

4 BUILDING CAPACITY FOR SUSTAINED GROWTH



BUILDING CAPACITY FOR SUSTAINED GROWTH



SUPPORT FOR LOW-INCOME COUNTRIES

Faced with lower fiscal buffers than before the onset of the crisis in 2008, and given uncertain prospects for donor assistance in the future, low-income countries remained highly exposed during FY2012 to global shocks. The IMF worked on several fronts to help low-income countries deal with these and other ongoing challenges they face. In addition to the concessional financing the Fund provided to low-income countries during the year, and the additional concessional resources it secured through use of windfall gold sale profits (see Chapter 3), as well as new borrowing agreements signed to support financing for low-income countries (see Chapter 5), the Executive Board took up a number of issues particularly pertinent to low-income countries during the year. Debt issues were addressed in Board reviews of the HIPC Initiative and MDRI, as well as of the IMF–World Bank debt sustainability framework for low-income countries. Additionally, the Board examined ways of managing global growth risks and commodity price shocks in these countries.

Heavily Indebted Poor Countries and Multilateral Debt Relief Initiatives

The joint IMF–World Bank comprehensive approach to debt reduction is designed to ensure that no poor country faces a debt burden it cannot manage. The two organizations launched the Heavily Indebted Poor Countries Initiative in 1996. Since then,

the international financial community, including multilateral organizations and governments, has worked together to reduce to sustainable levels the external debt burdens of the most heavily indebted poor countries.

To be considered for HIPC Initiative assistance, a country must fulfill certain criteria, including that it must (1) be eligible for PRGT financing (see Chapter 3), (2) face an unsustainable debt burden that cannot be addressed through traditional debt relief mechanisms, (3) have established a track record of reform and sound policies through a Fund-supported program, and (4) have developed a poverty reduction strategy through a broad-based participatory process in the country. If a country satisfies all eligibility criteria and meets certain conditions, the Executive Boards of IMF and World Bank formally decide on its eligibility for debt relief, and the international community commits to reducing debt to a level that is considered sustainable. This first stage under the HIPC Initiative is referred to as the *decision point*. Once a country reaches its decision point, it may immediately begin receiving interim relief on its debt service falling due.

To receive the full and irrevocable reduction in debt available under the HIPC Initiative, a country must meet additional requirements, including that it must (1) maintain good performance under a Fund-supported program, (2) implement satisfactorily key reforms agreed to at the decision point, and (3) adopt a Poverty Reduction Strategy Paper and implement its

poverty reduction strategy for at least one year. Once a country has met all these requirements, it can reach its *completion point*, which allows it to receive the full debt relief committed to at decision point.

As of April 30, 2012, of the 39 countries eligible or potentially eligible for HIPC Initiative assistance, 36 had reached their decision points; of these, 32 countries had reached their completion points. In total, through the Poverty Reduction and Growth—Heavily Indebted Poor Countries Trust,³⁶ debt relief of SDR 2.5 billion has been provided under the HIPC Initiative for these 36 countries, 30 of which are in Africa.

In 2005, to help accelerate progress toward the UN Millennium Development Goals, the HIPC Initiative was supplemented with the Multilateral Debt Relief Initiative. The MDRI allows for 100 percent relief on eligible debts from three multilateral institutions—the IMF, the World Bank, and the African Development Fund—for countries eligible for PRGT assistance with annual per capita income below US\$380 and outstanding debt to the IMF at the end of 2004; in the case of countries that are eligible or potentially eligible for HIPC Initiative assistance, they must also have reached the HIPC completion point. In 2007, the Inter-American Development Bank also decided to provide additional debt relief to the five heavily indebted poor countries in the Western Hemisphere. All countries that reach the completion point under the HIPC Initiative, and those with per capita income below US\$380 and outstanding debt to the Fund at end-2004, are eligible for debt relief from the IMF under the MDRI. The Executive Board also requires that, to qualify for MDRI debt relief, these countries must be current on their obligations to the IMF and demonstrate satisfactory performance in macroeconomic policies, implementation of a poverty reduction strategy, and public expenditure management.

MDRI relief covers the full stock of debt owed to the IMF at end-2004 that remains outstanding at the time the country qualifies for such relief. There is no provision for relief of debt resulting from disbursements after January 1, 2005. In total, the IMF has provided debt relief of SDR 2.3 billion under the MDRI, including debt relief to two non-HIPCs. Although they have reached the completion point under the HIPC Initiative, Afghanistan, Haiti, and Togo had no MDRI-eligible debt with the Fund and therefore did not receive debt relief from the IMF under this initiative.³⁷

Proposals for the future of the HIPC Initiative and MDRI

In November 2011, the Executive Board discussed the status of implementation of the HIPC Initiative and the MDRI, as well as proposals for their future.³⁸ Executive Directors considered that the objectives of the initiatives had been largely achieved. It was observed that most HIPCs had

qualified for debt relief and reached the completion point. Nevertheless, it was also observed that many HIPCs continued to face other challenges in meeting the Millennium Development Goals, and several were still at high risk of debt distress.

Executive Directors noted that some issues required continued attention in order to implement the initiatives fully. Sustained efforts were needed to bring the remaining seven countries,³⁹ particularly those that had not yet reached the decision point, to the completion point. Full participation of all creditors—particularly a number of smaller multilateral, non-Paris Club bilateral, and private creditors—had yet to be secured. Limiting the incidence and impact of commercial creditor litigation against HIPCs remained important. Finally, additional funds would need to be mobilized to ensure that there were adequate resources for debt relief to all remaining HIPCs, including those having protracted arrears to international financial institutions.

Executive Directors supported a proposal to streamline reporting of progress under the HIPC Initiative and MDRI. Most agreed that the annual status-of-implementation report should be discontinued. Executive Directors agreed that the core information—on debt service and poverty-reducing expenditure, the cost of debt relief, creditor participation rates, and litigation against HIPCs—should continue to be made available and updated regularly on the IMF and World Bank websites.

Executive Directors welcomed a proposal to enhance the monitoring of, and reporting on, the debt situation in all low-income countries, including HIPCs, through a periodic report, drawing on annual debt sustainability analyses and other pertinent information. They considered this important, in view of the significant share of low-income countries with elevated debt distress ratings and the increasing use of non-concessional borrowing in a number of them. In this context, Executive Directors stressed the need for continued concessional financing to support countries' development agendas.

Executive Directors agreed to add an end-2010 indebtedness criterion for eligibility for assistance under the HIPC Initiative, as well as to ring-fence further the list of eligible or potentially eligible countries based on that criterion. In supporting this proposal, most Executive Directors considered that this limited change would reduce moral hazard and bring a further sense of closure to the HIPC Initiative. Executive Directors generally agreed with a proposal not to include remittances in considering the repayment capacity of HIPCs. They noted that such a change could possibly disqualify from assistance countries that would be eligible under current rules, or lower the amount of assistance to future HIPCs relative to what previous post-completion-point HIPCs had received.

Review of the Joint IMF–World Bank Debt Sustainability Framework for Low-Income Countries

In a February 2012 review of the joint IMF–World Bank debt sustainability framework for low-income countries,⁴⁰ Executive Directors noted that experience with the framework to date had suggested that it had performed relatively well and fulfilled its main objectives. They agreed nevertheless that some modest improvements were necessary in light of changing circumstances in low-income countries, to ensure that the framework remained robust and relevant.

Most Executive Directors agreed that the indicative policy-dependent thresholds used in the framework remained broadly valid. Executive Directors emphasized the need to exercise judgment when considering cases in which remittances should be included and when interpreting breaches of external debt thresholds more broadly. They endorsed a proposal to maintain all other thresholds at their then-current values and recommended that revisions to the framework be explained to country authorities and communicated carefully to the public.

Noting the growing role of domestic debt in some low-income countries, Executive Directors generally saw scope for strengthening the analysis of total public debt and fiscal vulnerabilities, including those from contingent liabilities. Most Executive Directors supported proposed benchmarks for total public debt to help determine when to conduct deeper analysis, including in the discussions with country authorities, while cautioning that such benchmarks should not be used mechanically. Executive Directors agreed that country-specific information should be taken into account more systematically when assessing the risk of debt distress and broadly supported more consistent use of judgment in this regard. They welcomed a plan to develop clearer guidance for staff and supported analytical work on alternative approaches to complement the current methodology.

Executive Directors generally welcomed efforts to simplify the debt sustainability analysis template, which would allow country authorities to produce their own debt sustainability analyses more easily, gradually building up their capacity and enhancing the policy dialogue on debt issues. They also supported a proposal to produce full joint debt sustainability analyses every three years, with lighter updates in the interim years, while maintaining the flexibility to prepare full analyses if warranted by circumstances, including those prompting a request for use of Fund resources.

BUILDING CAPACITY IN MEMBER COUNTRIES

Capacity building, consisting of technical assistance and training, is one of the Fund's three core activities, integrated with

the other two, surveillance and financing. It supports the Fund's strategic priorities, reinforcing member capacities in the fiscal, legal, monetary and financial markets, and statistics areas.

Following an Executive Board discussion in November 2011 of a report by the Task Force on the Fund's Technical Assistance Strategy, the IMF announced in early 2012 that it planned to merge two existing Fund organizational units, the IMF Institute and Office of Technical Assistance Management, to create a new department focused on helping member states build capacity and develop their key economic and financial institutions. The new Institute for Capacity Development, which became operational at the beginning of FY2013, will help to further refine and update the Fund's capacity-building strategy, combined with periodic reviews for the Board; enhance partnerships with donors and other key stakeholders; explore and use synergies between regional training centers and regional technical assistance centers; design and deliver training that reflects member countries' and the Fund staff's needs; expand the use of innovative training methods; and engage in more effective outreach.

Technical assistance

Demand for IMF technical assistance was again heavy in FY2012, and thanks to donor contributions, the IMF was able to deliver about 17 percent more TA in the field than in FY2011, serving most of its member countries. More than 60 percent of the year's TA was delivered to low- and lower-middle-income countries (see Figure 4.1), but the effects of the global financial crisis also increased demand among upper-middle-income countries. Countries with IMF-supported programs also saw increased TA needs (see Figure 4.2), and TA to fragile states rose substantially, accounting for almost 20 percent of total IMF TA.

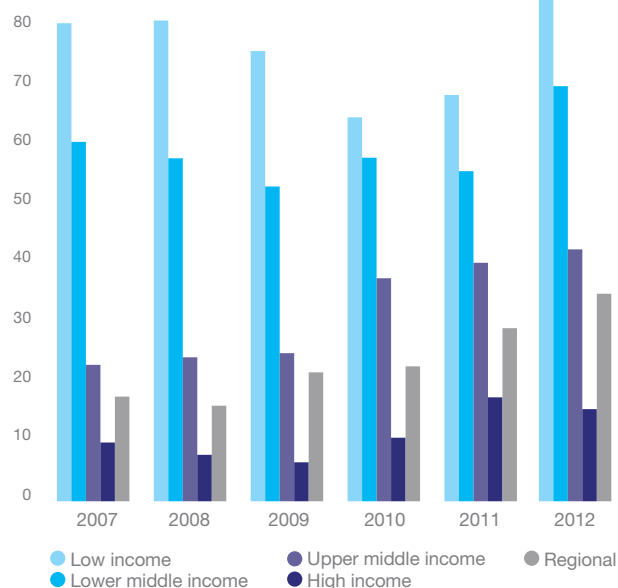
Although TA delivery increased across all areas, demand for TA on fiscal issues was particularly high, with more than half of FY2012 technical assistance being delivered in this area (see Figures 4.3 and 4.4). Among regions, Africa continued to be the largest recipient of IMF TA, accounting for almost 40 percent.

TA advice

In FY2012, TA in the fiscal area responded to new crisis-related demands while continuing to support reforms initiated earlier to help crisis countries implement their adjustment programs. Fund TA also supported the transformation of fiscal regimes and institutions, in particular in response to continuing economic problems in Europe and geopolitical developments in the Middle East, even as demand for TA on traditional fiscal issues held steady.

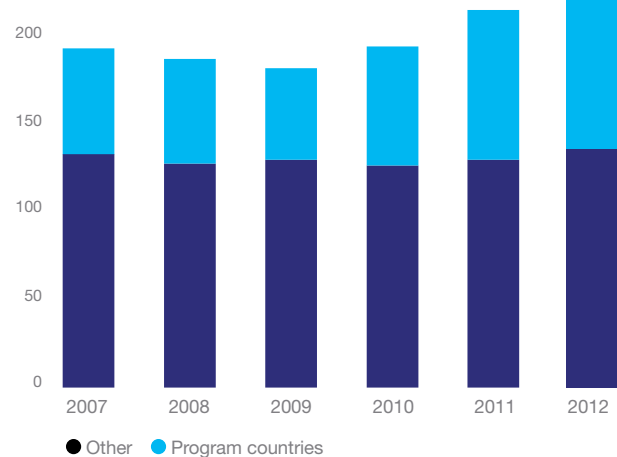
For fiscal TA in traditional areas, the demand for advice on tax policy was particularly heavy, notably for natural resource fiscal regimes and tax gap analysis. A revenue administration fiscal information tool was introduced, as one element in a revenue

Figure 4.1
Technical assistance delivery in FY2007–12
by income group
(Person-years)



Source: IMF Institute for Capacity Development.

Figure 4.2
Technical assistance delivery in FY2007–12
by country status
(Person-years)



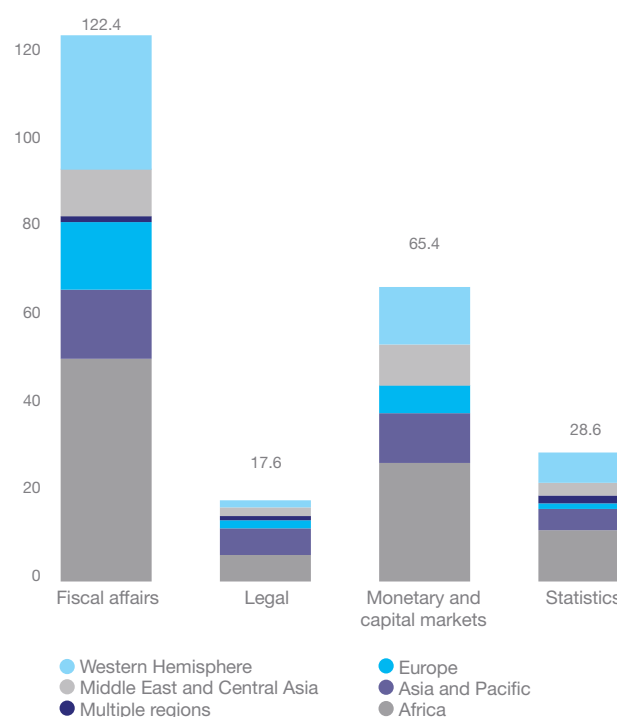
Source: IMF Institute for Capacity Development.
Note: Data do not include training delivered by the IMF Institute.

administration diagnostic toolkit being developed by the Fund. The tool is designed to support revenue administration benchmarking for 100 countries, mainly those of low and lower-middle income. Another toolkit element, gap analysis, was used during the year for value-added tax gap analysis in member countries. Demand was also high for assistance in rationalizing government expenditures, reinforcing pension systems, setting up medium-term fiscal frameworks to tighten budget execution and expenditure controls and improve cash and debt management, and strengthening tax and customs administrations.

In the areas of monetary and financial policy, the crisis also continued to spur new TA demands, including from advanced economies. Significant TA interventions focused on the development of regulatory reform, deposit insurance schemes, macroprudential policy frameworks, systemic liquidity management, crisis resolution and exit strategies, and managing public sector balance sheet risks.

The core traditional area of TA on monetary and financial sectors was in advising central banks on monetary operations and policy and developing financial supervision and regulation. In particular, strengthening banking supervisory capacity and frameworks underpinned the TA objectives for two multiyear regional projects as well as more than 20 individual country projects. Substantial TA was also provided toward improving financial stability frameworks, particularly in Africa.

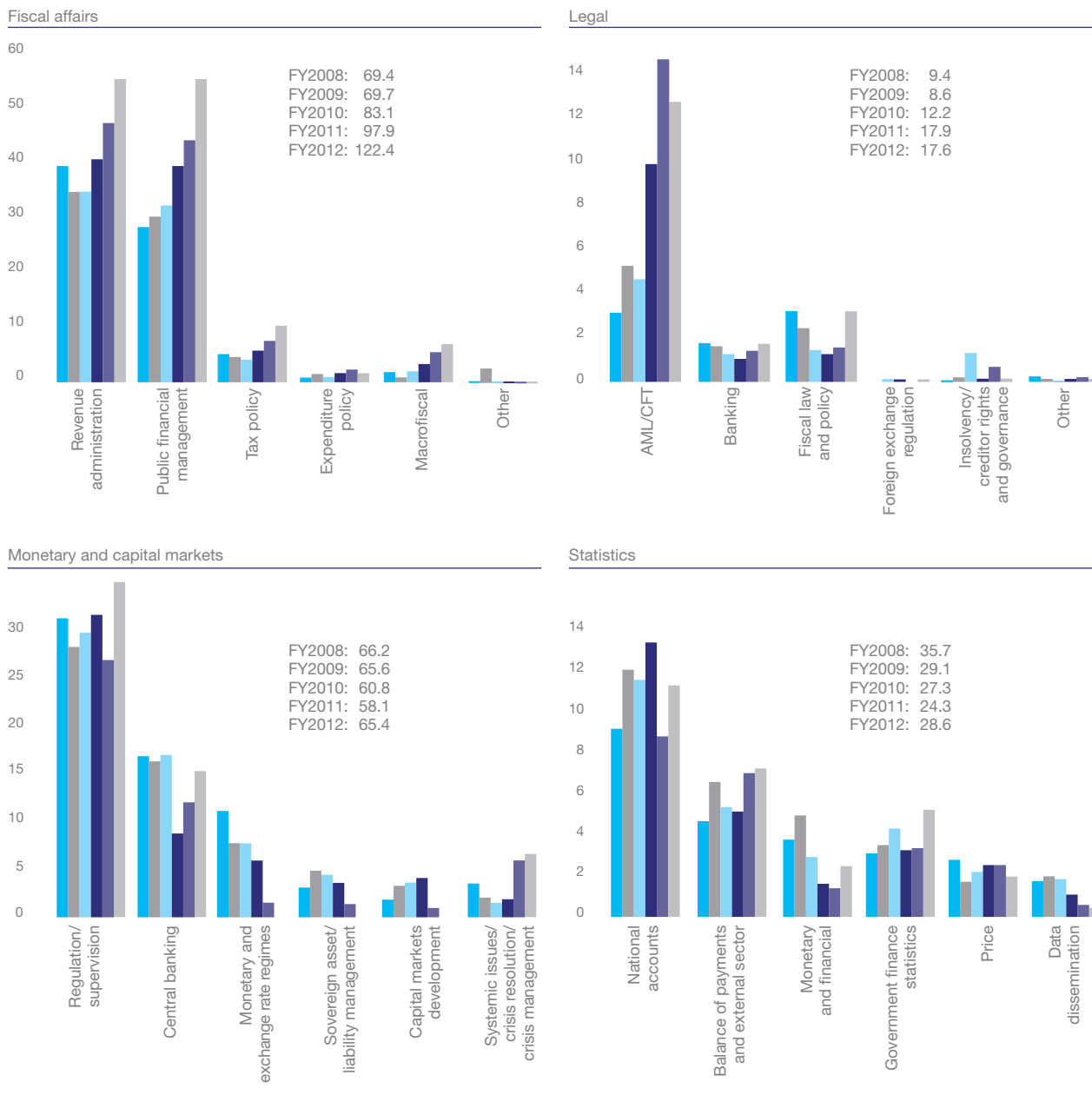
Figure 4.3
Technical assistance delivery during FY2012 by
subject and region
(Person-years)



Source: IMF Institute for Capacity Development.

Figure 4.4
Technical assistance delivery in FY2007–12 by subject and topic
 (Person-years)

● FY2007 ● FY2008 ● FY2009 ● FY2010 ● FY2011 ● FY2012



Source: IMF Institute for Capacity Development.
 Note: AML/CFT: anti-money laundering and combating the financing of terrorism.

TA on legal issues focused in the areas of anti–money laundering/combating the financing of terrorism, financial sector and banking, and taxation. Demand for AML/CFT technical assistance, delivered primarily through the corresponding topical trust fund, exceeded staff resources for the fourth straight year. Financial sector TA focused on central banking legislation, bank regulation and supervision, payment systems, derivatives market regulation, and foreign exchange. Fiscal sector TA focused on budget law issues and a broad range of tax and tax procedure issues in several countries.

Work continued in FY2012 to help countries improve the compilation and dissemination of macroeconomic and financial statistics. Three new projects sponsored by the Japan Administered Account for Selected IMF Activities were launched in FY2012, for improving the compilation of real sector statistics in nine Eastern European countries, improving the compilation of government finance statistics in Asia and the Pacific, and helping interested countries improve data dissemination practices and participate in the IMF’s General Data Dissemination System. Progress continued on a project sponsored by the United Kingdom’s Department for International Development that aims at promoting better economic data in Africa, with three African countries releasing quarterly GDP data to the public for the first time at the end of 2011. TA under this project was also instrumental in Mauritius’s subscription to the IMF’s Special Data Dissemination Standard (see “The IMF’s Standards for Data Dissemination” later in the chapter). Meanwhile, two new courses at the Singapore Training Institute were introduced in the area of statistics to develop member countries’ capacity for understanding financial linkages.

Fundraising in support of IMF TA

Donor contributions have allowed the IMF to respond effectively to rising demand for TA during a period when its own resources have been constrained (see Figure 4.5). In FY2012, externally financed TA exceeded US\$107 million (US\$74 million in FY2011), accounting for some 40 percent of the IMF’s budget for capacity development and more than 70 percent of field delivery. The number of donors, including recipient countries contributing to regional technical assistance centers, increased from 50 in FY2008 to more than 75 in FY2012. The largest donors for TA activities, with commitments of about US\$30 million or more over a five-year period, are Japan, the United Kingdom, Canada, the European Union, Switzerland, and Australia.

Bilateral partnerships

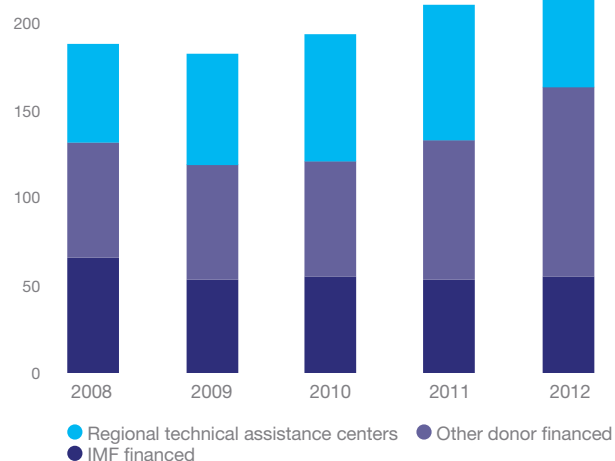
In bilateral partnerships, donors finance country-specific or multicountry projects. Japan is the largest donor to IMF TA (see Box 4.1), contributing close to 46 percent of external financing over FY1990–2012. In FY2012 cooperation with the European Union via bilateral agreements intensified, as did the strategic partnership more generally. Meanwhile, the IMF continues to cooperate closely with other long-time supporters, such as Norway, the Netherlands, France, Belgium, and New Zealand, which have continued to support IMF TA during difficult times despite fiscal pressures. The IMF is also working to deepen relations with donors like Korea and build partnerships with new donors like China.

Leveraging donor resources

In recent years two major initiatives—regional technical assistance centers (RTACs) and topical trust funds (TTFs)—have made it possible for the IMF to pool resources from multiple donors to bring its expertise closer to users, through the RTACs, and to zero in on specialized areas, through the TTFs.

RTACs allow the IMF to tailor TA to meet a region’s unique needs, coordinate more closely with other assistance providers, and respond faster as new needs emerge. There are now eight RTACs, half in Africa and the remainder in the Caribbean, Central America, the Pacific, and the Middle East.

Figure 4.5
Technical assistance delivery in
FY2008–12 by financing source
(Person-years)



Source: IMF Institute for Capacity Development.
Note: Data do not include training delivered by the IMF Institute.



Left Deputy Managing Director Nemat Shafik addresses the Donor Consultative Group meeting at the 2012 Spring Meetings in Washington, D.C. **Right** Deputy Managing Director Min Zhu (left) and African Department Director Antoinette Sayeh (center left) join Bank of Mauritius Governor Rundheersing Bheenick (center right) and Vice Prime Minister and Minister of Finance and Economic Development Xavier-Luc Duval (right, cutting ribbon) to inaugurate AFRITAC South at the Bank of Mauritius.

With very strong donor support, the RTACs have achieved a great deal in the regions they serve. The East Africa Regional Technical Assistance Center (East AFRITAC), the first RTAC in Africa, celebrated its tenth anniversary in FY2012. The IMF was also able to expand its network of RTACs in FY2012. AFRITAC South opened in Mauritius in June 2011, serving countries in southern Africa, with early support from the African Development Bank, Australia, Brazil, Canada, the United Kingdom, the European Investment Bank, the European Union, Mauritius as host country, and some recipient countries. Another RTAC (AFRITAC West 2) is expected to open in West Africa in 2013 to serve nonfrancophone countries in the region; this will complete RTAC coverage of sub-Saharan Africa. Funding drives are underway to support the continuing activities of the current RTACs in response to increasing TA demand.

The three existing TTFs complement the RTACs, bringing specialized IMF expertise to bear to help members combat money laundering and the financing of terrorism, improve tax policy and administration, and manage natural resource wealth. The first TTF, on AML/CFT, began operations in May 2009 and is delivering assistance to improve members' AML/CFT regimes. The IMF's Legal Department provides most AML/CFT technical assistance, and the lead donors for the trust fund are Switzerland, Norway, Canada, and the United Kingdom. A recent external evaluation concluded that the management of the AML/CFT topical trust fund has achieved a great deal in a short time with results that are far better than could be expected only two and a half years into the program. Recommendations included suggestions on project and program design and management and monitoring, including information management systems and results-based management.

Box 4.1

Japan's contribution to IMF technical assistance

Since 1990, Japan has consistently been the IMF's leading partner in the financing of the IMF's technical assistance (TA) program and the largest single contributor to IMF TA and training activities. Contributions by Japan in FY1990–FY2012 amounted to about US\$433.5 million, with US\$30.8 million in FY2012 alone, including US\$22.9 million for TA projects and programs, US\$2.7 million for activities of the Regional Office for Asia and the Pacific, and US\$5.2 million for two scholarship programs. The Japan Subaccount under the Framework Administered Account for Selected Fund Activities is the current vehicle for Japan's contributions.

Recognizing that capacity building takes time, in FY2010, Japan decided to replace the conventional project approach with a programmatic approach. As a result, programs funded through the Japan Subaccount now typically span three years and usually cover multiple countries and TA topics. Eighteen ongoing programs were being funded by the end of FY2012—with a combined budget of US\$55.3 million—with the expectation of more substantial and lasting results for recipients.

The second and third TTF deliver TA on tax policy administration and managing natural resources wealth. The former, which began operations in May 2011, works mainly with low- and lower-middle-income countries to mobilize domestic resources to support development and reduce aid dependency. The latter, which also started in May 2011, targets 51 countries that have substantial current or prospective hydrocarbon and mineral resources. Many donors support both TTFs; major donors are Australia, Belgium, the European Union, Germany, Kuwait, Luxembourg, the Netherlands, Norway, Oman, and Switzerland.

The IMF also is conducting fundraising for three additional trust funds that are planned: those for South Sudan, sustainable debt strategy, and training for Africa.

Donor Consultative Group meeting

Responding to strong donor interest in enhanced coordination and strategic consultation, the IMF hosted the first Donor Consultative Group meeting during the 2012 Spring Meetings. Participants included nearly 50 representatives from almost 30 current and potential donor agencies and other development partners. The meeting centered on the IMF's capacity development strategy, regional priorities in Africa and the Middle East, performance measurement, the IMF's planned trust fund for debt strategies, and fundraising activities. Donor representatives welcomed the IMF's recent progress toward introducing a results-based management framework for planning and monitoring the effectiveness of capacity-building initiatives. Participants agreed that it would be advisable for donors and the IMF to meet at least every other year, and possibly annually, to discuss strategic issues.

Donor survey

The IMF staff conducted a donor survey in September 2011. Donors were found to view IMF TA as generally effective and of high quality, and a majority rated IMF TA experts to be of higher quality than those of other providers. However, they also identified scope to improve TA follow-up, better coordinate with other providers, become more results oriented, and raise the visibility of donors.

Improving TA effectiveness and increasing its visibility

Review of the Fund's TA strategy

In November 2011, the Executive Board reviewed the Fund's TA strategy. An IMF staff paper was presented that recommended a FINE model: TA must be *focused* on the Fund's core macro mandate, *integrated* with IMF surveillance and

program responsibilities, *nimble*, as the global crisis clearly demonstrated the importance of quick response, and *effective* in providing outcome-focused, cutting-edge advice to meet members' evolving needs. A number of areas in which significant change is needed were also identified—such as more flexible human resources policies, greater outreach on TA to members and the public at large, and exploitation of synergies between TA and training.

TA seminar

To increase visibility for the Fund's TA work, the first inter-departmental seminar on IMF TA was held during the September 2011 Annual Meetings. To illustrate how IMF TA and training can help tackle crises and build institutions for the future, IMF staff members presented examples of their work on capacity building, and high-level speakers and panelists from recipient countries recounted their experiences with IMF TA.

Training

Training for member country officials is an integral part of the IMF's capacity-building efforts. Courses and seminars are designed to share the expertise of the IMF staff on a wide array of topics that are critical to effective macroeconomic and financial analysis and policymaking, including courses on the compilation of macroeconomic statistics and various fiscal, monetary, and legal issues. Most of the training is provided through a program organized by the IMF Institute (in collaboration with other departments),⁴¹ delivered mainly at IMF headquarters, at seven regional training centers around the world, and through distance learning.

A key medium-term goal has been to rebuild the volume of training with donor support, following cuts in FY2009 owing to the IMF's restructuring exercise. This was achieved in FY2012, with the support of external donors and training partners. A record amount of training—almost 10,000 participant-weeks—was delivered through the IMF Institute program (see Table 4.1), and 4,750 officials attended the training (a 13 percent increase from the previous year). Training for Arab League countries received a substantial boost with the launch of the new IMF–Middle East Center for Economics and Finance in Kuwait in May 2011. The IMF Institute further strengthened the evaluation of training, providing additional feedback to donors (see Box 4.2).

The training curriculum is continually adapted to the IMF's priorities and the evolving needs of member countries; to this end, additional training was provided in FY2012 on topics such as macroeconomic diagnostics and financial sector issues.

Box 4.2**Evaluating the effectiveness of IMF Institute training**

The IMF Institute (now part of the Institute for Capacity Development) utilizes a variety of monitoring and evaluation techniques to ensure that its programs are meeting the training needs of member countries. These include (1) quantitative and qualitative evaluations of training from the participants at the end of every course, (2) input from the Institute's partners at the regional training centers, (3) brainstorming meetings with senior country officials, (4) triennial surveys of participants' sponsoring agencies, and (5) follow-up surveys one year to eighteen months after a sample of courses, to assess whether benefits from the training are sustained. Surveys are conducted by an internationally known, independent market research firm to ensure anonymity of the responses. In FY2012, the Institute launched its first tracer study to determine the longer-term impact of training courses on participants' work, careers, and agencies. The feedback obtained through all these evaluation channels during FY2012 was very positive.

The latest triennial survey was conducted in early 2012 by Harris Interactive. Harris reported that 98 percent of responding agencies expressed satisfaction with Institute training—the highest approval ever—with 77 percent of respondents expressing “strong” satisfaction (Harris considers “strong satisfaction” of more than 67 percent to be particularly significant). Moreover, 92 percent of respondents said that their staff values IMF training more than training by other providers on similar topics. The majority of agencies surveyed expected their need for IMF

training courses to increase further over the subsequent five years (2012–16). The survey also indicated robust demand across topic areas.

Follow-up surveys were conducted during the year to assess whether benefits from training are being sustained. Questionnaires were sent to training participants, and to the managers in their agencies who had sponsored their participation in the training. The surveys included several questions about how IMF training contributes to building capacity in member countries. Participants and their sponsors in the eight follow-up surveys overwhelmingly confirmed that the training has helped participants do their jobs better (98 percent) and improved the way they formulate and implement policy (95 percent). In addition, respondents confirmed that the knowledge gained has been shared with colleagues (96 percent), and that participants' career opportunities have increased as a result of their Institute training (90 percent). The most positive feedback on most questions came from participants' managers.

The inaugural tracer study was conducted among officials who had attended more than one course at the Joint India-IMF Training Program. The response rate was impressive, and officials confirmed overwhelmingly that their job performance has improved as a result of the training they received and that they have shared what they learned with colleagues. Many participants provided specific examples of how the training has contributed directly to their job or institution.

DATA AND DATA STANDARDS INITIATIVES**The IMF's standards for data dissemination**

Data dissemination standards help enhance the availability of timely and comprehensive statistics, which contributes to the pursuit of sound macroeconomic policies. Among the steps the IMF has taken to enhance transparency and openness is the establishment and strengthening of data dissemination standards to guide countries. The Special Data Dissemination Standard (SDDS), established in March 1996, is intended to guide members in the provision of their economic and financial data to the public. The General Data Dissemination System (GDDS), established the following year, provides a framework to help countries develop their statistical systems to produce comprehensive and accurate statistics for policymaking and analysis. Participation in the SDDS and GDDS is voluntary; many countries use participation in the GDDS as a step toward subscription to the SDDS.⁴²

The former Yugoslav Republic of Macedonia, Mauritius, and West Bank and Gaza subscribed to the SDDS during FY2012, bringing the number of subscribing economies to 71.⁴³ Burundi, Djibouti,

Guyana, Maldives, Montenegro, Papua New Guinea, and the Solomon Islands all joined the GDDS between June 2011 and February 2012,⁴⁴ bringing to 103 the number of GDDS participants (excluding the economies that have graduated from the GDDS to the SDDS). Comprehensive information on the statistical production and dissemination practices of all of these countries appears on the IMF's Dissemination Standards Bulletin Board, which provides access to the SDDS, GDDS, and Data Quality Reference sites.⁴⁵

As part of the Eighth Review of the IMF's Data Standards Initiatives (see next section), the Executive Board approved creation of the “SDDS Plus,” which is open to all SDDS subscribers but is aimed at economies with systemically important financial sectors. The SDDS Plus includes standards for nine additional data categories that an interested country commits to fully observe by the end of 2019. These data categories refer to the four macroeconomic sectors: real (sectoral balance sheets), fiscal (general government operations and general government gross debt), financial (other financial corporations survey, financial soundness indicators, and debt securities), and external (Coordinated Portfolio Investment Survey, Coordinated Direct Investment Survey, and COFER). Adhering to the SDDS Plus is voluntary, but once a



Left Workers harvest the crop on a tea estate in Mauritius. **Right** An office worker tracks shipments at a port in Georgetown, Guyana.

Table 4.1
IMF Institute training program, FY2008–12

	2008	2009	2010	2011	2012
HEADQUARTERS					
Course-weeks	78	54	58	50	60
Participant-weeks	2,813	1,974	1,992	1,861	2,271
REGIONAL TRAINING CENTERS					
Course-weeks	172	158	163	178	195
Participant-weeks	5,280	4,737	5,067	5,329	5,819
OVERSEAS					
Course-weeks	35	42	36	36	46
Participant-weeks	1,071	1,211	1,012	1,012	1,239
DISTANCE LEARNING					
Course-weeks	18	16	18	21	18
Participant-weeks	675	570	646	796	601
TOTAL					
Course-weeks	303	270	275	284	319
Participant-weeks	9,838	8,491	8,717	9,003	9,930

Source: IMF Institute for Capacity Development.

country adheres, it undertakes to meet the most rigorous data dissemination and data quality standards within the Fund's data standards initiatives.

Eighth Review of the Fund's Data Standards Initiatives

The Eighth Review of the Fund's Data Standards Initiatives was completed in February 2012.⁴⁶ In their discussion, Executive Directors considered proposals for further enhancing the SDDS and the creation of the SDDS Plus as a new tier under these initiatives, given the need to fill data gaps to help prevent and mitigate financial crises. They

expressed broad satisfaction with developments in the data standards initiatives since the Seventh Review in December 2008.

Executive Directors broadly supported proposed enhancements to the SDDS. They looked forward to the graduation of additional countries from the GDDS to the SDDS as national statistical systems strengthened, while recognizing that progress in this area was likely to proceed at a measured pace. In this regard, they highlighted the importance of continued outreach efforts and well-prioritized technical assistance.

Executive Directors broadly supported concrete proposals on the data categories and modalities of the SDDS Plus developed since the Interim Report for the Eighth Review in February 2011. They were encouraged to note that the proposed data categories and the modalities were developed in collaboration with other international institutions and capital markets and were guided by feedback from SDDS subscribers and some GDDS participants.

Executive Directors underscored the importance of continuing close collaboration with national authorities and relevant international bodies—in particular the FSB, the BIS, and the Inter-Agency Group on Economic and Financial Statistics—for the resolution of any procedural and operational issues that might arise in the future. Executive Directors generally agreed that the next review of the Fund's Data Standards Initiatives should take place in about two years.

Other data-related activities

The global crisis highlighted the crucial role played by data in crisis preparedness and prevention. In FY2012, the IMF continued its ongoing efforts to strengthen the quality of data provided by its members and increase the accessibility of the data it produces and manages (including, for the first time, a mobile application for IMF statistical data; see Box 4.3).

Box 4.3**Mobile applications for IMF statistical data**

As part of the Fund's effort to make statistical data more accessible, the IMF released a new mobile application (app) in the fall of 2011 that allows users of handheld devices (such as iPad, iPhone, iPod, and Android) to access a broad range of IMF statistical data. The free app, IMF eLibrary, is integrated with social networking tools, enabling users to share data reports and comments with one another.

The app gives users access to a broad range of statistical data sets, including a selection from the International Financial Statistics. In addition, it provides access to the latest editions of nonstatistical IMF publications such as the *World Economic Outlook*, *Global Financial Stability Report*, *Fiscal Monitor*, and *Regional Economic Outlook* reports.

Users can easily access key indicators from a range of databases the IMF maintains, including International Financial Statistics, Direction of Trade Statistics, Government Finance Statistics, International Reserves, Coordinated Portfolio Investment Survey, Currency Composition of Official Foreign Exchange Reserves, Coordinated Direct Investment Survey, and Financial Soundness Indicators. Data access is available in the form of standard reports, and the data can be presented as tables and visualizations.

The app relies on the Statistical Data and Metadata Exchange standards for accessing the underlying data.

Considerable attention was devoted during the year to increasing or improving online access. Box 4.4 notes the inclusion of an online version in the release of *Public Sector Debt Statistics: Guide for Compilers and Users*. In July 2011, the IMF released the results of the second annual Financial Access Survey through the online survey database, which disseminates key indicators of geographic and demographic outreach of financial services, as well as the underlying data.⁴⁷ About 140 countries participated in the 2011 survey, which included new data on outstanding deposits and loans of households, and the survey website now contains annual data for about 160 respondents covering a seven-year period (2004–10), including data for all G-20 countries. The supporting software tools were also upgraded. Also in July 2011, the IMF released, as an online database, expanded results from its

2009 Coordinated Direct Investment Survey, a worldwide survey of bilateral foreign direct investment positions; the following December, it released results from the 2010 survey.⁴⁸ Country participation and geographical detail are being broadened over time, and the July 2011 release expanded the survey data to Azerbaijan, Bhutan, China, Ghana, Israel, Jordan, Kuwait, Mauritius, Moldova, Paraguay, the Russian Federation, and Samoa; new survey participants for the December 2011 release were Aruba, Brazil, FYR Macedonia, Georgia, India, Montenegro, Seychelles, and Uruguay. The survey website was also redesigned, for the December release, to facilitate user access to data reports, through enhanced navigation, data selection, and display features. Metadata coverage was also enhanced in terms of both information detail and number of metadata reporters.

Box 4.4**Public Sector Debt Statistics: Guide for Compilers and Users**

With the heightened interest in public sector debt statistics, the IMF has developed a coordinated program involving a statistical guide, a database, regional seminars, and technical assistance to help improve these statistics. In December 2011, the IMF, in collaboration with the multiagency Task Force on Finance Statistics, published *Public Sector Debt Statistics: Guide for Compilers and Users*, with an online version also available;^a translations are also in production. The *Guide* is intended to help standardize classification of public sector debt liabilities and achieve more internationally comparable public sector debt data. It complements the World Bank–IMF Public Sector Debt Statistics database, which offers free access to public sector debt statistics for 54 countries.

The *Guide* is an important reference for national compilers and users, providing a comprehensive conceptual framework for the measurement of gross and net debt of the public sector and all its

components. This guidance can be applied across the different components of the public sector and across various liabilities that constitute public sector debt. The *Guide* provides a structure for classifying debt liabilities by instrument and by sector of the counterpart to the debt instrument. It also offers valuable advice on practical problems in recording public sector debt, including numerical examples.

The Task Force on Finance Statistics is an interagency effort chaired by the IMF and including as members the Bank for International Settlements, the Commonwealth Secretariat, the European Central Bank, the Statistical Office of the European Communities (Eurostat), the Organisation for Economic Co-operation and Development, the Paris Club Secretariat, the United Nations Conference on Trade and Development, and the World Bank.

^a The guide is available at www.tffs.org/PSDStoc.htm.

In November 2011, the results of the 2010 Coordinated Portfolio Investment Survey—covering positions in equity and debt securities as of end-2010 for 73 participating economies—were published, and for the first time, a new online database that leverages current technologies for data and metadata dissemination replaced the previous spreadsheet format.⁴⁹ Along with the launch of the improved database, the survey website was redesigned to offer enhanced navigation features, in line with other specialized IMF databases. Dynamic data selection and display features allow faster user access to data reports.

At the beginning of May 2011, the IMF's Statistics Department and the World Bank's Development Economics Data Group cohosted a global conference to promote and broaden implementation of Statistical Data and Metadata Exchange (SDMX) standards.⁵⁰ The conference brought together more than 200 senior officials, statisticians, and information technology professionals from 90 countries to share SDMX implementation strategies and to participate in a capacity-building workshop aimed at national agencies that have not yet implemented SDMX. During the conference, the IMF launched a new iPhone and iPad application that relies on SDMX standards to display data tables and charts from the Principal Global Indicators website.⁵¹

At the end of April 2012, the IMF finalized agreement on the sectoral accounts data template as part of the implementation of the 2008 System of National Accounts for G-20 and advanced economies, which will come to fruition beginning in 2014.

COLLABORATION WITH GROUP OF TWENTY AND OTHER ORGANIZATIONS

The IMF collaborates with a number of other organizations that are also involved in global economic issues. Of particular

significance are its work with the G-20 advanced and emerging market economies and its collaborative efforts with regional financing arrangements, most notably in Europe.

IMF collaboration with the G-20

The IMF's collaboration with the G-20 has increased since the onset of the global financial crisis, when collective action by the G-20 was critical in avoiding even greater economic difficulties. At the request of G-20 leaders, the IMF provides technical analysis in support of the multilateral Mutual Assessment Process (MAP), through which G-20 countries identify objectives for the global economy, the policies needed to reach them, and the progress toward meeting these shared objectives. The IMF staff—with input from other international institutions—initially was tasked with analyzing whether policies pursued by individual G-20 countries were collectively consistent with the G-20's growth objectives. Subsequently, the staff has provided technical support to help develop indicative guidelines (benchmarks against which selected indicators would be assessed) to evaluate external imbalances and has also provided an assessment of progress achieved toward the common objectives.

Collaborative work with the G-20 extends beyond the MAP into other areas, including the G-20 Data Gaps Initiative, which works on ways to address gaps in data identified by the global crisis, and a G-20 report on effects of regulatory reforms on emerging market and developing economies.

Board review of experience with the Fund's involvement in the MAP

The Executive Board reviewed the IMF's role in the MAP in June 2011.⁵² Executive Directors supported the continuation of Fund engagement in this work, which they observed has significant



Left A fisherman casts his net near Villeta, Paraguay. **Right** A worker at a plant in Yekaterinburg, Russia, which refines precious metals for use in industry.



synergies with the Fund's surveillance, most notably at the multilateral level. Executive Directors considered it important to review the implications of broader G-20/IMF collaboration for the Fund's surveillance as part of the October 2011 Triennial Surveillance Review.

Executive Directors agreed that, while the MAP has evolved, the Fund's input into the exercise has remained within the framework set in December 2009. In this context, they took note that the legal nature of the Fund's involvement as technical assistance had not changed. Executive Directors concurred with the observation, in the IMF staff report that formed the basis for the discussion, that Executive Board involvement in this work should be consistent with G-20 ownership of the MAP and preserve the independent nature of IMF staff analysis and input. They appreciated timely briefings by the staff on their work in this regard.

Executive Directors considered resource implications of the Fund's involvement in the MAP. Most noted that any additional cost, which has in part been met through reprioritization and reallocation of existing resources, should be seen in light of the benefits of this work for the Fund's membership at large, including the synergies with the Fund's surveillance.

Participation in regional financing arrangements

IMF participation, early in the global financial crisis, in financing for EU members facing balance of payments needs (Hungary, Latvia, and Romania) led to an extension of the IMF's collaboration with EU institutions, in particular with the European Central Bank, later in the crisis, when euro area countries (Greece, Ireland, and Portugal) requested IMF support (see Box 3.1). This enhanced cooperation among the IMF, the European Commission, and the European Central Bank in program countries has become known as the "Troika." Although the IMF coordinates closely with the other members of the Troika, Fund decisions on financing and policy advice are ultimately taken, independently of the Troika process, by the Executive Board. Building on the recent experience of financing in cooperation with EU institutions, the IMF is exploring the scope for greater collaboration with other regional financing arrangements.

Collaboration with other organizations

The IMF is also a member of the Financial Stability Board, which brings together government officials responsible for financial stability in the major international financial centers, international regulatory and supervisory bodies, international standard-setting bodies, committees of central bank experts, and international financial institutions. The two groups collaborate on twice-yearly Early Warning Exercises and the Early Warning List (see "Risk Assessment and Management" in Chapter 3). In addition to being a member of the FSB, the IMF is also represented on its Steering

Committee and participates in various working groups, the Standing Committee on the Assessment of Vulnerabilities, and the Standing Committee on Standards Implementation, which draws on the IMF's work on the Financial Sector Assessment Program and Reports on the Observance of Standards and Codes. It also works with the FSB in connection with the G-20 Data Gaps Initiative; in FY2012, the two organizations jointly issued a progress report on implementation of previously identified measures to close information gaps revealed by the global crisis.⁵³

The IMF and the World Bank collaborate regularly and at many levels to assist member countries. Through the HIPC Initiative and MDRI (discussed earlier in this chapter), they work together to reduce the external debt burdens of the most heavily indebted poor countries. Via the two organizations' shared Poverty Reduction Strategy Paper approach—a country-led plan for linking national policies, donor support, and the development outcomes needed to reduce poverty in low-income countries—they cooperate to alleviate poverty. Their collaborative *Global Monitoring Report* assesses progress toward achieving the Millennium Development Goals; the 2012 edition had food prices and nutrition as a central theme. The two organizations also work together to make financial sectors in member countries resilient and well regulated, via the Financial Sector Assessment Program. A joint IMF–World Bank technical assistance program funded by the Canadian International Development Agency is underway in Caribbean countries.

Collaboration between the IMF and the United Nations covers a number of areas of mutual interest, including cooperation on tax issues and statistical services of the two organizations, as well as reciprocal attendance and participation at regular meetings and specific conferences and events. In recent years, the IMF has worked with the International Labour Organization on issues related to employment, as well as social protection floors, the UN Children's Fund on fiscal issues and social policy, the UN Environment Programme on the green economy, and the World Food Program on social safety nets and early assessments of vulnerability.

The IMF participates in the Deauville Partnership of Arab countries in transition, regional partner countries, the Group of Eight, and regional and international financial institutions, launched in May 2011. The regional and international financial institutions participating in the partnership agreed in September 2011 to establish a dedicated Deauville Partnership coordination platform to ensure effective support for the partner countries; facilitate information sharing, mutual understanding, and the operational dialogue with the partner countries; coordinate monitoring and reporting of joint actions in support of the partnership; and identify opportunities for collaboration on financial assistance, technical assistance, and policy and analytical work.