



Other Resources

Technical Assistance Factsheet provides background information and summarizes the IMF's work on technical assistance.

The IMF Regional Technical Assistance and Training Centers Factsheet summarizes the IMF's role in providing and coordinating regional technical assistance.

September 2005 The Managing Director's Report on the Fund's Medium-Term Strategy discusses technical assistance in the context of the IMF's overall strategic review of its operations and governance.

April 2006 The Managing Director's Report on Implementing the Fund's Medium-Term Strategy provides more specific proposals on shaping technical assistance as the IMF moves ahead with its overall reform agenda.

These resources are available online at www.imf.org.

Technical Assistance: Building Capacity as the Foundation for Growth

By IMF Staff

In line with the International Monetary Fund's mission of promoting strong economic growth and encouraging crisis prevention in its member countries, the IMF provides capacity-building assistance to help countries strengthen governance, build economic institutions, train staff, and design effective economic policies. Central to this work is the IMF's extensive program of technical assistance.

One of the IMF's core responsibilities is to help its 185 member countries design and implement policies that promote macroeconomic stability. Countries with stable economies are more likely to grow at sustainable rates and raise the living standards of their citizens. And this depends on good governance. An increasingly globalized world economy has added to the imperative to develop strong and transparent institutions: integrated markets—rather than governments or international institutions—have become the dominant providers of financing and important arbiters of what is acceptable economic policy. But some countries lack the institutions and know-how to draw up and enact policies that can promote growth and reduce economic vulnerabilities. Such countries need help to strengthen their human and institutional capabilities—a process often referred to as “capacity building.” They can request IMF support in the form of technical assistance to address these shortcomings.

Technical assistance is one of the benefits of IMF membership, and accounts for about 20 percent of the IMF's \$900 million annual operating budget. The amount of technical assistance (measured by staff allocation) delivered by the Fund has risen by more than one-fifth in the last five years. While the IMF may help identify areas of need, the country itself decides whether to request technical assistance and also controls its scope and agenda. Demand for technical assistance currently far exceeds supply, so the IMF gives priority to situations that complement and enhance the Fund's other key forms of assistance: monitoring economies—known as “surveillance”—and lending to countries facing balance of payments difficulties. Ninety percent of IMF technical assistance goes to low- and lower-middle-income countries, which need strong and sustained growth to reduce poverty.

The Medium-Term Strategy and Technical Assistance

The IMF's Medium-Term Strategy (MTS), a blueprint aimed at adapting the institution to the demands of 21st century globalization, contains a component focused on capacity-building and technical assistance. The MTS recognizes the crucial role that technical assistance plays in surveillance and the design of IMF

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lending programs, as well as its role helping post-conflict countries put in place essential institutions. However, the MTS also recognizes the need to define better the priorities for technical assistance; it underlines the importance of strengthening the role of recipient countries in designing and implementing technical assistance programs.

As with the other areas of its operations, the IMF provides technical assistance in the areas of its core macroeconomic expertise. These are, chiefly:

- Fiscal issues, including tax policy, tax/revenue administration, and public financial management;
- Financial sector and capital markets, including financial sector reforms, financial supervision, monetary policy, exchange systems, debt management, and capital market development; and
- Macroeconomic and financial statistics.

Indonesia—Improving Public Financial Management

With IMF technical assistance, the government of Indonesia established a national treasury during 2003–2005 for the first time. It also restructured the ministry of finance and implemented a Treasury Law in 2004, which provided the legal basis for the rationalization of thousands of government bank accounts. The implementation of an operational treasury single account is expected to advance significantly in 2007. The Fund is currently assisting the government in preparing a fiscal risk statement for Indonesia's 2008 budget.

IMF technical assistance is complemented by its training services. This part of the Fund's capacity-building effort is led by the IMF Institute, which was established in 1964 to provide training in economic management to officials of IMF member countries. In recent years, the IMF has delivered more than 12,000 participant weeks of training annually, with more than 8,000 officials attending its courses.

Working at the Country and Regional Level

Both individual countries and groups of neighboring countries benefit from IMF technical assistance. At the national level, technical assistance strengthens country ownership of reforms, especially by enhancing governance capabilities. The recipient country is fully involved in the entire process, because experience has shown that technical assistance is most valued—and most effective—when those who offer it work closely with those who seek it.

The IMF increasingly has adopted a regional approach to providing technical assistance to groups of countries confronted by similar economic problems. This enables assistance to be tailored to the particular needs of a region, and facilitates a more rapid response to emerging needs and closer coordination with other assistance providers in the region. In that regard, the IMF operates six regional technical assistance centers, in East, Central, and West Africa (Tanzania, Gabon and Mali); the Caribbean (Barbados), the Middle East (Lebanon), and the Pacific (Fiji). The Fund also offers much of its training for country officials through a network of seven regional training institutes in Abu Dhabi,

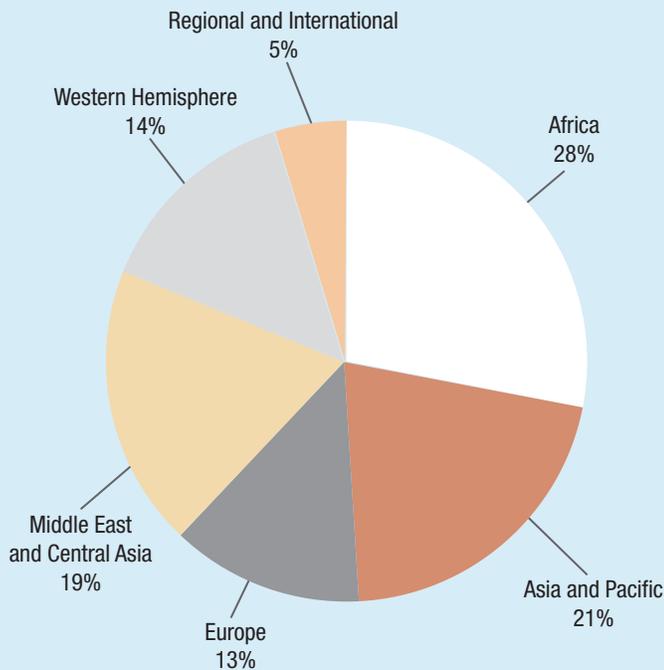
Guatemala—Updating National Statistics

In 2004, IMF staff, in consultation with the Guatemalan authorities, identified important shortfalls in the country's national accounts data and devised an action plan to address the data issues. Estimates of gross domestic product (GDP) had been compiled using an outdated base year (1958) that did not take into account structural changes in the economy. This situation weakened the quality of GDP estimates, which are key inputs for macroeconomic analysis and decision making.

IMF statisticians worked closely with officials from the Guatemalan central bank on improving the national accounts statistics. A main task was to update the base year for compiling GDP so that growth rates reflect actual changes in the economy. By mid-2006, the authorities had updated the base year to 2001 and found that the value of the 2001 nominal GDP was about 12 percent lower than that estimated using 1958 as a base year. An extensive data dissemination and information campaign is currently underway to assure data users about the rigor of the data revisions and provide appropriate additional details.

Technical assistance by region FY2006

(As a percent of total regional delivery, in effective person-years)



Austria, Brazil, China, India, Singapore, and Tunisia. For officials who are unable to attend long courses overseas, distance-learning courses are also available.

Partnership with countries also applies from the perspective of financing for technical assistance. In this regard, donor countries have consistently recognized the quality and importance of IMF technical assistance and training. Partnerships forged with many key donors help the IMF pay for these assistance programs.

The IMF is only one of several sources that countries can draw on for technical assistance. Countries frequently seek assistance from other multilateral institutions or bilateral help from other countries. The IMF concentrates on areas of its core expertise to minimize overlap with other technical assistance providers. The Fund also seeks to cooperate with other providers in coordinating technical assistance strategies. Importantly, IMF technical assistance

and training focus on vital niche areas of good economic governance. Donors recognize the value of IMF technical assistance by supporting it financially.

International Best Practices

To deliver technical assistance, the IMF can send staff to recipient countries on brief missions for specific study and analysis, or it can station resident experts and advisors in countries for longer-term assignments. Assistance might also be provided in the form of training courses, seminars, and workshops in regional centers, or through online advice and support.

The international character of IMF technical assistance and training is an important quality. Recipients benefit because the Fund can draw on its members’ best practices and on the comparative knowledge and diverse country experience of staff experts. Much of IMF TA is also delivered by short-

Nigeria—Ensuring a Stable Banking System

In 2004, Nigeria announced a program of banking sector reforms aimed at increasing the capitalization of its financial institutions. But there were serious concerns about the prospects of success given the balance sheet weaknesses of many banks. There were even worries about a possible loss of confidence in the banking system. The IMF offered the Central Bank of Nigeria (CBN) an intensive program of technical assistance aimed at reducing the risks and costs of the program. The Fund’s specialists worked with their Nigerian counterparts to define the appropriate approach to supervision of the program, establish sound accounting standards for valuing bank assets, and develop a strategic plan to deal with banks unlikely to meet minimum capital requirements. In addition, they helped to strengthen the CBN’s legal powers to close insolvent banks and advanced the legal process for establishing asset management companies to minimize the costs of liquidation. Finally, the TA effort designed a program to effectively supervise the consolidated banks. This strategy met with significant success. The bank reform effort was concluded within the planned timeframe without negative impact on the stability of the banking sector

term experts who are sourced from cooperating agencies in IMF member countries. Participation of country officials at regional training seminars and workshops also enable exchanges of experience and the sharing of advice on common problems, issues, and solutions.

All IMF technical assistance is supervised by experienced staff based at Fund headquarters, which helps to ensure the quality and consistency of the advice given. As the IMF is a center of economic research and analysis, benefits of these activities filter through to the Fund's technical assistance. Evaluations and assessments are also a key feature of the

IMF's technical assistance program. Under the Fund's Technical Assistance Evaluation Program, 3-4 evaluations are carried out each year on selected technical assistance projects. These evaluations comprise both self assessments as well as reviews by external consultants. Conclusions and "lessons learned" from such evaluations serve to inform and improve future technical assistance operations. Apart from this, technical assistance was also the subject of a major review in 2005 by the Fund's Independent Evaluation Office (IEO), which operates separately from IMF management and staff and at arm's length from the IMF Executive Board.



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To request hard copies please contact IMF Publication Services, 700 19th Street, N.W. Washington, D.C. 20431.
Telephone: (202) 623-7430
Fax: (202) 623-7201
Email: publications@imf.org