Forecasts into Action

Building Capacity in Macroeconomic Policy Analysis through Japan's Partnership

55.93

50.77

48.89

23.43

25.33

20.15

JAPAN–IMF PARTNERSHIP: ADVANCING GLOBAL CAPACITY THROUGH STRATEGIC COLLABORATION

Since 1990, Japan has been a cornerstone of the IMF's capacity development (CD) efforts—becoming the first partner to support this critical work and remaining the largest and longest-standing contributor to date. Japan's enduring commitment has helped countries build the institutions and skills needed to achieve sustainable growth and inclusive prosperity.

Japan-funded IMF bilateral programs are tailored to country-specific CD needs, aligned with Japan's international cooperation priorities and the IMF's support for the Sustainable Development Goals (SDGs). These programs typically focus on:

- Fiscal policy and public financial management
- Monetary and capital market reforms
- Macroeconomic statistics
- Sound macroeconomic management

A key pillar of this partnership is the macroeconomic frameworks workstream. By strengthening countries' macroeconomic foundations, this workstream ensures that CD efforts are not only building human and institutional capacities but also support strategic alignment with broader policy advice and financial support.

Japan's generous financial support has been instrumental in advancing this approach, particularly in low-income countries and fragile and conflict-affected states, where robust macroeconomic frameworks are essential for stability and resilience.

Together, Japan and the IMF continue to empower member countries to build stronger institutions, make better-informed policy decisions, and navigate complex economic challenges with confidence.

JAPANGOV THE GOVERNMENT OF JAPAN

THE VALUE OF MACROECONOMIC FRAMEWORKS

Good economic decisions rely on good analysis. To tackle issues like volatile inflation, elevated debt, and sluggish growth, countries need to understand how their economies work and where they are heading.

To this end, the IMF's Institute for Capacity Development (ICD) works closely with government institutions to strengthen their ability to forecast and analyze policy options, helping them build, adapt, and effectively use macroeconomic frameworks tailored to their evolving needs.

A macroeconomic framework is a structured tool that helps policymakers understand the links between economic variables, allowing for informed decision-making.

By supporting the development of practical tools for sound analysis, ICD helps equip policymakers with the capacity to:

• Make better informed decisions

• Communicate policies more clearly

• Strengthen institutional resilience

ENHANCING POLICY DIALOGUE THROUGH A SHARED LANGUAGE

Macroeconomic frameworks are central to IMF programs and surveillance, creating strong synergies with technical assistance by enabling both sides to use a common language. By providing technical assistance in macroeconomic frameworks, engagement between national authorities and IMF teams is enhanced, allowing both parties to use similar analytical tools. This leads to stronger and more efficient policy dialogue.

A LEGACY OF CAPACITY BUILDING

Over time, and driven by the needs of beneficiary countries, ICD's role has shifted from classroom-based training to a mix of technical assistance, customized training, and peer learning, strengthening both institutional and human capacity. This evolution reflects the growing demand for hands-on support in areas like macroeconomic forecasting and policy analysis, where ICD plays a leading role within the Fund's broader CD strategy.

As the world evolves, ICD integrates innovations such as AI-powered virtual tutors and blended learning to broaden access and enhance impact.

1964
IMF Institute established helping countries build core analytical skills in macroeconomic policy and management, including macroeconomic frameworks.

1992
Joint Vienna Institute (JVI) launched marking the **start of regionally focused support**. Today, a global network of 17 Regional Capacity Development Centers brings tailored assistance closer to country needs.

2012
IMF Institute renamed Institute for Capacity Development (ICD) signaling a **shift from training alone to structured, hands-on technical assistance**—reflecting growing demand for deeper, more practical support.

2014
Training curriculum overhauled to address emerging global challenges like financial crises, climate risks, and digital transformation.

2016
Customized training introduced enabling **on-the-job learning** in real institutional contexts.

2024
AI-Powered Learning rolled out to expand access, personalize training, and boost real-world impact.

A UNIFIED APPROACH TO MACROECONOMIC CAPACITY BUILDING

ICD's macroeconomic training and technical assistance work hand in hand to build lasting capacity. Training equips officials with foundational skills in forecasting and policy analysis, while Technical Assistance helps institutions apply those skills through tailored tools and hands-on support. Insights from Technical Assistance projects inform course design, and trained officials are better prepared to engage in deeper Technical Assistance. Together, they form a coherent system that strengthens policymaking and supports long term self-reliance.

TRAINING-DRIVEN TECHNICAL ASSISTANCE

With over **60 years of training experience**, ICD brings a nuanced understanding of capacity-building needs and integrates this insight into its technical assistance. Its approach emphasizes **practical tools** that help authorities better understand and communicate the full economic picture. ICD also collaborates closely with other IMF departments to ensure its support aligns with the Fund's broader policy advice, creating **synergies with surveillance and lending** activities to help countries build lasting capacity to manage their own economies.

ICD doesn't simply deliver tools—it applies a set of guiding principles and works together with authorities to jointly develop both the capabilities and tools they need. The goal is not ongoing support, but long-term self-reliance.

GUIDING PRINCIPLES FOR EFFECTIVE IMPACT

COUNTRY-LED APPROACH
Authorities take the lead, with ICD support through targeted training and technical assistance.

TAILORED SOLUTIONS
Macroeconomic frameworks are adapted to each country's specific context and policy priorities.

COACHING-BASED TA
Hands-on coaching provided during and between missions to reinforce capacity and ownership.

EMBEDDED IN POLICY
Macroeconomic Frameworks are integrated into policymaking processes to inform and strengthen economic decisions by the authorities.

BUILT TO LAST
ICD equips authorities with the capacity to independently adapt and use models and tools, which are documented through manuals and guides to ensure continuity and sustainability—even during staff transitions.

PEER LEARNING
Communities of practice connect officials across countries, fostering shared learning and long-term partnerships.

MACROECONOMIC FRAMEWORKS TECHNICAL ASSISTANCE TO CENTRAL BANKS & MINISTRIES OF FINANCE/ECONOMY

GOALS

Macroeconomic forecasting, policy analysis, and communication

Public debt sustainability analysis

Integrating climate related risks and macrofinancial linkages into macroeconomic frameworks

DEVELOPING FORECASTING & POLICY ANALYSIS SYSTEMS

MACROECONOMIC FRAMEWORKS

- Simple Accounting Frameworks
- Extended Financial Programing & Policies (FPP) macro-frameworks
- Semi-structural gap models ("QPMs")
- Structural (DSGE) simulation models

SUPPORTING TOOLS

- Public debt dynamics tools
- Nowcasting & Near-term Forecasting Tools
- Potential output analysis
- Climate risk & adaptive investment effects

UNDERSTANDING COUNTRY NEEDS

ICD engages with a broad range of beneficiaries including ministries of finance, central banks, and multi-agency groups, each with distinct policy priorities and institutional contexts. ICD's work is shaped by these specific contexts, objectives, and challenges faced by counterparts, whether related to macroeconomic stability, fiscal planning, or structural issues.

FROM DESIGN TO DELIVERY

STEP 1

COUNTRY REQUEST RECEIVED

Country authorities submit a request for technical assistance

Country Authorities → IMF HQ / Regional Centers

STEP 2

INITIAL REVIEW & PRE-SCOPING

Early request assessment, evaluate availability of funding, and alignment between the country's request and potential support

IMF HQ + Regional Centers

STEP 3

NEEDS ASSESSMENT & SCOPING

Collaborative review to identify technical priorities and tailor the scope of support

IMF HQ + Regional Centers

STEP 4

CO-DESIGN WORKPLAN

Time-bound plan developed together with authorities

IMF HQ + Regional Centers

STEP 5

DEVELOP & IMPLEMENT TOOLS

Custom models and tools are created and applied

IMF HQ + Regional Centers

STEP 6

PROJECT COMPLETION

Outcomes achieved and tools handed over to authorities

Country Authorities + IMF HQ

STEP 7

MONITORING & EVALUATION

Follow-up and feedback to measure outcomes and ensure sustainability

IMF HQ + Country Authorities

FROM FRAMEWORKS TO OUTCOMES

SRI LANKA
MINISTRY OF FINANCE

With support from Japan-funded IMF capacity development, the Ministry of Finance (MoF) of Sri Lanka significantly enhanced its macroeconomic forecasting and policy analysis capabilities. Tailored technical assistance focused on customizing the **Macroeconomic Framework Tool (MFT)** and strengthening institutional capacity for medium-term forecasting and scenario analysis. Through a combination of in-person and virtual missions, the core team developed a comprehensive baseline projection and alternative policy scenarios using national data. The MFT now enables the MoF to generate consistent macro-fiscal forecasts, improve coordination, and support evidence-based policymaking.

ZIMBABWE
MINISTRY OF FINANCE, ECONOMIC DEVELOPMENT, AND INVESTMENT PROMOTION (MOFEDIP)

To enhance macroeconomic forecasting, Zimbabwe's Macroeconomic Working Group (MWG), comprising staff from the MoFEDIP, the Reserve Bank, and ZIMSTAT, received targeted support. The initiative centered on developing a revamped **Macroeconomic Projections Tool (MPT)**, based on the **Comprehensive Adaptive Expectations Model (CAEM)**. ICD assisted with consolidating a shared database, training staff, and embedding forecasting processes into routine workflows. Integrated with the **Public Debt Dynamics Tool (DDT)**, the MPT now facilitates consistent medium-term projections and simulation of fiscal and monetary policy scenarios. The initiative has strengthened inter-agency coordination, improved the credibility of macro-fiscal projections, and reinforced evidence-based policymaking, marking a significant step forward in Zimbabwe's economic planning and engagement with the IMF.

LAO PDR
CENTRAL BANK

The Bank of the Lao P.D.R. (BOL) strengthened its monetary policy capacity through six tailored Forecasting and Policy Analysis System (FPAS) technical assistance missions. The initiative delivered hands-on training and introduced forecasting and nowcasting tools customized to local data, now embedded in policy workflows and used in Monetary Policy Committee deliberations. A dedicated Core Group manages the tools and database, ensuring consistency and continuity. Close coordination with IMF teams and close engagement from BOL staff fostered institutional ownership, improved policy dialogue, and positioned the Central Bank to take a more forward-looking approach to monetary policy.

VIETNAM
CENTRAL BANK

To strengthen model-based forecasting and monetary policy analysis, the State Bank of Vietnam (SBV) implemented an FPAS with support from Japan-funded IMF capacity development. The project focused on customizing the Quarterly Projection Model (QPM) to reflect Vietnam's economic characteristics and the SBV's policy framework. ICD assisted with data consolidation, scenario development, and staff training, enabling the SBV to produce consistent medium-term forecasts and assess policy trade-offs. The FPAS now provides quantitative inputs for deliberations on output, inflation, and exchange rate stability, supporting forward-looking policy formulation and communication. By embedding the model into regular workflows and enhancing technical capacity, the initiative has strengthened the credibility of policy decisions and reinforced evidence-based monetary policy. The success of the project reflects strong institutional commitment, effective customization of the QPM, and seamless integration of forecasting into SBV decision-making processes.

SOLOMON ISLANDS
CENTRAL BANK

The Central Bank of Solomon Islands (CBSI) modernized its monetary policy process by establishing a robust framework for model-based forecasting and analysis. Staff developed key tools including **nowcasting, near-term forecasting, and the Quarterly Projection Model (QPM)** to produce real-time forecasts and policy scenarios. The project also redesigned internal procedures, introduced a formal Forecasting Calendar, and created a Technical Subcommittee reporting to the Monetary Policy Committee. External communication was strengthened through forward-looking policy statements and press releases. Today, FPAS is fully embedded in CBSI's policy preparation, supporting a structured and data-driven approach aligned with global best practices.

THE PEOPLE BEHIND THE WORK

Behind every project is a team of seasoned economists and policy advisors who know how things work on the ground. With operational experience working in central banks and ministries of finance, they bring practical knowledge that makes ICD's support not just theoretical–but grounded, relevant, and effective in building traction.

HQ STAFF
Lead analytical and technical work, provide strategic oversight, and engage with key stakeholders.

REGIONAL ADVISORS
Reside in the field, offering local knowledge and agile, tailored responses to country needs, and building strong relationships with key local counterparts.

SHORT-TERM EXPERTS
Provide specialized expertise to address specific technical issues, complementing the work of HQ teams.

Interested in strengthening your institution's ability to forecast, analyze, and plan? **Learn how ICD can help.**

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