

Part 2: What We Do

The IMF Has Three Main Roles

Economic Surveillance

The IMF oversees the international monetary system and monitors the economic and financial policies of its 189 member countries. As part of this surveillance process, which takes place at both the global level and in individual countries, the IMF highlights possible risks to stability and advises on needed policy adjustments.

136 country health checks



Capacity Development

The IMF works with governments around the world to modernize their economic policies and institutions, and train their people. This helps improve inclusive growth.

\$303 million for hands-on technical advice, policy-oriented training, and peer learning

Lending

The IMF provides loans to member countries experiencing actual or potential balance of payments problems to help them rebuild their international reserves, stabilize their currencies, continue paying for imports, and restore conditions for strong economic growth, while correcting underlying problems.

\$91 billion to four countries, plus \$2.4 billion to 14 low-income developing countries



Economic Surveillance

Through “surveillance,” the IMF oversees the international monetary system, monitors global economic developments, as well as engages in a health check of the economic and financial policies of its 189 member countries. In addition, the IMF highlights possible stability risks to its member countries and advises their governments on potential policy adjustments, enabling the international monetary system to achieve its goal of facilitating the exchange of goods, services, and capital among countries, thereby sustaining sound economic growth.



INTRODUCTION

IMF surveillance comprises two parts: “bilateral surveillance,” in which the IMF appraises and advises on the policies of each member country; and “multilateral surveillance,” in which the IMF provides analysis of the world economy or a group of countries that share certain characteristics. By integrating bilateral and multilateral surveillance, the IMF can ensure a more comprehensive, consistent analysis of “spillovers”—that is, how one country’s policies may affect other countries.

An important element of bilateral surveillance is the Article IV consultation, named after the article of the IMF’s Articles of Agreement that requires a review of economic developments and policies in each IMF member country.

Multilateral surveillance involves monitoring global and regional economic trends and analyzing spillovers from members’ policies onto the global economy.

The IMF also monitors regional and global economic trends and analyzes the impact that member country policies may have on neighboring countries and the global economy. It issues periodic reports on these trends and analysis. The *World Economic Outlook* provides detailed analysis of the global economy and its growth prospects, addressing issues such as the macroeconomic effects of global financial turmoil and the potential for global spillovers, especially those that may result from the economic, fiscal, and monetary policies of large, globally central economies such as the United States, China, and the euro area. The *Global Financial Stability Report* assesses global capital markets and financial imbalances and vulnerabilities that pose potential risks to financial stability. The report updates medium-term fiscal projections and assesses developments in public finances. The IMF also publishes Regional Economic Reports that provide detailed analysis of major regions of the world.

BILATERAL SURVEILLANCE

The Article IV Consultation Process: An Annual Assessment

Article IV consultations cover a range of important macrocritical issues—fiscal, financial, foreign exchange, monetary, and structural—and focus on risks and vulnerabilities and policy responses. Economists and other staff members across the IMF participate in the Article IV consultation process.

The consultations consist of a two-way policy dialogue between the IMF and country authorities. The IMF team meets with an individual country’s government and central bank officials, as well as other stakeholders—such as parliamentarians, business representatives, civil society, and labor unions—to help evaluate the country’s economic policies and direction. The IMF staff then presents a report to the IMF’s Executive Board, normally for discussion. The consultation then concludes, and the IMF sends country authorities a summary of the meeting. In most cases and after the member country agrees, the Board’s assessment is published as a press release, along with the associated staff reports. In FY2018, the IMF conducted 134 Article IV consultations (*Web Table 2.1*).

A Review of Financial Stability Assessments

Checking the health of member countries’ financial sectors is important to maintaining global financial stability. The IMF conducts mandatory assessments every five years of 29 countries whose financial sectors are deemed systemically important and assesses other members’ financial sectors on a voluntary basis. These checks feature in-depth evaluation of resilience and regulation under the Financial Sector Assessment Program (FSAP), which IMF staff use to identify country-specific risks and propose actions to avoid financial crises.

The list of systemically important financial sectors (SIFS) and the frequency of the mandatory financial stability assessments will be considered during the forthcoming 2019 FSAP Review. In February 2018, IMF staff briefed Executive Directors on possible revisions to the methodology for identifying SIFS. Staff underscored the vital role of the FSAPs and noted the emphasis

on transparency, uniformity, evenhandedness, and data-driven analysis.

In developing and emerging market countries, financial stability assessments are conducted jointly with the World Bank. Both organizations will therefore be helping set the direction for monitoring global financial stability over the coming decade.

2018 Interim Surveillance Review

In April 2018, the Executive Board discussed the “Interim Surveillance Review.” The staff paper argues that IMF surveillance has become better adapted to the global conjuncture and more integrated and risk-based. Bilateral and multilateral surveillance are underpinned by a shared and deeper understanding of global interconnectedness and linkages across sectors. Surveillance will be further enhanced ahead of the 2020 “Comprehensive Surveillance Review” by refining external sector assessments; sustaining progress on macrofinancial surveillance; and incorporating lessons from pilot efforts, including on macrofinancial, macrostructural, and emerging issues. The 2020 Review will also better anchor the IMF’s surveillance in a world of rapid technological change.

Executive Directors welcomed the Interim Surveillance Review and broadly supported its main conclusions and recommendations. Noting that better integration of bilateral and multilateral surveillance has resulted in a stronger grasp of global risks and spillovers, they encouraged staff to make further efforts to understand and ensure in-depth and more consistent coverage of outward spillovers in surveillance, including through outreach with member countries. The Executive Directors recognized the efforts being made to strengthen external sector assessments and noted that fiscal policy advice continues to adapt to the evolving challenges of the membership. They welcomed the progress toward integrating macrofinancial analysis into bilateral surveillance and encouraged continued efforts to mainstream macrofinancial surveillance and extend its coverage. They saw a need to better leverage the IMF’s expert analysis in its core areas of expertise and lessons from cross-country experience and called for better integration of capacity development with surveillance. And they emphasized the importance of the planned engagement with members and other stakeholders to identify priorities for the Comprehensive Surveillance Review, including to evaluate the traction of IMF surveillance.



MULTILATERAL SURVEILLANCE

Early Warning Exercise

The Early Warning Exercise is an important part of the institution's surveillance work and is conducted twice a year in coordination with preparation of the flagship publications (*World Economic Outlook*, *Global Financial Stability Report*, and *Fiscal Monitor*).

Findings are presented to the Executive Board and senior officials during the IMF–World Bank Spring and Annual Meetings. Follow-up to the Early Warning Exercise takes place in the context of bilateral and multilateral surveillance activities. The IMF and the Financial Stability Board cooperate closely on the Early Warning Exercise to provide an integrated perspective on risks and vulnerabilities. The IMF takes a leading role in macroeconomic, macrofinancial, and sovereign risk concerns, and the Financial Stability Board focuses on financial system regulatory and supervisory issues.

Vulnerability Exercise

Whereas the Early Warning Exercise uses a narrative approach to highlight low-probability but high-impact global risks, the Vulnerability Exercise uses empirical models to generate vulnerability ratings and crisis probability estimates at the sectoral (real, fiscal, financial, external) and country levels. As with the Early Warning Exercise, the work is closely coordinated with preparation of the flagships around the Spring and Annual Meetings. The final ratings for each country and sector are based on the judgment of IMF staff country teams. The results are presented to the Executive Board and are used to inform discussions with authorities and to help guide allocation of resources.

External Sector Report

The *External Sector Report* provides multilaterally consistent assessments of member countries' external sectors, including their exchange rates, current accounts, reserves, capital flows, and external balance sheets. This report complements the flagship reports (especially the *World Economic Outlook*) and the Article IV consultations. This report has been produced annually since 2012 and covers 28 of the world's largest economies, plus the euro area, representing over 85 percent of global GDP. The report is part of an ongoing effort to provide a rigorous and candid assessment of global excess imbalances

and their causes and to ensure that the IMF is in a good position to address the possible effects of members' policies on global external stability.

The Executive Board discussed the 2017 report, issued along with individual economy assessments, in a formal session in July 2017. Directors broadly supported the findings of the report and encouraged staff to deepen their analysis on the drivers of excess imbalances. The 2018 report includes a number of methodological refinements and was again discussed in formal session.

Economic Outlook and Policy Challenges in the Gulf Cooperation Council Countries

In December 2017, staff produced "Gulf Cooperation Council: The Economic Outlook and Policy Challenges in the GCC Countries." This paper notes GCC countries are continuing to adjust to lower oil prices, with most having experienced substantial fiscal consolidation that has hampered growth in non-oil sectors. Growth prospects over the medium term remain subdued amid relatively low oil prices and heightened geopolitical risks.

The policy paper urges a focus on supporting the private sector's access to funding, diversifying the economy for sustainable growth, improving the business climate, reducing the role of the public sector in the economy, and (where fiscal space is available) using fiscal policy to support growth and job-enhancing reforms. The paper calls for reforms to incentivize nationals to work in the private sector and for the private sector to hire them, and to enhance female participation in the labor market.

POLICY ADVICE

The Managing Director's Global Policy Agenda

In April 2018, IMF Managing Director Christine Lagarde presented her Global Policy Agenda, "A Window of Opportunity Remains Open," to an informal session of the Executive Board. The agenda stresses that while the momentum behind the cyclical global expansion remains strong, escalating trade conflicts and financial market volatility suggest that medium-term risks remain skewed to the downside. To sustain the upswing, policymakers are called on to enhance financial

sector resilience, start rebuilding policy space, and implement structural reforms—including on corruption and governance. Countries are urged to work to promote an open and rules-based multilateral trade system that works for all and to durably reduce excess global imbalances. A cooperative approach to regulation will reap the benefits of financial technology while addressing potential risks to stability and integrity, the update suggests.

The agenda also notes that the IMF is embarking on major policy reviews, including on surveillance, the Financial Sector Assessment Program, program conditionality, concessional lending tools, debt sustainability analysis, and capacity development. It has also launched a comprehensive work program on the opportunities and challenges from digitalization.

Enhancing the Focus on Macrostructural Issues in Surveillance

In March 2018, staff briefed the Executive Board on progress on the initiative to enhance the focus on macrostructural issues in surveillance. Staff noted that the 32-country pilot has improved the quality of analysis of structural issues but that challenges remain—including further developing analytical tools and knowledge sharing, particularly for emerging markets and developing countries; better integrating structural issues into the macro policy framework, enhancing collaboration with other international organizations, and appropriately prioritizing topics. Staff will extend the pilot to another nine countries with a view to concluding by the end of 2018 and incorporate lessons learned from the pilot into broader surveillance in 2019.

MONETARY AND FINANCIAL ISSUES

Update on Trends in Correspondent Banking Relationships

In March 2018, IMF staff briefed the Executive Board on the IMF's work on correspondent banking relationships. Staff noted that the IMF employs a multipronged approach to correspondent banking relationships: monitoring trends, risks, and drivers; facilitating dialogue on solutions; providing tailored capacity development; and engaging on tail risk scenarios.



Monetary Policy Normalization Creates a Bumpy Road Ahead

The April 2018 *Global Financial Stability Report* finds that as advanced economies normalize their monetary policies amid signs of firming inflation, global financial conditions are still very accommodative compared to historic norms. Easy financial conditions may support near-term growth, yet they also pave the way for financial fragilities that increase risks to global financial stability and economic growth over the medium term. Although growth outcomes under current financial conditions are notably more favorable than three years ago, macroeconomic, geopolitical, or policy shocks could put up roadblocks to growth.

Some emerging market economies have taken advantage of benign external financial conditions to address imbalances and build buffers, while vulnerabilities continue to build in others. However, monetary policy normalization could tighten global financial conditions, leading to weakening capital flows that might increase rollover risk and reduce productive investment.

In this context, central banks must strike a delicate balance of gradually withdrawing monetary policy accommodation while avoiding disruptive volatility in financial markets. Continued clarity in central bank communications is key to maintaining this balancing act.

Benefits and Risks from Capital Flows

A September 2017 paper, "Increasing Resilience to Large and Volatile Capital Flows: The Role of Macroprudential Policies," reflects an earlier Executive Board discussion. It finds that capital flows can bring substantial benefits for countries,



but that large and volatile capital flows can also give rise to systemic financial risks. Benefits tend to be greater for countries whose financial and institutional development enables them to intermediate capital flows safely.

The paper illustrates that postcrisis reforms, including the development of macroprudential policies, are helping to make financial systems more resilient to shocks from capital flows. It assesses the two frameworks put in place to help ensure that policy advice on capital flows is consistent and tailored to country circumstances—the macroprudential framework and the institutional view on capital flows. The paper concludes that the frameworks are consistent with key principles, including by avoiding both macroprudential policies and capital flow management measures as substitutes for needed macroeconomic adjustment.

Executive Directors supported this paper. They recognized that capital flows deliver significant benefits, but also have the potential to contribute to a buildup of systemic financial risk, especially if they are large and volatile. They also reiterated that macroeconomic policies, including exchange rate flexibility, need to play a key role in managing risks associated with capital flows, and that macroprudential policies and capital flow management measures should not be used to substitute for warranted macroeconomic adjustment.

Trade-Offs in Bank Resolution

A February 2018 IMF paper, “Trade-Offs in Bank Resolution,” notes that during the global financial crisis, authorities faced something of a dilemma: bank bailouts could reinforce expectations of future public support for troubled financial institutions—possibly leading to excessive risk-taking and seeding the ground for the next crisis—but the use of public resources seemed necessary to prevent distress in one bank leading to systemwide crises. In most cases, failing banks were bailed out, with most of the costs and risks borne by taxpayers.

Since then, reforms have sought to reduce the likelihood of crises and minimize costs should a crisis occur—including by shifting the burden to private investors and improving the trade-off between bailouts and bail-ins. This paper revisits this trade-off in light of these developments. It supports the efforts to provide resolution authorities with effective bail-in powers, and stresses that frameworks should seek to minimize moral hazard with bailouts. The paper recognizes the continued need to allow for sufficient, albeit constrained, flexibility to be able to use public resources in the context of systemic banking crises. It calls for continued efforts to enhance loss-absorbing capacity, ensure that holders of bail-in-able debt are those best situated to absorb losses, and improve arrangements for cross-border resolution.

External Balances: Promoting Consistency in Annual Assessments

The IMF provides staff assessments of economies' external positions, including current account balances, real exchange rates, external balance sheets, capital flows, and international reserves, in its yearly *External Sector Report*. As noted earlier, efforts are under way to strengthen the methodology and assessments and promote consistency in the report.

As a tool to help estimate the impact of domestic and foreign influences on the current accounts and exchange rates of major economies, staff have used an External Balance Assessment (EBA), and the IMF has been developing a so-called "EBA lite" methodology for other countries over the past few years. The assessments use regression models and sustainability analysis to describe the effect of different influences. Reports are supplemented by staff judgments about the country-specific factors that models cannot capture.

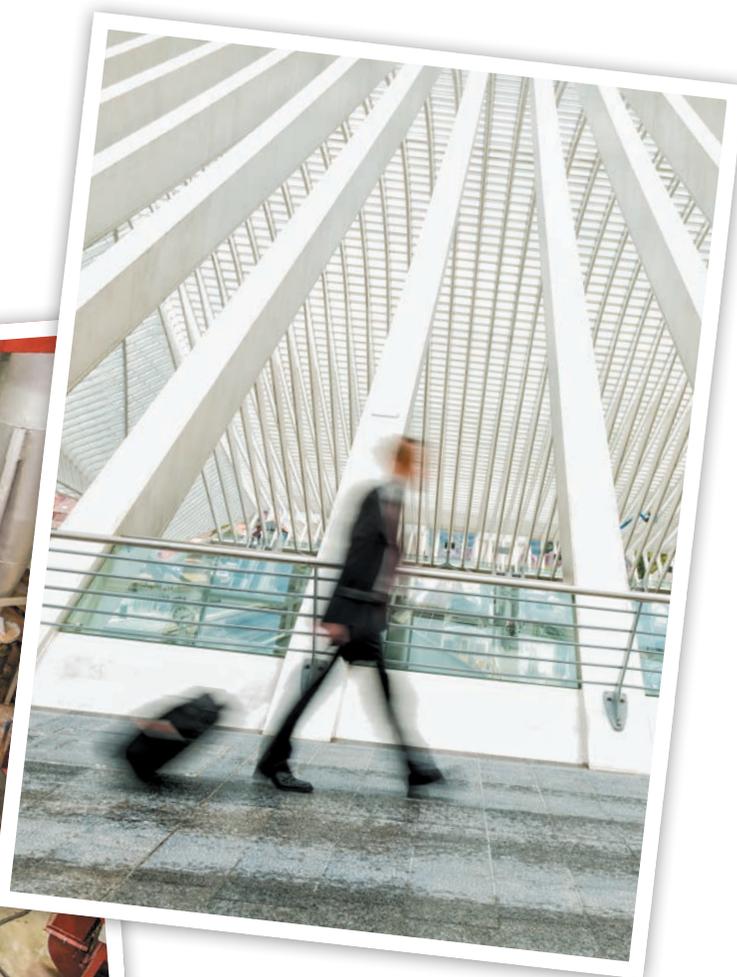
Limitations of EBA and EBA lite are inherent in data comparability issues and methodological uncertainties. As these are well recognized, upcoming discussions on refinements will focus on improving the methodologies and their application.

Global Standards: Sharpening the Tools to Cut Systemic Risk

Financial sector supervisory standards have been used in the IMF's financial sector assessments since 2000, but a revision of its approach was deemed necessary. The assessments have been conducted against three main supervisory standards for banking, insurance, and securities, set by the Basel Committee on Banking Supervision, International Association of Insurance Supervisors, and International Organization of Securities Commissions, respectively. Two developments gave rise to a need for a revised approach: First, these supervisory standards have been updated and strengthened considerably since the global financial crisis. They have been expanded in scope and improved to account for gaps. Second, in line with the increased emphasis on systemic risk, a more focused review on areas requiring a deeper coverage was deemed necessary.

As a result of consultations with the Standard Setting Bodies (SSBs), an understanding was reached to refine the existing flexible approach. The SSBs and staff agreed that financial sector supervisory standards will continue to be used in one of two ways:

- **Graded assessment:** given that the various principles are interrelated, the standard will be assessed in full. The output will continue to be a "Detailed Assessment Report."



■ **Focused review:** a standard can also be used as a benchmark to analyze specific prudential or supervisory gaps, without involving any graded assessment, and can be based on a subset of principles.

The decision about whether to conduct a graded assessment or a focused review will continue to be by agreement between staff and the authorities.

FISCAL POLICY

Recent Developments in International Corporate Taxation

In February 2018, IMF staff briefed the Executive Board on recent developments in international taxation, focusing on the US tax reform. The IMF has also continued its expanded work with area departments on international corporate tax issues in the context of bilateral surveillance. As of May 2018, approximately 20 selected issue papers, working papers, or annexes had been completed in the previous two years as part of Article IV reports.

Second-Generation Fiscal Rules

In March 2018, IMF staff briefed the Executive Board on the evolution of fiscal rules since the global financial crisis, presenting evidence that fiscal rules—when properly designed and supported by institutions and political will—can promote fiscal sustainability. Staff urged a careful balance between flexibility and simplicity, and suggested enhanced enforcement through higher reputational costs rather than sanctions.

The Platform for Collaboration on Tax

The Platform for Collaboration on Tax is a joint initiative of the IMF, Organization for Economic Co-operation and Development (OECD), UN, and the World Bank Group.

■ **First Global Conference on Taxation and the Sustainable Development Goals:** In February 2018, the Platform held its first global conference. The conference explored how tax policies, tax administration, and legal structures can affect countries' ability to reach the Sustainable Development Goals. The effects include not only a country's ability to mobilize the necessary financing for investment to pursue the SDGs, but also how to boost investment and support growth, coordinate international corporate taxation, empower women, support environmental sustainability, design appropriate fiscal regimes around extraction of natural resources, and, not least, contribute to building government institutions and improve overall governance. In a conference statement, the Platform partners agreed to unite their individual work programs to collectively seek progress, especially through analysis, standard setting, and technical assistance.

■ **Toolkit on tax bases:** In June 2017, the Platform provided practical guidance to developing countries to better protect their tax bases. The “Toolkit for Addressing Difficulties in Accessing Comparable Data for Transfer Pricing Analyses” can implement transfer pricing rules with incomplete data by helping them assess what prices would be expected between independent parties. The guidance will also help countries set rules and practices that are more predictable for business.

■ **Draft toolkit on “The Taxation of Offshore Indirect Transfers”:** In August 2017, the Platform sought public feedback on a draft of “The Taxation of Offshore Indirect Transfers—A Toolkit.” This is designed to help developing countries tackle the complexities of taxing offshore indirect transfers of domestic assets by means of sales or transfers of shares or other interests in entities higher in the chain of ownership and located outside the country in which the valuable assets are located. Such taxation is already addressed in major models for bilateral double taxation treaties and through the OECD Multilateral Instrument. But many countries have not incorporated those principles into domestic law—a prerequisite if countries wish to impose taxation on gains realized in such transfers. The draft toolkit examines the principles underlying taxation of these transactions and sets out two primary models for adjusting domestic laws. Extensive comments were received from business, civil society, and some countries, and a revised version is expected in 2018.

State-Contingent Debt Instruments for Sovereigns

In May 2017, the IMF published a paper analyzing the potential role that state-contingent debt instruments could play in enhancing sovereign resilience. Executive Directors welcomed staff's balanced assessment of both the benefits as well as complications associated with such instruments.

Directors noted the theoretical case: by linking debt service to capacity to pay, state-contingent debt instruments could increase fiscal space, allowing greater policy flexibility in bad times. They could also potentially broaden the sovereign's investor base and open opportunities for risk diversification. And if issuance rose to a large share of public debt, it could significantly reduce the incidence cost of sovereign debt crises, and thereby enhance the resilience of the international financial system.

However, they highlighted staff's observation that take-up of the instruments had been limited in “normal times,” pointing to challenges associated with data integrity, instrument complexity, and a first-mover problem on the part of issuers, among other issues. Staff analysis suggested that careful

instrument design, robust institutions and contracts, and official sector initiative/coordination could help overcome some of these complications.

Overall, Executive Directors saw a greater potential for these instruments to be used by developing economies vulnerable to natural disasters and commodity price shocks, than by mature economies with established debt markets. They suggested that the IMF pursue a gradual, targeted, and demand-driven approach consistent with this mandate.

EMERGING MARKETS

Emerging Markets: Developments and Prospects

In informal sessions in September 2017 and April 2018, staff briefed Executive Directors on developments and prospects in emerging markets. In both instances, staff noted that the global economic environment for emerging markets was supportive, but that balance-sheet vulnerabilities were elevated in many emerging markets, as were the risks from a sudden or excessive tightening of financial market. These vulnerabilities should be addressed while global conditions remain favorable. The September 2017 briefing emphasized the need to advance structural reforms to raise medium-term growth, build resilience, and reduce vulnerabilities. The April 2018 briefing placed greater emphasis on the dynamics of inflation as well as the need to mitigate the impact of demographic pressures to help raise overall income levels.

Emerging Europe: Bank Lending Improves

Bank lending in Central, Eastern and South Eastern Europe (CESEE) is improving now that deleveraging following the global financial crisis has come to an end. The better picture is supported by progressive reductions in bad loans that had soured lending prospects, even as their negative impact persists in some countries. That was the conclusion of reports in 2017 from the Vienna Initiative, launched with IMF support at the height of the crisis to help the region's banking sectors keep credit flowing.

External positions for the first half of 2017 improved among CESEE banks reporting to the Bank for International Settlements. Foreign bank funding increased overall, despite reductions for some countries. Lending accelerated outside the Commonwealth of Independent States, with consumer

credit staging a firm recovery in nearly all countries. Improving economic outlooks have increased demand for credit and eased supply standards. However, group asset quality of some large banks, alongside changes in local regulation and local capital positions, weigh on some subsidiaries' supply stances and have resulted in selective lending strategies, the report finds.

The Vienna Initiative works on specific financial sector problems, including bad loans, the impact of regulatory reform, and capital market development. In March 2018, it set its sights on a model for the region that drives innovation and boosts productivity. The aim is to give fresh impetus to economic growth and promote convergence with high-income European Union countries.

LOW-INCOME AND DEVELOPING COUNTRIES

Debt Sustainability

In September 2017, the Executive Board reviewed the "IMF-World Bank Debt Sustainability Framework for Low-Income Countries." Since 2005, this framework has been the cornerstone of the international community's assessment of risks to debt sustainability in low-income countries. The review proposes reforms to adapt and update the framework and



to make it more comprehensive. Changes include a revised approach to assessing countries' debt-carrying capacity based on an expanded set of variables, an improved methodology for predicting debt distress, and more tailored stress tests.

Executive Directors welcomed the comprehensive review and proposed reforms—especially the focus on more accurately flagging potential debt distress to better inform borrowing and lending decisions. They noted that the quality of the framework's outputs depends heavily on the quality of its inputs and called for efforts to ensure that debt sustainability assessments fully capture all sources of public sector debt.

Social Safeguards in Low-Income Countries

In June 2017, the IMF released “Social Safeguards and Program Design in PRGT and PSI-Supported Programs” following a Board discussion. This policy paper considers how

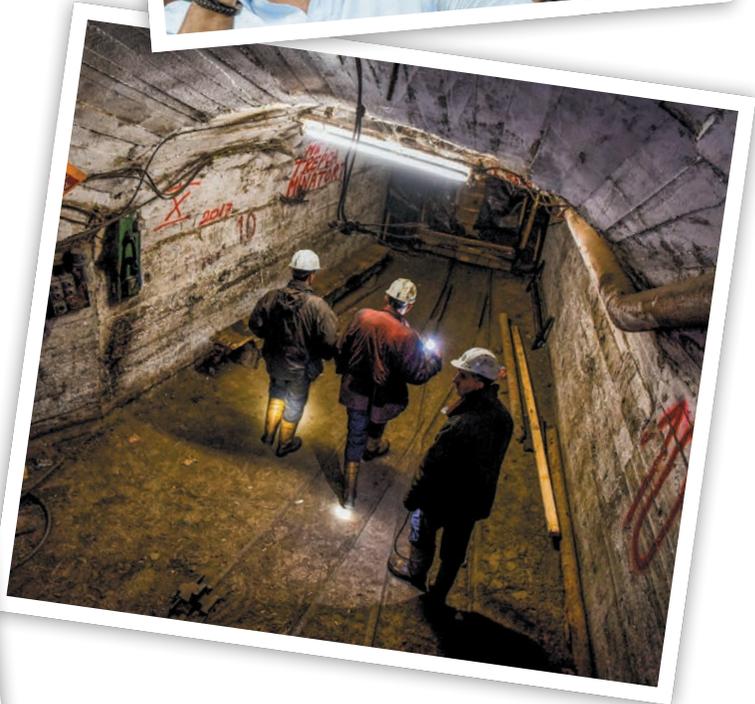
countries can protect poor and vulnerable groups through the implementation of programs supported by the Poverty Reduction and Growth Trust (PRGT) and the Policy Support Instrument (PSI). The paper finds that targets for social and other priority spending were included in virtually all PRGT-supported programs and PSIs in low-income countries, and that these targets were met in more than two-thirds of cases. Furthermore, health and education spending has typically been protected. The paper recommends increasing efforts to strengthen social safety nets in these countries.

Executive Directors welcomed the findings that social spending has been protected in most programs and supported staff's proposals to improve the design of social safeguards measures in PRGT- and PSI-supported programs. They called for closer and more effective collaboration with the World Bank and other development partners and for consistent engagement with country authorities and external stakeholders (including civil society organizations) on social safeguard issues.

Capital Flows in Zambia

In May 2017, the IMF hosted a conference in Zambia on “Managing Capital Flows: Challenges for Developing Countries.” Participants included Felix Mutati, Minister of Finance of Zambia; David Lipton, First Deputy Managing Director of the IMF; and Paul Krugman, Nobel laureate and Distinguished Professor of Economics at the City University of New York.

Participants agreed that capital flows to developing countries were generally beneficial—providing an important source of financing for investments and helping to maintain foreign exchange reserves. They stressed the importance of sound policies and macroeconomic stability to help reignite high-quality capital flows. The key takeaways were that the composition of capital flows matters for financial stability and growth, and effectively managing the capital inflow phase was the best protection against challenges that arise when they reverse.



OTHER TOPICS

Infrastructure Support

The IMF started an Infrastructure Policy Support Initiative (IPSI) in 2015 to help countries evaluate the macroeconomic and financial implications of investment programs and financing strategies and to bolster their institutional capacity for managing public investment. The initiative integrates the IMF's oversight of public investment with technical assistance and combines several analytical tools to help countries make the best use of resources for building infrastructure. Nine countries where infrastructure issues are particularly significant and constitute one of the key areas of the IMF's engagement with the authorities have been identified as IPSI pilots. These are Cambodia, Colombia, Honduras, Kyrgyz Republic, Serbia, Solomon Islands, Thailand, Timor-Leste, and Vanuatu.

A number of tools that have already been used to improve the quality and, in some countries, the quantity of infrastructure spending are now integrated into the IPSI program, including:

- public investment management assessments (PIMA) to help countries evaluate the strength of their public investment management practices and prioritize reforms to deliver well-planned and cost-effective public investment projects on schedule and within budget;
- Fiscal Risk Assessment Model for public-private partnerships (PFRAM), an analytical tool to assess the potential fiscal costs and risks arising from public-private partnerships; and
- a dynamic Debt-Investment-Growth (DIG) model that lets policymakers weigh the macroeconomic consequences of different financing strategies.

Building Fiscal Capacity in Fragile States

In June 2017, following an Executive Board discussion, the IMF published a paper that analyzes recent IMF capacity development (technical assistance and training) in fragile states and stresses the importance of targeting fiscal technical assistance to achieve fiscal stability, financial control, and secure revenues. The paper notes that when countries first become fragile, including immediately after a conflict or disaster, the focus should be on the easiest-to-collect taxes,

setting up basic organizational structures for tax and customs administrations, and strengthening core administrative processes. On the expenditure side, the focus should be on annual budget preparation, control of budget execution, cash management, and basic fiscal reporting. Once countries become more stable, technical assistance can shift toward the modernization of fiscal institutions incrementally through medium-term revenue and expenditure strategies. It is also important to promote effective donor partner coordination.

Executive Directors welcomed the comprehensive and balanced analysis of how the technical assistance to fragile states differs from that to non-fragile states and the lessons that can be derived for future work in this area in order to better serve this important segment of the membership. They agreed that the strategy in fiscal capacity building has been broadly appropriate. They welcomed the increase in IMF fiscal technical assistance to fragile states over the past decade, facilitated by rising external funding.

Inequality and Poverty across Generations in the European Union

A paper issued in January 2018 shows that although rates of inequality and poverty in the European Union have been stable, a generational gap has arisen since the global financial crisis. Specifically, working-age people, and especially the young, are falling behind. The crisis exacerbated already-high youth unemployment rates and the trend toward creation of less-stable jobs. Social protection schemes managed to shield the real incomes of the elderly from the effects of the crisis, but they proved ill equipped to address the precariousness of young people's incomes.

Facilitating the integration of young people into the labor market is essential. This calls for providing employers with greater incentives to hire young people—including through targeted reductions in the labor tax wedge or tax credits at the lower end of the wage scale—and improving and adapting their skills, especially by protecting spending on education and training. Better access to social protection systems for workers in less stable jobs is also important.

Operationalizing Emerging Issues: Gender, Inequality, and Energy and Climate

In November 2017, staff briefed the Executive Board on efforts to incorporate recent work on gender, inequality, and energy and climate issues into the IMF's surveillance, analytical work, country pilots, and capacity development. Staff emphasized that the coverage of these issues in the IMF's work would be selective and where deemed macrocritical.

DATA

Data and Statistics Strategy

In March 2018, the Executive Board discussed an "Overarching Strategy on Data and Statistics at the Fund in the Digital Age," which outlines a move toward an ecosystem of data and statistics that enables the IMF and its members to better meet the evolving data needs in a digital world. The key elements of this strategy are:

- **integration**—aligning currently fragmented initiatives and unifying the data management function;
- **innovation**—taking advantage of Big Data for higher-frequency monitoring, and deploying new technologies to close data gaps and meet surveillance needs; and
- **intelligence**—leveraging artificial intelligence for analyzing data and statistics.

The paper stresses that the IMF will continue to build statistical capacity across the membership, including with donor support. It will work with policymakers to understand the implications of the digital economy and digital data for the macroeconomic statistics, including new measures of welfare beyond GDP.

Executive Directors welcomed the overarching strategy for data and statistics, which should enable the IMF and its members to better respond to the challenges and opportunities of digitalization. They noted that the need to analyze larger and more heterogeneous amounts of data will require expanding the skills of staff. They appreciated the strategic priorities and supported the vision of a global data common—an integrated

cloud-based network of country websites publishing key data needed by the IMF and markets to monitor economic conditions and policies. They saw merit in exploring the use of Big Data to support earlier detection of risks and to complement the compilation of official statistics. And they agreed that the IMF should continue to work with member countries to build statistical capacity.

Measuring the Digital Economy

Digitalization has transformed the way we work, consume, and engage with one another. But slow growth in GDP and productivity has exposed concerns that macroeconomic statistics do not fully capture gains achieved thanks to digital and digitally enabled products and activities.

A recent IMF staff paper proposes throwing a strong perimeter around the "digital sector" and distinguishing it from the "digital economy." Inside the perimeter are producers at the core of digitalization, such as online platforms, platform-enabled services, and suppliers of Information and Communications Technology goods and services. Outside the perimeter is the digital economy, a reflection of the effects of digitization on all sectors from agriculture to warehousing.

The paper discusses the interrelated core aspects of digitization on GDP, welfare, globalization, and productivity. It analyzes challenges in measuring activity related to the



digital sector. For example, proposals to include free digital services—including from platforms that collect user data—in calculations of GDP are not warranted. Interestingly, it puts the size of the digital sector at still less than 10 percent of most economies and the effect of undermeasurement of the digital sector on estimates of US labor productivity growth at no more than 0.3 percentage points, smaller than the post 2005 slowdown. The paper finds that improving national statistics agencies' access to data collected by government as part of its regular activities and to "Big Data" generated by the private sector can help overcome the measurement challenges.

Big Data: Challenges and Implications

In August 2017, staff briefed the Executive Board on a framework for analyzing the potential of Big Data to benefit macroeconomic and financial statistics and analysis. The main takeaways were (1) Big Data is not a static concept; it is far-ranging and rapidly evolving, requiring a long-term vision; (2) a strategic organizational plan to deliver measurable and large-scale results is needed; and (3) further research is needed to assess ways to use Big Data to effectively support IMF surveillance.

Macroprudential Policy Survey

The new IMF Macroprudential Policy Survey database contains information on measures that may be taken by member countries with the objective of containing systemic risk, in line with the definition of macroprudential policy as "the use of primarily prudential tools to limit systemic risk." In addition, the database contains information on the institutional aspects of the macroprudential policy framework in member countries.

The first vintage of the database includes countries' responses to what will be an annual survey and comprises macroprudential measures in place as of early 2018 and, in many cases, changes to these measures that have occurred since 2011. In addition, a report was issued providing detail on the survey design, and a description of the results of the first survey.

The database can be used by policymakers and researchers to analyze the impact of macroprudential measures within and across countries, thereby helping to generate further insights into the costs and benefits of such measures in mitigating systemic risk. It is also a valuable new resource for bilateral country surveillance and multilateral economic analysis.

The database is compiled exclusively from information provided by IMF member countries. As a result, the inclusion in or absence of a particular policy tool does not represent a judgment or decision by IMF staff or the IMF Board on whether a particular tool used by an IMF member should be considered "macroprudential" in nature. Similarly, the database provides no assessment of the various institutional arrangements reported by IMF member countries; such classifications and assessments are instead to be found in IMF staff reports and FSAP documents.

Data for Decisions Fund

The Data for Decisions (D4D) Fund is a new IMF trust fund dedicated to putting more and better data in the hands of decision-makers to support evidence-based macroeconomic policies, and to properly monitor progress in achieving the sustainable development goals (SDGs). It aims to strengthen



national statistical systems to cope with a more challenging national and international policy environment, promote transparency and accountability, and offer efficient solutions to capacity development. The fund is expected to provide about \$33 million over five years. The target countries are mainly low-income and lower-middle-income countries worldwide, including fragile states.

The D4D Fund will have four modules: (1) Addressing Data Needs and Quality Concerns to help countries compile and disseminate data; (2) the Financial Access Survey to provide statistics to guide policymakers on how to advance financial inclusion; (3) Online Learning to develop training courses aimed at facilitating knowledge transfer to government officials as well as empowering civil society by better understanding data; and (4) Statistical Information Management to provide advice to streamline, standardize, and automate data management practices and infrastructure.

Special Data Dissemination Standard Plus

The highest tier of the IMF's Data Dissemination Initiative, the Special Data Dissemination Standard (SDDS) Plus, is intended primarily for economies that play a leading role in international capital markets and whose financial institutions are globally interconnected. During FY2018, Senegal subscribed to the SDDS.

Enhanced General Data Dissemination System

Under the enhanced General Data Dissemination System (e-GDDS), endorsed by the IMF Executive Board in May 2015, country authorities commit to publishing the data that support their ongoing policy dialogue with IMF staff. Publication must be according to a release schedule agreed upon in the Data Gaps Initiative in advance, with data easily accessible, including for machine-to-machine transmission.

The effort is fostering international cooperation, with the African Development Bank and the Inter-American Development Bank providing material support for the installation of information technology infrastructure (Open Data Platform) that sustains National Summary Data Pages in selected countries in Africa and the Western Hemisphere.

Implementation of the e-GDDS proceeded in a number of countries during the year. These include Aruba, Benin, Bhutan, Cambodia, Cameroon, Honduras, Jamaica, Kosovo, Malawi, Micronesia, Mongolia, Montenegro, Namibia, Nepal, Paraguay, Rwanda, Samoa, Senegal, Sierra Leone, Suriname, Swaziland, Tanzania, Uganda, and Zambia.

G20 Data Gaps Initiative

In September 2017, the Financial Stability Board and the IMF published the second progress report on the implementation of phase two of the G20 Data Gaps Initiative (DGI-2). The report updates the work undertaken since September 2016 and highlights the progress achieved through a new monitoring framework and a “traffic light” dashboard. The 2018 DGI work program includes three thematic workshops (on real estate prices, sectoral accounts, and securities statistics) and the annual Global Conference. Progress on the overall initiative will be reported to the G20 Finance Ministers and the Central Bank Governors in September 2018 in the Third IMF/FSB Progress Report of the DGI-2.

Gaps in Financial Inclusion

The IMF's annual survey of indicators tracking financial access—an important pillar of financial inclusion—shows that growth in the number of bank branches and ATMs is concentrated in Asia and that on average, adults in sub-Saharan Africa have access to five times fewer bank branches and ATMs than in the rest of the world.



Data from the latest Financial Access Survey also show that innovations such as mobile money services continue to make inroads and spread the benefits of technology. Afghanistan, for instance, has more than six times more mobile money agents than ATMs. Among other advances, this has helped civil servants receive pay through their mobile phones.

Financial inclusion is very dynamic, and the survey illustrates the importance of collecting more granular financial access data. For example, new data suggest progress in narrowing the gender gap to financial access. For instance, the survey shows that the share of female borrowers in Malaysia increased from 37 percent in 2004 to 44 percent in 2016.

Information in the survey is based on administrative data collected from commercial banks or other deposit-taking institutions and from digital financial service providers. The Financial Access Survey is conducted with generous financial support provided by the Netherlands' Ministry of Foreign Affairs and the Bill & Melinda Gates Foundation.

Fiscal Transparency and Fiscal Risk Management

Fiscal transparency is the comprehensiveness, clarity, reliability, timeliness, and relevance of public reporting on the past, present, and future state of public finances. It is critical for effective fiscal management and accountability by helping ensure that governments have an accurate picture of their finances when making economic decisions, including the costs and benefits of policy changes and potential risks to the fiscal outlook. It also provides legislatures, markets, and citizens with information to hold governments accountable. Furthermore, fiscal transparency facilitates international surveillance of fiscal developments and helps mitigate the risk of transmission of fiscal spillovers between countries.

The IMF's Fiscal Transparency Code and Fiscal Transparency Evaluation are the key elements of the institution's ongoing efforts to strengthen fiscal monitoring, policymaking, and accountability among its member countries. The code is the international standard for disclosure of information about public finances. It consists of a set of principles built around four pillars: (1) fiscal reporting; (2) fiscal forecasting



and budgeting; (3) fiscal risk analysis and management; and (4) resource revenue management. For each transparency principle, the code differentiates between basic, good, and advanced practices to provide countries with clear milestones toward full compliance with the code and ensure its applicability to the broad range of IMF member countries.

During FY2018, the IMF published fiscal transparency evaluations of Brazil, Georgia, Turkey, and Uganda. As of April 2018, 19 Fiscal Transparency Evaluations had been published for countries across a range of regions and income groups.

Georgia has made substantial inroads in recent years to enhance disclosure and management of fiscal risks. The IMF supported the authorities in developing a framework for monitoring risks related to state-owned enterprises, establishing a sound legal framework to govern public-private partnerships (PPPs) and to better assess fiscal risks associated with long-term power purchase agreements (PPAs) in the hydropower sector. Using this information, the authorities could adjust the pace of its hydroelectricity expansion to better match demand and restructure the PPA contracts to reduce fiscal risks.

Disclosure of fiscal risks has also improved through expanding the analysis of macroeconomic and debt-related fiscal risks that Georgia was already publishing. This, combined with a suite of other reforms, such as the development of annual financial statements and introduction of program-based budgeting, has seen Georgia climb from 34th to 5th on the Open Budget Survey's rankings between 2010 and 2017. An IMF Fiscal Transparency Evaluation in 2016 also found that Georgia now meets the level of good or advanced practice in many areas, while highlighting areas for continued improvement.

Moldova published its first Fiscal Risk Statement (FRS) in December 2017. The FRS provides a comprehensive overview of key fiscal risks facing the country, and is a useful tool for assessing the consistency and credibility of fiscal policies.

The consolidated presentation allows assessment of the relative importance of each risk category and provides a basis for prioritizing risk mitigation measures. A risk category of “macroeconomic shocks” is identified as one with the highest potential impact and a high probability, and more frequent updates of macroeconomic forecasts are recommended as a measure to mitigate the risks. High risks also result from potential bailout of insolvent state-owned enterprises, and insolvent, systemically important banks whose impact will be estimated in future fiscal risk statements. The draft of the FRS was subject to public consultation and was discussed with members of parliament.

Fiscal Transparency Handbook

The *Fiscal Transparency Handbook* was published in April 2018. It provides detailed guidance on the implementation of the principles and practices set out in the 2014 Fiscal Transparency Code. It covers the first three Pillars of the Code (fiscal reporting, fiscal forecasting and budgeting, and fiscal risk analysis and management); discusses key dimensions and principles under each pillar; and provides guidance on the requirements for meeting the basic, good, and advance practices for each principle, illustrated by many examples from countries around the globe.

The *Handbook* is aimed at a range of stakeholders: governments with an interest in promoting fiscal transparency; national oversight and accountability organizations, such as legislatures, supreme audit institutions, parliamentary budget offices, national statistics agencies, and independent fiscal agencies; international organizations; investors; international rating agencies; academia and researchers studying public finance and fiscal transparency; and others—in the public or private sectors—who have an interest in promoting transparency.

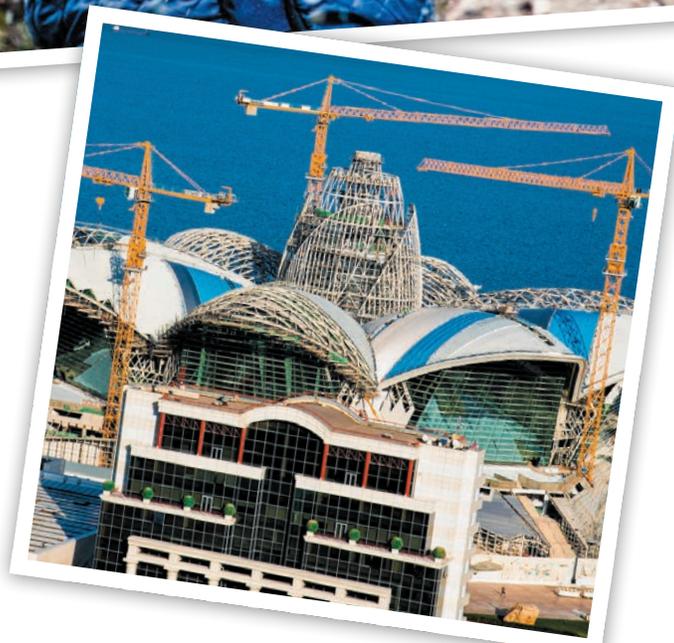
As a companion to the Code and Fiscal Transparency Evaluations, the *Handbook* will help countries strengthen their economic institutions in public financial management and improve fiscal governance. A subsequent version of the *Handbook*, planned for release in 2019, will incorporate the Code's Pillar IV.

Lending

Unlike development banks, the IMF does not lend for specific projects but instead to member countries that experience balance of payments difficulties, to give them time to rectify economic policies and restore growth without having to resort to actions damaging to their own or other members' economies. IMF financing is meant to help member countries tackle balance of payments problems, stabilize their economies, and restore sustainable economic growth. This crisis-resolution role is at the core of IMF lending activities.

In broad terms, the IMF has two types of lending—loans provided at nonconcessional interest rates and loans provided to low-income countries on concessional terms, with interest rates that are low or in some cases zero. Currently, pursuant to a waiver approved by the Board, no concessional loans bear any interest.

The global financial crisis highlighted the need for an effective global financial safety net to help countries cope with potential adverse shocks. A key objective of recent lending reforms has therefore been to complement the IMF's traditional role of resolving crises with additional tools for preventing crises.



NONCONCESSIONAL FINANCING ACTIVITY

GRA Resources

The General Resources Account (GRA) is the principal account of the IMF, consisting of a pool of currencies and reserve assets that represent the paid subscriptions of member countries' quotas. The GRA is the account from which the nonconcessional lending operations of the IMF are financed. In FY2018, the Executive Board approved three new arrangements and one augmentation to an existing arrangement under the IMF's nonconcessional financing instruments, totaling SDR 63.3 billion (\$91.0 billion at the SDR/dollar exchange rate on April 30, 2018, of 0.69538).

An arrangement under the Flexible Credit Line (FCL) with Mexico (SDR 62.4 billion)—which is treated by Mexico as precautionary—accounted for 99 percent of these commitments. (Mexico's FCL arrangement was a successor to a previous arrangement of the same magnitude that was canceled.) The remaining 1 percent comprised extended

arrangements under the Extended Fund Facility (EFF) with Mongolia (SDR 314.5 million), and Gabon (SDR 464.4 million), and an EFF augmentation with Côte d'Ivoire (SDR 108.4 million). *Table 2.1* details the arrangements approved during the financial year, and *Figure 2.1* shows the arrangements approved over the past 10 financial years.

During FY2018, disbursements under financing arrangements from the GRA, referred to as "purchases," totaled SDR 4.2 billion (\$6.0 billion). Of these purchases, 86 percent were made by Egypt, Iraq, Sri Lanka, and Tunisia.

Total repayments, termed "repurchases," for the financial year amounted to SDR 14.6 billion (\$21.0 billion), including advance repurchases from Portugal of SDR 7.6 billion (10.9 billion) and from Ireland of SDR 3.8 billion (\$5.4 billion). Reflecting the slightly larger repurchases relative to purchases, the stock of GRA credit outstanding decreased to SDR 37.9 billion (\$54.5 billion) from SDR 48.3 billion (\$66.2 billion) a year earlier. *Figure 2.2* shows the stock of nonconcessional loans outstanding during the past 10 financial years.

Table 2.1

Arrangements approved in the General Resources Account in FY2018

(Millions of SDRs)

Member	Type of arrangement	Effective date	Amount approved
NEW ARRANGEMENTS			
Mongolia	36-month Extended Arrangement under the Extended Fund Facility	May 24, 2017	314.5
Gabon	36-month Extended Arrangement under the Extended Fund Facility	June 19, 2017	464.4
Mexico	24-month Flexible Credit Line Arrangement	November 29, 2017	62,388.9
Subtotal			63,167.8
AUGMENTATION OF EXISTING ARRANGEMENTS			
Côte d'Ivoire	36-month Extended Arrangement under the Extended Fund Facility	June 19, 2017	108.4
Subtotal			108.4
Total			63,276.2

Source: IMF Finance Department.

GRA Borrowing

The IMF is a quota-based institution, and its aggregate quota resources were doubled through implementation of the quota increases under the Fourteenth General Review. However, borrowed resources continue to play a key role in supplementing quota resources. The New Arrangements to Borrow (NAB), a set of credit arrangements with 40 participants totaling about SDR 182 billion, serves as a second line of defense after quotas. On February 25, 2016, the IMF Executive Board terminated early the activation period under the NAB (which had originally covered October 1, 2015, through March 31, 2016) in light of the effectiveness of the Fourteenth General Review of quotas on January 26, 2016.

The current set of NAB arrangements were renewed in November 2016, and became effective for the five-year period from November 17, 2017, to November 16, 2022.

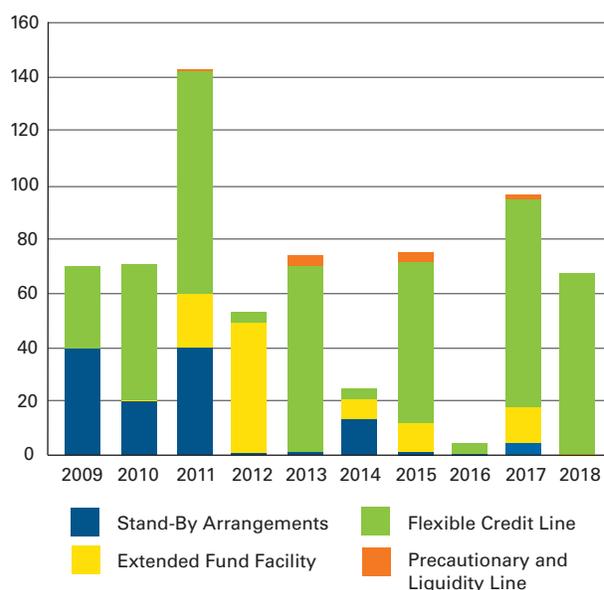
The IMF also has bilateral borrowing agreements, which provide a third line of defense after quotas and the NAB. These agreements, under the 2016 borrowing framework, allow the IMF to maintain access on a temporary basis to bilateral borrowing from the membership and thereby to avoid a sharp contraction in lending capacity. Borrowing agreements under the 2016 framework have a common maximum term of December 31, 2020, with an initial term of December 31, 2019, extendable for an additional year with the consent of the creditors. As of April 30, 2018, 40 member countries had committed a total of about SDR 316 billion or \$455 billion in bilateral borrowing.

The General Arrangements to Borrow (GAB) is a more limited backstop to the IMF's quota resources in circumstances where a proposal to activate the NAB is not accepted by the NAB participants. The GAB does not add to the IMF's overall resource envelope, because commitments made under the GAB reduce the amount available under the NAB by an equal amount.

Figure 2.1

Arrangements approved in the General Resources Account during financial years ended April 30, 2009–18

(Billions of SDRs)



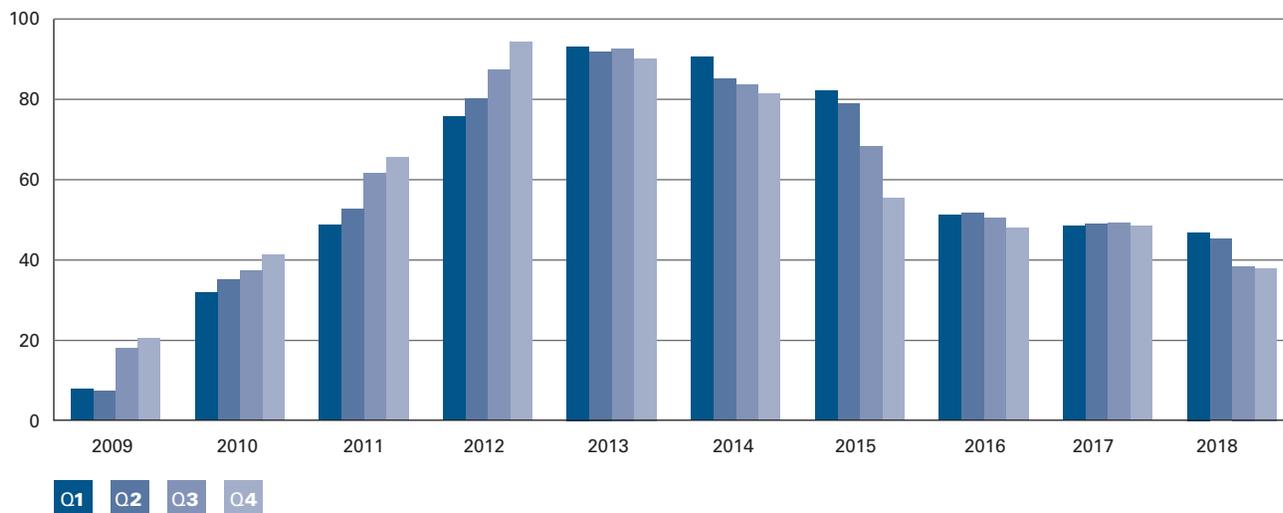
Source: IMF Finance Department.

The GAB decision will not be renewed when its current term ends on December 25, 2018. This follows the unanimous agreement by GAB participants that the GAB should be allowed to lapse when its current term ends.

CONCESSIONAL FINANCING ACTIVITY

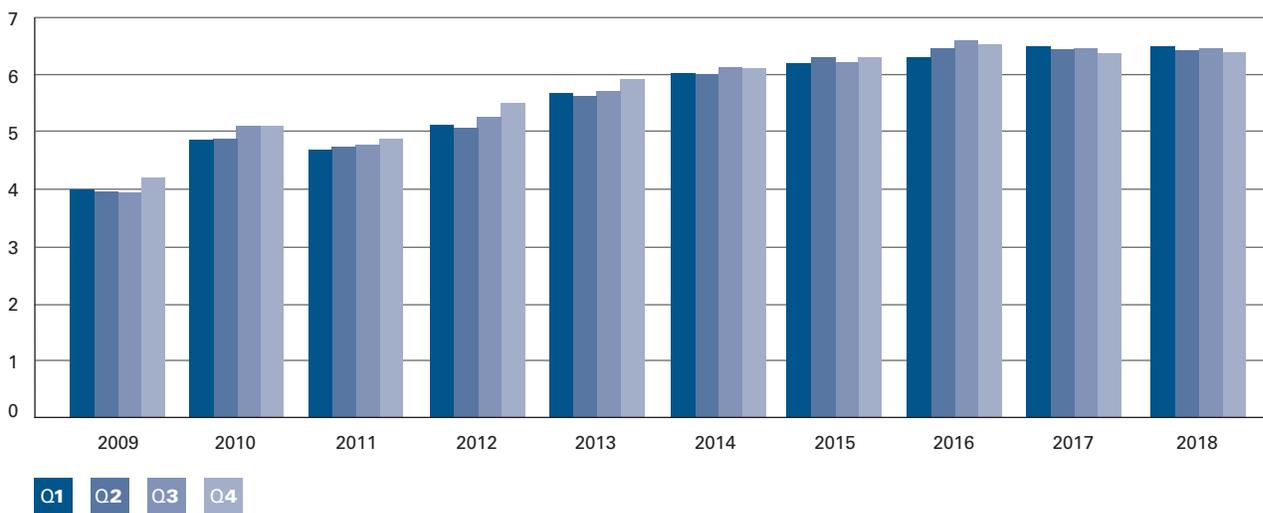
In FY2018, the IMF committed loans amounting to SDR 1.703 billion (\$2.38 billion) to its low-income developing member countries under programs supported by the Poverty Reduction and Growth Trust (PRGT). Total concessional loans outstanding to 53 members amounted to SDR 6.36 billion at the end of April 2018. *Table 2.4* details the new arrangements and augmentations of access under existing arrangements under the IMF's concessional financing facilities. *Figure 2.3* illustrates amounts outstanding on concessional loans over the past decade.

Figure 2.2
Nonconcessional loans outstanding, FY2009–18
 (Billions of SDRs)



Source: IMF Finance Department.

Figure 2.3
Concessional loans outstanding, FY2009–18
 (Billions of SDRs)



Source: IMF Finance Department.

What We Do

Table 2.2
Financial terms under IMF General Resources Account credit

This table shows major nonconcessional lending facilities. Stand-By Arrangements have long been the core lending instrument of the institution. In the wake of the 2007–09 global financial crisis, the IMF strengthened its lending toolkit. A major aim was to enhance crisis prevention instruments through the creation of the Flexible Credit Line (FCL) and the Precautionary and Liquidity Line (PLL). In addition, the Rapid Financing Instrument (RFI), which can be used in a wide range of circumstances, was created to replace the IMF's emergency assistance policy.

Credit facility (year adopted) ¹	Purpose	Conditions	Phasing and monitoring
Stand-By Arrangements (SBA) (1952)	Short- to medium-term assistance for countries with short-term balance of payments difficulties	Adopt policies that provide confidence that the member's balance of payments difficulties will be resolved within a reasonable period	Quarterly or semiannual purchases (disbursements) contingent on observance of performance criteria and other conditions
Extended Fund Facility (EFF) (1974) (Extended Arrangements)	Longer-term assistance to support members' structural reforms to address long-term balance of payments difficulties	Adopt up to 4-year program, with structural agenda and annual detailed statement of policies for the next 12 months	Quarterly or semiannual purchases (disbursements) contingent on observance of performance criteria and other conditions
Flexible Credit Line (FCL) (2009)	Flexible instrument in the credit tranches to address all balance of payments needs, potential or actual	Very strong ex ante macro-economic fundamentals, economic policy framework, and policy track record	Approved access available up front throughout the arrangement period; 2-year FCL arrangements are subject to a midterm review after 1 year
Precautionary and Liquidity Line (PLL) (2011)	Instrument for countries with sound economic fundamentals and policies	Sound policy frameworks, external position, and market access, including financial sector soundness	Large front-loaded access, subject to semiannual reviews (for 1- to 2-year PLL)
Rapid Financing Instrument (RFI) (2011)	Rapid financial assistance to all member countries facing an urgent balance of payments need	Efforts to solve balance of payments difficulties (may include prior actions)	Outright purchases without the need for full-fledged program or reviews

Source: IMF Finance Department.

¹The IMF's lending through the General Resources Account (GRA) is primarily financed from the capital subscribed by member countries; each country is assigned a quota that represents its financial commitment. A member provides a portion of its quota in Special Drawing Rights (SDRs) or the currency of another member acceptable to the IMF and the remainder in its own currency. An IMF loan is disbursed or drawn by the borrower's purchase of foreign currency assets from the IMF with its own currency. Repayment of the loan is achieved by the borrower's repurchase of its currency from the IMF with foreign currency.

Access limits ¹	Charges ²	Repayment schedule (years)	Installments
Annual: 145% of quota; cumulative: 435% of quota	Rate of charge plus surcharge (200 basis points on amounts above 187.5% of quota; additional 100 basis points when outstanding credit remains above 187.5% of quota for more than 36 months) ³	3¼–5	Quarterly
Annual: 145% of quota; cumulative: 435% of quota	Rate of charge plus surcharge (200 basis points on amounts above 187.5% of quota; additional 100 basis points when outstanding credit remains above 187.5% of quota for more than 51 months) ³	4½–10	Semiannual
No preset limit	Rate of charge plus surcharge (200 basis points on amounts above 187.5% of quota; additional 100 basis points when outstanding credit remains above 187.5% of quota for more than 36 months) ³	3¼–5	Quarterly
125% of quota for 6 months; 250% of quota available upon approval of 1- to 2-year arrangements; total of 500% of quota after 12 months of satisfactory progress	Rate of charge plus surcharge (200 basis points on amounts above 187.5% of quota; additional 100 basis points when outstanding credit remains above 187.5% of quota for more than 36 months) ³	3¼–5	Quarterly
Annual: 37.5% of quota (60% for large natural disasters); cumulative: 75% of quota	Rate of charge plus surcharge (200 basis points on amounts above 187.5% of quota; additional 100 basis points when outstanding credit remains above 187.5% of quota for more than 36 months)	3¼–5	Quarterly

²The rate of charge on funds disbursed from the GRA is set at a margin (currently 100 basis points) over the weekly SDR interest rate. The rate of charge is applied to the daily balance of all outstanding GRA drawings during each IMF financial quarter. In addition, a one-time service charge of 0.5 percent is levied on each drawing of IMF resources in the GRA, other than reserve tranche drawings. An up-front commitment fee (15 basis points on committed amounts of up to 115 percent of quota, 30 basis points for amounts in excess of 115 percent and up to 575 percent of quota, and 60 basis points for amounts in excess of 575 percent of quota) applies to the amount available for purchase under arrangements (SBAs, EFFs, PLLs, and FCLs) that may be drawn during each (annual) period; this fee is refunded on a proportionate basis as subsequent drawings are made under the arrangement.

³ Surcharges were introduced in November 2000. A new system of surcharges took effect August 1, 2009, and was updated on February 17, 2016, with some limited grandfathering for existing arrangements.

Table 2.3

Concessional lending facilities

Three concessional lending facilities for low-income developing countries are available.

	Extended Credit Facility (ECF)	Standby Credit Facility (SCF)	Rapid Credit Facility (RCF)
Objective	Help low-income countries achieve and maintain a stable and sustainable macroeconomic position consistent with strong and durable poverty reduction and growth		
Purpose	Address protracted balance of payments problems	Resolve short-term balance of payment needs	Low-access financing to meet urgent balance of payments needs
Eligibility	Countries eligible for assistance under the Poverty Reduction and Growth Trust (PRGT)		
Qualification	Protracted balance of payments problem; actual financing need over the course of the arrangement, though not necessarily when lending is approved or disbursed	Potential (precautionary use) or actual short-term balance of payments need at the time of approval; actual need required for each disbursement	Urgent balance of payments need when upper-credit-tranche (UCT) program is either not feasible or not needed ¹
Poverty Reduction and Growth Strategy	IMF-supported program should be aligned with country-owned poverty reduction and growth objectives and should aim to support policies that safeguard social and other priority spending		
	Submission of Poverty Reduction Strategy (PRS) document	Submission of PRS document not required; if financing need persists, SCF user would request an ECF arrangement with associated PRS documentation requirements	Submission of PRS document not required
Conditionality	UCT-quality; flexibility on adjustment path and timing	UCT-quality; aim to resolve balance of payments need in the short term	No ex-post conditionality; track record used to qualify for repeat use (except under the shocks window and the natural disasters window)
Access Policies	Annual limit of 75% of quota; cumulative limit (net of scheduled repayments) of 225% of quota. Limits are based on all outstanding PRGT credit. Exceptional access to PRGT resources: annual limit of 100% of quota; cumulative limit (net of scheduled repayments) of 300% of quota		
	Norms and sublimits ²		
	The access norm is 90% of quota per 3-year ECF arrangement for countries with total outstanding concessional IMF credit under all facilities of less than 75% of quota, and is 56.25% of quota per 3-year arrangement for countries with outstanding concessional credit of between 75% and 150% of quota.	The access norm is 90% of quota per 18-month SCF arrangement for countries with total outstanding concessional IMF credit under all facilities of less than 75% of quota, and is 56.25% of quota per 18-month arrangement for countries with outstanding concessional credit of between 75% and 150% of quota.	There is no norm for RCF access Sublimits (given lack of UCT conditionality): total stock of RCF credit outstanding at any point in time cannot exceed 75% of quota (net of scheduled repayments). The access limit under the RCF over any 12-month period is set at 18.75% of quota, under the “shocks window” at 37.5% of quota, and under the “large natural disasters window” at 60% of quota. Purchases under the RFI made after July 1, 2015, count toward the applicable annual and cumulative RCF limits.

	Extended Credit Facility (ECF)	Standby Credit Facility (SCF)	Rapid Credit Facility (RCF)
Financing Terms³	Interest rate: Currently zero Repayment terms: 5½–10 years	Interest rate: Currently zero. Repayment terms: 4–8 years Availability fee: 0.15% on available but undrawn amounts under precautionary arrangement	Interest rate: Zero Repayment terms: 5½–10 years
Blending Requirements with GRA financing	Based on income per capita and market access; linked to debt vulnerability. For members presumed to blend, blending of PRGT: GRA resources takes place in the ratio 1:2.		
Precautionary Use	No	Yes, annual access at approval is limited to 56.25% of quota while average annual access at approval cannot exceed 37.5% of quota.	No
Length and Repeated Use	3–4 years (extendable to 5); can be used repeatedly	12–24 months; use limited to 2½ of any 5 years ⁴	Outright disbursements; repeated use possible subject to access limits and other requirements
Concurrent Use	General Resources Account (Extended Fund Facility/ Stand-By Arrangement)	General Resources Account (Extended Fund Facility/ Stand-By Arrangement) and Policy Support Instrument	General Resources Account (Rapid Financing Instrument and Policy Support Instrument); credit under the RFI counts towards the RCF limits

Source: IMF Finance Department.

Note: GRA = General Resources Account.

¹ UCT-quality conditionality is the set of program-related conditions intended to ensure that IMF resources support the program's objectives, with adequate safeguards to the IMF resources.

² Access norms do not apply when outstanding concessional credit is above 150% of quota. In those cases, access is guided by consideration of the access limit of 225% of quota (or exceptional access limit of 300% of quota), expectation of future need for IMF support, and the repayment schedule.

³ The IMF reviews interest rates for all concessional facilities every two years. At the latest review in October 2016, the Executive Board approved zero interest rates on the ECF and SCF through the end of December 2018 and a modification of the interest mechanism ensuring that rates would remain at zero for as long as (and whenever) global rates are low. In July 2015, the Executive Board permanently set the interest rate on the RCF to zero.

⁴ SCFs treated as precautionary do not count toward the time limits.

Table 2.4
Arrangements approved and augmented under the
Poverty Reduction and Growth Trust in FY2018
 (Millions of SDRs)

Member	Effective date	Amount approved
NEW THREE-YEAR EXTENDED CREDIT FACILITY ARRANGEMENTS		
Burkina Faso	March 14, 2018	108.4
Cameroon	June 26, 2017	483.0
Chad	June 30, 2017	224.3
Guinea	December 11, 2017	120.5
Malawi	April 30, 2018	78.1
Mauritania	December 6, 2017	115.9
Sierra Leone	June 5, 2017	161.8
Togo	May 5, 2017	176.2
Subtotal		1,468.1
AUGMENTATIONS OF EXTENDED CREDIT FACILITY ARRANGEMENTS¹		
Central African Republic	December 15, 2017	39.0
Central African Republic	July 17, 2017	11.1
Cote d'Ivoire ²	June 19, 2017	54.2
Madagascar	June 28, 2017	30.6
Mali	July 7, 2017	88.6
Subtotal		223.5
DISBURSEMENTS UNDER RAPID CREDIT FACILITY		
The Gambia	June 26, 2017	11.7
Subtotal		11.7
Total		1,703.2

Source: IMF Finance Department.

¹ For augmentation only the amount of the increase is shown.

² Additional SDR 108 million provided from the General Resources Account under a blended arrangement.

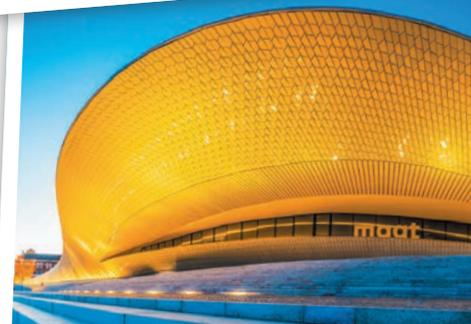
The IMF's framework for concessional financing is regularly reviewed to take account of changing needs. In 2015, the financial safety net for low-income countries was enhanced as part of the international community's wider effort to support countries in pursuing the Sustainable Development Goals (SDGs). Key changes included (1) a 50 percent increase in PRGT access norms and limits; (2) rebalancing the funding mix of concessional and nonconcessional resources provided to countries that receive IMF financial support in the form of a blend of PRGT and GRA resources from a 1:1 to 1:2 ratio; and (3) setting the interest rate permanently at zero on fast-disbursing support under the Rapid Credit Facility to assist countries in fragile situations, for example, affected by conflict or natural disaster.

An Executive Board discussion in November 2016 clarified various aspects related to applying this financial safety net, including PRGT-eligible members' access to the GRA, policies on blending, and the role of norms in determining access.

In addition:

- In October 2016, it was decided to set interest rates on all concessional loans to zero until December 31, 2018. The interest-rate-setting mechanism was also modified so that interest rates will remain at zero as long as and whenever global interest rates are low.
- In May 2017, the Board discussed options to better assist countries, including PRGT-eligible members, faced with sudden balance of payments pressures due to major natural disasters. Directors supported a proposal to increase the annual access limit under the Rapid Credit Facility and Rapid Financing Instrument from 37.5 to 60 percent of quota for countries hit by large natural disasters.

A fundraising round was started in 2015 to support continued concessional lending by the IMF for its poorest and most vulnerable members, and it mobilized SDR 11.4 billion in new PRGT loan resources, exceeding its original objective to raise up to SDR 11 billion. Of the 28 potential lenders approached—including 14 new lenders from among both emerging market and advanced economies—15 committed to new borrowing agreements as of April 30, 2018. These included two new lenders, Brazil and Sweden. In January 2018, the cumulative borrowing limit under the PRGT was raised by SDR 1 billion to SDR 38.5 billion to accommodate the above-target level of new loan resources that were secured.



Regarding debt relief, the Heavily Indebted Poor Countries (HIPC) Initiative has been largely completed. A total of 36 countries, out of 39 of those eligible or potentially eligible, benefited from HIPC relief. These include Chad, the latest beneficiary that received debt relief in the amount of SDR 17 billion in April 2015. The IMF can also provide grants for debt relief to eligible countries through the Catastrophe Containment and Relief Trust (CCRT), established in February 2015. The CCRT provides exceptional support to countries confronting balance of payments difficulties resulting from major natural disasters, such as massive earthquakes; from life-threatening, fast-spreading epidemics with the potential to affect other countries; and from other types of catastrophic disasters. To date, three countries (Guinea, Liberia, and Sierra Leone) have benefited from debt relief under the CCRT. In addition, in 2010, Haiti received SDR 178 million in debt stock relief under the former Post-Catastrophe Debt Relief Trust.

PROGRAM DESIGN

Collaboration between Regional Financing Arrangements and the IMF

Since the global financial crisis, the global financial safety net has expanded and become multi-layered. This trend led to a need for stronger collaboration among these varied layers to ensure that any crisis-mitigation efforts are both timely and effective.

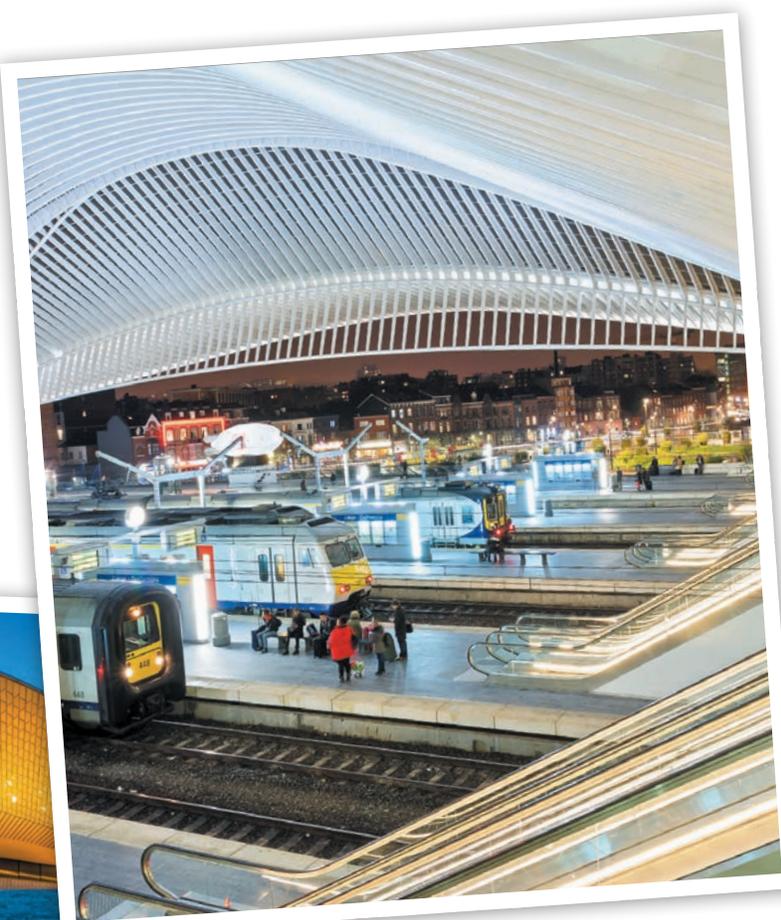
In July 2017, the Executive Board discussed the IMF's ongoing work on enhancing collaboration between regional financing arrangements (RFAs) and the IMF. The work is part of a broader discussion with Executive Directors over proposals to strengthen the global financial safety net.

Executive Directors welcomed the proposed framework and agreed that stronger IMF-RFA collaboration would benefit both. These include promoting early engagement, exploiting complementarities, increasing the firepower, and mitigating contagion. Directors also concurred that a more structured approach would help enhance transparency, predictability, and effectiveness of collaboration in an increasingly multi-layered global financial safety net, with the IMF at its center.

Directors broadly supported the proposed operational modalities for collaboration based on activities in the areas of capacity development, surveillance, nonfinancial support, and lending. Directors regarded the proposals as an important first step toward stronger and more structured collaboration between the IMF and RFAs.

Currency Unions

Despite a long history of program engagement, the IMF lacked a general guidance on program design in members of currency unions. Under IMF-supported programs, the IMF has engaged with members of the four currency unions—the Central African Economic and Monetary Community, the Eastern Caribbean Currency Union, the European Monetary Union, and the West African Economic and Monetary Union.



In February 2018, the Executive Board discussed an IMF paper, “Program Design in Currency Unions.”

This new guidance will help ensure consistent, transparent, and evenhanded treatment across IMF-supported programs, as well as make the approach to programs consistent with that for IMF macroeconomic surveillance.

Executive Directors supported the establishment of general guidance on IMF engagement with currency union institutions where the policies of these institutions are critical to the success of IMF-supported programs.

POLICY COORDINATION INSTRUMENT

In July 2017 the Executive Board approved the establishment of a new nonfinancing Policy Coordination Instrument (PCI) to further strengthen the global financial safety net and enhance the effectiveness of the IMF’s toolkit. The decision followed a series of discussions by the Executive Board on the adequacy of the safety net.

The new instrument is designed to help countries unlock financing from official and private donors and creditors, as well as demonstrate a commitment to a reform agenda. It will enable a policy dialogue between the IMF and countries, monitoring of economic developments and policies, as well as Board endorsement of those policies. The key design features draw on IMF financing arrangements and the Policy Support Instrument, with some differences. These include no eligibility requirements (it is open to the full membership), a more flexible review schedule, and a review-based approach for monitoring of conditionality.

Seychelles was the first IMF member country to request a PCI. The country has made considerable progress toward macroeconomic stability since the 2008 crisis under three consecutive IMF programs, and the growth outlook remains positive, buoyed by the tourism sector. However, it still faces vulnerabilities and pressures, as a small island economy dependent on tourism in a challenging global economic environment.



In December 2017, the Board approved a three-year PCI for Seychelles that will build on the lessons learned from the previous programs supported by the IMF. The PCI aims to support the authorities’ efforts to consolidate macroeconomic stabilization and foster sustained and inclusive growth. Program reviews take place on a semiannual fixed schedule. While the PCI involves no use of IMF resources, successful completion of program reviews would help signal Seychelles’ commitment to continued strong economic policies and structural reforms.

POLICY SUPPORT INSTRUMENT

For low-income developing countries that do not want or need an IMF loan, a flexible tool can access the Policy Support Instrument (PSI) to secure IMF advice and support without a borrowing arrangement. It is a valuable complement to the IMF’s lending facilities under the PRGT. The PSI helps countries design effective economic programs. And it delivers clear signals to donors, multilateral development banks, and markets: the IMF endorses the strength of a member’s policies.

The PSI is designed to promote a close policy dialogue between the IMF and a member country, usually through semiannual IMF assessments of the member’s economic and financial policies. It is available to PRGT-eligible countries with a poverty



reduction strategy in place that have a policy framework focused on consolidating macroeconomic stability and debt substantiality, while deepening structural reforms in key areas in which growth and poverty reduction are constrained. Such reforms would support strong and durable poverty reduction and growth for countries whose institutions are capable of supporting continued good performance. In general, policies under the PSI aim to consolidate macroeconomic stability and push ahead with structural measures to boost growth and jobs. These include measures to improve public sector management, strengthen the financial sector, or build up social safety nets. The IMF's Executive Board program reviews play a critical role in assessing performance under the program and allowing it to adapt to economic developments.

In FY2018, the Board approved extensions of the PSI for Rwanda, Senegal, and Tanzania.

POST-PROGRAM MONITORING

When a member country borrows money from the IMF, its policies come under closer scrutiny. Once a country has completed its lending program, it may be subject to Post-Program Monitoring (PPM), which is an important part of the IMF's safeguard architecture. PPM is generally expected for all member countries that have substantial IMF credit outstanding following the expiration of their programs. The aim is to identify risks to such member countries' medium-term viability and provide early warnings on risks to the IMF's balance sheets. Should it become necessary, IMF staff will advise on policy actions to correct macroeconomic imbalances.

Pakistan

In March 2018, the Executive Board concluded the first PPM discussions with Pakistan.

Pakistan's near-term outlook for economic growth is broadly favorable. Real GDP is expected to grow by 5.6 percent in FY2017–18, supported by improved power supply, investment related to the China-Pakistan Economic Corridor (CPEC), strong consumption growth, and ongoing recovery in agriculture. Inflation has remained contained.

However, continued erosion of macroeconomic resilience could put this outlook at risk. Following significant fiscal slippages last year, the fiscal deficit is expected at 5.5 percent of GDP this year, with risks toward a higher deficit ahead of upcoming general elections. Surging imports have led to a widening current account deficit and a significant decline in international reserves despite higher external financing. The FY2017–18 current account deficit could reach 4.8 percent of GDP, with gross international reserves further declining in a context of limited exchange rate flexibility. Against the background of rising external and fiscal financing needs and declining reserves, risks to Pakistan's medium-term capacity to repay the IMF have increased since completion of the Extended Fund Facility arrangement in September 2016.

Directors took note of Pakistan's favorable growth momentum, but noted with concern the weakening of the macroeconomic situation, including a widening of external and fiscal imbalances, a decline in foreign exchange reserves, and increased risks to Pakistan's economic and financial outlook and its medium-term debt sustainability. In this context, Executive Directors urged a determined effort by the authorities to refocus near-term policies to preserve macroeconomic stability.

Capacity Development

Strengthening the capacity of institutions, such as central banks and finance ministries, results in more effective policies and greater economic stability and inclusion. That is why the IMF works with countries to strengthen these institutions by providing technical assistance and training focused on issues that are critical to economic stability.



Capacity development is one of the three core functions of the IMF, along with lending and surveillance activities, and accounts for 28 percent of its budget. Capacity development includes hands-on technical assistance and policy-oriented training for member countries to help them build effective policies and institutions to strengthen their economies, improve inclusive growth, and create jobs. Strengthening economic policies through capacity development also helps increase the understanding of IMF policy advice in the country, keeps institutions up to date on global innovations and risks, and helps address crisis-related challenges and spillovers. Similarly, the IMF's surveillance and lending work may identify how capacity development activities can have the biggest impact in a country.

IMF capacity development is delivered through short-term staff missions from IMF headquarters in Washington, DC; long-term in-country placements of resident advisors; and a network of regional capacity development centers and online learning. A well-structured and comprehensive vision ensures that each effort is focused on economic institution building and is aligned with a country's developmental priorities.

There are 16 regional centers, which help the IMF to respond quickly to a country's emerging needs and allow for closer coordination with other development partners. These efforts are supported by bilateral and multilateral partners that presently finance about half of all the IMF's capacity development efforts, including through their support for the *regional centers*. In 2018, the IMF and the People's Bank of China established a new center to build up economic institutions and foster human capacity development in core areas of IMF expertise. It serves officials in China and other countries and was inaugurated by IMF Managing Director Christine Lagarde, China Vice Premier Liu He, and People's Bank of China Governor Yi Gang on April 12, 2018, in Beijing.

Over the past 50 years, the IMF has provided capacity development support to all 189 member countries in line with their priorities. In FY2018, low-income developing countries received about half of all IMF technical advice. Emerging market and middle-income economies received just over half of IMF policy-oriented training.

As countries work toward achieving the Sustainable Development Goals, the IMF's capacity development efforts focus on the following fundamental areas:

- **Fiscal policy:** Helping governments better mobilize revenues and effectively manage expenditure, via tax and customs policies, budget formulation, public financial management, domestic and foreign debt, and social safety nets. This enables governments to maintain fiscal sustainability; enhance infrastructure such as schools, roads, and hospitals; improve social safety nets; and attract greater investments.
- **Monetary and financial sector policies:** Working with central banks to modernize their monetary and exchange rate policies, frameworks, and implementation; with financial sector regulators and supervisors to strengthen financial infrastructures and institutions; and with other relevant bodies to build and enhance macroprudential oversight and crisis management capacity. These efforts help to improve macroeconomic and financial stability in the country, fueling domestic growth and international trade.
- **Legal frameworks:** Aligning legal and governance frameworks to international standards, enabling countries to develop sound fiscal and financial reforms, fight corruption, and combat money laundering and terrorism financing.
- **Statistics:** Helping countries compile, manage, and report macroeconomic and financial data to facilitate a more accurate understanding of their economies and help formulate informed policies.

The IMF's capacity development work, as well as its policy advice and research, is increasingly focused on helping member countries tackle their developmental priorities, including:

- **Reducing inequality:** The IMF trains policymakers to implement inclusive policies such as expenditure and subsidy reform, and progressive taxation and financial inclusion including through new financial technologies. It also provides analytical, operational, and monitoring tools that countries need to abolish inequality.



HIGHLIGHTS: FISCAL

Medium-Term Revenue Strategy

Revenue mobilization is critical for countries to secure resources for sustainable development and, in the case of low-income countries, to reduce dependency on external aid. The IMF promotes a new initiative on Medium-Term Revenue Strategies (MTRS) that involves helping countries develop and implement comprehensive reform strategies to achieve medium-term revenue goals encompassing tax policy, tax administration, and tax legislation. The MTRS approach was developed by the Platform for Collaboration on Tax to enhance countries' revenue mobilization efforts. The Platform recommended the adoption of MTRS in its July 2016 report to G20 Finance Ministers, entitled "Enhancing the Effectiveness of External Support in Building Tax Capacity in Developing Countries." The MTRS concept was further developed in the July 2017 "Update on Activities of the Platform for Collaboration on Tax" report to the G20. A flagship event was held at the 2017 IMF-World Bank Annual Meetings with more than 200 participants to discuss the MTRS approach to tax system reform, including its four interdependent components: (1) building broad-based consensus on revenue goals; (2) designing a comprehensive reform of tax system (policy, administration, and legal framework); (3) committing government-led and whole-of-government sustained political support to implementation; and (4) securing resources domestically and from donors for effective implementation.

In Uganda—where the tax-to-GDP ratio was 13.5 percent in 2016–17— increasing domestic revenue is critical to implement the country's development strategy. Building on ongoing work, the IMF helped the authorities prepare a five-year MTRS framework, starting in FY2018, with the goal of achieving a tax-to-GDP ratio of 16 percent by FY2022. It included options for tax policy reform, key measures to raise tax and increase customs compliance, and selected tax law components to support the compliance programs.



- **Gender equality:** The IMF capacity development and training on gender equality has expanded to include training for government officials, peer learning workshops, and technical assistance missions in gender-responsive budgeting.

- **Climate action:** The IMF works with countries on environmental tax reform and efficient energy pricing to minimize the effects of climate change. It also helps create robust frameworks and public financial management plans to prepare countries for natural disasters and climate-related shocks.

The following pages highlight priority areas and country examples from each core area of IMF capacity development.

The IMF also helped Papua New Guinea develop its first comprehensive MTRS. Papua New Guinea faced a severe downturn in revenue and needed to revitalize the tax system and mobilize domestic revenue. The government developed a MTRS to modernize the tax system, aiming to increase the tax-to-GDP ratio and to ensure that reform plans were integrated across the main revenue agencies. The MTRS conveys the government's commitment to the revenue reform program and outlines a multiagency roadmap for reforming tax policy, tax administration, and the legal framework over the next five years.

Hackathons

The IMF has organized “hackathons”—an innovative initiative funded by the Bill and Melinda Gates Foundation to support technological innovation—in Senegal (2016), Uganda (2017), and Côte d'Ivoire (2018) as part of ongoing technical assistance programs for supporting tax administration. The two-day event typically brings together experts from different disciplines—the tech innovation sector, tax and customs administrators, officials of other government agencies, and representatives of the private sector and civil society—to prototype innovative solutions to improve the tax administration's capacity to manage compliance risks and respond to rising service expectations. In each country, approximately 80 participants from various countries attended the event. The hackathons have been a resounding success largely due to their lively and intense format, creative atmosphere, and high degree of engagement and expectations from the authorities.

In Senegal, among four prototypes, Mon Espace Perso is being implemented, creating personalized tax space that allows individuals and businesses easy access to their tax data, targeted information and services, and the ability to file and pay their taxes. In Uganda, eight prototypes were developed that are currently being considered by the authorities for implementation as part of the broader MTRS. In Côte d'Ivoire, the hackathons took on a higher degree of sophistication and ambition. Among the prototypes was SICI, Système Intégré de la Côte d'Ivoire, a platform that provides a single window for tax officials to access tax-related data for compliance purposes, backed by a system that integrates internal and external data sources via Blockchain technology.

Online Course on Public Financial Management

Each year, the IMF conducts more than 100 field missions to work side by side with government officials to improve aspects of public financial management (PFM). For six weeks in October–November 2017, staff reached almost 700 officials from 141 countries with a single online course about PFM. The course focused on why PFM is an effective tool for implementing public policies and how PFM institutions support macroeconomic stability, economic growth, the Sustainable Development Goals, and good governance. The United States Agency for International Development (USAID) funded development of the course.

Over nine months, IMF staff developed and filmed course modules covering a wide range of topics. In addition to teaching modules, the PFM course included interviews with ministers of finance, other senior officials, and representatives from civil society on all aspects of PFM. A discussion forum created an interactive platform where participants asked questions and shared views and country experiences. Gender budgeting was a much-debated topic.

The first course offering was open only to government officials and staff of development agencies. Registrants included government officials from 141 countries, including 162 participants from 25 fragile states, such as Afghanistan, Haiti, Iraq, and Somalia. Almost 700 participants successfully completed the course, far beyond what IMF staff could hope to train in face-to-face courses on PFM in a year.

The PFM online course garnered strong interest from bilateral donors and development agencies, including USAID, the United Kingdom's Department for International Development (DfID), the European Commission, and the World Bank. The course created a forum for donors and recipients to share views on PFM, as well as capacity building challenges. The course will be offered regularly as a massive open online course (MOOC) open to the general public.



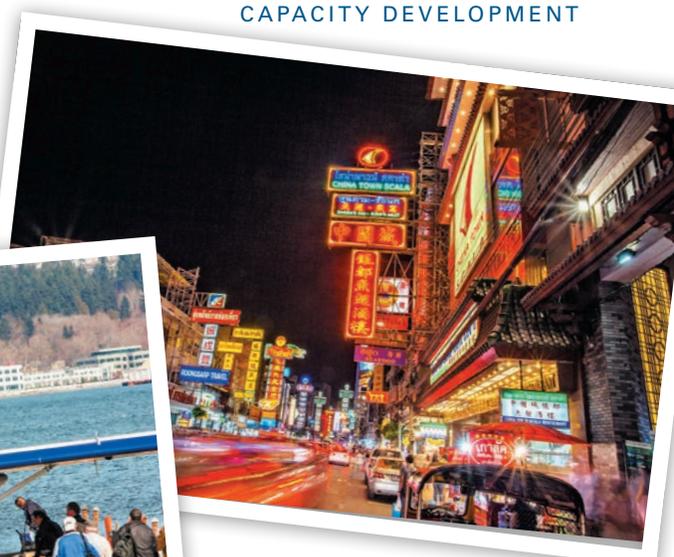
Peer-to-Peer Learning on Gender Budgeting

The IMF organized a seminar on Gender Budgeting in Costa Rica in December 2017, with participants from seven countries (Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and Panama). This was the first regional seminar using the public financial management framework for gender budgeting developed by the IMF, in 2017. It was followed by similar workshops in 2018 at the Africa Training Institute (ATI), Joint Vienna Institute (JVI), South Asia Regional Training and Technical Assistance Center (SARTTAC), and the Caribbean Technical Assistance Center (CARTAC).

Infrastructure Governance

The IMF is committed to helping countries improve capacity for infrastructure governance and thereby to maximize the impact of investment on growth and development. In Benin, a Public Investment Management Assessment (PIMA) was conducted in the context of implementation of an ambitious national development strategy (Programme d'Action du Gouvernement), which puts great emphasis on investments and infrastructure. Based on IMF mission recommendations, the authorities initiated some reforms (for example, implementation of commitment authorizations), and the World Bank revamped its \$15 million technical assistance project on public investments.

The IMF also conducted a PIMA mission to Ireland. The Minister of Finance strongly endorsed the report, which was published in November 2017, noting that it was specifically tailored to Ireland's needs and would play an important role in strengthening public investment institutions and improving the efficiency of public investment. The government later made the compelling case for increased public investment to strengthen Ireland's capital infrastructure and announced in the budget additional capital allocations of €4.3 billion for the period 2018–21. In its National Development Plan 2018–27, published in February 2018, the government again noted its positive response to several key recommendations in the report, including: (1) the establishment of a high-level Infrastructure Projects Steering Group to lead a cross-sectoral dialogue on infrastructure; (2) the development of a Capital Tracker, a primary management tool for preparing and prioritizing a pipeline of projects in the main infrastructural sectors, and



supervising timelines and performance targets; and (3) the revision of Ireland's Public Spending Code for the Department of Public Expenditure and Reform to independently assess the appraisals of large projects.

Fiscal Transparency and Fiscal Risk Management

Georgia has made substantial inroads in recent years to enhance disclosure and improve management of fiscal risks. The IMF supported the authorities in developing a framework for monitoring risks related to state-owned enterprises, establishing a sound legal framework to govern public-private partnerships (PPPs) and to better assess fiscal risks associated with long-term power purchase agreements (PPAs) in the hydropower sector. Using this information, the authorities could adjust the pace of its hydroelectricity expansion to better match demand and, at the same time, restructure the PPA contracts to reduce fiscal risks. Disclosure of fiscal risks has also improved, including strengthened analysis of macroeconomic and debt-related fiscal risks that Georgia was already publishing. This, combined with a suite of other reforms, such as the development of annual financial statements and introduction of program-based budgeting, has seen Georgia climb from 34th to 5th on the Open Budget Survey's rankings between 2010 and 2017. An IMF Fiscal Transparency Evaluation in 2016 also found that Georgia now meets the level of good or advanced practice in many areas, while highlighting areas for continued improvement.

Moldova published its first Fiscal Risk Statement (FRS) in December 2017. The FRS provides a comprehensive overview of key fiscal risks facing the country and is a useful tool for assessing the consistency and credibility of fiscal policies. The FRS indicates the potential impact of major fiscal risks, assesses the likelihood of direct fiscal risks, and provides a basis for prioritizing risk-mitigation measures. Macroeconomic shocks are identified as having both high potential impact and a high probability, and more frequent updates of macroeconomic forecasts are recommended as a measure to mitigate the risks. Risks resulting from potential bailout of insolvent state-owned enterprises and from insolvent, systemically important banks were also assessed to be high. The draft of the FRS was subject to public consultation and was discussed with members of parliament.

Building a Sustainable Revenue Base in the Gulf Cooperation Council Countries

Although more than 150 countries have some form of value added tax (VAT), until recently this was not the case in the countries of the Gulf Cooperation Council (GCC)—Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates. The introduction of a VAT was challenging due to the GCC's unique political systems and heavy reliance on oil and gas revenue to finance government operations. For over a decade, the IMF has provided substantive technical assistance in the design and administration of broad-based indirect taxes, with the advice focused on introduction of a wide-ranging VAT and selected excises coordinated at the GCC to leverage the benefits of the Customs Union.

On January 1, 2018, Saudi Arabia and the United Arab Emirates introduced a generalized VAT at a rate of 5 percent. In 2017, both countries introduced excise taxes on tobacco and sugar-sweetened drinks at rates comparable to those in high-income countries. VAT and excises followed the 2016 Agreements among GCC countries as part of their VAT framework for deepening economic integration. Other GCC countries are expected to follow the lead of Saudi Arabia and UAE, and introduce their VATs in coming years. The IMF has also played a critical role in helping with the implementation of excise and VAT by guiding the execution of the administrative arrangements for a new excise. This helped develop the capacity and the confidence to implement a new tax and provided a model for other countries in the GCC.

HIGHLIGHTS: MONETARY

The IMF has remained actively engaged in responding to member countries' critical needs on financial and monetary stability by promoting sound and efficient financial systems and effective monetary and exchange rate policy frameworks. The IMF fielded more than 1,000 technical assistance missions last year on such core topics as supervision and regulation, monetary policy and foreign exchange operations, crisis prevention and management, and official-sector asset and liability management. Other growing areas of assistance include support for developing effective macroprudential policy frameworks and systems consistent with the formulation of monetary policy, setting up broader financial stability and systemic risk monitoring mechanisms, producing financial stability analyses and reporting, and stress testing.

The IMF has obtained financing for a Financial Sector Stability Fund, with contributions from China, European Investment Bank, Italy, Luxembourg, Saudi Arabia, Switzerland, and the United Kingdom, with other countries expected to join soon. This funding will support financial sector stability, inclusion, and deepening and will be focused on low- and lower-middle-income countries. It will finance Financial Sector Stability Review missions and follow-up for improving financial sector statistics to assess financial sector stability risks, vulnerabilities, and interconnectedness. Financial Sector Stability Reviews were completed during FY2018 for Costa Rica, Fiji, Paraguay, and Uganda, and others are planned for FY2019 in Nicaragua, Sri Lanka, and the West Bank and Gaza.

A joint symposium on capacity building was sponsored by the IMF and the Bank for International Settlements (BIS) in February 2018, bringing together technical assistance providers, international standard-setting bodies, donors, and technical assistance recipients to share experiences and discuss ways of enhancing capacity development delivery in financial sector regulation and supervision. IMF Managing Director Christine Lagarde and Bank for International Settlements (BIS) General Manager Agustín Carstens delivered keynote speeches on the respective roles of the two institutions in capacity building. This symposium laid a foundation for enhanced cooperation between the IMF and the BIS's Financial Stability Institute (FSI), which are jointly developing an online training program for bank supervisors.

Other examples of IMF monetary and financial sector capacity development include:

- **Support for inflation targeting in Albania:** The IMF contributed to development of a framework to assess the policy space for conventional monetary policy, estimate the effective low policy rate bound, and monitor possible unintended consequences. The project is helping to enhance the design and implementation of monetary policy by strengthening the authorities' capacity for communications, modeling, and forecasting.
- **Reforming Algeria's domestic liquidity management framework:** The work program revolves around developing a liquidity management and forecasting framework that can work during periods of both liquidity surplus and liquidity deficit and can (1) support development of daily liquidity monitoring; (2) contribute to preparation of daily forecasts of factors impacting the central bank's balance sheet; and (3) assist with implementation of open market operations and introduction of standing facilities.
- **Strengthening debt management capacity in the Eastern Caribbean Currency Union (ECCU), Barbados, Belize and Jamaica through technical assistance funded by the government of Canada:** the most recent project in this area helped national authorities develop medium-term debt management strategies (MTDS) using the IMF-World Bank framework. All the beneficiary countries now produce MTDS, demonstrating notable improvement in the understanding of the cost and risks embedded in their respective debt portfolios and in the selection of borrowing strategies appropriate to the circumstances of each country.





- Monetary policy support to Ghana:** This work spans a number of areas including financial sector supervision and regulation, foreign exchange management, liquidity management, and implementation of an inflation-targeting monetary policy framework. Ghana has been working steadily toward implementation of Basel II and III, with support from the IMF and the Swiss State Secretariat for Economic Affairs (SECO). Basel II/III implementation is expected to contribute to a more resilient and stable financial sector. A major milestone is the development of a new Capital Requirements Directive, and consultations are under way with the banking industry in advance of final issuance in the near term.

- Helping Myanmar modernize the Central Bank of Myanmar and strengthen banking supervision:** Myanmar is one of the largest recipients of IMF technical assistance, which is financed by the Government of Japan. The work initially focused on enhancing core functions conducive to macroeconomic and financial stability, including building capacity in monetary and foreign exchange operations, developing interbank market and monetary instruments, and strengthening central bank accounting including auditing, systems deployment, and financial services generally. The second phase supports the Central Bank of Myanmar in professionalizing and upgrading its bank supervision functions. The technical assistance activities focused on strengthening risk-based supervision, upgrading tools and processes, training supervisors, and updating regulations.

HIGHLIGHTS: STATISTICS

The IMF's work in statistical capacity development provides technical assistance and training to member countries to strengthen their capabilities to produce and disseminate consistent and comparable macroeconomic and financial statistics. Over the past eight years, capacity development in this area has increased by 84 percent, with the largest shares in real sector statistics and government finance statistics, followed by external sector statistics, monetary and financial statistics, and finally, data dissemination. The focus has been on delivering assistance to low-income countries and fragile states, the countries with the greatest needs. Capacity development for fragile states has grown by 68 percent over the past eight years.



The IMF's work in statistics has also directly supported countries' work to meet the Sustainable Development Goals (SDGs). Economic data are relevant to monitor the SDGs, given that around 40 percent of the SDG indicators include economic variables. For example, capacity development provided in national accounts and prices impacts SDG 1 for "No Poverty," and SDG 2 for "Zero Hunger." The IMF is precisely targeting its assistance in statistics to countries with the weakest capacity for production of statistics, countries that are often the most in need of achieving the SDGs.

The G20 communiqué in March 2018 highlighted political support for the provision by the IMF of technical assistance to the recording and reporting of debt by low-income countries, given that their increasing debt levels give rise to concerns over their debt vulnerability. Capacity development activities address the debt data gaps that cause the biggest risks to debt sustainability. In some countries, for example, there is lack of data on debt by state-owned enterprises; in others, arrears are not recorded properly.

The new Overarching Strategy on Data and Statistics at the Fund in the Digital Age has also begun to shape the future delivery of capacity development by supporting the use of Big Data through statistical innovation. Big Data provides opportunities largely related to the digitalization of the economy that generates booming amounts of data that expose the behavior of individuals and firms. This offers potentially new data sources for statistical agencies. For example, one example of the use of Big Data for the compilation of statistics is employing mobile banking data to produce more accurate estimates of international remittance flows, services payments and transfers, and disposable income. These estimates can feed into official statistics and help measure financial inclusion. Thus, the overarching strategy advises tailoring IMF technical assistance to help countries use Big Data to produce statistics and recommends that the IMF develop new partnerships with other agencies to support this innovation.

HIGHLIGHTS: LEGAL

Demand for technical assistance on legal issues continued during FY2018 in both program and nonprogram countries. The focus was on financial integrity, financial and fiscal law, insolvency, and claims enforcement. The IMF responded to these needs following a results-based management framework and in accordance with the priorities embodied in the Global Policy Agenda.

Capacity development work continued on topics related to financial integrity topics—anti-money-laundering and combating the financing of terrorism (AML/CFT), anti-corruption efforts, and correspondent banking relationships. The IMF regularly coordinates its technical assistance activities both internally and with other donors to maximize results and prevent duplication of efforts. The AML/CFT Trust Fund finances technical assistance projects in 21 countries, two research projects (on Terrorist Financing and on Entity Transparency), and four regional adviser positions in Buenos Aires, Doha, Nairobi, and Singapore. In addition, projects in seven countries are funded by bilateral donors, five other projects are self-funded, and two projects are funded by other multilateral trust funds. Moreover, the IMF is currently assessing Colombia and China under the revised Financial Action Task Force (FATF) international standards.

Technical assistance in the area of financial and fiscal law continued at previous levels, including for central banking, bank regulatory and supervisory frameworks, and bank resolution and crisis management. Assistance on market infrastructures (payment systems) grew at a slower pace and built on work related to legal frameworks for public financial management, as in previous years.

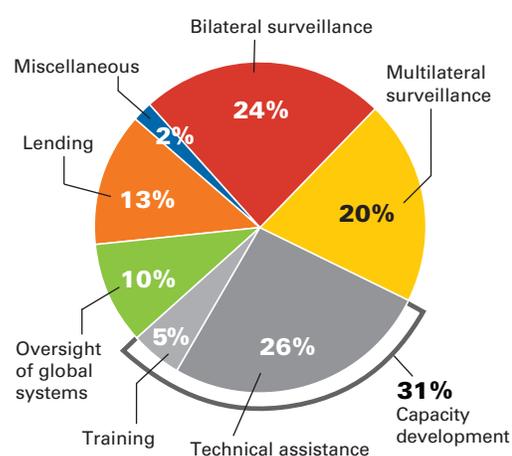
There continued to be strong demand for technical assistance on tax law in the main areas of income taxation, value added taxes, and tax procedures, reflecting heightened global attention to international tax issues. Similarly, issues related to the design of international tax law were at the core of two seminars, one at IMF headquarters in Washington, DC, and the other regional seminar in Kuwait. These issues also featured in key legal contributions made to G20-mandated toolkits and other outputs designed to support capacity development in low-income countries.

The IMF also continued to provide technical assistance to its members on insolvency and creditor rights to help ensure early and rapid rehabilitation of viable businesses and liquidation of nonviable businesses, provide a fresh start for overindebted households, and improve the protection of creditor rights. The IMF organized a workshop for high-level officials at the Joint Vienna Institute on corporate and household insolvency.

IMF CAPACITY DEVELOPMENT IN NUMBERS

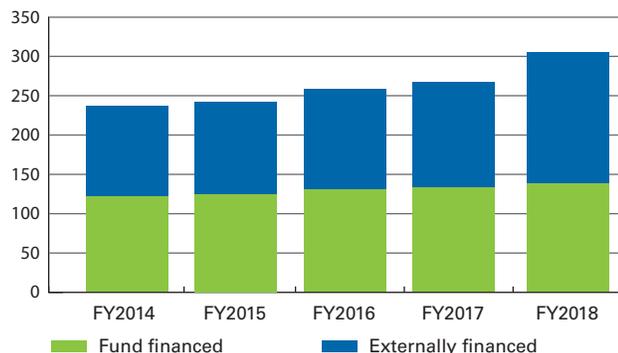
Initiated by member countries, IMF capacity development support, which includes both institutional and policy development (technical assistance) and staff development (training), has reached all 189 members. Capacity development represented over a quarter of the IMF's administrative spending in FY2018. Most of this spending was on technical assistance, which represents 26 percent, while training accounts for 5 percent (*Figure 2.4*).

Figure 2.4
Share of costs of major IMF activities, FY2018



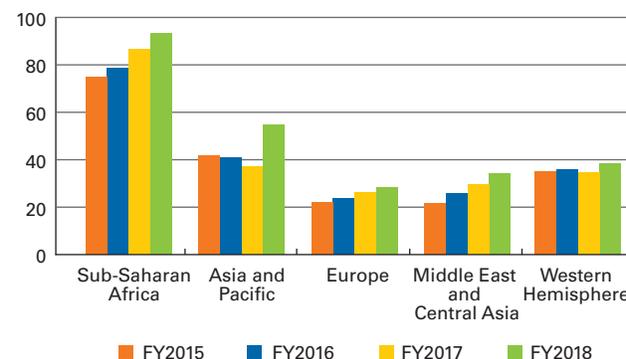
Source: IMF Office of Budget and Planning, Analytic Costing and Estimation System.

Figure 2.5
Spending on capacity development, FY2014–18
 (Millions of US dollars)



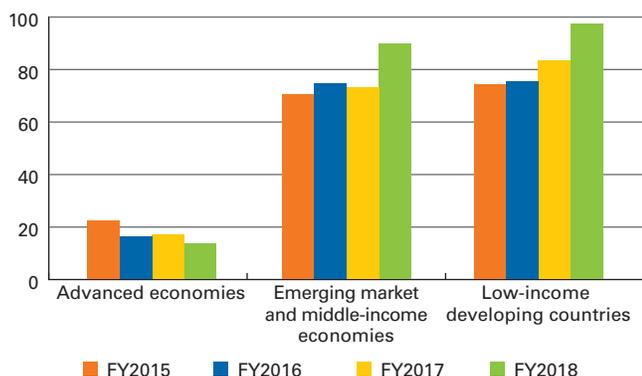
Sources: IMF Office of Budget and Planning (OBP) Analytic Costing and Estimation System (ACES); and IMF staff calculations.

Figure 2.6
Capacity development spending, by region, FY2015–18
 (Millions of US dollars)



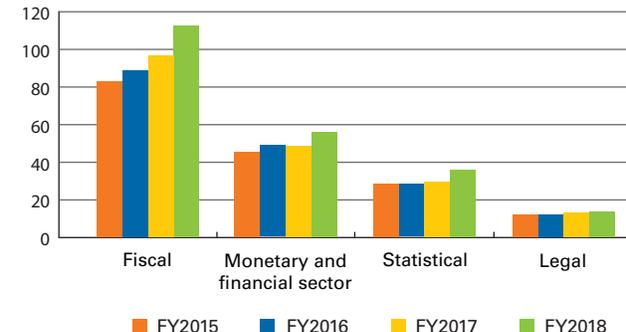
Sources Office of Budget and Planning (OBP) Analytic Costing and Estimation System (ACES); and IMF staff calculations.

Figure 2.7
Capacity development spending, by income group, FY2015–18
 (Millions of US dollars)



Sources Office of Budget and Planning (OBP) Analytic Costing and Estimation System (ACES); and IMF staff calculations.

Figure 2.8
Capacity development spending, by topic, FY2015–18
 (Millions of US dollars)



Sources Office of Budget and Planning (OBP) Analytic Costing and Estimation System (ACES); and IMF staff calculations.

IMF capacity development activities continued to grow in FY2018, reflecting mainly greater delivery to sub-Saharan Africa, Asia and Pacific, and the Middle East and Central Asia. Total direct spending on capacity development activities (excluding general support and governance overhead) was \$303 million in FY2018, compared to \$267 million in FY2017, a growth of 14 percent (*Figure 2.5*). The externally funded component amounted to 55 percent of the total in FY2018, and grew by 23 percent.

Capacity Development

Sub-Saharan Africa received the largest share of capacity development spending, reflecting the high number of low-income developing countries in this region. Capacity

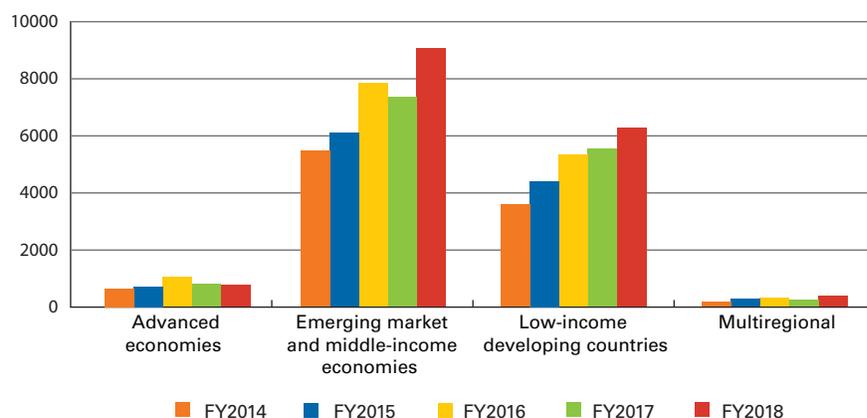
development spending increased 14 percent in FY2018, and grew in each of the five major regions, but the increase was particularly high in Asia and Pacific, where it climbed by 48 percent (*Figure 2.6*). Most of IMF capacity development assistance continues to go to emerging market and middle-income economies and low-income developing countries (*Figure 2.7*).

Delivery of capacity development assistance on all topics (fiscal, monetary and financial sector, statistical, and legal) increased, in response to demand from the membership (*Figure 2.8*). Capacity development assistance on fiscal topics constitute 37 percent of the assistance provided by the IMF.

Figure 2.9

Training participation, by income group, FY2014–18

(Number of participants)

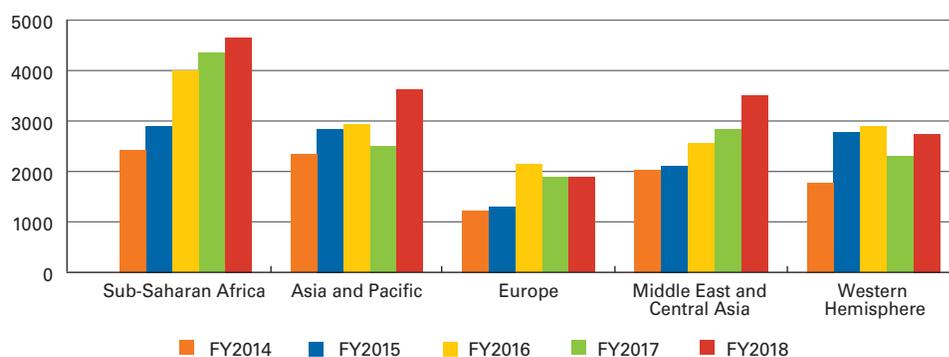


Sources: Participant and Applicant Tracking System (PATS); and IMF staff calculations.
Note: FY18 data are preliminary.

Figure 2.10

Total training participation, by participant region of origin, FY2014–18

(Number of participants)



Sources: Participant and Applicant Tracking System (PATS); and IMF staff calculations.
Note: FY18 data are preliminary.

Training

The IMF offers a broad array of training activities to help government officials improve their ability to analyze economic trends; develop and apply forecasting models; use and adopt diagnostic tools; and formulate and implement sound macroeconomic and financial policies.

The IMF's institute of capacity development relies on several modes of delivery to achieve these objectives, including face-to-face, online and customized training. For face-to-face training, officials apply to attend courses and are selected through a competitive process. During FY2018, the IMF delivered 422 training events, in which 16,410 officials from 186 member countries participated.

Most of these events were delivered through the IMF's network of regional training centers and programs and online courses, with the remainder delivered at IMF headquarters or overseas locations. A wide range of topics met different needs, spanning macroeconomic policies, forecasting and macroeconomic modeling, financial programming and policies, financial sector issues, specialized fiscal courses, macroeconomic statistics, safeguards assessments, and legal issues. Emerging market and middle-income economies received the largest share of IMF training, 55 percent of the total for the year (*Figure 2.9*). Regionally, the share of sub-Saharan Africa was the largest at 28 percent, followed by the Asia and the Pacific region (*Figure 2.10*). A 2017 survey of recent participants from member governments revealed that 84 percent thought that the courses improved their ability to offer policy advice.



The IMF has also scaled up online learning in recent years, adding new courses on Public Financial Management, Macroeconomic Diagnostics, and Macroeconomic Management in resource-rich countries. More than 12,000 government officials have successfully completed an online course since the launch of the program in late 2013. Courses in the past year have been tailored to the needs of specific countries, including a specialized seminar on gender-responsive budgeting in Africa; a customized financial surveillance and policy workshop in China; and projects on dynamic stochastic general equilibrium modeling for policy analysis. Customized training often involves working with a specific group of people at regular intervals to enhance skills or improve an institution's policy-making capabilities.

The IMF's capacity development support is delivered to countries through short-term staff missions from IMF headquarters, long-term in-country placements of resident advisors, a network of regional capacity development centers, and via online learning. There are 16 regional capacity development centers, which facilitate an enhanced ability for the IMF to respond quickly to a country's emerging needs, as well as closer coordination with other development partners. These efforts are supported by bilateral and multilateral partners that presently finance about one half of all IMF capacity development efforts, including through their support of regional capacity development centers. In 2018, the IMF and the People's Bank of China established a new center to build up economic institutions and foster human capacity development in core areas of IMF expertise; it serves officials in China and other countries and was inaugurated by IMF Managing Director Christine Lagarde and People's Bank of China Governor Yi Gang on April 12, 2018, in Beijing, China.

PARTNERSHIPS FOR CAPACITY DEVELOPMENT

Strong global partnerships underpin the IMF's capacity development activities. Partners enrich discussions on thematic and regional issues by sharing their own experiences and engaging with member countries. In addition, financial contributions from partners, paired with resources from member countries and the IMF, ensure the delivery of high-quality technical assistance and training that responds to member country needs and aligns with IMF and global development priorities.

IMF capacity development helps countries build a strong foundation for reaching the Sustainable Development Goals. Multilateral regional and thematic initiatives are the anchors of these efforts, and bring together partners to leverage resources and amplify results worldwide in fundamental macroeconomic areas. Thematic funds are aligned with key global development needs and initiatives and respond directly to the Financing for

Development Agenda. Their activities are complemented by a global network of regional capacity development centers that coordinates much of the IMF's capacity development work on the ground, fostering peer learning and providing hands-on implementation support with consistent follow-up. These multilateral initiatives are complemented by tailored bilateral programs. All IMF capacity development initiatives are designed to foster partnerships and strong country ownership for economic institution building.

In FY2018, new contributions to IMF capacity development of \$281 million were received, and activities financed by partners totaled about \$174 million, roughly half of total capacity development activities. Over the past three years, the top five contributors to IMF capacity development were the European Union (EU), Japan, Switzerland, China and Kuwait.

All partnerships for capacity development efforts are greatly appreciated. Key highlights include the following:

- With over 25 years of consistent support, Japan is historically the IMF's largest and longest-standing capacity development partner. With a \$33.6 million contribution in FY2018, support was given to a wide range of areas, with

particular focus on Asia that included contributions to the IMF Technical Assistance Office in Thailand (TAOLAM) and the IMF-Singapore Training Institute (STI), as well as an increased contribution to the Revenue Mobilization Fund.

- The European Union (EU) expanded collaboration with the IMF in line with the institutions' Strategic Partnership Framework. A €5 million public financial management partnership program, signed in March 2018 with the Directorate General of International Cooperation and Development (DG-DEVCO), focuses on countries in fragile situations and low- and lower middle-income countries and complements the ongoing public financial management program in Southeast Europe with the Directorate General of European Neighborhood Policy and Enlargement Negotiations (DG-NEAR). The IMF participated in the EU's flagship development event, the European Development Days (EDD), in June 2017, where IMF Managing Director Christine Lagarde gave an opening speech on gender equality and a keynote address during an IMF-Oxfam panel on domestic resource mobilization. The EU also continued its participation in the Managing Natural Resource Wealth Fund, with a contribution of €7 million.

- The first meeting of the new Strategic Partnership on Capacity Development between the United Kingdom's Department for International Development (DFID) and the IMF took place in November 2017, a strong step toward streamlining collaboration and deepening partnership. The United Kingdom contributed to regional capacity development centers that work with 20 countries in Africa and the Financial Sector Stability Fund, and is also committed to deepening support for other multilateral initiatives, with a particular focus on strengthening public financial management and improving revenue mobilization.

- The People's Bank of China and the IMF signed a Capacity Development Partnership in May 2017, with total contributions of \$50 million over a five-year period. This partnership includes the establishment of the China-IMF Capacity Development Center (*Box 2.1*), as well as support for other regional and thematic initiatives, notably regional capacity development centers in Africa and the Financial Sector Stability Fund.

Box 2.1. China-IMF Capacity Development Center



In April 2018, IMF Managing Director Christine Lagarde and People's Bank of China

Governor Yi Gang formally launched the China-IMF Capacity Development Center (CICDC). The CICDC is the result of a partnership between the People's Bank of China and the IMF that aims to develop government officials from China and other countries in effective institution building and policy making. Training courses will include a combination of general macroeconomics and forecasting, fiscal and financial issues, and legal and statistics topics to equip officials with the knowledge and analytical tools they need to make sound policy decisions. Workshops and other peer-learning activities involving multiple countries will support a global environment of sustained economic growth and integration. CICDC's first Steering Committee meeting took place immediately following the Center's launch.

- In the context of Germany's recent contribution of €30 million to the IMF's six regional capacity development centers across Africa, the first annual consultations between Germany and the IMF took place in early 2018. This provided an effective forum to discuss strategic issues related to the capacity development partnership. At the operational level, the close cooperation between regional centers across Africa and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), one of Germany's implementing organizations providing technical assistance on the continent, ensures that synergies are used for better outcomes.
- Denmark and the IMF signed a Capacity Development Partnership in April 2018. This marks a major step forward in the engagement between the IMF and Denmark on capacity development and is supported by a contribution to the Revenue Mobilization Fund.
- The European Investment Bank (EIB) signed a Capacity Development Platform with the IMF for €3 million in December 2017. With a focus on financial stability and inclusion, this platform includes funding for regional capacity development centers in Africa, the Financial Sector Stability Fund, and online training activities.

GLOBAL THEMATIC FUNDS FOR CAPACITY DEVELOPMENT

IMF partnerships on global thematic funds for capacity development directly respond to the Financing for Development Agenda and ensure that less-developed economies have the tools they need to reach their post-2015 SDGs. Specifically, these funds pool together resources to support countries as they improve revenue mobilization; enhance fiscal and natural resource management; promote financial sector stability and access; address debt issues; and strengthen economic decision making through better statistics.

Highlights for thematic funds include the following:

- Following a successful fundraising effort, the Revenue Mobilization Fund is now fully financed for its current phase, until April 2021. Apart from the Danish contribution (DKK 20 million/about \$3.3 million), Sweden also (SEK 40 million/about \$5 million) contributed as a new partner in April 2018,

Box 2.2. Partners Connect

Partners' financial contributions play an important role in helping the IMF strengthen macroeconomic institutions in its member countries. As a core part of efforts to enhance reporting to—and better communicate with—its partners in capacity development, the IMF launched **Partners Connect** in FY2018. This secure, one-stop shop lets contributing partners and member countries access timely financial and narrative information without logging in to different websites. Broad overviews and detailed reports are available on a mobile-friendly platform and accessible from almost any type of device. **Partners Connect** is the latest way the IMF is using technology to better share information with member countries.

and Japan and Belgium increased their contributions by \$5 million and €6 million, respectively. In addition, contributions from the European Union and Norway are being finalized. These countries partner alongside Australia, Germany, Korea, Luxembourg, the Netherlands, and Switzerland to support low-income and lower-middle-income countries as they design and administer effective tax systems to generate sustainable revenue for growth and development objectives.

- China, Saudi Arabia, Switzerland, the United Kingdom, and the European Investment Bank joined Italy and Luxembourg in supporting the work of the new Financial Sector Stability Fund. In addition to financial sector stability, this fund supports inclusion and deepening in low- and lower-middle-income countries.

REGIONAL CAPACITY DEVELOPMENT CENTERS

Regional centers remain the backbone of the IMF's capacity development infrastructure. Tailored to each region's priorities, the centers facilitate an enhanced ability for the IMF to respond quickly to a country's emerging needs and coordinate closely with other stakeholders on the ground. Development partners and host and member countries provide more than three-quarters of the resources needed to run these centers.

Highlights for the regional capacity development centers include the following:

- The IMF's first regional capacity development center, the Joint Vienna Institute (JVI), celebrated its 25th anniversary in June 2017. In April 2018, Austria and the IMF renewed their agreement to continue the JVI for another four years,

affirming the importance of the center to policy-oriented capacity development in emerging Europe and Central Asia. Since its establishment in 1992, the JVI has trained more than 42,000 public officials, many of whom have gone on to senior positions, including central bank governor, minister, prime minister, and even one president.

- New program phases began for AFRITAC West, based in Côte d'Ivoire and working with 10 countries; AFRITAC South, based in Mauritius and working with 13 countries; and AFRITAC Central, based in Gabon and working with 8 countries. They are part of the core network of six centers on the continent that support economic institution building and good governance across Africa.
- AFRITAC Central also welcomed a new member, São Tomé and Príncipe, which has already begun learning from a regional peer, Cabo Verde, on best practices for implementing and managing value-added tax (VAT) to generate more revenues for the country's development objectives.
- In its first nine months of operation, SARTTAC, based in India, has already delivered 18 courses to over 500 officials, including staff from subnational governments. In addition to peer-learning regional events, SARTTAC has been working with Bhutan to identify priority issues and design a customized workshop on macroeconomic and fiscal forecasting to guide the Finance Ministry in building and implementing strong economic policies.
- In the aftermath of the natural disasters that struck the region, CARTAC, based in Barbados, has boosted its support for advising member countries on how to build disaster risks into their medium-term fiscal frameworks, as well as establish contingency and resilience funds as insurance against disasters. CARTAC continued to work side by side with its member countries in reconstructing and rebuilding disaster-resilient infrastructure while implementing effective public financial management frameworks. In addition, Aruba joined CARTAC as the newest member country.

- CARTAC also was the first regional capacity development center to include gender budgeting in its workplan for 22 member countries, and other centers are following suit. IMF regional centers continue to be at the forefront of operationalizing the IMF's research and advice on gender budgeting, with workshops held at the Africa Training Institute (ATI) in Mauritius, CAPTAC-DR in Guatemala, JVI in Austria, and SARTTAC in India. These workshops provide a forum for policymakers to learn from each other's experience, and understand best practices and tools for implementing measures to advance gender equality in their countries.
- The IMF's newest regional capacity development center, the China-IMF Capacity Development Center, was officially opened in April 2018 (*Box 2.1*).

Table 2.5
IMF thematic funds for capacity development

Name	Partners
Revenue Mobilization (RM)	Australia, Belgium, Denmark, Germany, Japan, Korea, Luxembourg, Netherlands, Norway, Sweden, Switzerland, European Union
Tax Administration Diagnostic Assessment Tool (TADAT)	Germany, Japan, Netherlands, Norway, Switzerland, United Kingdom, European Union
Managing Natural Resource Wealth (MNRW)	Australia, Netherlands, Norway, Switzerland, European Union
Anti-Money-Laundering/Combating the Financing of Terrorism (AML/CFT)	France, Japan, Luxembourg, Netherlands, Norway, Qatar, Saudi Arabia, Switzerland, United Kingdom
Financial Sector Stability Fund (FSSF)	China, Italy, Luxembourg, Saudi Arabia, Switzerland, United Kingdom, European Investment Bank
Debt Management Facility II (DMF II) <i>joint with World Bank</i>	Austria, Germany, Netherlands, Norway, Russia, Switzerland, African Development Bank, European Union
Financial Sector Reform Strengthening Initiative (FIRST) <i>joint with World Bank</i>	Germany, Luxembourg, Netherlands, Switzerland, United Kingdom
Data for Decisions (D4D)	Luxembourg, Switzerland

Source: IMF staff compilation.

Table 2.6
IMF regional capacity development centers

Center	Partners	Member countries
Africa Training Institute (ATI)	Australia, China, Germany, Korea, Mauritius (host)	45 countries in sub-Saharan Africa
AFRITAC Central (AFC)	France, Gabon (host), Germany, Netherlands, European Union	Burundi, Cameroon, Central African Republic, Chad, Republic of Congo, Democratic Republic of Congo, Gabon, Equatorial Guinea, São Tomé and Príncipe
AFRITAC East (AFE)	Germany, Netherlands, Switzerland, Tanzania (host), United Kingdom, European Investment Bank, European Union	Eritrea, Ethiopia, Kenya, Malawi, Rwanda, Tanzania, Uganda
AFRITAC South (AFS)	Australia, Germany, Mauritius (host), Netherlands, Switzerland, United Kingdom, European Union	Angola, Botswana, Comoros, Lesotho, Madagascar, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Zambia, Zimbabwe
AFRITAC West (AFW)	Cote d'Ivoire (host), France, Germany, Luxembourg, Netherlands, European Investment Bank, European Union	Benin, Burkina Faso, Côte d'Ivoire, Guinea, Guinea-Bissau, Mali, Mauritania, Niger, Senegal, Togo
AFRITAC West 2 (AFW2)	Australia, Canada, China, Germany, Ghana (host), Switzerland, African Development Bank, European Investment Bank, European Union	Cabo Verde, The Gambia, Ghana, Liberia, Nigeria, Sierra Leone
Caribbean RTAC (CARTAC)	Barbados (host), Canada, United Kingdom, European Union	Anguilla, Antigua and Barbuda, Aruba, Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Curaçao, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago, Turks and Caicos
Central America, Panama, and Dominican Republic RTAC (CAPTAC-DR)	Canada, Guatemala (host), Luxembourg, Mexico, European Union	Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, Panama
China-IMF Capacity Development Center	China (host)	China and other member countries
Joint Vienna Institute (JVI)	Austria (primary member and host) and international partners	31 countries, including 29 in Central, Eastern, and Southeastern Europe, the Caucasus, and Central Asia; as well as Iran and Turkey
Middle East Center for Economics and Finance (CEF)	Kuwait (host)	22 Arab League member countries
Middle East RTAC (METAC)	France, Germany, Lebanon (host), Netherlands, Switzerland, European Union	Afghanistan, Algeria, Djibouti, Egypt, Iraq, Jordan, Lebanon, Libya, Morocco, Sudan, Syria, Tunisia, West Bank and Gaza, Yemen
Pacific Financial RTAC (PFTAC)	Australia, Fiji (host), Korea, New Zealand, Asian Development Bank, European Union	Cook Islands, Fiji, Kiribati, Marshall Islands, Micronesia, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tokelau, Tonga, Tuvalu, Vanuatu
Singapore Training Institute (STI)	Australia, Japan, Singapore (host)	37 countries in the Asia-Pacific region
South Asia Regional Training and Technical Assistance Center (SARTTAC)	Australia, India (host), Korea, United Kingdom, European Union	Bangladesh, Bhutan, India, Maldives, Nepal, Sri Lanka
Technical Assistance Office in Thailand (TAOLAM)	Japan, Thailand (host)	Cambodia, Lao PDR, Myanmar, and Vietnam (core beneficiary countries), plus other countries in the Southeast Asia and Pacific Islands regions under select projects

The IMF also delivers courses through regional training programs in Brazil and Georgia, and other locations worldwide.

Source: IMF staff compilation.