

PART 2:

What We Do

The IMF has three main roles:

Economic Surveillance

1 The IMF oversees the international monetary system and monitors the economic and financial policies of its 189 member countries. As part of this surveillance process, which takes place at both the global level and in individual countries, the IMF highlights possible risks to stability and advises on needed policy adjustments.

119
country
health
checks

\$70 billion
to eight
countries,
plus \$325.7 million
to four low-income
developing countries

Lending

2 The IMF provides loans to member countries experiencing actual or potential balance of payments problems to help them rebuild their international reserves, stabilize their currencies, continue paying for imports, and restore conditions for strong economic growth, while correcting underlying problems.

Capacity Development

3 The IMF works with governments around the world to modernize their economic policies and institutions and train their people. This helps promote inclusive growth.

\$306
million
for hands-on
technical advice,
policy-oriented
training, and
peer learning



Economic Surveillance

Through “surveillance,” the IMF oversees the international monetary system, monitors global economic developments, and engages in a health check of the economic and financial policies of its 189 member countries. In addition, the IMF highlights possible stability risks to its member countries and advises their governments on potential policy adjustments, enabling the international monetary system to achieve its goal of facilitating the exchange of goods, services, and capital among countries, thereby sustaining sound economic growth.

INTRODUCTION

IMF surveillance comprises “bilateral surveillance,” in which the IMF appraises and advises on the policies of each member country, and “multilateral surveillance,” in which the IMF provides analysis of the world economy or a group of countries that share certain characteristics. By integrating bilateral and multilateral surveillance, the IMF can ensure a more comprehensive, consistent analysis of “spillovers”—that is, how one country’s policies may affect other countries. In addition, the IMF conducts surveillance of regional financial arrangements and currency unions.

An important element of bilateral surveillance is the Article IV consultation, named after the article of the IMF’s Articles of Agreement that requires a review of economic developments and policies in each IMF member country.

Multilateral surveillance involves monitoring global and regional economic trends and analyzing spillovers from members’ policies onto the global economy.

The IMF also monitors regional and global economic trends and analyzes the impact that member country policies may have on neighboring countries and the global economy. It issues periodic reports on these trends and analysis. The *World Economic Outlook* provides detailed analysis of the global economy and its growth prospects, addressing issues such as the macroeconomic effects of global financial turmoil and the potential for global spillovers, especially those that may result from the economic, fiscal, and monetary policies of large, globally central economies such as the United States, China, and the euro area. The *Global Financial Stability Report* assesses global capital markets and financial imbalances and vulnerabilities that pose potential risks to financial stability. The *Fiscal Monitor* updates medium-term fiscal projections and assesses developments in public finances. The IMF also publishes *Regional Economic Reports* that provide detailed analysis of major regions of the world.

BILATERAL SURVEILLANCE

The Article IV Consultation Process: An Annual Assessment

Article IV consultations cover a range of important macrocritical issues—fiscal, financial, foreign exchange, monetary, and structural—and focus on risks and vulnerabilities and policy responses. Economists and other staff members across the IMF participate in the Article IV consultation process. The consultations consist of a two-way policy dialogue between the IMF and country authorities. The IMF team meets with an individual country’s government and central bank officials, as well as other stakeholders—such as parliamentarians, business representatives, civil society, and labor unions—to help evaluate the country’s economic policies and direction. The IMF staff then presents a report to the IMF’s Executive Board, normally for discussion. The consultation then concludes, and the IMF sends country authorities a summary of the meeting. In most cases, and after the member country agrees, the Board’s assessment is published as a press release, along with the associated staff reports. In FY2019, the IMF conducted 119 Article IV consultations (Web Table 2.1).

Financial Sector Assessment Program

Checking the health of member countries’ financial sectors is important to maintaining global financial stability. The IMF conducts mandatory assessments every five years of 29 jurisdictions whose financial sectors are deemed systemically important and assesses other members’ financial sectors on a voluntary basis. The Financial Sector Assessment Program features an in-depth analysis of risk and resilience as well as an assessment of the financial sector policy framework and financial sector safety nets, leading to a set of key policy recommendations to prevent financial instability.

In FY2019, the Board was briefed on 12 assessments under the Financial Sector Assessment Program: Armenia, Australia, Brazil, the euro area, Jamaica, Kuwait, Malta, North Macedonia, Peru, Poland, Romania, and Tanzania.

The 2020 Financial Sector Assessment Program review will take place amid a fast-evolving macro-financial landscape. Monetary policy normalization in key advanced economies, financial innovations such as fintech, and emerging risks from digitalization and cyber risks present new challenges for financial stability. To adapt to these realities, the review will focus on examining the scope of financial stability assessments under the Financial Sector Assessment Program; strengthening the program's analytical foundations; improving traction, including integration with other elements of IMF financial surveillance; reviewing participation, including the list of mandatory assessments; and examining costs in a budget-constrained environment.

REGIONAL SURVEILLANCE

Common Policies

IMF policy advice to members of currency unions highlighted the challenge of sustaining growth against a volatile global backdrop. Countries of the West African Economic and Monetary Union (WAEMU) have seen their economies expand at an average of 6 percent for the seventh consecutive year. This is despite higher oil prices and security concerns. Yet, with still large fiscal deficits and public sector operations, public debt and the cost of its service have risen. Sustaining a favorable outlook, therefore, hinges on continued efforts to strengthen public finances and implement reforms to improve the business environment.

These reforms are even more urgent for countries in the Central African Economic and Monetary Community (CEMAC), where the economic situation remains challenging. Growth is still sluggish amid deteriorating conditions of the banking sector, due to large government arrears. Reforms to improve governance and strengthen the financial sector are equally important to sustain a gradual improvement in the medium-term outlook.

Following the catastrophic impact of Hurricanes Irma and Maria in 2017, countries in the Eastern Caribbean Currency Union (ECCU) are seeing a gradual recovery. Tourist inflows are slowly picking up in hurricane-struck countries and have remained strong elsewhere. Conditions remain favorable to

growth, but risks are increasing from large fiscal deficits and persistent financial sector weaknesses. In its discussion, the Board agreed that building ex ante resilience to climate change and natural disasters is a key priority. This includes investment in resilient infrastructure that would reduce damages and losses from disasters, promote private investment, and stem outward migration.

MULTILATERAL SURVEILLANCE

Early Warning Exercise

The Early Warning Exercise is an important part of the institution's surveillance work and is conducted twice a year in coordination with preparation of the flagship publications (*World Economic Outlook*, *Global Financial Stability Report*, *Fiscal Monitor*).

The findings of the exercise are strictly confidential and presented exclusively to the members of the International Monetary and Financial Committee during the IMF–World Bank Spring and Annual Meetings. Early Warning Exercise follow-up takes place in the context of bilateral and multilateral surveillance activities. The IMF and the Financial Stability Board cooperate closely on the exercise to provide an integrated perspective on tail risks and vulnerabilities. The IMF takes a leading role in macroeconomic, macro-financial, macro-structural, technological, and sovereign risk concerns, and the Financial Stability Board focuses on financial system regulatory and supervisory issues.

External Sector Report

The *External Sector Report* provides multilaterally consistent assessments of member countries' external sectors, including their exchange rates, current accounts, reserves, capital flows, and external balance sheets. This report is one of the flagship reports (along with the *World Economic Outlook*, *Global Financial Stability Report*, and *Fiscal Monitor*). It has been produced annually since 2012 and covers 29 of the world's largest economies, plus the euro area, representing about 90 percent of global GDP. The *External Sector Report* is part of a continuous effort to provide a rigorous and candid assessment of global excess imbalances and their causes and to address the possible spillover effects of members' policies on global external stability.



The Executive Board discussed the 2018 report, issued along with individual economy assessments, in a formal session in July 2018. Directors broadly supported the findings of the report and its policy recommendations and welcome the efforts to refine the methodology and broaden the reach of the report.

Semiannual Reports

The *World Economic Outlook*, the *Global Financial Stability Report*, and the *Fiscal Monitor* provide analysis on the latest global economic developments. In addition, the IMF staff produces a surveillance note for meetings of the Group of Twenty twice a year.

POLICY ADVICE

The Managing Director's Global Policy Agenda

In April 2019, IMF Managing Director Christine Lagarde presented her Global Policy Agenda, “Joint Responsibility, Shared Rewards,” in an informal session of the Executive Board. The agenda stressed that although international cooperation, economic and financial integration, and technological progress have delivered enormous benefits across the globe during the past decades, these benefits have not been sufficiently shared to prevent eroding trust in institutions and weakening support for the global system that has made these gains possible.

This loss of trust comes at a time when the world is facing challenges from rapid technological advances, uncertainty about the future of work, demographic shifts, environmental degradation, and climate change. These challenges can be met only through a new multilateralism that instills confidence that the costs and rewards of lasting solutions will be shared by all. Policymakers are called on to reorient domestic and international policies to better manage the economic and social consequences of international integration and technological advances while being mindful of the global footprint of their actions.





The concept of a new multilateralism hinges on three complementary and reinforcing areas of policy action: domestic policies to build more resilient economies and promote economic opportunities, upgraded global cooperation that will provide a more level playing field across borders, and a commitment to work together on broader global challenges, such as climate change.

Capital Flows in Practice and IMF Taxonomy of Capital Flow Management Measures

In July 2018, the IMF staff published the paper “The IMF’s Institutional View on Capital Flows in Practice,” which provides an overview of the IMF’s framework and its implementation to ensure consistent advice to member countries on policies related to capital flows, taking into account country-specific circumstances. “The IMF 2018 Taxonomy of Capital Flow Management Measures,” published in September 2018, serves as a reference for the various types of capital flow measures undertaken by countries to manage capital flows since the adoption of the institutional view in 2012. Both papers are part of the IMF’s efforts to build understanding of the institutional view and its application in practice.

FINANCIAL SECTOR

Strategy on Anti-Money Laundering and Combating the Financing of Terrorism

In November 2018, the Executive Board reviewed the IMF’s strategy on anti-money laundering. A multipronged approach has enabled the IMF to address issues related to money laundering, terrorism financing, proliferation of weapons of mass destruction financing, and broader financial-integrity-related issues, including developing and emerging issues such as those related to correspondent banking relationships and financial technology (fintech). There have also been efforts to increase synergies between the different work streams in order to strengthen the efficiency and impact of the IMF’s anti-money laundering and combating the financing of terrorism work—including in surveillance, IMF-supported programs, Financial Sector Assessment Programs, and capacity development activities.

To expand its reach and maximize the impact of the IMF's overall involvement in anti-money laundering and combating the financing of terrorism assessment work, the Executive Board supported the shift to fewer IMF-led assessments while increasing the staff's participation in the quality and consistency review of other assessments and in more training efforts.

Global Financial Stability Report

The Executive Board reviewed the April 2019 *Global Financial Stability Report*, which found that despite significant variability over the past two quarters, financial conditions remain accommodative. As a result, financial vulnerabilities have continued to build in the sovereign, corporate, and nonbank financial sectors in several systemically important countries, leading to elevated medium-term risks. The report provides an overall assessment of these vulnerabilities while focusing specifically on corporate sector debt in advanced economies, the sovereign-financial sector nexus in the euro area, China's financial imbalances, volatile portfolio flows to emerging markets, and downside risks to the housing market.

The IMF Adopts a Decision on the Core Principles for Islamic Finance Regulation for Banking

The Islamic finance sector continues to grow and evolve in size and complexity. Global Islamic financial assets have reached about \$2 trillion, with the banking sector accounting for about 85 percent of the total assets. Islamic banking takes place in more than 60 countries, and the industry is now systemically important in 13 jurisdictions.

The growth of Islamic finance presents important opportunities to strengthen financial inclusion, deepen financial markets, and mobilize funding for development by offering new modes of finance and attracting unbanked populations that have not participated in the financial system. Islamic banks undertake distinct operations with risk profiles and balance sheet structures that differ in important respects from those of conventional banks, with associated financial stability implications.

In May 2018, the Executive Board endorsed a proposal on the use of the Core Principles for Islamic Finance Regulation, which were developed by the Islamic Financial Services Board with the participation of the Secretariat of the Basel Committee on Banking Supervision. The core principles will complement the international architecture for financial stability while motivating improvement in the prudential framework for the Islamic banking industry across jurisdictions. The use of the core principles would help strengthen evenhandedness and consistency in surveillance, program design, and technical assistance.

FISCAL ISSUES

Fiscal Transparency Initiative: Integration of Natural Resource Management Issues

Fiscal transparency and good governance are particularly important to help manage nonrenewable natural resources in an equitable and sustainable manner. The exhaustible nature of natural resources and the scale of economic rents raise fiscal transparency considerations at each stage of resource revenue management. The limited opportunity to extract nonrenewable resources raises the bar for governments to use the resulting revenues for the benefit of both current and future generations. The potential for large rents makes the sector particularly vulnerable to corruption and calls for strong accountability mechanisms.

In December 2018, the Executive Board discussed a proposal that integrates into the Fiscal Transparency Code a new fourth pillar (Pillar IV) on natural resource revenue management. Pillar IV aims to reflect both established transparency practices in the extractive industries as well as emerging norms, such as the publication of resource payments and contracts and the disclosure of beneficial owners of resource rights. It also reflects the lessons learned from pilot fiscal transparency evaluations, such as in Peru and Mexico, and extensive stakeholder feedback. The new structure complements Pillars I–III, which were published in 2014, focusing more generally on fiscal reporting, fiscal forecasting and budgeting, and fiscal risk analysis and management.

IMF Board Takes Stock of Work on Fiscal Space

In May 2018, staff members updated the Executive Board on their experience with the fiscal space framework piloted in 24 countries during 2017–18. Fiscal space is defined as room to undertake discretionary fiscal policy relative to existing plans without endangering market access and debt sustainability. The framework is multidimensional, with country-specific factors and IMF staff judgment playing a significant role in the final judgment.

The review finds that the framework has generally worked well. It generated fiscal space assessments that were broadly in line with its underlying logic and indicators and supported evidence-based and evenhanded internal review of country documents. It also stressed that the availability of space does not necessarily mean that it should be used or should not be further expanded.

The framework also showed that despite elevated levels of public debt, most countries had at least some space. Advanced economies in general were found to have more space than emerging markets, mainly because their financing is more secure, largely reflecting greater credibility and institutional strength.

Implementation of the framework revealed a few potential areas for modification, such as formal integration of contingent liabilities and adjustments to capture specifics of commodity producers and low-income countries.

Public Investment Management Assessment— Review and Update

Public investment can be an important catalyst for economic growth, but the benefit of ramped-up investment depends crucially on its efficiency. The increase in public investment in emerging market and low-income countries has partially closed the gap between richer and poorer countries in terms of the quality of, and access to, social infrastructure. However, the average country loses about 30 percent of the value of its investment to inefficiencies in its public investment processes. Improvements in infrastructure governance can help countries close up to two-thirds of that “efficiency gap.”

The Public Investment Management Assessment is the IMF’s key tool for assessing infrastructure governance over the full investment cycle and supporting economic institution building. In May 2018, an IMF paper reviewed the experience with the Public Investment Management Assessment framework conducted in more than 30 countries. Building on the lessons and findings from the first wave of assessment exercises, the original framework was slightly revised. The revised assessment retains the key features of the 2015 framework, including the three-phase structure (planning, allocation, and implementation) and highlights some critical governance aspects more prominently. These include aspects such as maintenance, procurement, and independent review of projects, as well as adequacy of the legal framework and staff capacity. Public Investment Management Assessments are part of the IMF’s Infrastructure Policy Support Initiative.





Corporate Taxation in the Global Economy

Public perceptions that some large multinational companies pay little tax have raised concern about the effectiveness and fairness of the overall tax system and focused attention on the need for a new architecture of international corporate taxation. The practice of shifting profits to low-tax locations is estimated to have deprived non-Organisation for Economic Co-operation and Development countries of about \$200 billion in revenue a year, or about 1.3 percent of GDP. These much-needed resources, especially in low-income countries, could bring about higher and more inclusive growth and enable these countries to meet the 2030 Sustainable Development Goals. The rise of highly profitable, technology-driven, and digital-heavy business models that rely on intangible assets, such as patents, that are hard to appraise and easy to relocate also warrant a rethink of the current international tax rules.

In February 2019, the Executive Board discussed new IMF research reviewing the current state of international corporate income tax arrangements and analyzing options for reform in the context of three key criteria: better addressing profit shifting and tax competition, overcoming legal and administrative obstacles to reform, and ensuring full recognition of the interests of emerging market and developing economies. Executive Directors welcomed the analysis and the discussion on these tax challenges, which are difficult, technically and politically. They also underscored the importance of continued close collaboration with the Organisation for Economic Co-operation and Development and other international organizations active in this area, to ensure that the IMF's work remains complementary to the work of other organizations.

OTHER ISSUES

Comprehensive Surveillance Review

The 2020 Comprehensive Surveillance Review is the first comprehensive review of surveillance since the 2014 Triennial Surveillance Review. The review is forward-looking. It focuses on preparing for the global economic and financial landscape expected in the next decade by realigning the surveillance priorities and redesigning how we engage with countries to enhance the IMF's trust and traction with the membership.

The Comprehensive Surveillance Review will start with a discussion of the broad contours of the macro-financial backdrop that are likely to define the global economy in 2020–30. These include strains on global trade and financial integration, leading to questioning of traditional economic policy prescriptions, and the technological progress and demographic dividends that can be harnessed for the benefit of all people. Drawing on this backdrop, it will then propose surveillance priorities and discuss the potential benefits to the membership from advancing these priorities. The Comprehensive Surveillance Review will also tackle the issue of how to increase the traction of IMF policy advice, including through upgrades to IMF surveillance modalities and product mix.

In view of the forward-looking nature of the IMF's 2020 Comprehensive Surveillance Review, two external advisory groups have been formed to provide overall guidance and bring in cutting-edge thinking and expertise. The External Advisory Group on Surveillance will guide the priorities and strategic direction of the review and subsequently weigh in on the emerging findings and the staff's preliminary recommendations. The External Advisory Group on Digital Technology will provide guidance on potential macroeconomic consequences and policy implications from important technological trends that are underway and help the IMF develop new policy approaches in surveillance through the lens of technological change.

Use of Third-Party Indicators in IMF Reports

The IMF staff sometimes has to draw on other institutions' expertise and estimates when internal expertise is lacking or limited. The use of third-party indicators has played a role in supporting the IMF's evidence-based approach in priority areas such as risks and spillovers, macro-financial and macro-structural issues, and governance and corruption, as well as in the emerging areas of inequality, gender, and climate change.

The varying quality of third-party indicators, however, presents challenges and risks to the IMF's credibility. Some indicators are based on hard data, while others are based on qualitative assessment by experts, experience, perception, or composites of various underlying data sources. Problems may arise from the opacity of some third-party indicators' sources and methodologies, and regarding the quality and reliability of those based on perception or value judgment.

Acting on guidance from the Executive Board provided during FY2018, the IMF in September 2018 issued a guidance note that operationalizes a third-party-indicator framework consisting of three principles for best practice: transparency, robustness, and reflection of stakeholders' views.

DATA

Update on the Data and Statistics Strategy

In FY2019, the IMF continued to develop its Data and Statistics Strategy, which outlines a move toward an ecosystem of data and statistics that enables the IMF and its members to better meet the evolving data needs of a digital world.

A new data governance framework has been created to support the implementation of the strategy. The framework consists of a Chief Statistician and Data Officer for the IMF, who also serves as the Director of the Statistics Department; the Standing Committee on Data and Statistics, a high-level group in charge of stewardship and implementation of the Data and Statistics Strategy; and a Data Governance Group responsible for developing and monitoring the implementation of good data management policies, practices, and guidelines for IMF data.

As part of this strategy, a new data scientist professional track will further enable statistical innovation (including of big data and machine learning techniques) and facilitate its mainstreaming into the IMF's work. The IMF's publications program has also shifted from print to digital only for statistical publications effective January 2019. Users will continue to have online access to the data underpinning the publications.

Enhanced General Data Dissemination System

Under the enhanced General Data Dissemination System (e-GDDS), endorsed by the IMF Executive Board in May 2015, country authorities commit to publishing the data that support their ongoing policy dialogue with IMF staff. Publication—via the National Summary Data Page, a one-stop online data portal—follows the authorities' agreed on periodicity and timeliness, with data easily accessible, including for machine-to-machine transmission.

The effort is fostering international cooperation, with the African Development Bank and the Inter-American Development Bank providing material support for the installation of an information technology infrastructure (open data platform) that sustains National Summary Data Pages in selected countries in Africa and the Western Hemisphere.



Implementation of the e-GDDS proceeded in a number of countries during the year. These include Angola, Azerbaijan, The Bahamas, Bosnia and Herzegovina, Burkina Faso, Cambodia, the Dominican Republic, Fiji, The Gambia, Ghana, Kenya, Lao People's Democratic Republic, Myanmar, Oman, Pakistan, Panama, Serbia, Timor-Leste, Togo, Uzbekistan, the United Arab Emirates, and Vanuatu.

Special Data Dissemination Standard

Subscription to the Special Data Dissemination Standard enhances the availability of timely statistics, thereby contributing to sound macroeconomic policies and more efficient functioning of financial markets. During FY2019, Mongolia subscribed to the Special Data Dissemination Standard, the first case in Asia in which implementation of e-GDDS has facilitated advancement to the Special Data Dissemination Standard.

Special Data Dissemination Standard Plus

The highest tier of the IMF's Data Dissemination Initiatives, the Special Data Dissemination Standard Plus, is intended primarily for economies that play a leading role in international capital markets and whose financial institutions are globally interconnected. During FY2019, Finland, Latvia, Lithuania, and North Macedonia adhered to the Special Data Dissemination Standard Plus.

The number of countries publishing key economic indicators under the IMF Data Standards Initiatives increased from 83 to 121 between April 2017 and March 2019, representing a 46 percent increase.



Group of Twenty (G20) Data Gaps Initiative

In September 2018, the Financial Stability Board and the IMF published the third progress report on the implementation of phase two of the G20 Data Gaps Initiative (DGI-2). The report updates the work undertaken since September 2017 to advance implementation of recommendations aimed at addressing the data gaps identified after the global financial crisis and promoting the regular flow of timely and reliable statistics for policy use. The 2019 Data Gaps Initiative work program includes three thematic workshops (on real estate prices, sectoral accounts, and securities statistics) and the annual Global Conference. Progress on the overall initiative will be reported to the G20 Finance Ministers and Central Bank Governors in September 2019 in the *Fourth IMF/FSB Progress Report of the Second Phase of the DGI-2*.

Gaps in Financial Inclusion

The IMF's Financial Access Survey (FAS) collects annual data on access to and use of financial services—important pillars of financial inclusion. This year's survey, FAS 2018, expanded in three new dimensions: mainstreaming gender disaggregated data; reporting nonbranch retail agent outlets, a form of branchless banking; and tracking the number of debit and credit cards in circulation.

According to FAS data, retail agent outlets—typically including retail stores, post offices, and small businesses acting on behalf of banks—have made substantial inroads in south Asia and Latin America. Data also suggest that mobile money growth continues across regions, with low-income countries leading the way. On average, the number of mobile money accounts per 1,000 adults in a low-income country is more than twice the number of bank accounts per 1,000 adults. While mobile money growth shows no sign of ebbing in sub-Saharan Africa, other regions of the world are not far behind. Bangladesh, Indonesia, Pakistan, and the Philippines are some examples of countries experiencing high mobile money growth in Asia.



Gender-disaggregated data suggest varied progress on closing the financial inclusion gender gap. These variations across countries could be linked to cross-country differences such as those in women's labor force participation rates—something that merits further attention.

The FAS is based on administrative data collected by central banks or financial regulators from financial institutions and service providers. Currently, the data set covers 189 countries spanning more than 10 years and contains more than 100 time series on financial access and use. The FAS was funded by the Netherlands Ministry of Foreign Affairs until October 2018 and subsequently folded into the IMF's new Data for Decisions Fund, which currently supports the Financial Access Survey.

The Sixth IMF Statistical Forum: Measuring Economic Welfare in the Digital Age: What and How?

The sixth IMF Statistical Forum was held in Washington, DC, in November 2018 with a theme of measuring welfare in the digital age. The papers submitted considered practical steps toward a more people-focused approach to macroeconomic statistics and toward better understanding of the effects of digitalization. Questions addressed included income distribution measures for national accounts, the consumer surplus from free digital platforms such as Facebook and from online shopping, the value of data, and investment in open source software.



Lending

Unlike development banks, the IMF does not lend for specific projects but instead to member countries that experience balance of payments difficulties, to give them time to rectify economic policies and restore growth without having to resort to actions damaging to their own or other members' economies. IMF financing is meant to help member countries tackle balance of payments problems, stabilize their economies, and restore sustainable economic growth. This crisis-resolution role is at the core of IMF lending activities.

In broad terms, the IMF has two types of lending—loans provided at nonconcessional interest rates and loans provided to low-income countries on concessional terms, with interest rates that are low or in some cases zero. Currently, no concessional loans bear any interest.

The global financial crisis highlighted the need for an effective global financial safety net to help countries cope with potential adverse shocks. A key objective of recent lending reforms has therefore been to complement the IMF's traditional role of resolving crises with additional tools for preventing crises.

NONCONCESSIONAL FINANCING ACTIVITY

GRA Resources

The General Resources Account (GRA) is the principal account of the IMF, consisting of a pool of currencies and reserve assets that represent the paid subscriptions of member countries' quotas. It is the account from which the nonconcessional lending operations of the IMF are financed. In FY2019, the Executive Board approved seven new arrangements, as well as one augmentation (to Argentina) and one diminution (to Mexico) to two existing arrangements, under the IMF's nonconcessional financing instruments, amounting to a net total of SDR 50.5 billion (\$70.0 billion at the SDR/dollar exchange rate on April 30, 2019, of \$1 = SDR 0.721626). Two of these new arrangements were precautionary.

A Stand-By Arrangement (and subsequent augmentation) with Argentina (SDR 40.7 billion) accounted for nearly 70 percent of new commitments (excluding the diminution to Mexico of SDR 8,917.7 million). The remaining 30 percent comprised another Stand-By Arrangement with Ukraine (SDR 2,800.0 million); three extended arrangements under the Extended

Fund Facility with Barbados (SDR 208.0 million), Angola (SDR 2,673.0 million), and Ecuador (SDR 3,035.0 million); an arrangement under the Flexible Credit Line with Colombia (SDR 7,848.0 million); and an arrangement under the Precautionary and Liquidity Line with Morocco (SDR 2,150.8 million). Table 2.1 details the arrangements approved during the financial year, and Figure 2.1 shows the arrangements approved over the past 10 financial years.

During FY2019, disbursements under financing arrangements from the General Resources Account, referred to as "purchases," totaled SDR 34.0 billion (\$47.2 billion). Of these purchases, more than 93 percent were made by Argentina, Egypt, and Ukraine.

Total repayments, termed "repurchases," for the financial year amounted to SDR 8.2 billion (\$11.4 billion). Reflecting the significantly larger purchases relative to repurchases, the stock of General Resources Account credit outstanding increased to SDR 63.7 billion (\$88.3 billion) from SDR 37.9 billion (\$52.5 billion) a year earlier. Figure 2.2 shows the stock of nonconcessional loans outstanding during the past 10 financial years.

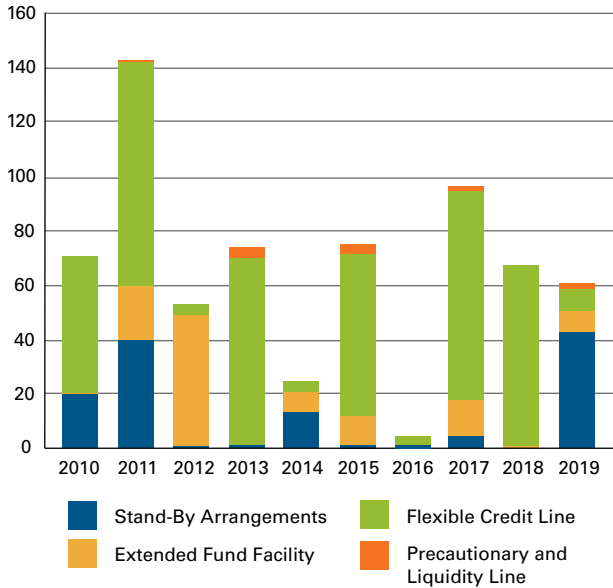
Table 2.1
Arrangements approved in the General Resources Account in FY2019
(Millions of SDRs)

Member	Type of arrangement	Effective date	Amount approved
NEW ARRANGEMENTS			
Colombia	24-month Flexible Credit Line	May 25, 2018	7,848.0
Argentina	36-month Stand-By Arrangement	June 20, 2018	35,379.0
Barbados	48-month Extended Fund Facility	October 1, 2018	208.0
Angola	36-month Extended Fund Facility	December 7, 2018	2,673.0
Morocco	24-month Precautionary and Liquidity Line	December 17, 2018	2,150.8
Ukraine	14-month Stand-By Arrangement	December 18, 2018	2,800.0
Ecuador	36-month Extended Fund Facility	March 11, 2019	3,035.0
Subtotal			54,093.8
AUGMENTATION/DIMINUTION OF EXISTING ARRANGEMENTS			
Argentina	Augmentation of 36-month Stand-By Arrangement	October 26, 2018	5,335.0
Mexico	Diminution of 24-month Flexible Credit Line	November 26, 2018	-8,912.7
Subtotal			-3,577.7
Total			50,516.1

Source: IMF Finance Department.

Figure 2.1
Arrangements approved in the General Resources Account during financial years ending April 30, 2010–19

(In billions of SDRs, Financial year)



Source: IMF Finance Department.
 Note: Chart shows amount of new arrangements in each fiscal year and does not include augmentations or diminutions of existing arrangements in fiscal years following program approval.

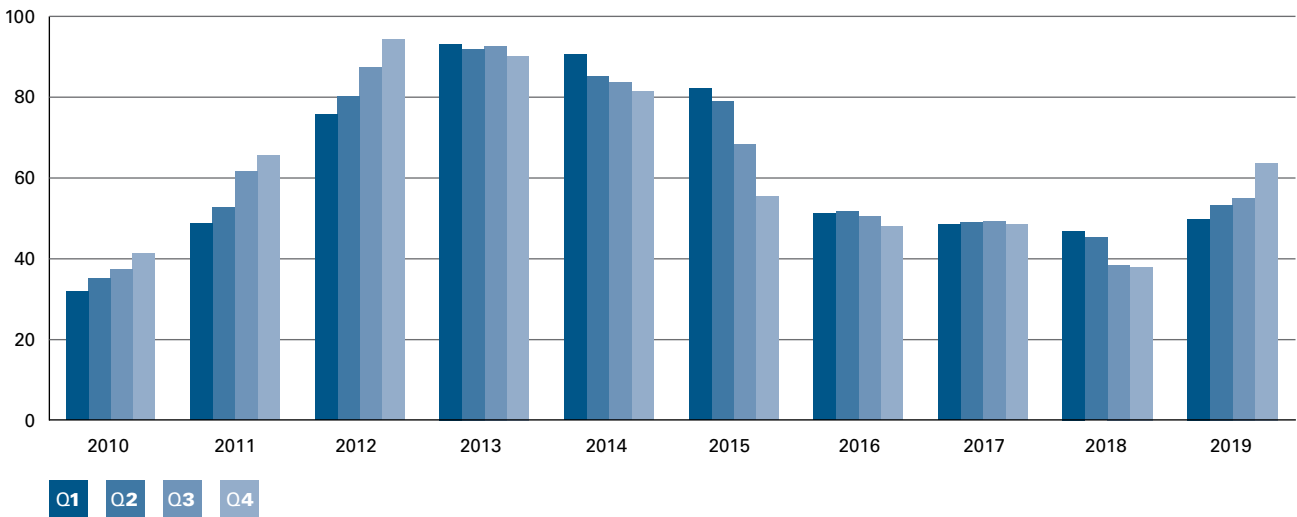
GRA Borrowing

The IMF is a quota-based institution, and its aggregate quota resources were doubled through implementation of the quota increases under the 14th General Review. However, borrowed resources continue to play a key role in supplementing quota resources. The New Arrangements to Borrow, a set of credit arrangements with 40 participants totaling about SDR 182 billion, serves as a second line of defense after quotas. On February 25, 2016, the IMF Executive Board terminated early the activation period under the New Arrangements to Borrow (which had originally covered October 1, 2015, through March 31, 2016) in light of the effectiveness of the 14th General Review of quotas on January 26, 2016.

The current set of New Arrangements to Borrow was renewed in November 2016 and became effective for the five-year period from November 17, 2017, to November 16, 2022.

Figure 2.2
Nonconcessional loans outstanding, FY2010–19

(Billions of SDRs)



Source: IMF Finance Department.



The IMF also has bilateral borrowing agreements that provide a third line of defense after quotas and the New Arrangements to Borrow. These agreements, under the 2016 borrowing framework, allow the IMF to maintain access on a temporary basis to bilateral borrowing from the membership and thereby to avoid a sharp contraction in lending capacity. Borrowing agreements under the 2016 framework have a common maximum term of December 31, 2020, with an initial term of December 31, 2019, extendable for an additional year with the consent of the creditors. As of April 30, 2019, 40 member countries had committed a total of about SDR 316 billion, or \$439 billion, in bilateral borrowing.

The General Arrangements to Borrow provided a more limited backstop to the IMF's quota resources when a proposal to activate the New Arrangements to Borrow was not accepted by its participants. The General Arrangements to Borrow did not add to the IMF's overall resource envelope, because its commitments reduced the amount available under the New Arrangements to Borrow by an equal amount. The General Arrangements to Borrow decision was not renewed when its term expired on December 25, 2018, following a unanimous agreement by participants to allow it to lapse.

Table 2.2
Financial terms under IMF General Resources Account credit

This table shows major nonconcessional lending facilities. Stand-By Arrangements have long been the core lending instrument of the institution. In the wake of the 2007–09 global financial crisis, the IMF strengthened its lending toolkit. A major aim was to enhance crisis prevention instruments through the creation of the Flexible Credit Line (FCL) and the Precautionary and Liquidity Line (PLL). In addition, the Rapid Financing Instrument (RFI), which can be used in a wide range of circumstances, was created to replace the IMF's emergency assistance policy.

Credit facility (year adopted) ¹	Purpose	Conditions	Phasing and monitoring
Stand-By Arrangements (SBA) (1952)	Short- to medium-term assistance for countries with short-term balance of payments difficulties	Adopt policies that provide confidence that the member's balance of payments difficulties will be resolved within a reasonable period	Generally quarterly purchases (disbursements) contingent on observance of performance criteria and other conditions
Extended Fund Facility (EFF) (1974) (Extended Arrangements)	Longer-term assistance to support members' structural reforms to address long-term balance of payments difficulties	Adopt up to a four-year program, with a structural agenda and an annual detailed statement of policies for the subsequent 12 months	Quarterly or semiannual purchases (disbursements) contingent on observance of performance criteria and other conditions
Flexible Credit Line (FCL) (2009)	Flexible instrument in the credit tranches to address all balance of payments needs, potential or actual	Very strong ex ante macroeconomic fundamentals, economic policy framework, and policy track record	Approved access available up front throughout the arrangement period; two-year FCL arrangements are subject to a midterm review after one year
Precautionary and Liquidity Line (PLL) (2011)	Instrument for countries with sound economic fundamentals and policies	Sound policy frameworks, external position, and market access, including financial sector soundness	Large front-loaded access, subject to semiannual reviews (for one- to two-year PLL)
Rapid Financing Instrument (RFI) (2011)	Rapid financial assistance to all member countries facing an urgent balance of payments need	Efforts to solve balance of payments difficulties (may include prior actions)	Outright purchases without the need for full-fledged program or reviews

Source: IMF Finance Department.

¹ The IMF's lending through the General Resources Account (GRA) is financed primarily from the capital subscribed by member countries; each country is assigned a quota that represents its financial commitment. A member provides a portion of its quota in Special Drawing Rights (SDRs) or the currency of another member acceptable to the IMF and the remainder in its own currency. An IMF loan is disbursed or drawn by the borrower's purchase of foreign currency assets from the IMF with its own currency. Repayment of the loan is achieved by the borrower's repurchase of its currency from the IMF with foreign currency.

² The rate of charge on funds disbursed from the GRA is set at a margin (currently 100 basis points) over the weekly SDR interest rate. The rate of charge is applied to the daily balance of all outstanding GRA drawings during each IMF financial quarter. In addition, a one-time service charge of 0.5 percent is levied on each

Access limits ¹	Charges ²	Repayment schedule (years)	Installments
Annual: 145% of quota; cumulative: 435% of quota	Rate of charge plus surcharge (200 basis points on amounts above 187.5% of quota; additional 100 basis points when outstanding credit remains above 187.5% of quota for more than 36 months) ³	3¼–5	Quarterly
Annual: 145% of quota; cumulative: 435% of quota	Rate of charge plus surcharge (200 basis points on amounts above 187.5% of quota; additional 100 basis points when outstanding credit remains above 187.5% of quota for more than 51 months) ³	4½–10	Semiannual
No preset limit	Rate of charge plus surcharge (200 basis points on amounts above 187.5% of quota; additional 100 basis points when outstanding credit remains above 187.5% of quota for more than 36 months) ³	3¼–5	Quarterly
125% of quota for six months; 250% of quota available on approval of one- to two-year arrangements; total of 500% of quota after 12 months of satisfactory progress	Rate of charge plus surcharge (200 basis points on amounts above 187.5% of quota; additional 100 basis points when outstanding credit remains above 187.5% of quota for more than 36 months) ³	3¼–5	Quarterly
Annual: 37.5% of quota (60% for large natural disasters); cumulative: 75% of quota	Rate of charge plus surcharge (200 basis points on amounts above 187.5% of quota; additional 100 basis points when outstanding credit remains above 187.5% of quota for more than 36 months) ³	3¼–5	Quarterly

drawing of IMF resources in the GRA, other than reserve tranche drawings. An up-front commitment fee (15 basis points on committed amounts of up to 115 percent of quota, 30 basis points for amounts in excess of 115 percent and up to 575 percent of quota, and 60 basis points for amounts in excess of 575 percent of quota) applies to the amount available for purchase under arrangements (SBAs, EFFs, PLLs, and FCLs) that may be drawn during each (annual) period; this fee is refunded on a proportionate basis as subsequent drawings are made under the arrangement.

³ Surcharges were introduced in November 2000. A new system of surcharges took effect August 1, 2009, and was updated on February 17, 2016, with some limited grandfathering for existing arrangements.

Table 2.3

Concessional lending facilities

Three concessional lending facilities for low-income developing countries are available.

	Extended Credit Facility (ECF)	Standby Credit Facility (SCF)	Rapid Credit Facility (RCF)
Objective	Help low-income countries achieve and maintain a stable and sustainable macroeconomic position consistent with strong and durable poverty reduction and growth		
Purpose	Address protracted balance of payments problems	Resolve short-term balance of payment needs	Low-access financing to meet urgent balance of payments needs
Eligibility	Countries eligible for assistance under the Poverty Reduction and Growth Trust (PRGT)		
Qualification	Protracted balance of payments problem; actual financing need over the course of the arrangement, though not necessarily when lending is approved or disbursed	Potential (precautionary use) or actual short-term balance of payments need at the time of approval; actual need required for each disbursement	Urgent balance of payments need when upper-credit-tranche (UCT) program is either not feasible or not needed ¹
Poverty Reduction and Growth Strategy	IMF-supported program should be aligned with country-owned poverty reduction and growth objectives and should aim to support policies that safeguard social and other priority spending		
	Submission of Poverty Reduction Strategy (PRS) document	Submission of PRS document not required; if financing need persists, SCF user would request an ECF arrangement with associated PRS documentation requirements	Submission of PRS document not required
Conditionality	UCT-quality; flexibility on adjustment path and timing	UCT-quality; aim to resolve balance of payments need in the short term	No ex post conditionality; track record used to qualify for repeat use (except under the shocks window and the natural disasters window)
Access Policies	Annual limit of 75% of quota; cumulative limit (net of scheduled repayments) of 225% of quota. Limits are based on all outstanding PRGT credit. Exceptional access to PRGT resources: annual limit of 100% of quota; cumulative limit (net of scheduled repayments) of 300% of quota		
	Norms and sublimits ²		
	The access norm is 90% of quota per three-year ECF arrangement for countries with total outstanding concessional IMF credit under all facilities of less than 75% of quota, and is 56.25% of quota per three-year arrangement for countries with outstanding concessional credit of between 75% and 150% of quota.	The access norm is 90% of quota per 18-month SCF arrangement for countries with total outstanding concessional IMF credit under all facilities of less than 75% of quota, and is 56.25% of quota per 18-month arrangement for countries with outstanding concessional credit of between 75% and 150% of quota.	There is no norm for RCF access. Sublimits (given lack of UCT conditionality): total stock of RCF credit outstanding at any point in time cannot exceed 75% of quota (net of scheduled repayments). The access limit under the RCF over any 12-month period is set at 18.75% of quota, under the “shocks window” at 37.5% of quota, and under the “large natural disasters window” at 60% of quota. Purchases under the RFI made after July 1, 2015, count toward the applicable annual and cumulative RCF limits.

	Extended Credit Facility (ECF)	Standby Credit Facility (SCF)	Rapid Credit Facility (RCF)
Financing Terms³	Interest rate: Currently zero Repayment terms: 5½–10 years	Interest rate: Currently zero Repayment terms: 4–8 years Availability fee: 0.15% on available but undrawn amounts under precautionary arrangement	Interest rate: Zero Repayment terms: 5½–10 years
Blending Requirements with General Resources Account (GRA) Financing	Based on income per capita and market access; linked to debt vulnerability. For members presumed to blend, blending of PRGT:GRA resources takes place in the ratio 1:2.		
Precautionary Use	No	Yes, annual access at approval is limited to 56.25% of quota while average annual access at approval cannot exceed 37.5% of quota	No
Length and Repeated Use	3–4 years (extendable to 5); can be used repeatedly	12–24 months; use limited to 2½ of any 5 years ⁴	Outright disbursements; repeated use possibly subject to access limits and other requirements
Concurrent Use	General Resources Account (Extended Fund Facility/Stand-By Arrangement)	General Resources Account (Extended Fund Facility/Stand-By Arrangement) and Policy Support Instrument	General Resources Account (Rapid Financing Instrument and Policy Support Instrument); credit under the RFI counts toward the RCF limits

Source: IMF Finance Department.

¹ UCT-quality conditionality is the set of program-related conditions intended to ensure that IMF resources support the program's objectives, with adequate safeguards to the IMF resources.

² Access norms do not apply when outstanding concessional credit is above 150% of quota. In those cases, access is guided by consideration of the access limit of 225% of quota (or exceptional access limit of 300% of quota), expectation of future need for IMF support, and the repayment schedule.

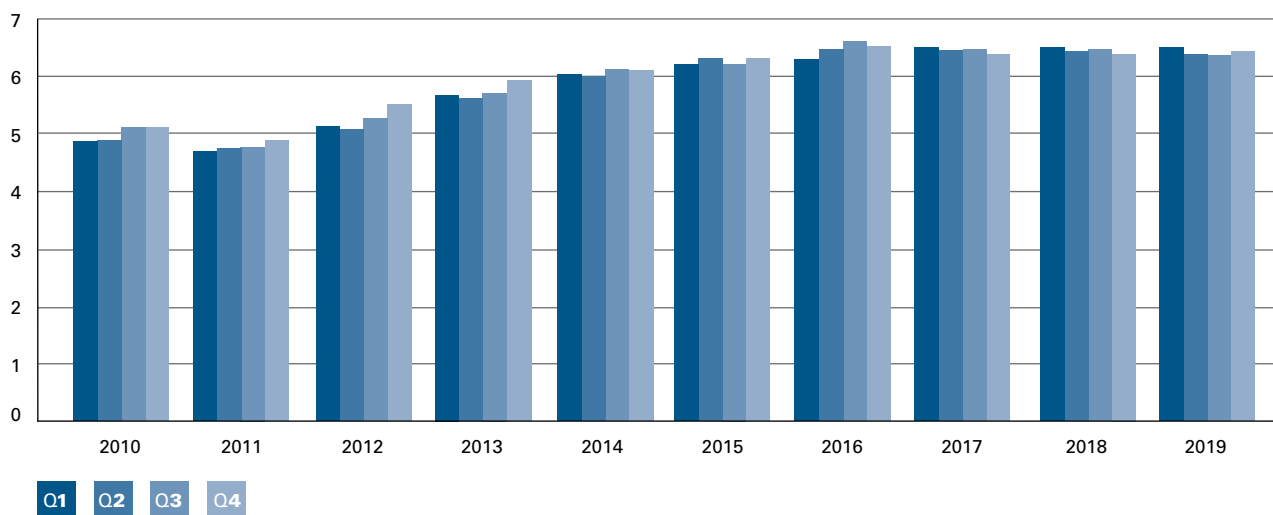
³ The IMF reviews interest rates for all concessional facilities every two years. At the latest review in October 2016, the Executive Board approved zero interest rates on the ECF and SCF through the end of December 2018 and a modification of the interest mechanism ensuring that rates remain at zero for as long as (and whenever) global rates are low. In July 2015, the Executive Board permanently set the interest rate on the RCF to zero. In December 2018, the Executive Board extended the zero percent interest rate on outstanding balances of PRGT loans under the ECF, SCF, and Exogenous Shocks Facility through the end of June 2019.

⁴ SCFs treated as precautionary do not count toward the time limits.

Figure 2.3

Concessional loans outstanding, FY2010–19

(Billions of SDRs)



Source: IMF Finance Department.

CONCESSIONAL FINANCING ACTIVITY

In FY2019, the IMF committed loans amounting to SDR 235.1 million (\$325.72 million) to its low-income developing member countries under programs supported by the Poverty Reduction and Growth Trust. Total concessional loans outstanding to 52 members amounted to SDR 6.45 billion at the end of April 2019. Table 2.4 details the new arrangements and augmentations of access under existing arrangements under the IMF's concessional financing facilities. Figure 2.3 illustrates amounts outstanding on concessional loans over the past decade.

The IMF's framework for concessional financing is regularly reviewed to take account of changing needs. In 2015, the financial safety net for low-income countries was enhanced as part of the international community's wider efforts to support countries in pursuing the Sustainable Development Goals. Key changes included (1) a 50 percent increase in Poverty Reduction and Growth Trust access norms and limits; (2) rebalancing the funding mix of concessional and nonconcessional resources provided to countries that receive IMF financial support in the form of a blend of Poverty Reduction and Growth Trust and General Resources Account resources from a 1:1 to a 1:2 ratio; and (3) setting the interest rate permanently at zero on fast-disbursing support under the Rapid Credit Facility to assist countries in fragile situations and those affected by natural disasters.

An Executive Board discussion in November 2016 clarified various aspects related to applying this financial safety net, including Poverty Reduction and Growth Trust–eligible members' access to the General Resources Account, policies on blending, and the role of norms in determining access. In addition,

- In October 2016, interest rates on all concessional loans were set to zero until December 31, 2018, and the interest-rate-setting mechanism was modified so that interest rates will remain at zero as long as and whenever global interest rates are low. In December 2018, the Executive Board decided that the interest rate of zero percent a year would continue to be applied to outstanding balances of Poverty Reduction and Growth Trust loans under the Extended Credit Facility and the Stand-By Credit Facility through the end of June 2019.
- In May 2017, the Executive Board discussed options to better assist countries, including Poverty Reduction and Growth Trust–eligible members, faced with sudden balance of payments pressures due to major natural disasters. Executive Directors supported a proposal to increase the annual access limit under the Rapid Credit Facility and Rapid Financing Instrument from 37.5 to 60 percent of quota for countries hit by large natural disasters.

The 2018–19 Review of Facilities for Low-Income Countries was initially discussed with the Executive Board in July 2018 to evaluate the experience with the use of concessional facilities and examine options to modify the existing facilities. (The review was completed in May 2019 after the end of the fiscal year covered in this report. The *2020 Annual Report* will report on the completion of this review.) Initial discussions focused on

two broad themes that emerged from consultations with stakeholders and from the staff review of experience: (1) the need to update access policies and financing terms while maintaining adequate safeguards for the resources of the Poverty Reduction and Growth Trust; and (2) the need to explore aspects of the facilities that require additional flexibility to support a very diverse set of potential borrowers. This review is an opportunity for a comprehensive reassessment of the adequacy of the IMF's toolkit for meeting low-income countries' current needs. It is part of a wider policy agenda that includes the Review of Conditionality and Design of Fund-Supported Programs (also to be covered in the *2020 Annual Report*), as well as the implementation of an upgraded Debt Sustainability Framework for low-income countries.

A fundraising round was started in 2015 to support continued concessional lending by the IMF for its poorest and most vulnerable members, and it mobilized SDR 11.4 billion in new Poverty Reduction and Growth Trust loan resources, exceeding its original objective to raise up to SDR 11 billion. Of the 28 potential lenders approached—including 14 new lenders

from among both emerging market and advanced economies—15 had committed to new borrowing agreements as of April 30, 2019. These included two new lenders, Brazil and Sweden.

Regarding debt relief, the Heavily Indebted Poor Countries Initiative has been largely completed. A total of 36 countries, out of 39 of those eligible or potentially eligible, benefited from Heavily Indebted Poor Countries Initiative relief. This includes Chad, the latest beneficiary, which received debt relief in the amount of SDR 17 million in April 2015. The IMF can also provide grants for debt relief to eligible countries through the Catastrophe Containment and Relief Trust, established in February 2015. The Catastrophe Containment and Relief Trust provides exceptional support to countries confronting balance of payments difficulties resulting from major natural disasters, such as massive earthquakes; from life-threatening, fast-spreading epidemics with the potential to affect other countries; and from other types of catastrophes. To date, three countries (Guinea, Liberia, Sierra Leone) have benefited from debt relief under the Catastrophe Containment and Relief Trust. In addition, in 2010, Haiti received SDR 178 million in debt stock relief under the former Post-Catastrophe Debt Relief Trust.

Table 2.4
Arrangements and outright loans approved and augmented under the Poverty Reduction and Growth Trust in FY2019

(Millions of SDRs)

Member	Effective date	Amount approved
NEW THREE-YEAR EXTENDED CREDIT FACILITY ARRANGEMENTS		
Sierra Leone	November 30, 2018	124.4
Subtotal		124.4
AUGMENTATIONS OF EXTENDED CREDIT FACILITY ARRANGEMENTS¹		
Guinea-Bissau	June 1, 2018	5.7
Niger	December 10, 2018	19.7
Subtotal		25.4
NEW RAPID CREDIT FACILITY		
Mozambique	April 19, 2019	85.2
Subtotal		85.2
Total		235.1

Source: IMF Finance Department.

¹ For augmentation, only the amount of the increase is shown.



POLICY COORDINATION INSTRUMENT

The Policy Coordination Instrument, established in 2017, is designed to help countries unlock financing from official and private donors and creditors, as well as demonstrate a commitment to a reform agenda. It enables a policy dialogue between the IMF and countries and monitoring of economic

developments and policies, as well as Board endorsement of those policies. The key design features draw on IMF financing arrangements and the Policy Support Instrument, with some differences. These include no eligibility requirements (it is open to the full membership), a more flexible review schedule, and a review-based approach for monitoring of conditionality.

In FY2019, the Board continued to monitor progress of the Policy Coordination Instrument with Seychelles and approved a Policy Coordination Instrument for Serbia.

Serbia

Serbia was the second IMF member country to request a Policy Coordination Instrument following the completion of the precautionary Stand-By Arrangement in February 2018. The country has made considerable progress toward restoring fiscal sustainability and improving the macroeconomic situation under the IMF program, and the economic outlook remains positive. However, it remains susceptible to spillovers from regional and global developments and market volatility, including potential increased risk aversion for emerging markets.

In July 2018, the Executive Board approved a 30-month Policy Coordination Instrument for Serbia. The Policy Coordination Instrument aims to maintain macroeconomic and financial stability and advance an ambitious structural and institutional reform agenda to foster rapid and inclusive growth, job creation, and improved living standards. Program reviews will take place on a semiannual fixed schedule. Although the Policy Coordination Instrument involves no use of IMF financial resources, successful completion of program reviews will help signal Serbia's commitment to continued strong macroeconomic policies and structural reforms.



POLICY SUPPORT INSTRUMENT

For low-income developing countries that do not want or need an IMF loan, a flexible tool can access the Policy Support Instrument to secure IMF advice and support without a borrowing arrangement. It is a valuable complement to the IMF's lending facilities under the Poverty Reduction and Growth Trust. The Policy Support Instrument helps countries design effective economic programs. And it delivers clear signals to donors, multilateral development banks, and markets: the IMF endorses the strength of a member's policies.

The Policy Support Instrument is designed to promote a close policy dialogue between the IMF and a member country, usually through semiannual IMF assessments of the member's economic and financial policies. It is available to Poverty Reduction and Growth Trust-eligible countries with a poverty reduction strategy and a policy framework focused on consolidating macroeconomic stability and debt substantiality while deepening structural reforms in key areas of constrained growth and poverty reduction. Such reforms support strong and durable poverty reduction and growth for countries whose institutions are capable of supporting continued good performance. In general, policies under the Policy Support Instrument aim to consolidate macroeconomic stability and push ahead with structural measures to boost growth and jobs. These include measures to improve public sector management, strengthen the financial sector, and build up social safety nets. The IMF's Executive Board program reviews play a critical role in assessing performance under the program and allowing it to adapt to economic developments.

In FY2019, the Board completed reviews of the Policy Support Instrument for Rwanda and Senegal.

POST-PROGRAM MONITORING

When a member country borrows money from the IMF, its policies come under closer scrutiny. Once a country has completed its lending program, it may be subject to Post-Program Monitoring, which is an important part of the IMF's safeguard architecture. Such monitoring is generally expected for all member countries that have substantial IMF credit outstanding following the expiration of their programs. The aim is to identify risks to these member countries' medium-term viability and provide early warnings of risks to the IMF's balance sheets. Should it become necessary, IMF staff will advise on policy actions to correct macroeconomic imbalances.

In FY2019, the Executive Board reviewed Post-Program Monitoring progress made by Cyprus and concluded the first such discussions with Albania and Greece.

Albania

In May 2018, the Executive Board concluded the first Post-Program Monitoring discussion with Albania. The Albanian economy has continued to strengthen, with real GDP growth at 3.8 percent (year over year) during 2017, reflecting strong domestic demand driven by a revival in construction, recovery in the labor market and household credit, and large energy-related foreign direct investment projects. Although the ratio of public debt to GDP declined, the pace of fiscal consolidation has slowed since the end of the program, and arrears have accumulated. The current account deficit narrowed to 6.9 percent of GDP, supported by tourism and other services exports, and the level of foreign exchange reserves remains comfortable. Inflation is low, and although credit growth is weak, banks are liquid and stable.

Despite the favorable environment and positive short-term outlook, risks and vulnerabilities remain, emanating from high public debt, nonperforming loans in the financial sector, and weaknesses in public institutions and the judicial system. A slowdown in reforms or spillovers from external shocks could undermine growth prospects and confidence, adversely affecting debt dynamics and creating financing pressures on the government. On the upside, the opening of EU accession negotiations can provide a window of opportunity to lift

implementation of the reform agenda, leading to higher investment and GDP growth.

Executive Directors noted that Albania is enjoying strong economic growth, but it may not last without a significant push for structural reforms. It is therefore critical that the government use the good times to push the reform agenda to lift potential growth and position the country to benefit from potential EU accession.

Greece

In March 2019, the Executive Board concluded the first Post-Program Monitoring discussion for Greece.

The economic recovery in Greece is accelerating and broadening. Growth is projected to reach 2.4 percent this year (up from an estimated 2.1 percent in 2018), supported by exports, private consumption, and investment as sentiment improves. A gradual recovery in private deposits has facilitated a further relaxation of capital flow management measures, though bank lending remains negative. Over the medium term, economic expansion is expected to slow to just above 1 percent.

Greece's medium-term debt repayment capacity is adequate, but subject to rising risks amid still significant vulnerabilities. Debt to GDP is projected to remain on a downward trajectory in the medium term thanks to continued high primary surpluses agreed to with European partners, nominal GDP growth, and debt relief, which provided for a substantial precautionary cash buffer and low debt service on official loans.

However, risks (both domestic and external) have intensified, and crisis legacies—including high public debt and impaired private balance sheets—and weak payment discipline continue to pose significant vulnerabilities.

Executive Directors noted that further efforts are needed to lock in competitiveness gains, enhance productivity, and ensure labor market flexibility. They expressed concern about the risks to employment and competitiveness from the combination of the recent reversal of the 2012 collective bargaining agreement reform and the increase in the statutory minimum wage, which was well above productivity growth.

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.

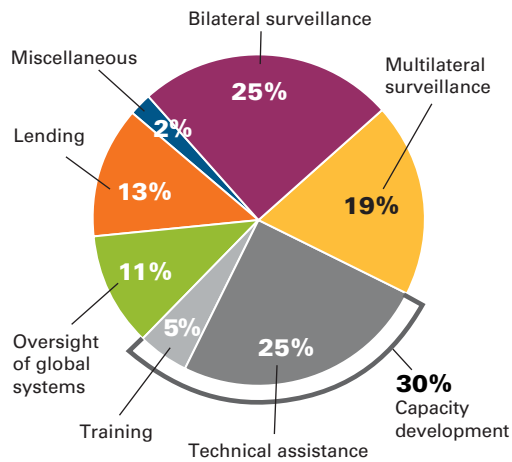
The IMF provided technical assistance to its members on insolvency and creditor rights to help ensure early and rapid rehabilitation of viable businesses and liquidation of nonviable businesses, provide a fresh start for overindebted households, and generally improve the protection of creditor rights. 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.



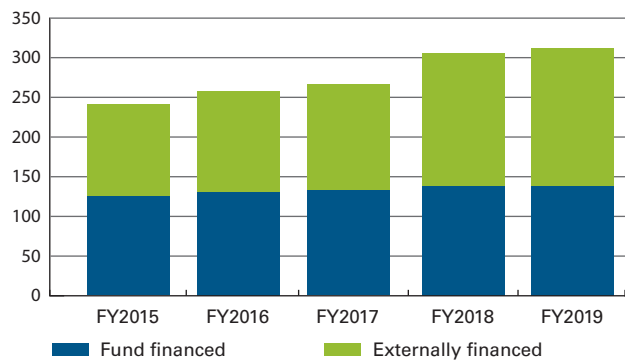


Figure 2.4
Share of spending of major IMF activities, FY2019



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

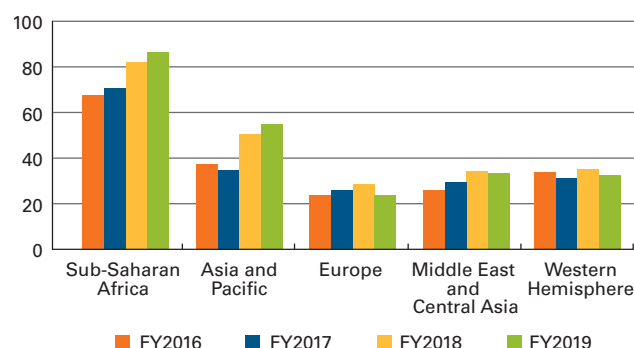
Figure 2.5
Spending on capacity development, FY2015–19
(Millions of US dollars)



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

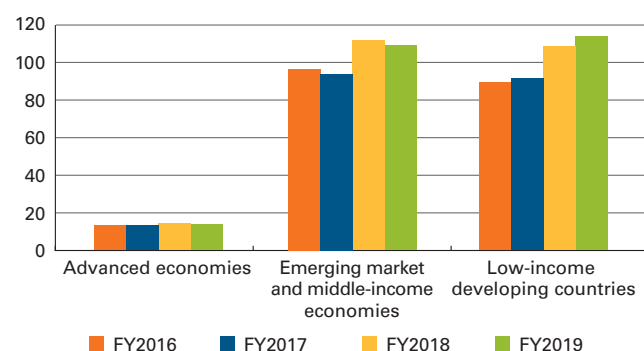
(Millions of US dollars)



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,
FY2016–19¹

(Millions of US dollars)

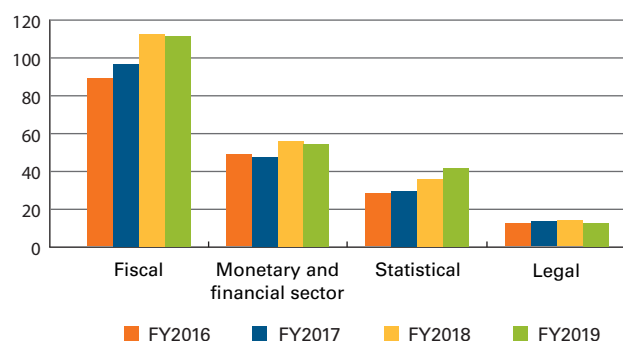


Sources: IMF Office of Budget and Planning, Analytic Costing and Estimation System, and IMF staff calculations.

¹ 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.

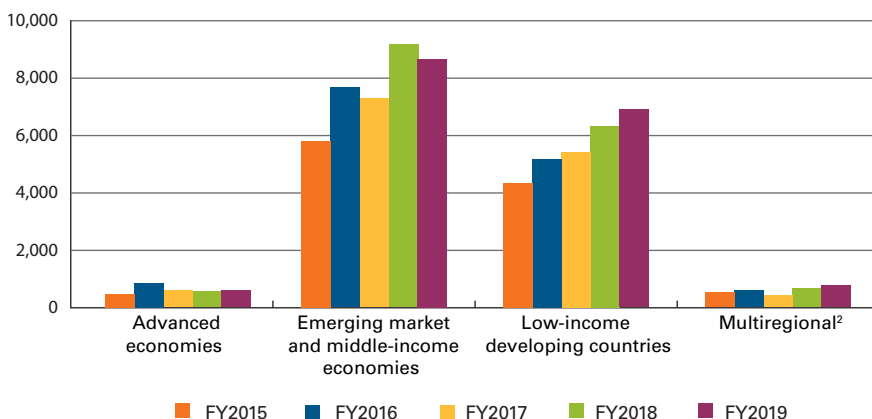
Online learning has proved efficient in achieving its dual goals of sharing knowledge with the broader public and scaling up the volume of training to government officials. Since the program's launch in 2013, more than 18,960 government officials and over 13,400 members of the public from 191 countries 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 group¹, FY2015–19
 (Number of participants)



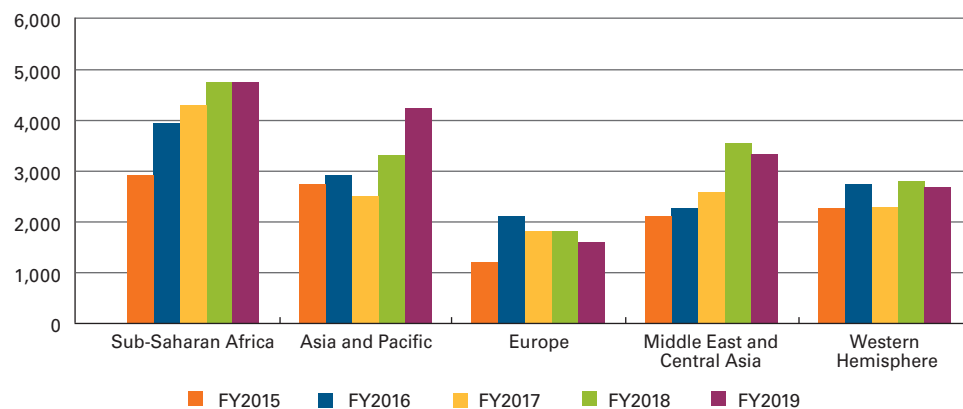
Source: Participants and Applicant Tracking System (PATS) and IMF staff calculations.

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.

¹ 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.

² 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=598222772001>.

- 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.