

Chapter 4



Chapter 4 Capacity building: technical assistance and training

The technical assistance and training offered by the IMF at the request of member countries are intended to help them fulfill the commitments they make when they join the IMF—to pursue policies that foster financial and macroeconomic stability, sustainable economic growth, and orderly exchange rate arrangements, and to provide the IMF with timely, accurate, and high-quality data about their economies. Equally important, technical assistance and training are also vehicles for helping member countries implement the recommendations that come out of the IMF's Article IV consultations (see Chapter 2). Hence, aligning and integrating capacity building with surveillance and program work have become key objectives of the IMF's Executive Board, which regularly reviews Fund technical assistance and training.

The IMF offers technical assistance and training mainly in its core areas of expertise, including macroeconomic policy, tax and revenue administration, public expenditure management, monetary policy, exchange systems, financial sector reforms, and macroeconomic and financial statistics. In recent years, member countries have also increasingly requested assistance in addressing issues related to monitoring offshore financial centers, preventing money laundering and the financing of terrorism, strengthening public investment, managing fiscal risks from public-private partnerships, adopting international standards and codes for data and financial and fiscal management, correcting weaknesses identified under the joint IMF–World Bank Financial Sector Assessment Program, and carrying out debt sustainability analyses.

The amount of technical assistance and training delivered directly to member countries by the IMF has increased over the past five years with the expansion of the regional technical assistance and training centers. Taking management and administration into account, technical assistance now represents about 24 percent of the IMF's operating budget. Still, demand for technical assistance and training exceeds the IMF's ability to supply it, especially in light of constraints stemming from growing pressures on the IMF's finances. Priority is therefore given to initiatives that support the IMF's core objectives.

IMF technical assistance is delivered mainly by the Monetary and Capital Markets Department (MCM), Fiscal Affairs Department (FAD), Statistics Department (STA), and Legal Department (LEG). Overall institutional policy on, and coordination of, technical assistance are the responsibility of the Committee on Capacity Building, assisted by the Office of Technical Assistance Management (OTM), in consultation with other IMF departments. Following up on the IMF's Medium-Term Strategy, the Committee on Capacity Building is charged with ensuring that the IMF's initiatives in this area respond to country needs, are coordinated with other providers, and are guided by appropriate policies, while OTM is responsible for raising and managing external financing for technical assistance activities and policy support. Training activities are handled primarily by the IMF Institute, which conducts seminars, workshops, and other training events for country officials, often in collaboration with other IMF departments.

Recognizing the critical capacity-building needs of developing countries, the IMF in FY2007 opened a regional technical assistance center (RTAC) in Gabon to support countries in Central Africa—the third such center in Africa and the sixth worldwide (Box 4.1)—as well as a seventh Regional Training Center (RTC) program, in India.

Technical Assistance

While the IMF may help identify areas of need, it is the member country that decides to request technical assistance. Most technical assistance is provided free of charge. Whether technical assistance is delivered through missions from headquarters, short-term expert assignments, long-term resident advisors, or regional centers, the recipient country is always fully involved in selecting, implementing, monitoring, and evaluating the assistance it receives. This collaborative approach strengthens country ownership of reforms.



Regional training center for Latin America

Box 4.1 Regional Technical Assistance Centers

The RTACs are collaborative ventures between the IMF, the recipient countries, and bilateral and multilateral donors. Financial support for them comes from the donors, and, in many instances, the recipient countries themselves, as well as from the IMF. Host governments frequently provide in-kind contributions.

The RTACs were originally conceived to provide technical assistance to small island economies, because individual assistance providers, including the IMF, were hard pressed to meet these countries' requests. The Pacific RTAC, the first, was established in 1993 to serve 15 island nations. Building on its success, other RTACs soon followed, and today there are six RTACs worldwide.

The Caribbean RTAC (CARTAC), established in 2003, serves 20 countries. The East AFRITAC, established in Dar-es-Salaam, Tanzania, in 2002, and the West AFRITAC, established in Bamako, Mali, in 2003, together serve 17 countries. The new Central AFRITAC, which opened in Libreville, Gabon, in FY2007, serves the six countries of the Central African Economic and Monetary Community (CEMAC)—Cameroon, Chad, the Central African Republic, the Republic of Congo, Equatorial Guinea, and Gabon—as well as Burundi and the Democratic Republic of the Congo. The Middle East RTAC, established in 2004, serves 10 countries and territories in the Middle East, primarily with technical assistance related to rebuilding their economies as they emerge from conflict.

The growing focus on the regional dimensions of IMF technical assistance is in line with the expansion of the IMF's regional surveillance activities as trade and financial integration—and the possibility of spillovers—increase. In addition, the RTACs facilitate coordination with other technical assistance providers, encourage the sharing of regional experiences, and foster the development of regional

networks of experts. In its review of the RTACs in FY2006, the IMF's Executive Board concluded that they were a useful addition to the Fund's technical assistance program and that their presence in the field had notable advantages—in particular, the strengthening of countries' ownership of their technical assistance programs and the provision of rapid and flexible technical assistance.

The volume of technical assistance, measured in person-years, delivered through the RTACs has risen every year since FY2002, both in absolute terms and as a proportion of total IMF technical assistance (see CD-Table 4.1, on the CD-ROM). Since the establishment of the East and West AFRITACs, the annual volume of IMF technical assistance and training provided in sub-Saharan Africa has increased by almost 30 percent.

The RTACs are staffed by teams of resident experts, supplemented by short-term specialists, who provide capacity-building assistance through advisory services and training in the core areas of the IMF's expertise, including debt management, financial sector policy, revenue administration, public financial management, and macroeconomic statistics. The Steering Committees that govern the RTACs set the centers' strategic direction and review rolling work plans, promoting strong country ownership of the centers themselves and the technical assistance delivered through them. CARTAC is a United Nations Development Program project in which the IMF is a signatory; the others are IMF operations for which the IMF has sought funding from donors.

Details on the countries served by the RTACs, the donors for the different RTACs, and the fields of expertise of resident advisors can be found on the CD-ROM, in CD-Table 4.2.

Ninety percent of IMF technical assistance is provided to low- and lower-middle-income countries (Table 4.1), to help them build the institutions and capacity needed to implement growth-enhancing policies. Technical assistance delivery trends in FY2007 are summarized in Table 4.2.

Direct financing for technical assistance delivery, supervision, and administrative and other costs comes from the Fund's administrative budget. Bilateral and multilateral donors have provided generous financial assistance as well, covering about 26 percent of the direct cost. This cooperation with external donors both leverages the internal resources available for technical assistance and heads off duplication of effort.

Table 4.1 Technical assistance by country income group, FY2007

(Field delivery in person-years)¹

Country income group	Total person-years	Percent of total
Low-income	64.2	33.4
Lower-middle-income	114.8	59.8
Upper-middle-income ²	8.8	4.6
High-income ²	4.2	2.2
Total	192.1	100.0

¹ An effective person-year of technical assistance is 260 days.

² Pertains mostly to regional seminars and workshops delivered in upper-middle- and high-income countries but attended by officials from low- and lower-middle-income countries.

Table 4.2 IMF technical assistance resources and delivery, FY2005–07

(In effective person-years)¹

	FY2005	FY2006	FY2007
IMF administrative budget	283.4	337.6	325.1
External resources	97.1	87.3	113.3
Total resources	380.6	424.9	438.4
Regional delivery	301.4	288.4	308.3
Africa	86.9	82.4	90.4
Asia and Pacific	68.2	58.5	62.7
Europe	34.5	37.1	34.6
Middle East and Central Asia	45.1	61.0	54.2
Western Hemisphere	32.7	37.5	48.2
Regional and interregional	33.9	11.9	18.2
Management and administration²	79.2	136.5	130.1
Total delivery	380.6	424.9	438.4
Total delivery by department	380.6	424.9	438.4
Fiscal Affairs Department	99.5	100.2	116.9
Monetary and Capital Markets Department ³	127.0	125.7	117.0
Statistics Department	53.1	54.3	56.3
IMF Institute	57.0	76.4	78.4
Legal Department	23.5	20.0	26.0
Other departments ⁴	20.4	48.3	43.8

Source: IMF Office of Technical Assistance Management.

Note: Some data have been adjusted retroactively to reflect new definitions.

¹ An effective person-year of technical assistance is 260 days.

² Indirect technical assistance, including technical assistance policy, management, evaluation, and other related activities.

³ In FY2005 and FY2006, technical assistance was delivered by the Monetary and Financial Systems Department, which merged with the International Capital Markets Department to become the Monetary and Capital Markets Department in FY2007.

⁴ Includes the Policy Development and Review Department, the Technology and General Services Department, the Office of Technical Assistance Management, the Finance Department, the Human Resources Department, and all area departments.

Following on the Board's endorsement in FY2006 of proposals made by the Task Force on Technical Assistance on how to implement the recommendations in the Independent Evaluation Office's FY2005 report on Fund technical assistance,⁵⁴ the IMF has developed a strategic medium-term approach that closely integrates and prioritizes country needs and technical assistance resources with the IMF's budget process. In addition, the IMF's technical assistance strategy is being increasingly viewed from a regional perspective, in recognition of the synergies and benefits that a regional approach can bring to technical assistance. Regional strategies also help the IMF prioritize and shift its resources between neighboring countries, in response to developing needs and changing circumstances.

As called for by the Executive Board, the IMF will continue to make improvements to its technical assistance program in the year ahead, including further strengthening the monitoring and evaluation of technical assistance to ensure its effectiveness and efficiency (CD-Table 4.3). Other aspects of technical assistance management and governance emphasized by the Board are also being

studied, including improving cost information on technical assistance activities, reinforcing relationships with donors to the IMF's technical assistance program (Table 4.3), and enlisting support from new donors.

The IMF's Monetary and Capital Markets Department (MCM) provides technical assistance related to the implementation of monetary and foreign exchange policies and other aspects of central banking, financial sector oversight and regulation, the development of capital and other financial markets, and public sector debt and asset management. This assistance generally involves advising central banks and financial supervisory agencies on strengthening institutions and policies and improving consistency with international standards, codes, and good practices, and is typically delivered by staff from IMF headquarters and short-term experts, who in many cases are financed with the assistance of donors. MCM's advice is also delivered by long-term experts located in the IMF's regional technical assistance centers, and may take the form of regional seminars and hands-on workshops. Examples of MCM's technical assistance activities in FY2007 include

Table 4.3 Donors to the IMF's technical assistance program

	Donors
Individual donors¹	Australia, Belgium, Canada, Denmark, France, Italy, Japan, Luxembourg, the Netherlands, Norway, Spain, Sweden, Switzerland, United Kingdom
Multidonor pooled arrangements	
Africa Technical Assistance Centers (East and West)	African Development Bank, Canada, China, Denmark, Finland, France, Germany, Italy, Japan, Luxembourg, the Netherlands, Norway, Russia, Sweden, Switzerland, United Kingdom
Caribbean Regional Technical Assistance Center	Canada, Ireland, United Kingdom, United States, European Union, Inter-American Development Bank, UNDP, World Bank
Central Africa Technical Assistance Center	African Development Bank, Burundi, Cameroon, Central African Republic, Chad, Democratic Republic of the Congo, Republic of Congo, Equatorial Guinea, France, Gabon, Germany
Financial Sector Reform and Strengthening Initiative	Canada, the Netherlands, Switzerland, United Kingdom, World Bank
Iraq Technical Assistance	Australia, Canada, India, Italy, Sweden, United Kingdom
Middle East Technical Assistance Center	Egypt, European Union, European Investment Bank, France, Japan, Jordan, Kuwait, Lebanon, Libya, Oman, Qatar, Saudi Arabia, Sudan, Syrian Arab Republic, United Arab Emirates, Republic of Yemen
Pacific Financial Technical Assistance Centre	Asian Development Bank, Australia, Japan, Korea, New Zealand

¹ Some donors contribute both individually and through multidonor pooled agreements.

⁵⁴ The Task Force's report is available at www.imf.org/external/np/pp/eng/2005/071205.htm; the summary of the Board discussion can be found at www.imf.org/external/np/sec/pn/2005/pn05114.htm.

supporting Nigeria's financial sector reform program and helping the Philippines' central bank strengthen its ability to identify the risks associated with complex domestic conglomerates, based on Financial Sector Assessment Programs in both countries; and advising Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and Panama on improving public debt management and carrying out a diagnostic study of Central American markets for private equity, debt, and asset-backed securities.⁵⁵

The Fiscal Affairs Department (FAD) provides a range of technical assistance and training to help countries strengthen their fiscal policies and institutions, enhance implementation capacity, and support IMF surveillance. For example, during FY2007, FAD staff provided advice on modernizing tax and customs administration in China, Mexico, and Turkey; continued advising the Central American countries on improving the coordination of their tax policies and tax administration and preparing the legislative framework for a regional customs union; assisted a number of post-conflict countries, including Afghanistan, Lebanon, Liberia, and Sudan, seeking to rebuild their revenue-administration capacity; conducted, with the support of the East AFRITAC and private sector involvement, a seminar on improving taxpayer services and appeals as a means of increasing taxpayer compliance; conducted tax policy reviews in several countries, including the IMF's newest member, Montenegro; met a significant increase in demand for advice on resource taxation from a number of resource-rich countries in Africa, Asia, and South America; and supplied advisory services in public financial management, pension reform, fiscal responsibility frameworks, and expenditure rationalization. FAD both organizes and participates in conferences, seminars, and workshops targeting particular countries and in conjunction with specific institutions. For example, a major regional outreach event for European countries on strengthening public investment and managing risks from public-private partnerships was held in Budapest in March 2007.

The Statistics Department's (STA) technical assistance program promotes internationally accepted data standards, with an emphasis on regional projects and collaboration with other donors and providers. During FY2007, STA



Professor Guillermo Calvo leading a seminar at the IMF Institute

provided technical assistance and training to a wide range of member countries to support lasting improvements in national statistical systems. The statistical work of the RTACs has been fully integrated into STA's capacity-building program, and as a result STA fielded 431 technical assistance missions during the year, of which 157 benefited African countries. The department also conducted 42 training courses in macroeconomic statistics through the IMF Institute and the IMF Regional Training Centers, in collaboration with various organizations.

The IMF's Legal Department maintained an active technical assistance program during the year directed toward helping member countries strengthen their legal frameworks, particularly in terms of the financial system, taxation and budget management, and anti-money laundering and combating the financing of terrorism (AML/CFT). While demand from member countries for advice in core legal areas (commercial banking, central banking, and taxation) has continued to be high, new areas of focus have also emerged, such as insurance, deposit insurance, nonbank financial institutions, and Islamic banking. The consolidation of AML/CFT activities in the Legal Department has made the department the largest multilateral provider of AML/CFT technical assistance. Support in this area has included policy advice, drafting of legislation, and guidance

⁵⁵ Although capacity building still constitutes a substantial part of MCM's technical assistance, there is a growing emphasis on assistance in more complex and specialized fields, such as inflation targeting, empirically based stress-testing models, and portfolio management for the public sector.

in establishing or strengthening Financial Intelligence Units (FIUs) and other institutions and supervisory mechanisms. Also, training has been provided to FIU staff, financial supervisors, and ministries of finance and justice officials, as well as to Financial Action Task Force–style regional bodies to improve their capacity to conduct high-level mutual assessments. (See Chapter 2 for more information on AML/CFT.)

Training by the IMF Institute

The IMF Institute, in collaboration with other IMF departments, trains officials from member countries in four core areas: macroeconomic management, financial sector policies, government budgeting, and the balance of payments, including how to strengthen the statistical, legal, and administrative framework in these areas. Over three-fourths of the training benefits low- and lower-middle-income countries. The Institute's programs account for about three-fourths of training for officials delivered by the IMF, including training at the regional technical assistance centers.

In FY2007, the IMF Institute delivered 288 course-weeks, producing close to 9,400 participant-weeks of training (CD-Table 4.4, on the CD-ROM). Relative to FY2006, the number of course-weeks rose by about 1 percent, while the number of participant-weeks fell slightly, reflecting normal year-to-year variation in the average class size.

FY2007 saw the opening of the Joint India-IMF Training Program (ITP), the seventh in the IMF Institute network of regional training centers (CD-Table 4.5, on the CD-ROM).

The ITP is dedicated principally to training Indian officials but also admits officials from other countries in South Asia and East Africa.

With substantial cofinancing from local cosponsors and other donors, the development of the regional training centers has facilitated a 50 percent increase in IMF Institute training over the past decade. These centers now account for half of all training under the Institute's program. Training at the RTCs has other advantages: courses can be better attuned to regional needs and foster collaboration within regions.

Training at IMF headquarters continues to play an important role, accounting for about one-third of participant-weeks in FY2007. The headquarters program focuses mainly on longer courses, which are less amenable to regional delivery because of the number of IMF staff involved, but also includes some shorter courses that the IMF Institute is unable to deliver widely through the RTCs. The remainder of the training took place at overseas locations outside the regional network, largely as part of ongoing collaboration between the IMF Institute and regional institutions, and also through distance learning.

The tight IMF budget environment has made it more challenging to meet the training needs of member countries and ensure an up-to-date curriculum. The IMF Institute has responded by increasing workloads and cutting costs, and cofinancing from training partners and other donors has been playing an increasingly critical role.

The IMF Institute training program is reviewed regularly to ensure that it responds to the evolving needs of member countries and supports new IMF initiatives.