

JSA Annual Report, Fiscal Year 2006

In 1990, Japan agreed to provide financial support for the IMF's technical assistance to its member countries to strengthen their capacity to formulate, implement, and maintain macroeconomic and structural adjustment programs. Since then, Japan has been, and continues to be, the largest contributor to the IMF's technical assistance (TA) activities.¹ Japan's contributions are provided through the Japan Administered Account for Selected Fund Activities (JSA).² In addition, Japan also finances two scholarship programs—one under the JSA and the other under a separate account, the Subaccount for Japan Advanced Scholarship Program.

This report starts out with a brief description of the IMF and its activities, focusing in particular on its TA activities. The report then describes in greater detail the JSA—including its objectives, size, scope, and use, as well as assessments of its activities, with a focus on fiscal year

¹Other bilateral donors include Australia, Austria, Brazil, Canada, China, Denmark, Finland, France, Germany, India, Ireland, Italy, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Russia, Singapore, Sweden, Switzerland, the United Kingdom, and the United States. Multilateral donors include the African Development Bank, the Arab Monetary Fund, the Asian Development Bank, the Caribbean Development Bank, the European Commission, the Inter-American Development Bank, the United Nations, the United Nations Development Programme, and the World Bank.

²In this report, unless a distinction is made, use of the term "JSA" (Japan Administered Account for Selected Fund Activities) is meant to include the "JAA" (Japan Administered Technical Assistance Account), which was its predecessor.

2006—and the TA activities and scholarship programs that it finances.³

The IMF: Purpose and Activities

The IMF, an international organization of currently 184 member countries, was established in 1946 to promote international monetary cooperation, exchange stability, and orderly exchange arrangements; to provide temporary financial assistance to countries with balance of payments difficulties; and to foster economic growth and high levels of employment. To achieve these objectives, the IMF carries out three types of operational activities: surveillance, financial assistance, and technical assistance.

Surveillance is the process by which the IMF maintains a policy dialogue with each of its members and appraises country and global macroeconomic conditions. Generally once a year, it appraises members' exchange rate policies within the overall framework of their economic policies in what is known as an Article IV consultation. The IMF also carries out multilateral surveillance, the results of which are summarized in the *World Economic Outlook*, prepared and published twice a year, and in the *Global Financial Stability Report*, which is also published twice a year.

Financial assistance includes credits and loans extended by the IMF to member countries with balance of payments problems so that they can restore conditions for sustainable economic

³The reference to fiscal year (FY) in this report is to the IMF's fiscal year, which runs from May 1 through April 30. This report thus covers the period May 1, 2005–April 30, 2006. Reports on FY2000–FY2005 can be found on the IMF's website, www.imf.org/JSA.

growth. The financial assistance provided by the IMF enables countries to rebuild their international reserves, stabilize their currencies, and continue paying for imports without having to impose trade restrictions or capital controls. The IMF makes its financial resources available to its members through a variety of financial facilities, such as Stand-By Arrangements and the Extended Fund Facility. It also provides concessional assistance under its Poverty Reduction and Growth Facility and debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative.

Technical assistance consists of expertise and training provided by the IMF to help member countries strengthen their human and institutional capacity and design and implement effective macroeconomic and structural policies. Technical assistance is offered in several broad

areas—namely, fiscal policy and management, monetary policy and financial systems, and macroeconomic and financial statistics. See Box 1 for a list of the core areas of IMF technical assistance.⁴

IMF Technical Assistance: Demand and Supply

The IMF began to provide technical assistance to its member countries in the early 1960s in response to requests from newly independent nations in Africa and Asia. By the mid-1980s, resources devoted to technical assistance had nearly doubled. As a result of the expansion of the IMF's membership and the adoption of market-oriented economies by a large number of countries worldwide, IMF TA activities grew even more rapidly in the early 1990s. The

⁴For additional information on the IMF's activities, visit www.imf.org.

Box 1. Core Areas of IMF Technical Assistance

Fiscal Policy and Management

- Tax policy
- Tax and customs administration
- Expenditure policy
- Budgeting and public expenditure management
- Fiscal management
- Fiscal federalism

Macroeconomic and Financial Statistics

- Multisector statistical issues
- Balance of payments and external debt statistics
- Government finance statistics
- Monetary and financial statistics
- National accounts and price statistics
- Data dissemination standards

Monetary Policy and Financial Systems

- Central banking and currency arrangements
- Monetary and exchange policy operations, and public debt management
- Financial market development, focusing in particular on money, government debt, and foreign exchange markets
- Exchange systems and currency convertibility
- Payment systems
- Bank supervision and regulation
- Bank restructuring and banking safety nets