



TRAINING AND INSTITUTIONAL CAPACITY DEVELOPMENT

Enhancing collaboration among
RFAs and between RFAs and the IMF

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Acronyms

AMF	Arab Monetary Fund
AMRO	ASEAN+3 Macroeconomic Research Office
BRICS	Brazil, Russia, India, China, South Africa
CD	Capacity Development
CMIM	Chiang Mai Initiative Multilateralization
EC	European Commission
EFSD	Eurasian Fund for Stabilization and Development
ESM	European Stability Mechanism
EU	European Union
FLAR	Latin American Reserve Fund
GFSN	Global Financial Safety Net
IMF	International Monetary Fund
MoU	Memorandum of Understanding
RFA(s)	Regional Financial Arrangement(s)
TA	Technical Assistance
TICD	Training and Institutional Capacity Development

I. INTRODUCTION

During the third annual High-level RFA Dialogue, held on October 10 2018, in Bali, Indonesia, the heads of Regional Financial Arrangements (RFAs) identified six workstreams for taking stock of and exploring potential avenues for the enhancement of cooperation between the IMF and RFAs, as well as among RFAs themselves.¹ This discussion paper outlines current interinstitutional collaboration in the area of Training and Institutional Capacity Development (TICD) and suggests possibilities for further progress in the field.

Capacity development (CD), understood as technical assistance and training, is crucial to the Global Financial Safety Net (GFSN), with the IMF allocating approximately 30% of its budget to this area (IMF, 2019).² For RFAs, CD is important for both internal organizational development and, depending on the institution's mandate, providing assistance to clients. CD is a critical tool in the promotion of macroeconomic and financial stability, a common goal of all RFAs.

This paper focuses on training as part of institutional capacity development, since technical assistance has already been discussed in detail by the AMF in a separate workstream. This paper divides the training aspect into four main areas: i) training courses, ii) staff exchange programs, iii) workshops between the IMF and RFAs and among RFAs, and iv) complementary modes of collaboration such as test runs between the IMF and RFAs without the experience of co-financing, as well as the signing of MoUs.

The main inputs for this document come from a survey conducted by FLAR with RFA staff, discussions held at the fourth High-level RFA Dialogue on October 16,

¹ The six workstreams are: complementarity in lending toolkits and policies during crisis times led by the ESM; technical assistance in common member states led by the AMF; peacetime surveillance frameworks led by AMRO; conditionality design led by the EFSD; communication strategies led by the European Commission; and the subject of this paper on training and institutional capacity building led by FLAR.

² See, for instance, <https://www.elibrary.imf.org/view/IMF011/26120-9781498321563/26120-9781498321563/ch06.xml?redirect=true>

2019, and bilateral discussions with the IMF and RFA staff. The results indicate that RFAs are fairly satisfied with both current availability and access to IMF training courses. However, there is room to enhance cooperation in three other areas of TICD, namely, staff exchange, workshops and complementary modes of collaboration.

Our aim is to identify specific ways to deepen TICD cooperation between the IMF and RFAs, and among RFAs, in the future.

The next section of our paper explains the benefits of advancing cooperation between the IMF and RFAs as well as among RFAs themselves. The third section provides an overview of existing cooperation modalities and the preferences revealed in the TICD survey. The last section offers recommendations for moving forward.

II. Why collaborate on Training and Institutional Capacity Development?

TICD refers to all activities related to the transfer of knowledge and best practices between the IMF and RFAs, and among RFAs themselves, with the purpose of building institutional capacity. There are strong arguments that support IMF-RFA and RFA-RFA collaboration on training and institutional capacity building.

Regarding IMF-RFA collaboration, there is an inherent complementarity based on the comparative advantages of each institution. On the one hand, the IMF has the longest and most well-established experience in economic surveillance, economic diagnostics, advising sovereign governments, and helping country authorities to design and implement adjustment programs. This experience constitutes an important foundation to be shared with RFAs. On the other hand, RFAs have a deep knowledge of regional economic and policy structures and developments. This knowledge is an important starting point for sharing with the IMF and among RFAs.

In this sense, the closeness to the countries and the comprehension of regional specificities by RFAs complements IMF analysis. This complementarity helps to create a more balanced and complete picture of the risks faced by a region, given the increasingly complex scenario of economic and financial interlinkage among economies.

Regarding RFA-RFA collaboration, the heterogeneity and different degrees of development present in RFAs provide a foundation for attending or offering training sessions, as well as for exchanging knowledge and experiences among RFAs from

all over the world. Although countries from diverse regions may have different economic structures and be subject to different types of economic and financial shocks, the underlying causes of their macroeconomic and financial problems may be similar, for example, unsound fiscal policies.

In light of the above, strong cooperation in training and institutional capacity development between the IMF and RFAs, and among RFAs themselves, will help strengthen the GFSN.

III. Taking stock of existing collaboration and RFAs preferences

This section provides an overview of the main areas of cooperation, their mechanisms, and the preferences regarding IMF-RFA and RFA-RFA collaboration in terms of TICD.

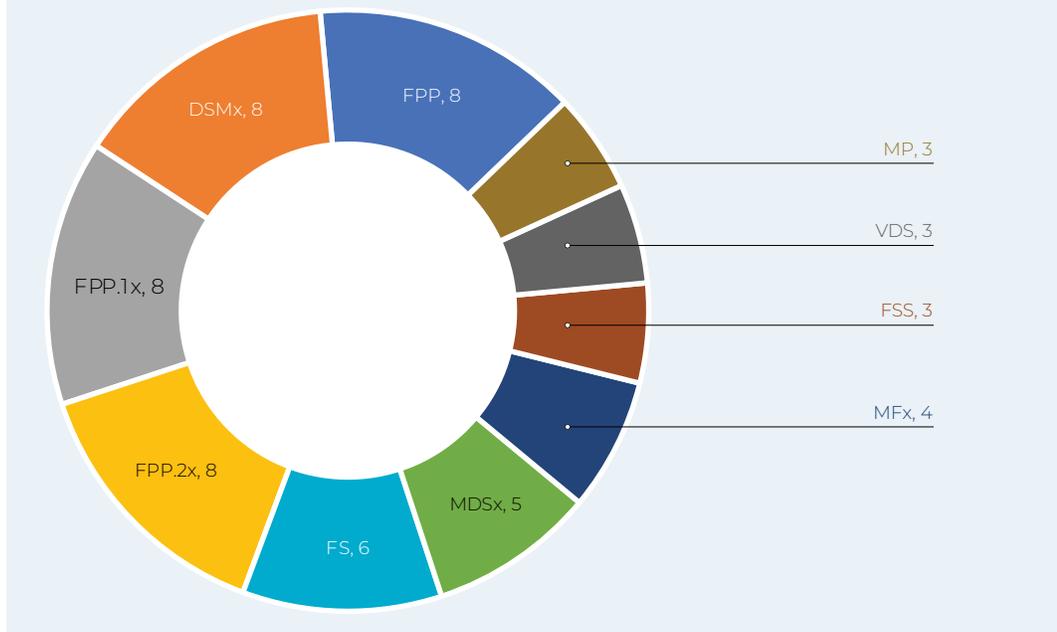
IMF-RFA cooperation

Collaboration on TICD between RFAs and the IMF is heterogeneous and based on bilateral cooperation initiatives that are predominantly implemented through RFA participation in the training courses offered by the IMF, both face to face at its headquarters and regional centers and online. To a lesser extent, and in separate cases, TICD may be provided via staff exchanges between RFAs and the IMF and through thematic workshops and IMF training courses.

More recently, collaborations have emerged between IMF staff and EFSD staff in the area of research. In particular, IMF staff provide expert support in peer reviewing some of the EFSD staff papers. This avenue is one of the lines for collaboration on which the IMF and EFSD agreed at a staff level during the IMF/WB 2019 Annual Meetings.

The results of the survey conducted by FLAR with RFA's staff show satisfaction among RFAs regarding current availability and access to IMF training courses. However, a minority of RFAs reported problems regarding access. Among the courses offered by the IMF, the greatest demand over the past two years from RFAs has been for Financial Programming (in its different formats), followed by Fiscal Policy and Sustainability, and Macroeconomic Diagnostics and Forecasting. Demand has been somewhat lower for courses on Vulnerability Diagnostics, Monetary Policy and Financial Sector Surveillance (Graph 1).

Graph 1. Courses offered by the IMF and taken by RFA staff over the past two years (Course, number of times)



Abbreviations: FPP.1 and FPP.2: Financial Programming and Policies part 1 and part 2; DSM: Debt Sustainability and Debt Management; FS: Fiscal Sustainability; MDS: Macroeconomic Diagnostics; MF: Macroeconomic Forecasting; FSS: Financial Sector Surveillance; VDS: Vulnerability Diagnostics; MP: Monetary Policy. The suffix "x" means that the course was taken online.

Source: Authors' elaboration based on the information reported by RFAs.

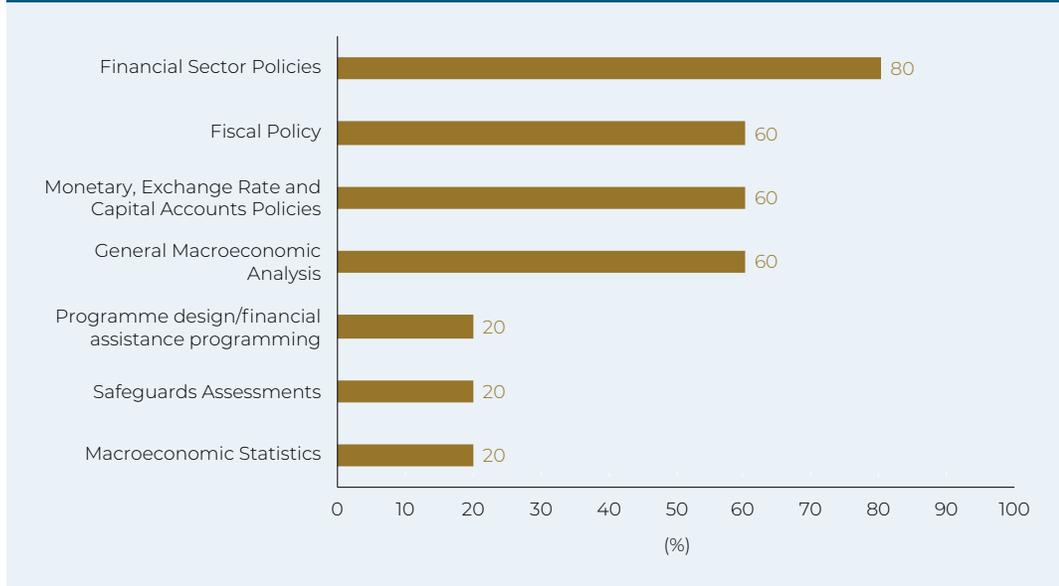
To date, training courses have not been offered by RFAs for IMF staff. It is not yet clear whether the reason for this can be related to supply, demand, or both. However, it may be worth exploring the possibility of offering this kind of training to IMF staff in a manner predominantly limited to some regional specificities explained by RFA experts.

Alternatively, cases of cooperation exist for staff exchange programs between the IMF and RFAs (AMRO and EC), as well as for thematic workshops offered by RFAs.

The main areas identified by RFAs that might be explored for enhanced cooperation on capacity building with the IMF are Financial Sector Policies; Fiscal Policy; Monetary, Exchange Rate and Capital Account Policies; and General Macroeconomic Analysis (Graph 2).

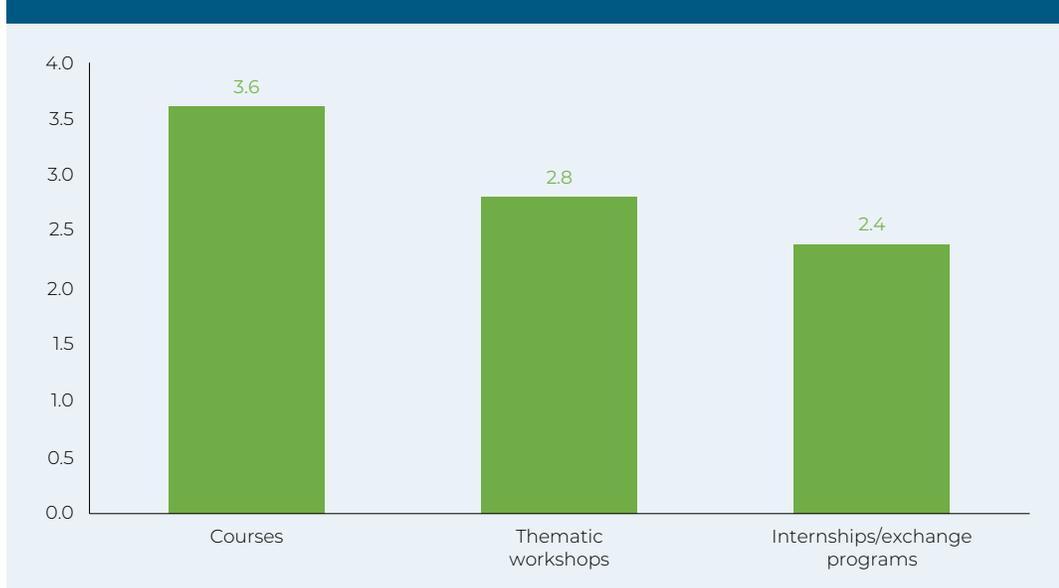
The preferred modality of TICD between the IMF and RFAs is by training courses, followed by thematic workshops and internships (Graph 3).

Graph 2. Areas that might be explored for enhanced cooperation in capacity building with the IMF



Source: Authors' elaboration based on the information reported by RFAs. Preference: Percentage of RFAs that chose the respective area over the total RFAs that responded to the survey.

Graph 3. Preferred modality for TICD between the IMF and RFAs



Source: Authors' elaboration based on the information reported by RFAs. 4 represents the preferred method for training and capacity building, and 1 represents the least-preferred method.

RFAs believe that the IMF could also consider developing collaboration in TICD through a separate scheme exclusively designed for RFAs in the case of internships and/or staff exchange programs. The vast majority favor a separate scheme exclusive to RFAs for thematic workshops, as has been the case since the end of 2018. Last but not least, most RFAs do not favor asking the IMF to offer courses in a separate scheme for RFAs.

RFAs also believe that they could mainly offer internships and thematic workshops for IMF staff to enhance TICD. They see fewer benefits in strengthening collaboration through training courses in this regard.

Among RFAs

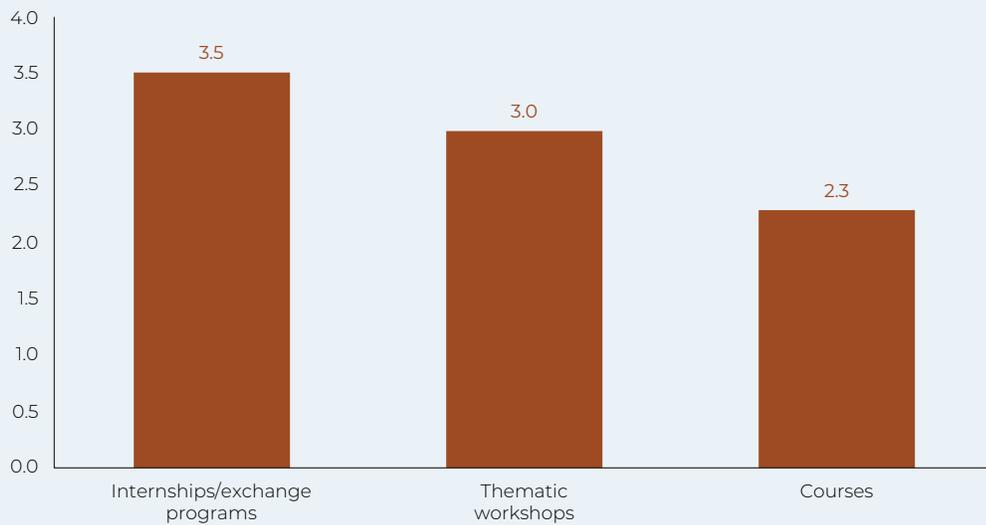
Bilateral and group collaboration for TICD among RFAs by training courses and knowledge transfer has grown in recent years in view of RFA efforts to draw lessons from one another's experiences and best practices. Most notably, there is a four-year history of cooperation among RFAs via research seminars and high-level dialogues.

To date, there have been some cases of joint training courses. For instance, the ESM collaborated with the AMF to provide a course for representatives from sixteen AMF member states on the ESM's Early Warning System and its associated analytical tools. The first edition of this course was held on February 9 to 13, 2019. A second is expected next year. The ESM also plans to contribute to joint RFA technical cooperation efforts through two courses for EFSD staff on ESM debt sustainability analysis and the implementation of International Financial Reporting Standard 9 (IRFS 9) when global travel and health conditions, which have currently been disrupted due to the pandemic, allow.

All RFAs agree that there is space for cooperation among RFAs on TICD. The preferred modalities for TICD are internships and staff exchange programs, followed by thematic workshops and, finally, training courses (Graph 4). For example, Memorandums of Understanding (MoUs) signed between AMRO and the ESM, AMRO and FLAR, and the ESM and FLAR allow for staff exchange.

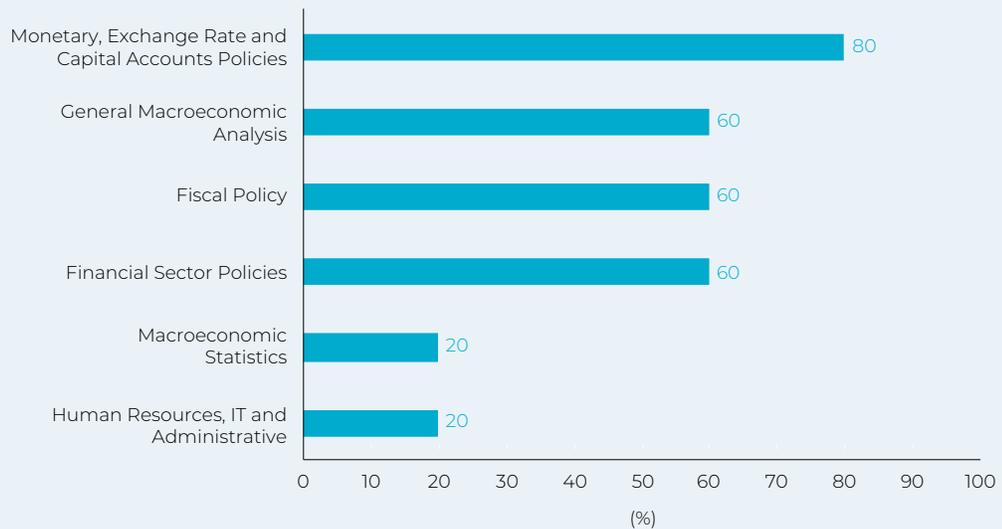
The main areas to be explored for enhanced cooperation in capacity development with other RFAs are Monetary, Exchange Rate and Capital Account Policies; General Macroeconomic Analysis; Fiscal Policy; and Financial Sector Policies (Graph 5).

Graph 4. Preferred modality for TICD among RFAs



Source: Authors' elaboration based on the information reported by RFAs. 4 represents the preferred method for training and capacity building, and 1 represents the least-preferred method.

Graph 5. Main areas to be explored for enhanced cooperation on TICD among RFAs



Source: Authors' elaboration based on the information reported by RFAs. Preference: Percentage of RFAs that chose the respective area over the total RFAs that responded to the survey.

Only 40% of RFAs support the idea of creating a joint RFA TICD center. Different explanations for this were provided, ranging from logistical to financial constraints.

Seminars and workshops represent the most advanced areas of collaboration among RFAs. The joint annual RFA research seminar, held since 2017, brings scholars, practitioners and policymakers together to discuss and update their knowledge in key areas of the daily operations of the different financial backstops.

The first and second Joint RFA Research Seminars explored risk and vulnerability detection models, regional spillover control, and conditionality design and implementation, among other topics (Barnieh, *et al.*, 2018). Given the heightened global risks related to trade tensions, geopolitical challenges, and economic and market uncertainties, the third Joint RFA Research Seminar focused on detecting, analyzing, preventing and tackling sovereign risks and how the Global Financial Safety Net, particularly its regional lines of defense, can provide enhanced support (ESM, 2019). RFA staff are working on the organization of the fourth Joint RFA Research Seminar, possibly to be held in a virtual format at the end of 2020.

IV. Recommendations for enhancing future collaboration

This section explores ways to move forward on TICD cooperation, from a medium- to long-term perspective. Our proposals are outlined as follows.

Courses

The IMF's supply of courses to RFAs seems adequate, and RFAs can continue participating in general training courses. The only area for improvement is that of access, which was limited in many cases due to course quotas being filled by country officials. In addition, RFAs could explore the possibility of offering courses to IMF staff that are limited to regional specificities, as long as the IMF is interested in this sort of training.

Regarding cooperation among RFAs, there is important work to be done in the future. For example, new training activities among RFAs could focus on topics through which to share best practices in the areas of administration, legal, risk framework and/or information technology and digitalization. New courses could also be adapted to the common needs of RFAs and their members, as well as regional specificities, such as experiences shared by the ESM and the AMF.

Staff exchange

Staff exchanges and internship programs have the potential to improve mutual understanding of key working methods and analytical frameworks across different institutions (Barnieh, *et al.*, 2018). This potential holds true not only for issues specific to the mission of RFAs (e.g., surveillance) but also for exchanges involving operations, such as in the areas of administration, legal or information technology. Exchanges also help to expand network and communication channels among RFAs. To move forward on this front, drawing on previous experiences of staff exchanges between AMRO and the IMF (still ongoing) and between the EC and the IMF (Box 1) would prove helpful. To this end, it might be interesting to analyze the possibility of the standardization of internship and staff exchange programs among RFAs.

Seminars and workshops

As previously mentioned, the annual Joint RFA Research Seminars and High-level Dialogues offer good examples of collaboration among RFAs, and RFAs should continue to strengthen them. The IMF has also participated in these events. These scenarios create a fertile atmosphere for the sharing of information, experiences and even methodologies. For instance, the ARTEMIS scorecard tool presented by AMRO at the 3rd Joint RFA Research Seminar proved a useful source of inspiration for ESM work in economic monitoring and effective communication with shareholders.

Box 1. Examples of Staff Exchange Arrangements

EC and the IMF

A two-year Staff Exchange (SWAP) arrangement between the Directorate General for Economic and Financial Affairs of the European Commission (DG ECFIN) and the IMF has been operating since 2006. An agent from DG ECFIN joins the European Department of the IMF, and an agent from the IMF is seconded to DG ECFIN. The secondment can be extended for one additional year if both parties agree on it.

AMRO and the IMF

The AMRO-IMF MoU, signed in October 2017, commits both institutions to staff exchange possibilities and may provide inspiration for collaborations with other RFAs (Barnieh, *et al.*, 2018). The first staff exchanges took place in September 2019. The staff exchanged are expected to work in the corresponding institution for a period of two years.

One way to strengthen this area of activity is by engaging in joint research activities on topics of common interest to support academic and technical dialogues. For example, FLAR and AMRO are currently working on joint research topics.

Complementary collaboration in CD

Regarding complementary collaboration, it would be useful to conduct test runs between the IMF and RFAs that do not have any experience of co-financing; these might resemble those that the IMF conducted with AMRO/CMIM. Such activities are helpful for testing the effectiveness and operational readiness of RFAs in the event of co-financing.

Finally, to further advance CD cooperation among RFAs, it would be advisable for RFAs to consider signing institutional MoUs among themselves, as is already the case for AMRO, the ESM and FLAR. MoUs offer a legal platform that allows for a greater sharing of information while simultaneously guaranteeing confidentiality for the parties involved.

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