

The IMF finances its technical assistance for its member countries mainly from its own budgetary resources, but also receives external financing from bilateral and multilateral partners. The IMF currently spends about 25 percent of its annual administrative expenditures on TA work and training. Of the total expenditures for technical assistance, approximately 45 percent is spent on technical assistance delivered in the field by IMF missions or by experts, and the rest is spent on technical assistance–related work at IMF headquarters in Washington, D.C. In FY2006, external financing from bilateral and multilateral donor partners accounted for 20 percent of total technical assistance and more than 45 percent of technical assistance delivered in the field. Although the number of bilateral and multilateral partners has increased significantly in recent years, Japan continues to be the largest source of external financing. In FY2006, JSA financing accounted for more than 10 percent of total IMF technical

assistance, 24 percent of the assistance delivered in the field, and more than half of the total external financing. The JSA's share of financing of the IMF's field-delivered technical assistance over FY2000–FY2006 is shown in Figure 2.

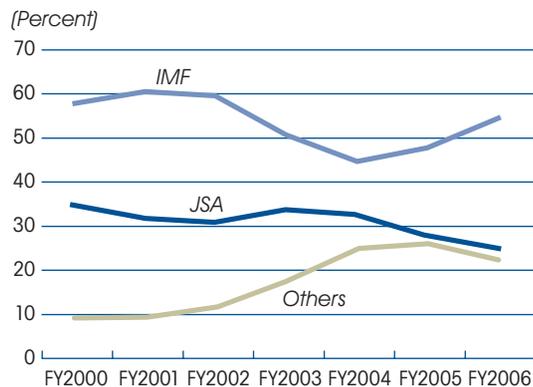
### The Japan Administered Account for Selected Fund Activities (JSA)

#### Activities Funded: Technical Assistance, Regional Office for Asia and the Pacific, and Scholarship Programs

Japan has provided grant contributions to support the IMF's technical assistance to member countries since 1990. In 1997, the scope of the administered account was widened to allow for the financing of other IMF activities in Asia and the Pacific, carried out through the IMF Regional Office for Asia and the Pacific in Tokyo.

The responsibilities of the Regional Office in Tokyo include collaborative efforts between the IMF and Japan that strengthen economic prospects in the Asia-Pacific region and include support of various regional policy forums, such as the Asia-Pacific Economic Cooperation, the Association of Southeast Asian Nations, and the Pacific Islands Forum. The office also undertakes TA activities benefiting countries in the region, including conferences on macroeconomic policy and on financial sector reform. The Regional Office helps to improve understanding of the international financial system in Japan and the region through public relations events as well as by releasing Japanese-language publications. It also seeks to increase the representation of Japanese and other Asian nationals on the staff of the IMF by encourag-

**Figure 2. JSA Share of Financing of Technical Assistance Delivered in the Field, FY2000–FY2006**



**Table 1. Contributions by Japan, FY1990–FY2006***(Millions of U.S. dollars)*

	FY1990– 2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	Total FY1990–2006
<b>JSA</b>	<b>99.5</b>	<b>15.1</b>	<b>24.9</b>	<b>25.5</b>	<b>20.4</b>	<b>19.6</b>	<b>22.1</b>	<b>266.2</b>
Technical Assistance <sup>1</sup>	132.0	13.7	22.6	22.8	17.6	17.1	19.4	245.3
Asia Scholarship Program	6.5	1.4	2.3	2.7	2.7	2.6	2.7	20.9
<b>Advanced Scholarship</b>	<b>5.6</b>	<b>1.4</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>	<b>14.5</b>

<sup>1</sup>Includes activities of the Regional Office for Asia and the Pacific.

ing qualified applicants to apply for employment and by supporting IMF recruitment efforts through interviews and informational seminars.

In addition, Japan also provides grant contributions for two scholarship programs. In 1996, the Japan-IMF Scholarship Program for Advanced Studies, which is administered by the IMF Institute, was established. It supports nationals of Asian member countries of the IMF who undertake doctoral studies in economics in North America in order to pursue a career in international financial institutions, such as the IMF, or in their home administration.

The Japan-IMF Scholarship Program for Asia, which was established in 1993, supports 12- and 24-month courses of graduate studies in Japan in macroeconomics or related fields for students from Asia, Central Asia, and the Pacific, and is administered by the Regional Office in Tokyo.

### Level of Funding

Since 1990, Japan has made annual contributions totaling over \$266 million, of which some \$245 million has been for TA projects and the

activities of the Regional Office for Asia and the Pacific and almost \$21 million for the Asia Scholarship Program. In addition, starting in 1996, Japan has also contributed \$14.5 million to the Advanced Scholarship Program. Annual contribution figures for technical assistance and the two scholarship programs, for FY1990–FY2006, are provided in Table 1. Figure 3 shows the annual contributions for technical assistance under the JSA since its inception.

**Figure 3. Annual Contributions by Japan for Technical Assistance, FY1990–FY2006***(Millions of U.S. dollars)*

### Japan-IMF Consultations

Consultations between the IMF and the Japanese authorities usually take place twice a year: at a formal meeting in March followed by a less formal meeting around the time of the IMF–World Bank Annual Meetings in September. They cover the following issues: (1) the effectiveness of the assistance provided with JSA funding, (2) the expected regional and subject area use of JSA resources in the current fiscal year and the targets for the following fiscal year, (3) the likely costs of project inputs, (4) the likely magnitude of Japan’s further contribution to the JSA, (5) the organization of joint field visits by the Japanese authorities and the IMF, and (6) any special projects or issues that are foreseen as likely to arise. The consultations are also used to discuss developments regarding the IMF’s TA program as a whole.

### Technical Assistance Funded by JSA

JSA resources can be used to cover the costs of short- and long-term TA experts and other costs associated with providing seminars and workshops, such as room rental fees. JSA funds may not be used to finance IMF staff costs (including salaries or per diem or travel expenses). JSA funds are not conditional on the use of Japanese nationals, but Japanese nationals are considered for expert assignments whenever possible.

Although TA activities financed by the JSA can take place in all areas of the world, the Japanese authorities place high priority on funding TA activities in Asia and the Pacific, Central Asia, Central and Eastern Europe, and countries of the former Soviet Union. Consistent with the IMF’s TA policy, the Japanese

authorities also place high priority on assistance for countries that have demonstrated strong efforts and good track records in the implementation of economic reform policies. Examples of JSA-supported activities, selected from the four main TA areas, are provided in Boxes 3–6.

### *Project submission and approval*

Activities to be funded from the JSA, as well as all other IMF TA activities, are planned in advance each year. At the beginning of each fiscal year, the IMF provides Japan with an indicative list of projects that it intends to submit for consideration in the course of the year. Thereafter, individual projects are submitted for approval on a monthly basis through the Office of Japan’s Executive Director at the IMF.

Requests for technical assistance are received from governments. These are carefully considered by the concerned functional and area departments of the IMF. If requests fall within the core mandate of the IMF’s TA program and otherwise meet the established prioritization criteria, project proposals are prepared. Following the screening process, the IMF’s Office of Technical Assistance Management reviews the project proposals for conformity with the JSA guidelines. The proposals are then considered for approval by the Japanese authorities.

### *Project assessment and evaluation*

Within four weeks of a project’s completion, the IMF is required to submit a project assessment to the Japanese authorities. Any request for an extension of a project also requires an assessment. This assessment is complemented

### Box 3. Cambodia: Strengthening Public Financial Management

Measured against international best practice indicators, Cambodia historically has had a poor record in public financial management. In mid-2004, the government launched a comprehensive public financial management reform program with the objective of progressively bringing public financial management closer to best practices in a number of key areas. Since the launch of the reform program two years ago, considerable progress has been made in the targeted areas, but many challenges remain. A resident treasury advisor, financed by the JSA, was installed by the IMF's Fiscal Affairs Department (FAD) at the commencement of the reform program in mid-2004 and has since provided continuous support to the authorities. The assistance provided by the advisor, in conjunction with associated technical assistance missions and supervision by FAD, has made a significant contribution to the implementation of key elements of the reform program.

The main focus of the advisor's work has been the development of a new government Chart of Accounts consistent with the Government Finance Statistic Manual (GFSM2001) economic classification system, the development of a new budget classification system consistent with the GFSM2001 system, the training of budget and treasury staff on the use of the new budget and Chart of Accounts classifications, and the rationalization and consolidation of government bank accounts.

The new Chart of Accounts was completed in 2005. It provides an accounting framework to track all government operations—both flows (revenues and expenditures) and stocks (financial assets and liabilities). Considerable time will be needed to implement the new Chart fully for all government transactions; the initial focus will be on ensuring that the new Chart is used by the national and pro-

vincial treasuries for all flow transactions as well as selected stock transactions (accounts payable and receivable).

The new budget classification system has been developed in parallel with the new Chart, to allow tracking of expenditures by economic type in each ministry, at central and provincial levels. The implementation of the new budget classification and accounting system in the context of the 2007 budget will allow data to be obtained that are compatible with international standards (GFSM2001).

A census of all government bank accounts was also conducted in 2005. The census will provide the platform for rationalizing the many bank accounts that are used for government revenue and expenditure transactions at central, provincial, and community levels, and for the establishment of a Treasury Single Account (TSA).

The authorities recognize that although progress has been made, many implementation tasks remain in this first stage of the reform program. The authorities have requested the IMF's continued support for the implementation, with a further advisor assignment on a peripatetic basis during the next phase. The advisor is expected to focus on the continuing implementation of the new Chart and budget classification system, particularly within the context of the 2007 budget; the rationalization of government bank accounts and the establishment of a TSA; the streamlining and standardization of budget execution processes, including the management of commitments; the formulation of a strategy for clearing payment arrears, in conjunction with improved cash planning; and improving the comprehensiveness, quality, and timeliness of monthly fiscal data and annual accounts. Continued JSA financing will make a valuable contribution to these reform efforts.

#### Box 4. Enhancing the AML/CFT Framework in China and Latin America

##### *China*

In response to a request for technical assistance from the People's Republic of China to establish a framework for anti-money laundering and combating the financing of terrorism (AML/CFT), the IMF's Legal (LEG) and Monetary and Financial Systems (MFD) Departments launched a comprehensive AML/CFT project in May 2005 in cooperation with the People's Bank of China (PBC) and with funding assistance from the JSA. The project, which coincides with a period of AML/CFT law and institutional reform in China, is aimed at ensuring that China's reforms are consistent with the standards of the Financial Action Task Force and are effectively implemented. The project has featured a series of customized training workshops on various topics for officials from the full range of Chinese institutions involved in AML/CFT efforts, as well as commentary and assistance in drafting AML/CFT regulations to implement legal reforms. Since March 2003, the PBC has taken responsibility for supervising and coordinating the AML work of financial institutions in China, through the AML Bureau and the China Anti-Money Laundering Monitoring and Analysis Center (CAMLMAC), the financial intelligence unit of China. The PBC has taken substantial initiative in organizing the work, providing venues, and making officials available. The IMF has focused on program design and identifying and making available world-class expertise and advice.

During the period July 2005–June 2006, legal advice was provided to the Chinese authorities and four workshops were conducted by LEG with JSA funds. A fifth workshop was organized by MFD on AML/CFT supervision, in December 2005. Two of the workshops, held under the Joint China-IMF Training Program, in July 2005 and June 2006, tar-

geted officials of the AML Bureau and CAMLMAC and criminal justice officials, and examined implementation of AML/CFT standards, financial investigation, and money laundering and financing of terrorism cases and typologies. The third workshop (organized in Beijing in July 2005) focused on the development and application of specific information technology systems for CAMLMAC. The fourth workshop (organized in Kunming in December 2005) focused on the detection and analysis of suspicious transaction reports, and resulted in the development of guidelines for the detection of suspicious transactions by banking, insurance, and securities firms.

Chinese authorities have found the assistance to be an extremely useful means for transferring knowledge, expertise, and experience, ensuring interaction between participants and experts, facilitating information sharing among the various agencies in China, and involving a large number of participants. Authorities and staff have planned a series of follow-up courses to continue and deepen the engagement as China's AML/CFT system evolves.

##### *Latin America*

Although several countries in Latin America have established, to some degree, the legal and institutional framework to combat money laundering, most of them have experienced difficulties in implementing them fully. Authorities in Latin American countries are familiar with modern techniques for the development of financial intelligence and the investigation of financial crimes. However, they have had difficulty actually securing convictions. The relatively small number of money laundering convictions obtained in the region may be due to a combination of factors, including (1) the difficult transition from an inquisitive judicial process to an

#### **Box 4 (concluded)**

accusatory model, (2) inadequate or outdated procedures that allow indicted persons to participate in the investigatory phase of the process (combined with possibly unbalanced interpretations of defendants' constitutional rights), and (3) insufficient knowledge of money laundering among the judiciary and the prosecutorial services. Moreover, because in most countries in the region law enforcement and prosecution focus on the conviction of the perpetrator of the crime and not on tracing, identifying, and seizing the proceeds of crime, authorities have generally not succeeded in seizing or confiscating such proceeds upon conviction.

In May 2005, LEG, together with experts financed through the JSA, conducted a five-day training workshop in Brasilia for criminal justice officials and officials from financial intelligence units from Latin American countries, on the enforcement and effective implementation of AML/CFT legislation. Participants came from Bolivia, Brazil, Costa Rica, the Dominican Republic, El Salvador, Honduras, Guatemala, Mexico, Nicaragua, Panama, Paraguay, and Uruguay. The workshop was delivered by experts from the U.S. Department of Justice; the Financial Investigations Unit of the Ministry of the Public Prosecutor, Panama; the National Chamber for

Criminal Cassation, Argentina; the Economic Crimes Investigative Brigade, Police, Ministry of the Interior, Spain; the United Nations Office Against Drugs and Crime; the Inter-American Committee Against Terrorism, Organization of American States; the International Criminal Police Organization; the Financial Analysis Unit, Secretariat for Money Laundering Prevention, Paraguay; and an LEG staff member.

The workshop involved presentations and discussions on the investigation and prosecution of money laundering cases, the forfeiture of the proceeds of crime, the expectations of the judiciary in money laundering and asset forfeiture cases, and measures relating to international cooperation. The participants were trained in the analysis of financial information; development of financial intelligence; investigation and prosecution of financial crime, particularly money laundering; and the capacity to trace, identify, and forfeit the proceeds of such crimes.

On the basis of the exceptionally favorable reception of this workshop by participants, a follow-up workshop with more emphasis on practical and operational issues was held in Brasilia in May 2006 for officials from the same participating countries in the region.

by an evaluation of the technical assistance conducted by the recipient institutions, through the completion of a questionnaire. The results of these evaluations are reviewed by the IMF and provided to the Japanese authorities.

In addition, JSA projects in two or three countries are visited and reviewed each year by a joint Japan-IMF mission. These visits seek to

provide the Japanese authorities with a firsthand view of how JSA funding is being used in the field. During the visits, participants assess how the authorities value the work of experts funded by the JSA. The visits are also used to review whether the authorities are making effective use of the assistance and whether the technical assistance is making a contribution to the reform process.

### Box 5. Afghanistan: Rebuilding the National Statistical System

The IMF's Statistics Department (STA), with funding support from the JSA, has been actively engaged in the Islamic Republic of Afghanistan since 2002, when the IMF embarked on a comprehensive program to help the government rebuild the economic, financial, and statistical infrastructure of the country following a prolonged period of civil conflict. Prior to 2002, government institutions had been largely neglected, thus leading to the virtual depletion of the statistical capacity of Da Afghanistan Bank (the central bank) and the Central Statistical Organization (CSO).

Although the CSO remained a functioning agency, it suffered from a critical paucity of resources. The available staff lacked the technical expertise required to implement basic internationally accepted statistical standards. Data collection systems had to be reconstituted completely in most cases. Although in certain cases—such as government finance—compilation systems were in place that would, in principle, support collecting statistical data, the virtual abandonment of these systems had made data collection impossible.

Recognizing the need for sustained in-country assistance, STA sought and received funding from the JSA for a resident multisector statistics advisor to guide the statistical agencies in developing key macroeconomic statistics. The advisor commenced his assignment in July 2002; however, the resident assignment was cut short in November 2003 because of security concerns. The assignment was then replaced with a short-term peripatetic project initially comprising two missions covering a total field delivery of about three months of technical assistance. Because of the continuing security concerns, STA decided to support the ongoing efforts to rebuild statistical capacity through another peripatetic assignment. The amended project allowed for a total of nine months of technical assistance deliv-

ered by the advisor from January 2005 through January 2006. The advisor is now implementing a new project that is scheduled to end in December 2006, with provisions for total field delivery of about nine months of technical assistance.

Notwithstanding the paucity of resources and weaknesses in the basic source data, the technical assistance that the JSA supports has facilitated the establishment of some key components for the development of macroeconomic statistics.

The advisor is assisting the CSO with implementation of the *1993 System of National Accounts (1993 SNA)* as the framework for compiling national accounts statistics. As a result, the CSO now compiles rudimentary estimates of GDP by type of activity and category of expenditure on an annual basis using the *1993 SNA*. The advisor has also assisted the CSO with improving the consumer price index (CPI) for Kabul and with broadening its coverage to include five other major cities. Since March 2004, the CSO has been producing a monthly national CPI as well as CPIs for the major cities.

The advisor has also followed up on and given additional guidance in the areas of balance of payments, monetary, and government finance statistics, in which STA has provided some technical assistance. Beginning in FY2007, JSA funding will be used for peripatetic assignments in monetary and balance of payments statistics.

The advisor has cooperated with other international agencies in developing a new statistics law consistent with international standards and in developing a broad Statistical Master Plan for the medium-term development of the statistical system. The new statistics law was enacted in January 2006 and contains all the key provisions required for a modern statistical system, such as establishing the independence of the CSO and ensuring the confi-

### **Box 5 (concluded)**

dentiality of the information it collects. The Statistical Master Plan provides a comprehensive framework for the development of the macroeconomic and social statistics, and also identifies the costs and possible sources of funding.

Afghanistan is on the verge of participating in the IMF's General Data Dissemination System (GDDS), and the advisor has been instrumental in coordinating the various activities to facilitate participation in this system. He has provided assistance to the authorities in developing the required metadata for the disseminated macroeconomic statistics and has worked closely with the newly appointed GDDS Coordinator for Afghanistan with a view to meeting the other targets for GDDS participation. It is expected that the GDDS metadata will be posted on the Fund's Dissemination Standards Bulletin Board before the end of the third quarter of 2006.

Participants from Afghanistan have also benefited from various training programs conducted by STA with funding from the JSA. Six participants from Afghanistan attended a basic course in national accounts statistics held in Nepal in 2003, intended primarily for the benefit of countries of the South Asian Association for Regional Cooperation. Afghanistan also participated in another JSA-sponsored regional seminar on the same subject held in India in May 2006.

The prevailing uncertainty regarding security has impeded the delivery of a consistent program of technical assistance, because STA has had to postpone or cancel numerous missions over the past four years. However, with the support of the JSA, the STA remains committed to improving the statistical system, and staff have been able to undertake essential technical assistance missions.

### **Box 6. Financial Sector and Institutional Reforms in Bangladesh and Nepal**

#### *Bangladesh*

Poverty Reduction and Growth Facility (PRGF) conditionality and the Financial Sector and Assessment Program (FSAP) that concluded in mid-2003 have provided the framework for financial sector and institutional reforms pursued by the Bangladesh authorities. Key elements of the work have included (1) the introduction of a flexible exchange rate arrangement along with market-based monetary and foreign exchange operations; (2) improvements in the Bangladesh Bank's (BB) overall approach to regulation and supervision of financial institutions; (3) restructuring of four nationalized commercial banks; and (4) implementation of enhanced financial reporting and internal governance arrangements at the BB.

The results of the reform efforts have been mixed, largely reflecting political instability, low regulatory quality, and widespread corruption. Political confrontation, for example, continues to create a difficult environment for building consensus for sensitive reforms. Furthermore, the investment climate has been adversely affected by frequent work stoppages and a series of bombings that have taken place over the past year. Nonetheless, and despite the difficulties faced, the authorities have continued in their reform efforts. In this regard, they view continued support from international financial institutions as critical to sustained growth and poverty reduction.

Technical assistance (TA) provided by the IMF's Monetary and Financial Systems Department (MFD), funded by grants from the JSA, has been

particularly important in strengthening the capacity of the BB to implement monetary and exchange rate policy, and in strengthening BB financial safeguards. Following the FSAP, earlier TA efforts saw the introduction of monetary instruments and operations aimed at fostering market-based determination of interest rates. This was followed by efforts to promote transparent arrangements for government debt issuance and an active secondary market that could support a more effective transmission of monetary policy. In this regard, work focused on addressing both operational and policy issues, including reviewing the system of primary dealers in government securities, introducing scripless securities, and establishing delivery versus payment arrangements for the settlement of securities transactions. In its 2007 budget, the government of Bangladesh announced reforms that involve borrowing directly from the market to fund the fiscal deficit. These reforms are expected to lay the foundation for further work on the development of a secondary market for government debt and, more generally, the domestic debt market.

Efforts to strengthen financial safeguards have seen the BB introduce financial reporting and internal audit arrangements based on internationally recognized standards and practices. Working closely with an IMF advisor funded by JSA grants and with its international auditors, the BB has reached the point at which its annual financial statements are certified as compliant with International Financial Reporting Standards (IFRS). Further work under a separate World Bank project is expected to improve the quality of the BB's underlying accounting and information technology systems and the timeliness of the published financial statements. Internal audit reform has seen the introduction of a modern risk-based framework for audit planning and operations,

along with the completion of some audits of key operational areas of the bank. In both financial reporting and internal audit, however, further success will depend to some extent on the success of the BB in attracting and retaining appropriately qualified professional staff who can take the reform work forward, and also transfer knowledge to other staff and areas of the bank.

#### *Nepal*

PRGF conditionality, significant World Bank involvement, and a fixed-peg exchange arrangement with the Indian rupee set key parameters for monetary and financial sector reforms in Nepal. These reforms were part of a wider structural package critical to restoring growth and reducing poverty in Nepal. MFD technical assistance, largely funded by JSA grants, has centered on strengthening the capacity of the Nepal Rastra Bank (NRB) to implement monetary policy and oversee financial market developments.

Continued political tensions and a decade-long Maoist insurgency, however, have slowed the pace of policy implementation. Tensions intensified when King Gyanendra took over executive powers on February 1, 2005, and only recently eased when parliament was reinstated in May 2006 and the role of the monarchy was substantially curtailed. Peace talks with the Maoists have begun, and elections of a constituent assembly are to take place at a date yet to be determined. Despite this uncertain environment, the NRB has made some progress with its reform agenda in recent years, and is poised to move ahead more quickly in what is hoped to be a more peaceful and stable environment for Nepal.

JSA-funded technical guidance has been instrumental in strengthening the capacity of the NRB to implement monetary policy. Earlier work in this area (during 2003–04) saw the bank implement a

### **Box 6 (concluded)**

framework to support effective transmission of monetary policy in the context of Nepal's PRGF arrangement with the IMF. This work included the development of a liquidity monitoring framework that provided input to decisions on the size and type of market operations by the NRB. Over the same period, the NRB was able to implement a number of indirect monetary instruments to perform these operations and establish the basis for more market-based determination of interest rates in Nepal. More recently, attention has been directed toward refining a systemic liquidity forecasting model that would round out the tools available to NRB policy committees. This work was, however, delayed by the political tensions over the second half of 2005 and early 2006, but is expected to be a major area of focus as TA resumes in the second half of 2006. Future work will also endeavor to enhance coordination of debt management between the NRB and Ministry of Finance and develop stronger and continuous relations between the two agencies.

Another key area of focus for the NRB has been the strengthening of its financial safeguards. This

work is derived from the Funds Safeguards Assessment policy that forms part of the PRGF approval process. It is aimed at guiding the NRB on the implementation of financial reporting and internal audit mechanisms based on internationally recognized standards and practices. In the area of financial reporting, the NRB has worked closely with both an IMF advisor funded by JSA grants and its international external auditor to pursue the implementation of IFRS for its annual financial statements. The bank is part of the way through this multiyear process, but further work remains to be done before the statements will be able to be certified as compliant with IFRS. In the area of internal audit reform, the NRB has worked with an IMF advisor funded by JSA grants to introduce a modern risk-based framework for audit planning and operations, along with the completion of some audits of key operational areas of the bank. TA programs in both financial reporting and internal audit, however, have had to be suitably paced to avoid overstressing the absorptive capacity of the limited number of suitably qualified staff at the NRB.

**Table 2. JSA Annual Technical Assistance Commitments and Disbursements, FY1993–FY2006**

	Number of Projects Committed	Committed (in millions of U.S. dollars)	Disbursed (in millions of U.S. dollars)
FY1993	68	5.7	2.9
FY1994	98	8.8	7.1
FY1995	143	13.1	12.2
FY1996	128	15.1	13.9
FY1997	116	14.5	15.5
FY1998	96	13.6	10.8
FY1999	112	20.7	16.8
FY2000	106	17.3	18.5
FY2001	110	16.4	15.7
FY2002	103	16.7	14.6
FY2003	108	17.3	16.3
FY2004	114	18.2	19.4
FY2005	119	17.4	18.9
FY2006	120	18.8	19.7
<b>Total</b>	<b>1,541</b>	<b>213.7</b>	<b>202.4</b>

### Commitments and disbursements

Between FY1993 and FY2006, cumulative commitments for technical assistance under the JSA totaled more than \$213 million for 1,541 projects, of which more than \$202 million has been disbursed.<sup>8</sup> During FY2006, \$18.8 million was committed for 120 projects.<sup>9</sup> Table 2 and

<sup>8</sup>The IMF arranges for an annual audit of the JSA to be undertaken by its external auditors in connection with the annual audit of the IMF's own accounts, and for a separate certificate of completion to be provided to the Japanese authorities. See Annex 4 for the audited financial statements of the JSA and the Japan Advanced Scholarship Program for FY2006.

<sup>9</sup>Because of the time required for the contracting and fielding of experts and payment of invoices, there is a time lag between commitments and disbursements. The duration of a JSA-funded TA project is normally 6 to 12 months.

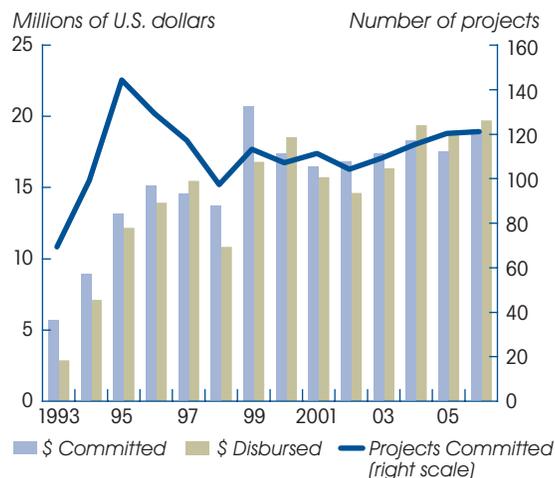
**Figure 4. JSA Annual Technical Assistance Commitments and Disbursements, FY1993–FY2006**

Figure 4 (on page 15) show commitments and disbursements, as well as the number of approved TA projects, between FY1993 and FY2006. A brief description of each of the projects approved in FY2006 is provided in Annex 1.

### *Geographical distribution of funds*

To date, 123 member countries of the IMF and 13 regional organizations and training institutions have been beneficiaries of JSA-funded technical assistance. Countries in the Asia and Pacific region and in Central Asia and Eastern Europe (mainly the transitional countries of the former Soviet Union) have together received some \$114 million from the JSA for approved TA projects during FY1993–FY2006, which represents 53 percent of TA projects approved during this period.<sup>10</sup> Countries in Africa received the next largest share, totaling some \$49 million or 23 percent of total approvals during the same period. Of the remaining amount approved during this period, 7 percent were for multiregional projects, 6 percent for projects in Latin America and the Caribbean, 6 percent for projects in Western and Central Europe, and 5 percent for projects in the Middle East.<sup>11</sup>

The regional distribution of commitments in FY2006 was as follows: Asia and Pacific

<sup>10</sup>These figures reflect the priority given to the countries of these regions under JSA financing guidelines, which currently set a target of 50 percent of allocations for countries in the Asia, Central Asia, and Pacific regions combined and 10 percent for the other transitional countries of the former Soviet Union (Armenia, Azerbaijan, Belarus, Estonia, Georgia, Latvia, Lithuania, Moldova, Russia, and Ukraine).

<sup>11</sup>Multiregional projects are those with beneficiaries from more than one region. Annex 1 includes descriptions of such projects.

countries, \$7.9 million (43 percent); Africa, \$4.6 million (24 percent); the Middle East, \$2.1 million (11 percent); Eastern Europe and Central Asia countries and countries of the former Soviet Union, \$1.4 million (7 percent); Western and Central Europe, \$1.4 million (7 percent); Latin America and the Caribbean, \$1.0 million (5 percent); and multiregional projects, \$0.5 million (3 percent). Table 3 shows the annual and total commitments by region in dollars. Figures 5 and 6 show the regional percentage distribution for FY1993–FY2006 and for FY2006, respectively.

Reflecting greater global financial stability and fewer conflict situations over the past two years, FY2006 saw a reduction in JSA allocations for crisis prevention and the rehabilitation of economic and financial institutions in postconflict countries, and an increase in JSA allocations for sustainable debt management and poverty reduction efforts (35 percent of JSA funds); maintenance of macroeconomic and financial sector stability (25 percent); and regional capacity building, including support for the regional TA centers (25 percent). Nevertheless, among the 10 largest beneficiaries of JSA funding in FY2006 were 5 postconflict countries: the Islamic Republic of Afghanistan, Cambodia, the Democratic Republic of the Congo, Kosovo, and Timor-Leste. Table 4 shows the 10 beneficiary countries or organizations receiving the largest share of JSA assistance during FY1993–FY2006 and FY2006, respectively.

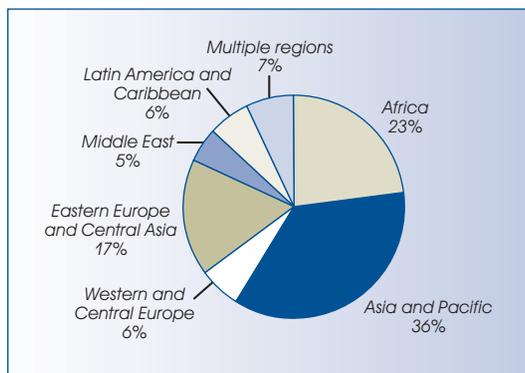
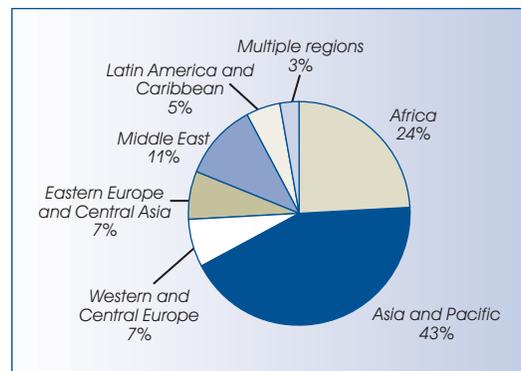
**Table 3. JSA Annual Commitments for Technical Assistance by Region, FY1993–FY2006***(Millions of U.S. dollars)*

	FY1993– FY2000	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	FY1993–FY2006	
								Total	Percent
Africa	20.7	4.1	4.8	4.9	5.1	4.8	4.6	48.9	23
Asia and Pacific	37.1	4.7	6.2	6.6	7.0	7.6	7.9	77.1	36
Western and Central Europe	6.0	1.4	1.6	1.2	1.0	0.7	1.4	13.3	6
Eastern Europe and Central Asia	28.2	2.7	1.4	1.5	1.4	0.6	1.4	37.2	17
Middle East	2.5	0.7	0.4	1.1	1.6	1.2	2.1	9.5	5
Latin America and Caribbean	6.9	1.1	0.6	0.6	0.6	0.9	1.0	11.7	6
Multiple regions	6.8	1.8	1.7	1.3	1.6	1.7	0.5	15.4	7
<b>Total</b>	<b>108.1</b>	<b>16.4</b>	<b>16.7</b>	<b>17.3</b>	<b>18.2</b>	<b>17.4</b>	<b>18.8</b>	<b>213.0</b>	<b>100</b>

**Distribution of funds by subject area**

In FY2006, the IMF delivered more than 429 person years of staff and expert time for TA work, a 13 percent increase over FY2005. The

distribution of the technical assistance by the major IMF functional departments was as follows: Monetary and Financial Systems (formerly called Monetary and Exchange

**Figure 5. Distribution of JSA Annual Technical Assistance Commitments by Region, FY1993–FY2006****Figure 6. Distribution of JSA Technical Assistance Commitments by Region, FY2006**

**Table 4. The 10 Largest Recipients of JSA-Financed Technical Assistance, FY1993–FY2006***(By commitments, in descending order)*

<b>FY1993–FY2006</b>	<b>FY2006</b>
Russia	Cambodia
Indonesia	Indonesia
PFTAC <sup>1</sup>	China
Ukraine	Afghanistan
Cambodia	PFTAC
Timor-Leste	Kosovo
China	Timor-Leste
Kyrgyz Republic	Congo, Democratic Republic of
Congo, Democratic Republic of	Maldives
Mongolia	Solomon Islands

<sup>1</sup>PFTAC = Pacific Financial Technical Assistance Center.

Affairs), 30 percent; Fiscal Affairs, 24 percent; Statistics, 13 percent; and Legal, 5 percent.

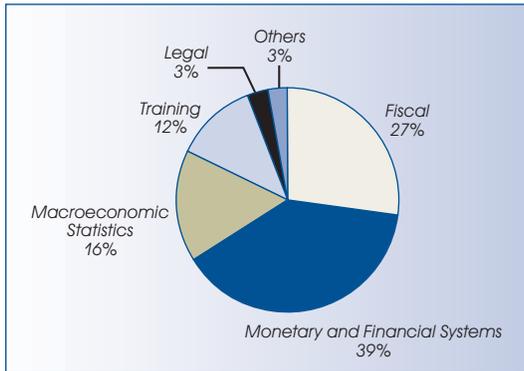
The distribution of the commitment of JSA funds among the subject areas has broadly

reflected the foregoing distribution in the overall use of IMF resources for technical assistance. In FY2006, the distribution of JSA commitments was as follows: Monetary and Financial Systems, \$7.8 million (41 percent);

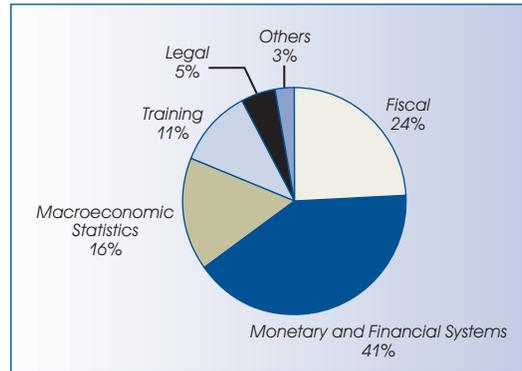
**Table 5. JSA Annual Commitments for Technical Assistance by Subject Area, FY1993–FY2006***(Millions of U.S. dollars)*

	<b>FY1993– FY2000</b>	<b>FY2001</b>	<b>FY2002</b>	<b>FY2003</b>	<b>FY2004</b>	<b>FY2005</b>	<b>FY2006</b>	<b>FY1993–FY2006</b>	
								<b>Total</b>	<b>Percent</b>
Fiscal	31.4	4.7	4.7	3.3	4.3	4.3	4.5	57.1	27
Monetary and financial systems	41.6	6.5	6.6	6.7	6.9	6.6	7.8	82.6	39
Macroeconomic statistics	16.8	2.7	2.7	3.7	3.3	2.8	3.1	35.1	16
Training	12.6	1.9	2.1	2.1	2.2	2.0	2.0	24.9	12
Legal	1.6	0.1	0.2	1.2	1.2	1.2	0.9	6.5	3
Others	4.1	0.6	0.5	0.3	0.2	0.6	0.6	6.9	3
<b>Total</b>	<b>108.1</b>	<b>16.4</b>	<b>16.7</b>	<b>17.3</b>	<b>18.2</b>	<b>17.4</b>	<b>18.8</b>	<b>213.0</b>	<b>100</b>

**Figure 7. Distribution of JSA Technical Assistance Commitments by Subject Area, FY1993–FY2006**



**Figure 8. Distribution of JSA Technical Assistance Commitments by Subject Area, FY2006**



Fiscal Affairs, \$4.5 million (24 percent); Statistics, \$3.1 million (16 percent); and Legal, \$0.9 million (5 percent). During FY2006, the level of commitments of JSA funds in the fiscal and macroeconomic statistics areas remained consistent with the previous year, whereas there was a substantial increase in the area of monetary and financial systems and a slight reduction in the legal area. Table 5 shows the annual distribution of commitments in dollars by subject area. Figures 7 and 8 show the percentage distribution by subject area for FY1993–FY2006 and for FY2006, respectively.

In FY2006, the proportional allocation of JSA funds by topic within the above core areas was broadly consistent with FY2005, although there was a relative increase in TA commitments for strengthening central bank accounting and audit, anti-money laundering and combating the financing of terrorism (AML/

CFT), and monetary and financial and real sector statistics. In the monetary and financial systems area, 39 percent of JSA funds were committed to technical assistance for banking and financial sector supervision; 31 percent to central bank operations, including central bank accounting and audit; 15 percent to monetary policy and operations; and 15 percent to other work, such as strengthening payment and accounting systems and debt and financial management. In fiscal affairs, 52 percent of JSA funds were committed to strengthening tax policy and tax and customs administration and 48 percent to public expenditure management. In the macroeconomic statistics area, 46 percent of JSA funds were committed to real sector statistics, 31 percent to multisector statistics, 18 percent to monetary and financial statistics, and the remaining 5 percent to balance of payments and government finance statistics. In the legal area, 75 percent was committed to

technical assistance for AML/CFT, and 25 percent to work on tax and customs legislation.

### *Effectiveness of JSA-funded technical assistance*

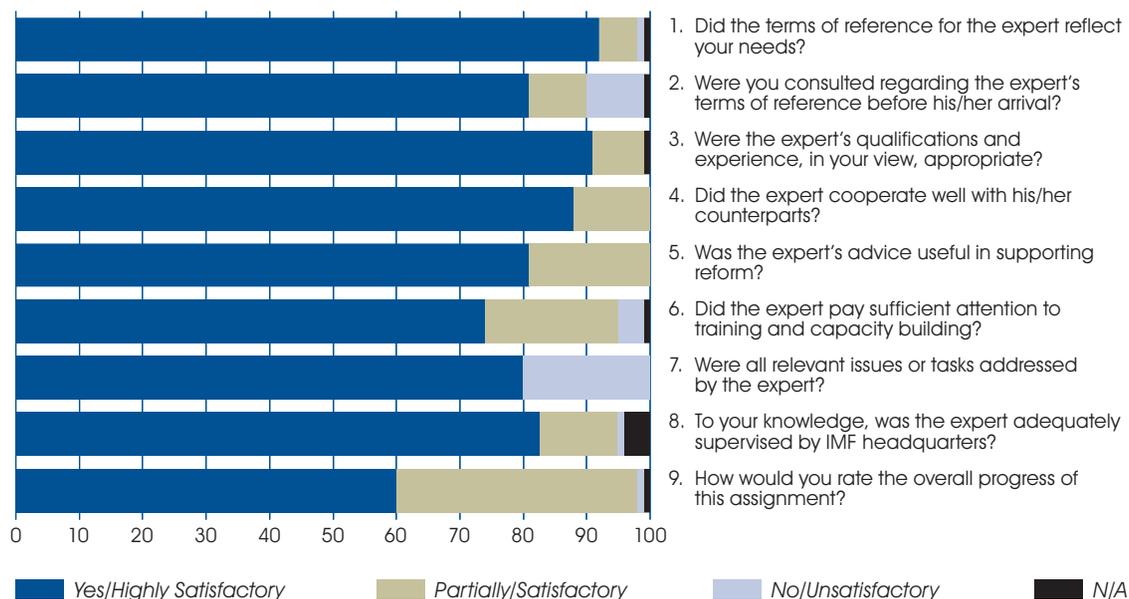
Since 1996, 12 joint Japan-IMF evaluation missions have been carried out to gauge the effectiveness of JSA-funded TA activities. These visits have covered 20 beneficiary countries in Africa, Asia and the Pacific, Central Asia, and Central and Eastern Europe; the regional training institutes in Singapore and Vienna; the Pacific Financial Technical Assistance Center; and the East Africa Regional Technical Assistance Center. The joint evaluation teams have reported that TA activities financed by the JSA

were highly relevant and consistent with the core mandate of the IMF's work, were well formulated and implemented, and were appreciated by recipient governments, which in several cases noted that the JSA-funded advisors were instrumental in establishing critically needed capacity. The teams also reported that the JSA-financed training and seminars were highly visible, well focused, and greatly appreciated by participants. A summary of the findings of these visits is provided in Annex 2.

In 2000, the IMF began requesting that beneficiary authorities provide an assessment of completed JSA-funded projects. The questionnaires gauge the authorities' views regarding the appropriateness and relevance of the assistance

**Figure 9. Results of Evaluations of Technical Assistance Projects**

*(Percent of respondents based on 120 responses. N/A = not applicable.)*



and the expert's qualifications and experience. The questionnaires also cover the cooperation between the expert and counterparts, the usefulness of the advice in terms of the reform efforts, whether adequate attention was paid to skills transfer, and the quality of supervision by IMF headquarters. So that the overall satisfaction of the authorities could be measured, the respondents were also asked to rate the overall progress of the assignment.

Since 2000, 120 evaluation questionnaires have been received from beneficiary authorities. Overall, the beneficiary authorities continue to be very positive about the effectiveness of the JSA-funded TA projects. As shown in Figure 9, 60 percent of the respondents were highly satisfied with the overall progress of the assignments funded and another 38 percent expressed satisfaction. To date, there has been only one case in which the beneficiary authority was not satisfied with progress made under the technical assistance provided. Annex 3 provides greater detail regarding the results of these evaluations.

In addition to the aforementioned joint field visits and project-specific assessments, JSA-funded TA activities are also evaluated as part of larger sector-wide, region-wide, or special topic evaluations of IMF technical assistance. The results of these evaluations are reported to the IMF Executive Board and can be found on the IMF website ([www.imf.org](http://www.imf.org)).<sup>12</sup>

<sup>12</sup>In FY2003, as part of a larger effort to strengthen monitoring and evaluation of IMF technical assistance, a formal multiyear program of TA evaluations was introduced with three to four evaluations to be undertaken annually covering a mix of topics. Evaluations carried out under this program include TA for public expenditure management in



Japan-IMF 2006 consultations on the JSA, March 30, 2006: From left to right: Mr. Seng Chee Ho, Sr. Technical Assistance Officer, IMF Office of Technical Assistance Management (OTM); Mr. Christian Durand, Advisor, IMF Monetary and Financial Systems Department; Mr. Nobuo Yamasaki, Advisor, Office of the Executive Director for Japan at the IMF; Mr. Barend Jansen, Assistant General Counsel, IMF Legal Department; Mr. Takahiro Hitakatsu, Deputy Director, International Organizations Division, Ministry of Finance, Japan; Mrs. Claire Liuksila, Director, OTM; Ms. Telma Dias, Budget Officer, IMF Institute; Mr. Michio Kitahara, Alternate Executive Director for Japan at the IMF; and Mr. Michel Lazare, Advisor, IMF Fiscal Affairs Department.



Joint field visit to the regional payment system project in Botswana, December 7–9, 2005. Seated on the left are Mr. Takahiro Hitakatsu, Deputy Director, International Organizations Division, Ministry of Finance, Japan, and Mr. Michio Kitahara, Alternate Executive Director for Japan at the IMF. Seated at the center are Mrs. Linah K. Moholo, Governor of the Bank of Botswana, and Mr. O.A. Motshidisi, Deputy Governor of the Bank of Botswana. Other officials shown are members of the Payment Systems Management Team, with Mr. Michael Robotham, IMF Regional Advisor on Payment Systems, standing on the far right.

**Table 6. Japan-IMF Scholarship Program for Asia: Distribution of Scholars by Country and Affiliation, 1993–2006**

Scholars by Country	Total	Percent	Scholars by Affiliation	Total	Percent
China	63	18	Central bank	159	45
Vietnam	61	17	Ministry of finance/tax authority	84	24
Uzbekistan	41	12	Economic affairs ministry	24	7
Mongolia	33	9	Statistics bureau	17	5
Myanmar	33	9	State-owned commercial bank	11	3
Kyrgyz Republic	28	8	Trade ministry	7	2
Kazakhstan	28	8	Others	49	14
Cambodia	27	8	<b>Total</b>	<b>351</b>	<b>100</b>
Indonesia	10	3			
Tajikistan	8	2			
Lao P.D.R.	8	2			
Philippines	6	1			
Thailand	3	1			
Turkmenistan	2	1			
<b>Total</b>	<b>351</b>	<b>100</b>			

## Scholarship Programs

### Japan-IMF Scholarship Program for Asia

The Japan-IMF Scholarship Program for Asia is a program for graduate studies in macroeconomics or related fields at several leading universities in Japan. The objective of the program is to contribute to institutional capacity building

selected countries in sub-Saharan Africa, TA to strengthen the commercial court and implement the bankruptcy law in Indonesia, TA to the Democratic Republic of the Congo in the monetary and financial systems sector, an evaluation of PFTAC, and a mid-term evaluation of the AFRITACs. Currently ongoing are evaluations on TA for tax policy in countries undergoing trade and tariff reform, and on experience with implementation of the “upstream approach” for delivery of TA in revenue administration.

of transition and developing economies, by providing educational opportunities to promising junior officials in central banks or in ministries of finance, economy, or planning in East and Central Asia and the Pacific region.<sup>13</sup>

The program, which is operated under the JSA, currently awards up to 55 scholarships a year. For the academic year 2005, 40 new scholarships were awarded, and a total of 50 scholars

<sup>13</sup>The scholarship program targets candidates from Cambodia, China, Indonesia, Kazakhstan, the Kyrgyz Republic, Lao P.D.R., Mongolia, Myanmar, the Philippines, Tajikistan, Thailand, Turkmenistan, Uzbekistan, and Vietnam, as well as the Pacific Island countries. Nationals of other countries in the region are also considered on a case-by-case basis.