Monetary and Capital Markets Department Technical Assistance Annual Report

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INTERNATIONAL MONETARY FUND

Preface

It is a pleasure to present to you the launch issue of the new Annual Report on Technical Assistance activities by the IMF's Monetary and Capital Markets Department (MCM).

This report is designed to provide a snapshot of MCM's wide-ranging technical assistance (TA) during the previous fiscal year (May 2010 to April 2011). It highlights the energy and enthusiasm of all those who contribute to the success of these TA efforts, including MCM staff and experts, our counterparts in other IMF departments, recipient country authorities, donors, and other collaborating institutions and development partners.

TA is an integral part of MCM's identity and mission, accounting for more than one-third of the department's budget. Unlike some other MCM activities, TA may not generally be at the center of international media attention. But its "quiet efficiency" and hands-on nature, and overall contribution to countries' structural and capacity enhancement, give MCM a unique opportunity to deliver value to, and engage with, member countries on a continuing basis.

As one of three core activities of the IMF, TA is closely integrated with the Fund's surveillance and lending functions. It helps member countries build their own capacity to direct and implement policies, ranging from basic functions in post-conflict states to "cutting-edge" innovations in macroeconomic and financial analysis. As documented in this report, MCM TA was provided to a wide range of countries, including many with Fund-supported programs that were developing or refocusing their monetary, financial, and crisis management policy frameworks. MCM also helped low-income and emerging market member countries establish conditions to promote the development of sound financial systems. This report includes representative case studies highlighting the successes and challenges of TA projects in a variety of countries, from Malawi and Afghanistan to Iceland and Panama. These examples not only illustrate the breadth and depth of MCM's TA activities; they also clearly show the spirit of innovation, commitment, and expertise that underpins the TA work of this department.

We sincerely hope that member countries will continue to appreciate our TA efforts. We look forward to serving our member countries in the current fiscal year through efficient, well-targeted TA projects that generate tangible benefits and lasting value.

José Viñals
Financial Counsellor and Director
Monetary and Capital Markets Department
September 2011

Selected Acronyms

APD	Asia and Pacific Department
AFR	African Department
AFRITAC	African Regional Technical Assistance Center
ASEAN	Association of Southeast Asian Nations
CAPTAC	Central America-Panama-Dominican Republic Regional Technical Assistance Center
CARTAC	Caribbean Regional Technical Assistance Center
CBS	Central Bank of Seychelles
CEMLA	Center for Latin American Monetary Studies
CNB	Croatian National Bank
DBA	Da Afghanistan Bank
DfID	United Kingdom's Department for International Development
EUR	European Department
FAD	Fiscal Affairs Department
FIRST Initiative	Financial Sector Reform and Strengthening Initiative
FSAP	Financial Sector Assessment Program
FY	Fiscal Year (from May to April)
FX	Foreign Exchange
G-20	Group of Twenty
JSA	Japan Administered Account for Selected IMF Activities
HQ	Headquarters
IMF	International Monetary Fund
IMFC	International Monetary and Financial Committee
INS	IMF Institute
ISK	Icelandic Krona
LEG	Legal Department
LIC	Low-Income Country
LTX	Long-Term Expert
MCD	Middle East and Central Asia Department
MCM	Monetary and Capital Markets Department
METAC	Middle East Regional Technical Assistance Center
MDRI	Multilateral Debt Relief Initiative
MoF	Ministry of Finance
MTDS	Medium Term Debt Management Strategy
NB	Norges Bank (Norwegian Central Bank)
NBU	National Bank of Ukraine
PA	Palestinian Authority
PFTAC	Pacific Financial Technical Assistance Centre
PMA	Palestine Monetary Authority
Pôle Dette	The Regional Debt Management Training Unit for Central Africa and Western Africa
RBM	Reserve Bank of Malawi
ROSC	Report on the Observance of Standards and Codes
RTAC	Regional Technical Assistance Center
SBA	Stand-By Arrangement
SBP	Superintendency of Banks Panama
SR	Seychellois Rupee
STA	Statistics Department
STX	Short-Term Expert
TA	Technical Assistance
UFR	Use of Fund Resources
UNCTAD-DMFAS	Debt Management and Financial Analysis System of the United Nations Conference on Trade and Development
UNDP	United Nations Development Programme

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I. Introduction

Technical assistance (TA) is one of the major activities of the Monetary and Capital Markets Department (MCM), and the department is one of the largest TA-providing departments in the Fund. TA is the largest MCM activity area in the department's budget and in terms of total person-years of activity.

MCM's background and development over the years provides a rich source of experience and forms a key strength underpinning MCM TA on which to build for the future. The department can look back to an excellent track record from the time MCM was first created in 1965 as Central Banking Services, with TA to central banks at its core. MCM TA has evolved over the years, as shown in the expansion of coverage and focus to the financial sector and capital markets. MCM is a multi-topic, multi-product, and multi-functional department with multiple partners and perspectives, and brings together a wide range of monetary, financial sector and capital markets expertise, the combination of which is unique, not only within the Fund but also internationally. TA work both contributes to, and draws from this diversity.

This Annual Report provides some general information about MCM TA, and then highlights the achievements and challenges of the past year. Section II explains the focus, organization, and processes underpinning MCM TA. Section III presents an overview of the MCM TA experience in FY 2011, with Section IV highlighting several country projects out of the wide topical and geographical range of TA activities undertaken. Section V summarizes MCM's TA strategy going forward, and Section VI concludes with a brief outlook for FY 2012 and beyond. A data appendix provides a quantification of MCM TA in FY 2011 by topic, recipient country, delivery mode, and financing.

II. Overview of MCM Technical Assistance

A. Purpose and Scope of MCM Technical Assistance

MCM TA involves the provision of advice to member countries with the aim of promoting sound and efficient financial systems, and effective monetary and exchange policies. This includes establishing well-structured monetary and financial frameworks to achieve financial and macroeconomic stability as a foundation for sustained economic growth. The focus is very much on helping countries build their own capacity to direct and implement their policies in an effective and efficient manner.

MCM has been continuously adapting its TA to meet the new challenges that its member countries are facing. Originally, MCM TA was the vehicle for transferring monetary and financial sector technical knowledge from industrialized countries to less developed countries. However, as many countries advanced into "emerging market" stages and other non-industrialized countries advanced beyond the initial stages of financial sector development, the needs of TA recipients changed. The demand for TA from "transition countries" led to a large expansion in MCM's predecessor departments during the 1990s. Technological advances, financial engineering, and globalization have brought new challenges to all countries. The financial crises of the late 1990s and early 2000s demonstrated the financial fragility of emerging markets, and the financial crisis of 2008/09 demonstrated problems with advanced monetary and financial systems. Throughout these turbulent times, an international effort has endeavored to establish best practice standards covering aspects of monetary and financial sector policy, regulation, and supervision. Because of the Fund's universal membership and MCM's ongoing work with many countries, MCM has been an active participant in developing these standards, and its TA has, amongst other things, focused on informing countries how to implement and comply with these standards. MCM TA has also addressed crises that have occurred in many places, while at the same time continuing to strengthen financial systems in a wide range of low- and medium-income countries.

MCM TA covers a wide range of monetary and financial sector issues. More specifically, MCM has given advice on such issues as the implementation of monetary policy; the design of monetary policy instruments; macro-economic modeling and inflation forecasting; foreign exchange market operations; the management of international reserves; the (removal of) exchange restrictions; oversight of the payments, clearing and settlement systems; central bank accounting, organization, and internal controls; capital and debt market development; public debt management; sovereign wealth funds; bank licensing, regulation and supervision; crisis preparedness and contingency planning; and the analysis of financial vulnerabilities.

II. Overview of MCM Technical Assistance

MCM advice is particularly beneficial because it enables countries to make fully informed choices regarding policy options.[1] Thus, the focus is very much on helping countries build their own capacity to direct and implement their policies in an effective and efficient manner. This capacity building may start with quite basic elements, for example, building a central bank organization and a currency system in a post-conflict state, and extends to "cutting edge" innovations in macroeconomic and financial analysis, for example, using dynamic stochastic general equilibrium models.

Certain other Fund activities are complementary to MCM's TA work. TA work supports MCM's surveillance and policy work, in particular, in the areas of bilateral surveillance, global risk monitoring and analysis, monetary and financial stability policy frameworks, financial sector assessment (Financial Sector Assessment Programs (FSAPs) and Reports on the Observance of Standards and Codes (ROSCs)), and practical and policy advice on managing financial crises. Many of these activities themselves have an element of technical assistance. For example, an FSAP typically involves a stress testing exercise and detailed assessments of observance of relevant international standards for financial sector oversight. These undertakings may not only inform future TA, but may in themselves help national authorities enhance their capacities in these areas. Likewise, discussions in the context of Article IV consultations and Use of Fund Resources (UFR) negotiations may address not only policies, but also techniques for their implementation. Thus, MCM works closely with the Fund's area departments, and also coordinates with the World Bank and other TA providers, in order to maximize the use of available resources (Box 1).

[1] Emphasis here is on member countries, but assistance is provided also to regional bodies such as the central banks of monetary unions, and to non-members, such as certain off-shore financial centers.

Box 1. Coordination of TA and Complementarities with Other Providers

MCM works closely with other stakeholders and providers of TA in related areas. In general the activities are complementary, and considerable effort goes into coordination to avoid overlaps or gaps. The main collaborators are:

- IMF area departments, which have the lead responsibility for coordinating Fund relations with member countries and for determining TA priorities in collaboration with functional TA providing departments;
- Other functional departments, and in particular the TA providing departments such as Legal (on financial sector legislation), Statistics (on financial sector data), and Fiscal Affairs (on government debt management, setting up sovereign wealth funds, and central bank-ministry of finance coordination). Use is made of expertise from other departments, such as the area departments and Research (on policy-related macro modeling);
- The Regional Technical Assistance Centers (RTACs), each of which has responsibility for delivering certain areas of technical assistance to a number of countries. MCM coordinates closely with the RTACs in determination of technical assistance needs and delivery to those countries. MCM also plays a role in backstopping assistance provided by RTACs;
- The World Bank, with which the Fund works especially closely. The World Bank tends to focus more on individual financial institutions and also on the nonbank financial sector, and much less on monetary and exchange rate policies;
- Other international financial organizations and especially the regional development banks, which often have loans and investments in the financial sectors of their members; and
- Bilateral providers of TA, which can be very important in certain countries and can often address needs (such as for physical infrastructure and commercial contractors) that cannot be met by the IMF or other international financial organizations.

B. Allocating TA Resources

Given the extensive demand for MCM technical assistance, an important challenge is to reconcile this demand with available resources. To optimize resource allocation for TA, the Fund has developed a process of consultation between TA departments, area departments and country authorities aimed at identifying the TA which is most critical and will have the greatest impact in the short- to medium-term. It is particularly important that country authorities be actively involved in this consultation, because a recipient country is aware of its own strengths and weaknesses and its most pressing policy needs, and so can judge priorities for technical assistance; and the country must have "ownership" for technical assistance to be most worthwhile and effective in helping it build its own capacity.

The ongoing dialogue between the Fund and the national authorities facilitates the identification of demand for technical assistance, as well as its locus within the country's overall relationship with the Fund. Area departments discuss TA needs with their country counterpart—in the context of surveillance or UFR—and convey this information to MCM. Area departments are responsible for producing a "regional strategy note," in conjunction with MCM and the other TA-delivering departments. MCM also maintains a frequent, sometimes informal direct dialogue with TA recipients. The good relationship with the authorities, established by MCM mission teams in the field, facilitates ongoing headquarters-based support. The IMF-World Bank Annual Meetings and the Spring Meetings provide an opportunity for more focused discussions on TA. Many country delegations use the opportunity to meet with MCM to review the effectiveness of past assistance and discuss the TA plans for the period ahead.

Countries' participation in the FSAP constitutes a major channel through which MCM's field work in a country leads to the identification and precise definition of technical assistance needs: a central element of each FSAP is the formulation of prioritized recommendations designed to develop sound financial institutions, reduce vulnerabilities, and increase countries' ability to cope with financial stress. Recommendations may be highly specific—for instance, those emerging from assessments of compliance with international financial sector standards (such as the Basel Committee Core Principles for Effective Banking Supervision) or may be strategic, covering overall policy objectives (such as how to improve the crisis management framework).

Resources for TA are inevitably limited, with the tightest constraint often that of expertise. MCM has a considerable body of expertise "in house" in the form of its staff and headquarters-based consultants, who together have very long experience in all areas of central banking and financial sector policy from around the world (Box 2). However, MCM staff have other calls upon their time; and Fund staff working on technical assistance are involved not just in TA field work, but critically also the organization and quality control of TA (one of the distinguishing features of IMF TA is the attention paid to quality control—see below). Moreover, in some specialties, Fund staff may themselves have relatively little expertise. Therefore, much of MCM's TA is delivered by outside experts. These experts may be independent consultants, or on loan from cooperating institutions such as national central banks or financial sector regulators. The RTACs too are reliant on, and sources of, such experts. MCM pays considerable attention to identifying such experts, and reviewing their work, to ensure that it is of high quality and appropriate for the setting in which it is delivered.

The IMF devotes much effort also to securing the financial resources needed to deploy this expertise. Some is provided directly by the Fund through the payment of salaries to Fund staff, compensation of outside experts, and meeting their travel costs. Fund financing is a flexible means to deliver technical assistance, especially at short notice, but the amount is limited and indeed its availability has declined in recent years as the Fund downsized. To help offset the impact of this reduction on member countries, the Fund has successfully stepped up efforts to mobilize external funding for TA. This external financing has been made available by a number of bilateral and multilateral donors, including Belgium, Canada, Japan, Norway, Switzerland and the United Kingdom, but many more contribute in part through multilateral institutions such as the FIRST initiative, as well as the Islamic Development Bank, and the UNDP (see Data Appendix Table 12). External financing has been growing, and now covers about two-thirds of the cost of technical assistance field work. Within that amount, external financing is often particularly suited to large-scale projects lasting several years, but in some cases may be used to cover relatively small projects, such as a series of expert visits on a particular topic. Under a recently adopted TA-financing model, some donors have agreed also to cover the travel and back-stopping costs of Fund staff engaged in the respective projects. External funding may involve additional steps in organizing a project—because the donor may have particular requirements before approving a project. External funding has also contributed to enhancements in ex-post evaluation, because many donors have their own evaluation frameworks, which have helped inform improvements to the Fund's evaluations.

MCM's TA program is largely prepared on an annual cycle, in line with the department's overall budget round. MCM begins each year with a resource allocation plan that outlines the expected TA mission activities. Some of the resources for the annual cycle may already be committed at the start of the cycle insofar as there are multi-year projects under way, or delays in the completion of earlier projects ("pipeline" and "carry over" projects). With resources constrained, projects are prioritized, with those that are deemed worthy but for which resources are not immediately available put into a "reserve." As projects fall away, or more resources become available, such projects are taken out of the reserve and implemented during the year. On the other side, additional priority projects frequently come up during the year, such as Haiti post-earthquake, or Arab Spring-related work. If these do emerge and there are no resources available, the country concerned may be asked if it wishes to substitute this project for one that is already approved. Insofar as this does not resolve the resource constraint, MCM consults with the relevant area department so as to prioritize amongst competing projects, and if necessary revisit earlier plans so as to accommodate the new priority.

II. Overview of MCM Technical Assistance

MCM TA is delivered through a variety of modalities. The "traditional" method is an advisory "mission" of around two weeks that can cover one or more topics. Covering several topics may be an efficient way to meet multiple needs in a recipient country; synergies can be drawn from investigating also the interrelationships between the various areas of focus, and a multi-topic mission may include also more senior leadership able to discuss resultant policy issues with more senior counterparts in the country authorities. However, single topic missions avoid the risk of diffusing attention from a high priority subject, and may avoid straining the capacity of the recipient institution. They may also simply be easier to schedule. Other forms of delivery include placing a long-term resident advisor into a country, or having "peripatetic" visits from a particular staff member or expert. A variant, increasingly adopted in the past few years, is to staff a visit from an RTAC: most major recipients of MCM TA are now within the auspices of an RTAC, and providing assistance from the RTAC can be an attractive alternative to delivery from Washington, particularly on technical issues or where detailed local knowledge is of particular advantage. Training and workshops are additional modalities for enhancing a country's capacity, often conducted at a regional level, sometimes in one of the IMF's regional training institutes. The choice of delivery method is an integral part of preparing the regional allocation program, with the choice dependent on topic, recipient, and availability of staff and financial resources.

Box 2. Organization of MCM

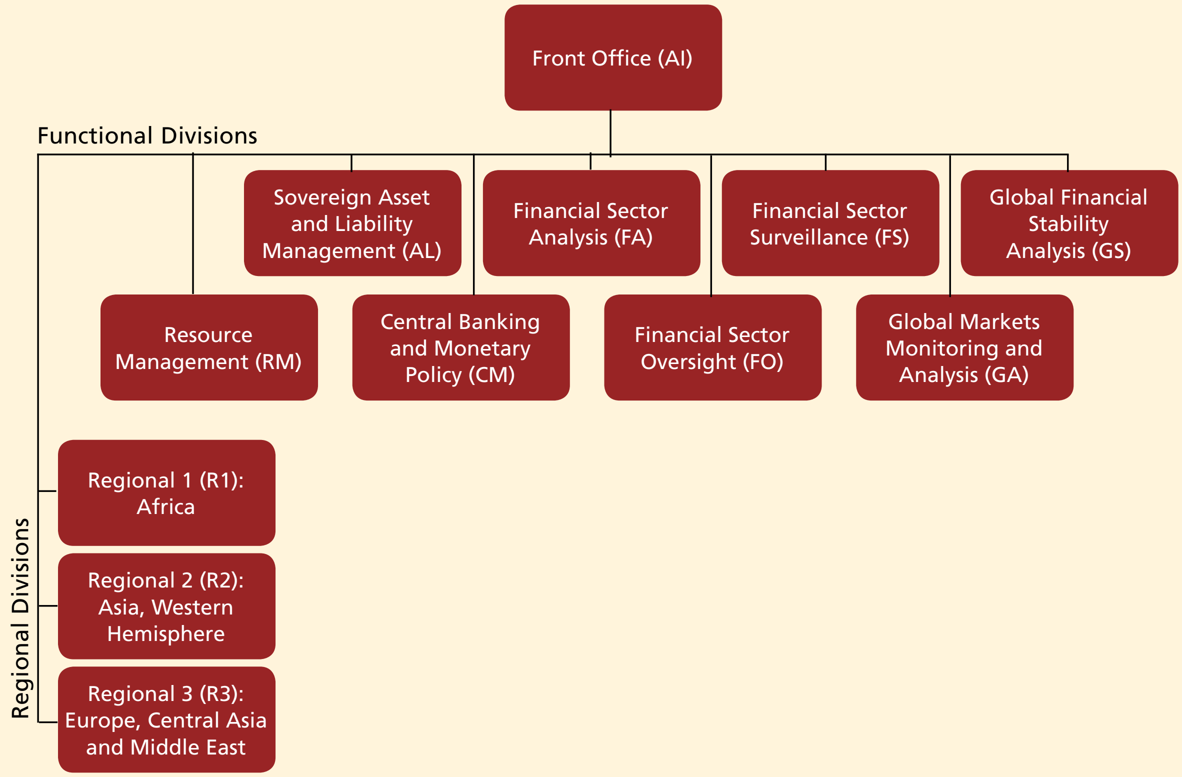
MCM has a matrix structure of regional and functional divisions. Three regional divisions coordinate with the five area departments and relevant country authorities, and come up with the resource allocation plan for MCM technical assistance. Regional division staff often lead and undertake technical assistance missions. Where the missions involve multiple topics, they may be staffed with a combination of staff from regional and specialist functional divisions of MCM as well as with externally-hired experts. Regional divisions are also taking a lead on coordinating MCM's country and regional activities, such as FSAPs, MCM's participation in Article IV and UFR missions.

Functional Divisions are specialized in, and responsible for areas such as financial sector oversight, central banking, and asset and liability management. They tend to take the lead in general policy-oriented MCM activities, such as the production of the Global Financial Stability Report, and the department's participation in the Financial Stability Board. Functional Divisions review technical assistance reports and certify the qualifications of external experts. As noted above, they also lead and/or participate in TA missions, when the TA is focused on a topic falling within the expertise of the respective functional division.

A Resource Management Division provides administrative support, coordinates the logistical aspects of MCM's technical assistance such as budgets and hiring of external experts, and liaises with donors through the IMF's Office of Technical Assistance Management.

The Director of MCM is responsible for the department's strategic direction and management and for the internal and external coordination of MCM's activities. He is assisted by a Front Office that includes several Deputy Directors, each with combined responsibility for a specific geographical region and for functional areas, one of whom has specific oversight over TA.

MCM Organizational Structure



C. Consistency and Quality Control

A high level of quality control is built into MCM technical assistance. Such quality control is essential to ensure that MCM consistently provides countries with the best possible advice given their specific circumstances, and based upon the latest techniques of monetary and financial sector policy implementation.

Quality control begins with the selection of projects and delivery modes. When MCM commits to projects and decides how to undertake them (in consultation with others, as described above), one important consideration is whether expertise is available to design the project and provide ongoing guidance and review in a way that ensures that the advice provided is well-suited to the recipient country's circumstances and is consistent with international best practice. Some requests for assistance are directed to other providers when MCM lacks such capacity or when resources are already fully committed elsewhere.

The next step in quality control is the formulation of a coherent, realistic assistance program, making use of various delivery mechanisms, projecting resource needs, and setting up a schedule of targets for delivery, reporting, and implementation. This program is then translated into briefs for individual missions and terms of reference for long-term experts. The programs, briefs, and terms of reference are subject to review within MCM and by other Fund departments (notably the relevant area department, but also, for example, the Legal Department when legislative issues are to be addressed), and are often discussed with the authorities of the recipient country.

MCM has an effective process in place to ensure that staff and experts with appropriate skills are selected, as the human capital applied to the projects is the most important element in determining the quality of advice. Mission teams typically include a mixture of Fund staff and specialists hired on a consultancy basis, so as to achieve a good mix of skills and integration with MCM and Fund processes and at the same time nurture MCM's ongoing relationship with the recipient country. In other cases, experts with whom MCM is familiar are sent on short-term visits. The experts must have been vetted and placed on an extensive expert roster, which is maintained regularly to ensure that the skills of experts are up-to-date and well matched to the needs of recipient authorities.

MCM TA projects have built-in quality control mechanisms. Thus, a mission brief generally includes a mandate to produce a back-to-office report for internal purposes and a detailed report that is typically provided to the authorities at the end of the mission on an ad referendum basis; the final report is sent only after careful review by relevant experts at headquarters. Long-term experts are required to report periodically on their activities, progress, difficulties encountered, and planned next steps; these reports—typically quarterly—are reviewed by MCM. Also, the mission team is expected to consult with colleagues both before and during a mission, and frequent contact is maintained with long-term experts in the field.

In addition to the quality control of each mission or project, MCM conducts several technical assistance evaluations each year. These evaluations review the effectiveness of TA on a particular topic to one or several countries, or assistance on a range of interrelated topics to one country. In this way, lessons are learnt about the conditions that are conducive to the successful provision of TA, for example, in terms of tailoring advice to each country's situation, adapting the delivery mode so that the country can best absorb the advice provided, and identifying issues that may be emerging or may have been unduly neglected in the past. A recent example is Nigeria, where MCM commissioned an outside consultant to conduct an independent evaluation of its TA on the banking sector from 2004 to 2011.

Another element of quality control is the preparation of reports to donors on the programs that they have financed. Donors are naturally interested to know whether the project they have financed has been successful and thus their money has been well spent. MCM responds to the donors' particular schedules and formats for such reports and additional criteria for success, as it prepares project assessments as a matter of course.

Various aspects of the Fund's TA are reviewed periodically as part of the Fund's Independent Evaluation Office and Office of Internal Audit work programs. While the focus of their work is not necessarily TA quality per se, their findings and recommendations are used to strengthen TA quality and quality control.

Finally, MCM actively seeks feedback on its technical assistance. Most valuable is the feedback from national authorities, which may indicate which topics have been well covered, and where additional work is required. In this way, quality control contributes also to the planning and design of future TA. Feedback is received also from the Fund's area departments, which—in the context of their surveillance and program review missions—can judge whether countries are making use of the advice provided. Finally, feedback is sometimes received from other donors and providers of assistance.

III. Overview of TA Experience in FY2011

Although addressing systemic policy issues resulting from the global crisis continued to command a significant amount of departmental resources, more than one-third of MCM's budget for FY2011 was devoted to TA when considering both internal and external funding resources. Nearly 60 percent of MCM's field missions, including those of experts, was related to TA activity, and covered more than 120 countries in the course of the year (Figure 1 and Data Appendix Table 1).[2] Correspondingly, TA-related travel costs are substantial, although they have been fairly stable in recent years; fluctuations are driven largely by variations in ticket prices (Data Appendix Table 2).

From a regional perspective, African (AFR) countries continue to receive the largest amount of MCM's TA (Figure 2). This totaled 20.8 person years of direct TA delivery in FY2011, followed by the Middle East and Central Asia (MCD) region (Data Appendix Table 1). Thus, of the resources allocated to TA, about 35 percent was devoted to the AFR region, 17 percent to the Asia and Pacific (APD) region, 11 percent to the European (EUR) region, 19 percent to MCD region, and 17 percent to Western Hemisphere (WHD) region. Travel costs by region roughly follow the same pattern; travel costs for EUR are relatively low because many experts come from countries geographically close to recipient countries.

Measured by person-years, a large share of MCM TA continues to be delivered through long-term experts (Figure 3 and Data Appendix Table 3). Long-term experts are used mainly to deliver advice in the areas of central banking and regulation and supervision, and to a lesser extent on asset-liability management. These are the areas in which national authorities are seeking to build up over time their own implementation capacity, as opposed to an emergency response to an acute crisis, where more use is made of Fund staff and short-term experts. Long-term experts are deployed mainly in the AFR, APD, and MCD regions, and typically in the relatively less developed countries.

Overall MCM TA has declined modestly following the Fund-wide downsizing initiated in 2008 (Data Appendix Table 4). This change could be accommodated because of a reduced need for assistance in some traditional areas, such as central banking operations. However, some of the recorded decline reflects the diversion of resources towards dealing with the global financial crisis; staff were still delivering policy advice, including what in effect was TA, but in the context of Fund program (UFR) mission or other crisis-related activities. Given the need for very rapid response and integration with other Fund activities, less use was made of external experts for these purposes.

MCD and WHD saw small upticks in MCM TA delivery compared to FY2010, when the outturns were 10.0 and 9.4 person years, respectively. For the MCD region, this was achieved despite some restrictions in regional travel due to political unrest. Much of this increase is attributable to post-conflict TA delivered in Afghanistan, Sudan (including the South Sudan region) and West Bank and Gaza, as well as intensified TA programs in Tajikistan. For the WHD, much of the increase resulted from the expansion of MCM's TA delivered through CAPTAC. Summaries of several of these TA projects can be found in Section IV.

[2] As some of this assistance is delivered in the context of FSAPs, and Article IV and Fund program missions, it is not captured in our TA summary data as represented in the Data Appendix.

Figure 1. MCM Mission Activity by Type (Person years – FY2011)

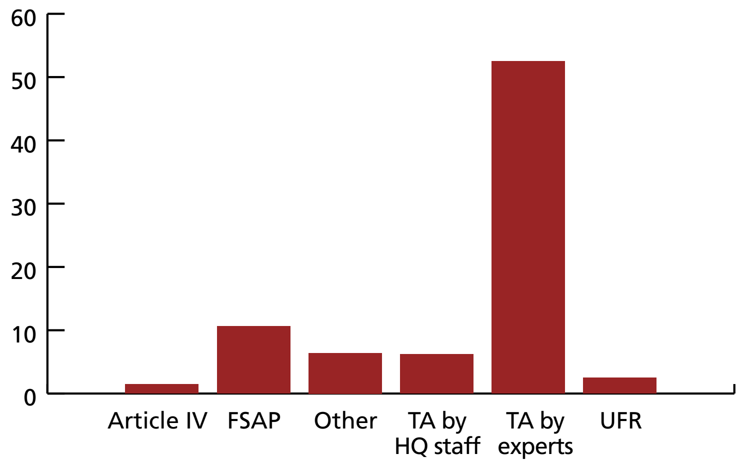
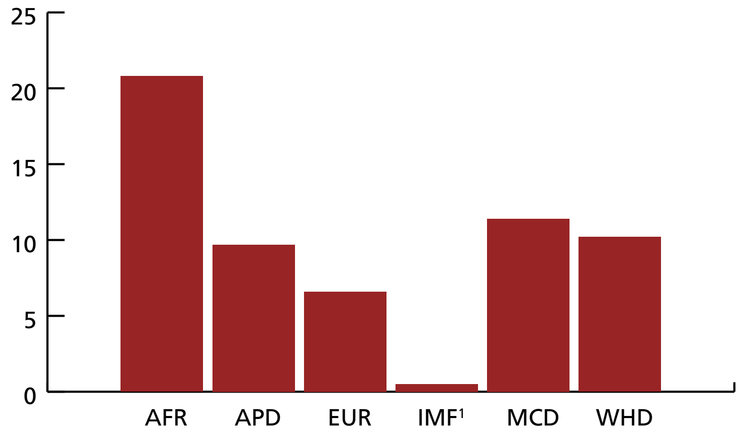
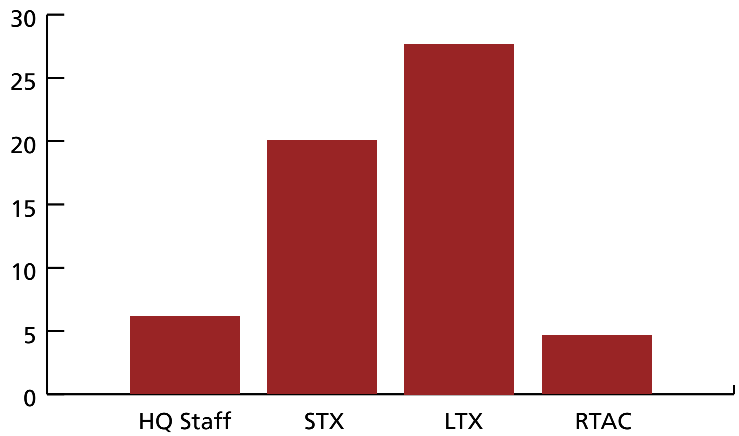


Figure 2. MCM TA Delivery by Region (Person years – FY2011)



[1]Mostly cross-regional seminars

Figure 3. MCM TA Delivery Mode by Type (Person years – FY2011)



III. Overview of TA Experience in FY2011

The needs of member countries are changing, with increasing requests for assistance in the areas of crisis resolution, financial sector surveillance, stress testing, regulatory reform, cross-border bank resolution, macro-prudential policy frameworks, systemic liquidity management, and managing public sector balance sheet risks. This evolution over time is illustrated in Figure 4, which shows increases in TA on Systemic Issues and Crisis Management, as well as some increase in TA on Assets and Liability Management; these increases were offset by a decrease in TA on Central Banking. TA on Stress testing, Financial Stability Frameworks, and Crisis Resolution were in particularly high demand (Data Appendix Tables 5 and 6). Given the interrelated nature of the Fund's activities, recent increases in the number of country programs and FSAPs have been drivers of demand for MCM TA, especially in view of the financial sector's role in the current crisis. A number of member countries, including some advanced industrial countries that have not typically been recipients of IMF TA, have recently requested specialized advice and assistance from MCM (some of which has been delivered in the context of an FSAP). Section IV presents one example of MCM's stress testing TA in a project in Panama, as well as a description of a program to help re-start the foreign exchange market in Iceland after the exchange rate had collapsed following the closure of the country's three major banks.

There is considerable variation across regions in the focus of MCM TA. Thus, regulation and supervision constituted about three-fifths of the TA delivered in FY2011 to the APD, WHD, and MCD regions. TA on central banking was relatively more important in AFR and EUR (Data Appendix Tables 7 and 8). Crisis management TA was concentrated mainly in EUR and AFR. Asset-liability management TA was provided mainly to the AFR and MCD regions.

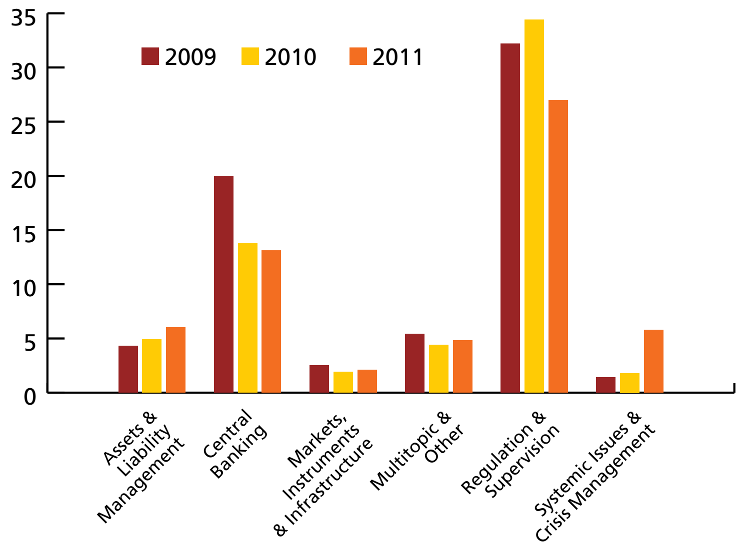
Greater reliance is being placed on external donor financing. External funding is the sole source of financing for long-term advisors, which accounted for nearly 50 percent of overall TA delivery in FY2011 (see Data Appendix Table 9). Total mission time for Fund headquarters-based staff (permanent staff and headquarters-based experts) has increased slightly in recent years, but a significant portion of this effort is now externally financed.

External funding is used significantly in all regions, but in particular in those where TA involves longer-term, large-scale projects (Figure 5 and Data Appendix Tables 10 and 11). Indeed, the shift toward external funding has been accompanied by a transition to larger, medium-term projects. For example, MCM is at present implementing two three-year projects, funded by the Japan Administered Account for Selected IMF Activities (JSA), which aim to promote financial stability in seven Asian countries, including through the placement of resident bank supervision advisors.[3] One of these projects is discussed as an example of multi-country TA in Section IV.

A wide variety of donors have financed MCM TA to a wide variety of countries (Data Appendix Table 12). Large individual donors include Belgium, Canada, Japan, Norway, Switzerland, and the United Kingdom, but many

[3] The two projects together cover Bangladesh, Cambodia, Indonesia, Maldives, Nepal, Philippines, and Vietnam.

Figure 4. MCM TA Delivery Mode by Core Area and by Year (Person years)



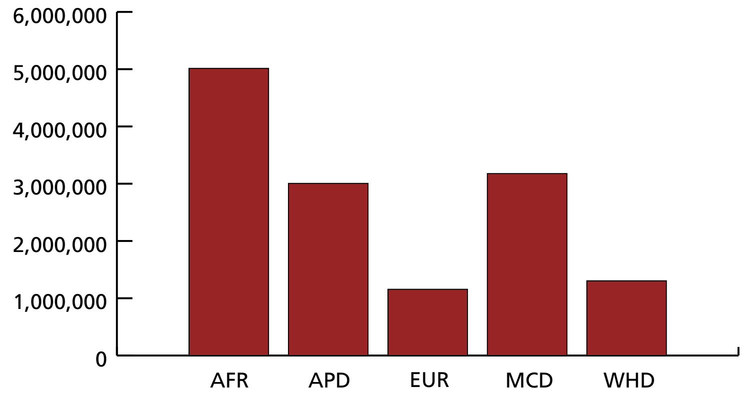
more contribute, in part through multilateral institutions such as the FIRST Initiative, the UNDP, and the RTAC funding mechanisms, for example.

For FY2011, delivery across each of the department's core areas of expertise was broadly as expected (Data Appendix Table 13).[4] TA in both areas of Regulation and Supervision as well as Systemic Issues and Crisis Management were slightly above target, while the others came in slightly below. The slight shortfall in TA delivery compared to what was planned for FY2011 can be attributable to a number of different factors:

- The majority of the shortfall relates to existing or planned donor-funded projects; in some cases external financing was not available as early as expected while in others it took longer than expected to identify suitable long-term experts.
- Shortfalls in fully-funding new and existing RTACs necessitated a temporary scaling back of their activities.
- In a few cases, notably in the Middle East and some African countries, unrest prevented TA delivery on the schedule expected (in one case, long-term experts had to be evacuated).
- Particularly in cases where an intensive program of capacity building has been undertaken, it is sometimes necessary to lengthen the intended duration of the program to allow the authorities sufficient time to effectively absorb the assistance provided before moving on to additional topics.

[4] MCM's core areas of expertise include: Assets and Liability Management; Central Banking; Markets, Instruments and Infrastructure; Regulation and Supervision; and Systemic Issues and Crisis Management.

Figure 5. External Funding by MCM TA Region (in US dollars – FY2011)



It is reasonable to conclude, on the basis of the TA that MCM has delivered during the past year, that MCM has been flexible, innovative, and prompt in its response to urgent requests. When changing circumstances created new and sometimes urgent demand for TA, MCM has always responded rapidly and flexibly, and as can be seen from the case studies in the following section, that response has frequently involved innovation in order to maximize the benefits to the recipient countries.

A. Multi-Country TA

Promoting Financial Stability in the ASEAN Region through Effective Banking Supervision

Overview of the project

In 2009, the IMF initiated a three-year TA project—financed by the Japan Administered Account for Selected IMF Activities (JSA)—for Cambodia, Indonesia, Philippines, and Vietnam covering the period May 2009–April 2012. The 1997/1998 Asian crisis revealed significant weaknesses in banking regulation and supervision in several Asian countries. Acknowledging the need to enhance financial integration within the Association of Southeast Asian Nations (ASEAN) and to ensure financial stability, these countries approached the IMF to help build capacity on financial sector issues. The TA program's key objective in all four countries is to enhance bank supervision and the banking sector regulatory framework through a risk-based supervisory approach, and to facilitate the attainment of international standards in banking supervision.

Asia Regional Conference on Banking Supervision and Regulation

Goals of the project

» Strengthening banking supervision practices toward meeting recognized international standards. The objective is to encourage and support the convergence and harmonization of supervisory practices with internationally recognized norms, in order to provide a level playing field among the banking systems of ASEAN member countries and thereby facilitate financial integration and intermediation.

» Providing complementary support in a myriad of areas in banking supervision and regulation.

» Preparing the groundwork to attract TA from a broader base of bilateral and multilateral donors. As a result of this project, individual countries will be better positioned to attract further TA support to undertake specific developmental and reform programs. Specifically, the project will provide these countries with potential collaboration opportunities with other international financial institutions, such as the Asian Development Bank and the World Bank, as well as with relevant organizations from other donor countries.

The project is innovative, as it envisages not only the placement of a resident expert in each country—supplemented by short-term advisors and backstopped by IMF staff—but also a consultative approach in the form of conferences. In February 2011, the Fund organized a regional conference in Tokyo to share experiences and insights on banking regulation and supervision issues with 17 Asian authorities. Such regional conferences, together with regional training workshops, are effective modalities to complement the resident advisor program and to harmonize and facilitate the integration of banking systems in the region. In addition, the project integrates

IV. Selected MCM TA Projects

Discussion at the Regional Conference

TA and surveillance issues by assisting the authorities with their preparations for FSAPs and, subsequently, with the implementation of the recommendations. FSAPs were conducted for the first time in Cambodia and Indonesia in 2010, while the Philippines had an FSAP Update in 2009. The program has been successful in preparing these countries to conduct self-assessments of the Basel Core Principles for Effective Banking Supervision and in enabling them to prepare their supervisory strategies to address FSAP recommendations and reported shortcomings.

Successes and challenges of the project

A cross-country assessment of this project reveals many successes and also some challenges. Progress toward the development of risk-based and forward looking supervision is uneven across the countries. In particular:

» In Cambodia, recent significant contributions by the resident advisor were: (i) a proposed action plan to enforce the National Bank of Cambodia's increased capital requirement at year-end 2010, and (ii) a program to build capacity by providing classroom and on-the-job supervision training. Although the authorities have made considerable progress, further efforts are needed to conduct supervision in line with the Basel Core Principles.

» In Indonesia, the project has contributed to the development of a comprehensive risk-based supervision program for Bank Indonesia. The reform entails significant modifications to the individual bank rating system architecture, namely: (i) the development of an updated supervisory methodology; (ii) the introduction of new analytical tools for micro-prudential supervision; and (iii) the implementation of a new rating system framework and underlying methodology with front-line supervisors.

» In the Philippines, the project has been particularly effective. Support is being provided to the authorities to develop risk-based supervision, as the priority is to enhance the capacity of Bangko Sentral Ng Pilipinas to identify risks associated with the complex conglomerate structures that dominate the financial sector. The project is helping the authorities realize that prudential regulations also require improvement to ensure consistency in the conduct of both examinations and supervisory enforcement. Recognizing these challenges and successes, there is a need to consolidate the work already done on risk-based banking supervision, and to continue strengthening and institutionalizing the new processes.

- » In Vietnam, the project has helped to identify weaknesses and advance recommendations to enhance the capacity of State Bank of Vietnam, especially in on-site examination, taking into account the country's specific circumstances. Due to resource constraints, staff's limited absorption capacity as well as the scope and comprehensiveness of the project, the State Bank of Vietnam wants to limit the project to short-term expert missions, with a focus on stress testing and preparation for a requested FSAP.

The Medium-Term Debt Management Strategy Technical Assistance Program

Overview of the program

The medium-term debt management strategy (MTDS) technical assistance program was initiated in FY2008. This followed a request by the joint Boards for the IMF and World Bank to help low-income countries (LICs) develop effective medium-term debt management strategies. The purpose was to help minimize the risk that countries provided with debt relief under the Multilateral Debt Relief Initiative (MDRI) would find themselves in debt distress again as a consequence of poor borrowing choices. This capacity building effort was seen as an important complement to broader efforts to strengthen macro-policy frameworks and help avoid future debt distress.

The program consists of three elements: (i) an underlying framework, formally endorsed by the joint Boards, that provides a systematic approach to developing an MTDS; (ii) country TA to disseminate and help countries apply the framework, and (iii) regional workshops to complement country TA.

This program complements in a critical way the Fund's new policy on providing greater flexibility to LICs to borrow on a non-concessional basis within the context of a Fund program. Consequently, developing a formal MTDS has become a key element in many of those programs; this TA supports countries' ability to meet this benchmark.

Implementation of the program by MCM

While the program is intended to benefit primarily LICs; other countries have also received TA under the program, as the underlying framework is relevant for more developed economies. Over the course of FY2011, MCM delivered TA to eight countries, across three regions, under the MTDS program.[5] This bilateral TA was complemented by five training workshops delivered both locally and regionally that benefited country officials from 63 countries.[6] In all cases, these activities were delivered in partnership with the World Bank and in collaboration with other technical assistance partners. As a consequence of this support, three countries released formal and explicit medium-term debt management strategies.[7]

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[5] Bangladesh, Ghana, Kenya, Malawi, Mozambique, Nicaragua, Senegal, Tanzania.

[6] At the Joint Vienna Institute, in Mexico (in collaboration with CEMLA), in Indonesia (in collaboration with UNCTAD-DMFAS), in Senegal (in collaboration with Pôle Dette) and in Washington, D.C.

[7] Ghana, Kenya, Tanzania.

Unique features of the program

The program fills an important gap by providing an internationally accepted framework on how best to develop an effective debt management strategy. According to the IMF-World Bank (2001) *Guidelines for Public Debt Management*, this framework is one of the key elements of an effective and robust debt management strategy.

The degree of partnership and external collaboration in both the development and delivery of the program enhances its effectiveness. Importantly, significant external outreach and consultation have helped achieve a high level of acceptance of the framework by other TA providers. This reduces the scope for member countries to receive conflicting advice in this policy area.

There is a strong emphasis on capacity building in the program, and the style of delivery provides a greater focus on active engagement with the authorities. This active engagement ensures that the authorities can take full ownership of the process and the results, and that they can sustain the process going forward.

Benefits of the program

The TA program is providing the following benefits:

» It is empowering country authorities to develop their own strategies independently. In practice, that is unlikely to be achieved in just one TA mission. Thus, the program envisages a baseline mission to introduce the authorities to the key concepts and technical approach, and a follow-up mission that focuses on fully embedding the technical elements.

» It provides officials with sufficient capacity to identify and monitor key sources of portfolio—and other debt management related—risks on an ongoing basis. This should help limit the risk of debt distress, thereby contributing to greater financial and macroeconomic stability.

» It complements country efforts to develop their domestic debt markets, thereby contributing to their capital market development and broader financial stability. In particular, developing a formal MTDS helps country authorities recognize explicitly the benefits of developing a deep and liquid domestic debt market. It supports debt management by providing a medium-term perspective on both the likely quantity and type of domestic debt to be issued. This can help enhance the predictability and transparency of primary issuance programs and provide the basis for establishing a more structured relationship with market participants.

» It also facilitates country access to the international capital markets. This is an emerging trend for LICs, and while it can provide an important source of financing, it is not without its risks and needs careful preparation. Having an MTDS in place can help set clear parameters for issuance in terms of tenor, size, etc. and provide the basis for a clear dialogue on debt-related issues with credit rating agencies and investors, thus enhancing the success of an issue.

Going forward

The program is set to continue with ongoing funding anticipated to be provided through the Fund's Topical Trust Fund on Sustainable Debt Strategies.

Reserve Bank of Malawi

B. Multi-Topic TA

Malawi: MCM-Norges Bank Capacity Building Project for the Reserve Bank of Malawi on Central Bank Policy and Operations

Overview of the program

The joint IMF-Norges Bank (NB) TA program for Malawi was initiated in October 2006, after NB decided to concentrate its TA on a specific country, taking a medium-term perspective. Malawi is one of Norway's main development partners, and was designated a pilot case to implement this approach. The initial program, having been judged a success, was extended for the second (Feb 2008–Dec 2009) and third phase (early-2010 to end-2011). TA has focused on central bank accounting, risk management, strategic planning, currency management, payments systems, liquidity forecasting, monetary and foreign exchange operations, macroeconomic analysis, monetary and foreign exchange policy, foreign reserve management, financial stability analysis, including stress testing, and financial system supervision.

Norges Bank

Unique features of the program

Under this TA program, traditional TA is delivered through an innovative arrangement between NB and the Reserve Bank of Malawi (RBM). TA experts are usually NB staff, whose work is coordinated by a resident advisor, and expert advice is available to RBM staff post-mission. The resident advisor acts as a technical advisor and interlocutor on a wide range of issues related to central bank operations, with particular emphasis on preparation, implementation, and follow-up of the projects.

IMF

A medium-term perspective, flexibility in the program, and an ongoing relationship between the experts and the recipient institution are seen as the keys to the success of this TA program. This approach facilitates a better understanding of the new processes and operations being recommended. The authorities recognize the value of the resident advisor in helping to clarify and implement the recommendations of the TA experts and in following up with them when necessary. To support the execution of central banking functions, separate Norwegian funding has been provided for the visits of RBM personnel to NB and neighboring central banks.

Program achievements

RBM's capacity in the core areas of central bank policy and operations has been strengthened. Benefiting from closer cooperation with the Ministry of Finance, liquidity forecasting at the RBM has significantly improved. In addition, the quality of the RBM's publications has been improving; financial stability reports have been prepared and are expected to be published shortly; a rationalization of the RBM's structure was carried out in September 2010;

the work to replace the RBM's accounting system has progressed; and the RBM has started building its stress testing capacity.

Significant progress has been achieved in implementing the recommendations of the previous TA on payment systems. Under the latest organization rationalization exercise, management of the real-time gross settlement system and its oversight have been separated. Incidence reporting has been established, and statistics are reported in the annual Payments System Report. The National Payment System Bill, which would give the RBM a sound legal basis for the oversight of the payment system, has been redrafted with the guidance of experts from NB. A Contingency Committee on Financial Infrastructure has been established, and a draft contingency plan has been prepared. Significant progress has been made toward achieving automated teller machine (ATM) interoperability and common clearing arrangements (national switch), which would enhance outreach and yield economies of scale.

The TA has addressed many issues identified by the 2008 FSAP and supported the authorities' ability to productively interact with the Article IV team.

Many of the program objectives are still in the process of being accomplished. Should the RBM experience difficulties, it will be able to make use of its close relationship with NB to seek further advice.

Seychelles: Capacity Building Project for the Central Bank of Seychelles during an Economic Crisis

Overview of the project

Over a period of four years (2007–2011), the capacity of the Central Bank of Seychelles (CBS) has been built up in monetary and foreign exchange operations, banking supervision, payments systems, and central bank accounting and audit.

Background

For several decades, Seychelles had problems servicing its external debt, but it avoided engaging in any Fund programs until mid-2008, when it defaulted on a specific sovereign issuance. In addition to engaging the Paris and London Clubs, the authorities agreed to a Fund program that involved radical changes from previous economic policies. Most dramatic of these changes was the floating of the exchange rate and removal of capital controls. Thus far, the changes introduced have proven successful. The exchange rate depreciated against the dollar dramatically (from about Seychellois Rupee (SR) 8.5 to the US Dollar to SR 17 to the US Dollar) when the currency was floated on October 31, 2008. It has now risen to about SR 12.4 to the US Dollar. As predicted, interest rates soared in the two months after the float—to about 30 percent—but soon thereafter declined (the one year Treasury bill rate is presently about 3.6 percent). Inflation has been drastically reduced since the float as monetary policy was kept quite tight.

Project achievements and challenges

The successful floating of the currency was in no small part achieved through MCM TA to the CBS. Fortuitously, the CBS requested a TA program during the

Annual Meetings in 2007. The first mission focused on foreign exchange (FX) operations and banking supervision. It was found, however, that the CBS had no monetary framework and central bank operations focused almost exclusively on FX controls. Banking supervision was established but required capacity building. The payment system required substantial modernization and central bank accounting and audit systems were noted as deficient by a Safeguards visit. While TA was stepped up in early 2008 based on the assessment from the multi-topic mission's visit in late 2007, economic and policy developments later in 2008 led to the African Department's (AFR's) request that TA be even more broad based and intensive than originally envisioned.

Mr. J. Foxley, FX expert, monitoring the FX rate

From the initiation of the TA program, TA delivery was intense. Cooperation from the CBS and the Ministry of Finance (MoF) was extraordinarily good and TA was absorbed extremely well. There were a multiplicity of issues and more often than not terms of reference had to be adapted and updated. MCM was asked several times for staff to conduct special surveillance missions that ultimately included provision of TA as well. The TA included innovations that were necessary in order to accommodate the CBS's needs with limited capacity. For example, a rudimentary system was developed to get banking data to the CBS on a monthly basis; treasury securities could not be de-materialized, so a rough book entry system was devised; and a home-grown platform for interbank FX trading was introduced. Staff at the CBS and the MoF cooperated closely and participated fully in the innovations.

TA activities contributed significantly to building the CBS's capacity in monetary and FX operations, banking supervision, payments systems, and central bank accounting and audit. A monetary framework was established—no small feat given the absence of both a framework and a monetary operations culture—and the CBS has full capacity to implement it. The money market is still nascent, but the system itself is small and there is progress. Systems both for FX operations and FX markets were introduced, and although bank activity in the FX market is limited, FX operations by the CBS function well. Regulation on foreign exchange houses was liberalized and monitoring improved. Banking supervision TA first focused on off-site monitoring, since monitoring of the banks was paramount to the program and to Seychelles' economic reforms. By 2011, the CBS has completed the necessary training to fully implement its version of risk-based banking supervision.

A Seychelles scene

Data and information systems, necessary to protect the data integrity of the CBS, were obtained by the central bank through TA on both payment systems and central bank accounting and audit. Central bank accounting and the auditing system were both vastly improved.

The TA program, initiated in 2007 and stepped up in 2008, finally concluded in April 2011. TA to the CBS is planned to continue, but can now afford to do so on a smaller scale and without the pressure of a crisis.

Lessons

» Cooperation. The full cooperation of the authorities, and strong relationships between TA providers, both in the field and from home, were key to the success of this TA program. Equally important, however, was the close cooperation between MCM and AFR. Without being administratively integrated into AFR's Program team, MCM's team worked very closely with AFR.

» Flexibility. The TA encountered shifting priorities and addressed many issues identified in connection with the Fund program. Many innovations worked, some did not or were discovered to be unnecessary. The TA worked smoothly through a replacement of the Governor, was on the ground for the float, and addressed many unanticipated issues. A special request from the Minister of Finance in 2008 to provide TA on the MoF's governance of state-owned financial institutions led to better cooperation between banking supervision at the CBS and state-owned financial institution governance by the MoF.

C. Post-Crisis TA

Ukraine: Helping the National Bank of Ukraine Overcome the Crisis and Laying the Ground for a Stronger National Bank of Ukraine Post-Crisis

Overview of the project

This multifaceted TA supports the National Bank of Ukraine (NBU) in its efforts to overcome the effects of the global financial crisis and implement its core mandate of price stability and financial stability. Recognizing that Ukraine had been particularly hard hit by the financial crisis, the Canadian government has provided $4 million for this 4-year project, which is now in its third year of implementation.

Unique features of the project

- Multifaceted. The project supports four main areas of capacity building, including: (i) the monetary and exchange rate framework; (ii) bank restructuring and financial stability; (iii) business surveys and regional economic analysis; and (iv) NBU capacity building in areas such as the NBU law, accounting reform, and medium-term planning.

- Timely. Ukraine's economy underwent a deep recession due to the global financial crisis, and its financial sector was not spared. The TA project has helped support the crisis management efforts and banking system restructuring. These formed a prominent component of the country's Stand-By Arrangement (SBA) with the IMF. In other areas, the project supported efforts to develop the NBU's financial stability analysis, for example developing drafts of internal financial stability reports. While the assistance is closely linked to the SBA in terms of content, even if the SBA implementation is delayed, the TA program will continue—as happened in late-2009.

- Fundamental reforms. The project supported revisions to the NBU law (passed in 2010 as part of the SBA) to include price stability as its main objective, with financial stability as a secondary objective. This should lay the foundations for a gradual transition toward a more flexible exchange rate and, eventually, inflation targeting. The project also supported the initial development of medium-term planning, to help the NBU modernize its internal practices in support of its objectives.

National Bank of Ukraine Head Office

Mr. E. Akcakoca, Bank Restructuring Expert

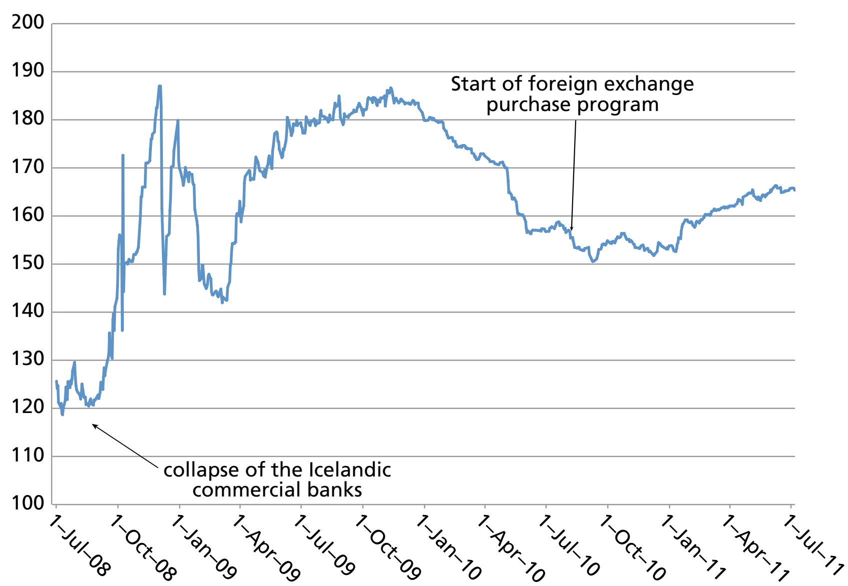
» Innovative. To help implement bank restructuring, the project used a forward-looking methodology to calculate capital needs, so that banks could withstand likely financial stresses.

» Varied implementation modalities. The project is implemented through the help of an advisor and project manager stationed in Kyiv, supported by expert visits and MCM staff in the various project areas. The project manager coordinates the visits with the authorities, agrees on the terms of reference for the experts' visits, backstopped by MCM. Several experts travel to Kyiv on a peripatetic basis, for example, to help with modeling and forecasting for monetary policy purposes, follow progress on bank restructuring, develop stress testing techniques further, and help both the NBU and banks to adopt International Financial Reporting Standards.

Project achievements, challenges, and lessons

» Achievements. Private banks have been recapitalized, and banking stability has been largely restored. Initial steps have been taken to reverse actions taken during the crisis in the area of foreign exchange liberalization. Business survey methodology has been improved, and international experiences shared through a seminar co-hosted by the Irving Fisher Committee of the Bank for International Settlements, along with the NBU and the IMF.

Chart: Icelandic krona (ISK) vs. the Euro



» Challenges. Ownership of the project on the part of the NBU has been mixed, and hence progress has been uneven across areas. In some cases there was insufficient attention from NBU's top management to drive through all changes. In particular, challenges remain in the area of monetary and exchange rate policy and operations, and with respect to the next steps in putting in place a financial stability framework. Many donors are involved in providing TA to the NBU, and much coordination is needed to ensure that efforts are complementary, not duplicative, and that policy messages do not conflict.

» Lessons. It is important to invest time in building strong work relationships with stakeholders.

Iceland: Foreign Exchange Intervention in a Thin Market

Overview of the project

Through the project, the Iceland authorities have initiated a program of foreign exchange purchases that has enabled them to deal with the problem of an extremely thin market following closure of the three large commercial banks.

Background

In the first half of October 2008—shortly after the Lehman collapse—all three of Iceland's large commercial banks closed; the exchange rate collapsed (see chart); foreign exchange controls were introduced; and Iceland found itself facing substantial public and private foreign currency debt. An IMF program was agreed in late-2008.

A Viking Ship Sculpture in Reykjavik

Despite this crisis, many aspects of the real economy remained strong. The fisheries sector and production of aluminum (taking advantage of Iceland's geothermal energy capacity) benefit from strong global demand, and the exchange rate depreciation helped the tourism sector. But the authorities had to pursue a rigorous fiscal retrenchment and undertake a substantial overhaul of the banking sector.

By early 2010 the economy had largely stabilized and the exchange rate against the Euro began appreciating steadily. In some ways, this was welcome, as the appreciation helped to bring down the rate of inflation, and supported a feeling of restoration of normality. However, a continued appreciation could eventually weaken the balance of payments, at a time when it was important to generate a continued surplus. Moreover, the central bank needed to start building net foreign exchange reserves—by buying rather than borrowing foreign currency—to prepare for future debt repayments.

Initiating a program to build up net foreign exchange reserves was likely to offset the trend of nominal exchange rate appreciation. Although there was a risk that this might be politically unpopular, it was considered easier to initiate such a program while the exchange rate was appreciating rather than going in the other direction. However, the central bank wanted to avoid giving the impression that it had an implicit exchange rate policy; and was concerned that intervention in a very thin market—interbank turnover was normally less than Euro 500,000 a day; it had been much higher before the 2008 crisis hit —could have a disproportionate impact on the exchange rate.

Project achievements and challenges

A technical assistance visit to Reykjavik in June 2010 had the goal of reaching agreement with the central bank on how to initiate a program of foreign exchange purchases that would take due account of the local circumstances. Although this entailed certain challenges, the outcome was extremely successful.

» Challenging: A commitment to purchase a fixed amount of foreign exchange on a regular basis would signal the intention to build net reserves rather than managing the exchange rate. Varying the amounts purchased in response to sharp exchange rate movements—which could not be ruled out in a thin market—could be interpreted as implying an exchange rate target (for instance, if purchases were halted because of exchange rate weakening). But while the central bank did not have an exchange rate target, it could not be indifferent to exchange rate volatility. This would call for an element of discretion within an overall commitment to build reserves. Market sensitivities pointed to the need to discuss options with market participants, and to both develop and clearly communicate a strategy before implementing purchases.

» Successful: Market purchases began in August 2010 with a regular, weekly program to purchase Euro 1.5 million from the banks at prevailing market prices. The purchase program does not appear to have disrupted the market; and indeed, coupled with other measures to support balance sheet adjustment by the commercial banks, there has been some increase in market turnover.

Lessons

The IMF has engaged regularly with both the central bank and major market participants since the crisis broke in October 2008. The recommendations to initiate a program of market purchases could, therefore, take due account of the market context and the needs of the central bank. Good relationships with staff at the central bank, and the central bank's cooperative approach in working with market participants, were crucial in developing and communicating the appropriate strategy.

D. Post-Conflict TA

West Bank and Gaza: Building Institutional Capacity

Overview of the project

Although the West Bank and Gaza is not formally a member of the IMF, it has received a large amount of TA from the Fund. MCM has worked closely with other Fund TA departments (including FAD, INS, LEG, and STA) to bolster the institutional and operational workings of the monetary and fiscal authorities. In recent years, MCM has conducted a large TA program that has been undertaken in conjunction with the Middle East Regional Technical Assistance Center (METAC), the World Bank, and a number of central banks. This program has provided advice to the Palestine Monetary Authority (PMA) on central banking and reserve management, and to the Palestinian Authority (PA) on debt market development and debt management. Such TA has been funded to a large extent from donors including the Japan Administered Account for Selected IMF Activities (JSA) and the European Investment Bank.

Background

The TA has been provided in the context of the evolving economic and political situation in the West Bank and Gaza. Since there is no national currency, a number of currencies circulate, while the fiscal position is largely supported by donor assistance. In recent years, policy has focused on institution building and reforms regarding public finance, governance, and security issues. These measures have been supported by the international community as part of the ongoing process intended to achieve an independent and viable Palestinian state. The economy has stabilized and started growing again after a period of turbulence, but the situation remains fragile.

Lion Statue in Ramallah, West Bank

MCM TA has concentrated on bolstering the ability of the Palestinian authorities to manage the difficult environment and to foster a stable economic environment that can support the political process. The TA has focused on two broad areas: modernization of the PMA, and debt market development and management.

Modernization of the PMA

Modernization of the PMA has focused on supporting and nurturing the PMA in terms of its institutional role, as well as its operations and functions. MCM has worked closely with the PMA in developing its Strategic Transformation Plan that has been adopted as a time-bound, comprehensive, and consistent reform plan to ensure that the PMA operates in line with international best practices for central banks. This multi-year TA program under the general rubric of the Modernization of the PMA has involved the following:

Institutional development

» Stronger legal framework. MCM, in conjunction with LEG, has helped rewrite the PMA law to allow greater focus on financial stability in conjunction with a rewritten Banking Law including formulation of a better regulatory and supervisory framework for banks. These new laws are in the process of being enacted.

» Better organizational structure. MCM has advised on reorganizing the PMA to allow better coordination of departments according to function and create a better management structure. The advice given has been successfully replicated in other central banks.

» Better human resource management. MCM has provided assistance in upgrading human resource management to international standards. This involved a substantial downsizing of staff numbers; better hiring procedures to ensure that only the best qualified are recruited; and linking remuneration with performance. Again, the reforms undertaken have been widely recognized as an exemplar to other central banks.

Operational reforms

- Banking supervision. MCM has worked closely with METAC in helping the PMA to upgrade the regulatory and supervisory framework in line with the Basel Core Principles and to increase the capacity of the staff. Substantial progress has been made in this regard, and the system proved resilient in the global financial crisis. The banking sector is overall well capitalized and non-performing loans have been low. METAC has also put in place a credit registry that is considered a model for the region.
- Bank resolution. As a legacy of poor supervision in the past and poor governance practices, a few small banks experienced difficulties. MCM assistance has focused on providing concrete steps to resolve these banks and, over the course of the past year, this has been successfully accomplished.
- Research. MCM has provided TA on enhancing the capacity of the research department to better monitor and assess economic developments in the West Bank and Gaza. This better understanding is crucial for progress in ensuring financial stability and any future options regarding the choice of currency.
- Reserves and asset management. The PMA has steadily built up its foreign exchange assets on its balance sheets. As manager of government funds and the excess funds of the banking system, the proper management and safety of funds is even more important than in a typical situation. MCM has helped to reorganize the institutional set-up of the reserves management function, train its staff, and put in place a well defined reporting and accountability system.

Debt market development and management

MCM in conjunction with METAC is advising the PA and PMA on creating a government debt market in West Bank and Gaza. The aim is to support the development of the private market and provide the PA with alternative funding sources to donor assistance. The success of such initiatives would, of course, depend on a number of factors including the maintenance of a sustainable fiscal position and political stability.

Afghanistan: Resolution of Kabul Bank

Overview of the project

The large-scale fraud and failure of Kabul Bank presented the financial sector and authorities in Afghanistan and the international community with an enormous challenge. MCM TA support on the ground by a resident expert, combined with extensive support from IMF headquarters, proved fundamental in helping the authorities to prepare the bank for receivership and any eventual sale of the bridge bank. The on-going Kabul Bank TA project serves as a case study in how valuable TA advice on complex issues can be implemented despite a very difficult security and political environment.

Soon after troubles at the bank became public at the end of August 2010, Kabul Bank suffered a deposit run losing about half of its deposits. MCM, together with MCD, responded by sending within a month a bank resolution and crisis management expert to advise Da Afghanistan Bank (DAB), the country's central bank. The expert stayed as a long-term resident advisor through financing by the United Kingdom's Department for International Development (DfID).

A scene from an Afghan market

Main outcome

After months of negotiations and at least three changes in direction, on April 20, 2011, DAB elected to take the path of placing Kabul Bank into receivership and licensing a bridge bank to continue to take care of its remaining depositors and maintain its role in paying government salaries. Through the use of the bridge bank approach, the government was able to keep the bank in operation; it anticipates preparing the bank for sale. The TA supported DAB staff and other government officials who took the lead in designing and implementing the strategy, thus creating local capacity.

Unique features of the project

» Systemic importance. With almost 130 branches and extension offices and the largest depositor base in the Afghan financial system, Kabul Bank was a systemically important bank. With about $1.3 billion in total deposits, Kabul Bank represented approximately 12 percent of Afghanistan's GDP. The failure was brought about by years of abuse by its shareholders and management, resulting in almost $950 million in insider lending and fraudulent loans. At this stage, it is difficult to estimate how much will ever be recovered, but total losses are certainly very large in a country that can ill afford it. Afghanistan does not yet have deposit insurance, and the government of Afghanistan declared that all depositors of the bank would be covered, rendering a bill of over $825 million to the government. The bank's failure has clearly had significant political and economic implications.

» Challenging. Afghanistan is lacking in human capital relevant to the financial sector. DAB staff are few in number and have little relevant experience, and local expertise in such areas as accountancy, audit, asset recovery, and receivership is very scarce. This created a challenging environment in which to build staff capacity to tackle the resolution of a systemically important bank.

» Alignment. The Kabul Bank resolution was a key condition during the IMF program negotiations. Bilateral donors and the World Bank have tied their conditionality to the Fund-supported program and, in particular, to progress on Kabul Bank.

A presentation to SBP management

E. Innovative TA

Panama: Implementing a Stress Testing System for the Banking Sector

Overview of the project

The MCM TA arose from Article IV consultation findings that credit risk analysis and stress testing were in need of enhancement at the Superintendency of Banks Panama (SBP). The TA project was aimed at developing and implementing a new stress testing module for Panama's regional banking center.

Background

With more than 90 institutions and total credit exposures exceeding annual GDP, Panama's banking sector is one of the largest in Latin America. Banks lend primarily to the commerce and construction sector as well as to households. As Panama is fully dollarized and does not have a central bank that would act as lender of last resort, banks must pursue especially prudent policies and maintain appropriate buffers, essentially self-insuring against adverse developments. Despite sound fundamentals, the high degree of openness and the large share of foreign banks present possible avenues of contagion from outside Panama. During the financial crisis, banks suffered some setbacks, but generally preserved their strong positions. However, in Panama the prospect of overheating could foster the build-up of financial system vulnerabilities, notably in housing lending. Although the pre-crisis strong construction and housing expansion seems to have achieved a soft landing, data limitations prevent adequate monitoring of exposures in that sector, which represents a large share of the banking system's credit portfolio. Prudential regulation enforced by the SBP is mainly compliance-based and has been lacking forward-looking elements such as stress testing.

Achievements

The TA mission team built a new credit risk model and stress testing template for projecting the impact of macroeconomic shocks on loan quality, provisioning, and capital adequacy. With the exception of the regression-based credit risk model, all calculations and projections are conveniently combined in one template, requiring only the projection of explanatory macro variables to yield the stress-induced change in key financial soundness indicators. In building the template, the mission team resolved complicated data and capacity constraints, yielding a tractable definition of sectoral loan exposures, clarifying issues with data consistency, and coaching the SBP staff in the use of the system. The mission team placed great emphasis on designing the template's spreadsheets and interfaces to be as user-friendly as possible to facilitate the periodic updating and forecasting with the new tool.

Importantly, as a secondary outcome, the TA project promoted inter-agency data sharing agreements and nurtured a new stability culture that has led to the creation of a new financial stability unit at the SBP. The new stress testing tool will be used during a first-time Financial Sector Assessment Program.

In the final presentation of the implementation phase, the Superintendent of Banks—a seasoned accounting expert—lauded the stress testing tool for its forward-looking properties in identifying the vulnerabilities of banks that are not yet clearly evident in the financial statements.

Lessons

It is necessary to build ownership and address capacity constraints at each successive stage of the project. The authorities need to be enabled to: (i) understand why the proposed approach is pursued; (ii) appreciate the importance of data consistency in the model variables; and (iii) operate and update the model with confidence. In this particular TA project, certain data issues surrounding consistency of some time series and the availability of others had to be resolved before building the model; for example, as data on loan write-offs were unavailable, the mission team constructed a proxy variable in order to arrive at a more realistic measure of loan impairment during the financial crisis. At the later stages of the project, much attention was devoted to conveying the functionalities of the credit risk model and forecasting template. A key lesson from this stage is that ongoing training must be provided upon formal introduction of the system to make sure the system is being used properly on an ongoing basis. As the needs for operating and updating the stress testing tool were not immediately known, the TA mission team re-engaged with the SBP credit risk unit after implementation of the system and provided additional, more specific training to address pending operational issues.

Croatia: Macro-Financial Modeling

Overview of the project

Since 2007, MCM has assisted the Croatian National Bank (CNB) in developing macro-financial modeling to support the traditional financial programming used in the design and conduct of monetary policy. The TA started as a Fund staff-led mission with three external experts. Once the initial technology had been acquired and action plans prepared, the project continued in the form of short-term expert missions. These missions provided guidance to the CNB staff in building a macroeconomic model that describes the interactions of key macroeconomic variables in the medium term. In developing the model, specific features of the Croatian economy were taken into account; these features included a managed exchange rate regime, a dominant role of banks in channeling financial flows, a high level of euroization, and high foreign borrowing. The model was also enriched by interactions between financial and macro variables.

One or two short missions are conducted every year. These missions include one or two experts who designed a similar model at the Czech National Bank.

Regional workshop in Sofia

The missions provide practical guidance on using the model for projections and policy analysis through hands-on workshop sessions. Various policy scenarios were simulated using the model. The ways to communicate the results of the model to senior management were also discussed.

Achievements

The macro model has become an important tool of the CNB. The CNB staff completed the calibration of the model of the Croatian economy, which is now used to analyze the effects on the economy from various shocks. The results of these exercises are typically summarized in internal memos for CNB management, and some have appeared as boxes in the CNB's regular external publication, the Quarterly Report. The outcome of this analysis has sometimes become a topic of public discussions.

Scenery of Dubrovnik

» Highly valued TA project. This long-term TA project has always been Fund-financed and is highly valued by the authorities. The project started in 2007, but CNB staff has expressed a strong interest in continuing this project going forward. The CNB has repeatedly indicated its interest and willingness to provide a financial contribution to the continuation of this project.

» Successful collaboration with the Czech authorities. The project has been largely delivered by several experts from the Czech National Bank. The long-term relationship between these experts and CNB staff in charge of modeling has contributed to an environment of trust and cooperation.

» Flexible delivery methods. The TA delivery technique was unusual: a typical TA from MCM is provided through short-term staff and/or expert visits to the TA recipient country or through long-term resident advisors. But in FY2011, the modeling project involved two short trips by CNB staff to Prague, where the experts involved in this project are domiciled. This represented a very cost effective arrangement for MCM.

» Regional interest. The project generated significant interest among the country authorities in the region. Similar TA was requested by the Bulgarian, Serbian, and Ukrainian authorities. Given the multiple requests, MCM decided to organize a regional workshop to bring together various countries in the region. This was both a cost effective and efficient way of providing the TA. It also allowed the authorities to exchange experiences and techniques with each other. The regional workshop was hosted by the Bulgarian authorities in 2008.

V. MCM Technical Assistance Strategy

MCM revised its medium-term Technical Assistance Strategy in February 2011.[8] The new strategy was designed to respond to evolving issues and challenges faced by member countries, changing departmental priorities in a post-crisis world, continued tight budget constraints, and more demanding donor approaches in funding TA.

The medium-term strategy adopts a four-pronged approach aimed at preserving the MCM brand name as a provider of top quality technical advice to member countries on monetary and financial sector issues. Key elements of the medium-term strategy are: (i) thematic alignment of TA with Fund/MCM priorities and integration with the various MCM work pillars; (ii) strengthening partnership and collaboration with stakeholders and adjusting to a changing funding environment; (iii) adapting TA modalities and enhancing expert capacity to meet new demands; and (iv) enhancing processes to ensure quality control and effectiveness.

The new TA strategy recognizes that monetary and financial systems are evolving, and the application of best practices needs to be tailored to financial systems at different stages of development. MCM TA will seek to foster greater involvement and ownership of the recipient authorities to develop the best possible advice. The strategy takes into account that member countries can obtain TA from a variety of sources, and are now generally more knowledgeable and require a better, more cooperative mode of delivery, including the use of experts from a broader range of countries, multilateral approaches to complement bilateral TA, and off-site TA delivery (for example through videoconferencing) which would require less travel and may create efficiency gains. Delivery of TA through multilateral training may also be a stronger complement to bilateral TA than in the past.

The strategy provides a conceptual roadmap for meeting the challenges ahead based on the following guiding principles and objectives:

- » Ensure that MCM TA effectively integrates specialized expertise/advice with area departments' macroeconomic policy objectives and policy advice, and, reflecting MCM's uniqueness and diversity, leverages the department's knowledge and experience of bilateral, cross-country, and cross-sector issues.
- » Plan and deliver TA more strategically through better prioritizing recipients' needs and aligning the thematic focus of TA with Fund/MCM priorities as well as fostering greater synergies and connectivity between major pillars of MCM work.
- » Maintain MCM's ability to be responsive to all members' differing needs, adapt resource planning and allocation to the changing funding environment through a better, more strategically driven management of the balance between Fund and externally funded TA.
- » Enhance MCM's expert capacity to respond to new demands and adjust the TA delivery modalities.
- » Foster cooperation and coordination through strategic alliances and partnerships with stakeholders inside and outside of the Fund.
- » Pursue institutional effectiveness, quality control, and learning capacity.

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[8] "A Medium-Term Strategy for Effective MCM Technical Assistance in a Changing World", February 2011.

VI. Outlook for FY2012

The recent global financial crisis brought to light major gaps and shortcomings in regulation, supervision, and market practices in many countries. Addressing these is critical for safeguarding financial stability, and consequently the Fund is involved in the international effort to design a more effective and sound financial architecture, making it a top priority for MCM. The agenda established by the G-20 in response to the crisis has already led to a reorientation of MCM's priorities toward crisis management and strengthening financial regulation and supervision, central banking, and public debt management. This is in accordance with international efforts to strengthen standards for financial sector regulation and supervision, and central bank practices. MCM has been an active participant in these efforts through its surveillance, policy development and standard-setting activities. Going forward, MCM's TA program, too, will incorporate topical areas that have come to the fore during the crisis.

MCM's assistance to member countries is expanding as a result of the crisis. A number of member countries (particularly advanced industrial and emerging market countries), who earlier believed that they no longer required Fund financial support or had long graduated from being recipients of TA, have recently requested specialized advice and assistance from MCM. This, in turn, has prompted MCM to expand its expert capacity to respond to new needs.

The crisis and its aftermath have created an extensive new agenda of work for MCM, in particular in the areas of crisis resolution assistance, financial sector surveillance, and policy development/advice. The MCM business plan for FY2012-2014 is anchored in the Fund's strategic shift to boost multilateral surveillance and the assessment of financial sector/systemic risks, and geared to support the global post-crisis efforts to overhaul financial system surveillance and architecture. MCM is positioning itself to respond quickly and effectively to calls from IMFC, G-20 and the Financial Stability Board, with a particular focus on:

» Enhancing the focus and impact of financial sector surveillance, especially in the context of the new mandatory FSAP stability assessments, including the analysis of macro-financial linkages and tail risks;

» Supporting the completion and implementation of post-crisis financial sector reforms, including "Basel III," the development of macro-prudential policy frameworks, and measures to address the cross-border implications of the "too big to fail" problem;

» Contributing to the policy dialogue in areas such as the role and effectiveness of capital controls, new foreign reserves metrics and strategies for sovereign debt management; and

» Optimizing the effectiveness of TA by implementing the steps identified in the medium-term MCM TA strategy.

In the context of its TA program, MCM is developing effective TA modalities to disseminate experiences gathered in crisis-related activities in a manner that most suits the circumstances in developing countries. For example, MCM has been involved in the work of the Basel Committee on Banking Supervision on the formulation of new capital and liquidity requirements. Although the banking sectors of a number of developing countries already meet or even exceed the recently announced new quantitative and qualitative capital standards, there is considerable room for improvement regarding the quality of supervision (on-site and off-site), the management of liquidity, and the crisis preparedness frameworks (domestic and cross-border).

MCM needs to respond to new TA demands that have arisen following the global financial crisis as well as to traditional demands. The new demands include areas such as macro-prudential frameworks and policies and Basel III implementation. At the same time, however, traditional capacity-building TA to strengthen the basic institutional infrastructure, the resilience of financial sectors, and the soundness of monetary operations continues to be important for low- and middle-income countries—the majority of countries MCM serves. Moreover, banking crises in "non-systemic" countries keep generating considerable—and always urgent—ad hoc demand for MCM expertise.

Even areas which have long been at the core of MCM TA are likely to be affected by the ongoing and prospective changes in the international environment. New and challenging issues, for example, have arisen for central banks with regard to their monetary policy operations and the choice of instruments. The recent crisis experience in Europe has also served as a reminder that public debt problems and debt management challenges have a significant impact on the entire spectrum of Fund members—advanced economies as well as emerging economies. Emerging economies are looking for advice on policies/instruments to deal with surges of capital inflows. Low-income countries that have received international debt relief and hope to prudently access private funding markets again to help spur economic development, also seek technical advice. Also, in many developing countries, the lack of liquidity in secondary government bond markets is an issue that has gained new relevance. It is also likely that greater importance will be given to TA that helps member countries improve stress testing methods or develop the capacity to undertake their own macro-financial analysis and financial stability assessments, and formulate stability reports. MCM TA on Natural Resource Wealth Funds will be delivered under the auspices of the new Topical Trust Fund.

In light of the above, demand for MCM TA is expected to continue to increase in FY 2012 and beyond, but MCM has already taken steps to address this demand effectively and efficiently. As resources are limited, careful prioritization will be required, and MCM's TA strategy provides a conceptual framework to guide this process. In addition, MCM is making it a priority to renew and strengthen its ties with the cooperating partners that support MCM's TA program, in particular by providing funding and experts for MCM's TA operations in the field.

Data Appendix

Table 1. Mission Activity by Region

(Person years, including short and long-term experts; FY2011)

Type	AFR	APD	EUR	IMF[1]	MCD	WHD	Total
Article IV	0.0	0.3	0.7	0.0	0.3	0.1	1.5
FSAP	0.8	1.9	5.1	0.1	0.7	2.0	10.6
Other	0.1	0.1	0.6	5.2	0.2	0.1	6.4
TA	20.8	9.7	6.6	0.1	11.4	10.2	58.7
UFR	0.1	0.1	1.7	0.0	0.4	0.1	2.5
Total	**21.9**	**12.1**	**14.7**	**5.5**	**12.9**	**12.6**	**79.7**

[1]Mostly cross-regional TA seminars

Table 2. TA Travel Costs

(in US dollars; FY2011)

Region	2009	2010	2011
AFR	1,769,354	1,811,311	1,782,847
APD	1,177,851	555,895	907,336
EUR	896,755	718,963	877,785
MCD	328,361	664,865	1,069,757
WHD	617,446	721,735	755,816
Total	**4,789,767**	**4,472,769**	**5,393,541**

Table 3. TA Delivery Mode by Region

(Person years; FY2011)

Type	AFR	APD	EUR	IMF[1]	MCD	WHD	Total
HQ Staff	2.5	1.0	1.0	0.1	0.7	1.0	6.2
STX	8.0	2.6	3.3	0.1	3.2	3.0	20.1
LTX	9.1	6.1	2.2	–	6.5	3.7	27.7
RTAC	1.2	0.1	–	–	0.9	2.5	4.7
Total	**20.8**	**9.7**	**6.6**	**0.1**	**11.4**	**10.2**	**58.7**

[1]Mostly cross-regional TA seminars

Table 4. TA Delivery by Region and by Year

(Person years)

Region	2009	2010	2011
AFR	25.3	22.4	20.8
APD	15.0	10.6	9.7
EUR	6.7	8.5	6.6
IMF[1]	0.0	0.1	0.1
MCD	9.8	10.2	11.4
WHD	9.1	9.5	10.2
Total	**65.9**	**61.3**	**58.7**

[1]Mostly cross-regional TA seminars

Table 5. TA Delivery by Core Area

(Person years)

Core Area	2009	2010	2011
Assets & Liability Management	4.3	4.9	6.0
Central Banking	20.0	13.8	13.1
Markets, Instruments & Infrastructure	2.5	1.9	2.1
Multitopic and Other	5.4	4.4	4.8
Regulation & Supervision	32.2	34.4	27.0
Systemic Issues & Crisis Management	1.4	1.8	5.8
Total	**65.9**	**61.3**	**58.7**

Table 6. TA Delivery by Core Area and Staffing Type

(Person years; FY2011)

Core Area	HQ Staff	STX	LTX	RTAC	Total
Assets & Liability Management	1.2	1.5	3.0	0.3	6.0
Central Banking	1.1	5.1	6.3	0.7	13.1
Markets, Instruments & Infrastructure	0.2	0.8	0.9	0.3	2.1
Multitopic and Other	1.5	3.2	—	0.0	4.8
Regulation & Supervision	1.1	6.0	16.7	3.2	27.0
Systemic Issues & Crisis Management	1.2	3.6	0.8	0.1	5.8
Total	**6.2**	**20.1**	**27.7**	**4.7**	**58.7**

Table 7. TA by Topic

(Absolute terms; FY2011)

Core Area	AFR		APD		EUR		IMF		MCD		WHD	
	No. of Person missions	Person Years	No. of Person missions	Person Years	No. of Person missions	Person Years	No. of Person missions	Person Years	No. of Person missions	Person Years	No. of Person missions	Person Years
Assets & Liability Management	32.0	1.9	9.0	1.5	6.0	0.4	1.0	0.0	28.0	1.8	10.0	0.4
Central Banking	71.0	6.1	10.0	1.1	31.0	2.4	1.0	0.0	13.0	1.5	37.0	2.0
Markets, Instruments & Infrastructure	13.0	0.5	–	–	2.0	0.1	1.0	0.0	10.0	0.6	14.0	0.8
Multitopic and Other	32.0	2.7	9.0	0.7	8.0	0.4	–	–	11.0	0.5	8.0	0.4
Regulation & Supervision	80.0	6.4	49.0	6.4	20.0	2.0	1.0	0.1	67.0	6.3	128.0	5.9
Systemic Issues & Crisis Management	44.0	3.2	2.0	0.1	25.0	1.3	–	–	9.0	0.6	11.0	0.5
Total	**272.0**	**20.8**	**79.0**	**9.7**	**92.0**	**6.6**	**4.0**	**0.1**	**138.0**	**11.4**	**208.0**	**10.2**

Table 8. TA by Topic

(In percent of total by region; FY2011)

Core Area	AFR		APD		EUR		IMF		MCD		WHD	
	No. of Person missions	Person Years	No. of Person missions	Person Years	No. of Person missions	Person Years	No. of Person missions	Person Years	No. of Person missions	Person Years	No. of Person missions	Person Years
Assets & Liability Management	11.8	9.2	11.4	15.0	6.5	5.9	25.0	16.5	20.3	16.0	4.8	4.3
Central Banking	26.1	29.3	12.7	10.8	33.7	36.6	25.0	7.0	9.4	13.2	17.8	20.1
Markets, Instruments & Infrastructure	4.8	2.6	–	–	2.2	1.4	25.0	13.0	7.2	5.4	6.7	8.3
Multitopic and Other	11.8	13.0	11.4	7.5	8.7	5.7	–	–	8.0	4.8	3.8	4.2
Regulation & Supervision	29.4	30.6	62.0	65.8	21.7	29.9	25.0	63.5	48.6	55.3	61.5	57.7
Systemic Issues & Crisis Management	16.2	15.3	2.5	0.8	27.2	20.5	–	–	6.5	5.3	5.3	5.3

Table 9. TA Delivery by Staff Type and Funding Type

(Person years)

	2009	2010	2011
Fund Financed	**22.1**	**19.2**	**17.5**
HQ Staff	5.0	5.4	5.1
EX	17.1	13.7	12.4
LTX	0.2	0.7	0.0
STX	16.9	13.0	12.4
Externally Financed	**43.8**	**42.1**	**41.2**
HQ Staff	0.1	0.4	1.1
EX	43.7	41.7	40.1
LTX	27.6	25.7	27.7
STX	16.1	16.1	12.4
Total	**65.9**	**61.3**	**58.7**

Table 10. External Funding by Region

(In U.S. dollars; FY2011)

Region	2009	2010	2011
AFR	5,001,698	4,310,350	5,014,082
APD	2,412,700	2,018,678	3,005,686
EUR	559,100	1,608,808	1,156,315
MCD	2,284,226	2,586,008	3,177,092
WHD	389,653	210,140	1,304,609
Total	**10,649,386**	**10,735,994**	**13,657,783**

Table 11. External Funding Information by TA Country

(in US dollars)

TA Country	2009	2010	2011
Afghanistan, Islamic Republic of	0	8,691	97,570
African Countries	243,067	337,654	414,975
AFRITAC CENTRAL[1]	776,168	750,378	446,627
AFRITAC, East[1]	924,110	807,534	1,102,108
AFRITAC, West[1]	675,500	530,114	704,193
Albania	77,643	46,586	–
Algeria	–	93,171	94,444
Asian Pacific Countries	44,850	44,796	1,992,236
Bangladesh	118,300	59,800	210,000
BEAC-Banque des Etats de l'Afrique Centrale	219,900	284,328	186,319
Benin	–	–	58,000
Bhutan	–	–	–
Burundi	219,900	74,750	62,584
Cambodia	246,900	168,300	–
CAMTAC-Central American Monetary Council	51,603	–	–
CAPTAC[1]	–	135,390	984,066
CARTAC[1]	–	–	251,638
Comoros	–	–	94,453
Congo, Democratic Republic of	141,001	134,550	345,307
Djibouti	–	93,171	29,000
Egypt, Arab Republic of	28,600	–	–
European Countries	43,400	–	–
Guinea	85,050	–	–
Indonesia	448,000	333,170	47,998
Iraq	270,736	68,522	163,391
Kazakhstan, Republic of	46,586	62,114	61,585
Kenya	–	–	–
Kosovo	146,600	267,196	281,636
Kyrgyz Republic	29,900	59,800	46,007
Lebanon	29,900	149,500	–
Liberia	351,434	219,748	15,529
Libya	292,035	638,961	723,837
Macedonia, Former Yugoslav Republic of	–	–	–
Madagascar	29,900	–	–
Malawi	426,300	324,788	336,017
Maldives	119,600	155,285	93,171

Table 11. External Funding Information by TA Country (continued)

(in US dollars)

TA Country	2009	2010	2011
Mauritius	74,750	179,979	75,000
Middle East & Central Asian Countries	599,819	436,692	866,592
Moldova	195,300	166,719	82,985
Mongolia	269,100	–	–
Morocco	–	–	58,000
Mozambique, Republic of	44,850	29,900	14,950
METAC[1]	629,800	680,199	988,784
Namibia	–	–	53,722
Nepal	28,600	–	–
Nigeria	535,619	376,371	873,959
Papua New Guinea	115,700	93,171	–
PFTAC[1]	279,000	341,964	357,705
Philippines	328,400	259,870	–
Russia	65,100	195,300	–
Rwanda	179,400	81,000	110,399
Sierra Leone	59,800	59,800	–
Sudan	–	–	–
Syrian Arab Republic	356,850	280,236	–95,268[2]
Tajikistan	–	–	49,978
Tanzania	14,950	62,114	50,592
Thailand	86,800	–	–
Timor-Leste, Democratic Republic of	179,400	270,572	304,576
Tonga	104,650	74,750	–
Trinidad And Tobago	173,600	–	68,906
Uganda	–	57,344	46,007
Ukraine	31,057	933,008	791,694
Viet Nam	43,400	217,000	–
West Bank And Gaza	–	14,950	31,057
Western Hemisphere Countries	164,450	74,750	–
Yemen, Republic of	–	–	62,114
Zambia	–	–	12,069
Zimbabwe	–	–	11,274
Total	**10,649,386**	**10,735,994**	**13,659,794**

[1]The Fund uses regional TA centers (RTACs) to provide TA to member countries. The Fund currently operates eight RTACs, covering countries in Central Africa (AFRITAC Central or AFC), East Africa (AFRITAC East or AFE), West Africa (AFRITAC West or AFW), Southern Africa (AFRITAC South or AFS), the Caribbean (CARTAC), Central America (CAPTAC), the Middle East (METAC), and Pacific Island countries (PFTAC).

[2]The negative amount represents reimbursement resulting from an incorrect payment in FY2010.

Table 12. TA Delivery by Funding Type

(Person years)

Funding Type	Source	2009	2010	2011
Fund	Fund-Financed	22.1	19.2	17.5
Fund Total		**22.1**	**19.2**	**17.5**
External	AFE – AFW Subaccount (RTACs)[1]	5.4	2.8	0.1
	African Capacity Building Foundation	0.0	–	–
	Belgium TA Subaccount	0.6	0.7	1.6
	Canadian TA Subaccount	0.2	2.5	2.2
	Central AFRITAC (RTAC)	2.5	2.4	1.7
	EC – European Community	0.3	–	–
	FAA – European Investment Bank Subaccount[2]	0.4	0.5	–
	FAA – Iraq Subaccount[2]	0.5	0.4	0.1
	FAA – METAC Subaccount (RTAC)[2]	2.2	2.4	0.0
	FAA – PFTAC Subaccount (RTAC)[2]	0.9	1.2	1.1
	FAA – Multidonor Account for PRSP[2,3]	1.6	1.0	–
	FIRST Phase I[4]	0.1	–	–
	FIRST Phase II[4]	3.6	4.4	3.6
	Islamic Development Bank	–	0.1	0.1
	Italy TA Subaccount (Treasury)	0.4	1.0	–
	Japan TA Subaccount	15.0	9.4	2.5
	METAC Phase III (RTAC)	–	–	2.0
	Other Third Party Financing	2.8	2.5	0.3
	SFA – CAPTAC (RTAC)[5]	–	0.5	3.1
	SFA - CARTAC (RTAC)[5]	–	–	0.7
	SFA – East AFRITAC (RTAC)[5]	–	1.3	2.4
	SFA – Switzerland Subaccount[5]	–	0.3	1.6
	SFA – West AFRITAC (RTAC)[5]	–	0.8	2.3
	SFA – Japan TA Subaccount[5]	–	0.6	6.3
	SFA – Libya TA Subaccount[5]	–	0.1	2.2
	SFA – Norway TA Subaccount	–	0.6	2.1
	SFA – UK DFID Afghanistan TA[5,6]	–	–	0.2
	SFA – UK DFID Nigeria TA[5,6]	–	0.3	2.6
	Spain TA Subaccount	0.4	0.2	–
	Swiss TA Subaccount	1.2	0.8	–
	UK DFID TA Subaccount[6]	2.0	1.4	–
	United Nations Development Program	3.4	3.8	2.5
External Total		**43.8**	**42.1**	**41.2**

[1]AFRITAC East and AFRITAC West Regional Technical Assistance Centers (RTACs)
[2]Framework Administered Account for Technical Assistance Activities (the "FAA")
[3]Poverty Reduction Strategy Paper
[4]Financial Sector Reform and Strengthening Initiative
[5]Framework Administered Account for Selected Fund Activities ("the SFA") - replaces FAA
[6]United Kingdom's Department for International Development

Table 13. TA Delivery – Baseline versus Outturn by Topic – FY2011

(Person years; FY2011)

	Baseline	Outturn
Assets & Liability Management	8.6	6.0
Central Banking	15.3	13.1
Markets, Instruments & Infrastructure	3.2	2.1
Multitopic and Other	6.4	4.8
Regulation & Supervision	27.6	27.0
Systemic Issues & Crisis Management	4.7	5.8
Total	65.8	58.7

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