

# Technical assistance and training



**t**he IMF complements its surveillance operations and its lending in support of member countries' policy programs with technical assistance and training. The goal is to help member countries strengthen their human and institutional capacity to design and implement macroeconomic and structural policies that promote macroeconomic and financial stability, economic growth, and poverty reduction.

The IMF offers technical assistance and training mainly in its core areas of expertise, such as macroeconomic policy, tax and revenue administration, public expenditure management, monetary policy, exchange systems, financial sector reforms, and macroeconomic and financial statistics. In recent years, member countries increasingly have requested assistance in addressing issues related to monitoring off-shore financial centers, preventing money laundering and the financing of terrorism, strengthening public investment, managing fiscal risks from public-private sector partnerships, adopting international standards and codes for financial and fiscal management, and correcting weaknesses identified under the joint IMF–World Bank Financial Sector Assessment Program (see Chapter 4). At the same time, there is demand from heavily indebted poor countries (HIPC) for assistance with debt sustainability analysis and debt reduction–related work. In December 2005, the Executive Board also considered joint IMF–World Bank staff proposals regarding the provision of trade-related technical assistance to low-income countries (see Chapter 6).

The IMF's technical assistance is delivered mainly by its Monetary and Financial Systems Department (MFD), its Fiscal Affairs Department (FAD), and its Statistics Department (STA). Overall institutional policy on, and the coordination of, technical assistance are handled by the Office of Technical Assistance Management (OTM), in consultation with other IMF departments. OTM is also responsible for raising and managing external finance for this area of the IMF's work. Training activities are handled primarily by the IMF Institute, which conducts seminars, workshops, and other training events for country officials, often in collaboration with other Fund departments, on topics within the IMF's core areas of expertise.

The IMF uses a variety of methods to deliver technical assistance, including short-term expert missions and the appointment of long-term resident advisors. In each case, the recipient country is always fully involved in the entire pro-

cess, from identifying its assistance needs to implementing, monitoring, and evaluating the assistance it receives. In recent years, an increasing portion of the Fund's technical assistance has been provided through regional technical assistance centers (RTACs) in the Pacific Islands, the Caribbean, Africa, and the Middle East. Experience with delivering assistance through RTACs has been very positive. Accordingly, in March 2006, the IMF announced that it would establish a new RTAC in Central Africa, its third RTAC in Africa and its sixth worldwide. Scheduled to begin operations in 2007 in Libreville, Gabon, the new center will aim to strengthen capacity in macroeconomic management in the six countries of the Central African Economic and Monetary Community—Cameroon, Chad, the Central African Republic, Equatorial Guinea, Gabon, and the Republic of Congo—as well as Burundi and the Democratic Republic of the Congo.

Direct IMF financing for technical assistance delivery and supervision, and to meet administrative and other costs, comes from the institution's total net administrative budget. Fund technical assistance is also financed partly by resources from bilateral and multilateral donors. This cooperation with external donors both leverages the internal resources available for technical assistance and prevents duplication of effort.

### **Technical assistance delivery in FY2006**

In FY2006, the IMF delivered more than 429 person-years of technical assistance. (One person-year equals 260 working days.) More than three-fourths of the Fund's technical assistance goes to low-income and lower-middle-income countries. Post-conflict countries are also major beneficiaries. The IMF's technical assistance activities are summarized in Tables 7.1 and 7.2 and Figures 7.1 and 7.2.

The Fund took a number of steps during the year to improve the management and delivery of technical assistance. Further efforts were also made to align technical assistance priorities with the needs of surveillance and to strengthen country ownership of technical assistance programs.

In response to an Independent Evaluation Office (IEO) report in January 2005<sup>1</sup> on the Fund's technical assistance

<sup>1</sup>Available at [www.imf.org/external/np/ieo/2005/ta/eng/013105.htm](http://www.imf.org/external/np/ieo/2005/ta/eng/013105.htm).

**Table 7.1** Technical assistance program areas, FY2004–06*(Field delivery in person-years)<sup>1</sup>*

	FY2004	FY2005	FY2006
<b>Main program areas</b>			
Crisis prevention	34.8	27.7	31.9
Poverty reduction	57.0	58.5	53.9
Crisis resolution and management	25.2	23.6	20.4
Post-conflict/isolation	27.2	28.1	21.9
Regional	57.0	63.8	64.0
<b>Total</b>	<b>201.1</b>	<b>201.6</b>	<b>192.1</b>
<b>Key policy initiatives and concerns</b>			
Assistance on standards and codes, excluding FSAP	21.7	14.8	13.7
FSAP-related	9.9	15.4	19.8
HIPC-associated	11.5	5.7	6.8
Safeguarding Fund resources	–	–	1.1
Offshore financial centers and AML/CFT	8.6	11.3	6.1
Policy reform/capacity building	147.4	154.4	144.3
Other	1.9	–	0.3
<b>Total</b>	<b>201.1</b>	<b>201.6</b>	<b>192.1</b>

Source: IMF Office of Technical Assistance Management.

Note: FSAP = Financial Sector Assessment Program; HIPC = Heavily Indebted Poor Countries Initiative; AML/CFT = anti-money-laundering and combating the financing of terrorism.

<sup>1</sup>Excludes headquarters-based activities related to technical assistance. An effective person-year of technical assistance is 260 days.

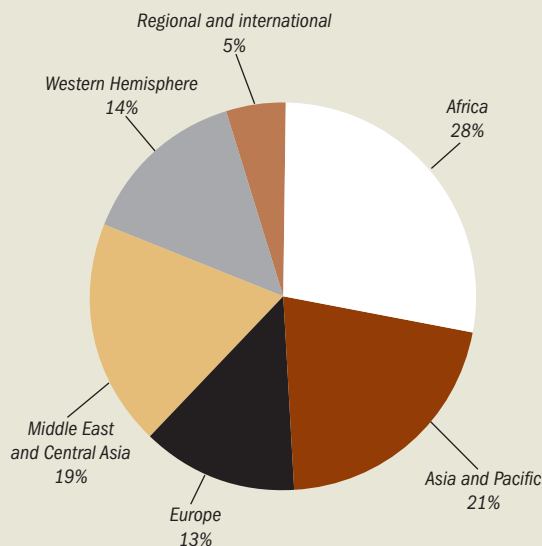
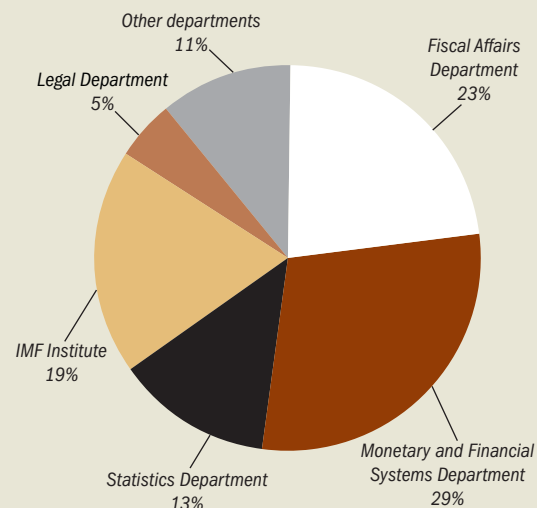
program, the Executive Board in July 2005 endorsed proposals by a staff task force to implement the IEO's main recommendations (see below). The proposals included an action plan that gives area departments a central role in working with country authorities to develop technical assistance strategies to better integrate technical assistance with country surveillance and program work; foster greater ownership of recommendations by country authorities; and enhance monitoring and evaluation. Other evaluations completed in FY2006 and planned for FY2007 under OTM's

formal evaluation program, which was launched in 2003, are summarized in Table 7.3.

Preparation during the year of pilot Technical Assistance Country Strategy Notes also aims to improve planning, tracking, and evaluation. In addition, measures formulated by Fund staff will increase participation by country authorities and resident representatives in technical assistance planning and execution. As a follow-up to the Board review of the Fund's Regional Technical Assistance Centers, guidelines and operational arrangements have also been strengthened in the centers.

The Fiscal Affairs Department, one of the Fund's principal technical assistance providers, carried out a range of technical assistance and training activities during the year. These included seminars on public financial management in China, Colombia, and Washington, D.C., and at the Arab Monetary Fund; a two-week course at the IMF's Washington, D.C., headquarters on fiscal policy in low-income countries; and regional outreach seminars in Brazil, and, in cooperation with the Korean Development Institute, in Seoul, on public-private partnerships (PPPs); as well as missions to Serbia and Montenegro and Cyprus to address the fiscal risks associated with PPPs. FAD also facilitated regional tax coordination in the wake of the Central American–Dominican Republic–United States Free Trade Agreement (CAFTA-DR).

In the critical areas of banking supervision and anti-money-laundering/combating the financing of terrorism (Box 7.1), 17 jurisdictions from around the world received technical assistance in 2005, with a focus on extending delivery to small

**Figure 7.1** Technical assistance by region, FY2006*(As a percent of total regional delivery, in effective person-years)***Figure 7.2** Technical assistance delivery by department, FY2006*(As a percent of total resources, in effective person-years)*

and low-income areas. The IMF's Monetary and Financial Systems Department and Legal Department conducted supervision and legislative workshops in the Asia-Pacific region in which several international and offshore financial centers participated, as well as in the Caribbean and the Middle East. To address the technical assistance needs of several small Pacific jurisdictions, Fund staff, in cooperation with the Pacific Financial Technical Assistance Center, are strengthening cooperation with bilateral agencies working in the region.

The Statistics Department provided technical assistance and training to a wide range of member countries during the year to support lasting improvements in national statistical systems. The department's technical assistance program promotes internationally accepted data standards, with an emphasis on regional projects and collaboration with other donors and providers. The department fielded 289 technical assistance missions during the year, of which 108 benefited African countries. The department oversees technical assistance in macroeconomic statistics provided through the RTACs, and during the year it also conducted 21 training courses in macroeconomic statistics through the IMF Institute and the IMF Regional Training Centers and offered 26 regional seminars in collaboration with various organizations.

Technical assistance from the International Capital Markets (ICM) Department supports the Fund's work in crisis prevention and resolution by building capital market capacity in emerging market countries. Technical assistance efforts focus on

- access and reaccess to international capital markets, including sovereign credit quality, investor relations, and investment climate issues;
- public liability management issues;
- development and deepening of local securities markets and instruments; and
- evaluation of risk transmission at the macro level between the corporate, banking, and public sector balance sheets and, in particular, the ability to analyze potential policy mixes to counter potential vulnerabilities.

**Table 7.2 IMF technical assistance resources and delivery, FY2002–06**

(In effective person-years)<sup>1</sup>

	FY2002	FY2003	FY2004	FY2005	FY2006
<b>IMF technical assistance budget</b>	<b>268.8</b>	<b>262.2</b>	<b>262.1</b>	<b>283.4</b>	<b>341.1</b>
Staff	172.2	174.1	186.1	195.6	258.7
Headquarters-based consultants	23.2	20.1	20.6	27.4	23.7
Field experts	73.4	68.0	55.4	60.4	58.7
<b>External technical assistance resources</b>	<b>77.8</b>	<b>93.5</b>	<b>105.3</b>	<b>97.1</b>	<b>88.1</b>
United Nations Development Program	9.6	9.6	8.1	5.8	5.0
Japan	56.2	61.9	61.6	52.5	45.6
Other cofinanciers	12.0	22.0	35.6	38.9	37.6
<b>Total technical assistance resources</b>	<b>346.6</b>	<b>355.7</b>	<b>367.4</b>	<b>380.6</b>	<b>429.2</b>
<b>Technical assistance regional delivery<sup>2</sup></b>	<b>280.0</b>	<b>286.5</b>	<b>291.1</b>	<b>301.4</b>	<b>290.9</b>
Africa	71.9	72.1	83.8	86.9	82.7
Asia and Pacific	63.1	67.5	69.0	68.2	59.8
Europe I	30.3	27.7	—	—	—
Europe II	32.6	25.1	—	—	—
Europe	—	—	35.5	34.5	37.3
Middle East	22.4	26.5	—	—	—
Middle East and Central Asia	—	—	40.1	45.1	56.3
Western Hemisphere	28.0	32.6	26.6	32.7	40.5
Regional and interregional	31.7	35.1	36.0	33.9	14.4
<b>Technical assistance management and administration<sup>3</sup></b>	<b>66.6</b>	<b>69.2</b>	<b>76.4</b>	<b>79.2</b>	<b>138.3</b>
<b>Total technical assistance delivery</b>	<b>346.6</b>	<b>355.7</b>	<b>367.4</b>	<b>380.6</b>	<b>429.2</b>
<b>Total technical assistance delivery by department</b>	<b>346.6</b>	<b>355.7</b>	<b>367.4</b>	<b>380.6</b>	<b>429.2</b>
Monetary and Financial Systems Department	115.5	120.0	122.0	127.0	125.7
Fiscal Affairs Department	97.5	94.3	95.6	99.5	100.2
IMF Institute	56.0	55.4	53.6	57.0	80.7
Statistics Department	49.2	55.7	59.0	53.1	54.3
Legal Department	15.5	19.6	23.9	23.5	20.0
Other <sup>4</sup>	12.9	10.7	13.3	20.4	48.3

Source: Office of Technical Assistance Management.

<sup>1</sup>An effective person-year of technical assistance is 260 days. New definitions used since 2001; data adjusted retroactively.

<sup>2</sup>In FY2004 the former European II Department was dissolved, and its countries were absorbed by the new European Department and the Middle East and Central Asia Department.

<sup>3</sup>Indirect technical assistance, including technical assistance policy, management, evaluation, and other related activities.

<sup>4</sup>Includes the Policy Development and Review Department, the Technology and General Services Department, the International Capital Markets Department, the Office of Technical Assistance Management, the Finance Department, the Human Resources Department, and all area departments.

In FY2006, the Regional Office for Asia and the Pacific (OAP) administered an Executive Program for Macroeconomic Policymakers under which 45 mid- and senior-level officials from East and Central Asia were brought to Hitotsubashi University in Japan for two-week seminars on current economic policy issues conducted by prominent academics and other authorities. The IMF received funding for the program from the government of Japan. The OAP also continued to administer the Japan–IMF and Australia–IMF Scholarship Programs for Asia.

### Task force on technical assistance

In July 2005, the Executive Board discussed the conclusions of the Task Force on Technical Assistance<sup>2</sup> created by the

<sup>2</sup>The Task Force's report is available at [www.imf.org/external/np/pp/eng/2005/071205.htm](http://www.imf.org/external/np/pp/eng/2005/071205.htm); the summary of the Board discussion can be found at [www.imf.org/external/np/sec/pn/2005/pn05114.htm](http://www.imf.org/external/np/sec/pn/2005/pn05114.htm).



**Table 7.3** Technical assistance evaluation program, FY2006–07

Subject of evaluation report	Financial year
Technical assistance (TA) related to strengthening the commercial court and the implementation of the bankruptcy law in Indonesia	2006 <sup>1</sup>
Financial sector TA to Sierra Leone	
Financial sector TA to the Democratic Republic of the Congo	
Financial sector TA to Bosnia and Herzegovina	
Financial sector TA to Kosovo	
Experience with implementation of the "upstream" approach for delivery of TA in revenue administration	2007 <sup>2</sup>
Tax policy TA on revenue aspects of trade reform	

<sup>1</sup>Completed.<sup>2</sup>Under way.

Managing Director to follow up on recommendations of an Independent Evaluation Office assessment of the Fund's technical assistance program issued earlier in the year. The Task Force was chaired by Deputy Managing Director Agustín Carstens, and it liaised with the Working Group on the Regional Technical Assistance Centers. It was asked to make concrete proposals to implement the IEO's recommendations, estimate their budgetary costs, and assess their implications for technical assistance work practices and delivery (Box 7.2).

Directors broadly endorsed the Task Force's proposals, which they viewed as key steps toward further enhancing the effectiveness of the Fund's technical assistance. They noted that the Task Force proposals addressed the IEO's main recommendations to (1) introduce a more medium-term perspective for setting technical assistance strategy and priorities; (2) strengthen the tracking and evaluation of implementation and results; and (3) enhance country ownership of technical assistance activities.

Directors supported the IEO's call for a central role for area departments in developing a country-focused, medium-term, and holistic technical assistance strategic framework. They welcomed the Task Force's proposal to produce Technical Assistance Country Strategy Notes for intensive Fund technical assistance users and countries where such assistance is particularly important from a strategic point of view. Key features of these Notes should be the involvement and ownership of country authorities and sufficient flexibility to respond to shifts in priorities. Coordination with and support from donors are also important.

Directors further endorsed the Task Force proposal to use the Technical Assistance Information Management System (TAIMS) to develop more systematic approaches to tracking progress on technical assistance, identify reasons behind major shortfalls, and shift emphasis to monitoring results. Looking ahead, they also emphasized the importance of using TAIMS to generate information on the cost associated

**Box 7.1** Promoting legislation to combat the financing of terrorism

One of the highest priorities of the IMF Legal Department's anti-money-laundering and combating-the-financing-of-terrorism (AML/CFT) program is to provide technical assistance on the drafting of legislation.

Toward this end, the IMF, in collaboration with the Joint African Institute, conducted a five-day Legislative Drafting Workshop on Combating the Financing of Terrorism in July 2005 for government officials from Djibouti, Egypt, Eritrea, Ethiopia, Libya, Sudan, and Tunisia. Training was provided by experts from the IMF Legal Department, the World Bank, and the United Nations Office Against Drugs and Crime. The workshop, which was held in Tunis, Tunisia, aimed to promote the adoption of harmonized terrorism-financing legislation in the eastern horn of Africa and to help these countries draft their own laws. Participants were officials with responsibility for CFT policies in central banks and ministries of justice, including prosecutors, legislative specialists, and financial regulators. The workshop provided general background on current international CFT standards and on legal requirements relating to the components of a comprehensive CFT framework in accordance with the 1999 International Convention for the Suppression of the Financing of Terrorism and other pertinent United Nations instruments, such as criminalization of the financing of terrorism, preventive measures in the financial sector, and alternative remittance systems.

with individual technical assistance activities that could be used to inform medium-term budget decisions.

The Board saw particular merit in greater involvement by country authorities in the design and follow-up of technical assistance activities, based on the needs and priorities set out, where possible, in Poverty Reduction Strategy Papers (see Chapter 6). They noted that area and functional departments already maintained extensive contacts with the authorities on technical assistance, but emphasized that there was merit in making these consultations systematic and in setting mutually agreed-upon milestones to monitor progress in implementation.

Directors agreed that Fund staff and experts should identify options and discuss the feasibility of alternatives with the authorities before drafting technical assistance recommendations, as this greatly enhanced prospects for effective implementation. They supported the Task Force's proposals to encourage staff and experts to be attentive to the political and institutional environment for the design and implementation of technical assistance projects and to discuss constraints and identify and address risks.

In view of the magnitude of both the internal and the external resources spent by the Fund on providing technical assistance, Directors emphasized that it was critical to have in

place systematic procedures for evaluating effectiveness and efficiency. They supported the Task Force proposal to strengthen and expand the Technical Assistance Evaluation Program and called on staff to develop and implement more systematic procedures for feeding back into the technical assistance program the lessons learned from self-assessments and evaluations.

Directors agreed that in a constrained budget environment, implementing the Task Force's proposals would involve trade-offs and stressed the importance of clearly defining the technical assistance to be provided to specific countries and identifying associated costs.

### Review of regional technical assistance centers

The Executive Board's review of the Fund's regional technical assistance centers (RTACs), concluded in July 2005,<sup>3</sup> aimed to (1) present the lessons learned from recent independent evaluations of the centers; (2) assess the effectiveness and the implications of the RTACs based on these lessons and other information; and (3) discuss strategic options concerning the future use of the RTACs. Effectiveness was assessed from two main perspectives: value added and cost effectiveness. The analysis was complemented by a review of the financial and organizational implications of the RTAC model.

Directors noted that the review provided a useful starting point for developing an overall strategy for the RTACs and for decentralizing the Fund's operations in the context of the institution's Medium-Term Strategy.

They acknowledged the positive conclusions of independent evaluations of the centers and agreed that the RTACs had proven to be a useful addition to the Fund's technical assistance program, filling a niche role and offering practical technical assistance based on a knowledge of regional circumstances, while providing access to donor financing.

<sup>3</sup>The review is available at [www.imf.org/external/np/pp/eng/2005/062805.htm](http://www.imf.org/external/np/pp/eng/2005/062805.htm); the summary of the Board discussion can be found at [www.imf.org/external/np/sec/pn/2005/pn05113.htm](http://www.imf.org/external/np/sec/pn/2005/pn05113.htm).

## Box 7.2 Proposals of the Task Force on Technical Assistance (TA)

### 1. Country-focused framework

- Preparation of Technical Assistance Country Strategy Notes for intensive Fund TA users and countries in which TA is particularly important.
- Formal enhancement of role of Fund resident representatives to include facilitating TA implementation.

### 2. Better tracking of implementation

- Systematic use of the central Technical Assistance Information Management System (TAIMS) for tracking TA implementation, including progress indicators and risk factors.<sup>1</sup>

### 3. Increased ownership by stakeholders

- Systematic use of the Technical Assistance Country Strategy Notes as a basis for discussion with the country authorities on TA strategy.
- Systematic sharing of terms of reference

<sup>1</sup>TAIMS is a multiyear information technology project aimed at bringing forward departmental best practices as well as at providing tools for more effective resource management and monitoring. For more information about TAIMS, see Box 2 of the "Conclusions of the Task Force on IMF Technical Assistance," which is available at [www.imf.org/external/np/pp/eng/2005/071205.htm](http://www.imf.org/external/np/pp/eng/2005/071205.htm).

with country authorities to get the latter's input.

- Systematic dialogue with authorities to specify progress indicators, resource commitments, and critical steps.
- Summaries of authorities' views on key issues and recommendations to be incorporated in TA reports when relevant.

### 4. Discussion of alternative solutions

- Systematic discussion with country authorities before drafting main recommendations to incorporate feedback. Record discussions on alternative options in TA reports when relevant.

- Dissemination of draft TA reports and aide-mémoire within agencies with the consent of the authorities.

### 5. Systematic ex post evaluation

- Production of standardized self-assessments for larger TA projects.
- Continuation of the formal, Fund-wide TA evaluation program, with production of two ex post evaluations each year.
- Establishment of an evaluation knowledge base and systematic dissemination within the Fund of lessons learned.

However, the Board stressed the need to further enhance the effectiveness of the RTACs along the lines mentioned by the independent evaluations and to fully develop their potential to assist member countries in formulating a medium-term technical assistance strategy and implementing it in the context of Poverty Reduction Strategy Papers.

Directors had wide-ranging discussions on the organizational and managerial challenges posed by operating the RTACs, which represented a departure from traditional Fund technical assistance delivery methods. The main priority was to consolidate the achievements of the RTACs thus far and to strengthen their management, organization, and financing. Directors underscored the need to develop the strategy and framework for RTACs in line with the Fund's strategic priorities; clarify staff and other stakeholder responsibilities; improve and harmonize work planning and coordination with headquarters; and reduce the financial risks to the Fund stemming from the RTACs' heavy reliance on external financing. In making the adjustments that might be necessary to face the underlying chal-



## Egypt

Egypt had several IMF-supported programs during the 1990s, the last of which, a Stand-By Arrangement, expired in September 1998. Since then, Egypt has maintained a close policy dialogue with the Fund and benefited from IMF technical assistance, notably in the following areas: customs and tax reform, revenue administration, public finance management, the foreign exchange market, operations and technical capacities of the central bank, and subscription to the Special Data Dissemination Standard (SDDS).

The Fund has provided substantial advice on economic policies to the government. Since 2004, reforms in Egypt have accelerated, addressing many of the obstacles to faster sustainable growth identified in the surveillance process. As part of Egypt's move to a managed floating exchange rate regime, an interbank foreign exchange market was launched in December 2004 and the parallel market disappeared. Customs tariffs and income taxes were reduced and streamlined; monetary policy formulation and implementation were strengthened; a major financial sector restructuring program was launched; public finance management and transparency were improved; and the quality of statistics was strengthened. Privatization was accelerated, and regulatory barriers to business entry and licensing were eased.

Egypt also participated in a pilot program aimed at more closely aligning Fund technical assistance (TA) with the country's macroeconomic policy priorities through the preparation of a Technical Assistance Country Strategy Note in March 2006.

### Egypt-IMF activities in FY2006

May/July/November 2005, March 2006	Visits by Fund experts on improving the monetary policy strategy and stance, and operations of the Central Bank of Egypt
May/June 2005	TA on sales tax reform, taxation system for small taxpayers
October 2005	TA on budget classification and the fiscal reporting framework
November 2005	TA on reforming the real estate tax
December 2005	TA on modernizing revenue administration, including small business tax regime, consolidation of the large taxpayer center, and implementation of self-assessment for income tax
March 2006	TA on tax policy, drafting of property tax law, and review of agricultural taxation
April 2006	2006 Article IV consultation begun

Challenges of the RTAC model, it is important to preserve the advantages associated with the RTACs' field presence—in particular, the ability to strengthen countries' ownership and to provide rapid and flexible technical assistance to member countries.

RTAC activities should complement other forms of Fund technical assistance and are an integral component of the institution's overall technical assistance program. Directors thus expressed support for closer integration of RTAC activities with the Fund's technical assistance program and agreed on the need to ensure appropriate quality control and accountability for all activities delivered by the RTACs.

A clearer definition of the roles and responsibilities of the stakeholders will be instrumental to coping with the challenges raised by the RTAC delivery modality. Directors noted that tensions would arise given the number of stakeholders involved but suggested that this reflected a broader need for a more consultative process. In revisiting the organizational structure, it was therefore important to preserve the sense of shared ownership and take account of the specific characteristics of each RTAC to retain its particular comparative advantages. Directors suggested that the findings from the recent IEO evaluation of technical assistance could provide useful guidance regarding the respective roles of area and functional departments in the organizational structure of the RTACs. They agreed that area departments should have a strategic role in defining the overall technical assistance priorities of the RTACs, and that functional departments should be responsible for the technical aspects of the centers' work.

The role of the Steering Committees should be better defined to clarify the roles and responsibilities of all stakeholders, and to strengthen the Committees' role in providing guidance, setting priorities, and monitoring the performance of the RTACs. In this context, Directors also stressed the need to preserve existing effective practices and to avoid rigid, one-size-fits-all solutions. They acknowledged that the RTAC delivery modality carried inherent tensions between Fund control over technical assistance priorities and delivery modalities, on the one hand, and countries' ownership and donor interests, on the other. It was important to find an appropriate balance that preserved the advantages of RTAC delivery while ensuring proper accountability and quality control.

Although the RTACs had been relatively costly, Directors recognized that their field presence provided important qualitative benefits that would be difficult to quantify. It was therefore difficult to compare the cost-effectiveness of the RTACs with other traditional delivery modalities. The most suitable delivery modality should be selected on a case-by-case basis.



The Board noted that the RTAC modality had been particularly beneficial in mobilizing external contributions for technical assistance and leveraging Fund resources. To avoid any potentially damaging disruption in external financing, Directors suggested that a clear strategy, including options for alternative financing arrangements and an exit financing strategy, should be developed within the context of the Fund's medium-term budget framework. In the meantime, where feasible, steps should be taken to mitigate the financial risk for the Fund. Many Directors felt that the establishment of new centers could be considered on a case-by-case basis following rigorous assessment of the business case for establishing the proposed center and assurances that the necessary internal Fund resources and full external financing had been secured.

### IMF Institute

The IMF Institute offers courses and seminars for officials from member countries in four core areas—macroeconomic management in general and policies related to the financial sector, the budget, and the balance of payments, including how to strengthen the statistical, legal, and administrative framework in these areas. Close to 80 percent of the training benefits low-income countries. The training is delivered by Institute staff or by staff from other IMF departments, occasionally assisted by outside academics and experts at IMF headquarters in Washington, D.C., and at various overseas locations. In recent years, the Institute program has accounted for about three-fourths of all training for officials delivered by the IMF, including training delivered by the regional technical assistance centers.

In FY2006, courses delivered by the IMF Institute, in collaboration with other IMF departments, were in session for 285 weeks, producing over 9,500 participant-weeks of training and benefiting more than 4,600 participants (Table 7.4). Relative to FY2005, these measures of training activity rose by 5 and 7 percent, respectively. About one-half of the participant-weeks in FY2006 were provided at the IMF's six regional training centers located in Austria, Brazil, China, Singapore, Tunisia, and the United Arab Emirates (Table 7.5). Training at headquarters, where courses are longer, also played an important role, accounting for about 30 percent of participant-weeks. The remainder of the training was at overseas locations outside the regional network, largely as part of an ongoing collaboration between the IMF Institute and national or regional training programs, and also in the form of distance-learning courses. The latter courses incorporate residential segments that have generally been held at IMF headquarters. However, in FY2006, the residential section of a distance-learning course was delivered overseas for the first time.



## Pacific Islands

The main task for policymakers in the Pacific Islands<sup>1</sup> is to raise the medium-term sustainable growth rate; over the past decade, the increase in real GDP has averaged less than 3 percent annually, barely enough to raise per capita income. Accelerating growth will require intensified efforts to reform the civil service, address governance and law-and-order problems, stimulate private sector activity, and encourage regional integration. In several countries, there is also a need to restore fiscal discipline and overcome political uncertainties.

One issue is the large size of the public sector throughout the region. In particular, the government wage and salary bill is typically about 10 percent of GDP, far higher than in other regions. Another issue is the major role of public enterprises, which frequently operate at a loss. By contrast, the private sector is very small in most of the islands. Complicated regulatory requirements impede the opening of new businesses, impose substantial restrictions on their operations, and discourage foreign direct investment. With insufficient employment opportunities, there is widespread migration. While remittances are a major source of foreign exchange receipts, the loss of skilled workers adds to capacity constraints.

Pacific leaders are committed to structural reforms and most countries have prepared medium-term development strategies. Regional free trade agreements are in force, and three countries are receiving more reliable airline service, in partnership with a foreign airline. The recently adopted Pacific Plan, sponsored by the island governments, endorses the necessary structural changes. The key to success will be their pace of implementation.

The Fund provides extensive technical assistance to the region, primarily through the Pacific Financial Technical Assistance Center in Fiji, in the areas of tax policy and administration, public expenditure management, bank regulation and supervision, and statistics.

### Pacific Islands-IMF activities in FY2006

Starting in July 2005	Interim staff visits to Pacific Islands (except Papua New Guinea, Solomon Islands, and Tonga) on 24-month Article IV consultation cycle
March 2006	Deputy Managing Director Agustín Carstens attends meeting of the Steering Committee of the Pacific Financial Technical Assistance Center

<sup>1</sup>The 10 islands that are members of the IMF are Fiji, Kiribati, the Marshall Islands, the Federated States of Micronesia, Palau, Papua New Guinea, Samoa, the Solomon Islands, Tonga, and Vanuatu.



**Table 7.4** IMF Institute training programs, FY2002–06

	FY2002	FY2003	FY2004	FY2005	FY2006 <sup>1</sup>
<b>Headquarters training<sup>2</sup></b>					
Course weeks	74	84	77	80	78
Participant-weeks	2,746	3,083	2,848	2,993	2,951
<b>Regional training institutes and programs<sup>3</sup></b>					
Course weeks	133	121	140	148	153
Participant-weeks	4,261	3,969	4,449	4,541	4,835
<b>Other overseas training</b>					
Course weeks	30	31	32	27	39
Participant-weeks	828	899	949	797	1,143
<b>Distance learning</b>					
Course weeks	13	13	9	16	16
Participant-weeks	519	481	324	594	602
<b>Total course weeks</b>	<b>250</b>	<b>249</b>	<b>258</b>	<b>271</b>	<b>285</b>
<b>Total participant-weeks</b>	<b>8,354</b>	<b>8,432</b>	<b>8,570</b>	<b>8,925</b>	<b>9,531</b>

Source: IMF Institute.

<sup>1</sup>Figures for FY2006 are estimates.

<sup>2</sup>Excludes residential component of distance-learning courses, which are counted here as distance learning.

<sup>3</sup>Includes the Joint Vienna Institute (JVI), IMF-Singapore Regional Training Institute (STI), IMF-Arab Monetary Fund Regional Training Program, Joint Africa Institute (JAI), Joint China-IMF Training Program, and Joint Regional Training Center for Latin America. Data for the JAI do not include courses partially financed by the IMF that are delivered by the African Development Bank and the World Bank. Data for the JVI do not include courses partially funded by the IMF since FY2004 that are delivered by the Austrian authorities.

**Table 7.5** IMF Institute regional training programs

Regional program	Date established	Location	Cosponsors	Intended participant countries
<b>Joint Vienna Institute</b>	1992	Austria	Austrian authorities, European Bank for Reconstruction and Development, Organization for Economic Cooperation and Development, World Bank, and World Trade Organization <sup>1</sup>	Transition countries in Europe and Asia
<b>IMF-Singapore Regional Training Institute</b>	1998	Singapore	Government of Singapore	Developing and transition countries in Asia and the Pacific
<b>IMF-AMF Regional Training Program</b>	1999	United Arab Emirates	Arab Monetary Fund	Member countries of the Arab Monetary Fund
<b>Joint Africa Institute</b>	1999	Tunisia	African Development Bank, World Bank	African countries
<b>Joint China-IMF Training Program</b>	2000	China	People's Bank of China	China
<b>Joint Regional Training Center for Latin America</b>	2001	Brazil	Government of Brazil	Latin American countries

<sup>1</sup>A number of other European countries and the European Union, although not formal sponsors of the Joint Vienna Institute, provide financial support.

FY2006 saw the continuation of a gradual shift in the composition of training delivery away from headquarters, with overseas locations accounting for all of the increase in training during the year. The overall level of training at headquarters has stayed broadly unchanged in recent years, with this location being used for long courses that can be delivered more practically in Washington, D.C. The headquarters location also ensures global access to shorter training activities whose widespread delivery is not feasible through regional programs because of resource limitations.

Combining the increase in training in FY2006 with the smaller increases of the two preceding years, the number of participant-weeks of training has risen by 13 percent since FY2003. Courses and seminars supporting new IMF initiatives have been a major factor contributing to this rise,

reflecting a significant increase in training activity related to efforts to combat money laundering and the financing of terrorism in FY2004 and FY2005, and, in FY2006, the addition of special seminars on protecting financial systems from the effects of an avian flu pandemic (see Chapter 4). There also has been a notable increase in training in macroeconomic management.

Increased training has been accommodated within the tight IMF budget through increases in external funding and through efficiency measures that have significantly reduced participant costs. The additional external funding reflects the financial contributions from training partners that bear a large share of the costs of regional programs and programs at other overseas locations, as well as new sources of donor funding.

**Box 7.3 Feedback from country officials on the IMF Institute's curriculum**

Feedback from country officials is critical to the IMF Institute's ongoing efforts to ensure that the curriculum is well adapted to member country needs. In addition to participant evaluations at the end of every course and regular contact with country officials, the Institute commissions an independent survey of country officials every three years. The most recent survey was carried out in FY2006 and, as was the case with previous surveys, was global in scope. For the first time, the Institute in FY2006 also held a formal meeting on the training needs of a specific region with training directors from central banks, ministries of finance, and other agencies in the Asia-Pacific region.

**Results of the recent survey.** The most recent survey of country officials was conducted between January and March 2006 by Harris Interactive, which sent questionnaires to 516 central banks, ministries of finance, statistical agencies, and other agencies in 179 member countries that had sent participants to IMF Institute training programs during 2003-05. The response rate was 58 percent, which is high for a survey of this type. Key feedback included the following:

- Virtually all organizations responding (97 percent) agreed that they were satisfied with their IMF Institute experience, and 72 percent indicated that they were very satisfied.
- Over two-thirds of the respondents indicated that demand for Institute training would increase over the next five years.
- The greatest increase in demand would be for courses recently added to the curriculum, especially specialized courses on topics such as inflation targeting and macroeconomic diagnostics and forecasting.
- Demand also remains strong for traditional core courses such as those on financial programming and policies and macroeconomic statistics.
- There was general agreement that Institute training helped participants do their jobs better (95 percent), enhanced their understanding of the IMF and its work (94 percent), and improved their ability to formulate and implement policy (91 percent).
- Seventy percent of the organizations responding to the survey said that officials had been given added responsibilities or

promotions as a result of their Institute training.

**Regional meeting on training needs in Asia-Pacific.** The meeting took place in Singapore over two days in April 2006 and was attended by 36 senior officials with training responsibilities in 24 Asian and Pacific countries.

The meeting provided an opportunity to discuss the training program offered at the IMF-Singapore Regional Training Institute (STI). Officials were broadly satisfied with the mix of courses at the STI, but many indicated a particularly strong demand for the more advanced courses on macroeconomic and financial topics that had been introduced into the curriculum in recent years.

The meeting also covered issues related to promoting a good match of training participants to courses, including the question of how to make sure that the level and content of courses is well understood by applicants and their sponsors. An important initiative resulting from the meeting is the creation of a directory of senior officials with responsibility for training, which will facilitate communication between countries and the STI.

The IMF Institute has continued to pay close attention to curriculum development. The training program is regularly reviewed to ensure that it responds to the evolving needs of member countries and supports new IMF initiatives. Feedback on member country needs comes through participant evaluations, contacts with country officials, and independent surveys of country officials that are now undertaken every three years, most recently in early 2006 (Box 7.3). In FY2006, the Institute for the first time held a formal regional meeting on the training curriculum in the Asia-Pacific region. Plans are in the works to follow up with similar meetings in other regions.

The Institute launched two courses at headquarters in FY2006. A four-week course focused on strengthening the ability of participants to assess a country's macroeconomic situation, emphasizing practical tools for use in day-to-day analysis. The second new course, on macroeconomic management and fiscal policy, provided a more comprehensive and systematic treatment of this topic than is possible in existing shorter courses. Benefits from the intensive cur-

riculum development effort behind these two courses are already being channeled to shorter INS courses. Moreover, plans are in the works to deliver two-week versions of the macroeconomic diagnostic courses through some of the regional programs in 2007.

Other IMF departments were also active in curriculum development in FY2006. The avian flu seminars were developed and delivered within a very short space of time. A new workshop focused on strengthening the ability of countries to compile financial soundness indicators (Box 4.2), and a number of specialized new fiscal courses were delivered.

The Institute also continued to provide, both in Washington, D.C., and through the regional institutes and programs, short seminars tailored to the needs of high-level officials on key current issues. Seminar topics in FY2006 included managing fiscal risks in Asia; realizing the potential for profitable investment in Africa; integrity supervision of financial sector firms and markets; and the impact of EU enlargement on factor flows in Europe.