SARTTAC
SOUTH ASIA REGIONAL TRAINING
& TECHNICAL ASSISTANCE CENTER

PHASE 1 PROGRAM DOCUMENT

February 2017

SOUTH ASIA REGIONAL TRAINING & TECHNICAL ASSISTANCE CENTER (SARTTAC)

I N T E R N A T I O N A L   M O N E T A R Y   F U N D

SOUTH ASIA REGIONAL TRAINING AND TECHNICAL ASSISTANCE CENTER (SARTTAC)

PROGRAM DOCUMENT

(January 2017)

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

Bangladesh

Bhutan

India

Maldives

Nepal

Sri Lanka

Australia

Republic of Korea

European Union

United Kingdom

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List of Acronyms

AGAOA	Association of Government Accounting Organizations of Asia
AML-CFT	Anti-Money Laundering and Combating the Financing of Terrorism
APD	IMF Asia and Pacific Department
ADB	Asian Development Bank
BACS	Budget and Accounting Classification System
BB	Bangladesh Bank
BOP	Balance of Payments
CB	Central Bank
CBSL	Central Bank of Sri Lanka
CD	Capacity Development
CDIS	Coordinated Direct Investment Survey
COFOG	Classification of the Functions of Government
CPC	Ceylon Petroleum Corporation
CPI	Consumer Price Index
CPIA	Country Policy and Institutional Assessment
DAC	Development Assistance Committee
DMF II	Debt Management Facility II
DSGE	Dynamic Stochastic General Equilibrium
ECF	Extended Credit Facility
EM	Emerging Market
ESCAP	Economic and Social Commission for Asia and Pacific
ESS	External Sector Statistics
FAD	IMF Fiscal Affairs Department
FAF	Fiscal Analysis and Forecasting
FDI	Foreign Direct Investment
FIRST	Financial Sector Reform Strengthening Initiative
FPP	Financial Programming and Policies
FSAP	Financial Sector Assessment Program
FSI	Financial Soundness Indicators
FSLC	Financial Sector Liaison Committee
FX	Foreign Exchange
FY	IMF Fiscal Year
FYP	Five-Year Plan
GDDS	General Data Dissemination System
GDI	G20 Data Gaps Initiative
GDP	Gross Domestic Product
GFS	Government Finance Statistics
GFSM	Government Finance Statistics Manual
GMRA	Global Master Repurchase Agreement
GNI	Gross National Income
GST	Goods and Services Tax
HFI	High-Frequency Indicators
HQ	IMF Headquarters
ICD	IMF Institute for Capacity Development
IFC	International Finance Corporation

IFMIS	Integrated Financial Management Systems
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IRD	Inland Revenue Department
IsDB	Islamic Development Bank
ISWGNA	Inter-Secretariat Working Group on National Accounts
IT	Information Technology
JSA	Japan Administered Account for Selected IMF Activities
LCR	Liquidity Coverage Ratio
LEG	IMF Legal Department
MCM	IMF Monetary and Capital Markets Department
MFP	Macroeconomic Management and Fiscal Policy
MFS	Monetary and Financial Statistics
MIRA	Maldives Inland Revenue Authority
MNRW	Managing Natural Resource Wealth
MPA	Monetary Policy Analysis
MTEF	Medium-term Expenditure Framework
MTFF	Medium-term Fiscal Framework
NIPFP	National Institute of Public Finance and Policy
NRS	Nepal Rastra Bank
NSFR	Net Stable Funding Ratio
OECD	Organization for Economic Co-operation and Development
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PPI	Producer Price Index
PPP	Purchasing Power Parity
PRSPs	Poverty Reduction Strategy Papers
QEDS	Quarterly External Debt Statistics
QNA	Quarterly National Accounts
RBI	Reserve Bank of India
RBM	Results-based Management
RBS	Risk-based Supervision
REER	Real Effective Exchange Rate
RES	IMF Research Department
RMA	Royal Monetary Authority
RSN	Regional Strategy Note
RTAC	Regional Technical Assistance Center
RTC	Regional Training Center
SAARC	South Asia Association for Regional Cooperation
SARTTAC	South Asia Regional Capacity Development Center
SC	Steering Committee
SDDS	Special Data Dissemination Standard
SDGs	Sustainable Development Goals
SEZ	Special Economic Zones
SOCB	State-Owned Commercial Bank
SOE	State-Owned Enterprise

SRF	Standardized Report Form
STA	IMF Statistics Department
STI	Singapore Regional Training Institute
SUT	Supply-Use Table
TA	Technical Assistance
TADAT	Tax Administration Diagnostic Assessment Tool
TAOLAM	Technical Assistance Office for the Lao PDR and the Republic of the Union of Myanmar
TARC	Tax Administration Reform Commission
TPA	Tax Policy and Administration
TSA	Treasury Single Account
TTF	Topical Trust Fund
UFR	Use of Fund Resources
UN	United Nations
UNDP	United Nations Development Programme
VAT	Value Added Tax

I.REGIONAL TRAINING AND TECHNICAL ASSISTANCE CENTER IN SOUTH ASIA

A. An Integrated Approach to Capacity Development

1. **This document describes the plan to establish the South Asia Regional Training and Technical Assistance Center (SARTTAC) in New Delhi, India.** The Center—a collaborative venture between the IMF, the member countries, and development partners—is geared toward supporting the capacity development (CD) needs of six countries: Bangladesh, Bhutan, India, Maldives, Nepal, and Sri Lanka.[1] SARTTAC's strategic goal is to assist member countries to build strong institutions and boost skills to design and implement sound economic policies that promote growth and reduce poverty. SARTTAC operations will focus on training and technical assistance (TA) in the IMF's core areas of expertise, including macroeconomic and financial policies; fiscal management and policies; monetary policy and operations; financial sector regulation and supervision; and real sector statistics. The IMF is one of the few organizations that deliver CD services in-house, stands by these services and exercises rigorous quality control.

2. **From its inception, SARTTAC will be a fully-integrated capacity development center.** By bringing together under one roof the two building blocks of CD—training and TA—the new center will be positioned to exploit synergies, ensure that all CD activities reflect country priorities, facilitate discussions with development partners, and benefit from locational economies of scale. Well-coordinated training by the IMF's departments will promote the implementation of TA advice by providing analytical skills and supporting institutional buy-in. SARTTAC will also selectively cater to the capacity building needs at the subnational (state) level, especially in India.

3. **The SARTTAC initiative supports core sustainable development goals (SDGs) in the context of the Post-2015 Agenda.** It comes on the heels of the Financing for Development (FfD) conference in Addis Ababa and the SDG Conference in New York. The FfD conference culminated in a multilateral consensus to promote domestic resource mobilization, infrastructure development, income equity and inclusive growth, and to support fragile and conflict-affected states.

4. **SARTTAC will provide important opportunities for outreach to enhance the effectiveness of capacity development work in South Asia.** Engagement with a wider community of stakeholders (academia, civil society, the media, development partners, donor partners and parliamentarians) will inform thinking and foster understanding of the capacity building activities. Outreach also serves to communicate that member countries' and

[1] Potentially, additional member countries could join SARTTAC at a later stage.

development partners’ contributions are used effectively, while giving them due recognition for their support.

B. The SARTTAC Vision

5. **SARTTAC will assist member countries in their efforts to strengthen institutional and human capacities to sustain strong economic performance and build resilience.** SARTTAC will build upon the IMF’s in-depth experience in delivering CD on a regional basis by combining the virtues of the IMF’s Regional Technical Assistance Centers (RTACs) and Regional Training Centers (RTCs).[2] The centers have a proven track record of delivering well-targeted, efficient, and responsive IMF TA and training. Regional approach to TA delivery fosters ownership by member countries, provides a tailored approach to local circumstances and absorptive capacity, and allows for close follow-up on TA implementation. Regional delivery of training is cost-effective and focused on the specific needs of member countries. A center in South Asia will facilitate regional peer-to-peer exchanges and foster the development of cross-country networks of member country officials in the South Asia Association for Regional Cooperation (SAARC) region.[3] The regional approach will also promote close coordination with development partners and enhances the ability to respond quickly to emerging needs.

IMF Global Capacity Development Footprint

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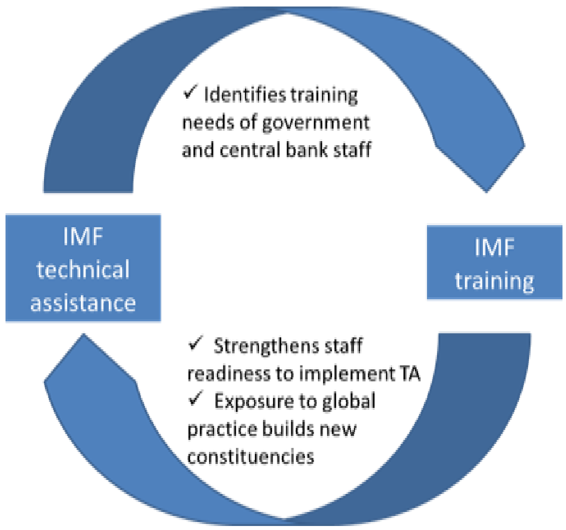
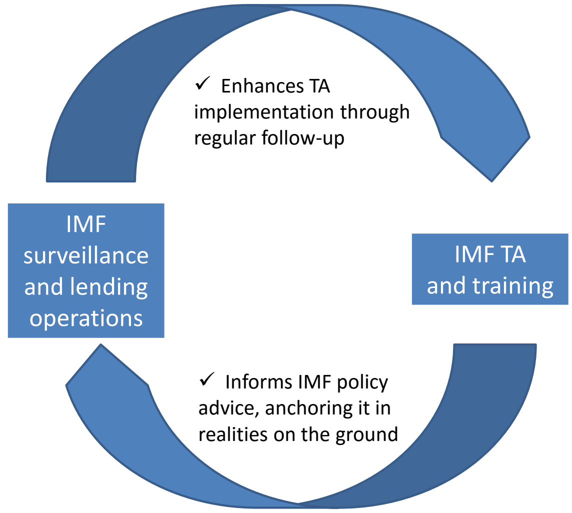
2 The IMF currently maintains a network of nine Regional Technical Assistance Centers (RTACs) in Africa (5); the Caribbean; Central America; the Middle East; and the Pacific that support capacity- and institution building; together with four Regional Training Centers (RTCs) that offer macroeconomic training to country officials.

3 SAARC includes the six SARTTAC member countries plus Afghanistan and Pakistan.

6. **SARTTAC will strive to harness synergies between TA and training for the region.** The IMF's Institute for Capacity Development's **(**ICD) regional training courses in macroeconomic management and finance provide a broad macroeconomic context for related TA issues, while training embedded in TA supports the implementation of technical advice. Technical advice can also be offered on a regional basis, including by providing TA to regional organizations and by conducting regional workshops, providing participants with opportunities for peer exchange and learning, thereby enhancing cross-regional support and development.



7. **SARTTAC will be a focal point so as to ensure that the Center's CD activities are integrated with IMF surveillance and lending operations and are coordinated with the activities of other CD providers to optimize its impact**. SARTTAC will seek to foster close co-operation with the national training institutions and TA deliverers in the region to expand the reach of the Center's CD delivery in a cost effective way. While strengthening the capacity of national training institutions, as appropriate, the Center will use local experience to meet regional needs.



8. **Advances in information and communication technology will be unified with SARTTAC's goals to expand delivery of CD, address unmet demands, reach more officials, and shorten courses for high-level officials.** Online courses would complement face-to-face training. Webinars present another avenue for exploring the use of technology to reach a broader audience and actively engage stakeholders at relatively low cost. Led by IMF experts on cutting-edge topics, webinars can spread the institution's knowledge and provide a forum for peer-to-peer exchanges, expanding the reach of the Center's CD activities. Online courses and webinars can also facilitate the integration of TA and training by bringing relevant training to a wider set of TA recipients.

C. How Will SARTTAC be Organized to Attain the Vision?

9. **All CD will be backstopped and supported by IMF headquarters (HQ), and HQ staff may participate in/deliver CD of a highly specialized nature, ensuring the quality and consistency of technical advice.** SARTTAC CD will be delivered by resident advisors, resident trainers, trainers from IMF HQ, and short-term experts. Resident advisors based in the Center will travel throughout the region, allowing them to develop close relations with country authorities and national CD institutions, and to analyze national and regional CD needs. This will enable SARTTAC to deploy its resident advisors and short-terms experts to deliver targeted TA that effectively meets both needs and absorptive capacity.[4] Trainers will deliver courses at the Center's training facilities as well as at identified training institutions in the member countries. It will further provide seminars and workshops at the national and regional levels to foster peer-to-peer learning.

[4] As is already its practice, the IMF will seek to the extent possible to hire experts from the region, which would foster an environment of peer review and highlighting SARTTAC's character as a regional center.

(continued)

10. **The establishment of SARTTAC will permit the IMF to deliver training that directly fits the needs of its member countries**. As a fully-integrated CD center, training is envisaged to dove-tail with the TA provided to the member countries. A large part of the training will be directly related to the TA being given to the constituent countries and be delivered by IMF departments.[5] At the same time, somewhat broader courses will be provided at the Center aimed at improving officials' understanding of the macroeconomic context and the frameworks that underpin the related TA areas.

11. **SARTTAC will be a joint undertaking between the IMF, the member countries, development partners, and other CD providers.** The Center will be financed by contributions from development partners and member countries.[6] The Center's activities will be closely coordinated with development partners, members, and the IMF. Close collaboration on the ground will facilitate coordinated design, implementation, and monitoring of ongoing CD programs in the region. Strategic CD advice from IMF headquarters will be combined with the Center's technical and implementation advice, regional expertise, and national capacity-building institutions.

12. **SARTTAC will be managed by a Center Director—an experienced IMF staff member—and guided by a Steering Committee (SC).** The SC will consist of representatives from member countries, donor partners, other CD providers, and the IMF. The SC will ensure that SARTTAC work plans reflect the needs of the region and are well coordinated with the activities of other CD providers, including national institutions. The Director will oversee the day-to-day operations of the Center and help in setting its broad strategy, in consultation with the member countries and the IMF's CD departments, including through the preparation of annual work plans for consideration by the SC.

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[5] For instance, FAD would provide training on PFM; MCM would provide training on debt management and banking supervision; and STA would provide training on real sector and GFS issues (including benefitting subnational governments).

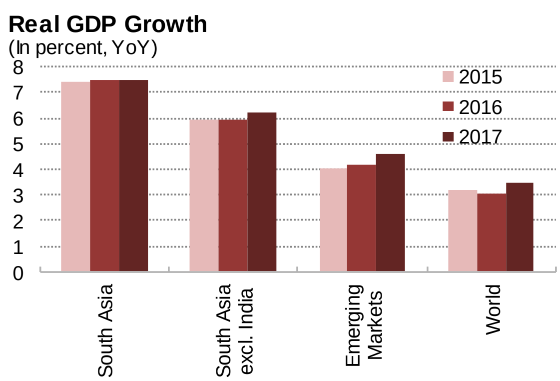
[6] The IMF does not charge member countries for delivery of CD services, but member countries can make voluntary contributions to finance CD services they receive from the IMF.

(continued)

II. How Will SARTTAC Help Address the Region's Macroeconomic and Financial Challenges?

A. Challenges Facing the SARTTAC Region

13. **South Asia is home to some of the fastest growing economies in the world.**[7] Helped by strong growth in India (which accounts for about 90 percent of regional gross domestic product (GDP) on a purchasing power parity (PPP) basis), South Asian growth since the global crisis has been impressive. Bangladesh, Bhutan, India and Sri Lanka have experienced average growth rates between 4-7½ percent in recent years, supported by resilient domestic demand and, for the most part, steady export growth. Growth rates in Maldives and Nepal have been slower than those of the above four countries in recent years, influenced by fluctuations in tourist flows; food export revenue; and remittances. Improvements to policy frameworks and steady implementation of product, labor, and financial market reforms have broadly translated into rising living standards, lower rates of poverty, and greater integration with the global economy over the past two decades.



Source: IMF, *World Economic Outlook*; and IMF staff estimates.

14. **Nevertheless, South Asia is also home to a substantial share of the world's poorest citizens,** and institutional challenges mean that growth and poverty reduction are vulnerable. Although the share of people in South Asia living on less than US$1.90/day fell from 51 percent in 1990 to 19 percent in 2012[8], 34 percent of the world's poor live in South Asia – more than in Sub-Saharan Africa. Demographic trends favor robust growth, as South Asian populations continue to expand, at an average of one percent per year. But young

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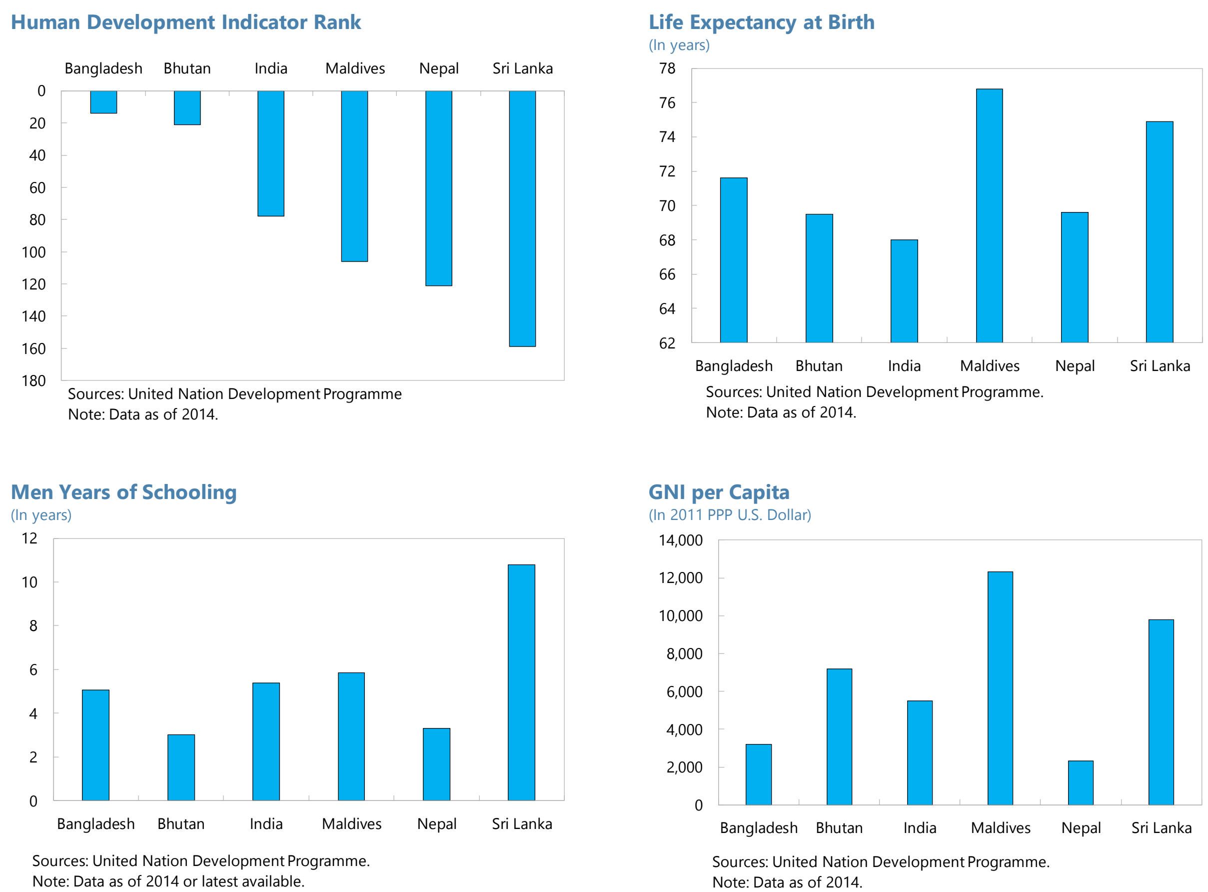
7 Appendix II reviews the recent economic performance of each of the six SARTTAC countries (Bangladesh, Bhutan, India, Maldives, Nepal, and Sri Lanka).

8 Source: Global Monitoring Report 2015/2016, World Bank Group (http://pubdocs.worldbank.org/pubdocs/publicdoc/2015/10/503001444058224597/Global-Monitoring-Report-2015.pdf)

populations also pose a challenge, in that education and job creation are needed to capture the "demographic dividend".

South Asia: Human Development Index components

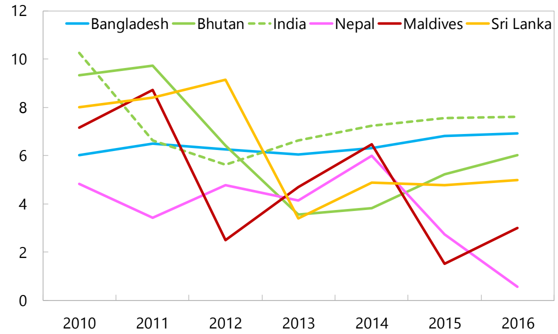


Source: UNDP (https://data.undp.org/dataset/Table-1-Human-Development-Index-and-its-components/myer-egms)

15. **SARTTAC countries span a range of income levels, but have several characteristics in common**. At one end, Maldives has a nominal income per capita of around US$8900 (2015), while at the other end, Nepal's income per capita is just above US$ 700 (also 2015). Despite this variation in income, wider socio-economic indicators such as the UN's Human Development Index indicate that the countries are at broadly similar levels – almost all SARTTAC countries are ranked above 100 (out of 187), with the exception of Sri Lanka (ranked 73). Gini coefficients for all countries are in the range of 30-40 percent. Economic structures are more heavily weighted toward the primary and tertiary sectors, with the secondary sector share of GDP for SARTTAC countries generally in the range of 15-30 percent.

SARTTAC Countries: Real GDP Growth

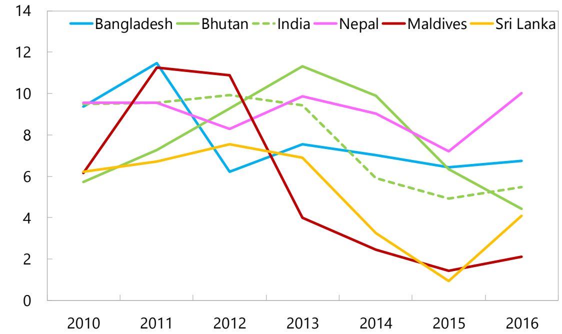
(In percent)



Sources: IMF, World Economic Outlook.

SARTTAC Countries: Inflation

(In year-on-year percentage change)



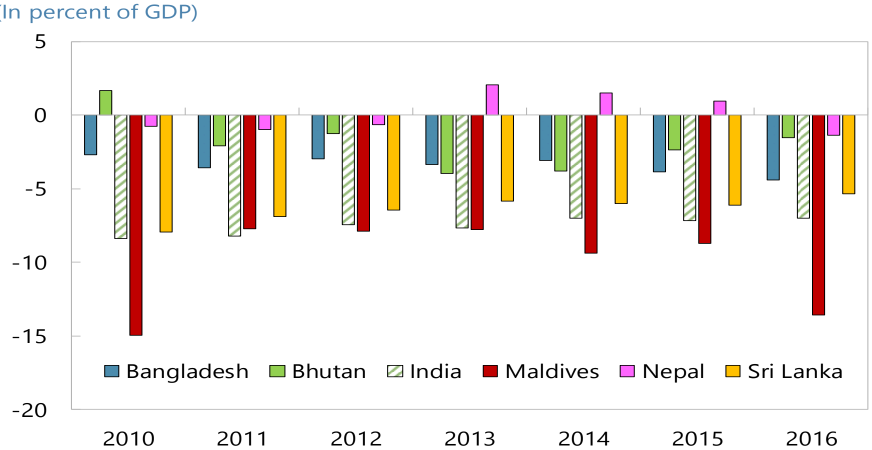
Sources: IMF, World Economic Outlook.

16. **Despite healthy growth rates, inflation has generally been on the high side in SARTTAC countries.** Consumer Price Index (CPI) inflation has averaged over 6 percent in recent years, with notably high levels in Bangladesh, India, and Nepal. The persistence of high inflation reflects underlying supply bottlenecks, infrastructure gaps, weak control on public expenditures, product and labor market rigidities that prevent resources from being deployed optimally across sectors in response to demand-supply imbalances.

17. **Overall fiscal balances point to incipient vulnerabilities in public finances in several SARTTAC countries.** Over the past five years, with the exception of Nepal (prior to the devastating earthquakes in 2015), countries in the region have posted weak fiscal results. Several countries have in place medium-term fiscal responsibility and budget management frameworks, but slippages have occurred due to untargeted subsidies and weaker than anticipated revenue growth.

SARTTAC Countries: Overall Fiscal Balance

(In percent of GDP)

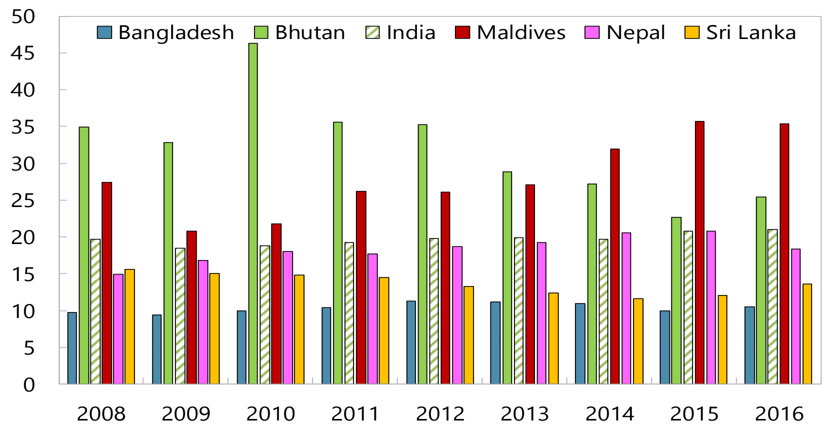


Source: IMF, April 2016 Fiscal Monitor.

18. **Weak general government revenue is a major challenge in South Asia**. Most of the countries in this region have very narrow revenue bases, and often rely greatly on trade-related taxes. Revenue-to-GDP ratios have risen modestly in India, Nepal, and to a lesser

extent Bangladesh, while they have deteriorated in Sri Lanka. One of SARTTAC's key objectives will be to help member countries improve domestic resource mobilization to reduce vulnerability and to create fiscal space for much-needed social and infrastructure spending. Developing comprehensive fiscal statistics that can better support the policy dialogue will be integral to this work.

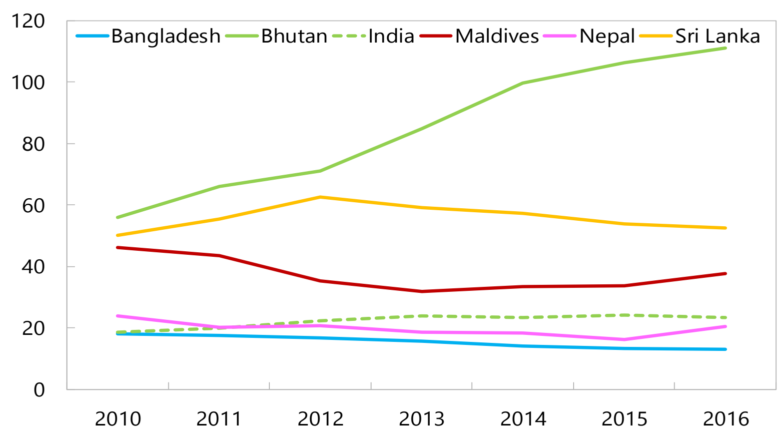
SARTTAC Countries: General Government Revenue
(In percent of GDP)



Sources: IMF, April 2016 Fiscal Monitor.

19. **External debt levels are moderate, with the exception of Bhutan.** In Bhutan, external debt to GDP has risen to over 100 percent (from under 60 percent six years ago), although this is entirely owed to official sector creditors and is expected to reverse once several large hydropower projects come on line. Sri Lanka's external debt ratio has been in the range of 50-55 percent of GDP in recent years, with around 40 percent of this owed to official creditors while its foreign reserves stand at below 20 percent of the external debt. For the remaining countries, external debt ratios are below 30 percent of GDP.

SARTTAC Countries: External Debt
(In percent of GDP)



Sources: IMF, April 2016 Fiscal Monitor.

B. Priority Areas for the Next Decade

20. **As the international community adopts a new set of Sustainable Development Goals, it is timely to take stock of some of the priority action areas for the South Asia region.** The six countries in the region have made significant progress in reducing poverty and improving macroeconomic performance. But consolidating these gains requires important policy decisions and CD measures over the next decade, underpinned by strong country ownership. While by no means exhaustive – and recognizing that this list will evolve over the next few years – the action areas discussed here provide a broad snapshot of the region's current needs.

21. **A sound macroeconomic policy environment and robust institutional framework are critical for sustainable growth.** Furthermore, rising macroeconomic and financial cross-border spillover risks call for building macroeconomic and financial resilience. Parts of South Asia are vulnerable to climate events and natural disasters, requiring adequate policy responses. For example, Nepal, which was severely hit by a strong earthquake in 2015, remains fragile with relatively weak institutions, while it was removed from IDA's list of fragile states effective July 2014 (FY2015).

22. **In order to build resilience and sustain strong economic performance, SARTTAC countries are keen to:**

- Enhance mobilization of domestic fiscal resources and use available resources effectively to fill infrastructure gaps and provide adequate social services; strengthen the medium-term budget frameworks, expenditure allocation, cash and debt management, and management of fiscal risk;
- Strengthen supervisory capacity and regulation of the financial system, and their monetary policy framework and operations to protect macro-financial and macroeconomic stability and support access to private financing;
- Build statistical capacity as a sound basis for informed macroeconomic policy decision-making.

23. **Developing and maintaining capacity to mobilize and effectively use domestic fiscal resources require stronger revenue administration and public financial management (PFM) systems.** Stronger fiscal capacity will facilitate the efficient use of public resources and reassure taxpayers, development partners, and creditors that funds are being deployed effectively and that public finances are sustainable over the medium term.

24. **Institution building through training of public administrators is a top priority in a region as young as South Asia.** About 60 percent of the population in SARTTAC countries is under the age of 30. Macroeconomic training of incoming government officials is frequently insufficient to the demands of complex modern economic management. South Asian countries have voiced strong demand for basic courses in the IMF curriculum; even as

more advanced institutions (such as the Reserve Bank of India and Central Bank of Sri Lanka) seek more sophisticated training.

25. **Monetary policy frameworks in the region are being modernized.** India has recently transitioned to flexible inflation targeting, while Sri Lanka is exploring the possibility of modernizing its monetary framework (also with a flexible version of inflation targeting in mind) as well. Nepal and Bhutan have exchange rate pegs to the Indian rupee, but face monetary operation challenges of absorbing large remittance inflows (Nepal) and hydropower export revenue (Bhutan). Maldives has a stabilized exchange rate regime and has been working to eliminate fiscal dominance on monetary policy while Bangladesh has centered its monetary policy on a monetary targeting framework since 2003.

26. **Countries in the region aim to strengthen their financial sector regulation and supervision to safeguard macro-financial stability and provide a base for uninterrupted access to private financing.** Vulnerabilities may have accumulated in the wake of accommodative financial conditions and steady credit growth, including sectorally-concentrated lending, asset-liability mismatches, and increased lending by non-banks. Measures to strengthen regulation and supervision should include closing gaps in regulation, regular stress-testing to monitor risks, and putting in place crisis management, deposit insurance arrangements, and resolution frameworks as needed. Macroprudential policies will need to play an active role in containing the build-up of financial sector risks. Efforts to deepen financial sectors across SARTTAC economies will continue, along with initiatives to make them more inclusive.

27. **Scope remains to develop statistical capacity and data dissemination standards.** While the regional needs vary, SARTTAC member countries aim to improve their national accounts; price indices; monetary and financial sector statistics; financial soundness indicators; external sector statistics; government finance statistics, including importantly at the subnational level; and data dissemination. Enhancements in these areas will strengthen the data inputs assimilated into policy decisions. For India, this could also entail improvements aimed at achieving its data commitments under the G20 Data Gaps Initiative (GDI) Phase II. Over time, assistance could also increasingly focus on the development and improvement of high-frequency indicators, real estate price indices, and the use of sectoral accounts and balance sheet data to help identify economic interlinkages and risks. Overall, targeted CD in macroeconomic statistics will allow for more accurate macro-forecasts and identification of vulnerabilities, and provide development partners and private investors with a more accurate picture of the outlook and financial resource needs of SARTTAC economies.

South Asia: Selected Economic Indicators (as of October 2016)

	Average 2001-10	2011	2012	2013	2014	2015	Projections 2016	2017	2018
Real GDP Growth	**7.3**	**6.7**	**5.7**	**6.5**	**7.1**	**7.4**	**7.5**	**7.5**	**7.5**
(Annual change; percent)									
Bangladesh	5.8	6.5	6.3	6.0	6.3	6.8	6.9	6.9	7.0
Bhutan	8.4	9.7	6.4	3.6	3.8	5.2	6.0	6.4	11.3
India	7.6	6.6	5.6	6.6	7.2	7.6	7.6	7.6	7.7
Maldives	8.5	8.7	2.5	4.7	6.5	1.5	3.0	4.1	4.7
Nepal	4.0	3.4	4.8	4.1	6.0	2.7	0.6	4.0	3.8
Sri Lanka	4.8	8.4	9.1	3.4	4.9	4.8	5.0	5.0	5.0
Consumer Price Inflation	**6.3**	**9.6**	**9.6**	**9.2**	**6.0**	**4.9**	**5.6**	**5.3**	**5.4**
(Year average; percent)									
Bangladesh	6.3	11.5	6.2	7.5	7.0	6.4	6.7	6.9	6.6
Bhutan	4.6	7.3	9.3	11.3	9.9	6.3	4.4	4.6	5.1
India	6.1	9.5	9.9	9.4	5.9	4.9	5.5	5.2	5.3
Maldives	4.1	11.3	10.9	4.0	2.5	1.4	2.1	2.6	3.5
Nepal	6.2	9.6	8.3	9.9	9.0	7.2	10.0	9.9	8.0
Sri Lanka	11.1	6.7	7.5	6.9	3.3	0.9	4.1	5.3	5.1
General Gov. Overall Fiscal Balance	**-7.9**	**-7.8**	**-7.1**	**-7.2**	**-6.9**	**-6.7**	**-6.4**	**-6.4**	**-6.0**
(Percent of GDP)									
Bangladesh[1]	-2.9	-3.6	-3.0	-3.4	-3.1	-3.9	-4.3	-4.7	-4.2
Bhutan	-2.2	-1.7	-2.4	-5.8	2.9	-0.2	-0.7	-2.5	-0.5
India	-8.4	-8.2	-7.5	-7.6	-7.3	-6.9	-6.7	-6.6	-6.2
Maldives	-7.5	-7.7	-7.9	-7.8	-9.4	-8.7	-13.7	-18.4	-19.1
Nepal	-1.6	-1.3	-1.4	1.5	0.8	-0.7	0.6	-2.5	-2.2
Sri Lanka[1]	-6.9	-6.2	-5.6	-5.2	-6.2	-7.0	-5.4	-4.7	-3.9
Current Account Balance	**-0.7**	**-4.1**	**-4.4**	**-1.6**	**-1.2**	**-1.0**	**-1.3**	**-2.0**	**-2.2**
(Percent of GDP)									
Bangladesh	0.5	-1.0	0.7	1.2	0.9	0.7	-0.1	-0.7	-1.1
Bhutan	-13.1	-29.8	-21.5	-25.4	-26.4	-28.8	-27.8	-31.5	-20.7
India	-0.8	-4.3	-4.8	-1.7	-1.3	-1.1	-1.4	-2.0	-2.2
Maldives	-13.3	-16.5	-7.3	-4.5	-3.9	-9.5	-11.9	-14.1	-16.8
Nepal	2.5	-1.0	4.8	3.3	4.5	5.0	3.9	-0.9	-3.2
Sri Lanka	-2.7	-7.1	-5.8	-3.4	-2.5	-2.5	-1.6	-3.0	-3.2

Sources: IMF, *World Economic Outlook*; national monetary authorities; and IMF staff estimates and projections.

[1]Central government.

Notes: Regional aggregates weighted by PPP GDP. Variables reported on a fiscal year basis for India (April/March), Bhutan (July/June), Nepal (August/July). Sri Lanka real GDP growth numbers reflect projections based on the revised (2010 base) national accounts data published by the authorities.

28. **As the international community adopts a new set of Sustainable Development Goals, it is timely to take stock of some of the priority action areas for the South Asia region.** The six countries in the region have made significant progress in reducing poverty and improving macroeconomic performance. But consolidating these gains requires important policy decisions and CD measures over the next decade, underpinned by strong country ownership. While by no means exhaustive – and recognizing that this list will evolve over the next few years – the action areas discussed here provide a broad snapshot of the region's current needs.

29. **A sound macroeconomic policy environment and robust institutional framework are critical for sustainable growth.** Furthermore, rising macroeconomic and financial cross-border spillover risks call for building macroeconomic and financial resilience. Parts of South Asia are vulnerable to climate events and natural disasters, requiring adequate policy responses. For example, Nepal, which was severely hit by a strong earthquake in 2015, remains fragile with relatively weak institutions, while it was removed from IDA's list of fragile states effective July 2014 (FY2015).

30. **In order to build resilience and sustain strong economic performance, SARTTAC countries are keen to:**

- Enhance mobilization of domestic fiscal resources and use available resources effectively to fill infrastructure gaps and provide adequate social services; strengthen the medium-term budget frameworks, expenditure allocation, cash and debt management, and management of fiscal risk;
- Strengthen supervisory capacity and regulation of the financial system, and their monetary policy framework and operations to protect macro-financial and macroeconomic stability and support access to private financing;
- Build statistical capacity as a sound basis for informed macroeconomic policy decision-making.

31. **Developing and maintaining capacity to mobilize and effectively use domestic fiscal resources require stronger revenue administration and public financial management (PFM) systems.** Stronger fiscal capacity will facilitate the efficient use of public resources and reassure taxpayers, development partners, and creditors that funds are being deployed effectively and that public finances are sustainable over the medium term.

32. **Institution building through training of public administrators is a top priority in a region as young as South Asia.** About 60 percent of the population in SARTTAC countries is under the age of 30. Macroeconomic training of incoming government officials is frequently insufficient to the demands of complex modern economic management. South Asian countries have voiced strong demand for basic courses in the IMF curriculum; even as more advanced institutions (such as the Reserve Bank of India and Central Bank of Sri Lanka) seek more sophisticated training.

33. **Monetary policy frameworks in the region are being modernized.** India has recently transitioned to flexible inflation targeting, while Sri Lanka is exploring the possibility of modernizing its monetary framework (also with a flexible version of inflation targeting in mind) as well. Nepal and Bhutan have exchange rate pegs to the Indian rupee, but face monetary operation challenges of absorbing large remittance inflows (Nepal) and hydropower export revenue (Bhutan). Maldives has a stabilized exchange rate regime and

has been working to eliminate fiscal dominance on monetary policy while Bangladesh has centered its monetary policy on a monetary targeting framework since 2003.

34. **Countries in the region aim to strengthen their financial sector regulation and supervision to safeguard macro-financial stability and provide a base for uninterrupted access to private financing.** Vulnerabilities may have accumulated in the wake of accommodative financial conditions and steady credit growth, including sectorally-concentrated lending, asset-liability mismatches, and increased lending by non-banks. Measures to strengthen regulation and supervision should include closing gaps in regulation, regular stress-testing to monitor risks, and putting in place crisis management, deposit insurance arrangements, and resolution frameworks as needed. Macroprudential policies will need to play an active role in containing the build-up of financial sector risks. Efforts to deepen financial sectors across SARTTAC economies will continue, along with initiatives to make them more inclusive.

35. **Scope remains to develop statistical capacity and data dissemination standards.** While the regional needs vary, SARTTAC member countries aim to improve their national accounts; price indices; monetary and financial sector statistics; financial soundness indicators; external sector statistics; government finance statistics, including importantly at the subnational level; and data dissemination. Enhancements in these areas will strengthen the data inputs assimilated into policy decisions. For India, this could also entail improvements aimed at achieving its data commitments under the G20 Data Gaps Initiative (GDI) Phase II. Over time, assistance could also increasingly focus on the development and improvement of high-frequency indicators, real estate price indices, and the use of sectoral accounts and balance sheet data to help identify economic interlinkages and risks. Overall, targeted CD in macroeconomic statistics will allow for more accurate macro-forecasts and identification of vulnerabilities, and provide development partners and private investors with a more accurate picture of the outlook and financial resource needs of SARTTAC economies.

III. SARTTAC's Objectives by Topic Area

36. **The dual focus on TA and training will contribute toward strengthening the institutional and policy frameworks of member countries to underpin sustained economic growth**. This will permit them to build the buffers needed to reduce vulnerability to adverse economic shocks or natural disasters. Stronger institutions and improved policy track records would also boost investor confidence and improve access to the private financing needed to maintain steady job creation and support growth. In some cases, SARTTAC training will provide a supportive base for TA to be delivered from IMF headquarters, facilitating the coordination of CD.

37. **The specific agenda items envisaged for CD span the priority areas of fiscal, monetary, and financial policies, as well as statistics.**

- **Fiscal:** macro-fiscal capacity building in the areas of cash-flow forecasting and management; debt sustainability analysis; treasury cash management and diagnostics; capital budget planning and execution; budget accounting classification and analysis; tax administration; implementing or strengthening the administration of tax regimes, particularly value-added tax (VAT) or goods and services tax (GST) implementation; fuel pricing and subsidy rationalization; transfer pricing; public expenditure management; budget formulation, execution and control; coverage and quality of fiscal reporting; reporting and management of government financial assets and liabilities; identification, monitoring and management of fiscal risks; medium-term expenditure frameworks and accrual-based accounting; creation of subnational level fiscal databases and debt registers; pension reform; modalities of public-private partnerships.

- **Monetary and Financial:** modernization of monetary frameworks; monetary and foreign exchange operations; banking supervision, regulation, and risk management; bank stress testing; banking law frameworks; forecasting and policy analysis and inflation targeting frameworks; liberalization of capital account and foreign exchange (FX) regulations; systemic risk and financial stability; crisis management; macroprudential policy.

- **Statistics and forecasting:** National accounts; price indices (including over time property price indices); monetary and financial, external sector, and government finance statistics; financial soundness indicators; high-frequency indicators; sectoral accounts and balance sheets (flow of funds); data dissemination; macroeconomic forecasting.

A. Fiscal Issues

Revenue administration

38. **The six member countries are keen to improve their revenue performance.** As noted above, revenue-to-GDP ratios in South Asia are lower than almost anywhere else in the world. The IMF's Fiscal Affairs Department (FAD) closely engages with revenue administration authorities in Bangladesh and Nepal, and more recently in Sri Lanka and Bhutan, while India and Maldives have had relatively little direct TA engagement in recent years. An early priority would be HQ-led diagnostic missions to undertake an assessment of the strengths and weaknesses of revenue administration and tax policy[9] priorities. The SARTTAC revenue administration advisor's main role would be to help implement the tax administration aspects of country-owned medium-term revenue strategies developed with this advice. The medium-term program would be overseen by FAD, which will backstop the work of the revenue administration advisor and undertake follow-up missions during the

[9] IMF tax policy advice is typically delivered through HQ missions.

course of the work program. We anticipate that tax administration rather than customs would be the focus of SARTTAC initially.

39. **SARTTAC countries face a number of practical challenges to modernizing their tax administrations.** These include establishing a strong basis for both deciding what to do, but how and why cross-function linkages need to work. SARTTAC will play an important role in following up on HQ mission advice with practical support for ensuring a solid understanding of the concepts and assist in implementation, with a particular focus on standardized procedures for the core tax functions. Over-arching priorities will be implementing or strengthening the administration of tax regimes, particularly VAT/GST, developing stronger HQ functions, better strategic and operational planning, improved basic management practices and use of performance monitoring methods. Under the direction of FAD, the SARTTAC revenue administration advisor will provide practical support to put these in place.

40. **SARTTAC support is expected to contribute to modernization and improvement of tax administration performance.** The areas of particular need are (1) development of an overall strategy to ensure all taxpayers are registered and can be tracked; (2) compliance by tax payers is ensured by better filing and payment systems; (3) dispute resolution is timely and bolstered by clear lines of accountability and transparency; and (4) the tax administration system is efficient, delivering strong revenue performance at reasonable administrative costs.

41. **SARTTAC will be well positioned to host training workshops and events to discuss effective revenue strategy and tax administration implementation challenges**. Regional workshops under the SARTTAC umbrella, as well as more general fiscal courses, could support the development of a shared understanding of basic principles. Peer-to-peer learning will help countries to make more and faster progress with essential reforms.

Revenue Administration - Indicative Log Frame			
Improve the efficiency and effectiveness of tax administration by implementing stronger revenue strategy			
Topic Objectives/Outcomes	**Verifiable indicators FY2021**	**Baseline indicators FY16**	**General risks and assumptions**
Improved tax administration management and governance arrangements	1. A reform strategy and a strategic management framework are adopted and institutionalized 2. Organizational arrangements enable more effective delivery of strategy 3. Transparency and accountability are more effectively supported by independent external oversight and internal controls 4. Corporate priorities are better managed through effective risk management 5. Tax administrative procedures are legally established	To be developed after SARTTAC opens	1. Sufficient ownership of reform measures and commitment by authorities to reach selected milestones. 2. No major exogenous shocks and no deterioration in political conditions in the member countries 3. Close collaboration with other development partners to avoid duplication of work. 4. Priorities are agreed with authorities according to their needs, capacities and requests. 5. Authorities allocate resources and put in governance arrangements to ensure reform objectives are achieved. 6. A willingness by the authorities to embrace newer more modern tax administration approaches.
Improved tax administration core functions	1. The integrity of the taxpayer base is strengthened 2. A larger proportion of taxpayers meet their filing obligations as required by law 3. A larger proportion of taxpayers meet their payment obligations as required by law 4. Taxpayer services initiatives to support voluntary compliance are strengthened 5. Audit and other verification programs more effectively ensure accuracy of reporting 6. More independent, fair and transparent dispute	To be developed after SARTTAC opens	

Revenue Administration - Indicative Log Frame			
Improve the efficiency and effectiveness of tax administration by implementing stronger revenue strategy			
Topic Objectives/Outcomes	**Verifiable indicators FY2021**	**Baseline indicators FY16**	**General risks and assumptions**
	resolution mechanisms are adopted		
Improved tax administration support functions	1. Improved human resource policies are in place and operational 2. An enhanced strategy to support integrated and robust ICT systems is adopted 3. More effective internal support functions are operational	To be developed after SARTTAC opens	

Public financial management

42. **Over the past few years, the IMF has actively supported the PFM reform agenda in five of the six SARTTAC countries.**[10] Past assistance has been provided largely through HQ missions, short-term expert visits, resident advisors in Nepal and Bhutan, and the Cambodia-based regional advisor, with funding for these programs provided by Japan. Although a number of projects have been in place, further work is needed to bring these countries uniformly up to generally accepted good practices, attuned to country capacities and needs.

43. **SARTTAC's main focus will be on strengthening the core PFM functions in the member countries, including at the subnational level in India.** The priority areas will include: (i) strengthening budget formulation; (ii) developing modern payment and accounting systems and enhancing fiscal reporting; (iii) strengthening expenditure controls; (iv) consolidating cash balances, improving cash planning and moving towards more active cash management; and (v) aligning government accounting systems with international standards. Subject to interest and readiness, more advanced reforms, such as medium-term expenditure frameworks and accrual-based accounting, can be supported in relatively more advanced PFM systems, such as those in India, including in more advanced Indian states, and Sri Lanka.

44. **SARTTAC's primary role will be to provide capacity building support aimed at implementing the strategic recommendations of HQ missions on strengthening PFM**

[10] India has not received any IMF TA on PFM in recent years.

institutions, frameworks and practices. Hence, PFM training will accompany SARTTAC's TA delivery. FAD aims to develop more standardized PFM training programs, some of which could be offered on-line. Collaboration and coordination with other development partners—primarily the World Bank, the Asian Development Bank (ADB) and the United Kingdom's DFID— and with domestic training institutions, would ensure that synergies are achieved and potential overlaps are avoided. Progress would be judged in the context of periodic PEFA assessments and occasional fiscal transparency assessments, where needed. In this context, coordination with the TA to be delivered by the IMF's Statistics Department (STA) is warranted, particularly in terms of fiscal reporting given that the Government Finance Statistics Manual 2014 (GFSM 2014) is the reference standard for fiscal transparency assessments.

Public Financial Management – Indicative Log Frame

Assist member countries to strengthen core PFM functions and introduce progressively more advanced PFM reforms

Topic Objectives	Topic Outcomes	Verifiable Indicators FY2020	Baseline for INDICATORS	General Risks/Assumptions
Comprehensive, Credible, Policy-based budget Preparation	2.1 Credible MTFF, and eventually MTEF, is included in budget documentation.	PEFA PI 1, 2, 3 & 4	Most recent PEFA score.	The authorities commit to changing behaviors as necessary to fully implement new technical methods. There are no major exogenous shocks or deterioration in political circumstances. A regional approach based on shared reform opportunities can be identified. Coordination with other development partners' reform initiatives will enable optimal work scheduling and avoid duplication. Agreement with the authorities is reached on priorities based on their needs and capacity.
	2.2. Credible, unified annual budget is published.	PEFA PI 6 & 7		
Improved Budget Execution and Control	3.1 Controls over expenditure commitments are strengthened.	PEFA PI 18, 19 & 20	Most recent PEFA score.	
Improved Coverage and Quality of Fiscal Reporting	4.1 COA based on international standards implemented.	PEFA PI 25	Most recent PEFA score.	
	4.2 Comprehensive, high quality fiscal reports are published.	PEFA PI 24 & 25		
Improved Reporting and Management of Government Financial Assets and Liabilities	5.1 Central government revenues and expenditures progressively conducted through TSA.	PEFA PI 17	Most recent PEFA score.	
	5.2 Cash flow forecasts for all of central government are accurate and timely.	PEFA PI 16		
Strengthened Identification, Monitoring & Management of Fiscal Risks	6.1 Central fiscal oversight & analysis of subnational governments.	PEFA PI 8	Most recent PEFA score.	
	6.2 Central fiscal oversight & analysis of public corporations.	PEFA PI 9		
	6.3 Disclosure & management of contingent liabilities and other country-specific fiscal risks.	PEFA PI 9		

B. Monetary and Financial Issues

Monetary and exchange operations

45. **Monetary policy frameworks, instruments and operations vary substantially across SARTTAC member countries.** In addition to formal exchange rate pegs, these range from reserve money targeting to transitioning to inflation targeting. Countries with evolving monetary regimes and aspiring to move away from fixed exchange rate or monetary targeting are keen to modernize their monetary policy frameworks. The authorities in those countries have been eager to manage this transition as they need to specify a framework and a nominal anchor to guide central bank actions and expectations of economic agents in a way that reduces domestic money market volatility to facilitate financial market deepening.

46. **Support would aim to offer options for moving monetary policy frameworks forward, taking due account of country circumstances.** In general, the approach is to develop forward-looking and interest-rate focused operating frameworks in ways that are aligned with existing capacities at the central bank, as well as with the country's enabling environment. Specific attention will be spent on the modalities of executing monetary policies and deepening financial markets so as to facilitate transmission. For some countries, attention to liquidity forecasting as well as the use of operational tools for managing liquidity is relevant.

Financial sector regulation and supervision

47. **The member countries' aim to strengthen financial sector regulation and supervision continues to be a fundamental requisite in the region.** The member countries' aim to strengthen financial sector regulation and supervision continues to be a fundamental requisite in the region. SARTTAC capacity development work will promote international best practices in financial sector regulation and supervision, macro-prudential policies, and open financial systems to promote financial development and stability. It's training will cover topics such as current issues in banking supervision and regulation, as well as financial development and integration. While SARTTAC will provide all aspects of capacity development support on bank supervision, TA will continue to focus particular attention on the implementation of risk-based supervision, effective and modernized on-and off-site supervision, strengthened loan classification and provisioning processes, consolidated supervision, and robust stress testing frameworks. TA will also ensure the appropriate regulatory and legislative framework is in place to support financial stability.

48. **Although banking supervision will be the principal focus of SARTTAC TA delivery initially, regulation and supervision of non-bank financial institutions is already relevant in some countries.** As insurance supervision is generally less advanced in the region, introducing and/or strengthening risk-based supervision and solvency frameworks may evolve. Moreover, the enhancements of other forms of financial intermediation suggest

TA and training on financial development and inclusion will be necessary. Additionally, the need to ensure effective coordination and information sharing across regulatory agencies will reinforce a sound financial supervisory regime.

49. **Significant capacity constraints hamper progress in the region and hands-on training will remain central to the provision of TA.** A TA program comprised of individualized and peripatetic expert visits, as well as regional workshops would supplement country TA programs.

<table>
<tr><th colspan="4">Monetary Policy Framework Operations – Indicative Log Frame</th></tr>
<tr><td colspan="4">Improve member countries' framework for monetary policy, strengthen operational instruments, and develop money markets with the objective of enhancing implementation of monetary and exchange rate policies</td></tr>
<tr><th>Topic Objectives/Outcomes</th><th>Verifiable Indicators for 2021</th><th>Progress Indicators</th><th>General Risks/ Assumptions/ Risk Mitigation</th></tr>
<tr><td rowspan="2">Strengthened monetary and exchange rate operational frameworks</td><td>Countries have implemented clear and effective operational framework</td><td></td><td rowspan="18">A. Sufficient ownership of reform measures by local organizations and commitment of authorities to reach selected milestones

B. Non-availability of data on a regular and timely basis, especially from banks and governmental statistical offices

C. No clear framework for formulating policy

D. Weak central bank balance sheets

E. Limited transparency and accountability

F. Fiscal pressures (fiscal dominance)

G. Risk of staff turnover

H. Economic shocks and deterioration of political conditions in the member countries

I. Close collaboration with other development partners to avoid multiplication and inconsistencies</td></tr>
<tr><td>Improved policy signaling and transmission mechanism with clear operational targets</td><td></td></tr>
<tr><td rowspan="2">Improved market governance</td><td>Adoption of foreign exchange and money market code of conduct in line with international standards</td><td></td></tr>
<tr><td>Countries set up market committees</td><td></td></tr>
<tr><td rowspan="5">Deepening of key financial markets</td><td>Increased turnover in different market segments</td><td rowspan="5"></td></tr>
<tr><td>Reduced bid-offer spread</td></tr>
<tr><td>Indicative or firm two-way pricing in foreign exchange and money market (market making agreement)</td></tr>
<tr><td>Reduced segmentation</td></tr>
<tr><td>Reduced Central Bank intervention</td></tr>
<tr><td rowspan="6">Strengthened liquidity management and forecasting</td><td>Reduced overnight interest rate volatility</td><td rowspan="6"></td></tr>
<tr><td>Reduced access to standing facilities</td></tr>
<tr><td>Reduced liquidity forecast errors</td></tr>
<tr><td>Reduced demand for excess reserves</td></tr>
<tr><td>Intensified usage of open market operations for periods larger than overnight and formation of a yield curve that reflects expectations regarding monetary policy decisions</td></tr>
<tr><td>Improve coordination between central bank and ministry of Finance (Memorandum of Understanding)</td></tr>
<tr><td rowspan="3">Enhanced legal framework</td><td>Amendments to the central bank laws in line with best practice enshrining price stability as the primary objective</td><td rowspan="3"></td></tr>
<tr><td>Ensure the central bank the necessary operational independence</td></tr>
<tr><td>Adoption of the Global Master Repurchase Agreement (GMRA)</td></tr>
</table>

<table>
<tr><th colspan="4">Financial Sector Regulation and Supervision – Indicative Log Frame</th></tr>
<tr><td colspan="4">Strengthened financial sector supervision and regulation that contribute to a stable financial system</td></tr>
<tr><th>Topic Objectives/Outcomes</th><th>Verifiable Indicators for 2021</th><th>Progress Indicators</th><th>General Risks/ Assumptions/ Risk Mitigation</th></tr>
<tr><td>Updated regulatory frameworks underpinning the implementation of risk-based supervision and Basel II/III.</td><td>1. Work has begun to incorporate Basel II/III requirements in the legislative and regulatory framework
2. Supervisors implement the new requirements and subsequent bank compliance</td><td></td><td rowspan="5">Central Bank (CB) management approval;

Cabinet/Parliamentary approval for legislation;

Capacity/resources at CB and banks to implement the amended provisions;

Banks have the capacity to implement regulations and supervisors can enforce implementation;

Banks have necessary capacity and IT systems; Compatibility between bank/CB systems;

Adequate CB resources to process information;

CB management approval for changes forthcoming; staff resources to implement manuals;

Staff capacity and requisite resources to carry out RBS;

At CB: Low staff turnover; base capacity of staff; adequate staff numbers and competence; etc.</td></tr>
<tr><td>Regulatory agencies have effective risk assessment frameworks</td><td>1. Databases and management practices modified to ensure data adequacy and integrity
2. Reporting templates are upgraded to ensure most relevant data</td><td></td></tr>
<tr><td>Strengthened institutional structure and operational and procedures for risk-based supervision (RBS) implementation</td><td>1. Supervisory structure and responsibilities are adopted to allow more cooperation between different functions, notably on-site and off-site supervision
2. Staffing levels are reviewed and enhanced
3. Risk-based processes and manuals are implemented
4. On-site inspection scope and frequency are performed based on risk and impact of banks and are guided by off-site risk analysis</td><td></td></tr>
<tr><td>Banks have adequate capital adequacy made up of high quality capital, in line with issued regulations on Basel II/III.</td><td>1. Banks raise high quality capital to meet the regulatory requirements
2. Banks’ disclosures demonstrate that their capital adequacy and risk exposures are in line with new requirements, and verified by supervisors</td><td></td></tr>
<tr><td>Banks’ have a robust liquidity position to withstand crises and shocks in the short-term and have stable funding sources to finance their long- term assets.</td><td>3. Banks’ liquidity coverage ratio (LCR) is above the minimum requirement
4. Banks’ net stable funding ratio (NSFR) is above the minimum requirements, as it becomes relevant</td><td></td></tr>
</table>

Financial Sector Regulation and Supervision – Indicative Log Frame			
Strengthened financial sector supervision and regulation that contribute to a stable financial system			
Topic Objectives/Outcomes	**Verifiable Indicators for 2021**	**Progress Indicators**	**General Risks/ Assumptions/ Risk Mitigation**
Supervisors have sufficient capacity to effectively implement risk-based supervision.	1. Supervisors fully trained to implement risk-based supervision 2. Supervisory reports focus on key risk aspects of the banking system, and provide appropriate recommendations 3. Inspection reports of individual banks are more risk oriented and identify key qualitative and quantitative risks		
Supervisors are gaining the competencies to drive the implementation process of Basel II/III and to monitor bank's compliance with the new requirements.	1. Supervisors attend various training and workshops 2. Supervisors actively engage in the development of the new regulations		

C. Macroeconomic Statistics

50. **The IMF's Statistics Department has a successful track record of providing CD in South Asia.** This has helped countries improve the compilation, production and dissemination of high-quality statistics, which in turn has been supportive to sound economic decision-making, identifying economic vulnerabilities and risks, and enhancing transparency. All SARTTAC countries have adopted the Fund's international standards for data dissemination as a framework to improve the quality of their macroeconomic statistics: India and Sri Lanka subscribe to the Special Data Dissemination Standard (SDDS) while the other countries participate in the General Data Dissemination System (GDDS).

51. **SARTTAC CD in macroeconomic statistics will build on progress already achieved and address member countries' largest remaining CD needs.** STA CD through SARTTAC will be geared toward further strengthening the methodological soundness and accuracy of macroeconomic statistics compilation and improving data dissemination. CD will cover real sector statistics (national accounts and price statistics), external sector statistics (ESS), government finance statistics (GFS), financial soundness indicators (FSI), monetary and financial statistics (MFS), and data dissemination. The CD strategy will comprise both TA and training, consistent with STA's successful track record in using both modes as complements and seeing peer-learning as a key driver for reform. Some of the missions, including diagnostic TA missions and workshops, will benefit from HQ staff participation.

52. **The CD strategy aims to provide a long term-expert (LTX) at SARTTAC for real sector statistics and to use short-term/peripatetic missions to support all other areas of macroeconomic statistics, as listed above.** Interventions will be guided by the differing needs of each country, based on their reform progress to date. The work will also cover developing and improving statistical infrastructure, source data, serviceability and metadata. Should more funding become available, a second LTX will be added for GFS where major CD needs exist, including for subnational governments, with a view to achieving sound general government statistical coverage for sound economic policy-making.

53. **In providing CD, SARTTAC will collaborate with other development partners to ensure consistent advice, optimal sequencing of CD, and maximizing synergies among key players in the statistical area.** Relevant partner agencies are the ADB, the UN Economic and Social Commission for Asia and Pacific (ESCAP), and the World Bank. Close coordination with CD provided by other departments, especially FAD (PFM and GFS are closely intertwined), will be a mainstay of statistics CD.

<table>
<tr><th colspan="5">Real Sector Statistics - Indicative Log Frame</th></tr>
<tr><td colspan="5">Strengthen compilation and dissemination of national accounts and price statistics according to international statistical standards, including developing/improving statistical infrastructure, source data, serviceability and metadata.</td></tr>
<tr><th>Topic Objectives</th><th>Topic Outcomes</th><th>Indicators – specific to each country</th><th>Baseline for INDICATORS – specific to each country</th><th>General Risks/Assumptions</th></tr>
<tr><td rowspan="6">Improved national accounts statistics</td><td>Expand the scope of the published national accounts to match the Inter-Secretariat Working Group on National Accounts (ISWGNA) recommendations</td><td>Additional national accounts tables and aggregates published, as agreed by each country</td><td>Assessment of current scope, identifying priority new tables to develop</td><td rowspan="11">The authorities commit to implement recommendations.

The authorities consider high quality statistics a high priority and commit to making extensive use of these statistics in policy making.

Where appropriate, regionally shared development opportunities are implemented.

Coordination with other development partners' reform initiatives will enable optimal work scheduling and avoid duplication.

Agreement with the authorities is reached on priorities based on their needs and capacity.</td></tr>
<tr><td>Adequate source data are available</td><td>Source data are available for benchmark estimates, annual estimates and quarterly estimates as appropriate to each country</td><td>Stocktake of existing source data; range, quality, timeliness, etc</td></tr>
<tr><td rowspan="3">Compilation uses appropriate statistical techniques</td><td>Benchmark estimates (in current price and volume measures) are comprehensive in coverage and acceptably recent</td><td>Assessment of coverage and vintage of benchmark</td></tr>
<tr><td>Concepts and methodology follow 2008 System of National Accounts as closely as possible</td><td>Assessment of methodology weaknesses, prioritized</td></tr>
<tr><td>QNA-specific techniques are applied appropriately (benchmarking, seasonal adjustment, discrete time series)</td><td>Assessment of methodology weaknesses, prioritized</td></tr>
<tr><td>Periodicity and timeliness are appropriate for national needs</td><td>Periodicity and timeliness follow GDDS or SDDS standards as relevant to each country</td><td>Assessment of fitness for use</td></tr>
<tr><td rowspan="5">Improved price statistics</td><td>Expand the range of price statistics compiled and disseminated to meet national needs</td><td>Improved geographical coverage of CPI, develop new or expand industry coverage of PPI, develop new export/import or other price indexes as relevant to each country</td><td>Assessment of range and coverage of existing price statistics</td></tr>
<tr><td>Adequate source data are available</td><td>Improved price collections;
Recent and comprehensive base weight data are available and used</td><td>Assessment of existing price collections and weaknesses prioritized</td></tr>
<tr><td rowspan="3">Compilation uses appropriate statistical techniques</td><td>Appropriate formulae are applied</td><td rowspan="3">Assessment of compilation practices</td></tr>
<tr><td>Quality control processes of price data are applied appropriately</td></tr>
<tr><td>Base period and weight data are appropriately current as per international standards</td></tr>
</table>

D. General Macroeconomic and Financial Training

54. **In addition to more targeted and customized training that closely relates to TA, SARTTAC will deliver general macroeconomic and financial training in order to complement the overall CD effort by helping develop a broader pool of qualified officials able to absorb TA and more generally design their own policies.** This training will be based on courses the IMF currently offers, but be specifically tailored to the region. All existing IMF training courses attempt to provide participants with explicit frameworks and tools, leaving plenty of time for hands-on experimentation in workshops and case studies. In SARTTAC there will be even more emphasis on examples and workshops that utilize the experiences and data of the six SARTTAC countries than in the other training centers (which have a broader country base, such as the Singapore Regional Training Institute).[11] In addition, where possible SARTTAC will seek to leverage the existing training infrastructure in the member countries, in particular by helping them modernize their training curriculum and guidance material and partnering with them in training delivery, while maintaining the IMF high quality standards.

55. **The IMF—and— SARTTAC—approach differs substantially from academic institutions and even from other international financial institutions' training arms as it is exclusively focused on the areas related to the IMF's mandate and is focused on practical application.** Given the identified needs of the countries, the Center will offer courses on general macroeconomic frameworks including general modeling,[12] fiscal sustainability and fiscal rules, monetary policy analysis (perhaps including the use of Dynamic Stochastic General Equilibrium models), exchange rate and capital flow analysis, financial development and inclusion, macroeconomic and financial surveillance and policies (including macroprudential policies), and statistical frameworks for real, monetary, and financial statistics.[13] Although the courses would provide the backing for the TA being offered in the region, they will also aim to adapt to—and perhaps in some cases lead to—new TA projects over time.[14]

56. **The training will be aimed at country officials involved in macroeconomic and financial policy-making or related supporting activities, regardless of their formal**

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[11] The Singapore Regional Training Institute will continue to train officials from the countries comprising SARTTAC but as it has a larger number of countries within its ambit, the focus of its training will be broader and less linked to specific SARTTAC TA programs.

[12] ICD's longest running course, Financial Programming and Policies (FPP), provides participants with an understanding of the economic accounts used in macroeconomic analysis and their interrelations and will be offered at least annually at the Center.

[13] See above section for envisaged statistical areas.

[14] As an initial assumption, the course offerings are assumed to be nine (two-week) courses per year, with six basic course offerings the first year and three specialized courses, requiring training to be delivered by two HQ-

(continued)

economic training. Participants will be chosen mostly based on their existing and future use of the knowledge conveyed in the course – on their need-to-know basis – rather than on their acquired educational level.[15] Country officials participating may include those at subnational levels of government in India, where state governments are large and capacity building needs are great. Thought will be given to courses for non-economists (parliamentarians).

57. **The IMF's online training offerings will support SARTTAC's face-to-face training**. To bring potential participants up to a consistent level for face-to-face training, the successful completion of specific IMF online courses could be made a prerequisite for some of the courses. In this way, more individuals can be trained at a faster pace, while the effectiveness and impact of face-to-face training would be enhanced. Several of the current on-line offerings are already geared to areas for which TA is delivered in the region and provide backing for more general courses.[16] As new online deliveries are planned, they will take into account the needs of the region.

IV. How Will the IMF Ensure SARTTAC's Success?

A. Integration of SARTTAC CD with Other IMF CD and Activities

58. **All IMF CD, regardless of financing source or delivery mode, is mutually-integrated and coordinated with the IMF's lending and surveillance activities.** In consultation with country authorities, APD will integrate the reform agendas of SARTTAC countries with the IMF's own policy and surveillance perspectives, drawing on the technical expertise of CD departments. Together they will identify needs for CD, set CD priorities, and balance short- and medium-term considerations, relying on the expertise of the CD department for prioritization, sequencing, and selecting the mode of delivery. This internal process provides checks and balances that ensure that CD remains highly relevant while taking into account regional developments. The resulting Regional Strategy Note (RSN) overview for the Asia and Pacific region, which is shared with member countries and development partners, sets out a medium-term CD vision for the region that is the basis for coordination of all IMF CD activities and their integration into IMF surveillance and lending operations. Open lines of communication, in part via CD department backstopping of RTACs and external experts, ensure consistency, cross-fertilization, and operational relevance.

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based staff and two resident trainers.

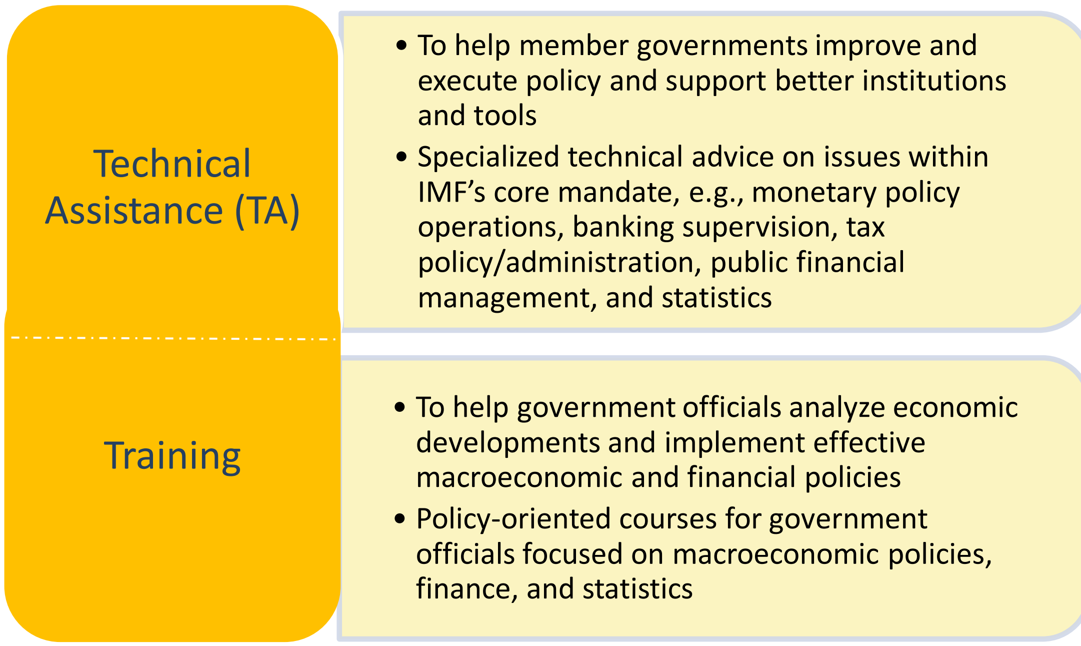
15 The goal of IMF training is to use the IMF staff experiences, as well as IMF staff's specialized, practical knowledge to support individuals actively involved in the course topics rather than train a cadre of official trainers. That said, peer-to-peer learning is encouraged and integration of the practices learned into the day-to-day work of the participants is an important benefit of IMF training.

16 Examples include Energy Subsidy Reform and Debt Sustainability Analysis.

59. **To best meet country needs, specific delivery modes are chosen depending on the complexity of the task and the country's implementation capacity.** In the case of SARTTAC, it is expected that diagnostic HQ-led missions will continue to generate blueprints for reforms and identify and prioritize the CD needs of each SARTTAC country. Being close to clients, the activities of SARTTAC will be able to draw on a deep knowledge of the region and member countries, such as cross-cutting and regional integration issues. Frequent contact and missions of resident advisors in the region provide step-by-step assistance with the nuts and bolts of putting reforms in place. Missions from both HQ and SARTTAC will draw as needed on a vetted roster of external short-term experts to complement their skill set. For follow-up on specialist issues or in areas outside of SARTTAC's core expertise, short-term advisers would conduct a series of regular follow-up missions over a longer period of time.

60. **The coexistence of multiple IMF CD delivery vehicles in countries covered by the IMF regional centers calls for close IMF internal coordination in order to optimize the added-value of the different instruments.** With Topical Trust Funds (TTFs) taking in some of the countries covered—especially fragile states— in an increasingly hands-on implementation role (as in the tax administration area), and a clear delineation between the country work undertaken by a TTF and by the regional center is needed to ensure that all the work is fully coordinated and complementary. The same logic applies with regards to bilateral projects, some of which support the posting of long-term resident advisors in member countries. The coexistence of the different delivery channels is justified by the large CD needs of a particular country, for which the use of a regional center's resources would be insufficient or which would reduce its capacity to respond to needs in other member countries. The close integration of the regional centers' work plans, for both TA and training, with the RSN process supports the close coordination between the regional centers and other IMF CD.

Capacity Development: Two Planks



B. Integration and Synergies with Other CD Providers

61. **SARTTAC will provide a robust platform for implementing the aid effectiveness principles outlined in high level forums (Paris, Accra, and Busan), which call for efforts to harmonize, align, and manage aid for results.** Given limited resources, the IMF seeks to avoid duplication in coverage and strives to enhance complementarities and synergies with other CD providers. CD activities will be coordinated with those of other CD providers through the steering committee and the regional relationships and expertise of SARTTAC staff and advisors, as well as close communication with APD mission teams and CD departments and integrated with member country Poverty Reduction Strategy Papers (PRSPs) and sector plans. Coordination is all the more important because some IMF CD is supported by a number of other CD providers across the region (see development partner matrix in Appendix IV).

62. **SARTTAC will actively engage with national CD institutions to maximize the impact of CD.** The countries of the region have a large number of training institutions (some of them operating at the regional level), providing macroeconomic and financial training in areas related to the IMF's work. SARTTAC will examine collaborating with these national institutions to expand the reach of the Center CD, build the capacity of these institutions, and benefit from their knowledge to refine CD delivery to meet regional needs.

63. **SARTTAC will emphasize coordination with other CD providers in its core areas of expertise.** Among institutions and countries providing CD to the region are the Asian Development Bank, Australia, Austria, Canada, China, Denmark, the European Union (EU), France, Germany, the International Finance Corporation (IFC), the Islamic Development Bank (IsDB), Japan, Korea, the Netherlands, Norway, the United Kingdom (UK), the United States (US), and the World Bank. To help ensure complementarities and synergies with other CD, the SARTTAC Director will be the focal point for liaison with bilateral and multilateral agencies in the field. SARTTAC advisors will also support coordination, since they often have the closest contact with country authorities in their area of expertise, as well as with experts financed by other partners. The Director will:

- Disseminate the RSN overview, which defines the IMF medium-term CD strategy for the Asia and Pacific region including SARTTAC countries.
- Circulate TA reports prepared by RTAC experts to the SC and, upon request, other relevant stakeholders if the TA recipient consent (consent by the TA beneficiary would be given on a no-objection basis in line with the IMF's dissemination policy). This will provide SARTTAC beneficiary countries, development partners, and other CD providers with the information they need to better coordinate with SARTTAC CD.
- Launch a SARTTAC website with contact and work program information to foster development partner coordination.
- Provide development partner briefings, including through IMF's Resident Representative Offices. Information on SARTTAC missions will be posted on the SARTTAC website. SARTTAC missions will also seek to systematically brief development partners in the field.
- Publish SARTTAC annual reports. SARTTAC will produce in-depth reports on the work completed each year, focused on the progress made in achieving outputs and outcomes for each project and topic area.

64. **Development partner officials are welcome to participate in training courses and events offered through SARTTAC.** As for all other IMF training, the IMF asks participants from advanced countries to cover the full cost of their attendance so as not to crowd out resources for other participants.

C. Measuring How SARTTAC Achieves its Objectives

65. **The IMF has introduced RBM frameworks, which are anchored in an annual planning, implementation, and monitoring cycle.** They identify the main objectives for each area of work for the duration of the cycle and expected and achieved inputs, outputs, and outcomes, as well as next steps. RBM frameworks also make explicit how IMF CD support is linked to member country reforms and poverty-reducing strategies and to the

activities of other development partners. SARTTAC will use a standardized catalog of objectives, outcomes and indicators and will take advantage of a new information technology (IT) system for reporting and project management.

Box 1. Results-based Management in SARTTAC

RBM will be the main tool used to assess SARTTAC achievements. A robust framework of SARTTAC results, based on the new IMF RBM framework, will make it possible to assess the Center's objectives, outcomes, and outputs.

SARTTAC will have a strategic log frame against which it can report on high-level results that are defined at the Center and centralized IMF catalogue levels. The strategic log frame will set one strategic objective for SARTTAC overall and will contain objectives and outcomes covering the different topic areas covered by the Center. The result of both top-down and bottom-up exercises, it is derived from the RSN and from the topical log frames that will define objectives, outputs, and outcomes per topic area across all SARTTAC member countries. An indicative strategic log frame is presented in Appendix I. Topical sections include indicative topical log frames. These log frames will be refined as the process of formulating CD projects for the Center gets underway. This will include setting baselines and medium-term targets.

Topical log frames will provide a management tool for SARTTAC work planning. The work plan will be used to monitor and report on progress. Its format will be structured to provide a snapshot of resource utilization linked to outputs achieved and progress made toward the outcomes. In addition to short-term activities, multi-year projects will be developed, with the aim of facilitating the planning and reporting of CD activities. Annual work plans will be prepared within the framework of the IMF CD prioritization processes, managed through the RSN for the Asia and Pacific region. This will ensure full coordination with other IMF CD in the region.

D. Evaluation of IMF CD

66. **The IMF relies on a robust monitoring and evaluation program to ensure that its CD services meet the needs of member countries.** Regular evaluation is a crucial component of a sound CD strategy to foster learning from past experiences and enhance accountability. In order to strengthen the IMF's monitoring and evaluation framework, including incorporating feedback from evaluation results into the prioritization and delivery of CD, the IMF decided to adopt a unified approach to evaluation that will help distill lessons, including through independent external assessments.

67. **The IMF is setting up a common evaluation framework for all of its CD sectors.** The aim in developing a common evaluation framework is to preserve the current strengths of the IMF's evaluation activities while addressing any shortcomings. The proposed common evaluation framework is intended to streamline current practices and increase standardization, e.g. by proposing a common four-step process that includes use of the Organization for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) criteria. Around this common core, the proposals aim to allow

flexibility to adapt evaluations to reflect the wide range of CD activities. For instance, pre- and post-quizzes are used to evaluate progress of course participants. Use of a common approach is intended to provide cross-activity and cross-IMF comparability, permit aggregation and enable an overall assessment of performance.

68. **Independent external evaluations have consistently given RTACs and RTCs high marks for both the quality of their advice and training and their speed and flexibility in responding to member country needs.** They found that RTACs are well suited to supporting institutional reform and economic policy design and implementation; they are an excellent vehicle to support regional harmonization and integration; and their TA has helped to improve fiscal and financial transparency, accountability, and control. External evaluations have also commended the RTAC governance model, which is focused on close cooperation between beneficiary countries, development partners, and IMF staff, fostering strong ownership by beneficiary countries and effective development partner coordination guided by aid effectiveness principles. RTCs have received excellent ratings on the quality and relevance of their training. Evaluations also noted their high awareness of and responsiveness to regional needs as well as high satisfaction of training participants.

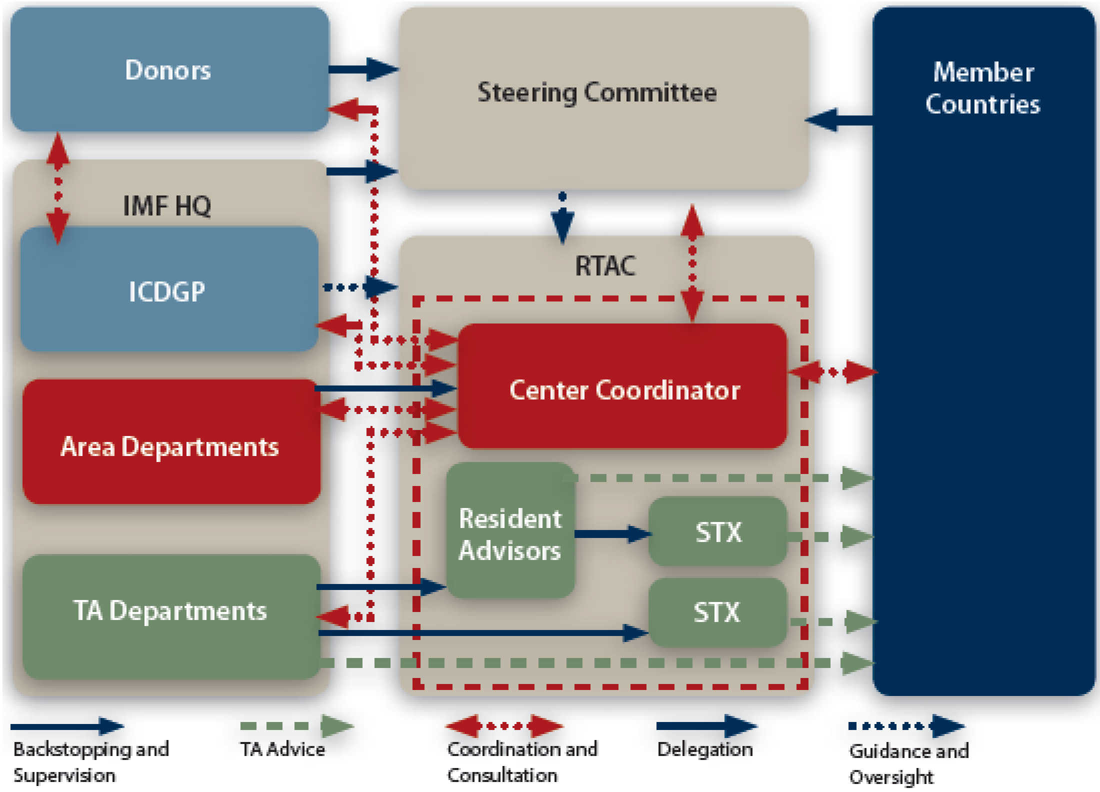
69. **It is proposed that an independent external evaluation of the work of SARTTAC be carried out by a team of independent experts within three years of operation of each program phase.** The evaluation will assess SARTTAC's effectiveness and sustainability of its CD, bearing in mind the long-term nature of capacity building. The evaluation will formulate recommendations for improvement, which will inform discussions on SARTTAC's future operations.

V. SARTTAC GOVERNANCE, OPERATIONS, AND FINANCIAL MANAGEMENT

A. Governance

70. **SARTTAC will be guided by a steering committee (SC) of representatives from beneficiary countries, donor partners, and the IMF.** The SC provides strategic guidance and helps set SARTTAC's priorities, endorses RTAC annual work plans and budgets, reviews annual reports and is a vehicle for feedback on CD quality. The SC meets at least annually, and additional meetings may be convened as necessary. The SC is usually chaired on a rotating basis by the principal representative of one of the beneficiary countries (e.g., the deputy governor of the central bank). Observers may be permitted from neighboring countries, regional organizations, interested development partners, or other CD providers.

71. The current governance structure helps promote member country ownership, donor involvement, and the center's accountability.



B. Operations

Work plan

72. **SARTTAC's annual work plan will be developed in consultation with member countries and within the context of the IMF's CD prioritization processes, managed through the RSN for APD and the RAP.**[17] This process takes into account each beneficiary country's macroeconomic reform strategy. Work plans are formulated based on the CD needs identified by each country. Drawing on this and the continuous dialogue between the IMF and beneficiary countries, CD priorities are determined and detailed country CD programs formulated jointly by SARTTAC and IMF HQ. This ensures that the activities of both are fully integrated with each other, as well as with country reform agendas. The development of the annual work plan is also coordinated with the IMF budget cycle and resource allocation processes to ensure timely and predictable delivery of the planned CD. In parallel, the development of multiyear projects will facilitate the planning and reporting of longer-term interventions, with their implementation subject to endorsement in annual work plans.

[17] The Resource Allocation Plan (RAP) is a detailed plan about delivery of CD activities by region, by country, by funding sources, and by CD department.

73. **Given finite resources, a main criterion in prioritizing the work plan is each beneficiary country's record of making effective use of previous CD**. Peer review by the country representatives on the SC should therefore reinforce cooperation, accountability, and the effective use of resources.

74. **The SARTTAC work plan will consist of member countries' CD programs (which may form part of broader regional projects), in-country training course offerings, and regional workshops and seminars.** The SARTTAC Director seeks strategic guidance from SC members on the work plan including by asking them to send their requests for CD needs, prior to seeking their formal endorsement. At each SC meeting, the Director delivers a monitoring report on the progress of the activities outlined in the work plan and lays out, in consultation with the chairman, some issues that the SC should discuss.

Center director

75. **SARTTAC will be headed and managed by a Director who is an IMF staff member**. The Director is responsible for day-to-day management of SARTTAC and its operations, with strategic guidance from the SC and general oversight from the IMF. The Director is selected by APD and ICD in consultation with CD departments. He/she reports to APD and ICD and works to ensure that the work of the Center is consistent with the overall strategy of APD and the IMF. The Director maintains constant contact with the SC members in the Center's beneficiary countries and with APD and all relevant CD departments to identify broad strategic priorities and emerging issues and needs for the Center.

Staff

76. **SARTTAC employees will comprise the resident advisors and resident trainers (supported by a pool of short-term experts for specific assignments) and locally recruited office personnel.** TA departments and ICD, in consultation with the Director, are responsible for selecting and hiring SARTTAC resident advisors and resident trainers through external international advertisements, and providing them with the substantive support and backstopping required to ensure quality and consistency in their advice and activities. Short-term experts for peripatetic assignments and to aid course delivery are recruited through IMF HQ, based on a roster of qualified experts, and are backstopped (see also section on quality control) by the resident advisors. While the IMF will select SARTTAC staff, the transparency of the recruitment process will be ensured by regular reports to the SC. SARTTAC will inform the SC of all forthcoming resident advisor vacancies and the Director will also report on the person selected for the advertised position. In all recruitment of experts, due

consideration will continue to be given to qualified candidates from the region. Support staff positions will be filled regionally.

Accountability and quality control

77. **SARTTAC is designed and operated to ensure that the Center CD is delivered in a manner that is responsive and accountable to the beneficiary countries.** SARTTAC must also meet and maintain the high quality standards that are expected of IMF CD. SARTTAC will use an RBM framework to track the progress of CD projects and activities in each country. Monitoring against pre-set objectives and outputs contributes to timely and effective CD. RBM provides consistency, coherence, and predictability in the planning and execution of SARTTAC CD.

78. **Maintaining the quality of the CD advice and activities delivered by SARTTAC is the responsibility of the IMF HQ and SARTTAC staff.** Combining the recommendations of previous surveillance and CD missions with the needs of the country, the CD departments discuss with the resident advisors the objectives and outcomes of each mission with a view to ensuring a proper sequencing of CD and improving its effectiveness in building capacity in beneficiary countries. Throughout the mission of short-term experts and the presence of the resident advisors, the CD departments provide supervision and support. In addition, short-term experts are backstopped by resident advisors. CD departments review and authorize the TA reports produced by the resident advisors and short-term experts.

79. **The IMF's dissemination policy[18] on sharing TA information contributes to accountability and facilitates coordination.** Under the policy, TA reports may be shared with the SC members with consent of the TA recipient on a no-objection basis, and on the understanding that such information shall be kept confidential. Sharing of TA reports with non-SC development partners will be determined case-by-case based on whether the institution in question has a legitimate interest in the TA report in question, for example through its engagement in related activities in the beneficiary country. To enhance coordination, the SC members will also receive information on the need for complementary CD.

80. **It is a core objective of SARTTAC that the activities of the Center reflect the ownership and commitment of its members.** The IMF's CD activities are driven by demand from its member countries. Their planning and implementation require the full involvement and buy-in of beneficiary countries to ensure effectiveness and sustainability of the CD delivered. Inputs from beneficiary countries will be sought at various stages of the work planning and operations of SARTTAC: during surveillance ("Article IV Consultations") programs and diagnostic CD missions that inform the CD planning process by APD and CD

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[18] See http://www.imf.org/external/np/pp/eng/2013/061013.pdf

departments in their preparation of CD strategies, and through the input and oversight of SARTTAC's SC.

81. **The SC provides an additional forum for accountability.** Member countries can provide immediate feedback and recommendations on CD delivery and value. All SC members will receive the information that allows them to guide SARTTAC's work.

82. **The IMF will provide internal institutional support to ensure focus and targeting, as well as quality and consistency in the delivery of assistance.** The combined responsibilities of the Committee on Capacity Building, APD and the CD departments constitute an institutional support framework for CD project delivery in the field. All projects, whether internally or externally financed, whether delivered by HQ or by the IMF regional centers, are supported equally by this framework.

C. Outreach and Visibility

83. SARTTAC will ensure visibility of the center and its external partners through a variety of reporting, communication, and outreach channels. These include annual reports, quarterly bulletins, social media and its own website and, close communication with donors and other CD providers in the field.

84. SARTTAC will continue to recognize donor contributions and will look into further raising donor visibility, including in the center's outreach, during fundraising and other events, in the local media, and through its publications.

D. Financial Management

85. **Contributions from development partners and beneficiary countries will be pooled into a multi-development partner SARTTAC Subaccount under the IMF's Framework Administered Account for Selected Fund Activities (the "SFA Instrument").**[19] The Subaccount will be used to receive and disburse financial contributions for the Center's activities; all resources contributed to the Subaccount will be for the sole use of SARTTAC.

86. **The basis for the financial arrangements between development partners and the IMF will be a letter of understanding establishing the purposes of the contributions related to this program document and subject to the terms and conditions of the Subaccount, as well as the SFA framework instrument.** The IMF manages the trust fund in accordance with its financial regulations and other applicable IMF practices and procedures. SARTTAC is an IMF office and complies with IMF procurement practices.

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19 See http://www.imf.org/external/np/pp/eng/2009/030409.pdf

87. **The IMF will provide development partners with reports on the Subaccount's expenditures and commitments through a secure external gateway.** Separate reporting on the execution of SARTTAC's budget will be provided at each SC meeting. Costs will be on an actual basis.[20] The operations and transactions conducted through the Subaccount during the financial year of the IMF will be audited as part of the IMF's Framework Administered Account and the report of the External Audit Firm is posted on the IMF's external website as part of the IMF's Annual Report. SARTTAC is also subject to audits by the IMF's internal audit office.

20 See http://www.imf.org/external/np/pp/eng/2008/040308a.pdf

E. Resource Needs

88. **SARTTAC's proposed size is determined by the diversity and number of beneficiary countries and the size.** To provide assurance and stability for SARTTAC operations, financing would need to be secured in advance for the entire five-year period. The costs of about US$ 68 million will be shared by the host country, member countries, and development partners.

Box 2. Proposed Budget[21]

- Center Director, his/her salary and benefits, travel and residence
- Resident advisors
- A training component including resident trainers, trainers from IMF HQ, and participant costs.
- Short-term expert visits will complement the work of the resident advisors and resident trainers.
- Recurrent diagnostic assessments by HQ missions are a critical complement in designing strategic advice, which goes hand-in-hand with SARTTAC assistance in implementing this advice.
- Backstopping and project management from HQ are an integral part of CD delivery and will ensure quality and consistency of SARTTAC's advice with IMF and international best practice.
- Regional CD workshops will provide hands-on training and a platform for sharing knowledge and exchanging experiences.
- Mid-term independent evaluation.

[21] The proposed budget does not include in-kind contribution (e.g. facilities) by the host country.

Table 2. South Asia Regional Training and TA Center (SARTTAC) Proposed Budget, 2017-2022	
(in milllions of U.S. dollars)	
Capacity Development (by activity)	**48.7**
Public Financial Management	12.5
Revenue Administration	9.7
Financial Sector	3.1
Monetary and Exchange Operations	3.1
Real Sector Statistics	7.0
General Macroeconomic Training	13.3
Administration 1/	**11.0**
Staff	4.5
Facilities, Communication, Miscellaneous 2	6.5
Governance	**1.3**
Project Management	1.0
Steering Committee	0.3
Evaluation	**0.3**
Trust Fund Management fee	**4.3**
Start-up cost (estimate) 1/	**3.0**
Total	**68.6**
Source: Institute for Capacity Development, Global Partnerships Division.	
1/ Cost for the period prior to the beginning of the phase is covered by startup project.	
2/ Includes cost of renting office facilities.	

SARTTAC Estimated Start-up Costs	
(In U.S. dollars)	
Start-up Costs	**3,000,000**
Source: Institute for Capacity Development, Global Partnerships Division.	

F. Sustainability and Main Risks to the Program

89. **Strong commitment of beneficiary countries will be critical for SARTTAC's success.** Without it, no lasting results will be achieved. It is therefore expected that beneficiary countries will take full ownership of SARTTAC's CD services and drive project implementation by, among other things, appointing senior government officials as SC members and covering travel and per diem expenses so that they can attend SC meetings. Where necessary, SARTTAC beneficiary countries might also be approached to assist with administrative and logistical support for in-country training and other SARTTAC events.

90. **Given the long-term nature of developing human and institution capacity, it is expected that SARTTAC's funding will be continued beyond the first cycle.** SARTTAC will emphasize to build up regional expertise. The IMF will also continue to expand its roster

of regional experts. The sustainability of SARTTAC operations would also be assessed by the external mid-term evaluation.

91. **Financial sustainability considerations have been incorporated into the strategy.** A threefold approach is taken to risk mitigation: (i) establishing long-term strategic partnerships with key development partners; (ii) aiming at a diversified development partner base; and (iii) voluntary member country contributions. Member contributions are essential to demonstrate country ownership of the Center and for development partner support.

92. **The main risks associated with establishing SARTTAC are with regard to ownership and sustainability.**

- **Ownership.** This will be the region's first experience with a fully integrated regional CD center that delivers training and TA in a seamless way. Contributions by member countries, together with close and continuous dialogue with the Fund and development partners, will foster members' ownership of the Center. Member needs vary quite widely, depending on existing capacity and policy agenda. Disparate needs could impede consensus among members regarding the Center's priorities and resource allocation. Over time, such difficulties could make it more difficult to secure buy-in and engagement. Confronting this risk will require continuous dialogue with all stakeholders.

- **Sustainability.** Strong ownership by the member countries, and the support of bilateral development partners, will be key in ensuring the long-term sustainability of the Center. The IMF seeks to forge strategic partnerships with development partners that have long-standing commitment to the region.

Appendix I: Strategic Log Frame

SARTTAC Log Frame - Strategic

Topic Objectives/Outcomes	Verifiable Indicators for FY2021	PROGRESS on INDICATORS	General Risk/Assumptions/Risk Mitigation (as necessary)
1. Revenue administration. Improve the efficiency and effectiveness of tax administration by implementing stronger revenue strategy	100 percent implementation of topic outcome indicators		A. Sufficient ownership of policy agendas by the country authorities. B. Sufficient financing for SARTTAC Phase I is mobilized. C. Complementary HQ and other donor's TA is available, where appropriate. D. No major exogenous shocks and political stability in the member countries. Risk mitigation measures include: - Securing voluntary financial contributions from the member countries. - Further strengthen the linkage between TA and surveillance, while providing capacity development services that integrate TA and training. - Enhanced coordination with the donor community to avoid duplication while enhancing synergy.
2. Public Financial Management. Assist member countries to strengthen core PFM functions and introduce progressively more advanced PFM reforms	100 percent implementation of topic outcome indicators		
3. Monetary policy framework operations. Improve member countries' framework for monetary policy, strengthen operational instruments, and develop money markets with the objective of enhancing implementation of monetary and exchange rate policies.	100 percent implementation of topic outcome indicators		
4. Financial sector regulation and supervision. Strengthened financial sector supervision and regulation that contribute to a stable financial system.	100 percent implementation of topic outcome indicators		
5. Real sector statistics. Strengthen compilation and dissemination of national accounts and price statistics according to international statistical standards, including developing/improving statistical infrastructure, source data, serviceability and metadata.	100 percent implementation of topic outcome indicators		

Appendix II: South Asia—Recent Economic Developments and Outlook

(October 2016)

South Asia's economies have continued to hold up well against the background of a generally subdued global economic environment. Regional real GDP growth is expected to remain around 7½ percent in both 2016 and 2017, with relatively stable inflation (apart from inflation upticks in Nepal and Sri Lanka). However, there are disparities within the region, with robust activity continuing to be driven to a large extent by the strong economic performance of India and Bangladesh. Limited progress is foreseen in tackling the region's remaining macroeconomic vulnerabilities, as fiscal deficits are expected to narrow only modestly in 2016 and 2017, despite continued consolidation in India and Sri Lanka. External current account balances are projected to deteriorate across South Asian countries to reach a deficit of about 2 percent of regional GDP by 2017, with particularly large imbalances in the Maldives and Bhutan. Key policy priorities differ across countries in the region, although all would benefit from continued structural reforms to address supply-side bottlenecks; improvements to the functioning of product and factor markets; and enhanced intra-regional trade.

Global and Regional Economy

Global growth continues, but at a modest pace. The October 2016 *World Economic Outlook* forecasts global growth to slow to 3.1 percent in 2016 before recovering to 3.4 percent in 2017, a fall of 0.1 percent for both 2016 and 2017 when compared with the April 2016 WEO forecasts. This downward revision continues the pattern of downward revisions in global growth forecasts of recent years. Growth prospects for different countries and country groups vary widely. In Asia, regional growth is forecast at 5.4 percent in 2016–17, led by China and India, with Asia continuing to deliver two-thirds of global growth (see IMF Asia-Pacific Department's October 2016 *Regional Economic Outlook Update*).

Global economic activity is expected to be driven to a large extent by emerging market and developing economies, where growth is projected to strengthen to 4.2 percent in 2016 and accelerate further in 2017, after five consecutive years of decline. In advanced economies, recent data points to more subdued growth in the near term, with growth marked down to just 1.6 percent in 2016 owing to a weaker outlook for the United States, while uncertainty following the Brexit vote is weighing on the outlook for several European countries. Some pick-up in advanced economy growth is expected for 2017, but longer-term prospects remain muted, given demographic headwinds and weak productivity growth.

Downside risks continue to dominate the outlook, and revolve around the ramifications of a bumpier transition in China; asynchronous monetary developments in advanced economies; the long-run impact of Brexit, and other geopolitical risks The stalling or reversal of structural reforms (including new trade barriers) could exacerbate headwinds from low productivity growth, remaining crisis legacies, and deficient demand (the so-called "new mediocre").

Against this generally challenging global background, South Asia's economies are expected to continue to perform well. Growth in 2016 is expected to rise slightly to 7.5 percent for the region, with all countries but Nepal either maintaining or accelerating their rates of expansion. Growth will be supported by still favorable terms of trade and financial conditions, and is expected to continue at the same rate in 2017. With strong growth, inflation is expected to rise slightly in 2016 to 5.6 percent and decline modestly thereafter.

Limited progress is foreseen in addressing the region's remaining macroeconomic vulnerabilities. Fiscal deficits remain sizeable in a number of countries and are expected to narrow only modestly on aggregate in 2016 and 2017. As a result, general government debt levels are forecast to decline only very gradually. After falling for three consecutive years, the region's current account deficit is expected to rise somewhat to 1.3 percent and 1.9 percent of GDP in 2016 and 2017, respectively.

Policy priorities differ across countries in the region. Fiscal consolidation is urgent in the Maldives and should continue gradually in several other countries, including India. Relatively high levels of distressed assets are weighing on the banking systems of a number of countries in the region and should be addressed. In all countries, structural reforms to overcome supply-side bottlenecks and enhance the functioning of product and factor markets would help support continued high and inclusive growth.

India

The Indian economy continues on a recovery path, helped by a large terms of trade gain, positive policy actions including implementation of key structural reforms, and a return to normal monsoonal rainfall. After bottoming at 5.6 percent in FY2012/13, growth has risen steadily, reaching 7.6 percent during FY2015/16 and is projected to remain broadly unchanged at 7.6 percent in FY2016/17 and FY2017/18. Between FY2013/14 and FY2015/16 there was a cumulative 13 percent increase in India's terms of trade, largely due to low oil and energy prices, which boosted economic activity, contributed to a further improvement in India's current account and fiscal positions, and enabled a sharp decline in inflation. As a result of reduced external vulnerabilities, improved growth prospects and continued relaxation in FDI ceilings, India has experienced large FDI and portfolio capital inflows, a real appreciation of the rupee, and a robust rebound in foreign exchange reserves (reaching an all-time high of over US$370 billion or about 8 months of import cover). Nonetheless, macroeconomic challenges remain as growth is constrained by supply-side bottlenecks and continuing weaknesses in the corporate and banking sectors.

CPI inflation moderated to 5.1 percent in August 2016, down from an average of almost 10 percent during 2011–13, reflecting the authorities' relatively tight monetary policy stance, and continued low global commodity (oil and food) prices. CPI inflation is projected at around 5.5 percent by end-2016/17, and to be close to the Reserve Bank of India's objective of 5 percent by Q1 2017. The current account deficit has narrowed from a high of 4.8 percent of GDP in FY2012/13 to an average of around 1.2 percent of GDP during FY2013/14–FY2015/16, and is projected at about 1.4 percent of GDP in FY2016/17. Sluggish global economic growth prospects, particularly in key advanced economy trading partners, pose headwinds to an export recovery.

The Indian Parliament passed unanimously the long-awaited Goods and Services Tax (GST) Constitutional Amendment Bill in August 2016, enabling a major reform of the Indian tax system, as the GST will replace a plethora of cascading center, state, inter-state, and local taxes with a single, nationwide, value-added tax on goods and services. Next steps include drafting and passing the detailed GST Law, and technical preparations, with implementation set for April 2017.

The FY2016/17 Budget envisages a welcome return to fiscal consolidation with an annual decline in the central government deficit from 3.9 to 3.5 percent of GDP (authorities' definition). Nonetheless, further reductions in fuel and food subsidies and tax reforms, including implementation of the recently-approved GST and improving tax administration, are needed to achieve fiscal consolidation plans over the medium term.

The Government of India has implemented multiple structural reforms in 2016, including: adoption of a formal medium-term inflation target (4 percent median CPI inflation with a symmetric 2 percent band) in August 2016; passage of the GST in August 2016; passage of a new Bankruptcy Code in May 2016; supply-side measures to contain food inflation; and improvements in financial inclusion and domestic bond markets. These should help raise medium-term GDP growth rates in India.

Bangladesh

Activity and demand have been stronger than expected in FY2016 (ending June 2016), with real GDP growth estimated at about 7 percent. Headline inflation eased further in FY2016, with annual average CPI inflation reaching 5.9 percent in June 2016, compared to 6.4 percent in June 2015. Food inflation has eased on the back of a good harvest and declining global prices. On the external front, the current account balance continued to be positive in FY2016. External reserves have risen to a comfortable level of over six months of import cover. Inbound remittances recovered in FY2015, but weakened in FY2016 due to persistent low oil prices.

The outlook for Bangladesh remains broadly positive, but subject to downside risks. Real GDP growth is expected to reach 6.9 percent in FY2017 and to remain around 7 percent over the medium term. The fiscal deficit will widen on the back of the hike in public sector pay, but should remain sustainable assuming the new VAT comes into full effect in the near term. On the back of investment-led growth, the current account surplus is expected to decline and turn into a slight deficit over the medium term, with international reserves remaining adequate.

Headline inflation is projected to pick up moderately from recent lows, with nonfood inflation facing upward pressure from higher public sector wages, but should remain below 7 percent. The announced monetary policy statement for the second half of 2016 points to a continued prudent monetary policy stance. Broad money growth at 15.5 percent is broadly in line with nominal GDP growth. Despite the recent decline, the authorities should remain vigilant against upside risks to inflation from higher public sector salaries and minimum wages in the garment industry, as well as the recent increases in electricity and gas tariffs.

Sri Lanka

Real GDP growth fell from 5.2 percent (y/y) in 2016 Q1 to below expectations in Q2, at 2.6 percent (y/y), reflecting floods in May and soft activity in construction and manufacturing. Growth is expected to pick up in the second half of the year owing to stronger performance in tourism and resumption of construction. Headline inflation stood at 3.9 percent (y/y) in September 2016, and core inflation remained elevated at 4.2 percent. Sri Lanka's external current account deficit in the first half of the year narrowed to 2 percent of GDP, helped by a slightly improved trade balance and strong inflows in remittances and tourism. The EMBI spreads continued to fall in 2016 Q2 reflecting an increase in market confidence and prudent macroeconomic policies. Following the issuance of US$1.5 billion in international sovereign bonds at favorable yields in early July, gross foreign exchange reserves recovered to about US$6.4 billion at end-September 2016 after falling for most of the year.

The fiscal deficit expanded to 6.9 percent of GDP in 2015, compared with 6.2 percent in 2014. A revised budget was implemented in January 2015 following national elections, bringing a significant increase in wages, salaries, transfers and other categories of recurrent spending. The expanded deficit and depreciation of the rupee led to an increase in Sri Lanka's debt-to-GDP ratio from 70.7 percent in 2014 to 76 percent in 2015. As part of their consolidation agenda under a three-year IMF-supported program, the government has committed to reduce the overall fiscal deficit to 5.4 percent of GDP in 2016, and to 3.5 percent by 2020—reflecting an underlying shift to a primary surplus of 1 percent of GDP to ensure a continued decline in the debt-to-GDP ratio over the medium term.

Nepal

Real GDP growth decelerated sharply to 0.6 percent in 2015/16 (mid-July 2015 to mid-July 2016) due to the disruption to trade and economic activity from the 4½-month stand-still at Nepal's southern border. Inflation rose to 10.4 percent (y/y) in July 2016 in part reflecting shortages of fuel and other essential goods related to the trade disruption and earlier earthquakes. With average inflation in Nepal at close to 10 percent in 2015/16, the inflation wedge with India widened to almost 5 percentage points. With the currency pegged to the Indian rupee, the real effective exchange rate appreciated further.

Nepal's external position has remained strong. On the back of resilient remittances, the external current account has now been in surplus for five years. Remittances amounted to US$6.3 billion or 30 percent of GDP in 2015/16, up from 29 percent of GDP the year before, despite an 18 percent decline in the number of migrants moving abroad for work. Central Bank international reserves (including gold and SDR holdings) increased by 20 percent over the past year to a new high of US$8.6 billion (10.8 months of prospective goods and services imports) in July 2016.

Nepal's general government balance recorded a surplus in 2015/16, reflecting subdued capital spending and better-than-expected revenue performance. The latter was partly related to a one-off increase in capital gains taxes on the sale of a mobile network provider. Despite the large reconstruction and development needs, budget under-implementation worsened in 2015/16 with the execution rate for capital expenditure falling to 53 percent. Moreover, half of the spending took place in the last month of 2015/16. Together with an increase in domestic borrowing that was not spent, the government increased its cash holdings at the central bank by Rs.94 billion (4.2 percent of GDP) during 2015/16. Reflecting the overall surplus, net government debt remained on a declining path, falling to 22 percent of GDP (net of government deposits at the Central Bank) in July 2016, down from 34 percent of GDP four years ago.

Growth is set to recover as economic activity returns to normal and capital expenditure picks up as the government plans to raise spending to expedite post-earthquake reconstruction activity, including accelerating the overdue delivery of housing grants to earthquake-affected households. Nevertheless, risks to growth are tilted to the downside reflecting persistent under-execution of the budget and a loose monetary policy stance. Other risks include financial sector vulnerabilities arising from the earthquakes and trade disruption. The longer-term challenge is to boost the economy through well-managed fiscal policy to accommodate stepped-up capital spending, appropriate monetary policy to support the exchange rate peg and contain inflation, continued financial sector reforms, and structural policies to boost inclusive growth.

Bhutan

The outlook for Bhutan remains generally favorable. Growth is on a recovery path, driven by a pick-up in mining, services and on-going hydropower related construction. In the medium-term, commissioning of new hydropower projects will boost output and exports, as well as fiscal revenues. At the same time, inflation has eased—headline inflation fell to 3.3 percent in 2016Q2 from 6.7 percent in 2014Q4. Inflation is projected to pick up but remain low, benefitting partly from India’s improved inflation outlook and stable rupee to which Bhutan’s currency is pegged.

The large fiscal deficit in FY2012/13 turned into a sizable surplus in FY2013/14, reflecting substantially lower capital spending at the beginning of the Eleventh Five-Year Plan and higher-than-expected project-tied grants. With a gradual pickup in capital spending and public sector salary increase, the fiscal balance turned into a small deficit in FY2014/15, and is projected to remain in deficit in FY2015/16. Strengthening domestic revenue collection will be important in the medium-term to ensure fiscal sustainability. To that effect, the planned implementation of a modern goods and services tax will be key.

Regarding the external sector, the current account deficit is projected to remain high until 2017/18 as large hydropower projects remain in the construction phase. The deficit will continue to be financed mainly by loans and grants from India. However, over the medium-term, a sharp increase in hydropower exports with the commissioning of new hydropower plants is projected to improve the current account balance. As a result, foreign exchange reserves, currently at about US$1 billion (over 9 months of imports) are projected to increase further.

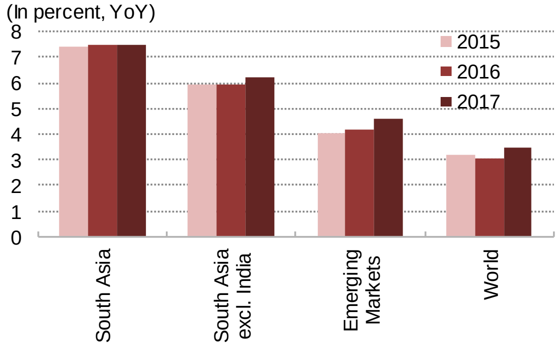
Maldives

Real GDP growth is estimated to have slowed sharply from 6.5 percent in 2014 to around 1.5 percent in 2015, following a sharp fall in tourist arrivals from China. Growth is expected to pick up moderately to 3 percent in 2016, underpinned by a scaling up of infrastructure spending. Inflation has slowed since earlier in the year mainly due to food prices and was almost flat in July at 0.1 percent (y/y). The current account deficit is projected to have widened to around 12 percent of GDP in 2016, despite lower oil prices, following a sharp pick up in non-oil imports. Gross foreign reserves stood at US$538 million as of end-August (2.2 months of import cover), down by US$135 million compared to the same period last year, while parallel market rates have risen since the most recent Article IV mission in January this year. Strong revenues resulted in a better than expected outturn for the fiscal deficit in 2015 (at around 9 percent of GDP). However, sustained high deficits have placed the public debt-to-GDP ratio above the 60 percent limit in the Fiscal Responsibility Law and on a rising trajectory.

After reducing the deficit in 2015, the 2016 budget turned expansionary, driven by capital spending. Fiscal developments so far in 2016 are consistent with the deficit widening from 8.7 percent of GDP in 2015 to 13.7 percent of GDP in 2016. Non-tax revenues have fallen short of budget targets, prompting the government to streamline domestically-funded capital projects; strictly enforce an employment freeze; expand the green tax to guesthouses; and introduce a remittances tax. Going forward, a durable fiscal adjustment of around 5.5 percent of GDP is needed over the medium term. To attain this, the priorities are: firmer control of current spending (including the wage bill and healthcare costs); better targeting of subsidies; and prioritization of capital expenditures. Stronger public financial management, including over capital budgets, would also support fiscal adjustment. In addition, the well-administered tax system should be leveraged to generate higher revenues, through base broadening and higher tax rates.

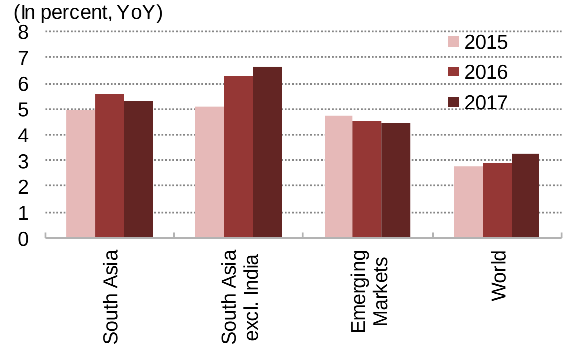
South Asia: Selected Economic Indicators (as of October 2016)

Real GDP Growth
(In percent, YoY)



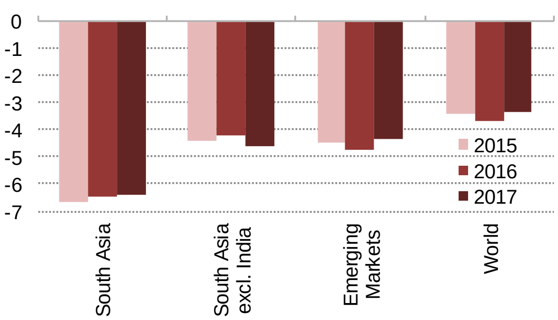
Source: IMF, *World Economic Outlook*; and IMF staff estimates.

Inflation
(In percent, YoY)



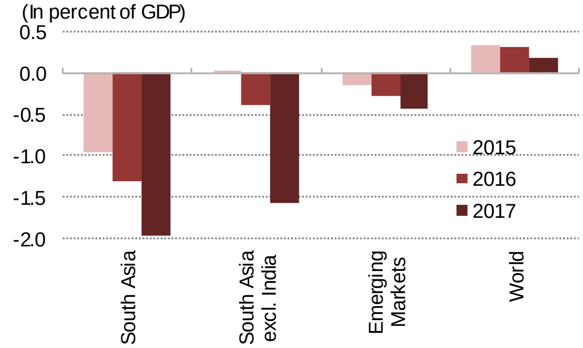
Source: IMF, *World Economic Outlook*; and IMF staff estimates.

Fiscal Balance
(In percent of GDP)



Source: IMF, *World Economic Outlook*; and IMF staff estimates.

Current Account Balance
(In percent of GDP)

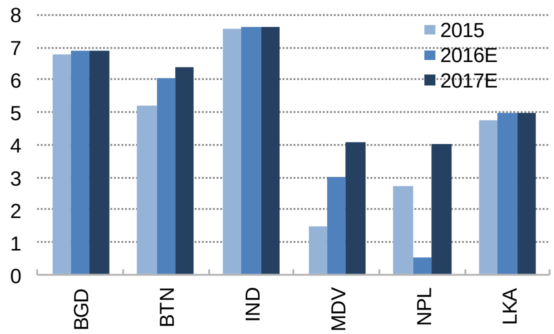


Source: IMF, *World Economic Outlook*; and IMF staff estimates.

Appendix III: Selected Macroeconomic Indicators (as of October 2016 or latest)

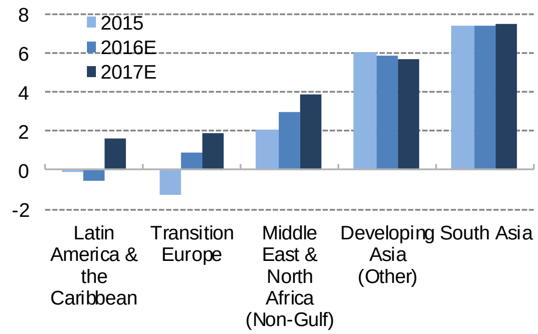
Growth is expected to accelerate

Real GDP Growth
(In percent, YoY)



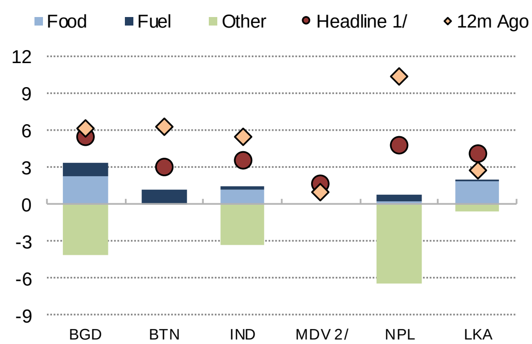
South Asia is among the fastest-growing regions in the world

Emerging Regions: Real GDP Growth
(In percent, YoY)



Inflation is relatively high though moderating recently

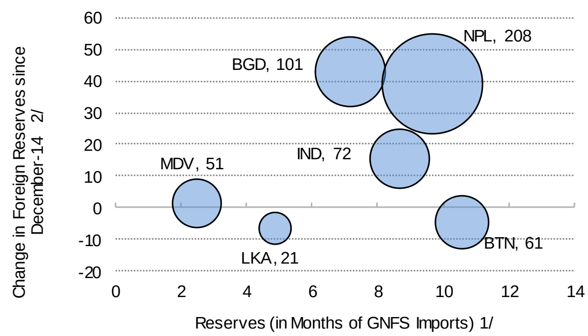
Inflation: Headline and Contributions to Change
(In percent, YoY)



1/ LKA (Dec-16), IND, NPL (Nov-16); BGD, MDV (May-16); BTN (Mar-16).
2/ Fuel series unavailable.

FX reserves have grown rapidly

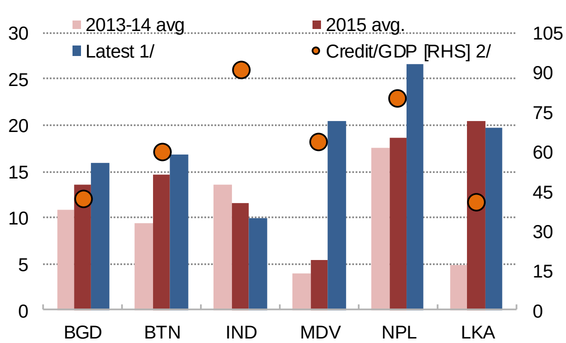
Foreign Reserves
(In percent; bubble size: reserves as a % of external debt 1/)



1/ As of end-2015.
2/ IND, NPL (Nov-16); BGD (Oct-16); BTN, LKA (Aug-16); MDV (May-16).

Credit growth is recovering, with exception of India

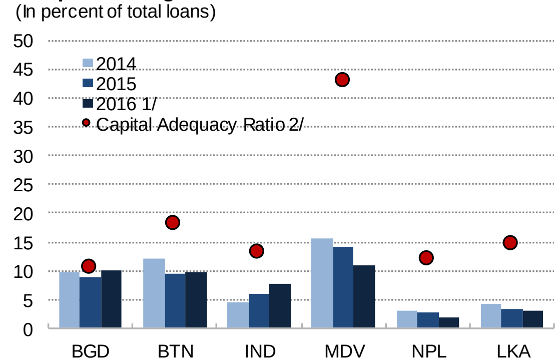
Credit to the Economy
(In percent, 3mma, YoY)



1/ IND (Jan-17); NPL (Nov-16); LKA (Oct-16); BGD (Aug-16); MDV (May-16); BTN(Dec-15).
2/ As of 2015 or latest available.

Impaired loans relatively large in some banking systems, but capital buffers are adequate

Nonperforming Loans Ratio
(In percent of total loans)



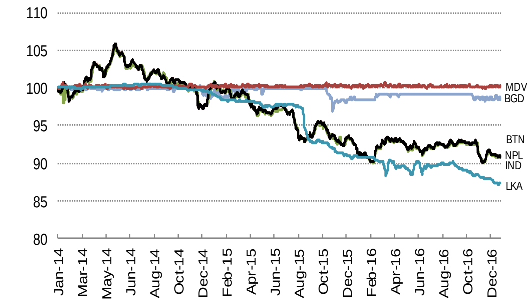
1/ IND, MDV (2016Q4); LKA (2016Q3); BGD (2015Q4); NPL (staff estimates 2016).
2/ LKA (2016Q3); BTN, IND, MDV (2016Q2); BGD (2015Q4); NPL (staff estimates 2016)

Sources: IMF, *International Financial Statistics*; IMF, *Financial Soundness Indicators;* IMF, *World Economic Outlook*; national monetary authorities; Haver Analytics; Bloomberg; and CEIC. Country acronyms denote: Bangladesh (BGD); Bhutan (BTN); India (IND); Maldives (MDV); Nepal (NPL); and Sri Lanka (LKA). EM denotes emerging market economies.

Appendix III: Selected Macroeconomic Indicators (as of October 2016 or latest)

Exchange rates flexibility: a policy feature in some economies

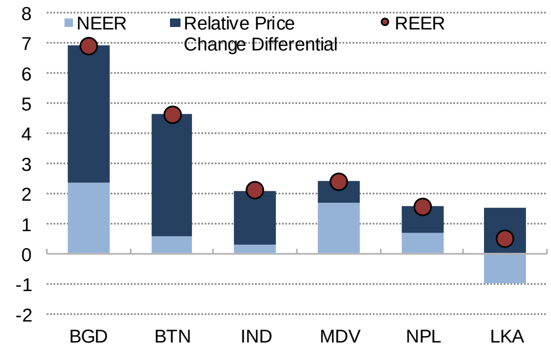
Exchange Rates
(USD/LCU, Index, Jan 1 2014 = 100, 5-day moving average) 1/ 2/



1/ LCU = Local currency unit.
2/ BTN and NPL have pegs with the Indian rupee.

Cross currency movements a more prominent driver of real effective exchange rates recently

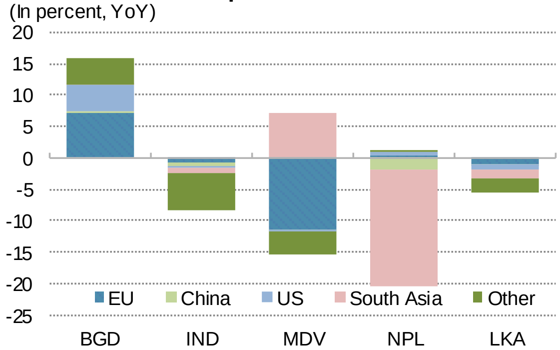
Contributions to changes in REER 1/
(In percent, YoY)



1/ As of December 2016 or latest.

Trade links to advanced economies and large EMs are key

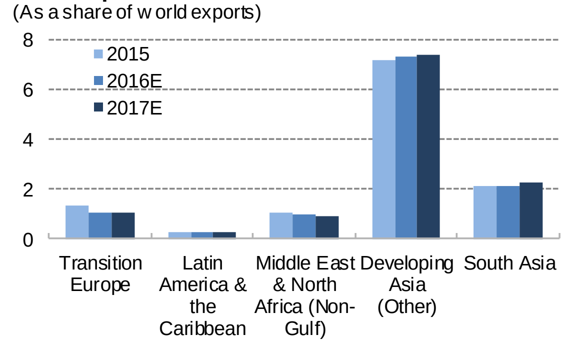
Contributions to Export Growth 1/
(In percent, YoY)



1/ As of September 2016.

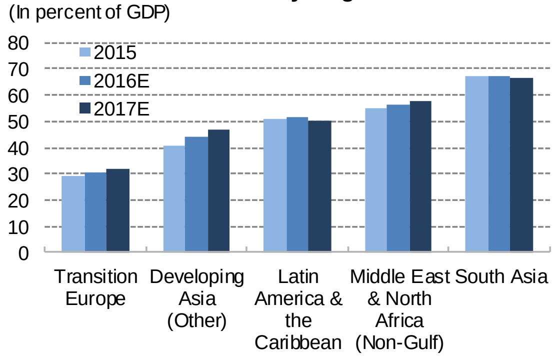
South Asia's share of world trade is small, but continues to grow

EM's Exports of Goods & Services
(As a share of world exports)



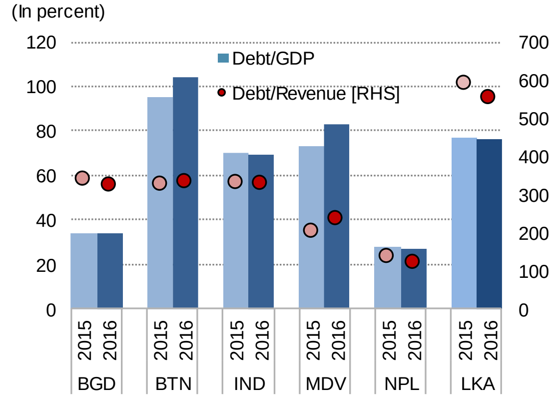
Regional debt remains high

EM's Government Debt by Region
(In percent of GDP)



Public debt ratios are stabilizing

South Asia: Public Debt
(In percent)



Sources: IMF, *International Financial Statistics*; IMF, *Financial Soundness Indicators;* IMF, *World Economic Outlook*; national monetary authorities; Haver Analytics; Bloomberg; and CEIC. Country acronyms denote: Bangladesh (BGD); Bhutan (BTN); India (IND); Maldives (MDV); Nepal (NPL); and Sri Lanka (LKA). EM denotes emerging market economies.

Appendix IV: Selected Macroeconomic Indicators, 2011 – 2021

							projections					
		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	Real GDP Growth, y/y percent change	6.5	6.3	6.0	6.3	6.8	6.9	6.9	7.0	7.0	6.7	6.5
	CPI Inflation, y/y percent change	11.5	6.2	7.5	7.0	6.4	6.7	6.9	6.6	6.3	6.0	5.7
	Overall fiscal balance (percent of GDP)	-3.6	-3.0	-3.4	-3.1	-3.9	-4.3	-4.7	-4.2	-4.2	-3.9	-3.5
	Government Revenue (percent of GDP)	10.4	11.2	11.2	10.9	9.9	10.5	11.1	11.9	12.3	12.8	13.0
Bangladesh	Government Expenditure (percent of GDP)	14.0	14.2	14.6	14.0	13.8	14.7	15.8	16.1	16.5	16.7	16.6
	M2 growth y/y percent change	19.1	19.0	15.6	13.3	13.7	14.3	14.5	14.3	14.1	13.3	12.5
	Current Account Balance (percent of GDP)	-1.0	0.7	1.2	0.9	0.7	-0.1	-0.7	-1.1	-1.4	-1.8	-2.0
	External debt (percent of GDP)	17.6	16.8	15.7	14.2	13.1	13.0	13.3	13.6	13.9	14.2	14.6
	External debt to official creditors (percent of GDP)	17.6	16.8	15.7	14.2	13.1	13.0	13.3	13.6	13.9	14.2	14.6
	Real GDP Growth, y/y percent change	9.7	6.4	3.6	3.8	5.2	6.0	6.4	11.3	13.9	8.5	5.2
	CPI Inflation, y/y percent change	7.3	9.3	11.3	9.9	6.3	4.4	4.6	5.1	5.2	4.9	4.7
	Overall fiscal balance (percent of GDP)	-1.7	-2.4	-5.8	2.9	-0.2	-0.7	-2.5	-0.5	-3.4	3.6	-1.0
	Government Revenue (percent of GDP)	35.8	35.8	30.2	33.6	28.9	31.5	27.2	27.3	25.8	32.2	29.1
Bhutan	Government Expenditure (percent of GDP)	37.5	38.2	36.0	30.8	29.1	32.2	29.7	27.8	29.2	28.6	30.1
	M2 growth y/y percent change	21.2	-1.0	18.6	6.6	11.3	10.5	10.9	16.4	19.0	13.4	10.0
	Current Account Balance (percent of GDP)	-29.8	-21.5	-25.4	-26.4	-28.8	-27.8	-31.5	-20.7	-14.1	-4.3	-5.3
	External debt (percent of GDP)	47.8	63.2	73.7	95.1	84.9	91.4	97.9	99.8	95.2	90.9	83.3
	External debt to official creditors (percent of GDP)	47.8	63.2	73.7	95.1	84.9	91.4	97.9	99.8	95.2	90.9	83.3
	Real GDP Growth, y/y percent change	6.6	5.6	6.6	7.2	7.6	7.6	7.6	7.7	7.8	8.0	8.1
	CPI Inflation, y/y percent change	9.5	9.9	9.4	5.9	4.9	5.5	5.2	5.3	5.2	5.0	4.9
	Overall fiscal balance (percent of GDP)	-8.2	-7.5	-7.6	-7.3	-6.9	-6.7	-6.6	-6.2	-5.8	-5.5	-5.2
	Government Revenue (percent of GDP)	19.3	19.8	19.5	19.6	21.1	21.4	21.3	21.4	21.6	21.8	21.9
India	Government Expenditure (percent of GDP)	27.5	27.3	27.2	26.9	28.0	28.1	27.9	27.6	27.4	27.3	27.1
	M2 growth y/y percent change	13.5	13.6	13.4	10.9	10.5	9.5	12.3	12.8	12.8	12.8	13.3
	Current Account Balance (percent of GDP)	-4.3	-4.8	-1.7	-1.3	-1.1	-1.4	-2.0	-2.2	-2.1	-2.2	-2.2
	External debt (percent of GDP)	19.8	22.4	23.9	23.3	23.4	22.8	22.6	22.3	21.9	21.6	21.3
	External debt to official creditors (percent of GDP)	3.7	3.8	3.7	3.5	3.4	3.2	2.9	2.7	2.5	2.3	2.1
	Real GDP Growth, y/y percent change	8.7	2.5	4.7	6.5	1.5	3.0	4.1	4.7	4.7	4.8	4.7
	CPI Inflation, y/y percent change	11.3	10.9	4.0	2.5	1.4	2.1	2.6	3.5	3.8	4.1	4.2
	Overall fiscal balance (percent of GDP)	-7.7	-7.9	-7.8	-9.4	-8.7	-13.7	-18.4	-19.1	-16.1	-11.1	-11.1
	Government Revenue (percent of GDP)	26.2	26.1	27.1	31.9	35.8	35.5	34.3	32.9	32.3	32.2	31.8
Maldives	Government Expenditure (percent of GDP)	33.9	34.0	34.8	41.3	44.6	49.2	52.7	52.1	48.4	43.3	42.9
	M2 growth y/y percent change	5.3	7.0	29.3	9.6	5.2	8.4	10.4	10.5	10.7	10.7	10.7
	Current Account Balance (percent of GDP)	-16.5	-7.3	-4.5	-3.9	-9.5	-11.9	-14.1	-16.8	-13.9	-10.9	-9.8
	External debt (percent of GDP)	43.5	35.2	31.8	35.0	35.1	39.3	48.3	57.3	60.8	60.4	59.9
	External debt to official creditors (percent of GDP)	30.4	29.4	27.3	22.9	22.2	27.4	36.3	44.6	47.3	46.1	44.8
	Real GDP Growth, y/y percent change	3.4	4.8	4.1	6.0	2.7	0.6	4.0	3.8	3.8	3.8	3.8
	CPI Inflation, y/y percent change	9.6	8.3	9.9	9.0	7.2	10.0	9.9	8.0	7.3	6.8	6.5
	Overall fiscal balance (percent of GDP)	-1.0	-0.6	2.1	1.5	0.3	1.5	-1.8	-1.5	-1.7	-1.5	-1.5
	Government Revenue (percent of GDP)	17.7	18.7	19.3	20.3	20.3	23.0	21.8	21.5	21.5	21.4	21.4
Nepal	Government Expenditure (percent of GDP)	18.7	19.3	17.2	18.8	20.1	21.5	23.6	23.0	23.2	22.9	22.9
	M2 growth y/y percent change	9.5	43.5	16.3	19.1	19.9	18.6	15.5	13.2	12.6	11.9	11.7
	Current Account Balance (percent of GDP)	-1.0	4.8	3.3	4.5	5.0	3.9	-0.9	-3.2	-3.7	-3.6	-4.2
	External debt (percent of GDP)	20.1	20.7	18.5	18.0	16.2	19.0	17.5	16.7	15.9	15.7	15.8
	External debt to official creditors (percent of GDP)	18.7	18.9	18.5	18.0	16.2	19.0	17.5	16.7	15.9	15.7	15.8
	Real GDP Growth, y/y percent change	8.4	9.1	3.4	4.9	4.8	5.0	5.0	5.0	5.2	5.4	5.5
	CPI Inflation, y/y percent change	6.7	7.5	6.9	3.3	0.9	4.1	5.3	5.1	5.0	5.0	5.0
	Overall fiscal balance (percent of GDP)	-6.9	-6.5	-5.9	-6.7	-6.9	-5.4	-4.7	-4.0	-3.7	-3.5	-3.5
	Government Revenue (percent of GDP)	15.0	14.1	13.3	12.3	13.1	13.0	14.0	15.3	15.5	15.8	15.8
Sri Lanka	Government Expenditure (percent of GDP)	21.9	20.5	19.2	19.0	19.9	18.4	18.8	19.3	19.2	19.3	19.3
	M2 growth y/y percent change	19.1	17.6	16.7	13.4	17.8	10.8	15.4	15.1	15.2	15.6	6.2
	Current Account Balance (percent of GDP)	-7.8	-6.7	-3.8	-2.7	-2.5	-1.5	-2.8	-3.1	-3.3	-3.3	-3.3
	External debt (percent of GDP)	55.4	62.5	59.3	57.4	55.1	55.8	55.9	56.3	57.1	56.5	55.8
	External debt to official creditors (percent of GDP)	25.4	27.9	25.2	23.0	22.5	23.7	24.5	24.1	23.6	22.7	21.0

Note: Data reflects the most recently published WEO (October 2016). Bhutan fiscal year ends in June, India fiscal year ends in March, Nepal fiscal year ends in July. Bangladesh, Maldives, and Sri Lanka calendar year ends in December.

Appendix V: List of Development Partners and Other CD Providers

List of develoment partners and other CD providers in the SARTTAC region							
	macro-economic analysis	**revenue administration**	**PFM**	**financial sector regulation**	**monetary policy and operations**	**macroeconomic statistics**	**major development partners**
Bangladesh		World Bank, IFC, UK, AsDB	World Bank, EU, UK, Canada, US	World Bank, AsDB	AsDB	World Bank	Japan, UK, US, Australia, Germany, Denmark, Netherlands, Canada, World Bank, AsDB, IFC, IsDB
Bhutan	AsDB		EU			Japan	Japan, UK, Denmark, India, Austria, World Bank, AsDB
India			World Bank	US, World Bank			Japan, UK, Germany, US, Norway, Australia World Bank, ADB, Global Fund, EU
Maldives	AsDB, World Bank		World Bank	World Bank		Japan	Japan, Australia AsDB, World Bank, EU
Nepal		Germany, Denmark	World Bank, AsDB, Japan	World Bank, AsDB, UK	World Bank	AsDB	UK, Japan, Germany, US, Australia, Denmark, Norway, Germany, Korea, China World Bank, AsDB, EU
Sri Lanka	World Bank, AsDB, Japan	World Bank, AsDB, Japan	World Bank, AsDB, Japan, US	World Bank			Japan, Korea, Australia, Norway, France AsDB, World Bank, EU

INTERNATIONAL MONETARY FUND

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