

JAPAN SUBACCOUNT



JSA **25**

*25 Years of Japan-IMF Partnership
on Capacity Development*

ANNUAL REPORT | Financial Year 2015

Japan

Japan Subaccount under the IMF Framework
Administered Account for Selected Fund Activities

Japan Administered Account for
Selected IMF Activities

ANNUAL REPORT **Financial Year 2015**

I n t e r n a t i o n a l M o n e t a r y F u n d



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Ancillary materials for the Annual Report—Annexes—can be accessed at the JSA Annual Report web page at <http://www.imf.org/external/pubs/ft/ta/index.asp>.

Print copies of the full report with annexes are available from the IMF Institute for Capacity Development, 700, 19th Street, N.W., Washington, DC 20431.

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Amounts are in U.S. dollars.

Minor discrepancies between constituent figures and totals are due to rounding.

I. Introduction and Background

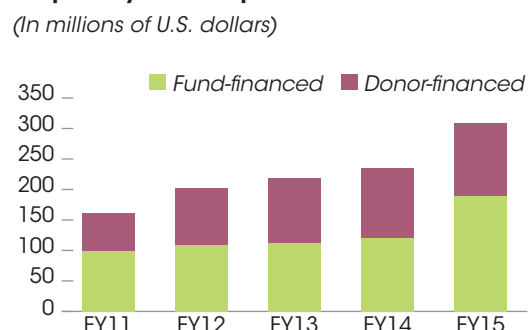
Introduction

Capacity development (CD)—the transfer of technical knowledge and best practices through technical assistance (TA) and training—helps members of the International Monetary Fund (IMF) to build strong institutions and acquire the skills to formulate and apply sound macro-economic and financial policies. Established in 1945, the IMF began to deliver CD in the early 1960s in response to requests from newly independent members in Africa and Asia.

As a core mandate of the IMF, CD accounted for about 26 percent of its operating budget in FY15. Although internal resources finance a considerable amount of this, contributions from donor partners have grown steadily more important (Figure 1); donor support has allowed the IMF to respond effectively to rising CD demand. Activities financed by donors grew by about 4 percent in FY15 compared with FY14.

Japan is the single largest contributor to IMF CD (Figure 2). In 1990 Japan became the first donor to support IMF CD; thus FY15 marks 25 years of the CD partnership between Japan and the IMF. Japan also finances two scholarship

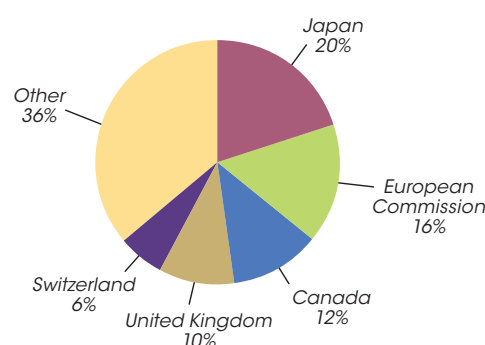
Figure 1. Implementation of IMF Capacity Development¹
(In millions of U.S. dollars)



Source: Office of Budget and Planning, IMF.

¹ Direct spending on IMF- and donor-financed capacity development activities (composed of technical assistance and training).

Figure 2. Donor Contributions for Capacity Development¹, FY11–15
(In millions of U.S. dollars)



Source: Institute for Capacity Development, IMF.

¹ Excludes in-kind contributions.

programs and activities of the IMF Regional Office for Asia and the Pacific (OAP), which is based in Tokyo. This report covers Japan-funded CD, the scholarship programs, and OAP activities in financial year 2015 (FY15).¹

IMF Capacity Development

A core activity of the IMF, CD is closely linked to its other core activities, surveillance and lending (Appendix I) and greatly appreciated by member countries. CD helps equip countries to design and manage policies that promote sustainable economic growth by maintaining macroeconomic and financial stability. It is delivered mainly by the Fiscal Affairs (FAD), Institute for Capacity Development (ICD), Legal (LEG), Monetary and Capital Markets (MCM), and Statistics (STA) departments of the IMF.

In FY15 CD represented just over a quarter of IMF's administrative expenditures; most of this went to TA, which represents 22 percent of IMF spending. Training (stand alone) accounts for 4 percent.

¹The IMF financial year runs from May 1 through April 30. This FY15 report covers May 1, 2014–April 30, 2015. Reports for FY2000 through FY2014 can be found at www.imf.org/external/pubs/ft/ta/index.asp.

Box 1. Core Areas of IMF Technical Assistance

Fiscal Policy and Management

- Tax policy
- Tax and customs administration
- Expenditure policy
- Public financial management
- Fiscal policy and institutional framework
- Fiscal federalism

Monetary Policy and Financial Systems

- Central bank operations
- Monetary policy
- Financial supervision and regulation
- Systemic risk analysis
- Financial crisis management
- Debt management

Macroeconomic and Financial Statistics

- Multisector statistical issues
- Balance of payments and other external sector statistics, such as external debt, foreign direct investment, and international investment position
- Government finance statistics
- Monetary and financial statistics and financial soundness indicators
- National accounts and price statistics
- Data dissemination standards

Legislative Frameworks

- Laws and regulations, mainly on monetary, financial, and economic issues
- Anti-money-laundering/Combating the financing of terrorism

IMF TA covers areas that are critical to macroeconomic and financial stability (see Box 1). TA delivery went up in FY15, mainly in the Sub-Saharan Africa, Asia-Pacific, and Western Hemisphere regions. More than half of all TA goes, as it always has, to low-income developing countries. In response to demand from members, TA on monetary, and financial, and statistical topics has been increasing—fiscal topics continued to be the top TA priority. The IMF has also been creating a suite of assessment tools to reinforce the analytical basis for fiscal surveillance, guide structural reforms, and set TA priorities.

Each TA topic is carefully targeted:

- Fiscal TA helps countries to better manage their fiscal performance and build up fiscal institutions. Most fiscal TA is focused on four areas: revenue administration, public financial management (PFM), tax policy, and expenditure policy.
- Financial sector TA covers topics that are critical for financial stability and sound monetary and exchange rate policy manage-

ment, such as financial sector regulation and supervision, central bank operations, systemic risk monitoring, crisis management, and debt management.

- Statistics TA helps countries improve the quality of their macroeconomic statistics as a basis for improved economic decision-making, for example, price statistics, national accounts, balance of payments and other external sector statistics, financial soundness indicators, monetary and financial statistics, and government finance statistics.
- TA on legal issues covers laws and regulations related to such macroeconomic institutions as the central bank, bank regulation, crisis management, bank resolution, taxation, national budgets, corporate and household insolvency, and the efficiency of the judicial process; it also advises on anti-money-laundering and combating the financing of terrorism (AML/CFT).

Training, which is an integral component of IMF CD, is responsive to evolving global macro-

economic developments and policy challenges, membership demands, and technological innovations. The training is organized by the IMF Institute for Capacity Development (ICD) in collaboration with other departments, and may be delivered at IMF headquarters (HQ), Regional Training Centers (RTCs) or programs,² and Regional Technical Assistance Centers (RTACs) around the world, as well as through online learning. In FY15, the IMF added new courses on topics of strategic importance for IMF members, such as debt sustainability and reform of energy subsidies. New courses are continually added to the online IMF courses, which are free and open to anyone with an Internet connection.

In FY15, the IMF delivered 345 training events to its members that were attended by some 11,315 people. Emerging market economies received 53 percent of IMF training. In terms of regional distribution, Sub-Saharan Africa, Asia-Pacific, and the Middle East and Central Asia received the most training, and online training shot up by 38 percent.

The IMF continues to refine its governance of CD. In September 2014, the Board approved a new statement on IMF Policies and Practices on Capacity Development. Work is also in progress to make monitoring and evaluation (M&E) more effective. M&E is currently done by regular self-assessments based on results-based management (RBM), CD department evaluations, and donor-mandated evaluations, as well as Fund-wide reviews every three to five years.

- Donor support bolsters the IMF's ability to deliver TA and training to member countries. The IMF leverages external support for CD through such vehicles as RTACs, RTCs, topical trust funds (TTFs), and bilateral partnerships.
- Multi-donor vehicles have been effective in delivering CD to low- and lower-income countries:
- Through the RTACs,³ local experts deliver hands-on, on-the-ground CD guided by strategic advice from IMF headquarters. Experience with this regional approach to TA continues to be very positive.

The TTFs offer specialized advice based on the latest research and draw on the IMF's global experiences. There are five TTFs: Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT), Debt Management Facility Phase II (DMF II, jointly with the World Bank), the Financial Sector Reform and Strengthening Initiative (FIRST, jointly with the World Bank), Managing Natural Resource Wealth (MNRW), Tax Policy and Administration (TPA), and Tax Administration Diagnostic Assessment Tool (TADAT). In addition, there are dedicated country trust funds for South Sudan and Somalia.

Bilateral partnerships with long-standing donors are also critical to the IMF CD program. The top five donors to IMF CD are Japan, the European Union, Canada, the United Kingdom, and Switzerland—Japan contributes the most.

² In cooperation with donors, the IMF co-sponsors seven regional training operations: the Africa Training Institute (ATI) in Port Louis, Mauritius; the Joint Partnership for Africa (JPA) in Tunis, Tunisia; the Joint China-IMF Training Program in Dalian, China; the IMF-Singapore Regional Training Institute (STI) in Singapore; the Joint Vienna Institute (JVI) in Vienna, Austria; the IMF-Middle East Center for Economics and Finance (CEF) in Kuwait City, Kuwait; and the Joint Regional Training Center for Latin America in Brasilia, Brazil.

³ The nine regional TA centers are the Central AFRITAC in Libreville, Gabon; East AFRITAC in Dar es Salaam, Tanzania; AFRITAC South in Port Louis, Mauritius; West AFRITAC in Abidjan, Côte d'Ivoire; and West AFRITAC 2 in Accra, Ghana; the Central America, Panama and Dominican Republic Regional Technical Assistance Center (CAPTAC-DR) in Guatemala City, Guatemala; the Caribbean Regional Technical Assistance Center (CARTAC) in Bridgetown, Barbados; the Middle East Regional Technical Assistance Center (METAC) in Beirut, Lebanon; and the Pacific Financial Technical Assistance Center (PFTAC) in Suva, Fiji.



*25 Years of Japan-IMF Partnership
on Capacity Development*

FY15 marks the 25th anniversary of the Japan-IMF partnership on capacity development. Japan is the largest and most steadfast supporter of IMF capacity development. Established in February 1990, this partnership has enabled the IMF to deliver TA and training to over 130 countries, with the largest share in Asia, concentrating on the fiscal, monetary/financial, and economic statistics areas. Japan has contributed annually to the partnership for a cumulative total \$528 million through FY2015.

The partnership has resulted in many achievements over the years — a few examples are:

- assisting the National Bank of Cambodia to rebuild the banking system from the devastation of the Khmer Rouge to become a driver of the country's development;
- helping develop and establish treasury functions in Central Asian countries (e.g., Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan);
- assisting Indonesia to implement GFS across all levels of government;
- helping Kosovo to build a banking sector from scratch;
- assisting Sri Lanka to rebase its national accounts, and helping Bosnia-Herzegovina establish quarterly national accounts; and
- helping Timor-Leste to manage its newfound oil wealth more effectively and transparently.

More information on these and other success stories from Japan-IMF partnership may be found in videos, pamphlets, and annual reports in the IMF's web-site <http://www.imf.org/external/pubs/ft/ta/index.asp>.

The close cooperation between the IMF and Japan has allowed the partnership to evolve dynamically to meet the changing needs of the IMF's membership. A case in point is the programmatic approach to capacity development launched in 2010 that focuses on multi-countries and multi-year programs. This approach allows countries to work towards medium-term objectives and promotes sharing experiences among countries. An independent evaluation concluded in 2014 noted that this approach has led to an overall improvement in efficiency, effectiveness, and sustainability.

We look forward to continuing this partnership well into the future.

II. Japan-IMF Partnership

Japan's Contributions

The vehicle for Japan's contributions is the Japan Subaccount (JSA) of the Framework Administered Account for Selected Fund Activities.¹ Its contributions to the IMF since FY90 total some \$528 million, of which about \$454 mil-

¹ Until FY10, Japan's contributions to CD and the Japan-IMF Scholarship Program for Advanced Studies were administered under the Japan Administered Account for Selected IMF Activities (JAA) and the Framework Administered Account for Selected IMF Activities (FAA), respectively. Since FY10, new contributions have been administered under the Japan Subaccount under the IMF Framework Administered Account for Selected Fund Activities (SFA). The Japan-IMF Scholarship Program for Advanced Studies under FAA is closed, with the remaining funds transferred to Japan Subaccount under SFA. The JAA will stay open until all its projects are completed. In what follows, JSA refers to both the expiring JAA and the new Japan Subaccount under SFA.

lion has been for CD projects and activities of the Regional Office for Asia and the Pacific and \$74 million for the Asia Scholarship Program and the Japan Advanced Scholarship Program (Table 1 and Figure 3). For the past three years, Japan's annual contributions have averaged \$32 million. In FY15, Japan alone was responsible for about a quarter of external financing for IMF CD.

How the Partnership Works

IMF staff and the Japanese authorities meet regularly to evaluate the effectiveness of their joint efforts and discuss future endeavors. During these meetings Japan shares with IMF staff its geographic and topical preferences for future programs; the resources that may be available; policy and administrative issues; organization of joint field inspection visits; and any emerging issues.

Table 1. Contributions by Japan, FY1990–2015

(In millions of U.S. dollars)

	FY90–10	FY11	FY12	FY13	FY14	FY15	Total FY90–15
JSA¹	372.5	30.2	30.8	30.4	34.9	29.2	528.0
<i>of which</i>							
Capacity Development ²	303.2	22.9	22.9	23.0	29.0	24.1	425.2
Regional Office of Asia and the Pacific	17.4	2.5	2.7	2.9	2.0	1.6	29.0
Scholarships	51.9	4.8	5.2	4.5	3.9	3.6	73.9
The Japan-IMF Scholarship Program for Asia	31.3	3.8	4.2	3.5	3.0	2.6	48.5
Japan-IMF Scholarship Program for Advanced Studies	20.7	1.0	1.0	0.9	0.9	0.9	25.4

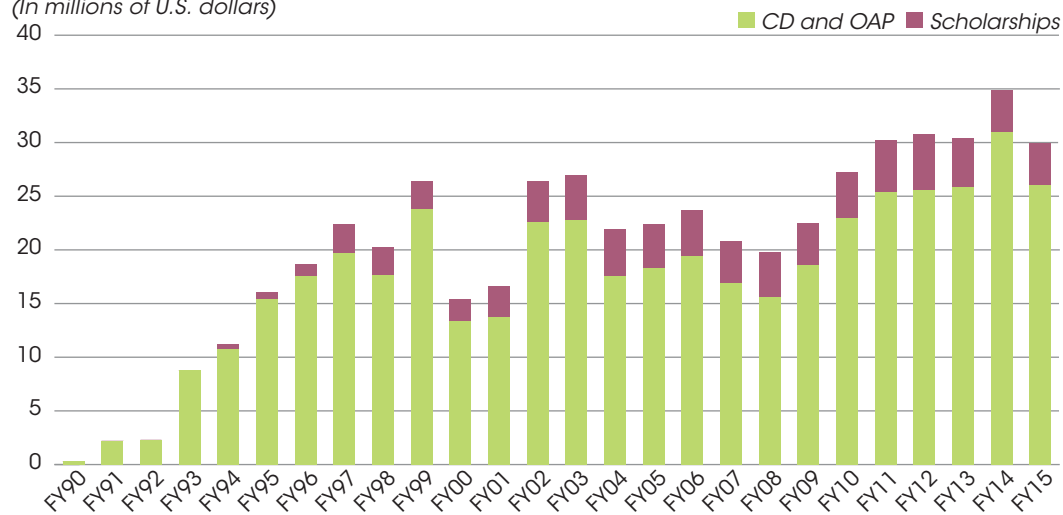
Source: Institute for Capacity Development, IMF.

¹ Until FY10, contributions to the JSA and the Japan-IMF Scholarship Program for Advanced Studies were administered under the Japan Administered Account for Selected IMF Activities (JAA) and the Framework Administered Account for Selected IMF Activities (FAA), respectively. New contributions are now administered under the Japan Subaccount under the IMF Framework Administered Account for Selected Fund Activities (SFA). The Japan-IMF Scholarship Program for Advanced Studies under FAA is closed, with the remaining fund transferred under Japan Subaccount under SFA. The JAA account remains open until all projects under the account are completed.

² Includes \$154,603 transferred in FY11 to finance the operations of the Office of the Executive Director for Japan.

Figure 3. JSA Annual Capacity Development Contributions by Activity, FY1990-2015

(In millions of U.S. dollars)



Source: Institute for Capacity Development, IMF.



Government Finance Statistics training for Vietnam Government Officials, Hanoi, July 2014

III. JSA-Funded Activities

TA and Related Activities

Since FY10, Japan has adopted a programmatic approach, supporting programs that typically take three years and usually cover several countries and topics. This approach allows the IMF to provide medium-term TA to countries by designing comprehensive TA programs and providing support throughout the reform process—from strategy development to implementation and monitoring. Such thematic programs have more substantial and lasting results for recipients while heightening recognition of Japan for its support. The programmatic approach also allows the IMF to engage in medium-term CD efforts to address institutional changes and enhance staff capacities, and allows IMF member countries to benefit from synergies and exchange of experiences of similar reform efforts. Besides these programs, Japan also supports three of the IMF's multi-donor trust funds.

JSA resources have been used to deliver CD through a variety of modalities, among them

short- and long-term TA experts, seminars and workshops, and IMF HQ missions. Resources have been deployed to ensure quality control, manage projects, undertake diagnostic missions, assess capacity to formulate and implement economic policy, and propose priorities for strategic reforms. Wherever possible, Japanese experts are considered for TA assignments.

Although JSA finances CD in all regions, a high priority for the Japanese authorities is the Asia and the Pacific region. They also have a special interest in assisting low- and lower-middle-income countries. Like the IMF, the Japanese authorities give priority to countries that have previously demonstrated clear and total commitment to building the institutions and capacity they need to realize growth-enhancing policies (achievements of past JSA-funded activities are described in Boxes 2 to 7).

How Projects and Programs Are Approved

In consultation with IMF functional departments and country authorities, IMF area departments draft Regional Strategy Notes (RSNs). The RSNs set out medium-term TA



Participants at STI courses benefiting from JSA support, July 2014

Box 2. How Myanmar Is Attacking Money-Laundering and the Financing of Terrorism

In 2008, Myanmar's Anti Money Laundering/Combating the Financing of Terrorism (AML/CFT) regime was found considerably lacking in compliance with the recommendations of the Financial Action Task Force (FATF) that were in place at that time by the Asia/Pacific Group on Money Laundering (APG). With the help of program finance, progress has been made over the years. In 2015, the FATF noted that while progress has been made a number of deficiencies remain.

As part of a Japan funded program, IMF staff worked with the authorities on a full range of issues. These included advising the authorities in drafting a new AML law and a counter terrorism (CT) law covering CFT, and conducting awareness-raising and capacity development workshops for government officials, such as the Financial Intelligence Unit, the Union Attorney General's Office, the Central Bank of Myanmar, the Ministry of Home Affairs, the Bureau of Special Investigations, the Department of Inland Revenue, the Department of Transnational Organized Crimes, the Customs Department, and the Myanmar Police. There was also special outreach to members of parliamentary drafting committees to promote a better understanding of the need to develop for laws that correspond to FATF recommendations, and to other parliamentarians to explain the importance of coordinated domestic action on AML and CFT. These efforts bore fruit in 2014, when Myanmar passed a new AML law in March and a new counter-terrorism (CT) law in June that brought its laws much closer to technical com-

pliance with FATF 2012 Recommendations. With Japanese funding, the IMF staff are continuing to work with the authorities to address the remaining legal deficiencies. Importantly, IMF staff chair the AML/CFT sub-group of the Committee for the Coordination of Financial Sector Technical Assistance to Myanmar to ensure that all AML/CFT TA is coordinated and sequenced appropriately.

The Japan financed program also assisted the Central Bank of Myanmar (CBM) with replacing its compliance-based approach to AML/CFT efforts with a risk-based approach. International standards now call for bank supervisors to be able to prioritize institutions for oversight and allocate resources to those with the most troubling risk profiles. With assistance from the program, the CBM has achieved, among other, the following results:

- Institutional Profiles, which have already been populated with data for 22 of the 23 banks supervised by the CBM;
- A method for collecting data on each institution's ML/FT risk exposures;
- A questionnaire to assess financial institution's AML/CFT control measures; and
- Six on-site examination procedures.

With program support, Myanmar is developing AML/CFT Rules and in January 2015 the CBM also officially issued the AML/CFT Risk Management Guidance on how banks can comply with its new approach to supervision.

priorities both for individual countries and for regions to guide resource allocations, plan resource mobilization, and ensure effective coordination with other TA providers and donors. The RSNs also provide background information for the Committee on Capacity Building, a group of senior IMF staff from both area and functional departments chaired by IMF

management that formulates CD strategy and monitors how the strategy is put into effect. Activities funded by the JSA are fully integrated into the IMF CD planning process to ensure that they align closely with not only IMF surveillance and lending activities but also the priorities of recipient countries and Japan. The IMF and Japan work closely as programs evolve

Box 3. New Approaches to Fiscal Operations in Myanmar, Lao P.D.R., and the Central African Region

Myanmar

Since July 2012, Japan has been financing diagnostic and strategic TA missions by the IMF Fiscal Affairs Department (FAD) to help Myanmar formulate a strategy for reforming public financial management (PFM). The FAD missions identified not only weaknesses but also strengths to be preserved, such as the unity of the budget and the ability to produce consolidated financial statements. In the early stages of the reform, emphasis has been to build core PFM capabilities.

The authorities have moved quickly. In September 2014, the government established a new Treasury Department within the Ministry of Finance within a modern functional structure. A Japan-funded long-term Treasury Advisor, based in the IMF Bangkok TA office, is helping the new department to get up to speed on such new functions as cash management and treasury policy and control and to modernize such traditional functions as debt management, accounts compilation, and financial reporting.

Much has already been accomplished: in January 2015 came the first auction of treasury bills; government funds are being settled faster and more frequently with the central bank; in-year financial reporting is much more reliable; and for the first time, the government took a top-down approach to formulating the 2015–16 budget. The ground is being well-prepared for ultimately sound and responsive PFM. Nevertheless, given the huge capacity building requirements, Myanmar will need sustained support for quite some time.

Lao P.D.R.

The Lao P.D.R. has benefited from Japan-financed FAD TA for a number of years.

The focus of recent TA has been how to get the largest taxpayers to comply with their filing and payment requirements. Pilot programs quickly improved regular filing rates from 70 to 100 percent for the top 100 largest taxpayers and from 45 to 84 percent for the top 100 taxpayers in Vientiane. As the programs

have been expanded, similar improvements have been achieved. The Lao P.D.R. Tax Department (TD) has requested further TA to help roll-out the revised processes to more offices.

In response to a request for help with reinforcing VAT administration, a Japanese-financed resident advisor has been supporting the Lao P.D.R. tax administration to realize the priorities in its action plan, such as completing risk assessment of the top 100 taxpayers in order to better target the audit program and building capacity to manage VAT refunds. The TD unit has been standardizing its processes, staff had been practicing how to apply the processes, and demonstrated results have given staff more confidence to take action against non-compliant taxpayers.

CEMAC

The Strengthening Customs Administration program in the African CEMAC region has allowed FAD to combine revenue mobilization and regional integration of TA objectives to obtain positive results. In practice, short-term expert TA provided at a national level is complemented by periodic regional TA workshops. During these workshops, the members of the CEMAC Customs Union share their experience, challenges and achievements in a few selected areas covered by the program. With the help of FAD experts, they have agreed upon harmonization or coordination of their administrative procedures and practices. The November 2014 regional workshop, held in Gabon, resulted in the approval of a harmonized Authorized Economic Operator program, a regional categorization of duty and tax exemptions on imports, and progress within customs data collection for risk management. The planned November 2015 workshop in the Republic of Congo will further expand this coordinated approach by addressing the preparation of regional guidelines for post-clearance audit and enforced duty collection, as well as the design of international mutual administrative agreements suitable to CEMAC countries, in order to fight customs fraud in the region.

Table 2. New and Ongoing Programs and Multi-Year Budgets by Year of Approval, FY10-15*(In millions of U.S. dollars)*

FY2015	4.9 Strengthening Treasury Management and Fiscal Reporting in Selected SE Asian Countries	4.1 Strengthening Customs Administration in African CEMAC region and selected LIC in Asia	0.6 Extension of Fiscal Management Program in South Eastern Europe	2.1 Banking Supervision and Support to the Reform of the State Owned Banks in Myanmar
FY2014	4.9 Promoting Priority Public Financial Management Reforms in Selected Asian Countries, with a Special Focus on Myanmar	1.0 Public Financial Management and Revenue Administration in South Eastern Europe	3.5 Budget preparation, Treasury Management, Macro-fiscal Forecasting and Reporting in Caucasus and Central Asian Countries	1.5 Strengthening Financial Stability Framework in Cambodia
FY2013	4.1 Further Modernization of Budget Management, Fiscal Reporting, and Tax Administration in West Africa (ECOWAS)	2.6 Tax Administration in Caucasus and Central Asian Countries	6.9 Strengthening Macroeconomic Management in the Asia-Pacific Region	1.3 Enhancing the AML/CFT Framework in the Union of Myanmar
FY2012	5.0 Strengthening Budget Management and Customs Administration in the Central African Economic and Monetary Community	5.0 Effective and Efficient Budget and Treasury Management for Southeast Asia	3.6 Implementing Tax Administration Reforms in Selected South East Asian Countries	5.0 Supporting Preparations for Monetary Union in the Monetary Policy and Statistical Areas in the East African Community
FY2011	4.3 Asia and Pacific: Supporting Strategic Fiscal Management and Building Institutional Capacity	4.9 Asia and Pacific: Improving Banking Supervision and Regulation, and Crisis Management in Selected PRGT-Supported Countries	4.7 Asia and Pacific: Implementation of a System of National Accounts and the International Comparison Program	
FY2010	5.8 Strengthening Fiscal Management in South Eastern Europe	3.3 Economic and Monetary Community of Central African States: Strengthening Regional Financial Agencies		

Table 2. (continued)

3.9 Strengthening Regional Public Debt Management	2.1 Enhanced Data Dissemination in Countries in the Asia- Pacific Region				FY2015
1.2 Financial Market Deepening in Indonesia	1.4 Real Sector Statistics Resident Advisor in Bangladesh and Lao PDR	2.5 Financial Soundness Indicators in Selected African and Asian Countries	2.0 External Sector Statistics Resident Advisor to Lao PDR and Myanmar	2.1 Developing Macroeconomic Management Capacity in Myanmar and Lao PDR	FY2014
5.1 Banking Supervision for Financial Stability in Association of Southeast Asian Nations	3.0 Central Bank Modernization in the Union of Myanmar	5.0 Improved External Sector Statistics in the Asia Pacific Region	5.0 Developing Treasury Management and Financial Systems Modernization in Myanmar and Lao PDR		FY2013
4.7 Capacity Building for Sustainable Compilation of Real Sector Statistics in Eastern Europe	5.0 Regional Government Finance Statistics in Asia-Pacific Region	1.3 General Data Dissemination System Program in Selected Asia-Pacific, Central Asia, and Middles- Eastern Countries			FY2012
					FY2011
					FY2010

Table 3. IMF Multi-donor Initiatives—Commitments and Disbursements

Anti-Money-Laundering/Combating the Financing of Terrorism (AML/CFT) The strategic objective of the AML/CFT TTF is to enhance financial sector and macroeconomic stability at both national and international levels; facilitate the integration of countries into the global financial system, and improve fiscal governance, transparency, and effectiveness.	Overall contribution \$2 million FY15 disbursement \$0.5 million
Tax Administration Diagnostic Assessment Tool (TADAT) TADAT is a new, internationally supported diagnostic tool that provides an objective and standardized performance assessment of a country's tax administration system. It helps identify the system's relative strengths and weaknesses of a country's tax administration system in nine performance outcome areas. The results can be used to set reform objectives and establish related priorities.	Overall contribution \$1 million FY15 disbursement \$0.2 million
Externally Financed Appointee Program (EFA) The EFA Program was launched to accommodate the growing interest from member countries in their officials working temporarily at the IMF to gain international experience and build their skills; the cost is financed by the member countries. The objective of the program is to strengthen engagement with the Fund's members and build the capacity of member country officials.	FY15 disbursement \$1 million



IMF Team and AML Legislative Drafting Committee, Nay Pyi Taw, Myanmar, November 2014

from concept notes to full proposals, all drafts being submitted to Japan for approval. Before each financial year begins, the IMF summarizes for Japan new and continuing activities proposed for approval in the following year. New programs, which are based on IMF CD priorities, reflect the preferences of the Japanese authorities in terms of region and topic.

Commitments¹

Between FY93 and FY15, JSA commitments for TA projects and programs totaled close to \$408 million. In FY15, Japan committed \$24.1 million for six new programs, 29 continuing programs, and several other projects (see Table 2 for a summary of new and ongoing programs).²

¹ Commitments cover the budgets of projects and programs that have been approved by Japan each year, not adjusted for projects and programs completed below the approved budget. Commitments for programs from FY11 onwards include the trust fund management fee. Contributions to multi-donor accounts are not included.

² A separate Annex to this Report provides a description and assessment of the new and ongoing programs and

Table 4 shows commitments for approved TA projects and programs from FY93 through FY15. Of the projects approved since FY10, three were completed in FY15.³ Japan also committed resources to three multi-donor trust funds: Anti-Money Laundering/Combating the Financing of Terrorism Topical Trust Fund, the Tax Administration Diagnostic Assessment Tool, and the Externally Financed Appointees Program (see Table 3).⁴

completed projects.

³ The Japan Subaccount under SFA is audited as a part of the annual external audit of SFA Framework Account, in connection with the IMF's own accounts. The report of the external audit of the SFA Framework Account is posted on the external IMF website as part of IMF Annual Report. Operations and transactions for remaining JAA projects are audited as part of the IMF Framework Account. A separate certificate of completion is also provided to the Japanese authorities. The audited FY 2015 financial statement of the JSA is in Appendix III.

⁴ For more information about the three trust funds Japan supports, see Annex 3. Additional information on multi-donor accounts to which Japan is a contributor, is available

Table 4. JSA Annual Commitments for Capacity Development by Region, FY1993–2015^{1,2,3}

(In millions of U.S. dollars)

	FY93–FY09	FY10	FY11	FY12	FY13	FY14	FY15		FY93–15	
							Total	%	Total	%
Africa	63.7	3.0	4.6	5.7	5.5	5.5	2.2	9.1	90.3	22.1
Asia and Pacific	96.6	6.0	12.6	14.7	16.7	17.3	18.3	75.9	182.3	44.7
Eastern Europe ⁴	38.9	0.0	0.0	3.1	1.8	2.9	0.6	2.5	47.3	11.6
Europe	17.1	2.1	2.8	0.0	0.0	0.0	0.0	0.0	22.1	5.4
Latin America and Caribbean	14.1	0.4	0.5	0.5	0.0	0.0	0.0	0.0	15.5	3.8
Middle East and Central Asia ⁴	15.6	2.4	1.6	2.0	1.2	2.5	1.4	5.9	26.9	6.6
More than one regions	15.8	0.7	0.7	1.2	2.0	1.8	1.6	6.6	23.7	5.8
Total	261.9	14.6	22.9	27.3	27.2	30.1	24.1	100.0	408.1	100.0

Source: Institute for Capacity Development, IMF.

¹ Latest budgets approved by Japan. Not adjusted for projects completed below approved budgets.

² Does not include annual commitments from Japan to the multi-donor trust funds.

³ Commitments for programs from FY11 onwards include the trust fund management fee.

⁴ Starting in FY08, data for countries in Central Asia are classified under Middle East, and prior to that were classified under Eastern Europe.

Box 4: Training in the Asia-Pacific Region

The Singapore Training Institute: Courses for the Region and for Individual Countries

As the IMF's Asia-Pacific training center, STI in recent years has worked closely with country authorities to provide both cross-country as well as country-specific courses. Cross-country training is provided in Singapore and draws from 37 member countries across the Asia-Pacific region. In cooperation with regional partners, STI has also broadened the reach of its training by:

- Collaborating closely with the IMF's Technical Assistance Office for the Lao P.D.R. and the Republic of the Union of Myanmar (TAOLAM) in Bangkok to provide training to Lao P.D.R. and Myanmar that is highly tailored to each country's unique circumstances;
- Working with country authorities in the Asia-Pacific region to provide at least one course for a specific country every year (a "national" course). Such courses give countries an opportunity to train a substantial number of staff at a given point in time; and
- Working with the South East Asian Central Banks (SEACEN) Center in Kuala Lumpur to provide regional training in a SEACEN host country.

One example of STI's training is the national course on Macroeconomic Management and Financial Sector Issues, hosted by Bank Indonesia (BI) in September 2014. The course was attended by mid- to senior-level officials from BI, the Ministry of Finance, the Financial Services Authority, and the Coordinating Ministry for Economy. Reflecting the national orientation of the course, its coverage of macroeconomic and financial sector issues was particularly relevant for Indonesia. Hands-on workshops on stress testing and early warning indicators provided participants with analytical tools they

could use in their own work. Presentations by guest lecturers from Indonesia highlighted a range of economic and financial issues. The course was well-received by participants. BI management was very appreciative of the STI training and recognized the importance of STI's donors, such as Japan, in helping to build capacity in the Asia-Pacific region.

Lao P.D.R. and Myanmar: Building Capacity in Macroeconomic Policy

Responding to the major capacity development associated with the transition of Lao P.D.R. and of Myanmar to a more market-oriented economies, the IMF Asia and Pacific Department and the STI have been conducting integrated macroeconomic policy training and technical assistance program since 2013 through an expert advisor financed by Japan and based at TAOLAM. The program (1) offers 3-4 macroeconomic training courses in conjunction with STI each year; (2) is helping build macroeconomic frameworks for both countries; and (3) provides TA so that government and central bank officials can apply the training course materials to such tasks as forecasting, macroeconomic analysis, and policy development.

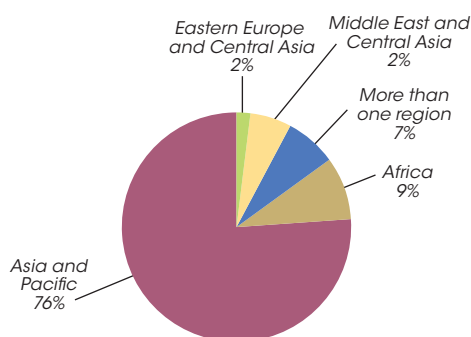
To date, more than 200 officials from both countries have participated in training workshops on financial programming and policies, fiscal analysis and forecasting, as well as monetary and exchange rate policy. Training materials for the workshops were progressively customized to reflect circumstances and data specific to Myanmar and Lao P.D.R., and the evolving macroeconomic frameworks of both countries now form the basis for the training and TA. Japan has recognized that given initial capacity shortages, continued assistance will be needed for macroeconomic management capacity to take root in the two countries and is financing a successor program, which also expands the beneficiary countries to Vietnam and Cambodia.

Geographic Distribution

Since FY93, about 130 IMF member countries and several regions covered by RTACs and RTCs have benefited from JSA funding. During this period, about \$182 million for TA projects and programs went to countries in the Asia and Pacific region—45 percent of all JSA activities approved. Table 4 shows annual commitments by region

on the IMF website <http://www.imf.org/external/np/exr/key/ttf.htm>.

Figure 4. Distribution of JSA Capacity Development Commitments by Region, FY15



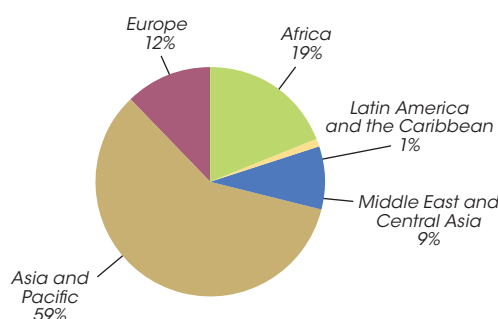
Source: Institute for Capacity Development, IMF.

in dollars for FY1993–2015, and Figure 4 shows the percentage distribution by region for FY15. Table 5 lists the 10 countries that received the largest share of JSA assistance, and Figure 5 shows regional percentages over the period FY11–15.

Distribution by Topic

In FY15, \$24.1 million in commitments were distributed by topic area with fiscal and monetary sectors receiving about the same amount: fiscal, \$8 million (33 percent); monetary and

Figure 5. JSA-Financed Capacity Development by Region, FY11–15 (Person-years)



Source: Institute for Capacity Development, IMF.

Table 5. Top 10 Recipients of JSA-Financed Capacity Development by Region, FY2011–2015
(Person-years¹ in descending order)

Africa	Asia and Pacific	Europe	Middle East and Central Asia	Latin America and Caribbean
Cameroon	Cambodia	Moldova	Kyrgyz Republic	Paraguay
Guinea	Nepal	Albania	Republic of Kazakhstan	Bolivia
Gabon	Union of Myanmar	Romania	Tajikistan	Peru
Mali	Bangladesh	Kosovo	Georgia	Colombia
Nigeria	Philippines	Montenegro	Uzbekistan	
Niger	Mongolia	Croatia	Armenia	
Republic of Congo	Indonesia	Bosnia and Herzegovina	Islamic Republic of Afghanistan	
Burundi	Lao People's Democratic Republic	Serbia	Mauritania	
Gambia	Maldives	FYR Macedonia	Syrian Arab Republic	
Burkina Faso	Vietnam	Ukraine	Azerbaijan	

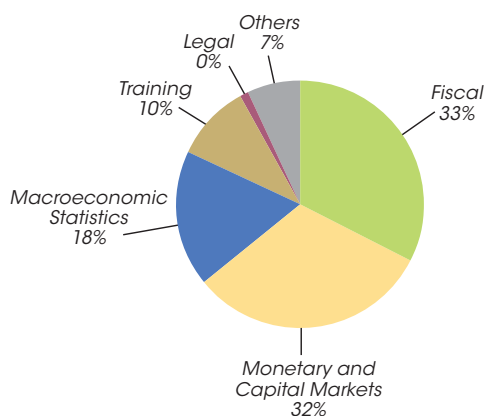
Source: Institute for Capacity Development, IMF.

¹ An effective person-year of TA is defined as 260 to 262 working days of Fund staff or experts.

Table 6. JSA Annual Commitments for Capacity Development by Topic, FY1993–2014^{1,2,3}*(In millions of U.S. dollars)*

	FY93–09	FY10	FY11	FY12	FY13	FY14	FY15		FY93–15	
							\$	%	\$	%
Fiscal	72.4	7.1	11.5	13.0	10.3	12.2	8.0	33	134.5	33
Monetary and Capital Markets	99.4	3.9	6.6	6.5	5.3	5.6	7.7	32	135.0	33
Macroeconomic Statistics	43.9	1.3	1.7	4.7	7.1	8.4	4.5	18	71.6	18
Training	30.7	1.5	2.7	2.6	2.3	3.4	2.3	10	45.5	11
Legal	8.4	0.1	0.0	0.0	1.5	0.1	0.1	0	10.1	2
Others	7.0	0.7	0.5	0.5	0.7	0.5	1.7	7	11.5	3
Total	261.8	14.6	22.9	27.3	27.2	30.1	24.1	100	408.1	100

Source: Institute for Capacity Development, IMF.

¹ Latest budgets approved by Japan. Not adjusted for projects completed below approved budgets.² Does not include annual commitments from Japan to the multi-donor trust funds.³ Commitments for programs from FY11 onwards include the trust fund management fee.**Figure 6. JSA Capacity Development Commitments by Topic, FY15**

Source: Institute for Capacity Development, IMF.

capital markets, \$7.7 million (32 percent); statistics, \$4.5 million (18 percent); training, \$2.3 million (10 percent); legal, \$0.1 million; and other, \$1.7 million (7 percent). Table 6 shows annual commitments by topic for FY1993–2015, and Figure 6 shows the percentage distribution for FY15.

Effectiveness of JSA-Funded CD

The IMF and Japan gauge the quality and effectiveness of CD from a variety of perspectives.

Near the end of each financial year, staff conducts an interim self-assessment for each program. Three months after a program or project is completed, the IMF submits to Japan a full assessment. Beneficiary authorities also assess projects through a survey on the relevance of the CD, the qualifications of each JSA-funded expert, cooperation between experts and local counterparts, the usefulness of their advice, whether attention was given to transferring skills, and the quality of IMF supervision. All assessments and survey results are submitted to Japan. In FY15, in the survey of beneficiary country officials, JSA-supported programs received a 92 percent positive rating: 49 percent were *Satisfied* with JSA-funded programs, and 43 percent were *Very Satisfied*.

In most years, a joint Japan-IMF mission visits two to three countries to review JSA-funded CD. These visits give Japan a firsthand view of how its support is used. These missions not only assess how local authorities view the work of JSA-funded experts but also whether the authorities are making effective use of the CD and how it is contributing to reform efforts. Due to scheduling difficulties there was no formal field visit in FY15, but Japanese officials participated as observers in a number of CD missions. Information on earlier field visits is presented in a separate annex to this report.

Box 5. Better Banking Supervision in the Philippines

Since 2009, Japan has financed targeted TA to the Supervision and Examination Sector (SES) of Bangko Sentral Ng Pilipinas (BSP) in a program championed by the BSP management.

TA was implemented by internal committees advised by three experts in different facets of the work program, building: (1) processes and outputs; (2) capacity of the professional staff; and (3) capacity for enforcement, and especially in identifying and resolving problem banks.

The TA program has stimulated significant progress—the authorities, who had adopted Basel II in 2005, began implementing Pillar 2 (Internal Capital Adequacy Assessment Process) in 2011; and after adopting Basel III in 2010 started its implementation in 2014.

TA has facilitated notable accomplishments:

Resolving problem banks

- Over 230 problem banks have been resolved; for three-quarters of them, the Philippines Deposit Insurance Corporation (PDIC) was appointed receiver.
- A new enforcement policy was formulated and put into effect in 2014.
- More effective procedures for prompt corrective action have been adopted.

Risk-based supervision

- The Pillar 2 process was integrated into examination planning and routine supervision.
- A CAMELS (Capital adequacy, Assets, Management capability, Earnings, Liquidity, Sensitivity) quality assurance process has been adopted.
- The quality of written reports has improved, especially the Institutional Overview and Report of Examination.
- The supervisory subsections responsible for on-site, off-site, and macroprudential supervision have improved coordination of their activities.

Training for supervisors

- Supervisory training was established as a core in-house program.
- A competency model was initiated to reinforce practices taught to supervisors in training courses.

This program, which built on an earlier TA project on bank supervision, is an encouraging example of how persistent and dedicated TA delivered over a number of years can significantly boost the authorities' institutional capacity.

Evaluation

Periodically an independent third party also evaluates JSA-funded programs. In FY14, an independent evaluation of Japan-financed programs and projects from April 2009 to April 2013 was initiated; it was completed in FY15. It rated the overall performance of JSA projects on a four-point scale of Poor to Excellent on the basis of Organization for Economic Co-operation and Development Assistance Committee (OECD DAC) evaluation and accountability criteria. The assessments of overall program

performance were *Excellent* for relevance; *Excellent* for efficiency; *Very Good* for effectiveness; and *Modest to Excellent* for sustainability. The benefit to Japan by the criterion on visibility was *Good to Excellent*.

Regional Office for Asia and the Pacific

In 1997, the IMF established its Regional Office for Asia and the Pacific (OAP) as a window on the region in recognition of its substantial and growing importance to the global economy.

Box 6: Progress in Transparency and Financial Accountability in Indonesia

Over the last 10 years, Indonesia has made major reforms to heighten financial accountability and transparency of government at all level. To support these reforms, in the past two years Indonesia has drafted regulations to support adoption of an accrual accounting system and government financial statistics (GFS) reporting systems. In FY15, the Ministry of Finance (MOF) issued the Regulation on Indonesian GFS Manual and the Treasury Regulation on technical instructions for preparing regional GFS reports. Successful adoption of the *Government Finance Statistics Manual 2014 (GFSM2014)* reflects the years of sustained effort by the authorities.

Over the last three years a Japan-financed program helped accelerate this effort with continuous support through TA missions and constant remote consultations with the IMF, as well as by training and in-country capacity-building. The priorities for FY13–15 was to develop a GFS-compliant accounting system standard chart of accounts (COA); expand coverage of the reporting system to general government and public sector consolidation; and align the system with the central government integrated financial management information system and the regional financial information system. Two important factors were (1) building consensus for GFS reform among major stakeholders, including

developing regional and local government financial reporting systems, and harmonizing the disparate accounting and regulatory frameworks managed by several ministries and the reporting of state-owned enterprises; and (2) conducting GFS training and capacity building throughout the country.

During the FY13–15 process of migrating to *GFSM2014*, Indonesia made progress in a number of areas. It

- expanded coverage of the *Government Finance Statistics Yearbook* publication to general government;
- introduced functional classification of expenditures;
- improved the GFS classification by removing discrepancies in financing data;
- published more detailed data on financial assets and liabilities;
- initiated publication of public sector data in the IMF-World Bank Public Sector Debt Database; and
- disseminated GFS data that cover monthly and annual central government and annual general government data using the *GFSM2014* methodology on the MOF website, as the Special Data Dissemination Standard (SDDS) requires.



Hitotsubashi-OAP High-Level Seminar on Inequality, Tokyo, March 2015



JSA-Financed External Sector Statistics Program Workshop for Asian Countries, Colombo, Sri Lanka, April 2015

OAP conducts public relations and outreach in the region, manages on-the-ground IMF collaboration with regional organizations and forums, contributes to IMF surveillance and research work, and conducts CD activities.

Public Relations and Outreach

OAP manages an Economic Issues Seminar series in Tokyo presented by IMF staff that is open to the public and media. These include presentations of the *World Economic Outlook*, *Regional Economic Outlooks*, the *Global Financial Stability Report*, and the *Fiscal Monitor*, and there are briefings on individual country economies and economic policy issues. OAP also organizes seminars and conferences in Japan and elsewhere in collaboration with universities, central banks, finance ministries, and other international organizations.

Managing Relations in the Region

OAP coordinates IMF relations with such regional groups as Asia-Pacific Economic Cooperation (APEC) and the Association of South East Asian Nations plus Three (ASEAN+3). OAP staff participates in their meetings, gives presenta-



JSA-Financed Closing Workshop of the Government Finance Statistics Project for Asia, Bangkok, Thailand, April 2015

tions about global and regional economic developments and other topical issues, and keeps HQ informed as views and initiatives evolve. OAP also cooperates with the local representatives of such institutions engaged in the region as the Asian Development Bank, the World Bank, the International Labor Organization, and OECD, and maintains contacts with other international organizations and diplomatic missions in Tokyo.



Mr. Odd Per Brekk, Director (standing fourth from the left) and staff of the IMF Regional Office for Asia and the Pacific (OAP) in Tokyo

Surveillance and Research Work

OAP staff monitors and reports regularly to IMF HQ on pan-Asian developments; participates in IMF annual consultation missions with individual member countries in the region, such as Japan, Mongolia, and Nepal; and prepares research papers on structural and other economic policy issues in these countries. OAP economists also carry out research on topics of regional interest, often in cooperation with HQ staff.

Managing Capacity Development

OAP administers three CD programs for officials in the region: the Japan-IMF Scholarship Program for Asia (JISPA), the Japan-IMF Macroeconomic Seminar for Asia (JIMS), and the Hitotsubashi – OAP High-Level Seminar on Macroeconomic and Financial Issues. The JIMS and Hitotsubashi seminars give senior officials opportunities to exchange views and discuss current macroeconomic topics. Participants have rated the seminars as highly effective. OAP also organizes and supports other seminars to enhance the policy-making capacity of officials in the region.

In FY15, Japan funded the following seminars in the region that were sponsored or co-sponsored by OAP:

- Hitotsubashi-OAP High-level Seminar on Inequality: What Has Been Happening, Why Does It Matter, and What Can Be Done?
- High-level Conference co-organized with the Bank of Korea on Macroeconomic Rebalancing for Sustainable Growth
- Capacity Building Seminar co-organized with MCM and with Bank Indonesia on Monetary Policy in Transition: The Case for a Two-Pillar Monetary Regime

Japan-IMF Scholarship Program for Asia

The JISPA, established in 1993, is a program for graduate study in macroeconomics or a related field at leading universities in Japan. It provides educational opportunities to promising junior officials from the economic agencies of emerging and developing countries in Asia and the Pacific region and in Central Asia.⁵

For the 2014 academic year, the program awarded 36 new scholarships and supported a total of 60 scholars, including one Ph.D. candidate.⁶ The JISPA also has a partnership track that accepts scholars for tailored master's programs at four partner universities⁷; and an open track for students in masters or doctoral programs in macroeconomics or a related field at any university in Japan.

The JISPA features a 2.5-month orientation program to ensure that new scholars are well-prepared for regular studies at participating uni-

⁵The scholarship program is open to candidates from Bangladesh, Bhutan, Cambodia, China, India, Indonesia, Kazakhstan, the Kyrgyz Republic, the Lao People's Democratic Republic, Malaysia, Maldives, Mongolia, Myanmar, Nepal, Pacific Island countries, Papua New Guinea, the Philippines, Sri Lanka, Tajikistan, Thailand, Timor-Leste, Turkmenistan, Uzbekistan, and Vietnam.

⁶For the JISPA, the 2014 academic year is October 1, 2014, to September 30, 2015.

⁷The partnership universities are the National Graduate Institute for Policy Studies, Hitotsubashi University, International University of Japan, and the University of Tokyo.

Table 7. Japan-IMF Scholarship Program for Asia Distribution of Scholars by Country, 1993–2015

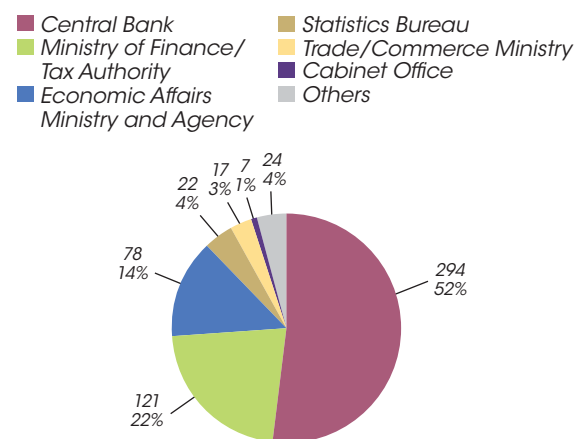
Scholars by Country	Awards	Percent	of which graduates
China	98	15.36	94
Vietnam	84	13.17	80
Uzbekistan	75	11.76	68
Cambodia	57	8.93	48
Mongolia	45	7.05	36
Myanmar	44	6.90	39
Kyrgyz Rep.	43	6.74	38
Kazakhstan	34	5.33	33
Thailand	32	5.02	25
Indonesia	26	4.08	25
Philippines	20	3.13	15
Bangladesh	19	2.98	12
Lao PDR	14	2.19	12
India	10	1.57	7
Tajikistan	10	1.57	9
Nepal	6	0.94	5
Sri Lanka	5	0.78	4
Bhutan	4	0.63	2
Fiji	3	0.47	2
Malaysia	3	0.47	3
Maldives	3	0.47	3
Turkmenistan	2	0.31	2
Timor-Leste	1	0.16	1
Total	638	100	563

Source: Regional Office for Asia and the Pacific, IMF.

versities and can adjust readily to life in Japan. In 2014, all 36 incoming partnership-track scholars participated in the orientation program.

OAP organizes occasional seminars exclusively for JISPA scholars focused on current regional economic policy issues and the work of the IMF. Scholars are also given opportunities to network among themselves and with officials from Japan and their home countries and are invited to high-level regional seminars organized by OAP. All these events are greatly appreciated by the scholars and helped to foster their identity as “Japan-IMF” scholars. OAP also publishes a quarterly JISPA newsletter in both English and Japanese that showcases successful alumni and introduces current scholars

Figure 7. JISPA Alumni by Affiliation, 1993–2015



Source: Regional Office for Asia and the Pacific, IMF.

and activities. The alumni and scholars featured in the newsletters have expressed their appreciation for the support provided by the Japanese government and the IMF.

Since 1993, the program has awarded 638 scholarships, and 563 scholars have graduated (see Table 5 for the distribution of scholars by country and Figure 7 by affiliation). A number of them have advanced to mid-level and senior positions at home, such as deputy governor and vice minister, and now have important roles in policy making. In FY15, alumni events were organized in Lao P.D.R. and Vietnam to give former scholars an opportunity to renew their acquaintance.

Japan-IMF Scholarship Program for Advanced Studies

Japan also provides scholarships for Japanese nationals to study macroeconomics at the doctoral level to prepare them for a career at the IMF. The Japan-IMF Scholarship Program for Advanced Studies (JISP) began in 1996 and initially supported up to 15 scholars from Asian countries that were underrepresented on the IMF economist staff. Since 2009, when

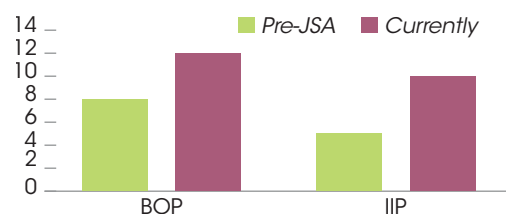
Box 7. Improving Cross Border Statistics in the Asia-Pacific Region

As a result of the Japan-financed program on the Improvement of External Sector Statistics (ESS) in the Asia-Pacific region, in the vast majority of beneficiary countries the quality of cross-border statistics has improved significantly.¹ Launched in October 2012, the program has funded the delivery of approximately 100 TA missions and 10 regional workshops to the 20 beneficiary countries. Several countries have reached or exceeded their targets for improvement, such as compilation and dissemination of new products, higher frequency data, the adoption of international methodological standards, and better data sources.

In the Pacific region, all 12 project beneficiary countries now report balance of payments statistics to the IMF, and 10 report international investment position (IIP) statistics (Figure B7.1). The

¹ The Asian beneficiary countries are: Bangladesh, Bhutan, Cambodia, Maldives, Mongolia, Nepal, Sri Lanka, and Vietnam. Lao P.D.R and Myanmar also benefit from the program through the participation of country officials in the regional workshops in Asia. The Pacific region beneficiary countries are: Fiji, Kiribati, Marshall Islands, Micronesia, Palau, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tonga, Tuvalu, and Vanuatu.

Balance of Payments and International Investment Position: Reporters in the Pacific Region



Source: Statistics Department, IMF.

data are compiled using the IMF's *Balance of Payments and International Investment Position Manual*, sixth edition.

In Asia beneficiary countries have made major progress in compiling foreign direct investment (FDI) statistics for participation in the IMF's Coordinated Direct Investment Survey (CDIS). Five countries currently participate in the CDIS and two more are expected to participate by the end of 2015.

the scope was reduced, only Japanese nationals have been eligible. Up to seven scholars are now admitted annually.

JISP scholars are enrolled in universities outside Japan that have well-regarded doctoral programs in macroeconomics or other fields relevant to IMF work. The vast majority study at universities in the United States, but some are enrolled in Canadian and European universities. The scholarship covers tuition and reasonable costs for two years of study and includes a paid summer internship at the IMF. All new scholars attend a short orientation program in Washington, D.C., to introduce them to the Fund's work and staff. Scholars are also invited to the IMF Jacques Polak Annual Research Conference. After they receive their

doctorates, scholars are required to apply to the IMF Economist Program (EP), the entry-level employment program for economists, and accept an EP position if offered.

Thirty-three JISP alumni, 14 of whom were Japanese, have joined the IMF. Twenty-eight were still working at the Fund as of June 2015.

JISP is administered by the IMF Institute for Capacity Development (ICD) in collaboration with the Institute of International Education (IIE).

Table 8a shows the country distribution of scholars accepted to the program from 1996 to 2008. The number of Japanese scholars accepted to JISP and employed by the IMF since 1996 is shown in Table 8b.

**Table 8a. Japan-IMF Scholarship Program for Advanced Studies
Number of Scholars Accepted to JISP
by Country, 1996–2008**

Country ¹	JISP Scholars Total per Country (cumulative 1996–2008)
Japan	81
Bangladesh	6
Cambodia	2
China (including Hong Kong SAR)	24
Indonesia	3
Kazakhstan	5
Korea	19
Kyrgyz Rep.	3
Malaysia	1
Mongolia	7
Myanmar	1
Nepal	2
Philippines	2
Tajikistan	1
Thailand	15
Uzbekistan	3
Vietnam	11
Total	186

Source: Institute for Capacity Development, IMF

¹ Starting in 2009, only Japanese nationals are eligible for the Program.



JISP scholars with Japan's Executive Director Mr. Mikio Kajikawa (fourth from left) and IMF Staff, Washington, DC, USA

**Table 8b. Japan-IMF Scholarship Program for Advanced Studies:
Number of Japanese Scholars Accepted to JISP and to the IMF, 1996–2015¹**

	1996–2008	2009	2010	2011	2012	2013	2014	2015	Total
Scholars accepted to JISP	81	7	7	7	5	6	3	4	120
Scholars accepted to the IMF	9	1	1	2		1			14

Source: Institute for Capacity Development, IMF

¹ Scholars typically join the IMF 2–5 years after entering JISP, depending on their progress in the Ph.D. program.



Appendix 1. The IMF: Purpose and Activities

The IMF, which currently has 188 member countries, was established in 1945 to ensure the stability of the international monetary system—the system of exchange rates and international payments that enables countries, and their citizens, to transact with one other. It promotes international monetary cooperation; works to ensure exchange rate stability and orderly exchange arrangements; provides temporary financial assistance to countries with balance of payments difficulties; and fosters sustainable economic growth globally. To achieve these objectives, the IMF has three main functions.

Surveillance: The IMF maintains a policy dialogue with each member and appraises country and global macroeconomic conditions. In what are known as Article IV consultations, it regularly assesses each member's exchange rate and related economic policies. The IMF also carries out global surveillance, the results of which are summarized in the *World Economic Outlook* and the *Global Financial Stability Report*, both of which are published twice a year.

Financial Assistance: The IMF provides credits and loans to member countries with balance of payments problems so that they can restore financial and economic stability and sustainable economic growth. IMF financial assistance enables countries to rebuild international reserves, stabilize their currencies, and continue paying for imports without having to impose trade restrictions. Assistance is available to IMF members through a variety of facilities, such as concessional lending and debt relief for certain low-income members.

Capacity Development: The IMF provides *technical assistance* in response to requests from member countries to help them formulate and put into effect macroeconomic and structural policies and institutional arrangements for policymaking. IMF also delivers training—courses and seminars—for member country officials and shares with them the expertise of IMF staff on topics critical to effective macroeconomic and financial analysis and policymaking.

Appendix 2. Joint Japan-IMF Field Visits

Purpose

Joint Japan-IMF field visits give the Japanese authorities a firsthand view of how JSA funds are being used. The visits are designed to assess (1) how the local authorities value the work of JSA-funded experts; (2) whether the authorities are making effective use of the assistance; and (3) whether the TA is contributing to reform. Discussions also touch on topical issues related to TA policy and operations.

Format

A mission usually consists of two Japanese officials, representing the Ministry of Finance and the IMF Japanese Executive Director's Office, and an IMF staff member. The countries and projects the Japanese authorities select for review reflect different levels of economic development and structural reform and vary by region and subject area.

Once mission members are briefed, they visit the countries where TA is being provided, and when possible meet separately with senior representatives of the host institutions (usually the minister of finance, governor of the central bank, or chairman of the central statistical organization); the immediate counterparts to JSA-funded experts (usually department heads); and the experts themselves. In reviewing seminars or training courses, the mission meets with both participants and officials in charge of human resources development at the training institution. The team typically also meets with other donor partners to seek their views.

Findings

Since this practice was introduced in FY96 there have been 18 missions that have covered 23 countries, 2 regional training institutes, the Pacific Financial Technical Assistance Center, the East Africa Regional Technical Assistance Center, and the Middle East Technical Assistance Center. The missions all concurred that JSA funding is administered well and used effectively. In all the visits, local authorities were aware of, fully recognized the importance of, and expressed their appreciation for Japan's financial support for IMF TA. The positive firsthand view by the Japanese authorities has encouraged Japan's continued financial support for the IMF TA program. A list of all field visits through FY13 follows; there was no field visit in FY12. Reports on earlier field visits can be found in previous JSA Annual Reports.

Joint Field Visits, FY1996–2014¹

1. Fiji (Pacific Financial Technical Assistance Center) and Western Samoa, March 1996
2. Kazakhstan and the Kyrgyz Republic, June 1996
3. Zambia and Zimbabwe, December 1996
4. Russian Federation, July 1997
5. Bulgaria and Lithuania, June 1998
6. Indonesia, IMF-Singapore Regional Training Institute, and Thailand, June/July 1999
7. Belarus and Slovenia, June 2000
8. Azerbaijan and the Joint Vienna Institute, June 2001

¹Because of scheduling difficulties, joint field visits were not carried out in FY05 and FY15.

9. Cambodia and the IMF-Singapore Regional Training Institute, June 2002
10. Mongolia and Timor-Leste, September 2002
11. Indonesia and Fiji, December 2003
12. Botswana and the East Africa Regional Technical Assistance Center, December 2005
13. Cambodia, the IMF-Singapore Regional Training Institute, and the Philippines, March 2007
14. Middle East Regional Technical Assistance Center, May 2008
15. Cambodia, and the IMF-Singapore Regional Training Institute, January 2009
16. Philippines and Fiji (Pacific Financial Technical Assistance Center), May 2010
17. Vietnam and Nepal, May 2011
18. Cambodia, June 2012²
19. Lao PDR, Indonesia, and Thailand, March 2014

² The delegation consisted of a member of the Japan Executive Director's Office and an IMF staff member, in connection with filming of the JSA video on Cambodia.

Appendix 3. Administered Accounts Japan Financial Statement FY2015¹

	Administered Account for Selected Fund Activities—Japan		Framework Administered Account for Selected Fund Activities— Japan Subaccount for Selected Fund Activities	
	2015	2014	2015	2014
<i>(In thousands of U.S. dollars)</i>				
Balance Sheet as of April 30, 2015 and 2014				
Assets				
Cash and cash equivalents		1,755	41,2962	42,7732
Total assets		1,755	41,296	42,773
Resources				
Total resources		1,755	41,296	42,773
Income Statements and Changes in Resources for the Years Ended April 30, 2015 and 2014				
Balance, beginning of the year	1,755	2,066	42,773	40,014
Income earned on investments	1	1	12	12
Contributions received	–	–	29,237	34,890
Contributions transferred	–	–	(1,600)	(400)
Operating expenses	(120)	(312)	(29,126)	(31,743)
Net changes in resources	(119)	(311)	(1,477)	2,759
Balance, end of the year	1,636	1,755	41,296	42,773

Note: The IMF arranges for an annual audit of the JSA to be undertaken by its external auditors, in connection with their annual audit of the IMF's own accounts, and for a separate certificate of completion to be provided to the Japanese authorities.

¹ The financial statement format has been revised from FY 2014 by eliminating reporting for Framework Administered Account for Technical Assistance Activities - Subaccount for Japan Advanced Scholarship Program, which was closed in FY 2010. For historical data please refer to previous JSA Annual Reports.

² These amounts are provided net of accruals. The financial statement of the Other Administered Accounts in the IMF annual report, which includes this Subaccount, reports year end accruals separately.



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