The Fund's Capacity Development Strategy - Better Policies Through Stronger Institutions - Background Paper

INTERNATIONAL MONETARY FUND

THE FUND'S CAPACITY DEVELOPMENT STRATEGY—BETTER POLICIES THROUGH STRONGER INSTITUTIONS—BACKGROUND PAPER

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Acronyms

ACES	Analytical Costing and Estimation System
AFR	African Department
AFRITAC	Africa Regional Technical Assistance Center
AML	Anti-Money Laundering
ATI	Africa Training Institute
BTC	Joint Regional Training Center for Latin America
CAP	Capability Assessment Program
CAPTAC-DR	Central America, Panama, and Dominican Republic Technical Assistance Center
CARTAC	Caribbean Regional Technical Assistance Center
CD	Capacity Development
CDC	Curriculum Development Committee
CEF	IMF-Middle East Center for Economics and Finance
CFT	Combating Financing of Terrorism
CTP	Joint China-IMF Training Program
EPA	Ex-Post Assessment
EPE	Ex-Post Evaluation
FAD	Fiscal Affairs Department
FIN	Finance Department
FSAP	Financial Sector Assessment Program
ICD	Institute for Capacity Development
INS	IMF Institute
JPA	Joint Partnership for Africa
JVI	Joint Vienna Institute
LEG	Legal Department
MAE	Monetary and Exchange Affairs Department
MCM	Monetary and Capital Markets Department
METAC	Middle East Regional Technical Assistance Center
MOOC	Massive Open Online Course
OBP	Office of Budget and Planning
PATS	Participant and Applicant Tracking System
PFTAC	Pacific Financial Technical Assistance Center
RAM	Risk Assessment Matrix
RAP	Resource Allocation Plan
RBM	Results-Based Management
RES	Research Department
ROSC	Report on the Observance of Standards and Codes
RSN	Regional Strategy Note
RTAC	Regional Technical Assistance Center
RTC	Regional Training Center
STA	Statistics Department
STI	IMF-Singapore Regional Training Institute
TA	Technical Assistance
TACSN	Technical Assistance Country Strategy Note
TC	Technical Assistance Consultation
TCAP	Technical Consultations and Technical Cooperation Plan
TIMS	Travel Information Management System
TTF	Topical Trust Fund
VEE	Vulnerability Exercise for Emerging Markets

BACKGROUND[1]

1. **This supplement provides background information on various aspects of capacity development (CD) for the main Board paper, *The Fund's Capacity Development Strategy—Better Policies through Stronger Institutions*.** It is divided into nine notes or sections, each focused on a different topic covered in the main paper. Section A explores the importance of institutions for growth, and the role the Fund can play in building institutions. Section B presents stylized facts about how the landscape for CD has changed since the late 1990s. Section C discusses the difficulties of analyzing CD data because of measurement issues. Section D provides a longer-term perspective on how Fund CD has responded to member needs. Section E contains information on previous efforts to prioritize CD, assesses Regional Strategy Notes (RSNs) and country pages, and suggests ways to strengthen RSNs, including by using the Fund's surveillance products. Section F compares the technical assistance (TA) funding model proposed in the 2011 *Report of the Task Force on the Fund's Technical Assistance Strategy* to the model proposed in the main paper.[2] Section G describes the current monitoring and evaluation practices used at the Fund for TA and training. Section H provides recommendations to increase synergies between TA and external training for country authorities, as well as synergies between TA and internal training for Fund staff. Last, Section I discusses the revolution in online learning.

A. Institutions, Economic Development, and Growth[3]

This note explores the importance of institutions for growth and the role that the Fund can play in building institutions.

Institutions, growth, and the Fund

2. **The notion that institutions are important for economic development is not new and can be traced back to the time of Adam Smith.** While its relative prominence in economic research has varied over time, this notion has always been implicit in economists' understanding of what causes large divergences in economic performance across countries. Recently, however, there has been a resurgence of interest in this subject, including research into the sources of institutional differences and quantifying their impact across countries. The importance of this research was recognized by the 1993 Nobel Prize awarded to Douglass North for his work in this field.[4]

[1] This paper was prepared by a staff team from ICD's Strategy and Evaluation Division, led by Hali Edison and comprising Michael Filippello, Charleen Gust, Jung Yeon Kim, Josephat Koima, Dimitre Milkov, Ellen Nedde, and Wasima Rahman-Garrett (ICD). Carla Cullati and Maria Julia Gutierrez provided invaluable administrative assistance.

[2] Henceforth, this paper will be referred to as the 2011 TA strategy paper.

[3] Prepared by Dimitre Milkov.

[4] North (1990, 1991).

3. There are compelling reasons for this renewed interest in institutions and their impact on economic development. One reason, for example, is the empirical evidence on the vast dispersion of income per capita across countries that cannot be explained by different economic policies or initial conditions.[5] Moreover, this dispersion appears to be persistent over time. Another reason is the striking fact that most indicators of institutional quality seem to be correlated with variations in income across countries.[6]

4. In this context, understanding the impact of institutional quality on economic development is of particular interest for the Fund. Since the Fund's main purpose is to promote economic stability and growth in its member countries, improving the quality of institutions, which in turn would foster economic growth, is an important part of the Fund's focus.

Research on institutions and growth

5. Recent work in the field of institutions and growth has focused on understanding the channels through which institutional quality affects economic development and quantifying such impact.[7] Previously, the literature had viewed economic growth through a purely accounting framework, which decomposes growth into production factor accumulation (capital and labor) and total factor productivity. The latter lumps together a variety of factors, including improvement in technology and institutions, and is not very helpful in uncovering the channels of economic growth.

6. Uncovering empirically the effect of institutions on economic outcomes (income per capita, GDP growth), however, poses challenges. In particular, while the correlation between a country's institutions and growth has been shown to be positive and quite robust, this does not establish (in a statistical sense) a form of causality. Stronger economic performance may well induce improvements in institutional change, just as positive institutional change may spur stronger economic performance. The possibility that both better institutions cause economic development and that stronger economic performance can cause better institutions poses an econometric challenge (endogeneity problem). In summary, by only looking at these two variables, one cannot gauge the marginal exogenous contribution of institutional improvement—the part that causes, but is not caused by growth.

7. A large amount of research has been devoted to dealing with this challenge. In particular, researchers have searched for instrumental variables to get around the possible endogeneity of direct measures of institutions. For example, Acemoglu, Johnson, and Robinson (2001) use mortality rates as an exogenous variable which influences the type of institutions a

[5] Barro (1991). Initial conditions here refer to the level of economic development at a given point in time. In the growth literature, it is usually assumed to be the end of World War II or colonial independence.

[6] *World Economic Outlook*, April 2003, Chapter 3, "Growth and Institutions" by Hali Edison, Maitland MacFarlan, Nicola Spatafora with Ross Levine.

[7] Recent work includes Acemoglu, Johnson, and Robinson (2001, 2002) and Rodrik, Subramanian, and Trebbi (2002).

colonized country adopted (colonies with low mortality rates were fully settled and adopted European institutions). Other studies use geographical and historical variables as instruments. In particular, Rodrik, Subramanian, and Trebbi (2002) discuss the related but differing ideas of whether geography and natural endowment affect economic outcomes directly or through the channel of institutions.

8. Once this econometric challenge has been accounted for, the results point to a very large effect of institutions on the level of income and economic growth. For example, a study in the 2003 *World Economic Outlook* quantifies how large the effect of institutional change can be.[8] It compares different regions and finds a strong positive and statistically significant impact of changes of institutional quality on level of income and economic growth. For example, improving sub-Saharan Africa's institutions to the world average level would result in a two-and-a-half time's increase in income per capita (over time) and would increase GDP growth by 1.7 percentage points.

Institutional improvement in practice: the role of Fund

9. One of the core activities of the Fund is TA to its member countries. Member countries typically request Fund expertise to strengthen or reform their economic institutions (and in some cases, to build them from the ground up) and thus Fund TA in practice can play a large (and direct) role in institutional improvement. The Fund has initiated a pilot program, called the Capability Assessment Program (CAP), whose main objective is to evaluate the extent to which the institutions at the core of macroeconomic policy are able to formulate and implement sound monetary and fiscal policies (Box 2). Such an assessment can be of particular interest for both the member country and the Fund as raising the quality of institutions can significantly increase long-term growth.

10. In this regard, more recently, Fund research has focused on the impact of Fund TA on the quality of fiscal institutions and their importance for economic growth. A 2010 analysis was done internally on the quality of fiscal institutions in advanced economies in the context of the recent crisis.[9] In addition, a recent working paper examined the quality of budget institutions and fiscal performance in low-income countries.[10] More research, however, remains to be done to determine the effects of Fund TA on institutional improvement and its effect on economic growth and stability in member countries.

[8] *World Economic Outlook*, April 2003, Chapter 3, "Growth and Institutions" by Hali Edison, Maitland MacFarlan, Nicola Spatafora with Ross Levine.

[9] The analysis focused on institutions rather than policies.

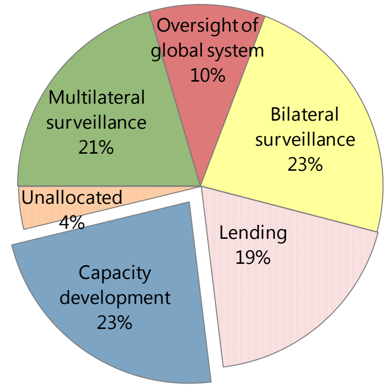
[10] Dabla-Norris, Era, Richard Allen, Luis-Felipe Zanna, Tej Prakash, Eteri Kvintradze, Victor Lledo, Irene Yackovlev, and Sophia Gollwitzer, 2010, "Budget Institutions and Fiscal Performance in Low-Income Countries," *IMF Working Paper*, WP/10/80.

B. Stylized Facts[11]

This note discusses stylized facts about CD and describes the shift in the landscape since the late 1990s.[12] *For a longer-term perspective, see Historical Perspective of Fund TA, 1964–Present (Section D).*

11. Capacity development is an integral part of the Fund's work and represents a significant share of its activities. CD, composed of TA and training, was almost a quarter of the Fund's activities in FY 2012—as large as lending and bilateral and multilateral surveillance (Figure 1). The share of CD in the Fund's work has grown over time, from only 14 percent in FY 1998, as reported in the 1999 *Review of Fund Technical* Assistance. However, comparisons over time are challenging, given data inconsistencies from changing budget reporting systems (Section C).

Figure 1. Share of Costs of Major IMF Activities, FY 2012[1]



Source: Office of Budget and Planning (OBP).

[1] Calculated from dollar amounts; includes direct costs, overhead, and governance, using ACES methodology described in Section C below.

12. Financing arrangements have changed dramatically. There are two sources of financing for CD: internal Fund financing and donor financing. Partnerships with donors, which started in the 1980s, have grown steadily since the 1990s and have intensified since 2008 to help meet the demands on the Fund's TA (Figure 2a). In fact, across departments, most of the increase in TA delivery since FY 2009 has been financed by donors (Figure 2b). Donor support to sustain training programs is also important, coming mostly in the form of co-sponsorships of the regional training centers (RTCs) (Figure 2c).

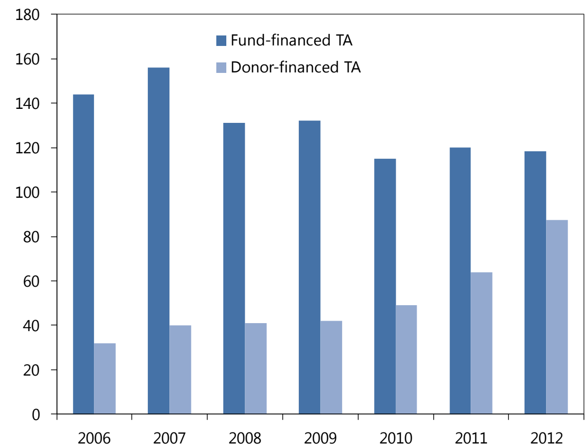
13. The volume of TA supplied by departments has changed with the downsizing in the Fund (in FY 2009) and to reflect changes in donor funding. In FY 2007, the Monetary and Capital Markets Department (MCM) delivered more TA than any other department, notwithstanding a decline compared with volumes in the early 2000s. Since then, the amount of TA delivered by MCM relative to other departments has fallen from 38 percent in FY 2007 to 27 percent in FY 2012, although in person years the volume of MCM's TA has remained relatively stable over that period (Figure 2d). By contrast, TA from the Fiscal Affairs Department (FAD) has increased from 36 percent (70 person years) of TA delivered in FY 2007 to 50 percent (120 person years) in FY 2012.

[11] Prepared by Wasima Rahman-Garrett with contributions from Josephat Koima.

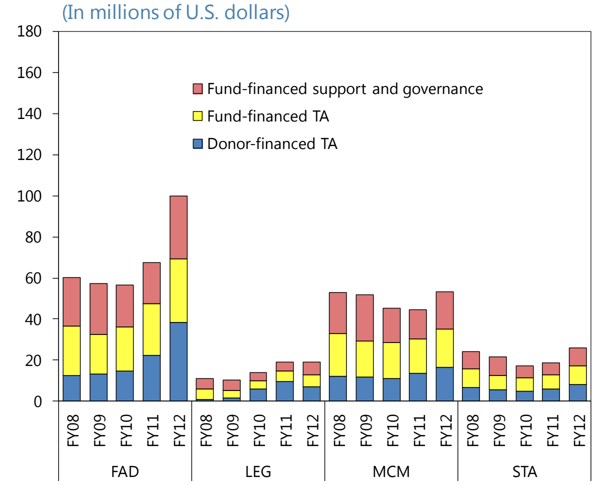
[12] For details about CD and the regional approach to delivery, see IMF factsheets on technical assistance, RTACs, and RTCs.

Figure 2. IMF CD Financing, TA Delivery, and Training Venues

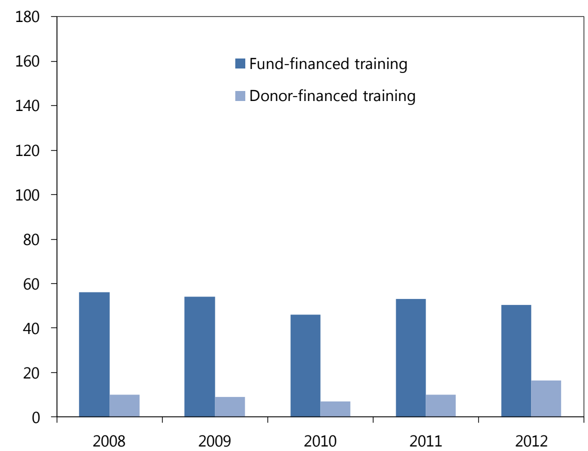
2a. TA Financing, FY 2006–12
(In millions of U.S. dollars)



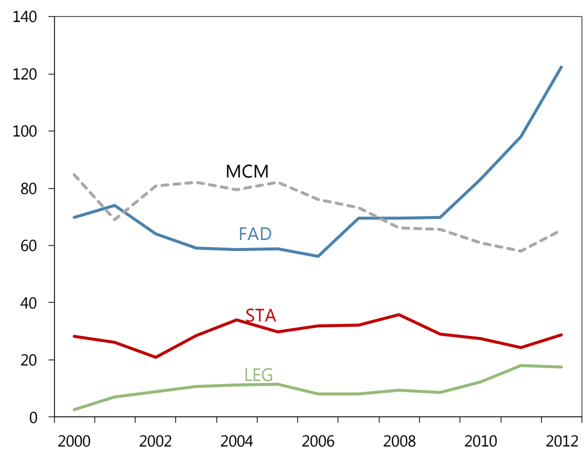
2b. TA Financing By Department, FY 2008–12
(In millions of U.S. dollars)



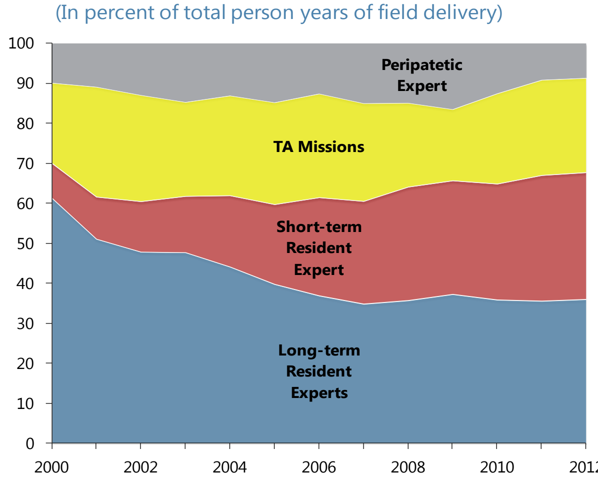
2c. Training Financing, FY 2008–12
(In millions of U.S. dollars)



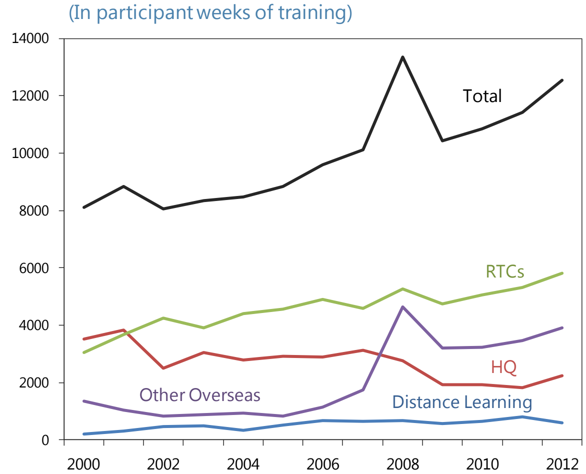
2d. TA Delivery by Department, FY 2000–12
(In person years of field delivery)



2e. TA by Delivery Mechanism, FY 2000–12
(In percent of total person years of field delivery)



2f. IMF Training by Venue, FY 2000–12
(In participant weeks of training)



Sources: OBP and staff estimates; Participant and Applicant Tracking System (PATS); and Travel Information Management System (TIMS).

[1]FY 2013 figures are estimates; note that Figures 2a-c use pre-ACES methodology described in Section C below.

14. The modalities for delivering TA have also been changing. The menu of delivery options has expanded, with TA delivery shifting in part away from the use of traditional long-term resident experts to short-term experts, while the shares of peripatetic expert visits and TA missions have remained broadly stable (Figure 2e).[13] The use of short-term resident experts increased from about 10 percent of total field delivery in FY 2000 to about 25 percent in FY 2012, while the use of long-term resident experts fell from about 60 percent to about 40 percent during the same period. With the expansion of the network of regional technical assistance centers (RTACs), the share of regional experts has risen sharply over the period, from 5 percent in FY 2000 to roughly 38 percent in FY 2012.[14]

15. Training is offered in multiple locations around the world (Figure 3).[15] Over time, training has shifted from Fund headquarters to overseas venues as courses have been tailored to the needs of different regions (Figure 2f). In FY 2012, training conducted at the seven RTCs accounted for nearly 50 percent of total training volume—the largest share—followed by other overseas training (including RTACs) at about 30 percent and training provided by IMF headquarters at about 20 percent.[16] Each RTC covers a specific region, delivers courses within the Institute for Capacity Development (ICD) program (which includes offerings from other departments), and is jointly managed by ICD and co-sponsors.[17] The volume of training provided increased further in FY 2012 with the addition of the RTC in Kuwait (CEF).

[13] Peripatetic experts are experts who visit the same country in a series of short-term missions.

[14] The RTACs are the African Regional Technical Assistance Centers (AFRITACs), with East AFRITAC in Tanzania, West AFRITAC in Côte D'Ivoire, West AFRITAC 2 in Ghana (to be opened later in 2013), Central AFRITAC in Gabon, and South AFRITAC in Mauritius; the Central America, Panama and Dominican Republic Regional Technical Assistance Center (CAPTAC-DR) in Guatemala; the Caribbean Regional Technical Assistance Center (CARTAC) in Barbados; the Middle East Regional Technical Assistance Center (METAC) in Lebanon; and the Pacific Financial Technical Assistance Center (PFTAC) in Fiji.

[15] The RTCs are the Africa Training Institute (ATI) in Mauritius (to be opened later in 2013); the Joint Regional Training Center for Latin America (BTC) in Brazil; the Joint China-IMF Training Program (CTP) in China; the IMF-Middle East Center for Economics and Finance (CEF) in Kuwait; the Joint Partnership for Africa (JPA, formerly the Joint Africa Institute) in Tunisia; the Joint Vienna Institute (JVI) in Austria; and the IMF-Singapore Regional Training Institute (STI) in Singapore. The India Training Program in Pune delivered training from FY 2007 to FY 2013.

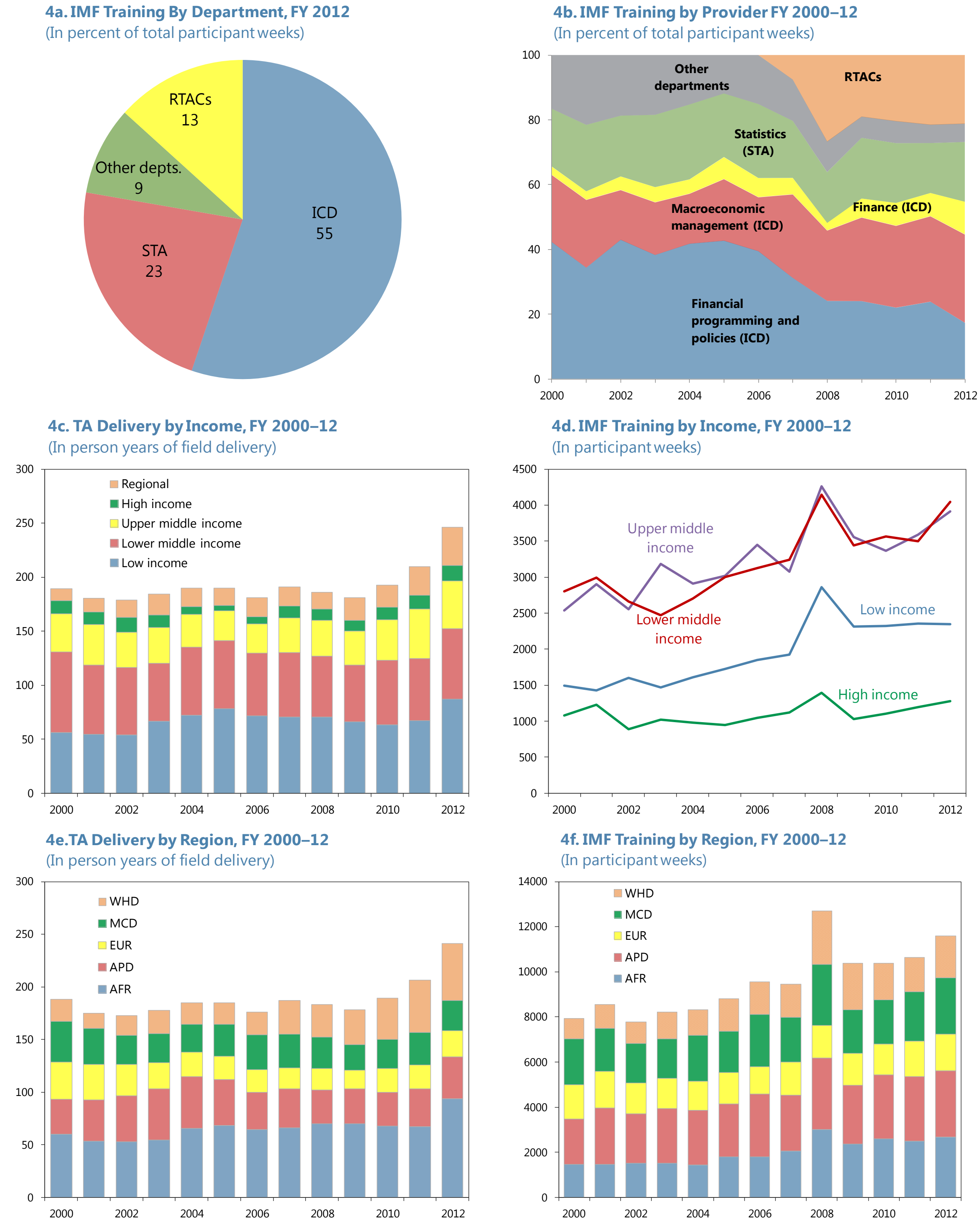
[16] Of the 30 percent in other overseas training in FY 2012, about 13 percent was delivered through the RTACs, where courses are typically restricted to officials from a specific country or a limited number of countries. Fund data on RTAC training starts in FY 2007.

[17] Three-quarters of IMF training is delivered through the ICD program. The remaining training is arranged independently by other Fund departments and RTACs on more specialized and technical issues.

Figure 3. IMF Global CD Presence

16. The training curriculum has been adapting to members' needs. The Fund is a niche provider of training, delivering courses with a macroeconomic focus in areas of the Fund's core expertise. The ICD curriculum aims to support effective macroeconomic management in member countries by combining policy-oriented lectures with hands-on workshops that draw from Fund experience. ICD-provided courses—in financial programming and policies, macroeconomic management, and finance—account for about 60 percent of training, followed by specialized courses by STA, as well as FAD, MCM, the Finance Department (FIN), the Legal Department (LEG), and the RTACs (Figures 4a and 4b). In response to the new challenges facing member countries following the global financial crisis, the share of finance courses increased from 2 percent in FY 2008 to 10 percent in FY 2012.

Figure 4. IMF Training Providers and CD Recipients



Sources: OBP and staff estimates; PATS; and TIMS.

[1]FY 2013 figures are estimates.

17. Overall, TA remains concentrated in low- and lower-middle income countries while training is focused on middle income countries. With the increase in TA to crisis countries, the share of TA to low and lower-middle income countries has fallen from about 70 percent in FY 2008 to about 60 percent in FY 2012, although the volume of TA delivered to these countries has increased over the same period (Figure 4c). For training, middle income countries received the largest volume of IMF training, at about 70 percent of total training in FY 2012 compared to low-income countries, which received about 20 percent of total training in FY 2012 (Figure 4d).

18. The regional distribution of CD recipients has changed over time. Africa (AFR) and the Western Hemisphere region (WHD) have received growing shares of total TA delivery since FY 2000, in part through donor financing of new RTACs (Figure 4e). With the growth in training to the Middle East and Central Asia region (MCD) in recent years, the levels of training delivered to AFR, MCD, and the Asia and Pacific region (APD) were roughly comparable in FY 2012 (Figure 4f). However, adjusting for the number of countries in the region, training to AFR stood at just three-quarters of training to MCD and APD in FY 2012. The recent establishment of the Africa Training Institute (ATI) in Mauritius is expected to boost the delivery of training to AFR.

C. Measurement Issues[18]

This note presents alternative measures for reporting CD outputs and discusses measurement issues related to the size of CD and financing. Non-dollar measures of TA and training stretch back 50 years and are used to demonstrate long-term trends. Dollar measures can be used to compare CD with other Fund activities and compare funding sources. However, dollar measures have evolved over time to capture more accurately staff and expert time but also indirect costs such as support.

Basic Facts—FY 2012

- CD was 23 percent of Fund output (ACES basis (Table 1)).
- Donor financing contributed about $103 million to CD activities, covering about half of the total direct costs of $215 million.
- The contribution of donor financing falls to about 40 percent when accounting for support costs as total costs rise to $272 million (pre-ACES basis (Table 1)).

[18] Prepared by Michael Filippello.

Direct and total costs

Non-dollar measures

18. TA and training data are collected in physical delivery units: field delivery years and participant weeks, respectively. These data are available as time series and can show how TA and training have evolved over time. However, physical units cannot be compared across activities.

Dollar measures

19. For comparison, physical delivery unit data can be converted to dollar costs. This conversion to dollars is done using average salaries. Adding in travel expenses, these estimates represent the *direct cost* of TA and training, but not necessarily the full cost of providing these services. Direct costs are incomplete from an institutional perspective because they omit both Fund-wide support (building, computer, and HR services) and governance (the Executive Board, the management team, etc.).[19] It is estimated that these support and governance costs represent almost one-third of total costs, and therefore their inclusion in the analysis is crucial.

20. To estimate total costs, the Fund has used various methods to allocate support and governance to outputs. The methods of allocating support and governance costs to Fund output categories have evolved in recent years, and these changes can have a major impact on results. To illustrate this point, Table 1 shows two alternative allocation schemes: in the pre-ACES columns, support and governance costs are distributed proportionately based on each activity's share of Fund-financed direct costs.

21. The ACES columns use the Fund's new reporting system that apportions support and governance costs based more closely on their use in various activities. The three percentage point difference in shares is a result of three methodological changes: (i) more granular pricing of direct labor costs; (ii) a more accurate allocation of support; and (iii) a change in the allocation of governance costs to proxy for Board time. Since few CD-themed papers are considered by the Board, governance costs attributed to CD are now much lower.

22. The ACES methodology provides the best information for measuring total CD costs and comparing them with other Fund outputs. At the same time, ACES data is only available since FY 2011 and as such less useful for analyzing historical trends, including the evolution of Fund and donor financing. Therefore, as noted, the pre-ACES approach was used in the time series charts in Section B above.

[19] "Overhead" is often interchangeably used for support.

Table 1. Comparison of Allocation Methodologies for Fund Outputs, FY 2012
(In millions of U.S. dollars, except where indicated otherwise)

	Pre-ACES		ACES	
	Amount	Percent	Amount	Percent
Capacity development	272	26	243	23
Bilateral surveillance	214	20	245	23
Multilateral surveillance	261	25	215	20
Lending	187	18	200	19
Oversight of global systems	117	11	108	10
Unallocated			40	4
Total	1,052	100	1,052	100

Donor financing

23. Measurement of donor-financed activities involves different issues. In general, donors pay for staff and expert time for delivery of services, quality control backstopping, and travel. This compares with the broader measure of the direct cost measure of Fund-financed CD. Donors also pay a seven percent trust fund management (TFM) fee to cover legal, financial, administrative, and other donor-related services. This leads to a possible confusion because it is not the same as support and governance charges applied to Fund-financed CD when estimating total costs. The TFM fee paid by donors covers costs that are tied to donor financing itself, and is included in the $103 million.[20]

24. Donor-financed activities reported here or in the Fund's budget do not include support or governance. This is consistent with the concept of co-financing, that is, the Fund contributes to donor projects by providing these services. However, the practice understates the true cost of donor projects and results in alternative measures of the ratio of donor to Fund financing ratio. Measured in direct costs, donor financing, inclusive of TFM fees, was about $103 million, while the Fund's share was $112 million. Thus, donor financing was about 50 percent of the direct cost of total CD. However, when the Fund's contribution to support and governance is taken into account, the Fund's share rises to $169 million and hence total CD costs are $272 million. As a result, donor-financed activities accounts for nearly 40 percent of the total cost.[21]

[20] The $103 million is measured from aggregate expenditure data and includes a seven percent trust TFM fee. In FY 2012, receipts from donor trust funds, including the TFM fee were $107 million and also include the trust fund management fee. The difference between these two measures arises from expenditures that cannot be allocated or were allocated using a different methodology, and timing differences in recording certain expenses and receipts.

[21] When including support and governance Fund cost rise to $169 million while donor finance remains unchanged.

25. Donor financing is expected to rise to $130–$150 million per year for the next five years. This increase relative to FY 2012 reflects existing commitments for CD activities and that the RTACs and TTFs remain funded at current levels.

Contributions in kind

26. In some cases, donors or host countries provide facilities and other services in kind. These contributions are not captured in the Fund's financial systems and to maintain consistency with other Fund reporting they are not captured in budget data.

Uncertainties

27. The classification of TA depends on how it is delivered. Whether a person's time is reported as TA or surveillance depends on whether he/she participates in a stand-alone TA mission or is part of a surveillance mission team. This means that the volume of TA is likely underreported, but the magnitude of the error is unknown. In the future, the ACES project may be able to shed light on this.

28. Also, the legal and budgetary definitions of TA differ. Some Fund activities—such as non-mandatory Financial Sector Assessment Programs (FSAPs), Reports on the Observance of Standards and Codes (ROSCs), and the G20 Mutual Assessment Program (MAP)—are legally TA, but are not classified as such in the Fund's budget.

29. The change in the budget classification system from output areas to responsibility areas resulted in the reclassification of some Fund work from CD to surveillance. For some TA departments, this caused a noticeable change in their reported outputs that carried over to the aggregate data.

Next steps

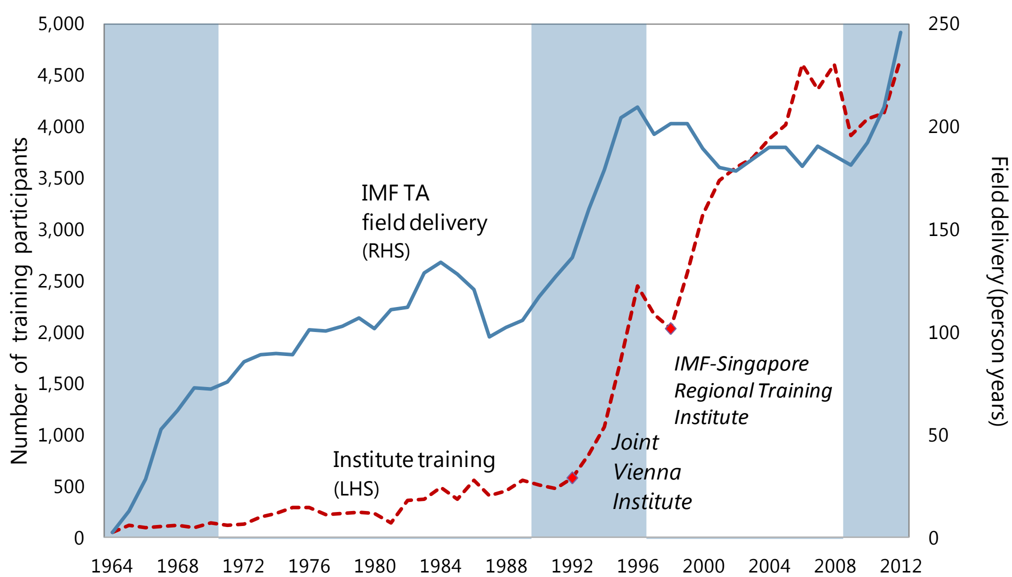
30. Some CD-specific refinements are needed for a clearer picture of total CD costs. These include: (i) reviewing the methodology for allocating overhead, particularly to donor-financed CD; (ii) ensuring that TA backstopping and project management tasks are more accurately identified; and (iii) improving data quality by addressing reporting and accounting issues and clarifying definitions. The second phase of the ACES project is expected to address these issues.

D. Historical Perspective of Fund TA, 1964–Present[22]

This note provides a longer-term perspective on how Fund CD has responded to member needs.

31. The Fund first provided TA in 1946 in response to a request from the Government of Ecuador for advice on its banking and monetary situation.[23] For almost 20 years, TA was limited in scale and focused on policy advice and issues related to Fund-supported programs. The first formal training initiative was launched in 1950, but it too was limited. Starting in the 1960s, TA and training were increased in response to member needs.

Figure 5. IMF TA and Training, FY 1964–2012[1]



Sources: IMF Annual Reports (1964–80); *Review of Fund Technical Assistance* (1993, 1999); PATS; and TIMS.

[1] Data on TA are in calendar years until 1990 and in fiscal years from 1991 and onward. Data until 1992 include only those from FAD, MAE, and STA (the three main TA departments at the time), and include all other departments from 1993. Data on training are in fiscal years.

32. This first expansion phase created the Central Banking and Fiscal Affairs Departments in 1964 to meet the needs of newly independent countries. The IMF Institute was also set up to centralize and expand training facilities for member country officials. The Legal Department and the Bureau of Statistics also assisted in their respective areas.

[22] Prepared by Jung Yeon Kim.

[23] For an early history of Fund TA and training, see *Technical Assistance and Training Services of the International Monetary Fund*, Pamphlet No. 43, 1985.

- Initially, TA was provided by long-term experts situated in the member countries. Over time, as basic institutions were established in many new member countries, the emphasis shifted to short-term experts who were judged to be more cost-effective (i.e., reduced field time).

- The Institute's early course offerings focused on policy, analytic techniques, and statistical methods. They were offered in Washington and were long by current standards (up to 20 weeks).

33. The second expansion phase of TA and training started in the early 1990s with the emergence of new countries (mostly former Soviet Union countries).

- The Joint Vienna Institute (JVI) was established in 1992 to train the authorities from countries in transition in Eastern Europe and the former Soviet Union.

- TA during this period was ramped up in all areas of Fund expertise, in particular to new central banks. The Central Banking Department was renamed as the Monetary and Exchange Affairs Department and given new responsibilities, and the Bureau of Statistics became a department (Statistics Department).

- TA also responded to the "cyclical demand" linked to Fund-supported programs.

- The IMF-Singapore Regional Training Institute (STI) was established in 1998 and brought new opportunities to the Asia-Pacific region.

- The expansion in TA and training during this period was made possible by donor contributions. Japan emerged as the largest bilateral supporter of CD, and remains the largest.

34. During this second expansion period, localized delivery of TA was expanded. The Pacific Financial Technical Assistance Center (PFTAC) was established in 1993 in Fiji to provide technical advice to 15 Pacific island countries. In 2001, the Caribbean Regional Technical Assistance Center (CARTAC) was opened in Barbados to serve 20 countries in the region, followed by the East AFRITAC in Tanzania (2002) and the West AFRITAC in Côte d'Ivoire (2003).

35. The third expansion phase began in the mid-2000s, largely reflecting a marked expansion in donor participation.

- The TA funding model was revised in 2008 with new emphasis on donor co-financing in view of the reduction in Fund financing for TA and training. Contributions increased from both existing donors and the participation of new donors.

- Multilateral partnerships including RTACs and Topical Trust Funds (TTFs) were expanded. New RTACs were opened in the Middle East (METAC, 2004), Central America (CAPTAC-DR, 2009), and African regions (Central AFRITAC in Gabon in 2007, AFRITAC South in Mauritius in 2011, and West AFRITAC 2 in Ghana (to be opened later in 2013)).

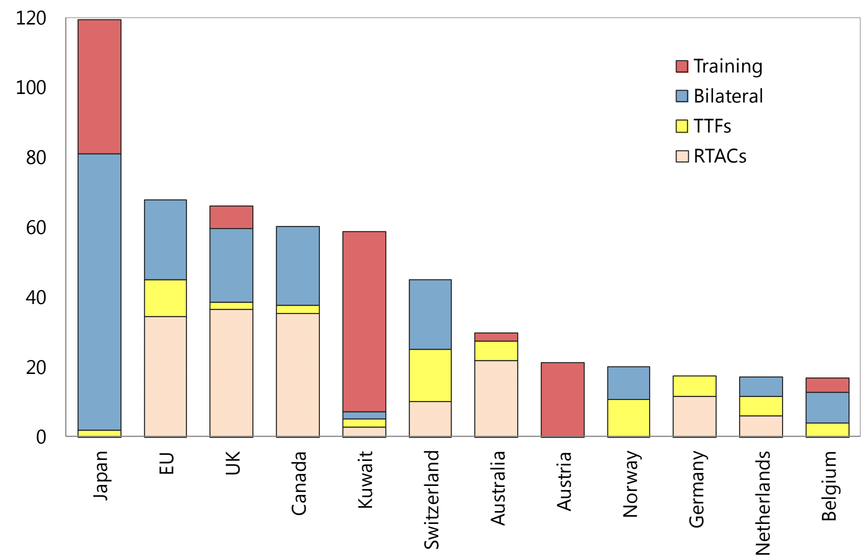
- TTFs provided a vehicle for donors to contribute in particular subject areas. The Fund established its first TTF in 2009 on Anti-Money Laundering and Combating Financial Terrorism. Subsequently, TTFs on Managing Natural Resources Wealth and Tax Policy and Administration were introduced in 2011.

- Similarly, on the training side, the Fund continued to expand its training by establishing new RTCs in Kuwait (CEF)—opening in 2011 to serve Arabic-speaking countries, and in Mauritius (ATI)—to be opened later in 2013—to serve sub-Saharan Africa.

- Figure 6 shows total commitments by major donors who committed to provide over $15 million to support Fund CD activities during FY 2010–14. The top five donors were Japan, the EU, the United Kingdom, Canada, and Kuwait.

Figure 6. Contributions by Major Donors, FY 2010–14[1,2]

(In millions of U.S. dollars)



Source: ICD.

[1] Includes top donors who committed to provide over $15 million for IMF CD activities during FY 2010–14.
[2] Most of the contributions to training from Japan, Kuwait, and Austria are for RTCs serving their respective regions.

E. Review of Prioritization[24]

This note describes previous efforts to prioritize CD; discusses the assessment of RSNs and country pages, which have been used for prioritization since FY 2008; and suggests ways to strengthen RSNs, including by using the Fund's surveillance products.

36. There have been numerous efforts since the 2000s to prioritize the delivery of CD. However, finding a durable solution has proved elusive. Box 1 discusses these efforts.

Box 1. Past Initiatives on Prioritization

Resource Allocation Plan (RAP). The RAP provides detailed information about TA delivery by region, by country, and by TA department. It was introduced in FY 1993, partly in response to concerns that growing TA demand from new member countries could crowd out other regions. The RAP is not a prioritization tool itself; it is not designed to consider strategic decisions that might require a significant change in the regional allocations of resources. It is still used today, and allocates TA resources on the basis of priorities identified in the RSNs (described below).

Prioritization filters. These filters identified Main Program Areas and Key Policy Initiatives and Concerns to which TA on policy reform and capacity building should be principally directed. The filters were adopted in 2001. They were discontinued in 2005, as recommended by the *Conclusions of the Task Force on IMF Technical Assistance* which followed up on the 2005 IEO *Report on the Evaluation of Technical Assistance Provided by the Fund*, since they appeared to be "over determined."

Technical Assistance Consultations (TCs). TCs, as part of the Article IV consultations, reviewed members' progress toward meeting suggested standards and codes and outlined possible areas where the member may wish to initiate technical cooperation in the context of these standards and codes and in other areas of Fund expertise revealed by the surveillance discussions. TCs were rolled out in 2001 on a pilot basis as recommended in the 1999 *Review of Fund Technical Assistance*. The 2002 *Review of Technical Assistance Policy and Experience* recommended discontinuing them, since they were seen not helpful in identifying TA priorities, while unduly overloading Article IV consultations.

Technical Cooperation Action Plans (TCAPs). As an outgrowth of the TCs, TCAPs were required to be prepared as part of the Article IV process with members who were using, or intended to request, technical cooperation with the Fund exceeding a certain size threshold. Like the TCs, TCAPs were also introduced in 2001 on a pilot basis. The 2002 *Review of Technical Assistance Policy and Experience* recommended retaining TCAPs for use on a selective basis, but in practice TCAPs—like TCs—were discontinued.

Technical Assistance Country Strategy Notes (TACSNs). TACSNs identified TA needs for a particular country, formulated in consultation with area and TA departments and country authorities. They were introduced on a pilot basis in 2006, as recommended by the 2005 *Conclusions of the Task Force on IMF Technical Assistance*. However, since TACSNs were country specific, they were not helpful in prioritizing among countries and regions and were superseded by the RSNs (see description below).

Charging for TA. Charging for TA, as a way to help with prioritization, was introduced in 2008. In 2011, Fund management decided not to use TA charges as a prioritization tool, having found that charges would complicate TA management, without necessarily directing resources in the best interest of the international community.

Regional Strategy Notes (RSNs). RSNs were introduced in FY 2008. They were intended to allow for better prioritization of TA by sectors and integration with the Fund's medium-term budget. RSNs were developed by the Working Group on Resource Planning, which reported to the Committee on Capacity Building (CCB). Starting in FY 2013, area departments added a discussion of training prioritization into the RSNs, to better integrate TA and training. Together with the RAP, the RSNs provide the current basis for prioritization of the Fund's CD activities. The RSNs consist of a regional discussion, followed by sections on selected individual countries which are intensive TA users.

[24] Prepared by Charleen Gust, with contributions from Jung Yeon Kim and Wasima Rahman-Garrett.

Health check of RSNs

37. As discussed in Box 1, RSNs were introduced in FY 2008 and, together with the RAP, provide the current basis for prioritization of the Fund's CD activities. The 2008 Board paper *Enhancing the Impact of Fund Technical Assistance* described RSNs as a potentially powerful tool for prioritization that was not yet fully operational. In that paper, staff identified a need to enhance the dialogue between area and TA departments, including to prioritize across countries at different levels of economic development, as well as to strengthen coordination with country authorities and regional institutions. The 2011 TA strategy paper viewed the RSN process as remaining broadly appropriate but saw scope to: (i) improve the current process to ensure that resource allocation across area departments and types of TA responds to changing priorities; and (ii) strengthen the discussion of strategic TA priorities in the medium-term budget. Partly in response to the 2011 paper, area departments added a discussion of training priorities into the FY 2013 RSNs, as a first step towards better integrating TA and training.

38. To examine how well the RSNs discuss prioritization, staff assessed the RSNs for each area department from FY 2008 to FY 2013. Each RSN was reviewed independently by two staff members and assessed using five questions and a four-point rating system from 0 to 3, where 0 corresponded to "not at all" and 3 corresponded to "to a great extent." With only a few exceptions, there was a high degree of consensus between independent assessor ratings. Where ratings differed, the assessors met to discuss the rating and agree on a common rating.

39. Question 1 assessed the overall discussion of TA prioritization at the regional level. The results (Table 2, column 1) indicate that the quality of the discussion of TA prioritization has been broadly constant over FY 2008–13, though with some improvement in FY 2013 and a slight dip in FY 2009. The discussion of TA prioritization was often more about demand than an indication of priorities, though there were in some instances a discussion of what factors played a role in prioritization. The best example came in FY 2013, where one RSN discussed both top-down (where departmental priorities shape the allocation of capacity building activities) and bottom-up (where country teams define priorities in consultation with the authorities and key stakeholders) prioritization.

Table 2. Assessment of RSNs, FY 2008–13

	Discussion of prioritization at regional level (TA)	Discussion of prioritization at regional level (training)	Discussion of unresourced TA demand at regional level	Identification of regional short vs. medium-term needs/priorities	Integration of regional training needs/priorities with regional TA needs/priorities	Discussion of regional TA (e.g., RTACs)
	(1)	(2)	(3)	(4)	(5)	(6)
FY 2008	1.6	NA	0.6	0.0	0.2	0.8
FY 2009	1.2	NA	0.4	0.0	0.2	0.8
FY 2010	1.6	NA	0.4	0.6	0.0	1.0
FY 2011	1.6	NA	0.4	0.6	0.4	1.0
FY 2012	1.6	NA	0.6	0.8	0.4	1.0
FY 2013	2.0	1.6	0.6	1.6	1.0	2.0

Scoring: 0 = not done at all; 1 = done in a cursory way; 2 = done partially; 3 = done to a great extent.

40. **Question 2 examined the discussion of training prioritization at the regional level (Table 2, column 2).** Prior to FY 2013, there was no discussion of training priorities. This is perhaps not surprising, as there was no explicit guidance prior to FY 2013 asking area departments to incorporate such a discussion into the RSNs. While training was mentioned in all RSNs in FY 2013, the majority only discussed training prioritization in a cursory way.

41. **Question 3 considered whether unresourced TA demand at the regional level was discussed.** There were a handful of references to unresourced TA demands in RSNs (Table 2, column 3), but it was not done in a systematic way. Since there is excess demand for TA, such information could help to provide "unfiltered" demand signals that may help in the prioritization process and in the mid-year reallocation of resources.

42. **Question 4 evaluated the identification of regional short- vs. medium-term needs and priorities.** The purpose of the RSNs, as set out by the Working Group on Technical Assistance Resource Planning that reported to the CCB, was to outline in succinct terms short- and medium-term TA priorities for the region and for countries which are heavy TA users. Staff's assessment (Table 2, column 4) found that the RSNs had essentially no discussion of short-term needs prior to FY 2010. As the global financial crisis has persisted, however, the discussion of short-term needs has become more prominent over time, particularly in FY 2013.

43. **Question 5 investigated the integration of regional training needs/priorities with regional TA needs/priorities.** There were very few instances of a discussion in RSNs of the integration of TA and training prior to FY 2013, and when there was a discussion, it was done in a very cursory way (Table 2, column 5). However, with the new guidance in FY 2013 to include a discussion of training in the RSNs, there was a significant improvement along this dimension in FY 2013.

44. **Question 6 assessed the discussion of regional TA delivery (e.g., through RTACs).** The quality of the discussion over FY 2008–12 was roughly constant, being done in a cursory way, though there was an improvement in the FY 2013 RSNs (Table 2, column 6). There was no new guidance on the regional portion of the RSNs that year, so there is no ready explanation for the improved discussion of regional TA delivery.

Health check of RSN country pages

45. **Staff also examined a sample of the country pages in each area department's RSN over the period FY 2008–13.** The sample was made up of countries that were identified as intensive users of TA in each of the six years in the sample period, such as Afghanistan, Burundi, Cambodia, Democratic Republic of Congo, Indonesia, Kosovo, Kyrgyz Republic, Peru, Serbia, Sudan, Syria, Timor Leste, and Ukraine. Each country was assessed using four questions and, as with the assessment of RSNs, staff used a four-point rating system from 0 to 3, where 0 corresponded to "not at all" and 3 corresponded to "to a great extent."

Table 3. Assessment of Country Pages, FY 2008–13

	Identification of country short vs. medium-term needs/priorities (1)	Integration of country training needs/priorities with country TA needs/priorities (2)	Discussion of progress in implementing past TA (3)	Discussion of unresourced TA demand (4)
FY 2008	1.7	0.3	0.7	0.0
FY 2009	1.6	0.3	0.5	0.0
FY 2010	1.5	0.2	0.3	0.0
FY 2011	1.3	0.1	0.3	0.0
FY 2012	1.8	0.0	0.2	0.0
FY 2013	2.0	0.8	2.5	0.2

Scoring: 0 = not done at all; 1 = done in a cursory way; 2 = done partially; 3 = done to a great extent.

46. **Question 1 assessed the identification of short- vs. medium-term CD needs and priorities at the country level.** Unlike the RSNs, the identification of short- vs. medium-term CD needs and priorities were brought out more frequently and with more detail in the country pages (Table 3, column 1).

47. **Question 2 evaluated integration of country TA and training needs and priorities at the country level.** As with the RSNs, there were infrequent and cursory discussions of the integration of country TA and training needs and priorities even before the requirement to include training in FY 2013 (Table 3, column 2). However, even in FY 2013, when an assessment of training prioritization was supposed to have been included in the RSNs, there were more frequent mentions of training, but still not much discussion of its integration with TA.

48. **Question 3 investigated the discussion of progress in implementing past TA at the country level.** The country pages did not include much discussion of progress in implementing past TA (which could be an important factor in the prioritization of CD activities between countries) prior to FY 2013 (Table 3, column 3). The discussion improved significantly in FY 2013 after the country pages were revamped and a short guidance note was sent around to desks.

49. **Question 4 looked at the discussion of unresourced TA demand at the country level.** Unlike the RSNs, which included at least some mention of unresourced TA demand in each year from FY 2008 to FY 2013, there was essentially no discussion of the issue in the country pages, although there was a slight improvement in the discussions in FY 2013 (Table 3, column 4). For instance, two country pages described unresourced TA demand but in one instance, the country page noted that this demand would be part of a future work plan.

Fund surveillance products as a source of information for prioritization

50. **In addition to regular discussions between area and functional departments with country authorities to determine CD needs, the Fund's other surveillance products could also be used more proactively to prioritize CD.** For instance, in addition to the Article IV discussions, FSAPs, and ROSCs, the vulnerability exercises for advanced, emerging market, and low-income

countries could also be used to identify countries that could benefit from targeted delivery of CD activities. Using data from the Spring 2008 Vulnerability Exercise for Emerging Markets (VEE), staff examined how much TA a country received before and after being rated as highly vulnerable.

51. The data suggest that there was very little difference between the level of TA received before and after being classified as highly vulnerable in the overall ratings (Table 4). Though there was an increase seen two years after being rated as highly vulnerable, these results may reflect the fact that more than half of the countries in the sample subsequently entered into Fund-supported arrangements, rather than a deliberate prioritization of TA to vulnerable countries. The results may also reflect the possibility that countries categorized as vulnerable may not have requested TA.

Table 4. TA for Countries Rated as Highly Vulnerable (Overall) in the Spring 2008 VEE
(In person years)

	Crisis year				
	t-2	t-1	t	t+1	t+2
Average	0.6	0.6	0.5	0.5	0.9

Sources: Spring 2008 VEE; TIMS.

52. A similar result holds when looking at countries rated as highly vulnerable only on the basis of particular indicators, for instance, fiscal indicators (Table 5). The amount of fiscal TA provided is not much different two years prior to being rated as highly vulnerable on fiscal indicators compared with two years after being rated as such, despite the majority of countries in this sample entering into Fund-supported arrangements. This could mean that fiscal TA was already aimed at the most vulnerable countries, but further study is necessary to establish the reason.

Table 5. TA for Countries Rated as Highly Vulnerable (Fiscal) in the Spring 2008 VEE
(In person years)

	Crisis year				
	t-2	t-1	t	t+1	t+2
Average	0.4	0.5	0.5	0.4	0.3

Sources: Spring 2008 VEE; TIMS.

53. Looking at countries rated as highly vulnerable on the basis of financial indicators, there is some evidence of an increase in TA two years after receiving such a rating, but this result may be due to the intensification of the financial crisis by 2010 (Table 6). Although these countries received more monetary and financial TA two years before receiving such a rating, this result, driven by two countries which had completed a Fund program at that time, could also reflect non-financial TA (e.g., on inflation targeting).

Table 6. TA for Countries Rated as Highly Vulnerable (Financial) in the Spring 2008 VEE
(In person years)

	Crisis year				
	t-2	t-1	t	t+1	t+2
Average	0.8	0.3	0.3	0.4	0.6

Sources: Spring 2008 VEE; TIMS.

54. These results suggest that the results of the Spring 2008 VEE may not have been actively used at that time for TA prioritization. While CD can only be delivered to countries that request it, there may be scope for country teams to use more actively the Risk Assessment Matrix (RAM) in Article IV reports, as well as vulnerability exercise results as a basis for discussing CD needs with the authorities.

55. Staff also examined whether Ex-Post Assessments (EPAs) and Ex-Post Evaluations (EPEs) could be helpful in prioritizing CD. While the guidance notes for EPEs and EPAs do not explicitly indicate that priorities for follow-up CD should be included, some recent EPAs do include such information. Examples include the 2012 Malawi EPA; the 2011 Niger EPA; the 2011 Mali EPA; and the 2010 Sierra Leone EPA. The 2012 Armenia EPA provided a discussion of the effectiveness of TA. However, recent EPEs do not provide information on TA priorities. This could reflect the differing purposes of EPEs and EPAs. EPAs are intended to provide the opportunity to step back from continuing program relations and analyze the economic problems facing a member; a critical and frank review of progress during Fund-supported programs; and a forward-looking assessment that takes into account lessons learned and presents a strategy for future Fund engagement. In contrast, the aim of an EPE is to determine whether justifications presented at the outset of an individual program were consistent with Fund policies and to review performance under the program.

Proposals to improve the RSNs

56. Introducing a formal guidance note for the preparation of RSNs would help strengthen RSN write-ups, ensure consistency across departments, and facilitate the work of the CCB. The note could cover instructions to: (i) explicitly discuss what factors determine prioritization; (ii) better integrate training and TA needs and priorities; and (iii) clarify short- vs. medium-term priorities. As discussed in the main paper, the guidance note could be updated annually to reflect institutional priorities. It could also include a section on sources of information on country priorities, such as the RAMs in Article IV reports, vulnerability exercises and perhaps, after experience has been gained, the CAP (Box 2). Future work could examine whether the priorities identified in ROSCs, FSAPs, and Article IV report documents are the same as those identified in the RSNs and country pages.

Box 2. The Capability Assessment Program

The objective of the CAP is to assess countries' ability to effectively formulate and implement sound monetary and fiscal policies. Using a high-level assessment process, the program will evaluate the extent to which the institutions at the core of macroeconomic policy making, including the ministry of finance and the central bank, are able to fulfill their mandates, to deliver on their objectives, and to respond to the most pressing policy challenges. The CAP will start with a few pilot cases, including Tunisia, Libya, and Oman. Participation in the CAP will be voluntary.

The CAP will provide a new way to assist country authorities in identifying their most urgent capacity needs across the main macroeconomic policy institutions. The main audience for the capability assessment report will be the country authorities. The assessment should provide them with information and analysis to set priorities for their CD efforts in macroeconomic areas, in consultation with their multilateral and bilateral development partners.

The CAP is intended as a high-level assessment of relative strengths and weaknesses. It will complement existing diagnostic tools by covering the main institutions engaged in the design of implementation of fiscal and monetary policies (in contrast to diagnostic tools such as Public Expenditure and Financial Accountability or ROSC assessments that focus on one agency or institution or one specific policy area) and evaluate the key functions of these institutions. As such, the CAP analysis will be less detailed than results from traditional diagnostic tools. The CAP will be informed by the findings and conclusions of macroeconomic policy assessments and other surveillance instruments, such as Article IV consultations and FSAPs.

F. Funding Model Comparison[25]

A summary of the proposed funding model is presented in Table 7. It is divided into funding principles (and their subcomponents) as well as how they compare to the funding models presented in the 2011 TA strategy paper and the 2008 TA paper, which refer only to TA.[26] The main difference in the funding model proposed in the main paper and presented here is the integration of training into the same funding principles as TA—thus they are CD principles. In addition, while the 2011 TA strategy paper has funding principles similar to the CD model proposed here, some aspects, such as the overhead of donor projects (de facto, co-financing by the Fund), are not present.

[25] Prepared by Dimitre Milkov.

[26] *Report of the Task Force on the Fund's Technical Assistance Strategy*, and *Enhancing the Impact of Fund Technical Assistance*.

Table 7. Comparison of TA Funding Models

2013 CD Board Paper (proposed model)	2011 TA Strategy Paper	2008 TA Paper
Funding Principle 1: The Fund should be responsible for financing CD in the following cases		
In countries or on topics where donor funding is not available, including program cases;	"In terms of eligible countries, as donors are not indifferent to the allocation of their funding, relying only on external financing would not allow the provision of TA to all Fund members;" "TA provided in a program context cannot become dependent on donor priorities" (should be internally financed)—paragraph 10.	Not present.
When a quick reaction is required;	"But a further reduction of internal financing would risk undermining the Fund model (for instance, having adequate permanent staff to permit quick crisis response)" (based on the 2008–11 experience)—paragraph 11—refers to TA only (internal financing).	"It is not desirable to fully replace internal financing with external financing since it is necessary to maintain flexibility in reallocating resources as priorities change"—paragraph 56.
When Fund expertise in particular areas needs to be maintained.	"Internally, the evolving demand for TA services requires upgrading skills to continue to provide cutting-edge advice"—paragraph 3—refers to TA only (internal financing).	"Some internal financing is needed to pay for TA policy development and research"—paragraph 56.
Funding Principle 2: Donor funding for CD should be considered (when these two conditions are met)		
When donor interests are consistent with Fund priorities and objectives; and	"Donor financing can be accepted only when their projects are fully in line with the priorities of staff and authorities"—paragraph 29, first bullet point—refers to TA only.	"TTFs should be used, because they fit well into donors' development strategies and reflect Fund priorities"—paragraph 55.
When sufficient space is available in the Fund's budget to cover co-financing costs.	Not present.	"Currently costs are not fully allocated at the project level"—refers to external projects—paragraph 36.
Funding Principle 3: External financing should result in additional delivery of CD to members		
Taking advantage of an increase in external funding to reduce the internal funding of CD activities could jeopardize the funding model as donors have stressed that their funding should be additional and not a substitute for Fund financing of CD.	"Donors grant their financing on the understanding that it will be additional to internal financing"—paragraph 10. "But further reduction of internal financing would breach understandings on the additionality of donor financing"—paragraph 11.	Not present.

G. Monitoring and Evaluation[27]

This note describes the current monitoring and evaluation practices used at the Fund to evaluate and monitor TA and training.

57. Monitoring and evaluation are two areas where many past reviews have noted that a more systematic approach is needed. While the Fund engages in monitoring outputs, particularly the quality of outputs, and conducts evaluations, this is not done consistently to track progress (or explain shortfalls) or point to areas and circumstances where Fund TA and training could be improved. Furthermore, most recent evaluations have been driven by donor requirements and often focus on specific projects or RTACs. With the expansion of externally financed CD projects, the number of project or location-specific evaluations continues to grow, and higher-level assessments are less frequently undertaken given cost considerations.

58. Monitoring the delivery and quality of the output is one of the hallmarks of Fund TA. The process to achieve this quality varies across departments and across products. Some of the key aspects include:

- **Backstopping.**[28] The role of backstopping has increased substantially with the scaling up of external funding, particularly with the greater use of short-term experts. The amount of backstopping is largely influenced by the expertise and experience of the experts. New experts tend to require more backstopping as they are less familiar with Fund policies and procedures.

- **Review of reports.** All departments typically leave an aide-memoire or a copy of the first draft of the TA report with authorities at the end of the mission. Each department has its own internal review process. FAD also conducts ex-post quality reviews of a random selection of TA reports.

- **Feedback.** Some departments routinely solicit feedback from the authorities on the usefulness of the mission, while others seek feedback during the Fund's Annual and Spring Meetings. STA sends questionnaires to the authorities, six or 12 months after the mission, requesting the status of implementation of recommendations.

59. The content of IMF training and the quality of its review are influenced by many factors. The content tends to be molded by the needs of member countries, while the quality of training is determined by the delivery unit.

[27] Prepared by Hali Edison using responses from a questionnaire sent to CD departments.

[28] Backstopping is defined, in this context, as the core work carried out by Fund staff directly to support experts in the field. The purpose of backstopping is to ensure that the quality of Fund TA advice provided by experts is consistent with international best practice as well as with Fund standards and policies.

- **Course development.** In ICD, the content of new courses is developed by a working group and reviewed by the Curriculum Development Committee (CDC). This committee also reviews existing courses with the aim of strengthening their structure and ensuring that current policy issues in Fund surveillance and programs are covered. Staff in ICD's regional divisions periodically discuss curriculum issues related to the needs of their region at the CDC.

- **Lecture/workshop review.** The immediate responsibility of ensuring the quality and coherence of the lectures rests on the course coordinator. The course program is subject to a review process within ICD. The division chief reviews the course program before it is sent to the front office for clearance and approval. New workshops are "tested" either through a department seminar or through a divisional seminar. Existing workshops are continuously reviewed and refined based on feedback from participants and counselors. Ultimately, the quality of ICD training depends on the capabilities and experience of the trainers.

60. The Fund uses the following TA evaluation instruments:

- **Fund-wide evaluations.** After the 1999 *Review of Fund Technical* Assistance, there have been a number of periodic reviews or tasks forces employed to evaluate TA, including an independent evaluation by the IEO.

- **Department evaluations.** In July 2002, the Executive Board established a TA Evaluation Program, in which three to four evaluations a year are undertaken and then presented to the Board. The last report summarizing such evaluations was provided to the Board in 2010.[29] After that, departments have undertaken some evaluations that are not guided by donor financing. For example, STA selects one or two TA intensive countries each year for evaluation. Similarly, FAD has undertaken a few evaluations on its own, with recent examples including an internal evaluation of TA in the revenue administration in Mozambique. Another example is an evaluation conducted by MCM on lessons learned on its TA activities in Belize, Costa Rica, and Panama.

- **RTAC/TTF evaluations.** Evaluations of the RTACs and TTFs are routinely conducted shortly after the mid-point and no later than 40 months into the funding cycle. There has been only one completed evaluation of a TTF thus far given that the other two TTF have not yet reached their mid-point.

61. The Fund employs a number of evaluation instruments for training. These instruments are linked to the well-known Kirkpatrick (1994) four-level evaluation model, including:

[29] The last report provided to the Board was the 2010 *Technical Assistance Evaluation Program—Findings of Evaluations and Updated Program*. It contained a summary of findings of 13 evaluations of TA projects conducted since the 2008 *Technical Assistance Evaluation Program—Findings of Evaluations and Updated Program*.

- **Course participants.** Reactions and suggestions are collected from participants in every ICD-led course through both a formal questionnaire and further probing during the closing session of the course. This is then transmitted to the department in the back-to-office report, and eventually to the CDC.

- **Follow-up independent surveys to assess whether benefits from training are sustained.** Questionnaires are sent one year to 18 months after a course to the participants and to the managers in their agencies who sponsored their participation in the training. These surveys are conducted by an independent market research firm to ensure anonymity of the responses. Starting in 2003, one survey of a donor-financed course was conducted each year. Since then, coverage has been expanded; in FY 2010 seven courses delivered in 2009 were surveyed, while in FY 2011 eight courses delivered in 2010 were surveyed. One RTC has conducted an ad-hoc alumni survey to solicit feedback on training priorities.

- **Triennial survey.** Since 1995, the INS/ICD has conducted a survey of sponsoring government agencies. The most recent survey was sent to the 579 government agencies in 185 countries that had sent participants to the IMF Institute training program during 2009–11.

62. The focus of these training evaluations is heavily tilted toward satisfaction rather than impact, and the dissemination of results is limited. The survey results are typically highly favorable in terms of satisfaction. While usefulness of the training for performance on-the-job is queried, other potential impacts are not probed in depth. Until the 2012 triennial survey, the questionnaires did not differentiate across regions or income groups limiting their usefulness in adapting the training program. Detailed results are widely disseminated within ICD and a summary of the results is reported to management and other Fund departments.

63. Performance assessment is being reinforced with the introduction of the department accountability frameworks and results-based management (RBM).

- **Accountability framework.** Management has initiated a new instrument that aligns departments' objectives with Fund-wide goals, holding departments accountable for delivering on related indicators.

- **RBM.** The Executive Board endorsed an RBM system to strengthen TA planning and results monitoring. The RBM system, when widely adopted, will capture information on whether outcomes are being achieved. Standardization across TA departments will assist with measurement of performance and not just capture outputs. For example, STA has conducted a TA evaluation on Peru, which contains elements of RBM.

- **RSNs.** Updated guidance on preparing the RSNs was introduced in FY 2013, in part to improve the discussion of progress in implementing past TA.

H. TA-Training Synergies[30]

This note, based in part on the results of a survey of area and TA departments, provides recommendations to achieve greater synergies between TA, external and internal training. Training by TA departments and RTACs is already well coordinated with TA, but synergies between TA, training by other departments, and training for staff could be better exploited.

64. Relevant training for country officials and Fund staff can help member countries implement TA advice by providing analytical skills and supporting institutional buy-in and dialogue with country teams.

65. Synergies between TA and training delivered by TA departments and RTACs occur by design.[31] Training tends to focus on cross-country experiences, international best practices, and practical, hands-on workshops.

- **FAD.** Training activities are either geared toward supporting the implementation of TA advice or assisting policymakers to improve their understanding of fiscal policy challenges. Training may focus on topical policy issues or specific reform initiatives. Training at the end of TA missions often includes workshops focused on practical exercises.

- **LEG.** In the area of AML/CFT, training is aimed at strengthening the capacities of various groups that support the enforcement of the AML/CFT legal framework.

- **MCM.** Training is geared to supporting the implementation of TA advice on topics such as financial stability, stress testing, and risk-based supervision. TA missions often include a training component in the form of hands-on workshops.

- **STA.** Training relates to statistical methodology and compilation and is normally in response to earlier or ongoing TA. Hands-on workshops are an important element.

66. More careful planning is required to achieve alignment between bilateral TA delivery and ICD's regional training in applied macroeconomics and finance. Complementary training for Fund staff could also do more to support the absorption of external TA and training by member countries.

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[30] Prepared by Ellen Nedde.

[31] With the exception of STA, the recorded volume of training delivered by TA departments is relatively small. FAD and MCM delivered fewer than 10 course weeks in FY 2012, while LEG delivered about 20 course weeks. This compares with over 90 course weeks delivered by STA and 225 course weeks delivered by ICD.

67. Successful cases of this type of TA-training coordination exist. As presented in the main Board paper, CD aimed at modernizing monetary policy frameworks in sub-Saharan Africa includes a number of well-coordinated activities such as: technical assistance; training for both mid- and higher-level officials; conferences that bring together academics, policymakers, and staff; and internal training for staff that is closely aligned with the TA and training provided to country officials.

68. The TA and training program supporting the Fund's agenda on jobs and growth provides another model for coordinating CD activities that are well-aligned with surveillance objectives (Box 3). Staff is exposed to both the latest research and practical tools through seminars, courses, and a comprehensive toolkit. Training for country officials is closely aligned, with workshops drawing on the toolkit for staff. Finally, TA is aimed at strengthening policy and institutions to support jobs and growth.

Box 3. TA and Training in Jobs and Growth

Training is designed to bring Fund staff up to date on the latest research and provide tools for analysis. It includes the following:

- Surveillance Toolkit on Growth, Employment, and Inequality disseminated to country teams by RES/SPR.
- RES/SPR Jobs and Growth Seminar series.
- Seminars and courses on jobs and growth offered through the Internal Economics Training program run by ICD.

Training for country officials is closely aligned with training for staff.

- New course on inclusive growth policies developed by ICD, in collaboration with RES; workshops draw on tools in the Surveillance Toolkit for staff.

TA is aimed at strengthening institutions.

- FAD TA to enhance fiscal performance and strengthen fiscal institutions.
- MCM TA to strengthen financial systems and enhance financial inclusion.

69. Several elements for successfully harnessing TA-training synergies are suggested by these examples and by inputs from TA and area departments:

- Training for staff should present both the latest research and practical tools that can be applied to country analysis.
- Training for country officials and staff should be well aligned.
- Training for staff and country officials should present cross-country experiences and best practices in implementing reform measures.
- High-level seminars or short courses for policymakers can help to ensure institutional buy-in.

70. These examples suggest an important role for inter-departmental collaboration. As training becomes better integrated into the RSN/RAP process, it will provide a valuable opportunity for departments to communicate about their planned TA and training activities and how they can best be coordinated.

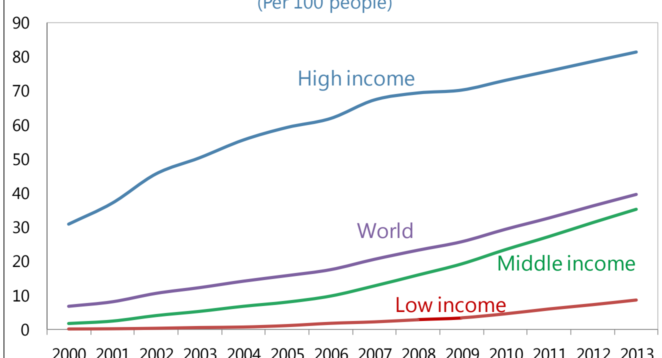
I. The Revolution in Online Learning[32]

This note discusses how massive open online courses are revolutionizing online learning. The Fund has recently negotiated a partnership with edX, a non-profit enterprise started in 2012 by Harvard University and the Massachusetts Institute of Technology, to pilot courses on their innovative online platform. The note also discusses the recent transformation in the design and delivery of online courses.

71. Online learning has undergone revolutionary changes in the last year with the advent of massive open online courses (MOOCs). Traditional online university courses reach students who may not be able to attend a face-to-face course and offer the advantage of allowing students to learn at their own pace. The Fund's distance learning Financial Programming and Policies course shares these positive characteristics. But these courses are time intensive for instructors and are difficult to scale up in the face of excess demand. In contrast, MOOCs leverage technology to reach large audiences at relatively low marginal cost.

72. MOOCs are offered for free to anyone with internet access, which continues to expand globally (Figure 7). Unlike the university open courseware movement which placed full-length recorded lectures and course materials online, but without instructor or peer-to-peer support, MOOCs are interactive courses with graded exercises and active discussion forums. Lectures are broken into eight to 12 minute segments interspersed with exercises, usually coupled with longer weekly assignments or exams. Assignments are typically machine graded, although some humanities courses have relied on peer assessment of essays.

Figure 7. Internet Users by Country Income Level, 2000–13[1]
(Per 100 people)



Source: World Bank Development Indicators.

[1]Figures for 2012 and 2013 are projections.

[32] Prepared by Ellen Nedde.

73. University MOOCs have attracted both enormous enrollments and media attention. The first free artificial intelligence course offered by Stanford University in the Summer of 2011 attracted 160,000 students from around the world. At the first anniversary of their launch, edX and Coursera, two of the largest MOOC providers, have enrolled 1.1 million and 3.1 million students, respectively (Table 8). Both edX and Coursera have recently expanded to international university partners with the intention of expanding their offerings of courses in languages other than English.

Table 8. Reach of MOOC Providers
(As of April 7, 2013)

	edX	Coursera
Partner institutions (number)	12	62
Courses (number)	32	313
Unique learners (number in millions)	0.8	1.1
Course enrollments (number in millions)	1.1	3.1
of which: international enrollments (share in percent)	70	70

74. The "big three" MOOC providers of university-level material, edX, Coursera, and Udacity, are committed to offering their courses for free (Box 4). To do this, they are seeking alternative revenue sources, such as fees for optional verified certificates, job referrals for top students, and licensing of courses to third parties such as community colleges.

Box 4. Major Players in the Online Revolution

edX

Non-profit enterprise started in Spring 2012 by Harvard University and the Massachusetts Institute of Technology that partner with institutions to offer university-level MOOCs. edX is committed both to making courses freely available to a global audience and to researching how students learn and how technology can transform learning. edX is committed to making its online learning platform available as open-source software so that anyone can use the innovative platform to host MOOCs.

Coursera

For-profit company started in Spring 2012 by two Stanford University computer science professors. Coursera partners with institutions to offer university-level MOOCs in a wide range of topics, including social sciences and the humanities.

Udacity

For-profit company started in early 2012 by a Stanford computer science professor that partners with individual professors rather than institutions to offer MOOCs. Most courses are in the areas of mathematics and computer science at the university level.

Khan Academy

Non-profit educational website created in 2006 by Salman Khan and supported by grants, including from the Gates Foundation. The library of over 3,000 short videos is aimed at the primary and secondary school level in math, science, economics, computer science, and humanities. All tutorials are offered free of charge.

Udemy

For-profit company started in 2010 that allows instructors, most of whom are not affiliated with a university, to upload courses for which they can choose to charge fees. The catalog of over 6,000 courses cover topics such as business, technology, math, health, and languages.

75. MOOCs also offer the opportunity to conduct research on how technology can transform learning both online and in the classroom. MOOCs generate large volumes of data on student learning since every answer and click of the mouse is stored. They also provide an opportunity to experiment with blended learning, combining online and classroom learning.

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