

### Box 2.6: IMF Support for Ukraine Monetary and Financial Sectors

The Ukrainian economy and financial sector are emerging from their deepest crisis since independence, which was due to both the military conflict in the east of the country and large-scale structural imbalances accumulated over several decades. For a long time, the financial sector lacked adequate regulation and effective supervision, which contributed to a rapid increase in the number of financial institutions, many of which were used solely as funding instruments for related businesses, resulting in underprovisioning and overstated capital ratios. Compounding the situation was inadequate legal protection for creditors.

To strengthen the financial system, measures had to be taken concurrently on a number of fronts to improve the legal framework; financial system regulation and supervision; and monitoring, assessing, and addressing financial system risks. In the context of a comprehensive and ambitious IMF-supported reform program undertaken by the government to tackle macroeconomic imbalances and structural weaknesses, the Fund has been providing extensive technical assistance on monetary and financial sector issues to Ukraine. This technical assistance is being delivered under a capacity-building project financed by

Global Affairs Canada that provides support to the National Bank of Ukraine (NBU), the Deposit Guarantee Fund, and the National Securities and Stock Market Commission.

While further improvements still need to be made, notable progress during FY2016 includes:

- Legal and regulatory changes to enhance the institutional and financial independence of the NBU, increase transparency of the banking sector, and introduce best international practices to improve banks' ability to withstand shocks and challenges;
- Technical support for an ambitious and detailed diagnostic study of the 20 largest banks, including asset quality reviews and stress-testing;
- Improvements in banking regulation and supervision, including moving to a risk-based approach to supervision, better early warning systems and on-site inspection processes, tightened regulation and supervision of related-party activities, and adoption of International Financial Reporting Standards; and
- Improvements in monetary policy decision-making processes, including strengthening monetary policy formulation and communication, rationalizing and phasing out some of the most stringent foreign exchange market restrictions, and rationalizing monetary operations.

technical assistance for banking supervision in **Cambodia**, **Myanmar**, and **Nepal** has focused on establishing the fundamental regulatory framework and supervisory skills for safeguarding financial stability, while assistance to **Indonesia** and the **Philippines** has supported the shift to risk-based supervision. Diagnostic assessments of financial stability, an area of increasing emphasis, were provided to **Sri Lanka** and **Sudan**. In Europe, IMF assistance to **Ukraine** has aimed at enhancing bank supervision, the foreign exchange market, domestic debt issuance, monetary policy, and the structure of the central bank (see Box 2.6).

In the Middle East and Central Asia, IMF support helped strengthen crisis management in **Morocco**, improve bank supervision in the **Kyrgyz Republic** and **Tunisia**, and modernize the central bank's analysis and research in **Turkmenistan**. In the Western Hemisphere, technical assistance for the **Eastern Caribbean Central Bank** focused on banking supervision, bank resolution, and crisis prevention to support the currency union. Assistance to **Paraguay** centered on implementing risk-based supervision and implementing inflation targeting.





## HIGHLIGHTS OF STATISTICS CAPACITY BUILDING

Member countries need high-quality macroeconomic statistics as the foundation for their economic decision-making. The IMF's Statistics Department provides technical assistance and training to the membership, with an emphasis on low-income and fragile economies. This support has led to more and better macroeconomic data, as well as better access to data for senior policy officials, capital market players, and other stakeholders, including the general public. In the past five years, capacity development in statistics grew by more than 70 percent, with funding from bilateral and multilateral partners. Training now includes cutting-edge topics, such as balance sheets, real estate property price indices, and cross-border position statistics, in addition to standard courses on macroeconomic statistics.

The largest capacity development project for statistics covers 44 countries in the Africa and the Middle East and Central Asia regions under the Enhanced Data Dissemination Initiative. It is financed by the United Kingdom's Department for International Development and began its second phase in May 2015. Results have included the completion of new private capital flow surveys leading to improvements in external sector statistics and the rebasing of national accounts, which provided policymakers with a more accurate and often sharply different picture of the size and structure of the economy.

Three Central Asian countries—**Azerbaijan**, the **Kyrgyz Republic**, and **Tajikistan**—have improved their external sector statistics with support from IMF statistics capacity development. With financing from Switzerland's State

Secretariat for Economic Affairs, they built on their compilation systems to enhance the comprehensiveness, consistency, timeliness, and accuracy of their statistics. By March 2016, the three countries had implemented the latest methodology (based on the sixth edition of the *Balance of Payments and International Investment Position Manual*, BPM6) in balance of payments statistics and two had begun compiling and disseminating quarterly International Investment Position and external debt statistics on a BPM6 basis.

The IMF has leveraged technology to enhance data dissemination, thereby broadening the availability and predictability of macroeconomic statistics. In May 2015, the IMF Executive Board endorsed the enhanced General Data Dissemination System (e-GDDS), which is designed to assist participants in improving data transparency and governance by publishing essential data for the analysis of macroeconomic conditions. In collaboration with the African Development Bank, the IMF implemented an Open Data Platform that greatly enhances data dissemination in about 20 countries in Africa. IMF technical assistance has already led two countries to implement the e-GDDS: **Botswana** in November 2015 and **Nigeria** in February 2016.

## HIGHLIGHTS OF LEGAL CAPACITY BUILDING

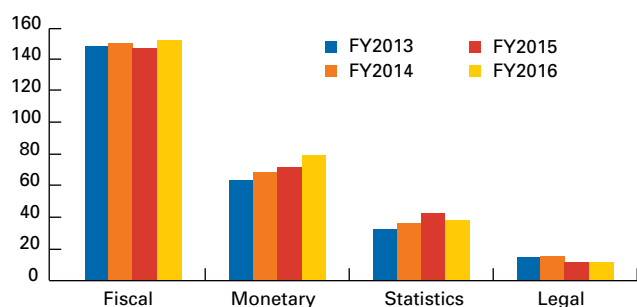
Demand for technical assistance on legal issues in both program and nonprogram countries continued in FY2016 in the areas of anti-money laundering and combating the financing of terrorism (AML/CFT), financial and fiscal law, insolvency, and claims enforcement.

The IMF continued its work in AML/CFT with the Financial Action Task Force (FATF), the World Bank, the Egmont Group of Financial Intelligence Units, and FATF-style regional bodies. The Fund led the assessment of Canada under the revised international standard. It continued the successful global program of technical assistance under the multipartner AML/CFT Topical Trust Fund; delivered technical assistance in Myanmar and Ukraine funded by Japan and Canada, respectively; increased engagement in Gulf states and on terrorism financing; and continued to coordinate its work both internally and with a large number of international assistance providers.

Figure 2.12

### Technical assistance delivery by topic

(Person-years of field delivery)



Source: IMF Travel Information Management System (TIMS).



In the area of financial and fiscal law, technical assistance on central banking, bank regulatory and supervisory frameworks, and bank resolution and crisis management were maintained at previous levels. In contrast, technical assistance was minimal on market infrastructures (payment system) but continued to grow on legal frameworks for public financial management, as in previous years.

Technical assistance on tax law continued to see strong demand in the main areas of income tax, value-added tax, and tax procedures, with a particular emphasis on international aspects, reflecting the increased global attention to international tax issues. Similarly, international tax law design issues were at the core of both a headquarters-based seminar and a training session in Kuwait, the latter focusing specifically on regional issues.

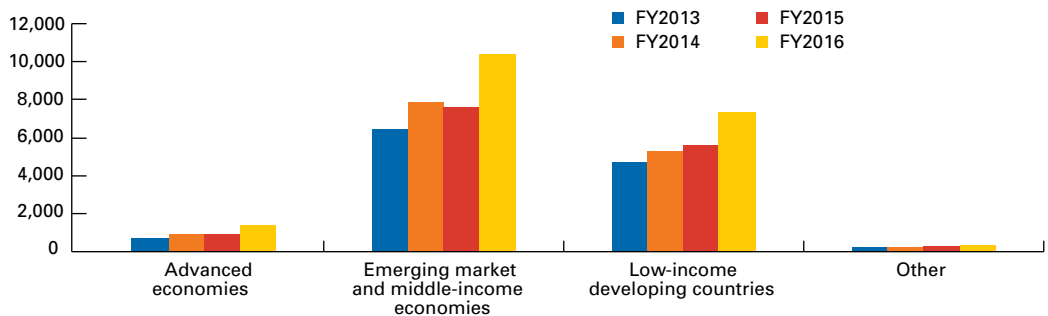
The IMF continued to provide technical assistance to its members in the area of corporate and household insolvency and claims enforcement to help ensure the early and rapid rehabilitation of viable businesses and the liquidation of nonviable businesses, and to improve the process of claims enforcement. The Fund also organized two workshops for high-level officials at the Joint Vienna Institute, one on corporate and household insolvency and the other on certain aspects of claims enforcement.

## TRAINING

The IMF's training program is an integral part of the IMF's capacity development mandate and strives to respond to evolving global macroeconomic developments and policy challenges, membership demands, and technological innovations. The courses provide theoretical lectures, analytical tools, and hands-on workshops. The IMF's online learning courses, which are free and open to anyone with an Internet connection, continued to grow, with the addition of a Financial Programming and Policies, Part 2 course and a Financial Market Analysis course; Spanish and Russian versions of the Financial Programming and Policies, Part 1 course; and a French version of the Debt Sustainability Analysis course, adapted to focus on debt sustainability and debt management issues facing low-income countries. Online training participation grew sharply by 218 percent to 30 percent of total IMF training in FY2016.

During FY2016, the IMF delivered 375 training events, in which 14,457 officials from member countries participated. Most of these events were delivered through the IMF's network of regional training centers and programs, with the remainder delivered at IMF headquarters or other overseas locations. A wide range of topics meet different needs, spanning macroeconomic policies, forecasting and macroeconomic

**Figure 2.13**  
**Training participation by income group**  
(Participant-weeks)



Source: IMF Participant and Applicant Tracking System (PATS).





modeling, financial programming and policies, financial sector issues, specialized fiscal courses, macroeconomic statistics, assessments, and legal issues. Emerging market economies received the largest share of IMF training, 53 percent of the total for the year (*Figure 2.13*). Regionally, the share of sub-Saharan Africa was the largest at 28 percent, followed by Asia and Pacific and the Middle East and Central Asia (*Figure 2.14*).

### The User Experience

The IMF gathers views of external training participants' sponsoring agencies on the effectiveness of the IMF training program and future training needs through independently administered surveys conducted every three years. The latest triennial survey, covering the training provided during 2012–14, yielded highly positive results, including a 97 percent overall satisfaction rate (*Figure 2.15*). Overall, the IMF Institute has a very strong reputation among agencies.

To harness synergies between technical assistance and training, staff have initiated customized training pilots on monetary policy, working with the central banks of Ghana, Mozambique, the East African Community region, and Sri Lanka on developing a forecasting and policy analysis system to strengthen their monetary policy frameworks. Regional workshops are being organized for peer-to-peer learning and sharing of experience.

**Figure 2.15**

### Triennial Survey on IMF Training, 2015

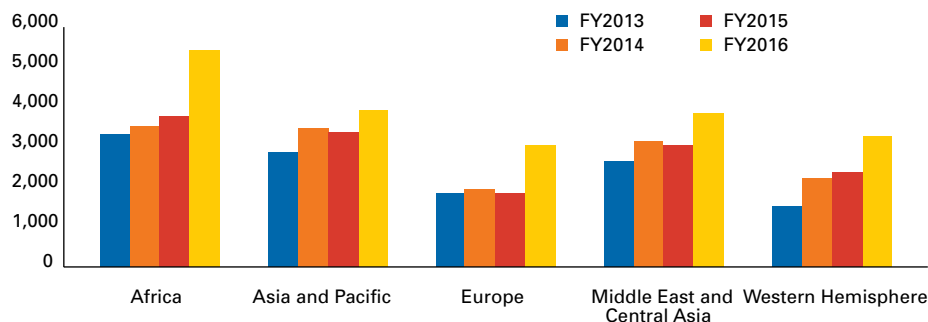


Source: IMF Institute for Capacity Development.

**Figure 2.14**

### Training participation by region

(Participant-weeks)



Source: IMF Participant and Applicant Tracking System (PATS).



## PARTNERSHIPS FOR CAPACITY DEVELOPMENT

In FY2016, new contributions to IMF capacity development totaling \$126.3 million were received, and activities financed by partners totaled \$142 million. The top five partners are **Japan**, the **European Union**, **Switzerland**, the **United Kingdom**, and the **Netherlands**. Japan, the largest partner, made new contributions totaling \$30.4 million to finance technical assistance and training, including two scholarship programs, while Switzerland signed a new agreement for approximately \$24.2 million to cover bilateral projects through 2020.

During FY2016, the IMF continued to expand its global network of regional technical assistance centers. The **Caribbean Regional Technical Assistance Center**, CARTAC, laid the ground for the new phase, with key partners and member countries committing their support in April 2016. The **Pacific Regional Technical Assistance Center** (PFTAC) will start its fifth phase of operations in November 2016, while the **Middle Eastern Regional Technical Assistance Center** (METAC) will have started its new phase in June 2016. The **Central American Regional Technical Assistance Center** (CAPTAC-DR) entered the second year of its second five-year cycle with a confirmed pledge of \$8.4 million (10 million Canadian dollars) from **Canada**, which, with top-up contributions made by existing partners, such as **Luxembourg**, allowed the center to deliver capacity development as planned.

Strategic consultations were held during the year to lay the ground for a new five-year phase for the **West African, Central African, and Southern African Regional Technical Assistance Centers** (AFW, AFC, and AFS), set to begin between May and November 2017. As mentioned in the “Regional Highlights” section on Asia, in March 2016 the IMF and India announced an agreement to set up the South Asia Regional Training and Technical Assistance Center (SARTTAC) to strengthen capacity development in **Bangladesh, Bhutan, India, Maldives, Nepal, and Sri Lanka**.

In August 2015, the IMF and the **U.S. Agency for International Development** (USAID) signed the first memorandum of understanding between the two organizations. The framework for enhanced cooperation in capacity development will enable the two institutions to join forces to tackle global economic challenges in the context of the post-2015 Addis Ababa development agenda. For their first joint project, USAID provided funding for a training course on public financial management (face-to-face and online) developed by the IMF’s Fiscal Affairs Department. The IMF also signed a new memorandum of understanding with the **European Investment Bank** to bolster their existing partnership.

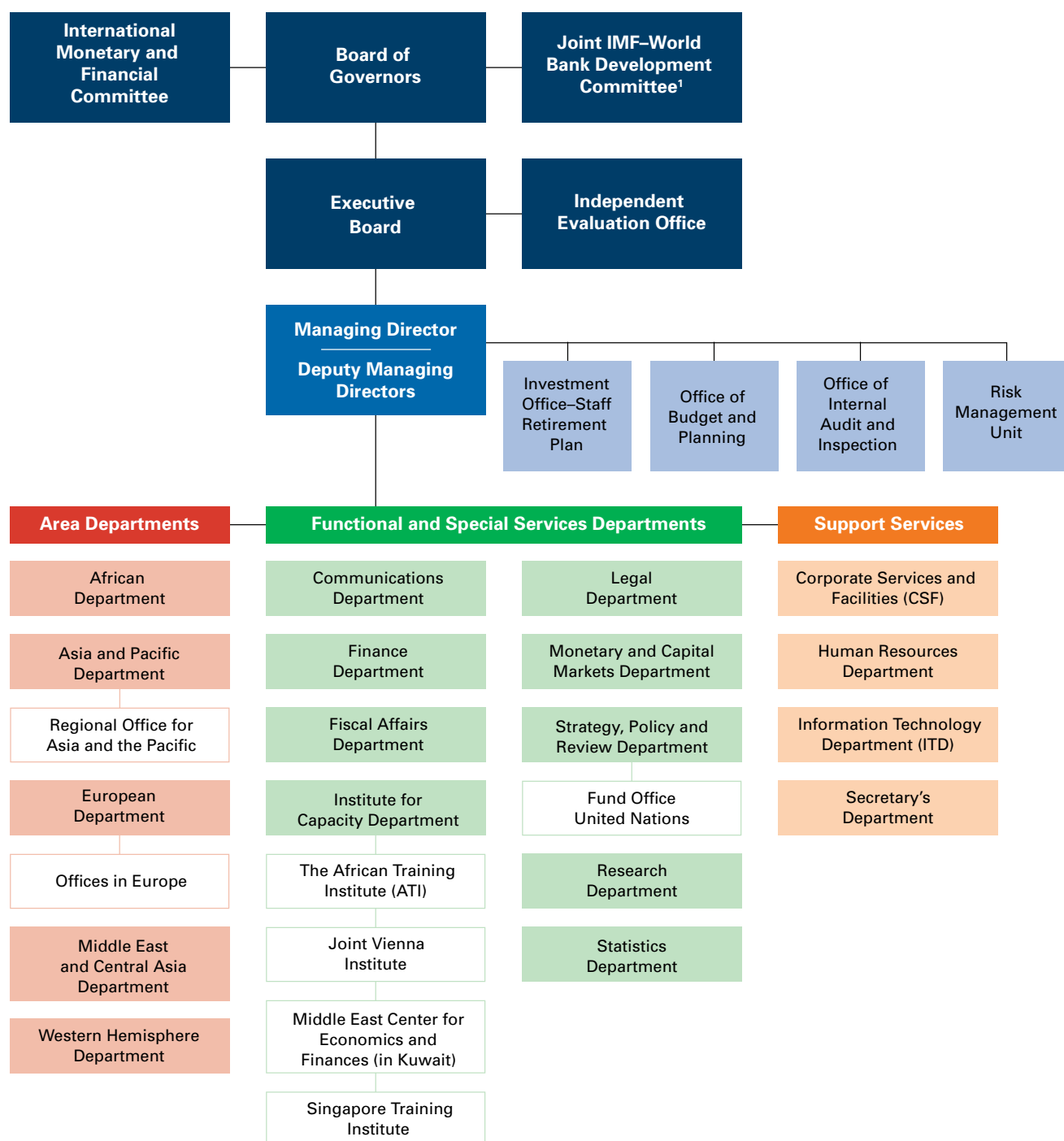
The Addis Ababa Tax Initiative highlighted the critical need to boost the capacity of less-developed countries to finance their Post-2015 Development Agenda. The IMF is contributing concrete solutions through its **Revenue Mobilization Trust Fund** and the **Managing Natural Resource Wealth Trust Fund**. The latter will help low- and lower-middle income countries derive the maximum benefit from their oil, gas, and mineral resources, so they can meet their goals for economic development and poverty reduction.

Another element of the IMF response to the Financing for Development Agenda is to establish a **Trust Fund on Financial Sector Stability**. Financial sector stability is a precondition for the key development goals of financial inclusion and deepening. The Trust Fund will support Financial Sector Stability Reviews and capacity development work in low- and lower-middle-income countries by providing a diagnostic assessment as a basis for prioritized financial sector reforms.

The **European Commission’s Directorate General for International Cooperation and Development** (DG DEVCO) and the IMF have agreed on a new strategic partnership framework for developing countries that will enhance policy dialogue and coordination between the two institutions, with DG DEVCO committed to contributing about €200 million in financing to IMF capacity development initiatives in 2016–20. The IMF also actively works with other EC Directorate Generals to meet the high demand for capacity development in EU member states and prospective members.

# IMF Organization Chart

as of April 30, 2016



¹ Known formally as the Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries.