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REVIEW OF IMPLEMENTATION OF IMF COMMITMENTS IN SUPPORT OF THE 2030 AGENDA FOR SUSTAINABLE DEVELOPMENT

EXECUTIVE SUMMARY

The IMF is committed to supporting implementation of the 2030 development agenda. The IMF's primary contribution to global development is to deliver on its mandate to help maintain macroeconomic and financial stability at both the global and national levels. The IMF also supports the development agenda through targeted support for national policies—via policy advice and support for capacity development (CD) in areas where it has specialist expertise.

In 2015, the IMF made a series of commitments to intensify its support for the 2030 development agenda (IMF, 2015a, 2015b, 2015c, 2015d). This paper takes stock of the progress made in implementing these commitments and other relevant post-2015 initiatives, while drawing some general lessons from the experience.

The implementation record to date, some 3½ years after adoption of the Sustainable Development Goals (SDGs), can be summarized as follows:

- *Increased support for countries' efforts to boost domestic revenue mobilization:* The annual volume of technical support for building tax systems in FY2016–18 was some 28 percent higher than in FY 2013–15; coverage of taxation issues (both domestic and international) in Article IV consultations has also increased markedly.
- *Infrastructure Policy Support (IPS):* The IPS initiative supports state capacity building in managing public investment and public debt; detailed diagnostic assessments have been undertaken in over 50 countries, while support for developing medium-term debt strategies has been provided in 21 countries.
- *Intensified analytical and operational engagement on inclusion issues:* The volume of analytical/policy work on economic inclusion (income and gender inequalities, financial inclusion) has steadily increased; inclusion has featured as a policy issue in Article IV consultations with almost half of the IMF's member countries; and inclusion-related issues have also featured in IMF-supported programs.
- *Support development of domestic financial markets:* Annual technical support on financial sector issues rose by 12 percent from FY2013–15 to FY2016–18, with most assistance going to lower-income countries.

- *Support for fragile and conflict-affected states (FCS):* Technical support for FCS is rising, accounting for about one-quarter of all IMF CD support. Improving effectiveness of IMF engagement in FCS is a work-in-progress, with a 2018 plan being implemented to address key areas where results can be improved.
- *Support for macroeconomic data compilation and dissemination:* The scale of support for statistical capacity development has increased by about one-third since 2014; further support for low and lower-middle income countries is to be provided under the donor-financed Data for Decisions (D4D) initiative.
- *Strengthening the financial safety net for developing countries:* Key actions include a 50 percent increase in access to IMF concessional resources in 2015, with another increase anticipated by end-May; enhanced collaboration with Regional Financial Arrangements; and completion of Quota/Governance reforms in 2016.
- *Engagement on climate change issues:* IMF actions have focused on (i) advice on measures to contain carbon emissions (energy price reform, carbon pricing) and (ii) policy work on how to support countries vulnerable to natural disasters, now moving to the implementation phase.
- *New initiatives.* Since 2015, the IMF has undertaken other initiatives supporting the 2030 development agenda, including (i) a 2018–19 SDG costing exercise to identify the additional spending needed to meet key SDGs in developing countries; (ii) scaled-up engagement on governance/corruption issues, tackling a key barrier to inclusive growth; and (iii) extensive advocacy activities in support of the agenda by IMF Management (such as Lagarde, 2018).

The paper also draws lessons from the implementation of the various initiatives to date. Cross-cutting messages include (i) the importance of maintaining country ownership of reform programs over time; (ii) the need to work with a medium-term time frame when seeking to build institutional capacity; and (iii) the importance of strategic coordination across development partners operating in a sector, with a clear division of labor and responsibilities.

Looking forward, the IMF is committed to continue its support for countries pursuing the 2030 development agenda within its current aggregate spending envelope. The surge of support in recent years was facilitated by increased financing from bilateral donors; a levelling off in the scale of externally-financed activities is envisaged to maintain the high quality of IMF assistance. Attention will therefore shift to generating more from existing resources through better prioritization of projects, operationalizing the lessons learned from recent experience, and making full use of the new results-based management system to maximize the impact of IMF technical support.

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Acronyms

AAAA	Addis Ababa Action Agenda
ACES	Analytic Costing and Estimation System
AEs	Advance Economies
ASEAN	Association of Southeast Asian Nations
BEPS	Base Erosion and Profit Shifting
BOP	Balance of Payments
CBF	Capacity Building Framework
CBS	Central Bank of Somalia
CCPA	Climate Change Policy Assessment
CD	Capacity Development
CEMAC	Central African Economic and Monetary Community
CPI	Consumer Price Index
CwA	Compact with Africa
D4D	Data for Decisions Initiative
DFID	Department for International Development
DIG	Debt-Investment Growth Model
DSA	Debt Sustainability Assessments
DRM	Domestic Revenue Mobilization
e-GDDS	Enhanced General Data Dissemination System
EMs	Emerging Market Economies
FARI	Fiscal Resource of Analysis Industries
FAS	Financial Access Survey
FCL	Flexible Credit Line
FCS	Fragile and Conflict-Affected States
FfD	Financing for Development
FSAP	Financial Sector Assessment Program
FSSR	Financial Sector Stability Reviews
G20	Group of Twenty
GFSN	Global Financial Safety Net
GRA	General Resources Account
HIPC	Heavily Indebted Poor Countries
HQ	Headquarter
ICD	Institute for Capacity Development
IDA	International Development Association
IEO	Independent Evaluation Office
IMF	International Monetary Fund
IPCC	Inter-Governmental Panel on Climate Change
IPS	Infrastructure Policy Support
IPSI	Infrastructure Policy Support Initiative
LICs	Low-Income Countries
LIDCs	Low-Income Developing Countries

LIC-DSF	Debt Sustainability Framework for Low-Income Countries
MNRW	Managing Natural Resources Wealth Thematic Fund
MTDS	Medium-Term Debt Strategy
MTRS	Medium-Term Revenue Strategies
NSDPs	National Summary Data Pages
OECD	Organization for Economic Co-operation and Development
ODA	Official Development Assistance
PFM	Public Financial Management
P-FRAM	PPP Fiscal Risk Assessment Model
PIMA	Public Investment Management Assessment
PLL	Precautionary and Liquidity Line
PPPs	Public-Private Partnerships
PRESS	Partner Report on Support to Statistics, Paris21
PRGT	Poverty Reduction Growth Trust
RA-FIT/ISORA	Revenue Administration Fiscal Information Tool
RA-GAP	Revenue Administration Gap Analysis Program
RBM	Results-Based Management
RFAs	Regional Financial Arrangements
RMTF	Revenue Mobilization Thematic Fund
RTAC	Regional Technical Assistance Center
SDGs	Sustainable Development Goals
SDGEM	Stochastic Dynamic General Equilibrium Model
SDR	Special Drawing Rights
SMP	Staff-Monitored Program
TA	Technical Assistance
TADAT	Tax Administration Diagnostic Assessment Tool
TIMS	Travel Information Management System
TPAF	Tax Policy Diagnostic Framework
UN	United Nations
UNFCCC	UN Framework Convention on Climate Change
WB	World Bank
WBG	World Bank Group
WEO	World Economic Outlook
WoRLD	IMF World Revenue Longitudinal Dataset

INTRODUCTION

1. In 2015, the international community reached agreement on the key elements of the 2030 development agenda. In July, the Third United Nations (UN) Conference on Financing for Development (FfD) in Ethiopia concluded with agreement on the *Addis Ababa Action Agenda* (AAAA) (UN 2015), aimed at addressing the challenges of financing and creating an enabling environment for sustainable development. In September, the UN General Assembly adopted the Sustainable Development Goals (SDGs) to be achieved by 2030—a set of 17 interrelated global goals linked to achieving inclusive economic development in an environmentally sustainable manner. In December, the parties to the UN Framework Convention on Climate Change (UNFCCC) reached an agreement (the Paris Agreement) on intensifying actions to combat climate change and ensure a sustainable low carbon future—with the central aim of keeping the global temperature increase in this century to well below two degrees Celsius above pre-industrial levels—while increasing the ability of countries to deal with the impact of climate change, including through financial flows.¹

2. In 2015, the IMF, focusing on areas within its mandate, examined the key issues and policy actions that would be needed to support implementation of the 2030 development agenda (IMF, 2015a, 2015b, 2015c, 2015d), distinguishing between actions to be taken at the *national* and *international* levels. Priorities at the *national level* included: ensuring macroeconomic stability; strengthening domestic revenue mobilization; deepening domestic financial markets; attracting foreign private finance; scaling up public investment in a fiscally sound manner; promoting economic inclusion; and actions to ensure environmental sustainability. Priorities at the *international level* included: providing a resilient global economic and financial environment; strengthening international tax cooperation; facilitating broad-based trade liberalization; boosting official development assistance, while ensuring that aid flows are better targeted toward the poorest countries; and actions to lower the cost of remittance transfers.

3. The IMF, as part of its core business, has long been active in working with individual member countries in most of these policy areas and in supporting policy cooperation across its membership to maintain global economic and financial stability. (For a description of how IMF activities map into support for the 2030 development agenda, see Appendix I). The primary task for the IMF in supporting the 2030 development agenda is therefore to continue implementing its mandate and work agenda while taking account of changing circumstances and new challenges. That said, the 2015 Board papers identified several areas where the IMF should strengthen its support for its developing country members in achieving sustainable development,² including:

¹ In addition, the Sendai Framework for Disaster Risk Reduction was adopted by UN member states at the World Conference on Disaster Risk Reduction, held in Japan in March 2015.

² Developing countries here refers to all countries that are not “higher income countries” in the World Bank classification system, a usage adopted in IMF (2015a) to align with UN usage. Within the developing country group, we distinguish between (i) low-income developing countries (LIDCs) and (ii) other countries—the latter with higher income levels than LIDCs, most of whom are viewed as emerging market economies (EMs) (see Appendix II). Given their systemic size, China and India are excluded from the statistical aggregates.

- a) increase support for countries' efforts to boost domestic revenue mobilization, with more engagement on international tax issues of relevance for developing countries;
- b) increase assistance, through a package of tools, for countries seeking to address large infrastructure gaps without imperiling medium-term public debt sustainability;
- c) intensify engagement on policy issues affecting inclusion where macro-critical, bringing associated policy advice into IMF operational work;
- d) strengthen support for the development of domestic financial markets;
- e) enhance support for fragile and conflict-affected states (FCS), both in operational work and through capacity-building assistance;
- f) enhance technical support for macroeconomic data collection and dissemination; and
- g) improve the financial safety net for developing countries.

4. The Managing Director, in a statement on the role of the IMF in addressing climate change (IMF 2015c), identified several areas where the IMF could support member countries in dealing with the macroeconomic challenges of climate change. These included: (i) providing technical assistance (TA)/training in fuel tax design and energy price reform, to help countries meet carbon containment commitments; (ii) integrating natural disaster risks and preparedness strategies, where macro-critical, into economic frameworks and policy analysis; (iii) helping countries incorporate climate adaptation strategies into medium-term fiscal frameworks; and (iv) working with relevant international agencies to encourage consistent climate-related disclosures and stress testing for the financial sector and consistent prudential standards for the insurance sector.

5. Since 2015, the IMF has undertaken several new initiatives of direct relevance for supporting the 2030 development agenda. Examples include: (i) developing and piloting an approach to quantify the fiscal costs of achieving key SDGs; (ii) adopting a framework to assess corruption vulnerabilities across the membership and inform the provision of concrete policy advice on tackling these vulnerabilities; (iii) supporting the Compact with Africa (CwA), a 2017 G20 initiative aimed at boosting private investment and improving infrastructure provision in Africa; and (iv) advocacy activities in support of the agenda by IMF management.

6. This paper reviews the progress made in implementing the various commitments and initiatives listed above and seeks to draw some lessons for future work. The next section provides the wider economic context for the discussion, looking at the evolution of growth prospects of developing countries since 2015 and flagging some important emerging trends. The main section of the paper examines the track record of implementing these commitments/initiatives; it also highlights cases where national authorities have made effective use of this IMF support to advance development objectives. The last section contains conclusions and lessons, drawing on the experience with implementation.

THE ECONOMIC LANDSCAPE AND CHALLENGES

7. Economic developments in developing countries since 2015 have been less favorable than anticipated, with growth also markedly lower than in the 2010–15 period (Table 1). The shortfall relative to expectations has been concentrated among commodity exporters (notably oil exporters), where the adjustment to lower export prices was more difficult than anticipated—in part because of sluggishness in implementing required fiscal and exchange rate adjustments (Figure 1). The shortfalls in growth in fragile states were also large, underscoring the special difficulties of achieving the 2030 development goals in post-conflict and fragile situations.

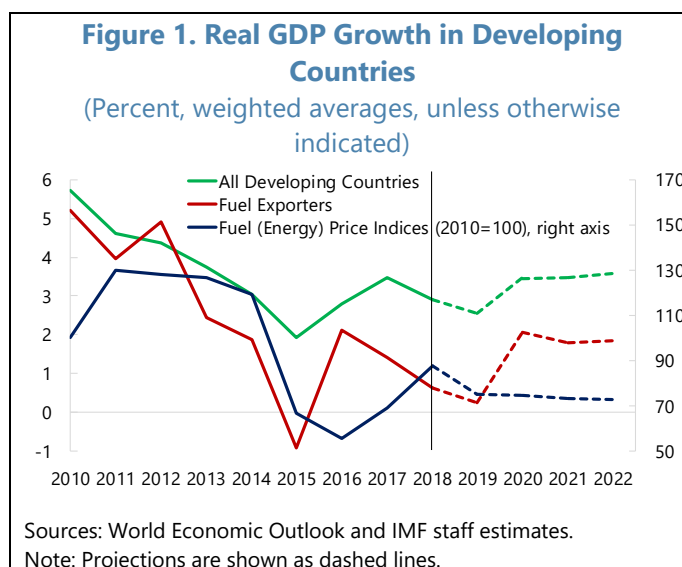


Table 1. Expected versus Realized Growth¹
(Percent, PPP-GDP weighted averages)

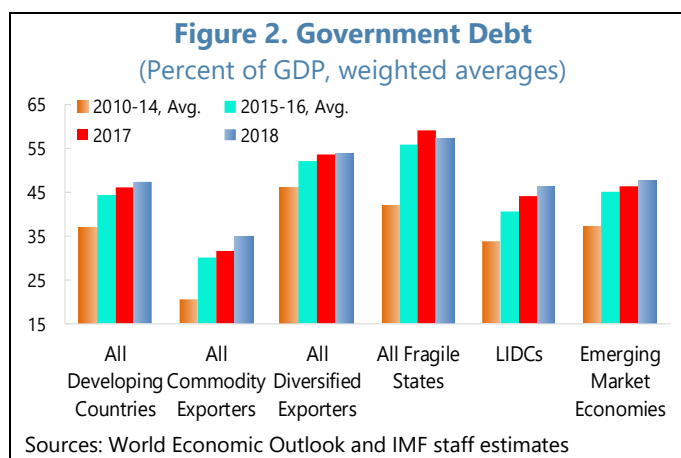
	Real GDP Growth					GDP Growth Per Capita	
	Average Annual Growth			Cumulative Growth		Cumulative Growth	
	2010-15	2015-18 (Fall 2015) Projection	2015-18 Current	2015-20 (Fall 2015) Projection	2015-20 Current	2015-20 (Fall 2015) Projection	2015-20 Current
Growth (percent)							
Global	4.0	3.6	3.6	22.3	19.0	17.3	16.3
Developing countries	3.9	3.2	2.8	21.2	16.5	13.8	9.9
EMs	3.6	2.7	2.5	18.7	14.7	12.2	8.8
LIDCs	5.7	5.7	4.4	34.9	26.0	22.5	15.9
Developing commodity exporters	3.1	2.1	1.2	15.9	8.9	7.8	0.6
Fuel exporters	2.9	1.7	0.8	13.8	6.9	6.6	-1.1
Non-fuel exporters	4.1	4.0	3.1	25.0	17.4	13.2	7.7
Developing diversified exporters	4.3	3.7	3.6	24.0	20.4	17.0	14.8
All fragile states	5.1	5.2	3.6	33.7	22.3	20.0	10.2
Commodity exporters	5.0	4.8	3.2	32.5	21.6	16.5	6.3
Diversified exporters	5.3	6.0	4.3	36.5	23.5	28.1	18.3

Sources: World Economic Outlook (October 2015 and March 2019).

¹ China and India are excluded from the list of developing countries.

8. Lower-than-expected growth has been accompanied by rising public debt levels (Figure 2). The ramping up of public sector debt has been a broad-based phenomenon across

developing economies.³ The increase has been most marked in commodity exporters and fragile states but is observed across all country categories. In many countries, higher debt levels reflect the scaling-up of public investment to boost growth; but there are also numerous cases where the debt build-up reflects a drop in public savings (i.e., borrowing to support current consumption, rather than to promote medium-term growth).⁴



9. Financial flows to developing countries have shown some growth in recent years but remain below the levels of 2012–13 (Figure 3). Official development assistance (ODA) to developing economies as a group has increased in real terms from 2012, boosted by contributions from non-DAC donors and outlays on refugees hosted in donor countries.^{5,6} ODA flows to LIDCs as a share of recipient GDP have been declining since 2010, but with a modest up-tick in 2017. Remittances have been increasing both in real terms and as a share of recipient GDP in emerging market economies, while showing little change relative to GDP in LIDCs. In the aggregate, capital flows to developing economies remain below 2012–13 levels, reflecting the marked fall off in portfolio and other non-FDI flows in ensuing years.

10. Looking ahead, the recent global growth expansion is expected to weaken, and downside risks have risen. Risks include escalation of trade tensions and the associated increases in policy uncertainty, rapid tightening of global financial conditions, weaker than expected global growth, and cyberattacks on financial infrastructure disrupting the financial sector (IMF, 2019b).

11. The rising rate of automation is a long-term force that could pose a significant challenge to developing economies in generating employment and ensuring growth is inclusive. Automation, by increasingly substituting capital for labor in routine tasks, has been identified as one of the key forces behind the declining share of labor income as well as the increasingly unequal distribution of labor income itself (IMF, 2017a).⁷

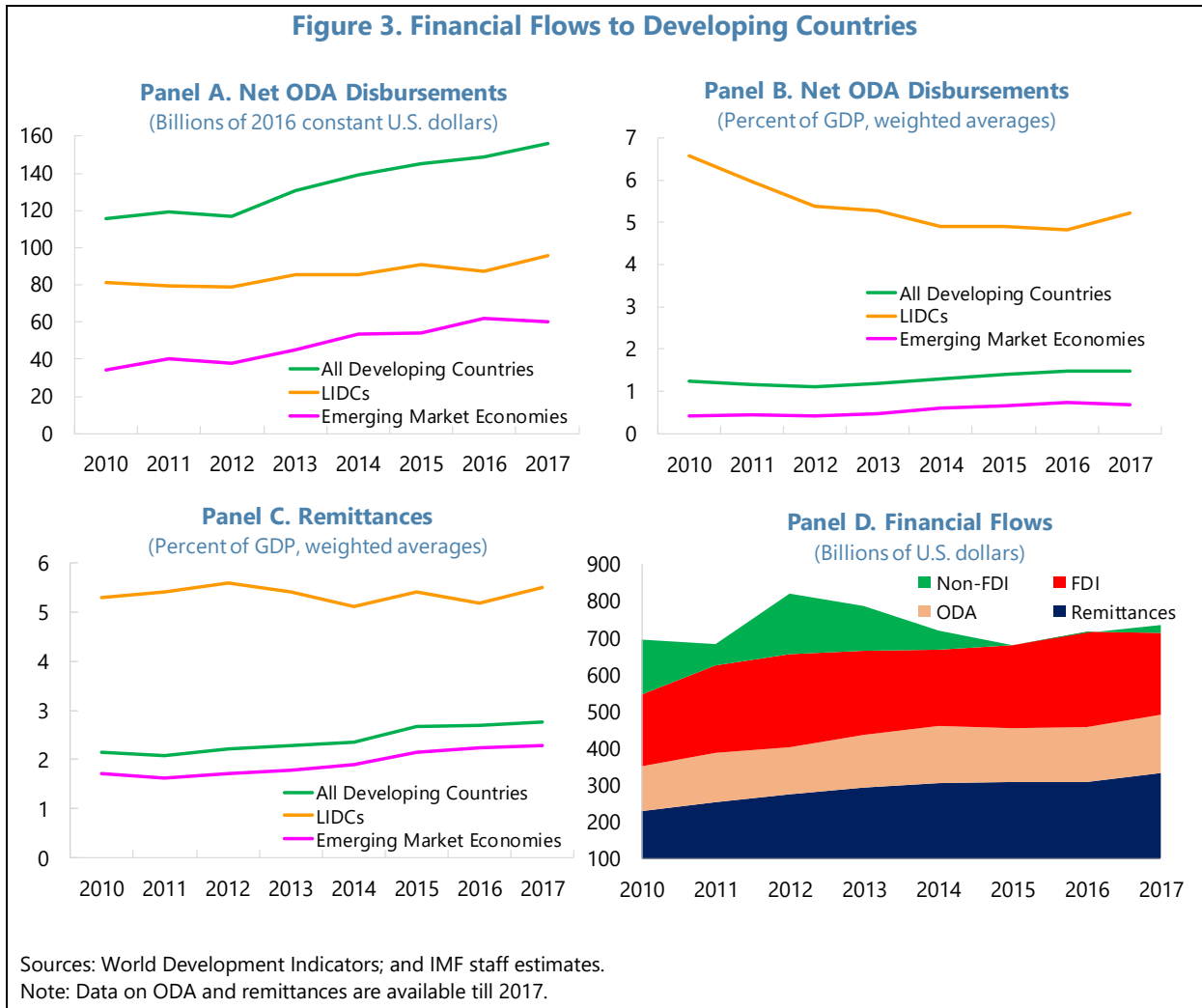
³ Public debt levels in advanced economies are also higher than prior to the global financial crisis (IMF, 2019a).

⁴ For further analysis of the drivers of debt build-up in LIDCs, see IMF (2018a).

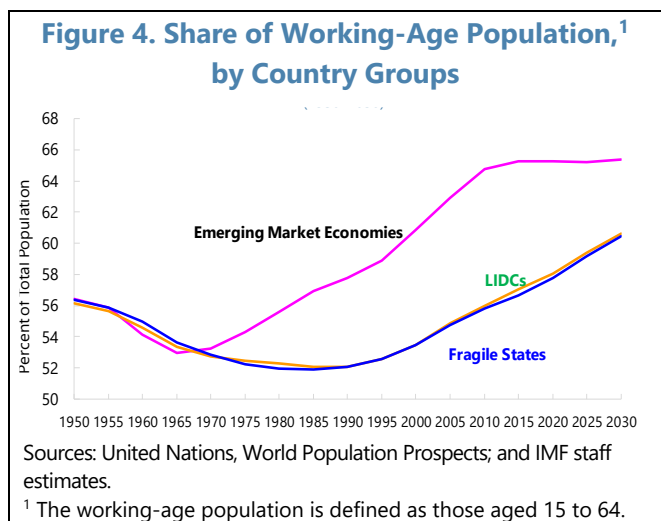
⁵ ODA numbers include both aid flows from members of the OECD Development Assistance Committee (DAC) and an increasing number of non-DAC members who report data on aid flows to the OECD.

⁶ ODA includes outlays on refugees in the donor country for the first year in which the refugee is in the host country; these outlays surged in 2015 and 2016, reflecting the large inflows of refugees into Europe.

⁷ See Abdychev and others (2018) for an analysis of the future of work in sub-Saharan Africa.



12. Many poor developing countries, particularly in sub-Saharan Africa, are set to experience a large increase in the size of the labor force in the coming decades: the share of the working age population will increase significantly in LIDCs, while showing little change in EMs (Figure 4). The surge in the labor force in LIDCs would yield a sizable demographic dividend if productive employment increases at a commensurate rate. But achieving job growth on the required scale will require diversification into new tradable sectors, which has to date proven challenging for the preponderance of LIDCs.



13. International collaboration on climate change is under stress, even as there is a widening gap between climate change ambitions and recent experience. The 2018 Inter-Governmental Panel on Climate Change (IPCC) report made a strong case for limiting global warming to 1.5°C (instead of the 2°C target of the Paris Agreement), while concluding that average global temperatures would rise by 3°C above pre-industrial levels even if current mitigation pledges are met. Changes in weather patterns are likely set to have a severe impact on vulnerable populations across the developing world, especially in countries in relatively hot climate zones—hampering access to water, disrupting food production, exacerbating health threats (such as malnutrition, malaria and other vector-borne diseases), and adversely affecting populations living in low-lying coastal regions and small island states (IMF, 2017b).

IMF COMMITMENTS: IMPLEMENTATION

14. This section reviews the progress made in implementing the various commitments and initiatives cited in the opening section.⁸ For ease of exposition, these commitments/initiatives are clustered together into sub-sections, with the discussion below moving through each of the topics. In assessing implementation, one should note that it was recognized from the outset that IMF support for the 2030 development agenda “*will be operationalized at a balanced pace, to allow learning from pilots, reinforcing the international effort in these areas including through deeper collaboration with relevant organizations such as the World Bank, gauging the membership’s demand for the initiatives, and quantifying the resource needs*” (IMF, 2015b). A substantial share of the additional resources used to scale-up support was to come from increased financial support from donors to support specific activities and trust funds.

15. Much of the discussion here is based on analyzing changes in the resourcing of IMF activities, such as its support for capacity development (CD). Ideally, one would want to list the various new actions taken by the IMF and then identify the impact of these actions on the well-being of recipient countries and their populations. However, the linkage between actions and effects is difficult to disentangle from the many other factors at play, especially over a short time period (three years) and in a context where increased support for CD may yield its full benefits only over time, as institutional and policy reforms take hold. The IMF has, since 2017, required use of a standardized results-based management (RBM) framework for all its CD projects; the framework links resources committed to results expected, which can be monitored and evaluated as the project unfolds—but it will take time to build a database on completed projects that allows full assessment of results. We therefore use case studies and examples below to show how IMF support can produce important economic and institutional gains for recipient countries.

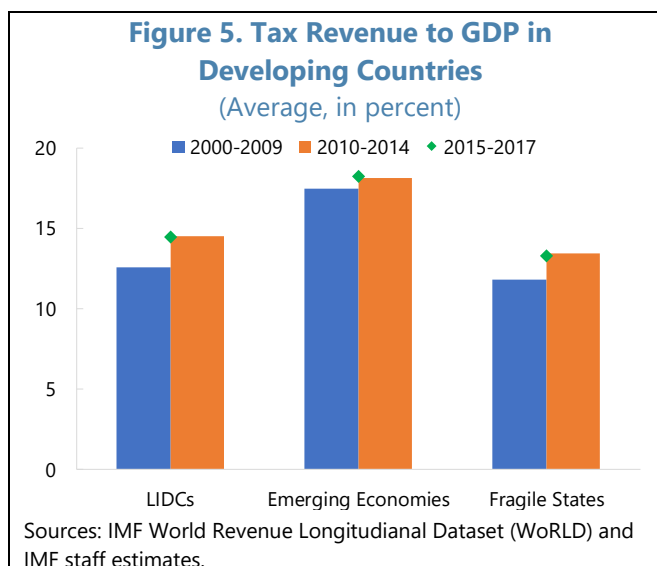
A. Boosting Domestic Revenue Mobilization

16. A central theme of the 2015 AAAA is the need for developing countries to boost domestic revenue collections—and for development partners to substantially increase their

⁸ See also Appendix III for a more detailed description of the various commitments.

technical support for strengthening national tax systems in a coordinated manner. The AAAA also called for actions at the international level to help developing countries limit the shifting of potential revenues abroad and contain potentially destructive tax competition.⁹

17. Some progress has been made in raising tax revenues over the past decade, but revenues remain well below the levels needed to fund development outlays across a broad range of developing countries (Figure 5). The need to boost budgetary revenues is particularly acute in LIDCs, where two-fifths of countries have a tax-to GDP ratio below 13 percent—a threshold level that has been documented as a tipping point for development (Gaspar and others, 2016). But many EMs also need to achieve significant increases in revenue collections if 2030 development objectives are to be achieved.



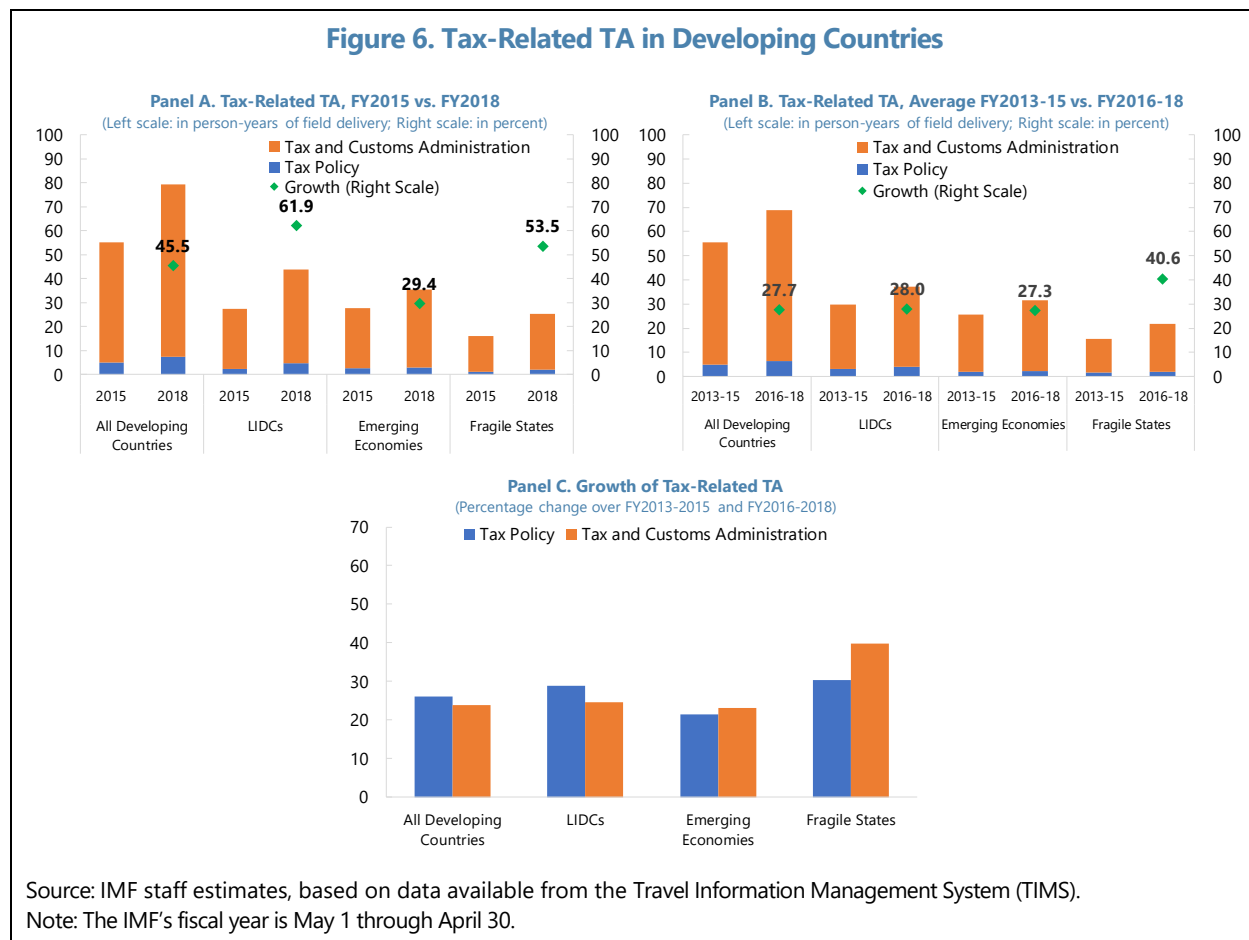
18. The IMF committed to expanding its support for nationally-owned efforts to strengthen domestic tax systems and to broaden the use of a range of recently-developed diagnostic and analytical tools. IMF support for national efforts to strengthen tax systems has increased sharply in recent years, facilitated by substantial donor support:

- The volume of assistance provided to developing countries, measured in “person years,” in FY2018 was 46 percent higher than in FY2015; average levels of support during FY2016–18 were almost 28 percent higher than in FY2013–15 (Figure 6).
- Between FY2013–15 and FY2016–18, the volume of assistance increased by 28 percent for LIDCs, 27 percent for EMs, and 41 percent for fragile states.
- Patterns of support differ across country groupings, with large increases in TA for building tax/customs administrations across the board.¹⁰

⁹ IMF technical support in areas such as boosting tax revenues and developing domestic financial markets had already been expanded following the first *Financing for Development* conference at Monterrey in 2002.

¹⁰ In work related to domestic revenue mobilization, the Fund also provides support on tax and fiscal legislation.

Figure 6. Tax-Related TA in Developing Countries



19. IMF support has made use of various diagnostic and analytical tools (Box 1). The Tax Administration Diagnostic Assessment Tool (TADAT) is a publicly available instrument, with separate donor financing and a Secretariat housed within the IMF; 56 assessments have been conducted since the official TADAT roll-out in November 2015. Analysis of VAT gaps, using the Gap Analysis tool, has been conducted in 36 countries and the methodology is being expanded to cover the corporate income tax. The Fiscal Analysis of Resource Industries (FARI) tool has been applied in about 50 countries, while support on how to use FARI to strengthen fiscal regime analysis and revenue forecasting has been provided in about 20 countries. As part of a joint initiative, the IMF and World Bank are developing a tax policy diagnostic framework (TPAF) that would assist countries and TA providers in systematic analysis of existing tax policies relative to good practices. Initial online modules are in varying stages of development, with the VAT module to be rolled out shortly.

Box 1. Strengthening Tax Capacity

The IMF, working with development partners, has developed various assessment and other tools to help countries seeking to strengthen their tax systems.¹ These include:

- *Tax Administration Diagnostic Assessment Tool (TADAT)* to assess key functions, processes and institutions of tax administration systems across nine performance areas.
- *Revenue Administration Gap Analysis Program (RA-GAP)* to assess gaps in value-added tax (VAT) and corporate income tax (CIT).
- *Revenue Administration Fiscal Information Tool (RA-FIT/ISORA)*, a survey-based dataset on revenue administration practices. The most recent survey was conducted in 2016, covering tax administrations in 135 countries.
- *Fiscal Analysis of Resource Industries (FARI)* to provide a framework for extractive sector fiscal regime policy advice. FARI, developed in 2007, has been used in TA as a fiscal analysis tool to provide policy advice.

¹These tools provide the diagnostics for formulating tax system reforms, which can be further developed into a medium-term revenue strategy (MTRS).

20. Technical support is being provided to 10 countries in different regions on developing medium-term revenue strategies (MTRS).¹¹ An MTRS provides a comprehensive approach to boosting tax revenues over the medium term, aligning tax policy, revenue administration, and legal reforms around a coherent plan embraced by all of government, as well as other stakeholders. A key requirement is high-level political support over an extended period, with revenue goals being aligned with spending/development needs. The MTRS also serves as a vehicle to align the efforts of multiple capacity building partners active in the reforming country. Papua New Guinea and Uganda are examples of countries that have developed an MTRS.

21. The IMF has worked to deepen the analysis of domestic revenue mobilization (DRM) issues in its regular surveillance activities. In 2016, a pilot initiative was initiated with DRM analysis integrated in Article IV discussions with over 50 countries during 2017–18. This approach allows important facets of recent capacity building and technical advice to be highlighted and integrated into surveillance recommendations. Expanded coverage in surveillance also helps to disseminate key lessons from country experiences to other governments and stakeholders.¹²

22. The IMF has also intensified its engagement on international taxation issues of relevance for developing countries.

- Through the Platform for Collaboration on Taxation (involving the IMF, OECD, UN and World Bank), the IMF has contributed to or taken the lead on several “toolkits” on international taxation issues of significance for lower income countries. These include (i) the use of tax expenditures in lower income countries; (ii) the use of “comparables” in transfer pricing for low income countries where relevant comparables are hard to obtain; (iii) taxation of offshore transfers of indirect

¹¹ The MTRS concept was introduced in “Enhancing the Effectiveness of External Support in Building Tax Capacity in Developing Countries,” prepared by the Platform for Collaboration on Tax for the July 2016 G20 Finance Ministers meeting.

¹² Looking ahead, taxation issues will be covered on a regular basis in bilateral surveillance.

ownership (through chains of shareholding) in resources located in country, soon to be published after two rounds of public comments; (iv) implementing effective transfer pricing documentation requirements, soon to be released for public consultation; and (v) treaty negotiation guidance, now under preparation. More toolkits are planned.

- The IMF recently completed a stocktaking exercise on the current state of international corporate tax arrangements and analyzed options for possible future reforms (IMF, 2019c). Key concerns flagged were the need to better address profit-shifting and tax competition and to ensure full recognition of the interests of developing countries. Low-income countries are particularly exposed to profit shifting and tax competition, while having fewer alternatives for raising revenue.
- A pilot initiative was launched in 2016 to expand the coverage of international corporate taxation issues in Article IV consultations with both developed and developing countries. Discussions with 24 countries had been completed in FY19, with additional cases to be taken up in FY2020. Conclusions from these discussions have fed into the IMF's wider analysis of international tax issues and informed advice to individual countries.
- TA to developing countries on tax policy, administration and legislation frequently involves issues relating to international corporate income taxation.

23. Countries that have received extensive support in building tax systems include a mix of EMs and LIDCs. The Revenue Mobilization Thematic Fund (RMTF), a multi-donor trust fund, is supporting a second phase of TA to developing countries on revenue issues. In this work-stream, emphasis has been placed on providing intensive support to selected countries, with assistance phased over time: in several cases, this assistance is providing the basis for developing MTRSs. Box 2 includes brief descriptions of three case studies that illustrate the breadth of work being done to produce tangible improvements in various aspects of national revenue systems.

24. As TA on revenue mobilization has been substantially increased, several lessons (not all new) are informing work on the design and delivery of future assistance.

- Success in building tax systems should be assessed not only by the revenue levels achieved, but also by the improvements in the quality of tax system—minimizing economic distortions, while ensuring fairness, predictability, and simplicity.
- Tax policies, tax administration, and the legal framework within which they operate are closely intertwined: a reform strategy needs to address these in an integrated fashion.
- Maximizing the effectiveness of expanded TA by multiple development partners requires not only better coordination, but also clarity on the roles of each agency and a realistic (and shared) assessment of domestic absorptive capacity.
- National ownership in various forms is needed to achieve lasting success in building tax systems. Strong sustained support from finance ministries is essential, as is keeping capable managers

and teams in place for an extended period; reform efforts need to be sustained beyond the life of a single government as institutional reforms can take years to fully implement; and new governments must get behind ongoing reform programs quickly to avoid losing momentum.

- Sustained multi-year support from TA providers is essential to achieve effective results.

Box 2. Examples of Revenue Capacity Building Achievements

Tax administration reform in Mongolia. A three-year project began in 2017 under the RMTF to help the authorities increase taxpayer compliance. Through December 2018, nominal tax yields increased by 22 percent—in part due to increases in commodity prices, but also reflecting administrative reforms. The VAT compliance gap was reduced by a quarter, helped by the introduction of mandatory electronic receipts and compliance enforcement strategies. The tax coverage ratio (taxpayers who paid as a share of those expected to pay) increased modestly for the major taxes, while audit assessments increased by 300 percent. Further administrative reforms are set for 2019.

Sierra Leone's Extractive Industries Revenue Act. In 2012, Sierra Leone set out to establish a standard framework for the taxation of extractive industries, having long experienced revenue losses from discretionary and project-specific changes to its fiscal regimes for mining and petroleum. Reforms were delayed by the Ebola outbreak of 2013–15 and the collapse of commodity prices in 2014–15, but, with technical support financed through the Managing Natural Resources Wealth Thematic Fund (MNRW), a new fiscal regime responding automatically to changes in project profitability was developed. The authorities, with IMF support, used the FARI modeling system to build capacity and to analyze and simulate mining and petroleum revenues. In July 2018 Parliament passed the Extractive Industries Revenue Act, which provides predictability, eliminates discretion, and promotes investment while protecting tax revenues.

Central African Economic and Monetary Community (CEMAC) changes in regional tax policy and legislation. The marked decline in commodity prices from mid-2014 underscored the need for CEMAC countries to build tax systems less dependent on resource revenues. The regional tax policy framework—mainly a set of directives governing the design of major national taxes (such as VAT and income taxation)—was outdated and ill-suited to helping member countries boost tax revenues. In 2016, a five-year reform was prepared, with TA to implement it being supported by the RMTF. As of February 2019, the regional double taxation treaty has been updated to include the minimum standards under the Base Erosion and Profit Shifting (BEPS) project and to limit tax avoidance through 'treaty shopping'; excise taxation has been reformed; and a revised VAT directive is under preparation.

B. Supporting State Capacity for Infrastructure Provision

25. Increased investment in public infrastructure is an imperative for most developing countries if they are to accelerate economic growth and job creation and achieve key development goals (UN, 2015). The scale of the financing needs is large—with recent estimates ranging from an additional 2 percent of GDP in EMs in 2030 to about 7 percent of GDP in developing countries (Gaspar and others, 2019). With many countries lacking the fiscal space to meet these financing needs from public resources, increased flows of concessional external financing and private sector investment are needed.

26. The IMF introduced its Infrastructure Policy Support Initiative (IPSI) in 2015 to support developing country policymakers in ensuring efficient management of investment scaling-up.

The support package envisaged use of a set of tools, each targeted at specific elements of effective public oversight of infrastructure provision: (i) a *Public Investment Management Assessment (PIMA)*, to assess strengths and weaknesses of existing institutions and identify reform/capacity-building need; (ii) *Debt Sustainability Assessments (DSA)*, to examine the implications of scaling-up strategies for public debt sustainability; (iii) a *Debt-Investment Growth model (DIG)*, to quantify the feedbacks from investment to growth and debt; (iv) assessment of public-private partnerships (PPPs), drawing on a *Fiscal Risk Assessment Model (P-FRAM)*; and (v) development of a *Medium-Term Debt Strategy (MTDS)*, to ensure effective management of the public debt and contingent liabilities created by the investment financing strategy. The initiative has to date been conducted on a pilot basis in nine countries,¹³ but the individual tools have been used across a wide range of countries.¹⁴

27. The PIMA has been used in 52 developing countries at this juncture, helping to identify public investment reform priorities. Follow-up capacity development activities to support the implementation of PIMA recommendations has been provided in most of these countries. Examples of reforms implemented/in the pipeline following PIMAs include: creation of a single project pipeline, capital investment commission, and detailed rules for project appraisal and selection (Serbia); ending the practice of disbursing funds without verifying the completion of projects (Togo); and prioritization of public investment projects that would help increase productivity in priority sectors (Timor-Leste). In addition, workshops have been conducted in various regions on good practices for infrastructure governance.

28. Debt Sustainability Assessments (DSA) are a core tool in the IMF's surveillance and program work, with regular reviews undertaken to adapt the methodology to evolving debt developments. The tool can also be used by policymakers to conduct their own customized assessments of debt sustainability to identify growth-debt trade-offs of different investment strategies; for example, the new debt sustainability framework for low-income countries (LIC-DSF) introduced in 2018 facilitates a more comprehensive analysis of the investment-growth nexus.¹⁵ The DSA is an important component of several courses offered at IMF headquarters and at regional training institutes; two open online courses on the DSA have been introduced in recent years (and utilized by some 16,000 country officials).

29. The DIG model allows for analysis of alternative investment trajectories and financing modes, providing a complement to the DSA. The model has been extended to accommodate large natural resource sectors (as DIGNAR), allowing analysis of alternative resource revenue management strategies. These models have to date been applied for some 70 countries (more than half conducted since 2015); lessons drawn from the applications are summarized in Box 3. The models are publicly

¹³ Cambodia, Colombia, Honduras, Kyrgyz Republic, Serbia, Solomon Islands, Thailand, Timor-Leste, and Vanuatu

¹⁴ Debt sustainability assessments are conducted for all Fund members as part of the Article IV surveillance process.

¹⁵ The LIC-DSF was developed with the World Bank; training of government officials in the use of the framework has sharply increased.

available, with user-friendly excel-based interfaces provided to facilitate wider use by analysts and officials. Further enhancements of the framework—for example, to analyze the tradeoffs involved in building climate-resilient infrastructure in countries vulnerable to natural disasters—are underway.

Box 3. Macroeconomic Implications of Infrastructure Investment Scaling-up: Policy Lessons from the Applications of DIG Model

The DIG model was developed to analyze the macroeconomic implications of financing large infrastructure needs (Buffie and others, 2012), and later extended to incorporate natural resource sectors (DIGNAR). Gurara and others (2019) discuss key lessons emerging from the application of these tools in multiple country contexts, including:

- *Improving public investment efficiency boosts growth while reducing debt vulnerabilities.* Strengthening the evaluation, selection, and implementation of projects—including procurement practices—can have high payoffs in terms of growth and debt sustainability.
- *Gradual scaling-up of investment is preferable to a “big-push” approach.* The ability of governments to effectively implement public investment depends on institutional capabilities, including the availability of skilled personnel and institutional oversight mechanisms. Aggressive scaling-up places a severe burden on this capacity, impairing the efficiency of implementation.
- *Boosting domestic revenue mobilization is key to supporting sustainable public investment scaling-up.* Diversifying domestic revenue sources provides a shock absorber, reducing the need for fiscal consolidation in response to adverse shocks. And, absent full cost recovery on investments, added revenues will be needed to service debt.

30. P-FRAM has been used as one component of the provision of TA on designing PPP policy frameworks. Since 2015, TA on the evaluation of PPPs has been provided to 12 developing countries, with the P-FRAM being utilized in nine of these cases. This has assisted countries in tackling a range of issues: (i) analysis of the viability of PPP projects and overall risks (Côte d’Ivoire); (ii) increasing the disclosure of fiscal risks through improving interagency cooperation, central supervision, and fiscal risk analyses (Turkey); and (iii) assessing the fiscal costs and risks of PPP operations (Bhutan, Niger). Regional workshops on P-FRAM have also been conducted. Aside from P-FRAM, the IMF provides advice on different aspects of managing PPPs, ranging from planning and project selection to legal frameworks to budgeting, account and reporting practices.

31. IMF staff have worked with government officials to develop medium-term debt managements strategies (MTDS) in 21 countries since 2015. TA has been supported by training programs both in Washington and at the regional level, along with online training courses. Examples of reforms following MTDS assistance include: rebalancing the mix of borrowing from domestic and external sources to deepen the domestic debt market (Ghana); and fleshing out and publishing a debt management strategy (Kyrgyz, Nigeria).

C. Fostering Economic Inclusion

32. The IMF has been expanding its analytical work on the macro-critical elements of inclusion for several years and, more recently, integrating it into its country work. Key issues

covered have included jobs and growth, the drivers of income inequality, the economic impact of gender inequities, and expanding access to finance. In 2015, the IMF committed to expand (i) the analytical work underway in these areas, with an emphasis on identifying key policy messages; and (ii) the provision of concrete analysis and policy advice in these areas in the IMF's operational work, drawing both on its own analysis as well as the expertise of other institutions.

33. Separately, the IMF is about to complete a comprehensive review of its engagement on social spending issues (IMF, 2019d), which has expanded over time.¹⁶ The review proposes an overarching strategy to guide the approach to social spending issues in IMF operational work, including in the provision of policy advice, program design, and the specification of conditionality. The strategy envisages closer collaboration with international development institutions that have relevant expertise and stronger engagement with other stakeholders, including civil society organizations. The Executive Board is to discuss the review on May 6, 2019.

Expanding the Analytical Work on Inclusion

34. Since 2015, the IMF has increased the volume of its analytical and policy work on inclusion. Important examples include:

- *Inequality*: the role of technology and global integration in influencing the trend decline in labor's share of income over the past two decades in advanced economies (AEs) and EMs (IMF, 2017a); the role of fiscal policy in achieving redistributive objectives, focusing on tax systems, universal basic income, and public spending on education and health (IMF, 2017b); the distributional impact of growth-supporting reforms in developing countries and how adverse distributional effects can be mitigated or offset (Fabrizio and others, 2017); and policies to promote inclusion at the regional level (Purfield and others, 2018).
- *Gender*: the role of gender equality in boosting growth and economic resilience (Kazandjian and others, 2016; Ostry and others, 2018) and in reducing income inequality (Gonzales and others, 2015); the role of gender diversity in leadership positions in the financial sector in reducing financial risks (Sahay, Cihak, and others, 2018); the likely impact of technological changes on female employment (Brussevich and others, 2018); and the role of fiscal policy and gender budgeting in influencing women's economic empowerment (IMF, 2017c; Kolovich, 2018).
- *Financial access*: the linkages from expanded financial inclusion to growth, financial and economic stability, and inequality and the key role of high-quality regulation and supervision in containing financial risks (Sahay and others, 2015a; 2015b); introduction of a new broad-based index of financial development (Svirydzenka, 2016); and policies to promote financial inclusion at the regional level (Blancher and others, 2019).

¹⁶ Social spending is defined to include outlays on social protection (social insurance and social assistance programs) and spending on health and education; see IMF, 2019d, Box 1 for further discussion.

Operationalization of Inclusion Issues

Inequality and Gender

35. The IMF adopted a pilot approach to operationalizing its work on inequality and gender, with a view to learning how best to effectively integrate distributional issues into surveillance and program work. Under this initiative, 42 country studies have been completed for inequality and 40 studies for gender; these studies were undertaken in support of Article IV consultations with member countries. Gender equity issues have also featured in the design of several IMF-supported programs, including Argentina, Egypt, Jordan, and Niger. Looking ahead, the analysis of inequality and gender issues is intended for all countries where these issues are macro critical. The IMF has also developed tools to analyze distributional issues (Box 4), built relevant in-house expertise, and enhanced collaboration with external institutions; advice on how to analyze inequality and gender issues in country work has also been issued (IMF, 2018b, 2018c).

Box 4. Available Analytical Tools for Distributional Analysis

Over the past few years, the IMF has developed several tools to support operationalization of distributional analysis. These include:

- A micro-founded stochastic dynamic general equilibrium model (SDGEM) framework that has been developed with the support of UK's Department for International Development (DFID). The model has been used to analyze the macroeconomic and distributional impact of a diverse set of policies (such as fiscal consolidation, financial liberalization, fertilizer subsidies) and is now being used to analyze the impact of policy reforms on female labor force participation and the wage gap. A toolkit to analyze fiscal policy measures based on the SDGEM is now publicly available.
- A tool and template for distributional analysis of energy subsidy reforms, which is publicly available and is also taught in an online course (<http://www.imf.org/external/np/fad/subsidies/>; and <https://www.edx.org/course/energy-subsidy-reform-imfx-esrx-1>).

36. The studies have covered a wide range of issues, reflecting both the complexity of the issues and the variation in country conditions. Examples of topics covered (see also Box 5) include

- *Inequality:* analysis of inequality and poverty outcomes (Djibouti, Sudan); impact of planned policy reforms on inequality (Costa Rica, Ethiopia, Myanmar); the scale of regional income inequality (Brazil); assessment of the social safety net (Honduras, Pakistan); impact of the commodity price cycle on inequality and poverty dynamics (Bolivia, Paraguay); the impact of labor market duality on inequality (Korea); incidence analysis of fiscal policy (Cameroon, Togo).
- *Gender:* drivers of female labor force participation and wage gaps and their economic impact (India, Morocco, Rwanda); impact of closing gender gaps on productivity and growth (Canada, Chile, WEAMU); gender gaps and demographic challenges (Japan, Macedonia); financial inclusion and women's economic empowerment (Guatemala, Pakistan); impact of policy measures on gender inequality (Egypt, Nigeria); and gender budgeting (Rwanda, Morocco).

Box 5. Policy Messages on Inequality and Gender: Illustrations

Analyses undertaken have yielded a variety of policy recommendations. For example,

- *Inequality.* Policy recommendations covered (i) how to minimize the possibly adverse distributional effects of fiscal consolidations (e.g., Republic of Congo, Honduras) and of reforms for stimulating growth (e.g., financial sector reform in Ethiopia, agricultural subsidy reform in Malawi); (ii) how to reform the tax structure to reduce income polarization while boosting growth (United States); and (iii) how to contain possible negative distributional effects of commodity price busts in commodity-based economies (Bolivia).
- *Gender.* Policy recommendations to boost female labor force participation and enhance gender equality have focused on (i) elimination of tax-induced work disincentives for secondary earners (Germany) and spousal income tax deductions (Japan); (ii) reform of gender-discriminatory tax policies and laws (Morocco, Jordan, Pakistan); (iii) expanding female education and training programs (Mali, Pakistan, WAEMU); (iv) providing early childhood education and/or childcare services (Argentina, Egypt, Hungary, Mauritius); and (v) strengthening female inheritance rights (Pakistan) and addressing legal inequalities (Morocco, Niger).

The experience in gaining traction for staff policy advice has been encouraging, particularly, but not only, in cases where these issues were already on the authorities' policy agenda.

37. Both the gender and inequality workstreams have benefited from tapping the expertise of other institutions. Collaboration with the World Bank, Asian Development Bank, UN Women, UK DFID, Commitment to Equity Institute and other development agencies has enhanced the range and depth of IMF staff analysis.

Financial Inclusion

38. The IMF has been expanding its work on financial inclusion in both surveillance and capacity building. Financial inclusion issues have received increased attention in Article IV consultations,¹⁷ and are also analyzed in the Financial Sector Assessment Program (FSAP) and in Financial Sector Stability Reviews (FSSRs), a new assessment instrument.¹⁸ As more FSSRs are undertaken and barriers to inclusion are identified, TA will expand to cover such areas as (i) strengthening the regulatory and supervisory environment for non-bank financial institutions (NBFIs); (ii) adapting oversight frameworks; and (iii) expanding payments systems.

39. Work on financial inclusion has covered a wide range of issues, including (i) access to formal and informal financial services, microfinance, and mobile banking (India, Kenya, Bangladesh); (ii) the impediments to access to formal finance (Guatemala, Peru); (iii) financial literacy among women (Jordan); (iv) expanding financial access for SMEs (Saudi Arabia); and (v) the impact of Islamic banking on financial inclusion and deepening (Pakistan).

40. Policy recommendations drawn from this work have covered (i) improving financial literacy and awareness (Saudi Arabia) and promoting microcredit (Pakistan, Myanmar);

¹⁷ Examples of enhanced focus on financial inclusion in surveillance include the Article IV consultations with Afghanistan, Colombia, Jordan, Kenya, India, Lebanon, Mexico, Morocco, Pakistan, Paraguay, Peru, and South Africa.

¹⁸ FSSRs have, to date, been undertaken for Costa Rica, Paraguay, Uganda, Fiji, and Nicaragua.

(ii) strengthening laws on female land inheritance rights to mitigate asset ownership effects on women's access to finance (India); (iii) improving legal credit infrastructure and the wider business environment to expand access to finance (Saudi Arabia, Paraguay); (iv) reducing informality through regulatory reforms (Peru, India); (v) exploiting digital technology (Saudi Arabia, Peru); and (vi) strengthening the financial consumer protection framework (Costa Rica).

41. The IMF continues to improve its Financial Access Survey (FAS) database, both to support work on financial inclusion and to track progress on the SDG financial inclusion indicators.¹⁹ The 2018 FAS survey was expanded to cover digital access, mainstreaming gender-disaggregated data, and reporting on non-branch retail agent outlets; the 2019 FAS will collect data on mobile and internet banking and improve the coverage of gender-disaggregated data. Two FAS indicators are used to monitor SDG financial inclusion target 8.10.²⁰

42. The IMF has expanded its own support for capacity building and its collaboration with other institutions. The IMF, which organizes courses for country officials on inclusive growth and inclusive finance for development, has strengthened partnerships and knowledge exchange with stakeholders/agencies such as the G20's Global Partnership for Financial Inclusion; the Alliance for Financial Inclusion; the World Bank Group; UN agencies; the Gates Foundation; and civil society organizations. The IMF has also hosted conferences and workshops to bring together both policymakers and academics conducting research on various aspects of financial inclusion.

D. Promoting Sustainable Development of Domestic Financial Markets

43. Promoting stable financial systems can increase economic resilience while boosting economic growth. Deep and liquid financial systems with diverse instruments help dampen shocks and mitigate associated risks. Financial system development is closely linked to economic development, and targeted policies can help promote financial depth and stability, particularly in the initial stages of financial development.

44. IMF support for developing countries on financial sector issues reflects a division of labor with the World Bank, with the IMF focusing on promoting financial sector stability and development of local currency bond markets, and the World Bank focusing on assisting financial sector development.²¹ Thus:

- The IMF provides substantial capacity building support to central banks, covering both operational issues and regulation/supervision of the financial system, with policy advice adapted to country conditions: recent cases include Jamaica, Tajikistan, Sierra Leone, Somalia, and Yemen.

¹⁹ The Financial Access Survey, launched in 2009, is a supply-side dataset that enables policymakers to measure and monitor financial inclusion and benchmark progress against peers.

²⁰ These two FAS indicators are (i) the number of commercial bank branches per 100,000 adults and (ii) the number of automated teller machines per 100,000 adults.

²¹ The two institutions work jointly in implementing the FSAP for emerging/developing economies, each covering their respective areas of expertise.

- The IMF supports member countries in tackling the challenges of financially-weak banks, with work focusing on developing a sound legal framework, effective resolution regimes, and well-designed deposit insurance schemes. A key concern is to develop better options for dealing with weak/failing banks than public sector bailouts.
- The IMF is working with member countries to help restore and strengthen correspondent banking relationships, emphasizing the need to enhance correspondent banks' capacity to manage risks, improve communication between correspondent and respondent banks, and effectively implement regulatory and supervisory frameworks in line with international standards.

45. Since 2015, the IMF has expanded technical support to developing countries on financial sector issues in areas such as prudential policies, supervision and oversight, central banking, and safety net and crisis management arrangements:

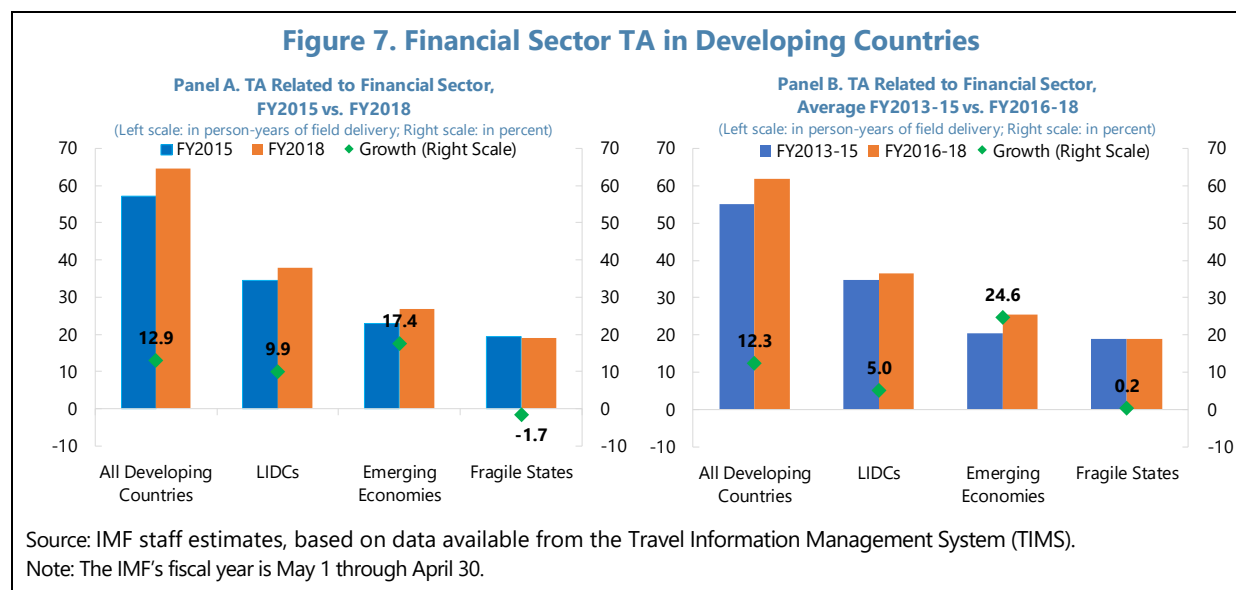
- The volume of TA provided by the IMF on financial sector issues increased by about 13 percent between FY2015 and FY2018, and by 12 percent from FY2013–15 (annual average) through FY2016–18 (Figure 7). The bulk of this support goes to LIDCs, although the share provided to EMs has been rising in recent years. The volume of IMF technical support to fragile states in this area has not changed significantly in recent years, with security problems limiting the delivery of on-site TA in some fragile states.²²
- About 40 percent of TA is on financial system regulation and supervision, focusing on consolidated supervision, risk-based supervision, Basel II or III implementation, cyber security, supervision of insurance and the securities markets, and the International Financial Reporting Standards. Over the past 18 months, the IMF has incorporated cyber-risk supervision in its TA toolkit and has rolled out a program of support to member countries in this area.
- Recent TA work undertaken in several LIDCs has sought to (i) enhance the capacity of regulatory agencies to supervise non-bank financial institutions; (ii) strengthen payments systems to better reach the under-served; and (iii) deepen local currency debt markets.

46. The IMF has provided technical support to around 130 countries since 2015—including in the context of IMF-supported programs—to help strengthen the financial stability framework. Recipients of financial sector TA in recent years include Ghana, Myanmar, Ukraine, and Sierra Leone. Support has also been provided on a continuous basis to several member countries in fragile situations: for example, a comprehensive capacity-building program is underway to support the establishment of a fully operational central bank in Somalia.

47. Financial sector development is dependent on the evolution of a sound monetary policy framework that helps to contain the volatility of the financial environment while delivering moderate inflation. The IMF continues to support developing countries in the strengthening and modernizing of their monetary policy frameworks: such support includes

²² In several such cases, TA has been provided through workshops and seminars in nearby countries.

(i) upgrading forecasting and policy analysis via development of models and training staff in model-based policy analysis (e.g., Honduras, Ukraine); (ii) further strengthening central bank communications (e.g., Philippines, Uganda), a key pillar of forward-looking policy; and (iii) managing monetary policies in natural resource-dependent economies (e.g., Azerbaijan, Uzbekistan).



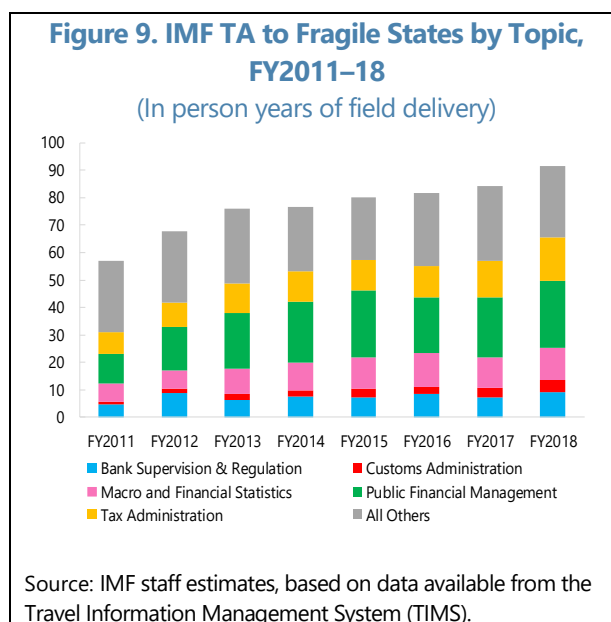
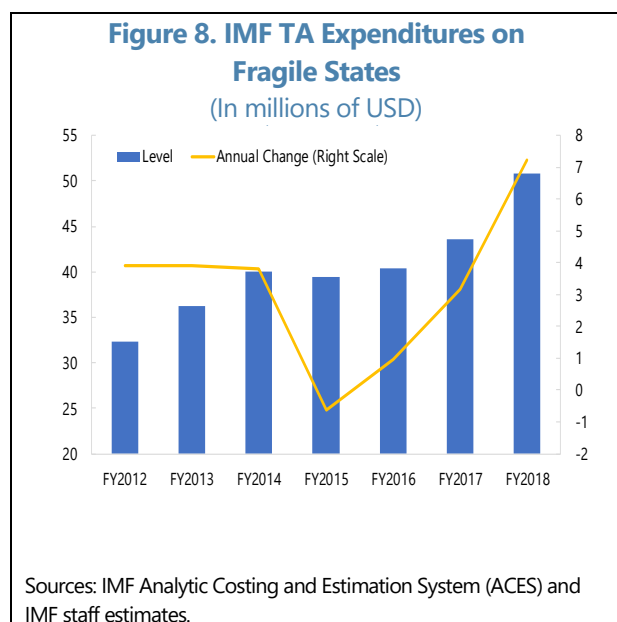
48. As technical support on financial sector issues expands, periodic evaluations are highlighting several lessons that are being factored into the design of future TA. A few specific examples are listed below:

- Maximizing country ownership entails (i) developing detailed implementation plans in collaboration with national authorities; (ii) having a clearly-defined and adequately empowered counterpart (internal committee, unit or department); and (iii) conducting periodic staff visits to inform senior officials on project progress, giving due credit to local officials for progress made.
- A full diagnostic of TA needs is critical in establishing a credible baseline against which results can be measured; periodic stocktaking is essential to assess the evolution of plans and the need for mid-course corrections.
- How TA is delivered (HQ missions, peripatetic or resident experts, regional TA centers) needs to be aligned with the specific needs and absorptive capacity of domestic institutions.
- Closer attention needs to be paid to the sustainability of reforms over time, including support mechanisms, such as ongoing staff training for recipient institutions.

E. Enhanced Support for Fragile and Conflict-Affected States (FCS)²³

49. FCS face exceptional development challenges that typically result in extended periods of low growth and limited, if any, improvements in key social indicators. Prospects for meeting key SDGs in these countries are poor unless the combination of domestic leadership and sustained support from the international community lay the basis for transitioning out of fragility. Prospects for achieving SDG 1—ending (absolute) poverty at the global level—depend heavily on making strong progress in FCS, given that an ever-increasing share of the world’s poor live in FCS.²⁴

50. The IMF is heavily engaged with its FCS member countries, who currently receive more than one quarter of all IMF TA and account for one fifth of IMF-training activities. The amount of TA provided has increased since FY 2014 (Figures 8–9). Capacity-building support has been concentrated on core areas of state competence where the IMF has specialist expertise—public financial management, tax/customs administration, macroeconomic and financial statistics, and financial sector oversight. More than half of FCS either have IMF-supported economic programs or are in near-program engagement (meaning close policy dialog on economic policies that could lay the basis for an IMF-supported program).



51. In 2017, the IMF sought to enhance the effectiveness of its TA to FCS through a new Capacity-Building Framework (CBF). The framework, being deployed on a pilot basis in five sub-Saharan African countries,²⁵ is built around the development and implementation of

²³ For analytical purposes, FCS includes 42 countries with low Country Policy and Institutional Assessment scores and/or the presence of UN or regional peacekeeping operations.

²⁴ The World Bank, using a relatively narrow definition of FCS, estimates that half of the world’s poor will live in FCS by 2030; OECD estimates, using a wider definition of FCS, suggest the figure could be as high as 80 percent.

²⁵ Central African Republic, Guinea, Liberia, Mali, and Sierra Leone.

medium-term capacity-building strategies prepared in consultation with the national authorities and key stakeholders. The strategies identify specific goals and interventions, tailored to country needs and institutional capacity, to strengthen policies and institutions in line with the country's priorities. Since the onset of the initiative, the IMF has doubled the capacity development (CD) resources devoted to the pilot countries.

52. While it is too early to draw conclusions on the effectiveness of the CBF, solid progress is being made. Examples of steps in building capacity include (i) implementation of a single treasury account, enhancements in banking supervision (Sierra Leone); (ii) improvements in public financial management, tax filling compliance and risk-based audits, and reduction of nonperforming loans (Mali); and (iii) improvement in monetary and foreign exchange operations (Guinea).

53. Exiting fragility is often a lengthy process, given that (re)building state legitimacy and institutional capacity usually cannot be achieved quickly. Drawing on experience to date (see Box 6 for examples), key lessons for future IMF engagement include (i) the importance, from the outset, of viewing engagement as a medium-to-long term commitment; (ii) the centrality to success of the authorities' ownership, commitment, and involvement in the entire reform process; (iii) the need to focus policies and capacity-building on a few key objectives that take realistic account of political economy factors and capacity constraints; and (iv) the potentially high returns to deployment of long-term advisors.

Box 6. Tackling Fragility: The Case of Côte d'Ivoire, Somalia, and Myanmar

Côte d'Ivoire—IMF engagement has been stepped up since the end of the crisis in 2011. The authorities implemented two IMF-supported programs (2011–15 and 2016–19) that helped address balance of payment needs, underpinned macroeconomic sustainability, enhanced the country's reputation with international investors and financial markets, and advanced the development agenda. Increased IMF TA has been aligned with reforms undertaken in the context of the programs and focused on public financial management, tax administration, and debt management.

The outcome has been a marked improvement in economic management and performance. The country regained access to international financial markets. A rapid increase in both public and private investment yielded an annual average growth rate of about 9 percent over 2011–17. Health and education indicators also improved. Progress in regulatory and governance reform have positioned the country as one of the top reformers in sub-Saharan Africa in terms of doing business, albeit from a very low starting point.

Somalia—Since the IMF re-engaged with Somalia in 2013, an integrated approach of mutually supportive capacity building and policy advice has yielded significant and tangible results for Somalia. The IMF has actively supported institution building, coordinating its support with that of the broader international community. Policy engagement and CD support, coupled with the authorities' sustained commitment to reform, has been reflected in the successful completion of two 12-month Staff-Monitored Programs (SMPs), and progress under the third 12-month SMP.

Important strengthening of economic institutions has been achieved with the IMF assistance:

- The offices of accountant and auditor general have been established and the Somalia Financial Management Information System implemented, and key tax institutions put in place; PFM procedures and practices have been institutionalized across government;

Box 6. Tackling Fragility: The Case of Côte d'Ivoire, Somalia, and Myanmar (continued)

- A board of directors at the Central Bank of Somalia (CBS) was appointed, a set of by-laws adopted, and a memorandum of understanding established, clarifying the roles and obligations of the CBS;
- The CBS has established a licensing and supervision process for financial institutions and since 2016 commercial banks have been producing and reporting quarterly financial statements.

In 2017, the authorities established the Somali National Bureau of Statistics, submitted the statistical law to Parliament, and began producing and publishing comprehensive monthly CPI data and reports.

Myanmar—Myanmar has been transitioning from a highly controlled and isolated system to a market-oriented open economy since 2011. Although much remains to be done in building governance frameworks and institutions, substantial progress has been made. IMF capacity building has focused on: strengthening macroeconomic management and economic stability; and promoting conditions for job creation and private sector-led growth. IMF engagement has been intensive, with Myanmar being one of the largest users of IMF TA resources and one of the top users of IMF training. Key areas of CD include (i) strengthening PFM; (ii) development and implementation of fiscal revenue reforms; (iii) building and strengthening the monetary and exchange rate policy and operational frameworks and financial system supervision; and (iv) improving the coverage, quality and timeliness of macroeconomic statistics.

54. The IMF's Independent Evaluation Office (IEO) completed a comprehensive evaluation of IMF engagement in FCS in 2018 (IEO, 2018). The evaluation concluded that the IMF had provided unique and essential services to FCS in helping to restore macroeconomic stability, build core economic institutions, and catalyze donor support, while noting that the IMF's impact fell short of what could be achieved; it also identified specific areas where IMF engagement could be strengthened. In response to this evaluation, the IMF is now implementing a plan to improve the effectiveness of its engagement in FCS. The plan includes actions to (i) improve internal coordination and strengthen collaboration with other development partners; (ii) better integrate CD with surveillance and IMF-supported programs; (iii) better tailor financing facilities to FCS needs; and (iv) adjust human resource policies to ensure there are sufficient numbers of staff with the appropriate experience and aptitude for FCS work.

F. Increased Support for Macroeconomic Data Collection and Dissemination

55. National statistical systems in developing countries face significant challenges in meeting demands for data to inform policy making, for effective tracking of SDG indicators, and for greater transparency and clear accountability for data provision. Requests for support for national CD efforts has surged in recent years, especially from lower-income countries, with IMF CD (TA and training activities) having increased by about one-third since 2014. The IMF is now among the top five global providers of support for statistical CD.²⁶

²⁶ See [Paris21 Partner Report on Support to Statistics](#) (PRESS), 2018 edition.

56. The IMF launched the D4D Fund in June 2018 to obtain additional resources to support low and lower middle-income countries in producing more and higher-quality data to inform policymaking.²⁷ The assistance provided aims to help strengthen national statistics systems and promote transparency and accountability; it also seeks to support countries' efforts to improve their SDG indicator framework. Support from D4D is based on a needs assessment that takes account of country demand and absorptive capacity, as well as identified data gaps and data quality concerns and their importance for policymaking. D4D complements existing CD vehicles, such as the regional technical assistance centers, the Financial Sector Stability Fund, and bilateral projects.

57. Improving macroeconomic statistics enhances the availability and quality of over one-third of SDG indicators. By providing CD to improve key economic variables, such as GDP, balance of payments data and government finance statistics, the measurement of SDG indicators can be made more accurate and reliable, thereby also ensuring greater comparability across countries. Importantly, more than 75 percent of sub-Saharan African countries have updated their GDP estimates over the last decade or so, often supported by IMF CD and generally leading to significant upward revisions of GDP.

58. The IMF also participates in the formulation and implementation of the SDG global indicator framework. The IMF is the custodian agency for four SDG indicators measuring financial access (8.10.1), financial soundness (10.5.1), total government revenue as a proportion of GDP, by source (17.1.1), and the proportion of the domestic budget funded by domestic taxes (17.1.2). On these four indicators, the IMF provides the data and metadata to the UN SDG database which serves as the basis for the UN SDG Report. In addition, the IMF participates in global discussions to help guide the methodological framework underlying several SDG indicators, such as those related to the monitoring of illicit flows (16.4.1) and budgetary support for agriculture (2.a.1).

59. The IMF continues to help countries improve their data dissemination frameworks. The enhanced General Data Dissemination System ([e-GDDS](#)), introduced in 2015, focuses on dissemination that supports transparency, encourages statistical capacity development, and helps create synergies between data dissemination and IMF surveillance: it was introduced to help countries with relatively weak statistical capacity produce reliable economic, financial, and sociodemographic statistics.²⁸ As of March 2019, 47 countries have implemented the e-GDDS by launching National Summary Data Pages (NSDPs), which serve as a one-stop-shop for core macroeconomic data and socio-demographic indicators, facilitating access to information critical for monitoring economic conditions and policies.²⁹

²⁷ The D4D Fund currently has eight funding partners (China, the European Union, Germany, Japan, Korea, Luxembourg, the Netherlands, and Switzerland), which have provided 85 percent of the targeted funding envelope of US\$33 million. For further detail on D4D, see <https://www.imf.org/en/Capacity-Development/d4d-fund>.

²⁸ The e-GDDS also sets a path to achieving higher dissemination standards, the [Special Data Dissemination System](#) and the [Special Data Dissemination System Plus](#).

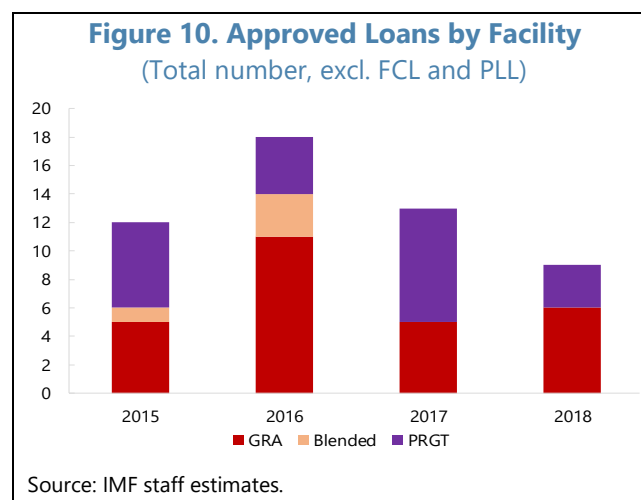
²⁹ All NSDPs are accessible through the IMF's Dissemination Standards Bulletin Board at: <https://dsbb.imf.org>.

G. Improving the Financial Safety Net for Developing Countries

60. The Fund provides a financial safety net for developing countries by making its resources available to support members facing balance of payments difficulties.

Access to Fund resources provides member countries with support on a precautionary basis for potential BOP needs, including in the event of a crisis, and with financing to help address protracted balance of payments problems. Implementation of IMF-supported programs help catalyze additional support from donors (in poorer countries) and from financial markets.

Between 2015 and 2018, the IMF approved 52 arrangements with 44 countries, predominantly developing countries, committing SDR 244 billion (Figure 10). The IMF's financial support to a very diverse group of member countries in the wake of the 2008 global financial crisis highlighted its central role in the Global Financial Safety Net (GFSN).



61. The 2010 Quota and Governance Reform was completed in 2016. By shifting more than 6 percent of quota shares to dynamic developing countries, the reform gave these countries a greater voice in the IMF's governance structure. In addition, the reform increased the IMF's financial strength by doubling its permanent capital resources to SDR 447 billion.

62. The IMF has undertaken several reforms to improve its lending toolkit since 2015:

- **Higher access to concessional financing for LICs:** In July 2015, the IMF increased limits on access to its concessional facilities by 50 percent for low-income countries (LICs), while interest rates on concessional loans have been maintained at zero percent.³⁰
- **Higher access to emergency lending facilities for countries hit by large natural disasters:** In May 2017, the IMF increased the limit on annual access to the emergency lending facilities for countries hit by large natural disasters from 37.5 to 60 percent of a member's quota.
- **Improving the Flexible Credit Line (FCL) and Precautionary and Liquidity Line (PLL):** Qualification frameworks for the FCL and PLL were modified in 2017 to make them more transparent and predictable.³¹

³⁰ Sixty-nine low-income countries are eligible to access the Fund's concessional resources; all IMF members, including low-income members, are eligible to obtain funding from the General Resources Account (GRA).

³¹ The FCL and PLL are GRA instruments.

63. In response to the increasingly multi-layered GFSN, the IMF is adapting its procedures and strengthening the collaboration with other lenders. To facilitate co-lending and to exploit complementarities with Regional Financial Arrangements (RFAs), the Executive Board endorsed six operational principles to guide future IMF-RFA collaboration in 2017. Collaboration with RFAs has intensified in recent years, with joint “test-runs” being undertaken to assess how frameworks for cooperation would operate under crisis conditions.

64. The IMF is currently reevaluating the adequacy of its lending facilities in meeting the needs of LICs. Reforms are expected to further increase access limits, steer concessional resources towards poorer countries, and increase the flexibility of lending instruments to better support fragile states and countries hit by large natural disasters. Board decision on these reforms is set for late-May.

H. Addressing the Challenges of Climate Change

65. While the IMF’s mandate does not cover environmental protection per se, climate change poses significant risks for economic performance across a wide range of the IMF’s membership (IMF, 2017b). The threats to income levels over the longer term are particularly severe for small island developing states and for lower-income countries in tropical regions. Areas where IMF expertise can assist members include: (i) cross-country policy analysis and advice on taxation and subsidy reform to efficiently meet mitigation commitments made under the Paris Agreement (IMF, 2019e); (ii) working with developing countries vulnerable to natural disasters and climate change to develop resilience-building and climate adaptation strategies; and (iii) working with other international agencies to encourage consistent climate-related regulatory practices in finance and insurance.

66. The IMF has been providing support to member countries seeking to contain carbon emissions, including policy advice on the design of fuel and energy prices to eliminate poorly targeted subsidies and set taxes at levels that internalize environmental costs. Tools have been developed to project future country level fuel use and emissions and to quantify both the impact of carbon pricing and trade-offs between carbon pricing and other approaches (e.g., such as emission trading systems and energy efficiency promotion). A pilot initiative included climate mitigation (beyond energy price reforms) in Article IV consultations with 16 countries in 2015–16; going forward, periodic coverage in Article IV consultations of climate issues will be conducted in countries where these issues are macro-critical.

67. The IMF has been working with countries vulnerable to large natural disasters to integrate the risks posed by natural disasters and climate change into economic frameworks and policy analysis and to develop/enhance preparedness and climate adaptation strategies. In 2016, the IMF laid out the core principles of this integrated approach for small states, a group of countries particularly vulnerable to natural disasters and climate change (IMF, 2016), and later provided guidance to staff on tailoring macroeconomic analysis to better cover shocks and climate change (IMF, 2017d). Since then, IMF staff has incorporated disaster risk in surveillance work in about 40 percent of those countries prone to large natural disaster risk (IMF, 2019f); country teams have also used scenarios to show how policies to build resilience can improve economic outcomes (St. Lucia and Vanuatu). A new diagnostic tool, a Climate Change Policy Assessment (CCPA), has been developed to assess climate mitigation and adaptation plans

and the associated risk management strategies.³² A staff paper on how to support countries with limited state capacity develop disaster resilience strategies is forthcoming (IMF 2019e).

68. IMF staff have been working with relevant international agencies, central banks, and other partners on financial sector policy issues related to climate risks. Climate change—and the public and private sector’s responses to it—can give rise to financial risks, including physical risks (climate-related disasters) and risks linked to the transition to a low-carbon economy. The IMF’s work in this area has focused on understanding the mechanisms of transmission between climate risks and macro-financial stability. IMF staff have also been working to identify and develop good practices in stress testing, including for climate-related risks.

I. Recent Initiatives

69. Since 2015, the IMF has undertaken various additional initiatives in support of the 2030 Development Agenda.

- **Analyzing the Costs of Achieving SDGs:** At the request of the UN, the IMF, in 2018, developed an approach to quantify the additional spending needed to achieve the SDGs in the areas of health care, education, and selected infrastructure. Drawing on lessons from five country case studies, the methodology was applied to estimate spending needs in 155 countries. The estimates suggest that delivering on the SDG agenda in those specific areas alone will require additional spending in 2030 of US\$0.5 trillion for LIDCs and US\$2.1 trillion for EMs (Gaspar and others, 2019).³³
- **Strengthening governance:** Corruption and weak governance are associated with lower growth, investment, and tax revenue collection and with high inequality and social exclusion (IMF, 2018e). The IMF is consequently stepping up its engagement on governance and corruption issues, consistent with the emphasis of SDG 16 on ensuring “*effective, accountable, and inclusive institutions at all levels.*” In April 2018, the IMF adopted a new framework for enhanced engagement on governance vulnerabilities, including corruption, that are judged to be macroeconomically critical. The new framework covers (i) fiscal governance; (ii) financial sector oversight; (iii) central bank governance; (iv) market regulation; (v) rule of law; (vi) anti-money laundering; and (vii) corruption. It calls for the IMF to strengthen its coverage of macro-critical governance vulnerabilities across the membership, in a systematic manner that ensures evenhanded treatment of countries.
- **Boosting private sector financing:** The IMF plays a supporting role in the Compact with Africa (CwA)—a G20 initiative begun during the German presidency in 2017 that seeks to boost private investment and increase the provision of infrastructure in Africa. The CwA envisages a partnership between African governments and their development partners to implement concrete measures (on both sides) that will lead to a significant scaling-up of private and infrastructure investment in Africa.

³² CCPAs are produced in collaboration with World Bank staff; CCPAs have been produced on a pilot basis for Belize, Seychelles, St. Lucia, with work on Grenada in process.

³³ The IMF is participating in the work of an interagency working group on SDG costing that aims to coordinate and share knowledge among SDG costing efforts.

The IMF's role in the CwA is to support African countries in delivering a stable macroeconomic framework conducive to attracting private sector financing.

- **Supporting the global dialog on the SDGs.** Since 2015, the IMF has organized three high-level seminars on issues related to the SDGs during the IMF-World Bank Annual and Spring Meetings, the most recent in October 2018. IMF Management also participates in SDG-related events organized by other international organizations, acting as a forceful advocate for the SDGs (e.g., Lagarde, 2018). The IMF is one of five major institutional stakeholders in the UN's FfD process, and a lead contributor to the annual FfD "Progress and Prospects" report.³⁴

CONCLUSIONS

70. The IMF has made a series of commitments to expand its support for implementation of the 2030 Development Agenda, agreed in 2015. This paper has examined the track record of implementing these commitments, noting lessons that have been learned from implementation.

71. Economic developments in developing countries since 2015 have been less favorable than anticipated, with average growth rates also substantially lower than recorded in the 2010–2015 period. The shortfall in performance has been marked in commodity exporters (linked to the sizable drop in commodity prices) and in fragile states (regardless of export composition). Looking ahead, the conjunction of surging labor forces and potentially high rates of automation poses a significant threat to boosting growth in lower income countries. Continued weak performance in fragile states will render SDG 1 (eliminating absolute poverty globally) unattainable.

72. There has been a large increase in IMF support for countries seeking to strengthen national tax systems, facilitated by significant increases in donor support for dedicated trust funds. The volume of assistance provided in FY2018 was some 46 percent higher than in FY2015 (about 28 percent higher using annual averages for FY2013–15 and FY2016–18). Coverage of tax issues (both domestic and international) in IMF surveillance has increased substantially. But many developing countries are frustrated that tackling issues such as corporate tax evasion and profit shifting and the hiding of often illegally acquired funds by nationals in tax havens is progressing too slowly.

73. The IMF has expanded its assistance for building state capacity to oversee the scaling-up of investment in infrastructure. The Public Investment Management Assessment is the key component of this support, as it lays the basis for a program of assistance from development partners to strengthen state capacity. Experience has shown that the effectiveness of prioritizing and implementing public investment projects (and designing sound PPP contracts) is a key determinant of the pay-offs from scaling-up and hence of the overall success of the strategy.

74. The IMF has significantly increased the volume of analytical work on achieving economic inclusion and has substantially expanded its coverage of inclusion issues (inequality, gender,

³⁴ For a regional assessment on prospects for/progress towards the SDGs in ASEAN countries, see IMF (2018d).

financial) in its surveillance work. Going forward, coverage of these issues in operational work will be concentrated on countries where tackling these issues is critical to better macroeconomic performance.

75. The IMF has delivered on its commitment to increase its technical support for countries seeking to develop domestic financial markets, within the framework of the established division of labor with the World Bank on financial sector issues. The volume of TA provided on financial sector issues rose by about 13 percent between FY 2015 and FY 2018 (by 12 percent using annual averages for FY 2013–15 and FY 2016–18), with the bulk of assistance going to lower income countries. Technical support for modernizing monetary policy frameworks and enhancing central bank capacity has helped build a central foundation for financial sector market development.

76. The IMF has worked to strengthen the effectiveness of its engagement in fragile and conflict-affected states. The volume of TA provided is on a solid upward trend; a new medium-term approach to capacity-building is being piloted in five countries; and there have been important success stories, such as Cote d'Ivoire and Myanmar, where extensive IMF support has helped countries achieve marked progress. Delivering on the IMF's 2018 strategy developed in response to the IEO evaluation will be key in determining whether the scope for achieving greater impact is realized.

77. IMF support for development of statistical capacity in developing countries has increased sharply in recent years, made possible by substantial increases in financial support from bilateral donors. The volume of support for statistical capacity development has increased by about one-third since 2014; further support to low and lower middle-income countries is to be provided under the donor-financed 2018 D4D initiative. This sharp increase in support is expected to deliver significant improvements in national economic and socio-demographic statistics.

78. The IMF has worked to improve the safety net available for developing countries since 2015, while continuing its established role of providing financial support to a diverse range of developing countries. Key actions at the systemic level include completion of the 2010 Quota and Governance reform and the work to strengthen collaboration between the IMF and the RFAs, an important link-up in the global financial safety net. Access to IMF concessional resources was increased by 50 percent in 2015 and is expected to be further increased by the end of May.

79. IMF engagement on climate change issues has focused on policy advice on meeting carbon emission commitments and on working with countries vulnerable to natural disasters/climate change to develop adaptation strategies. Substantial work has been done on design of fuel and energy taxation and on trade-offs between carbon pricing and other containment strategies. Support for countries vulnerable to disasters/climate change is still in the pilot stage, with full engagement in this area likely to require close collaboration with other agencies.

80. The IMF has undertaken several new measures supportive of the 2030 development agenda since 2015. The 2018–19 SDG costing exercise has shed important light on the scale of the spending levels and external financing needed to meet the SDGs in EMs and LIDCs. IMF Management has undertaken extensive advocacy in support of the SDGs and convened high-level policy discussions on

achieving the SDGs. Scaling up engagement on governance/corruption issues and supporting the G20 initiative to boost private investment in Africa should help boost growth.

81. Cross-cutting lessons from the experiences discussed above include:

- the need to operate within a medium-term time frame when seeking to build institutional capacity, while choosing TA delivery mechanisms suited to the specific challenges at hand;
- the overarching importance of both achieving and maintaining country ownership of reform programs, including by developing implementation plans in collaboration with senior decisionmakers and maintaining ongoing dialog with these officials as implementation proceeds;
- with several development partners often active in providing advice and TA to governments on a specific issue, maximizing effective use of these resources requires both strategic coordination across agencies and a clearly agreed division of labor and responsibilities;
- high-quality diagnostics are an imperative for the success of capacity-building efforts, both in providing the basis for a reform strategy and a baseline against which results can be measured and progress assessed;
- effective cooperation with external organizations has been important to access the knowledge and expertise embedded in other international institutions and agencies.

82. The large scaling up of support described above has relied heavily on external financing from donors, typically provided through trust funds; the IMF itself operates within a fixed budget envelope. After a decade of expansion of TA, a leveling off in the scale of externally financed activities is now envisaged to maintain the high quality of IMF assistance, including effective quality control over technical support. Attention will now need to shift to improving the effectiveness of technical support by (i) better prioritization of projects, drawing on candid assessments of recipient government ownership; (ii) operationalizing the lessons learned over the past decade of supporting capacity development; and (iii) making full use of results-based management system to achieve efficiency gains and to better identify lessons to be learned from project implementation.

ISSUES FOR DISCUSSION

- Do Directors agree that the Fund is delivering as envisaged on the specific commitments made to support the 2030 development agenda?
- Do Directors agree that the areas in which the Fund has been delivering additional support for the 2030 development agenda have been broadly appropriate?
- Do Directors agree with the cross-cutting lessons drawn from the experience to date in scaling-up Fund support for the 2030 development agenda?
- Do Directors agree that there is significant scope for enhancing the impact and efficiency of Fund capacity development operations, drawing on lessons from the recent comprehensive review of its CD strategy?

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






















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Appendix I. IMF Alignment with the 2030 Agenda

1. The IMF is committed to support countries in their efforts to pursue the SDGs in areas relevant to its mandate of financial stability and sustainable and inclusive economic growth. The Table below provides a mapping of how IMF's operations support the 2030 development agenda.

IMF Alignment with the 2030 Agenda	
Strong, inclusive and sustainable growth with poverty eradication	     
Closing infrastructure gaps in a sustainable way	
Gender equity and inclusion	 
Policies to address climate change	  
Creating fiscal space for essential public service delivery	  
Providing capacity building for strengthening institutions; addressing governance	
Domestic and global economic and financial stability/means of implementation	
Providing capacity building to strengthen national statistical systems and to develop SDGs global indicator framework	                

Appendix II. Developing Countries and Country Groups

Table 1. Developing Countries and Country Groups ^{1,2,3,4}

Emerging and Developing Europe (9 countries)		Sub-Saharan Africa (44 countries)	
Albania	Montenegro	Angola	Kenya
Bosnia and Herzegovina	Romania	Benin**	Lesotho
Bulgaria	Serbia	Botswana	Liberia*,**
Kosovo*	Turkey	Burkina Faso**	Madagascar**,**
Republic of North Macedonia		Burundi**,**	Malawi**,**
		Cabo Verde	Mali**,**
		Cameroon**,**	Mauritius
		Central African Republic**,**	Mozambique**
		Chad**,**	Namibia
		Comoros**,**	Niger**
		Congo, Democratic Rep.**,**	Nigeria
		Congo, Republic**,**	Rwanda**
		Côte d'Ivoire**,**	São Tomé and Príncipe**,**
		Equatorial Guinea	Senegal**
		Eritrea**,**	Sierra Leone**,**
		Eswatini	South Africa
		Ethiopia**	South Sudan*
		Gabon	Tanzania**
		Gambia**,**	Togo**,**
		Ghana**	Uganda**
		Guinea**,**	Zambia**
		Guinea-Bissau**,**	Zimbabwe*
Emerging and Developing Asia (26 countries)		Latin America and the Caribbean (23 countries)	
Bangladesh	Nauru	Belize	Nicaragua**
Bhutan	Nepal	Bolivia**	Paraguay
Cambodia	Papua New Guinea*	Brazil	Peru
Fiji	Philippines	Colombia	St. Lucia
Indonesia	Samoa	Costa Rica	St. Vincent and the Grenadines
Kiribati*	Solomon Islands*	Dominica	Suriname
Lao People's Democratic Republic	Sri Lanka	Dominican Republic	Venezuela
Malaysia	Thailand	Ecuador	
Maldives*	Timor-Leste*	El Salvador	
Marshall Islands*	Tonga	Grenada	
Micronesia*	Tuvalu*	Guatemala	
Mongolia	Vanuatu	Guyana**	
Myanmar*	Vietnam	Haiti**,**	
		Honduras**	
		Jamaica	
		Mexico	
Middle East, North Africa, Afghanistan, and Pakistan (17 countries)		Commonwealth of Independent States (12 countries)	
Afghanistan**,**	Armenia		
Algeria	Azerbaijan		
Djibouti*	Belarus		
Egypt	Georgia		
Iran	Kazakhstan		
Iraq*	Kyrgyz Republic		
Jordan	Moldova		
Lebanon*	Russia		
Libya*	Tajikistan*		
Mauritania**	Turkmenistan		
Morocco	Ukraine		
Pakistan	Uzbekistan		
Somalia*			
Sudan**,**			
Syrian Arab Republic*			
Tunisia			
Yemen*			

¹ Developing countries here refers to all countries that are not "high income countries" in the World Bank classification system, a usage adopted here because it is aligned with the meaning of the term in the external debate. Given their systemic size, China and India are excluded from the sample of developing countries.

² 59 countries in bold typeface are low-income developing countries (LIDC) and 72 countries in regular typeface are other developing countries (Other). The LIDC are countries either eligible for IMF's concessional financial assistance or those with a per capita Gross National Income (measured according to the World Bank's Atlas method) in 2016 of below twice the IDA's effective operational cut-off level. 'Other Developing' are the non-LIDC emerging market and developing countries. 42 countries, with an asterisk,*,** included in the list of countries in a post-conflict and fragile situation, are referred to as 'Fragile States', as of October 2017.

³ 38 countries, with two asterisk,**, signs are in the list of countries that have qualified for, are eligible or potentially eligible and may wish to receive HIPC Initiative Assistance (as of October 2017).

⁴ Georgia, which is not a member of the Commonwealth of Independent States, is included in this group for reasons of geography and similarities in economic structure.

Appendix III. Summary of the Initiatives Committed in Support of the 2030 Agenda

1. The IMF committed in 2015 to new initiatives within its remit to support developing countries in their efforts to achieve inclusive economic growth and environmentally sustainable economic development. Below is a summary of the initiatives.

Strengthening Domestic Revenue Mobilization

Initiatives for strengthening domestic tax systems include:

- ✓ Enhancing TA to developing countries to strengthen domestic revenue systems and supporting nationally-built revenue reform strategies;
- ✓ Applying toolkits meant to support the design and implementation of country strategies for better revenue systems;
- ✓ Addressing tax challenges in the extractive industries using the FARI model;
- ✓ Developing jointly with the World Bank a tax policy diagnostic tool (TPAF).

Commitments in regard to addressing international taxation issues include:

- ✓ Providing stronger support on international tax issues to developing economies;
- ✓ Increasing the voice of developing countries in international debate on tax rules, and cooperation through the Platform for Collaboration on Tax;
- ✓ helping members deal with the challenges of tax avoidance by multinationals.

Macroeconomic Aspects of Scaling Up Public Infrastructure Investment

Commitments to support public infrastructure investment scaling up include:

- ✓ Continue providing policy guidance on the interaction between public investment, financing, fiscal policy and debt sustainability using DSA and MTDS;
- ✓ Expanding the DIG and DIGNAR models and their applications;
- ✓ Developing and applying new diagnostic tools—P-FRAM and PIMA—to support public investment;
- ✓ Providing TA to countries seeking policy guidance on macroeconomic aspects of scaling up public investment.

Support for Core SDGs on Inclusion Issues

Commitments to support promote economic, financial and gender inclusion include:

- ✓ deepening the analytical work on inclusion and operationalize policy messages into operational work;
- ✓ developing a framework to analyze distributional impacts of macroeconomic policies and structural reforms;
- ✓ developing a template for evaluating the distributional impact of energy subsidy reform.

Promoting Sustainable Development of Domestic Financial Markets

The IMF committed to:

- ✓ significantly increase targeted TA on financial market deepening;
- ✓ develop diagnostic tools to guide targeted capacity building in financial market development in LICs.

Addressing the Challenge of Climate Change

The IMF committed to:

- ✓ promote policy dialogue among key stakeholders on the benefits of carbon pricing as one component of an effective tax structure;
- ✓ provide TA and training in fuel tax design and energy price reform;
- ✓ integrate natural disaster risks and preparedness strategies in macroeconomic forecasts and debt sustainability analyses;
- ✓ help countries incorporate adaptation strategies in medium-term fiscal frameworks;
- ✓ work with other institutions to encourage consistent climate-related disclosures, prudential requirements, and stress testing for the financial sector.

A More Resilient Capacity Building Framework for Fragile States

The IMF committed to strengthen its capacity building work for its FCS members by:

- ✓ establishing, with country authorities, clearer goals and targets for institution building;
- ✓ putting the IMF country team, in addition to the IMF TA providing teams, at the center of the planning and monitoring of capacity building efforts along with country authorities to allow for feedback between capacity building and policy advice;

- ✓ coordinating better with other development partners to strengthen the international community's overall capacity building approach towards FCS.

Improving Data Collection and Dissemination

- ✓ The IMF committed to strengthen its statistical data dissemination and knowledge sharing by better leveraging its technology.