



Monetary and Capital Markets Department



# Technical Assistance Strategy Update 2017-20

I N T E R N A T I O N A L M O N E T A R Y F U N D

*The main goal of the 2017–20 MCM TA Strategy Update is to foster the effectiveness, impact, and quality of our TA work. We will further leverage our key strengths—such as experience and expertise, cross-country work, analytical toolkits, and quality review—to respond to our membership’s needs with agile, integrated, flexible, and member-focused approaches.*



I am very pleased to present the 2017–20 Technical Assistance (TA) Strategy Report outlining our vision and main objectives on technical assistance and training for the next three years.<sup>1</sup> In line with the Monetary and Capital Markets (MCM) Department long history of adapting to new challenges, and within our core mandate, the Department will continue to enhance our existing capacity to respond to the needs of our membership, foster knowledge management, and strengthen governance and accountability through all the stages of the TA life cycle.

MCM remains actively engaged in responding to our members' critical needs on financial and monetary stability, through promoting sound and efficient financial systems and effective monetary and exchange rate policy frameworks. With this aim, we have fielded over 1,000 technical assistance missions a year, on many core topics—supervision and regulation, monetary policy and foreign exchange operations, crisis prevention and management, official-sector asset and liability management, and other aspects of financial stability. This was possible only with the support of our staff, donors, and external-expert participation, that allowed us to respond with agility and flexibility, and have a major presence in hands-on support to our constituency. The rich set of case studies covered in this Report not only illustrate the recipient countries' appreciation for these efforts, but also showcase their impact in the field, and provide lessons to be used in our future work.

In the coming years, we will continue working to provide the highest quality advice and assistance, while maintaining our TA volumes broadly at current levels. We will continue to leverage on our strengths to consolidate progress made to date, maintain the focus on our core mandate while adapting to the new challenges and developments, step up coordination efforts with all relevant TA stakeholders, and expand our cross-country analyses to further inform our advice and work ahead. As needed, we will adjust and rebalance—and if need be expand—our resources to make sure we can respond to key developments and new challenges, notably in areas related to monetary policy, cyber-risks, and payment systems oversight, among others. We will expand our efforts on the “what to” and the “how to” under the results-based management (RBM) framework to foster efficiency. To further enhance our diagnostic and capacity building work we have started offering the Financial Sector Stability Review (FSSR), which would help prioritize and sequence a medium-term TA agenda for the recipient country.

The preparation of this Report has benefitted from extensive consultation with key stakeholders, including MCM staff, recipient countries, and colleagues in Area Departments: they have provided valuable inputs and insights. Finally, we would like to acknowledge our fruitful collaboration and cooperation with member countries, with donors and other TA providers, as well as all IMF colleagues and experts involved in this TA work.

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October 2017

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<sup>1</sup> This Report was prepared by a staff team in MCM's Technical Assistance Division under the guidance and supervision of Simon Gray. The team was led by Maria A. Oliva and comprised Shelton Nicholls and Anastassiya Marina, who also coordinated the main inputs received from colleagues across the Department. Jahanara Zaman and Shaoyu Guo provided invaluable support to this project.

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## Glossary

AFRITAC	Regional Technical Assistance Center in Africa
AIPEG	Australia Indonesia Partnership for Economic Governance
AML/CFT	Anti-Money Laundering and Combating of the Financing of Terrorism
ASEAN	Association of Southeast Asian Nations
BIS	Bank for International Settlements
CAPTAC-DR	Central America, Panama, and Dominican Republic Technical Assistance Center
CARTAC	Caribbean Regional Technical Assistance Center
CCB	Committee on Capacity Building
CD	Capacity Development
CO	Central Bank Operations
COI	Cooperating Official Institutions
DAC	Development Assistance Committee
DFID	Department for International Development
EAC	East African Community
ECCU	Eastern Caribbean Currency Union
EM	Emerging Markets
EWS	Early Warning System
FfD	Financing for Development
FIRST	Financial Sector Reform and Strengthening Initiative
FMI	Financial Market Infrastructure
FPAS	Forecasting and Policy Analysis System
FSAP	Financial Sector Assessment Program
FSC	Financial Services Commission
FSI	Financial Stability Institute
FSSF	Financial Sector Stability Fund
FSSR	Financial Sector Stability Review
FTE	Full-time Equivalent
FY	Fiscal Year
G7	Group of Seven
GAC	Global Affairs Canada
GCC	Gulf Cooperation Council
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GMCo	Gulf Monetary Council
GPA	Global Policy Agenda
IAS	International Accounting Standards
ICAAP	Internal Capital Adequacy Process
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
HQ	IMF Headquarters
WHD	Western Hemisphere Department
IsDB	Islamic Development Bank
IT	Inflation Targeting
JICA	Japanese International Cooperation Agency
JSA	Japan Administered Account for Selected Fund Activities
JVI	Joint Vienna Institute
KE	Knowledge Exchange
KM	Knowledge Management
LIC	Low-Income Country
LLMIC	Low- and Lower-Middle-Income Country
LogFrame	Logical Framework
LTX	Long-term Expert

## Glossary

MAS	Monetary Authority of Singapore
METAC	Middle East Regional Technical Assistance Center
MCM	Monetary and Capital Markets Department
MNRW	Managing Natural Resource Wealth Trust Fund
MP	Monetary and Macroprudential Policies
OECD	Organization for Economic Cooperation and Development
PFMI	Principles for Financial Market Infrastructure
PFTAC	Pacific Financial Technical Assistance Center
RAP	Resources Allocation Plan
RBM	Results-Based Management
RBS	Risk-Based Supervision
RSN	Regional Strategy Note
RTAC	Regional Technical Assistance Center
RTGS	Real-Time Gross Settlement
SARTTAC	South Asia Training and Technical Assistance Center
SBA	Stand-By Arrangement
SCF	Stand-By Credit Facility
SDG	Sustainable Development Goals
SECO	Swiss State Secretariat for Economic Affairs
SIDA	Swedish International Development Cooperation Agency
STI	Singapore Training Institute
STX	Short-term Expert
TA	Technical Assistance
TAOLAM	Technical Assistance Office in Thailand
TTF	Topical Trust Fund
USD	United States of America Dollar
WB	World Bank

## Executive Summary

This 2017–20 Strategy Update outlines the Monetary Capital Markets (MCM) Department’s commitment to continue developing its technical assistance (TA) efficiency, effectiveness, and impact throughout the TA life cycle.

Back in 1964, what we know today as the MCM Department was conceived as the Central Banking Service, a technical assistance unit at the service of the Fund’s membership. Over 50 years later, and after a long history of adapting to new challenges, MCM continues to focus on helping countries to maintain and restore financial stability. To enhance the scale and effectiveness of our TA following the global crisis, the Department created the Technical Assistance Division in 2011. This Division was tasked with the management of a surge in TA delivery, largely facilitated by an increase in donor support and external-expert participation.

Today, with well over 1,000 TA missions a year, TA activities account for about a third of MCM’s work. Our TA continues to respond to our members’ needs (e.g., adaptation to new Basel standards, special needs following the global financial crisis and in fragile states) and with more flexible and agile assistance to changing demands (e.g., correspondent banking, Islamic finance). The Department has expanded its resources and services to meet ever-increasing demands, follow up on needs and the evaluation of TA, and increase its presence in the field with resident advisors in all regions. These efforts have gone hand in hand with the core mandate work MCM continues to undertake in the areas of regulation and supervision, monetary and exchange rate policy and operations, and financial stability.

Under the 2017–20 TA Strategy Update, MCM plans to maintain its TA volume at a similar level to that of recent years<sup>2</sup>, and to focus on strengthening the value-added of our TA work in each stage throughout the TA life cycle: (i) diagnostics, design, and planning, (ii) delivery; and (iii) evaluation.

The Strategy Update takes forward our aim to:

- *Consolidate* progress made in the implementation of the programmatic<sup>3</sup> results-based approach to TA.
- Maintain the focus on MCM’s TA *core mandate*, adapting to and incorporating new developments that fall under this mandate.
- Step up *coordination* with stakeholders—including the authorities, the IMF Area Department country teams, other TA providers, and donors—to reap synergies, gain traction, and avoid duplication.
- Expand *cross-country work* to extract key lessons that further inform our advice and support MCM’s analytical work.

The Strategy elaborates on the “what to” and the “how to” aspects to TA, discussing how to add flexibility to TA delivery modalities to make it more effective and efficient for our membership. In the current challenging environment, staying ahead of the curve requires agile responses to new needs; innovations in knowledge creation, management, and dissemination; and maintaining appropriate governance and accountability frameworks. We need continuously to anticipate emerging challenges, notably in monetary policy for the ‘new normal’ as well as the impact of technology on infrastructure oversight and cyber threats, and build our human capacity—both staff and experts—to enable us to meet those challenges.

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<sup>2</sup> In field-delivery terms, this has been around 80 full-time employees-equivalent (FTEs) a year.

<sup>3</sup> Multi-year program for capacity development as part of our broader strategy for the recipient countries.



**TABLE 1: 2017–2020 TECHNICAL ASSISTANCE STRATEGY**

ACTIONS
<b>Pillar 1: Enhancing capacity to respond to our membership's changing needs</b>
Strengthen the programmatic approach to TA delivery, with sequenced TA road-maps that have members' buy-in.
Further develop our relationships with agencies with relevant expertise.
Develop the Financial Sector Stability Review (FSSR)—a combined diagnostic and TA planning tool to help members build capacity and strengthen financial sector resilience.
Build more flexible delivery modalities including thematic regional workshops, topical webinars, cross-topical on-site and off-site TA engagements, and online training, to enhance capacity-building in member states.
<b>Pillar 2: Fostering knowledge creation, management, and dissemination</b>
Further develop webpages as a vehicle for dialogue between experts, MCM functional divisions, and Area Departments on topical MCM issues.
Develop a dedicated outlet for cross-country TA information and analysis (e.g., databases, operational TA papers).
Further integrate cross-country work and lessons into MCM's TA work.
Strengthen our hands-on TA delivery in member countries, with further capabilities and analytical toolkits.
<b>Pillar 3: Strengthening governance and accountability</b>
Complete the rollout of the RBM approach to design, delivery, and evaluation of all MCM capacity development (CD) to encompass TA and training, and all funding sources.
Conduct regular stocktaking of the TA deliverables and achievements against the RBM-structured targets and the evolving needs of TA recipients.
Better integrate short-term experts (STXs) into MCM's work.
Implement the planned program of TA Evaluations and integrate lessons into future work.

## Introduction

In recent years, MCM has responded to the IMF membership's needs with a substantial increase in technical assistance (TA). Since FY 2011, TA delivery has increased by 40 percent to reach about 1,100 missions (i.e., about 74 full-time employees equivalent (FTEs)) in FY17.<sup>4,5</sup> Our ability to deliver TA in MCM's areas of expertise, expand our thematic offerings, and support our continuous engagement across the globe in response to demand has benefited significantly from the input of both long- and short-term experts (LTXs and STXs), and from donor-funded projects and trust funds. Formal evaluations continue to indicate this work remains valuable, impactful, and very much appreciated. But we cannot 'rest on our laurels'. We need to continue to keep pace with—and where possible anticipate—changing needs and conditions, whilst at the same time maintaining traction for our TA, safeguarding the quality of our advice, and adapting to the many and varied challenges lying ahead that are core to our mandate.

Building on the 2014–17 Strategy Update<sup>6</sup>, TA efforts in the last three years focused on satisfying new needs (e.g., deriving from new international regulatory and supervisory standards, crisis management and resolution frameworks, and risk management and financial stability issues), and improving effectiveness (via the implementation of the results-based approach), using different TA delivery modalities, and further integrating TA with other Fund work (Box 1).

Underpinned with the systematization of the results-based management (RBM)<sup>7</sup> approach and a need to contain TA delivery levels to strike the right balance between limited resources (manpower and time) and quality, the 2017–20 Strategy Update focuses on: (i) enhancing our capacity to respond to rapidly emerging and changing needs, (ii) fostering knowledge creation, management, and dissemination, and (iii) strengthening governance and accountability to support the quality of TA advice with sound control mechanisms. Ongoing progress in the implementation of RBM processes and knowledge management initiatives, and a multi-year programmatic approach to TA assessment needs and planning, are to further support efforts to strengthen our TA content, ensure customization of our TA advice to local needs, and integrate MCM TA into IMF surveillance and program work. Further emphasis on regional approaches and cross-thematic and cross-topical capacity-building work to reap synergies should reinforce our ability to service well our membership.

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4 The IMF uses three definitions to measure TA costs: (i) A Full-Time Equivalent (FTE) measures TA delivered in the field by one person (staff, expert) for a year, including by experts in RTACs; (ii) the dollar measure represents expenditure allocated to TA output including backstopping costs; and (iii) the number of missions fielded (from HQ and RTACs).

5 FY covers the 12-month period from May 1 to April 30.

6 See MCM Technical Assistance Strategy Update, 2014–17.

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7 The RBM framework, introduced Fund-wide in June 2011, provides an articulated framework that facilitates strategic planning and effective management of TA based on learning, accountability, and results.

## BOX 1. THE CONTOURS OF MCM'S TECHNICAL ASSISTANCE MANDATE

Capacity Development (CD)—TA and training—is a core pillar of the Fund's work. The precursors of the MCM Department were conceived and adapted over time to better respond to the membership's TA needs. Today, MCM TA remains a key tool of the IMF's mandate to address growth and economic stability issues at national and global levels. To this end, MCM assistance aims to support the membership's efforts in promoting financial and monetary stability through sound and efficient financial systems and effective monetary and exchange rate policy frameworks.

The Managing Director's Global Policy Agenda (GPA) defines the strategic direction of MCM's work program. The April 2017 Agenda stressed further integration of CD with surveillance, and called for innovative ways to deliver CD, knowledge sharing, leveraging technology and strengthening communication, and implementation of RBM.

The Committee on Capacity Building (CCB), the high-level interdepartmental committee that organizes Fund policy in capacity building, plays a key role in the integration of the strategic vision into the accountability framework of CD Departments and in defining their priorities. The Fund's 2013 CD Strategy emphasized the synergies between TA and training and the need to enhance Fund-wide CD governance, prioritization, funding, monitoring, and evaluation in the delivery of TA.

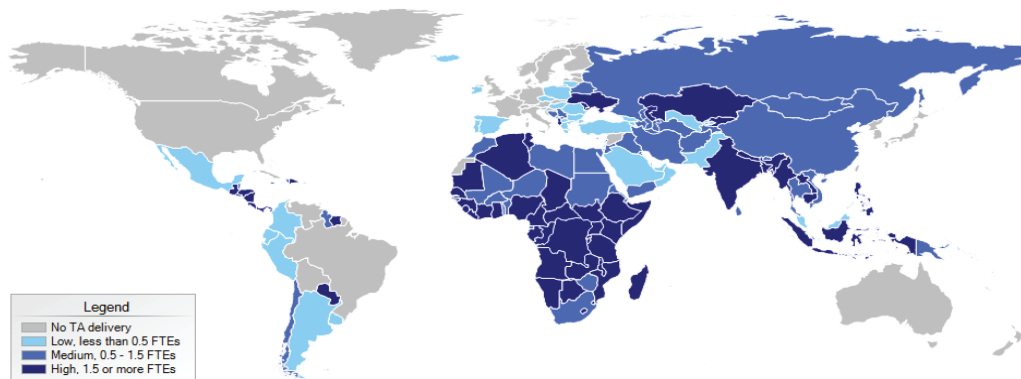
MCM TA is also guided by the strategic priorities set by the CCB for FY17–19, the Financing for Development (FfD) agenda, and other critical initiatives focused towards the Sustainable Development Goals (SDGs). Current priorities include support to fragile states, financial market deepening for low-income countries, and financial supervision and regulation and monetary policy frameworks in emerging and frontier market economies, as well as in other selected low-income countries.

## I. Technical Assistance Delivery in 2014–17—Taking Stock

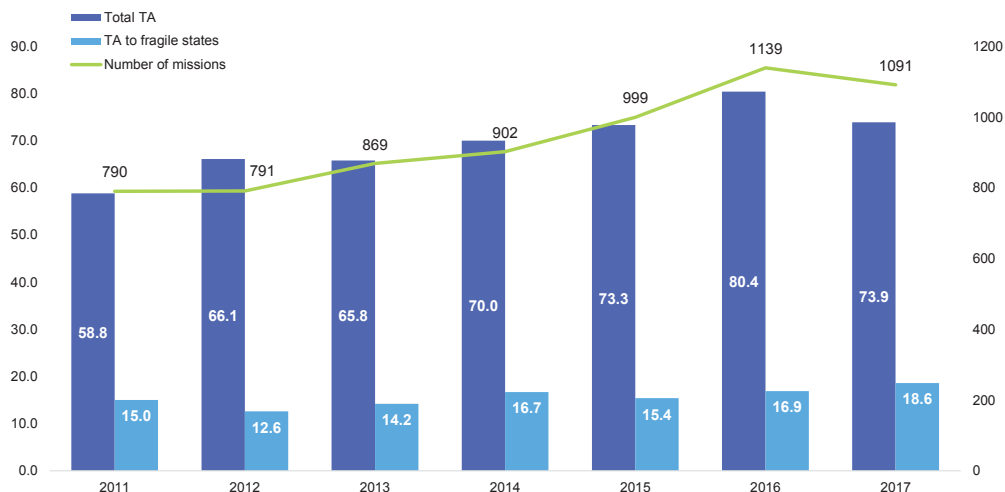
MCM has been stepping up its capacity development agenda to respond to the multiple and complex challenges of our constituency to maintain financial stability and attain their development goals. In the aftermath of the global financial crisis, member countries had to reinforce their financial infrastructures in a context of weaker-than-expected global economic recovery, negative commodity prices shocks, and increased geopolitical risks. The tightening of international standards to reinforce regulation and supervision, in response to the financial crisis, has required continued assistance.

MCM TA delivery increased by about 40 percent in FY17 relative to FY11, reaching a peak in FY16<sup>8</sup> with 1,139 missions (Figures 1 and 2). Total TA field delivery expanded steadily from about 59 FTEs in FY11 to reach a high of around 80 FTEs in FY16. The moderation in FY17 reflects a number of factors: security concerns in several countries<sup>9</sup> that compromised advisors' on-site work and forced redirection of some activities to off-site workshops, and challenges in finding the right expertise to match the authorities' needs.

**FIGURE 1. GLOBAL INTENSITY OF MCM TA FIELD DELIVERY, FY 2014–17**  
(in FTEs)



**FIGURE 2. TRENDS IN TA DELIVERY, FY 2011–17**  
(in FTEs)



<sup>8</sup> See MCM Technical Assistance Report, 2016.

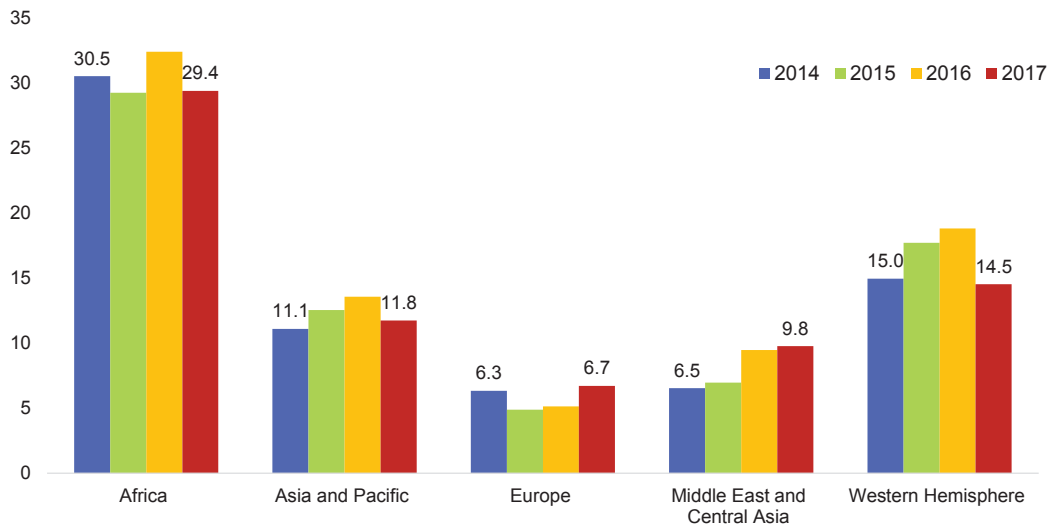
<sup>9</sup> These were persistent in some instances.

# Technical Assistance Delivery in 2014–17—Taking Stock

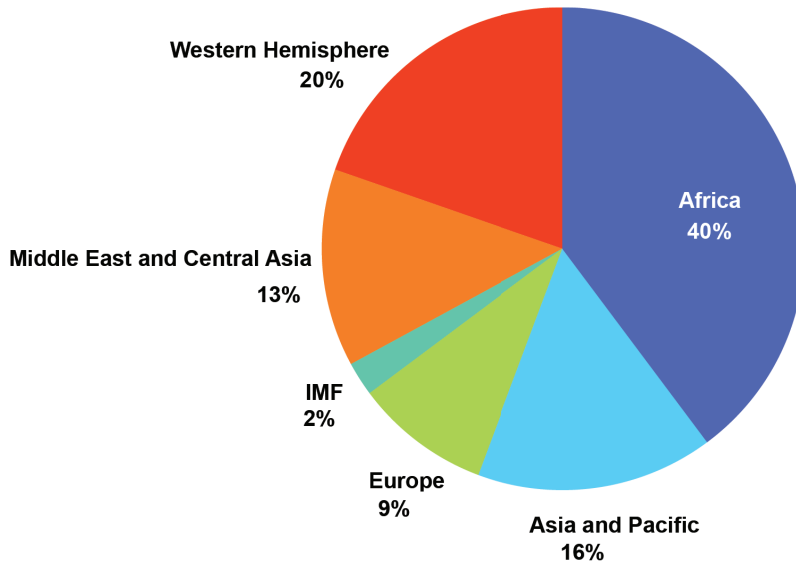
The regional allocation of MCM TA has remained broadly stable during these past years. (Figures 3a, 3b). In FY17, the largest TA recipient region continued to be Africa (40 percent), followed by Western Hemisphere (20 percent) and Asia Pacific (16 percent). Security concerns that led to an interruption to TA delivery in South Sudan—a large TA recipient in Africa—explain the slight decline in TA to that region.

At the same time, MCM responded to an increase in TA demand from the Middle East and North African region, especially from some post-conflict fragile countries (e.g. Afghanistan, Iraq, and Somalia), with a comprehensive TA agenda to rebuild and reform their financial systems (Box 2), as well as from oil-exporters needing to adapt to lower oil prices. Most TA efforts follow a programmatic approach, and are funded by multi-donor trust funds.

**FIGURE 3A. TA FIELD DELIVERY BY REGION, FY 2014–17**  
(in FTEs)



**FIGURE 3B. TA FIELD DELIVERY BY REGION, FY 2017**  
(in percent of total TA)



Demand for MCM TA remained high in several core areas. In FY17, the top two areas of MCM TA were financial sector regulation and supervision and monetary and foreign exchange policy operations.<sup>10</sup> Public debt management is also an important work (Figure 4).<sup>11</sup> Both financial supervision and regulation, and financial market deepening for low-income countries, are CD priorities identified by the CCB.

Other growing areas of assistance comprised support in developing effective macroprudential policy frameworks and systems consistent with the formulation of monetary policy, setting up broader financial stability and systemic risk monitoring mechanisms, producing financial stability analyses and reporting, and stress testing. With the post-financial crisis recovery, demand for TA on crisis management and bank resolution frameworks halved in FY17 compared with FY14. Typically, given the nature of the work, demand in the crisis management area has proven to be somewhat unpredictable compared to other regular capacity building work streams. But demand for financial sector contingency plans, countercyclical financial sector buffers, and debt management practices, are expected to pick up in the coming years.

### BOX 2. DELIVERING TA TO FRAGILE STATES

MCM's engagement with 38 fragile states<sup>12</sup> has continued to expand to now account for about 19 FTEs (or around 25 percent of total MCM TA, Figure 3). This work focuses mostly on building strong institutions and improving the capacity to formulate and implement effective monetary and financial sector policies. TA to fragile states is often challenging because of weak implementation capacity, political instability, and security risks that lead to travel restrictions. To mitigate these challenges, MCM often maintained TA delivery in off-site locations or via video/teleconferences, carefully sequencing TA and training, and, where possible, placing resident advisors to provide intensive and continuous hands-on support.

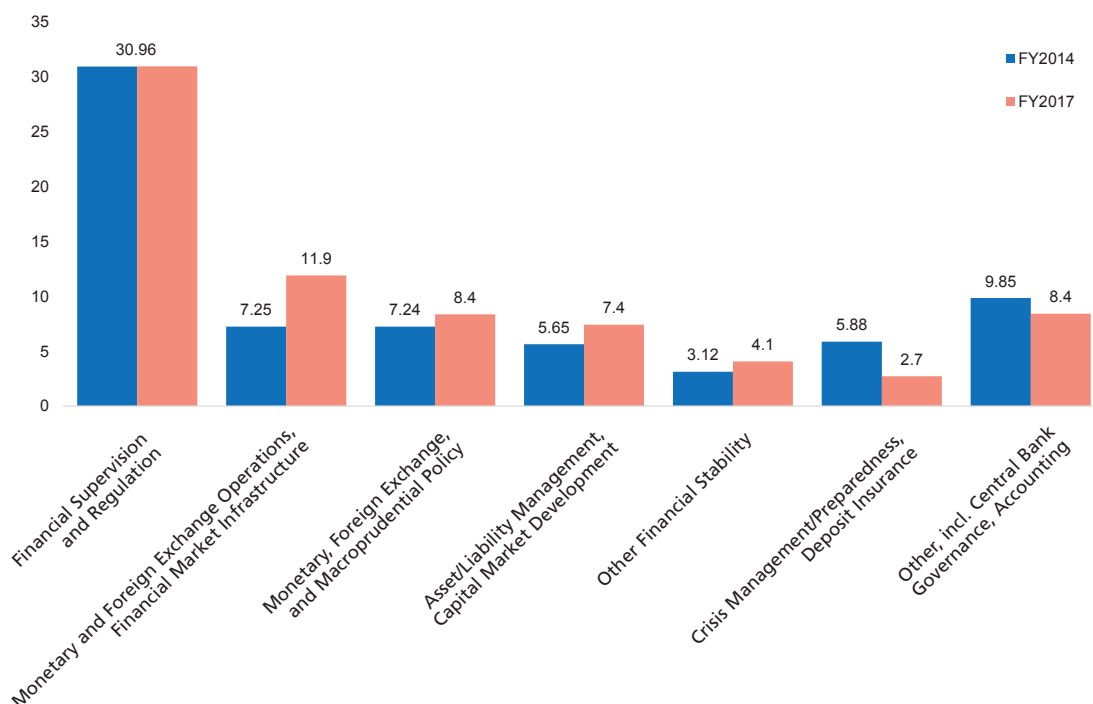
In collaboration with other TA providers and supported by external donor funding, MCM's TA operations reached out to fragile states in all regions. For example, countries in the Middle East and Central Asia region such as Afghanistan, Iraq, and Somalia are receiving comprehensive assistance from both HQ and METAC under multi-year capacity building programs financed by dedicated donor financing. Similarly, in the Western Hemisphere region, MCM TA support to Haiti accelerated via CARTAC and staff-led missions to rebuild its financial sector. At the same time, ongoing MCM TA is being delivered to several low-income countries in Africa (e.g. Liberia, Sierra Leone, and South Sudan), Asia (Nepal and Myanmar), and Europe (Bosnia and Herzegovina, and Kosovo) by using different modes of TA delivery (staff and experts including resident advisors stationed at relevant RTACs).

12 The IMF defines fragile states as having either weak institutional capacity measured by the World Bank Country Policy and Institutional Assessment score (average of 3.2 or lower) and/or experience of conflict (signaled by presence of a peace-keeping or peace-building operation in the last three-years).

10 Including TA on improving central bank governance and accounting frameworks.

11 MCM expanded TA on public debt management with support from a donor-funded trust fund, particularly in LICs, in collaboration with the World Bank.

**FIGURE 4. TA FIELD DELIVERY BY TOPIC, FY 2014 AND FY 2017**  
(in FTEs)



Also in the past three years, there have been collaborative efforts, including via workshops and other capacity development modalities, with several developed and emerging economies coping with financial sector pressures. Requests encompassed several Euro-area country cases (e.g. Cyprus, Greece, Portugal, and Spain) and emerging market countries (e.g., China, India, and Russia). These engagements covered a wide range of topics including sovereign debt markets, strengthening central bank governance, asset quality reviews and asset recovery and loan restructurings, state-bank supervision, and stress testing.

Managing the surge in TA delivery was only possible with the greater access to external funding, reliance on LTXs and STXs, and the effective use of internally available resources:

- Over three-fourths of MCM TA field delivery is donor-financed via projects and trust funds (Figure 5). At end-April 2017, these funds covered the 34 LTX positions in 24 countries, as well as the costs associated with IMF staff- and STX-led TA related work.

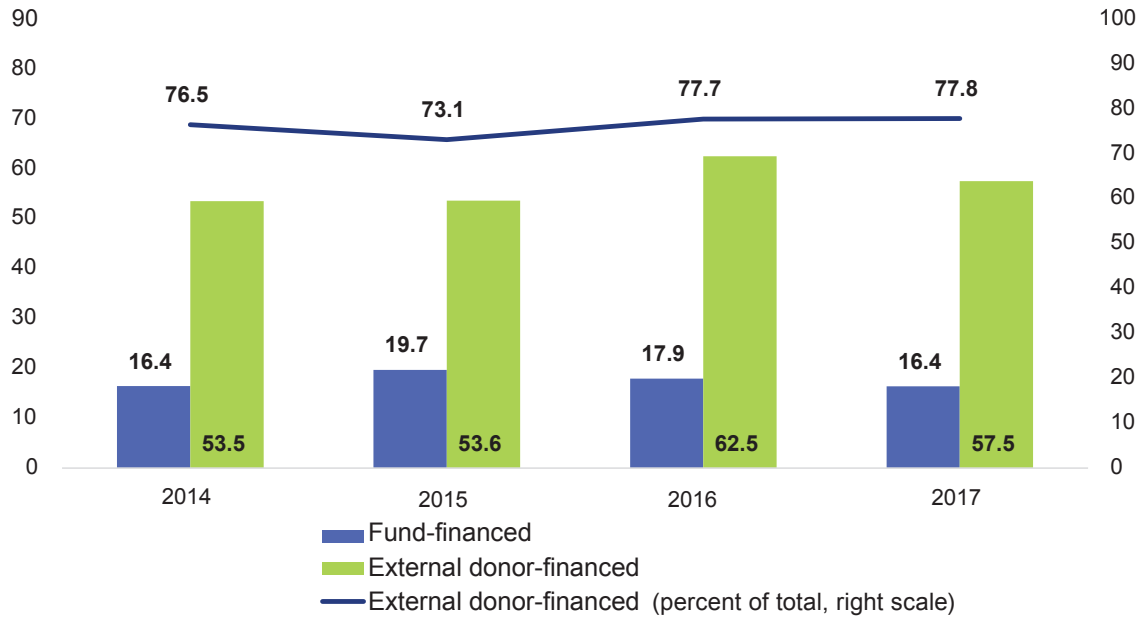
- TA delivered by LTXs and STXs accounts for nearly 90 percent of MCM TA field delivery—about 70 FTEs (Figure 6).<sup>13</sup>
- HQ staff (from MCM functional divisions but also other TA departments such as the Legal Department) continued to closely backstop external TA experts in line with their areas of expertise. The amount of HQ resources devoted to backstopping has surged since FY13 in two core areas—financial regulation and supervision and monetary policy and operations.

In the coming years, MCM expects to continue delivering TA using the expert-driven delivery model through the ten RTACs and short- and long-term experts' support. Externally-funded projects (Box 3) will continue to complement internally-funded TA to respond to TA recipients' capacity development needs.

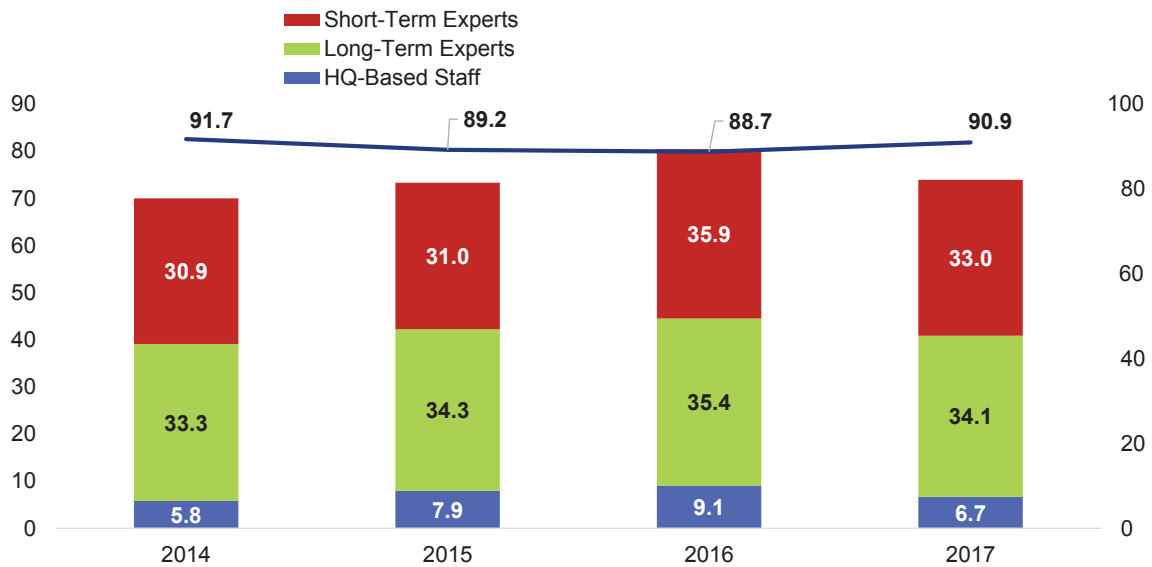
<sup>13</sup> External financing is the sole source of financing for all Fund TA long-term experts.

# Technical Assistance Delivery in 2014–17—Taking Stock

**FIGURE 5. FIELD DELIVERY BY FUNDING SOURCE, FY 2014–17**  
(in FTEs)



**FIGURE 6. TA FIELD DELIVERY BY RESOURCE TYPE, FY 2014–17**  
(in FTEs)



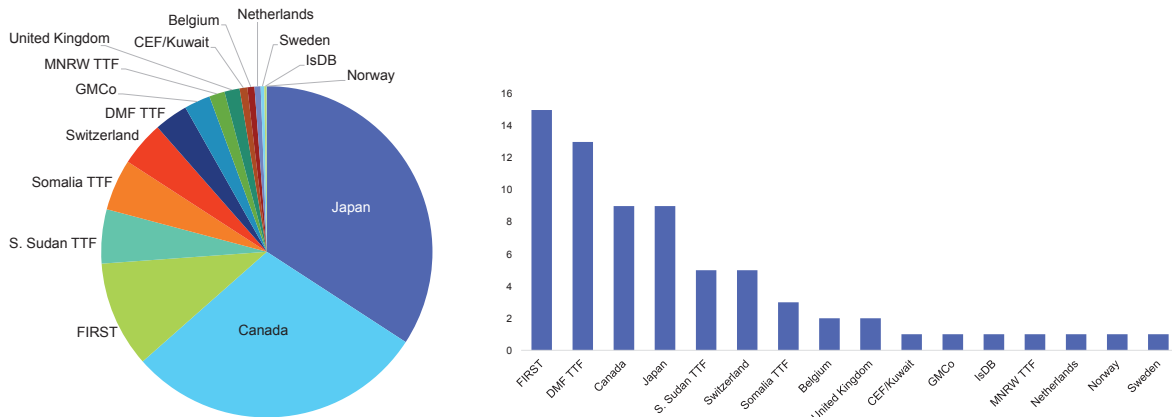


## BOX 3. MCM'S EXTERNAL PARTNERS IN TA

Over the last six years, MCM has established strong partnerships with several *key donors* (Figures 7a and 7b on Trust Funds as at end-FY17). Many of these donors also support the regional TA and Training Centers that deliver TA and training to countries in the region, covering in total over 80 countries (Figure 7c on bilaterally- vs. RTAC-funded TA as of end FY17).

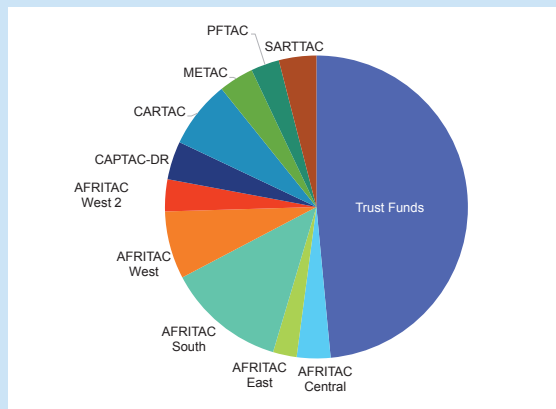
Multi-donor arrangements also enhanced MCM *collaboration with other multilateral institutions providing TA*. The Financial Sector Reform and Strengthening Initiative (FIRST), a trust fund jointly implemented with the World Bank, has successfully supported short-term financial sector TA interventions in low- and middle-income countries. The Debt Management Facility (DMF) is another example of IMF-World Bank TA collaboration that provides advice and training on debt financing strategies and debt portfolio risk management.

**FIGURES 7A AND 7B. TRUST FUNDS-ACTIVE TA PROJECTS**  
(end-April 2017, share in U.S. Dollars and number of active projects)



Note: Excludes RTAC

**FIGURE 7C. TRUST FUND- VS. RTAC-DONOR-FUNDED ACTIVE TA PROJECTS**  
(end-April 2017, share in U.S. Dollars)



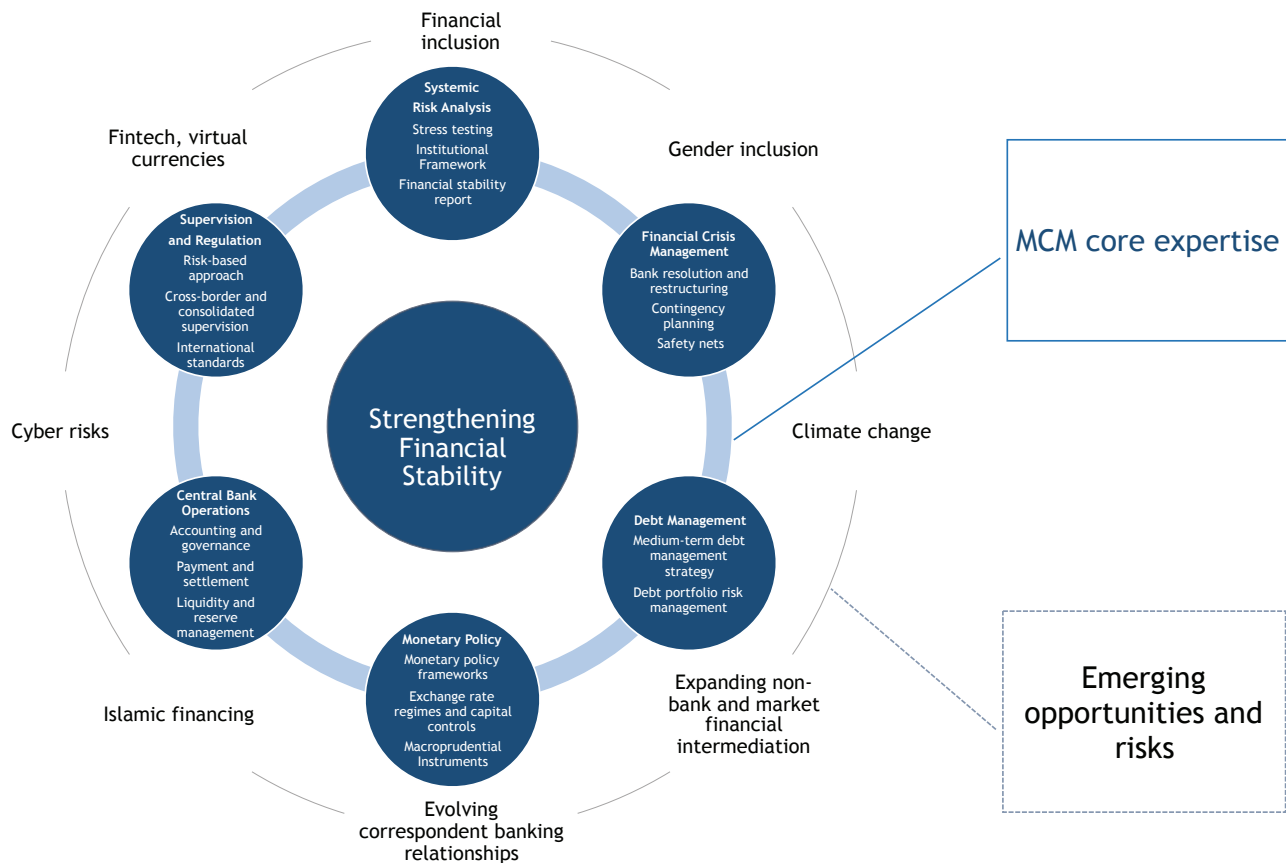
# Technical Assistance Delivery in 2014–17—Taking Stock

In the coming years, MCM will continue to work on its core mandate and to be at the forefront of the monetary and financial stability debate. In this context, work on emerging challenges with potential systemic implications for monetary and financial stability is to continue. The challenges are many and complex (Figure 8): loss of correspondent banking services; Fintech, cyber-risks, and virtual currencies; Islamic financing; and financial and gender inclusion are just a few of these challenges with potential implications for the financial sector stability work. The global consensus

on how to address them is still evolving. In this vein, MCM is developing toolkits to analyze correspondent banking links and financial inclusion implications for financial stability and growth, and to respond through sound regulation and supervision.

Important efforts also continue in key areas such as monetary policy design in the 'new normal', cyber-risks for supervisors of financial institutions among others, payment systems oversight, and the development and governance of macroprudential policies and tools.

**FIGURE 8. MCM TECHNICAL ASSISTANCE MANDATE**



### II. MCM'S BROAD TA STRATEGY

**M**CM has continued to update its TA strategy in the context of the Fund's Accountability Framework (AF) and TA mandate. The 2014–17 Strategy Update had as its focus *meeting new TA demands and improving TA effectiveness*, and we can point to successes in many key areas.<sup>14</sup>

Over the last three years, MCM has continued to help member countries manage the lingering effects of the global financial crisis, adopt new standards on regulation and supervision, better measure and manage risks, and strengthen crisis management frameworks, among others. Simultaneously, significant progress has been made in enhancing TA- supporting processes and effectiveness by: (i) developing a topical catalogue and indicators in the roll-out of RBM; (ii) strengthening TA delivery modalities and processes; (iii) improving knowledge management; (iv) strengthening TA evaluation; and (v) better integrating TA into other Fund core activities.

The 2017–20 TA Strategy Update assumes that TA field-delivery volumes will be maintained at current levels (around 80 FTEs), allowing for the further strengthening of TA efficiency, effectiveness, impact, and quality. The goal is to continue to deliver substantive TA that is results-oriented and helps reduce existing vulnerabilities.

MCM has built up over several years a considerable body of experience and expertise both in-house and through the field work of its long-term (LTX) and short-term (STX) experts. Leveraging on MCM's key strengths and utilizing the RBM as a major plank of the TA delivery life cycle, the 2017–20 TA Strategy Update relies on three pillars:

- **Pillar 1: Enhancing our capacity to respond to our membership's needs.** Ensuring access to the best human capital—HQ-based staff, LTXs and STXs—through strong recruitment and further developing relationships with Cooperating Official Institutions (COIs), is central to capacity building. Additionally, MCM plans to further build on flexible delivery modalities, customized training, and online learning techniques to better address demands in a timely manner. Diagnosis and coordination work will also be stepped up to better inform ongoing efforts.
- **Pillar 2: Fostering knowledge creation, management, and dissemination.** Greater focus will be placed on leveraging expertise to develop analytical tools, as well as to extract cross-country experiences and best practices. TA experiences and lessons are to further inform MCM's analytical work, including publications such as staff discussion notes, board papers, working papers, and policy notes. Similarly, this analytical work is expected to reinforce our TA delivery and advice. Ongoing initiatives in the department to systematize and strengthen knowledge management in a sharable format will continue.
- **Pillar 3: Strengthening governance and accountability** through both external and internal evaluations that benefit from well-developed logical frameworks and performance measurement systems as part of the RBM framework.

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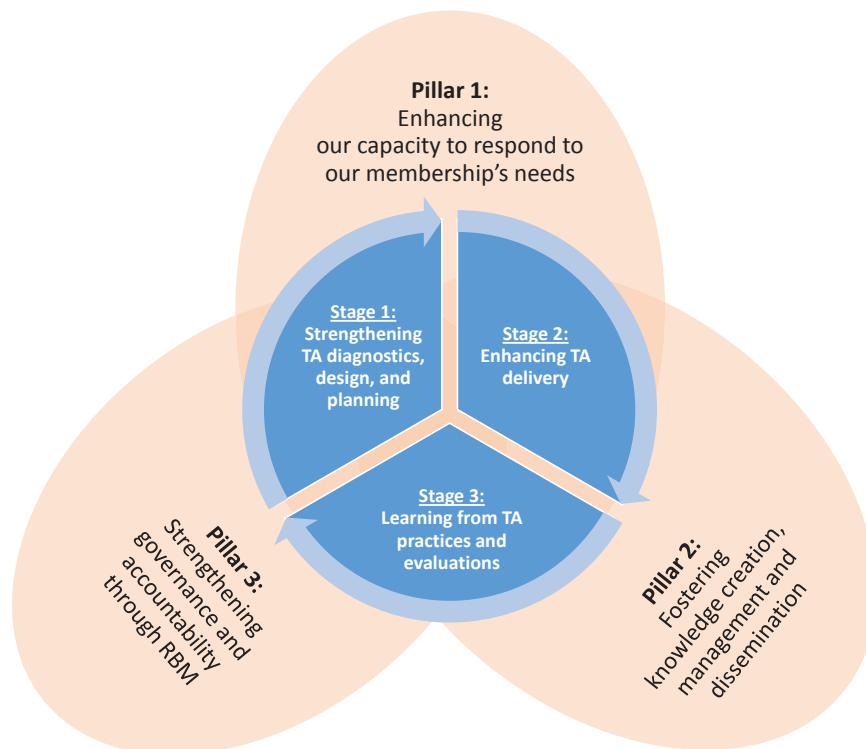
<sup>14</sup> See Appendix A on the 2014–17 Technical Assistance Strategy status.

## III. STRATEGY IMPLEMENTATION IN TA DELIVERY LIFE CYCLE

Applying the three Pillars at each stage of MCM TA delivery is critical to enhancing the effectiveness and impact of our TA. The key goal in the FY2017–20 TA strategy implementation is to continue improving quality of our work in the TA design-delivery-evaluation life cycle through a sharper focus on our membership, knowledge management, and RBM-governance (Figure 9).

While the implementation of Pillar 1 has its nuances in each stage of the TA life cycle, Pillars 2 and 3 are more universal in their application throughout a TA project.

FIGURE 9. MCM TA LIFE CYCLE—THE NUCLEUS OF THE TA STRATEGY IMPLEMENTATION



### PILLAR 1. ENHANCING OUR CAPACITY TO RESPOND TO OUR MEMBERSHIP'S NEEDS

With evolving TA needs, more efficient TA delivery will allow MCM to continue developing capacity to quickly and flexibly allocate TA resources along the TA life cycle where they yield results for the TA recipients, and, hence, contribute to improving MCM TA effectiveness and impact.

The specific nuances associated with the implementation of Pillar 1 at each stage of the TA life cycle are elaborated below.

#### *Stage 1: Strengthening TA diagnostics, design, and planning*

Getting the diagnostics right is a major step. Throughout the years, MCM has been devoting significant resources to develop financial sector diagnostic tools. There is a wide range of tools available for the design of TA work: detailed assessments (Box 5), bilateral surveillance work, RTAC TA work, other IMF-analyses, as well as relevant analyses conducted by the Fund's partners (e.g., World Bank Group and the Bank for International Settlements).

A good understanding of interlinkages across topics and of the work delivered by other TA providers, dialogue with the authorities and exchanges with the relevant IMF country teams, and existing work identifying gaps between practices and international standards and codes (Box 6), to the extent these are available, are also critical inputs to developing a TA roadmap. A sound diagnostic evaluation ensures the TA roadmap addresses the country's needs, is implementable within the timeframe proposed, and has traction.

Further work will be undertaken to align the medium-term TA program with the IMF Area Department country teams' surveillance work. Currently, close collaboration takes place under the Fund-wide TA Resource Allocation Plan (RAP). The systematic use of the multi-year programmatic approach to the RAP will further strengthen the collaboration and coordination with the Area Departments in a range of areas including (i) the medium-term planning and prioritization of CD activities based on medium-term country strategies, and (ii) the alignment of training plans with TA in the RAP process. This is particularly relevant in building institutional capacity, where a project-based approach and sustained ownership by all stakeholders is required.<sup>15</sup>

Securing the authorities' buy-in is critical to the success of TA. An interactive and iterative approach to TA plays a major role in securing the authorities' engagement and commitment to the TA roadmap design and the subsequent adoption and implementation of the key recommendations.<sup>16</sup> Also, identifying and ensuring the participation of the right counterparties in the technical discussions is paramount. Ideally, the authorities' formal role at the strategic/managerial level would ensure ownership; that early in the process, the diagnostic work identifies the major gaps and vulnerabilities in relevant areas; and that the necessary TA activities become part of the country's strategic work plans and programs.

Coordination with other relevant TA providers to the country, ensures consistency across work programs and messages, fosters complementarities, and helps avoid duplication. At this stage, coordination should also permit accounting for possible absorptive-capacity constraints, and their phase-in into the design of the different working plans.

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<sup>15</sup> See for instance "The Medium-Term Debt Management Strategy: An Assessment of Recent Capacity Building", IMF, 2017.

<sup>16</sup> See country case study "Ghana: Strengthening Supervisory Capacity" in the Appendix.

### BOX 5. FINANCIAL SECTOR DIAGNOSTIC TOOLS

MCM has several tools to evaluate the robustness of the financial sector and its capacity to cope with tail risks: the financial sector assessment program (FSAP), the newly-created financial sector stability review (FSSR), and multi-topic scoping missions. These programs are closely linked to the Fund's regular surveillance work and feed into the technical assistance undertaken by the Department. Other assessment inputs to this work will include FSB assessments and the World Bank's Financial Sector Deepening and Intermediation Project reports when available, among others.

**FSAPs** provide an in-depth assessment of a country's financial sector through its two major outputs: a financial sector stability assessment, the responsibility of the IMF, and a financial development assessment, the responsibility of the World Bank. They are conducted by the World Bank and the IMF in developing and emerging countries and by the IMF in advanced countries, in close collaboration with the authorities, and are reported to the IMF Board jointly with the Article IV Consultations. To date, more than three-quarters of member countries have undergone at least one FSAP.

**FSSRs** are a recently introduced demand-led instrument that combines a financial sector stability review with capacity building to deliver sustainable financial sector reform in support of development, especially in low and lower middle income countries (LLMICs). The goal is to help countries define a programmatic, medium-term, sequenced TA roadmap to address their vulnerabilities. Priority areas include: the regulatory framework, supervision, and safety nets, as well as reforms that could help minimize the risks associated with financial inclusion and deepening, including through digitalization. Targeted follow-up technical assistance and training, potentially including the placement of long-term experts, are to support the implementation of the TA action plans. Because of its close coordination with the authorities at the design level of the program and its degree of flexibility, the FSSR is easily adaptable to the varying levels of sophistication in financial markets and infrastructures. Coordination in planning, collaboration in the field, and sharing of findings with the World Bank is to take place where possible.

The G7 Communiqué of May 2017<sup>17</sup> noted that the Financial Sector Stability Fund (FSSF) is expected to finance around five FSSRs each financial year, together with follow-up TA.

17 <http://www.g7italy.it/sites/default/files/documents/G7%20FM%26CBG%20-%20Bari%20Communiqu%C3%A9.pdf>

### BOX 6. INTEGRATION OF STANDARDS AND CODES IN MCM TA

The joint IMF-World Bank Standards and Codes (S&C) initiative was launched in the wake of the emerging market crises of the 1990s as part of efforts to strengthen the international financial architecture and is aimed at improving economic and financial resilience by assisting countries in strengthening their economic institutions, and informing IMF and World Bank work. The initiative comprises 12 policy areas covering transparency of data and policy making; financial sector regulation and supervision; and institutional and market infrastructures.

MCM continues integrating S&C work in its TA through basing our TA on FSAP recommendations, which incorporate many of the S&Cs; and tailoring our advice and guidance for the TA recipients in line with the evolving individual S&Cs.

Under the initiative, MCM also has its own Monetary and Financial Policy Transparency Code that is currently being updated.

### Stage 2: Enhancing TA delivery

To ensure successful delivery and results, MCM aims to continue building capacity, innovating in delivery models and modalities, and improving TA governance.

Further efforts towards modalities for effective TA delivery would include:

- *Fostering operational TA work.* Blending clear principles with operational hands-on TA is crucial in moving from TA recommendations on the high-level goals, to a TA Roadmap that guides the implementation phase. This can be encouraged through:
  - (i) more consistently incorporating in our TA reports recommendations on the 'how to' along with 'what to' advice; and
  - (ii) regularly engaging with the authorities to take stock and, if needed, update and adapt TA delivery modalities, sequencing, and content.
- *Cross-thematic approach.* Delivery of cross-thematic TA to exploit synergies, and account for potential externalities in overlapping areas affecting other stakeholders in the country, significantly adds value to our TA. TA projects often require combining expertise across multiple domains: see Box 7 for an example. The cross-thematic approach helps remove silos, exploit synergies, and overcome capacity constraints.
- *TA and training modalities that permit the best use of our resources.* Depending on the topics and the authorities' absorption capacity, combining remote TA delivery with training, before planning on-site TA missions, may be a valuable option. Making use of regional workshops and exploiting similarities in needs and different experiences is another tool that is proving very useful to countries. The combination of TA with workshops also results in practical analytical work. Thematic workshops in new areas of expertise can also help strengthen the knowledge and understanding of the issues both from the country authorities' perspective as well as for experts in the area. Peer-to-peer collaboration allows officials to be exposed to different realities, hands-on expertise, and access to knowledge.

### BOX 7. CROSS-THEMATIC TA DELIVERY: OPERATIONAL AND REGULATORY FRAMEWORKS FOR LIQUIDITY MANAGEMENT

In FY17, MCM delivered TA to a few jurisdictions in the Middle East region that spanned the cross-thematic areas of central bank monetary operations and bank supervision. These jurisdictions had a long history of economic growth supported by high oil prices, operate fixed exchange regimes, manage monetary policy passively and have experienced structural excess reserve money balances in the banking system. At the same time, their regulatory frameworks for liquidity management were disassociated from monetary policy operations and management.

The sharp decline in oil prices in the past years and tightening in financial market conditions put substantial pressure on their economies and financial markets. The sudden change in liquidity conditions pressed for the upgrade of the operational and regulatory frameworks for liquidity management. Facilitating market development and building incentives for banks to actively manage liquidity became a new need.

MCM TA helped these jurisdictions to develop their respective frameworks for liquidity forecasting while simultaneously strengthening liquidity risk management through the adoption of Basel liquidity standards. This cross-thematic, integrated approach facilitated effective discussions and coordination among operational, policy, and regulatory departments involved.

- *Collaboration across agencies.* Specialized training activities and collaborative efforts with other international agencies with relevant expertise are major components of our capacity building activities (Box 8). Online learning accounts now for 30 percent of IMF training offerings. A closer integration of online learning into the TA life cycle, especially for countries with constrained capacity, can bring significant efficiency gains to the implementation of TA. Demanded areas for new online training courses include foreign reserves management, securities market development, risk-based supervision, and Basel II/III implementation.

Continuous development of our internal capacity also entails:

- Mobilizing new *Staff* expertise internally—via staff training programs and the hiring of experienced professionals, as well as via more systematic collaboration with other agencies.
- Further developing management and backstopping practices for LTXs and building and updating their skills, including via regular retreats, trainings, and tools (Box 9). Continuity in MCM TA management and backstopping, as well as close coordination with area departments' country desks are also important to successful TA delivery.
- More systematically building and renewing the *STX* roster, taking into consideration their fit with the country context and complementarities to HQ staff and LTXs; and
- Strengthening integration of HQ-led TA programs with training and TA by *RTACs* and *training centers* (Box 10) and enhancing staff and experts' collaboration.

### BOX 8. TRAINING FOR MORE EFFICIENT CAPACITY BUILDING

MCM has devoted increasing attention to effectively addressing capacity constraints limiting TA absorption and the implementation of recommendations. Several training initiatives are now in place to respond to these challenges.

The Philippines' supervisory training program, making use of the BIS' FSI Connect modules, provides a notable success story, as described in the 2016 MCM TA Annual Report.<sup>18</sup> LTXs in some of the RTACs have also guided regulators in its use. As another example, the pilot FSSR mission to Honduras in July 2016 provided guidance on strengthening the supervisory training program and introduced counterparts to FSI Connect. Future FSSR missions will also cover training options.

The cross-departmental DSAX online course, covering government debt management, expanded MCM's training coverage to large and diverse audiences. Over 2,000 officials and other professionals have successfully completed the course since it was first offered in 2014, on a twice-yearly basis. In addition to benefitting government officials and TA recipients in EMs and LICs, the self-paced modular course format provides flexibility and a comprehensive coverage of all aspects of debt sustainability and debt management. MCM plans to further use online tools as a complement to help countries benefit more from onsite tailored TA.

In the coming years, MCM aims to take further advantage of its ongoing collaborative efforts with the BIS on FSI Connect, and leverage its partnerships with the Toronto Centre's Financial Supervisory Training Program and IMF Regional Training Centers. MCM's 27 resident long-term experts in financial sector supervision and regulation, based in regulatory agencies and in RTACs, will also continue to play a key role.

<sup>18</sup> See <http://www.imf.org/external/np/mcm/2016/taar2016.pdf>, p. 20.



## BOX 9. DELIVERING TA WITH HELP FROM RESIDENT LONG TERM EXPERTS (LTXs)

LTXs continue to play a pivotal role in the delivery of MCM's TA, especially for countries with significant capacity constraints and that require hands-on support and advice over extended periods of time. In their bilateral advisory role or if operating under RTACs, they are well-placed to assess the needs of member countries as well as follow-up on implementation. RTAC-based LTXs not only focus on operational aspects but also manage the ambitious TA work programs of the RTAC membership. On April 30, 2017, there were 34 LTXs operating in 24 countries (Figure 10), and 41 LTXs by August 2017 in 28 countries (Appendix Table 3). By mid-FY18, MCM is expecting to fill five additional LTX positions.

LTXs assist member countries in several MCM core areas, including financial sector supervision and regulation, debt management, financial market infrastructures, financial stability, and monetary and foreign exchange policy and operations. During FY17, TA delivered by LTXs accounted for 30 percent of total MCM TA delivery (Appendix Table 2).

To foster coordination, MCM organizes annual workshops at IMF headquarters. These events permit LTXs to have access to the latest thinking and analysis at IMF HQ and further engage in dialogue with HQ-based staff. Among others, these workshops offer LTXs and HQ-based staff the opportunity to dialogue and coordinate TA deliveries, discuss cutting-edge technical and operational issues, and receive training on new initiatives relevant to the work. The third annual workshop took place in February 2017. It also included a TA Forum—Fund-wide events that are held on a quarterly basis to disseminate TA findings—and sessions to brainstorm on topical TA issues and share experiences.

Interactions with LTXs, their functional backstoppers, and TA Country Managers occur regularly, including via teleconference calls and visits. MCM continues to work on procedures for further enhancing management and backstopping of LTXs, ensuring better integration into headquarters work, as well as better coordinating RTACs' and advisors' work activities.

FIGURE 10. GLOBAL PLACEMENT OF MCM LONG-TERM EXPERTS AS OF END-APRIL 2017



There are five Africa Regional Technical Assistance Centers (AFRITACs): West, West 2, East, Central, and South. CAPTAC-DR is the Regional Technical Assistance Center for Central America, Panama, and the Dominican Republic; CARTAC is the Caribbean Regional Technical Assistance Center; METAC is the Middle East Regional Technical Assistance Center; PFTAC is the Pacific Financial Technical Assistance Center, and SARTTAC is the South Asia Regional Training and Technical Assistance Center.

## Strategy Implementation in TA Delivery Life Cycle



Mr. Leonard Chumo, IMF long term expert (second from the right) with his counterparts from the Central Bank of Nigeria

*"I joined the Central Bank of Nigeria as a Banking Supervision and Regulation Advisor in March 2017 after spending four years at the Bermuda Monetary Authority (BMA) and six years at the Central Bank of Ireland (CBI). The move to Nigeria presented a great opportunity for a new challenge and unique experience working and living in one of Africa's biggest and dynamic economies. It also provided a platform to put into use the valuable experience gained working in jurisdictions that were adversely impacted by the global financial crisis of 2007–2008. My experience here in Nigeria has been exceptional as I have been able to help in building the capacity of the CBN staff on risk-based supervision, supervisory assessment of banks' stress testing, ICAAP review, and review of risk measurement methodologies. I have also gotten an opportunity to work with diverse and multi-skilled teams involved in a number of initiatives including: implementation of Basel 2 and IFRS 9, deployment of the Early Warning System (EWS) and roll-out of training on AML / CFT."*

**Mr. Leonard Chumo**  
Banking Supervision Advisor  
Central Bank of Nigeria

- *Coordination with other TA partners in the delivery of TA programs.* Internally, IMF Area Departments, other TA departments (Fiscal Affairs, Statistics, and Legal), Institute for Capacity Development, Research Department, and Communications are the key partners in our TA delivery work. Externally, MCM works with many different partners (including the World Bank, central banks and other Cooperating Official Institutions, COIs) in the delivery of TA on a wide range of topics. MCM partners with roughly 80 COIs in fielding TA missions staffed with their experts. COI experts bring hands-on expertise and experience, and are crucial to maintaining the high quality and the cutting edge of TA advice in a dynamic global economic and financial landscape.<sup>19</sup> In the coming years, we will continue integrating, strengthening and expanding collaboration with partners within the Fund and those outside (donors, other multilateral international organizations, training institutes, and COIs), in both the design and delivery of more efficient and effective MCM TA.

<sup>19</sup> These include, among others, the National Bank of Belgium, Czech National Bank, Banque de France, Banco de Mexico, Norges Bank, Central Bank and Superintendency of Banks of Peru, National Bank of Poland, the Swedish Riksbank, and the Bank of Thailand.

### BOX 10. CAPACITY DEVELOPMENT ACTIVITIES IN REGIONAL TRAINING CENTERS

Regional technical assistance centers (RTACs) constitute an important modality for providing capacity development to member countries. At the centers, resident TA advisors (from MCM and other TA-providing departments) deliver TA and training to member countries of the region on a peripatetic basis (Appendix Table 4). Beyond traditional delivery modes, RTACs are also organizing domestic and regional workshops, and when the opportunity arises, advisors arrange for peer-to-peer exchanges and professional attachments for local staff to other regional financial institutions. The advisors' TA delivery work program is typically supplemented with short-term experts.

The number of RTACs has grown steadily from two in the 1990s to ten in 2017, with a total coverage of over 80 countries. Their success is linked to their ability to field frequent follow-up site visits, which keeps up the momentum of reforms and solidifies relationships. RTACs provide continued access to high-quality technical expertise not otherwise easily accessible to the TA recipients, and help shape and advance regional policy initiatives. They are also helping strengthen cooperation and coordination among member countries.

RTACs represent an explicit partnership between the Fund (TA provider), TA recipient countries, and donors, that is recognized in the composition of their Steering Committees. The Steering Committee provides overall guidance to the functioning of an RTAC while the RTAC Coordinator, an IMF staff member, is responsible for the day-to-day management of activities.

RTACs are an integral part of the Fund's overall TA program. IMF Area Departments closely coordinate with RTACs in the implementation of TA recommendations, which further facilitates their integration into the country's overall TA program.



*Ms. Faith Stewart, IMF long term expert supporting AFRITAC East and AFRITAC South, Dar es Salaam, Tanzania*

*"I joined the IMF in February of 2016 as Advisor, Financial Market Infrastructures (FMIs) and Payments in two regional technical assistance centers—East AFRITAC (AFE) and AFRITAC South (AFS). This unique, twin portfolio spans twenty countries—of various sizes and at various levels of development. This role allows me to leverage the experience and insights gained throughout my career, both as commercial banker and as a central banker/regulator. Having successfully led Jamaica's reform agenda, I am well placed to give practical advice to member countries to help modernize their national payment systems (NPS). AFS/AFE TA also focuses on aiding the adoption of the international risk management standards for FMIs—the CPSS-IOSCO Principles for financial market infrastructures (PFMI). These standards were promulgated in 2012, in response to the*

*global financial sector crisis. Through missions, professional attachments, regional and national workshops our TA has helped to de-mystify the standards and build proficiency in conducting assessments in several countries (Kenya, Tanzania, Uganda, Lesotho, and Seychelles). We take a practical, solutions-oriented approach to capacity compliance with Principle 1 (Legal Basis) of the PFMI. The aim is to equip the authorities with the skills necessary to build robust legal framework and address the new regulatory and oversight challenges emanating from the dynamic financial technology (fintech) landscape. In this way, we ensure our TA remains relevant and effective."*

**Ms. Faith Stewart**  
Financial Market Infrastructures and Payments Advisor  
AFRITAC East and AFRITAC South

MCM will continue to interactively engage with the authorities throughout the TA life cycle, while considering their past engagement records. At the technical/operational level, periodic follow-ups during the life of the project will allow monitoring of the implementation of agreed milestones and adapting to new realities as needed. Under IMF program arrangements, TA often plays a critical role in supporting the implementation of structural benchmarks and other needed reforms. In those cases, flexibility to adapting the TA roadmap is at times necessary.

### *Stage 3: Evaluations*

Learning from past experiences, from both internal and external evaluations, and adapting our TA accordingly will continue to be a key MCM TA strategic task going forward.

Systematic and structured TA evaluations<sup>20</sup> during the project life cycle and after a TA project concludes are to foster the effectiveness of future TA. Evaluating TA results is a key part in MCM's commitment to providing high-quality TA. This stage focuses on a systematic and objective assessment of TA design, implementation, and results achieved in order to learn lessons for the future (Box 11). This strategic focus remains important: MCM's first medium-term TA strategy (2011) and its update in 2014 instituted TA Evaluations as part of quality assurance.

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<sup>20</sup> See Appendix C on MCM efforts in the Fund-wide operationalization of TA evaluations.

### BOX 11. LESSONS FROM MALAWI AND ZAMBIA TA EVALUATIONS

MCM has recently evaluated two programs on central bank modernization extended to the Central Bank of Malawi (2006–15) and the Bank of Zambia (2011–17) within a technical cooperation agreement between MCM and Norges Bank. The overarching evaluation objective was to measure results and distill lessons from this joint TA—a unique modality of delivery—to further enhance TA operations going forward.

While MCM was responsible for the design, content, and backstopping, the Malawi and Zambia TA programs relied on a collaborative effort with the Norwegian authorities that financed the program and provided most of the experts. The TA was based on a resident advisor and multiple STX visits, covering five main areas: (i) monetary and foreign exchange; (ii) currency management; (iii) financial stability; (iv) payment systems; and (v) central bank governance and organization.

The overall ratings of both programs reflected a relatively strong performance, with TA significantly reinforcing the capacity of the central banks in core areas of central banking despite some uneven achievement of the objectives. The two programs yielded several valuable lessons on strengthening governance in peer-to-peer TA delivery:

- An integrated approach, with multi-year and simultaneous efforts across several areas, can bring about significant and far-reaching institutional reforms.
- Multi-year peer-to-peer TA programs could be helpful to central banks that are still in the process of developing multiple areas of their operations.

- The importance of building on, from the onset of the program, the experience and expertise from comparable low-income or neighboring countries when developing far-reaching reforms in low-income countries.

- A significant and broad-based institutional strengthening requires a strong degree of buy-in and commitment of both high- and mid-level managers at the central bank and, at times, at the highest levels of government.

- Periodic stocktaking missions should adapt the program to changing circumstances (including authorities' ownership) and leave in place an exit TA strategy at the end of the program to complete pending reforms.

- Multi-sector TA programs usually require a high degree of coordination with the RTACs and other TA providers carefully built into the design of the program, and updated regularly, particularly during interim stocktaking missions.

Building on the experiences of the two programs and their positive results, MCM and Norges Bank are now replicating this TA model with enhanced IMF oversight and backstopping in Mozambique. This evaluation, together with lessons learned from previous ones, has also informed the preparation of new MCM guidelines on TA evaluations.

In the coming years, MCM plans to continue the TA evaluation program and will share the results of TA evaluations and good practices at the appropriate venues both internally and with the authorities and development partners (e.g. TA Forums, peer-to-peer learning networks, one-to-one meetings, social media,

etc.). These efforts are aimed at (i) systematically learning the lessons of past TA delivery, (ii) increasing the authorities' ownership to implement TA recommendations; and (iii) deepening collaboration with development partners (donors and bilateral and multilateral development institutions).

### PILLAR 2. FOSTERING KNOWLEDGE CREATION, MANAGEMENT, AND DISSEMINATION

Developing and promoting knowledge creation, management and dissemination throughout the design-delivery-evaluation TA life cycle contributes to more effective and impactful TA. The timely distillation and sharing of lessons learned and of good practices, at each stage of the TA life cycle, helps to maintain the high quality of our TA work.

Knowledge creation and the ability to develop capacity rapidly to satisfy new demands is a necessary asset under the current evolving environment. MCM has put significant efforts into knowledge and document management activities in the last three years, but more is needed in these areas as well as on the knowledge creation component. Sound knowledge management processes are to support further knowledge creation and innovation.

#### *Knowledge Creation*

It is important for MCM TA to capitalize on the existing wealth of knowledge accumulated over the years. Under the 2017–20 Strategy Update, MCM will extract and build on the vast existing stock of bottom-up country knowledge embedded in MCM reports and with staff across MCM and the Fund. Cross-country work will not only help us to draw on lessons of relevance to our constituency and support our advice, but also identify gaps to be filled (Box 12).

*The development of needed expertise* is rooted in continuous building of internal capacity across our modalities; the integration of the contributions of HQ staff, LTXs and STXs; and collaborative efforts with other departments in the Fund and international agencies. Identifying the steps needed to develop and mobilize capacity as needed to address potential new risks and challenges with implications for overall monetary and financial stability is an important strategic objective. Some of these emerging areas that require more analytical work are, to cite a few, macroprudential policy and oversight, cyber risks and the implications for banking supervision, Islamic financing, the loss of correspondent banking services, and financial and gender inclusion.

*Systematically extracting lessons from our TA to feed into our TA advice and policy work.* MCM will further encourage initiatives to distill lessons and best practices from country experiences. These efforts are in line with past work shared with our member-countries including, for instance, on monetary frameworks in low-income countries, macroprudential policies, and lender-of-last-resort policies.<sup>21</sup> Identifying and addressing cross-cutting challenges, such as how to integrate our advice on macroprudential policies with capital flows measures and monetary policy, can amplify the impact of TA in these areas.<sup>22</sup> In coming years, we will continue to reinforce our cross-thematic analyses and bottom-up TA analytical work, databases, and outlets to learn about what worked and what did not at the operational level in TA and so better inform our future TA and advice.

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21 See other examples in “Evolving Monetary Policy Frameworks in Low-Income and Other Developing Countries,” IMF, 2015; the “Staff Guidance Note on Macroprudential Policies,” IMF, 2014; and the case study on “Central America, Dominican Republic and Panama: Macroprudential Policies” in <http://www.imf.org/external/np/mcm/2016/taar2016.pdf>, p. 36.

22 See case study on “Saudi Arabia: Establishing A Debt Management Office” in <http://www.imf.org/external/np/mcm/2016/taar2016.pdf>, p. 30. In addition, support has been obtained through the Management of Natural Resource Wealth Trust Fund to provide TA to commodity-exporting low- and lower middle-income countries in the areas of exchange rate and macroprudential policy advice.

## BOX 12. FOSTERING KNOWLEDGE CREATION: A STRATEGIC OBJECTIVE

*The Fund is uniquely placed to collect and analyze cross-cutting experiences of relevance for the membership. In fostering cross-country TA lessons and analytical and operational tools, the Department plans to:*

- (i) *expand the stocktaking of cross-country TA lessons to support TA recommendations and identify best practices.* The Department is launching a series of initiatives aimed at distilling lessons from our cross-country experiences and informing technical and policy discussions. Among others, these include: the write-up of topical notes that summarize the views emerging from exchanges with peers and other stakeholders; the elaboration of MCM position notes on issues of relevance for our TA customers that build on the cross-country topical notes; internal venues and fora for timely discussion on TA recommendations and operational TA implementation challenges; “in field” regional and sub-regional workshops; as well as regional webinars with external experts reflecting on best practices.
- (ii) *build on existing experiences to develop new expertise and tools.* To further strengthen our future TA, MCM plans to continue deepening its knowledge on its core areas of expertise and develop the toolkit to reinforce the robustness and quality of analyses and support implementation of recommendations.
- (iii) *step up efforts to foster thematic and cross-topic integrated TA work.* There are important synergy gains to be made by discussing in an integrated and holistic way topics with overlapping areas of expertise. Analytical work discussing these interlinkages would add significant value to our TA work.

## Knowledge Management

MCM is stepping up its efforts to ensure a deliberate and disciplined approach to knowledge management. To this end, MCM is assessing how to best codify ‘tacit’ knowledge into shareable forms, how to most easily access available knowledge, how to detect missing opportunities to collaborate and transfer knowledge that may be locked up in TA reports and other outputs, and how to share our knowledge more effectively. The four pillars of our *Knowledge Management* framework can be summed up as: “*Collect, Connect, Educate, and Disseminate*”. Combined with knowledge creation initiatives, these efforts should support new and better tools to support our TA advice and work.

MCM TA Forums are an important part of Departmental efforts to disseminate TA knowledge. These Fund-wide events are held on a quarterly basis to highlight developments and achievements in MCM TA. They help to foster a closer interface with area department surveillance and program work.

There are several other ongoing MCM efforts that illustrate our intentional approach to knowledge management in delivering more effective TA:

- A FIRST-financed TA project is developing a knowledge product providing guidance on strengthening financial market infrastructures and drawing upon the findings of recent TA missions and consultations with selected countries. This will in turn provide a basis for future TA and workshops and will be disseminated publicly.
- Building on the knowledge synthesized in the Staff Discussion Note on “Withdrawal of Correspondent Banking Relationships” and a more recent Board paper, MCM and LEG are providing TA to share this knowledge with member countries. To support TA on lender of last resort policies, staff prepared a working paper, which is now shared with TA recipients in advance of missions to provide a shared knowledge base.





- As part of the Fund's Capacity Development Technology Challenge, MCM staff participated in proposals: (i) to help extract information locked away in TA reports, identifying cross-country patterns in TA provision, extracting main topics and key recommendations; and (ii) to help TA missions better centralize, organize and share the background material they gather.



### *Knowledge Dissemination*

MCM has put significant efforts to improve knowledge dissemination. In addition to the publication of some TA reports (TA reports can be published only with the consent of the country authorities), we are using various channels for disseminating summary descriptions of TA, for instance, as case studies in the MCM TA Annual Reports and on the Fund's web site as "Capacity Development Stories." MCM staff and our counterparts also contribute to the development of topics and their presentation at the Fund's "Postcard Series" during Annual and Spring Meetings.<sup>23</sup>

MCM maintains cross-country databases on exchange arrangements and restrictions, instruments of monetary policy, macroprudential instruments, and central banking laws, which are a useful resource for TA.<sup>24</sup> The department is exploring areas for developing new cross-country databases, for instance, on financial stability and crisis management, to support TA and bilateral surveillance work within the Fund.

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<sup>23</sup> "Postcard from Somalia: How IMF supported central banking in a war-torn country" by Ashraf Khan and "Postcard from El Salvador: How IMF helped develop a financial stability strategy" by Hunter Monroe at the 2016 Annual Meetings; and "Postcard from Albania: Strengthening Central Bank Operations Presentations" by Elisabeta Gjoni, First Deputy Governor, Central Bank of Albania at the 2017 Spring Meetings.

<sup>24</sup> These databases are available to central banks on request.

## PILLAR 3. STRENGTHENING GOVERNANCE AND ACCOUNTABILITY THROUGH RBM

Systematic and universal application of the RBM framework<sup>25</sup> in each stage of the TA design-delivery-evaluation life cycle strengthens our governance and accountability and, hence, the quality of our TA work.

Over the last three years, MCM has made notable strides towards the implementation of RBM, ensuring that the RBM principles are increasingly part of the TA design, delivery and evaluation both for externally- and internally-funded projects.<sup>26</sup> It has established a catalogue of standardized results and verifiable result indicators, and started designing and delivering its TA using this catalogue.

In expanding the uses of the RBM framework, MCM remains committed to:

- Completing the rollout of the RBM approach to design, delivery, and evaluation of all MCM CD to encompass all modalities (TA and training) and funding sources (externally-, internally-, and combination-funded CD).
- Regularly reviewing the MCM catalogue of standardized results and verifiable result indicators to adapt it to learnings from the RBM implementation to-date, evolving CD needs, and dynamic environment surrounding MCM CD.
- Working with country authorities for buy-in on the appropriate goals and milestones for their TA roadmap, monitoring progress and identifying the appropriate TA support at each stage and evaluating the outcomes.

Implementing the RBM framework will continue to require considerable investment, not just in the transition to new approaches and system, but on documentation of the planning, coordination inside the Fund and with external partners, and increased monitoring during and after the completion of TA projects.

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<sup>25</sup> The Results-Based Management (RBM) Framework is discussed in detail in Appendix B.

<sup>26</sup> During FY2017, MCM staff and experts designed and started delivering on 306 TA project-specific workplans based on the RBM principles for externally-funded TA and developed an operational plan for the same for internally-funded TA.

## I. Albania: Addressing Challenges for Inflation Targeting

### *Supported by Switzerland*

After Albania introduced an Inflation Targeting (IT) framework in 2009, the Bank of Albania (BA) has been collaborating with MCM on strengthening its monetary policy design and application. The resulting MCM TA project supported by the Swiss State Secretariat for Economic Affairs (SECO) since 2016 aims to consolidate the achievement of the IT framework while addressing the challenges to monetary policy transmission due to euroization, market segmentation, and the policy rate lower bound in a context of disinflationary trends in the euro area.

### *Main Elements of the Program*

The project started in 2016 at a critical juncture when the BA was confronted with a risk of dis-anchoring inflation expectations as a result of negative inflation rates imported from the euro area. Therefore, it has focused on addressing structural issues, which included the high level of euroization, to improve the effectiveness of monetary policy and contain financial stability risks.

Amongst several initiatives aimed at improving and enhancing the monetary policy framework, the project assisted the BA in the analysis of the euroization determinants and in the development of a comprehensive strategy to address their underlying causes.

The natural level of euroization for a small, open economy with strong financial and trade links to the euro area, like Albania, is above zero. Even though the conditions that initially fueled euroization in Albania have been removed with the successful adoption and implementation of an IT framework, the achievement of macroeconomic stability with stable and low inflation rates, stable or moderately appreciating exchange rate, and more sustainable public finances, banks' deposit euroization has been trending higher in Albania.

*"The level of euroization in our financial system and the economy is significant, and this affects negatively our economic policies and the financial stability. We understand that now is the right time to start tackling this challenging problem, mitigate its negative implications and enhance the social benefits of a larger use of our national currency. What is required is focus, commitment and inter-institutional coordination, for as long as necessary."*

**Dr. Natasha Ahmetaj**  
Second Deputy Governor  
Bank of Albania



*The Western Balkan conference on "Negative euro area interest rates and spillovers on Western Balkan central banks' policies and instruments", May 2017*

### *Outcomes*

The project contributed to the development of a framework to assess the policy space for conventional monetary policy, to estimate the effective low policy rate bound, and to monitor its possible unintended consequences. The project is also contributing to the enhancement of the monetary policy design and implementation through improving its communication as well as modeling and forecasting.

Regarding the euroization, the BA announced its comprehensive strategy in April 2017. Its pursuit over time will be a very important step to enhance Albania's macroeconomic stability and to reduce financial stability risks.

Selected project deliverables include:

- Two forthcoming IMF Working Papers on the estimation of the lower policy rate bound in a euroized economy and on the de-euroization strategy.
- A Regional Conference among senior policy makers in the Western Balkans to discuss recent monetary policy, financial stability, reserve management challenges, and policy response and effects was successfully held in May 2017.
- The project's contribution to an assessment of the ongoing National Bank of Serbia's Dinarization strategy, which leveraged the experience of the Albanian de-euroization strategy and offered an opportunity for cross-country fertilization.

### *Lessons learned*

The success of this TA to date is largely due to the authorities' ownership of the long-term reform program. The TA supported the initial design of the comprehensive de-euroization strategy and defining its components. The BA has subsequently taken the full ownership of the strategy based on a strong belief of its long-term macroeconomic and financial stability benefits. The authorities have also engaged the media and the public-at-large to garner acceptance from the public and the different stakeholders.

*Prepared by Guido Della Valle and Romain Veyrune*

### II. Algeria: Reforming the Domestic Liquidity Management Framework

*Supported by the FIRST Initiative*

In response to a request from the Banque d'Algerie (BA), this TA project, with financing from the FIRST Initiative, has been assisting the BA in developing a liquidity<sup>27</sup> forecasting and management framework since late 2016. The objective of this assistance is to preserve financial sector stability and foster interbank market development. This involves developing the necessary processes and instruments to maintain balanced liquidity conditions in the interbank market in Algerian Dinar (DZD).

#### *Main Elements of the Program*

MCM is providing its assistance to the Governor and the Monetary Operations Department of the BA in the form of a resident advisor, supported by a staff-led mission and a short-term expert visit. The work program revolves around developing a liquidity management and forecasting framework, which should work both during periods of liquidity surplus and deficit, and include: (i) supporting the development of daily liquidity monitoring at the BA; (ii) contributing to the preparation of daily forecasts of autonomous factors; and (iii) assisting BA staff with the implementation of open market operations and the introduction of standing facilities.

#### *Outcomes*

The BA has made significant progress in reforming its domestic liquidity management framework. It is now able to monitor domestic liquidity developments daily by means of a detailed report including autonomous factors, liquidity positions of individual banks, and interbank market activity. The BA also prepares a weekly forecast of autonomous factors and a calibration of the benchmark amount for the main open market operation. These inputs are essential for the Liquidity Committee—which was created in early 2017—to take well-informed decisions. The BA's Liquidity Committee identified also the establishment of Coordination Committee with the Treasury as a top priority to formalize the information exchange between the two institutions and to minimize large forecast errors.

*"With the oil price at current levels, the Algerian economy and its banking sector are facing important challenges. The presence of an IMF resident expert has proven to be both timely and necessary to guide the Bank of Algeria towards a major overhaul in our monetary policy implementation framework. This change has been welcomed by the Bank of Algeria as well as the entire Algerian banking sector."*

**Mohamed Loukal**  
Governor of the Bank of Algeria



*Banque d'Algerie*

In March 2017, the BA decided to start with the 7-day open market operations, gradually replacing and phasing out the discount window as the main refinancing instrument. At the same time, a marginal lending facility was made active to establish a rate ceiling on the money market. As the liquidity needs of the banking system were growing fast, the BA also introduced refinancing operations with a 3-month maturity. These instruments have allowed the BA to be in better control of liquidity conditions and to better anchor the interbank market rates to the central bank's main policy rate. The latter now serves as a clear signal for the monetary policy stance and contributes to a strengthened monetary policy transmission.

<sup>27</sup> Liquidity refers to commercial bank domestic currency reserve balances held at the central bank.

### *Lessons learned*

The presence of a resident expert has been critical to a successful implementation of the IMF TA recommendations. While in the past the BA has always been receptive to IMF TA missions' recommendations, their implementation record was rather poor as there was no systematic way to build on the momentum of the missions. Implementation of the MCM TA recommendations has greatly improved since the resident advisor took up his assignment at the BA in October 2016, as he is able to provide day-to-day guidance to the BA staff.

*Prepared by Romain Veyrune and Stefaan Ide*

### III. ECCU<sup>28</sup>: An Innovative Solution for Junior Debt Managers

*Supported by Canada*

Since 2015, MCM has delivered technical assistance to strengthen debt management (DM) capacity in the Eastern Caribbean Currency Union (ECCU), Jamaica, Barbados, and Belize through the TA project funded by the Government of Canada. The project provided TA assistance to the national authorities to develop medium-term debt management strategies (MTDS), using the IMF-World Bank MTDS framework. In this area, it achieved significant successes, as all the beneficiary countries now produce MTDS, demonstrating notable improvement in the understanding of the cost and risks embedded in their respective debt portfolios, and in the selection of borrowing strategies appropriate to the circumstances of each country.

#### *Main Elements of the Program*

The project used one of the most innovative solutions for MCM to achieve buy-in from the authorities and sustainable results. In October 2016, MCM launched the Junior Debt Managers Program (JDMP) that included a six-month long residential training program targeting young professionals from the ECCU member countries. The Eastern Caribbean Central Bank (ECCB) not only hosted the training, but also gave substantial assistance to the organization of the event. Without the ECCB it would have not been possible to successfully conclude the training. The curriculum included 14 weekly training modules covering the whole spectrum of DM activities such as debt recording and statistics, debt sustainability, investors relations, regional and international securities markets and visits to the Irish and Italian debt management offices.

#### *Outcomes*

Since senior DMO officers obliged their institutions to hire those participants who passed the examination at the end (and who were not yet staff of those institutions), the participants had to pass a rigorous entrance examination before being accepted for the JDMP program.

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<sup>28</sup> The Eastern Caribbean Currency Union (ECCU) covers Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia, and St. Vincent.



*JDMP Program participants*

The eleven participants of the program applied themselves assiduously to the training. Regular assessments demonstrated significant improvement in their understanding of debt management practices. The project sponsored participants to sit exams for official certification by the Eastern Caribbean Securities Market (ECSM). The objective of the certification was to expose participants to the technical aspects of the operation of the government securities market. Four participants received certification under the program, thereby enhancing the DMO's ability to manage their debt management functions with regard to the market.

The overall impact of the project has been positive, and particularly remarkable in the ECCU countries, where debt management institutional and legal frameworks have been strengthened and the quality of analysis improved.

#### *Lessons learned*

The progress of the TA project is an excellent example of cooperation between different TA providers. With the guidance of the MCM staff and the long-term debt management expert, the four main TA providers (the IMF, the World Bank, the Commonwealth Secretariat, and the ECCB) agreed on the course curriculum and delivered the training modules as per their specific area of expertise. This enabled the participants to make use of the extensive array of experience that the TA providers have under their belt.

*Prepared by Diego Rivetti, Judit Vadasz, Obert Nyawata, and Thordur Jonasson*

### IV. Honduras: Modernization of Monetary Policy and Exchange Rate Frameworks

*Supported by IMF*

A joint WHD/MCM-lead holistic TA project started in July 2016 to modernize the monetary policy and exchange rate regimes in Honduras. Under the SBA/SCF arrangement and supported by favorable macroeconomic environment and outlook, the *Banco Central de Honduras (BCH)* committed to adopt the inflation targeting framework in the medium term. The summer 2016 scoping mission took stock on the current progress with previous TA missions on monetary and foreign exchange operations; identified areas where BCH authorities need support and laid out a comprehensive work plan.

#### *Main Elements of the Program*

A follow-up mission in September 2016 designed a consistent roadmap that focuses on five areas: (i) monetary and foreign exchange operations, (ii) BCH legal framework, (iii) a Forecasting and Policy Analysis System (FPAS), (iv) consistent internal and external communications strategy, and (v) development of government securities market.

This TA project is joint with WHD and obtained support of ICD, LEG, COM and MCM divisions for backstopping and delivery in specific work areas. Under MCM leadership, CAPTAC-DR is contributing, since September 2016, to the work plan on monetary and foreign exchange operations and integrated these missions in its own work plan, while CO and MP divisions provide continuous backstopping. COM delivered a short TA mission on central bank communication and is expected to participate in the FPAS work plan. ICD and WHD delivered four training missions since February 2017 that designed and implemented a quarterly projection model for Honduras for use in the FPAS framework. LEG is leading the reform of the central bank law that will provide institutional support to the new framework according to best practices and consistent with the roadmap. MCM's DM division joined recently the project to help define the strategy to develop government securities market to support the inflation targeting framework.

*“As a complement to the SBA/SCF arrangements and their results, the technical assistance missions provided by the IMF have helped implement structural reforms in various areas at the BCH, including institutional strengthening, monetary and foreign exchange operations, analytical and technical capacities for monetary policy decision-making and internal and external central bank communication. BCH thanks the support and active participation of all involved IMF departments in this project and hopes to continue counting on IMF’s support to successfully carry out all goals set by the program.”*

**Governor Manuel Bautista**  
Banco Central de Honduras (BCH)



*The Banco Central de Honduras and IMF staff discussing the roadmap to modernize monetary and exchange rate policy framework, May 2017.*



### *Outcomes*

Honduras has shown strong commitment to the project and made significant progress in all areas of the roadmap.

The authorities relaxed existing foreign exchange surrender requirements and issued regulations for the exchange market. They proposed a draft of the new Central Bank law and continue working with LEG to make the law fully consistent with the new framework. The quarterly projection model is ready for policy use and the authorities are working on incorporating it in the policy discussions. The central bank is adjusting its organizational structure to be consistent with the MCM/COM proposed communication strategy. The authorities are working on regulations for the government securities market.

### *Lessons learned*

The project in Honduras has displayed the value of finding a balance between gradual implementation of reforms in the monetary and exchange rate regime framework and continuity of a clear and comprehensive work plan. This experience has also shown the importance of BCH's commitment to adapt this balance to ensure the modernization is deep and far-reaching and that the transition to a new regime gains and keeps momentum.

*Prepared by Martin Saldias*

### V. Indonesia: Banking Supervision for Financial Stability

*Supported by Japan*

This TA is a part of the regional TA program, funded by the Government of Japan, for selected countries of the Association of Southeast Asian Nations (ASEAN)—Cambodia, Indonesia, and the Philippines—in strengthening their banking supervision and systemic risk monitoring with a view to promoting financial stability. Many of the countries in ASEAN are undergoing rapid changes in their financial systems and it is important that their supervisory and regulatory frameworks keep up with the pace of change. This program aims to encourage the convergence and harmonization of supervisory practices in these countries with international standards and good practices to set a strong foundation for the expansion of financial intermediation and increasing regional financial integration.

#### *Main Elements of the Program*

In Indonesia, the MCM Resident Expert has been assisting the Indonesian Financial Services Authority (OJK) since January 2015 to develop and strengthen the conglomerates supervisory framework.

#### *Outcomes*

This TA program has positively contributed towards OJK's integration progress and supervisory capacity in the last 30 months. In particular:

- A key focus of OJK's oversight is now on financial conglomerates (FCs), which are largely bank-dominated.
- With frequent interaction and training sessions, the authorities have heightened their awareness of the inter-connected risks on the regulated financial institutions (banks, insurers, multi-finance companies, pension plans, sharia companies, and capital markets) and on Indonesia's financial system stability. The awareness has increased the review of the organization structure of the FCs and conglomerate-related risks including connected and contagion risks, double or multiple gearing of capital, concentration, and intra-group transactions and exposures.

*"The Technical Assistance from the IMF was timely and appropriate as it helped OJK focus on designing a well-developed conglomerates supervisory framework."*

**Muliaman D. Hadad, PhD**  
OJK Chairman



*Working with Indonesian Financial Services Authority.*

- The TA program (anchored to the *Joint Forum Principles for Supervision of Financial Conglomerates*) contributed to OJK's planning and development of its integrated conglomerates framework.
- From a regulatory perspective, OJK has 3 key regulations in place that specifically deal with integrated risk management, integrated corporate governance, and integrated capital requirements of the conglomerates. The fourth key regulation (relating to holding company supervision) has been drafted and scheduled to be in place by the end of the year. This will be the biggest milestone in the framework for financial conglomerate regulation.

- From a supervisory perspective, in 2016, OJK set up a separate unit called the Department of Integrated Supervision (with staff from three sectors: banking, insurance, and capital markets) to ensure the intensity of supervision is commensurate with the risk profile of the conglomerates. This Department also works closely with the three sectors to conduct joint on-site examinations using an integrated risk matrix, also developed by OJK. Much progress has been reported since its inception last year.

The TA efforts have been well acknowledged by the authorities with tangible results to date. The momentum will need to continue with the change in the OJK leadership as the authorities persevere on the road to full financial conglomerate supervision.

### *Lessons learned*

Continuous engagement with the authorities did help in building close and trusting relationships within OJK. It was paramount for the MCM Resident Expert to understand the local challenges and roadblocks to navigate around the issues. Good cooperation and coordination was also critical among other development partners in the field to ensure a common vision in building supervisory capacity and to coach the three sectors (banking, insurance, and capital markets) with the focus on developing a conglomerate supervisory framework for Indonesia. In this regard, the MCM Resident Expert cooperates fruitfully with OJK management and the colleagues from the World Bank, AIPEG<sup>29</sup>, and the Asian Development Bank.

*Prepared by Mala Nag*

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<sup>29</sup> Australia Indonesia Partnership for Economic Governance.

### VI. Jamaica: Strengthening Non-Bank Financial Institutions Supervision

*Supported by Canada*

**M**CM TA to Jamaica aims to assist the Financial Services Commission (FSC) of Jamaica to strengthen its supervisory capacity for the securities and insurance industry as well as to further develop and implement its crisis management and resolution framework. As a secondary objective, the project aims to assist the FSC with the transition to a trust-based framework for so-called 'retail repos'. Thanks to the financial support from the Government of Canada, the FSC has been progressing toward the high-level strategic objective of the TA to enhance financial stability and safeguard the ongoing economic reform process in Jamaica.

#### *Main Elements of the Program*

The focus of the TA has been on assisting the FSC with strengthening the FSC capacity and approach to supervision of insurance and securities firms. With the MCM experts' guidance, the FSC staff have developed risk assessment frameworks for insurance and securities firms that will allow them to identify the risks in these entities' business models, determine their potential impact on the Jamaican market, and more appropriately set supervisory priorities. The MCM experts are regularly providing input on any needed regulatory revisions that would permit a better implementation of the risk-based supervisory framework.

The MCM TA team has also been providing advice to help the authorities strengthen the resolution and crisis management framework. In January 2017, joint LEG/MCM TA helped the authorities to make progress on key legal and financial policy questions that will need to be addressed prior to issuing for public consultation a high-level concept paper on a resolution framework for banks, security dealers, and insurance companies. The authorities published the consultation paper in February 2017. The mission also provided initial drafting suggestions for key legislative provisions.

#### *Outcomes*

The TA has made a tangible contribution towards the FSC's progress with the priority reforms of the securities dealers (SDs) industry since the project inception in late 2014. The TA helped the authorities complete the transition to the trust-based structure, put in place a

*"The IMF's Monetary and Capital Markets Department's Technical Assistance (MCM TA) team has provided and continues to provide invaluable support to the FSC as we enhance our supervisory framework aimed at strengthening Jamaica's financial sector."*

**Nicolette Cupidon Jenez**  
Deputy Executive Director, Financial Services Commission, Jamaica



*Staff of the Financial Services Commission, Jamaica*

more transparent and robust framework for the securities dealers industry and facilitated a gradual downsizing of retail repo business.

In the last two years of the project, progress has also been made towards strengthening the regulatory and supervisory framework for other parts of the non-bank financial sector. With the help of the two peripatetic experts, the FSC's capacity and approach to supervision of insurance and securities firms is gradually being strengthened. The experts are guiding the FSC in understanding the implications of risk-based supervision (RBS) and the application of a methodology to implement it. The missions delivered since the start of this TA series in February 2016 have encouraged FSC staff to take a more proactive approach to supervision and have guided them through the main concepts and practicalities of the RBS methodology. This TA has raised awareness about the implications of RBS and the

need for staff to develop expert judgment to properly implement it. With the experts' guidance, FSC staff have developed risk assessment frameworks for insurance and securities firms that will allow them to identify the risks in these entities' business models, determine their potential impact in the Jamaican market and more appropriately set supervisory priorities. FSC staff continues to work on enhancing the prudential regulatory framework for securities dealers, in consultation with the expert. Supervisors continue to be trained in risk-based supervision and experts have assisted in the revision/creation of risk matrices, impact assessments, and supervisory procedures as needed.

### *Lessons learned*

The success of the TA on insurance and securities supervision has been very much linked to experts' ability to engage with FSC staff and encourage steady progress on their approach to supervision. It is difficult to match authorities' style with an expert's one beforehand, but to the extent possible, scoping of TA projects should try to take this into account when determining the modalities for delivery of the assistance.

Another important factor was the design of the TA to take FSC's own risk-based supervision framework as a starting point and work with FSC staff to improve it, enabling ownership of the progress by the authorities. Again, experts' flexibility and adaptability have been vital to be able to follow this approach.

*Prepared by Cristina Cuervo and Nils Maehle*

### VII. LAO PDR: Strengthening Risk-Based Supervision Capacity

*Supported by the FIRST Initiative*

In 2014, the Bank of Lao (BoL) requested technical assistance from MCM to help strengthen its bank supervisory capacity against a background of a rapidly growing economy and increased vulnerabilities in the banking system. Engagement with the BoL had previously been limited. MCM conducted an assessment mission in 2015 to identify gaps in banking supervision, which were used to formulate the TA program and execute it with the funding from the FIRST Initiative.

#### *Main Elements of the Program*

The TA program was designed to assist the BoL in strengthening the capacity of BoL supervisors and its risk-based supervisory framework, with the aim of underpinning a more stable and sound banking system. The following areas were identified as priorities:

- Assisting in migrating to risk-based supervision (RBS) from compliance-based supervision.
- Assisting supervisory authorities in developing manuals for on-site examination and off-site supervision.
- Providing training and building the capacity of supervisory staff through the prioritization of key aspects of supervision and risk management that are relevant to the challenges faced by the BoL.



*Bank of Lao staff at the IMF-led workshop in risk-based supervision, April 2017*

During 2016–17, MCM undertook three missions on banking supervision to enhance the capacity of the BoL in RBS. The first mission assisted in developing on-site and off-site supervision manuals, which is seen as a first step to RBS. The mission emphasized ownership of the TA program and the BoL set up a five-person task force for each of on-site and off-site supervision for this purpose. The task force format provided a useful means of knowledge exchange and hands-on training for capacity building. The ten members of the two task forces remained in place throughout, a sign of commitment and interest in the project. The second mission assisted BoL staff in developing a supervisory information system for off-site supervision and improving the CAMELS<sup>30</sup> rating framework. The final mission provided hands-on training and capacity building through lectures and workshops that provided practical advice through close interaction with banking supervision staff.

<sup>30</sup> CAMELS is a bank rating system that rates: C–Capital Adequacy; A–Asset Quality; M–Management; E–Earnings; L–Liquidity and S–Sensitivity to Risks.

### *Outcomes*

The BoL staff were keen to engage in TA and, as the project progressed, demonstrated considerable enthusiasm and commitment to move forward. The pace of progress in developing a manual for RBS was impressive. The teams of the Banking Supervision Department (BSD) task force agreed on a common set of financial indicators for off-site monitoring. The RBS manual drafting teams adopted important analytical tools to support RBS such as institutional profiles (IP) and risk assessment summary (RAS). BoL management signaled strong support for RBS implementation and cited examples of positive changes it had implemented between missions. As a consequence of progress to-date: (i) banks are now examined according to an annual examination schedule prioritized by risk; (ii) the date of financial reports relating to on-site examinations is now the most recent quarter-end rather than end of the previous year; and (iii) reports of examination no longer require agreement of the examined bank. These changes are evidence of BoL's commitment to accept and apply recommendations made in TA.

Senior management of the BoL has expressed its interest in more MCM TA on risk-based banking supervision on a peripatetic visit basis. RBS requires extensive capacity building for the BSD staff in the actual implementation stage. Additional TA to support full implementation of RBS will be important to bring the BSD staff's capacity in line with best practices and further support the soundness and safety of the banking system.

The World Bank is also providing TA to the BoL to strengthen the legal framework for supervision and financial soundness indicators. MCM is closely coordinating with the Bank, particularly with respect to the legal framework and financial indicators.

### *Lessons learned*

The ownership of the TA program was emphasized much by the TA and the authorities were very receptive of the concept. The senior management established two separate task forces for the manual development and maintained the whole group to stay in the task force for the whole period of the project. This format was very productive and effective in knowledge exchange and hands-on training for capacity building and strengthened mutual trust between the staff of the BoL and the TA team.

*Prepared by InWon Song*

### VIII. MYANMAR: BANK SUPERVISION AND REGULATION

*Supported by Japan*

In contributing to the country's stable financial development, MCM's TA financed by the Government of Japan has focused on the establishment of banking regulation and supervision consistent with international supervisory standards.

#### *Main Elements of the Program*

The bank supervision capacity development started in 2013 with staff-led multi-topic and supervision-dedicated missions, the first of which produced an initial three-year plan to strengthen supervisory capacity. Later missions assisted in implementing that plan and advised on the supervision of foreign exchange risk and on the entry of foreign banks. Intensive capacity building began in 2014 with the assignment of a resident advisor on banking supervision who worked with a short-term expert to develop a second three-year work plan to improve compliance with international standards and to begin risk-based supervision.

#### *Outcomes*

This TA has assisted the Central Bank of Myanmar (CBM) in moving from a decades-old approach towards establishment of a modern regulatory and supervisory system compliant with international standards. Successful outcomes were achieved in five areas:

- Provision for strengthening risk-based supervision and development and organization of supervisory resources. The initial 2013 work plan which was adopted by the CBM has largely been implemented (improved licensing procedures, offsite and onsite supervision, training on the new financial institutions law, and development of guidance and regulation). The second three-year development plan aims to deepen the achievements of the first plan and provides for strengthening RBS, developing resources and the organization. It is an ambitious plan with components to be assisted by other development partners.

*"The IMF technical guidance supported the Central Bank of Myanmar in issuing four core regulations on capital adequacy ratio, liquidity requirement, asset classification and provisioning, and large exposure limits on July 7, 2017. Looking forward, the July 2017 launch of the civil service reform strategic action plan that provides for merit- and performance-based systems is expected to have a positive impact on staffing quantity and capacity."*

**Ms. Khin Saw Oo**  
Deputy Governor  
Central Bank of Myanmar



*At the Financial Institutions Supervision Department, Central Bank of Myanmar*



- Introduction of the tools and processes of bank supervision. Working with the Financial Institutions Supervisory Department (FISD), an examinations manual was developed at the start of the assignment and, as training developed, was used in full-scope onsite examinations of 22 banks, including three state-owned banks, in the last year of the assignment. With CBM staff, the TA ushered in the opening of 13 foreign bank branches. Reporting tools such as the capital adequacy ratio, net open position, reserve requirement, loan classification and provisioning were introduced. Staff are now able to prepare examination reports and discuss these with bank management and bank auditors.
- Training of the staff of FISD. The training on data processing and financial analysis provided the basis for both off-site and on-site examinations, permitting supervisory detection and correction of bank reports. Financial soundness indicators have also been prepared and published with the assistance of the Statistics Department of the IMF (also JSA-financed).
- Professionalism and supervisory culture in the FISD. Perhaps most importantly for the continued development of bank supervision in Myanmar is the supervisory culture that has developed among the staff of the FISD by starting to adopt the stance of supervisors. This is further evidenced by their ability to interact with bank management and external audit.
- Assistance in the development of updated regulations. With the advisor's support to the regulatory department of the CBM, short-term experts, and the World Bank consultant, the CBM has recently issued key regulations in capital adequacy, large exposures, liquidity ratio, and asset classification and provisioning.

### *Lessons learned*

The TA has achieved its success largely due to a constructive cooperation with other development partners—with GIZ providing English language classes for the FISD and assisting in banks' adoption of IFRS; and the training provided by regional central banks, such as Bank Negara Malaysia, the Bank of Thailand, the Monetary Authority of Singapore (MAS), the Japanese authorities, as well as the Toronto Centre.

*Prepared by Koji Uemura and Mary Zephirin*

### IX. Nigeria: Testimonials from the Beneficiaries of the Banking Supervision TA

*Supported by the United Kingdom*

Nigeria has been a major recipient of an MCM multi-year TA project in banking supervision, supported by the United Kingdom's Department for International Development (DFID)<sup>31</sup>.

#### *Main Elements of the Program*

The long-term experts stationed at the Central Bank of Nigeria have helped to build the capacity of the staff in the conduct of risk-based supervision in commercial banks and in some of the non-bank institutions.

#### *Outcomes*

Great success was realized by the CBN during November 2016 in the development of an Early Warning System (EWS) as well as the development of a predictive model for bank failure. Under the guidance of the long-term expert as well as a short-term expert, a CBN inter-departmental working group developed a model that transposes individual bank CAMELS ratings into a composite index that, when considering specific macro-economic factors, provides an estimate of the probability of a failure. The model has been validated through the testing of sample banks, and was developed on the CBN's information technology system—making it available to all supervisory staff and management. While further refinements may be necessary, it is anticipated that the use of this model will go 'live' before end-2017.

#### *Testimonials*

*"The IMF has effected valuable supervisory assistance to the Central Bank of Nigeria. First, the IMF provided technical assistance that successfully implemented the Risk-based supervision in Nigeria, and now the Early Warning System to deepen effective supervision."*

**Mr. Kevin Amugo**

Director, Financial Policy Regulation Department  
Central Bank of Nigeria

*"The IMF's-supported Early Warning System for banking supervision in Nigeria is very timely and supersedes our expectations."*

**Mrs. Tokunbo Martins**

Director, Other Financial Institutions Supervision Department  
Central Bank of Nigeria

31 See <http://www.imf.org/external/np/mcm/2016/taar2016.pdf>, p. 22.

## Case Studies of Selected MCM Capacity Building Initiatives



*The members of the Central Bank of Nigeria's inter-departmental EWS Working Group consulting with the IMF appointed short-term expert*

*"The Technical Assistance (TA) support from the IMF has tremendously helped in building our internal capacity to implement the requirements of the Basel standards and to effectively assess the adequacy of banks' capital position in view of their risk profiles and specific vulnerabilities. We have also benefited from ongoing support on risk-based, consolidated and cross-border supervision. My expectation is that the support that we have received so far, coupled with the ongoing capacity development initiative, will put the CBN in a strong position to implement the more risk sensitive advanced approaches to the Basel capital standards, Basel liquidity standards and IFRS 9 standards by equipping our staff with the requisite technical skills to effectively review and challenge the banks processes and methodologies. This, we believe, will be key in ensuring that the Central Bank of Nigeria (CBN) becomes a more proactive banking supervisor and a role model to the other financial sector regulators within the region."*

**Mr. Ahmad Abdullahi**  
Director, Banking Supervision Department  
Central Bank of Nigeria



*The IMF long and short-term experts together with the members of the EWS Working Group presenting the output of the EWS model to the Central Bank of Nigeria's Director of Banking Supervision Department*

*"The Early Warning System for banking supervision is transformational in the sense that, for the first time, it has the potential of predicting the likelihood of a bank failure and financial condition in the next twelve months. We are grateful to the IMF and its Resident Advisor for their contributions."*

**Dr. Alvan Ikoku**  
Director, Financial Markets Department  
Central Bank of Nigeria

*Prepared by Diane Mendoza, Leonard Chumo, and Vitus Ukwuoma*

### X. Sierra Leone: Starting a Central Bank Modernization with a Bang

*Supported by the FIRST Initiative*

In early 2017, MCM set up a FIRST-financed project to assist Sierra Leone in modernizing its central bank, the Bank of Sierra Leone (BSL). The project allows for the posting of a resident expert, who will assist the BSL in improving its monetary and financial stability analysis; in enhancing the Research Department's capacity to analyze financial sector risks through qualitative and quantitative instruments; and helping the Office of the Governor in its job of supporting the work of BSL senior management.

Already the start of the project was auspicious. The expert's introductory meetings in the BSL in March 2017 demonstrated that senior and middle management of the BSL sincerely intended to rely on the advice to be provided by the resident expert and had the energy and resolve to work through the problems that until now hindered them in the above areas.

Within two months of the LTX's posting, the BSL and the LTX organized a financial stability conference. The conference brought together not only relevant staff of the BSL, but also the minister of finance of Sierra Leone, representatives of all commercial banks and other financial institutions operating in Sierra Leone, senior staff from Nigeria, the IMF resident representative, and the resident from AFRITAC West 2. It was followed by a more technical TA on stress testing that complemented well the higher-level discussions during the conference. The conference and the stress testing TA proved to be a good foundation for improving financial stability analysis in the BSL.



*Financial Sector Stability in Sierra Leone – the Roadmap, July 2017*

During the event, the Deputy Governor reiterated the BSL's commitment to accelerate the financial sector reforms agenda, with best international regulatory and supervisory principles and practice to foster a sound and stable financial sector that supports economic development of Sierra Leone.

Even more impressive, there is a realistic chance that the BSL would be able to compile its first financial stability report within six months. The timetable has been approved and staff assigned to various tasks. Staff of the Research Department, working with the resident, have drafted an outline and looked at the experience of the countries in the region.

Indeed, a Big Bang.

*Prepared by Judit Vadasz*

### XI. TAOLAM<sup>32</sup>: Monetary Operations Capacity Development in Myanmar

*Supported by Japan and the Bank of Thailand*

**B**uilding on a basic monetary framework developed through TA from IMF HQ and the policy recommendations of the APD Article IV consultations, since 2013, the resident advisor in the IMF Technical Assistance Office in Thailand (TAOLAM) has been assisting the Central Bank of Myanmar (CBM) to improve the monetary operations required to implement reserve money targeting.

#### *Main Elements of the Program*

The main focus of the TA was to help the CBM implement a reserve targeting mechanism by improving the framework for liquidity monitoring and projections, enhancing tools for liquidity absorption and developing the supporting market infrastructure.

#### *Outcomes*

TAOLAM assisted the CBM in developing basic tools for reserve money projections. Liquidity monitoring and forecasting were upgraded from a monthly snapshot basis to an annual basis with weekly updates. A reserve requirement ratio was implemented in 2015, and guidance was provided on the use of deposit auctions for monetary absorption. A significant step towards expanding the tools for monetary operations was made with the dematerialization of treasury bills and their issue on a discounted basis at auction in January 2015. Similarly, the project assisted in developing electronic book-entry treasury bonds with standardized coupons and maturity dates—their issue at auction began in 2016. The CBM-Net system (an RTGS system), established with the assistance of the Japanese International Cooperation Agency (JICA), provides for settlement (Delivery-versus-Payment, DvP) for treasury bills and bonds as well as funds. In tandem with IMF HQ, advice was also provided on development of the interbank market, and regulatory changes made to facilitate interbank transactions.



*Monetary Policy Affairs Department, Central Bank of Myanmar*

Work was also undertaken to improve the budget for monetary operations and, in cooperation with the IMF's fiscal advisor, to improve the contribution of government's cashflow inputs to liquidity monitoring and forecasting. The environment and staff capacity for carrying out these monetary operation reforms were supported by a variety of training—formal workshops, informal sessions and hands-on training that covered both the technical monetary operations issues and required IT skills—for the staff of the CBM and, occasionally, the Ministry of Finance.

#### *Lessons learned*

Focused and diverse capacity development activities (TA and training) have assisted the CBM in making significant progress in transitioning from a system of direct monetary controls to market-based monetary operations, implementing their reserve targeting monetary framework. While additional reforms, with the assistance of intensive capacity development, are required for continuing development of monetary operations, an effective operational base has been laid.

*Prepared by Mary Zephirin*

<sup>32</sup> The Technical Assistance Office in Thailand is a focal point of capacity development for the Mekong region initially serving Lao P.D.R. and Myanmar (TAOLAM). Cambodia and Vietnam have recently become beneficiary countries of TAOLAM TA and training in most areas.

### XII. FIRST Funded Knowledge Product: Organizing Central Securities Depositories in Developing Markets

*In partnership with the World Bank*

The settlement and central safekeeping of securities is a crucial element of securities and money markets, both from a financial stability as well as market development perspective. A key service provider in this regard is a central securities depository (CSD), which can be defined as an entity that provides securities accounts, a securities settlement system and central safekeeping services. Countries may have a single CSD for government and corporate securities. However, countries may also have multiple CSDs in place, where the central bank operates the CSD for government securities and a private operator the CSD for corporate securities.

In their interactions with countries worldwide, the IMF and World Bank have noted that authorities in developing markets may struggle with two main issues: i) whether to pursue a single CSD to increase market efficiencies and benefit from economies of scale and scope; and ii) whether to partake in the governance of the CSD as owner and/or operator.

The IMF and World Bank have addressed these issues during technical assistance in various countries. The IMF has now taken the initiative to extract the main lessons from these missions and provide the public, in particular country authorities worldwide, with access to key considerations for decisions about the optimal structure and organization of CSDs in a country.

The result is a knowledge product, in the form of a guidance report, produced in coordination with the World Bank. The report is targeted to decision makers responsible for the organization of CSDs in a country, such as ministries of finance, central banks, securities regulators and other relevant authorities, as well as the private financial sector, including stock exchanges, private operators of CSDs, banks, and broker-dealers. The report also intends to support international standard setters and other parties involved in policy issues for financial market infrastructures.

#### *Main Elements of the Program*

The guidance report combines theory and country cases. It takes into consideration academic literature, relevant international standards and best practices worldwide, notably the CPSS-IOSCO Principles for Financial Market Infrastructures (PFMI), and the most recent results of the World Bank Global Payment Systems Survey.

The report also benefited greatly from technical assistance missions to a range of countries, specifically the Kyrgyz Republic, Mexico, the Philippines and Tanzania. Further in-depth understanding was gained from interviews with authorities from India, Lithuania and Rwanda. Countries represent different regions, levels of development, and types of securities markets. The missions comprised of two experts, who visited the central bank, the securities regulator, the CSD(s) operating in the country and several banks active in the securities market. The missions and expert salaries were financed through FIRST.

#### *Outcomes*

The guidance report contains considerations and decision trees that authorities may take into account while determining what the best model is for their country. Based on the guidance in this report different countries may come to different conclusions, dependent on the country's specific circumstances and features, such as the size of its markets, strength of private operators and the level of market development. For example, the outcome for country A may be to pursue a single CSD operated by the central bank, whereas the outcome for country B would be to pursue a single CSD operated by a private operator. Similarly, multiple CSDs would be the optimal solution for other countries.

A main conclusion is that authorities should strike the right balance between safety and efficiency considerations for securities markets. Although a single CSD can be the most efficient solution from a cost-perspective, this option should only be pursued if there is a strong indication that the safety and soundness of

the securities market are not at stake. In the same vein, although central banks may consider that owning and operating a CSD is not necessarily in their core mandate, a CSD can only be owned and operated by private entities if these entities have the capacity to address public interests. Otherwise, the central bank may be best placed to be the CSD's owner and operator. Co-operation and co-ordination amongst authorities and relevant stakeholders is a necessary requirement to support sound decision making on financial market infrastructures.

The report is part of a broad communication effort of the IMF, and will be presented during global seminars, regional workshops and other events organized by the IMF or third parties. The report will also be publicly available on the website of the IMF.

*Prepared by Froukelien Wendt*

### XIII. Count-Down to IFRS 9 for Central Banks

#### *In partnership with Central Banks*

With over 50 central banks worldwide having adopted International Financial Reporting Standards (IFRS) for their financial reporting, January 1<sup>st</sup>, 2018 marks an important date. In 2014, the International Accounting Standards Board (IASB) announced a new standard for the accounting and reporting of financial instruments—IFRS 9—which is to take effect for year-ends beginning on or after January 1<sup>st</sup> 2018. Given that a central bank's balance sheet is its life blood for delivering on their policy mandates and that much of that balance sheet is made up of financial instruments, this represents a very important standard.

During 2017, the IMF fielded many technical assistance missions and training sessions, whether for the central banks themselves or in their supervisory capacity. It has also been collaborating with the World Bank's Reserves Advisory and Management Program (RAMP) to help educate reserve managers on the new requirements. Central banks are quickly understanding that this new accounting standard is not just for the accountants. It requires thought leadership from reserve management, risk management and most importantly, executive management. IFRS 9's forward-looking 'expected loss' model introduces several policy considerations not encountered with the backward-looking IAS 39 'incurred-loss' model. Central banks are realizing that they will not only need to assess their expected losses on their financial instruments, they will also need to tell the world about their expectations! These disclosures need to be carefully crafted so as not to unexpectedly trigger events that a central bank works hard to avoid—central banks will need to become better gymnasts carefully navigating the balance beam of disclosures!

While central banks are typically very adept in analyzing risk on the foreign reserves, this change introduces a new complexity on the home-front as they need to start considering their domestic holdings as well! For smaller countries, creating a credit risk model for their domestic assets is not an easy task—publicly available data is typically non-existent! IFRS 9 has created an opportunity for a new level of cooperation between risk managers and bank supervisors, naturally while respecting confidentiality of data required.

This cooperation is opening new lens on how central banks may look at their credit exposure on the domestic front!

Monetary and financial stability policy makers are also having to weigh in on whether the new disclosures will have a negative impact on their policy operations! After all, how would a central bank—as the banker to the sovereign—communicate that it expects to suffer as losses from their sovereign—and how will the investment community react. Luckily, most central banks can say they 'expect' zero loss from its sovereign—though in severely stressed scenarios, can this assertion hold?

The National Bank of Ukraine was one of the first central banks to reach out to the IMF for assistance. It valued the experience enough to decide to host an IFRS 9 Roundtable Discussion later this year, inviting central bank colleagues from some 15 neighboring countries in Eastern Europe and Central Asia. The Roundtable will provide a forum for the participants to not only ask questions but also share with their colleagues how they are addressing many of the same challenges! Work with the National Banks of Georgia and Albania helped define a simplified model for assessing domestic credit risk in smaller countries with a less developed financial sectors. A four-day training program delivered to the 6 member countries of the East African Community equipped the participants with tools and a roadmap to get prepared for January 1<sup>st</sup> as well as creating a network amongst themselves to share ideas. Central banks whom have looked to enhance their knowledge on how to apply IFRS 9 will put them in the driver's seat when it comes time to sit across from their auditors next year-end.

With January 1<sup>st</sup> quickly approaching, maybe now is the time to ask yourself: *What is your Expected Loss?*

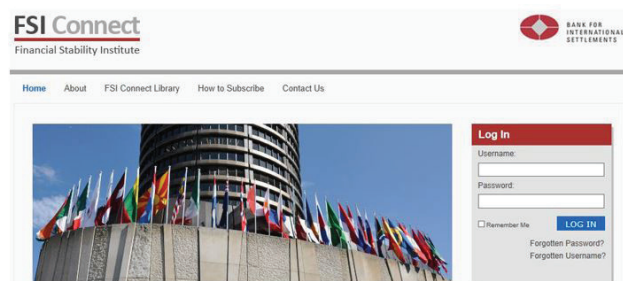
*Prepared by Rudy Wytenburg*



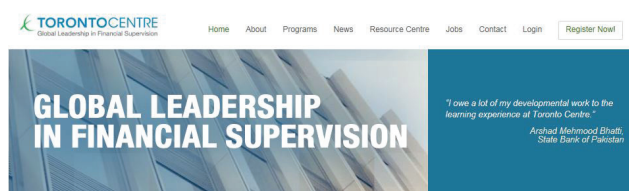
## XIV. Training: Supervisory Capacity Building

*In partnership with the BIS, Toronto Centre, and IMF Regional Training Centers*

The Bank for International Settlements (BIS) announced in September 2016 that supervisory agencies in all 70 Poverty Reduction and Growth Trust-eligible countries will receive 25 free accounts to its **online training website, FSI Connect**, offering 250 online tutorials on financial regulation and supervision. This decision doubles the number of countries with free access and reflects intensified **cooperation between MCM and the BIS in the area of online supervisory capacity building**. In the coming years, MCM and the BIS will continue partnering in developing a joint course in the financial supervision and holding meetings with the stakeholders.



In addition, **MCM** partners with the Global Affairs Canada (GAC), the Swedish International Development Cooperation Agency (SIDA), and the World Bank in **supporting the Toronto Centre** (<https://www.torontocentre.org>) since year 2000.



MCM contributes its strategic guidance to the Centre's operations and its curriculum planning for the training to financial sector regulators and supervisors, particularly in emerging markets and low income countries. The Toronto Centre's 60-70 training engagements a year cover a variety of themes relevant to the IMF member-countries, such as leadership and change management, crisis-preparedness and management, macroprudential surveillance, risk-based supervision, consolidated supervision, FSAP preparation and follow-up, international core principles, anti-money laundering and combatting the financing of terrorism, and deposit insurance.



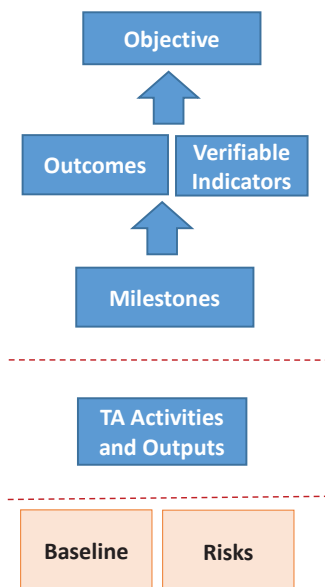
## Appendix A. 2014-17 TA Strategy Status

Actions	Time-frame	Status - June 2017
Enhance MCM's RBM implementation with the development of standard results indicators for various topical areas of TA and plan for a programmatic approach with well-defined logical frameworks.	Medium-term	<p><i>Developed standardized results indicators and a catalog of 35 log-frames across 6 topical areas. Almost all donor-funded projects have been integrated into the new RBM framework for results tracking.</i></p> <p>Integration of internally funded projects initiated in FY17.</p>
Emphasize programmatic, multi-year TA projects, where appropriate, to build institutional capacity and support sustainability.	Ongoing	<i>Significant work undertaken on enhancing TA modalities and processes. Several guidelines also developed.</i>
Emphasize regional approaches to TA, to maximize cross-country synergies and improve efficiency. Regional TA can be structured as programmatic.	Ongoing	<i>TA delivered that addresses issues common to a region includes: macro-prudential policy in Central America; bank restructuring in the ECCU; regional debt management to Sub-Saharan Africa and the GCCs; monetary policy design and implementation to BEAC; monetary operations in the EAC.</i>
Utilize TA to assist countries in identifying and addressing weaknesses in financial stability frameworks, to help fill needs that are not currently being served by FSAPs or other diagnostic tools.	Medium to long-term	<i>Multi-topic missions including 5 pre-cursor missions to the FSSR; three FSSR Missions to WHD have been undertaken with others planned for AFR and APD.</i>
In partnership with ICD, build training modules as components of TA programs.	Short- to medium-term	<p><i>Specialized training is regularly used to complement TA. Additionally, FPAS in AFR, EUR and WHD in partnership with ICD. FSI Connect integrated into training and TA, and agreement with BIS to develop new online material; training in conjunction with ICD provided through regional training centers and RTACs.</i></p> <p><i>Next Step: Efforts needed to further develop online training</i></p>
Finalize the current round of expert roster improvements, and continue to undertake periodic updates to recertify experts every three years.	Short-term	<p><i>Significant work undertaken on the STX roster.</i></p> <p><i>Next Step: Need to develop more programmatic approach to collaboration with COIs.</i></p>
Allocate a training budget for some of the key TA delivering functional divisions to conduct periodic headquarter (HQ) seminars for select groups of experts.	Short-term	<p><i>Annual LTXs workshops conducted for the past three years.</i></p> <p><i>Next Step: STX workshop</i></p>
Further increase the level of joint work and coordination between Regional Technical Assistance Centers (RTACs) and HQ through joint staff missions with RTAC advisors, as well as regional and international workshops and seminars. Systematically incorporate RTAC advisors' feedback into Regional Strategy Notes (RSNs) and Resource Allocation Program (RAP) development.	Short- to medium-term	<i>Significant joint workshops and seminars undertaken in conjunction with RTACs. Integrated LTXs into HQ missions. RTACs also involved in supporting bilateral programs.</i>

## Appendix A. 2014-17 TA Strategy Status

Actions	Time-frame	Status - June 2017
Set up an inter-divisional knowledge management working group under the leadership of senior management in MCM to draw up and initiate implementation of a knowledge management program	Short-term	<i>Significant improvement in technology to support knowledge management. MCM KM Group established but clear mandate needs to be formalized and made operational.</i>
Capture key TA lessons and replicable methodologies through "Thematic Papers/ Notes" on TA best practices that extract cross-country lessons on key TA topics.	Ongoing	<i>Significant number of reports produced including Working Papers and TA Annual Reports. Conducted regular TA Forums. Thematic Notes under preparation, including from 2017 LTX Annual workshop</i>
Organize regional workshops and training on relevant TA topics as cost-effective ways to reach a number of countries on new topics and/or cross-country experiences.	Ongoing	<i>Many workshops organized on various topics (e.g. bank supervision, financial stability, crisis management) including with RTACs.</i>
Implement the evaluation program in FY2015-17	Ongoing	<i>TA Evaluation program and work plan established. Target of 1-2 evaluations each year has been met. Developed guidelines for conducting evaluations.</i>
Undertake recipient and provider surveys in the FY2016-17 timeframe.	Medium to long-term	<i>Survey of Providers (LTX) conducted. Continuous feedback sought via Area Departments and at Spring and Annual Meetings.</i>
Provide explicit prioritization among ongoing and relevant topics in line with Fund-wide and MCM work program and priorities.	Short-term	<i>MCM works in conjunction with the area departments to develop yearly and medium-term programs, in line with Fund priorities.</i>
All MCM divisions involved with TA delivery should take part in the development of the RAP, taking into account specific expertise and capacity constraints and with the expected TA delivery and backstopping built into their annual work programs.	Ongoing	<i>Significant improvements made to RAP processes which are aligned to MCM guidelines and other frameworks</i>
Enhanced usage of externally-funded TA to appoint dedicated project managers and backstoppers for key areas of TA.	Ongoing	<i>Dedicated TA managers, functional backstoppers engaged in managing key areas of TA. Specific Trust Funds have dedicated Managers and TA Officers.</i>

### RBM LogFrame



Results-Based Management framework (**RBM**) is a systematic approach to designing, delivering and monitoring TA. It informs management decisions and communicates results achieved to all parties involved in the TA—the authorities, TA providers, and our development and donor partners.

Our approach to RBM uses logical frameworks (**LogFrames**) within the context of a TA project, which is defined as a set of planned and interrelated **TA Activities and Outputs** undertaken to achieve the TA's ultimate Objective. It has a defined timeline, and therefore a defined implementation path (**Milestones**) to achieve the targeted results (**Outcomes**) that are demonstrated through **Verifiable Indicators** and contribute to the achievement of the **TA Objective**.

The TA starting point (**Baseline**) and conditions that may hinder the project achieving its ultimate Objective (**Risks**) determine the TA Milestones path and TA Activities and Outputs along it toward the TA's ultimate Objective.

#### **What RBM means for TA-recipient authorities?**

Country authorities benefit from collaborating in the application of RBM to their TA programs. As a framework that can help in the more efficient use of resources—by the authorities as well as by IMF—RBM helps in prioritizing resources where it matters most in terms of expected reform results.

In country-specific RBM LogFrames, while the Outcomes are standardized along the international good practices, Milestones are tailored to the country's circumstances and to the reform timeline. Milestones are a helpful tool for the authorities to devise and follow their own workplans in the implementation of their reforms.

At the inception of a TA project, the Fund TA managers are expected to discuss and agree on the Objectives (in the form of LogFrames) with the authorities. The agreed LogFrames are 'not set in stone': they are expected to be revised throughout the TA delivery as necessary. Once the authorities endorse country-specific LogFrames, TA managers are expected to follow up with the authorities on a regular basis, to ensure the project is on track and to update the plans as necessary. At the completion of the TA project, the authorities and the TA managers are expected to use the RBM LogFrames as the basis to evaluate the effectiveness and efficiency of the delivered TA.

## Appendix C. MCM Leads in the Fund-wide Operationalization of TA Evaluations

MCM has been implementing its TA Evaluation Program since FY2012, and developed TA Evaluation Guidelines for both externally and internally financed projects. The evaluation guidelines make use of the OECD Development Assistance Committee (DAC) criteria for evaluating development assistance. MCM has also contributed to developing and operationalizing the Fund's common evaluation framework for its CD activities.

There are several types of capacity building evaluations regularly conducted at the Fund, ranging from external evaluations to in-house self-assessments. TA evaluations are distinct from TA assessments (interim and final) produced for donor reporting. Assessments focus on the implementation of a given donor-funded program either while underway, with a view to assess progress, or at completion, to report on achievements. Evaluations—the focus of MCM TA Evaluation Guidelines—represent an independent and broader assessment of TA programs' overall relevance, effectiveness, efficiency, impact and sustainability. Evaluation of TA is typically conducted after completion (ex-post) with a few exceptions of medium-term programs long-advanced in implementation. Evaluations are staffed by external assessors or, at a minimum, by staff not involved in the particular program being evaluated.

The results from TA evaluations are shared with stakeholders. Typically, evaluation reports are circulated to MCM divisions, the relevant Area Department(s), ICD, country authorities, and the donor agency funding the TA. Following the completion of individual project evaluations, an interdepartmental TA forum is usually held to discuss lessons learned.

**Table 1. Field Delivery by Region, FY11-17 (in person years)**

Regions	2011	2012	2013	2014	2015	2016	2017
AFR	20.7	25.9	26.6	30.5	29.3	32.4	29.4
APD	9.7	11.2	10.9	11.1	12.6	13.6	11.8
EUR	6.5	6.1	5.7	6.3	4.9	5.1	6.7
IMF	0.1	0.1	0.4	0.5	1.9	0.9	1.7
MCD	11.3	9.3	9.3	6.5	7.0	9.5	9.8
WHD	10.1	13.2	12.7	15.0	17.7	18.8	14.5
<b>Grand Total</b>	<b>58.4</b>	<b>65.9</b>	<b>65.6</b>	<b>70.0</b>	<b>73.3</b>	<b>80.4</b>	<b>73.9</b>

**Table 2. TA Delivery by Type and Region, FY 2017 (In person years)**

Staffing	AFR	APD	EUR	IMF	MCD	WHD	Grand Total
HQ Staff	1.6	1.1	1.2	0.3	1.5	0.8	6.5
LTX	7.7	5.2	2.5	1.0	2.7	2.8	22.1
STX	11.8	4.2	3.0	0.4	4.8	6.9	31.1
RTACs	8.3	1.2			0.8	4.0	14.3
<b>Grand Total</b>	<b>29.4</b>	<b>11.8</b>	<b>6.7</b>	<b>1.7</b>	<b>9.8</b>	<b>14.5</b>	<b>73.9</b>

## Data Appendix

**Table 3. MCM's Long-Term Resident Experts (as of August, 2017)**

Country	Beneficiary	Topic	Funding Source
Albania	Albania	Monetary Operations	SECO
Albania	Albania	Multi-Topic	FIRST
Algeria	Algeria	Monetary Operations	FIRST
Barbados	CARTAC	Financial Stability	Multi-donor
Barbados	CARTAC	Financial Regulation and Supervision	Multi-donor
Bosnia and Herzegovina	Bosnia and Herzegovina	Financial Regulation and Supervision	FIRST
Cambodia	Cambodia	Financial Regulation and Supervision	Japan
Congo, D.R.	Congo DRC	Monetary Operations	Belgium
Cote D'Ivoire	AFRITAC West	Debt Management	Multi-donor
Cote D'Ivoire	AFRITAC West	Financial Regulation and Supervision	Multi-donor
Ethiopia	Ethiopia	Debt Management	DFID
Fiji	PFTAC	Financial Regulation and Supervision	Multi-donor
Gabon	AFRITAC Central	Financial Regulation and Supervision	Multi-donor
Gabon	AFRITAC Central	Debt Management	Multi-donor
Ghana	AFRITAC West 2	Financial Regulation and Supervision	Multi-donor
Ghana	AFRITAC West 2	Monetary Operations	Multi-donor
Ghana	Ghana	Financial Regulation and Supervision	SECO
Guatemala	CAPTAC-DR	Central Bank Operations	Multi-donor
Guatemala	CAPTAC-DR	Financial Regulation and Supervision	Multi-donor
India	SARTTAC	Monetary Operations	Multi-donor
India	SARTTAC	Financial Regulation and Supervision	Multi-donor
Indonesia	Indonesia	Financial Regulation and Supervision	Japan
Kyrgyz Republic	Kyrgyz Republic	Financial Regulation and Supervision	SECO
Lebanon	METAC	Financial Regulation and Supervision	Multi-donor
Mauritius	AFRITAC South	Financial Regulation and Supervision	Multi-donor
Mauritius	AFRITAC South	Monetary Operations	Multi-donor
Myanmar	Myanmar	Financial Regulation and Supervision	Japan
Nepal	Nepal	Financial Regulation and Supervision	RST LICP
Nigeria	Nigeria	Financial Regulation and Supervision	DFID
Rwanda	Rwanda	Financial Regulation and Supervision	FIRST
Sierra Leone	Sierra Leone	Central Bank Operations	FIRST
Sierra Leone	Sierra Leone	Financial Regulation and Supervision	FIRST
St. Kitts	ECCU/ECCB	Financial Regulation and Supervision	CDB
Tajikistan	Tajikistan	Banking Supervision and Regulation	SECO
Tanzania	AFRITAC East	Financial Regulation and Supervision	Multi-donor
Tanzania	AFRITAC East	Monetary Operations	Multi-donor
Tanzania	AFRITAC East and AFRITAC South	Financial Market Infrastructures	Multi-donor
Thailand	TAOLAM	Monetary Operations	Japan
Tunisia	Tunisia	Financial Regulation and Supervision	Canada
Ukraine	Ukraine	Financial Regulation and Supervision	Canada
Ukraine	Ukraine	Multi-Topic	Canada



**Table 4. MCM TA and Training in Regional Technical Assistance and Training Centers**

RTACs and Training Centers	Location	MCM TA and Training
AFRITAC Central	Central Africa Regional Technical Assistance Center Libreville, Gabon	TA and Training in Financial Sector Supervision and Regulation, and Debt Management
AFRITAC East	East Africa Technical Assistance Center Dar es Salaam, Tanzania	TA and Training in Financial Sector Supervision and Regulation, Money and Foreign Exchange Market Operations, and Financial Market Infrastructures and Payments
AFRITAC South	Regional Technical Assistance Center in Southern Africa Port Louis, Mauritius	TA and Training in Financial Sector Supervision and Regulation, Money and Foreign Exchange Market Operations/Modeling, and Financial Market Infrastructures and Payments
AFRITAC West	Africa Regional Technical Assistance Center West Abidjan, Cote D'Ivoire	TA and Training in Financial Sector Supervision and Regulation, and Debt Management
AFRITAC West 2	African Regional Technical Assistance Center in West Africa Accra, Ghana	TA and Training in Financial Sector Supervision and Regulation, and Money and Foreign Exchange Market Operations
CAPTAC-DR	Central America Panama Dominican Republic Regional Technical Assistance Center Guatemala City, Guatemala	TA and Training in Financial Sector Supervision and Regulation, and Money and Foreign Exchange Market Operations
CARTAC	Caribbean Regional Technical Assistance Center Bridgetown, Barbados	TA and Training in Financial Sector Supervision and Regulation, and Financial Sector Stability
METAC	Middle East Regional Technical Assistance Center Beirut, Lebanon	TA and Training in Financial Sector Supervision and Regulation
PFTAC	Pacific Financial Technical Assistance Center Suva, Fiji	TA and Training in Financial Sector Supervision and Regulation
SARTTAC	South Asia Training and Technical Assistance Center New Delhi, India	TA and Training in Financial Sector Supervision and Regulation, and Money and Foreign Exchange Market Operations
TAOLAM	The Technical Assistance Office for the Lao P.D.R. and the Republic of the Union of Myanmar Bangkok, Thailand	TA and Training in Financial Systems Modernization in Myanmar and Lao PDR
ATI	Africa Training Institute Port Louis, Mauritius	Multi-topic Training
BTC	Brazil Training Center Brasilia, Brazil	Multi-topic Training
CEF	Middle East Center for Economics and Finance Kuwait City, Kuwait	Multi-topic Training
CTP	The Joint China-IMF Training Program Dalian, China	Multi-topic Training
JVI	Joint Vienna Institute Vienna, Austria	Multi-topic Training
STI	Singapore Regional Training Institute Singapore	Multi-topic Training

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