

SOUTH ASIA REGIONAL TRAINING AND TECHNICAL ASSISTANCE CENTER

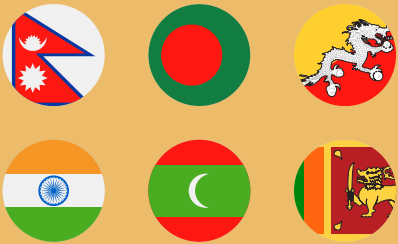


SARTTAC
SOUTH ASIA REGIONAL TRAINING
& TECHNICAL ASSISTANCE CENTER

ANNUAL REPORT 2018



SARTTAC is an IMF initiative supported by the following member countries and partners:



Ministry of Strategy
and Finance
(Korea)



UKaid
from the British people



Australian Government
The Treasury

FOREWORD FROM THE SECRETARY, DEPARTMENT OF ECONOMIC AFFAIRS, MINISTRY OF FINANCE, INDIA



Mr. Shaktikanta DAS

Secretary, Minister of Finance

It is a moment of great pleasure and satisfaction for me to be here at the inaugural ceremony of SARTTAC. As stated earlier by Deputy Managing Director as well as Director SARTTAC, we had visualised setting up the Centre in March 2015. IMF demonstrated commendable promptness in formalising the contours of the Centre and consequently, within a period of one year, India and IMF could enter into the MoU for setting up SARTTAC in India in March 2016. I compliment the IMF for their commitment towards the capacity building needs of South Asia for which SARTTAC has been setup in less than a year and we are formally inaugurating it today, eleven months after the Hon'ble Finance Minister of India and Managing Director IMF exchanged the MoU on SARTTAC in the presence of Honorable Prime Minister of India.

Going forward, we must maintain this momentum. We are in the midst of key structural reforms to transform the Indian economy. In fact, this year, in its Article IV report, IMF has emphasised that India is undertaking qualitative structural reforms and the Article IV report on India had an annexure running into 10 pages to document reforms implemented in just one year. Reforms implemented in the last few years and those envisaged in the near future are expected to take

India on a trajectory of high growth which is both sustainable and inclusive. In such a scenario, SARTTAC can play a key role in training of public functionaries (including at the state/ sub-national level), supporting reforms through technical assistance in core areas, providing a platform of exchange of ideas and experiences and becoming a valuable knowledge resource for us.

For this to materialise, I would like to highlight a few guiding principles that may be kept center-stage as we take SARTTAC to levels we have jointly envisaged.

First, rather than the conventional supply driven approach, the programmes offered by SARTTAC for the member-countries must remain demand-driven. All member countries have shared comprehensive lists of programmes that they require. These must remain central to the Work programmes that are developed. I would also like to highlight that Asia Pacific Department of IMF and their Senior Resident Representatives based in the member countries have a critical role to play in this vital requirement, particularly in the initial years of operation. APD and the SRRs are familiar with the economies of the member-countries, due to the annual surveillance and studies that the IMF undertakes. They are aware of the policy challenges as well as the socio-political constraints which often hinder smooth roll out of reforms in the countries. The Resident Representatives must facilitate the member countries by suggesting possible capacity building programmes for them, prior to finalisation of work programme of SARTTAC.

Second, SARTTAC must demonstrate swiftness in responding to capacity building requests of its members. Flexibility in fine-tuning programmes to suit local requirements will ensure that the programmes have a significant impact on the policy making and can also serve as demonstration impact for other capacity building programmes. Flexibility and swiftness also

needs to be demonstrated in developing training programmes taking into account the outcomes of the Technical Assistance programmes executed by SARTTAC.

Third, we must remember that SARTTAC is a first of its kind... and it must continue to remain so. It is the first Centre to commence operations as a combined Training and Technical Assistance Centre. We also expect it to be the first in delivery of technical assistance and trainings at the sub-national levels, in holding some of the trainings (with the objective of having a larger reach and greater impact) at locations other than this beautiful Centre, viz. at member countries and other regional training centres in India. SARTTAC needs to develop training of trainer programmes also for a larger impact in the region. It also has to be a Centre which acts as a think-tank and knowledge resource for its members.

Finally, SARTTAC must continue to think big. India is one of the fastest growing key economy in the world which has consistently adhered to the principles of openness and qualitative structural reforms. The South Asian region itself is among the fast growing regions of the world. In such a scenario, SARTTAC must proactively work on developing

a larger role for itself in the region as well as for becoming an international centre of repute for policies for emerging economies, and in demonstrating seamless blend of capacity building, knowledge sharing platform and policy advice.

I understand that the inaugural programme is followed by the first meeting of the Steering Committee. I wish you all the very best in drawing up a strong programme and guiding SARTTAC on the path that we have jointly envisaged. During the initial years, frequent interactions would be useful to ensure course corrections and stronger impact on ground.

I would also like to take this opportunity for thanking the development partners who have made generous contributions for servicing capacity building requirements of the South Asian countries through SARTTAC, and hope some more development partners would soon be joining this initiative.

As I conclude, I would like to again congratulate the IMF for setting up this Centre. I would like to particularly express our appreciation of the proactive role played by IMF, led by Mr Rhee, Director APD and Ms Coorey, Director ICD, without which this Centre would not have taken shape.

FOREWORD FROM THE GOVERNOR OF THE CENTRAL BANK OF SRI LANKA



Dr. Indrajit COOMARASWAMY

*Governor
Central Bank of Sri Lanka*

SARTTAC was inaugurated in New Delhi in February 2017 and is a significant milestone in the partnership between the IMF and its member countries in South Asia.

The goal of SARTTAC is to help its member countries strengthen their institutional and human capacity to design and implement macroeconomic and financial policies that promote growth and reduce poverty. SARTTAC serves as the focal point for the delivery of IMF capacity development services to South Asia. SARTTAC will allow the IMF to meet a large portion of the high demand for technical assistance and training arising from the region and contribute to its ability to bring growth and stability to the region.

The notion of capacity building has gathered increased importance over the years. The focus has changed from training selected key individuals to enhancing the overall capacity of the organisation, taking note of the multitude of benefits this entails. Capacity building also entails a more long-term development process – sustaining a process of change, at individual and organisational levels, thus equipping policymakers, to better adapt and respond to changing conditions.

I take note that SARTTAC has conducted a large range of activities - 70 technical assistance missions and 33 training courses, 895 officials trained – to date, in the core areas of monetary, fiscal and financial policies as well as economic statistics. SARTTAC's programs have been tailored to meet the specific needs of its members to enhance the effectiveness of knowledge delivery. In Sri Lanka, SARTTAC held training programmes on Macroeconomic Diagnostics and National Accounts Methodology, and we have obtained technical assistance/customized training on developing a Forecasting and Policy Analysis System (FPAS) for forward-looking monetary policy formulation. As a result, we are now able to make more informed monetary policy decisions, proactively, which is crucial in our transition towards adopting flexible inflation targeting. Sri Lanka is also working with SARTTAC on developing a macroeconomic diagnostics (MDS) toolkit for Sri Lanka, which is expected to further enhance our capacity in assessing Sri Lanka's overall macroeconomic situation.

SARTTAC members face a number of macroeconomic challenges. Growth rates have plateaued. There is low export growth and widening trade deficits. In addition, they now face uncertainty over oil prices, with recent increases likely to significantly worsen the trade deficits in all South Asian nations, while exerting a pressure on exchange rates, international reserves, production costs, investment decisions and consumer prices. India, as the third largest oil importer in the world, will be significantly affected resulting in spillover effects on the countries in the region whose economies are tightly linked to India.

Liberal trade policies have not resulted in growth or industrialization in most of the SAARC region. Inflation is also on the rise due to rising global petroleum and other commodity prices. All countries in the region are running

large fiscal deficits, and government debt remains high in most. There is also concern over jobless growth, including low employment levels among women, compared to other regions. Remittances, a major source of income, have been declining since 2015. South Asia's intraregional trade is also the lowest in the world, restricting the region's growth prospects. Finally, with increasing global integration, capital flows have become extremely volatile and geopolitical tensions as well as tightening global financial conditions could hold back foreign direct investment.

The way forward includes various elements. Risks of global protectionism should encourage South Asian nations to rethink their trade and FDI policies and promote greater

regional integration. This would allow countries to benefit from the spillovers from high growth in India. Thus, with assistance from institutions such as the SARTTAC, South Asia should move beyond mere multilateral dialog and trade facilitation to espouse "developmental regionalism". This extends beyond trade, to investment, research and development, regional industrial development and regional infrastructure provision. This would allow the region to take advantage of its strategic location between the oil-rich countries in Central Asia and the dynamic economies of East and South-East Asia. Through development of regionalism, the South Asian nations should strive to aim policies towards providing better living standards for all, and to make benefits of integration, inclusive.

FOREWORD FROM THE SECRETARY TO THE TREASURY, MINISTRY OF FINANCE, SRI LANKA



Dr. R.H.S SAMARATUNGA

*Secretary to the Treasury
Ministry of Finance, Sri Lanka*

I have great pleasure in participating at the 2nd Steering Committee Meeting of SARTTAC hosted by Sri Lanka here in Colombo today.

We are indeed privileged to have one of fully integrated capacity development centers of IMF in our region. Such an establishment was made possible by an outstanding collaboration between the IMF, the member countries (Bangladesh, Bhutan, India, Maldives, Nepal, and Sri Lanka), and various development partners including Australia, the Republic of Korea, the European Union and the United Kingdom.

What is unique in SARTTAC is that it brings together two vital building blocks of capacity development namely 'training' and 'technical assistance' under one roof. So, SARTTAC is now well poised to deliver customized hands-on training with targeted technical assistance in a range of macroeconomic and financial areas. Sri Lanka, like all other member countries, has very well recognized the value of the presence of SARTTAC. We have been benefitting from it all throughout since its inauguration last year February. In fact, we need to

work very closely with IMF in several technical assistance areas, in the context of the ongoing Extended Fund Facility from IMF, specially, in those areas where structural benchmarks are to be met. Therefore, the presence of SARTTAC has been a great asset for us to reach out and look for advice as and when needed. But I believe, as a region, we need to engage even more closely with SARTTAC to benefit from its resourcefulness when comes to issues in macroeconomic and financial areas.

I reckon our region can work collectively with SARTTAC on many areas of common interest. For instance; improving the level of fiscal reporting in terms of coverage, timeliness, and periodicity of vital statistics; improving the analytical depth and transparency of budget documents on par with best international practices; how better we can improve the efficiency of subsidies; improving the pricing mechanisms to reflect true cost in the strong state-owned-business sector; how to better our debt management strategies and medium-term fiscal frameworks; how to better efficiency and effectiveness of public investments; improving social safety nets with innovative financial products; and how we improve competitiveness amidst rising labour and material costs and diversify export-base in a sustainable manner.

With those thoughts let me conclude. I am very optimistic of the impact that SARTTAC could make in the region. I believe in strong partnerships and value the determined efforts put together so far by so many to get us all where we are today. I am confident that SARTTAC will make a long felt contribution in building capacity and expertise in our region, thereby helping us all to ensure a sustainable economic growth and development in the South Asia. I wish all success on the proceedings of today's meeting. And thank you all.

LIST OF ACRONYMS AND ABBREVIATIONS

APD	Asia and Pacific Department (IMF)	FX	Foreign Exchange
BB	Bangladesh Bank	GDP	Gross Domestic Product
CBSL	Central Bank of Sri Lanka	GFS	Government Finance Statistics
CD	Capacity Development	GST	Goods and Services Tax
CoA	Chart of Accounts	ICD	Institute for Capacity Development (IMF)
CT	Customized Training	IFRS	International Financial Reporting Standards
DFID	Department for International Development (United Kingdom)	IMF	International Monetary Fund
FAD	Fiscal Affairs Department (IMF)	LTX	Long Term Expert
FIT	Flexible Inflation Targeting	MAT	Macroeconomic Analysis and Training
FPAS	Forecasting and Policy Analysis System	MCM	Monetary and Capital Markets Department (IMF)
FPW	Field Person Weeks	MDS	Macroeconomic Diagnostics
FSAP	Financial Sector Assessment Program	MMA	Maldives Monetary Authority
FSR	Financial Sector Supervision and Regulation	MONOPS	Monetary and Foreign Exchange Operations

MPC	Monetary Policy Committee	SARTTAC	South Asia Regional Training and Technical Assistance Center
NAS	National Account Statistics	SC	Steering Committee
NRB	Nepal Rastra Bank	SEACEN	South East Asian Central Banks Research and Training Center
PDMA	Public Debt Management Agency	SNA	System of National Accounts (2008)
PFM	Public Financial Management	STA	Statistics Department (IMF)
PIMA	Public Investment Management Assessment	STI	Singapore Training Institute
PSDS	Public Sector Debt Statistics	TADAT	Tax Administration Diagnostic Assessment Tool
PSDSG	Public Sector Debt Statistics Guide for Compilers and Users	TAOLAM	IMF's Technical Assistance Office in Thailand
RA	Resident Advisor or Revenue Administration	TA	Technical Assistance
RBI	Reserve Bank of India	VAT	Value Added Tax
RBM	Results Based Management		
RSS	Real Sector Statistics		
RTAC	Regional Technical Assistance Center		

TABLE OF CONTENTS

i

Foreword From The Secretary,
Department of Economic Affairs,
Ministry of Finance, India

iii

Foreword from the Governor
of the Central Bank of Sri Lanka

v

Foreword from the Secretary to the
Treasury, Ministry Of Finance, Sri Lanka

vi

List of Acronyms and Abbreviations

viii

Table of Contents

11

SECTION I EXECUTIVE SUMMARY

15

SECTION II HIGHLIGHTS

- 17 **A** Economic Outlook for South Asia
- 19 **B** Establishing SARTTAC and its Governance
- 21 **C** Integrating Technical Assistance and Training, Customization, and Coordination with IMF Surveillance and Programs
- 25 **D** Sub-National Support
- 26 **E** Budget and Financing
- 28 **F** Coordination with Development Partners

31

SECTION III REPORT ON ACTIVITIES FY2018

- 33 **A** Overview
- 36 **B** Revenue Administration
- 38 **C** Public Financial Management
- 41 **D** Macroeconomic Analysis
and Training
- 45 **E** Monetary and Foreign
Exchange Operations
- 47 **F** Financial Sector Supervision
and Regulation
- 49 **G** Real Sector Statistics

51

SECTION IV WORK PROGRAM FOR FY2019

- 53 **A** Overview
- 57 **B** Revenue Administration
- 58 **C** Public Financial Management
- 59 **D** Macroeconomic Analysis
and Training
- 65 **E** Monetary and Foreign
Exchange Operations
- 67 **F** Financial Sector Supervision
and Regulation
- 69 **G** Real Sector Statistics
- 71 **H** Government Finance and
Public Sector Debt Statistics

BOXES

- 20 **Box 1.** IMF SARTTAC's First Year – Themes and Examples

FIGURES

- 35 **Figure 1.** Capacity Development Distribution by Country (Field Person Weeks)
- 35 **Figure 2.** Milestone Status by Country, FY2018
- 41 **Figure 3.** FY2018 – Participants by Gender and Country
- 42 **Figure 4.** FY2018 – Participants by Sector (all courses, number of officials)
- 42 **Figure 5.** Course Learning for ICD Courses (percentage point increase in average quiz scores from pre-to post course test)
- 44 **Figure 6.** Online Learning, Active Government Officials, FY2014-December 2017

TABLES

- 26 **Table 1.** SARTTAC Financial Contributions
- 27 **Table 2.** SARTTAC FY2018 Estimated Outturn
- 29 **Table 3.** SARTTAC Activities for FY2018
- 34 **Table 4.** SARTTAC Resource Distribution by Sector and Country, FY2018
- 34 **Table 5.** SARTTAC Status of Milestones by Sector, FY2018
- 43 **Table 6.** ICD Training in FY2018
- 54 **Table 7.** SARTTAC Activities FY2019
- 54 **Table 8.** SARTTAC Planned Resource Distribution by Sector and Country, FY2019
- 55 **Table 9.** SARTTAC Budget
- 56 **Table 10.** Summary Logframe FY2019
- 62 **Table 11.** SARTTAC's Training Plan for FY2019

SECTION I

EXECUTIVE
SUMMARY



SARTTAC's Steering Committee and Invitees at the Inauguration, February 13, 2017



IMF Deputy Managing Director, Ms. Grasso and Secretary, MoF, India, Mr. Das Inaugurating SARTTAC in New Delhi, February 13, 2017

EXECUTIVE SUMMARY

The IMF's South Asia Regional Training and Technical Assistance Center (IMF SARTTAC) has over its first year rapidly established itself as a key partner for South Asian economies in their macroeconomic capacity development efforts. In response to priority demands, the Center has delivered a significant volume of technical assistance (TA) and training across the region in all its work streams. SARTTAC's value has been demonstrated in the course of over 700 field person weeks of capacity development support, including almost 70 technical assistance missions and 33 training courses, both at SARTTAC and in-country. This encouraging start has been built on strong ownership from member countries in a dynamic growing region facing serious capacity challenges. Notably, member countries have provided the majority of the Center's financing, complemented by the generous contributions of the EU, Korea, the UK, and Australia. The work of the Center is being executed with strong support of the IMF's capacity development departments – Fiscal Affairs Department (FAD), the Institute for Capacity Development (ICD), Monetary and Capital Markets Department (MCM) and the Statistics Department (STA) – and in close coordination with the IMF's Asia and Pacific Department's (APD) policy dialogue with SARTTAC's members.

SARTTAC has sought to be both demand driven and responsive, has leveraged its

design to integrate training and technical assistance activities, and has tailored its support to the needs of its membership. Member countries and the Steering Committee have been closely consulted on workplans via two committee meetings in the inaugural year. The early set of TA and training activities have revealed further TA and training needs, which have fed into the design of further support. Although highly resource intensive, a wide range of customization techniques have been applied including adapting courses to use data and case studies from the region, following up general training with customized in-country work with cohorts, and organizing attachments between peer administrations to exchange practical operational experience.

Although early in its operations, some achievements are noteworthy. The almost 900 officials from across SARTTAC countries who have attended training in FY2018 have rated the courses as very high quality and learning gains have almost always exceeded IMF benchmarks. Topics have covered core macroeconomic issues as well as key development challenges, and priorities also for the Fund, such as financial inclusion and gender responsive budgeting. In the TA area, work on budgeting in India (and at the subnational level), reform

of the income taxes in Sri Lanka, modernizing Maldives' central bank, banks' corporate governance structures in Bhutan, supporting the transition to inflation targeting in Sri Lanka, as well as preparing for rebasing GDP in several countries, are a few examples (Box 1).

SARTTAC's FY2019 work program envisages a further scaling up of CD delivery in line with the approved work plan. This reflects the first year's dialogue with the Steering Committee on capacity development and the beginning of a new important work stream on Government Finance Statistics/Public Sector Debt Statistics. SARTTAC will continue to deliver results across the region, partner with other institutions (including national bodies) and place a strong emphasis on assessing the impact of its work. Looking to the medium-term, and given significant planning lead times, stakeholders may already start to give thought to SARTTAC's strategic direction and financing beyond this phase, including how to deal with large excess demand, including at the sub-national level in India.

This Steering Committee meeting will discuss work plan implementation in FY2018, aim to reaffirm basic principles of SARTTAC governance, and seek endorsement of the FY2019 work program and budget.



SARTTAC's Inaugural Course – Macroeconomic Diagnostics for the Indian Economic Service, January 2017

SECTION 2

HIGHLIGHTS



Financial Programming and Policies Course for Regional Officials, April 2018

A

ECONOMIC OUTLOOK
FOR SOUTH ASIA

“SARTTAC has been of really great support to India. We used to send Indian officials abroad every year...we now have this Institute in India... training officers from the states and the Indian Economic Service officers. It’s just one year but the amount of training and the amount of assistance which we have had from the Institute, it’s as if it’s a very old Institute.”

Mr. Shakil Alam

*Director, DEA,
Ministry of Finance,
Government of India*

Despite some slowing of activity during 2016 and 2017, growth in the region remains strong at 6.5 percent. Growth was broadly stable or accelerated in most countries, primarily driven by domestic demand. In 2018, growth is expected to accelerate, to 7.1 percent in aggregate for the region, reflecting continued strong consumption and investment, supported by favorable financial conditions and improving external demand. Headline inflation is expected to decline in 2017 before rising again in 2018, reflecting mainly changes in food and other commodity prices.

However, macroeconomic vulnerabilities remain. Despite improvements in 2017-18, the fiscal deficit and public debt are higher in the region than in comparators. After declining in recent years, the region’s current account deficit is expected to rise to about 1.6 percent of GDP in 2017 and 1.8 percent of GDP in 2018. Annual credit growth is increasing at a fast pace and impaired loans are around 10 percent of total loans in most countries. While capitalization levels of the region’s banking systems appear generally adequate, underlying financial vulnerabilities are a matter of concern.

In the short term, risks are broadly balanced. On the positive side, the global cyclical upswing could strengthen further, supported by increasing consumer and business confidence and favorable financial conditions. However, with policy uncertainty remaining high and potential geopolitical tensions, financial conditions could tighten suddenly, leading to capital outflows, which would be felt disproportionately more by emerging market and developing economies with external vulnerabilities. In the medium term, rapid and sizeable tightening of global financial conditions, sharp adjustments in China, geopolitical tensions, shift towards more inward-looking policies in major economies, and climate change and natural disasters pose significant downward risks. Tighter financial conditions could result from faster than expected normalization in advanced country monetary policies or a sharp decrease in global risk appetite particularly given current high financial asset valuations.



“SARTTAC is quite flexible, that is most important, meaning that whenever there is any kind of urgency or priorities from outside, SARTTAC normally takes it with open arms and provides assistance. That flexibility is always with SARTTAC.”

Mr. Phajo Dorjee

*Deputy Governor
Royal Monetary
Authority of Bhutan*

These risks, as well as medium and long-term development priorities, underscore the need for policymakers to continue to build capacity to formulate and execute appropriate economic and financial policies. SARTTAC’s Capacity Development (CD) has prioritized strengthening institutions and providing frameworks for formulating and effective policy implementation in the core areas of monetary, fiscal, and financial policies.

ESTABLISHING SARTTAC AND ITS GOVERNANCE



SARTTAC's Second Steering Committee Meeting, May 2018, Sri Lanka

SARTTAC is a model for the future of the IMF's capacity development work and was officially inaugurated on February 13, 2017.¹ SARTTAC is among the newest of the IMF's global network of 15 regional capacity development centers. It is unique in that its design captures the IMF's more integrated delivery of capacity development with both training and technical assistance (TA) under one roof. SARTTAC's inauguration, by Secretary Das of India's Ministry of Finance, took place less than a year after the signing of a Memorandum of Understanding between the Government of India and the IMF in March 2016. SARTTAC's activities are financed through the support of India, the host country; its members; and donations by the European Union, Korea, the United Kingdom, and Australia. The inauguration was attended by IMF Deputy Managing Director Carla Grasso and senior officials from the center's six South Asian member countries, development partners and the IMF. The first Steering Committee meeting, which followed the opening, allowed stakeholders to set out their vision and expectations of the Center. Key messages included: the need to be demand-driven; respond swiftly and flexibly to members' requests; pay close

¹ IMF SARTTAC is one of a global network of IMF regional capacity development centers that help implement its capacity development work in countries. Information on the IMF's capacity development work can be found at: <http://www.imf.org/external/np/ins/english/index.htm>



“One very positive aspect from a Development Partner perspective has been the openness of SARTTAC and SARTTAC officials to work with Steering Committee members and look for opportunities for further engagement.”

Mr. Ashley Paul Bell
*Minister-Counsellor
Australian High
Commission, India*

attention to TA-training integration; provision of training and technical assistance at the sub-national level; collaboration with national training institutions; and to develop SARTTAC to become a center of excellence that blends capacity building, knowledge sharing and policy advice. As detailed in this report, SARTTAC has built up its activities rapidly.

SARTTAC’s governance arrangements follow the basic practices in place at the IMF’s capacity development centers across the globe. Within the overarching objectives of promoting member country ownership, development partner involvement, and accountability, the key features are: (i) a Steering Committee that provides strategic guidance to SARTTAC, including setting its priorities, endorsing its annual work plans and

budgets, and reviewing its activities; (ii) membership of the committee to comprise member countries, contributing development partners, and the IMF, with SARTTAC’s director serving as secretary; (iii) the committee will typically meet once a year, while interim meetings can be held on an ad-hoc basis; (iv) the committee is to be chaired by the country that hosts the Steering Committee meeting, and which will serve as chair for a year following the meeting; (v) the venue is to be rotated across member countries and is to be decided on a voluntary basis; and (vi) decisions are made by consensus, either by unanimous agreement or on a non-objection basis, except in very exceptional circumstances where consensus cannot be reached, a decision may be made by voting.

BOX 1: IMF SARTTAC’S FIRST YEAR – THEMES AND EXAMPLES

- **Demand Driven and Responsive:** assistance with rebasing Maldives national accounts to provide better assessment of the structure and growth of the economy; a strategic plan to modernize Maldives central bank
- **TA-Training Integration:** general PFM training that led to the first PFM mission in a decade to advise on modern budgeting in India and more targeted support to India’s states; TA on a new GST in Bhutan that was followed by more training on core revenue administration processes and more TA
- **General Frameworks to Customized Support for Cohorts:** Macroeconomic training leading to customized in country support to build macro-fiscal units in Sri Lanka and Bhutan; embedding SARTTAC’s macro courses into the curriculum of the IES
- **Customized Training:** a customized in country FPP course in Bangladesh that will help develop macroeconomic analysis and forecasting tools; hands on training in modeling and forecasting to help Sri Lanka move to flexible inflation targeting
- **Integration with IMF Surveillance/ Policy Advice:** helping introduce the new Inland Revenue Act in Sri Lanka, a key national priority supported by the EFF program, and operationalizing the interest rate corridor for monetary policy in Nepal
- **Attachments for Peer Learning:** bringing officials working on fiscal federalism in Nepal to exchange technical ideas with Indian counterparts; posting Indian statisticians into the UK’s Office of National Statistics to learn about GDP databases
- **Leveraging Synergies:** joint courses and staff exchange with other IMF Centers (Singapore, Thailand) to broaden exposure of SARTTAC countries and leverage resources
- **Sub-National Engagement:** TA and training in PFM and statistics for state governments in India, e.g. Himachal Pradesh

C

INTEGRATING TECHNICAL ASSISTANCE AND TRAINING, CUSTOMIZATION, AND COORDINATION WITH IMF SURVEILLANCE AND PROGRAMS

SARTTAC has been integrating its technical assistance and training activities, and ensuring they are consistent with the issues raised in IMF surveillance and program support. Advantage has been taken of the Center's design, with training courses allowing technical assistance needs to be identified, while the technical assistance has fed back into further refinement of training needs. For example, Public Financial Management (PFM) training in India revealed interest in strengthening budget preparation and documentation, which was supported by an FAD-led SARTTAC mission in February 2018. This work and assistance to the 15th Finance Commission has in turn helped craft the design of a course on Fiscal Analysis and Forecasting. There have been many similar synergies between macro training and follow up customized support (see below). In other sectors such as Financial Supervision and Regulation, SARTTAC began with a

series of priority TA projects which has revealed underlying conceptual gaps that are being addressed by training.

SARTTAC has made considerable efforts to customize its training to the needs of its members. In response to high demand for developing skills in a country and topic-specific context, SARTTAC has been increasingly engaged in customized training (CT) tailored to the conditions and capacity level of participants. One early lesson from customization is the need to find the optimal level of tailoring given the need to balance its value-added against the relatively high resource costs of such projects.

Course content has focused on analyzing and assessing relevant policy issues for the region, often closely linked to issues covered in surveillance. Examples are training on External Sector Assessment and Current Issues in Banking Supervision for the RBI in October and December



Joint Workshop with IMF's Technical Assistance Office in Thailand on Fiscal Risks, November 2017



External Sector Assessment Course for the Reserve Bank of India, October 2017

2017 respectively. Here customized workshops were developed, and the delivery modality (venue, length) adapted to the member's needs. In addition, tailoring has been done through the development of several case studies using macroeconomic data

from the region, often in collaboration with IMF country teams in APD. An example here is the Financial Programming and Policies (FPP) course delivered for the Indian Economic Service (IES) in December 2017 that used Indian data. Another form of better

targeting has been leveraging synergies with CD offered by other Centers; the attendance of Indian and Sri Lankan officials at a fiscal risks seminar at the IMF's Technical Assistance Office in Thailand (TAOLAM) is a case in point. Leveraging its dual TA and training functions, resident advisors have also been actively involved in the design of more targeted course content.

A second approach to customization has been through following up training on general frameworks with customized in-country training of a cohort of officials to build institutional capacity. This support has been akin to a TA-training blend. Prominent examples have been the Forecasting and Policy Analysis System (FPAS) modeling in Sri Lanka, FPP training in Bangladesh (November 2017) and work to build macro-fiscal capacity within a newly formed macroeconomic department in Bhutan (February 2018). Host country institutions have been closely involved in the design of these Customized Trainings (CT) with



“Our association with SARTTAC is very close. Through these programmes on foreign exchange or monetary policy, our officials have benefited a lot. Now they are performing better, they have better understanding of challenges and how to deal with them.”

Mr. Abu Hena Mohammad Razee Hassan

*Deputy Governor
Bangladesh Bank,
Bangladesh*

the expectation of being able to take over the tasks to carry out their own analysis. In other cases, customization has been aided by (i) bringing in serving practitioners such as from the Accountant General's office or India's Budget Department to share experience in SARTTAC's PFM courses; and (ii) use of regional officials to deliver training/TA, such as the generous support of the Reserve Bank of India (RBI) to provide experts for several SARTTAC activities.

Third, synergies have been exploited between SARTTAC's sectors with advisors contributing to work in related areas and participating in joint missions. Examples include GFS and macroeconomic advisor contributions to PFM work in Nepal and Himachal Pradesh respectively, and Government Finance Statistics (GFS) work done to prepare a customized macro-fiscal training in Bhutan. Similarly, Financial Supervision and Regulation and Real Sector Statistics have helped with aspects of Maldives Monetary Authority's strategic plan, and PFM and monetary operations coordinated in preparation of an MOU on NRB-MOF information exchange.

SARTTAC's capacity development work is coordinated with policy advice being provided through IMF surveillance and

programs. SARTTAC's management and resident experts work closely with APD country teams to systematically discuss CD priorities identified by member countries, either through SARTTAC or APD missions, and jointly review progress. Resident representatives provide a crucial bridge between all stakeholders and work closely with SARTTAC missions. Some examples of CD-surveillance integration include:

- **Improving monetary and foreign exchange policy:** supporting the interest rate corridor for monetary policy in Nepal, greater exchange rate flexibility in Sri Lanka and setting up a liquidity forecasting and management capacity in Bhutan;
- **Improving regulation and supervision of the banking system:** revising the Risk Management Guidelines for banks in Nepal, offsite supervision in Bangladesh and corporate governance regulations and practices in Bhutan;
- **Improved budget formulation, credibility and documentation:** support to India's fiscal management via reviewing its budget formulation process and budget documentation and comparing practices with those in other emerging economies;



Nepal National Natural Resources and Fiscal Commission Attachment to India, February 2018



Public Financial Management
Work with the Government
of Himachal Pradesh, April 2018



“Establishment of SARTTAC has been very much beneficial to a country like Nepal because it is near Delhi so we can easily access...we are getting long term multi-layer services in projects, trainings and can send more people, and interact with quality experts.”

Mr. Shiba Raj Shrestha
*Deputy Governor
Nepal Rastra Bank, Nepal*

- **More efficient public investment:** support for better public investment management practices and associated systems in Sri Lanka through a Public Investment Management Assessment (PIMA) conducted jointly with the World Bank (WB); and for strengthening project appraisal and monitoring practices in the Maldives;
- **Macro-fiscal framework:** SARTTAC is working with Bhutan’s MoF to enhance their macro fiscal forecasting framework and to strengthen the capacity of officials in the Macro Fiscal Technical Committee;
- **Fiscal decentralization:** In Nepal, SARTTAC organized peer learning from India, for a delegation from the National Natural Resources and Fiscal Commission, on developing a formula for sharing resources in the recently constituted federal Nepal;
- **Domestic revenue mobilization:** SARTTAC support for the introduction of a new Inland Revenue Act in Sri Lanka under the Extended Fund Facility Arrangement; and
- **Improved macroeconomic statistics for policymaking:** rebenchmarking/rebasing and improving national accounts and price statistics across the region; e.g., SARTTAC’s efforts to assist in completing the rebenchmarking/rebasing of the Maldives statistics in the fall of 2017, which were used in the 2017 Article IV’s surveillance and policy advice.

SUB-NATIONAL SUPPORT

SARTTAC has begun providing support at the subnational level consistent with its resource constraints. SARTTAC is mandated to selectively cater to the capacity building needs at the subnational (state) level, especially in India. To this end, a workshop was jointly organized with India's Ministry of Finance in September 2017 for senior officials from India's states and union territories, to inform them about SARTTAC's services. Following this, SARTTAC has received a large number of demands from Indian states, mostly in public financial management, macroeconomic/macrofiscal analysis and statistics. Given resource constraints, these have to be prioritized and support provided selectively considering needs and potential results. SARTTAC's approach has been two-pronged: (i) to provide training opportunities to all states and (ii) complement this with targeted TA in selected states where reform plans are well developed and there is strong reform leadership. Of the 895 officials trained at SARTTAC since inauguration, 8 percent have been from subnational

governments in India, or one-fifth of all Indian participants. Most training targeted to sub-national officials has been on public financial management and statistics; Strengthening Budget Institutions (September 2017), Fiscal Analysis and Forecasting (April 2018), Government Finance and Public Sector Debt Statistics (February 2018) and National Accounts Statistics (April 2018).

Technical assistance at the subnational level has focused on public financial management. India's 15th Finance Commission has sought IMF advice on subnational issues such as improving equalization of revenue among states, and appropriate debt limits and conditions for subnational borrowing. Initial support has been provided through SARTTAC, drawing on expertise from FAD and future support will focus on strengthening the borrowing framework for state governments, improving intergovernmental fiscal coordination and strengthening fiscal reporting in state governments. SARTTAC staff also undertook scoping

missions to Rajasthan, Himachal Pradesh and Punjab. These states have requested support in improving financial management systems, fiscal reporting and transparency, and improving their budgeting process. This resulted in a joint PFM/ICD TA and training mission to Himachal Pradesh in April 2018. The mission provided training on improving annual budget credibility, strengthening macro/fiscal forecasting and developing a medium-term perspective in budget formulation. Technical assistance was also provided on benchmarking its Financial Management Information System against good international practice. SARTTAC has been coordinating with other agencies working with subnational governments such as the World Bank to maximize its impact. Finally, SARTTAC has also been supporting decentralization efforts in Nepal, initially via an attachment for Nepal's Natural Resources and Fiscal Commission to meet Indian counterparts to study formulas for sub-national transfers and revenue sharing, a critical task in Nepal's fiscal decentralization.

BUDGET AND FINANCING

**TABLE 1. SARTTAC FINANCIAL CONTRIBUTIONS
(PHASE1) FY 2017-FY 2022, AS OF JUNE 12, 2018**

Agreement Information					Contribution Received
Partners/Members	Signed Date	Currency	Amount	U.S.Dollars	U.S.Dollars
Partners				19,837,870	15,926,374
Australia	4/16/16	AUD	2,500,000	1,923,373	765,250
European Commission	12/16/16	EUR	10,000,000	10,414,497	8,986,160
Korea	5/4/16	USD	5,000,000	5,000,000	5,000,000
United Kingdom	3/6/17	USD	2,500,000	2,500,000	1,174,964
Members				10,200,000	3,025,000
Bangladesh	2/7/17	USD	3,000,000	3,000,000	1,500,000
Bhutan	3/19/18	USD	100,000	100,000	100,000
Nepal	10/5/17	USD	2,000,000	2,000,000	400,000
Sri Lanka	5/23/17	USD	5,000,000	5,000,000	1,000,000
Maldives	4/2/18	USD	100,000	100,000	25,000
Partners and Members Total				30,037,870	18,951,374
India (Host Country)		USD	32,800,000	32,800,000	32,800,000
Host Country Total				32,800,000	
Grand Total				62,837,870	51,751,374
Program Document Budget				68,607,930	
Funding Gap				-5,770,060	

SARTTAC has secured more than 90 percent of its needs for Phase I (2017–2022). All SARTTAC member countries have signed Letters of Understanding (LOU), pledging financial support (see Table 1). Notably, over 80 percent of the committed funding has been received, including the full contribution of \$32.8 million from the

host country, India, providing a sound basis for work planning. Nevertheless, the IMF is continuing efforts to engage new development partners to eventually close the financing gap.

Table 2 below provides the near final FY2018 budget outturn. Total expenditures are estimated to be

\$10.4 million, or 85 percent of the budget approved at the November 2017 Steering Committee meeting. Outturns across sectors reflect the time taken to develop projects across sectors, which in turn has been affected by the time the respective resident advisor joined SARTTAC, and country specific factors.

TABLE 2. SARTTAC FY2018 ESTIMATED OUTTURN¹
FIRST FUNDING CYCLE (PHASE I) JANUARY 2017-APRIL 2022 (IN MILLIONS OF US DOLLARS)

Activity	Budget ²	Working Budget after adjustments ³	Expenses	Remaining
Public Financial Management	1.8	1.8	1.5	0.3
Revenue Administration	1.8	1.8	1.4	0.4
Banking Supervision and Regulation	0.8	0.8	0.5	0.3
Monetary Policy Operations	0.8	0.8	0.7	0.1
Real Sector Statistics	1.4	1.4	1.1	0.3
Government Finance Statistics	-	-	-	-
Admin Project	2.0	2.5	2.4	0.1
Training project	2.8	2.8	2.1	0.7
Governance and Evaluation (including RBM advisor/backstopping)	0.0	0.0	0.0	0.0
Total TA Delivery	11.5	11.9	9.7	2.2
Trust fund management (7%)	0.8	0.8	0.7	0.2
GRAND TOTAL	12.3	12.7	10.4	2.3

¹Expenses as of May 7, 2018.

²As approved by Steering Committee on 17 November 2017.

³After reallocations by departments both intra-year and across years, including to accommodate the timing of tax refunds.

COORDINATION WITH DEVELOPMENT PARTNERS



“SARTTAC fits very well with the programs that we run on technical assistance.”

Dr. Stuart Davies
Senior Economic Adviser
DfID India

IMF SARTTAC has been actively engaged with its development partners and has kept them informed of its activities. The main vehicle for reporting on progress to date has been meetings of the Steering Committee which have taken place in February and November 2017. There have been communications with the committee in between meetings as needed, including through a recently launched quarterly newsletter. SARTTAC staff have also briefed development partners and local donor groups as needed. For example, engagement with DfID in Nepal on their project for a Supervisory Information System at the NRB, which is important for SARTTAC’s TA on risk-based supervision. The draft work plan for FY2019 was also circulated to all Steering Committee members for comment prior to completion of this report. More specifically, the PFM workplan has been closely coordinated with development partners in Bhutan, Nepal and Sri Lanka. SARTTAC also maintains a close working relationship

with development partners through periodic meetings with Steering Committee members and hosting development partner delegation visits to its Delhi headquarters. For instance, officials from the Australian Treasury and Australian Tax Office visited in February to discuss revenue administration reforms. Likewise, SARTTAC has established collaboration with related development partner activities such as DfID’s Economic Policy and Prosperity Partnership Project. Officials from development partner members of the Steering Committee have also gained first-hand experience by attending SARTTAC training courses that support their priorities such as those on Financial Inclusion and Gender Responsive Budgeting. And as a demonstration of the Steering Committee’s strong support, development partners such as the UK and Australia have been very helpful in arranging attachments of SARTTAC officials to their home country administrations.

TABLE 3. SARTTAC ACTIVITIES FOR FY2018

IMF SARTTAC Activities (number)	Annual Plan	Annual Actual			Execution Rate (%)
		H1	H2	Total	
TA Mission	90	29	40	69	77%
Meeting/ Retreat/ Other	8	2	11	13	163%
Regional Workshop (including ICD)	15	10	9	19	127%
Attachment/Mentoring	3	2	2	4	133%
National Training	19	5	9	14	74%
Total Number of Activities	135	46	71	119	88%
Resources (Field Person Weeks)					
Type of Activity					
Technical Assistance	525	122	337	459	88%
Training	251	93	192	285	113%
Total	776	215	529	744	96%
Delivery Modalities					
Resident Advisor	336	92	250	342	102%
Short Term Expert	238	75	136	211	89%
Attachments	21	4	11	15	70%
IMF HQ Staff	181	44	131	175	97%
Total Field Person Weeks	776	215	529	744	96%

Technical assistance material is being prepared for dissemination, and a new IMF portal provides partners with real time financial information. Dissemination of technical assistance reports is about to begin through a portal on SARTTAC's website (<http://www.sarttac.org/content/sarttac/en1.htm>) for those who have returned a confidentiality agreement. Members have also consented to

publication of SARTTAC's TA reports in a few cases. The IMF has also launched Partners Connect – a new secure online portal that allows CD partners to view financial and program information for all of their IMF CD initiatives. Development partner visibility is reflected in SARTTAC's written and verbal materials, with partner logos widely used in SARTTAC branding.



Financial Development and Financial Inclusion, Regional Training Course, December 2017

SECTION 3

REPORT ON
ACTIVITIES FY2018



SARTTAC's Interim Steering Committee Meeting, New Delhi, November 2017

A

OVERVIEW



Sukhwinder Singh

is the Director of SARTTAC. He has worked at the IMF for 20 years, serving in the Strategy, Policy and Review, Asia and Pacific, and African Departments. Mr. Singh has also worked at the Bank of England, the Bank of Guyana, and the Canadian International Development Agency

The Center's work has scaled up rapidly over the first year. Almost 750 FPWs of CD delivery took place, spread across over 119 activities (Table 3). Just under 70 TA missions and 33 training courses were conducted, with activity picking up over H2 as resident experts followed up on scoping visits. This is encouraging given the Center is new, with the staggered arrival of advisors over the first year and time required to build relationships with the authorities and build awareness of SARTTAC. This activity is not particularly surprising as scoping missions in the design phase of SARTTAC and over the past year have revealed a large latent excess demand for the Fund's macroeconomic capacity building. Around 2/3rd of activity was TA and 1/3rd training, with the Center beginning with training and TA building up quickly thereafter. These CD services are not neatly delineated as the integrated nature of SARTTAC's work is such that modalities can be combined, for example through considerable training embedded in TA work. As is also clear from Table 2, this has been accomplished with strong support from IMF Headquarters with many activities undertaken jointly with IMF CD departments, and all SARTTAC activities backstopped by IMF experts. In sum:

- **Sectors:** variations across sectors largely reflect demand (Table 4). A large component of training has been on core macroeconomic topics, accounting for about one third of activity. The highest delivery has been fiscal work – PFM and Revenue Administration (RA) – covering for 40 percent of CD time. Some key projects have included advising the 15th Fiscal Commission in India and on reforming its budget process and, in Sri Lanka, providing a PIMA as well as preparations for adopting the Inland Revenue Act. Another 16 percent has been in the financial and monetary areas, with prominent work including reforming liquidity operations and risk based supervision in Nepal, developing a strategy to modernize the Maldives Monetary Authority, helping Sri Lanka improve its monetary modeling, forecasting and FX operations, and strengthening corporate governance and insurance supervision in Bhutan. There has been strong interest in capacity building in macroeconomic statistics across the region. This accounted for a further 13 percent of delivery time, deployed to a range of TA and training in national accounts, price statistics, external sector statistics and GFS/PSDS in response to members' pressing needs.

TABLE 4. SARTTAC RESOURCE DISTRIBUTION BY SECTOR AND COUNTRY, FY2018

(In Field Person Weeks)	Total	RA	PFM	ICD	FSR	MONOPS	RSS
Bangladesh	50	3	4	14	5	10	16
Bhutan	82	19	9	14	10	18	14
India	138	3	67	40	6	0	23
Maldives	59	27	11	0	5	9	8
Nepal	40	3	8	0	7	17	5
Sri Lanka	110	41	21	21	1	17	10
SARTTAC	264	35	54	134	8	8	25
Total	744	130	174	221	41	79	100

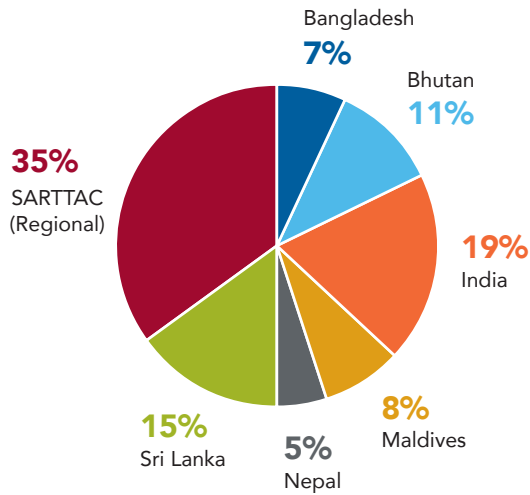
TABLE 5. SARTTAC STATUS OF MILESTONES BY SECTOR, FY2018

Area	Planned	Completed	In Progress	Postponed to FY2019	Cancelled	New Milestones Completed	New Milestones in Progress	Total Milestones Completed*
Revenue Administration	29	25	0	1	3	10	0	35
Public Financial Management	29	22	0	4	3	5	0	27
Macro-Fiscal Analysis	21	16	1	3	1	3	0	19
Financial Sector Regulation and Supervision	15	10	3	0	2	7	0	17
Monetary Policy and Operations	9	2	5	2	0	3	1	5
Real Sector Statistics	32	25	0	1	6	1	0	26
Total	135	100	9	11	16	29	1	129

*Total Milestones Completed include new milestones

- Country:** support has been distributed across the region reflecting demand, traction, and results (Figure 1). One-third of activity has been regional i.e. training at SARTTAC, allowing significant opportunities for peer learning and building relationships between agencies across the region. In absolute terms, India was the largest recipient (including subnational support), closely followed by Sri Lanka. However, significant support has been provided to all other members, in all cases well in excess of their share of regional GDP.
- Training:** when combined, macroeconomic and specialized training in the TA sectors, accounted for 38 percent of delivery time. Of the 33 courses delivered in FY2018, the majority were regional courses at SARTTAC. In response to strong demands from each member, 14 national courses were also delivered in each of SARTTAC's member countries. Regional training was also provided in collaboration with other institutions, both IMF (TAOLAM/STI) and non-IMF (South East Asian Central Banks Research and Training Centre – SEACEN).

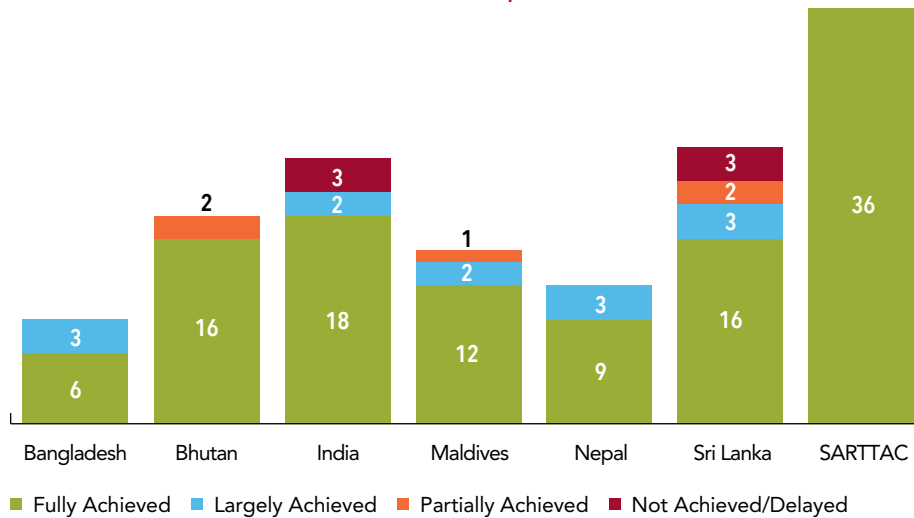
FIGURE 1. CAPACITY DEVELOPMENT DISTRIBUTION BY COUNTRY (FIELD PERSON WEEKS)



Mangal Goswami

is the Deputy Director of SARTTAC. He has been with the IMF for over 18 years. Prior to SARTTAC, he served as the Deputy Director of the IMF’s Singapore Regional Training Institute (STI) and worked in the IMF’s Monetary and Capital Markets Department. Before joining the IMF, he worked for ABN AMRO Bank in Singapore and the Federal Reserve Bank of Kansas City.

FIGURE 2. MILESTONE STATUS BY COUNTRY, FY2018



These courses understate the real training being delivered by the Center given many TA missions routinely include seminars/workshops and hands-on training activities.

- **Attachments:** the Center also launched its attachment modality where knowledge is transferred through member country officials visiting other administrations. Four such exchanges were organized in FY2018, ranging from officials of the Central Statistics Office in India to work with the Office of National Statistics in the UK, to India’s Finance Ministry hosting Nepali officials keen

to understand India’s arrangements as they design their system for intergovernmental fiscal relations.

- Milestones: progress and results of SARTTAC’s CD has been tracked by milestones that are steps towards project or training outcomes or objectives. The results are encouraging (Table 5 and Figure 2) showing about 80 percent of milestones were completed. New milestones represent results sought for activities added in the course of the year. Delays or cancellations were largely the result of changes in member country circumstances.

REVENUE
ADMINISTRATION

Mark Jackson joined SARTTAC in July 2017 as Revenue Administration Advisor. He has 35 years of experience in Public Administration, most of which was with the Australian Tax Office.

Technical assistance and training work on revenue administration (RA) began with support of income tax reforms in Sri Lanka and through a Tax Administration Diagnostic Assessment Tool (TADAT) training course in India. Work accelerated following the resident advisor's arrival in July and 32 activities have taken place to date. In addition to the advisor's scoping visits to four countries, these activities have included missions from IMF headquarters, short term expert visits, training programs and an attachment. Overall, and reflecting demand, support has focused primarily on technical assistance to Sri Lanka, Bhutan, and Maldives along with national and regional training for all members.

Strengthened revenue administration, management and governance arrangements: Technical Assistance to Sri Lanka has focused on support for the new Inland Revenue Act which came into force on April 1, 2018. Assistance has been provided on implementation timing, public education, communication strategies and the development of business processes to support the changed operational requirements.

- With the Maldives Inland Revenue Authority, SARTTAC support has concentrated on improving compliance, and specifically on the implementation of a risk assessment and prioritization methodology and the associated governance structure.
- Support has been provided to Bhutan in planning for the upcoming implementation of the GST through the development of detailed project plans, the policy framework and the initiation of an IT system development process.
- In India, SARTTAC's discussions – which have encompassed the GST Council, Central Board of Indirect Taxes and Customs (CBIC) and the Goods and Services Tax Network, and well as officials involved in operations – have covered assistance with the development of GST risk management. Discussions with Nepal have focused around the implementation of the Single Tax Code, the management of international transactions and the use of billing information to improve compliance outcomes. Discussions are continuing with the Bangladesh authorities on SARTTAC support, beginning with a scoping visit in early FY2019.



Revenue Administration Technical Assistance to Sri Lanka, January 2018



Discussing Revenue Administration Needs with Nepal's Finance Minister, April 2018

Training in revenue administration: four training courses have been delivered in revenue administration over the past year. Alongside the IMF's FAD, SARTTAC developed a GST Implementation and Administration course, the first such indirect tax course delivered in South Asia by FAD/SARTTAC. The TADAT training course assisted thirty senior Indian tax officials in understanding the framework, which allows an assessment of all key tax administration functions.

Complementary training was also provided to all members on collecting tax information via the International Survey on Revenue Administration (ISORA). This framework allows them to better assess the performance of all key areas of a tax administration. A regional course on compliance risks in April 2018 responded to demands at the earlier GST course to provide training on such core processes. Risks related to the IT system for tax processing at

Maldives Inland Revenue Authority led to SARTTAC attaching officials to the Office of State Revenue in Queensland, Australia. This Attachment demonstrates the connection between TA and Training that is one of the key areas of focus for SARTTAC. SARTTAC has also delivered training on GST at the Indian National Academy of Customs, Indirect Tax and Narcotics. (NACIN).

C

PUBLIC FINANCIAL
MANAGEMENT**Udaya Pant**

began work at SARTTAC in January 2017 as PFM advisor. Besides working in the Indian Civil Service, he has worked for the ADB, IMF, UN, UNDP as resident advisor in PFM. His experience ranges in all areas of PFM.

The Public Financial Management work program has scaled up rapidly over the first year following extensive country consultations that included scoping missions. Initial activity concentrated on training which informed member countries about SARTTAC's range of services and helped identify technical assistance needs. Led by FAD, regional training over FY2018 has covered a range of key topics including good PFM practices (budget formulation, budget execution and fiscal reporting), public investment management, and gender budgeting. Training on gender budgeting and fiscal risks was done in collaboration with IMF TAOLAM, allowing SARTTAC members exposure to a wider range of country experience. Some PFM training was targeted to subnational officials in India, such as that on Strengthening Budget Institutions in September 2017 and Fiscal Analysis and Forecasting in April 2018. SARTTAC's PFM team has also been called on to make presentations to the Budget Division of India's Ministry of Finance, the Office of the Controller General of Accounts, and national training institutions such as the National Institute of Financial Management.

Highlights of TA in FY2018 by topic include:

- **Comprehensive, credible and policy-based budgeting:** a highlight has been assistance to India's Finance Ministry to review the budget formulation process, budget documentation, and to compare practices with those in other emerging economies. Technical Assistance on improving budget formulation and documentation is underway in Bhutan, India and Maldives, including on improving the comprehensiveness and transparency of budget documents. Maldives is implementing a new electronic budget formulation module and will gradually introduce a performance focus in resource allocation. Bhutan is looking at ways to strengthen budget analysis and improve efficiency in resource allocation; SARTTAC is helping identification of gaps and processes as compared to good practices. A joint IMF/WB PIMA was conducted in Sri Lanka and the FY2019 workplan will provide support on implementing some of the priority recommendations on planning and execution of investment projects. The PIMA report has identified and recommended areas to improve efficiency of public investment management by more credible medium-term planning and



Technical Assistance Mission to Maldives on Public Investment Management, January 2018



Technical Assistance Mission to India to Discuss Budgeting Practices, February 2018



Lesley Fisher joined SARTTAC in April 2017. Prior to joining SARTTAC she was a senior economist in the Fiscal Affairs Department of the IMF in Washington DC. She has provided PFM TA to European, African, Middle East and Central Asian countries. Previously she worked for the Ministry of Finance in South Africa.



Regional Training on Strengthening Public Investment Management, December 2017

budgeting. Maldives has benefited from training as well as developing guidelines and manuals to strengthen its appraisal and project monitoring capacity, as recommended by a PIMA mission in 2016.

- **Better budget execution and control:** SARTTAC is supporting Sri Lanka's effort to strengthen its internal audit function by developing an internal audit manual, pooling of internal audit resources and training existing staff.
- **Improved coverage and quality of fiscal reporting:** Nepal is introducing a comprehensive chart of accounts (CoA) for the federal government and 7 provinces in order to enable reporting for general government – SARTTAC will work with all levels of government to enable general government reporting.
- **Improved integration of asset and liability management:** India sought SARTTAC's support on designing an integrated debt management database for internal and external borrowing and contingent liabilities. The recommendations are expected to feed into the establishment of a Public Debt Management Agency.
- **Strengthening identification, monitoring and management of fiscal risks:** India and Sri Lanka participated in a joint SARTTAC/TAOLAM seminar on managing fiscal risks in emerging markets. States with advanced practices like Rajasthan and Orissa benefitted from the discussions and identified priority fiscal risks to be quantified in a fiscal risk statement.

D

MACROECONOMIC
ANALYSIS AND TRAINING

Andrew Ceber, an Australian national, joined SARTTAC in June 2017 as a Macroeconomic Advisor focusing on macroeconomic training and technical assistance. He has worked as a macroeconomist with the IMF, World Bank and Australian Treasury.

SARTTAC has provided a large range of training since its inception in January 2017. Over the past year, 895 officials have attended 33 SARTTAC courses (see Figure 3). These have cut across core macroeconomic topics to specialized issues in statistics, revenue administration, public financial management and banking regulation and supervision (Figure 4). Macroeconomics training has accounted for more than half the training activity.

While the bulk of training was delivered at SARTTAC, the Center has provided several in country courses in response to demand. Fourteen of the 33 courses were delivered in country. Accounting for some 90 percent of the region's GDP, India provided 42 percent of the course participants followed by Sri Lanka (19 percent) and Bangladesh (14 percent). Notably, large numbers of officials from smaller administrations such as Bhutan and Maldives have

**FIGURE 3. FY2018 – PARTICIPANTS BY GENDER AND COUNTRY
(ALL COURSES, NUMBER OF OFFICIALS)**

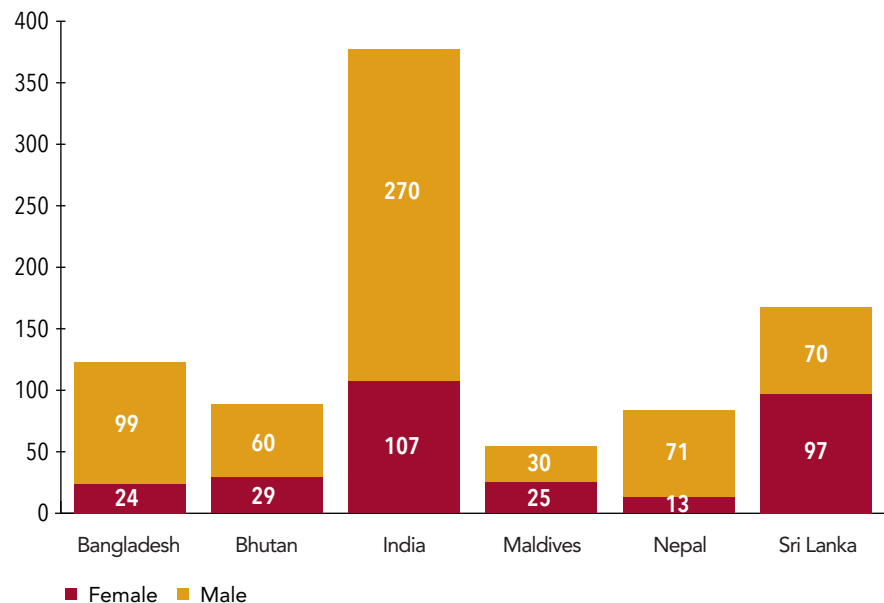
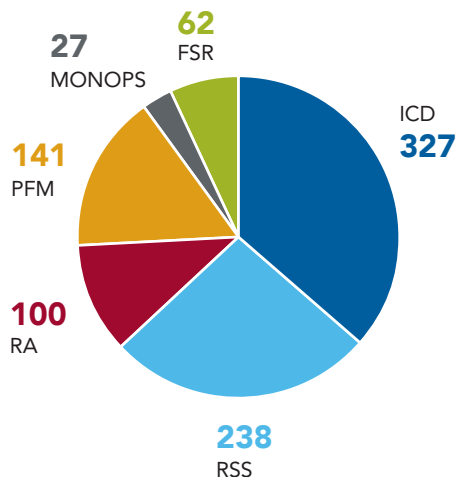


FIGURE 4. FY2018 – PARTICIPANTS BY SECTOR (ALL COURSES, NUMBER OF OFFICIALS)



availed themselves of SARTTAC training, significantly increasing the opportunities for face to face IMF training for these countries. Around one-third of course participants have been women (Figure 3). The largest contingent by agency have been Finance Ministries (over 50 percent), followed by the Statistics Offices and central banks.

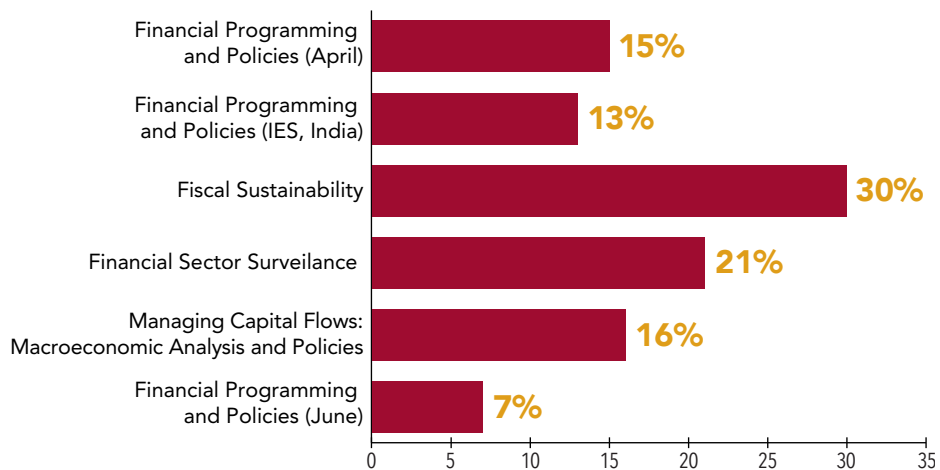
Macroeconomic training has focused on institutional capacity building for effective policy implementation in the core macro areas of monetary, fiscal, and financial policies. Around 60 percent of this training was delivered in the general area of macroeconomic policy and analysis, covering macroeconomic frameworks, macro-fiscal frameworks including fiscal sustainability, monetary policy, and financial sector issues including capital flows (see Table 6). Beyond traditional macroeconomic courses such as FPP and Macroeconomic Diagnostics (MDS), there has been strong interest in macro-financial training. Most courses have been customized (see para.13) and have included practical exercises to strengthen learning gains. Some SARTTAC courses, such as its training of cohorts of the Indian Economic Service, have been embedded in their formal training curriculum. In country macro training courses that have responded to country demands have included

Macroeconomic Diagnostics (Sri Lanka), Financial Programming and Policies and Macro-Fiscal Policies (Bangladesh) and Fiscal Analysis and Forecasting (Bhutan).

Course evaluations and data on learning gains point to the effectiveness of SARTTAC’s macroeconomic training. On average, officials rated most training courses highly (at or above 4.5 out of 5) on the relevance of the content and on addressing their development needs in their day-to-day work. Officials also greatly valued the peer-to-peer learning platform. The effectiveness of training, which is partially measured through pre- and post-quiz learning gains, were also quite encouraging with an improvement of 16 percentage points, on average, for all SARTTAC’s ICD courses (see Figure 5). For courses such as Fiscal Sustainability, Managing Capital Flows, and Financial Sector Surveillance, learning gains were significant. Going forward, SARTTAC plans to survey training recipients and their sponsors on the value of training received, including its use in recipient organizations.

A key SARTTAC customized training project has been to help the Central Bank of Sri Lanka (CBSL) develop a forecasting and policy analysis system (FPAS) for forward-looking monetary policy formulation. The FPAS CT is part of a broader CBSL initiative to

FIGURE 5. COURSE LEARNING FOR ICD COURSES (PERCENTAGE POINT INCREASE IN AVERAGE QUIZ SCORES FROM PRE- TO POST COURSE TEST)





Joint SARTTAC/TAOLAM Workshop on Gender Budgeting, March 2018

TABLE 6. ICD TRAINING IN FY2018

Course	Participants	Duration (weeks)	Participant Weeks
Financial Programming and Policies (June)	22	2	44
Managing Capital Flows: Macroeconomic Analysis and Policies	30	1	30
Financial Sector Surveillance	28	1.4	39
Macroeconomic Diagnostics (Sri Lanka, National)	42	1	42
External Sector Assessment (RBI)	18	0.4	7.2
Fiscal Sustainability	36	1	36
Financial Programming and Policies (Bangladesh)	45	0.8	36
Financial Development and Financial Inclusion	25	1	25
Financial Programming and Policies (IES, India)	32	2	64
Fiscal Analysis and Forecasting (Bhutan)	19	1	19
Financial Programming and Policies (April)	30	2	60
TOTAL	327	13.6	402

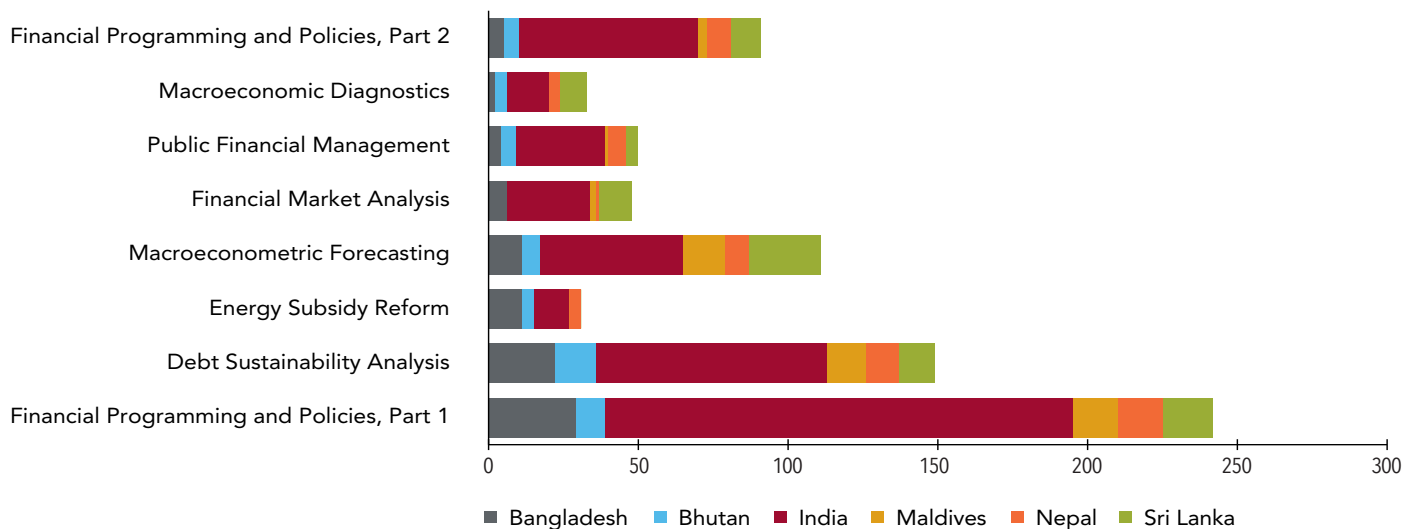
adopt Flexible Inflation Targeting (FIT), an important element of the CBSL's Transformation Strategy Road Map 2018. In FY2018, the project has helped the CBSL develop medium-term forecasting tools for use for the regular Monetary Policy Committee meetings. It has helped with organizational and procedural changes to strengthen the monetary policy formulation process and enhance internal monetary policy

communication. The CBSL staff now have the capacity to conduct the forecasting and policy analysis exercise using the revamped forecasting toolkit without any support of the CT team, and communicate with the policy makers more efficiently on policy relevant matters. The joint IMF-CBSL team is sharing its experience through an IMF working paper.



Financial Programming and Policies for Indian Economic Service Officers, December 2017

FIGURE 6. ONLINE LEARNING, ACTIVE GOVERNMENT OFFICIALS, FY2014-DECEMBER 2017



Online training continues to gain traction among officials in the region. The IMF’s online courses allow a scaling up of training to meet excess demand, complement face-to-face and customized training with online preparation, and aims to improve the absorption of TA by providing training on related topics. Since 2014, just under 600 government officials from SARTTAC members have successfully completed IMF online courses, with the most popular being Financial Programming and Policies (Part 1) and Debt Sustainability Analysis (Figure 6). In absolute numbers, Indian officials are the largest in the region (and in the top ten users globally), followed

by Bangladesh and Sri Lanka. It is encouraging to note the active participation from Bhutan, Maldives, and Nepal. SARTTAC encourages officials to take online training before enrolling in the relevant face to face version. However, based on our discussions with participants and managers, they are time constrained in taking such online learning during office hours due to work pressures. Therefore, SARTTAC’s course admissions policy does not require on-line courses a prerequisite for related face-to-face courses. Some IMF online courses are now offered in a self-paced format and more will likely be made available on this basis.

MONETARY AND FOREIGN EXCHANGE OPERATIONS



Bernard J. Laurens joined the Center in July 2017. After 12 years at the Banque de France, he joined the IMF in Washington in 1992, where he held several managerial positions, with assignments focused on financial and central banking issues.

Central banks across South Asia have sought SARTTAC's assistance with strengthening their monetary and exchange operations. Given the heterogeneity of monetary and exchange regimes across the region, SARTTAC has provided a range of CD support, which has included peer learning from those further along the monetary policy modernization process (most notably India) combined with specialized training for clusters or individual countries.

Against this backdrop, key areas of support have focused on two related objectives, within the monetary policy

and FX regime in place: (1) enhancing the effectiveness of monetary policy implementation, and (2) enhancing the effectiveness of central bank foreign exchange (FX) operations.

Enhancing monetary policy implementation and central banks' operational frameworks: in Sri Lanka, SARTTAC supported the Central Bank of Sri Lanka-CBSL's transition to a flexible inflation targeting (FIT) regime. In Bhutan and Nepal, SARTTAC focused on enhancing liquidity forecasting and management, within the pegged exchange rate regime with the Indian Rupee. In Bhutan it involved



Briefing Bangladesh Bank Management on Foreign Exchange Market Development, March 2018



A SARTTAC Short Term Expert Training Central Bank of Sri Lanka Officials During an FX TA Mission, September 2017

setting up such a capacity at the Royal Monetary Authority-RMA, while in Nepal SARTTAC focused on enhancing the effectiveness of the interest rate corridor, including by developing an MOU between Nepal Rastra Bank-NRB and the Ministry of Finance to facilitate the exchange of information. In the Maldives, support to the drafting of the Maldives Monetary Authority's (MMA's) Strategic Plan led to identifying priorities for the MMA, and measures to enhance MMA's institutional governance framework.

Enhancing the effectiveness of central bank FX operations: A highlight has been assistance to the CBSL to modernize its FX operations, a critical component of its road map to migrate to a FIT regime. An interactive workshop on FX market development and operations for Bangladesh Bank (BB), with the participation of central bank experts from India, Pakistan, and Thailand, combined topical and country experiences, as well as discussions with central bank management to share key takeaways for the reform of the FX market in Bangladesh.

FINANCIAL SECTOR SUPERVISION AND REGULATION



Jacques Loubert joined the Center in mid-August 2017 following a long career in Banking Supervision at the Banque de France. He has also worked previously for the IMF, World Bank and the French Futures and Options Exchange.

Work in financial sector supervision and regulation has geared up rapidly once SARTTAC resident advisor arrived in mid-August 2017, on account of scoping work done the previous March-April 2017. The first TA missions confirmed the initial assessment that supervisory capacity varied considerably across SARTTAC members. The work program reflected CD priorities expressed by the authorities: risk-based supervision (Bangladesh, Bhutan, Maldives, Nepal, Sri Lanka), risk management (Maldives, Nepal), corporate governance (Bangladesh, Bhutan), non-bank supervisory framework (Sri Lanka), and insurance supervision (Bhutan, Maldives). Other topics raised could be considered as the work program develops such as Basel II (Bangladesh, Bhutan, Maldives), Basel III (Bhutan, Nepal, Sri Lanka), credit risk (Bangladesh), liquidity management (Nepal) and consolidated supervision (Nepal, Sri Lanka). The 2017 India FSAP provides a useful diagnostic for potential future SARTTAC capacity development support. India has already expressed interest in training on issues such as current issues in banking supervision and regulation, financial sector surveillance, risk-based supervision, macro stress-testing, and on financial development and financial inclusion.

Based on this, the delivery of multi-year programs has commenced with vigor, as follows:

- Improving supervisory effectiveness: revising the Nepal Rastra Bank's (NRB's) risk Management Guidelines.
- Strengthening the off-site risk-based supervision capacity: at the NRB and to develop a TA and training program to strengthen the risk-based supervision capacity of the Bangladesh Bank. SARTTAC also responded rapidly to Bhutan's request for support in implementation of International Financial Reporting Standards (IFRS) reporting for the financial institutions in Bhutan.
- Enhancing the overall supervision process: through improved coordination between on-site and off-site supervision at the NRB;
- Develop/strengthen banking regulations and prudential norms: at the Royal Monetary Authority in Bhutan through the update of the corporate governance regulations and practices for financial institutions to align them with international standards; also in the Maldives through the review of corporate governance and risk management regulations and practices;



Financial Regulation and Supervision Work at Bhutan's Royal Monetary Authority, March 2018



Financial Regulation and Supervision Work at the Bangladesh Bank, December 2017

- Develop/strengthen regulation of insurance companies and risk-based supervision capacity of the insurance supervisor: in Bhutan through a medium-term plan for developing/strengthening the insurance supervisory framework, and the preparation of an Insurance Act; in Maldives to support in finalizing the Insurance Act and the regulatory framework.
- **Training in Financial Regulation and Supervision:** SARTTAC also conducted two MCM-led training courses that underpin the TA program and reflect its versatility. One was a first regional training course on the Core Elements of Banking Supervision (April 2018), with staff of all member countries attending. Earlier in the year (December 2017), a specialized course was arranged for the RBI on Current Issues in Banking Regulation, covered current developments in the supervisory and regulatory framework in areas such as capital and liquidity requirements, models for calculation of regulatory capital, and IFRS implementation.

REAL SECTOR STATISTICS



Brooks Bruce Robinson is a former U.S. Government national accountant, having served with the U.S. Department of Commerce, Bureau of Economic Analysis in Washington, DC for 20 years. He began working with the IMF in 2013.

The detailed FY2018 Real Sector Statistics (RSS) work program that was developed during scoping missions, and the targets set therein, were almost fully achieved.

- **Rebenchmarking/Rebasing GDP:** missions were conducted to Bangladesh, Bhutan, India, the Maldives, and Sri Lanka to develop and begin implementing workplans to rebenchmark/rebase national accounts statistics. Nepal's national accounts are

being supported by the World Bank under a UK DfID program. SARTTAC TA enabled the Maldives to publish newly benchmarked/rebased annual national accounts statistics in November 2017, and quarterly statistics in April 2018. Price statistics TA was extended to Bangladesh and Sri Lanka. SARTTAC arranged for NRB staff to work at the Center with Government of India officials on rebasing Nepal's wholesale price index and preparing to develop a producer price index.



Real Sector Technical Assistance Mission to Bhutan, April 2018

- Improving annual and quarterly national accounts statistics: Missions on rebenchmarking/rebasing also focused on improving System of National Accounts (SNA) 2008 compliant methodology. Other work included improving (India and Sri Lanka) resuming (Maldives) or developing quarterly national accounts (Bangladesh and Bhutan). A three-member team from India's Ministry of Statistics and Programme Implementation also visited the United Kingdom's Office of National Statistics in South Wales for a week to learn about the challenges and benefits of transitioning from a spreadsheet to a time series database system for compiling and disseminating national accounts statistics.
- Improving the broader macroeconomic statistical system: An array of other statistical work has been done in line with demand. Perhaps the most pressing has been in GFS, where a formal two-year CD program will begin from May 2018. Bhutan's appeal for urgent help was heeded via an integrated TA/ Training mission. IMF staff on external sector statistics worked in Bhutan and the Maldives, while a Financial Soundness Indicators (FSIs) mission was conducted in Nepal to assist with assessing its financial stability.
- Training in real sector statistics: in-country (India, Sri Lanka) courses on national accounts methodology and a regional quarterly national accounts workshop were conducted. Similarly, in-country price statistics training workshops were delivered in Bangladesh, India, and the Maldives. Ahead of the start of the GFS/PSDS program in FY2019, STA delivered two GFS/PSDS courses (one regional and one for India) to assess needs and to increase statistical compilation capacity. IMF experts on Balance of Payments statistics also delivered regional training on cross-border transactions.

SECTION IV

WORK PROGRAM
FOR FY2019



Course on Managing Capital Flows, September 2017, Using Faculty from the Singapore Training Institute

OVERVIEW

SARTTAC's FY2019 work program reflects strong country demands that build on the projects started in the inaugural year. With increased awareness of SARTTAC over the first year, interest maturing into agreed activities, a full team of resident experts available for the year, and a new work stream in GFS/PSDS, there will be some scaling up, particularly of technical assistance and customized training. A summary of the workstreams is provided in Table 10 below. In sum:

- **Overall:** SARTTAC envisages a 25 percent increase in activity over its inaugural year (Table 7). This is driven by: (i) the commencement of a GFS/PSDS work program across the region; (ii) a scaling up of fiscal, and macro-fiscal and financial regulation and supervision TA as work deepens in some members and gets underway in others; (iii) additional national and customized trainings that build on earlier training on general frameworks e.g. in the macro-fiscal area, or prepare the ground for future TA e.g. GFS/PSDS. As a share of resources, activity will broadly be the same as FY2018 (2/3rd TA and 1/3rd training). Some backloading is anticipated to H2.

- **Sector and Country:** The country allocations reflect the organic way in which the workplan has developed across the region, including the different time it has taken across countries to assess their needs and demands to be elaborated (Table 8). There will be a higher absolute resource allocation to all members reflecting higher TA and national training. A large amount of delivery time (26 percent of the total) will continue to be allocated to regional courses. The increase in the work program over FY2019 largely reflects a combination of the new GFS/PSDS work across the region, as well as increased work in Bangladesh, Nepal and Sri Lanka in PFM, RA and FSR. Some additional subnational work is also planned in India. Proportional allocations by sector are broadly unchanged, with some increase in statistics and FSR being offset by regional macro training and monetary operations.

TABLE 7. SARTTAC ACTIVITIES FY2019

	FY2018	FY2019	
IMF SARTTAC Activities (number)	Execution	Planned	
		Annual	H1
TA Mission	69	111	47
Meeting/ Retreat/ Other	13	20	9
Regional Workshop (including ICD)	19	26	11
Attachment/Mentoring	4	3	1
National Training	14	23	9
Total Number of Activities	119	183	77
Resources (Field Person Weeks)			
Type of Activity			
Technical Assistance	459	556	210
Training	285	373	171
Total	744	929	381
Delivery Modalities			
Resident Advisor	342	418	181
Short Term Expert	211	311	123
Attachments	15	12	2
IMF HQ Staff	175	188	26
Total Field Person Weeks	744	929	333

TABLE 8. SARTTAC PLANNED RESOURCE DISTRIBUTION BY SECTOR AND COUNTRY, FY2019 (IN FIELD PERSON WEEKS)

	Total	RA	PFM	ICD	FSR	MONOPS	RSS	GFS
Bangladesh	123	23	29	24	6	19	17	6
Bhutan	111	24	24	10	18	19	9	7
India	159	8	75	37	8	-	5	26
Maldives	87	28	10	-	14	13	14	8
Nepal	70	11	21	-	14	8	8	8
Sri Lanka	140	32	28	55	5	7	6	7
SARTTAC (Regional)	239	23	37	117	12	6	22	23
TOTAL	929	149	224	242	76	73	81	85

TABLE 9. SARTTAC BUDGET (IN MILLIONS OF US DOLLARS)

Activity	Fiscal Years				
	2017 Actual	2018 Actual	2019 Approved Budget	2020-2022	Total
Public Financial Management	0.1	1.5	3.0	6.9	11.5
Revenue Administration	0.0	1.4	2.3	5.5	9.2
Financial Supervision and Regulation	0.1	0.5	1.0	1.6	3.1
Monetary Policy Operations	0.0	0.7	0.7	1.6	3.1
Government Finance Statistics			0.8	0.8	1.6
Real Sector Statistics	0.1	1.1	1.1	4.5	6.8
Governance and Evaluation (including RBM advisor/backstopping)	0.0	0.0	0.0	0.3	0.4
Training project	0.4	2.1	2.5	8.2	13.2
Admin Project	0.4	2.4	2.4	6.4	11.5
Other	0.0	0.0	0.0	0.0	0.1
Total TA Delivery	1.2	9.7	13.7	35.8	60.3
Intra-year strategic reallocation			0.3	0.7	1.0
Trust fund management (7%)	0.1	0.7	1.0	2.6	4.3
GRAND TOTAL	1.2	10.4	14.9	39.0	65.6

- Training:** SARTTAC is planning 26 regional and 23 national training events in FY2019. The significant increase in national training reflects customized training following up from generalized training courses, as well as key conceptual training across the region for sectors such as GFS/PSDS, as a precursor to TA.
- FY2019 Budget:** the scaling up will result in a significant increase in the budget compared to the FY2018 outturn. More specifically, the FY2019 budget is estimated at \$14.9 million (Table 9). This reflects both the beginning of a new work stream in GFS/PSDS but also the growing demand in several countries and sectors following initial exposure to SARTTAC training.

TABLE 10. SUMMARY LOGFRAME FY2019

Logframe	Bangladesh	Bhutan	India	Maldives	Nepal	Sri Lanka	Regional
Revenue Administration							
Strengthened core tax administration functions		●		●			
Strengthened revenue administration, management and governance arrangements	●	●	●	●	●	●	●
Public Financial Management							
Improved budget execution and control	●	●		●		●	●
Improved coverage and quality of fiscal reporting	●				●		●
Improved asset and liability management				●	●		●
Strengthened identification, monitoring, and management of fiscal risks		●					●
Comprehensive, credible, and policy based budget preparation		●	●	●	●	●	
Macroeconomic Analysis and Training							
Participants effectively acquire knowledge and skills taught in the courses	●	●	●			●	●
Financial Sector Regulation and Supervision							
Develop/strengthen banking regulations and prudential norms	●	●	●	●	●		●
To implement a risk-based supervision (RBS) system and upgrade other supervisory processes	●		●		●	●	●
Improved financial stability via early detection of and effective and timely responses to insurance sector vulnerabilities.		●		●			
To improve supervisory effectiveness for accounting and prudential provisioning		●	●				
Monetary and Foreign Exchange Operations							
Enhance the effectiveness of monetary policy implementation and strengthen central banks' operational framework within the monetary policy regime of choice	●	●		●	●		
Enhance the effectiveness and consistency of central bank FX operations with the chosen monetary policy and FX regime	●			●		●	
To enhance central bank's (CB) decision-making capacity and internal organization				●			
Real Sector Statistics							
Strengthen compilation and dissemination of data on macroeconomic and financial statistics for decision making	●	●	●	●	●	●	●
Government Finance Statistics							
Strengthen compilation and dissemination of data on macroeconomic and financial statistics for decision making	●	●	●	●	●	●	●

REVENUE
ADMINISTRATION

A sizeable increase in CD is planned over FY2018 given projects have now been defined across the region. Specifically, by topic area:

- Better revenue administration, management and governance arrangements, and stronger core functions:
 - In Bangladesh, the initial focus will be to more fully understand the TA needs of the National Board of Revenue (NBR) following the announcement that the VAT is to be implemented from 2019. The later visits will start the program of work to deliver on the required assistance;
 - Efforts in Bhutan will center on supporting the government's aim to introduce a GST in 2020. The focus will be on developing core business processes for the new GST. This SARTTAC work will be complementary to a Japanese (Japan Sub-Account) funded IMF GST project, including a long-term resident advisor, that will support Bhutan's GST implementation plans;
 - In India, FAD, supported by SARTTAC's resident advisor, will focus support on GST risk management, revenue forecasting and dispute resolution;

- Work in the Maldives will continue in the area of compliance risk management, building on last year's program by focusing on responses to the risks identified;
- Building on the scoping visit to Nepal in FY2018, SARTTAC will prioritize work on implementation of the Single Tax Code, the management of international transactions and improving compliance in coordination with FAD;
- The main focus in Sri Lanka will be to provide ongoing support for the new Inland Revenue Act, including enhancing the national income tax rulings program, advising the Inland Revenue Department on user testing of forms and instructions, and the management of the core functions for registration and filing.

Training in revenue administration: Common themes are emerging in training needs among the SARTTAC countries. Management of compliance risks is a key area, as is understanding and managing core functions such as registration, filing, correct reporting (audit) and payment. To address these needs, targeted training is planned both at SARTTAC and in country. In Bhutan, the focus will be courses in

GST administration and compliance risk, to lay the groundwork for operation of the new GST system. SARTTAC plans to train Sri Lankan officials on risk-based audit techniques to increase staff capacity and improve revenue mobilization efforts. Given the success of the Tax Administration Diagnostic and Assessment Tool (TADAT) program offered in India to the CBDT in FY2018, it will be offered to indirect tax officials (Central Board of Indirect Taxes and Customs – CBIC). Regional courses will cover registration and filing, reporting and payment, arrears management, headquarters operations, and risk management methodologies. The program also envisages organizing two much needed attachments; Bhutanese officials to a national tax authority to observe an operational GST system, and an Indian team to a jurisdiction that is strong on dispute resolution and management.

C

PUBLIC FINANCIAL
MANAGEMENT

The work plan for FY2019 will build on work underway or discussed in FY2018:

- **Comprehensive, credible and policy-based budgeting:** the TA program will continue to focus on strengthening budget formulation in Bhutan, India, Maldives, Nepal and Sri Lanka. All countries are making progress in effectiveness and orderliness of budget formulation, and a renewed focus is being made on improving the comprehensiveness and transparency of budget documents. Sri Lanka will focus on improving macro-fiscal forecasting, developing fiscal rules, and improving budget formulation. Maldives is implementing a new electronic budget formulation module and will gradually introduce a performance focus in resource allocation. Bhutan is looking at ways to rationalize spending and improve efficiency in resource allocation. India is continuing to improve on its medium-term budget formulation and integration of performance-based information together with a focus on improving transparency and comprehensiveness of budget information.
- **Better budget execution and control:** Sri Lanka will focus on planning and execution of investment projects while Maldives will develop guidelines and

manuals to strengthen its appraisal and project monitoring capacity—priorities identified in the PIMA evaluations.

- **Improved coverage and quality of fiscal reporting:** Bangladesh and Nepal will be assisted with improving the coverage, comprehensiveness and quality of fiscal reporting.
- **Improved integration of asset and liability management:** SARTTAC will provide assistance to Bhutan in implementing an e-payments system, while Maldives will receive support on developing cash management regulations and updating the guidelines and manuals on cash management. SARTTAC will help Nepal extend the Treasury Single Account to subnational governments.
- **Strengthening identification, monitoring and management of fiscal risks:** Bhutan will develop a legal framework for managing Public Private Partnerships with SARTTAC support.
- **Subnational Government priorities:** SARTTAC will undertake scoping visits to Assam, Odisha, Tamil Nadu and West Bengal States to identify medium-term TA and training needs. Follow up support to Himachal Pradesh will focus on improving its annual budget focus to a medium-term

perspective by strengthening macro and fiscal forecasting and improving the policy and analytical aspects of budget formulation. SARTTAC will also assist Himachal Pradesh in developing a PFM Reform Strategy, developing an Information Technology Strategy to anchor their Financial Management Information System and document its business processes and architecture. A diagnostic mission to Punjab State will help to identify the most significant fiscal risks, with a view to developing a future fiscal risk statement. Collaboration with the 15th Finance Commission will focus on strengthening the borrowing framework and fiscal targets for subnational governments.

- **PFM Training:** Planned regional trainings in PFM include fiscal risk management for low-income countries (with TAOLAM), fiscal reporting and treasury management. Training to state governments in India will focus on strengthening PFM practices while the Indian Civil Accounts Service cohort will be trained on good practices in fiscal reporting. National training will be delivered in Bangladesh and Nepal, on fiscal reporting and budgeting respectively.

MACROECONOMIC ANALYSIS AND TRAINING



Course on Fiscal Analysis and Forecasting including Indian States, April 2018

The full proposed training plan for FY2019 is set out in Table 11, encompassing both macroeconomic courses delivered by ICD, customized training, and non-ICD sector specialized courses. SARTTAC plans around 17 macro courses over FY2019, spanning general frameworks to specialized customized training. Some changes may occur in the course of the year, including on timing, given the number of variables involved in organizing any course.

- **ICD Curriculum, Regional Courses:**

- These will take place at SARTTAC and cover the topics most in demand across the region: (i) financial sector; (ii) monetary policy; (iii) fiscal policy; (iv) macro frameworks; and (v) macro forecasting. These financial sector topics cover macro-financial risks and policy challenges from managing capital inflows as global financial conditions tighten. They also link well with work planned in banking

regulation and supervision, such as customized training on IFRS for the RBI. Monetary and exchange rate policy training is self-evident given evolving monetary frameworks for many South Asian countries. Again, this synergizes with the FPAS CT in Sri Lanka as well as work on developing a foreign exchange intervention strategy consistent with flexible inflation targeting. The general fiscal policy courses underpin the requests to develop macro-fiscal forecasting



Fiscal Sustainability, October 2017, Small Group Workshops

capacity in Macro Fiscal Units in Sri Lanka, Bhutan and Bangladesh. The forecasting training is in high demand from teams at both Ministries of Finance and central banks, and could lead to future CD on monetary policy formulation (e.g. FPAS) for countries that are seeking to move to an inflation targeting type monetary framework (e.g. Bangladesh).

- SARTTAC continues to leverage synergies with other IMF CD centers and international organizations on certain topical issues, to facilitate peer learning among countries with similar levels of development. An example will be the SARTTAC-

TAOLAM CT on the LIC Debt Sustainability Framework. SARTTAC is also continuing to work with SEACEN to broaden its reach to central banks across Asia on common topical issues such as evolving monetary frameworks and operations. Training staff interchanges are an essential component of this effort.

- **ICD Curriculum, National Courses:** SARTTAC's national customized trainings span two work streams, macro (model based-FPP and MDS) and macro-fiscal analysis and forecasting, and builds on the general training delivered in FY2018. The

Center is working with core groups in the central banks of Bangladesh and Sri Lanka on the former, as well as teams from the Finance Ministries of Bangladesh, Bhutan and Sri Lanka on fiscal issues. This customized training is more akin to technical assistance as the training is targeted and country specific, and focused on developing frameworks/tools that strengthen the ability of officials to conduct surveillance of their own economy. For example, SARTTAC's resident macroeconomic advisor has been working with a core group from the CBSL to develop a macro diagnostic template with Sri Lankan data, that can be institutionalized for the Bank's



SARTTAC-SEACEN Course on Monetary Policy and Monetary Operations, April 2018



Customized Training on Developing a Forecasting and Policy Analysis System, Central Bank of Sri Lanka, April 2018

own economic analysis. Similar work is planned with FAD to strengthen the Finance Ministry's capacity for macro-fiscal analysis as its Macro-Fiscal Unit gets established. Training for the IES is now a well-established part of SARTTAC's workplan, and will be extended from this year upon request from the Ministry of Commerce to include some Indian Trade Service economists. Officers from the Indian states will be receiving customized training on fiscal forecasting. In FY2019, the customized FPAS training project will focus on enhancing CBSL's internal and external monetary policy communication. The developed FPAS-based projections and monetary policy analysis offer an ideal platform

for making the communication increasingly forward-looking and ultimately, with adoption of flexible inflation targeting, organized around the inflation forecast and inflation target. In FY2019, the FPAS CT missions will work with the CBSL to revise internal and external documents while continuing to provide technical support on the operation of the FPAS as needed. In particular, for FY2019 the project aims at making MPC materials (presentation and report) more forward-looking and story driven, incorporating medium-term inflation projection explicitly in CBSL external communication.

TABLE 11. SARTTAC'S TRAINING PLAN FOR FY2019¹

Lead Department	Course	Dates (FY2019)	Duration (Weeks)	Target Audience
ICD Courses				
ICD/SARTTAC	Macroeconomic Diagnostics (India)	August '18	2	India (MoF, IES and Min. of Commerce)
ICD/SARTTAC	Managing Capital Flows	September '18	1	All member countries
ICD/SARTTAC	Financial Sector Policies	September '18	1	All member countries
ICD/SARTTAC	Macroeconometric Forecasting and Analysis	October '18	1	All member countries
ICD/SARTTAC	Monetary Policy	December '18	1.3	All member countries
ICD/SARTTAC	Financial Programming and Policies (India)	December '18	2	India
ICD/SARTTAC	Exchange Rate Policies	January '19	1	All member countries
ICD/SARTTAC	Financial Inclusion/ Inclusive Growth	March '19	1	All member countries
ICD/SARTTAC	Financial Programming and Policies	March '19	2	All member countries
Non-ICD Courses and Customized Training				
STA/SARTTAC	Statistics on International Trade in Goods and Services	May '18	1	All member countries
STA/SARTTAC	Regional Seasonal Adjustment Course	June '18	1	All member countries
SARTTAC	Macroeconomic Diagnostics (Sri Lanka)	July '18	1	Sri Lanka
MCM/SARTTAC	International Financial Reporting Standards (RBI)	July '18	1	India
SARTTAC	GST Implementation	July '18	1	Bhutan
SARTTAC	Audit Techniques	July '18	1	Sri Lanka
APD/SARTTAC/ RMA	High Level Workshop on Monetary Policy Frameworks	July '18	0.5	India, Nepal, Bhutan
ICD/SARTTAC	Financial Programming and Policies	August '18	1	Bangladesh
FAD/SARTTAC	Fiscal Reporting	August '18	1	India
SARTTAC	Budgeting	August '18	1	Nepal
SARTTAC	Taxpayer Registration Management	August '18	1	All member countries
STA/SARTTAC	National Accounts (in country)	August '18- September '18		Bangladesh, Bhutan, Maldives, Nepal
FAD/SARTTAC	Fiscal Reporting	September '18	0.4	All member countries
SARTTAC	Accuracy in Taxpayer Reporting	October '18	1	All member countries

TABLE 11. SARTTAC'S TRAINING PLAN FOR FY2019¹ (CONTINUED)

Lead Department	Course	Dates (FY2019)	Duration (Weeks)	Target Audience
STA/SARTTAC	Government Finance Statistics/ Public Sector Debt Statistics (Regional)	November '18 & April '19	1	All member countries
STA/SARTTAC	Government Finance Statistics/ Public Sector Debt Statistics (National)	May '18 to November '18	1	All member countries
FAD/SARTTAC	Public Financial Management for Indian States	October '18	0.4	India
STA/SARTTAC	Quarterly National Accounts	October '18	1	All member countries
ICD/SARTTAC	Debt Sustainability Framework for LICs	November '18	1	SARTTAC LICs plus TAOLAM
MCM/SARTTAC	Practical Implementation of Risk-Based Supervision	November '18	1	All member countries
FAD/MCM/ SARTTAC	Improved Treasury Management	December '18	1	All member countries
SARTTAC	Financial Programming and Policies (Sri Lanka)	January '19	2	Sri Lanka
SARTTAC	Collections/Arrears Management	January '19	1	All member countries
SARTTAC	Macro-Fiscal Framework (Bangladesh)	February '19	1	Bangladesh
SARTTAC	Macro-Fiscal Framework (Sri Lanka)	February '19	1	Sri Lanka
SARTTAC	Risk Methodologies	February '19	1	All member countries
SARTTAC	Compliance Risk Management	February '19	1	Bhutan
SARTTAC	Organizational Design and Governance in Tax Administration	March '19	1	All member countries
SARTTAC	Macro Fiscal Framework (Bhutan)	April '19	1	Bhutan
MCM/SARTTAC	Core Elements of Banking Supervision	April '19	1	All member countries
FAD/SARTTAC	Fiscal Analysis and Forecasting	April '19	1	India
FAD/SARTTAC	Fiscal Risk Management (with TAOLAM)	April '19	1	All member countries
ICD/ SARTTAC	Forecasting and Policy Analysis System	Sept '18/April '19	3-4	Sri Lanka
FAD/SARTTAC	Tax Administration Diagnostic Assessment Tool	TBD	1	India
SARTTAC	Fiscal Reporting	TBD	1	Bangladesh
SARTTAC	Seminar on Special Topics eg EBA (with STI)	TBD	1	All member countries
SARTTAC	High Level seminar on Selected Macro Topics	TBD	1	All member countries

¹ Tentative dates that are subject to scheduling changes



Regional Course on Monetary Policy, April 2017

MONETARY AND FOREIGN EXCHANGE OPERATIONS

SARTTAC's FY2019 work program will continue to focus on the FY2018 objectives, guided by IMF policy and operational papers related to monetary and FX policy modernization. SARTTAC's actions will be tailored carefully to the circumstances of each member, while typically following a sequenced development of interest rate-based monetary and FX operations frameworks, consistent with their absorptive capacity, as follows.

- Enhancing monetary policy implementation and central banks' operational frameworks. SARTTAC will start an engagement with BB aimed at assessing avenues for monetary policy modernization, and the related SARTTAC program to support BB's reform agenda. Follow up technical assistance in Bhutan will support the launching of active liquidity management by the RMA, including enhancing liquidity and government cash flow coordination (in close coordination with SARTTAC Public Financial Management), and revamping RMA Monetary Policy Statement. In Nepal, follow up TA will aim at streamlining the monetary policy toolkit to ensure a better alignment of interbank market rates with NRB's policy rate. In the Maldives, SARTTAC will help build collaboration with a central bank in the region for peer review of research and analytical work, as well as support implementation of the recently adopted Strategic Plan of the MMA.
- Enhancing the effectiveness of central bank FX operations. In Sri Lanka, SARTTAC will continue its actions to enhance the effectiveness of CBSL's FX operations and market monitoring, while in the Maldives the focus will be on reforming the FX regulatory framework and developing the FX market, also in the context of the implementation of the Strategic Plan of the MMA.



Core Elements of Banking Supervision for Regional Officials, April 2018

FINANCIAL SECTOR SUPERVISION AND REGULATION

Considerable work is envisaged to build on the work started in FY2018, as follows:

- Further implementation of the action plan to strengthen risk-based supervision of banks in Bangladesh, Bhutan, Nepal, and Maldives. In Sri Lanka, SARTTAC's support will take into account the timing and findings of a Financial Sector Stability Review, which is a diagnostic IMF instrument that helps identify financial sector vulnerabilities, formulate and implement financial sector reform programs, and is supported by intensive follow-up TA.
- Implementation of the action plan to strengthen risk-based supervision of the insurance sector in Bhutan and Maldives to establish an effective supervisory framework;
- Further strengthening of banking regulations and prudential norms in Bangladesh, Bhutan, and Maldives as the basis for effective supervision;
- Implementation of an action plan to strengthen the supervision of the non-banks deposit takers in Sri Lanka;
- Training in financial regulation and supervision: in addition to repeating the highly valued Core Elements of Banking Supervision course delivered in FY2018, a course on the Practical Aspects of Implementation of Risk-Based Supervision, built on case studies, will cover issues such as assessing the risk profile of the banks. A seminar is also being considered to discuss the main findings of the 2017 India Financial Sector Assessment Programme (FSAP), as well as a customized course on IFRS for Non-Performing Loans to the Reserve Bank of India.



Training on Quarterly National Accounts, June 2017

REAL SECTOR STATISTICS

The intensive RSS program initiated in the inaugural year will continue with around 23 activities planned, most of which continue existing projects.

- **Rebenchmarking and rebasing:** further work in Bangladesh, Bhutan, India and Sri Lanka, with work in the latter to include improvements to estimation methodologies. Price statistics training and TA will be delivered in Bangladesh, the Maldives, Nepal and Sri Lanka to assist mainly with rebasing Consumer Price Indexes (CPIs) and plans to rebase PPIs.
- **Improving annual and quarterly national accounts statistics:** SARTTAC will assist the Maldives in developing annual estimates of GDP by expenditure. Further work on Quarterly National Accounts (QNA) is planned for Bangladesh and Bhutan after the annual accounts have been

rebenchmarked/rebased. Based on discussions in FY2018, SARTTAC views improved data collection surveys in the Maldives as a priority and will arrange an attachment to a statistics office with good capacity in this area.

- **Improving the broader macroeconomic statistical system:** SARTTAC will undertake three external sector statistics missions (Bangladesh, Maldives and Nepal).
- **Training in real sector statistics:** most members will receive tailored one-week national accounts statistics courses to expand the base of trained officials, and a regional workshop on seasonal adjustment for selected countries where it is relevant. STA's BOP Division will also conduct a regional trade statistics course in May 2018.



Government Finance Statistics Training for India, February 2018



GOVERNMENT FINANCE AND PUBLIC SECTOR DEBT STATISTICS

A new Government Finance Statistics (GFS) and Public Sector Debt Statistics (PSDS) program will be initiated at SARTTAC during FY2019 in response to pronounced demand across the region. The program, which is scheduled to run through FY 2021, is designed to help align regional governments' statistical reporting with international standards: the Government Finance Statistics Manual, 2014 (GFSM 2014); and the Public Sector Debt Statistics Guide for Compilers and Users 2011 (PSDSG 2011). Key achievements are expected under the following two primary objectives:

- **Produce more comprehensive, reliable, and timely GFS/PSDS.** All members and four Indian sub-national governments will initially receive training. This will be followed by two-week TA missions for Bhutan, the Maldives, Nepal, and Sri Lanka, and one-week missions for four Indian subnational governments. The objective over the program period is to enable the authorities to compile and disseminate more comprehensive (general government), reliable (smaller statistical discrepancies between

net lending/borrowing and net financing), and timely (monthly and quarterly) GFS/PSDS. For FY2019, heavy emphasis will be placed on assisting the authorities in preparing comprehensive institutional tables; aligning charts of accounts with the GFSM 2014 standard; and establishing procedures for collecting data from all levels of government (central, provincial/state, and municipal/local).

- **Increase the SARTTAC region's capacity to compile, disseminate, and use GFS/PSDS.** Beyond production, SARTTAC plans to deepen compilers and users' knowledge of specialized GFS/PSDS topics that are unique to the region by conducting two regional workshops. The workshops present an opportunity to introduce specialized GFS/PSDS topics and for members to leverage each other's unique experiences and accelerate statistical development. The specialized knowledge gained from the workshops will increase the capacity to compile and use high-quality statistics to improve fiscal policymaking.

IMF SARTTAC STAFF



OFFICE MANAGER

Pramod Bhardwaj



BUDGET ASSISTANT

Nidhi Mehrotra



ECONOMIC ANALYST

Shivangi Bishnoi



ADMINISTRATIVE ASSISTANT

Ananya Sharma



SENIOR IT OFFICER

Sanjeev Sharma



ADMINISTRATIVE ASSISTANT

Shaveta Gulati



SENIOR COURSE ADMINISTRATOR

Debraj Chaudhuri



ADMINISTRATIVE ASSISTANT

Ruchita Luthra



COURSE ADMINISTRATOR

Jagriti Arya



DRIVER

Umesh Kumar Singh



**South Asia Training and
Technical Assistance Center**

6th Floor, Worldmark 2 Building
Aerocity, New Delhi 110037, India
Tel.: +(91) 011.4928.1000
Email: SARTTAC@IMF.org
Website: <https://www.sarttac.org>

INTERNATIONAL MONETARY FUND
Institute for Capacity Development
Global Partnerships Division

700 19th Street NW
Washington, DC 20431 USA
Tel.: +(1) 202.623.7636
Fax: +(1) 202.623.7106
Email: GlobalPartnerships@IMF.org