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2018 Review of the Fund's Capacity Development Strategy

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IMF POLICY PAPER

2018 REVIEW OF THE FUND'S CAPACITY DEVELOPMENT STRATEGY—OVERVIEW PAPER

November 2018

IMF staff regularly produces papers proposing new IMF policies, exploring options for reform, or reviewing existing IMF policies and operations. The following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its November 14, 2018 consideration of the staff report.
- The **Staff Report**, prepared by IMF staff and completed on October 3, 2018 for the Executive Board's consideration on November 14, 2018.

The documents listed below have been or will be separately released.

Staff Background Studies and Short Notes
Survey of Stakeholders and Independent Interviews
External Commentary and Background Studies
Report of the External Advisory Group

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IMF Executive Board Concludes 2018 Review of the Fund's Capacity Development Strategy

On November 14, 2018, the Executive Board of the International Monetary Fund (IMF) concluded the 2018 Review of the IMF's Capacity Development (CD) Strategy.

Background

The IMF undertakes a comprehensive review of its capacity development efforts every five years. A core function of the IMF, [capacity development](#) accounts for more than 30 percent of IMF's budget and includes support to member countries to build the institutions and capacity necessary to formulate and implement sound economic policies. As part of the 2013 CD Strategy, the Fund's Executive Board [endorsed](#) recommendations to strengthen the governance structure for CD operations and CD prioritization, clarify the funding model, reinforce the orientation of CD delivery toward outcomes, enhance monitoring and evaluation, strengthen integration of technical assistance and training, exploit new technologies, and leverage CD in outreach. Updated [CD Policies and Practices](#) based on this review were endorsed by the Executive Board on September 4, 2014.

The current review builds on previous staff and Independent Evaluation Office CD reviews, policy reviews on related topics, and ongoing work on operational strategies relevant to CD. It has been informed by a wide range of inputs, including broad outreach both internally and externally, including stakeholder surveys, interviews, and public consultation, as well as several background studies and commentaries by Fund staff, external experts, and an External Advisory Group. The review assesses progress with the 2013 policy agenda and proposes measures to increase the impact and efficiency of CD.

Executive Board Assessment¹

Executive Directors broadly supported the main conclusions and recommendations of the 2018 Review of the Fund's Capacity Development (CD) Strategy. They commended the substantial progress made in implementing the 2013 CD Strategy, and noted the widespread appreciation for the Fund's CD, which plays a key role in supporting member countries'

¹ An explanation of any qualifiers used in summings up can be found here:
<http://www.imf.org/external/np/sec/misc/qualifiers.htm>.

efforts to build institutions and capacity necessary to formulate and implement sound economic and financial policies. They emphasized that the Fund's CD Strategy should continue to serve the membership's current and evolving needs, and welcomed the inclusion of risk considerations in the strategy.

Directors supported the focus on two mutually reinforcing objectives of enhancing the impact and efficiency of CD. They agreed that the impact of CD needs to be increased by further strengthening integration with the Fund's policy advice and lending operations and by tailoring strategies to each country's institutional capacity and specific needs, while focusing on implementation and outcomes. Directors also underscored the need to increase the efficiency of CD by improving processes and systems, aimed at enhancing transparency and accountability, and strengthening the basis for strategic decision-making, including by the Board.

Directors supported the five specific areas of recommendations that underpin the Fund's CD Strategy:

- *Roles and responsibilities.* Directors emphasized the importance of country authorities playing a leading role throughout the CD process, with due consideration to institutional and capacity constraints. Such a country-centered approach requires area departments to be in the leading role on the Fund's overall country engagement, including establishing country strategies and priorities for CD, taking into account the country's own strategy and working in collaboration with CD departments. Directors encouraged staff to learn more systematically from best practices in integrating CD and surveillance and looked forward to exploring further how to better integrate CD and surveillance, following on findings of this review and experience from mainstreaming best practice in the context of the 2020 Comprehensive Surveillance Review.
- *Prioritization and monitoring.* Directors considered that, with CD spending projected to stabilize, effective prioritization is critical. They welcomed the move to a medium-term orientation of CD planning, which will help increase the flexibility of resource allocation across departments and topics. They also agreed on the need to further strengthen overall monitoring of activities and narrowing the list of priorities, building on better information systems. In this regard, Directors looked forward to further steps to operationalize Results-Based Management and the Common Evaluation Framework.
- *Country-tailored delivery focused on implementation.* Directors agreed that departments will need to build on existing strategies to move toward greater modernization and agility in CD delivery. They called for continued experimentation with innovative technologies to support more flexible delivery of CD and encouraged cost-efficiency evaluation of the different modalities of delivery. They also supported further work on strengthening the operational support for Regional Capacity Development Centers (RCDCs). Directors underlined the importance of Fund CD activities in Fragile States, with some calling for further prioritization for these countries. More generally, Directors looked forward to the follow-up work on the IEO report on IMF and Fragile States. A number of Directors

supported further improvement in CD delivery in the Caucasus and Central Asia, including through a possible RCDC in the region.

- *Internal consultation and information sharing.* Directors called for further efforts to strengthen information sharing on CD activities within the Fund. They noted the Fund's capital investments, including in establishing the Digital Workplace, investment in Knowledge Management, and the CD Management and Administration Program (CDMAP), which will help address critical gaps and support the harmonization of CD processes across departments.
- *Coordination, communication, and dissemination.* Directors encouraged staff to better systematize existing good practices on coordination with other CD providers, notably with the World Bank, and to pursue innovative approaches to raise awareness of the Fund's CD work. Highlighting the benefits of sharing best practices, they saw merit in improving the presentation of recommendations in TA reports and publishing more topical notes and TA reports while preserving confidentiality and client trust.

In light of the significant growth of the Fund's CD activities in recent years, Directors emphasized the need to strengthen the sustainability and fungibility of external financing and to closely monitor and manage related risks. They asked for more comprehensive information about the funding model, with a few Directors noting the need to discuss the funding issue in future updates. Directors acknowledged that the review takes place in a resource-constrained environment. While some key reforms are already in train, many recommendations will likely need to be accommodated through reprioritization within departments, and others will require targeting and prioritization of CD more rigorously to focus on impact. Directors also noted the importance of strengthening HR practices and better incentivizing the work on CD.

Directors emphasized that, in accordance with the 2014 CD policy statement, which remains in place, the Board should provide strategic direction and oversight through (i) regular reviews of, and policy guidance for, the Fund's CD policies and activities; and (ii) the budget process. While respecting the demand-driven nature of CD activities, they stressed the importance of more information sharing to better inform their views on broad priorities for CD and to strengthen the strategic role of the Board. In this regard, they encouraged staff to continue the practice of informal Board briefings on CD activities and to engage the Board on strategic direction and priority-setting on a more regular basis going forward.

It is expected that the next review of the Fund's CD strategy will be completed no later than November 2023.

October 3, 2018

2018 REVIEW OF THE FUND'S CAPACITY DEVELOPMENT STRATEGY—OVERVIEW PAPER

EXECUTIVE SUMMARY

Capacity development (CD) is one of the Fund's three core activities and has grown in importance in recent years. It supports member countries' efforts to build the institutions and capacity necessary to formulate and implement sound economic policies, thereby complementing the Fund's surveillance and lending mandates. Member countries, partners, and external commentators give the Fund high marks for the quality of its CD. At the same time, efforts need to continue to strengthen Fund CD to serve members' current and evolving needs.

The 2018 CD Strategy Review examines progress under the Fund's 2013 CD Strategy and proposes a CD strategy for the next five years.

- **It notes substantial progress in addressing the 2013 recommendations,** which included strengthening the CD governance structure, enhancing the prioritization processes, clarifying the funding model, strengthening monitoring and evaluation, promoting greater integration of TA and training, exploiting new technologies for delivery, and leveraging CD as outreach. However, background work for this review also pointed to the need to strengthen the CD framework further.
- **The review builds upon the existing CD strategy, focusing on two mutually reinforcing objectives.** First, the impact of Fund CD needs to be increased by further strengthening integration with the Fund's policy advice and lending operations, while continuing to make progress in framing CD through comprehensive strategies tailored to each member's needs, capacity, and conditions, focusing on implementation and outcomes. Stronger coordination between CD and the Fund's other core functions will better connect CD with countries' risks and vulnerabilities and ensure surveillance and lending integrate lessons from CD more effectively. Second, the efficiency of CD needs to be increased by improving CD processes and systems. This will enhance transparency and strengthen the basis for strategic decision making.

Five specific areas of recommendations support the strategy. Likewise, they mitigate institutional risks stemming from the Fund's CD activities. They include clearer roles and responsibilities for key internal and external stakeholders in the CD process; continued strengthening of prioritization and monitoring; better tailoring and modernization of CD delivery with a focus on implementation of TA recommendations; greater internal consultation and sharing of CD information; and further progress in external coordination, communication, and dissemination of information (Annex I).

Approved By
Sharmini Coorey

Prepared by the Institute for Capacity Development (ICD) in
consultation with other departments.

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Acronyms

AFR	African Department
AFRITAC	Africa Regional Technical Assistance Center
AML-CFT	Anti-Money Laundering and Combatting Financing of Terrorism
APD	Asia and Pacific Department
ATI	Africa Training Institute
CCB	Committee on Capacity Building
CD	Capacity Development
CDMAP	Capacity Development Management and Administration Program
CDOT	Capacity Development Office in Thailand (formerly TAOLAM)
CEF	Common Evaluation Framework
CICDC	China-IMF Capacity Development Center
COM	Communications Department
CSN	Country Strategy Notes
FAD	Fiscal Affairs Department
FTE	Full-Time Equivalent
GPA	Global Policy Agenda
HQ	International Monetary Fund Headquarters
HRD	Human Resources Department
ICD	Institute for Capacity Development
IEO	Independent Evaluation Office
IMFC	International Monetary and Financial Committee
KMU	Knowledge Management Unit
LEG	Legal Department
MCD	Middle East & Central Asia Department
MCM	Monetary and Capital Markets Department
METAC	Middle East Regional Technical Assistance Center
OBP	Office of Budget and Planning
RAP	Resource Allocation Plan
RBM	Results-Based Management
RCDC	Regional Capacity Development Centers
RSN	Regional Strategy Notes
RTAC	Regional Technical Assistance Center
SARTTAC	South Asia Regional Training and Technical Assistance Center
SPR	Strategy, Policy, and Review Department
STA	Statistics Department
TA	Technical Assistance
TAOLAM	Technical Assistance Office for Lao PDR and Myanmar
TIMS	Travel Information Management System
WHD	Western Hemisphere Department

Contributors

This review was conducted by an interdepartmental team led by ICD, under the leadership of Charleen Gust and Robert Powell, and the overall guidance of Michele Shannon (all ICD). This overview paper draws from background materials, which include:

I. Staff Background Studies and Short Notes

A. Staff Background Studies

1. **Integration of CD and Surveillance:** led by Oana Croitoru (ICD) with Natalia Aivazova (AFR), Joseph Crowley (STA), Fernando Delgado (WHD), Susan George (MCM), Jan Gottschalk (FAD), Alexei Kireyev (MCD), Emmanuel Mathias (LEG), Nicolas Million (ICD), and Gabor Pula (SPR), under the guidance of Charleen Gust (ICD).
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B. Short Notes

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- **Integrating TA and Training:** led by Rodrigo Cubero (ICD) with Natalia Aivazova (AFR), Nataliya Ivanyk (STA), Niels Maehle (MCM), and Stephane Schlotterbeck (FAD).
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7. **CDOT (TAOLAM):** David Cowen (APD).
8. **Spotlight on Myanmar and CEF:** Yongzheng Yang (APD) and Brian Olden (ICD).

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II. Survey and Interviews

- A. Survey of Stakeholders:** led by Andrew Warner with Yasemin Bal Gunduz, Nathalie Carcenac, Oana Croitoru, Asmaa ElGanainy, Sandra Henry, Yiruo Li, Shijia Luo, and Nicolas Million (all ICD).
- B. Independent Interviews:** Teresa Ter-Minassian (former Director, IMF) and Benedicte Vibe Christensen (former Deputy Director, IMF).

III. External Commentary and Background Studies

- A. External Commentary:** Minouche Shafik (Director, London School of Economics; former Deputy Managing Director, IMF).
- B. Background Studies:**
 - 1. A Review of the IMF's Efforts to Strengthen Individual and Institutional Capacity,** Steven Radelet (Georgetown University)
 - 2. Is IMF Work on Capacity Development Sufficiently Demand Driven?** Ajai Chopra (former Deputy Director, IMF).

IV. External Advisory Group Report: Elizabeth Hardy (Senior Lead, Behavioural Insights, Impact and Innovation Unit, Government of Canada); Gus O'Donnell (Chairman, Frontier Economics); Mari Pangestu (Faculty in Economics, University of Indonesia); Lant Pritchett (Professor of the Practice of International Development, Kennedy School of Government, Harvard University; primary drafter); and Antoinette Sayeh (Distinguished Visiting Fellow at the Center for Global Development and former Director, IMF).

Specific quotes from papers by external participants in this study, as well as other quotes from external advisors and observers, are highlighted throughout this report.

CONTEXT¹

1. The long-run performance of economies depends on the quality of their institutions and human capacity.² Institutions are the foundation that supports sustainable economic development. They facilitate access to economic opportunities, play a key role in the efficient allocation of resources, and in rewarding human and capital investment, protect property rights and the rule of law, and help build resilience to shocks and crises.

2. The Fund's CD, one of its three core activities along with surveillance and lending, recognizes the critical role that institutions and human capacity play in effective economic and financial management. The Fund's Articles of

Agreement indicate that "If requested, the Fund may decide to perform ...technical services that are consistent with the purposes of the Fund" (Art. V.2(b)). As such, Fund CD is voluntary and provided based on requests. CD is made up of technical assistance (TA), training, and related activities. It supports member countries' efforts to establish the institutions and human capacity necessary to develop and implement sound macroeconomic and financial policies. CD helps to mitigate risks, leverage growth opportunities, and narrow developmental gaps. As detailed below, member countries, partners, and external commentators give the Fund high marks for the quality of its CD, but they and Fund staff recognize the need for continued efforts to strengthen the CD framework to serve members' current and evolving needs. In this context, several key themes emerge from the Fund's CD reforms in recent years, and the background work for this review:

Views from External Commentators

"Policies matter, but institutions probably matter more." M. Shafik

"Building institutions and strengthening capacity are among the most difficult challenges in a long process of development." S. Radelet

"The Fund is like a fire fighter—well-recognized for crisis response but with an even greater potential to contribute through the less exciting 'fire prevention' work of institution building." L. Pritchett

- **Institution building is complex and takes time.** There is no single path to building strong institutions. The Fund's five decades of CD experience shows that the process takes many years, the path to success is often unclear and context-specific, changes may be incremental and marked by periodic setbacks, and measuring progress is difficult. Further, specific needs will vary depending on the issue at hand and country circumstances. As such, CD requires commitment

¹ This overview report was prepared by a team led by Charleen Gust and comprising Nathalie Carcenac, Oana Croitoru, Asmaa ElGanainy, Austin Hart, Yiruo Li, Barbra Licudine, Shijia Luo, and Mercy Pinargote Alarcon (all ICD). It is based on extensive background work by an interdepartmental team, as highlighted above.

² Foundational research on these issues can be found in D. North, *Institutions, Institutional Change and Economic Performance* (Cambridge University Press), 1990. North notes that institutions are the rules of the game in a society or, more formally, the humanly devised constraints that shape human interaction. Institutions are both formal (rules) and informal (conventions and codes of behavior). Organizations are groups of individuals bound by some common purpose to achieve some objective. They include political bodies, economic bodies, social bodies, and educational bodies. In this paper, we use these two terms interchangeably to describe the level at which IMF CD operates.

and adaptability. A medium-term approach is needed, with flexible delivery by the Fund and with success measured based on impact on the ground.

- Country ownership is key.** It strengthens the prospects for durable learning and sustainable and efficient policies, institutions, and resource allocation. Effective CD means letting countries lead, including in defining their own strategies and priorities. It means setting realistic objectives. It also means recognizing that supporting change requires an understanding of each country's starting point and unique institutional capacity to pursue such a path. Recent research suggests that legitimacy and support for reforms—particularly those involving complex implementation—are best rooted where such capacity is built by the country itself as part of a progressive process of learning, iterating, and adapting.³ Close and continuous engagement between the Fund and its members at both policy and technical levels supports CD that is tailored to each member's needs, capacity, and conditions.

"Country ownership and commitment are crucial because without it, TA is unlikely to deliver results and resources will be wasted."
J. Chopra

"A more agile framework is needed to target CD to country needs, distinguishing cases focused on policy formulation or modular tasks from those requiring implementation of complex operations, which demand more tailored approaches." L. Pritchett

"The Fund can do more to help members address the key impediments to successful implementation of CD advice." M. Pangestu
- The world is changing rapidly.** There have been unprecedented gains in living standards and reductions in poverty worldwide in the last quarter century, but progress remains uneven, with vast numbers left behind. Members are confronted with risks from low productivity and potential growth, unfavorable demographic trends, rising inequality and uncertainty about the future of work, elevated vulnerabilities related to debt build-up, external imbalances, stretched asset valuations, and tightening global financial conditions, testing consensus for multilateral solutions. The ongoing technological revolution, powered by sustained advances in information and communications technology and the use of artificial intelligence, is challenging economies, markets, institutions, and individuals to learn, adapt, and evolve. Questions related to global public goods are becoming increasingly urgent in an interconnected world. The opportunities and risks defining the future for the Fund's members and the global economy will need to inform the institution's policy advice and its CD work.
- The Fund must continue to adapt and update its approach to engaging with countries, including on CD.** The Fund has increasingly recognized that to serve its members well, CD cannot be a secondary or isolated activity. Where capacity is weak, the effectiveness and traction of policy advice and financial support require a focus on institutional and human capacity building, bringing together the diagnostic information the Fund already has, or leveraging the

³ The [Building State Capability Program](#) at Harvard's Center for International Development reflects a "Problem Driven Iterative Adaptation" (PDIA) approach, as outlined in work by Matt Andrews, Lant Pritchett, and Michael Woolcock.

knowledge of other institutions on topics where the Fund may not have expertise (e.g., civil service reform), to inform the high-level discussion. CD also supports more effective surveillance and lending by providing insights into deficiencies, risks, and vulnerabilities in countries' policy frameworks. Synergies among the Fund's three core functions which have already helped to position the Fund as a global leader on CD in its areas of expertise, can be further leveraged to serve its members better. Indeed, members view the Fund as one institution—not as siloed functions or departments—and the Fund is uniquely positioned to support its members with its global reach and mandate. Its wealth of specialized expertise can be better leveraged to strengthen the relevance, efficiency, and traction of policy advice. Likewise, regular engagement with high-level policymakers can strengthen targeting, visibility, and effectiveness of CD. The Fund is also well-positioned to support knowledge sharing, peer learning, and coordination among CD providers.

3. CD has grown to be a sizable pillar of the Fund's work. CD work has grown rapidly in the past decade (Figure 1). It now accounts for about a third of Fund spending and 18 percent of staffing—roughly 725 full-time equivalents (FTEs). This growth has better positioned the Fund to respond to members' needs. But the pace of growth has also brought challenges, including the need for a more robust internal infrastructure to support ongoing improvements in CD to ensure it is flexible, targeted to country needs in areas of Fund expertise, well-coordinated, efficient, and effective. It also puts a premium on the identification and mitigation of risks in CD operations.

4. Fund CD is valued by members. CD is provided based on country requests and anchored in the Fund's "trusted advisor" role. Demand is strong, and nearly all member countries have benefited from Fund CD since 2013. The network of regional CD centers (RCDs)—a total of 16—as well as related programs, are supported by a community of partners and host countries (Figure 2).

5. This review sets out a vision for country-centered CD that is well-integrated with the Fund's policy advice and highly effective. Realizing this vision will require building on the strong progress towards a comprehensive country-tailored approach, with a focus on institutional and human capacity building to support sustainable economic development and stability. It means further modernizing CD delivery to be more flexible, with a focus on supporting countries in implementing technical advice. It also means working closely with member countries and other partners to extend the Fund's role as a knowledge hub and convener in its areas of expertise for technical practitioners as well as policy makers. Just as institutional change is difficult for member

countries, realizing this vision will require continued concerted efforts to adapt the machinery of Fund CD operations, as well as the culture and incentives that will drive real change. The paper does not seek to address the scale of CD relative to other Fund activities, which is better addressed in discussions covering all activities at an institution-wide level. Governance of external funding for CD is addressed, with the scale of such financing decided as part of the medium-term budget.

6. The report is organized as follows: it starts with an assessment of progress on recommendations stemming from the [CD strategy](#) adopted in 2013. It then describes challenges and opportunities, drawing from surveys, interviews, and background work. Next, it recommends steps to increase the impact and efficiency of CD—focusing on how the Fund operates. Potential resource implications are described in the following section. The last section lays out proposed issues for discussion. Risk considerations are woven into the discussion throughout the paper.

ASSESSMENT OF PROGRESS SINCE 2013

A. Framework for Assessment

7. A comprehensive assessment framework has been employed for this review that:

- Builds on previous staff and Independent Evaluation Office (IEO) CD reviews, policy reviews on related topics, and ongoing work on operational strategies relevant to CD (Annex II).
- Benefits from strong interdepartmental inputs and review by CD, area, and support departments.

- Is informed by a wide range of inputs, including broad outreach (e.g., stakeholder surveys, interviews, and public consultation) both internally and externally, as well as background studies and commentaries by Fund staff, external experts, and an External Advisory Group.

B. Progress on the 2013 Agenda

8. Substantial progress has been made in advancing the agenda set out in the 2013 CD review (Table 1). This agenda focused on enhancing the effectiveness of the Fund's CD (strengthening the governance structure, strengthening prioritization, clarifying the funding model, reinforcing an orientation toward outcomes, and enhancing monitoring and evaluation) and on enhancing CD delivery and outreach (greater TA-training integration, exploiting new technologies, and leveraging CD in outreach):

- As highlighted in the [2014 Statement on IMF Policies and Practices on CD](#), CD **governance** has been strengthened under the management-led Committee on Capacity Building (CCB). Recently-introduced reforms seek to reinforce a more strategic medium-term orientation in CD planning and to allow greater flexibility in resource allocation. At the same time, strategic engagement with the Fund's Executive Board on CD issues is being stepped up (Box 1).
- As detailed in the background study on this topic, **prioritization** of CD activities has been strengthened under a reinforced interdepartmental resource allocation process. Reforms since 2013 recognize the importance of taking into consideration both country needs and the Fund's own priorities (Figure 3). The reforms also set out a greater area department role. Specifically, area departments now prepare regional strategies in consultation with CD departments as a starting point for the prioritization process. This process also seeks to ensure strong integration between the Fund's three core functions. Under the 2017 reforms, these regional strategies are to be complemented by country-level strategy notes (CSNs) for heavy CD users, including fragile states. The inclusion of training in this process beginning this year will help exploit further synergies between TA and training. To encourage coordination throughout the CD process, explicit area department agreement is required on the timing and scope of all CD missions.

Table 1. 2013 CD Strategy Recommendations and Status	
Recommendations	Actions
Enhance the Effectiveness of CD	
Update the governance structure	
<ul style="list-style-type: none"> • Prepare a new policy statement for Board approval • Draft new terms of reference for the CCB 	<ul style="list-style-type: none"> • CD Policy statement issued August 2014 • Completed July 2013; regular meetings since November 2013. Also, established a regular dialogue on CD at heads of departments level starting in 2017
Enhance prioritization	
<ul style="list-style-type: none"> • Integrate CD into Fund's strategic planning process • Develop guidance for Regional Strategy Notes (RSNs) • Pilot & assess Capability Assessment Program (CAP) 	<ul style="list-style-type: none"> • Greater attention to CD in Fund strategic documents (GPA; budget; work program; policy reviews). Medium-term CD priorities discussed annually by CCB based on country needs and broader Fund priorities • RSN staff-level guidance issued in 2014 • CAP piloted for Tunisia and Libya. Staff review completed in 2015
Clarify the funding model	
<ul style="list-style-type: none"> • Establish approval process for new donor initiatives • Take up CD-related issues in Human Resources (HR) Department-led paper on categories of employment 	<ul style="list-style-type: none"> • Staff-level guidance issued in May 2014 • CD issues reflected in October 2014 review on these issues. Further consideration expected in upcoming HR Strategy Review
Strengthen monitoring and evaluation	
<ul style="list-style-type: none"> • Pursue work on RBM to enhance planning and managing of outcomes • Develop guidance for a common evaluation standard, based on principles for performance indicators, methodology, and dissemination 	<ul style="list-style-type: none"> • RBM in use for all new projects since FY18; catalog (indicators and outcomes) in place • Framework in place; guidance to be issued
Seize Opportunities for CD Delivery and Outreach	
Greater integration of TA and training	
<ul style="list-style-type: none"> • Seek further opportunity to coordinate TA and training, including through enhanced interdepartmental dialogue • Offer internal training that complements external training and TA so staff can support CD absorption • Monitor Africa Training Institute (ATI) experience with integrating TA and training 	<ul style="list-style-type: none"> • Included training in the RSNs and Resource Allocation Plan (RAP) starting in 2017 • Internal Economics Training curriculum restructured in line with restructured external curriculum. Customized training provided to desks of countries receiving external training • Delivered substantial joint ATI-AFRITAC training. SARTTAC opened in 2017
Exploit new technologies for delivery	
<ul style="list-style-type: none"> • Use advances in technology to enhance the effectiveness and expand the delivery of CD • Experiment with webinars to aid high-level peer-to-peer exchanges and spread Fund institutional knowledge 	<ul style="list-style-type: none"> • Online learning launched in late 2013 • Several webinars with chief economists in Western Hemisphere region in 2014–2015
Leverage CD as outreach	
<ul style="list-style-type: none"> • Monitor impact of CD-related outreach 	<ul style="list-style-type: none"> • Created CD platforms on imf.org; active social media use; greater RCDC role
<ul style="list-style-type: none"> • Enhance communication among departments of CD-related outreach activities 	<ul style="list-style-type: none"> • CD communications group created; Fund-wide CD story competition and Postcard series launched
<ul style="list-style-type: none"> • Track progress on dissemination to various stakeholders of CD findings and evaluations 	<ul style="list-style-type: none"> • Initiated major reforms to strengthen information available to staff; mixed progress on increasing information to external stakeholders

Box 1. CD and the Executive Board

The Executive Board provides strategic direction and oversight for CD through the strategic planning and budget processes, as well as regular reviews and policy guidance. Management translates the Board's strategic directions into procedures and practices that govern CD and conducts the Fund's CD operations (Background Study: Monitoring and Evaluation, Annex 1). The importance of the Board's role is clear given the rapid growth of CD over the past decade.

- **CD and the Fund's Strategic Planning Framework:** As set out in the 2014 CD policy statement, the Board provides guidance on CD activities through the Board work programs and discussion of Management's Key Goals, which together with International Monetary and Financial Committee (IMFC) communiqués are key inputs to establish CD priorities that are focused, oriented to the medium term, and integrated with broader Fund activities. More recently, the Global Policy Agenda (GPA) has also been a key input. Recognizing their increasing importance, recent strategy documents have begun to expand coverage of CD issues as part of an integrated strategy.
- The **Medium-term Budget** discussed by the Board each spring covers CD as one of the Fund's core activities and includes information on CD priorities. The Board provides guidance on planning, sets out an overall envelope for Fund spending and external financing, and considers the size of CD relative to other key outputs of the Fund. The annual budget outturn paper has also recently been expanded to include information on CD delivery, overall and against various metrics, including priorities.
- **External Funding and Nonmember CD Recipients:** The Board approves international organization and nonmember eligibility for CD and approves the establishment of new external financing accounts.
- **CD and Fund Policy:** Recent policy papers on core topics (e.g., data, fragile states, and governance) have increasingly recognized the need to consider CD as an integral aspect of the Fund's role.
- **CD-Specific Reviews and Updates:** The five-yearly review cycle provides the opportunity to consider the fundamental framework for the Fund's CD activities. Periodic reviews on specific CD-related topics (e.g., updates to policies and procedures) complement this more comprehensive review as have more recent informal Board briefings. Such briefings, which are expected to continue, provide a key opportunity for staff to engage with the Board at a departmental or topical level. A key example is the briefing series from November 2017 through July 2018, highlighting CD activities across topics and regions by each CD department. Future updates and strategic reviews are also expected to incorporate high-level results based on Results-Based Management (RBM) and related evaluations.

- **CD funding model.** In 2008, the Board [endorsed](#) stepping-up mobilization of outside resources for TA and external training. Today, the Fund's CD activities benefit from significant support from members. The share of external financing in direct CD spending reached 55 percent in FY18, with the largest five contributors now accounting for about half of the total. To mitigate risks stemming from increased reliance on external funding and its concentration, a funding model was codified in the 2014 CD policy statement, and an interdepartmental review process for new externally funded initiatives was established to ensure alignment of donor-funded initiatives with

"For developing countries to achieve sustainable development, they need to enhance capacity to address risks that are difficult to be self-managed. The IMF plays an important role in building capacity and supporting vulnerable low-income countries."
T. Aso, Deputy Prime Minister of Japan and Governor of the IMF for Japan

the Fund's CD priorities and medium-term budget (Short Note: CD Partnerships). The approach has focused on risk mitigating measures, while promoting strategic partnerships and the efficient use of resources by:

- Diversifying the donor base (with a focus on expanding and deepening CD partnerships with bilateral donors, multilateral institutions, and private entities);
- Seeking greater funding certainty, consolidation, flexibility, and closer integration across funding vehicles, including by promoting multi-partner and umbrella agreements that enable the Fund to allocate funding across a range of CD activities;
- Standardizing and simplifying CD procedures to improve efficiency and transparency in CD management, fundraising, and delivery; and
- Strengthening external engagement and communications to enhance CD visibility.
- **Monitoring and evaluation.** As detailed in the background study on CD monitoring and evaluation, efforts have focused on two related initiatives:
 - A unified **RBM** framework is now being rolled out on a Fund-wide basis. Since May 2017, information is being gathered and monitored for all new CD projects (Box 2).
 - A **Common Evaluation Framework (CEF)** was introduced in 2016 for CD evaluations, with a view to strengthen the focus on results. The CEF targets development of a medium-term evaluation planning cycle to support both internal strategic review and donor accountability needs and to ensure that evaluations link more clearly to prioritization.
- **Other areas:**
 - **TA and training integration** has been expanded, under both headquarters- and RCDC-managed CD activities, supporting tailored delivery and fostering peer learning, (Short Notes: Integrating TA and Training, and Notes from the Field).
 - On **technology**, the pioneering online training program launched in late 2013 is helping to share the Fund's knowledge with the wider public, complement face-to-face training, and improve absorption of TA. More broadly, technology is facilitating more frequent communication and helping to address constraints to delivery. For example, use of videoconferences and email allowed FAD to continue to provide fiscal TA to Liberia during the Ebola crisis. (Short Notes: Technology in CD Delivery).
 - On **outreach**, efforts have centered on developing CD-focused platforms (e.g., a [CD landing page](#) on the Fund's external website and CD social media accounts) and on supporting partnerships (Short Notes: CD Communications).

Box 2. Focusing on CD Results

While the Fund has a tradition of CD monitoring and evaluation, **it also has recognized the need for a more systemic monitoring and evaluation framework**, particularly given the rapid growth of CD activities.

- As highlighted in the background study on monitoring and evaluation for this report, departmental reviews and formal evaluations inform CD activities. The Fund also publishes [country examples](#) that illustrate how CD facilitates institution building in key areas.
- The Fund has recognized the importance of a greater results focus in line with international best practice. Results-based monitoring has been piloted since the mid-2000s at a project level for some externally funded programs, including selected regional technical assistance centers (RTACs) and Fiscal Affairs Department's (FAD) Tax Policy and Administration and the Managing Natural Resource Wealth Topical Trust Funds.

A standardized RBM framework, endorsed by the Board in 2013, has been required for all CD operations since May 2017—whether Fund or externally financed. Under this framework, all CD projects are organized along “results chains,” or log frames, which set out expected causal relationships between the resources committed to a project and the expected results as the basis for monitoring and evaluation. The goal is also for RBM to support common understandings—for member countries and Fund staff across departments—of key objectives, and to allow regular assessments of progress and mid-course corrections where relevant.

RBM is a work in progress. The process is already having a strong impact on CD planning—helping staff who deliver CD consider more fully the objectives of their activities and support more robust monitoring, and providing early warning where adaptation is needed. It will take time to build a database of high quality information with a sufficient time series for reporting and analysis. Current work is focused on ensuring consistent adoption across headquarters and field offices, quality testing, and strengthening business processes and tools. Ensuring RBM is used appropriately is also key. As highlighted in Box 5 in the background study on monitoring and evaluation, effective application of the framework is difficult, not least given challenges in defining concrete outcomes and indicators; in attributing and aggregating results, especially given their long-term nature; and in measurement. These considerations, and lessons from other organizations implementing RBM, will need to continue to inform implementation.

- On **dissemination** of CD information, work is underway to strengthen the Fund’s fragmented TA document and information management system, as described more fully below, with the promise of better information sharing within the Fund. The recent launch of Partners Connect and broader efforts to provide timely information to donors will help strengthen donor relations and support better coordination of activities. Publication of CD-related information has expanded in selected areas, e.g., topical [“How-to” Notes](#), promoted by FAD; [“Technical Notes and Manuals,”](#) produced by several departments, including the Monetary and Capital Markets Department (MCM); and [“Tax Law Notes,”](#) produced by the Legal Department (LEG), but publication of TA reports remains limited (Short Notes: Dissemination of CD Documents).

C. Challenges and Opportunities

9. Surveys and interviews with key stakeholders point to important strengths in the Fund’s CD, but also highlight areas for improvement (Background Paper: Survey of Stakeholders and Independent Interviews). In particular:

- Wide appreciation for the quality and usefulness of Fund CD.** Outreach to external stakeholders reaffirmed appreciation for the technical quality of CD advice. Interviews with selected recipients and external partners as well as survey data show that the Fund’s global experience with economic and financial sector reforms is considered useful to policy makers. In a recent [study](#) by AID Data, respondents saw the Fund as leading among development partners on key parameters of influence and helpfulness. Recipients responding to the stakeholder survey also generally indicated that CD contributed effectively to implementation of policy advice. Similar results are also seen in many evaluations of the IMF’s CD activities.

... of CD recipients strongly agreed or tended to agree that CD contributed effectively to implementation of policy advice
- Need for greater consideration of countries’ institutional capabilities.** Most CD recipients indicated in the survey that greater than half of TA recommendations were adopted, including 42 percent where three-quarters of recommendations were adopted and 15 percent where all were adopted. However, they also pointed to important constraints to implementation, in particular, inadequate resources and staff with insufficient training in implementing institutions, further reinforcing the need for careful consideration of institutional capabilities. Stakeholder interviews and external participants in this review reinforced the importance of continuing to increase the focus on institutional capabilities in designing and implementing CD projects and when tailoring policy advice.

... of CD recipients indicated that greater than half of TA recommendations were adopted

... of CD recipients indicated that insufficient resources hamper CD advice implementation
- Need for ownership and commitment of authorities.** The survey, interviews of external partners, recent CD evaluations, and the external studies all underscored that in prioritizing CD requests, substantial weight should continue to be placed on the degree of ownership by countries. Interviews with external partners encouraged the Fund to continue to strengthen involvement of country authorities in designing and monitoring implementation.
- Mixed views on coordination with other providers.** Satisfaction with coordination with other TA providers showed room for improvement across all categories of survey respondents (a view echoed in interviews and by External Advisory Group members), although CD recipients were less negative than staff and partners.

... of CD recipients strongly agreed or tended to agree that CD is well-coordinated with other TA providers

... of CD external partners strongly agreed or tended to agree that CD is well-coordinated with other TA providers

- **Interest in more information on CD activities.** Interviews with external partners underscored interest in more information on CD activities, including through publication of TA reports.
- **Need to continue to shift focus to results on the ground rather than the Fund's own outputs.** This point has been emphasized in recent external evaluations of CD delivery, which recommended more focus on the achievement of outcomes (e.g., increase in tax revenue) rather than outputs (e.g., drafting of frameworks or regulations). This ongoing shift will help transform the mindset of all stakeholders and reframe the foundations for CD activities and interactions to focus on what matters most for the country itself.

10. Background work has also underscored challenges. In particular:

- **Uneven practices of integrating CD and surveillance.** As highlighted in the 2018 Interim Surveillance Review, "...little progress has been made in leveraging knowledge from cross-country experiences in Article IV policy advice and in integrating technical assistance with bilateral surveillance, and this area would benefit from a course-correction." The background study on this topic recognizes considerable progress through the participatory RAP process and enhanced interdepartmental dialogue. At the same time, Annex II in that study highlights emerging good practice by both area and CD departments. These include CSNs, which are drafted by area departments through a structured dialogue with CD departments and engagement with the authorities. Recent reforms call for area departments to develop CSNs for all heavy CD users. A multi-year fragile states initiative begun in 2015 has also supported improved integration in selected countries, with a focus on institution building and country ownership. Another example is the mainstreaming of international tax advice through inclusion in several Article IVs each year. Despite this progress, the degree of interaction internally and with country authorities on CD issues still depends too much on the interest of individual mission chiefs and the availability of expert resources in a resource-constrained environment. As such, more work is needed to embed good practices more systematically. In this context, efforts underway to strengthen CD knowledge networks—both within the Fund and with external stakeholders—will be critical.
- **Weak information sharing systems and fragmented processes.** CD processes and systems would benefit from further integration across the Fund. They have not kept pace with the expansion of CD activities and increased complexity associated with the expansion of regional centers and greater use of external funding. For staff, accessing TA documents and using CD information remains difficult, complicating internal coordination and integration, leading to sizable inefficiency and limiting strategic analysis of CD activities.
- **Human resource issues.** Past reviews have highlighted challenges related to career development and mobility for CD-providing staff. More broadly, the Fund has recognized the need to ensure that the work of staff on CD issues and on countries with significant institutional constraints is valued on an equal footing with those contributing to other core activities of the Fund. These critical issues will be taken up in the upcoming HR Strategy, along with related

issues, such as support for movement between IMF headquarters (HQ) and field assignments and mobilizing staff with the appropriate skills and experience for CD work.

CD STRATEGY FOR THE NEXT FIVE YEARS

11. Against this backdrop, two key objectives should guide the CD strategy in the coming period:

- **Increasing the impact of Fund CD** by continuing to strengthen integration between CD, surveillance and lending and continuing to move to a comprehensive country-tailored approach that adapts delivery to support implementation more consistently. Leveraging synergies between CD, surveillance, and lending, and strengthening delivery will increase the quality and impact of CD by better connecting it to countries' risks and vulnerabilities and tailoring it to specific institutional and organizational needs and reform priorities, taking account of local conditions and capabilities.
- **Increasing the efficiency of Fund CD** by improving CD processes and systems, including through the CD Management and Administration Program (CDMAP), described below. This will facilitate more timely access to CD information, better management and targeting of CD resources, more effective coordination between CD and surveillance/program work, and more informed strategic decision-making and governance.

These objectives are mutually reinforcing. Increased synergies across the Fund's key activities will result in greater impact and efficiency, while improved CD processes and systems will support more effective coordination across functions, increase internal efficiency, and enhance impact.

12. Five specific areas of recommendations support these objectives: clearer roles and responsibilities of internal and external stakeholders in the CD process; continued strengthening of prioritization and monitoring; increased tailoring and modernization of CD delivery; better internal consultation and sharing of CD information; and continued work on external coordination, communication, and dissemination. These recommendations recognize the need to mitigate risks through alignment in prioritization of CD with other activities and robust oversight, including in the context of the recent increase in external funding for CD. Some recommendations that follow represent relatively modest shifts, building on the substantial headway made over the last few years. Others suggest more significant changes in how the Fund looks at its CD operations—learning from innovation and best practice and mainstreaming those ways of doing business.

"A culture shift, with appropriate incentives for mission chiefs and country teams to fully integrate CD-related work into their country work is paramount." J. Chopra

"The Fund needs to make it easier for everyone involved in CD to follow through with the behaviors that will lead to improved performance and greater efficiency." E. Hardy

13. Implementing these measures systematically requires consideration of how the Fund’s institutional culture and incentives drive change. The behavioral insights field highlights the benefits of strong leadership to support change, but also the power of small changes to improve organizational performance (Box 3). In any organization undergoing change, fundamental reforms depend on both grassroots efforts and leadership at all levels. In the Fund context, showcasing examples of effective integration will continue to encourage more teams to do so; providing more visibility on CD results is helping to build buy-in and accountability; and continuing to move towards greater openness on CD information will further reduce the roadblocks to effective coordination.

Box 3. Behavioral Insights and Organizational Change¹

Behavioral insights (BI) is a growing field that incorporates research from behavioral economics, psychology, neuroscience, and other social sciences into decision-making models to more accurately describe and alter observable behaviors. This focus recognizes the need to consider the human that lies at the center of all organizations, and that will ultimately determine the success of any reform effort. Governments, organizations around the world, and the Fund itself, are building behavioral insight capacity into their operations to improve organizational performance. It recognizes that small, inexpensive changes encourage positive behavior, e.g., sharing of information and clarifying roles and responsibilities. The brief list of principles below will continue to be applied to support the CD strategy, including to implement this review’s recommendations:

- *Social norms.* Behavior is influenced by perception of what others do and believe. To encourage positive behavior, letting people know the desired behavior is commonplace has been proven to be effective. For instance, showcasing examples of CD-surveillance integration may encourage more teams to do so.
- *Transparency.* Seeing the effect of one’s own work on the public good and understanding the impact of the work can be a motivating force. Providing more visibility on CD results could help with this.
- *Messenger.* People are more likely to alter their behavior in response to a messenger they respect, e.g., from the Executive Board, IMFC, the Fund’s senior managers, and the membership itself.
- *Commitment.* Voluntarily using commitment devices such as agreement on RBM results chains by both country authorities and Fund staff could help with country ownership.
- *Status quo and inertia.* This bias refers to people’s tendency to continue as they always have unless presented with a strong incentive to change. Strengthening incentives for change and reducing the effort or “hassle cost” required, for example with respect to ease of accessing CD information, can stimulate positive behaviors.
- *Open by default.* Many organizations have adopted an “open by default” policy when it comes to information. It may be important to create a culture where it would be required to make a case for not sharing documents or data which could help reduce the costs of accessing CD information.

Regardless of the insight or principle, it is critical that the intervention or the proposed solution is rigorously tested—properly executed experiments will yield evidence for broader implementation.

¹For more background, see [Behavioural Insights and Public Policy: Lessons from Around the World](#) (OECD), [World Development Report 2015: Mind, Society, and Behavior](#) (World Bank), and [Public Service Transformed: Harnessing the Power of Behavioural Insights](#) (Mowat Centre).

A. Roles and Responsibilities

14. Further clarifying roles and responsibilities among key stakeholders will facilitate more effective CD engagement. Externally, work is underway to reinforce country engagement and ownership and to strengthen partnerships. Internally, there is a need to guide staff with respect to the roles they are expected to play in supporting consistent prioritized engagement with country authorities across the various functions of the Fund.

15. Country authorities must play a leading role throughout the CD process. As noted above, CD is most effective when fully owned and led by local reformers. Engagement with country authorities needs to take place throughout the CD process, with ongoing effort required to consistently apply best practice:

- In *scoping and prioritizing* CD needs, the Fund should do more to encourage and support countries' efforts to develop their own CD strategies and coordinate them within their own organizations and with development partners, as well as broader domestic stakeholders, recognizing this will be difficult in countries with capacity constraints. Regular discussions of the CD agenda during surveillance missions and more active consultation with the authorities (including through RCDC staff and resident representatives where relevant) in the preparation of RSNs and CSNs should become routine.
- "Ownership by the authorities is a necessary condition for the traction and impact of CD but it is not sufficient. Absorption capacity is also required." J. Chopra*

"The Fund (and other partners) should encourage leaders...to develop a concise and targeted CD strategy." S. Radelet
- On *tailoring individual projects*, under ongoing reforms the Fund's CD will continue to move to a medium-term programmatic approach, involving multiple interventions and delivery modalities, as discussed more fully below. Experience has shown that such projects are most successful when designed with detailed input from the authorities, including regarding their needs and preferences in terms of focus (e.g., technical advice vs. implementation assistance), presentation (e.g., detailed TA reports vs. presentations), and delivery modalities (e.g., combining TA and training). They need to be considered as part of a broader strategy, coordinated with interventions by other CD providers, and recognizing the country's absorptive capacity.
 - On *monitoring*, there should be regular discussion and concurrence on project objectives and milestones under the RBM framework. The authorities should be fully engaged in monitoring, allowing for midcourse corrections and adaptations of strategies where necessary (see below).

16. The core of integration is ensuring that when institutional and capacity weaknesses constrain the adoption of recommended policies, these constraints are also covered in surveillance. It means working with the authorities and CD departments to target CD to these areas and follow up on implementation so that risks and vulnerabilities identified in surveillance are

addressed over time and country-specific circumstances and constraints are taken into account. Well-integrated CD and surveillance will take different forms depending on the nature of the country's policy issues, its institutional capabilities, and its engagement with the Fund.

17. Such a country-centered approach that is well integrated across the Fund's core functions—surveillance, lending, and CD—requires area departments to be in the leading role on overall country engagement, including establishing country strategies and priorities for CD, working in collaboration with CD departments. CD

departments must continue to be responsible for the technical content of CD and have a leadership role in further building the Fund's role as a knowledge hub. Country teams, including resident representatives, are uniquely positioned to have an overview across all sectors, engage with authorities, and draw together work by various CD departments and experts, at a strategic level. Working closely with CD departments, mission chiefs should draw on the authorities' strategic priorities and, on this basis, formulate strategies and priorities for Fund CD activities that complement broader country engagement. RCDCs also have an important role in supporting these efforts, benefiting from their close proximity to members. These strategies, set out as CSNs for heavy CD users, should inform and draw on regional CD strategies in an iterative fashion. Clarification of cases where a CSN is required, e.g., through a common metric, is needed. Leadership by the country mission chief (a title that bears reconsideration as it increasingly misrepresents the breadth of their responsibilities) will facilitate closer internal dialogue, greater use of CD to support priorities identified by surveillance, greater incorporation of CD findings in surveillance advice, and enhanced monitoring of implementation of policy-relevant CD recommendations.

"Effectively serving members with significant institutional capacity constraints means putting these issues squarely at the center of the high-level dialogue." G. O'Donnell

"Delivering more TA may not be the right answer, particularly in fragile states. Rather the type of TA, its timing, relevance, and context, is important and that's where surveillance can help" A. Sayeh

18. A more systematic approach, drawing on good practice, would help integrate CD and surveillance consistently. A focus on CD and surveillance does not discount the need to integrate CD with lending. Rather, it recognizes the particular challenge of integration in non-program cases.

- As noted above, departments have undertaken several initiatives to strengthen integration, including improved coordination around CD and surveillance missions and linkages in related documents. However, these practices are not consistently applied, and greater clarity is needed on roles across departments. Resource implications of strengthening integration for both area and CD departments will need to be carefully assessed and managed.
- A consistent playbook would facilitate systematic year-round interaction among departments, RCDCs, resident representatives, and authorities, with countries at the center. Experimentation and knowledge sharing will be needed to enhance understanding of obstacles to integration, again mindful of resource implications for all departments. Central to these efforts are ongoing

capital initiatives that will strengthen information sharing, described below. The 2020 Comprehensive Surveillance Review is expected to explore further how to better integrate CD and surveillance, following on the findings of this review and experience from mainstreaming best practices.

Recommendations:

- Deepen strategic engagement with country authorities throughout the CD process.
- Area Departments to be in the leading role on overall country engagement, including through CSNs required for all heavy CD users (defined by a common metric).
- Strengthen efforts to expand and learn more systematically from best practices in integrating CD and surveillance.
- Explore further how to better integrate CD and surveillance in the context of the 2020 Comprehensive Surveillance Review, following on the findings of this review and experience from mainstreaming best practices.

B. Prioritization and Monitoring

19. Given excess demand for Fund CD, prioritization is critical for ensuring that scarce resources are allocated to the most productive uses across the institution (Figure 4). Current priorities (below) have been defined broadly, reflecting topics and country groups where growth (at a minimum in absolute terms, but more importantly in terms of share in CD activities) is being targeted. With 95 percent of delivery linked to priority topics and/or countries, the fact that most priority areas have grown has not translated into increased shares in many cases (Figure 5).

Figure 4. Snapshot of Current CD Spending, FY18

Sources: Fund staff estimates, based on data available through travel and time reporting systems.

Note: Current data limitations, which constrain scope for precise data disaggregation, are to be addressed under the ongoing CDMAP capital project described below.

Figure 5. Delivery Against Priorities, FY15–FY18

Sources: Monitoring of Fund Arrangements (MONA) database; Travel Information Management System (TIMS); and Fund staff calculations.

¹ Based on the current list of countries.

20. Further, with CD spending projected to stabilize, prioritization takes on increased importance. Under the [FY19–21 budget](#), CD's share of spending will level off at 31 percent following rapid growth based on external funding (Figure 6). This funding is expected to stabilize at 58 percent of direct spending. With demand continuing to exceed available resources, prioritization will be key to growth in critical areas (Figure 7). Flexibility will also be critical as the Fund's broader strategic priorities continue to evolve. In this context, growth in governance and anti-corruption work, not currently programmed, will need to be accommodated. While precise data are not available, CD departments report that spending on emerging issues remains modest.

21. Further enhancements to the framework for prioritization are in train. Key aspects include:

- Medium-term orientation.** In 2017, the Fund moved from an annual to a rolling three-year resource allocation cycle, focused on aggregates rather than missions. A strategic overview is discussed by department heads and approved by management. Medium-term priorities are reviewed each year, and this information is reported to the Board in the budget. Multi-year engagements through RCDCs, bilateral projects and, increasingly, multi-partner vehicles are also supporting the anchoring of CD activities in multi-year results frameworks. While early implementation of the new resource allocation process points to the need for further work to fully embed the new processes (e.g., to strengthen data, including on demand, and for all participants to adopt a project-based mindset), the initial roll-out has been promising, raising the profile of key issues to senior decision makers. It will be important to ensure that this shift continues such that CD is conceptualized, sequenced, and implemented as medium-term projects. A medium-term orientation also helps to anticipate shifting needs and provides time to address challenges in resource allocation across CD departments and topics—shifts that are generally more difficult in the short term. These difficulties arise from lead times necessary to recruit and replace experts as well as headquarters-based “back-stoppers,” who play a critical quality control role, when skill needs change.
- More targeted medium-term Fund-wide priorities.** Lessons from early experience with the framework suggest benefits to a more streamlined set of priorities to better target areas where growth in CD delivery is particularly important for the membership and where the share of CD needs to be increased. It will also be important to monitor a broader range of topics and country types to support a clearer picture of trends.
- The needs of the Fund membership should continue to be the main factor shaping CD.** For example, recognizing the importance of good governance and anti-corruption frameworks for achieving sustainable growth and macroeconomic stability, the Fund is redefining its involvement in these areas across its three core activities (Box 4).

“It is important to be realistic about what can be measured and continue to work on improved methods of measurement...The most important things are very hard to measure and a mechanistic approach should be avoided.” M. Shafik

“It is more important to measure the right thing roughly than the wrong thing precisely.” G. O'Donnell

“A focus on results is critical, but monitoring should be defined to allow for experimentation and iterative adaption along the way.” L. Pritchett

“Local authorities must be involved in establishing metrics and goals, and must understand and internalize these goals, or they may begin to feel that RBM is a form of ‘stealth conditionality’....CD efforts pose particular challenges for RBM, since CD is inherently difficult to define and measure, takes a long time to achieve, and usually does not unfold in a neat, linear process.” S. Radelet

Box 4. Evolving Directions in Governance and Corruption CD Work

Good governance and anti-corruption efforts can contribute to economic efficiency, macroeconomic stability, and sustainable growth. **The Fund's work on governance is guided by a [policy](#) dating from 1997**, which includes two broad areas:

- Improving the management of public resources; and
- Supporting the development and maintenance of a transparent and stable economic and regulatory environment conducive to efficient private sector activities.

Based on this policy, the Fund has provided TA and training in a wide range of areas to promote good governance and combat corruption.

A [framework](#) for enhanced Fund engagement on governance and corruption issues was adopted in April 2018. A methodology has been developed across six key governmental functions, namely: (i) fiscal governance; (ii) financial sector oversight; (iii) central bank governance and operations; (iv) market regulation; (v) rule of law; and (vi) AML/CFT. The assessment examines the nature and severity of governance and corruption vulnerabilities.

Under the framework, **CD will play an important role as part of a broader strategy.** To ensure integration into surveillance/programs, CD work in the governance area will be tailored towards supporting surveillance and program priorities determined by the new assessment methodology.

Area departments have a key role in establishing these priorities given their participation in the Standing Working Group on Governance. Given that entrenched weaknesses require sustained efforts, particularly in the context of fragile states, this CD work would be anchored in a medium-term strategy.

CD work will remain heavily focused on policy reforms where the Fund has relevant expertise and experience. Fund CD support will also be coordinated with that of other international organizations that may be providing different but complementary CD support. For example, in Ukraine, LEG has provided CD on AML/CFT issues related to politically exposed persons, while the World Bank and United Nations Development Program (UNDP) have provided CD on asset declarations. Similarly, in Guinea, LEG is focusing on AML/CFT including to support anticorruption efforts, coordinating with the UN and World Bank. Likewise, in countries where weaknesses in public procurement practices create vulnerabilities to corruption, the Fund will continue to draw on the World Bank's expertise.

The modalities through which CD work will be supported include missions fielded by CD department staff and developing best practice guides and knowledge databases for wide dissemination within the Fund.

22. Work to strengthen the monitoring and evaluation framework is also continuing.

Building on the progress to date, sustained efforts will be needed to solidify a consistent and comprehensive results-based framework. Fully embedding this results focus will take time and iterative effort as lessons are gained and better ways of operating are explored through experimentation and review. Effective use of RBM will also entail greater engagement with authorities and their buy-in on proposed CD project objectives and milestones. As more results data becomes available, it will take on an increased role throughout the project life-cycle, helping both staff and the authorities plan, monitor, adapt, and evaluate. It will also help to prioritize delivery, including to countries with strong ownership, and promote partnership on CD between staff and the authorities. At the same time, RBM is a management tool and not an end in itself—avoiding excessive focus on scores and ensuring related processes do not become overly bureaucratic will be critical. The foundational work on the common evaluation framework will need to be followed up to

(i) build a medium-term evaluation plan and a systematic response mechanism, including monitoring and reporting on follow-up; (ii) develop a central repository for evaluations and include a link to all published evaluations on the Fund’s website; and (iii) bring evaluations into the prioritization process.

Recommendations:

- Strengthen the focus and monitoring of priorities by narrowing the list of priorities and building on better information systems.
- Take further steps to develop and operationalize a clear governance framework for RBM and the common evaluation framework.

C. Country-Tailored Delivery Focused on Implementation

23. Fund CD is highly valued by recipients, but the Fund must continue to strive to increase its impact. This means building on progress to move decisively from the former model based on mainly providing technical advice (“what to do”) to assistance with implementation (“how to do it”), from a trusted advisor providing recommendations on reform needs to a trusted partner helping countries to design and implement reforms. It also means continuing to shift to a comprehensive view of building capacity and a focus on achieving desired outcomes, recognizing that this complicates planning and makes resource management more challenging. Continuing this shift is especially critical in fragile states, where hands-on, incremental approaches are needed for sustainable reforms (Box 5). Embedding a results-focused, comprehensive, country-tailored approach entails:

- **Reinforcing diagnostics.** The Fund is building an increasingly robust toolkit to diagnose institutional capabilities, building on the Fund’s role as a standard setter and knowledge hub. Targeted diagnostic tools are an important starting point in assessing needs to more closely inform the content and modalities of CD delivery.
- **Engaging fully on institutional readiness.** This means taking into consideration more consistently organizational and decision-making aspects, leadership and management commitment, resistance to change from different stakeholders, resource constraints, limitations in human capacity, and political instability, among other factors. As highlighted in the short note on the CAP pilot, these issues are particularly challenging, and some aspects of these questions go

“The Fund should explore the possibility of introducing (or supporting) training and other advice focused on building leadership, management, strategy development, and related skills... If the Fund cannot take on these training roles directly, it should work with other groups...What the Fund should not continue to do is to simply ignore these critical skills and assume that somehow they will take care of themselves.”
S. Radelet

beyond the Fund’s expertise. Addressing them will require a clearer framework to define new ways of operating—including through partnerships with other organizations with relevant expertise. Shifting from “best practice” to “best fit” is especially important in fragile and low-capacity countries.

Box 5. Helping Sustainable Capacity Building in Fragile States

Fragile states have been an institutional priority for Fund CD since 2014. They are heterogeneous—post-conflict countries and small and vulnerable states. The Fund has adapted its approach in several stages:

- The [IMF Engagement with Countries in Post-Conflict and Fragile Situations-Stocktaking](#) in 2015 proposed a multi-year framework to improve integration of CD with surveillance and lending. Guinea, Liberia, Mali, Sierra Leone, Central African Republic, Sudan, West Bank and Gaza, and Myanmar are participating.
- The [2018 IEO Report on the IMF and Fragile States](#) called for (i) broader implementation of holistic country strategies bridging surveillance, lending, and CD through the Article IV process; and (ii) practical steps to increase the impact of CD. The related Management Implementation Plan calls for developing forward-looking country engagement strategies that lay the basis for full integration between surveillance, lending, and CD. The forthcoming HR Strategy will also address staff incentives and Fund-wide policies and practices to encourage work in fragile states.

CD in Fragile States

- 6 of the top 20 CD users
- 42 of the 43 fragile states received CD in FY18

Substantial CD is directed to fragile states. Six fragile countries (Democratic Republic of Congo, Guinea, Liberia, Gambia, Myanmar, South Sudan) were among the top 20 CD recipients over FY2014–18. RTACs cover 38 of the 43 fragile countries, and the Capacity Development Office in Thailand (CDOT) serves Myanmar. Somalia and South Sudan have dedicated trust funds. Several thematic trust funds also provide CD support.

The CD approach in fragile states recognizes their special needs. This means remaining mindful of often limited absorptive capacity, local scarcity of resources, and possible political and security concerns. The approach must remain flexible and tailored according to individual circumstances, and include careful prioritization and sequencing, incrementality of reforms to ensure sustainability and policy buy-in, and more hands-on and on-the-ground advice. In some cases, it may require more direct field support through RDCs or country-based experts. In rare cases, it may also mean temporary supplementation of local capacity to ensure critical functions are carried out. Additional examples include:

- The 2017 [Multi-Country Report on Building Fiscal Capacity in Fragile States](#) by FAD underscored the importance of targeting and sequencing TA in a way that reflects institutional capability while yielding quick tangible results that can help improve traction with reforms. Other key lessons include prioritizing and sequencing reforms, promoting effective donor coordination, and implementing formal Medium-Term Revenue Strategies and expenditure reform strategies to help countries exit fragility.
- The Middle East Regional Technical Assistance Center (METAC) shifted CD to offsite locations to accommodate the exceptional circumstances of countries in conflict situations. METAC also intensified hands-on training during conflict stages. Follow-up CD missions were scheduled after receiving the authorities’ confirmation on the completion of the recommendations from previous missions.
- In Myanmar, TA experts have blended training with TA, taking a hands-on approach. TA combined the explanation of fundamental concepts with practical applications. To further emphasize policy relevance of CD, the surveillance team and CDOT cooperated closely during surveillance missions in discussing with key technical counterparts the proposed conceptual framework (e.g., on macroeconomic forecasts).

- **Strengthening flexibility in delivery.**

Categorizing CD as TA or training is increasingly difficult as CD continues to move toward a medium-term project focus with more flexible engagement modalities. This means continuing to shift toward multi-year project engagements and knowledge sharing, including through peer-to-peer interactions and attachments (whereby an official from one country spends time in an organization in another country). This also requires continuing to strengthen flexibility in delivery modalities, reducing emphasis on producing detailed TA reports and focusing more on assisting with implementation, including through related training for officials. From the training side, it means less emphasis on classroom-based training of diverse groups of officials and more emphasis on online training and tailoring classroom training by targeting similar groups of officials or customizing delivery to a specific organization to carry out policy functions. Peer learning workshops have become increasingly common in project engagements with countries, and help sustain the impact of both TA and training. It also means continued recognition of the importance of delivery in languages other than English (Box 6). Finally, CD departments are increasingly adjusting the mix of technical support, combining field-based experts and HQ-based missions. RCDCs, which by design have traditionally played a more hand-on role given proximity to members, remain well-positioned to support a more flexible, needs-based model in collaboration with headquarters (Box 7).

"As opposed to what occurred in the past, where organizations focused on training selected individuals, the focus has changed noticeably to enhancing the overall capacity of the organization." I. Coomaraswamy, Governor of the Central Bank of Sri Lanka

"You have really been there for Liberia and in helping us to move forward notwithstanding the challenges and lingering effects of Ebola." E. Stewart Tamba, Former Commissioner General, Liberia

"What we appreciate about IMF regional centers: their proximity, their timely advice, their hands-on support for reform implementation" M. Nsanzabaganwa, Deputy Governor of the National Bank of Rwanda

Box 6. CD in Languages Other Than English

Working in languages other than English is critical to the Fund's engagement with its members.

In FY18, for example, the Fund provided 28 courses in languages other than English to over 750 officials (11 percent of courses and 10 percent of officials who received classroom training, respectively).

Furthermore, about one quarter of classroom training was delivered with interpretation into another language—Arabic, Chinese, French, Spanish, Portuguese, and Russian—to over 1,850 officials (accounting for a quarter of classroom trainees). For online training, in FY18 over 1,025 government officials (21 percent of online trainees) were trained in languages other than English (French, Spanish, Russian, and Arabic).

Languages other than English are equally important for TA. CD departments maintain a strong roster of experts, often coming from agencies of other countries, who can operate in languages other than English. Staff are also considering how to address existing requirements for translation of TA reports to English prior to publication, which represents a constraint in some cases.

- **Facilitating “communities of practice” and regional or topical peer learning.** The Fund can position itself more decisively as a knowledge hub and convener on CD topics, building on the strong networks of CD departments in their areas of expertise. As noted above, the Fund also should continue to catalyze regional engagement through peer-to-peer workshops, particularly by leveraging its network of RCDCs.
- **Experimenting with new technologies.** Use of web-based approaches for follow-up on TA missions (e.g., through emails and video communication rather than a series of traditionally structured missions) can also support more iterative engagement and may help reduce the administrative burden associated with hosting frequent visits for the authorities. In this context, in FY18 the top 10 users of CD averaged about 60 missions each from the Fund alone. The adoption of cloud-based video conferencing software offers a convenient way to communicate and enable collaborative opportunities online, without the constraints of location. The use of cloud technology could also support more efficient data-sharing frameworks and compilation tools useful for capacity building. At the same time, “big data” is becoming a more viable option for countries to strengthen their statistics and policymaking by complementing and replacing traditional data. More statistics CD is already being provided to help countries understand available options. Artificial intelligence could also be used more (e.g., text mining) to support access to specialized expertise.

“One of the IMF’s most important successes over the last few decades—often overlooked—has been in creating global norms of professional practice among central bank governors, ministers of finance, and other senior finance officials...The Fund should more intentionally aim to create and strengthen these norms, networks, and communities of practice at deeper levels within organizations.” S. Radelet

“The High-Level Peer-to-Peer Forum on Monetary Policy in the ASEAN countries held in Singapore ... was an extraordinarily well-organized and effective event. Representatives from ASEAN central banks gave detailed and transparent policy presentations on their different approaches to inflation targeting. The exchange of views (with the IMF and other international experts)—whether related to upcoming global challenges or local policy implementation—represented genuine progress toward improved monetary policy in the region.” J. Taylor, Stanford University

Recommendations:

- CD departments to build on existing departmental strategies to continue moving towards greater modernization, modularity, flexibility, and agility in CD delivery and to bring about medium-term shifts in expertise as CD priorities change over time.
- Continue experimentation with new technologies to support more flexible delivery.
- Follow up on the Management Implementation Plan for the 2018 IEO report on IMF and Fragile States.
- Strengthen operational support for RCDCs.

Box 7. RCDCs: Bringing CD Closer to Countries

The Fund's global network of RCDCs and training programs helps deliver CD. A regional approach facilitates a quick response to countries' emerging needs, as well as closer coordination with other development partners on the ground, including through sharing of cross-country experience and peer-to-peer learning. It also fosters regional integration and allows for better tailoring of advice and training, helping countries advance towards the Sustainable Development Goals. Activities are complemented by global thematic funds focused on topical areas.

RCDCs are financed jointly by the Fund, external development partners, and member countries.

Since 2013, new RCDCs include the Africa Training Institute (ATI), the Africa Regional Technical Assistance Center (AFRITAC) West 2 (both opened in 2013), the South Asian Regional Training and Technical Assistance Center (SARTTAC, in 2017), and the China-IMF Capacity Development Center (CICDC, in 2018).

RCDCs are an increasingly important modality for CD delivery. RCDCs now account for about half of external support for CD activities and about a quarter of all CD spending. Support from external partners and host countries provides more than three-quarters of the resources needed to run these centers. They also contribute their expertise to foster coordination, efficient delivery, and the sharing of best practices.

Trends in Structuring CD Financing Vehicles

Sources: Capacity Development Information Management System (CDIMS); and Fund staff calculations.

RCDCs are innovating. With support from HQ, RCDCs are taking advantage of proximity to work with members to design flexible delivery, including greater customization and integration of TA and training, strengthening linkages between surveillance and CD, and addressing special challenges in fragile and small states (Short Notes: Integration of TA and Training & Notes from the Field).

RCDCs are evaluated regularly. RCDCs are assessed under their governance framework midway through their funding cycles. Recent evaluations have recommended, for instance, a focus on achievement of substantive, longer-term objectives, improved results measurement, adoption of policies to enhance sustainability, and strengthened coordination. RCDCs have responded with renewed efforts to monitor and measure results, greater outreach to partners, and refinement of work plans in consultation with recipients.

Other field-based positions have been used selectively to support tailored delivery in high-intensity cases. Examples include in-country resident advisors in the areas of banking supervision, public financial management, and revenue administration. Getting the balance right between HQ and field-based staff and between country-specific or regional coverage in the field requires careful consideration. Issues include relative costs and benefits of direct support versus iterative support through a regional presence to meet urgent needs and help countries build their own capabilities.

Several challenges will require attention in the period ahead. Weak information systems, as well as fragmented and unclear procedures and roles following a period of rapid growth, have contributed to coordination and quality control challenges between RCDCs and HQ and have limited potential coordination and learning across RCDCs. These issues are a key focus of the work underway to strengthen information sharing, harmonize processes, and streamline administrative complexity. Efforts will also need to be made to better integrate CD delivery between RCDCs and HQ, including to reinforce backstopping. The HR Strategy will also look at staff mobility between HQ and field positions and the application of consistent policies for field-based staff.

D. Internal Consultation and Sharing of CD Information

24. Strengthened information sharing holds the promise of transforming the Fund’s CD operations. Enhancing cooperation between CD and area departments and between HQ and field-based operations depends on improving the way CD outputs are tracked and making it much easier for staff to access CD documents and data. Such information will also support operations and results tracking, reporting, and analysis—all essential for effective resource use and strategic review. Several ongoing initiatives support these objectives:

- A comprehensive program led by the Knowledge Management Unit (KMU) aims at strengthening internal access to Fund documents, beginning with TA reports, through a comprehensive and searchable data management system.
- The “Digital Workplace” project will provide staff with a single access point for documents, data, and analytical tools across activities—helping staff connect their various streams of work.
- CDMAP promises to transform CD operations. Building on previous Fund-wide efforts and existing good practices within departments, it will capture and disseminate data on CD delivery and results (both financial and performance). The project will address critical gaps and support much-needed harmonization of CD processes across departments and improve the way in which the Fund carries out its CD activity. CDMAP will improve the planning, managing, monitoring, and reporting of CD activities, increase transparency, and secure efficiency gains. Most fundamentally, it will provide a clearer picture to all participants in the CD process of risks and opportunities, allowing for more nimble and responsive planning. And it will help to build the connective tissue needed to bring CD activities together with other core functions.

25. Opportunities also need to be found to inform and engage the Executive Board more regularly on CD. For instance, given the need to consider the size of CD in the context of the Fund’s overall activities, more prominent reporting on CD in the context of the medium-term budget discussions should continue. Staff could also continue the practice of the recent informal Board briefings on CD activities. Finally, bilateral surveillance discussions of heavy CD users would also provide an opportunity for the Executive Board to discuss the CD strategy for that country. More generally, bilateral surveillance discussions could provide an opportunity to consider whether the adoption of key policies is being constrained by capacity issues, whether the Fund is providing relevant CD support, and what progress is being made with implementing CD recommendations.

Recommendations:

- Implement ongoing initiatives to enhance knowledge management (KMU project) and improve internal access to data, analytical tools, and productivity tools (Digital Workspace).
- Implement CDMAP.
- Continue the practice of informal Board briefings on CD activities and find other opportunities to inform and engage the Executive Board more regularly on CD.

E. Coordination, Communication, and Dissemination

26. Coordinating better with other providers is key. Coordination supports efficiency gains and helps to sustain the impact of CD. It ensures consistency of policy advice, mitigates risks of duplicating efforts, helps better leverage the pool of available resources and expertise (especially in emerging areas of CD), and promotes more efficient use of resources at both the authorities' and the providers' ends. Effective coordination requires investment in tailored approaches and is most effective when the country itself is in the driver's seat (Short Notes: Coordination). There is no single recipe to improve coordination but existing good practices, including coordination with donor partners through the Fund's thematic and regional trust funds, provide a starting point.

"Supporting country-led coordination efforts should be a key priority for the Fund." M. Pangestu

"The EU has found in the IMF a natural strategic partner with a long track record of supporting economic reform in developing countries...our partner countries greatly appreciate the joint EU-IMF efforts in capacity policy dialogue." N. Mimica, EU Commissioner for International Cooperation and Development

- Coordination has been better organized in program countries or in countries with large and complex CD agendas, where area department mission chiefs took a more active role in engaging with other organizations. In rare cases, resident CD coordinators have been appointed to monitor the evolution of CD engagements and ensure closer dialogue with other CD providers (e.g., Ukraine, Mozambique). In other cases, regular contacts through annual CD providers' coordination committees (e.g., Myanmar) have also worked well. Finally, coordination among CD providers has worked when the authorities themselves have been in the lead (e.g., in Rwanda the authorities organize the CD agenda based on their needs and priorities).
- A strong role for area department mission chiefs and field-based staff in coordinating overall engagement with a country holds benefits in improving coordination with other CD providers at the country level. In countries with large CD needs, a more regular forum to communicate and share information among various CD providers (e.g., a CD providers' committee) could be useful. Where there are capacity constraints in the face of multiple CD projects, a greater Fund presence on the ground could be considered on a targeted basis, resources permitting. This could be ensured through a more active role for resident representatives, RTAC coordinators, or through in-country CD coordinators. In considering these issues, it will be important to recognize the inherently high resource implications of taking a more active role in coordination.
- Notwithstanding the significant efforts to support coordination, however, coordination will remain inherently challenging, given, for example, weak cross-agency information systems, different procedures, misaligned incentives, and scarce resources to manage coordination. As such, it will continue to require concerted efforts by Fund staff.

27. Progress on the Fund’s CD communications will need to continue. Awareness of CD work is increasing, but understanding of CD activities and their tangible benefits to the country among broader audiences remains limited and thus poses an ongoing challenge for CD communications. To address this challenge, future CD communications will be focused on new forms of story-telling to bring CD to life (e.g., graphic novels, video story-telling, publicizing CD stories via social media platforms, and developing more content in languages other than English on the CD portion of the Fund’s website and in training material), increasing audience-focused efforts (e.g., among civil society organizations, media, and partners) through the CD experience at the Spring and Annual Meetings, and posting CD materials on the Fund’s external website (Short Notes: CD Communications).

28. Wider dissemination of CD information is needed. Wider availability of information on the Fund’s CD activities can help spread best practices and provide cross-country lessons. It can support the buildup of professional networks and communities of practice. Publication can raise the visibility of CD activities and their objectives and help muster domestic social and political support for reforms. It would also support better coordination with donors and other CD providers, offering greater opportunities to acknowledge their contributions, and reinforce their support, a point stressed by external partners in interviews.

- CD departments have begun to take steps to better “translate” technical advice into more accessible messages for policymakers. For example, the Statistics Department is implementing standardized summaries in TA reports, delivered in less technical language to bridge the gap between technical and policy-relevant materials for senior country authorities, country teams, and other nontechnical staff. Publication of topical notes on CD activities is now well established and the topics they cover could usefully be expanded, including to synthesize findings and lessons for countries in similar circumstances.
- In response to donors’ calls for more timely and easier access to CD activities that they help finance, efforts are underway to improve the accessibility of relevant TA information through the new Partners Connect platform.
- On publication, CD-related topic notes and information on CD operations and evaluation are expected to expand, and work is also underway to make these materials easier to find on the Fund’s external website. A more concerted effort is also required to strengthen publication of TA reports, which remains limited at less than 5 percent, despite a longstanding policy to encourage publication. An interdepartmental working group is examining ways to boost publication consistent with the Fund’s voluntary framework and the importance of protecting confidential information. Challenges include the high volume of documents and the need to ensure robust review within the Fund and member countries, with associated resource implications. More broadly, Fund staff could do more to inform and engage local stakeholders on key TA recommendations (e.g., through surveillance documents, other published materials, and outreach).

29. Work on CD partnerships will continue. Funding risks related to externally financed CD have been and continue to be actively managed on a range of fronts:

- Pursuing broader and more sustained partnerships through more active fundraising to a wider range of partners. More diversified partnerships will reduce dependence on large contributors as shortfalls from one partner can be more easily absorbed by the others. Longer and more strategic partnerships provide greater funding certainty over the medium term.
- Increasing fungibility and flexibility by promoting multi-partner and umbrella agreements that enable the Fund to allocate funding across a range of CD activities.
- Reducing operational risks by securing financing upfront before carrying out CD delivery, and flexibly adjusting the components of a work program if funding falls short. All CD projects or programs have built-in degrees of flexibility to allow adjustments.

Recommendations:

- Better leverage existing good practices on coordination in collaboration with other providers.
- Pursue innovative CD communications approaches to raise awareness of the Fund's CD work.
- Improve the presentation of recommendations in TA reports to senior authorities and other nontechnical users. Engage local stakeholders on key TA recommendations as part of surveillance and outreach.
- Publish more topical notes in specialized areas of interest to policymakers, also bringing in cross-country learning.
- Implement forthcoming recommendations of the working group on TA report publication.
- Continue to increase the sustainability and fungibility of external financing.

RESOURCE IMPLICATIONS

30. This review takes place in a resource constrained environment within the Fund. With limited scope for additional resources to support CD-related activities, efforts to strengthen Fund CD will likely need to be accommodated within the existing budget envelope. In the absence of additional resources, this likely implies reduced CD delivery, but greater effectiveness in those CD engagements that are pursued:

- Some key reforms recommended (e.g., finalizing the KMU CD knowledge sharing initiative, rolling out CDMAP, and improving access to analytical and productivity-enhancing tools under the Digital Workspace) are already in train and initial estimates have been included in the current medium-term budget.

- The recommendations related to better integrating CD and surveillance will likely need to be accommodated through reprioritization within departments, in line with the recognized strategic importance of increasing synergies among the core functions of the Fund. These efforts could include existing initiatives (e.g., CD framework for fragile states) and draw on best practices (e.g., the more integrated approach to CD and surveillance in AFR). Ensuring a targeted approach—where additional effort will have the highest returns—will also be important.
- Some recommendations will require greater tradeoffs. Specifically, the strengthened role of area departments will require careful consideration of resources for both area and CD departments. In addition, to strengthen tailored delivery, including by enhancing the assessment of institution-specific capabilities within countries, strengthening coordination, and addressing the currently low rate of publication of TA reports, departments will need to consider how best to allocate resources among competing needs. This will likely require targeting and prioritizing CD delivery more rigorously to focus on impact.
- Ongoing process and systems improvement, while requiring significant upfront investment, can be expected to generate some gross savings when fully implemented, though the scale of these savings is not yet clear and some of these resources will need to be utilized to maintain the modernized systems and processes that are currently being defined.

ISSUES FOR DISCUSSION

31. Staff would welcome Directors' views on the following questions:

- Do Directors agree with the main findings and key themes emerging from this review?
- Do Directors endorse the strategic objectives set out in this report?
- Do Directors consider that the specific operational recommendations would support these broader strategic objectives:
 - Clearer roles and responsibilities among various stakeholders;
 - Continued strengthening of prioritization and monitoring;
 - Better tailoring and modernization of CD delivery with a focus on implementation;
 - Greater internal consultation and sharing of CD information; and
 - Further progress in external coordination, communication, and dissemination of information.
- Do Directors consider that the strategic objectives and recommendations proposed in this review will mitigate identified institutional risks related to the CD strategy?
- Do Directors have other suggestions to enhance the impact and efficiency of CD?

Annex I. Recommendations of the 2018 CD Strategy Review

Box 1. Recommendations of the 2018 CD Strategy Review

Staff work in the coming period will consider concrete steps to advance the report's recommendations. This work will build upon ongoing activities and incorporate behavioral insights highlighted in Box 3.

Clarify roles and responsibilities

- Deepen strategic engagement with country authorities throughout the CD process.
- Area Departments to be in the leading role on overall country engagement, including through CSNs for all heavy CD users (defined by a common metric).
- Strengthen efforts to expand and learn from best practices in integrating CD and surveillance.
- Explore further how to better integrate CD and surveillance in the context of the 2020 Comprehensive Surveillance Review, following on the findings of this review and experience from mainstreaming best practices.

Better prioritization and monitoring

- Strengthen the focus and monitoring of priorities by narrowing the list of priorities and building on better information systems.
- Take further steps to develop and operationalize a clear governance framework for RBM and the common evaluation framework.

Enhance country-tailored delivery focused on implementation

- CD departments to build on existing departmental strategies to continue moving towards greater modernization, modularity, flexibility, and agility in CD delivery as well as to bring about medium-term shifts in expertise as CD priorities change over time.
- Continue experimentation with new technologies to support more flexible delivery.
- Follow up on the Management Implementation Plan for the 2018 IEO Report on the IMF and Fragile States.
- Strengthen operational support for RCDs.

More effective internal consultation and sharing of information

- Implement ongoing initiatives to enhance knowledge management (KMU project) and improve internal access to data, analytical tools, and productivity tools (Digital Workspace).
- Implement CDMAP.
- Continue the practice of informal Board briefings on CD activities and find other opportunities to inform and engage the Executive Board more regularly on CD.

Improved external coordination and communication

- Better leverage existing good practices on coordination in collaboration with other providers.
- Pursue innovative CD communications approaches to raise awareness of the Fund's CD work.
- Improve the presentation of recommendations in TA reports to senior authorities and other nontechnical users. Engage local stakeholders on key TA recommendations as part of surveillance and outreach.
- Publish more topical notes in specialized areas of interest to policymakers, bringing in cross-country learning.
- Implement forthcoming recommendations of the working group on TA report publication.
- Continue to increase the sustainability and fungibility of external financing.

Annex II. Select Past CD Strategic Work and Reviews

1. The 2018 CD Strategy Review builds on earlier work on CD and on staff and IEO reviews on related topics (Figure A2.1). Previous assessments reviewed various aspects of TA, training, and/or summarized lessons from various TA project evaluations. For instance, the [2005 IEO Report](#) and [2014 Update](#), the [2008 Paper on Training as Part of Capacity Building](#), the [2008 Report on Enhancing the Impact of Fund Technical Assistance](#), the [2011 Report of the Task Force on the Fund's Technical Assistance Strategy](#), and the [2013 CD Strategy Paper](#) have all highlighted the importance of improving the CD framework including CD prioritization, delivery, funding, monitoring, and evaluation. Box 2 and Annex I of the 2013 Review summarize earlier key recommendations. The 2011 TA review emphasized the key attributes of Fund TA, which were presented as the “FINE model” discussed earlier, while the 2013 CD Strategy brought TA and training under one umbrella.

2. The review also draws on other recent strategic work of relevance to CD. It takes into account relevant staff and IEO reviews that have been recently completed on topics of relevance for CD, including the [2018 Interim Surveillance Review](#), which highlighted the need for better integration of CD with surveillance to help achieve surveillance goals; the [2018 Data and Statistics Strategy](#), which highlighted the key elements needed to enable the Fund and its members to better meet the evolving data needs for surveillance priorities in a digital world; the [Review of the 1997 Guidance Note on Governance](#) which highlighted the importance of anchoring the Fund's CD work in the areas of governance and corruption within a longer-term framework; and the [2018 IEO Report on Fragile States](#), which provided specific recommendations to increase the impact of CD in fragile states, including through increasing on-the-ground support and employing realistic impact assessment tools.