

# CAPACITY DEVELOPMENT



**FISCAL AFFAIRS**



## FAD CAPACITY DEVELOPMENT AT A GLANCE

# Supporting Capacity Development During COVID-19 and into Recovery

Capacity development (CD) is fundamental to the Fiscal Affairs Department's (FAD) work.

For more than 50 years, FAD has delivered fiscal expertise by supporting fiscal institution building across the Fund's membership, catering to related human CD needs, and basing its work on a demand-driven model.



### AGILE

Responding quickly and adapting delivery modalities to best support CD needs of country authorities



### INTEGRATED

Integrating CD work with the IMF's lending and surveillance activities and coordinating CD planning and delivery across HQ and field operations



### COUNTRY-ORIENTED

Implementing a medium-term programmatic approach that factors in a country's needs, absorptive capacity, and pace of reform



### RESULTS-FOCUSED

Delivering CD with clear milestones and outcomes to achieve sustainable and effective results

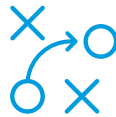
# HOW DO WE DELIVER CD? FAD's Capacity Development Model

Recognizing that capacity building is a long-term endeavor that involves multiple stakeholders and requires strong political commitment and ownership, the FAD CD model has evolved to adopt a multiyear programmatic approach focusing on transformational fiscal reforms.



## DIAGNOSTIC ASSESSMENT

Innovation to develop new assessment tools to benchmark, identify gaps, and support effective CD



## REFORM STRATEGY ELABORATION

Consultations with authorities, partners, and internal stakeholders (FAD's fiscal economists and Area Departments) to prioritize topics and elaborate reform strategy



## SEQUENCED IMPLEMENTATION OF DIVERSE CD INTERVENTIONS

CD delivery combines strategic recommendations and quality control from HQ staff and hands-on support from regional or in-country experts



## EVALUATION AND RE-PRIORITIZATION

Assessment of outcomes and systematic evaluation of performance provide feedback to help prioritize resource allocation

Using different channels to reach our membership and the general public, we deliver and engage in CD issues as well as share knowledge and give advice through:

- Country-specific work: missions, desk reviews, and workshops
- Cross-country work: training and regional & global conferences
- Massive open online courses on [PFM](#), [RA-GAP](#), [VITARA](#) and revenue forecasting
- Social media presence: [Podcasts](#), [IMF Blogs](#), [PFM Blog](#), [Twitter](#), [Facebook](#)
- [How To Notes](#) on specific fiscal topics, [working papers](#), and [other analytical work](#).

Our work starts with a diagnostic assessment, and our CD intervention is carefully sequenced and constantly evaluated.

# IN WHICH AREAS DO WE DELIVER FISCAL CD? Our Knowledge in 5 Workstreams

## Macro-Fiscal Policies and Frameworks

Ensuring more credible fiscal forecasts and transparent intergovernmental relationships, establishing fiscal rules, strengthening the management of fiscal risks, improving fiscal policies in support of environmental sustainability (climate change) and reducing governance and corruption vulnerabilities, and aligning fiscal policies with sustainable development and inclusive growth.

## Revenue Administration

Strengthening tax and customs administration, including the collection of social security contributions to enhance member countries' institutional capacity to increase taxpayer compliance and support trade security and facilitation, through the adoption of robust governance and strategic management frameworks, as well as the modernization of core operational functions (including taxpayer service, filing and payment, audit, enforcement collection, and dispute resolution).

## Tax Policy

Providing general tax policy reviews and specific tax policy advice, particularly in the areas of income tax (including international corporate taxation), value-added tax, carbon taxation, and taxation of natural resources (including oil and gas) to improve tax systems' economic efficiency, distributional fairness, and transparency.

## Public Financial Management (PFM)

Improving PFM institutions through adoption of strategic budgeting, better budget preparation, execution, and control; fiscal risk management, improved asset and liability management; robust management of public investments, and increased fiscal transparency.

## Expenditure Policy

Rationalizing public expenditure—including on price subsidies, wage bill, education, health, and social protection systems—in a socially and economically responsible manner, such as increasing the long-term sustainability of pension systems, and reducing the adverse impact of subsidies on vulnerable groups.

## Macro-Fiscal Policies and Frameworks

- [Global Debt Database \(GDD\)](#)
- [Fiscal Rules Dataset 1985-2021](#)
- [Fiscal Council Dataset](#)
- [Fiscal Policy Responses to COVID-19](#)

## Expenditure Policy

- [Expenditure Assessment Tool \(EAT\)](#)
- [Social Protection And Labor Toolkit \(SPL-AT\)](#)
- [Wage Bill Projection Tool \(W-Pro\)](#)
- [Investment and Capital Stock Database](#)

## Revenue Administration

- [RA-GAP](#)
- [TADAT](#)
- [RA-FIT/International Survey on Revenue Administration \(ISORA\)](#)
- [International Survey on Customs Administration \(ISOCA\)](#)
- [Revenue Portal](#)

## Public Financial Management (PFM)

- [P-FRAM](#)
- [Infrastructure Governance/PIMA](#)
- [FTEs](#)
- [Cash Forecasting and Analysis Tool \(CFAT\) for Fragile States and Low-Income Developing Countries](#)
- [Public Sector Balance Sheet \(PSBS\) Assessment](#)
- [Fiscal Risk Assessment Tool \(FRAT\)](#)
- [State-Owned Enterprise Forecasting and Stress Testing Tool](#)

## Tax Policy

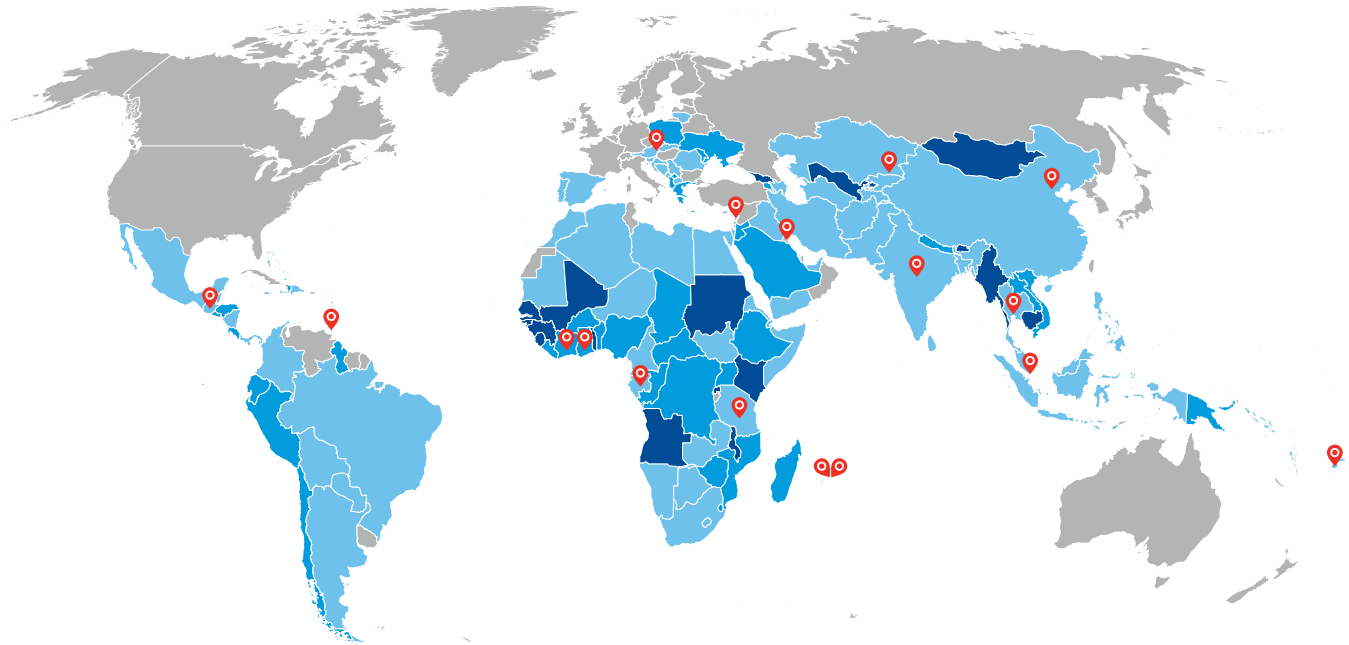
- [FARI](#)
- [Tax Expenditure Assessment \(TEA\)](#)
- [WoRLD tax revenue database](#)
- [Revenue Forecasting and Analysis Course \(RFAX\)](#)

One key innovation of FAD includes **diagnostic tools** that assess the baseline before engaging in medium-term reforms and that monitor progress and identify good international practices.



# WHO ARE OUR CLIENTS? Our Global Membership

We support IMF members that request CD support on fiscal matters. Over the past year, we provided technical advice and training to over 150 countries across all regions and income levels.



## INTENSITY OF ENGAGEMENT

HIGH

MEDIUM

LOW

Number of CD activities and trainings in country



= IMF Regional Capacity Development Center

Low-Income Developing Countries

51%

Emerging Markets

43%

## RECIPIENTS OF CD

(% of CD Delivery)

37%

Program Countries

29%

Fragile States

We provide assistance mostly to developing countries and emerging markets. About half of our work focuses on low-income developing countries that need strong fiscal policies to contribute to macroeconomic stability and healthy growth, which includes ensuring resources for governments to finance social programs and public infrastructure.

## WHO ARE WE? Our Diverse and Specialized Staff

FAD's expertise comes from a diverse workforce with significant experience in building fiscal institutions in a range of countries. Our strong field presence of many resident advisors enables us to implement our country orientation and to quickly respond to countries' needs:

- 314 HQ-based staff and contractuels from 82 countries
- 79 resident advisors working in-country or at Regional Capacity Development Centers (RCDCs)
- A pool of 1,100 experts representing 120 nationalities, available for short-term assignments

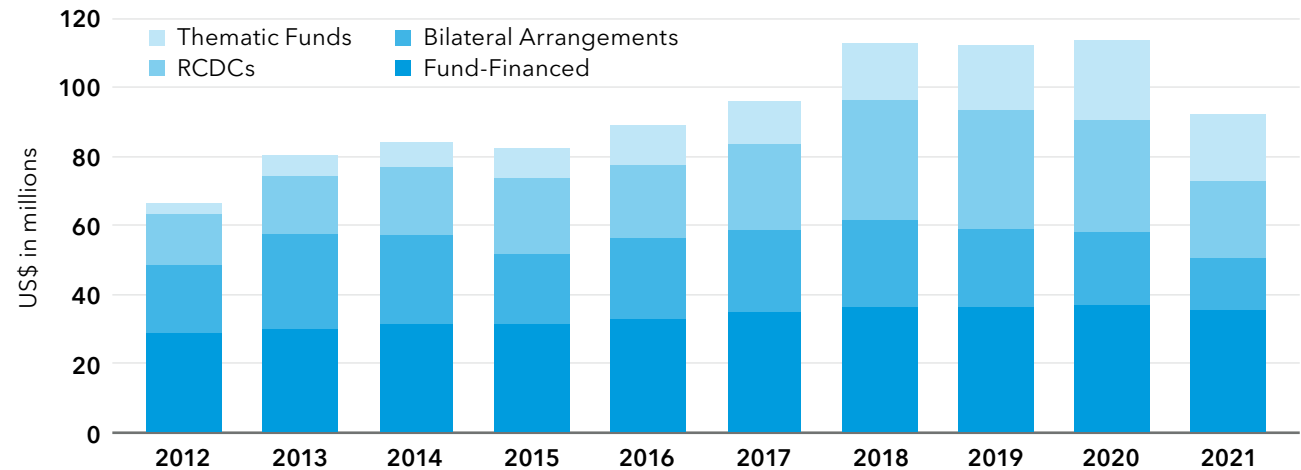


## WHO ARE OUR PARTNERS IN BUILDING FISCAL CAPACITY? Our Global Partnerships

FAD partners closely with other CD providers and the international donor community. We discuss our members' challenges in reforming their fiscal systems and institutions and collaboratively provide solutions.

We greatly value the donor-provided resources that finance our CD work—through contributions to our [Thematic Funds](#) (e.g., Revenue Mobilization Thematic Fund ([RMTE](#)), Managing Natural Resource Wealth Thematic Fund ([MNRW](#)), Tax Administration Diagnostic Assessment Tool ([TADAT](#)), Infrastructure Governance Facility ([IGF](#))), and to the Fund's [network of RCDCs](#), and bilaterally to major fiscal projects.

FAD CD Spending by Funding Source





## HOW HAVE WE RESPONDED TO THE COVID-19 CRISIS?

# COVID-19 is the largest shock ever to our CD work.

Our members are facing crisis-related increases in public deficits and debt as a result of ramped-up spending and plummeting revenues, posing challenges to fiscal sustainability.

Fiscal issues have been “left, right, and center” in fighting the pandemic and its economic fallout, while long-standing challenges such as climate change, poverty, and inequality are becoming more urgent.

The crisis requires FAD to respond quickly to cater to the short-term fiscal needs of our members and help position them for the recovery phase. However, the travel ban has prevented us from delivering our traditional in-person CD work exactly when our membership needs us most.

FAD has adapted to continue supporting member countries through a variety of remote engagements. Even though many challenges remain—from engaging across different time zones to overcoming connectivity challenges in low-income countries—FAD has built on its long experience and sustained engagements with countries to continue delivering CD.

Since the pandemic started, we have delivered:

- More than 2000 engagements with authorities as different types of remote missions
- 46 webinars on fiscal issues
- [39 Special Series Notes](#) on COVID-19-related fiscal issues
- Virtual conferences and workshops, and online courses

Fragile and Conflict-Affected States (FSC) are at a significant risk of falling behind in their post-pandemic recovery and achieving the Sustainable Development Goal. As part of the IMF Strategy for FSC, FAD has a unique CD model to support FCSs—integrating macro-fiscal issues with micro support for fiscal institutions, including adapting taxation to various types of fragility.

The COVID Idea Exchange (CIX) was piloted to support an exchange of ideas and knowledge across IMF member countries on fiscal and monetary policy issues by facilitating contact between senior government officials and developing communities of practice (CoPs) in selected areas. As part of the PFM forum, three webinars were organized on three key cash management issues.

**TO FACILITATE COUNTRY AUTHORITIES' REQUESTS FOR SUPPORT,** we have dedicated three email boxes to receive requests for CD work, feedback, and suggestions on fiscal issues. This is our new on-demand approach.



### REVENUE ISSUES

Tax Policy & Administration  
[CDsupport-revenue@IMF.org](mailto:CDsupport-revenue@IMF.org)



### SPENDING ISSUES

Public Financial Management and Expenditure Policy  
[CDsupport-spending@IMF.org](mailto:CDsupport-spending@IMF.org)



### MACRO-FISCAL ISSUES

[CDsupport-macrofiscal@IMF.org](mailto:CDsupport-macrofiscal@IMF.org)

# HOW HAVE WE RESPONDED TO THE COVID-19 CRISIS...

## In Revenue Administration and Tax Policy

As countries begin to emerge from the shock of COVID-19, governments are resetting tax policy and administrative measures to mobilize revenue to ease fiscal deficits and meet expenditure needs. Many countries are rolling back temporary policies and measures and developing short-term measures to meet revenue needs, while planning for medium-term revenue growth.

However, the timing of emergence from the pandemic is uneven across regions. Also, many governments continue to struggle with poor tax design and weak institutional capacity.

We continue to provide support tailored to countries' needs and cognizant of their stage of crisis response:

- Advice is shifting to recovery of taxpayers' compliance and payment levels, and core business processes, expanding digitalization and data analytics, developing tax policies for inclusive growth, and medium-term revenue strategies (MTRS).
- New focus includes supporting a green recovery and inclusive tax policies and administration, including gender parity.
- Virtual initiatives expand including training ([VITARA](#), Tax Gap Analysis, and Revenue Forecasting and Analysis), workshops, and flexible on-demand CD.

- The [Special Series Notes on COVID-19](#) has expanded to include post-crisis actions.
- A webinar series (seven) focusing on improving the various aspects of [Value-Added Tax](#) through countries' exchange of experience and ideas.

The response has been positive:

- Strengthened core tax and customs processes in Benin, Burkina Faso, Cambodia, Chad, Georgia, Honduras, Liberia, Malawi, Mauritania, Moldova, Mongolia, and Paraguay. Compliance plans were developed in parallel with immediate CD responses in Bolivia, Bosnia and Herzegovina, Cape Verde, Guatemala, Maldives, and Mongolia.
- Digital solutions and streamlined processes are reducing face-to-face interactions and facilitate tax obligations and trade (Chad, Rwanda, Senegal, Uganda); reliance on customs e-declaration modules is increasing (Liberia, Madagascar, Mali, Mauritania).
- Strengthened risk-based compliance models and increased data analytics including analyzing stimulus/relief measures for fraud detection and post-crisis audits (Benin and Rwanda); developing and implementing compliance strategies in Armenia, Eswatini, Georgia, Honduras, Jordan, Liberia, Maldives, Mali, Mauritania, Mongolia, Pacific



Island countries, Pakistan, Paraguay, Rwanda, South East Europe countries, Uzbekistan, Vietnam and Zimbabwe; customs officers deterring smuggling (Ethiopia and Liberia); and increased focus on large and medium taxpayers to bolster revenue streams (Chad, Cote d'Ivoire, Niger and Uzbekistan).

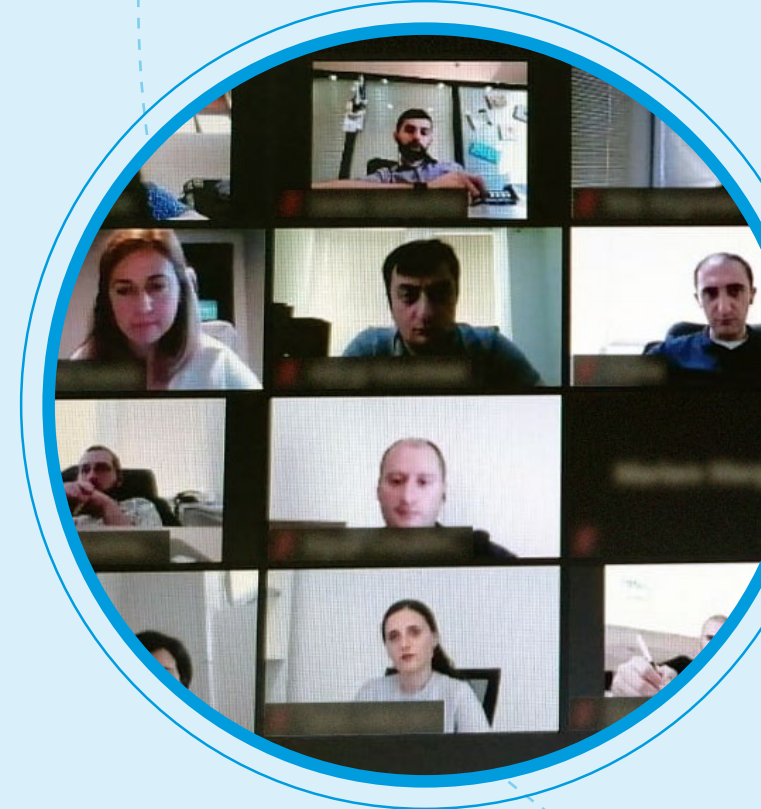
- Broader institutional strengthening (Albania, Bhutan, Guatemala, Kosovo, and Ukraine) while developing medium-term strategies, including for information technology, to support revenue growth (Cambodia, Egypt, Kenya, Laos, Rwanda, Senegal, Uganda, Uzbekistan, and Vietnam).

# HOW HAVE WE RESPONDED TO THE COVID-19 CRISIS...

## In Public Financial Management

We are working to meet member countries' PFM needs during the COVID-19 pandemic while keeping a focus on medium-term reforms.

- Our remote missions address high priority topics, including: modeling the impact of COVID-19 on the fiscal framework; identifying and quantifying fiscal risks that have materialized as a result of the pandemic as well as those arising from emergency measures (e.g., credit guarantee schemes); helping with design and implementation of dedicated COVID-19 funds; budgeting, monitoring, and reporting of COVID-19 expenditures; and advising on cash and treasury management.
- Through the [Special Series Notes on COVID-19](#), we have provided guidance on pressing PFM issues faced by member countries, such as: maintaining transparency and accountability in the emergency response; budget execution controls to mitigate corruption vulnerabilities; digital solutions for direct cash transfers; cash management under fiscal stress; managing public investment; and support to state-owned enterprises.
- We are conducting webinars and remote workshops that bring together authorities and FAD staff to share country experiences on COVID-19 PFM challenges. Countries are appreciative of these exercises, underlining the benefits of peer-to-peer learning.
- Regional workshops in Southeast Europe and Latin America dealt with how digital solutions could support implementation of COVID-19 emergency responses, for example in managing cash transfers to those most affected by the economic crisis.
- As countries start to recover from the pandemic there has been strong demand for support in assessing emerging fiscal risks. In response, a number of tools have been developed, including the Fiscal Risk Assessment Tool (FRAT); tools for assessing risks of state-owned enterprises, fiscal risks in the health sector, and risks involved with government guarantees; and a country fiscal stress test. Workshops on these tools have been conducted for countries in the Caucasus and Central Asia, Southeast Europe, Sub-Saharan Africa and the Middle East and North Africa.



## DEEPER DIVE IN OUR WORKSTREAMS

# Enhancing Macro-Fiscal Policies and Frameworks

Sustainable development and inclusive growth are underpinned by robust and sound macro-fiscal policies. Given the increasing importance of topics such as climate change and governance & anti-corruption in the international agenda, FAD has enhanced its CD focus on these emerging issues to better serve our membership.

**GOVERNANCE & ANTI-CORRUPTION** Good governance and transparency are essential for macroeconomic performance and economic development, while maintaining trust in government and public institutions. Corruption weakens key functions of the public sector, including the ability to collect taxes and to make expenditure choices in a fair and efficient way. During the COVID-19 crisis, good governance and transparency are also needed to ensure that crisis-fighting expenditures go to their intended purpose and that strained public finances are not further depleted by corrupt fiscal leakages.

Strengthening fiscal institutions has been an integral part of good governance. FAD has provided CD in various areas which have led to stronger fiscal institutions. Those include CD on public financial management, revenue administration, and fiscal transparency. Particularly in response to COVID-19, FAD has been advising countries on the importance of “keeping the receipts” while they increase expenditures to face the crisis. Furthermore, governance diagnostic missions—carried out with other IMF departments—help country authorities to identify governance weaknesses in depth and discuss potential reform measures. In the last two years, FAD (together with other departments) has conducted ten governance diagnostic exercises. These exercises examine vulnerabilities to corruption with granularity and set out a strategy of engagement to tackle them.

## CLIMATE CHANGE

FAD helps countries design and implement fiscal policies to support their climate mitigation and adaptation strategies and to help mainstream climate in countries’ macrofiscal frameworks. Examples of our work include:

- Carrying out a climate diagnostic tool, Climate Macroeconomic Assessment Programs (CMAP) to assist, especially small and low-income countries, to build resilience and develop policy responses to cope with the economic impact of climate change, including mitigation, adaptation, financing strategy, and related PFM systems.
- Providing analysis of the environmental, fiscal, economic, and distributional impacts of carbon pricing and other policy options for implementing countries’ mitigation strategies.
- Undertaking policy analyses and CD support on green investment and the transition to a climate-resilient and low-carbon economy, especially through public investment and public policies.
- Introducing the Green PFM framework and a new climate module in the Public Investment Management Assessment (C-PIMA). The C-PIMA evaluates to what extent countries have the necessary institutions to ensure that public investment is climate responsive and supports climate mitigation and adaptation goals.

# Mobilizing Revenues

Fair, efficient, and sustainable revenue mobilization is crucial for sound public finances, inclusive economic growth, and achieving sustainable development goals. Revenue mobilization efforts, which are being adversely impacted by the COVID-19 crisis, can be more effective with the formulation and implementation of medium-term revenue strategies ([MTRS](#)). MTRS set out a high-level road map for tax system reform, covering policy, administration, and legal frameworks over a four-to-six-year period.

Our support in tax policy, revenue administration, and legislation is tailored to country-specific circumstances and capacities. Our analytical and data-driven approach helps identify key areas for improvement by using specialized diagnostic tools.

To support our country work, we also undertake applied research on a wide range of topics, including the impact of taxation on investment, international tax spillovers, environmental taxation, the administration of high net wealth individuals, the impact of digitalization on tax design and tax and customs administration, and the design and administration of fiscal regimes for the extractive industries.

The results of our analytical and research work including tools, country-specific reports, technical notes, working papers, webinars and online courses as well as other publications are available on our dedicated portal, the [Revenue Portal](#).

Our CD in **tax policy** focuses on:

- Increasing the effectiveness of value-added taxes, including in balancing revenue and fairness objectives.
- Ensuring the efficiency and equity of corporate and personal income taxes.
- Advising on the international aspects of corporate taxation, particularly to help developing countries in setting up mechanisms to avoid an erosion of their tax base by cross-border profit shifting.

- Increasing effectiveness in the use of property taxes.
- Supporting countries in properly designing fair and effective taxation of financial instruments and institutions.
- Advising on fiscal regimes governing extractive industries and properly designing environmental taxes to address the externalities caused by underpricing of carbon emissions and energy usage.
- Improved tax policy frameworks through promoting Tax Expenditure Assessments, and training in forecasting, modeling, and policy assessment.
- Building revenue data for effective cross-country analysis and advice.

Our CD in **revenue administration** focuses on:

- Enhancing revenue administration management and governance arrangements, including strategic planning, legal frameworks, and human resource and information technology and data analytics strategies.
- Improving administration of taxes, including value-added taxes, customs duties, excises, income taxes, and social security contributions.
- Strengthening countries' capacity to administer fiscal revenues from the extractive industries.
- Strengthening taxpayer compliance management, including tax gap and compliance risk analysis, as well as strengthening core operational processes.
- Advising on compliance strategies for different taxpayer segments—including through setting up specialized administrative units, simplified tax regimes, and strategies targeted to the large, medium, and small taxpayers.
- Strengthening synergies between collection of trade taxes and customs' responsibilities in trade facilitation, regional integration, and implementation of trade policies.



# Medium-Term Reforms to Finance the Recovery in Senegal and Uzbekistan

**OUR CHALLENGE:** While temporary short-term measures are critical to respond to the COVID-19 crisis, a medium-term focus is vital to secure the tax revenue needed for recovery and to meet the SDGs. The formulation and execution of Medium-Term Revenue Strategies (MTRS) were ongoing in Senegal and Uzbekistan when the COVID-19 crisis hit. Providing relief and assistance to the citizens suffering from the economic impact of the crisis without losing reform achievements made so far was imperative.

**OUR APPROACH:** FAD reacted swiftly to assist both countries to respond to the crisis while continuing to provide support with sustainable medium-term measures and the MTRS.

- **Senegal:** In the early stages, FAD helped the tax administration maintain its operations (e.g., expansion of online procedures and systems; processes for staff to work remotely). These interventions concurrently supported the ongoing implementation formulation of the MTRS.
- **Uzbekistan:** FAD transitioned CD delivery to virtual/remote support, including regular check-ins with the authorities to meet changing priorities. The HQ team leveraged resources including the [Special Series Notes on COVID-19](#), the FAD resident advisor, videoconferences, desk reviews, and emails to address immediate needs while continuing to support medium-term reforms in both tax policy and revenue administration.

**RESULTS SO FAR:** Immediate and sustained involvement helped the countries safeguard early achievements, protect revenue collection, and prepare for a smooth transition into recovery.

- **Senegal:** Amid the crisis, the MTRS was adopted (June 2020). It centers on base broadening and reduction of tax expenditures. In January 2021, FAD reviewed the MTRS to factor in COVID-19's negative impact and updated the MTRS matrix of priority reforms accordingly, including a timetable and potential yield of key measures with the financial support of a multi-year Revenue Mobilization Thematic Fund (RMTF) project and the IMF regional CD center (AFRITAC West).
- **Uzbekistan:** Tax relief was provided to citizens (delayed tax collection) while simultaneously maintaining high compliance from the large taxpayers, thereby preventing a revenue collapse. The authorities continued a medium-term focus through the progressive implementation of the second phase of restructuring to streamline their field office operations and further development of compliance risk management approaches to enhance effectiveness. In May and September 2021, FAD provided support to develop analytical methods to assist with planning and forecasting and progress the transition of the reform agenda into an MTRS, with its formulation expected for end-2021. Concurrently, we are assisting the country in preparing the tax system for the privatization of the mining and oil sector.

# Strengthening Public Financial Management

Strong PFM systems are essential for the efficient delivery of public policies and services, the sustainability of public finances, the efficient use of public money, managing uncertainties, and ensuring fiscal transparency and fighting against corruption.

Our support in **PFM** focuses on:

- Comprehensive assessments of PFM systems', analyzing their effectiveness, efficiency, and transparency through standardized assessment tools such as Fiscal Transparency Evaluations (FTE), Public Investment Management Assessments (PIMA), the Fiscal Risk Assessment Tool (FRAT), and Public Expenditure Financial Accountability (PEFA).
- Improvement of core PFM systems to strengthen fiscal frameworks, budget preparation, treasury management, budget execution and expenditure controls, accounting and fiscal reporting, financial management information systems, and internal control and audit.
- Support for the adoption of advanced PFM practices, such as medium-term fiscal and budget frameworks, fiscal rules, fiscal councils, performance-based budgeting, accrual accounting, fiscal risk management, efficient public investment, spending reviews, and balance sheet analysis.
- Strengthening of the PFM legal frameworks and advising (with the IMF's Legal Department) on the legal changes required to support PFM reforms.
- Strengthening of the organization of ministries of finance, state treasuries, debt and cash management offices, and independent fiscal institutions, such as fiscal councils.
- Adaptation of existing PFM practices to support emerging priorities such as climate and environmental-friendly policies (Green PFM), costing of and budgeting for SDGs, gender budgeting, and digitalization and GovTech.

## Strengthening Infrastructure Governance: The Public Investment Management Assessment (PIMA)

High-quality infrastructure is essential for sustainable and equitable economic growth and will play an essential role in post-COVID economic recovery. Spending better is just as important as spending more, especially in the context of high debt levels and reduced fiscal space.

The [PIMA tool](#) serves as a framework for assessing infrastructure governance (IG) and examines the strength of IG institutions across the stages of public investment—planning, allocation, and implementation—to help countries identify priorities for reform.

The IMF has completed PIMAs in over 70 countries, revealing that institutions for planning are stronger than institutions for allocation and implementation of public investment. Weaknesses are common in the appraisal, selection, and management of projects, and in the monitoring of infrastructure assets. Many countries have begun to implement recommendations identified in PIMAs. The PIMA has also been a catalyst for donor support and helped improve coordination among CD providers.

A new [climate module](#) has been added to the PIMA (C-PIMA) and is being rolled out in several countries across all income levels. The C-PIMA assesses strengths and weaknesses of climate responsive investment during planning, coordination, project appraisal and selection, budgeting and portfolio management, and risk management phases, with ensuing recommendations for their improvement.

## Strengthening Analysis and Management of Fiscal Risks

Comprehensive analysis, disclosure, and management of fiscal risks are needed to ensure sound public finances, macroeconomic stability, and fiscal transparency. Events of the past two decades have shown how costly fiscal risk realizations from macroeconomic shocks, pandemics, natural disasters, and bailouts of public enterprises can be.

The IMF's [Fiscal Risk Toolkit](#) comprises practical tools to help countries assess fiscal risks and includes new tools for the COVID-19 pandemic, state-owned enterprises, and government loans and guarantees. The IMF has worked with around 40 countries in applying these tools, to help support their decision-making, monitoring, management, and disclosure of these risks.

The IMF's new [Fiscal Risk Management](#) Portal brings together these practical tools, guidance materials and the latest research on fiscal risk management. Together the Toolkit, guidance and capacity development help policy makers better understand and manage their fiscal risks thereby contributing to more resilient and sustainable public finances.

# Spending Well

FAD also provides capacity development to member countries on Expenditure Policy. The focus is on ensuring that public spending levels are fiscally sustainable and enhancing spending adequacy and efficiency. Public spending is evaluated through a range of benchmarking tools comparing expenditure levels, spending composition, and spending efficiency with country peers, as well as with established good practices.

Our support in **expenditure policy** focuses on:

- Broad-based expenditure rationalization reforms across economic and functional classifications aimed at identifying short and medium-term reforms to ensure spending is adequate, efficient and fiscally sustainable.
- Reform of public pension systems to restore their financial sustainability while protecting their underlying equity and poverty alleviation objectives.
- Energy subsidy reforms focused on sustainably reducing the fiscal cost of subsidies, designing automatic pricing mechanisms to protect fiscal gains over the medium term, and identifying mitigating social measures to protect the poor from energy price increases.
- Government wage bill management, including compensation and employment measures consistent with efficient service delivery and fiscal sustainability.
- Projection of public health and pension spending over the medium term to facilitate their integration into medium-term budget frameworks.
- Assessment of the spending needs to achieve a high performance in selected Sustainable Development Goals (SDGs) focused on human and physical capital development.

## Costing SDGs in Cambodia

Helping countries achieve the Sustainable Development Goals (SDGs) is a core activity of the IMF, including in CD. FAD has been assisting countries in estimating SDG-related spending needs in five “investment-type” sectors, including education, health, water & sanitation, roads, and electricity.

Cambodia has made important progress toward meeting the SDGs. The access to and quality of health services and education has improved thanks to an increase in public spending and continuous support by development partners. Public investment and private sector involvement also resulted in improved access to high-quality physical infrastructure, particularly electricity and roads. In conducting the SDG cost assessment, the mission collaborated with the Asian Development Bank, UN Development Programme, UNICEF, the World Bank, the World Health Organization, and line ministries.

### OUR MAIN FINDINGS:

- Cambodia needs about 7½ percent of GDP of additional spending in 2030 to meet the SDG targets in the five areas. About two-thirds of the total needs are in education and health services. Reaching universal access to electricity and roads requires additional annual spending of at least 2½ percent of 2030 GDP. Spending required for improving access to water and sanitation is less than 1/2 percent of 2030 GDP.
- To finance these spending needs without exacerbating public debt, the mission emphasized the importance of continuing to strengthen domestic tax capacity, partially drawing on government deposits, borrowing at concessional terms, and bringing in development partners and the private sector where feasible. The mission also highlighted the need to continue to improve spending efficiency and public investment management practices.

## WANT TO LEARN MORE AND TALK TO US?

Our hands-on experience of solving real-world issues informs our analytical work. Please take a look at our publications.

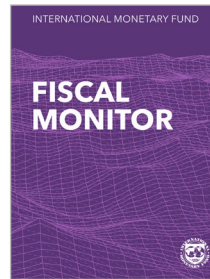
Our publications are available at [IMF.org/en/Publications](https://www.imf.org/en/Publications).

Our data series are available at [IMF.org/en/Data](https://www.imf.org/en/Data).

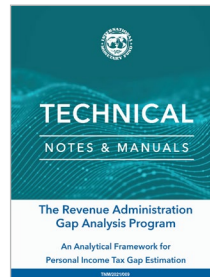
Our dedicated site on revenue issues:  
<https://www.imf.org/en/Topics/fiscal-policies/Revenue-Portal>



[Contact the Fiscal Affairs Department](#)  
to learn more about our CD work.



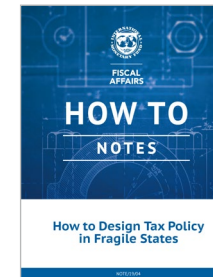
The [Fiscal Monitor](#), our flagship publication, analyzes the latest public finance developments in the world with updated fiscal implications of the crisis and medium-term fiscal projections; it also builds on FAD's CD knowledge to provide policies to put public finances on a sustainable footing.



[Technical Notes and Manuals](#) are produced by FAD to expand the dissemination of our technical advice. They present general advice and guidance, drawn in part from unpublished technical reports, to a broader audience.



[Staff Discussion Notes](#) showcase the latest policy-related analysis and research being developed by IMF staff and are published to elicit comment and to further debate. They are generally brief and written in nontechnical language, and so are aimed at a broad audience interested in economic policy issues.



["How To" Notes](#) are designed to help officials in member countries, IMF staff, and all interested stakeholders to address topical issues from a very practical point of view. They draw on FAD capacity development advice and cross-country policy work.



Helping countries  
shape public finances  
that support sustainable  
and inclusive growth