The IMF and Fragile States: Capacity Development Issues

Jung Yeon Kim
The paper discusses the IMF’s work on capacity development in countries in fragile and conflict-affected situations (FCS). The IMF has characterized capacity development work as the “front and center” of its engagement with FCS, but the volume of technical assistance provided to these countries has recently plateaued in the face of competing demands and supply-side constraints. FCS officials are generally pleased with the quality of IMF technical assistance and would like to receive more, with a clear preference for long-term experts on the ground. Formulation and implementation of a capacity development strategy, tailored to the specific needs and challenges of fragile states, could help enhance the delivery and impact of IMF capacity development support to FCS members.
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>FCS</td>
<td>Fragile States</td>
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<tr>
<td>AFR</td>
<td>African Department (IMF)</td>
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<td>AFRITAC</td>
<td>Africa Regional Technical Assistance Center (IMF)</td>
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<td>AML/CFT</td>
<td>Anti-Money Laundering/Combating the Financing of Terrorism</td>
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<td>APD</td>
<td>Asia-Pacific Department (IMF)</td>
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<td>CBF</td>
<td>Capacity-Building Framework (IMF)</td>
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<td>CCB</td>
<td>Committee for Capacity Building (IMF)</td>
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<td>CD</td>
<td>capacity development</td>
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<td>CDIMS</td>
<td>Capacity Development Information Management System (IMF)</td>
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<td>DAC</td>
<td>Development Assistance Committee (OECD)</td>
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<td>ECOWAS</td>
<td>Economic Community of West African States</td>
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<td>EUR</td>
<td>European Department (IMF)</td>
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<td>FAD</td>
<td>Fiscal Affairs Department (IMF)</td>
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<td>FY</td>
<td>fiscal year</td>
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<td>HQ</td>
<td>headquarters</td>
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<td>ICD</td>
<td>Institute for Capacity Development (IMF)</td>
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<td>IEO</td>
<td>Independent Evaluation Office (IMF)</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>IMFC</td>
<td>International Monetary and Financial Committee (IMF)</td>
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<td>LEG</td>
<td>Legal Department (IMF)</td>
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<td>LIC</td>
<td>low-income country</td>
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<td>LTX</td>
<td>long-term expert</td>
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<td>MAE</td>
<td>Monetary and Exchange Affairs Department (precursor of current MCM) (IMF)</td>
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<td>MCD</td>
<td>Middle East and Central Asia Department (IMF)</td>
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<td>MCM</td>
<td>Monetary and Capital Markets Department (IMF)</td>
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<td>METAC</td>
<td>Middle East Regional Technical Assistance Center (IMF)</td>
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<td>MIC</td>
<td>middle-income country</td>
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<td>OBP</td>
<td>Office of Budget and Planning (IMF)</td>
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<td>OECD</td>
<td>Organization for Economic Cooperation and Development</td>
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<td>OIA</td>
<td>Office of Internal Audit (IMF)</td>
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<td>PFM</td>
<td>public financial management</td>
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<td>PFTAC</td>
<td>Pacific Financial Technical Assistance Center (IMF)</td>
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<td>RAP</td>
<td>Resource Allocation Process (IMF)</td>
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<td>RSN</td>
<td>Regional Strategy Note (IMF)</td>
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<td>RTAC</td>
<td>regional technical assistance center (IMF)</td>
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<td>SDG</td>
<td>Sustainable Development Goals (United Nations)</td>
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<td>SPR</td>
<td>Strategy, Policy, and Review Department (IMF)</td>
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<td>STA</td>
<td>Statistics Department (IMF)</td>
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<td>STX</td>
<td>short-term expert</td>
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<td>RBM</td>
<td>result-based management (IMF)</td>
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<td>SEACEN</td>
<td>South East Asian Central Banks</td>
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<td>TA</td>
<td>technical assistance</td>
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<td>TTF</td>
<td>topical trust funds (IMF)</td>
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<td>WHD</td>
<td>Western Hemisphere Department (IMF)</td>
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I. INTRODUCTION

1. This paper discusses the IMF’s work in capacity development (CD)—including technical assistance (TA) and training—in countries in fragile and conflict-affected situations (hereafter referred to as fragile states or FCS). It provides supporting evidence to the IEO evaluation “The IMF and Fragile States.” We adopt as a sample of fragile states the 39 countries identified as fragile by the IMF’s Strategy, Policy, and Review Department (SPR) in 2015 (see Appendix 1). Because state fragility has a high degree of persistence, this group is a reasonable approximation to the universe of fragile states over the time period we examine, which roughly corresponds to fiscal years (FY) 2011–17 depending on data availability.

2. Capacity development needs are significant in most lower-income countries but are particularly pressing in fragile states, whose institutions are typically weak in the real, monetary, fiscal, and external sectors—the IMF’s areas of core expertise. Capacity development work often starts from a rudimentary level, but in a country with an acute lack of capacity it is often difficult to determine which sectors should receive priority. Capacity constraints mean that the returns from capacity building support could be great, but they also mean that quick results cannot be assured. FCS are vulnerable to a number of internal and external shocks. Patience and continued support is needed to build resilient capacity that can be self-sustaining.

3. The IMF has recognized fragile states’ critical capacity development needs and has committed itself to giving them priority (IMF, 2014a; 2015b). A 2015 review by SPR of the IMF’s FCS work proposed that a capacity building framework be developed for fragile states, to emphasize institution-building goals, strengthen authorities’ commitment, better align CD work with country needs and capacities, and improve integration of technical assistance and surveillance work (IMF, 2015a). Six pilot cases were identified for the implementation of such a framework, and the African Department (AFR) is currently implementing a Capacity Building Framework in four countries. Similar efforts are under way in other area departments.

4. The remainder of this paper is organized as follows. Section II presents an overview of the IMF’s capacity development work. Sections III and IV focus on CD work in fragile states, discussing underlying demand and supply factors as well as issues related to the impact of this work. Section V discusses how well the IMF has collaborated with development partners in the delivery of TA, and Section VI presents a brief summary of country authorities’ views. Section VII concludes. Appendices 1–4 list the 39 fragile states that constitute the sample for this study; the IMF’s regional technical assistance and training centers; the IMF’s externally-financed capacity development funds; and the major donors to the IMF’s CD work.

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¹ The 2015 review’s call for additional resources to strengthen TA coordination did not receive support from the Executive Board. Instead, the staff sought additional donor support by identifying pilot countries for developing country-specific frameworks.
II. FEATURES OF IMF CAPACITY DEVELOPMENT WORK

A. IMF Capacity Development Policy Framework

5. The IMF Articles of Agreement provide the legal basis for the Fund’s capacity development work. Article V, Section 2(b) states that the IMF can provide, upon request, “financial and technical services” that are consistent with the IMF’s purposes as set forth in Article I. These services are voluntary for both the member and the IMF. That is, CD support is provided to country authorities only if requested, and the IMF is under no obligation to honor such requests.

6. The IMF provides member countries with capacity development support free of charge, irrespective of the recipients’ income level. The areas of its expertise include: (i) macroeconomic policy framework and management; (ii) balance of payments issues; (iii) monetary and exchange rate policies; (iv) financial stability frameworks; (v) debt and asset liability management; (vi) fiscal policy and institutional frameworks; (vii) tax and expenditure policy; (viii) revenue administration and public financial management; (ix) macroeconomic and financial statistics; (x) data dissemination standards; (xi) anti-money laundering/combating the financing of terrorism; and (xii) associated legislative frameworks.

7. The IMF delivers its own capacity development services using either staff or consultants hired on contract. It neither funds other CD providers nor delegates the delivery of CD services to independent contractors. It exercises quality control through close supervision of TA specialists by headquarters (HQ)-based IMF staff (a process known as “backstopping”) and peer review.

8. IMF capacity development services are delivered through various modalities. These include one-off technical assistance missions from headquarters and multi-year programs for an individual member country or group of countries, provided either from HQ or one of the IMF’s regional technical assistance centers (RTACs, see Appendix 2); field assignment of experts for periods ranging from days to years; training courses offered at HQ, regionally, or in the recipient country; peer-to-peer and technical workshops; and discussions conducted at or remotely from HQ.

9. The IMF Executive Board and management share oversight responsibilities for the IMF’s capacity development activities. The Board provides strategic direction and oversight through regular reviews of the IMF’s CD policies and activities, and the budget process. Within this framework, management approves individual requests for CD services from members, and establishes CD policies in some areas in consultation with the Board.

10. The high-level interdepartmental Committee for Capacity Building (CCB), chaired by a Deputy Managing Director, assists management in overseeing CD work. Every year, the Committee reviews capacity development priorities in light of member countries’ demands and overall IMF priorities, as reflected in International Monetary and Financial Committee (IMFC) communiqués, Board work programs, and the Managing Director’s Global Policy Agenda. It

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assesses the delivery of CD services against plans, and considers CD evaluation results to distill lessons. The Committee also reviews fundraising outcomes and sets related objectives. Its decisions feed into IMF-wide planning and budget discussions that are conducted in the context of departments’ accountability frameworks.

11. The IMF monitors and evaluates CD activities to ensure accountability. To monitor CD outputs, the results-based management (RBM) framework is now being applied. RBM maps the business process, the product, and the contributions of each actor, and tracks the output. To evaluate CD outcomes, the IMF utilizes a number of approaches, including: (i) IMF-wide assessments of overall policies and activities (IMF, 2013a, 2013b, 2016); (ii) departmental assessments of the impact of CD activities (IMF, 2015c; 2017); (iii) donor-mandated evaluations; and, in some cases, (iv) evaluations by the Independent Evaluation Office (IEO, 2005; 2014).

12. IMF technical assistance is financed largely through donor contributions, which made up more than 80 percent of the total field delivery in FY 2016. Donor contributions have grown in recent years, allowing the IMF to scale up its CD delivery to respond to the demands of its members, particularly low-income and lower middle-income countries with development needs. Most of the internal resources used for IMF TA are set aside for providing CD support to program cases or when quick action is needed. They are also used when IMF expertise needs to be provided in particular areas. Internal and external funds are not perfect substitutes because the use of external funds is subject to donors’ preferences for particular regions, topics, or delivery vehicles.

B. Supply of and Demand for IMF Capacity Development Services

13. As a provider, the IMF is a niche player in the global capacity building world. The global supply of CD services is difficult to estimate. There is no central agency or databank that tracks all providers, how CD is financed, or what type of CD is provided to which country. Moreover, donor agencies’ data often subsume spending on CD services within other aid spending. However, data compiled by the Organization for Economic Cooperation and Development’s Development Assistance Committee (OECD-DAC) provide some insights. In FY 2015, total IMF spending on CD work amounted to about $310 million, equivalent to roughly a quarter of the Fund’s administrative expenditure and constituting 2 percent of total OECD-DAC technical cooperation expenditure (Figure 1).

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3 The IMF began implementing RBM in 2015. RBM was first applied to all donor-financed projects and, from July 2017, extended to internally financed TA projects as well.

4 As defined by OECD-DAC, technical cooperation includes: (i) grants to nationals of recipient countries receiving education or training at home or abroad; and (ii) payments to consultants, advisers, and similar personnel as well as teachers and administrators serving in recipient countries. Assistance of this kind provided specifically to facilitate the implementation of a capital project is included as part of bilateral project and program expenditures, and is not separately identified as technical cooperation in aggregate flow data.
14. By 2017, the IMF was providing about 300 person-years of field delivery of CD support to member countries. IMF capacity development activities had undergone two major growth surges since their inception (Figure 2). The first was in the early 1990s when IMF capacity development work was expanded to serve newly joining members, especially transition economies in Europe, Asia, and Africa. The second began around 2008, following the global financial crisis. With a downsizing of the IMF, internally funded TA was constrained, so the IMF began to seek actively for donor contributions to support TA. The staff's successful fundraising efforts, and the introduction of new TA vehicles such as regional technical assistance centers and topical trust funds (see Appendix 3), allowed for continued increases in TA delivery.

15. IMF training, too, has expanded significantly in recent years, benefiting from the launching of online courses in FY 2014. The volume of training rose from about 11,000 participant-weeks (or about 7,902 participants) in FY 2013 to 14,000 participant-weeks (about 9,785 participants) in FY 2014, and then to 19,000 participant-weeks (14,478 participants) in FY 2016. Officials from emerging market economies were the largest recipients of IMF training, accounting for 54 percent of total participant-weeks, followed by officials from low-income countries (LICs) (38 percent) and advanced economies (7 percent). In FY 2016, 16 percent of the capacity development work was made up of training for member country officials, compared to 84 percent for technical assistance.

16. While IMF capacity development work has been mostly “demand-driven” (about 80 percent of TA is requested at authorities’ initiative), it is not “demand-determined” (IEO, 2013). Because it is provided free of charge, there is excess demand, so the Fund must set priorities. Total IMF spending on capacity-development work is determined taking account of broad institutional priorities and the allocation of CD services across regions and topics. During the

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5 An effective person-year of field delivery is defined as 260–262 working days of staff or expert time.
resource allocation process, the IMF’s area departments define their CD development strategies and present their priorities in regional strategy notes. Then TA-providing departments turn the priorities into deliverables by setting budget allocations.

![Figure 2. Evolution of IMF Technical Assistance, 1964–2017 (In person-years of field delivery)](image)

Notes: In person-years of field delivery; calendar years through 1990 and fiscal years thereafter; data prior to 1992 include FAD, MAE, and STA only.

Sources: Data prior to 1992 come from EBAP/93/78, pp. 36–38; 1993–97 from EBAP/99/59, Sup1, p. 19; and 1998 and onwards from IMF, Travel Information Management System (TIMS); and ICD and IEO staff calculations.

17. The Fiscal Affairs Department (FAD) is the largest provider of IMF TA and accounts for about half of the total. TA represents about three-quarters of the department’s work, and about half of it is related to enhancing member countries’ revenue performance. The largest group of recipients of IMF TA are the LICs, but a sizable amount of TA is also delivered to middle-income countries. Advanced economies also receive IMF TA, especially when they are under intense IMF program engagement or in a crisis situation, such as happened in Greece. Among regions, Africa is the largest beneficiary, reflecting its large number of LICs.

18. The IMF has delivered an increasing part of its TA through regional centers located in Côte d’Ivoire, Gabon, Ghana, Mauritius, and Tanzania for Africa; in Barbados and Guatemala for Central America and the Caribbean; in Lebanon for the Middle East; and in Fiji for small Pacific islands. The Fund also offers training courses for government and central bank officials from member countries at regional training centers in Austria, Brazil, China, India, Kuwait, Mauritius, Singapore, Tunisia, and the United Arab Emirates (see Appendix 2 for a list of regional centers).

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6 During FY 2009–16, LICs received about 47 percent of total IMF TA, emerging market economies and middle-income countries about 44 percent, and advanced economies about 7 percent.

7 Among the 12 RTACs, METAC in the Middle East serves the largest number (7) of fragile states, followed by the PFTAC (6) and the African centers—AFRITAC–Central (5), AFRITAC–West I (4), AFRITAC–South (4), AFRITAC–West II (2) and AFRITAC–East (2). See Appendix 2.
19. The IMF has stepped up its efforts to better integrate capacity development and surveillance work. In the context of IMF engagement in LICs, in 2015 an interdepartmental working group was formed to identify action items related to capacity development work. These included: (i) early and frequent involvement of country teams in TA planning, (ii) participation of country team members in TA missions or vice versa, (iii) requirement for LIC surveillance reports to provide a more comprehensive discussion of capacity limitations and capacity development activities, and (iv) making TA reports more accessible to the public.

III. IMF Capacity Development Work for Fragile States

A. Overview

20. In 2017, fragile states received about 20 percent of total IMF TA. During FY 2011–13 an increase took place in the total delivery of IMF TA, helped by the growth in donor funding, and a significant increase also took place in the delivery of TA to fragile states as a group (Figure 3a). Subsequently, total TA to FCS plateaued and the share of fragile states declined marginally, from 21 percent of total IMF TA in FY 2012 to 19 percent in FY 2016 (Figure 3b). Preliminary data for FY 2017 indicate that their share has recovered to the FY 2014 level.

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8 An interdepartmental retreat was held on December 7, 2015 to discuss the IMF’s analytical/policy and operational work on LICs. The event led to the formation of working groups for issues discussed at the retreat.

9 These figures do not include TA delivered to multiple countries or regional institutions. When such TA is allocated to specific countries, TA to fragile states declined from around 31 percent of total IMF TA in FY 2009 to around 26 percent in FY 2016, before recovering slightly to 27 percent in FY 2017.
21. Most of the increase in TA delivery to FCS during FY 2011–13 was attributable to Myanmar and South Sudan, which received special attention following their (re)engagement with the international community. Support was also stepped up in a handful of other fragile states, including Burundi, the Democratic Republic of the Congo, Guinea, Liberia, Nepal, and Togo (Figures 4a and 4b), but TA declined by a small amount for the other 31 FCS on the 2015 SPR list during FY 2011–17. It is also noticeable that Greece and Ukraine received a considerable amount of IMF TA during this period (Figure 5).

Figure 4. Country Breakdown of IMF Technical Assistance to FCS, FY 2011–17
(a) In person-years of field delivery

(b) In person-years of field delivery, cumulative

Note: The country abbreviations follow the International Standard Organization 3-digit alphabetic codes. See https://www.imf.org/external/pubs/ft/weo/2014/01/weodata/co.xlsx.
Sources: IMF, Travel Information Management System (TIMS); and ICD and IEO staff calculations.
22. During FY 2009–17, the distribution patterns of IMF TA and training for fragile states mirrored those for overall IMF TA and training. The largest shares went to Africa, where 20 out of the 39 FCS are located. FAD was the largest TA provider for FCS and overall, accounting for about 50 percent of the total (Figure 6). FAD was followed by the Monetary and Capital Markets Department (MCM), the Statistics Department (STA), and the Legal Department (LEG). The IMF increased the delivery of capacity development services to fragile states through regional training and technical assistance centers.

Sources: IMF, Travel Information Management System (TIMS); and ICD and IEO staff calculations.
23. Similar patterns could be observed for IMF training, which amounted to nearly 20,000 participant-weeks in 2017. Training provided by the IMF for FCS officials rose over FY 2009–17, but appears to have plateaued during the last two years of the period (Figure 7). In terms of percentage share as well as numbers of participants, IMF training for officials of fragile states leveled off from FY 2014 or thereabout.

![Figure 7. IMF Training for Officials of Fragile States, FY 2009–17](https://example.com/figure7.png)

**Figure 7. IMF Training for Officials of Fragile States, FY 2009–17**

*Participant-weeks; percent of total*

Sources: IMF, ICD Participant and Applicant Tracking Systems (PATS); and ICD and IEO staff calculations.

24. The technical assistance delivered to fragile states plateaued in recent years, even though demand for it remained strong. An IEO survey of IMF staff and interviews with officials indicate that FCS authorities were generally pleased with IMF capacity development support and would like to receive more of it (de Las Casas, 2018). Large needs for TA remain unmet and, as noted above, the IMF has stated its intention to expand its capacity development work. The capacity development priorities discussed by the CCB and agreed for FY 2015–17, FY 2016–18 and FY 2017–19 and IMF area departments’ regional strategy notes have all highlighted the need to scale up capacity development activities, and a similar message was echoed by IMF management in various public statements. The IMF’s commitments to helping countries progress towards the Sustainable Development Goals include providing greater capacity development support to fragile states.10

**B. Supply Constraints**

25. Multiple factors, both external and internal, limit the IMF’s supply of TA to fragile states. External factors include a heavy dependence on sometimes-volatile donor funding, as well as donor preferences and security concerns. Internal factors include concerns about the effectiveness of TA due to countries’ limitations in absorptive capacity and ownership, IMF

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policies on TA accountability, and other competing priorities that place FCS at a disadvantage compared to non-FCS in the allocation of capacity development resources.

**External factors**

**Funding sources**

26. Most TA to fragile states is developmental in nature and is externally financed (Figure 8). An important constraint on its expansion is funding. In general, the IMF now relies heavily on donor support, which may not be available for specific capacity development needs of FCS. Reliance on external funding also makes capacity development activities subject to economic and political conditions in donor countries. For example, several RTACs are now facing budgetary pressure because their contributors, some of which are also TA recipients, have not provided the resources required to maintain the activities.11

![Figure 8. IMF Technical Assistance to FCS by Funding Source, FY 2009–17](image)

27. At the same time, capacity development work for fragile states cannot easily tap into the IMF’s internal resources, which are fixed in real terms and relatively small, at about 17 percent of total capacity development outputs. As noted above, the available internal resources are largely dedicated to “curative” TA for countries facing financial crises, and have recently been accessed by higher-income countries such as Greece and Ukraine.

28. Donors have tended to give priority to certain countries and topics over others (Figure 9; Appendix 4). Preferences typically related to their historical relationship with recipient countries or their own national strategy for development aid. For example, Japan, the largest source of

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11 For example, some AFRITACs are facing budgetary constraints because their contributors (some of who are also recipient countries) are experiencing economic difficulties due to a decline in the prices of their major exports.
funding for IMF capacity development activities, in the past expressed a clear preference for Asian countries, although it has become more open to providing support to other regions. Based on OECD-DAC data on technical cooperation, other major donors, such as the European Union and the United Kingdom showed preferences for Europe and Africa; and Canada for Africa and the Caribbean. New IMF members or members re-engaging with the international community (e.g., Myanmar, South Sudan) have tended to receive more TA during the early years.

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<th>Figure 9. Technical Cooperation Contributions by Major Donors by Region, 2007–15 (In percent)</th>
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Source: OECD DAC Technical Cooperation.

29. These funding issues have diminished the IMF’s scope for prioritizing TA to FCS. While some donors have been flexible and accommodating, donor preferences do matter in the allocation of CD resources in terms of regions, topics, or vehicles (IMF, 2013a). IMF staff has recognized the need to attract more donor funds that can be used more flexibly. For instance, the Fund’s Institute for Capacity Development is increasingly moving towards more flexible “umbrella” funding arrangements that permit several CD vehicles to be financed through a single agreement. These arrangements would offer an enhanced ability to allocate funds when and where they are needed, even though they cannot get around the need to agree, in principle, on a prioritization with donors.

**Security issues**

30. Provision of capacity development services can also be constrained if IMF experts cannot visit a country due to conflict, a natural disaster, or an epidemic. Figure 10 illustrates how TA delivery has been affected by security concerns. Category-3 High-Risk Locations (HRL-3) are locations where IMF mission travel is suspended or can only take place in special circumstances with management approval. In four out of six HRL-3 countries, TA declined sharply following the outbreak of conflict or unrest. However, security concerns do not explain the overall plateauing of TA to FCS because a similar leveling-off of TA can be observed even if HRL-3 countries are excluded (Figure 11).
31. Faced with security concerns, the IMF has sometimes sustained or even increased its TA through off-site delivery. For example, TA continued in Iraq and Somalia (both HRL-3) after mission travel was suspended, and in South Sudan (HRL-2), the volume of TA even increased despite the suspension of mission travel. In Somalia and South Sudan, donor funds that were channeled through dedicated trust funds played a critical role in maintaining the delivery of capacity-development assistance, though the funds remained underutilized due to security constraints.
32. According to country officials and aid agencies, the IMF’s physical absence makes it difficult to coordinate with development partners who may still be on the ground, and providing support outside the country has limited effectiveness in developing institutional capacity because it limits the number of officials who can be trained. Having said that, offsite delivery, while not ideal, has allowed the authorities in affected countries to engage continuously with the IMF.

**Internal factors**

33. The competitive process through which the IMF has allocated TA resources to individual countries may have worked against fragile states. A large number of TA requests are received, but departments providing TA have budgetary and capacity constraints and must balance competing priorities. The process for allocating TA across the membership may have weighed against fragile states because of concerns about their absorptive capacity or ownership. Otherwise-welcome measures to enhance TA accountability may have worked against its allocation to such countries.

**Concerns about absorptive capacity**

34. Low absorptive capacity is a common problem for all LICs, but it is particularly constraining in the case of FCS. A number of staff members who were interviewed for this evaluation questioned the effectiveness of IMF TA where political instability and security problems added pressure on the already thinly stretched human capital. They also questioned the authorities’ ability to make effective use of IMF TA. In some instances, TA missions were called off because of concerns about absorptive capacity (IMF, 2010). The right pace and sequencing, as well as effective donor coordination, are key to successful TA delivery in many fragile states.

**Concerns about lack of ownership**

35. Some staff members indicated that the impact of TA had been limited by recipient countries’ weak ownership. Because TA is free of charge and requires no conditionality, authorities may request TA even when they are not fully committed to it. Some staff members suggested that authorities sometimes propose TA as a remedial action when an IMF-supported program is performing poorly and conditionality is not being met; they cited examples of countries such as Haiti where progress had been slow despite a large amount of TA.

36. Ownership is often tied to a country’s political process. Frequent turnover of senior officials and frequent changes of government are common in fragile states. Ownership may be weak in this type of environment, if officials are concerned more about keeping their jobs than implementing TA advice. The institutional knowledge gained from TA may also dissipate quickly in such circumstances.
**Accountability**

37. A greater focus on accountability is in general a welcome step, but it could put FCS at a disadvantage unless administered with sensitivity to FCS characteristics. The IMF began implementing what is known as the results-based management (RBM) framework for all externally financed TA projects in 2015 and has since extended the framework to internally financed ones as well. RBM involves setting specific milestones for the authorities to achieve by a specified date. Milestones and target dates are determined by TA experts in consultation with the authorities, and are assessed on a case-by-case basis. There is also some flexibility to account for some delays. However, the time horizon for achieving milestones is one year or less, which could be challenging for FCS. Some FCS officials indicated that while they agreed in principle with the need to strengthen accountability, capacity building took time, and on occasion they became reluctant to request TA fearing that they would be unable to meet the deadlines.

38. Priority setting by IMF area departments could have worked against FCS. Area departments, before approaching TA departments, set priorities for recipient countries based on their judgements of TA effectiveness and needs. The regional strategy notes prepared by some area departments such as AFR and APD tended to prioritize countries with a strong track record of implementing past TA advice. This prioritization process may not have fully taken account of difficulties faced by FCS in delivering timely results. Staff members working on fragile states explained that few reforms in these states could be considered "low-hanging fruit"—highlighting the need for patience in the IMF’s capacity development engagement with FCS.

**Competing priorities**

39. Unexpected events or the IMF’s competing priorities can sometimes crowd out capacity development support to FCS. The overall resource envelope is fixed in the IMF, and the Fund has no dedicated IMF capacity development policy or vehicle designed specifically for FCS. In the absence of such a policy or vehicle, capacity development support to these states could fall victim to shifting priorities.

**C. Training of Officials of Fragile States**

40. In FY 2017, FCS officials accounted for about 17 percent of the participant-weeks and numbers of participants in total IMF training (Figure 7). An external evaluation of the African Training Institute, which serves 45 countries in Sub-Saharan Africa, found that trainees from South Africa were overrepresented, while those from countries in Central and West Africa, especially the fragile states among them, were significantly underserved (OG Research, 2017). According to that evaluation, the availability of online training appears to have helped some FCS officials, but French-speaking African countries were often disadvantaged.
IV. IMPACT OF THE IMF’S CAPACITY DEVELOPMENT WORK

41. While the difficulty of delivering capacity development support to FCS is widely acknowledged, there has been little systematic attempt to evaluate its impact. A recent assessment by FAD points to a positive relationship between IMF capacity development support and an improvement in the fiscal capacity of fragile states (IMF, 2017a). In particular, FAD found that those FCS with an improved tax-to-GDP ratio during 2004–14 had been the most intensive recipients of IMF TA in revenue administration. Likewise, an improvement in public financial management outcomes was associated with IMF TA in that area. The capacity to formulate realistic budgets, essential for implementing basic fiscal policies, had improved in FCS that received IMF capacity development support.

42. Additional evidence comes from external evaluations, which have been conducted at the request of donors for some externally funded TA projects and RTACs. These evaluations vary in quality, evaluation methodology, and issues covered, but some of them shed light on how the effectiveness of IMF multi-donor TA compares between fragile and non-fragile states. Looking at the TA provided by topical trust funds, one of the evaluations found that the TA on managing natural resources wealth had been more effective for FCS than for non-FCS, but another of them found the reverse pattern: the TA on tax policy and administration had been more effective for non-fragile than for fragile states (Figure 12). It is difficult to conclude that IMF TA is less effective in FCS than in non-FCS.

Figure 12. Effectiveness of IMF TA to FCS vs. Non-FCS, 2015

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Effectiveness of Outcome Score (0-7, 7 highest)</strong></td>
<td><strong>Effectiveness of Outcome Score (0-4, 4 highest)</strong></td>
</tr>
<tr>
<td>Timor leste</td>
<td>2.7</td>
</tr>
<tr>
<td>Iraq</td>
<td>3.3</td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>4.8</td>
</tr>
<tr>
<td>Congo, DR</td>
<td>5.1</td>
</tr>
<tr>
<td>Solomon Is.</td>
<td>6</td>
</tr>
<tr>
<td>Guinea</td>
<td>6.2</td>
</tr>
<tr>
<td>Niger</td>
<td>1.8</td>
</tr>
<tr>
<td>Tanzania</td>
<td>3.2</td>
</tr>
<tr>
<td>Lao PDR</td>
<td>3.8</td>
</tr>
<tr>
<td>Uganda</td>
<td>4.0</td>
</tr>
<tr>
<td>Mozambique</td>
<td>4.8</td>
</tr>
<tr>
<td>Mongolia</td>
<td>5.0</td>
</tr>
<tr>
<td>Andean region</td>
<td>5.8</td>
</tr>
<tr>
<td>Mauritania</td>
<td>6.2</td>
</tr>
<tr>
<td>Peru</td>
<td>6.3</td>
</tr>
</tbody>
</table>


12 The results favorable to FCS could in part reflect the arbitrary nature of the demarcation between FCS and non-FCS: some non-FCS in the sample were former FCS and two FCS became non-FCS during the sample period (2011–14), according to the World Bank definition. The results could also mean that the challenges all LICs face are similar irrespective of whether they are FCS or non-FCS.
43. As highlighted in the country case studies for this evaluation and in interviews with FCS officials and IMF staff, there are steps the IMF could take to enhance the impact of its capacity development work in FCS. These include greater integration of capacity development work with surveillance, more frequent follow-ups, and deployment of long-term resident experts.

44. Although follow-up has improved in some countries such as Sierra Leone, the evaluation case studies indicate that follow-up is still insufficient in others, such as Cambodia or Iraq. An independent evaluation of AFRITAC Central noted instances where aide memoires did not even mention follow-up support (Consulting Base, 2016). External evaluations of other regional technical assistance centers and topical trust funds echoed a similar message, highlighting the need for follow-up support to improve the impact of IMF TA (Consulting Base, 2013a, 2013b, 2015, 2016; Ecorys, 2014).

45. An important aspect of follow-up relates to the role of long-term resident advisers. TA delivery has recently shifted towards visits by short-term experts based at regional TA centers, away from long-term advisors residing in the country (Figure 13a). IMF staff members explained to the evaluation team that the shift was related to concerns that (i) countries could become overly dependent on long-term advisors while failing to develop local capacity; (ii) long-term advisors could become too close to the country authorities, thus assuming a political role instead of remaining independent, and (iii) long-term advisors, being away from IMF HQ, could lose touch with the most up-to-date information and cross-country experience.13

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**Figure 13. Modes of IMF Technical Assistance Delivery**

(a) IMF TA to FCS by LTX and via RTACs, FY 2012–17  
(In person-years of field delivery)  

(b) Survey of FCS Authorities by SPR, 2015  
(In percent of total respondents)

Notes: LTX = long-term resident experts; RTAC = regional technical assistance center; SPR = IMF Strategy, Policy, and Review Department.  
Sources: SPR, ICD, and IEO staff estimates.

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13 The issue of short-term versus long-term experts was discussed in the 1999 review of IMF TA prepared by the Office of Internal Audit.
46. FCS officials, on their part, expressed a clear preference for long-term resident advisors, according to a survey conducted by SPR in 2015 and interviews by the IEO for this evaluation (Figure 13b). There was almost unanimous agreement among officials interviewed by the IEO that more such advisors were needed. They viewed these advisors as critical in providing implementation support by “hand-holding,” and emphasized the strong training component of the advisors’ TA work. In contrast, they said, short-term visiting experts could provide only limited follow-up support. Given countries’ limited capacity, once a visiting expert left the country, local staff might not be able to follow up the TA advice in the face of obstacles.

47. External evaluations have generally concurred with these views. One noted, for example, that the RTAC model was generally not suitable for countries that required hands-on implementation support (Consulting Base, 2016). Another, while noting the frequent lack of coordination across different types of IMF TA, stressed the importance of having long-term, well-integrated, and properly-sequenced TA support, especially in the case of FCS (Ecorys, 2014).

48. FCS officials remarked on the most relevant qualifications required of long-term resident advisers, stating that they especially valued these experts’ practical experience in dealing with similar problems elsewhere in the region. They highlighted the importance of strong interpersonal and communication skills and the willingness to adapt to local conditions. They preferred regional experts who understood local problems but were also familiar with best international practice, with competency in language and information technology.

49. Although staff reports for Article IV consultations would be an ideal vehicle to discuss these and other implementation issues in the context of a specific country, and bring them to the attention of the Executive Board and thus IMF shareholders, the IEO has found these reports to contain little systematic discussion of capacity development priorities, strategies, or difficulties. They appear to treat fragile states like any other country, with little focus on their unique challenges and vulnerabilities.

V. COORDINATION WITH OTHER TA PROVIDERS

50. For most TA activities, no formal coordination mechanism exists whereby the IMF staff communicates with other TA providers to exchange information and to avoid duplication of TA work that could lead to gaps, overlaps, and inconsistency in advice.\(^\text{14}\) While practice has varied from country to country, the staff generally did not know ahead of time who else might be involved in providing TA even in public finances, where the IMF’s technical expertise and leadership role is widely acknowledged. Lack of coordination is a general feature of IMF TA, but FCS would benefit the most from better coordination, given their limited absorptive and implementation capacity.

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\(^\text{14}\) In the case of TA on anti-money laundering/combating financing for terrorism, the Legal Department (LEG) meets regularly with regional bodies and other TA providers.
51. Somalia is an example where IMF technical assistance efforts duplicated those of the World Bank in revenue mobilization (see case study on Somalia, Chapter 8, in Takagi and others, 2018a). In Kosovo, coordination with other TA providers was hampered by timing and scheduling issues involving multiple providers. In Haiti, a large amount of donor support became available following the 2010 earthquake, and multiple development agencies competed to provide it. In some instances in Haiti, other agencies provided TA in the fiscal area where the IMF had operated, and the quality of TA proved to be inadequate (Chapter 4, Takagi and others, 2018b).

VI. AUTHORITIES’ VIEWS EXPRESSED TO THE IEO

52. Most officials who were interviewed were pleased with IMF TA and expressed a desire to receive more. They valued the knowledge demonstrated by experts, their professionalism, and the usefulness of their advice, stating that the IMF compared well with other sources of TA. In addition, the Fund had responded promptly and effectively to their TA needs, especially in the immediate post-conflict period.

53. At the same time, they felt that IMF TA would benefit from a longer-term orientation, a more explicit multi-year strategy, greater outreach to senior policy makers and politicians to bring them on board with a reform agenda, and more implementation support, including through greater deployment of long-term advisors. Some also noted that the level of IMF TA had been too sophisticated at times and needed to be better tailored to country-specific circumstances, which could in some cases mean adopting “second-best” solutions. Training needed to be less technical and more policy-focused.

54. FCS officials explained that IMF TA was not actually “free” to the recipients, as it involved committing human and other resources to absorption and implementation. Qualified human resources were scarce, and, in this context, out-of-the-country TA and training was particularly costly. It took key officials away from their normal work, disrupting daily government operations. They stressed the benefits of TA and training over the long run, but noted that it needed to be delivered on the ground, including through long-term resident advisers.

VII. CONCLUSION

55. The IMF has developed a robust institutional framework for its capacity development work, but it lacks a long-term strategy dedicated to meeting the special needs and challenges of fragile state members in this area. This in part explains why, despite its public statement characterizing capacity development work as the “front and center” of its engagement with FCS, the volume of technical assistance provided to these states recently plateaued in the face of competing demands and supply-side constraints. On their part, FCS officials are generally pleased with the quality of IMF TA and would like to receive more, with a clear preference for long-term resident experts. Formulation and implementation of a dedicated capacity development strategy for fragile states could help enhance the delivery and impact of IMF capacity development support to these IMF members, through a forward-looking orientation,
better prioritized allocation of capacity development resources, realistic application of results-based management, greater field presence, and better coordination with other TA providers.
APPENDIX 1. 2015 LIST OF FRAGILE STATES AS IDENTIFIED BY THE IMF
STRATEGY, POLICY, AND REVIEW DEPARTMENT

Africa
Angola, Burundi, Central African Republic, Chad, Comoros, Democratic Republic of the Congo, Côte d’Ivoire, Eritrea, Guinea, Guinea-Bissau, Liberia, Madagascar, Malawi, Mali, Republic of the Congo, Sao Tome & Principe, Sierra Leone, South Sudan, Togo, Zimbabwe

Asia-Pacific
Kiribati, Marshall Islands, Micronesia, Myanmar, Nepal, Solomon Islands, Timor-Leste, Tuvalu

Europe
Bosnia & Herzegovina, Kosovo

Middle East and Central Asia
Afghanistan, Iraq, Libya, Somalia, Sudan, Syria, West Bank & Gaza, Yemen

Western Hemisphere
Haiti

APPENDIX 2. IMF REGIONAL CAPACITY DEVELOPMENT INITIATIVES

The IMF operates a network of regional capacity development centers and training programs that help discharge its capacity development mandate in its member countries. Regional technical assistance centers (RTACs) are financed by member and host countries, external development partners, and the IMF. Their activities are complemented by IMF-managed thematic funds.

Africa

Six regional centers in Africa form part of the IMF’s Africa Capacity Building Initiative. Current partners include the European Union, the United Kingdom, Luxembourg, the Netherlands, China, Australia, the African Development Bank, France, Canada, Germany, Korea, the European Investment Bank, and Russia.

- Africa Regional Technical Assistance Center (AFRITAC) East, based in Dar es Salaam, Tanzania, was established in 2002 to serve Eritrea, Ethiopia, Kenya, Malawi, Rwanda, Tanzania, and Uganda.

- AFRITAC West, based in Abidjan, Côte d’Ivoire, was established in 2003 to serve Benin, Burkina Faso, Côte d’Ivoire, Guinea-Bissau, Mali, Mauritania, Niger, Senegal, and Togo.

- AFRITAC Central, based in Libreville, Gabon, was established in 2007 to serve Central African Economic and Monetary Community (CEMAC) countries: Gabon, Cameroon, Chad, Republic of the Congo, Central African Republic, and Equatorial Guinea, as well as Burundi and the Democratic Republic of the Congo.

- AFRITAC South, based in Mauritius, was established in 2011 to serve Angola, Botswana, Comoros, Lesotho, Madagascar, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Zambia, and Zimbabwe. It is co-located and jointly managed with the Africa Training Institute (see below).

- AFRITAC West 2, based in Accra, Ghana, was established in 2013 to serve the English and Portuguese-speaking members of the Economic Community of West African States (ECOWAS): Cabo Verde, The Gambia, Ghana, Liberia, Nigeria, and Sierra Leone.

- The Africa Training Institute, opened in Mauritius in June 2013, conducts hands-on training and regional workshops for officials from 45 Sub-Saharan African countries. Financial support is provided by Mauritius, China, Korea, Australia, Seychelles, Angola, and Togo.

Asia-Pacific

- The Pacific Financial Technical Assistance Center (PFTAC), established in Suva, Fiji, in 1993, supports 16 Pacific island countries and territories: The Cook Islands, Federated States of
Micronesia, Fiji, Kiribati, Marshall Islands, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tokelau, Tonga, Tuvalu, and Vanuatu. Current external partners include New Zealand, Australia, the European Union, Korea, the Asian Development Bank, and the PFTAC member countries.

- The IMF-Singapore Regional Training Institute (STI) was established in Singapore in 1998 as a joint initiative with the government of Singapore. The STI works closely with other IMF capacity development providers in the region, including the Technical Assistance Office for Lao PDR and the Union of the Republic of Myanmar (TAOLAM), the South East Asian Central Banks’ (SEACEN) Research and Training Centre, PFTAC, and the South Asia Regional Training and Technical Assistance Center. Financing for the STI is provided by Singapore and Japan, with additional support from Australia.

- The South Asia Regional Training and Technical Assistance Center (SARTTAC), which began operations in January 2017, is the first center to fully integrate training and technical assistance. Located in New Delhi, India, SARTTAC works with Bangladesh, Bhutan, India, Maldives, Nepal, and Sri Lanka. Member countries finance two-thirds of the center’s budget, with additional funding from the European Union, Korea, the United Kingdom, and Australia.

- In May 2017, the People’s Bank of China and the IMF signed a Memorandum of Understanding to establish a new China–IMF Capacity Development Center (CICDC) to help officials from China and other countries, including from those associated with the “Belt and Road” Initiative, to build economic institutions and foster human capacity development. The CICDC will be anchored in Beijing and support activities both inside and outside China. Its precursor, the Joint China–IMF Training Program (CTP) was established in 2000 with the People’s Bank of China to provide policy-oriented training in economics and related fields for officials from China. Most of the financing for the CTP was provided by China.

**Europe and Central Asia**

- The Joint Vienna Institute (JVI) was established in 1992 by the IMF, Austria, and several other international institutions. In cooperation with the JVI, the IMF and the Ministry of Finance of Georgia have established the Georgia Training Program to increase training for eight Caucasus and Central Asian countries. Financial support for the JVI is mainly provided by its primary members, Austria and the IMF.

**The Middle East**

- The Middle East Regional Technical Assistance Center (METAC) was established in Beirut, Lebanon, in 2004 to serve Afghanistan, Algeria, Djibouti, Egypt, Iraq, Jordan, Lebanon, Libya, Morocco, Sudan, Syria, Tunisia, West Bank and Gaza, and Yemen. Current partners include Germany, Switzerland, France, the European Union, the Netherlands, Lebanon (the host country), and the METAC member countries.
• The Middle East Center for Economics and Finance (CEF) started operations in 2011 to serve Arab League member countries, and is hosted and fully funded by Kuwait through the Kuwait Investment Authority. The CEF has partnered with the Arab Monetary Fund to conduct training activities in various Arab countries, and with Bank Al-Maghrib to conduct training in Morocco.

The Western Hemisphere

• The Caribbean Regional Technical Assistance Center (CARTAC) was established in Bridgetown, Barbados in 2001 to serve 21 Caribbean countries and territories: Anguilla, Antigua and Barbuda, Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Curacao, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago, and Turks and Caicos. Aruba and Sint Maarten are considering joining CARTAC in 2017. Funding for the current program cycle is provided by Canada, the United Kingdom, the European Union, and the host and member countries.

• The Central America, Panama, and the Dominican Republic Regional Technical Assistance Center (CAPTAC-DR) began operations in June 2009 in Guatemala City, Guatemala, to serve Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and Panama. Its current program cycle is supported by the European Union, Canada, Mexico, Luxembourg, and the Center’s member countries. The center collaborates with the Inter-American Development Bank.

• The Joint Regional Training Center for Latin America (Brazil Training Center) was established in 2001 to host training on macroeconomic and financial analysis and policies, fiscal management, and statistics for Latin American officials. A joint venture with Brazil’s Central Bank (through its training arm, UniBC), the center also serves as a platform to disseminate policy experiences and challenges.
APPENDIX 3. IMF CAPACITY DEVELOPMENT FUNDS

The IMF finances its capacity development delivery both from its own resources and from external donor contributions channeled through thematic and regional or country vehicles ("capacity development funds"), in which donors and the IMF partner in capacity development planning and delivery. These capacity development funds are explained below.

**Thematic Funds**

*Improving revenue mobilization, fiscal and natural resource management*

- **Revenue Mobilization Trust Fund (RMTF),** launched in 2011 to support low-income and lower middle-income countries in designing and administering effective tax systems.
- **Tax Administration Diagnostic Assessment Tool (TADAT),** launched in 2014 to provide an objective and standardized performance assessment of a country’s tax administration system.
- **Managing Natural Resource Wealth (MNRW),** launched in 2011, has supported 19 countries in their efforts to mobilize and manage their natural resource wealth effectively.

*Promoting financial sector stability and access, and addressing debt issues*

- **Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT),** established in 2009 to support countries as they strengthen the integrity and stability of their financial sector.
- **Financial Sector Stability Fund (FSSF),** launched in late 2017 to support low- and lower middle-income countries as they assess and address risks and vulnerabilities in the financial sector.
- **Debt Management Facility II (DMF II),** launched in 2014 as a joint IMF–World Bank fund to build on the success of DMF I; it assists authorities to strengthen their debt management, actively plan for future debt transactions, and ensure that their debt levels are sustainable.
- **Financial Sector Reform Strengthening Initiative (FIRST),** established in 2002 as a joint IMF–World Bank fund to promote financial sector development in low- and middle-income countries.

*Strengthening economic decision making through better statistics*

- **Data for Decisions (D4D).** Beginning April 2018, it will help low- and lower middle-income countries develop necessary infrastructure to compile and report on Sustainable Development Goals (SDG) indicators.

**Country Funds**

Two country funds support **South Sudan** (established in 2012) and **Somalia** (2015) as they strengthen their operating and technical capacity to improve their institutions to be more effective, transparent, and accountable.
## APPENDIX 4. TOP TWENTY DONORS TO IMF CAPACITY DEVELOPMENT, FY 2010–16

(In millions of US dollars)

<table>
<thead>
<tr>
<th>Donor</th>
<th>Regional CD Centers (RTACs/RTC)</th>
<th>Thematic Funds</th>
<th>Bilateral</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>--</td>
<td>3.2</td>
<td>209.7</td>
<td>212.9</td>
</tr>
<tr>
<td>European Union</td>
<td>103.8</td>
<td>15.9</td>
<td>32.5</td>
<td>152.2</td>
</tr>
<tr>
<td>Canada</td>
<td>38.5</td>
<td>4.8</td>
<td>54.5</td>
<td>97.8</td>
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<tr>
<td>United Kingdom</td>
<td>41.9</td>
<td>8.5</td>
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<tr>
<td>Switzerland</td>
<td>11.0</td>
<td>20.9</td>
<td>37.9</td>
<td>69.9</td>
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<td>Kuwait</td>
<td>47.4</td>
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</tr>
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<td>Austria</td>
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<td>40.0</td>
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<tr>
<td>Netherlands</td>
<td>9.8</td>
<td>10.9</td>
<td>13.6</td>
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<tr>
<td>Australia</td>
<td>25.4</td>
<td>5.3</td>
<td>1.6</td>
<td>32.3</td>
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<tr>
<td>Mauritius</td>
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<td>--</td>
<td>0.7</td>
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<tr>
<td>Norway</td>
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<td>14.7</td>
<td>8.6</td>
<td>23.2</td>
</tr>
<tr>
<td>Germany</td>
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<td>6.2</td>
<td>3.4</td>
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<tr>
<td>Singapore</td>
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<td>--</td>
<td>0.1</td>
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<td>Belgium</td>
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<td>4.1</td>
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<td>Mexico</td>
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<td>--</td>
<td>10.0</td>
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<td>Luxembourg</td>
<td>4.4</td>
<td>4.8</td>
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<tr>
<td>African Development Bank</td>
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<td>--</td>
<td>9.0</td>
</tr>
<tr>
<td>New Zealand</td>
<td>8.8</td>
<td>--</td>
<td>--</td>
<td>8.8</td>
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<tr>
<td><strong>Grand Total</strong></td>
<td><strong>415.5</strong></td>
<td><strong>105.7</strong></td>
<td><strong>425.6</strong></td>
<td><strong>946.7</strong></td>
</tr>
</tbody>
</table>

Notes: RTAC = regional technical assistance center; RTC = regional training center.
Includes total received contributions, net transfers, and returns to donors.
Source: Capacity Development Information Management System (CDIMS), adjusted for regional training center (RTC) costs covered directly by host countries for the period FY 2010–16, which are not reflected in IMF accounts.
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