

CAPACITY DEVELOPMENT



FISCAL AFFAIRS



FAD CAPACITY DEVELOPMENT AT A GLANCE

Supporting Capacity Development Amid COVID-19

Capacity development (CD) is fundamental to the Fiscal Affairs Department's (FAD) work.

For more than 50 years, FAD has delivered fiscal expertise by supporting fiscal institution building across the Fund's membership, catering to related human CD needs, and basing its work on a demand-driven model.



AGILE

Responding quickly and adapting delivery modalities to best support CD needs of country authorities



INTEGRATED

Integrating CD work with the IMF's lending and surveillance activities and coordinating CD planning and delivery across HQ and field operations



COUNTRY-ORIENTED

Implementing a medium-term programmatic approach that factors in a country's needs, absorptive capacity, and pace of reform



RESULTS-FOCUSED

Delivering CD with clear milestones and outcomes to achieve sustainable and effective results

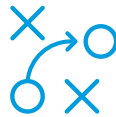
HOW DO WE DELIVER CD? FAD's Capacity Development Model

Recognizing that capacity building is a long-term endeavor that involves multiple stakeholders and requires strong political commitment and ownership, the FAD CD model has evolved to adopt a multiyear programmatic approach focusing on transformational fiscal reforms.



DIAGNOSTIC ASSESSMENT

Innovation to develop new assessment tools to benchmark, identify gaps, and support effective CD



REFORM STRATEGY ELABORATION

Consultations with authorities, partners, and internal stakeholders (FAD's fiscal economists and Area Departments) to prioritize topics and elaborate reform strategy



SEQUENCED IMPLEMENTATION OF DIVERSE CD INTERVENTIONS

CD delivery combines strategic recommendations and quality control from HQ staff and hands-on support from regional or in-country experts



EVALUATION AND RE-PRIORITIZATION

Assessment of outcomes and systematic evaluation of performance provide feedback to help prioritize resource allocation

Our work starts with a diagnostic assessment, and our CD intervention is carefully sequenced and constantly evaluated.

Using different channels to reach our membership and the general public, we deliver and engage in CD issues as well as share knowledge and give advice through:

- Country-specific work: missions, desk reviews, and workshops
- Cross-country work: training and regional & global conferences
- Massive open online courses on [PFM](#) and [RA-GAP](#)
- Social media presence: [Podcasts](#), [IMF Blogs](#), [PFM Blog](#), [Twitter](#), [Facebook](#)
- [How To Notes](#) on specific fiscal topics, [working papers](#), and [other analytical work](#).

IN WHICH AREAS DO WE DELIVER FISCAL CD? Our Knowledge in 5 Workstreams

Macro-Fiscal Policies and Frameworks

Ensuring more credible fiscal forecasts and transparent intergovernmental relationships, establishing fiscal rules, strengthening the management of fiscal risks, improving fiscal policies in support of environmental sustainability (climate change) and reducing governance and corruption vulnerabilities, and aligning fiscal policies with sustainable development and inclusive growth.

Revenue Administration

Strengthening tax and customs administration, social security contribution collection, and implementation of major tax policy changes.

Tax Policy

Providing general tax policy reviews and specific tax policy advice, particularly in the areas of income tax, value-added tax, and taxation of natural resources (including oil and gas) to improve tax systems' economic efficiency, distributional fairness, and transparency.

Public Financial Management (PFM)

Improving PFM laws and related institutions through better budget preparation, execution, and control; improved asset and liability management; and robust management of public investments.

Expenditure Policy

Rationalizing public expenditure—including public spending on wage bill, education, health, and social protection systems—in a socially and economically responsible manner, increasing the long-term sustainability of pension systems, and reducing the adverse impact of subsidies.

Macro-Fiscal Policies and Frameworks

- [Global Debt Database \(GDD\)](#)

Expenditure Policy

- [Expenditure Assessment Tool \(EAT\)](#)
- [Social Protection And Labor Toolkit \(SPL-AT\)](#)

Revenue Administration

- [RA-GAP](#)
- [TADAT](#)
- [RA-FIT](#)
- [International Survey on Revenue Administration \(ISORA\)](#)
- [International Survey on Customs Administration \(ISOCA\)](#)

Public Financial Management (PFM)

- [P-FRAM](#)
- [PIMA](#)
- [FTEs](#)
- [PEFA website](#)
- [Public Sector Balance Sheet \(PSBS\) Assessment](#)

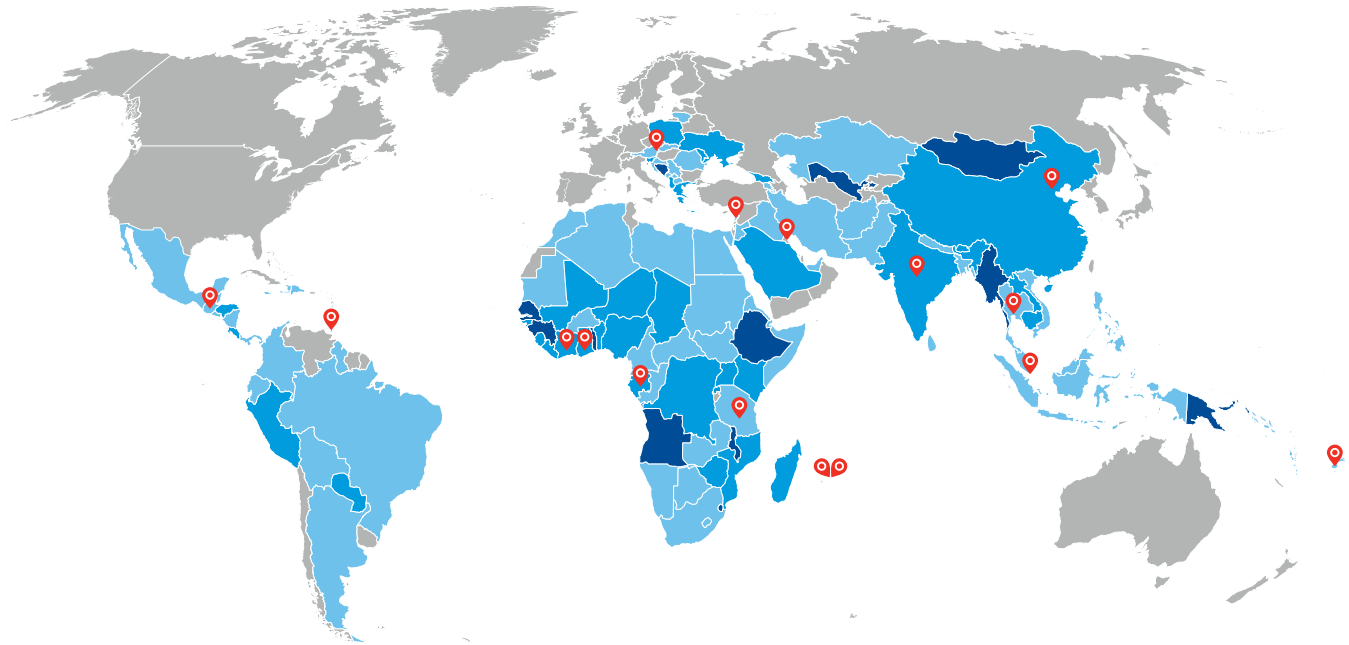
Tax Policy

- [FARI](#)
- [Tax Expenditure Assessment \(TEA\)](#)
- [World tax revenue database](#)

One key innovation of FAD includes **diagnostic tools** that assess the baseline before engaging in medium-term reforms and that monitor progress and identify good international practices.

WHO ARE OUR CLIENTS? Our Global Membership

We support IMF members that request CD support on fiscal matters. Over the past year, we provided technical advice and training to over 140 countries across all regions and income levels.



INTENSITY OF
ENGAGEMENT

HIGH

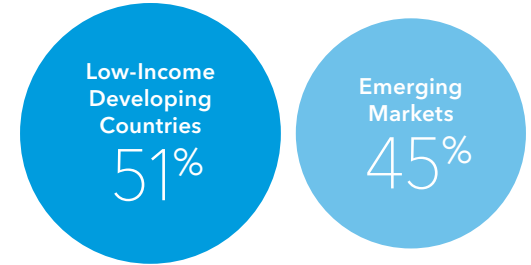
MEDIUM

LOW

Number of CD activities and trainings in country



= IMF Regional Capacity
Development Center



RECIPIENTS OF CD

(% of CD Delivery)

35%

Program
Countries

28%

Fragile
States

We provide assistance mostly to developing countries and emerging markets. About half of our work focuses on low- and middle-income countries that need strong fiscal policies to contribute to macroeconomic stability and healthy growth, which includes ensuring resources for governments to finance social programs and public infrastructure.

WHO ARE WE? Our Diverse and Specialized Staff

FAD's expertise comes from a diverse workforce with significant experience in building fiscal institutions in a range of countries. Our strong field presence of many resident advisors enables us to implement our country orientation and to quickly respond to countries' needs:

- 156 HQ-based staff from 52 countries
- 75 resident advisors working in-country or at Regional Capacity Development Centers (RCDCs)
- 1,220 fiscal experts representing 120 nationalities on short-term assignments

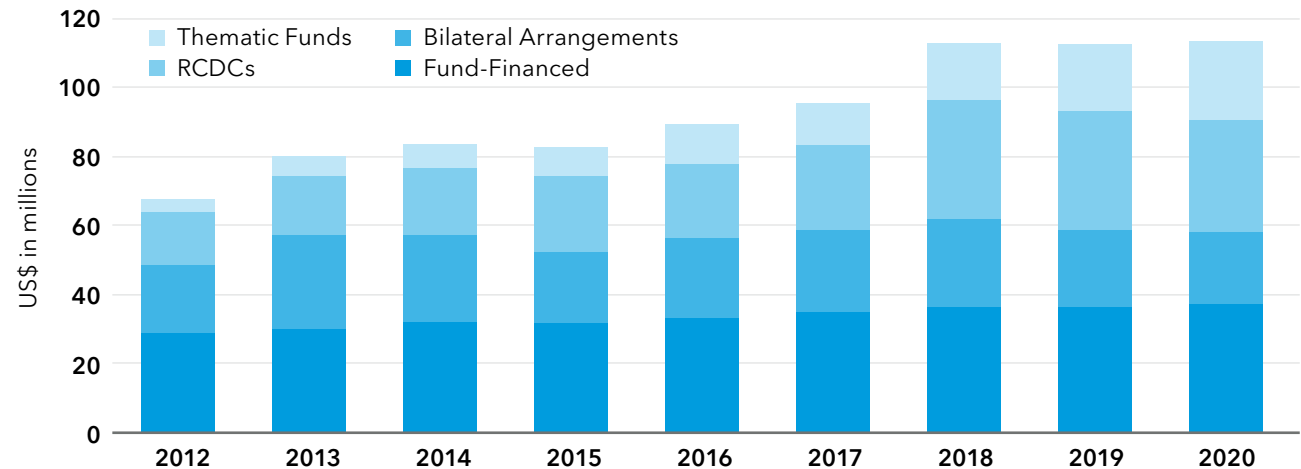


WHO ARE OUR PARTNERS IN BUILDING FISCAL CAPACITY? Our Global Partnerships

FAD [partners](#) closely with many global players in CD and the international donor community. We discuss our members' challenges in reforming their fiscal systems and institutions and collaboratively provide solutions.

We greatly value the donor-provided resources that finance our CD work—through contributions to our [Thematic Funds](#) (e.g., Revenue Mobilization Thematic Fund ([RMTE](#)), Managing Natural Resource Wealth Thematic Fund ([MNRW](#)), Tax Administration Diagnostic Assessment Tool ([TADAT](#))), to the Fund's [network of RCDCs](#), and bilaterally to major fiscal projects.

FAD CD Spending by Funding Source



HOW ARE WE RESPONDING TO THE COVID-19 CRISIS?

COVID-19 is the largest shock ever to our CD work.

Our members are facing crisis-related increases in public deficits and debt as a result of ramped-up spending and plummeting revenues, posing challenges to fiscal sustainability.

Fiscal issues have been “left, right, and center” in fighting the pandemic and its economic fallout, while long-standing challenges such as climate change, poverty, and inequality are becoming more urgent.

The crisis requires FAD to respond quickly to cater to the short-term fiscal needs of our members and help position them for the recovery phase. However, the travel ban has prevented us from delivering our traditional in-person CD work exactly when our membership needs us most.

Although we have previously engaged with country officials remotely, virtual engagements were not mainstream. With COVID-19 restrictions, we are using this opportunity to innovate new ways to reach our members!

Specifically, FAD has adapted to continue supporting member countries through a variety of remote engagements. Even though many challenges remain—from engaging across different time zones to overcoming connectivity challenges in low-income countries—FAD has built on its long experience and sustained engagements with countries to continue delivering CD.

Since the pandemic started, we have delivered:

- More than 500 engagements with authorities as different types of remote missions
- 14 webinars on fiscal issues
- [33 policy notes](#) on COVID-19-related fiscal issues
- Virtual conferences and workshops, and online courses

Moreover, the IMF is developing an online forum for member countries to exchange ideas and share COVID-19 experiences and responses.

TO FACILITATE COUNTRY AUTHORITIES' REQUESTS FOR SUPPORT, we have dedicated three email boxes to receive requests for CD work, feedback, and suggestions on fiscal issues. This is our new on-demand approach.



REVENUE ISSUES

Tax Policy & Administration
CDsupport-revenue@IMF.org



SPENDING ISSUES

Public Financial Management and Expenditure Policy
CDsupport-spending@IMF.org



MACRO-FISCAL ISSUES

CDsupport-macrofiscal@IMF.org



HOW WE ARE RESPONDING TO THE COVID-19 CRISIS...

In Revenue Administration and Tax Policy

As the shock of COVID-19 reverberates asymmetrically across all regions, governments are responding through tax policy and administrative measures to ease its social and economic implications.

Going forward, they face further challenges to provide adequate fiscal stimuli for economic stability, yet also to safeguard tax revenues to repay debts and fund necessary expenditures. Concurrently, many governments struggle with poor tax design and weak institutional capacity.

We shifted to crisis response advice and swiftly adopted new remote CD delivery channels, ensuring continuous support tailored to countries' needs.

- Advice shifted to business continuity plans (BCP) and the design and implementation of targeted relief measures, while encouraging progress towards structural reforms and protection of revenue in the short-term. We maintained focus on medium-term revenue strategies.
- New virtual initiatives include online training and CD on-demand request facility.
- [A series of COVID-19 notes](#) focused on tax policy and revenue administration responses to the crisis.

- Tailored COVID-19 webinars facilitate the sharing of experiences and responses across regions (Southeast Europe, Middle East, Asia Pacific) and virtual workshops replace in-person seminars.

Results so far have been very positive:

- BCPs were developed in parallel with immediate CD responses in Bolivia, Cape Verde, Guatemala, Maldives, and Mongolia.
- Digital solutions and streamlined processes are reducing face-to-face interactions and facilitate tax obligations and trade (Chad, Rwanda, Senegal, Uganda); reliance on customs e-declaration modules is increasing (Liberia, Madagascar, Mali, Mauritania).
- Strengthened risk-based compliance models include analyzing stimulus/relief measures for fraud detection and post-crisis audits (Benin, Rwanda); re-deployment of customs officers to desk intelligence to deter smuggling (Ethiopia, Liberia); and increased focus on unaffected large and medium taxpayers to bolster revenue streams (Chad, Cote d'Ivoire, Niger, Uzbekistan).



HOW WE ARE RESPONDING TO THE COVID-19 CRISIS...

In Public Financial Management

We are working to meet member countries' PFM needs during the COVID-19 pandemic while keeping a focus on medium-term reforms.

- Our remote missions address high priority topics, including: modeling the impact of COVID-19 on the fiscal framework; identifying and quantifying fiscal risks that have materialized as a result of the pandemic as well as those arising from emergency measures (e.g., credit guarantee schemes); helping with design and implementation of dedicated COVID-19 funds; budgeting, monitoring, and reporting of COVID-19 expenditures; and advising on cash and treasury management.
- Through the [Special Series Notes on COVID-19](#), we have provided guidance on pressing PFM issues faced by member countries, such as: maintaining transparency and accountability in the emergency response; budget execution controls to mitigate corruption vulnerabilities; digital solutions for direct cash transfers; cash management under fiscal stress; managing public investment; and support to state-owned enterprises.
- We are conducting webinars and remote workshops that bring together authorities and FAD staff to share country experiences on COVID-19 PFM challenges. Countries were appreciative of the knowledge sharing exercises, underlining the benefits of such platforms to foster peer-to-peer learning. We offered:
 - A series of regional webinars on COVID-related topics to Francophone countries in West and Central Africa, conducted jointly with our RCDCs—AFRITAC West and Central. We talked about voluntary contributions funds; the role of the Treasury single account and cash management in the context of COVID-19; reporting on COVID-19 related measures; and preparing the 2021 budget.
 - Two webinars on fiscal transparency and macro-fiscal planning in the COVID-19 context in the Middle East and North Africa region, in collaboration with METAC. With more than 200 participants, the webinars encouraged peer learning and stimulated dialogue among government and civil society organizations that presented their own approach in managing the crisis.



DEEPER DIVE IN OUR WORKSTREAMS

Enhancing Macro-Fiscal Policies and Frameworks

Sustainable development and inclusive growth are underpinned by robust and sound macro-fiscal policies. Given the increasing importance of topics such as climate change and governance & anti-corruption in the international agenda, FAD has enhanced its CD focus on these emerging issues to better serve our membership.

GOVERNANCE & ANTI-CORRUPTION Good governance and transparency are essential for macroeconomic performance and economic development, while maintaining trust in government and public institutions. Corruption weakens key functions of the public sector, including the ability to collect taxes and to make expenditure choices in a fair and efficient way. During the COVID-19 crisis, good governance and transparency are also needed to ensure that crisis-fighting expenditures go to their intended purpose and that strained public finances are not further depleted by corrupt fiscal leakages.

Strengthening fiscal institutions has been an integral part of good governance. FAD has provided CD in various areas which have led to stronger fiscal institutions. Those include CD on public financial management, revenue administration, and fiscal transparency. Particularly in response to COVID-19, FAD has been advising countries on the importance of “keeping the receipts” while they increase expenditures to face the crisis. Furthermore, governance diagnostic missions—carried out with other IMF departments—help country authorities to identify governance weaknesses in depth and discuss potential reform measures. For the last two years, FAD (together with other departments) has conducted ten governance diagnostic missions. These missions examine vulnerabilities to corruption with granularity and set out a strategy of engagement to tackle them.

CLIMATE CHANGE

FAD helps countries design and implement fiscal policies to support their climate mitigation and adaptation strategies. Particularly in response to COVID-19, our CD is focusing on strengthening countries’ capacity to support a green recovery from the crisis. Examples of our work include:

- Carrying out Climate Change Policy Assessments (CCPA), largely in developing countries and emerging markets, to assess the country’s risk from climate change (both natural disasters and slow-onset effects), preparedness, mitigation and adaptation plans, and related PFM systems.
- Providing analysis on the impacts and design of carbon pricing regimes, including for example on proposals for international carbon price floor arrangement.
- Undertaking policy analyses and CD support on green investment and the transition to a low-carbon economy, especially regarding public investment and public policies to promote low-carbon technologies.

Mobilizing Revenues

Fair, efficient, and sustainable revenue mobilization is crucial for sound public finances, inclusive economic growth, and achieving sustainable development goals. Revenue mobilization efforts, which are being adversely impacted by the COVID-19 crisis, can be more effective with the formulation and implementation of medium-term revenue strategies ([MTRS](#)). MTRS set out a high-level road map for tax system reform, covering policy, administration, and legal frameworks over a four-to-six-year period.

Our support in tax policy, revenue administration, and legislation is tailored to country-specific circumstances and capacities. Our analytical and data-driven approach helps identify key areas for improvement by using specialized diagnostic tools.

To support our country work, we also undertake applied research on a wide range of topics, including the impact of taxation on investment, international tax spillovers, environmental taxation, the administration of high net wealth individuals, the impact of digitalization on tax design and tax and customs administration, and the design and administration of fiscal regimes for the extractive industries.

Our CD in **tax policy** focuses on:

- Increasing the effectiveness of value-added taxes, including in balancing revenue and fairness objectives.
- Ensuring the efficiency and equity of corporate and personal income taxes.
- Advising on the international aspects of corporate taxation, particularly to help developing countries in setting up mechanisms to avoid an erosion of their tax base by cross-border profit shifting.

- Increasing effectiveness in the use of property taxes.
- Supporting countries in properly designing fair and effective taxation of financial instruments and institutions.
- Advising on fiscal regimes governing extractive industries and properly designing environmental taxes to address the externalities caused by underpricing of carbon emissions and energy usage.
- Improved tax policy frameworks through promoting Tax Expenditure Assessments, and training in forecasting, modeling, and policy assessment.
- Building revenue data for effective cross-country analysis and advice.

Our CD in **revenue administration** focuses on:

- Enhancing revenue administration management and governance arrangements, including strategic planning, legal frameworks, and human resource and information technology strategies.
- Improving administration of taxes, including value-added taxes, customs duties, excises, income taxes, and social security contributions.
- Strengthening countries' capacity to administer fiscal revenues from the extractive industries.
- Strengthening taxpayer compliance management, including tax gap and compliance risk analysis, as well as strengthening core operational processes.
- Advising on compliance strategies for different taxpayer segments—including through setting up specialized administrative units, simplified tax regimes, and strategies targeted to the large, medium, and small taxpayers.

Medium-Term Reforms to Finance the Recovery in Senegal and Uzbekistan

OUR CHALLENGE: While temporary short-term measures are critical to respond to the COVID-19 crisis, a medium-term focus is vital to secure the tax revenue needed for recovery and to meet the SDGs. The formulation and execution of Medium-Term Revenue Strategies (MTRS) were ongoing in Senegal and Uzbekistan when the COVID-19 crisis hit. Providing relief and assistance to the citizens suffering from the economic impact of the crisis without losing reform achievements made so far was imperative.

OUR APPROACH: FAD reacted swiftly to assist both countries to respond to the crisis while continuing to provide support with sustainable medium-term measures and the MTRS.

- **Senegal:** In the early stages, FAD helped the tax administration maintain its operations (e.g., expansion of online procedures and systems; processes for staff to work remotely). These interventions concurrently supported the ongoing formulation of the MTRS.
- **Uzbekistan:** FAD transitioned CD delivery to virtual/remote support, including regular check-ins with the authorities to meet changing priorities. The HQ team leveraged resources including the COVID-19 notes, the FAD resident advisor, videoconferences, desk reviews, and emails to address immediate needs while continuing to support medium-term reforms in both tax policy and revenue administration.

RESULTS SO FAR: Immediate and sustained involvement helped the countries safeguard early achievements, protect revenue collection, and prepare for a smooth transition into recovery.

- **Senegal:** Amid the crisis, the MTRS was adopted (June 2020). It centers on base broadening and reduction of tax expenditures. FAD will review and help update the implementation plan post-crisis and continue to support the country's MTRS through targeted CD delivered with the financial support of a multi-year Revenue Mobilization Thematic Fund (RMTF) project and the IMF regional CD center (AFRITAC West).
- **Uzbekistan:** Tax relief was provided to citizens (delayed tax collection) while simultaneously maintaining high compliance from the large taxpayers, thereby preventing a revenue collapse. The authorities continued a medium-term focus through the launch of the second phase of restructuring to streamline their field office operations. Uzbekistan is now well-positioned to transition its reform agenda into an MTRS (envisaged April 2021). Concurrently, we are assisting the country in preparing the tax system for the privatization of the mining and oil sector.

Strengthening Public Financial Management

Strong PFM systems and efficient spending are essential for the sustainability of public finances, allocation of resources for effective delivery of public policies, and ensuring fiscal transparency and fighting against corruption.

Our support in **public financial management** focuses on:

- Comprehensive assessments of PFM systems, analyzing their effectiveness, efficiency, and transparency through standardized assessment tools such as Fiscal Transparency Evaluations (FTE), Public Investment Management Assessments (PIMA), and Public Expenditure Financial Accountability (PEFA).
- Improving core PFM systems to strengthen fiscal frameworks, budget preparation, and treasury management. We also advise on budget execution and expenditure controls, accounting and fiscal reporting, financial management information systems, and internal control and audit.
- Supporting the adoption of advanced PFM practices, such as medium-term fiscal and budget frameworks, fiscal rules, fiscal councils, performance-based budgeting, accrual accounting, fiscal risk management, efficient public investment, spending reviews, and balance sheet analysis.
- Strengthening PFM legal frameworks and advising (with the IMF's Legal Department) on the legal changes required to support PFM reforms (e.g., budget system laws and fiscal responsibility laws).
- Strengthening the organization of ministries of finance, state treasuries, debt and cash management offices, and independent fiscal institutions, such as fiscal councils.

Strengthening Infrastructure Governance: The Public Investment Management Assessment (PIMA)

High-quality infrastructure is essential for sustainable and equitable economic growth and will play an essential role in the post-COVID economic recovery. But spending better is just as important as spending more, especially in the context of high debt levels and reduced fiscal space.

The IMF's PIMA tool serves as an overarching framework for assessing infrastructure governance in our member countries. It examines the strength of fifteen infrastructure governance institutions across the three key stages of public investment—planning, allocation, and implementation—to help countries identify priorities for reform.

The IMF has completed PIMAs in more than 60 countries. These assessments have shown that institutions for planning are stronger than institutions for allocation and implementation of public investment. Weaknesses are common in the appraisal, selection, and management of projects, as well as in the monitoring of infrastructure assets. Many countries have begun to implement recommendations identified in PIMAs. In several cases, the PIMA has also been a catalyst for donor support and helped improve coordination among providers of capacity development support.

Spending Well

FAD also provides capacity development to member countries on Expenditure Policy. The focus is on ensuring that public spending levels are fiscally sustainable and enhancing spending adequacy and efficiency. Public spending is evaluated through a range of benchmarking tools comparing expenditure levels, spending composition, and spending efficiency with country peers, as well as with established good practices.

Our support in **expenditure policy** focuses on:

- Broad-based expenditure rationalization reforms across economic and functional classifications aimed at identifying both short-term and medium-term expenditure reforms to ensure spending is adequate, efficient and fiscally sustainable.
- Reform of public pension systems to restore their financial sustainability while protecting their underlying equity and poverty alleviation objectives.
- Energy subsidy reforms focused on sustainably reducing the fiscal cost of subsidies, designing automatic pricing mechanisms to protect fiscal gains over the medium term, and identifying mitigating social measures to protect the poor from energy price increases.
- Government wage bill management, including compensation and employment measures consistent with efficient service delivery and fiscal sustainability.
- Projection of public health and pension spending over the medium term to facilitate their integration into medium-term budget frameworks.

Costing SDGs in Cambodia

Helping countries achieve the Sustainable Development Goals (SDGs) is a core activity of the IMF, including in CD. FAD has been assisting countries in estimating SDG-related spending needs in five “investment-type” sectors, including education, health, water & sanitation, roads, and electricity.

Cambodia has made important progress toward meeting the SDGs. The access to and quality of health services and education has improved thanks to an increase in public spending and continuous support of development partners. Public investment and private sector involvement also resulted in improved access to high-quality physical infrastructure, particularly electricity and roads. In conducting the SDG cost assessment, the mission collaborated with the Asian Development Bank, UN Development Programme, UNICEF, the World Bank, and the World Health Organization, and line ministries.

OUR MAIN FINDINGS:

- Cambodia needs about 7½ percent of GDP of additional spending in 2030 to meet the SDG targets in the five areas. About two-thirds of the total needs are in education and health services. Reaching universal access to electricity and roads requires additional annual spending of at least 2½ percent of 2030 GDP. Spending required for improving access to water and sanitation is smaller.
- To finance these spending needs without exacerbating public debt, the mission emphasized the importance of continuing to strengthen domestic tax capacity, partially drawing on government deposits, borrowing at concessional terms, and bringing in development partners and the private sector where feasible. The mission also highlighted the need to continue to improve spending efficiency and public investment management practices.

WANT TO LEARN MORE AND TALK TO US?

Our hands-on experience of solving real-world issues informs our analytical work. Please take a look at our publications.

Our publications are available at IMF.org/en/Publications.

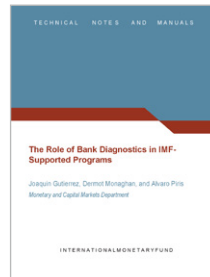
Our data series are available at IMF.org/en/Data.



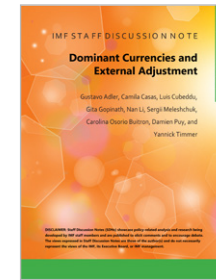
[Contact the Fiscal Affairs Department](#)
to learn more about our CD work.



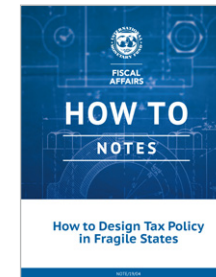
The [Fiscal Monitor](#), our flagship publication, analyzes the latest public finance developments in the world with updated fiscal implications of the crisis and medium-term fiscal projections; it also builds on FAD's CD knowledge to provide policies to put public finances on a sustainable footing.



[Technical Notes and Manuals](#) are produced by FAD to expand the dissemination of our technical advice. They present general advice and guidance, drawn in part from unpublished technical reports, to a broader audience.



[Staff Discussion Notes](#) showcase the latest policy-related analysis and research being developed by IMF staff and are published to elicit comment and to further debate. They are generally brief and written in nontechnical language, and so are aimed at a broad audience interested in economic policy issues.



[“How To” Notes](#) are designed to help officials in member countries, IMF staff, and all interested stakeholders to address topical issues from a very practical point of view. They draw on FAD capacity development advice and cross-country policy work.

Helping countries
shape public finances
that support sustainable
and inclusive growth