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# The Millennium Development Goals, the Emerging Framework for Capacity Building, and the Role of the IMF

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**The Millennium Development Goals, the Emerging Framework for Capacity Building, and the Role of the IMF**

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**Abstract**



The Millennium Development Goals (MDGs) represent a global commitment to improve economic and social conditions in low-income countries. Capacity building is key to promoting higher economic growth, which, in turn, is an important prerequisite for making progress toward the MDGs. This paper uses the UNDP's emerging framework for capacity building to show how the IMF supports capacity building at the individual, organizational, and the system level, thereby contributing to the efforts of countries to meeting the MDGs.

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## I. INTRODUCTION

The issue of capacity building in low-income countries has taken on added significance with the adoption of the United Nations Millennium Declaration on September 8, 2000. The declaration embodies a commitment by the UN member states to improve economic and social conditions in developing countries. To operationalize the declaration, the UN Secretariat put in place a list of eight Millennium Development Goals (MDGs) to be achieved by 2015, each of them accompanied by specific targets and indicators. The eight goals are (i) to eradicate extreme poverty and hunger, (ii) to achieve universal primary education, (iii) to promote gender equality and empower women, (iv) to reduce child mortality, (v) to improve maternal health, (vi) to combat HIV/AIDS, malaria, and other diseases, (vii) to ensure environmental sustainability, and (viii) to develop a global partnership for development.

In addition to outlining the desired outcomes, the MDGs reflect agreement about the actions that need to be taken by developing countries, developed countries, and international financial institutions (IFIs) to achieve them. Accordingly, developing countries need to put in place the policies and institutions that will allow them to achieve the goals. Developed countries need to improve market access for developing countries' exports and increase development assistance. The IFIs need to assist the developing countries in putting in place sound policies and building capacity through, among other measures, policy surveillance, technical assistance, and training, and helping to channel aid to developing countries in an effective manner.

Based on lessons learned from experience in the past decades, making progress toward achieving the MDGs by 2015 requires the simultaneous pursuit of policies that promote economic growth, ensure the participation and advancement of the poor, and protect the environment (Development Committee 2003a and 2003b). Economic growth is key to achieving the first MDG. Growth raises income levels and, provided the income distribution does not change adversely, improves the living standard of the poor. Moreover, economic growth can also be conducive to achieving the other MDGs as it contributes to a widening of the government's resource base, which can be used to improve access to health and education services, among other things. However, while growth is a crucial element in making progress toward the MDGs, it is by no means sufficient to attain all the MDG objectives: policies that directly target the other MDGs are necessary and will supplement the effect of policies to promote economic growth. For instance, policies that improve access to education will work directly toward achieving the second and third MDGs and propagate growth by raising worker productivity and output.

By implication, the capacity of countries to formulate and effectively implement policies, be they social, environmental, or related to economic growth, is central to making progress toward achievement of the MDGs. This centrality is underscored by economics research showing that capacity building and the development of sound institutions, such as those relating to the strength of the rule of law and the quality of government economic policymaking and implementation, are a key ingredient for economic growth. Rodrik (1997) shows that institutions played a crucial role in East Asia's economic performance and that differences in institutional quality help explain why some countries have done better than others. Rodrik finds that an index of institutional quality that combines measures of the quality of the bureaucracy, the strength of the rule of law, the risk of expropriation, and the risk of repudiation of contracts by government performs very well in explaining growth differentials across countries—differentials which cannot be attributed to classical variables such as capital accumulation, technical progress, and increases in labor.

More recent research compares the relative performance of high-quality institutions with other growth-promoting factors, namely sound macroeconomic policies and trade openness, in explaining economic growth. Rodrik, Subramanian, and Trebbi (2002) look at the contributions of institutions, trade, and geography in determining cross-country income levels and find that the quality of institutions matters most. Acemoglu and others (2002) explore the effects of distortionary macroeconomic policies and the quality of institutions on growth and find that institutions also play the more important role in determining economic growth. The IMF's *World Economic Outlook* (April 2003) contributes further to the evidence that institutional quality has a significant impact on economic performance. These findings strengthen the case for countries and international financial institutions (IFIs) to engage in and support capacity-building efforts as a means of making progress toward achieving the MDGs.

The main focus of this paper is on how the IMF supports capacity building in its member countries. First, the paper describes the emerging framework for capacity building elaborated by the United Nations Development Program (UNDP) to aid initiatives undertaken to assess and develop capacity. Second, the paper touches upon how IFIs in general support capacity building in the context of this framework. Third, the paper discusses the role of the IMF in capacity building within this framework. It shows that the current operations of the IMF support capacity building at all levels of the emerging framework. Fourth, and more narrowly, the paper discusses the role of the IMF Institute in building capacity. In the last section, the paper concludes by highlighting the main contributions of the IMF to capacity building.

## II. Emerging Framework for Capacity Building

In order to better manage capacity assessments and development initiatives, the UNDP developed a framework for capacity building in 1998. The framework (UNDP, 1998) identifies three levels of capacity building: the individual level, the organization or entity level, and the broader system or environment level. These are defined in Table 1 below, together with their relation to IMF activities.

Table 1. A Framework for Capacity Building and IMF Operations at Each Level

| Level of Capacity Building | Explanation | IMF Operations |
| --- | --- | --- |
| Individual | Developing the individual or human capacity is an integral element of building capacity. Individuals need to have the ability to devise and implement policies. Without the requisite skills, organizations will not function efficiently and country policies can be rendered ineffective. | IMF Institute training. |
| Organization or Entity | Building capacity at the organization level refers to the operations of a specific institution or organization such as the government or one of its ministries. Capacity building at this level would influence the structure of the institution and how it is run. The effectiveness of organizations is central to the overall functioning of a country. For instance, the promulgation and enforceability of laws and regulations by governmental bodies and institutions is necessary to assure a secure and enabling environment. Also, planning and prioritization of expenditures are critical for central governments to deliver effectively key public services, including those to the poor. | Technical assistance (TA) from specialized IMF departments; safeguards assessments of central banks; regional TA centers; Reports on the Observance of Standards and Codes (ROSCs); and Financial Sector Assessment Programs (FSAPs). |
| System or Enabling Environment | This is the broadest level within which capacity initiatives can be framed. It refers to the system such as the country within which organizations and individuals function. Developing capacity in this context means building the capacity of the country to manage, formulate and implement policies, manage its finances and budget, as well as to plan, coordinate, monitor and evaluate its development operations. Thus, countries need to have the capacity to develop their own development strategies which build on their human resources and institutional structures. | Article IV consultations; IMF programs; standards and codes; ROSCs; poverty reduction strategy papers (PRSPs); and FSAPs. |

The central idea is that a comprehensive strategy for building capacity should ensure that capacity is developed at all three levels as these levels of capacity building are interlinked. A well-trained individual cannot operate in a vacuum. He needs to function in the context of an organization that provides him with the necessary support and which, in turn, draws on his expertise. But, even then, the effectiveness of the organization depends on the broader system or environment in which it operates. To maximize effectiveness, capacity at the three levels has to be about the same at any point in time so that no single level acts as a bottleneck.

Consider the emphasis being placed on country-owned development strategies, which are considered critical to the success of policy reforms. Without the individual skills to develop programs and policies, such strategies cannot be elaborated. But, even then, the organization has to provide the inputs needed, in terms particularly of data and policy instruments, to make the design of strategies meaningful. The availability of such information, the eventual decision on strategies, and their effective implementation will depend on the overall system in the country.

Consider also the requirements for improving the provision of medical services. A well-trained medical doctor would not be able to treat his patients without the support of an organization—such as a well-functioning clinic or hospital. But even a clinic or hospital would be insufficient if at the system level the flow of medical equipment and supplies was constrained.

## III. The Role of IFIs in Capacity Building

International financial institutions vary in their specific objectives as well as in their areas of specialization and expertise. For example, the mandates of the IMF and the World Bank differ considerably. However, there are also similarities in the broad types of contributions that IFIs make to capacity building, and in the mechanisms through which these contributions are made. The approaches that the IFIs can—and have—taken to support capacity building and the level at which they support capacity building include the following.

First, many IFIs provide financing, usually in the form of loans, but, in some cases including a significant grant element, which is extended with the aim of helping the authorities attain mutually agreed objectives. The financing may support specific investments (such as World Bank project loans), or it may be part of a sector-specific or economy-wide adjustment package (such as IMF program loans). Thus, IFI's can support capacity building at either the organization or the system levels.

Second, IFIs support country authorities' efforts to design policies geared to achieving specific economic and social targets. This process usually entails extensive consultation with government officials and representatives from the private sector as well as between headquarters and resident staff of the IFIs, with a view to identifying the issues and bottlenecks that the country faces. The IFIs usually report their findings and proposed policies to the boards of their institution. In the case of an IFI-supported program, the policy packages agreed upon may include resources specifically targeted at enhancing capacity in social and economic areas. This function of the IFIs generally operates at the system level.

Third, IFIs encourage the development, dissemination, and adoption of internationally accepted standards and codes of good practice in economic, financial, and business activities. The adoption and implementation of such standards and codes contribute to the development of well-functioning institutions at the system level.

Fourth, many IFIs provide training on a multitude of topics. This training can take place within the framework of a specific project that a country implements, such as public enterprise reform, and thus can support capacity building at the organization level. Or, it can take place in the context of courses and workshops offered by training institutions of the IFIs, such as the IMF Institute and the World Bank Institute, which support capacity building at the individual level.

And fifth, IFIs collaborate with regional training and research institutions in order to train economic analysts, officials, and "trainers," and to support research undertaken in various regions of the world. This function builds capacity at the individual and organization level.

While IFIs play a role, it is, nonetheless, important to remember that the IFIs can only play a supporting role, and that the countries themselves have the primary responsibility for building their capacity.

## IV. The Role of the IMF in Capacity Building

The IMF contributes to capacity building at all levels of the emerging framework through its major activities, reflecting its relations with a broad spectrum of government agencies. This section details the ways in which IMF operations support capacity building at the various levels. This is intended to show how IMF operations fit into the emerging framework. The classification does not, however, preclude the possibility that an operation can be viewed as supporting capacity building at more than one level.

At the individual level, the IMF Institute (INS), along with other departments of the IMF, provides economic training for officials of member countries. The training takes the form of courses and seminars at headquarters in Washington, D.C., and overseas. INS offers courses on macroeconomic management and on specialized topics which target different levels of civil servants and different types of agencies. The courses are delivered mainly in four languages—Arabic, English, French, and Spanish to meet the needs of participants from various regions. The contribution of the Institute to capacity building will be discussed in more detail in Section V.

At the organization level, technical assistance (TA) provided by the IMF is another important channel for building capacity. Through its TA program, the IMF seeks to respond to specific needs raised by member countries in its areas of expertise, for example, tax administration and policy, public expenditure policy and management, banking supervision, financial system assessment, assessment of compliance with anti-money laundering and combating the financing of terrorism, standards, and macroeconomic statistics. This assistance is provided by various departments of the IMF (the Monetary and Financial Systems Department (MFD) or its predecessor, the Monetary and Exchange Affairs Department (MAE), the Fiscal Affairs Department (FAD), the Legal Department (LEG) and the Statistics Department (STA)) and is targeted at improving the operations of and policy design by various entities (central banks, finance ministries and statistical offices, among others). In fiscal year 2002, the time devoted by the IMF staff to technical assistance worldwide amounted to about 347 person-years. In line with efforts to support capacity building in low-income countries, sub-Saharan Africa currently receives the largest share of technical assistance from the Fund. Moreover, the close working relationship between IMF resident representatives, who bring considerable experience and expertise to the countries, and the authorities of member countries contributes further to building capacity at the technical level.

To enhance effective delivery of TA to member countries, the Fund is increasingly relying on regional TA centers. In addition to providing hands-on support to countries, regional TA centers have the advantage of being better able to detect problems early on and to respond more rapidly to emerging needs. The IMF first opened regional TA centers for the small island economies in the Pacific (in 1993) and in the Caribbean (in 2001). More recently, the IMF launched the African Regional Technical Assistance Centers (AFRITACs)—one was opened in Dar es Salaam, Tanzania in November 2002, another one will be opened in Bamako, Mali in May 2003—which focus assistance squarely on capacity building.[2] The AFRITACs consist of a team of resident experts who assist member countries in the region in which the center is located to develop and implement their capacity-building program in the core areas of the IMF's expertise within the context of the Poverty Reduction Strategy Paper (PRSP) process;[3] to help the implementation and monitoring of ongoing capacity-building TA; and to provide prompt capacity-building TA. By working closely with the institutions in the respective regions, and where possible drawing on local expertise, the AFRITACs help to improve their capacity.

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[2] AFRITACs constitute one aspect of the Fund's Africa Capacity Building Initiative to strengthen the capacity of African countries to design and implement their poverty-reduction strategies. Another aspect of the initiative involves the Fund's participation in the Partnership for Capacity Building in Africa (PACT), an Africa-led capacity building initiative, and its membership in the African Capacity Building Foundation (ACBF), the implementing agency of the PACT. The IMF and the ACBF work closely together primarily on capacity-building related training activities and the strengthening of knowledge networking in Africa in the areas of the Fund's core competencies.

[3] The Poverty Reduction Strategy Paper (PRSP) process was established to provide a framework for governments, civil society, and development partners to address jointly the challenges of poverty reduction.

In March 2000, the IMF introduced safeguards assessments of central banks in order to prevent the possible misuse of Fund resources and misreporting of information under Fund arrangements. The purpose of the safeguards assessments is to identify possible vulnerabilities in a central bank's accounting, financial reporting, auditing, and control systems, as well as legal framework, that may impair the integrity of central bank operations. The objective of these assessments is to provide reasonable assurance that, if significant vulnerabilities in these areas are identified, steps to rectify them will be developed and implemented. Though the purpose of the assessments was not first and foremost to build capacity, a positive aspect of this new policy is that it has increased recognition by central bank and member country officials of the importance of transparency and accountability in central bank operations. Since this function of the IMF affects the work of central banks, it supports capacity building at the organization level.

At the system level, it can be argued that Article IV consultations with member countries provide an important channel for capacity building. In this process, the IMF and the authorities engage in a far-reaching dialogue involving a detailed analysis of the economy, a review of policy options, and the formulation of policy actions. These exchanges involve technical analysts, senior staff in key ministries and the central bank, and higher-level government policymakers. In part because they require a dialogue among these officials, IMF consultations prompt different agencies, as well as units within each agency, to collaborate more closely. These interactions contribute to building the country's capacity to analyze problems and design solutions.

The dialogue surrounding the design of Fund programs and the monitoring of their implementation represent another avenue for capacity building in economic policy management. Even more than Article IV consultations, IMF-supported programs mobilize important human resources from member countries and other IFIs. This common effort greatly helps in strengthening core units of economic management, especially in ministries of finance and central banks. The buildup of expertise and knowledge among these units is cumulative, and, over time, creates increased capacity in many aspects of policy management.

In addition to supporting capacity building at the system level through the avenues mentioned above, the IMF sets standards that provide a framework to strengthen the functioning of markets and institutions. These include the development and/or dissemination of standards and codes in areas central to its operational focus, namely, fiscal policy, monetary and financial policy, banking supervision, and the compilation of core macroeconomic data. These are embedded in the Fund's Code of Good Practices on Fiscal Transparency (adopted in 1998), the Code of Good Practices on Transparency in Monetary and Financial Policies (adopted in 1999),[4] the Special Data Dissemination Standard (established in 1996), and the General Data Dissemination System (established in 1997).

To ensure that the benefits of the established standards are realized, the IMF encourages members to adopt and implement the standards, through technical assistance and other avenues. In addition, in the wake of the financial crises in the late 1990s, the IMF, together with the World Bank, has undertaken an initiative to assess members' observance of the standards. At the request of the member country, a Report on the Observance of Standards and Codes (ROSCs), which summarizes the countries' observance of the standards, is prepared and published. ROSC modules are prepared by the Fund and Bank in 11 areas that can be grouped into three main categories: transparency standards (focused on data, fiscal, monetary, and financial policy); financial sector standards (banking supervision, securities, insurance, payments systems, anti-money laundering and combating the financing of terrorism); and market integrity standards for the corporate sector (corporate governance, accounting, auditing, and insolvency and creditor rights). By preceding Article IV missions and later on being incorporated into the Article IV reports, the ROSCs serve to raise the profile of institutional weaknesses in discussions with the authorities, proposing specific areas for improvement and better focusing technical assistance. As of the end of 2002, 343 ROSCs had been produced for 89 economies comprising 47 percent of the Fund membership.

The work on the observance of standards and codes can be viewed as also supporting capacity building at the organization level since it strengthens the functions of particular sectors of the economy. However, the paper classifies it as supporting capacity building at the country level because it helps to define the overall policies that countries need to adopt to ensure a sound macroeconomic environment.

Another initiative that the IMF undertakes which helps to build capacity at the country level is the Financial Sector Assessment Program (FSAP). The purpose of the FSAP is to improve the functioning of the financial services sector of countries. Under the program, IMF staff members work with experts from national agencies and standard-setting bodies to identify the financial sector vulnerabilities, assess the sector's developmental and technical assistance needs, and to help prioritize policy responses. The FSAP includes assessments of countries' observance of relevant financial sector standards and codes. The FSAP also forms the basis of Financial System Stability Assessment (FSSA), in which IMF staff assess risks to macroeconomic stability arising from the financial sector and the sector's capacity to absorb macroeconomic shocks. Although the FSAP, like the ROSCs, can also be characterized as supporting capacity building at the organization level, the paper characterizes it as operating

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[4] This was developed together with the Bank for International Settlements, and in consultation with a representative group of central banks, financial agencies, and other international and regional organizations, as well as academic experts.

at the country level because it affects all financial transactions of the economy and overall macroeconomic stability.

The Fund's commitment to support capacity building at the country level is also demonstrated by its recent adoption, together with the World Bank, of a new framework specifically aimed at assisting countries to develop and implement more effective strategies to fight poverty. This framework recognizes the importance of a country-owned strategy for reducing poverty that includes the participation of civil society and development partners. The country-led strategy is laid out in the Poverty Reduction Strategy Paper (PRSP) which, among other things, provides the basis for Bank and Fund lending in the country concerned. The aim of the PRSP approach is not only to recognize the need for a home-grown plan of action that builds on local expertise, but also to enhance donor coordination so as to avoid duplication and inconsistency in policy advice. The preparation of the PRSP—and the discussions involved—can be seen as a form of capacity building through "learning by doing:" the countries themselves need to assess the policy options available to them and to decide on a strategy for reducing poverty, while IFIs and other donors are to play more of an advisory role.

This section has illustrated how the IMF supports capacity building at the three levels identified in the emerging framework in Table 1. IMF training directly targets officials at various levels; technical assistance provides expertise in specialized areas; and Article IV consultations, PRSP, ROSC and FSAP processes, along with program negotiations and implementation, assist countries in the design of policies, in establishing priorities for action, and in making plans to ensure implementation. Moreover, the standards and codes elaborated by the Fund provide a framework for strengthening institutions and ensuring greater transparency.

All in all, the IMF's various capacity-building activities contribute to the development of vast, and in many respects unique, knowledge networks. The interaction between the IMF and its member countries in the context of Article IV consultations and program negotiations and monitoring contributes to an accumulation of knowledge and sharing of experience between the IMF and each member country, and, with expanding dissemination policies, among the broad international community, including civil society. Through this process, the IMF has become a major depository of basic country data and policy analysis and advice. Market institutions and country officials rely on Fund-disseminated information and assessments; the involvement of the latter group facilitates the evolution of a global peer review process. Further, the IMF has become a major resource in capacity building to its membership not least because capacity building is a two-way process, with information and knowledge flowing in both directions—not only from the IMF to the country, but from the country to the IMF as well. This builds experience at the IMF, which, in turn, is used for the benefit of the membership. Further, the training programs of the IMF Institute literally help establish important networking among country officials. With the possible future extension of the Fund's dissemination policy, technical assistance reports could also become part of this global knowledge sharing. As a result, these knowledge networks are helping to build institutions both in the private and public sector.

## V. The Role of the IMF Institute in Capacity Building

The IMF Institute has, since its creation in 1964, been playing a role in building capacity at the individual level. By providing training on the formulation and implementation of macroeconomic and financial policies to member country officials, the Institute helps to enhance their economic policymaking capacity. This is important in view of the fact that ownership of home-grown economic and financial programs is made greater, thereby increasing the chances of success of programs (Khan and Sharma, 2001, and Boughton and Mourmouras, 2003).

The number of participants in IMF Institute courses at headquarters and overseas has grown rapidly. Over the last twenty years, the Institute has trained some 30,000 officials in courses at headquarters and overseas, more than 15,000 of whom were trained in only the last five years. What is particularly important is that the increased demand for technical assistance and training has originated from the authorities themselves. During the past five years, some 4,600 persons were selected to attend INS courses out of a pool of applicants of almost 14,000.[5] In addition, 10,700 persons were nominated to participate in seminars and courses by invitation. This signals a deep shift in the perceived need for capacity building and further suggests increased ownership of reforms.

The response of INS has been to expand its coverage of topics and issues, foster its regional partnerships, and diversify training. In this respect, INS is continuously updating its portfolio of course offerings to meet the changing needs of its member countries. Among the new courses that INS is offering are those on Macroeconomic Forecasting, Financial Market Analysis, Financial Markets and New Financial Instruments, and Safeguards Assessments of Central Banks. In addition, the Institute organizes every year a series of high-level seminars on policy issues of importance to member countries. These seminars are generally targeted at senior policymakers, notably ministers, governors, and other high-level officials. Some of the seminars are open to participants from various regions, while others are only for participants from a specific region and focus on issues of relevance to the region. Over 2001–02, the Institute offered seven high-level seminars at headquarters and nine overseas. These included seminars on globalization, banking sector fragility, national poverty reduction strategies, exchange rate regimes, and the New Partnership for Africa's Development.

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[5] These figures refer to courses which are by application only and include courses held at IMF headquarters, the Joint Vienna Institute, and the IMF-Singapore Regional Training Institute.

In recent years, the IMF Institute has increased its reliance on regional training centers in an effort to meet the rising demand for its training. The Institute now has six regional centers: the Joint Vienna Institute (in Austria), the IMF-Singapore Regional Training Institute (in Singapore), the IMF-Arab Monetary Fund (AMF) Regional Training Program (in the United Arab Emirates), the Joint Africa Institute (in Côte d'Ivoire), the Joint China-IMF Training Program (in China), and the Joint Regional Training Center for Latin America (in Brazil). The date of establishment of each center and the respective cosponsors and countries that they target are listed in Table 2. Five out of six of these centers were set up in the last five years. The advantage of these centers is that they allow programs to be tailored to the needs of the different regions and bring the training closer to the participants' home countries.

Table 2. IMF Institute Regional Training Centers

| Regional Center | Date Established | Location | Co-sponsors | Target Countries |
|---|---|---|---|---|
| Joint Vienna Institute | 1992 | Austria | Austrian authorities, Bank for International Settlements, European Bank for Reconstruction and Development, Organization for Economic Cooperation and Development, World Bank, and World Trade Organization 1/ 2/ | Transition countries in Europe and Asia |
| IMF-Singapore Regional Training Institute | 1998 | Singapore | Government of Singapore | Developing and transition countries in Asia and the Pacific |
| IMF-AMF Regional Training Program | 1999 | United Arab Emirates | Arab Monetary Fund | Member countries of the Arab Monetary Fund |
| Joint Africa Institute | 1999 | Côte d'Ivoire 3/ | African Development Bank, World Bank | African countries |
| Joint China-IMF Training Program | 2000 | China | People's Bank of China | China |
| Joint Regional Training Center for Latin America | 2001 | Brazil | Government of Brazil | Latin American countries |

1/ The World Trade Organization became a sponsoring organization in 1998.
2/ A number of other European governments and the European Union, although not formal sponsors of the JVI, provide financial support.
3/ Temporarily relocated to Tunisia.

Furthermore, they are a cost-effective way of addressing the large demand for training, as co-sponsors of the regional centers share in the financial costs. The centers now train more than 2,000 participants per year on average and constitute nearly two-thirds of the Institute's total number of participants trained per year. Thus, they represent a significant element of the Institute's training efforts. In addition to its work with the six regional training centers, the IMF Institute collaborates with other regional training institutions in Africa, Asia, and Latin America (see Box 1). An average of 400 participants per year attend the courses organized with the other regional training institutions.

Box 1. Other Regional Partnerships

In French-speaking Africa, the IMF Institute collaborates with the centers of the Central Bank of West African States (BCEAO/COFEB) in Dakar, Senegal, and the Bank of Central African States (BEAC) in Yaoundé, Cameroon. Courses given at these centers usually reach beyond the membership of the two CFA zones and include participants from other francophone, as well as Portuguese- and Spanish-speaking countries of Africa. In Anglophone Africa, the IMF Institute collaborates with the Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI) in Harare and the West African Institute for Financial and Economic Management (WAIFEM) in Lagos.

In Asia, the Institute collaborates with and offers lecturing assistance to the South-East Asian Central Banks Research and Training Center (SEACEN). Beyond the regional organizations, the Institute collaborates with the Japan Center for International Finance (JCIF) in arranging training activities in Asia.

With regard to the Western Hemisphere, the Institute offers lecturing assistance and courses to the Center for Latin American Monetary Studies (CEMLA) in Mexico City, Mexico, the Central American Monetary Council (CAMC) in San José, Costa Rica, and George Washington University (Washington).

The Institute also supports the efforts of member countries and regional organizations to develop and enhance their own economics training programs. This is done by collaborating in the design and delivery of courses, arranging visits to Washington by staff of other training institutions to give them first-hand experience of INS operations, and disseminating training materials.

The Institute is constantly looking for ways to reach a wider audience of participants and enhance the effectiveness of its training, including by adopting new technology. In 2000, the IMF Institute introduced a distance learning (DL) course on Financial Programming and Policies into its program of activities. This course is designed to address the training needs of officials who are unable to attend long courses in Washington, D.C. During the first ten weeks of the course, training is given from a distance, allowing participants to remain on their jobs. Following that, participating officials come to Washington, D.C. for a two-week residential workshop. The DL course is currently offered only in English, but the Institute is considering offering the course in other languages. This would naturally open the door for a geographically broader group of participants to benefit from this activity.

Other initiatives by the Institute to use new technology as a means to broaden its audience and enhance the effectiveness of training include the use of a website which provides information to the public about the Institute and its six regional training centers. The website helps to facilitate all aspects of the Institute's work: it provides information about course schedules and programs, information for applicants, and information for participants who have been accepted into an Institute course, among other things. Furthermore, to give participants a head start in their studies, participants are now given access to course material prior to their arrival at headquarters via the web. Finally, the Institute has utilized self-paced training programs on CD-ROMs as another training tool. It presently has three such training programs. Expanding the range of self-paced learning tools (including the languages in which they are offered) could be another way for the Institute to increase worldwide accessibility to its training.

The Institute's visiting scholars program also helps to build capacity among its member countries. INS has two such programs, one with the Global Development Network and the other with the African Economic Research Consortium (AERC). Under these programs, researchers from the regional networks can spend a period of two to three weeks at the Fund to work on specific research projects. During their visit, the researchers have the opportunity to collect data and literature, as well as to interact with Fund staff with expertise in their areas of research. The Fund provides office space and logistical support and covers costs.

The IMF Institute recently conducted a survey to receive feedback from authorities of member countries on its training. There is a general consensus that IMF Institute training has improved the analytical skills of agencies' staff and their expertise in many areas. This training has also enhanced participants' understanding of the IMF and its operations. In addition, most officials who participate in training organized by the IMF Institute go on to higher positions in their respective agencies in their home countries. This training, therefore, has a dynamic impact on policymaking, as capacity in economic management is strengthened throughout the government.

## VI. Conclusion

Sustained higher growth is a critical prerequisite for developing countries to make progress toward meeting the MDGs. Economic research has shown that capacity building is a key ingredient for economic growth. This paper has shown how the IMF plays an important role in building capacity and, thereby, in promoting economic growth. In terms of the UNDP framework, the IMF contributes to capacity building at the three identified levels:

- IMF Institute training builds capacity at the individual level;
- Technical assistance by specialized IMF departments, along with the regional technical assistance centers and the safeguards assessments of central banks, supports capacity building at the organization level; and

- Article IV consultations, program negotiations and implementation, and the PRSP, ROSC and FSAP processes as well as standards and codes support capacity building at the system level.

It cannot be overemphasized that the IMF's contribution to capacity building and the development of sound institutions in developing countries is focused in the areas of its expertise, namely developing and strengthening the functioning of government economic and financial institutions. IMF Managing Director Horst Köhler has underscored the Fund's commitment to play an active role in the effort to achieve the MDGs (2002a), pointing to the importance of capacity building in this regard. Obviously, the IMF's commitment alone is not enough to build capacity and to make progress toward achieving the MDGs. As Köhler has emphasized, international solidarity, based on collaborative efforts by national governments and the international community, are essential to success in tackling world poverty (Köhler, 2002b). After all, it is this premise of a collaborative effort that was the driving force for devising the MDGs in the first place.

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