



Monetary and Capital Markets Department



Technical Assistance Annual Report 2016

I N T E R N A T I O N A L M O N E T A R Y F U N D

“MCM TA aims to support macrofinancial stability and financial sector development by promoting sound and efficient financial systems, and effective monetary and foreign exchange operating frameworks.”

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Selected Acronyms

AFRITAC	African Regional Technical Assistance Center	IT	Inflation Targeting
BoG	Bank of Ghana	JMD	Jamaican Dollar
BOJ	Bank of Jamaica	LCR	Liquidity Coverage ratio
BSP	Bangko Sentral ng Pilipinas	LIC	Low-Income Country
CAPTAC-DR	Central America, Panama, and Dominican Republic Technical Assistance Center	LTX	Long-Term Expert
CARTAC	Caribbean Regional Technical Assistance Center	MaPP	Macroprudential Policy
CBN	Central Bank of Nigeria	MCM	Monetary and Capital Markets Department of the IMF
CBS	Central Bank of Somalia	METAC	Middle East Technical Assistance Center
CMCA	Central American Monetary Council	MNRW	Managing Natural Resource Wealth
COI	Cooperating Official Institution	NBKR	National Bank of the Kyrgyz Republic
DFID	Department for International Development	NBU	National Bank of Ukraine
DMF	Debt Management Facility	NDIC	Nigeria Deposit Insurance Corporation
DMO	Debt Management Office	NSSMC	National Securities and Stock Market Commission
ECCB	Eastern Caribbean Central Bank	OFISD	Other Financial Institutions Supervision Department
ECCU	Eastern Caribbean Currency Union	O-MAP	Organizational Structure; Monitoring; Analysis; and Policy
EU	European Union	OMO	Open Market Operation
FfD	Financing for Development	PCA	Prompt Corrective Action
FIRST	Financial Sector Reform and Strengthening Initiative	PEPS	Professional Excellence Program for Supervisors
FMI	Financial Market Infrastructure	PFMI	Principles for Financial Market Infrastructures
FSAP	Financial Sector Assessment Program	PFTAC	Pacific Financial Technical Assistance Center
FSD	Financial Stability Department	RBM	Results-Based Management
FSSR	Financial Sector Stability Review	RBS	Risk-Based Supervision
FX	Foreign Exchange	RRP	Reverse Repurchase
FY	Fiscal Year	RTAC	Regional Technical Assistance Center
GFSR	Global Financial Stability Report	SDA	Special Deposit Account
GMM	Global Markets Monitor	SECO	State Secretariat for Economic Affairs of Switzerland
GOJ	Government of Jamaica	STX	Short-Term Expert
ICAAP	Internal Capital Adequacy Assessment Process	TA	Technical Assistance
ICD	Institute for Capacity Development	TAOLAM	Technical Assistance Office for the Lao People's Democratic Republic and the Republic of the Union of Myanmar
IFRS	International Financial Reporting Standards	TTF	Topical Trust Fund
IMF	International Monetary Fund		
IOSCO	International Organization of Securities Commissions		



I am pleased to present the 2016 Annual Report on Technical Assistance (TA) provided by the Monetary and Capital Markets Department (MCM).¹ Our TA aims to address critical needs of IMF member countries in promoting monetary and financial stability and preventing and managing crises, at a time of significant global risks and vulnerabilities. This report describes the enormous efforts by MCM and its partners to provide the highest quality advice and guidance to member countries across a broad range of topics.

We are maintaining our work on the core areas of financial regulation and supervision, crisis prevention and management, monetary policy and central bank operations, debt management, and other aspects of financial stability. At the same time, MCM is responding to the evolving needs of members, including managing the impact of weak commodity prices on exchange rate policies, the need to develop debt management capacity in oil-exporting countries, the shift from compliance-based to risk-based financial supervision and Basel II/III implementation, and adapting macroprudential policies for emerging market economy needs. The rich set of country case studies in this report illustrate the continued impact of this work and the positive feedback from TA recipients. In this light, TA is rightly viewed by MCM staff as one of the most rewarding aspects of their work.

As a recent innovation, we have also developed and piloted a new diagnostic instrument, the Financial Sector Stability Review (FSSR), to help identify financial sector vulnerabilities, and to formulate and implement financial sector reform programs, supported by intensive follow-up TA. With donor support, we hope to roll out this new tool over the coming year.

We would like to acknowledge through this report our fruitful relationships with country counterparts; the close cooperation with donors and other TA providers; and the contributions of MCM staff, colleagues within the IMF, and external experts, including those generously shared by other institutions. It is only through these partnerships that our combined efforts can produce tangible and durable progress.

Ratna Sahay
Acting Director
Monetary and Capital Markets Department
September 2016

¹ This report was prepared by a staff team in MCM's Technical Assistance Division comprising Hunter Monroe, Dilek Goncalves, and Jahanara Zaman. Maria de Mesa, Viktoriya Zotova, and Gabriella Ndedi provided administrative support. Claudia Nobre and Dhanu Ponnampuruma in MCM's Resource Management Division assisted in compiling the data in the report.

MCM TA aims to support macrofinancial stability and financial sector development by promoting sound and efficient financial systems, and effective monetary and foreign exchange operating frameworks

MCM's TA strategy, guided by the Fund's capacity development priorities, emphasizes providing advice to member countries in the department's cores areas of expertise, including financial regulation and supervision, crisis prevention and management, monetary and macroprudential policies, central bank operations, and public debt management.² Our work plays a pivotal role in a number of areas the Fund has prioritized, including finance for development in fragile states and financial market deepening in low-income countries (LICs). At the same time, we aim to align capacity development with surveillance and lending, and bolster financial supervision and regulation and monetary policy frameworks in emerging and frontier market economies and selected LICs.

In this context, important themes of MCM TA in FY16 have included:

- **Fragile states.** Timely, well-targeted interventions in fragile states are helping to boost low administrative capacity, and our work in this area has been intensive. It employs a programmatic approach, as an integral part of a broader development strategy that has focused on building effective institutional frameworks.
- **Financial Market Deepening for LICs.** Financial sector stability goes hand-in-hand with financial inclusion and deepening, both key elements of the Financing for Development (FfD) agenda.³ Financial market deepening requires strong micro- and macroprudential frameworks and safety nets, and safe financial systems that can serve a broader user base. MCM is currently developing a new TA instrument, FSSRs, to serve as a diagnostic upon

which financial sector reform programs can be developed and implemented.⁴

- **Aligning TA with surveillance and lending.** Increased synergies between TA and the Fund's other activities are evidenced by the increased dialogue with area departments and with country authorities in support of their reform agendas. Area departments' insights into countries' needs and policy challenges help guide the allocation of TA to areas of greatest need and impact. TA can help follow-up on Fund surveillance recommendations and strengthen capacity in borrowing countries.

MCM continues to distill lessons and best practices from country experiences, including for instance on monetary frameworks in low-income countries, macroprudential policies, and lender-of-last-resort facilities, so we can share these with other countries.⁵ Identifying and addressing cross-cutting challenges, for instance to commodity exporters grappling with volatile world prices, has amplified the impact of TA.⁶ Lessons learned from TA evaluations feed into operational enhancements.

The MCM TA strategy aims to ensure a high level of effectiveness while responding to increasing TA

² See the MCM TA Strategy Update 2014-17.

³ In early July 2015, the IMF Executive Board endorsed the FfD agenda, as elaborated in the papers—"Financing for Development: Enhancing the Financial Safety Net for Developing Countries," IMF Policy Paper, June 2015a; "Financing For Development: Revisiting The Monterrey Consensus," IMF Policy Paper, June 2015b, International Monetary Fund, Washington, D.C.; "Rethinking Financial Deepening: Stability and Growth in Emerging Markets," IMF Staff Discussion Note 15/08, May 2015; and "Financial Inclusion: Can It Meet Multiple Goals?" IMF Staff Discussion Note 15/17, September 2015.

⁴ FSSRs review country-specific risks and vulnerabilities and the adequacy of institutional frameworks and capacity in the areas of financial regulation and supervision and crisis prevention and management, with intensive follow-up TA. They help countries ensure that they pursue financial inclusion and deepening in a manner that is consistent with financial stability. Training will focus on sustainably strengthening capacity to offset often high staff attrition rates, combining face to face training with on-line tools. A pilot mission to Honduras took place in July 2016, building on five precursor missions beginning in 2014.

⁵ See "Evolving Monetary Policy Frameworks in Low-Income and Other Developing Countries," IMF, 2015, prepared in cooperation with other departments; and also the "Staff Guidance Note on Macroprudential Policies," IMF, 2014, and the case study below on "Central America, Dominican Republic and Panama: Macroprudential Policies."

⁶ See case study on "Saudi Arabia: Establishing A Debt Management Office." In addition, support has been obtained through the Management of Natural Resource Wealth Trust Fund to provide TA to commodity-exporting low- and lower middle- income countries in the areas of exchange rate and macroprudential policy advice.

demand and leveraging limited resources. This brings to bear continuous refinement of TA practices and effective employment of our deep expertise in our core areas of work. MCM now takes a more direct role in delivering training in its areas of expertise, in cooperation with the IMF's Institute for Capacity Development (ICD). Demand to participate in courses outstrips the number of places available, and there is a growing emphasis on the use of online training tools that exist already or are being developed.

MCM's TA effectiveness is being supported by enhancing the implementation of results-based management (RBM), an approach that focuses explicitly on intended results throughout planning and delivery, performance measurement, learning from experience and adapting TA approaches, and accountability through reporting. We have worked with other departments in developing the Fund's RBM framework; defining standard objectives, outcomes, and indicators; identifying systemic needs to improve project management, results information gathering and reporting; and deploying a new information technology system to support it.

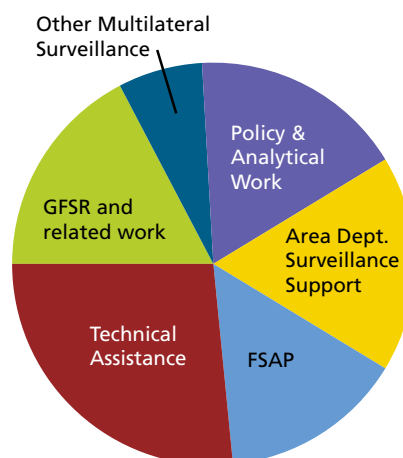
Operational Overview

Member countries' demand for MCM TA continued to intensify during FY16.⁷ A record number of 1,139 missions took place to 148 beneficiary jurisdictions, up from 1,000 missions and 139 recipients in the previous year. The increase reflected growing demand, the availability of donor funding, and effective use of multiple delivery modalities. These modalities include MCM staff-led missions, short term visits by external experts (STXs), and resident long-term experts (LTXs) serving a single country—generally in central banks or supervisory agencies—or located in Regional Technical Assistance Centers (RTACs). MCM has expanded TA to fragile states (Box 1), while continuing to serve a broad range of countries (Figure 1). As a result, the overall TA field delivery increased to 80.4 person years in FY16, up from 73.3 person years in FY15 (Data Appendix Tables 1 and 2).

TA is a core MCM function, accounting for over one quarter of MCM staff resources (Figure 2). MCM staff led TA missions to provide technical advice and policy recommendations, as well as provided TA from head office with a combination of video teleconferences, teleconferences, email, and other written advice; managed the work of both LTXs and STXs; and guided the design and monitoring of work programs of the RTACs.

⁷ FY16 covers the period May 1, 2015 to April 30, 2016.

FIGURE 2. MCM STAFF TIME ALLOCATION BY FUNCTIONS, FY16



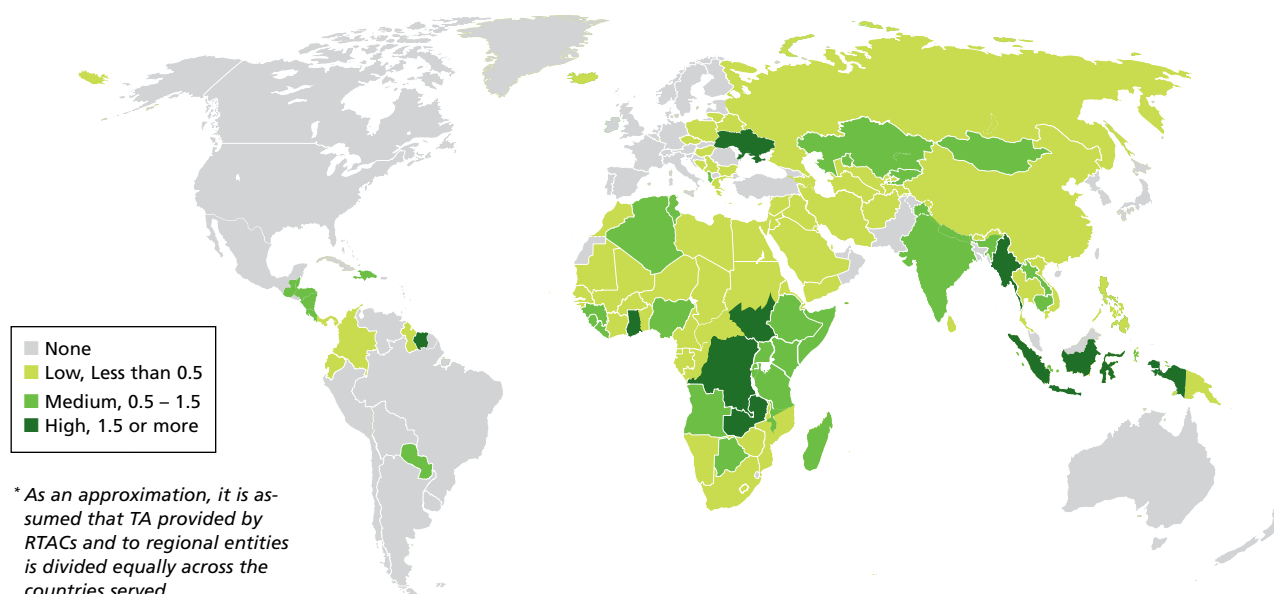
Source: IMF/MCM databases.

Note: GFSR is the Global Financial Stability Report.

MCM also contributed to capacity building in member countries by offering a number of training courses coordinated and delivered by ICD.⁸ In FY16, participants from nearly 112 countries benefited from training pro-

⁸ ICD's Training Program includes training delivered by ICD and by other departments both at headquarters and globally (at the IMF's Regional Training Centers and through programs for country officials).

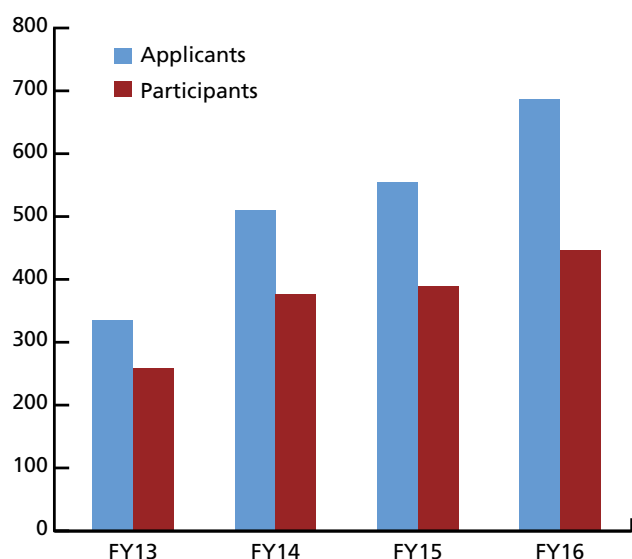
FIGURE 1. GLOBAL INTENSITY OF MCM TA FIELD DELIVERY, FY16 (IN PERSON YEARS)*



Source: IMF/MCM databases.

Operational Overview

FIGURE 3. NUMBER OF PARTICIPANTS IN COURSES, FY13–16



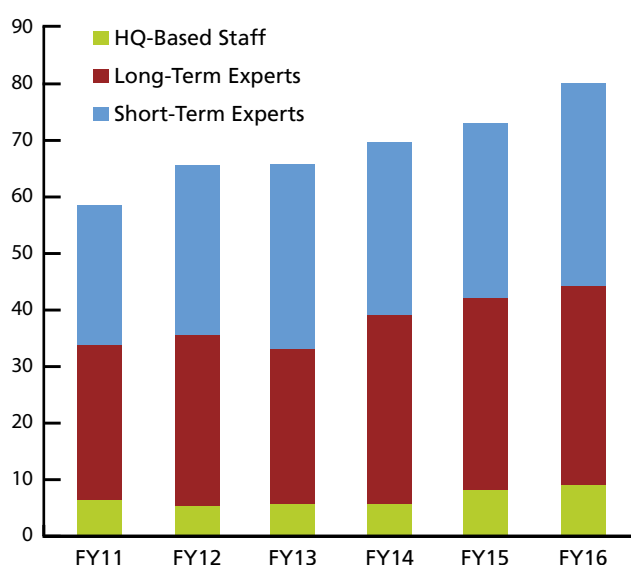
Source: IMF/MCM databases.

vided by MCM, while the number of applicants increased faster than the number of seats available (Figure 3).

The work of MCM staff has leveraged experts, including via RTACs and with the support of donor funding (Figures 4 and 5):⁹

- A pool of highly-qualified experts (LTXs and STXs) accounted for nearly 90 percent of MCM TA field delivery, in roughly equal proportions, working under the close guidance of MCM.
- MCM had placed 37 LTXs globally as of end-April 2016, while backstopping all TA they provide. (Box 2).¹⁰
- External funding also facilitated the expansion of MCM TA delivery, providing financing for 51 percent of all TA in dollar terms in FY16 and 78 percent of TA field delivery, reflecting the fact that all LTX positions are externally financed.
- RTACs played a critical role in the delivery of the high volume of TA including through STX visits ar-

FIGURE 4. TA FIELD DELIVERY BY STAFFING, FY11–16 (IN PERSON YEARS)



Source: IMF/MCM databases.

ranged and backstopped by LTXs in RTACs and through direct TA by these LTXs. RTAC-managed STX missions accounted for almost 13 person years in FY16.

The regional allocation is broadly similar to that in previous years: Africa received the highest share (41 percent) followed by Western Hemisphere, Asia and Pacific, Middle East and Central Asia, and Europe (Figure 6).¹¹ TA field delivery to Africa increased by 3.2 person years in FY16, reflecting high demand from countries in the region and, to some extent, a post-Ebola recovery. TA to other regions increased in FY16, with the exception of Europe, which has remained largely stable.

As in previous years, the main topics of MCM's TA were financial sector regulation and supervision,¹² central banking including monetary and foreign exchange (FX) policy and operations, as well as governance and

⁹ See Data Appendix Table 3.

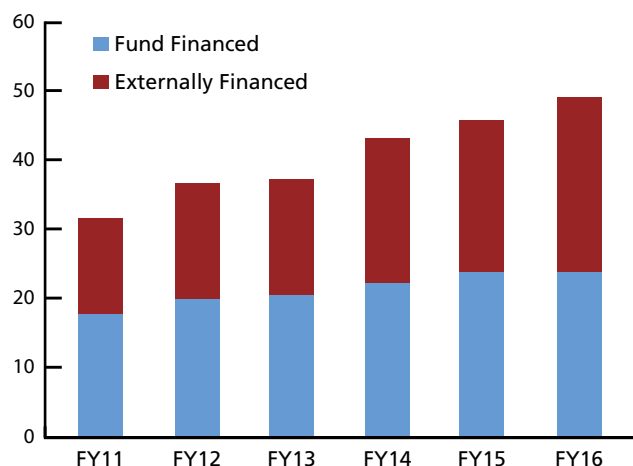
¹⁰ See Data Appendix Table 4 for a list of MCM's LTXs as of April 30, 2016.

¹¹ See Data Appendix Table 2.

¹² See the country case studies "The Philippines: Bank Supervision and Monetary Policy", "Ghana: Strengthening Regulatory and Supervisory Capacity", and "Kyrgyz Republic: Banking Supervision."

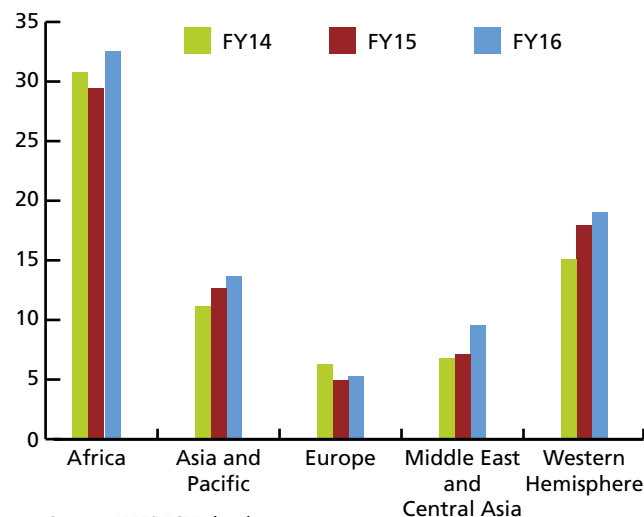
Operational Overview

FIGURE 5. TA COSTS BY FUNDING SOURCE, FY11-16 (IN MILLIONS OF U.S. DOLLARS)



Source: IMF/MCM databases.

FIGURE 6. TA FIELD DELIVERY BY REGION, FY14-16 (IN PERSON YEARS)

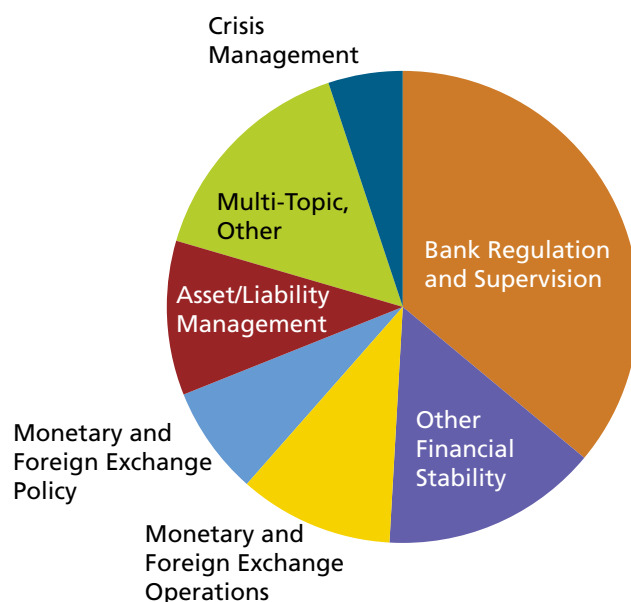


Source: IMF/MCM databases.

payment systems,¹³ public debt management,¹⁴ and other aspects of financial stability (Figure 7).

- Regulation and supervision TA has continued to represent the highest proportion of MCM TA missions. This focused on regulation and supervision of commercial banks, but also oversight of the securities and insurance industries. The core of this work focused on providing technical guidance and hands-on training on risk-based, cross-border, and consolidated supervision and assisting countries adopting enhanced prudential regulations and norms, including Basel II/III implementation, International Financial Reporting Standards (IFRS), and accounting for nonperforming loans.
- Monetary and FX policy and operations, and macroprudential policy, also remained in high demand. In particular, a growing number of countries are requesting assistance in developing Forecasting and Policy Analysis Systems to support the formulation of monetary policy and in putting

FIGURE 7. TA FIELD DELIVERY BY TOPIC, FY16



Source: IMF/MCM databases.

¹³ See the case studies "Somalia: Central Banking in a War-Torn Economy" and "Regional Workshops on Financial Market Infrastructures."

¹⁴ See the country case studies "Saudi Arabia: Establishing A Debt Management Office" and "Jamaica: Management of Financial Markets."

BOX 1. MCM TA TO FRAGILE STATES

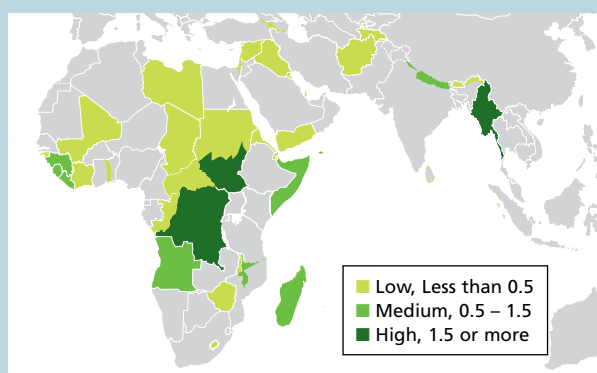
In line with the Fund-wide priorities, MCM expanded its engagement with 39 fragile states—countries in post-conflict and fragile situations (Figure 8).^{1,2} The main objective of this work is to help them build strong institutions and improve the capacity to formulate and implement effective monetary and financial sector policies. In particular, MCM adopted a programmatic approach—wherein TA efforts form an integral part of a broader development strategy—to provide multi-year support for building effective regulatory, supervisory, risk, and crisis management frameworks; strengthening monetary stability; and enhancing public debt management.

Fragile states received more than a quarter of the TA missions delivered during FY16. Also, TA to countries in the Middle East and Central Asia region such as Afghanistan, Iraq, and

¹ The IMF defines fragile states as having either weak institutional capacity measured by the World Bank Country Policy and Institutional Assessment score (average of 3.2 or lower) and/or experience of conflict (signaled by presence of a peace-keeping or peace-building operation in the most recent three-year period). The focus is on capacity building, Fund facilities and program design, and policy support. The following countries are considered fragile states: in **Africa**, Angola, Burundi, Central African Republic, Chad, Comoros, Congo (Republic of), Congo (Democratic Republic of the), Cote d'Ivoire, Eritrea, Guinea, Guinea-Bissau, Liberia, Madagascar, Malawi, Mali, São Tomé and Príncipe, Sierra Leone, South Sudan, Togo, and Zimbabwe; in **Asia and the Pacific**, Kiribati, Marshall Islands, Micronesia, Myanmar, Nepal, Solomon Islands, Timor-Leste, and Tuvalu; in **Europe**, Bosnia and Herzegovina, and Kosovo; in the **Middle East and Central Asia**, Afghanistan, Iraq, Libya, Somalia, Sudan, Syria, West Bank and Gaza, and Yemen; and in the **Western Hemisphere**, Haiti.

² See IMF Policy Paper, "IMF Engagement with Countries in Post-conflict and Fragile Situations—Stocktaking," IMF (May 2015); Staff Guidance Note on the Fund's Engagement with Countries in Fragile Situations, IMF (2012); and Board Paper on Macroeconomic and Operational Challenges in Countries in Fragile Situations, IMF (June 2011).

FIGURE 8. MCM TA FIELD DELIVERY TO FRAGILE STATES, FY16 (IN PERSON YEARS)



Somalia, intensified recently in collaboration with other TA providers and donors. For example, a multi-year capacity building program, financed by a dedicated donor trust fund, has been established to support the financial sector reform program in Somalia.

TA to fragile states is often challenging because of weak implementation capacity, political instability, an uncertain security situation, and related travel restrictions. To mitigate these problems, MCM takes measures including TA delivery in off-site locations or via video/teleconferences, regular contact and follow-up with the authorities, careful sequencing of TA and training, and placing resident experts to provide intensive continuous support for implementing reforms. In addition, MCM has employed resident LTXs extensively to assist fragile states, stationed either at the national central banks (e.g., Bank of South Sudan, Nepal Rastra Bank, and Central Bank of Myanmar) or in RTACs.

in place effective macroprudential policy frameworks.¹⁵

- TA on broader financial stability/systemic risk assessment issues represents another key area of engagement, including the institutional framework, systemic risk monitoring, financial stability analysis and reporting, and stress testing.¹⁶

¹⁵ See the case study "Central America, Dominican Republic and Panama: Macroprudential Policies." MCM TA in this area is based on the Staff Guidance Note on Macroprudential Policy, IMF Policy Paper, November 6, 2014.

¹⁶ See the case study "Building Financial Stability Frameworks in Asia."

- Advice on crisis preparedness and management has focused on bank restructuring and bank resolution strategies and enhancing the crisis preparedness frameworks.¹⁷
- MCM also expanded TA on public debt management with greater support from the donor-funded trust fund, particularly in LICs, in collaboration with the World Bank. Other TA topics included improving central bank governance and accounting frameworks.

¹⁷ See the case study "Eastern Caribbean Currency Union: Bank Restructuring."

BOX 2. WORK BY MCM RESIDENT LONG-TERM EXPERTS

MCM increasingly makes use of resident LTXs, particularly in countries facing human resource capacity constraints or facing challenges that require intensive and continuous assistance. As of April 30, 2016, a total of 37 LTXs were stationed around the globe, covering a range of topics including banking regulation and supervision, monetary and foreign exchange operations, debt management, and financial stability (Data Appendix Table 4). The global placement of LTXs displays concentration of these positions in mostly low-income and developing countries that need ongoing support and guidance for implementation of TA recommendations (Figure 9).

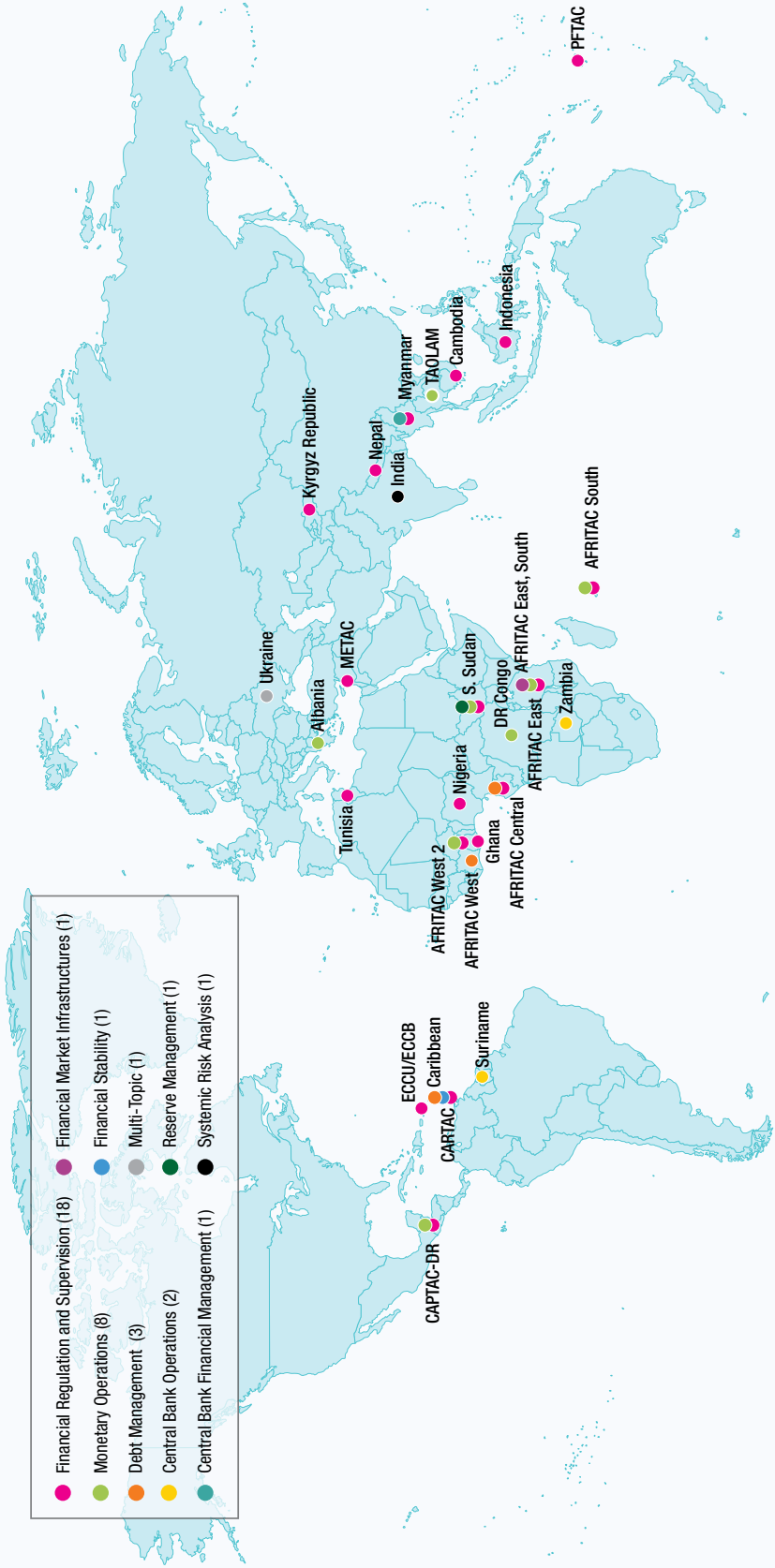
LTXs serve as a key mode of MCM TA provision, accounting for 45 percent of total TA mission delivery in FY16. To leverage these vital resources, MCM has undertaken new initiatives for enhancing the work of the LTXs. One such effort is an Annual Workshop for LTXs at the IMF headquarters. The second Annual LTX Workshop was held in May 2016; 33 MCM LTXs were able to participate. This 3-day

workshop provided an opportunity for closer interaction with HQ-based staff, and offered a comprehensive agenda including seminars, a presentation by a panel of LTXs on TA effectiveness and sustainability at the quarterly MCM TA Forum,¹ and social events for informal conversations and knowledge sharing.

In addition, MCM is committed to improving the technical and administrative procedures for management and backstopping of LTXs, including by putting greater emphasis on the need for better coordination between RTACs and bilateral LTXs, and a quarterly teleconference with all MCM LTXs. Also, the LTXs are given access to various training facilities and online tools to further enhance their skills.

¹ MCM TA Fora are Fund-wide events held on a quarterly basis to showcase key ongoing TA work.

FIGURE 9. GLOBAL PLACEMENT OF MCM LONG-TERM EXPERTS, AS OF APRIL 30, 2016*



* There are five Africa Regional Technical Assistance Centers (AFRITACs): West, West 2, East, Central, and South. CAPTAC-DR is the Regional Technical Assistance Center for Central America, Panama, and the Dominican Republic; CARTAC is the Caribbean Regional Technical Assistance Center; METAC is the Middle East Regional Technical Assistance Center; and PFTAC is the Pacific Financial Technical Assistance Center.

Partnerships

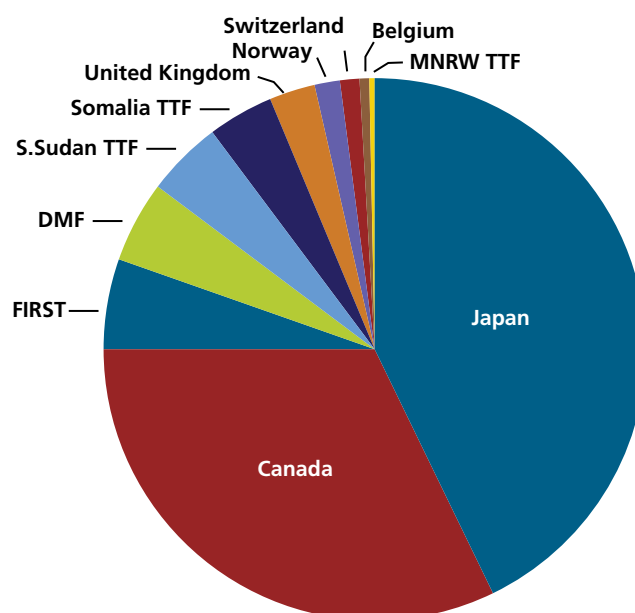
Establishing strong partnerships with internal and external stakeholders is key for the success of TA. First and foremost, TA requires a strong partnership with the authorities of our member countries. The country case studies that follow highlight examples of this important partnership. However, many more hands join together in making results possible. Externally, MCM partners with donors, other TA providing institutions such as the World Bank, and central banks and other cooperating official institutions (COIs). Internally, IMF area departments, other functional departments, and ICD are the key partners.

MCM greatly appreciates its long-established partnerships with donors. Donors' support enables greater TA provision to member countries, especially to LICs and fragile states but also to emerging markets where assistance can facilitate significant advancements. Approximately half of MCM TA (and three quarters of TA field delivery) is financed by donors through multiple vehicles, including bilateral projects, multi-donor trust funds, and RTACs (Figures 10 and 11).

Bilaterally, MCM TA is supported by Belgium, Canada,¹⁸ Japan,¹⁹ Norway, Switzerland,²⁰ and the United Kingdom.²¹ MCM's partnership with Japan has historically been the longest and largest, leading to multi-topic TA successes mainly in Asia, but also in Africa. MCM was able to deepen TA results in Africa in central bank operations and financial sector regulation and supervision chiefly due to continued and generous funding support from Belgium, Norway, Switzerland, and the United Kingdom. Canada's contributions have supported financial stability frameworks on multiple fronts including in the Eastern Caribbean, Tunisia, and Ukraine. In addition, MCM has established a partnership with the Islamic Development Bank to promote financial sector development in Islamic systems.

Multi-donor arrangements have been instrumental in broadening TA reach and levels. Nine RTACs serve over 80 countries in Africa, the Caribbean, Central America, the Middle East, and the Pacific. Key contributors to RTACs

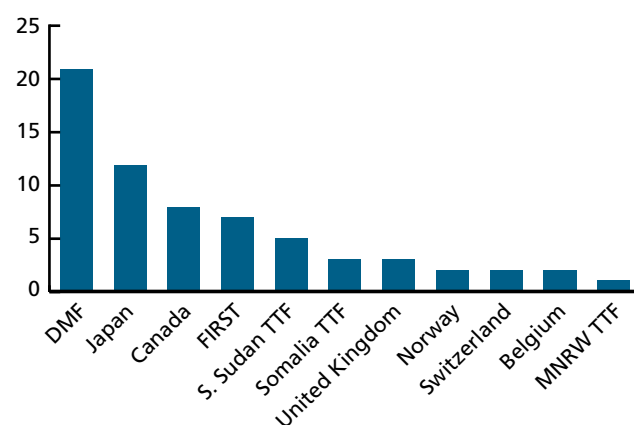
FIGURE 10. DONOR-FUNDED ACTIVE TA PROJECTS, END-APRIL 2016 (SHARE IN U.S. DOLLARS)



Source: IMF/MCM databases.

Note: This figure does not include donor financing of RTACs.

FIGURE 11. NUMBER OF DONOR-FUNDED ACTIVE TA PROJECTS, END-APRIL 2016



Source: IMF/MCM databases.

¹⁸ The country case studies "Ukraine: Transforming the Financial Sector" and "Eastern Caribbean Currency Union: Bank Restructuring" describe work financed by Canada.

¹⁹ The country case study "The Philippines: Bank Supervision and Monetary Policy" describes work financed by Japan.

²⁰ The country case study "Ghana: Strengthening Regulatory and Supervisory Capacity" describes work financed by Switzerland.

²¹ The country case study "Nigeria: Bank Supervision" describes work financed by the United Kingdom.

are Canada, the European Union (EU), Switzerland, and the United Kingdom. Donors have also helped launch targeted country and topical programs. Thanks to many of these donors, MCM was able to expand assistance to South Sudan and Somalia, two fragile states with severe capacity-development needs.^{22,23} The Managing Natural Resource Wealth (MNRW) Topical Trust Fund (TTF) finances TA by MCM on improving asset and liability management; and in Phase 2 of this TTF, on designing exchange rate and macroprudential policies that would help smooth the macroeconomic and financial impact of commodity price volatility.²⁴

Multi-donor engagements also helped enhance collaboration with other TA providing institutions as well as targeting MCM-specific topical areas. The Financial Sector Reform and Strengthening Initiative (FIRST), a trust fund jointly implemented with the World Bank, has made its mark since 2004 through gap filling and catalytic short-term financial sector TA interventions with global coverage of low- and middle-income countries.²⁵ The Debt Management Facility (DMF) is another example of IMF-World Bank TA collaboration that provides assistance on debt financing strategies and debt portfolio risk management.²⁶

Another significant groups of partners are the roughly 80 COIs – institutions that share their staff on

request to participate in missions on behalf of the IMF. The list of COIs includes the National Bank of Belgium, Czech National Bank, Banque de France, Banco de Mexico, Norges Bank, Central Bank and Superintendency of Banks of Peru, National Bank of Poland, Bank of Sweden, and Bank of Thailand. COI experts are crucial to maintaining the high quality and the cutting edge of TA advice in a dynamic global economic and financial landscape.

Internally within the IMF, the key partnerships are with the area departments, ICD, and other TA-providing departments. Area departments define TA priorities in consultation with country authorities and in collaboration with MCM.²⁷ In TA design and implementation, MCM seeks synergies with area department surveillance and programs, and all TA reports benefit from the area departments' review. ICD's partnership helps in bringing the Fund's TA and training activities under a strategic framework and in fundraising and managing all donor subaccounts. They are at the front line of all new donor initiatives, including setting up large trust funds for target areas of TA. Other functional departments have long been partners in TA delivery. There are many examples of joint TA projects and collaboration such as with the Legal Department on financial sector legislation; with the Fiscal Affairs Department on government debt management, natural resource wealth management, and ministry of finance coordination; with the Research Department on Forecasting and Policy Analysis Systems; and with the Statistics Department on financial sector data.

This wide array of partners demonstrates the diverse and significant efforts and care that are invested in TA. MCM greatly values all its partners and acknowledges that TA successes, some of which are highlighted in this report, are achieved through collective work.

²² See the country case study "Somalia: Central Banking in a War-Torn Economy."

²³ The donors to the South Sudan TTF are the European Commission, Norway, and the United Kingdom. The donors to the Somalia TTF are the Arab Fund for Social and Economic Development, Canada, Italy, the United Kingdom, and the United States.

²⁴ The current donors to the MNRW TTF are Australia, European Commission, Kuwait, the Netherlands, Norway, Oman, and Switzerland.

²⁵ See the country case study "Kyrgyz Republic: Banking Supervision," which describes work financed by FIRST. The current donors to the FIRST Initiative are Germany, Luxembourg, the Netherlands, Switzerland, and the United Kingdom.

²⁶ The current donors to the DMF (Phase II) are Austria, Germany, the Netherlands, Norway, Russia, and Switzerland.

²⁷ MCM's TA Tracking System, visible to Area Departments and RTACs as well as all MCM staff, is an effective tool for locating information relating to past and planned TA missions.

MCM is committed to delivering high quality and results-focused TA. Ensuring effectiveness is at the core of MCM's TA Strategy. MCM aims for agility in improving its own internal capacity, flexibly allocating limited resources, and designing and implementing TA for optimal results. This requires learning from experience and adapting delivery approaches while responding to evolving TA needs within a changing global economic and financial landscape.

MCM prioritizes identification of good TA practices and their implementation. In this regard, MCM has undertaken a number of ex-post independent evaluations, as well as self-evaluations within the framework of an MCM TA Evaluation Program. The results of these evaluations published on the MCM website. More notably, they helped guide ongoing and new TA projects performing as an internal compass.

While there are many lessons drawn from evaluations, a few selected ones that apply to most TA design and delivery are as follows:

- It is well known that the authorities' commitment and close involvement are key to producing results. There are a number of ways to help ensure this at the outset including: (i) developing detailed work plans for the implementation of the TA that are agreed by the authorities; (ii) identifying a counterpart (internal committee, unit or department) in charge of the implementation of the TA program; and (iii) undertaking periodic staff trips to inform top management of both the institution with which we are working, and MCM, on TA progress, giving due credit to technical counterparts for advancements.
- An upfront diagnostic assessment of TA needs, including human capacity constraints, is an important ingredient to realistic TA design. It establishes a credible baseline from which TA results can be measured.
- There are important linkages between TA, the Financial Sector Assessment Program (FSAP), and other Fund activities. FSAP diagnostics underpin follow-up TA action plans, which in turn can inform upcoming FSAPs. Area departments can support TA implementation during surveillance and program missions through dialogue with authorities.
- A "programmatic" approach to TA, where assistance is a sustained medium-term engagement (one to three years) built on strong diagnostics and monitored and evaluated by time-bound result frameworks, is appropriate in most cases for intensive capacity development reform programs. These programs need to be designed consistent with the financial sector strategies of beneficiary countries and IMF priorities.
- Effective sequencing of TA activities and allowing room for absorption are important elements of TA design taking into consideration capacity constraints in recipient countries.
- Compatibility of experts with the country context is key. Experts who understand the regional and country issues tend to adapt better and receive better acceptance from the authorities.
- Use of LTXs is an effective TA delivery modality in programmatic TA. Delivery work plans are implemented best when there is seamless integration of the contributions of HQ staff and STXs with the LTX's work. All staff and experts involved with the TA project should be in dialogue and coordinate closely. There needs to be an established understanding of how the various pieces of a TA program fit together to achieve the project objectives. This also applies to integrating RTACs' work into bilateral TA.
- Great attention needs to be paid to sustainability of TA. Training of TA counterparts to ensure full knowledge transfer should be a key element of TA programs. This can include an ongoing workshop series, exposing staff to online learning opportunities and cross country studies, and, ultimately, setting up internal training programs.
- Tailoring TA to the specific country context is essential (country-specific milestones) while seeking harmonization of TA advice to ensure consistency and a reliance on best practices, including use of standardized results and indicators.
- Continuity of the MCM TA management and backstopping team is essential to successful delivery. Backstopping works best when it is done by the same staff member throughout the TA project. The team at the IMF's headquarters should also ensure close collaboration with the area department desk.

Evolving Delivery and Key Lessons

- Periodic stocktaking of TA progress against the originally defined milestones and indicators is an important part of effective TA monitoring.
- TA programs should be coordinated with other ongoing donor activities to enhance complementarities and avoid duplication.
- End-of-project evaluation is an important tool to assess achievements and to inform future TA engagements.

I. Ukraine: Transforming the Financial Sector²⁸

Financed by Canada

MCM's TA to Ukraine aims to support the authorities in successfully implementing the monetary and financial sector components of the Stand-By Arrangement and subsequent IMF-supported programs. Thanks to generous financial support provided by the Government of Canada, the main objective of the TA is to support the National Bank of Ukraine (NBU), the Deposit Guarantee Fund, the National Securities and Stock Market Commission (NSSMC), and the Ministry of Finance (MoF) to restructure the financial sector, undertake major reforms in the foreign exchange market, foster the introduction of an inflation targeting (IT) regime, enhance the supervision of banks and securities markets, strengthen overall financial stability, and support the reorganization and strategic planning of the central bank. In other words, MCM's TA has been geared toward supporting the wholesale transformation of Ukraine's financial system to address long-standing structural issues.

Main Elements of the Program

The program incorporates a number of key elements: banking reforms, monetary and FX reforms, financial stability frameworks, and central bank reorganization.

Banking Reforms

Financial sector reforms have required simultaneous action on a number of fronts, including improvements to the financial sector legal framework; in banking system regulation and supervision; and in monitoring, assessing and dealing with financial system risks. With MCM TA, legal and regulatory changes have been introduced to enhance the legal, institutional, and financial independence of the NBU, increase transparency of the banking sector, and introduce best international practices to ensure banks' ability to withstand shocks and challenges. An ambitious and detailed diagnostic study—including asset quality reviews and stress-testing—has also been undertaken for the 20 largest banks and recapitalization plans established where needed. While these recapitalization plans are being implemented, studies have been completed for the next 19 banks and are underway for the remaining 21 banks of the top 60 banks. Improvements have also been made

to banking regulation and supervision, including further progress toward a risk-based approach to supervision, designing and implementing better early warning systems and on-site inspection processes, tightening restrictions on related party activities, and completion of banks' transition to the IFRS. MCM has also provided assistance to help the MoF reform the state-owned banking sector with a focus on improving the efficiency and governance of these institutions while they remain in government hands, but with the ultimate objective of eventually divesting them.

Monetary and FX Reforms

In addition to reforming the banking sector, there was a need to reform the monetary and FX rate regime. The NBU had maintained a de facto fixed official exchange rate regime through exchange controls and monetary operations that largely managed liquidity in the money market in place of developments in the foreign exchange market. With the support of MCM TA, significant changes have been made to the FX regime, and the Fund reclassified the de facto exchange rate arrangement to floating in February 2014. Overall FX market development continues to advance following the 2014–15 economic crisis, and capital account restrictions are being phased out.

On the monetary policy front, the NBU is transitioning to an IT framework. To support this, MCM TA has helped the NBU: (i) further develop its analytical and forecasting capabilities; (ii) reform decision-making processes, with a Monetary Policy Committee at the center; (iii) develop a commensurate communication strategy; (iv) reform the monetary policy instruments and procedures in support of an interest-rate based operational framework; and (v) develop financial markets. With the passage of a new NBU law, the legal, institutional, and financial arrangements for the NBU itself have been strengthened, including its independence, governance, transparency, and accountability framework.

Financial Stability Framework

The NBU's financial stability framework is being strengthened to ensure that risks to the financial system are properly identified and addressed at an early stage. In that context, MCM TA has been instru-

²⁸ Prepared by Steve Swaray.

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mental in helping the NBU establish a Financial Stability Department (FSD) and providing a significant amount of assistance, in partnership with the National Bank of Poland, to help the FSD build up its skills and techniques in the use of the various financial risk assessment tools and, more generally, in strengthening its financial stability assessment and reporting capacity. Improvements have been evident in the quality and structure of the NBU's Financial Stability Reports, which was published for the first time in June 2016.

Central Bank Reorganization

Along with the passage of the new NBU law, there has also been a focus on institution building within the NBU itself in terms of creating a modern and effective central bank. In practical terms, this involved streamlining the organizational structure and re-engineering all of its work processes. MCM provided assistance to help the NBU implement the agreed-upon functions, committees, and processes to support the NBU's new mandate and core functions. This included the creation of nine committees to improve management decision-making, an organizational structure focused on six functional blocks, a reformed NBU Board with six members, a reduction in NBU management levels from eleven to four layers, centralization of functions to the head office, optimization of regional office functions, a significant reduction in staff numbers, and a complete re-mapping of processes and functions.

Development of the Domestic Government Bond Market²⁹

One of the challenges the authorities are facing is the rebuilding of the domestic government debt market following the recent debt restructuring efforts. In order to strengthen investor participation in government debt auctions, TA has recommended limiting central bank intervention in the hryvnia government debt market; simplifying the approval process that foreign investors have to undergo; and streamlining the pre-auction paperwork for investors. It was recommended that, if and when exchange rate controls are relaxed, foreign investors be allowed to participate in the government debt market without hindrance. The mission recommended strengthening the existing Primary Dealership system by concentrating issuance and reducing the number of auctions, and deploying more market-based issuance procedures.

Moreover, it was suggested that the Debt Management Office at the MoF be bolstered by providing it with greater independence, and having it take a more proactive role within the strengthened Primary Dealership system to improve investor communications and market intelligence.

Securities Regulation³⁰

MCM TA on securities regulation has recommended giving the NSSMC, the state agency responsible for the regulation of the Ukrainian securities market, the necessary powers and independence to effectively exercise its responsibilities, and modernizing the Ukrainian securities legislation to meet international standards. The NSSMC is subject to a number of constraints on its rule-making and supervision. Its funding also needs to be reformed to ensure that it can act with sufficient independence as required by the International Organization of Securities Commissions' Objectives and Principles of Securities Regulation (IOSCO) Principles. The TA has focused on legislative changes that would enable the NSSMC to sign the IOSCO Multilateral Memorandum of Understanding; enhance the NSSMC's operational independence; and introduce self-funding for the NSSMC. Subsequent work streams addressed the most important technical gaps in Ukrainian securities legislation, in coordination with TA provided by other donors. It also advised on changes needed to align the Ukrainian market abuse and issuer disclosure legislation to comply with the IOSCO Principles and the EU frame-

"IMF technical assistance to the NSSMC in enhancing securities regulatory framework provided a valuable contribution and support to our ongoing financial sector reform initiated in 2015. It underlined the significance of sound securities regulation to sustainable development of the financial sector and the economy in general."

Timur Khromaev
Chairman
NSSMC

²⁹ Prepared by Peter Lindner. This element of the TA was Fund financed.

³⁰ Prepared by Eija Holttinen.

work, which is the authorities' objective.³¹ The NSSMC prepared legislative drafting, some parts of which were included in a recent bill submitted to the Parliament.

Outcomes

Ukraine has been a leading beneficiary of MCM TA in

³¹ The TA resulted in three reports, which have been published at the request of the Ukrainian authorities on the Fund's external web site as Country Reports 15/284, 16/108, and 16/242.

the last two years and has used the assistance well. With buy-in from the current leadership of the recipient institutions, MCM TA has helped support needed transformation in the monetary and financial sector addressing long-standing structural issues. Delivering this TA within the framework of an IMF-supported program has helped ensure a nexus between policy reforms and the development of the needed capacity to drive those reforms.

II. The Philippines: Bank Supervision and Monetary Policy

With the support of MCM TA, the Bangko Sentral ng Pilipinas (BSP) has made progress on numerous fronts including bank supervision and monetary policy Implementation.

Bank Supervision³² *Financed by Japan*

MCM's long-standing TA partnership with the BSP helped strengthen bank supervision as a necessary foundation for financial stability in the Philippines. The BSP management prioritized and championed this reform program that instituted a sustainable framework and capacity for effective banking supervision. Although the origins of this MCM TA date back to 2003, much of the efforts and achievements have been consolidated under a Japan-financed multi-year program implemented between 2009 and 2014.

Main Elements of the Program

Early TA achievements paved the path for follow-on reforms that established the BSP as a strong and well-regarded supervisor. The authorities decided to adopt Basel II in 2005, and began implementing Pillar 2 (Internal Capital Adequacy Assessment Process (ICAAP)/supervisory review of capital adequacy) in 2011. They decided to adopt Basel III in 2010, with implementation starting in 2014. An in-house supervisory training initiative was launched in 2010. In addition, the BSP strengthened its capacity in identifying and resolving problem institutions through the introduction of the Prompt Corrective Action (PCA) framework and implementation of new policies on the use of Cease and Desist Orders and Section 30(c) of the new Central Bank Act as grounds for receivership.

Building on this solid groundwork, subsequent TA incorporated three components that aimed to entrench robust supervision in a sustainable manner: (i) strengthening supervisory processes and outputs; (ii) building the capacity of professional staff; and (iii) improving enforcement and the identification and resolution of problem institutions.

Two approaches have been used in TA provision. Between 2009 and 2012, the TA was mainly delivered by an LTX. From June 2012 onwards, the BSP's TA needs were better served by three peripatetic experts, who closely coordinated their delivery and implemented dif-

ferent facets of the work program over three years.

Making risk-based supervision operational and strengthening of supervisory processes and outputs have been key TA priorities. Among the long list of achievements are:

- Improved quality and timeliness of supervisory actions and related supervisory reports, i.e. scoping and conduct of examinations, reporting of findings, and review and approval of examination reports;
- Updated Manual of Examination Procedures;
- Coordinated supervision of financial conglomerates;
- Enhancements in the rating-based supervisory framework and adoption of risk-based rating frameworks for the assessment of compliance with the Anti-Money Laundering Law, trust operations, information technology, compliance system and corporate governance;
- Adoption of policies on statistical loan sampling for on-site examinations;
- Issuance and adoption of principle-based regulations/guidelines;
- Enhancements to regulations covering credit risk management to better align them to Basel Committee standards;
- Issuance of new regulations covering securities investments and stress testing in banks; and
- Selected areas of Basel III implementation including liquidity coverage ratio (LCR) and leverage ratios.

Outcomes

Three initiatives supported by TA helped identify and resolve problems at an early stage. First, the development of an enforcement policy for remedial supervisory action provided supervisors with a wide array of enforcement actions and tools. The overarching Enforcement Policy was adopted in April 2015. Second, the use of an Offsite Risk-Profiling System, a simple screen-based approach to streamline the oversight of the 600 mostly small rural and cooperative banks, helped prioritize smaller banks for on-site examinations. Thirdly, the TA helped upgrade the PCA frame-

³² Prepared by Dilek Goncalves.

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"BSP's pursuit of excellence in risk-based supervision was made possible because of strong management leadership and support, dedication and commitment of in-house subject matter experts, and the cooperative partnership under the IMF MCM-TA program that enabled the BSP to have access to the knowledge of experienced banking supervision experts. No less important, beyond helping us establish our risk-based supervision framework, the TA also helped us develop a robust capacity building program, entirely managed by our management champions and course committees, that allows us to refresh and continually innovate our training program. Now, from being mentees, the supervision department has started transferring knowledge to other central banks by hosting study visits and attachment programs. We have also started 'exporting' our thought leaders as resource speakers in foreign trainings and potentially as advisers."

Nestor A. Espenilla, Jr.
Deputy Governor
Bangko Sentral ng Pilipinas

work to: (i) incorporate restrictions on existing licenses and authorities as a consequence of PCA initiation; (ii) grant relief that may be necessary for the rehabilitation of the supervised entity; (iii) provide a better monitoring mechanism to ensure adherence to PCA measures; and (iv) improve consistency in handling PCA banks.

The BSP has also made substantial progress in building supervisory capacity. One of the key outcomes has been the implementation of the supervisory core training initiative, a self-sustaining in-house supervisory training program, named the Professional Excellence Program for Supervisors (PEPS). With TA guidance, numerous BSP committees have developed content for 21 courses and managed their roll-out. The PEPS also leverages online training from the Bank for International Settlements (FSIConnect). Now, PEPS is fully implemented and is entirely run by the BSP staff.



Representatives of the BSP and members of the IMF mission

Alongside with PEPS, the BSP also developed a human resources "competency model" to emphasize displayed behaviors that are critical to success in the supervision function. Application of this framework aimed to help reinforce the practices taught to the supervisors in PEPS training courses. PEPS provided knowledge and skills whereas the competency model demanded action and implementation.

In summary, TA was implemented by the strong BSP leadership and based on a relationship of trust built between authority and experts. Key outcomes included: refined supervisory policies and related procedures; enhanced implementation of risk-based regulation, supervision, and enforcement actions; and development of self-sustaining capacity for the effective conduct of risk-based supervision.

Reforming Monetary Policy Implementation³³

Significant capital inflows and the ensuing accumulation of BSP's foreign reserves resulted in ample liquidity and fostered a low-interest rate environment. The persistence of excess liquidity in the system, in turn, posed challenges to the BSP's implementation of monetary policy. Short-term interest rates systematically deviated from the policy rate due to excess liquidity as well as the constraints faced by the BSP in its monetary operations. The BSP had limited tools for actively managing liquidity because of its inability to issue its own debt securities, except during times of extraordinary movement in prices. In addition, the BSP's stock of collateral was not sufficient for the reverse repurchase (RRP) facility to absorb a large part of structural liquidity. As a result, the majority of the structural liquidity surplus was absorbed through the BSP's standing deposit facilities (the Special Deposit Accounts or

³³ Prepared by Kelly Eckhold.

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SDA). The SDA rate became an important driver of market interest rates, while limited funds were priced at the BSP's main policy rate (i.e., the BSP overnight RRP rate).

The divergence between the BSP policy rate and market rates combined with the constrained capacity to actively manage systemic liquidity prompted the BSP to seek technical assistance in implementing an interest rate corridor and in determining options for reforming the BSP's policy implementation framework. Putting an interest rate corridor in place would help the BSP strengthen its influence on short-term interest rates and domestic monetary conditions and at the same time support the development of domestic financial markets.

Main Elements of the Program

The TA focused on the following areas:

- **Introducing and developing capacity to forecast reserve money.** The BSP needed to develop a "liquidity template" (to forecast factors influencing its balance sheet and thus reserve money) and establish arrangements for obtaining information to prepare liquidity projections and reconciliations. The TA initially focused on building these tools.
- **Developing operational tools to manage reserve money.** The BSP had a range of options that it could use to manage the surplus reserve money ('liquidity') balances in the system. The TA helped identify the options and provided a cost-benefit analysis on their relative merits.
- **Reforming standing facilities.** The TA provided advice on reforms to standing facilities that would provide the infrastructure for the eventual move to a formal interest rate corridor.
- **Developing open market operations (OMOs).** The TA provided guidance on the operational requirements for effective OMOs and the development of OMO strategy.
- **Development of a transitional strategy.** The structural liquidity surplus was relatively large. This implied that the move to a 'mid-corridor' system – where short-term market interest rates trend around the middle of the policy rate corridor, rather than near the floor – would require

"The BSP's smooth transition to a new framework for its monetary operations benefitted from the TA which provided advice on strategies towards the implementation of a more active system for liquidity management. The BSP's recent shift to an interest rate corridor system was by most accounts received positively by market participants, and initial operations have thus far shown encouraging results. Going forward, the BSP hopes to strengthen its ability to guide short-term interest rates, support increased interbank activity, and ultimately enhance the monetary transmission process."

Zeno R. Abenoja

Director, Department of Economic Research
Bangko Sentral ng Pilipinas

proper pacing and sequencing to minimize financial stability and monetary policy risks associated with the reform.

Outcomes

The BSP made important strides with its reforms. Key achievements included:

- The creation of a team to develop liquidity forecasts that will be used to guide sterilization and OMO strategy.
- A decision from the BSP Monetary Board to use deposit auctions as the primary tool for the sterilization of surplus liquidity, supplemented by the use of RRP auctions as a fine tuning tool.
- A commitment from the Monetary Board in principle to adopt a mid-corridor implementation system subject to the development of an acceptable transition plan. The BSP announced its intention to implement the new system subsequently in September 2015, and has held successful deposit auctions for sterilizing excess liquidity each week beginning June 2016.

III. Nigeria: Bank Supervision³⁴ *Financed by the United Kingdom*

The United Kingdom's Department for International Development (DFID) has provided funding during 2016 for the continuation of MCM's TA to the Central Bank of Nigeria (CBN), in co-operation with the World Bank, as it pursues its medium-term reform program in the area of banking supervision. Supervision has been a key focus of a DFID-funded TA program beginning in 2013. The program originally covered consolidated banking supervision, bank resolution, and monetary operations. The multi-topic approach has leveraged synergies in advice across topics and has helped introduce greater efficiencies in TA delivery. In addition to the LTX in banking supervision, the DFID-funded project has provided for several short-term missions to support the LTX's work.

Main Elements of the Program

The CBN has been transitioning from compliance- to risk-based supervision (RBS), and the LTX has provided assistance with both on-site and off-site supervision. The focus of the LTX's work plan since January 2014 has been on the banking supervision department, which oversees 23 deposit money banks, 19 of which are commercial banks. Other relevant departments of the CBN, including the Other Financial Institutions Supervision Department (OFISD)³⁵ and the Financial Policy and Regulation Department, have also received assistance from the LTX.

Reviews from the various directorates of the CBN were overwhelmingly positive on the impact the advisor had on staff, especially in capacity building. More specifically, the advisor was able to develop and nurture RBS for key segments of the Nigerian financial system. To date, there has been significant progress in the implementation of RBS and consolidated supervision in the country. However, additional work is needed to firmly embed international best practices in the supervisory function.

During the past 20 months, the advisor conducted numerous training sessions for CBN, the Nigeria Deposit

Insurance Corporation (NDIC), National Insurance Commission, Pension Commission, and Securities and Exchange Commission staff in both Abuja and Lagos on a bank rating system, consolidated supervision, RBS, and Risk Assessment System ratings, as well as training on macroprudential supervision. These training sessions have enriched the quality of reports and analysis of the bank supervisors during their on-site visits, as they have substantially improved their capacity to assess the financial risk profile of banking institutions and evaluate the adequacy of risk management and qualitative performance factors.

The LTX has also worked on the restructuring of OFISD to align its supervisory processes with international best practices and improve the economy, efficiency, and effectiveness of the process. He has also worked with the CBN and NDIC staff on new automated tools to enhance the quality and effectiveness of the RBS examination process.

Outcomes

The LTX has worked with the supervisors to review the ICAAP documents submitted by the banks in June. Along with giving guidance on the Supervisory Review Process, the LTX will have a workshop in September 2016 to reinforce the learning.

On-site supervisors are conducting RBS, and the LTX has provided a refresher course regarding the conduct of RBS. As part of this refresher, the LTX took the opportunity to make it a "train the trainer" event.

In July, the first of a series of peripatetic missions on building a model to predict probability of bank failure visited the CBN. A multi-disciplinary team from CBN gathered 10 years of financial data on 19 commercial banks, and identified financial soundness and other indicators for use in the model. The mission and the CBN team defined criteria for inputs into the model, identified the macro-economic linkages, and designed the format of output from the model. The next step is to back-test the model. A second mission is scheduled for November to review the output results and make necessary refinements to the model.

³⁴ Prepared by Diane Mendoza.

³⁵ OFISD oversees approximately 900 deposit taking micro-finance institutions; 35 deposit taking primary mortgage banks; 6 development finance institutions, 64 finance companies, and 2,172 bureaux de change.

IV. Ghana: Strengthening Supervisory Capacity³⁶

Financed by Switzerland

The project, financed by the Swiss State Secretariat for Economic Affairs (SECO) aimed at assigning a new resident bank supervision advisor to the Bank of Ghana (BoG) to further strengthen its legal and regulatory framework and supervisory oversight for banks. In doing so, it aimed to consolidate the progress that has been made since January 2012 under a previous SECO-funded project. This project was designed to support introducing elements of Basel II and III and initiating their implementation.

Main Elements of the Program

The BoG is not yet reaping the full benefits of an integrated supervisory organization that conducts on- and off-site supervision. Most of the work is focused on the on-site examination process, with only limited reliance on off-site analysis of financial information and other documents provided by the banks. A resident advisor was envisaged to continue the work on consolidating on- and off-site supervision and advise on the organizational and information technology changes necessary for this consolidation. The resident advisor was also expected to continue the capacity building training program initiated by the previous advisor financed by SECO.

The BoG has also decided to introduce elements of the more recent Basel accords, i.e., adopting the aspects of Basel II and Basel III that are commensurate with the

development of the Ghanaian banking system. The SECO-financed resident advisor was asked to assist with laying the groundwork for the move to this more modern supervisory system. Specifically, the project aimed at strengthening the risk-based supervisory process by beginning the implementation of Pillar 2 (supervisory approach) of Basel II and consolidated supervision.

The project also targeted:

- The proper consideration of market risk;
- The improvement of data collection and reporting from the bank and nonbank sectors; and
- The even-handed and systematic enforcement of the existing rules.

Outcomes

The resident advisor has focused initially on earning the trust of the BoG and developing a strategy to meet the project's expectations. The advisor has worked closely with the banking supervision advisor of the AFRITAC West 2 to coordinate TA delivery to the BoG, with active support from HQ-based staff. This coordination has been crucial in determining when the best means of delivery advice, i.e., the resident advisor's daily interaction with the BoG versus AFRITAC West 2 workshops on specialized topics. Looking forward, passage of the draft Banking and Deposit-Taking Institutions Bills would enhance the effectiveness of the resident advisor's work.

³⁶ Prepared by Judit Vadasz.

V. Kyrgyz Republic: Banking Supervision³⁷

Financed by the FIRST Initiative

An LTX in bank supervision began a one-year assignment in Bishkek in January 2016, with financing from the FIRST Initiative. The 2013 FSAP for the Kyrgyz Republic found, notwithstanding progress made, weaknesses in the banking supervisory function. Among the areas identified for improvement were: training of supervisory staff; enhancing the legal framework; and implementing a risk-based supervisory process. Some supervisory tools had been developed, including supervisory manuals and memoranda of understanding with foreign supervisors and there was a need to institutionalize their consistent application. The National Bank of the Kyrgyz Republic (NBKR) has developed an Action Plan to implement the numerous recommendations in the FSAP report for improving banking supervision.

Main Elements of the Program

The LTX is assisting the authorities in strengthening capacity in bank regulation and supervision, with a particular focus on risk-based and consolidated supervision, as part of a joint IMF-World Bank advisory program. The primary focus has been:

- Assisting in the development and execution of a high-level strategic plan for risk-based and consolidated supervision, as the key objective;
- Providing support on developing a revised regulatory framework in line with international standards to support risk-based and consolidated supervision;
- Assisting in strengthening prudential guidelines and operational framework; and
- Training new staff and enhancing the skills of existing staff in banking supervision policies and risk-based supervisory practices.

Outcomes

The project is expected to have the following results:

- Full implementation of the new risk-based supervisory methodology including more efficient allocation of limited staff resources in order to improve the overall effectiveness of banking supervision;

"TA has been playing an important role in transitioning the NBKR's supervisory framework from compliance based to risk-based supervision (RBS). The Resident Advisor is working closely with the RBS implementation team through the team's inspection of five pilot banks on RBS. Also training provided through courses and case studies and recommendations delivered throughout TA mission are designed to increase both human and institutional capacity within the NBKR."

Timur Djusupov
Board Member
National Bank of Kyrgyz Republic



Staff of the NBKR and the LTX in bank supervision

- Improved human resource management, including skills training in a wide range of areas, and enhanced capacity for attracting and retaining competent supervisory personnel;
- New and/or revised NBKR resolutions, guidelines and regulations to implement FSAP recommendations and the Banking Law once it is adopted; revisions to prudential regulations; and upgraded off-site surveillance reports; and

³⁷ Prepared by Hunter Monroe.

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- Facilitated development and implementation of the macroprudential policy instruments on the basis of the most successful and relevant international best practices.

This work is in progress, and financing has tentatively been identified to extend the LTX's tenure by two more years.

VI. Somalia: Central Banking in a War-Torn Economy³⁸

Financed by Somalia TTF

In May 2016, MCM, in coordination with the Fund's Legal and Middle East and Central Asia Departments, set up a training course for Board Members of the Central Bank of Somalia (CBS). The course was a follow-up to an earlier, more introductory training organized for the Board in December 2014.

The four-day course, by Fund staff with a range of expertise, guided Board Members on rebuilding the central bank. It highlighted their own roles and responsibilities as Board Members, in a country where public institutions are weak, and safety and security remain key issues.

Main Elements of the Program

The May 2016 course focused on core central banking areas, including:

- The CBS' mandate, governance, accounting, and legal framework, as well as information on the Fund's lending facilities.
- Currency reform played an important role. The reform of the Somali shilling is part of the Staff-Monitored Program with the IMF. However, many shillings in circulation were issued illegally or are counterfeit, so that it is impossible to know what is the total amount in circulation. Outlining the critical responsibilities of the Board ("what is your role," "how to avoid micro-management," "how peer central banks can assist further") was key.
- A brainstorming session on strategic planning helped the Board consider the CBS' priorities and objectives for the years to come. The Board members compared the strategic plans of central banks ranging from Canada to Qatar. The course helped to provide ideas, guidance, and practical tools (e.g., four internal regulations, a charter for internal audit).

Outcomes

The technical cooperation was successful in the following respects:

- The Board Members gained an understanding of

"On behalf of all the members of the CBS Board of Directors I would like to extend my sincere thanks and gratitude to the unrivaled IMF team for their brilliant and highly professional presentations which will constitute a valuable contribution to some of the most important foundational areas for rebuilding the Central Bank of Somalia. The Kampala Board events were great!"

Bashir Isse
Governor
Central Bank of Somalia



Workshop Leaders and Members of the CBS Board

how they can set the "tone at the top" and guide the central bank in the crucial role it has to play in the economy and in Somali society as a whole. The currency reform is a case in point: only the central bank can restore, and retain trust in the own Somali currency. That requires bold actions from the top decision makers.

- A quarter of a century of conflict might seem difficult to surmount, but the dedication of the Board Members is impressive—especially given the many risks they and their families face in working to rebuild Somalia.

³⁸ Prepared by Ashraf Khan.

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- The next and final course (tentatively planned for beginning of 2017) will aim to facilitate the Board's interaction with its key players, such as the Ministry of Finance, and the President's Office, stressing central bank independence and the bank's role in Somali society.
- Conducting the course over the timespan of a couple of years helps to form a bond with the Board Members, and offers them guidance on setting up the Board, defining their priorities, and reaching out to external stakeholders.

VII. Eastern Caribbean Currency Union: Bank Restructuring³⁹ *Financed by Canada*

The Canadian Department of Foreign Affairs, Trade and Development (previously the Canadian International Development Agency) has financed a large, very successful TA project to assist the Eastern Caribbean Currency Union (ECCU) in strengthening its financial system.⁴⁰ The project has supported the work of the Eastern Caribbean Central Bank (ECCB), which is responsible for the regulation and supervision of the ECCU's commercial banking sector. Following the 2008 global financial crisis, the ECCU banking system experienced financial sector distress in an environment of stretched public finances and high public debt. By the end of 2013, the ECCB had to put three domestic banks into conservatorship.

Main Elements of the Program

The project commenced in 2013 and is nearing completion. The first phase was focused on providing assistance by an LTX related to the three banks in conservatorship. Major programmed activities included developing the bank resolution strategy and providing guidance on improving banking supervision and the legislative framework. As the resolution work progressed, the project's focus shifted from resident experts to missions led by IMF staff.

At the outset, the ECCB and the IMF had to develop a relationship of trust, after which the ECCB took ownership of the project. Ownership was achieved through extensive discussions between central bank staff and IMF staff/experts. In the end, this proved to be crucial to developing productive professional relationships. The joint work and often joint missions of the international financial institutions allowed for synergies and a focus on each institution's strengths. The donor proved to be very flexible in allowing shifts in delivery modes and between the various categories of the work, depending on the evolving needs of the ECCB.

"We wish to express our strong appreciation for the support of the Fund given to the ECCB over the years in resolving the challenges within the banking sector in the ECCU."

Trevor Braithwaite
Deputy Governor
Eastern Caribbean Central Bank

Outcomes

Key achievements to date include the region-wide approval of modern banking legislation (inter alia strengthening the ECCB's resolution and supervisory powers and providing for consolidated supervision); asset quality reviews and dynamic modeling for all indigenous banks; progress in improving banking supervision; and the resolution of the three failed banks (two in Anguilla and one in Antigua and Barbuda). The results have been achieved in cooperation with the World Bank (part of the work of which was also financed by Canada); the Caribbean Regional Technical Assistance Center (CARTAC) in which Canada is a donor as well; and the Caribbean Development Bank.

More specifically, the resident expert in banking supervision contributed to building the capacity of the ECCB supervisors in assessing the risk management capacity of the banks; improving on- and off-site supervision; redrafting certain prudential guidelines; and proposing the structure for supervisory action planning.

Regarding bank resolution, asset quality, and credit risk management, there has been progress in several areas, including:

- Asset Quality Reviews for all the indigenous banks have been completed identifying the capital shortfall for various banks to meet an 8 percent capital adequacy ratio. Follow-up work by the ECCB with support from IMF STXs and LTXs has ensured that the corrective actions to be implemented by banks are based on a solid framework that can be defended by the ECCB.
- One bank was resolved in November 2015, and the two other banks under conservatorship were resolved in April 2016.

³⁹ Prepared by Judit Vadasz

⁴⁰ The ECCU consists of the independent states of Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines, as well as the British Overseas Territories of Anguilla and Montserrat.

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- The new Banking Act has been approved by the Parliaments of all ECCU jurisdictions. The Eastern Caribbean Asset Management Company Act has also been enacted in all ECCU countries. The amendment to the ECCB Agreement Act has been approved by the Monetary Council.
- The dynamic modeling of each indigenous bank has been used to assess its viability and to assess potential restructuring scenarios for failed banks. In addition, a credit risk management assessment of all indigenous banks has been completed.
- Appraisal guidelines have been prepared and will be issued to the banks. A law creating an Appraisers Institute has also been drafted and is to be sent to the ECCU Monetary Council, after which it will have to be approved by the Parliaments of all eight jurisdictions.
- The regional working group undertook analyses to explore funding alternatives and fiscal measures that would allow governments to resolve the banks under conservatorship within a sustainable medium-term fiscal framework. The TA recommended that governments follow through on the needed fiscal consolidation to strengthen the credibility of the resolution strategy. This recommendation was taken on board and approved by the Monetary Council at its February 2015 meeting as a key component of the resolution of distressed banks.
- The ECCB and the authorities have identified the financing sources for bank resolution and restructuring, and the ECCB's contingency plan was finalized as of November 2015.

VIII. Saudi Arabia: Establishing A Debt Management Office⁴¹

Given the absence of funding needs until recently in Saudi Arabia, there was no need to develop expertise in public debt management. However, fiscal deficits have emerged against the backdrop of the steep fall in oil prices. To ensure smooth adjustment and to safeguard macroeconomic stability, the government is using a combination of drawdown from sizeable fiscal buffers and debt issuance. Moreover, the Saudi Arabia's Vision 2030 and the National Transformation Program set a target of balancing the budget over the medium term and to further develop the Kingdom's investment capabilities, which will require deepening liquidity in the capital markets, fortifying the role of the debt market, and paving the way for the derivatives market. Against this background, the authorities requested MCM to provide technical support in establishing a Debt Management Office (DMO) and developing a comprehensive public debt management framework.

For a wide range of other oil-exporting countries the Gulf and elsewhere in similar circumstances, MCM's engagement with Saudi Arabia could be a useful model regarding the elements of the TA program and lessons learned. These include the need for a detailed understanding of the overall financing situation and how the establishment of the DMO would improve macroeconomic management. The engagement also stressed the importance of commitment and cooperation by the authorities in identifying the objectives, constraints, and

strategies in setting up such an institution. Finally, the TA program illustrates the need for a strategic and comprehensive approach to debt management for these countries focused on medium-term objectives.

Main Elements of the Program

The TA mission in March 2016 aimed primarily at building debt management expertise. The mission highlighted the need to implement a series of actions to enhance debt management practices. Among them were:

- Establishing a DMO under the Ministry of Finance entrusted with responsibility for developing the legal, governance, and risk management frameworks for debt management;
- Developing a Medium-Term Debt Strategy to properly assess the trade-offs of alternative debt strategies in light of the expected fiscal deficits over the medium term; and
- Promoting debt management policies and practices that are conducive to local debt market development, such as the use of auctions as issuance mechanisms and the adoption of efficient communication channels with market participants.

Outcomes

The Ministry of Finance established a DMO and hired its director, who has been tasked with managing future borrowing and bond issuance.

⁴¹ Prepared by Guilherme Pedras and Khalid AlSaeed.

IX. Building Financial Stability Frameworks in Asian Countries⁴²

Financial stability in Asia is a key policy priority. Over the past 20 years, Asia has been the fastest-growing region in the world, now making up around 30 percent of the world's GDP. Reflecting this growth, Asian financial sectors have become bigger, more complex, and closely intertwined, even more so in emerging and developing economies where room for and returns of financial integration have been the largest. Drawing on the experience of the Asian Crisis, the growth of financial sectors has been met with the implementation of strong institutional, macroprudential, and microprudential reforms to address risks to financial stability.

In recent years, effective monitoring of these risks has become more challenging as financial institutions and their activities increasingly span across sectors and national borders. Consolidated monitoring and supervision of conglomerates that have multi-sectoral operations, for example, has become critical for detecting systemic risks. Similarly, growing regional linkages are heightening potential vulnerabilities to cross-border shocks and negative spillovers. Information sharing, harmonized institutional and regulatory frameworks, and compatible arrangements for cross-border resolution and systemic oversight have thus risen in priority.

Main Elements of the Program

MCM, which has long partnered with Asian countries in strengthening microprudential and supervisory frameworks, has extended its assistance to meet emerging needs in macroprudential oversight. More recently, an increasing number of emerging and developing markets in Asia took steps to institute a systematic approach to monitoring financial stability through the establishment of dedicated financial stability functions and building internal systems and technical skills.

As conceptualized by MCM staff, TA in this area addresses four principal components of an effective financial stability framework: organizational structure (O);

monitoring (M); analysis (A); and policy (P), or “O-MAP” for short. TA on developing organizational structures that have the right mandate, adequate staffing, and effective work arrangements establishes the crucial grounds on which institutional tools and capacity are built. Effective risk monitoring requires improving data quality, integrity, frequency, and use of a broad set of indicators, and application of risk analytics and stress testing. Monitoring feeds into analysis, which TA helps to enhance with appropriate tools and staff training for financial stability analysis and reporting. Ultimately, an effective financial stability framework leads to a policy response that is targeted, clearly defined and communicated, coordinated with all relevant agencies, and supported by crisis management arrangements. Most of all, it helps to define accountability and who is responsible for what during periods of stress and instability.

Outcomes

Indonesia, the Philippines, and Thailand are among the key Asian emerging economies that have been working assiduously in enhancing their financial stability frameworks. Authorities have used MCM TA to strengthen the systemic oversight framework and risk analysis methods, implementing all aspects of the “O-MAP” framework. The Bank of Thailand has recently inaugurated its own Financial Stability Unit. The BSP in the Philippines is in the process of setting-up a dedicated financial stability function. The Bank of Indonesia is developing capacity for performing its systemic risk assessment, macroprudential oversight, and stress testing functions.

Looking ahead, it is clear that emerging market and developing countries in Asia will continue advancing their respective approaches to safeguarding financial stability. This will be consistent with the broader objectives of deepening financial systems and enhancing innovation, integration, and risk sharing. A financially stable environment with a fully functioning “O-MAP” framework in place would help mitigate systemic risk and facilitate stable and secure financial intermediation.

⁴² Prepared by Dilek Goncalves and Jana Gieck Bricco.

X. Jamaica: Management of Financial Market Developments⁴³

In October 2015, an MCM mission visited Jamaica to provide coordinated advice on debt, liquidity, and foreign currency management issues. One of the key tasks of the mission was to advise on when and how to restart the domestic bond market, which had been frozen after the early-2013 debt restructuring. A successful reentry into the domestic market was crucial for boosting confidence and preserving macroeconomic and financial stability. At the same time, there was a concern that restarting the bond market could potentially cause a rise in yields and put pressure on the domestic financial system, which has substantial legacy holdings of government securities.

To this end, the mission advised the authorities to take advantage of the opportunity provided by a large bond redemption in February 2016, equivalent to 4 percent of GDP. Even though there was no fiscal need to borrow and the redemption was prefunded, it could have led to an influx of domestic liquidity and associated FX pressures. By reentering the domestic bond market in February, the Government of Jamaica (GOJ) could help the Bank of Jamaica (BOJ) absorb some of this liquidity, and at the same time reestablish durable domestic market access in advance of other large redemptions in the future.

Main Elements of the Program

MCM TA recommendations were focused on:

- *Establishing a roadmap for restarting the domestic bond market*, taking into account possible consequences for financial stability and broader macroeconomic conditions;
- *Advising the authorities on strategies for building a deep and liquid domestic debt market*, including on: (i) more active use of liability management operations to enhance market liquidity and to mitigate refinancing risks; (ii) reforming the primary dealer system to incentivize two-way price making; (iii) building a larger Treasury-bill market; and (iv) coordinating with the regulatory authorities. Making progress in these areas will require careful planning and close coordination between the Ministry of Finance and the BOJ to avoid com-

"Jamaica has benefited tremendously from the thoughtful and thorough analysis conducted by the MCM team especially in the lead-up to the February 2016 maturity of a large block of Government securities. The liquidity event passed without any adverse developments and allowed the Government to regain access to the domestic market seamlessly using instruments that also contributed to better debt management. Fund advice also clarified the steps that the authorities need to take to develop an interest rate corridor to guide short term market rates, deepen the foreign exchange market and attenuate the growing bias towards dollarization."

John W.A. Robinson
Senior Deputy Governor
Bank of Jamaica

petition between debt and monetary policy objectives;

- *Addressing Jamaican dollar (JMD) liquidity provision issues* by: (i) establishing a clear operational target; (ii) further narrowing the interest rate corridor by consolidating instruments that define its boundary; (iii) taking consistent actions to steer the chosen target within the corridor; and (iv) improving the turnover and depth of the interbank market and the bond market to help strengthen monetary transmission; and
- *Improving the framework for FX operations* with a view to increasing exchange rate flexibility while continuing to meet net international reserves targets, including through: (i) gradually replacing borrowed reserves with permanent reserves; (ii) decreasing FX surrender requirements; and (iii) moving towards fixed-volume FX auctions to improve market price discovery.

Outcomes

Capitalizing on the liquidity influx from the JMD 62 billion bond redemption in February 2016,

⁴³ Prepared by Anastasia Guscina, Carlos Fernando de Barros Serrao, and Diarmuid Murphy.

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the government successfully issued JMD 15 billion bonds domestically through over-subscribed offerings at three different maturities. There were no adverse effects on the yield curve or financial sector balance sheets. The GOJ bond issuance was coordinated with BOJ's successful smoothing of the liquidity through its

JMD instrument offerings. The authorities are continuing to work on deepening the FX market and improving the functioning of price signals, and also on measures to better define the interest rate corridor and better incentivize the demand for JMD through its reserve requirement framework.

XI. Regional Workshops on Financial Market Infrastructures⁴⁴

MCM organized several workshops on the Principles for Financial Market Infrastructures (PFMI) during FY16.⁴⁵ The main objectives of the PFMI are to enhance safety and efficiency in payments, clearing, settlement, and recording arrangements, and more broadly, to limit systemic risk and to foster transparency and financial stability. Authorities from different regions expressed to MCM their interest in examining the impact of the new principles on their domestic payment and securities settlement systems and receiving assistance in extracting the relevant issues from the comprehensive set of PFMI requirements. Regional PFMI workshops developed to address this need aimed to:

- Establish the required level of proficiency of the PFMI for officials from central banks and other relevant authorities involved in the operation and oversight of Financial Market Infrastructures (FMI);
- Provide hands-on experience with self-assessments of FMIs against international standards;
- Exchange views on achieving compliance and strengthen awareness on recent developments and policy implications; and
- Identify potential TA needs in the area of FMIs at the country level.

Workshops have been delivered beginning in 2014 through several regional technical assistance centers, namely AFRITAC East, AFRITAC West 2, and CAPTAC-DR, training officials from 11 African countries, 6 Central American countries, and the Central American Monetary Council (CMCA).

Main Elements of the Program

The workshops were designed to be interactive by using a combination of lectures, case study simulations, panel discussions, and field visits. Lectures focused on the 24 principles and 5 responsibilities for authorities under the PFMI, the Disclosure Framework, and Assessment Methodology, and selected issues of interest, such as mobile payments and financial innovations

"The participants benefited immensely from the expertise of the resource persons in their presentations on Financial Market Infrastructures. The Central Bank of Kenya appreciates the gesture from East AFRITAC for assistance, to enhance the knowledge and skills for its staff in the area of the PFMI and thereby improving the Bank's capacity to deliver on its mandate of oversight of the FMIs."

Luke Plapan
Manager National Payments System
Central Bank of Kenya

"The skills acquired during the workshop have guided staff on how to address the risks surrounding the payment system and increase efficiency in FMI; it has been useful not only to correctly identify those risks but also to implement efficient strategies to prevent them. In particular, the knowledge learned on systemic risk has contributed to the development of a proposal with regards to this issue."

Edgar Lemus
Gerente Financiero
Banco de Guatemala

in the payments area. Participants, after gaining a basic understanding of the standards, applied them to a hypothetical country to assess the level of compliance of its payment system, securities settlement system, and central securities depository. The self-assessment exercises were based on targeted principles and included legal basis, credit risk, collateral, default management, liquidity risk, central securities depositories, money settlements, general business risk, and operational risk. After the hands-on self-assessment experience, results were discussed through group presentations and debriefings. Short field visits to designated organizations in host countries enabled participants to interact with the overseers and operators of FMIs.

⁴⁴ Prepared by Tanai Khiaonarong and Froukelien Wendt.

⁴⁵ The PFMI were released by the Committee on Payment and Settlement Systems and by the Technical Committee of the IOSCO in 2012.

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Outcomes

Countries represented in the seminars have undertaken a number of related measures:

- The Central Bank of Kenya plans to conduct a self-assessment of the Kenyan Payment and Settlement System and oversight responsibilities. This builds on efforts to strengthen the operational risk management framework and business continuity plan.
- The Bank of Tanzania is in the process of conducting an initial assessment of the Tanzanian Interbank Settlement System and its oversight responsibilities.
- The Central Bank of Liberia is formulating a strategy for the oversight of payment systems as part of its efforts to modernize the FMI.
- The BoG plans to include a self-assessment exercise of the Ghana Interbank Settlement System in its work plan.
- Authorities in Guatemala are in the process of developing a legal and regulatory framework that takes into account the PFMI.



XII. Central America, Dominican Republic and Panama: Macroprudential Policies⁴⁶

In order to develop macroprudential policies (MaPP) across the region, the CMCA (comprising central bank governors) and Council of Financial Supervisors requested MCM support to formulate a medium-term strategy and to identify the associated TA needs through an assessment of current MaPP policies and frameworks for the countries in the region. A joint MCM/CAPTAC-DR mission conducted general assessments between January and February 2016 using the MaPP assessment for Guatemala in 2015 as a blueprint. The assessments relied mainly on surveys answered by authorities, information collected during the mission, and recent FSAP and TA reports.

Main Elements of the Program

The objectives of the program were to assess the current macroprudential framework at the national level, including systemic risk monitoring, instruments, and institutional setup; and to recommend a medium-term strategy and identify TA needs to support the national authorities' objectives. The mission's work focused on the national level, and further missions would cover the regional level. The mission's main findings were the following:

- *Microprudential foundations for an effective MaPP.* Many countries in the region, to varying degrees, have set up a work program to revamp their microprudential framework following international best practices. However, improvements are needed in most countries, particularly to deal with risks associated with the significant cross-border or regional nature of many financial institutions operating in the region.
- *Capacity to monitor systemic risk in both the time and structural dimension.* Extensive data are collected in some countries, and a number of sound risk assessment methodologies are in place, but important data gaps remain in most countries, especially with regard to household income, corporate leverage and house price index.
- *Macroprudential tool kit, tailored to address potential systemic risks.* A range of prudential tools are in place in several countries and all countries

"The CMCA received a valuable proposal to develop a regional medium-term strategy for strengthening capabilities on macroprudential policies, designed by MCM and CAPTAC-DR."

Consejo Monetario Centroamericano

maintain higher than required capital ratios. However, few countries have implemented macroprudential instruments included in Basel III, while some have implemented the LCR and others plan to adopt it soon.

- *Institutional framework for MaPP.* The countries in the region are at various stages in setting up institutional arrangements. Some countries already have institutions that can decide on MaPP measures. Several other countries have set up committees, councils, or working groups to share information and coordinate MaPP, while others are at the planning stages.

Opportunities for improvement applicable for most countries were identified in the areas described. The mission stressed that information sharing is of utmost importance for effective coordination, both at the national and regional levels. It also pointed out that the primary focus of the regional work should be on macroprudential policy and crisis prevention, thus differentiating it from crisis management issues. The regional policy discussion should focus on regional risk assessment and the coordination of national MaPP measures.

Outcomes

The CMCA discussed the mission's findings during its ordinary meeting held in July 2016 and agreed on the importance of strengthening efforts for oversight and monitoring of the regional financial systems, and on the need for designing and implementing an effective framework for MaPP. They recognized the importance of regional information sharing and cooperation to perform this task and will start working toward strengthening the current regional agreements.

⁴⁶ Prepared by Antonieta de Bonilla (CAPTAC-DR).

Looking ahead, MCM TA will continue to be guided by Fund priorities and the MCM TA Strategy Update, to be updated in 2017, while responding to the needs of the Fund's membership.

Many of the key drivers of our work going forward are long-standing:

- Emphasizing our core areas of expertise: financial sector regulation and supervision, crisis prevention and management, monetary and foreign exchange policy and central bank operations, debt management, and other aspects of financial stability;
- Increasing use of programmatic approaches, especially for fragile states, and in tandem with this fully rolling out RBM, which will facilitate interaction with donors.
- Distilling and disseminating lessons learned through analytical work and evaluation.

Other drivers have emerged more recently:

- Participating in new regional initiatives, such as the planned South Asia Regional Training and Technical Assistance Center.
- Responding to demand in cutting edge areas, such as macroprudential policies, Basel II/III implementation, stress testing, and forecasting and monetary policy analysis.
- Seeking donor financing to ramp up delivery of financial stability diagnostic work, and customized TA to commodity exporting countries.

We hope that this report will support an enriched dialogue with TA recipients and other partners on how to deliver high quality, well-targeted, and sustained advice and guidance and how to ensure that TA is agile, integrated with other Fund activities, and member focused.

Table 1. MCM Mission Activity by Region and Functions, FY16 (in person years)

Areas	AFR	APD	EUR	IMF	MCD	WHD	Total
<i>Surveillance</i>							
Art IV	0.2	0.3	0.3		0.3	0.3	1.5
FSAP	0.7	0.1	6.2		0.5	0.3	7.8
Other Surveillance	0.1	0.4	0.2	0.3	0.2	0.2	1.4
TA	32.4	13.6	5.1	0.9	9.5	18.8	80.4
Expert	30.4	11.5	3.7	0.3	8.1	17.3	71.3
Staff	2.0	2.1	1.4	0.6	1.4	1.6	9.1
UFR	0.1	0.0	1.3		0.2	0.2	1.8
Other	0.1	0.1	0.1	2.5		0.1	2.9
Grand Total	33.6	14.5	13.4	3.7	10.7	19.9	95.8

Table 2. TA Field Delivery by Region, FY10-16 (in person years)

Regions	2010	2011	2012	2013	2014	2015	2016
AFR	22.4	20.7	25.9	26.7	30.6	29.3	32.4
APD	10.6	9.7	11.2	10.9	11.1	12.6	13.6
EUR	8.5	6.5	6.1	5.7	6.3	4.9	5.1
IMF	0.1	0.1	0.1	0.4	0.5	1.9	0.9
MCD	10.2	11.3	9.3	9.3	6.5	7.0	9.5
WHD	9.5	10.1	13.2	12.7	15.0	17.7	18.8
Grand Total	61.3	58.4	65.9	65.7	70.0	73.3	80.4

Table 3. TA Field Delivery by Type and Region, FY16 (in person years)

Modes	AFR	APD	EUR	IMF	MCD	WHD	Total
HQ Staff	2.0	2.1	1.4	0.6	1.4	1.6	9.1
LTX	17.1	7.3	0.9		2.4	7.6	35.4
STX	7.4	3.5	2.6	0.3	4.7	5.0	23.4
RTAC	5.9	0.7	0.3		1.0	4.6	12.5
Grand Total	32.4	13.6	5.1	0.9	9.5	18.8	80.4

Sources: IMF/MCM databases for Tables 1–3. Note that “IMF” refers to field delivery of training in regional training centers.

Table 4. MCM Long-Term Resident Experts (as of April 30, 2016)

Country	Affiliation	Topic	Funding Source
Gabon	AFRITAC Central	Banking Regulation and Supervision	AFRITAC Central
Gabon	AFRITAC Central	Debt Management	AFRITAC Central
Tanzania	AFRITAC East	Banking Supervision	AFRITAC East
Tanzania	AFRITAC East	Monetary Operations	AFRITAC East
Tanzania	AFRITAC East and AFRITAC South	Financial Market Infrastructures and Payments	AFRITAC East and AFRITAC South
Mauritius	AFRITAC South	Banking Supervision	AFRITAC South
Mauritius	AFRITAC South	Monetary Operations	AFRITAC South
Cote D'Ivoire	AFRITAC West	Debt Management	AFRITAC West
Ghana	AFRITAC West 2	Banking Supervision	AFRITAC West 2
Ghana	AFRITAC West 2	Monetary Operations	AFRITAC West 2
Albania	Bank of Albania	Monetary Operations	Switzerland
Cambodia	National Bank of Cambodia	Banking Supervision	Japan
Guatemala	CAPTAC-DR	Monetary Operations	CAPTAC
Guatemala	CAPTAC-DR	Financial Sector Supervision	CAPTAC
Barbados	CARTAC	Financial Sector Supervision	CARTAC
Barbados	CARTAC	Financial Stability	CARTAC
Democratic Republic of the Congo	Banque Centrale du Congo	Monetary Operations	Belgium
Barbados	Caribbean	Debt Management	Canada
St. Kitts and Nevis	ECCU/ECCB	Banking Supervision	Canada
Ghana	Central Bank of Ghana	Banking Supervision and Regulation	Switzerland
India	Reserve Bank of India	Systemic Risk Analysis	FIRST
Indonesia	Financial Services Authority of Indonesia	Consolidated Supervision	Japan
Kyrgyz Republic	National Bank of the Kyrgyz Republic	Banking Supervision	FIRST
Lebanon	METAC	Banking Supervision	METAC
Myanmar	Central Bank of Myanmar	Central Bank Financial Management	FIRST
Myanmar	Central Bank of Myanmar	Banking Supervision	Japan
Nepal	Nepal Rastra Bank	Banking Supervision	FIRST
Nigeria	Central Bank of Nigeria	Banking Supervision	United Kingdom
Fiji	PFTAC	Financial Sector Supervision	PFTAC
South Sudan	Bank of South Sudan	Banking Supervision	South Sudan Trust Fund
South Sudan	Bank of South Sudan	Monetary Operations	South Sudan Trust Fund
South Sudan	Bank of South Sudan	Reserve Management	South Sudan Trust Fund
Suriname	Centrale Bank van Suriname	Central Bank Operations	Canada
Myanmar and Lao PDR	TAOLAM	Monetary Operations	Japan
Tunisia	Central Bank of Tunisia	Banking Supervision	Canada
Ukraine	National Bank of Ukraine	Project Management	Canada
Zambia	Bank of Zambia	Central Bank Operations	Norway

MCM TA Contacts	
The following IMF staff members are the main contact points for requesting MCM TA:	
Acting Director	Ratna Sahay Tel.: +1 (202) 623 7181 Email: rsahay@imf.org
Deputy Director	Aditya Narain Tel.: +1 (202) 623 9616 Email: anarain@imf.org
Technical Assistance Division Chief	Simon Thorburn Gray Tel.: +1 (202) 623 6432 sgray@imf.org
Deputy Division Chief	Ann-Margret Westin Tel.: +1 (202) 623 9746 Email: awestin@imf.org
Deputy Division Chief	Mary G. Zephirin Tel.: +1 (202) 623 8680 Email: mzephirin@imf.org

Mailing Address:

Monetary and Capital Markets Department
International Monetary Fund
700 19th Street N.W.
Washington, D.C. 20431
Facsimile: +1 (202) 623 6214

