



MONETARY AND CAPITAL MARKETS

CAPACITY DEVELOPMENT ANNUAL REPORT 2023

“The IMF is proactively engaging with our members to chart a clear course to a stronger and more sustainable path for the global economy. In collaboration with partners, we are focused on delivering prompt and tailored macro-financial advice, financial assistance—including on a precautionary basis—and capacity development (CD) to help member countries navigate the difficult and highly uncertain global economic context.”

“IMF CD continues to support members’ efforts to build macroeconomic resilience. We continue to integrate CD with surveillance and lending, focusing on tailored technical assistance and training. In addition to being active in our traditional areas of CD, including fiscal and debt-related issues, we are responding to growing CD demands from Fragile and Conflict-Affected States (FCS), and providing support in other emerging areas such as digital and climate issues.”

Global Policy Agenda, Spring 2023

PREFACE



Gita Gopinath

First Deputy Managing Director,
International Monetary Fund

Capacity Development (CD) is one of the three IMF pillars that help foster macroeconomic and financial stability around the globe, together with surveillance and lending. CD helps member countries strengthen their institutional and human capacity, underpinning the adoption of long-term reforms in line with our Global Policy Agenda.

The IMF's Monetary and Capital Markets (MCM) Department is a global leader in CD delivery on monetary and financial sector issues. As the First Deputy Managing Director of the IMF, I oversee the CD work of MCM and am extremely proud of its accomplishments. Throughout my interactions with country authorities, they continue to express their gratitude and appreciation for the support given by MCM staff and experts because they provide concrete solutions to complex institutional problems and strengthen their human capital. Our CD support continues to be tailored to member countries' needs, targeted mainly to low- and middle-income countries, with a strong emphasis on fragile and conflict-affected states (FCS). This critical support is made possible by the dedication and support from our development partners.

During fiscal year 2023, the tapering of the global pandemic has allowed MCM to resume in-person CD activities but has also enabled new ways of engagement with member countries (including virtual or hybrid CD delivery). Combining various modalities, such as technical assistance, training (in person or online), peer-to-peer learning, and workshops, has greatly improved the effectiveness of CD delivery and enabled us to better meet the needs of our members. This has established a "new normal" for CD delivery going forward.

The 2023 Annual Report showcases the comprehensiveness of MCM CD support to member countries in this new post-pandemic environment. It presents several projects and stories both on core areas of MCM activity, as well as on the new and emerging ones. From enhancing financial conglomerate supervision in Chile to climate-related stress testing in Bangladesh, MCM experts are providing timely advice for a fast-changing world. We hope that member countries, our development partners, and the public will find the information in this Annual Report useful and will get a comprehensive view of this very important contribution to global financial stability.

PREFACE



Tobias Adrian

Financial Counsellor and Director,
Monetary and Capital
Markets Department

As I look back at fiscal year 2023, I am proud of the accomplishments and impact that MCM staff and experts have achieved as documented by this Annual Report. The depth and breadth of MCM's capacity development (CD) continue to be greatly appreciated by member countries, a reflection of our unwavering commitment to delivering first-class technical advice on monetary and financial sector issues. The resumption of in-person technical assistance, together with hybrid and virtual delivery, has allowed us to be even more effective and agile in meeting our member countries' needs. Under this "new normal" where we combine different CD delivery modalities and leverage our strong pool of talent and expertise, in close partnership with member country authorities, we can increase the impact of capacity building and further strengthen its link with surveillance and policy advice.

Our staff remains committed to excellence in technical advice and assistance as the global economy continues to face the many challenges associated with inflationary pressures, higher debt burdens, and the Russia's war in Ukraine. The 2023 Annual Report highlights CD achievements spanning from the traditional core CD to the new emerging areas. We delivered over 900 country-tailored and demand-driven CD activities to more than 144 member countries and institutions in both traditional

CD areas, such as financial supervision, central bank operations, and debt management, as well as in new and emerging areas such as digital money and finance, climate, and fintech. The African continent continues to be the largest recipient of our CD. In the aftermath of the pandemic, we continue to strengthen our field presence through our 38 long-term experts (LTXs), stationed in 12 regional technical assistance centers or placed bilaterally in targeted countries, and an ever-increasing cadre of short-term experts (STXs).

Continuous dialogue with member countries enables us to constantly be in touch with the real issues on the ground and respond promptly to the demand. The report highlights the importance of collaborative relationships in achieving all of this. Our CD activities were made possible by our great partnerships with the donor community, who financed nearly two-thirds of our total CD activities in FY23. We are very grateful for their support.

On behalf of myself and the entire MCM management team, I would like to express heartfelt thanks and gratitude to the MCM staff, long-term experts in the field, and short-term experts who went beyond the call of duty to tailor this new normal to the needs of our members.

This report was prepared by the staff from MCM's Technical Assistance Strategy Division under the guidance and supervision of Miguel Savastano and Oana Croitoru. The core team comprised Abdullah Haron, Brenda Sylvester, Chloe Zhang, Cortney Johnson, Hazel Quinonez Guevara, Joannes Mongardini, and Moses Kitonga.

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ACRONYMS AND ABBREVIATIONS

AD	Area Department	CDOT	IMF's Capacity Development Office in Thailand
AFRITAC	IMF's Regional Technical Assistance Center in Africa	CMF	Comisión para el Mercado Financiero
AFE	AFRITAC East	CRSOC	Cyber Risk Supervision Online Course
AFS	AFRITAC South	DMF	Debt Management Facility
AFW	AFRITAC West	EBA	European Banking Authority
AFW2	AFRITAC West II	FCS	Fragile and Conflict-Affected States
BAM	Bank Al Maghrib	Fintech	Financial Technology
BIS	Bank for International Settlements	FIRST	Financial Sector Reform and Strengthening Initiative
BNA	Bank of Angola	FMI	Financial Market Infrastructures
BOU	Bank of Uganda	FSAP	Financial Sector Assessment Program
CAPTAC-DR	Regional Technical Assistance Center for Central America, Panama, and the Dominican Republic	FSSF	Financial Sector Stability Fund
CARTAC	Caribbean Regional Technical Assistance Center	FSSM	Financial Sector Statistics Module
CBBH	Central Bank of Bosnia and Herzegovina	FSSR	Financial Sector Stability Review
CBDC	Central Bank Digital Currency	FY	Fiscal Year
CBS	Central Bank of Somalia	GDP	Gross Domestic Product
CCAMTAC	Caucasus, Central Asia, and Mongolia Regional Capacity Development Center	HQ	IMF Headquarters
CD	Capacity Development	ICD	Institute for Capacity Development
CDMAP	Capacity Development Management and Administration Program	IFRS	International Financial Reporting Standards
		IMF	International Monetary Fund
		ITD	Information Technology Department

JSA	Japan Administered Account for Selected IMF Activities	RCDC	Regional Capacity Development Center
LEG	Legal Department	RES	Research Department
LLMICs	Low- and Lower-Middle-Income Countries	RTAC	Regional Technical Assistance Center
LIC	Low-Income Country	RTC	Regional Training Center
LTX	Long-Term Expert	SARTTAC	South Asia Regional Training and Technical Assistance Center
MCM	Monetary and Capital Markets Department	SCDI	State-Contingent Debt Instrument
MEFMI	Macroeconomic and Financial Management Institute of Eastern and Southern Africa	SDG	Sustainable Development Goal
METAC	Middle East Regional Technical Assistance Center	SECO	Swiss State Secretariat for Economic Affairs
MOOC	Massive Open Online Course	SROC	Supervisory and Regulatory Online Course
MTDS	Medium-Term Debt Management Strategy	STA	Statistics Department
NBC	National Bank of Cambodia	STX	Short-Term Expert
PFTAC	IMF's Pacific Financial Technical Assistance Center	TA	Technical Assistance
RBM	Results-Based Management	T-bill	Treasury bill
		TF	Trust Fund

SECTION I

RESHAPING CD DELIVERY:
THE NEW NORMAL

A

RESHAPING CD DELIVERY:
THE NEW NORMAL

With the end of the COVID-19 travel restrictions, the resumption of on-the-ground delivery of CD was strong in fiscal year 2023 (FY23), enabling the Monetary and Capital Markets (MCM) Department to strengthen existing collaborative relationships with country authorities and build new ones more effectively. MCM's capacity building program nimbly responded to the needs of member countries—continuing to build capacity for the medium-term, as well as addressing more urgent needs. MCM offered member countries its expertise in central banking and financial sector oversight in several forms, from traditional in-person delivery of technical assistance (TA), to the increased use of hybrid or blended CD activities¹, from a more effective use of resident advisors providing hands-on support to country authorities, to virtual webinars or online courses that reach larger audiences. In fact, MCM, like the rest of the IMF, is moving to a “new normal,” where CD is offered through a combination of

¹ Hybrid CD is delivered simultaneously to recipients who participate in-person or virtually; blended CD is delivered through a combination of synchronous and asynchronous modalities (e.g., in-person TA preceded by online training of recipients).

delivery modalities, tailored to the requirements and specificities of each recipient.

This report shows that demand for MCM CD remained high in FY23. Nearly 80 percent of our CD activities were delivered in the areas of financial sector supervision, central banking, financial market infrastructures, and debt management. The rest of the CD delivery covered financial stability analysis, macroprudential and monetary policy, capital flows management, and financial crisis management. Member country requests in new areas—including climate-related financial regulations and risk analysis, digital money, and fintech—with financial stability implications are growing rapidly. MCM continues to build expertise in these areas. Its large body of new analytical work is supported by collaborative partnerships that provide timely advice to member countries as these areas become embedded in the work of central banks, supervisory agencies, and debt managers.

Looking ahead, this demand will likely continue to grow in FY24 and beyond. As interest rates have risen globally, many member countries need additional capacity to ensure

financial and price stability, as well as debt sustainability. Other areas of CD growth are climate-related financial regulations and risk analysis, cyber risks, and digital money. MCM stands ready to support member countries with its unique insights and expertise.

THE NEW NORMAL

In the “new normal,” where pandemic-related travel restrictions have been lifted, MCM has quickly leveraged the lessons learned during the pandemic and moved nimbly to a mix of in-person, hybrid, and virtual CD delivery in FY23 (Figure 1). This convergence to the new normal in delivery is likely to continue as new channels become more entrenched and delivery teams and recipients recognize the increased efficiency and impact of more flexible modalities.

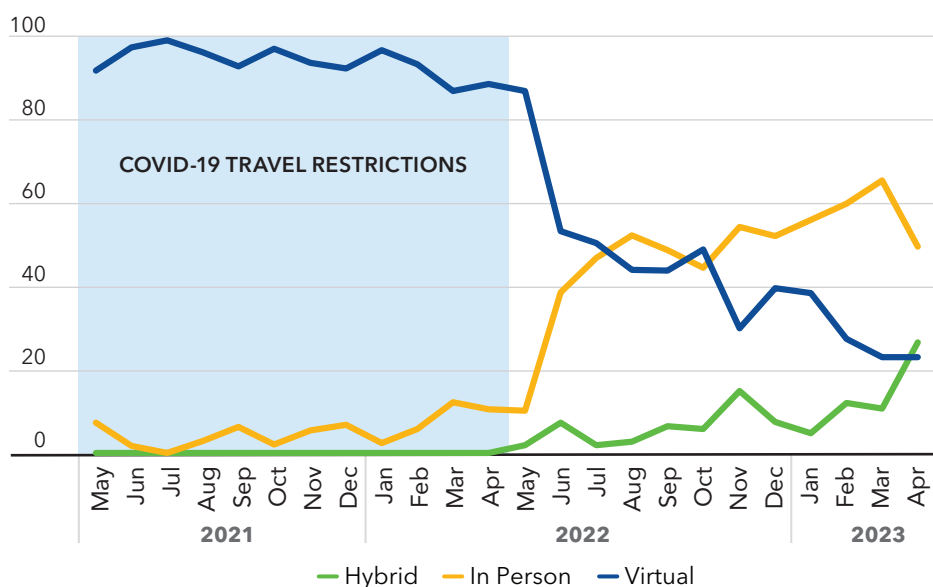
At the same time, MCM has been effectively balancing the core CD areas and the new ones. The main objective of MCM CD is to support member countries in developing and implementing policy and institutional frameworks that enhance the stability of their financial systems. From its initial focus on central bank operations, MCM has evolved to provide wide-ranging support to central banks,

financial supervisors, and debt managers in both core and emerging areas with financial stability dimensions (Figure 2).

- Financial Supervision and Regulation.** MCM delivers CD on a variety of financial, regulatory, and supervisory matters. In FY23, MCM provided intense capacity building in the areas of regulation and supervision of banks and non-banks. CD demand reflected the widening mandate of financial sector supervisors, going beyond core supervisory areas (e.g., credit, market, and operational risks) to cover heightened interest in climate impact, conglomerate supervision, supervision of non-banks, bottom-up stress testing, and implementation of International Financial Report Standards 17 (IFRS17). MCM has also seen a renewed focus on boosting onsite supervision capacity, together with a significant pickup in the demand for capacity building in the regulation of crypto assets and cybersecurity supervision. Work on how to build climate-related financial risks into risk-based supervision frameworks continued to grow. At the same time, long-term engagements to strengthen the supervisory and regulatory frameworks in FCS have advanced, with a focus on governance in the financial sector.

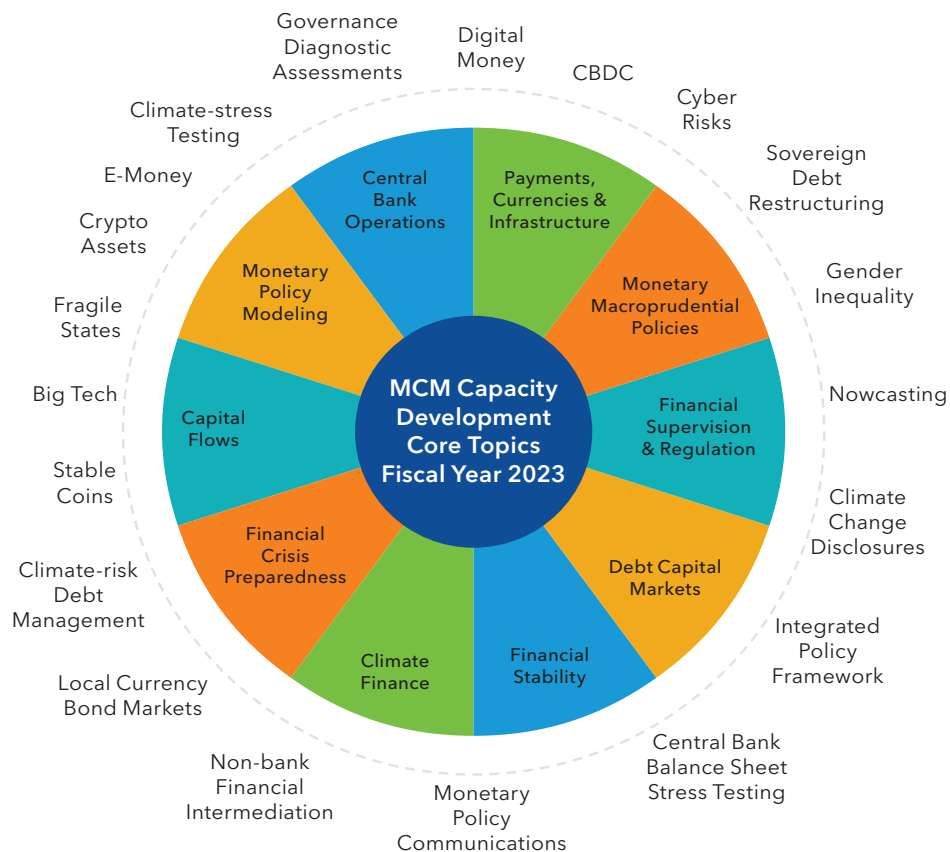
- Central Bank Operations.** Work continued in FY23 in core operational areas, such as monetary and foreign exchange operations, central bank accounting, auditing, risk management, governance, and transparency. MCM developed new tools to help central banks assess the robustness of their balance sheets, a key factor in fulfilling their mandate. In FY23, MCM performed such work in Argentina and Sri Lanka, with more requests received for FY24.

FIGURE 1. CD DELIVERY MODALITIES BY ACTIVITY COUNT, 2021-23 (PERCENT OF TOTAL)



Source: CDMAP.

FIGURE 2. MCM CD WORK AREAS, FY23²



Source: IMF Staff.

² The inner circle represents core MCM CD activities, and the outer circle represents more recent MCM CD activities. Since December 2022, MCM participation in interdepartmental governance diagnostic assessments has been treated as technical assistance (Cameroon, Lebanon, Sri Lanka, and Tunisia). Recently, the demand for these governance diagnostics has increased significantly. Since 2018, the Fund has completed more than 20 governance diagnostic assessments, for the most part in a Fund-supported program context. Governance diagnostic assessments are an important TA tool in implementing the Review of Implementation of The 2018 Framework for Enhanced Fund Engagement on Governance (IMF.org).

- *Digital Money and Financial Markets Infrastructure.* MCM has been working on building up the capacity of member countries to assess, design, experiment with, and supervise Central Bank Digital Currencies (CBDCs). MCM is also helping countries adopt other forms of digital money such as e-money. While exploring CBDC, countries often realize it is beneficial to support development of several types of digital money, and hence pursue improving financial market infrastructures, such as setting up an instant payment system, or opening access to payment systems for non-bank payment service providers. In FY23, MCM provided 10 CBDC and 5 non-CBDC TA missions.
- *Debt Management and Capital Markets.* Core CD work in this area includes improving institutional arrangements for sovereign debt management, implementing sovereign debt management strategies, developing local currency bond markets, and enhancing debt recording, reporting, and monitoring, with support from the Debt Management Facility (DMF). MCM also supported efforts to develop formal reform plans for debt management and climate finance. In FY23, MCM provided TA on debt management to over 90 recipient countries and regional entities (including LTX-led and STX-led missions and regional workshops) including through its [Local Currency Bond Markets Guidance Note](#).
- *Monetary and Macroeprudential Policies.* MCM provides CD support

to member countries on all aspects of monetary and macroprudential policies. In FY23, there was increased focus on delivering CD work in Forecasting and Policy Analysis Systems (FPAS), including short- and medium-term macroeconomic modeling, macroprudential policy frameworks and tools, and monetary and financial stability policy communications.

- *Financial Stability and Systemic Risk Analysis.* Work on developing or enhancing macro-stress testing frameworks, risk heat maps, financial stability analysis, and financial stability reports was significant in FY23. Many countries required assistance on enhancing their stress testing capacity, notably on the transition from static stress testing models to multi-year, scenario-based alternatives. There was also substantial demand for the implementation of tools to assess liquidity risk, and contagion within the financial system was also substantial. Recipient countries continue to face challenges on the calibration of adverse shocks and fundamental risk parameters. Work on bringing climate-related financial risk analysis into stress testing frameworks—building on efforts done by staff in Financial Sector Assessment Programs (FSAPs)—continues to grow, with various webinars and the first bilateral TA on climate stress testing conducted in Bangladesh.
- *Capital Flows.* Management of capital flows, especially as the COVID-19 shock and higher inflation increase

market volatility, has become a focus of CD. MCM helped member countries in FY23 by advising them on modernizing their legal framework governing capital flow management, providing advice on the preparation of a roadmap for the liberalization of capital flow management measures, and making recommendations on implementing liberalization measures.

- *Crisis Management.* Against a backdrop of rising financial stability risks—stemming from, among others, the impact of the COVID-19 pandemic on asset quality, the rapid pace of policy tightening and worsening sovereign debt sustainability metrics—MCM has continued to provide support to country resolution authorities seeking to fortify domestic financial safety nets and deposit insurers. Capacity building has focused on strengthening bank resolution and deposit insurance, solidifying institutional arrangements, and enhancing authorities’ operational capacity to resolve failing banks and manage financial crises, more broadly. Continuing demand for training courses on bank resolution and crisis preparedness and management—including the second offering of the online bank resolution course offered in collaboration with the Bank for International Settlements’ Financial Stability Institute and the International Association of Deposit Insurers—is reflective of the increased awareness of the importance of safety net reforms in the current uncertain environment.

CD DELIVERY IN FY23

Fiscal year 2023 saw a robust recovery in CD activity after the removal of COVID-19-related travel restrictions in early 2022. It was marked by a notable increase in engagements, reaching 919 CD activities across 137 countries and 7 beneficiary institutions (Figure 3).¹ MCM CD efforts remained comprehensive, encompassing both short-term engagements and the continuation of previous support to members, through a well-structured programmatic approach. Notably, CD expenditure surged to US\$43 million, reflecting a significant increase (54 percent) in activities and in-person delivery, compared with the previous fiscal year.

¹ The FY22 and FY23 activity count includes the direct delivery, management and administration, and analytics and development activity categories. The IMF adopted a new administrative system for planning and tracking CD—the Capacity Development Management and Administration Program (CDMAP). Starting from FY22, CDMAP has introduced methodological changes to CD spending data that reflect only direct costs. While this has led to a structural break in the data series, discrepancies with the historical data were minimized through adjustments made to CD spending in FY19-FY21 to match closely the CDMAP definition.

Where did MCM deliver CD?

Among regions, Sub-Saharan Africa experienced a marked expansion in CD activities, as evidenced by the increase in the share of total CD spending to 43 percent in FY23 from 38 percent in FY22 (Figures 4 and 5). This region remained the primary recipient of MCM CD delivery. Asia and the Pacific Islands recovered, following a decline in delivery in the previous year, and reclaimed a share of 22 percent. The Middle East and Central Asia region and the Western Hemisphere region each accounted for approximately 15 percent of the total direct delivery, while Europe declined to 5 percent, in part reflecting the suspension of CD delivery to Ukraine—the top recipient of MCM CD in the previous two years.

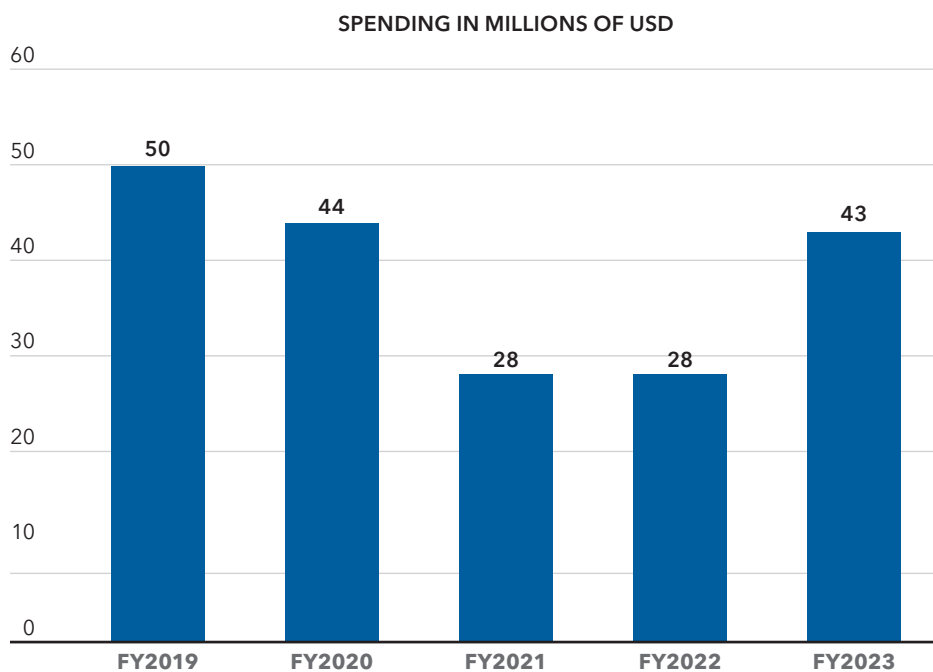
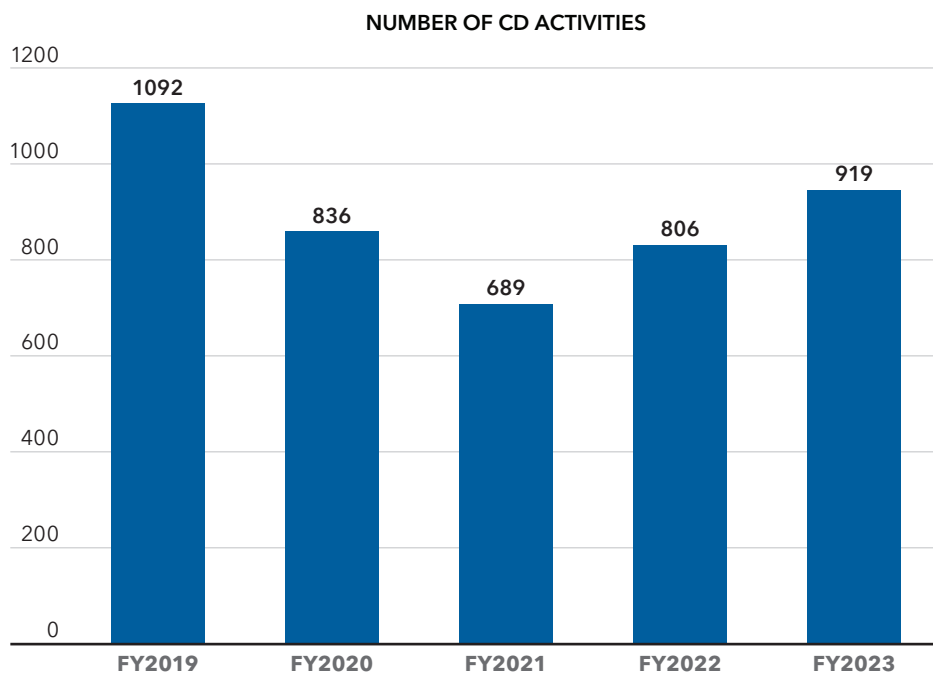
Mozambique in FY23 was the leading recipient of MCM CD initiatives, primarily due to its intense central bank modernization program, financed by Norway (Figure 6). Cambodia also received a large share of CD delivery, partly reflecting the activities of a new resident advisor at the Central Bank of Cambodia, financed by the generous support of Japan (page 41). Other countries in Africa, including The Gambia and Sierra Leone, also benefited from a significant increase in CD delivery, due to the ongoing

implementation of follow-up TA programs as part of their Financial Sector Stability Reviews (FSSRs).

Across various workstreams, there was a substantial overall increase in CD efforts. Notably, CD pertaining to financial supervision and regulation retained the largest share, accounting for 39 percent of the total (Figure 7). In US dollar terms, CD expenditures in this area more than doubled in FY23 compared with the previous fiscal year, reflecting the resumption of mission travel. CD that focused on central bank operations contributed 19 percent to the overall CD activities. There was sustained momentum in the demand for CD related to financial stability risk analysis and payment systems.

There has been strong growth in direct CD delivery on climate change, debt management, and digital money (Figure 8). This reflects the increased CD demand for work on climate stress testing, including for countries that requested the Resilience and Sustainability Facility (e.g., Bangladesh). Demand for debt management also rose as higher global interest rates pushed several countries into higher debt distress. And interest in digital money, including exploring

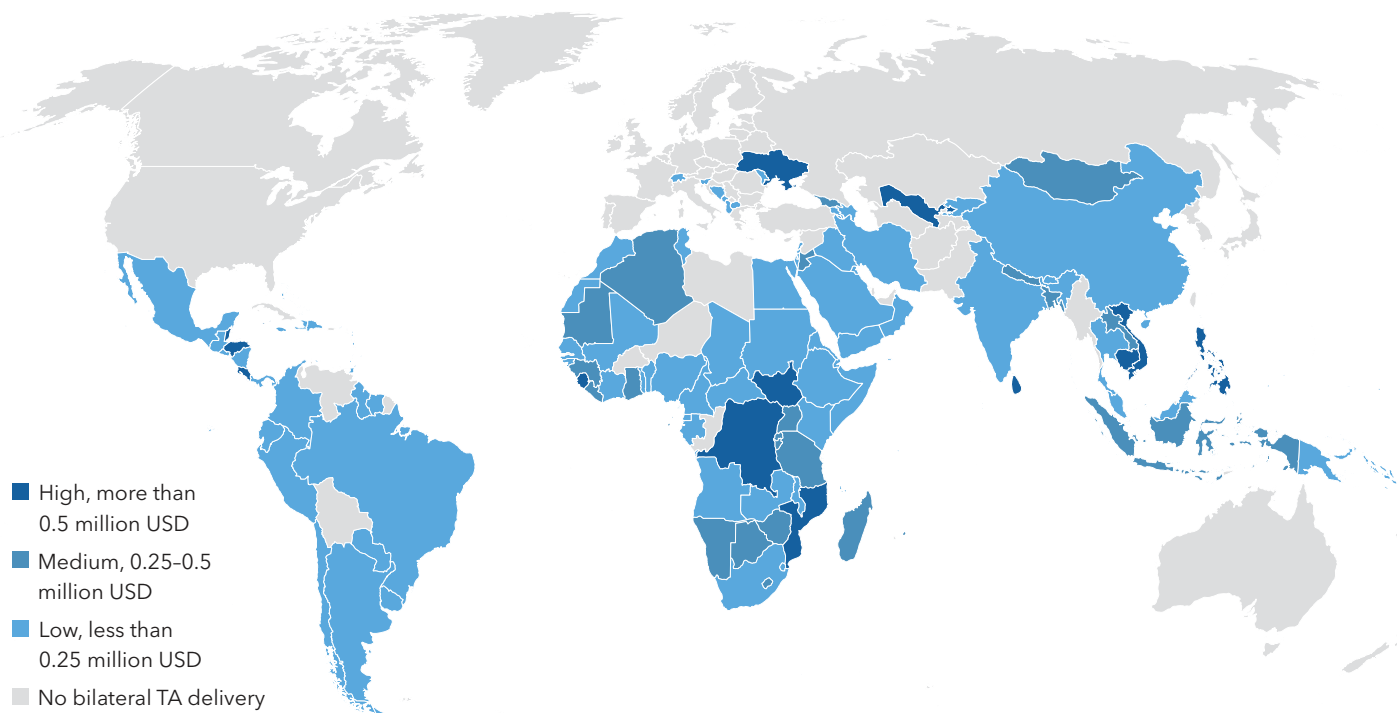
FIGURE 3. MCM CD DELIVERY LEVELS, FY19-FY23



Note: Due to changes in the methodology for calculating direct delivery spending, spending after FY21 cannot be easily compared to spending in prior years.

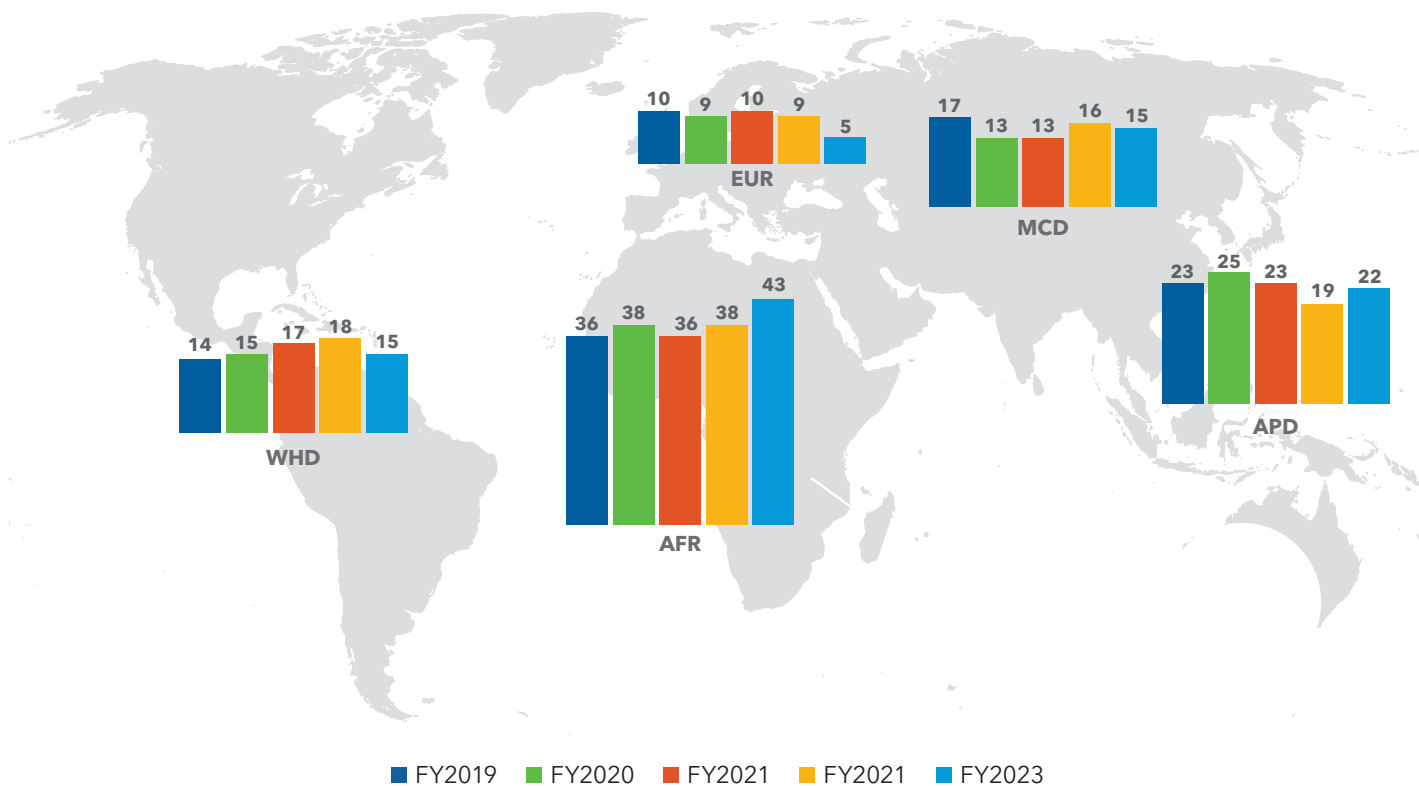
Source: ACES; CDMAP for FY22 and FY23.

FIGURE 4. GLOBAL COVERAGE OF MCM CD DELIVERY, FY23



Sources: CDMAP data and IMF Staff.

FIGURE 5. MCM CD DIRECT DELIVERY BY REGION (PERCENT OF TOTAL)



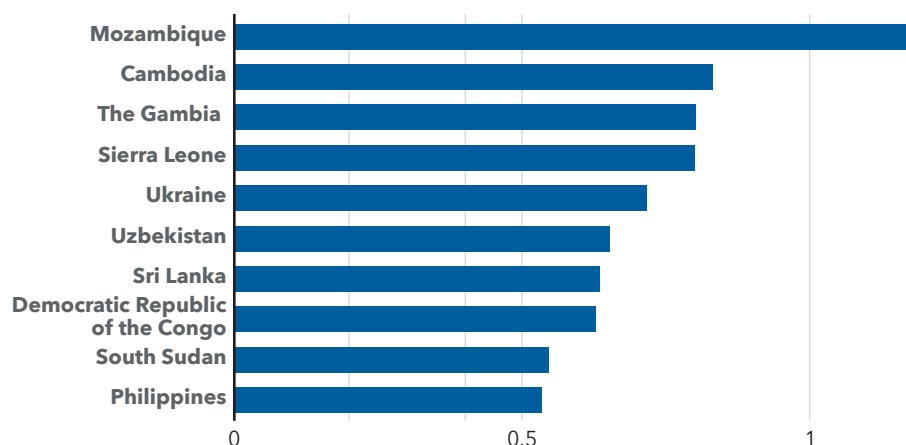
Sources: CDMAP data and IMF Staff.

central bank digital currency (CBDC), continued its upward trend.

Working with FCS. In line with the Fund's priority to support FCS, capacity building in these countries remained prominent on MCM's agenda (Box 1). In FY23, FCS accounted for 17 percent of MCM's CD activities (Figure 9).² There was a pronounced increase in the number of in-person engagements compared with the previous fiscal year, recognizing the crucial necessity for in-person interactions. In this regard, LTXs—who have more continuous engagements with country authorities—delivered 38 percent of CD in FCS, surpassing the share of both HQ staff and STXs. Among the different workstreams, core areas represented the majority of CD provided to FCS, with financial supervision and regulation accounting for over one-third of the total CD provided to FCS. This was followed by substantial contributions in central bank operations. Further, there was high demand for CD initiatives focused on monetary policy frameworks and tools, as well as the development of sovereign debt markets.

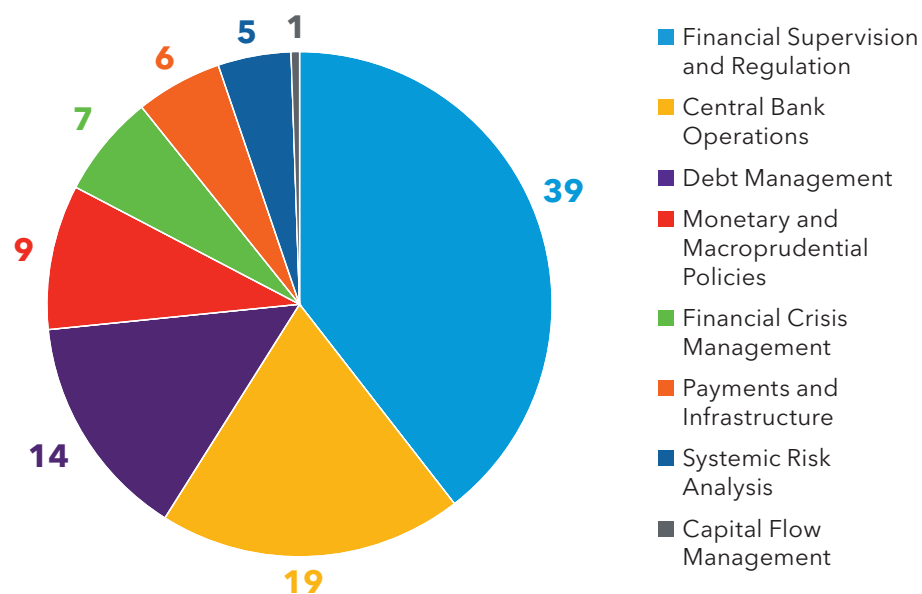
² The IMF made changes to the list of FCS members with the adoption of the FCS Strategy. The following economies were added to the FY23 FCS list: Burkina Faso, Cameroon, Ethiopia, Mozambique, Niger, Nigeria, República Bolivariana de Venezuela, and Ukraine; while the following economies were removed from the FCS list: Côte d'Ivoire, Djibouti, The Gambia, Guinea, Kiribati, Liberia, Madagascar, Malawi, Maldives, Democratic Republic of São Tomé and Príncipe, Sierra Leone, Tajikistan, and Togo. Further, commencing from FY23, redistribution of multi-country expenses to individual countries no longer occurs, leading to a structural break in the data series. To ensure comparability with FY23, the CD delivery in FY22 has been adjusted using the same methodology and country list in the FCS figures.

FIGURE 6. TOP 10 MCM CD RECIPIENTS, FY23 (MILLIONS OF USD)



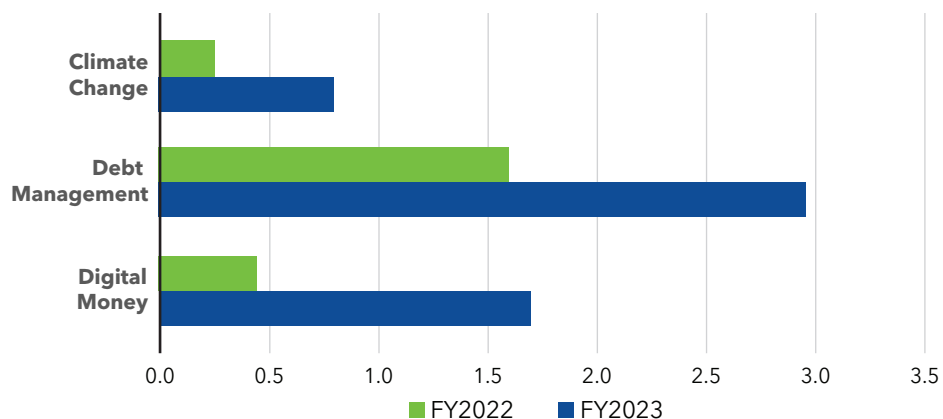
Source: CDMAP data and IMF staff.

FIGURE 7. MCM CD DIRECT DELIVERY BY WORKSTREAM, FY23 (PERCENT OF TOTAL)



Sources: CDMAP data and IMF Staff.

FIGURE 8. MCM CD DIRECT DELIVERY ON GROWTH AREAS, FY23 (MILLIONS OF USD)



Sources: CDMAP data and IMF Staff.

BOX 1. THE FCS STRATEGY

The key challenges to building capacity in FCS include severe capacity constraints, inadequate internet connectivity, low staff complement, and insecurity, which often require in-person missions conducted in a third country. As such, MCM adopted a medium-term programmatic approach to TA delivery, based on each country's priorities and specific challenges, consistent with the IMF's overall FCS strategy. The medium-term TA workplans aim at sequencing the authorities' extensive TA priorities while mindful of capacity limitations and are delivered through a flexible combination of methods. TA workplans were developed in FY23 for the Democratic Republic of Congo, Somalia, and South Sudan. These plans were customized to each country's unique needs and challenges to ensure traction.

Democratic Republic of the Congo (DRC).

The DRC workplan was developed following the publication of the 2022 Financial Sector Stability Review (FSSR), which conducted a diagnostic review of the oversight framework and proposed the TA priorities. The three-year workplan, developed and agreed with authorities, was launched in FY24 and is expected to run through FY26. It features three MCM workstreams: financial regulation, central bank operations, and a macroprudential framework. The primary TA activities focus on (i) supporting drafting regulations in line with the new banking law; (ii) implementing IFRS for recently audited central bank financial statements; (iii) establishing a financial stability unit; (iv) strengthening risk management at the central bank; (v) enhancing the

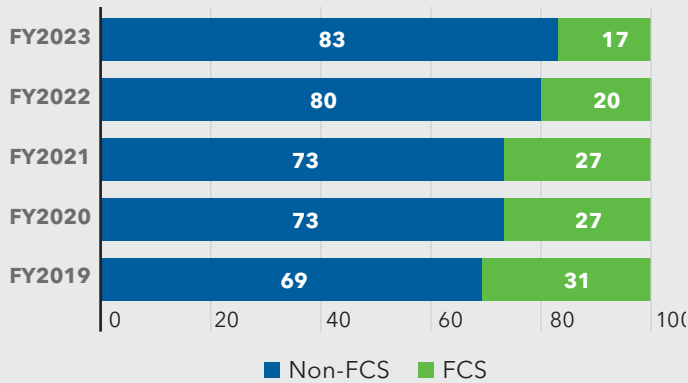
supervisory framework and moving to risk-based banking supervision; (vi) fortifying monetary policy and macroprudential regulations; and (vii) advancing gender equality at the BCC and in the financial sector. Most of the activities will include three to six peripatetic visits to effectively build capacity and ensure progress.

Somalia. MCM TA activities under the Somalia Country Fund includes two workstreams—financial regulation and central bank operations; activities started in 2021 and are expected to last until 2025. The scope of activities for the two workstreams is broad since the operating frameworks are nascent. For example, the financial regulation workstream has so far worked on developing prudential regulations for commercial banks; building technical capacity in commercial bank licensing, prudential regulation, and supervision; and improving transparency to encourage sound commercial banking practices and financial intermediation. For central bank operations, the key priorities include upgrading central bank governance, transparency, and organization; and strengthening central bank accounting, internal audit, and risk management functions. The TA modality combines in-person and virtual delivery, including training new central bank staff on foundational concepts. In addition, in early 2023, MCM organized a remote workshop to build and bolster capacity on payments regulation, supervision, and oversight. This was the first engagement with the Central Bank of Somalia and was part of a two-year project to assist the authorities in operationalizing the newly established payment system department.

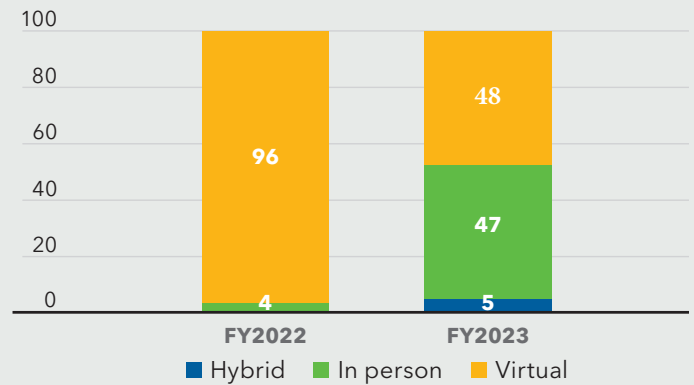
South Sudan. The TA workplan for South Sudan is extensive in scope and involves both the Bank of South Sudan and the Ministry of Finance. A recent MCM mission, in June 2023, reached agreement with authorities on the TA priorities in the following workstreams: monetary policy operations, financial supervision, financial market infrastructure, crisis management, currency management, debt management, and central bank operations. In designing the workplan, the mission noted two key considerations. First, given the capacity constraints, CD activities must be complemented by training sessions and professional attachments to provide foundational and practical knowledge for new and experienced staff. Second, TA activities need to be coordinated with development partners to reduce potential overlap and improve data sharing between the central bank and the ministry of finance to facilitate certain activities, such as liquidity forecasting. The primary activities are (i) following up on cash currency management to analyze currency stock depletion and currency in circulation, including analyzing optimal denomination structure; (ii) improving liquidity forecasting to support monetary policy operations; (iii) developing a debt recording and management database, including a framework to analyze debt statistics; and (iv) implementing IFRS 9 for the central bank's balance sheet. Other priorities were scheduled for the second year of the medium-term workplan.

FIGURE 9. MCM CD DIRECT DELIVERY IN FCS, FY23 (PERCENT OF TOTAL)

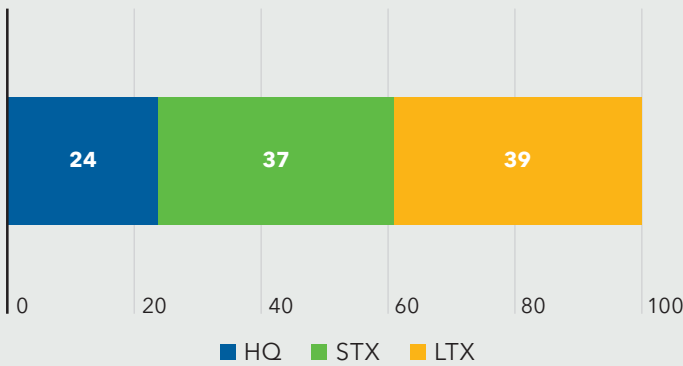
CD DELIVERY TO FCS CONTINUED TO BE A SIGNIFICANT SHARE OF MCM ACTIVITIES IN FY23



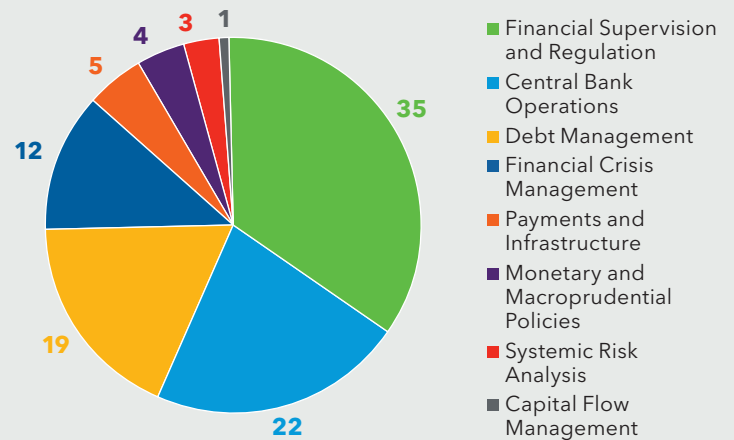
IN PERSON CD IS PARTICULARLY IMPORTANT FOR FCS



LTXs AND STXs PLAY AN IMPORTANT ROLE IN DELIVERING CD TO FCS



CORE AREAS REPRESENT THE MAJORITY OF CD DELIVERED TO FCS



Sources: CDMAP data and IMF Staff.

HOW DID MCM DELIVER CD IN FY23?

Technical assistance. The bulk of MCM CD in FY23 was in the form of TA (Figure 10). TA accounted for 77 percent of all CD activities and rose significantly in dollar terms compared with the previous fiscal year. As indicated above, most of the TA activity was in financial supervision and regulation, followed by central bank operations, debt management, and monetary and macroprudential

policy. New TA areas are growing in relevance, including central bank digital currencies, and, for the first time, climate stress testing (see “Bangladesh: Climate Stress Testing”).

Country-specific TA was delivered flexibly to support members’ needs. In FY23, remote TA work was complemented by in-person missions, engaging either LTXs or STXs, backstopped by MCM

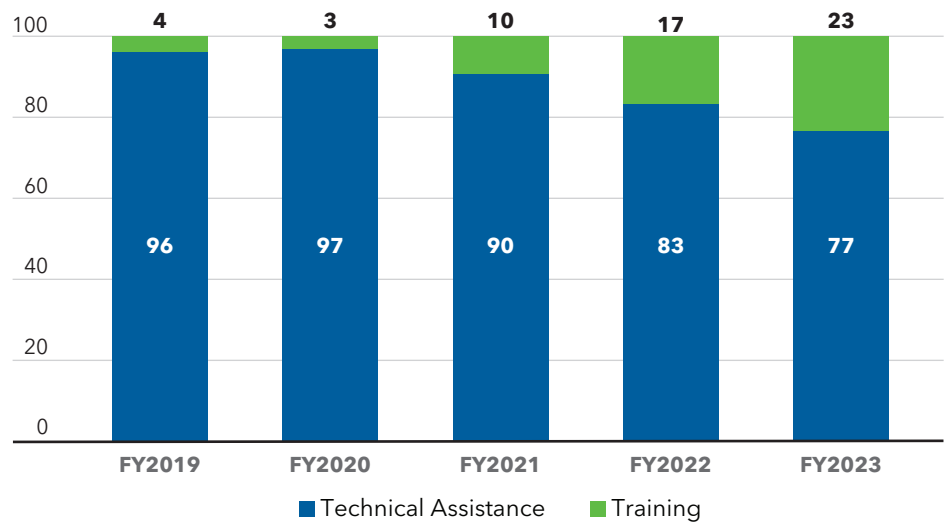
functional divisions. Hybrid modalities accounted for over 6 percent of total TA activities. The greater use of virtual or hybrid engagements for short-term interactions with the authorities, before and after in-person missions, greatly enriched the delivery and effectiveness of programmatic TA.

Training. This rapidly growing category of total CD activities accounted for 23 percent of all MCM CD activity in FY23 (Figure 10). MCM training employs various formats, including traditional classroom settings, bilateral and regional workshops and seminars, platforms that foster peer-to-peer exchange and learning, LTXs supported by HQ staff, as well as targeted advisory sessions for high-level officials at central banks and other relevant agencies. MCM’s commitment to regional coverage has led to the expansion of training programs across all Regional Technical Assistance Centers (RTACs) and Regional Training Centers (RTCs). MCM training is offered in multiple languages, including Arabic, French, and Portuguese.

Training is vital to effective CD operations. Collaborating with other IMF departments (e.g., ICD, RES, STA, LEG, and ITD) as well as with other institutions (World Bank, Bank for International Settlements), MCM leverages complementarities and ensures comprehensive training coverage. Multi-country training in new growth areas, such as central bank digital currency, climate finance, cyber risk supervision, debt management, and e-money is often followed by bilateral TA engagements. To enhance accessibility and effectiveness, MCM is also actively expanding online and virtual platforms for training delivery, increasingly integrating these platforms with TA to deliver more efficient and impactful CD programs.

Field presence. Experts (LTXs and STXs) are pivotal to facilitating the delivery of specialized advice across various topics and regions. Over the past five years, the contribution of LTXs in providing expert advice has grown significantly, accounting

FIGURE 10. PERCENTAGE OF TA AND TRAINING IN OVERALL MCM CD ACTIVITY, FY19-23 (PERCENT OF TOTAL)



Sources: CDMAP data and IMF Staff.

for 31 percent of all CD (Figure 11). With the resumption of travel, LTXs largely returned to in-person CD delivery. Moreover, the number of LTXs has recently reached its peak at 38, reflecting an upward trend in their deployment. Five new positions were created in FY23 to support FSSR follow-up TA projects and new bilateral partnerships. Seven LTXs were replaced at the end of their contracts, reflecting continued strong country demand.

Most LTXs are placed in an RTAC and serve a group of countries in the region where the center is located, providing region-wide training as well as bilateral assistance. Their proximity to country authorities and immersion in the region help them tailor advice and expertise to the context, while their residency in the region provides stability and continuity in their country engagements, which are key to ensuring traction over the medium term. RTAC LTXs work in high-demand areas, such as financial supervision, central banking, governance of

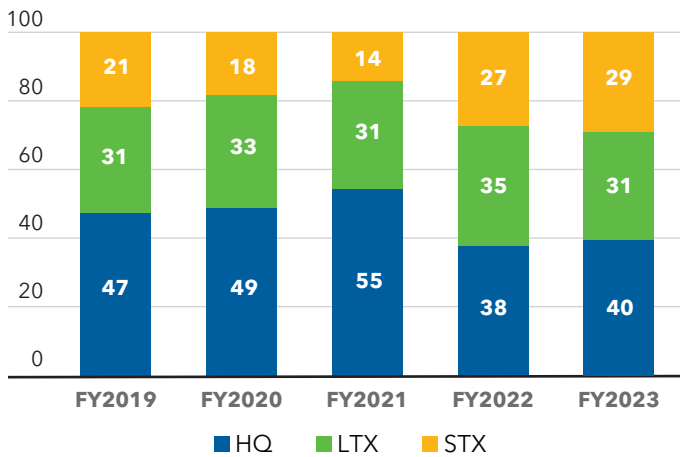
state-owned banks, macroprudential policy, debt management, financial market infrastructures, and financial stability. Other LTXs are placed in central banks, ministries of finance, or supervisory agencies, where they interact daily with authorities to provide hands-on support for intense work programs.

STXs—drawn from partner central banks, debt management offices, ministries of finance and financial supervision agencies, as well as individual consultants—complement MCM staff expertise and expand MCM’s ability to deliver CD efficiently (Figure 12).

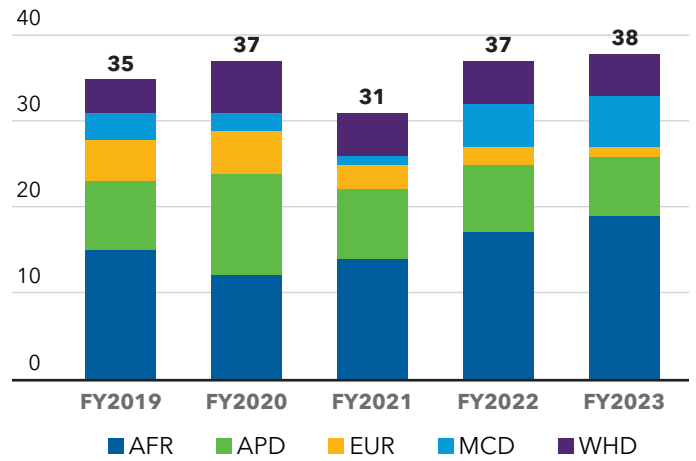
Every year, LTXs come together in Washington, DC, for a week-long workshop with HQ staff to discuss their experiences. The latest workshop, in late November 2022, provided a unique opportunity to strengthen teams’ collaboration, peer learning, and information sharing.

FIGURE 11. MCM CD DIRECT DELIVERY BY RESOURCE TYPE, FY19-FY23

LTXs DELIVER A SIGNIFICANT SHARE OF MCM CD

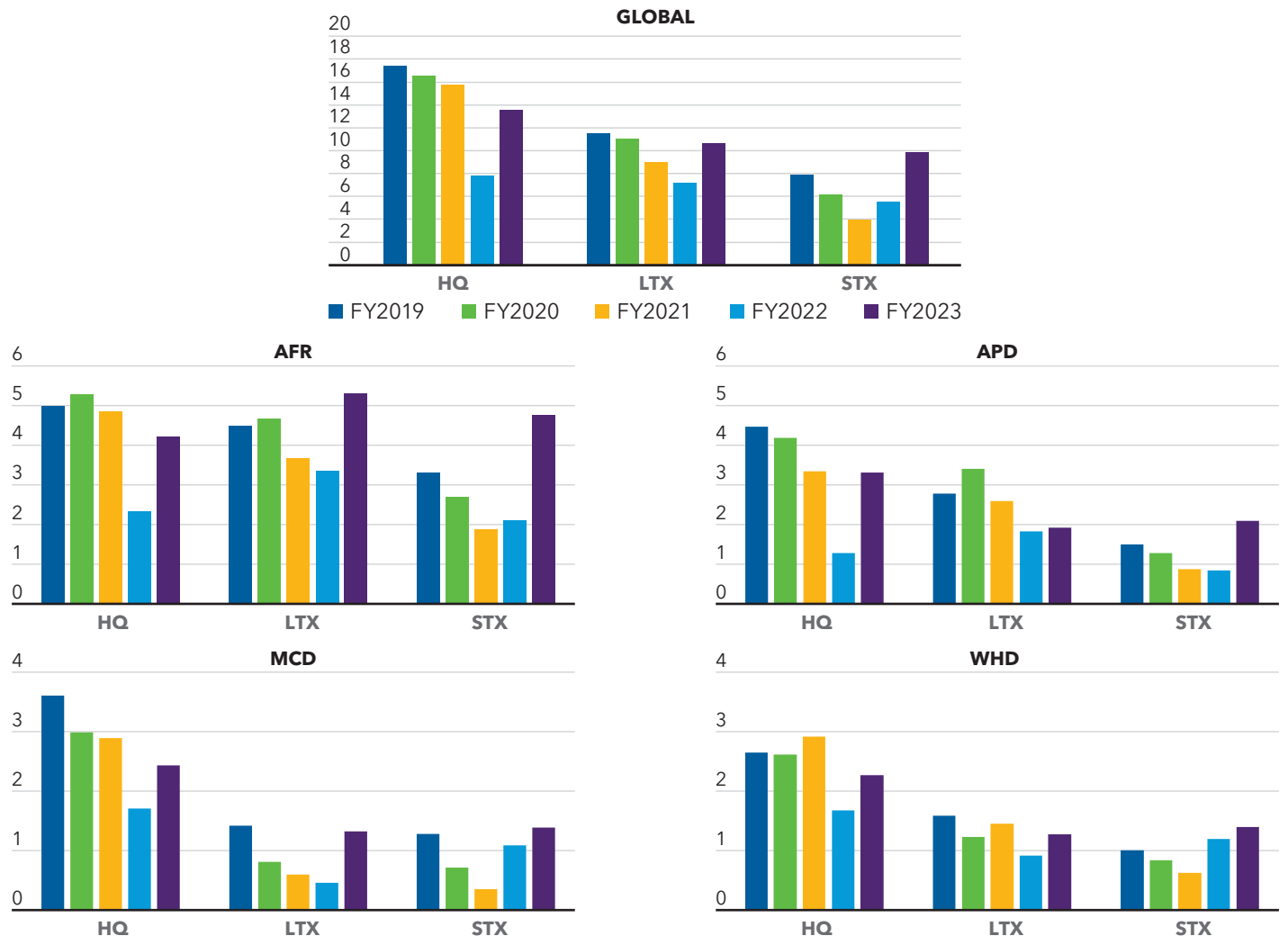


IN PERSON CD IS PARTICULARLY IMPORTANT FOR FCS



Sources: CDMAP data and IMF Staff.

FIGURE 12. MCM CD DIRECT DELIVERY GLOBALLY AND BY REGION, FY19-FY23 (MILLIONS OF USD)



Sources: CDMAP data and IMF Staff.

BOX 2. LEVERAGING OUR GLOBAL NETWORK

The Ninth Annual Workshop for MCM LTXs took place in person from November 28 to December 2, 2022. The event facilitated an exchange between LTXs and HQ staff on technical and operational issues and ensured coherence in delivering the MCM CD agenda. The event, which aimed to strengthen teams' collaboration, peer learning, and information sharing, focused on all aspects of CD delivery, from CD strategic issues central to discussions at HQ to many technical and operational issues.

MCM experts gave presentations on the latest developments on topics of great interest, such as proportionality in supervisory standards, governance reforms in central banks, central bank communications, and development of domestic debt markets. LTXs participated in many panel discussions, highlighting their experiences in delivering CD and interactions with country authorities. LTXs and staff also shared their views on balancing the demand for CD on the emerging areas of climate, fintech, and digital money and the need for the core MCM areas of central banking, financial supervision, and debt management. Attendees discussed practical approaches to CD delivery, such as collaborating with more advanced central banks, designing CD by blending in-person visits with virtual



follow-ups for maximum engagement, and pacing CD delivery to match absorptive capacity. To understand more deeply their countries' needs, LTXs also met with representatives of the area department country teams. A Q&A session with MCM's leadership offered information about the strategic direction of MCM's CD operations.

A flagship session of the LTX workshops, "LTX Views from the Field," featured a lively discussion among the LTXs. They relayed that the country authorities particularly appreciate in-person missions and have increased engagement, and that

the authorities also confirmed that the virtual platforms usefully complement in-person delivery, especially for training events. On delivering CD to FCS, LTXs emphasized the need for continuous engagement and coordination with other providers to reduce overlaps. In another panel session, on CD surveillance integration, the LTXs had the chance to exchange ideas with former IMF resident representatives on successful experiences and new ideas on how to mutually support each other's work in the field of CD.

DONOR PARTNER SUPPORT

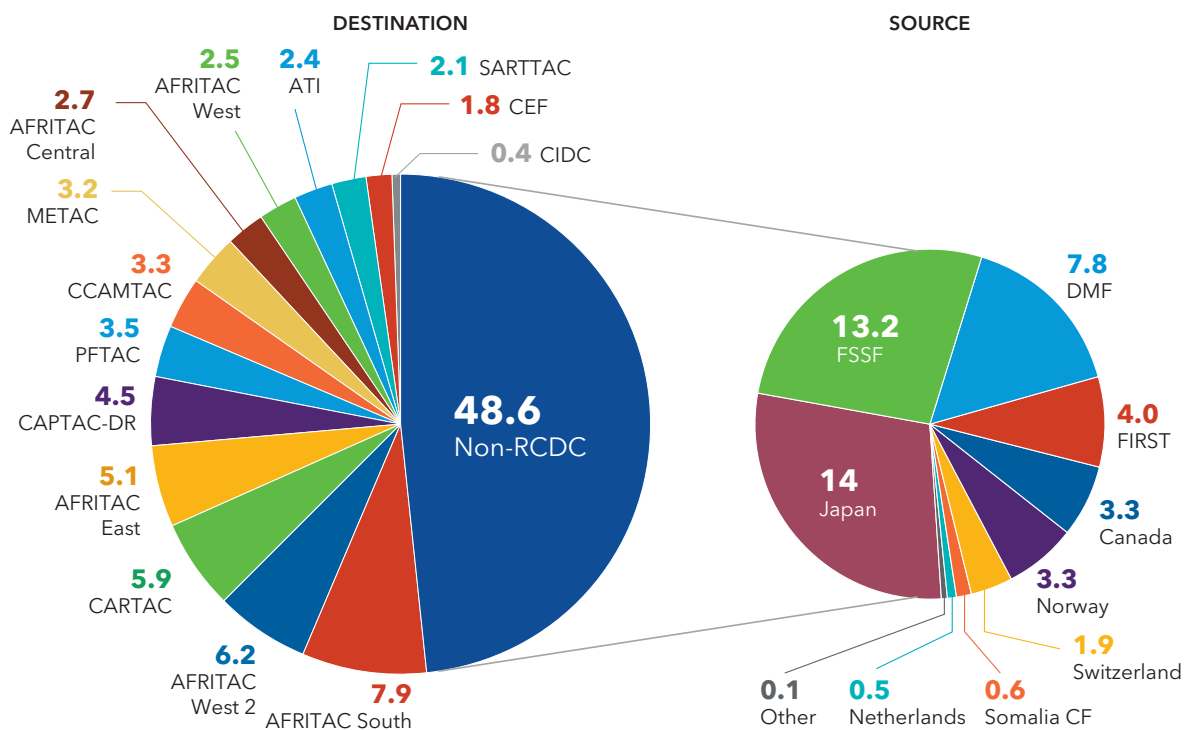
MCM CD has benefited from the generous support of external development partners for many years (Box 3). Thanks to the bilateral partners and multi-partner funding vehicles, MCM has been able to respond to the increasing and quickly evolving membership needs for financial sector CD. In FY23, bilateral agreements, thematic funds (TFs), and regional CD centers helped fund over

two-thirds of MCM’s direct CD delivery and development of knowledge management products. About half of the external financing supports MCM CD delivered through RCDCs, and the rest is split between TFs and bilateral external financing (Figure 13). MCM’s CD delivery through LTXs—who are funded solely by external financing partners—continued to rise, with 38 in

FY23 and two-thirds of them based in RCDCs.¹

¹ The RCDCs’ operational budgets are built on bilateral partner-financing and member- and host-country contributions. Multi-partner funding vehicles—each itself financed by different agencies or government units, often by bilateral partners—support either a single-country CD on a broad range of topics or CD in a specific thematic area for a range of countries, including CD provided by RCDCs.

FIGURE 13. DONOR-FUNDED MCM CD SPENDING (IN PERCENTAGE OF TOTAL US DOLLARS IN FY23)



Source: CDMAP.

BOX 3. DEVELOPMENT PARTNERSHIPS

Japan has been the longest standing and largest bilateral partner supporting MCM CD on several topics, especially in the Asia region. In the past three years, Japan’s generous contributions have expanded to cover CD on debt management in Africa and central bank digital currency (CBDC) worldwide, with the latter coming in very timely during the COVID-19 pandemic. Japan continues supporting CD on CBDC-related topics in the Asian region and some African FCS countries in the medium term.

Canada, Netherlands, Norway, and Switzerland have also been committed partners of MCM for years. In FY23, their support helped strengthen financial stability and debt management frameworks, as well as monetary policy implementation and operations, in the Caribbean region, Ghana, Moldova, Mozambique, and Ukraine. As needs continue to increase, bilateral partner support is expected to expand to more countries and strategic thematic priorities in the medium to long term. Further demands are anticipated to include CD to FCS, as well as CD on central bank governance

and transparency practices, climate change, digital money, and others.

In multi-partner TFs, financing contributions have been vital in supporting MCM CD in RCDCs and thematic trust funds, including the Financial Sector Stability Fund (FSSF), Debt Management Facility (DMF), Financial Reform and Strengthening Initiative (FIRST), and Somalia Country Fund. The share of the FSSF in the thematic partnerships has been the largest since FY20 and is expected to grow in FSSF Phase II, which is under discussion with FSSF partners.

Bilateral Partners are development agencies or government units that finance single-country CD programs deemed priority by the IMF, partners, and CD recipients

				
Japan	Norway	Canada	Switzerland	Netherlands

Thematic Trust Fund Partners

	FSSF: China, Germany, Italy, Luxembourg, Saudi Arabia, Sweden, Switzerland, United Kingdom, and European Investment Bank
	DMF: Austria, Canada, European Union, France, Germany, Japan, Netherlands, Norway, Switzerland, United Kingdom, United States, and African Development Bank
	FIRST: Germany and Switzerland ²
	Somalia Country Fund: Canada, European Union, Italy, United Kingdom ³

² These are the partners of FIRST Phase IV—the last in the FIRST cycle—that ended in December 2022. Partners of Phase III, which ended in December 2020, included Germany, Luxembourg, Netherlands, Switzerland, and United Kingdom.

³ These are the partners of Somalia Country Fund Phase II, FY21-25. Partners of Phase I, which ended FY20, included Arab Fund for Economic and Social Development, Canada, European Commission, Italy, United Kingdom, and United States.

SECTION II

IMPLEMENTING
THE CD STRATEGY

A

PROGRAMMATIC
APPROACH TO CD

MCM's "CD Strategy 2022-2025—Supporting Financial Sector Resilience Through Disruption and Change" continues to guide the department in implementing its work program (Box 4).¹ Important progress has been made in further developing its programmatic approach to CD along with the increased use of the RBM framework. MCM continued to further integrate its CD activities with the surveillance and lending activities by area departments. In line with the strategic objectives, MCM increased the agility and efficiency of CD delivery, including by combining different modalities (e.g.,

¹ The MCM CD strategy was adopted in 2011 and has been updated several times since then, with the last update in early 2022: <https://www.imf.org/-/media/Files/Publications/technical-assistance-annual-report/taar2022-25.ashx>. The Fund-wide CD strategy was adopted in 2013 and reviewed in 2018: <https://www.imf.org/-/media/Files/Publications/PP/2018/pp1002182018reviewfunds-cdstrategyoverview.ashx>.

online courses, classroom training, and TA), and was a transparency champion through the implementation of the IMF CD dissemination policy.

PROGRAMMATIC APPROACH TO CD

A large part of MCM's capacity building is delivered through multi-year programmatic country projects, consisting of well-prioritized CD activities, aimed at identifying and/or addressing vulnerabilities and risks in the financial sector and building institutional capacity and resilience. This requires a systematic approach, based on close coordination with authorities in determining existing capacity gaps; tailoring and prioritizing CD workplans that best respond to their needs; and monitoring implementation through the RBM framework.

Since the IMF formally adopted the RBM framework in FY17, MCM has made progress in enriching the RBM

data and using it more efficiently. Although the interpretation and use of RBM data are still limited by the short time series and the nascent practices across CD delivery teams, the data can already provide useful insights.

First, the number of RBM outcomes has steadily increased, suggesting more intense country engagement (Figure 14). While all regions showed a progressive rise in the number of outcomes rated between FY18 and FY23, Sub-Saharan Africa, the largest CD recipient, had the largest number of rated outcomes. The sharp increase in the number of outcomes over the past two fiscal years, particularly in Sub-Saharan Africa, can be attributed to the deployment of more LTXs, who helped increase the intensity of CD engagement with the authorities. The trend also reflects the greater experience acquired by CD teams in implementing RBM more systematically.

BOX 4. PROGRESS IN IMPLEMENTING MCM'S CD STRATEGY 2022-25

MCM's "CD Strategy 2022-25: Supporting Financial Sector Resilience Through Disruption and Change" lays out seven guiding principles:

Element 1: MCM maximizes the impact of our capacity development work by providing demand-driven and country-tailored CD. Demand for MCM CD remained strong in FY23, across all workstreams of financial stability and all regions.

Element 2: MCM provides highly expert and specialized CD across key financial sector topics and works continuously to maintain up-to-date knowledge and skills and develop new expertise to assist member countries in traditional and emerging areas. MCM continued to provide highly specialized expertise in FY23, aiming to meet the growing demand for its CD.

Element 3: MCM ensures high-quality CD output by recruiting staff and experts with significant hands-on experience and implementing strong quality control processes. In FY23, MCM scaled up its support, reaching a total of 38 LTXs—an upward trend in their deployment.

Element 4: MCM provides CD that enhances overall economic reform by integrating its CD with the surveillance and IMF program activities and aligning its CD with IMF priorities. MCM continued its work in FY23 on increasing CD relevance by providing support to area departments' surveillance and lending programs.

Element 5: MCM employs a full range of CD modalities to achieve maximum impact. MCM adapted to a new normal of CD delivery modalities in FY23, as

COVID-19 travel restrictions were lifted, to better serve its member countries.

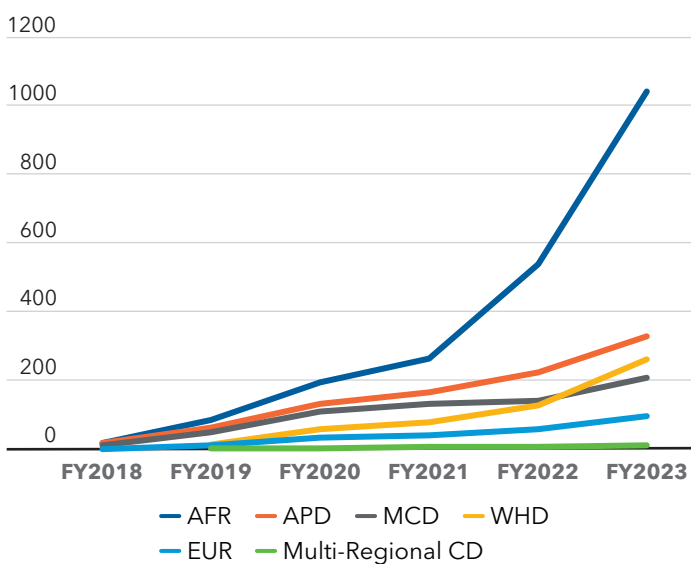
Element 6: MCM builds on external and internal partnerships in provision of CD work, allowing us to access and expand skills and resources and build synergies with all CD stakeholders. MCM continued to build partnerships in the provision of CD in FY23 through various approaches, leveraging expertise, resources, and networks.

Element 7: MCM utilizes feedback processes to ensure high quality and continuous improvement of our work. In FY23, MCM continued to promote the use of the RBM logical framework approach (generally referred to as log frames) to map CD needs and to identify gaps.

FIGURE 14. RESULTS-BASED MANAGEMENT RATINGS

CUMULATIVE RATED OUTCOMES BY REGIONS

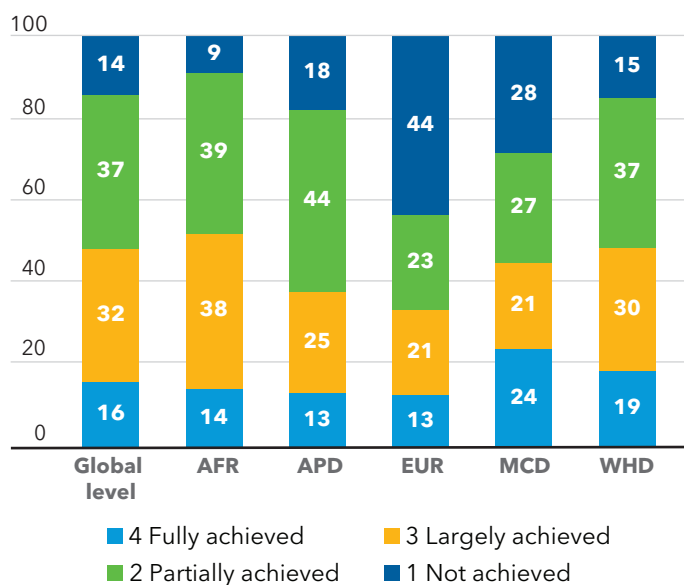
(Number of rated outcomes)



Source: CDMAP (RBM data became systemically available in FY18)

FY23 GLOBAL AND REGIONAL RBM RATINGS

(Percent of total)



Second, RBM data indicate an improvement in CD results. At the global level, about 85 percent of rated outcomes in FY23 were either partially or largely/fully achieved. While the percentage of partially rated outcomes are relatively high in some regions, these could reflect (i) work in progress, as the authorities might be refocusing from the immediate pandemic response to longer-term reforms; (ii) weaker results in FCS, where it is more difficult to follow up on project implementation; and (iii) newer projects that are still in the early stages of the implementation cycle.

Indeed, CD implementation in FCS remains weaker than in other countries

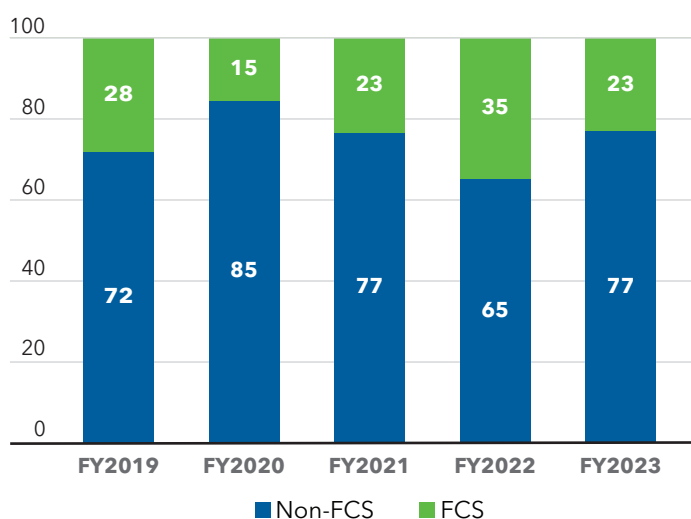
(Figure 15). When compared with the non-FCS group, FCS have a larger number of outcomes “not achieved” or “partially achieved.” This reconfirms the need for a more continuous engagement in FCS, along the lines of the Fund’s new FCS strategy. At the same time, the FCS group also has a lower number of rated outcomes, which reflects the tailoring of CD based on the lower implementation capacity of authorities and deliberate mitigation strategies, which limit the rated outcomes per project.

The success of MCM’s programmatic CD depends on the close collaboration with CD recipients. RBM log frames are shared with the authorities before

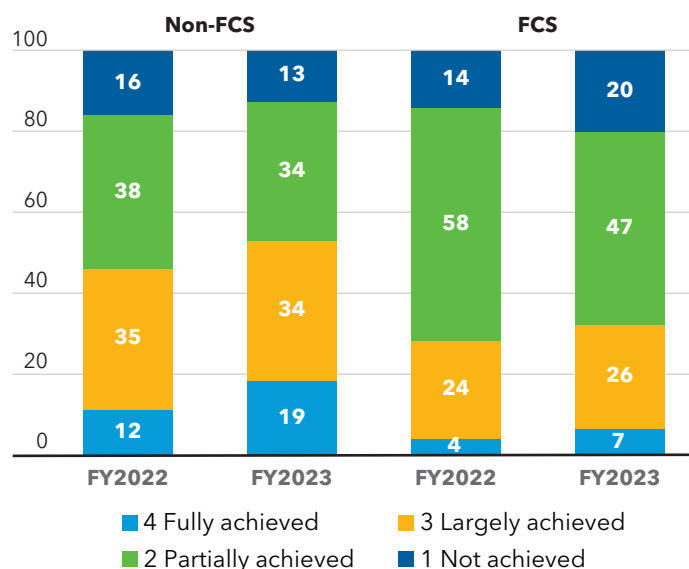
each CD engagement, to ensure that CD delivery and recommendations are linked to appropriate RBM outcomes and milestones. Recently, MCM has made the discussion of RBM log frames and results an integral part of TA assessment needs missions (e.g., in Mauritius and Seychelles). The authorities appreciated the opportunity to discuss the RBM frameworks in close connection with the individual CD projects. Going forward, MCM plans to pilot a few more country cases where CD recipients are involved more closely in the CD design process, including through the discussion of RBM log frames and results.

FIGURE 15. RBM OUTCOMES FOR FCS AND NON-FCS COUNTRIES

RATED OUTCOMES BY FCS AND NON-FCS COUNTRIES



FY22 AND FY23 RBM RATING BY FCS AND NON-FCS



Source: CDMAP.

TESTIMONIAL

Brian Commettant, First Deputy Governor, Central Bank of Seychelles (CBS)



"Technical assistance provided to Seychelles by MCM has been prominent since November 2008, when the country started engaging with the IMF in the form of program arrangements. MCM CD support to CBS has covered numerous areas that have resulted in the implementation of various policy tools and frameworks. Support to set up the groundwork for the conduct of monetary policy under a monetary targeting framework as CBS moved away from a fixed to a floating exchange rate system, including the gradual shift from direct to indirect market-based instruments and abolition of administrative tools are amongst the notable examples of valuable assistance received from MCM. To this end, the MCM scoping visit in April 2023 allowed us to provide feedback on the effectiveness of past CD as well as discuss future CD needs in more detail. It also gave us an opportunity to have a better understanding of the IMF's Results Based Management system and the integral role we as CD recipients play in using the framework in the design of our CD engagement but also during the delivery and implementation phases as well. We welcome further discussions and input on the log frames during technical missions."



CD DELIVERY IN SUPPORT OF AREA DEPARTMENT SURVEILLANCE AND LENDING PROGRAMS

In FY23, MCM further aligned its CD activities with area departments' surveillance and lending activities. This alignment was achieved in two ways. Area departments worked closely with

MCM to identify and prioritize member countries' CD needs based on the assessment of risks and vulnerabilities during surveillance and/or program discussions. Also, technical issues that

arose during CD activities enriched the policy dialogue in surveillance and program discussions. The following two testimonials attest to this increased integration.

TESTIMONIAL

Mauricio Villafuerte, Assistant Director, Western Hemisphere Department, IMF

"The Western Hemisphere Department (WHD) has substantially benefitted from CD support by MCM, including through 4 LTXs stationed in CARTAC and CAPTAC-DR. MCM support has focused on key workstreams identified as priorities for WHD, namely central bank operations and monetary policy frameworks to control inflation and anchor inflation expectations and financial regulation, supervision, and stability to limit the impact of recurrent shocks on the financial system and maintain financial stability post-pandemic. But it has also been expanding on new priority topics like greening the financial sector in the face of climate change and fintech and digital currencies to enhance financial inclusion and enhance the efficiency of payment systems in the region. The delivery of CD increased markedly in FY23 thanks to the resumption of in-person activities, but also taking advantage from the lessons of the pandemic in terms of virtual and hybrid modes of CD delivery."

TESTIMONIAL

Mohamed Norat, Senior Economist, African Department, IMF

“The African Department represents 45 countries and several other regional groups that have significant and large capacity development (CD) needs based around growing fiscal and debt vulnerabilities, higher-than-expected inflation, weaker external positions, and risk emergence in domestic financial systems. Our excellent collaborative work with MCM has resulted in a more agile, nimble process in meeting evolving CD demands from country authorities. Demand for CD on new areas of support on climate and digitalization, including CBDCs, remains strong, especially the need to integrate these newer demand areas into existing core areas of CD support in central bank operations, payment systems, financial supervision/regulation, financial crisis, and macroprudential work. Support for our FCS and country authorities with Fund programs through on-the-ground long-term experts at Regional Capacity Development Centers (RCDCs) and resident country experts remains crucial to success in many of these cases. We look forward to working with MCM to continue to improve prioritization of country authorities’ needs and deliver even more meaningful impact and effectiveness information on CD delivery.”





INCREASING THE AGILITY AND EFFICIENCY OF CD DELIVERY—IMPROVING DEBT MANAGEMENT CAPACITY THROUGH ONLINE LEARNING

During the COVID-19 pandemic, MCM increased its presence online, through the development and delivery of Massive Open Online Courses (MOOCs). Making the MCM expertise available online to government officials from around the world has been an efficient way of scaling up CD in areas of high demand and has opened the way for more impactful capacity building. An important area of focus has been that of debt management, where MCM has developed a few online learning products. The Medium-Term Debt Management Strategy (MTDSx) online course, developed in collaboration with the World Bank and funded by the DMF, is currently

available on the EdX platform, both in [English](#) and [French](#), and has trained over 3,000 learners, including almost 1,500 government officials. Another online course, “Debt Management, Debt Reporting, and Investor Relations,” which was piloted in-person in January 2020, is currently under development and anticipated to be completed by end-2023. New online courses are planned to be developed in the areas of local currency bond market development and implementing a debt management strategy through annual borrowing plans.

MCM has also been piloting a new series of [microlearning videos](#) on debt

management. These videos focus on core concepts, such as the objectives of debt management, the importance of debt management transparency, basic bond algebra, and the time value of money. At three to four minutes long, each video tackles one core concept in an easy-to-digest fashion and is easily accessible on different types of devices. Such learning videos can be flexibly combined with other CD modalities (e.g., classroom training and TA), increasing the efficiency and impact of CD delivery. Additional videos will be developed, with a focus on basic skills for debt managers in low-income countries (LICs) and FCS.

THE NEW CD DISSEMINATION POLICY

The dissemination and publication of MCM CD reports and relevant information remain an integral component of its CD strategy. In just a year after the introduction of the new [IMF CD information dissemination policy](#), MCM has championed the publication of High-Level Summaries (HLSs) of CD activities. So far, MCM has prepared more than 20 HLSs, of which five have been published on the [IMF's external website](#). In addition, several HLSs have been recently finalized and will be published soon.

In parallel, the publication of the full TA reports is progressing well.¹ MCM published 14 TA reports in FY23. In addition, MCM uses many other internal and external channels to showcase its CD products. Going forward, MCM aims to strengthen ongoing initiatives for implementing the new dissemination policy and its operational guidelines.

¹ MCM's published TA reports are available at: [Technical assistance country reports \(imf.org\)](#). Social media postings on MCM HLSs are available on X (formerly known as Twitter) at: <https://twitter.com/imfcapdev/status/1658845638753239046>.

INTERNATIONAL MONETARY FUND

ABOUT RESEARCH COUNTRIES CAPACITY DEVELOPMENT NEWS VIDEOS DATA PUBLICATIONS COVID-19

TECHNICAL ASSISTANCE COUNTRY REPORTS

“ IMF technical assistance under the Topical Trust Fund has proven to be of high efficiency. Mongolia has benefited a lot from this TA by largely improving its AML/CFT supervisory capacity during the past few years. Thank you. ”

MR. BAZARRAGCHAA TUMURBAT
HEAD OF THE FINANCIAL INFORMATION UNIT, BANK OF MONGOLIA

Technical Assistance Country Reports

The IMF provides technical assistance to its member countries in a wide range of areas, such as public financial management, tax policy and administration, banking supervision, monetary and exchange rate policy, official statistics, and legal issues. At the request of member countries, IMF staff prepare technical assistance reports. While encouraged, publication of technical assistance reports is voluntary and requires the consent of the recipient member country.

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2023

SECTION III

FINANCIAL SECTOR
STABILITY REVIEW:
FROM DIAGNOSTICS
TO IMPLEMENTATION

A

FINANCIAL SECTOR STABILITY
REVIEW: FROM DIAGNOSTICS
TO IMPLEMENTATION

The Financial Sector Stability Review (FSSR) has become central to MCM's delivery of CD on financial sector stability issues in LLMICs and FCS.¹ The strength of the program lies in its programmatic approach, where a thorough diagnostic of the country's capacity to identify, monitor, manage, and mitigate financial stability risks anchors the follow-up TA projects, which are implemented in full partnership with recipient countries and in close collaboration with other

¹ The FSSR is financed through the Financial Sector Stability Fund, which is a multi-donor trust fund whose overall objective is to promote financial sector stability, inclusion, and deepening in LLMICs and in FCS. The FSSR, which is strongly centered on financial stability, is complemented by the Financial Sector Statistics Module (FSSM), which helps equip policy makers with reliable and comprehensive financial sector statistics.

providers of CD. Since the launch of the program in 2017, 21 FSSR diagnostics have been completed and almost all countries that had a diagnostic received follow-up TA projects.

Bilateral CD delivery under the FSSR increased significantly in FY23 (Box 5). Specifically, three FSSR diagnostics were completed (Nepal, Tajikistan, and Vietnam), work on one FSSR diagnostic was initiated (Eswatini), and implementation of follow-up TA projects continued in 13 countries. The strong CD delivery was driven by the work of seven LTXs and the firm resumption of in-person CD delivery by STX missions, following the lifting of COVID-19-related travel restrictions.

At the same time, multi-country work has been complementing the bilateral CD activities under the FSSF.

A new edition of the Supervisory and Regulatory Online Course (SROC) was delivered by MCM jointly with the Financial Stability Institute of the Bank for International Settlements, and a new Cyber Risk Supervision Online Course (CRSOC) was developed and launched. Further, the sixth edition of the IMF Annual Cybersecurity Workshop was held in January 2023, in a hybrid format (Box 6). As noted, these new CD modalities are efficient in delivery, as they can train hundreds of government officials at the same time,² and lay out foundational knowledge that can be leveraged in further country-specific TA engagements.

² The SROC online course has trained about 2,000 government officials since its launch. The CRSOC online course has trained close to 1,000 government officials. Both courses will continue to be offered on the IMFx platform.

BOX 5. SUPPORTING FINANCIAL SECTOR STABILITY THROUGH THE FSSR

DIAGNOSTICS:

- **Nepal.** The FSSR identified gaps in bank regulation and supervision, stress testing, crisis management, payment system oversight, financial inclusion framework, and financial sector statistics. It also found that oversight of microfinance institutions and savings and credit cooperatives needs to be stepped up. Follow-up TA is expected to be closely aligned with the Extended Credit Facility arrangement and coordinated with the World Bank.
- **Tajikistan.** The FSSR diagnostic recommended enhancing supervisory tools, including implementing risk-based prudential requirements for banks; improving the systemic risk analysis; strengthening the crisis contingency plans; and developing a plan for oversight and supervision of the national payment system. Funding of the FSSR follow-up TA is under consideration by Switzerland. Coordination with other TA providers, especially the World Bank and Asian Development Bank, will be important.
- **Vietnam.** The FSSR diagnostic concluded that the authorities lack operational independence, including sufficient legal protection of bank supervisors. It recommended upgrading cross-sectoral coordination

and group-level supervision need as well as the financial safety net. Supervision and stress testing methodologies also need to be enhanced to support better systemic risk oversight. Funding of the FSSR follow-up TA is under consideration by Switzerland. Coordination with other TA providers, especially the World Bank and Asian Development Bank, will be critical.

FOLLOW-UP TA PROJECTS

- **Cambodia.** The FSSR follow-up TA project made significant headway during FY23 as an LTX continued to provide support to three workstreams: financial stability/systemic risk analysis, macroprudential policy, and stress testing.
- **Democratic Republic of Congo.** The FSSR follow-up TA mission in March 2023 agreed on a well-targeted and sequenced three-year workplan to implement the recommendations of the FSSR diagnostic.
- **Djibouti, The Gambia, Rwanda, Sierra Leone, and Zimbabwe.** The FSSR follow-up TA projects focus on stepping up banking regulation and supervision. Solid progress has been achieved following the placement of LTXs in Djibouti, The Gambia, and Sierra Leone.
- **Guinea.** The new Banking Law—a precondition for FSSR follow-up TA in several areas—is expected to be enacted by end-2023. An MCM/LEG TA mission on bank resolution took place in February 2023.
- **Kosovo.** The program focused on follow-up work in insurance supervision and regulation, strengthening the Central Bank of Kosovo stress testing framework, and training the central bank board members on governance and related best practices.
- **Sri Lanka.** The LTX continued to support the Central Bank of Sri Lanka in strengthening the macroprudential policy framework.
- **Uganda.** The FSSR follow-up TA project was focused on implementation of risk-based supervision (RBS), following the recommendations of the former LTX.
- **Uzbekistan.** The FSSR follow-up TA project focused on improving the macroprudential policy framework and stress testing.
- **West Bank and Gaza.** A mission assisted the Palestinian Monetary Authority in drafting a proposal for a new special resolution regime, essential for strengthening the financial safety net.

Feedback from FSSR recipients is consistently positive, and demand for additional CD remains strong. Many central banks are pursuing organizational reforms that will require further capacity building, and the FSSR's well-structured approach keeps the TA programs fully anchored in the needs of countries. The recently

completed external evaluation concluded that the program is relevant, well designed, impactful, and well-coordinated with other key CD providers.³ The evaluation also made

³ The independent evaluation was conducted by the UK-based consulting company Consulting Base Limited applying OECD-DAC evaluation criteria.

valuable recommendations on how to improve the program and supported the case for an extension of the project.

BOX 6. ANNUAL CONFERENCE ON CYBERSECURITY

The sixth IMF Annual Cybersecurity Workshop was held at the IMF in January 2023. The workshop was attended by 180 participants from 66 countries and about 90 of them attended in person. Thirty-five speakers, including senior policymakers in the field and leading industry experts, shared their views on various topics throughout the three-day event, and the discussion was enriched by two real-life case studies.

The workshop's theme, "Cyber Resilience—Delivering Through Disruption", reflected the ongoing geopolitical conflict and increasing sophistication and frequency of cyberattacks. The key topics discussed at the workshop were: (i) the cyber threat landscape and cybersecurity during conflict; (ii) a macro perspective of cyber and developing cyber strategy; (iii) cyber implications of the structural transformation of

the financial sector; (iv) legal and institutional mechanisms to achieve cyber resilience; (v) effective regulation and supervision of cyber risks; (vi) achieving cyber operational resilience; (vii) cyber information sharing and incident reporting; and (viii) cyber risks and financial market infrastructures.



Annual Conference on Cybersecurity - Group Photo

TESTIMONIAL

Malangu Kabedi Mbuyi, Governor of the Central Bank of Congo



"The IMF [FSSR report published in September 2022](#) provided the Central Bank of Congo with an excellent diagnostic of the vulnerabilities in our financial sector and specific recommendations on how to remedy them. The follow-up TA workplan, discussed in March 2023, presents us with a clear and well sequenced roadmap on how to implement these recommendations with assistance from the IMF Monetary and Capital Markets department (MCM). We look forward to undertaking this work together with MCM to modernize Congo's financial sector over the medium term."



SECTION IV

VIEWS FROM THE FIELD

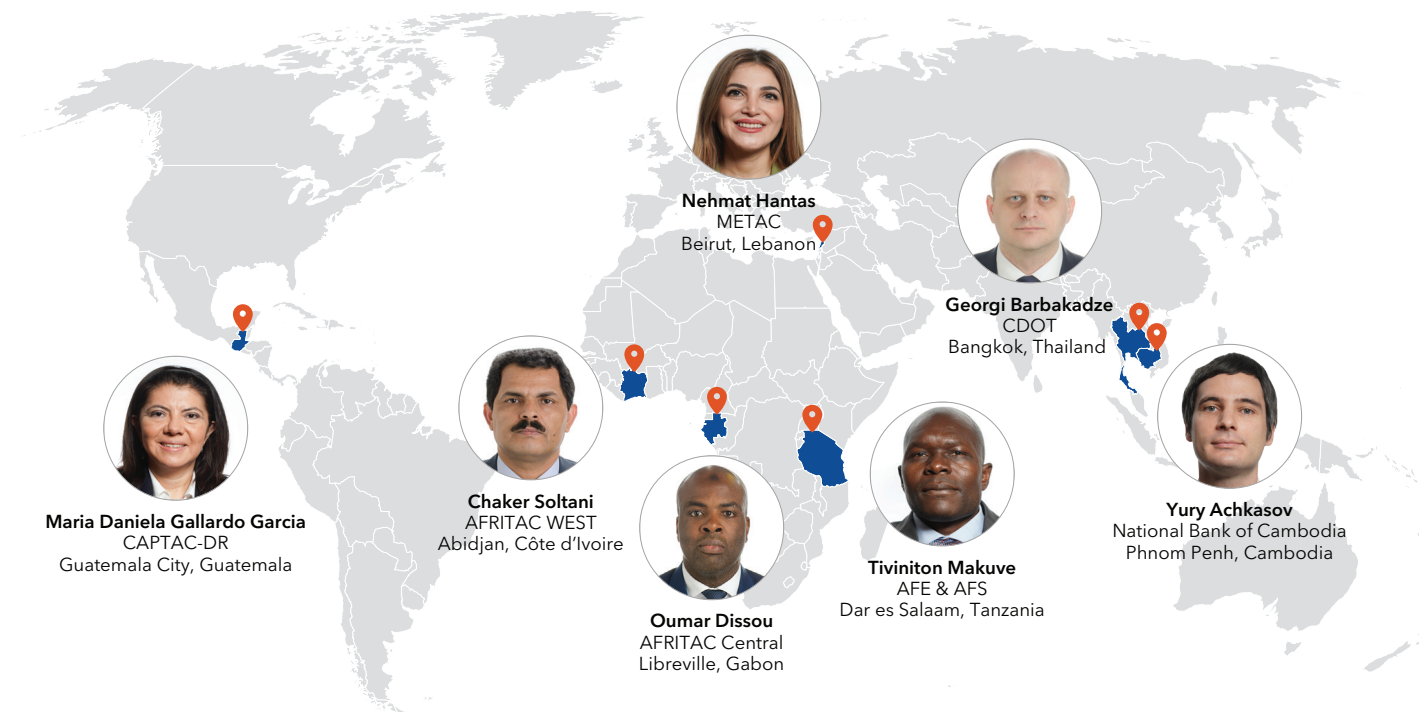
VIEWS FROM THE FIELD

Our LTXs play a critical role in the implementation of MCM's CD strategy. In addition to accounting for about one-third of all advisory services, they are instrumental in operationalizing MCM's programmatic approach to CD delivery and bolstering the integration of CD with Fund surveillance and program activities.

Their proximity to CD recipients allows for continuous engagement and dialogue as well as follow-up on CD recommendations. LTXs facilitate the sharing of country experiences through regional workshops and peer-to-peer engagements. They also work closely with MCM staff and area departments to ensure consistency in

policy advice. These advisors add value to discussions with authorities during the IMF Annual and Spring Meetings. To this end, this section profiles the tremendous work of selected LTXs, with supporting testimonials from authorities (Figure 16).

FIGURE 16. SELECTED MCM LTXS AROUND THE WORLD



Source: IMF Staff.

A

EASTERN AND
SOUTHERN AFRICA:
DEBT MANAGEMENT PROGRAM

Tiviniton Makuve

MCM continues to respond to the pressing CD needs in public debt management in Sub-Saharan Africa. The heightened debt vulnerabilities in the region highlight the urgency for authorities to undertake reforms to strengthen debt management practices and governance frameworks, improve debt transparency, and develop local currency bond markets to mitigate these vulnerabilities. In response to this need, and with financing from the government of Canada, MCM appointed a resident debt management (DM) advisor, who assumed duties in October 2022. The arrangement allows the IMF to provide public debt management CD to 21 countries¹ with varying capacity

¹ Angola, Botswana, Comoros, Ethiopia, Eritrea, Eswatini, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Rwanda, Seychelles, South Africa, South Sudan, Tanzania, Uganda, Zambia, and Zimbabwe.

needs and encompassing two regional technical assistance centers (RTACs)—AFRITAC East (AFE) and AFRITAC South (AFS). Prior to this arrangement, public debt management CD was provided mainly by staff from HQ together with STXs.

The addition of the resident DM advisor has strengthened the Fund's field presence, enabling provision of responsive on-the-ground debt management support tailored to the needs of recipients while fostering greater country/regional engagement and ownership. It has also enhanced the Fund's capacity to identify and act on the need for follow-up CD, by strengthening the relationships with authorities and increasing the awareness of progress and conditions on the ground and hence contributing to CD traction.

TESTIMONIAL

Stella Rusine Nteziryayo, Director General, Debt Management Directorate, Ministry of Finance, Rwanda

“I would like to highlight the significant advantages that the International Monetary Fund (IMF) has brought to the East African Community (EAC) region, particularly in our focus on managing debt. As the Director General of the Debt Management Directorate in the Ministry of Finance in Rwanda, I had the privilege of participating in a recent seminar organized jointly by IMF, MEFMI, and the World Bank, which aimed to build capacity of member countries to assess the sustainability of their public debt using the Debt Sustainability Analysis Framework for Low Income Countries (LIC DSF). This seminar provided an excellent opportunity for key stakeholders from the EAC region to exchange knowledge, enhance capacity, and engage in policy dialogue. We benefited greatly from the expertise of leading experts from the IMF AFRITAC East, who provided practical approaches and extensive experience in making wise borrowing decisions that promote economic growth, financial stability, and sustainable development.”



Mozambique Mission on Medium Term Debt Management Strategy.



CAMBODIA: ADVANCING MONETARY POLICY MODERNIZATION THROUGH PRODUCTIVE CD COLLABORATION



Giorgi Barbakadze



Yury Achkasov



Collaboration within the IMF and with other CD providers is a key factor in advancing

monetary policy modernization in Cambodia. The IMF Capacity Development Office in Thailand (CDOT) advisor is collaborating with the bilateral MCM advisor as well as Japan International Cooperation Agency (JICA) experts. The CDOT Monetary and FX operations advisor—Giorgi Barbakadze—has been working with the National Bank of Cambodia (NBC) since January 2021. The MCM bilateral advisor in Monetary and FX Operations—Yury Achkasov—started his assignment in Cambodia in October 2022. The CD programs by the two experts are supported by the Government of Japan from the respective Japan Subaccount (JSA) funding programs.

CD DESIGN AND IMPLEMENTATION

Responsibilities of the two advisors are now split such that the CDOT advisor leads the design and development of monetary operations, including streamlining the interest rate corridor

(IRC), reserve requirements, official exchange rate, and FX operations, while the bilateral MCM advisor leads liquidity forecasting and interbank market monitoring, which requires daily interaction with central bank staff. In close collaboration, the advisors support the NBC in ad hoc and new CD requirements.

Both advisors participated in the Interest Rate Corridors workshop, organized by the CDOT for the NBC staff in April 2023. The workshop provided a vivid discussion about different forms of IRCs and the role of reserve requirements management and liquidity forecasting. Two country examples were presented to illustrate how the IRC can be practically implemented in Cambodia considering previous TA recommendations.

The collaboration with experts from the Japan International Cooperation Agency (JICA) has delivered synergetic effects to the NBC CD. JICA focuses on helping the NBC learn from its peers about liquidity monitoring and forecasting (e.g., from Bank of Japan), interbank market data collection, and further research for monetary policy decision-making.



Participants of the CDOT Workshop on the Interest Rate Corridor, Siem Reap, April 2023.

TESTIMONIAL

Mr. Chea Chanto, Governor of National Bank of Cambodia

“The IMF Technical Assistance (TA) has an important role in supporting the effectiveness of the National Bank of Cambodia’s (NBC) monetary framework. This has led to better policy decisions and has helped to promote macroeconomic stability in Cambodia.”





CHAD: SUPPORTING THE REDUCTION OF DOMESTIC REFINANCING PRESSURES



Oumar Dissou



Chad is an FCS that has faced several debt management

challenges, including ensuring adequate capacity to keep debt sustainable over the medium term and build a domestic marketable debt portfolio that is resilient to macroeconomic and financial shocks.

Chad is part of the wider regional government bond market in Central Africa. With the COVID-19 travel suspension still in effect at the time, the regional DM advisor at AFRITAC Central provided remote support for the authorities in January 2022 to prepare a time-sensitive action plan to reduce rollover risk and avoid domestic default. Meeting this refinancing challenge in the domestic market was taking place concurrently with the authorities' seeking treatment for the external debt portfolio under the G20 common framework.

With the authorities making limited progress in implementing key actions set out in the plan, and with travel restrictions still in place, a face-to-face follow-up CD mission was authorized in March 2022. This helped the authorities update the issuance calendar and provided operational guidance on implementing investor relations practices to ensure that a domestic default could be avoided. In the following months, through close remote engagements, the regional

advisor monitored the implementation of the issuance calendar, undertook other key actions, and proposed adjustments to the refinancing plan based on progress made to date. A second in-person CD mission provided on-the-job training on issuance calendar preparation and implementation, assisted in the preparation of an updated issuance calendar for the remainder of the 2022 calendar year, and provided guidance on how to operationalize the first quarterly meeting with investors.

The authorities responded positively to the Fund's advice. They successfully refinanced the stock of government securities maturing in 2022 while significantly reducing the share of government debt maturing in one year by 41 percent. This is an important milestone in the context of Chad's objective to build a domestic marketable debt portfolio that is resilient to macroeconomic and financial shocks.

In concert with reducing the rollover risk, other significant improvements were made that should contribute to preventing future vulnerabilities in the domestic debt portfolio. A new division in the Treasury Department was created to oversee government securities activities and management of investor relations. The issuance calendar is being published systematically, with investors consulted on a regular basis ahead of auctions and before the publication of the issuance calendar.

CAPTAC-DR: MONETARY AND FOREIGN EXCHANGE OPERATIONS CHALLENGES



Maria Daniela Gallardo Garcia

Although central banks may have common objectives, such as price, exchange rate, and financial stability, they operate in different environments and have faced different challenges throughout their history. An example of a central bank function that requires intricate coordination among multiple divisions is its role as the lender of last resort, which is the ultimate backstop liquidity source for banks. For some central banks, it represents only a potential operation they might need to engage in for which they have general guidelines. For others, especially after the Global Financial Crisis, the provision of emergency liquidity assistance (ELA) can be more frequent. With the experience accumulated over time, central banks have designed ELA frameworks in which many divisions (financial stability, financial regulation, operations, risks, legal, etc.) interact. Some might have created new divisions or assigned new responsibilities after such operations.

Having a dedicated MCM LTX in the field and close to the TA recipients has proven efficient and significant in coordinating TA activities. The resident advisor learns the authorities' needs firsthand and is therefore in an optimal position to map the requests and ultimate objective to MCM's RBM framework. LTXs can therefore be both a trusted advisor to the authorities and a communication channel between the authorities and the Fund for TA topics. The presence of an LTX also offers opportunities to improve internal processes and maintain TA activities closer to the needs of member countries. For example, the recognition by both CAPTAC-DR and MCM of a demand for TA that goes beyond the workstream of central bank operations led to an expansion of the LTX's terms of reference to meet the demand for TA on macroeconomic models and the Forecasting and Policy Analysis Systems.



Workshop in Antigua, Guatemala, on FPAS Forecasting.

TESTIMONIAL

Jose Alfredo Blanco, Vice president, Banco de Guatemala

“I was the CAPTAC-DR monetary operations expert during its first phase (2010-2013). Now, as Vice President of the Central Bank, I am the coordinator of technical assistance (TA) between the authorities of the Government of Guatemala and the International Monetary Fund. Therefore, I have been on both sides of the coin. I believe that CAPTAC-DR was crucial in Banco de Guatemala’s transition to an inflation-targeting regime. The macroeconomic models to support its interest rate decisions were further developed with TA coordinated by the Center since 2010.”



MAURITANIA: DEBT MANAGEMENT IN LOW-INCOME COUNTRIES



Chaker Soltani



For several years, the domestic market for government securities in

Mauritania remained limited to short-term instruments not exceeding one year of maturity. Moreover, the investor base was dominated by public companies, and the Treasury bill interest rates suffered from a lack of transparency. The past two years have been characterized by a decline in the stock of public securities in circulation and a retreat of banks from this market.

In this context, the authorities requested TA from MCM to help them develop the domestic market for government securities. Their eventual goals include boosting domestic government financing and supporting the implementation of monetary policy, which is experiencing a shortage of government securities as policy instruments.

In November 2022, AFRITAC West (AFW) delivered a TA mission, which recommended an action plan for market development. The main short-term and urgent actions included: (i) abandoning the Treasury's policy of administered rates in favor of

market rates; (ii) establishing and publishing annual and quarterly issuance calendars; (iii) introducing Treasury bonds (T-bonds) in the market by issuing the suggested two-year maturity T-bonds in the second quarter of 2023; and (iv) organizing a communications operation toward the market to present the issuance calendar.

The follow-up mission in January 2023 noted a rise of interest rates on Treasury bills (T-bills) indicating a gradual change in favor of market rates. The mission worked with the Treasury and the Central Bank of Mauritania (BCM) to draft an annual issuance calendar for 2023 and a quarterly issuance calendar for the second quarter of 2023, based on fiscal financing needs and the annual Treasury plan for 2023. The 2023 annual calendar included regular issuance of four-, 13-, and 26-week T-bills for conventional banks in line with the IMF ECF-EFF program. The annual calendar also includes the issuance of T-bonds for the first time in June 2023. The Treasury and the central bank are also committed to organizing regular consultation meetings with commercial banks to discuss market development issues.

MOROCCO: DEVELOPING THE SUPERVISORY REVIEW PROCESS



Nehmat Hantas



METAC supported the Bank Al Maghrib (BAM) in developing a new

bank evaluation methodology called the Supervisory Review Process (SRP). Inspired by the European Central Bank (ECB) methodology, the BAM's SRP aims to establish a forward-looking review of banks' business model, governance, and risk management in addition to capital and liquidity adequacy. The methodology was developed in a proportionate and tailored manner commensurate with the size, complexity, business model, and risks of the Moroccan banking system. The SRP methodology introduced new areas of rating and enhanced the implementation of Basel Pillar II. It was built on tools previously developed to assess the capital adequacy of banks, which reinforces the integration of stress testing in the risk assessment process. One of its features is the additional Pillar II capital requirements linked to bank ratings.

This programmatic project was accomplished through a series of frequent virtual and in-person missions. The project started in June 2021 with a presentation of the ECB Single Supervisory Mechanism methodology as an example for the BAM to develop

its own SRP methodology. In July 2022, METAC conducted a field mission during which it reviewed the SRP draft methodology developed by the BAM. It proposed a quantitative analysis with three stages: (i) gathering information; (ii) developing an anchoring score that provides an efficient rating with a set of predefined indicators; and (iii) performing an in-depth analysis and expert judgment based on a rich set of quantitative and qualitative indicators within a well-defined supervisory judgment matrix. Following frequent productive discussions between METAC and the BAM, a comprehensive SRP manual was developed, and a pilot test was conducted. In November 2022, METAC carried out a second field mission, during which it reviewed the final SRP manual and the pilot test process. After the pandemic travel restrictions were lifted, the return to in-person missions helped achieve the objectives of the project. The BAM greatly appreciated these in-person missions. The project also benefited from the virtual environment, especially between field missions, which ensured continuous coordination of and follow-up on the project milestones.

The BAM is the first METAC member country authority to implement the SRP. METAC organized a January

2023 outreach event, during which the BAM shared its success story with METAC member countries and development partners. As a result, the

Central Bank of Jordan has embarked on a new project with METAC to develop similar rating methodologies, and the Central Bank of Algeria has

expressed interest in developing its own SRP and enhancing its risk-based supervision framework.

TESTIMONIAL

Mrs. Hiba Zahoui, Director of Banking Supervision, Bank Al-Maghrib



"I would like to thank METAC for its assistance to Bank Al-Maghrib (BAM) to put in place the new SRP methodology, while also accompanying the supervisors in the evaluation of the regulation on the Internal Capital Adequacy Assessment Process (ICAAP). This technical assistance was very precious to BAM, and it helped advance the implementation of the project in an effective manner. I would like to particularly congratulate the team for the quality of work, the exchange between METAC experts and the supervisors of Bank Al-Maghrib, and the great level of engagement of both parties to bring the adequate solutions that answered the Moroccan context and the needs of the Central Bank."



SECTION V

RESPONDING TO
COUNTRIES' NEEDS

RESPONDING TO COUNTRIES' NEEDS

In the constantly changing operating environment of our member countries, MCM continues to find solutions that respond effectively to country needs. In the financial regulation workstream, MCM has expanded its pool of experts, including through the cooperating institution program whereby short-term experts are drawn from other central banks and regulatory agencies. This approach has allowed country authorities to build fruitful relationships and elevate peer learning. To address countries' modernization of their monetary policy frameworks, the IMF has expanded workstreams in RTACs to include monetary policy operations as well as modeling advisors. In an effort to assess climate risk, MCM has recently developed in-house tools to stress test climate risk, and these have been piloted in a few countries. Further, MCM recently held several climate-risk webinars and delivered the first climate-related stress-testing TA.

Donor partners have also supported MCM TA efforts. Through the Japan Administered Account for Selected IMF Activities (JSA), MCM has expanded its work on CBDC. To develop expertise in this area, MCM has hired experts, created a new division to lead this effort, and collaborated with other IMF departments. Much of the work has involved delivering workshops and peer learning events on conceptual and operational issues related to CBDC. In countries that want to explore CBDC, more structured TA is delivered: the missions conduct a detailed analysis of use cases, opportunities, and challenges through a combination of virtual and in-person discussions, using such innovative methods as design thinking approaches. MCM has also noted an increase in requests for TA on central bank balance sheets as countries implement IFRS 9.

A

CHILE: FINANCIAL SUPERVISION
IN EMERGING ECONOMIES

As part of MCM's programmatic approach to CD, Chile's integrated financial system supervisor, the *Comisión para el Mercado Financiero* (CMF), has benefited since 2015 from ongoing TA to reinforce its conglomerate supervision framework. The engagement resulted in the CMF's drafting a strategic white paper on conglomerate supervision that was reviewed by an MCM mission in FY23. The project used a variety of mission delivery modalities, including virtual and in-person missions, desk review, and training. MCM conducted a desk review of the draft conglomerate

framework and communicated its findings during several virtual meetings. Since the framework being developed was new, the mission also organized several training workshops that brought together experts from different regions to share country experiences on consolidated supervision. Further, during the in-person mission, MCM organized an embedded workshop for the CMF to work through local case studies with the departments that oversee consolidated supervision. The workshop helped develop concrete ways to implement the MCM advice and broadened knowledge sharing and cooperation among the different CMF departments and teams. The workshop

also aimed to empower and encourage supervisors to step-up their practice.

A follow-up mission was held in January 2023 to review the current supervisory practice and provide guidance on deepening it. The mission focused on: (i) supervisory indicators; (ii) the supervisory risk matrix; and (iii) capital reviews. After the follow-up mission, agreement was reached on the next steps once the CMF has completed implementing the recommendations. MCM will continue to engage with the authorities through periodic virtual meetings to provide needed clarifications.

TESTIMONIAL

Ms. Solange Bernstein, Chairwoman, Financial Market Commission of Chile

"Chile's Financial Market Commission (CMF) is grateful for the invaluable contributions provided by the IMF through the MCM Department. All technical assistance has been vital in helping us strengthen not only our financial regulation and supervision but also our corporate governance."

INDONESIA, MALAYSIA, AND THAILAND: MONETARY MODELING



Emerging market economies (EMEs) often face difficult output-inflation trade-offs when making monetary policy decisions. This can be due to large exchange rate pass-through and/or relatively shallow debt and FX markets.



During the recent episodes of highly volatile capital flows, many EME central banks—including in Indonesia, Malaysia, and Thailand—employed multiple policy tools to stabilize their economies. To enhance their monetary policy analysis and decisions (considering country-specific characteristics and the interactions of different policy instruments, including policy rate and FX interventions), the central banks of Malaysia and Thailand in early 2020 requested IMF TA to develop a dynamic stochastic general equilibrium (DSGE) model

for integrated policy analysis. After completing its core model, Bank Indonesia (BI) in 2022 requested a review of the model for BI policy mix.

The underlying model used in this CD is a full-fledged two-country New Keynesian open economy model. It includes a small open economy that faces frictions in international financial markets, FX mismatches, and an occasionally binding debt limit. The frictions result in deviations from the uncovered interest parity condition and, under unfavorable episodes with volatile capital flows, private borrowing spreads can spike during a “sudden stop” episode. These factors provide motivation for the occasional use of foreign exchange intervention (FXI) to help improve monetary trade-offs. The model also includes the standard set of nominal and real rigidities considered in the open economy DSGE literature. It allows for imperfect anchoring of inflation expectations that can lead to more difficult policy tradeoffs.

The estimated model captures country-specific characteristics. In all TA recipient countries, the MCM team discussed with the central bank staff the estimation results (e.g., whether they match the observed structural features of the economy) and illustrated the magnitude and persistence of various economic and policy shocks. The team transferred data and model codes to the central bank staff and trained them to run the model, generate inflation forecasts and policy scenarios, as well as analyzing policy tradeoffs.

Related CD activities also supported bilateral surveillance. The MCM team has worked closely with the three country teams by sharing the model codes, presenting the models, receiving feedback on model estimates, and developing relevant policy scenarios. These scenarios were included in IMF staff reports and welcomed by many IMF Executive Directors.



CARIBBEAN COUNTRIES: CARTAC CLIMATE FINANCE REGIONAL WORKSHOP

Climate change is one of the biggest macroeconomic and financial stability challenges faced by IMF members. The escalation in both the frequency and intensity of climate-related natural disasters has resulted in significant economic and societal disruptions. Addressing the global climate challenge requires ambitious climate policies and trillions of dollars in climate finance. Such financing involves financial instruments that mobilize resources for climate adaptation and mitigation, protection of nature, or environmentally sustainable or enhancing investments.

Caribbean countries are among the world's most impacted by natural disasters and the effects of climate change, and they require substantial financing for climate-related investments and for securing greater economic and financial resilience to environmental and macroeconomic shocks.

To support Caribbean countries, CARTAC, in collaboration with MCM, hosted a regional seminar in Miami February 2-3, 2023, for financial secretaries and debt management directors to help Caribbean countries access climate finance. The 37 participants from 17 countries attended



Mr. Adrian speaking at the CARTAC Climate Finance Regional Workshop.

panel discussions to share country experiences, identify successful practices, and explore regional solutions to widen their access to climate financing and manage the cost and risk of debt.

The seminar provided a useful forum to explore these challenges, as well as the benefits of public and private climate finance, while preserving debt sustainability. Discussions also focused on the Fund's Resilience and Sustainability Trust and the technical assistance needed to improve access to private climate finance. In his [opening remarks](#), Tobias Adrian, IMF Financial Counsellor and Director of MCM, noted that "climate change is likely to be the most critical macroeconomic

challenge IMF members will face over the coming decades. Climate finance represents a significant opportunity for the Caribbean countries to tackle this challenge."¹ Yet climate finance for the region has been insufficient to meet its investment needs for climate mitigation and adaptation. At the same time, many countries are highly indebted, and risks to debt sustainability are elevated. Discussions were framed by the need for higher climate financing while staying on a sustainable debt path.

¹ Adrian, T. "Improving Access to Climate Finance," speech at the CARTAC Seminar for Financial Secretaries and Debt Managers, 2023, available at <https://www.imf.org/en/News/Articles/2023/02/02/sp-improving-access-climate-finance-cartac>.

D

BANGLADESH:
CLIMATE STRESS TESTING

Bangladesh is highly vulnerable to climate change and natural disasters, with potential consequences for macroeconomic and financial stability. Rising temperatures over the past decades are set to accelerate in the coming years, intensifying climate-related events and exposing the Bangladesh economy—and the people living in affected areas—to more frequent and severe floods. These challenges disproportionately affect the poor and most vulnerable people, who are often exposed to overlapping shocks and have low adaptive capacity.

Bangladesh has received support from the new IMF Resilience and Sustainability Facility (RSF) to address its climate risk financing needs. To achieve these objectives, proposed reforms include, among others, designing guidelines for banks and financial institutions to

report and disclose climate-related risks, integrating climate change considerations into risk assessments and financial sector surveillance, and conducting regular climate stress testing exercises.

MCM has planned a series of TA missions to help build the authorities' capacity to assess climate risks and meet the RSF conditions on climate risk stress testing required for program disbursement by end-2024. The first mission, conducted in early 2023, was the first-ever IMF TA on climate risk analysis and proposed a climate risk assessment framework tailored to available data. The focus was on designing a framework to assess the impact on the banking sector of physical climate risk from river and coastal floods, that could be extended to other hazards. The TA work was divided into three pillars: (i) proposing risk assessment options and analytical tools; (ii) assessing financial and climate

data availability, considering legal and confidentiality issues regarding data access and data sharing between agencies; and (iii) establishing coordination mechanisms between climate and financial sector experts.

The TA proposed three alternatives for climate risk assessment based on current and future data availability (once data gaps are closed). The first two alternatives feature a borrower-level assessment (micro approach), while the third alternative is a country-level assessment (macro approach), which would focus on aggregate, economy-wide effects of climate scenarios.

The authorities will carefully evaluate the three risk assessment framework alternatives, considering data availability, and the trade-off between data granularity and the quality of the analysis.

BOSNIA HERZEGOVINA: CENTRAL BANK BALANCE SHEET TECHNICAL ASSISTANCE



The Central Bank of Bosnia and Herzegovina (CBBH) operates a currency

board and faced challenging times in the summer of 2022. Rising inflation led to expectations of a major tightening cycle of the European Central Bank, resulting in surging market yields. Consequently, the capital of the CBBH experienced a steep declining trend due to the market-to-market revaluation losses as other central banks did, increasing the pressure on the currency board. The CBBH implemented several measures to

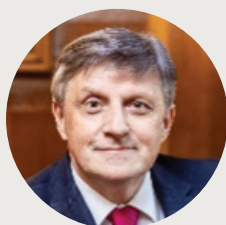
preserve the coverage ratio, but exposures remained high.

The CBBH requested TA from MCM to help mitigate risks and increase the resilience of the currency board arrangement. A mission visited Sarajevo in June 2022 and delivered a set of tools to assist the CBBH in the decision-making process related to risk management of its foreign reserves. Using these tools, the CBBH made timely decisions to reduce exposure to the interest rate risk by (i) reducing the duration of its investment portfolio and thus the overall foreign reserves

portfolio; and (ii) decreasing the share of bond portfolio in the overall portfolio in line with the estimated risk tolerance. Additionally, following the mission's advice, the central bank sold a portion of its gold holdings, lowering the potential negative effects of gold price volatility on its capital. These measures supported the stability of the currency board, as the currency board coverage ratio bottomed out on a relatively safe level and started gradually recovering. This is a positive example of the timely adjustment of an institution's risk exposures to changing market conditions using cutting-edge analytical tools.

TESTIMONIAL

Senad Softić, Governor, Central Bank of Bosnia and Herzegovina



"I would like to commend the successful cooperation between the IMF and the Central Bank of Bosnia and Herzegovina during a turbulent period of growing inflation and beginning of tightening cycle in Europe when the stability of the currency board was under certain pressure. The MCM mission delivered tools that were helpful in streamlining investment and risk management framework, calibrating the risk exposure of foreign reserves portfolio, and aligning it to the estimated risk tolerance. Central Bank of Bosnia and Herzegovina thanks to those tools and IMF's recommendations relatively quickly estimated its risk capacity and made

timely decisions to reduce exposure of its foreign reserves portfolio to the interest rate risk and align it to its risk tolerance, supporting the stability of the currency board - a key pillar of the overall macroeconomic stability of the country. I would like to express my gratitude to the IMF for providing us valuable help when we really needed it, as well as to the staff of the Central bank for effective and timely execution of all the necessary tasks. I am confident the IMF will remain our trusted partner and we will continue this fruitful cooperation in the future."

JORDAN: CENTRAL BANK DIGITAL CURRENCY CAPACITY DEVELOPMENT



At the request of the authorities, the IMF extended technical

assistance to the Central Bank of Jordan (CBJ) to explore a possible Central Bank Digital Currency (CBDC) and lay the foundation for a feasibility study in line with MCM's CBDC Strategy (Box 7). Starting in late 2021, the mission was divided into three phases, including knowledge-sharing seminars, peer-learning workshops, and a TA mission.

Knowledge-sharing seminars. The initial phase entailed two months of weekly virtual seminars for the CBJ staff. The seminars covered conceptual and operational issues related to

CBDC, including opportunities, challenges, design options, technology and cybersecurity risks, legal and regulatory frameworks, and macro financial implications.

Peer-learning workshops. During the second phase, the mission conducted virtual workshops featuring four guest speakers from other central banks who shared their experiences and insights from their CBDC experiments. These sessions enabled the CBJ to exchange views with other jurisdictions on key elements of their CBDC thought process.

Fieldwork. During the third phase, the mission conducted a detailed analysis of use cases, opportunities,

and challenges through a combination of virtual and in-person discussions. During the fieldwork in Amman, the MCM team engaged in talks with market participants and officials of the relevant authorities. This phase resulted in two TA reports on key findings and recommendations. The reports address a range of issues, including the payment landscape and pain points; opportunities and challenges associated with wholesale and retail CBDCs; the requirements for technology, cybersecurity, legal, and regulatory issues in preparation for a potential CBDC; and a recommended course of action over the medium term. A high-level summary of the retail CBDC report has been published.

TESTIMONIAL

Adel Al-Sharkas, Governor, Central Bank of Jordan



"As the Governor of the Central Bank of Jordan, I would like to extend my appreciation to the IMF for their invaluable assistance in exploring the CBDC. The IMF's seminars, peer-learning workshops, and extensive fieldwork have been instrumental in promoting our understanding of CBDC requirements and assessment of our needs for further feasibility analysis. The seminars have been insightful to our staff, providing much-needed information on CBDC's conceptual and operational issues, while the workshops highlighted important experiences of other central banks. We also benefited from the detailed analysis that resulted from the

fieldwork on CBDC opportunities and challenges, which yielded two technical assistance reports that will guide our future actions. We are in a better position now to address the digital divide because of the IMF assistance as we anticipate further collaboration to cement our efforts on the CBDC front."

BOX 7. CBDC STRATEGY

The IMF's Digital Money Strategy, endorsed by its Executive Board in July 2021, gives the institution a mandate to help ensure that digital money, including CBDC, fosters domestic and international economic and financial stability.¹ Demand from IMF member countries for capacity development in CBDC has increased sharply. Over 40 requests for assistance from low-income countries and emerging market economies across all regions have been received since 2020, with more anticipated.

The IMF's CBDC CD efforts have focused on facilitating peer

¹ See ["IMF Approach to Central Bank Digital Currency Capacity Development,"](#) published in April 2023, for more information.

learning and developing analytical underpinnings for staff advice to member countries. Four CD products are offered: (i) bilateral TA, through tailored, hands-on advice; (ii) regional workshops, by building awareness and sharing country experiences and lessons; (iii) analytical work, by providing foundations, empirical insights, and best practices; and (iv) reviews of country CBDC projects, through offering independent feedback.

While interest in CBDC is rising and IMF CD efforts are continuing, many analytical questions remain, and new ones are constantly arising. For instance, what lessons are other countries learning from their CBDC exploration? What implications does

CBDC have for financial inclusion, financial stability, and capital flows? To address these issues and document emerging experiences and results from analytical work in a fast-moving field, the IMF will launch a CBDC Handbook as the basis for CD engagement. The handbook will be a reference for policymakers and central bank experts, particularly in emerging market and development economies. It will be a significant undertaking, with about 20 chapters envisaged over the next four to five years, which will be produced or updated each year. The handbook will be a "living" document reflecting evolving experiences, findings, and policy views. It will help countries ascertain whether CBDC makes sense for them and make well-informed decisions.

TESTIMONIAL

Harvesh Kumar Seegolam, Governor, Bank of Mauritius



"Since we started discussing the need of a CBDC in Mauritius, we reached out to the Fund. We have had very proactive support. We were the first country in the world to receive TA support from the Fund in designing a CBDC.

We continue to work very closely with the Fund. The Fund has been a strategic partner in this thinking exercise. I must say that, since the first day, the Fund has been of strategic importance in terms of developing and ensuring we have the necessary capacity to reflect across all the thought process that we were going through. "

INDIA: STRESS TESTING TECHNICAL ASSISTANCE



A TA mission took place in April 2023 for the Reserve Bank of India (RBI) to review RBI's analytical capacity and model suite for solvency risk analysis, liquidity risk analysis, and balance sheet connectedness of banks (alongside non-bank financial institutions) in India. The mission

provided RBI staff with an overview of what it considers best practice (at the Fund and by drawing on practices in other countries) in the above-mentioned areas. It also provided the RBI with a primer on climate risk analysis, which gave the RBI an understanding of how to conduct climate risk analysis, including data, analytical tools, and models.

The mission concluded with various positive findings and recommendations for improving RBI's analytical model suite. The findings included that RBI's network and contagion model capacity is strong and that it generally handles its internal data, including supervisory data, well. The most noteworthy recommendations pertained to credit risk, market risk, and macro-financial scenario design.





ANGOLA: TRANSITION TO INFLATION TARGETING



The National Bank of Angola (BNA) has made important improvements in recent years, with help from MCM. In June 2022, MCM conducted a comprehensive review of the BNA's existing reserve money targeting framework and provided a strategy to modernize monetary policy and transition to an inflation targeting (IT) regime. Key components of the roadmap to IT include enhancements in the conduct of monetary and foreign exchange (FX) operations, the use of FPAS models to inform policy decisions, and how BNA policies are communicated to the public.

Monetary policy operations.

Supporting reforms should bolster the effectiveness of the BNA's monetary operations. The liquidity forecasting framework should be further developed to improve the calibration of open market operations (OMOs). The maintenance period for reserve requirements (RR) should be lengthened and averaging RR would be desirable.

Foreign exchange operations. The BNA should take further steps to clarify and reduce its role in the FX market. It should develop a trigger-based intervention policy that provides clear guidance for when it will intervene in the FX market.

Forecasting and Policy Analysis

System. The FPAS and the policy formulation process need to be refocused on determining an interest rate path that will bring future inflation in line with the inflation objective.

Communications. Further improvement of communications will be key to supporting the IT regime. Developing and publishing a coherent communications strategy that outlines the objectives and operational modalities of BNA communications is therefore a priority.

TESTIMONIAL

Mr. Sebastião Tuma, Head of the Economic Research Department, National Bank of Angola

"We would like to express our gratitude for the technical support that the IMF has been providing to the BNA, through the Monetary and Capital Markets Department, for the preparation of a successful transition from the current monetary policy regime (monetary targets) to inflation targeting. The mission made it possible to identify the conditions already met, the necessary steps to be taken to guarantee the efficient functioning of the transmission mechanism through interest rates, as well as the revision of the FPAS model. The technical assistance has been very useful in terms of the knowledge transfer."

KENYA: IMPROVING THE FORECAST AND POLICY ANALYSIS SYSTEM



An MCM mission visited Nairobi, Kenya, during April 17-21, 2023, to assist the

authorities with improving their Forecasting and Policy Analysis System (FPAS). The mission team: (i) assessed the correlation between the survey-based balance of opinion indicators and quarterly GDP growth; (ii) improved the nowcasting platform; and (iii) expanded the nowcasting framework to predict disaggregated components of GDP. The mission highlighted the importance of the in-person TA, where highly interactive technical sessions, hands-on exercises, and timely feedback contributed to a more engaged and effective TA delivery.



The mission with staff of the Central Bank of Kenya.

TESTIMONIAL

Prof. Robert Mudida, Director, Research Department, Central Bank of Kenya

"We are grateful for the well-organized Technical Assistance (TA) workshop on *Improving the Business Surveys and the Nowcasting Framework* held in April 2023 at the Kenya School of Monetary Studies (KSMS). The workshop was very helpful as it not only highlighted areas of improvement but also provided inputs and insights towards refining our MPC surveys and nowcasting framework. It also provided new ideas and techniques for analyzing survey data, some of which we have already started incorporating in our presentations to the Monetary Policy Committee (MPC). Thank you!"

YEMEN: IFRS TECHNICAL ASSISTANCE



Prior to the conflict in Yemen, the Central Bank of Yemen (CBY) had applied

International Financial Reporting Standards (IFRS). As a result of the conflict, the CBY relocated its headquarters in 2016 from Sana'a in the northern part of the country to Aden in the south. With many staff electing to remain in Sana'a, the relocation resulted in a significant loss of technical and operational know-how, which was aggravated by lack of connectivity. To rebuild its capacity in the application of IFRS, the CBY reached out to the IMF in early 2022 for technical assistance. Simultaneously, the CBY engaged an audit firm to produce the outstanding financial statements from 2016 to 2020 in compliance with IFRS.



Participants in the training program in New Cairo, Egypt.

Given the travel restrictions due to the conflict and the pandemic, a virtual training program of monthly sessions began in July 2022. By early autumn, the team noted that the desired effect was not being achieved and suggested replacing the virtual sessions with an

in-person delivery mission. In May 2023, an intensive one-week, in-person training program was delivered in New Cairo, Egypt, notwithstanding substantial logistical obstacles. The CBY sent 12 representatives from accounting, auditing, reserve

TESTIMONIAL

Mr. Saleh Fadhl, Assistant Deputy for Accounting and IT Sector, Central Bank of Yemen

"The IMF training mission on IFRS was one of the most highlighted and valuable training programs among the capacity-building courses offered to CBY employees since the relocation of the CBY head office to Aden."

management, operations, and supervision. The in-person TA made a significant difference: compared with the virtual sessions, where engagement by CBY staff was constrained, the in-person sessions were lively, with many thoughtful debates and questions. Discussions among peers and across departments strengthened

their working relationships and reinforced the knowledge transfer.

Based on the training sessions, CBY staff hope to apply the learnings and take further ownership of drafting the CBY financial statements going forward. As a reference tool, a summary report highlighting the key takeaways from each session

was shared with the CBY. The CBY is expecting to approve the 2016-20 statements in 2023 and is in the process of engaging an audit firm to examine the financial statements from 2021 to 2025, respecting the legally allowable five-year term. Overall, this was an impressive step forward in rebuilding capacity at the CBY.



APPENDICES

APPENDIX I.

IMF Regional Capacity Development Centers

RCDC	Location	Member Countries
AFRICA		
AFRITAC Central (Central Africa Regional Technical Assistance Center)	Libreville, Gabon	Burundi, Cameroon, Chad, Central African Republic, Congo, Democratic Republic of the Congo, Gabon, Equatorial Guinea, and São Tomé and Príncipe
AFRITAC South (Regional Technical Assistance Center for Southern Africa)	Ebene Cybercity, Mauritius	Angola, Botswana, Comoros, Eswatini, Lesotho, Madagascar, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Zambia, and Zimbabwe
AFRITAC West (West Africa Regional Technical Assistance Center)	Abidjan, Côte d'Ivoire	Benin, Burkina Faso, Côte d'Ivoire, Guinea, Guinea-Bissau, Mali, Mauritania, Niger, Senegal, and Togo
AFRITAC West II (second African Regional Technical Assistance Centre in West Africa)	Accra, Ghana	Cabo Verde, The Gambia, Ghana, Liberia, Nigeria, and Sierra Leone
East AFRITAC (Regional Technical Assistance Center for East Africa)	Dar es Salaam, Tanzania	Eritrea, Ethiopia, Kenya, Malawi, Rwanda, South Sudan, Tanzania, and Uganda
ASIA AND PACIFIC		
PFTAC (Pacific Financial Technical Assistance Centre)	Suva, Fiji	The Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Republic of the Marshall Islands, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tokelau, Tonga, Tuvalu, and Vanuatu
SARTTAC (South Asia Regional Training and Technical Assistance Center)	New Delhi, India	Bangladesh, Bhutan, India, Maldives, Nepal, and Sri Lanka
IMF Capacity Development Office in Thailand (CDOT)	Bangkok, Thailand	Myanmar, Lao P.D.R., Cambodia, and Vietnam. Select capacity development projects based in CDOT also cover other countries in Southeast Asia and Pacific Islands region.
MIDDLE EAST		
METAC (Middle East Regional Technical Assistance Center)	Beirut, Lebanon	Afghanistan, Algeria, Djibouti, Egypt, Iraq, Jordan, Lebanon, Libya, Morocco, Sudan, Syria, Tunisia, West Bank and Gaza, and Yemen
CCAMTAC (Caucasus, Central Asia, and Mongolia Technical Assistance Center)	Almaty, Kazakhstan	Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, Turkmenistan, and Uzbekistan
WESTERN HEMISPHERE		
CARTAC (Caribbean Regional Technical Assistance Centre)	Bridgetown, Barbados	Anguilla, Antigua and Barbuda, Aruba, The Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Curaçao, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Sint Maarten, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago, and Turks and Caicos Islands
CAPTAC-DR (Central America, Panama, and the Dominican Republic Regional Technical Assistance Center)	Guatemala City, Guatemala	Costa Rica, The Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and Panama

APPENDIX II.

MCM Long-Term Resident Expert Placement (as of April 30, 2023)

Affiliation	Location	Topic	Donor Partner
AFRITAC Central	Gabon	Banking Supervision and Regulation	Multi-Donor
AFRITAC Central	Gabon	Debt Management	DMF
AFRITAC East	Tanzania	Banking Supervision and Regulation	Multi-Donor
AFRITAC East	Tanzania	Forecasting and Policy Analysis Systems	Multi-Donor
AFRITAC East	Tanzania	Monetary and Foreign Exchange Operations, and Financial Market Infrastructures (FMIs) and Payments	Multi-Donor
AFRITAC South	Mauritius	Banking Supervision and Regulation	Multi-Donor
AFRITAC South	Mauritius	Monetary and Foreign Exchange Operations	Multi-Donor
AFRITAC South	Mauritius	Payment Systems/FMI/Fintech	Multi-Donor
AFRITAC West	Côte d'Ivoire	Banking Supervision and Regulation	Multi-Donor
AFRITAC West	Côte d'Ivoire	Debt Management	Japan
AFRITAC West 2	Ghana	Banking Supervision and Regulation	Multi-Donor
AFRITAC West 2	Ghana	Monetary and Foreign Exchange Operations	Multi-Donor
Bank of Mozambique	Mozambique	Central Bank Modernization	Norway
Bank of Sierra Leone	Sierra Leone	Banking Supervision and Regulation	FSSF
Bank of Sierra Leone	Sierra Leone	Monetary Policy and Financial Stability	FIRST
CAPTAC-DR	Guatemala	Banking Supervision and Regulation	Multi-Donor
CAPTAC-DR	Guatemala	Monetary and Foreign Exchange Operations	Multi-Donor
CARTAC	Barbados	Banking Supervision and Regulation	Multi-Donor
CARTAC	Barbados	Debt Management	Multi-Donor/Canada
CARTAC	Barbados	Financial Stability	Multi-Donor
CCAMTAC	Kazakhstan	Monetary and Foreign Exchange Operations	Multi-Donor
CCAMTAC	Kazakhstan	Financial Supervision and Regulation	Multi-Donor
CDOT	Thailand	Monetary and Foreign Exchange Operations	Japan
Central Bank of Sri Lanka	Sri Lanka	Macroprudential Policy and Stress Testing	FSSF
Central Bank of The Gambia	The Gambia	Banking Supervision and Regulation	FSSF
METAC	Lebanon	Banking Supervision and Regulation	Multi-Donor
METAC	Lebanon	Monetary and Foreign Exchange Operations	Multi-Donor
Ministry of Finance, Ukraine	Ukraine	State-Owned Banks Governance	SECO
National Bank of Cambodia	Cambodia	Banking Supervision and Regulation	Japan
National Bank of Cambodia	Cambodia	Macroprudential Policy/Stress Testing	FSSF
National Bank of Rwanda	Rwanda	Banking Supervision and Regulation	FSSF
National Bank of Ukraine	Ukraine	Banking Supervision and Regulation	Canada
National Bank of Uzbekistan	Uzbekistan	Macroprudential Policies	FSSF
PFTAC	Fiji	Banking Supervision and Regulation	Multi-Donor
PFTAC	Fiji	Debt Management	Japan
SARTTAC	India	Monetary and Foreign Exchange Operations	Multi-Donor
SARTTAC	India	Banking Supervision and Regulation	Multi-Donor

MCM TA CONTACTS

The following IMF staff members are the main contact points for requesting MCM TA:

Director	Tobias Adrian T. +(1) 202.623.5372 tadrian@IMF.org
Deputy Director	Miguel Savastano T. +(1) 202.623.8545 msavastano@IMF.org
Technical Assistance Strategy Division Chief	Oana Croitoru T. +1 (202) 623 9432 onedeleescu@IMF.org
Deputy Division Chief	Veronica Bacalu T. +(1) 202.623.4816 vbacalu@IMF.org
Deputy Division Chief	Sipho Makamba T. +(1) 202.623.4729 smakamba@IMF.org
Deputy Division Chief	Joannes Mongardini T. +(1) 202.623.8569 jmongardini@IMF.org
Regional Advisor–Africa and Western Hemisphere	John Nelmes T. +(1) 202.361.1835 jnelmes@IMF.org
Regional Advisor–Middle East, and Central Asia	Sumiko Ogawa T. +(1) 202.623.4288 sogawa@IMF.org
Regional Advisor–Europe and Asia and Pacific	Jennifer Elliott T. +1 (202) 623.8804 jelliott@IMF.org
Mailing Address	Monetary and Capital Markets Department International Monetary Fund 700 19th Street, NW Washington, DC 20431

See you next year!

MCM TA Team



Top row, from the left: Cortney Johnson, Attila Csajbok, Judicael Guihy, and Hazel Quinonez. Bottom row, from the left: Moses Kitonga, Dana Andreicut, Chloe Zhang, Anastassiya Marina, Joannes Mongardini, Oana Croitoru, Siphon Makamba, Veronica Bacalu, Youssouf Thierno Barry, Natalia Naryshkina, José Roberto Effio, and Vassili Prokopenko.



**MIGUEL
SAVASTANO**
Deputy Director



**ABDULLAH
HARON**
Senior Financial
Sector Expert



**ZSOLT
ERSEK**
Senior Financial
Sector Expert



**KATERYNA
BOTSU**
Technical Assistance
Officer



**BRENDA
SYLVESTER**
Technical Assistance
Officer



**PIEDAD
JACOME**
Technical Assistance
Officer



**TSEGEREDA
MULATU**
Technical Assistance
Officer



**BETO
HABE**
Staff
Coordinator

INTERNATIONAL MONETARY FUND
Monetary and Capital Markets Department

700 19th Street, NW
Washington, DC 20431