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2018 Quinquennial Review of the
Funds Capacity Development
Strategy—Concept Note

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2018 QUINQUENNIAL REVIEW OF THE FUND'S CAPACITY DEVELOPMENT STRATEGY—CONCEPT NOTE

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- The **Staff Report** prepared by IMF staff and completed on March 2, 2017.

Informal Session to Engage:

The report prepared by IMF staff has benefited from comments and suggestions by Executive Directors following the informal session on February 24, 2017. Such informal sessions are used to brief Executive Directors on policy issues and to receive feedback from them in preparation for a formal consideration at a future date. No decisions are taken at these informal sessions. The views expressed in this paper are those of the IMF staff and do not necessarily represent the views of the IMF's Executive Board.

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**International Monetary Fund
Washington, D.C.**



March 2, 2017

2018 QUINQUENNIAL REVIEW OF THE FUND'S CAPACITY DEVELOPMENT STRATEGY: CONCEPT NOTE

Approved By
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Prepared by the Institute for Capacity Development in
Consultation with Other Departments.

INTRODUCTION

Objectives, Context and Scope. Capacity development (CD), including technical assistance (TA) and training, is one of the three core pillars of the Fund's work. Its main objective is to help member countries build institutions and capacity necessary to formulate and implement sound economic and financial policies. The Institute for Capacity Development (ICD) was established in 2012 with a specific mandate to further define and develop the Fund's strategy on capacity building and provide a clear institutional framework to bring the coordination and oversight over TA and training activities under one umbrella, while building on partnerships with donors.

The Fund's capacity development strategy was last discussed by the Board in June 2013, and the Board subsequently endorsed the 2014 statement on [IMF Policies and Practices on Capacity Development](#). The 2018 review of the CD strategy will include backward- and forward-looking components:

- The backward-looking component will consider the prioritization, funding, monitoring and evaluation, and delivery of CD as set out in the 2014 statement.
- The forward-looking component will provide the opportunity to outline reforms to increase the impact of CD. Emphasis will be on making CD more effective and efficient while building on its existing strengths.
- Conclusions from the 2018 review will be reflected in a revised statement on IMF Policies and Practices on Capacity Development.

The Fund's CD activities (over \$330 million in FY2016) represent slightly more than one-quarter of the IMF's budget and are focused on its unique expertise: macroeconomics, fiscal policy and management, monetary policy and financial systems, related legislative frameworks, and macroeconomic and financial statistics. These activities represent a continuum across a number of dimensions. However, for reporting purposes TA and training are recorded separately.¹ Sub-Saharan Africa received the largest share of TA

¹ Training is recorded in the Participant and Applicant Tracking System (PATS) as: (i) all events within the ICD program; (ii) all single-country events outside the ICD program that are similar in content to activities that departments deliver within the ICD program; or (iii) all multi-country events outside the ICD program that take place

(39 percent) and training (28 percent) in FY16, followed by Asia and Pacific (TA: 18 percent; training: 20 percent) and Western Hemisphere (TA: 19 percent; training: 17 percent). About half of these activities are financed by development partners. Annex I provides additional key facts on CD.

2013 STRATEGY FINDINGS AND RECOMMENDATIONS

Following the creation of ICD, the 2013 strategy paper provided the first opportunity to significantly strengthen CD governance and presented the first integrated strategy for CD. Directors agreed that CD should be: (i) focused on the Fund's core macroeconomic and financial mandate; (ii) integrated with other core responsibilities of the Fund; (iii) nimble in its response to changes in country needs; and (iv) effective in strengthening institutional capacity. The Executive Board endorsed a number of recommendations to achieve these objectives, including with respect to updating the governance structure, enhancing prioritization, clarifying the funding model, and strengthening monitoring and evaluation. The Executive Board also saw scope for fostering greater integration of TA and training, exploiting new technologies for delivery, and leveraging CD as outreach.

Prior to 2013, the planning, prioritization, and funding of TA and training were conducted without centralized coordination of these functions—posing risks to ensuring full consistency with the institutional priorities. There was no mechanism to identify and align CD priorities with the Fund's overall priorities nor to determine the overall envelope and plans for externally-financed CD initiatives that could serve as a guide to the Fund's external fundraising efforts. There was also no interdepartmental process to ensure that new externally-financed initiatives were in line with CD priorities. In addition, the external funding envelope was not integrated into the Fund's medium-term budget.

Since 2013, significant progress has been made to address these shortcomings—with the 2013 CD strategy providing a comprehensive framework for CD activities and the substantial strengthening of the CD governance and prioritization framework (see Box 1).

in a classroom setting and include at least ten participants. Training does not include single-country events that are delivered as part of a TA engagement and not similar in content to the activities that departments deliver under the ICD program. TA data reflect field delivery as recorded in the Travel Information Management System (TIMS) database.

Box 1. Key Recommendations from 2013 CD Strategy Review

Next Steps for Staff	Comments
Governance	
Prepare a new policy statement for Board approval	Completed with issuance of CD Policy statement in August 2014
Draft new terms of reference for the CCB	Completed July 2013; First meeting under new structure held in November 2013; Since then, the CCB has been holding regular meetings three times a year (March, July and November)
Prioritization	
Integrate CD activity into the Fund's strategic planning process	Implemented with annual November CCB meetings
Develop a guidance note for RSNs	Implemented with RSN guidance issued for TA and training in July and October 2014
Pilot the Capability Assessment Program (CAP) and assess its value	CAP piloted for Tunisia and Libya, with CAP recommendations and action plans discussed with authorities ²
Funding Model	
Establish an approval process for new donor financing initiatives	Implemented with guidance issued in May 2014
Monitoring and Evaluation	
Pursue work on RBM to enhance planning and managing of outcomes	Capacity Development Projects, Outputs, and Results Tracking (CD-PORT) launched and ready to be used for all new projects by end FY17; Catalog of outcomes and success indicators established
Develop a guidance note to establish a common evaluation standard, based on principles for good performance indicators, methodology, and dissemination	Framework approved; Guidance to be issued in early 2017
Integration of TA and Training	
Monitor Africa Training Institute (ATI) experience with integrating TA and training	Implemented with customized ATI training in collaboration with AFRITACs; Work ongoing to realize further ATI/AFRITAC synergies
Seek opportunities to coordinate further TA and training, including enhanced communication across departments	Some progress made with RAP and RSNs moving toward more integrated TA and training; New South Asia Regional Training and Technical Assistance Center (SARTTAC) will begin operations in 2017 and is the first center to fully integrate training and technical assistance
Offer internal training that complements external training and TA so staff can support absorption of TA advice	IET curriculum restructured to be in line with restructured external curriculum; Customized training provided to desks of the same countries that received it as part of external training
Exploiting Technology	
Use advances in technology to enhance the effectiveness and expand the delivery of CD	Online learning launched in late 2013 and accounts for about 30 percent of training
Experiment with webinars to facilitate high-level peer-to-peer exchanges and to spread the Fund's institutional knowledge	Several webinars of chief economists in Western Hemisphere held in 2014-15
Leveraging CD as Outreach	
Monitor impact of CD-related outreach	Created new CD platforms on imf.org (social media accounts focusing on CD, new CD website) and monitor engagement; conduct periodic sounding-outs of media, civil society, and the private sector to raise awareness of CD and solicit feedback; and hired a full-time marketing expert to oversee CD communications and gauge impact. Some Area Departments have integrated CD outreach with their own outreach strategies; RTACs have played a major role in disseminating the nature and scope of CD at the regional level through websites and social networks, in addition to specific outreach events
Enhance communication among departments of CD-related outreach activities	High level CD communications group created; Fund-wide CD story competition; Postcard series during 2016 Annual Meetings to highlight CD activities in innovative format
Track progress on dissemination and publication of CD findings and evaluations	In progress

² Following an assessment of the CAP, management decided to not extend the program beyond the two pilot cases, among other things, due to its high cost in terms of staff resources.

- Prioritization has been strengthened in accordance with the 2014 statement on policies and practices on CD. Fund-wide priorities are now informed by the Global Policy Agenda and other papers discussed by the Board (e.g. Financing for Development (FfD), fragile states), Regional Strategy Notes, and other information. They are drawn up in an annual document approved by the interdepartmental Committee on Capacity Building (CCB), chaired by management, and subsequently reflected in the Resource Allocation Plan (RAP), which lists expected CD delivery activities for the coming year. The prioritization process also better integrates priorities at the country and regional levels through: (i) a stronger emphasis on aligning CD priorities outlined in area departments' Regional Strategy Notes with country needs in both program and surveillance cases; and (ii) area departments' channeling of authorities' demands for CD to better inform the RAP process directly.
- Key priorities are adjusted each year and have recently included low-income countries, fragile states, and financial sector CD, as well as the Fund's activities in connection with the Financing for Development Agenda (see Annex II). While a programmatic approach to CD is increasingly encouraged, the current framework allows for significant flexibility to accommodate unanticipated demands from members (see Box 2).
- The external funding envelope has been integrated into the Fund's medium-term budget. The Board now approves the overall envelope for internally- and externally-funded activities, including CD, through the budget process (see Box 3). It is updated on the Fund's CD spending and outturn through OBP's annual [Output Cost Estimates and Budget Outturn Paper](#). Within the budget parameters set by the Board, the CCB agrees on a medium-term baseline scenario for external funding.
- An interdepartmental review process culminating in management approval for external partner-financed initiatives was introduced in 2014 to ensure that all new initiatives are in line with the agreed CD priorities and medium-term external funding.
- The CCB also reviews annual progress with fundraising against the medium-term baseline scenario and other issues related to external partnerships.
- Monitoring and evaluation is being strengthened as a new framework for results based management (RBM) has been adopted Fund-wide, based on an agreed catalog of expected CD outcomes, and is being expanded to cover all of the Fund's CD activities. A new common evaluation framework was approved by management in 2016, and is expected to make future evaluations shorter, more focused and more comparable, and will allow the information in CD evaluations to be used more effectively to alter practices or shift the targeting of CD resources.

- On delivery, online training has grown significantly since its introduction and now accounts for about 30 percent of IMF course delivery to country officials. The Fund has also been customizing its training in response to requests from individual members.

Box 2. Agility and Flexibility of the Fund’s CD Delivery

The current framework of functional and area departments working together to allocate resources for CD delivery allows for significant flexibility to accommodate unanticipated demand and urgent needs from member countries. The guiding principle, noted in the 2013 CD Review paper, that underpins the current framework, is that Fund financing of CD should be considered: (i) in countries or on topics where donor funding is not available, including program cases; (ii) when a quick reaction is required; or (iii) when Fund expertise in particular areas needs to be maintained.

Each year there is room to respond to changes in demand and needs of member countries in the face of a rapidly changing environment by directing TA to new priorities.

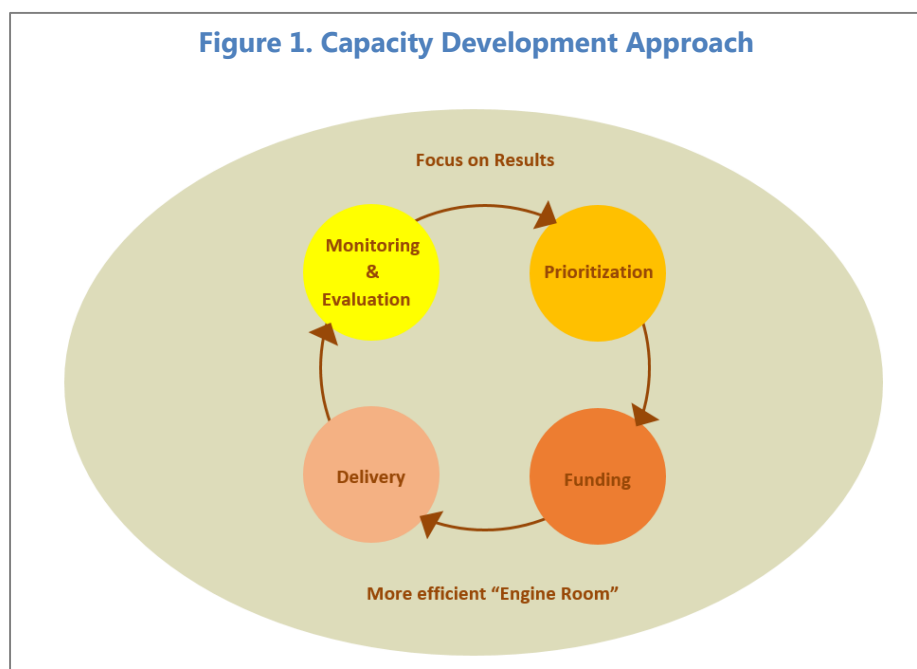
Box 3. Responsibilities of the Executive Board and the Managing Director in the Area of CD

The distinctive but complementary roles of the Executive Board and the Managing Director in the area of CD ultimately rest upon the general allocation of responsibilities as set out in the Fund’s Articles. Article XII, Section 3(a) provides that “[t]he Executive Board shall be responsible for conducting the business of the Fund.” Article XII, Section 5(b) provides that “[t]he Managing Director shall [...] conduct, under the direction of the Executive Board, the ordinary business of the Fund.” This delineation of responsibilities between the Executive Board and management, including in the context of CD, has evolved through the adoption of general decisions by the Board or through practice. The Executive Board provides 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.³ The Executive Board also approves non-members and international organizations for eligibility to receive CD from the Fund. Within this framework, management implements the Executive Board’s overall strategic direction and, with staff, conducts the operations related to the Fund’s CD activities.

³ See the 2013 paper on the [Fund’s Capacity Development Strategy](#); and the 2014 paper on [IMF Policies and Practices on Capacity Development](#).

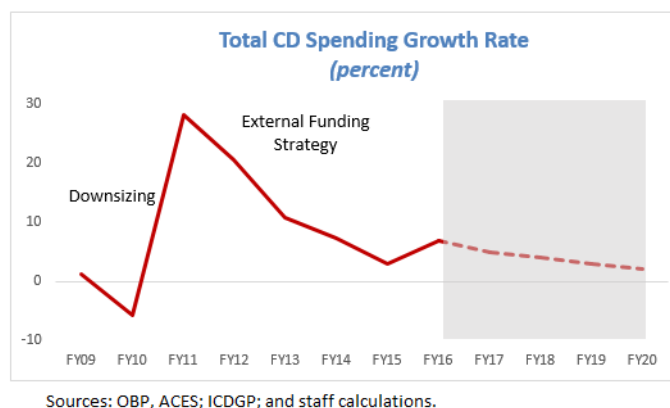
THEMES FOR THE 2018 REVIEW

The approach to strengthening Fund CD is based on a virtuous circle of improved prioritization, proactive engagement with external partners, enhanced delivery, and strengthened monitoring and evaluation, while always keeping a focus on results in member countries and increasing efficiency (see Figure 1).



With significant progress having been achieved in all four areas, the 2018 review provides an opportunity to focus on: (i) further strengthening the capacity development framework to ensure that CD is targeted at the most important needs of countries as defined by both the country authorities and the Fund; (ii) seeking innovative ways to deliver CD; (iii) sharing Fund CD knowledge with the membership; (iv) further integrating CD with Fund surveillance and policy advice; and (v) entrenching the results-oriented approach.

This review takes as a key working assumption that the size of the Fund’s CD activities will remain broadly consistent with the Fund’s current commitments and priorities, as reflected in the [FY17-FY19 Medium-Term Budget Paper](#). Concretely, the size of internal Fund resources (IMF01) is assumed to remain flat in real terms and externally-funded (IMF02) CD activities are projected to increase by up to \$40 million annually by FY21 to meet the demands of member countries, including the Fund’s commitments under the FfD agenda and other initiatives critical for achieving the Sustainable Development Goals (SDGs).⁴ This implies a steady-state externally-funded budget of \$1.2 billion over five years.



In line with the above proposed focus, the review could consider the following issues and themes so as to increase the impact of CD.

Governance and prioritization

- **Evolving areas of Fund CD.** The expansion of Fund analytical work on new issues that may have macroeconomic impact, such as climate change, gender, inequality, and technology may gradually lead to new types of TA requests from member countries. The review will examine how the Fund can best meet such demand in collaboration with other TA providers, assess the potential impact of any changes in its scope of work, and determine whether there would be implications for targeting Fund CD services.
- **Further strengthening governance of CD delivery to ensure that:**
 - CD is prioritized and delivered to the most important needs of member countries and well-coordinated with surveillance. This would include a close and well-coordinated dialogue between area departments and CD-providing departments. The review will assess progress achieved so far in integrating CD with surveillance and program work, highlighting remaining challenges. It will also consider best practices for further integrating surveillance and program work with CD, including easier access of country teams to CD data, plans and assessments to better follow up on results of CD activities, as well as closer consultation with country authorities. The

⁴ These are important assumptions given that the use of donor funding requires complementary expenditures by the Fund in the form of support and governance, including the use of HQ physical facilities—implying that growth of the externally-financed share of CD activities needs to be constrained.

next review of surveillance and related staff guidance could reflect agreed best practice to better integrate surveillance and CD.

- CD is delivered in a form that is appropriate and tailored to member countries' needs, including through better coordination of headquarters-based CD and CD delivered in the field. Previous reviews have discussed the Regional Technical Assistance Center (RTAC) governance framework, but since then, CD delivery through RTACs has grown significantly. Thus, the 2018 review provides an opportunity to assess whether current governance arrangements remain adequate or require further strengthening.⁵
- CD's responsiveness to authorities' needs and demands for CD is further strengthened, and ways to encourage a programmatic approach to CD planning and delivery will be considered.
- CD is actually resulting in improvements in capacity in member countries as intended.

Funding

- **Strengthening the funding model.** The external funding strategy is aimed at promoting strategic partnerships; increasing the number of external CD partners, by fostering cooperation with new official partners and exploring opportunities with non-traditional partners (e.g., foundations); more flexible vehicles and funding arrangements; and effective communication of results achieved.

Delivery

- **Leveraging technology in CD delivery and outreach.** The review will consider how to boost use of technology to deliver CD services in ways that are both most useful to members and cost effective. Technology can make it easier to connect peers and experts, to provide CD services online, and to deliver user-friendly CD products, complementing face-to-face delivery and traditional modes of interaction. The review will also assess on-going efforts to further strengthen outreach and scale up communication efforts to raise awareness of the Fund's work on CD.
- **Establishing the Fund as a knowledge hub in its areas of technical expertise.** Effective dissemination of CD knowledge is critical in a more open, communications-oriented era. The review will consider options to share CD knowledge to make it much easier for Fund members, staff, and the general public to access such knowledge, facilitate peer-to-peer learning, and encourage policymakers and experts to share valuable CD experiences with the Fund. It will also assess policies regarding publication

⁵ See for instance the 2011 TA review paper on the [Report of the Task Force on the Fund's Technical Assistance Strategy](#); and the 2005 [Review of the Fund's Regional Technical Assistance Centers](#).

and dissemination of TA reports, including an assessment of the costs involved, while ensuring that confidentiality policies, including the candor of the Fund's assessment and recommendations are respected. The review will also consider how to use knowledge management tools and techniques to ensure that TA reports and other CD materials are readily accessible and usable for a wider group of officials.

- **Assessing the appropriate balance between different types of CD delivery.** The review will assess the balance of CD delivery modalities from using initial scoping exercises to determine what CD is needed, to assessing progress using various diagnostic tools for CD work, and delivering CD activities that lead to concrete changes and results on the ground.

Monitoring and Evaluation

- **Maintaining focus on the results-oriented approach.** The common evaluation framework and Results Based Management (RBM) for all CD activities are only just coming into use now (see Annex III). It will take time for them to become entrenched in the Fund's work practices. The review will assess the institutional arrangements necessary to ensure that the Fund's RBM process and evaluations are successfully embedded in the Fund's CD processes, including those relating to prioritization and resource allocation in order to continuously improve CD services.

"Engine room" of CD delivery

- **Strengthening the 'engine room' of CD delivery.** The review will assess the IT infrastructure strategy supporting CD delivery, involving retiring antiquated systems and making improvements to technology surrounding resource planning, management, monitoring, and reporting of CD delivery. The planned upgrading of old software systems for more relevant and dynamic technology will help modernize processes, such as the RAP.

BACKGROUND STUDIES

Several background studies are planned to help inform the review, including:

- **Review of CD prioritization and delivery.** The paper will examine how CD departments decide, in practice, which specific CD projects to undertake in light of priorities set by the CCB, while remaining agile and responsive to unanticipated demands from members in the face of a rapidly changing environment. It will also examine how CD delivered from headquarters is coordinated with CD provided by RTACs and how feedback on the effectiveness of ongoing CD projects is obtained and used.

- **Review of CD evaluations.** External (i.e. for RTACs and Topical Trust Funds) and self-assessment evaluations (i.e. evaluations done by the TA department that delivered the CD) of CD completed since 2012 will be reviewed. What common and recurring recommendations, themes, and lessons are in the evaluations and what can be learned from them?
- **TA/training integration.** Since 2013, staff from several departments have delivered packages of CD that combine TA and training in a variety of ways. What lessons have been learned from these activities?
- **An empirical examination of TA delivery trends 1990-2015.** Which factors have influenced the allocation of TA? How well has TA delivery been targeted to low-income, program countries, etc.? How flexibly does TA respond to events such as the formation of a new member country, cessation of civil war in fragile states, and financial crises?

PROPOSED FRAMEWORK FOR THE REVIEW

Similar to what has been done for the recent Triennial Surveillance Reviews, the CD strategy review could employ a range of tools:

- **Surveys** would gauge the views of country authorities, Executive Board members, staff, think tanks, CSOs, and donors.
- **Interviews with country authorities** would gather views on Fund CD. These would particularly focus on whether the Fund provides the CD that authorities see as the most critical and whether CD activities have been effective in helping member countries develop needed capacity in priority areas.
- **Background studies**, involving cross-departmental teams, would provide an assessment of performance on key developments.
- An **interdepartmental contact group** would provide continued guidance to the CD strategy review process and output, including on the choice of themes, content of analytical studies, and questions for the surveys.
- An **external advisory group** would provide an independent view on staff's analysis and recommendations. This group could have 5-6 members, comprising a diverse range of independent experts with broad regional representation and policy experience. Their views would be shared with the Board, and incorporated into the CD strategy review.

TIMELINE

The 2018 CD strategy review will kick off with a concept note and informal Board meeting (to engage) in February 2017. Work of staff and the External Advisory Group would be ongoing from March 2017 to early 2018. The main CD strategy review paper and background studies is planned to be issued to the Board in February 2018.

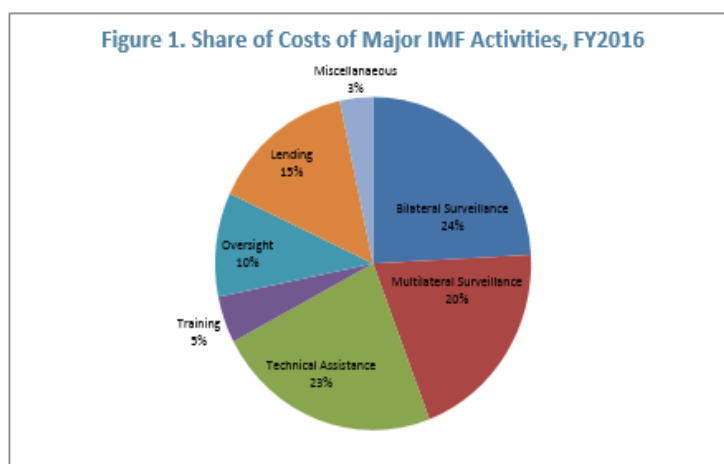
ISSUES FOR DISCUSSION

- Do Directors agree that the proposed objectives and scope for the 2018 CD Strategy Review provides the basis for a useful review of the progress made on the strategy since 2013 and sets the stage for recommendations to further enhance the impact of CD?
- Do Directors agree with the proposed themes? Are there other themes to include?
- Do Directors agree with the proposed methods that the review will employ?

Annex I. Key Facts on Capacity Development

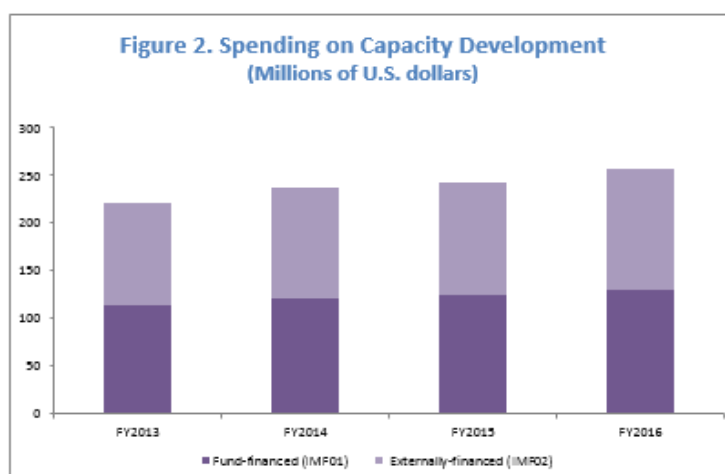
This annex provides additional information on capacity development (CD) activities. It reports on overall spending on CD activities, sources of external financing, and the volume of technical assistance (TA) and training.

In response to demand from member countries, and with strong support from external partners, the IMF's TA and training activities—CD—have expanded rapidly in recent years. Capacity development represented over a quarter of the IMF's administrative spending in FY16. Most of this spending was on TA, which represents 23 percent, while training accounts for 5 percent (see Figure 1).



Source: Office of Budget and Planning, Analytic Costing and Estimation System (ACES)

IMF capacity development activities continued to grow in FY2016, mainly reflecting greater delivery to the Middle East and Central Asia as well as Western Hemisphere and sub-Saharan Africa. Delivery of TA on monetary and financial topics and fiscal topics increased. Total direct spending on capacity development activities (externally and IMF-financed) was \$256 million in FY16, compared with \$242 million in FY15, a growth of 6 percent (Figure 2).⁶ The externally-funded component amounted to \$127 million, or 49 percent of the total, which grew by almost 8 percent in FY16.



Source: Office of Budget and Planning, Analytic Costing and Estimation System (ACES)

⁶ Direct spending excludes the costs of support and governance for both Fund-financed and externally-financed CD activities. Fully-loaded spending on CD activities, which includes these costs, was over \$330 million in FY16 as noted in the main paper.

Over the last five years, the top 15 donors contributed \$706 million, or 86 percent of total external funding (Table 1). Five donors contributed in excess of \$50 million during this period: Japan, the European Union, Canada, the United Kingdom, and Switzerland.

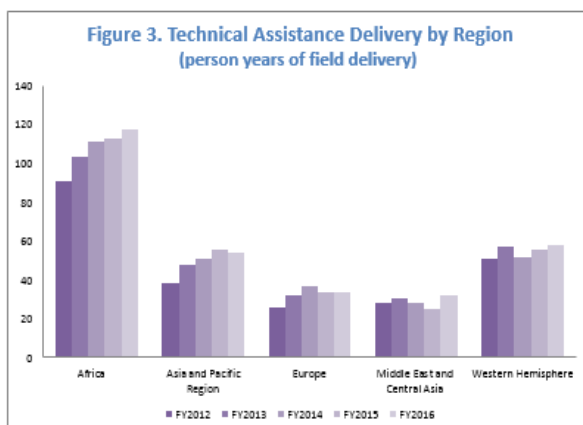
Table 1. Top 15 Donor Contributions, FY 12-16¹

Donor	Contribution (Millions of U.S. dollars)	Share (Percent of Total)
Japan	156	19%
European Union	140	17%
Canada	82	10%
United Kingdom	64	8%
Switzerland	57	7%
Kuwait	40	5%
Austria	29	4%
Australia	28	3%
Netherlands	22	3%
Mauritius	20	2%
Norway	18	2%
Singapore	14	2%
Belgium	14	2%
Korea	12	1%
Germany	10	1%
Other donors and international institutions	117	14%
Total	823	100%

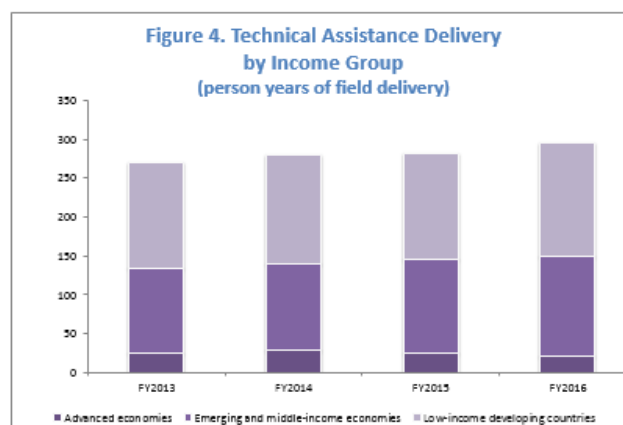
Source: External Financing Resource Management System (EFRMS), adjusted for Regional Training Center (RTC) costs covered directly by the hosts, which are not reflected in IMF accounts.
Note: Figures may not add to totals due to rounding.
¹ Funds received during FY 2012-16.

Technical Assistance

Technical assistance delivery increased in FY16, mainly in the sub-Saharan African, Middle-East and Central Asia, and Western Hemisphere regions (Figure 3). Nearly half of all IMF TA continues to go to low-income developing countries (LIDC's) (Figure 4).



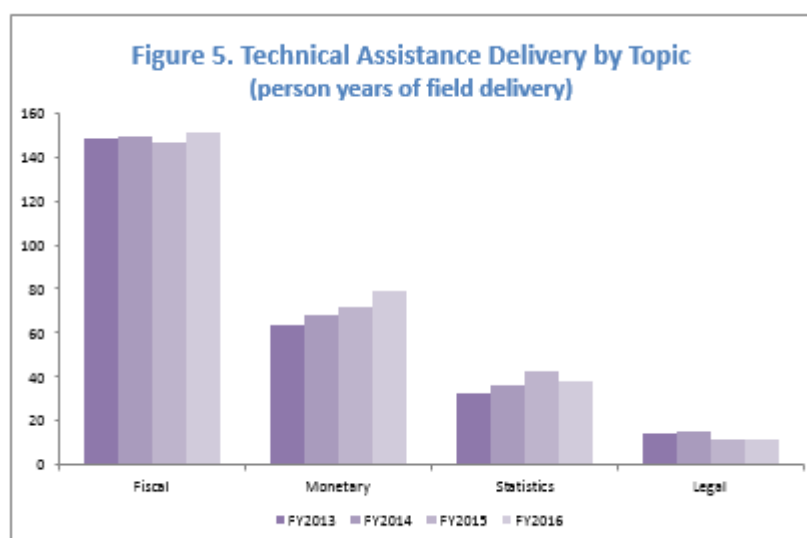
Source: IMF Travel Information Management System (TIMS)



Source: IMF Travel Information Management System (TIMS)

In FY16, sub-Saharan Africa received the largest share of TA, reflecting the high number of LIDCs in this region. Delivery of TA on monetary and financial topics and fiscal topics increased, in response

to demand from the membership (Figure 5). Fiscal topics continued to constitute about half of TA provided by the IMF.



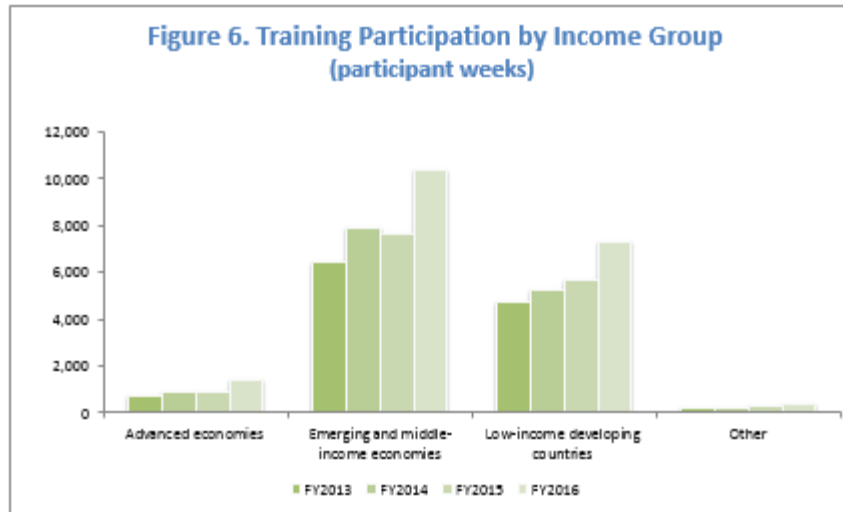
Source: IMF Travel Information Management System (TIMS)

Training

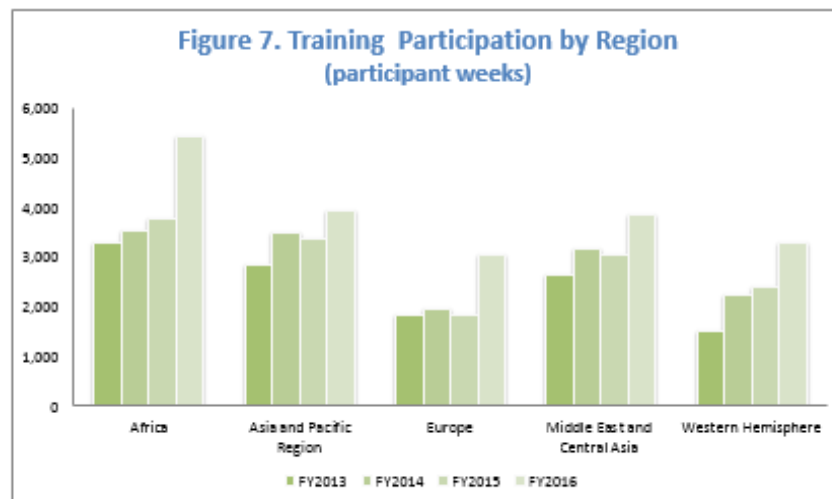
The IMF's training program is an integral part of the IMF's capacity development mandate and strives to respond to evolving global macroeconomic developments and policy challenges, membership demands, and technological innovations. Training covers theoretical lectures, analytical tools, hands-on workshops, and customized engagements.

The IMF's online learning courses, which are free and open to anyone with an Internet connection, continued to grow in importance in the Fund's training program, accounting for about 30 percent of Fund training in FY16. Online training participation grew sharply by 218 percent in FY16, with the number of online learning courses increasing to thirteen courses in FY16 from six courses in FY15. Online learning increased strongly in the European and Western Hemisphere regions, reflecting the introduction of courses in Spanish and Russian.

During FY2016, the IMF delivered 375 training events to its members, with participation of 14,457 officials. Most of these events were delivered through the IMF's network of regional training centers and programs, with the remainder delivered at IMF headquarters or other overseas locations. A wide range of training topics meet different needs, spanning macroeconomic policies, forecasting and macroeconomic modelling, financial programming and policies, financial sector issues, specialized fiscal courses, macroeconomic statistics, safeguard assessments, and legal issues. Emerging market and middle-income economies received the largest share of IMF training, 53 percent of the total for the year (Figure 6). Regionally, the share of sub-Saharan Africa was the largest at 28 percent followed by Asia and Pacific and the Middle East and Central Asia (Figure 7).



Source: IMF Participant and Applicant Tracking System (PATS).

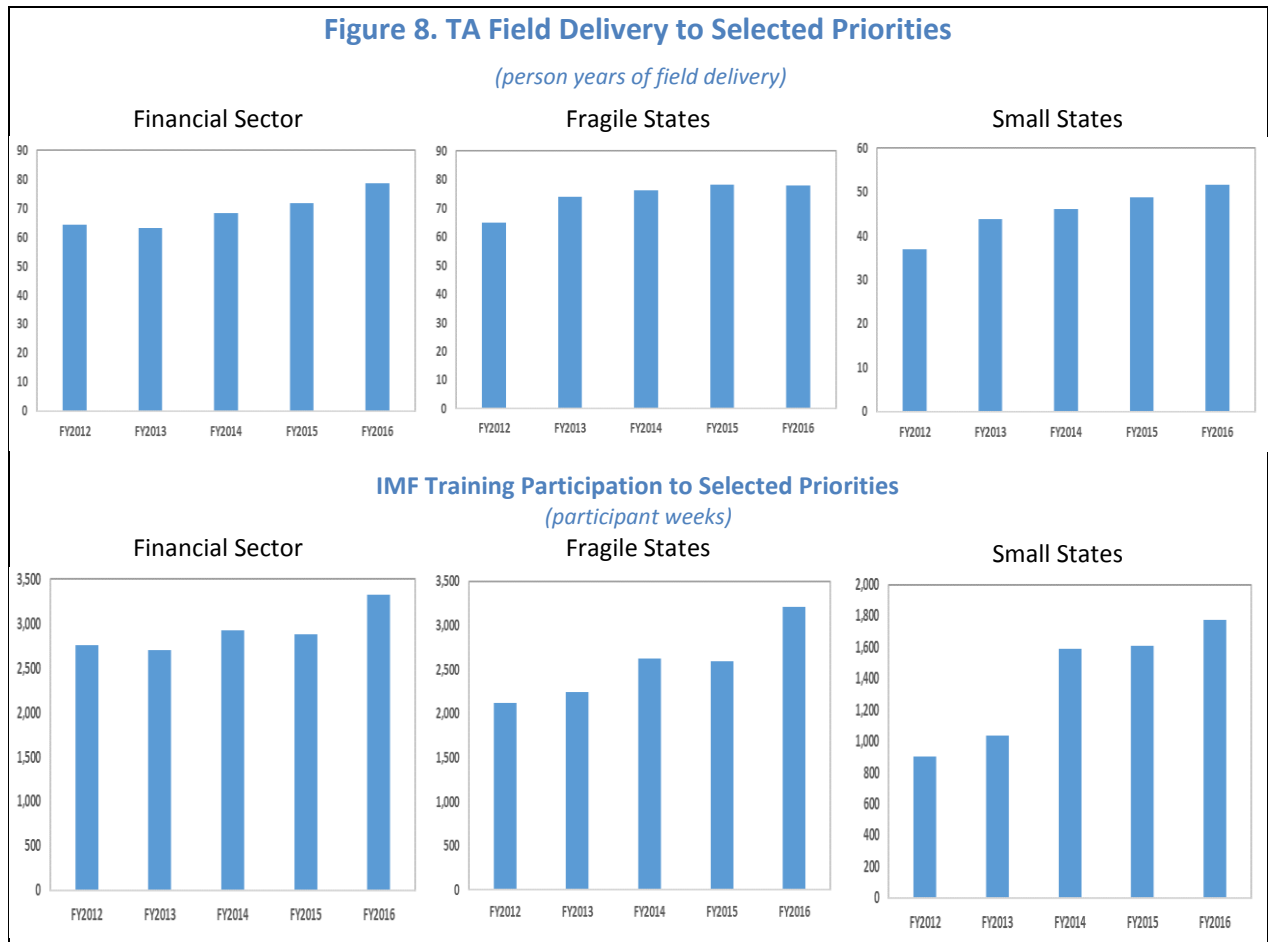


Source: IMF Participant and Applicant Tracking System (PATS).

CD Priorities

The Fund's overall objectives and the needs of member countries determine the volume and distribution of TA and training. For FY16, key CD priorities were to continue to scale up support to fragile states and Arab countries in transition (ACT), increase assistance on financial sector issues, and maintain a high level of support to LIDCs and small states.

Increases in TA and training delivery broadly achieved the CD priorities established for FY16. LIDCs received the largest gains in TA delivery in FY16. TA delivery also increased to the LIDCs and small states, as well as on financial sector issues, but stayed about the same in fragile states. Training across most CD priority groups increased in FY16 (Figure 8).



Annex II. FY2018-20 Capacity Development (CD) Activities

Capacity development currently accounts for slightly more than one-quarter of Fund's budget. CD activities are focused on the Fund's core areas of expertise. The largest share of TA is delivered in the fiscal area (50%, mainly Public Financial Management and Domestic Revenue Mobilization), followed by monetary and financial policies (26%) macroeconomic and financial statistics (13%) and legal and other reforms (11%). Training has largely focused on macroeconomic policies, central banking and financial sector issues, macroeconomic and financial statistics, and fiscal issues. External donors finance about half of IMF CD activities.

The Committee on Capacity Building (CCB) has reviewed the CD activities of the Fund with a view to achieving a targeted list of areas (countries groups or topics) that should benefit from a greater share of the Fund's CD resources. The committee took into account the CD objectives in the Managing Director's Global Policy Agenda (GPA), including the focus on greater integration and synergies across the Fund's core activities; the medium term priorities in the Regional Strategy Notes (RSNs); and the Addis Ababa Action Agenda (AAAA) set out at the conference on Financing for Development (FfD). The committee also recognizes that SARTTAC will start operations in 2017.

The CCB has agreed that the Fund will shift resources towards priority FfD areas, including contributions to the Sustainable Development Goals (SDGs) monitoring framework, while also intensifying CD to address key vulnerabilities identified in the Fund's Vulnerability Exercises (VEs) and priority reforms under Fund-supported programs. Specifically, the CCB sees the following targeted areas for a greater share of CD delivery:

Finance for Development:

- **Fragile states.** The Fund will aim to increase CD activities in selected fragile states. The scaling up will have a strong regional focus, anchored in RTACs, paired with strategic bilateral initiatives, under a broader CD framework for fragile states.
- **Revenue mobilization and sound public financial management,** including capacity development in support of more efficient domestic and international tax regimes, and assistance to improve the quality of expenditure programs, especially in the area of public investment management.
- **Financial market deepening for low-income countries,** including support for effective regulatory, supervisory, risk and crisis management frameworks, and enhancing sound public debt management that increases financial sector resilience.

Aligning CD, surveillance, and lending:

- **Addressing high vulnerabilities,** identified in VE or surveillance work, **and Fund program countries.** Countries impacted by low commodity prices (e.g. oil exporters) have increased significantly their demand for Fund CD.

- **Financial supervision and regulation** and **monetary policy frameworks** in emerging and frontier market economies as well as other low income countries.
- **Closing data gaps, ratcheting up data quality, and broadening data dissemination** to help detect economic vulnerabilities and risks and improve economic decision-making.

Better integration of activities. The CCB supports greater integration of activities across departments, including between surveillance, lending, and capacity development, and, within capacity development, between TA and training. To this end, it encourages cross-departmental work on specific thematic priorities, and inclusion of more learning elements (e.g., online learning, peer-to-peer learning, learning events) in TA delivery. The recent reform of the training curricula was also geared toward supporting synergies in this regard. The CCB also notes that expansion of Fund analytical work on new issues, such as climate change, inequality and gender, may gradually lead to new types of TA requests from member countries.

Effectiveness of CD activities. The CCB will take steps to further enhance prioritization, efficiency and monitoring of Fund-wide capacity development activities through wider use of Results Based Management (RBM), including for Fund-financed CD activities, and use of the common evaluation framework.

Annex III. The Fund's RBM System and Evaluation Framework for Capacity Development

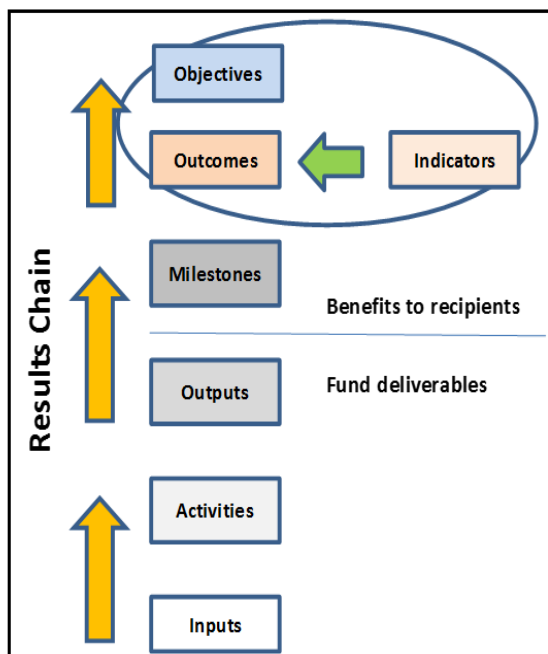
Results-Based Management (RBM) System

A formal system to carry out Results-Based Management (RBM) for Capacity Development has been embedded in new project management software, CD-PORT, which all Fund CD providers will soon be using.

The purpose of RBM is to monitor the actual **outcomes** that the Fund hopes member countries will achieve as a result of CD interventions. Outcomes are distinct from TA and Training **outputs**, such as a TA report, or **activities**, such as a workshop, which are typical vehicles for imparting Fund advice or training to the authorities. By having a more explicit focus on outcomes, the RBM system will engender improved post-delivery follow up with the authorities. And, over time, the Fund will build up a results database to help analyze when and where TA and Training are most effective. This will inform resource allocation decisions and the setting of strategic objectives for CD.

RBM employs a standard logical framework, or **logframe**, that encapsulates how outcomes will be achieved as a result of a CD intervention (see figure). In the Fund system, the content of logframes will draw on a **catalog** of expected results, which has been put together by the experts in the CD-providing Departments for all the main TA and Training work streams (see table). The catalog relies on international best practices to define standards for capacity improvements and will ensure that providers use consistent, objective **indicators** to validate achievements.

The logframe, or results chain



Approximate dimensions of the Results Catalog

	Workstreams	Objectives	Outcomes	Indicators
Fiscal	4	19	59	137
Legal	3	18	26	57
Financial	6	30	159	401
Statistics ¹	2	4	24	39
Fund Total	15	71	268	634

¹ For Statistics, logframe outcomes and indicators are further customized by statistical topic.

A **rating system** is used to measure outcomes on a four-point scale: “1” meaning nothing achieved, “4” fully achieved, and “2” and “3” different degrees of partial achievement. Quantification facilitates aggregation and analysis of results, making possible comparisons of results across country groups or capacity building topics. However, an equally important purpose is to keep track of results in the system and provide signals as to when a change in direction in a project might be warranted. The ratings are not a substitute for a full, narrative explanation of results, especially given that many outcomes have a subjective component and implementation risks are unpredictable.

As some projects may take many years to complete, users are required to specify one or more **milestones** each year to serve as check points to gauge whether results are on track. Milestones are likely to be particularly important in low capacity countries where reaching capacity development standards will take time. The system also requires users to provide an explicit evaluation of project **implementation risks** ranging from political buy-in to institutional capacity and idiosyncratic risks.

Responsibility for monitoring outcomes in member countries will be shared across Fund staff. Often the Area Department country team, or Resident Representative, is best placed to follow up. It is expected that RBM will strengthen complementarities and links between CD, Surveillance, and Program work.

Results reporting is still being developed. The Fund has some experience in this regard from reporting to CD donors. But as results begin to accumulate under the new RBM system, modalities for reporting both internally and externally will need to be clarified.

The RBM system focuses mainly on the concrete outcomes that are most directly linked to Fund advice. However, ultimately, the Fund would like to understand – and measure – the **impact** of TA and training on member policy making. For example, did actual policies, as well as institutions, improve? This is difficult, not least because many factors in addition to CD contribute to better policies. For these reasons, more systematic studies and tools, as well as CD **evaluations**, will be needed to complement RBM.

The Common Evaluation Framework

The common evaluation framework is intended to streamline current practices and increase comparability and use of results. A common four-step process has been developed for all CD evaluations, which includes use of the already-endorsed OECD Development Assistance Committee (DAC) criteria. Around this common approach, the framework allows flexibility to adapt evaluations to reflect the wide range of the Fund's capacity development (CD) activities. Key elements (see Box 1) of the framework are grouped around the objectives of:

- producing shorter, more focused, and more comparable evaluations;
- improving the information supporting evaluations;
- spending the same level of resources on evaluation while allocating these scarce resources more efficiently; and
- using the information from evaluations to alter practices or shift the targeting of CD resources.

Box 1. Produce shorter, more focused, and more comparable evaluations:

- Specify clearly the objectives of all CD activities to be evaluated
- Apply a four-step common framework (thought process) to all evaluations
- Ensure clarity and consistency in definition and application of internationally-accepted OECD DAC evaluation criteria
- Use standardized Terms of Reference templates to reduce workload and sharpen the focus of evaluations.

Improve the information supporting evaluations:

- Consistent with the new results focus of all IMF CD, ensure that all CD activities have a data collection plan in place before the start of the CD activity
- Obtain ex-post information from TA providers and recipients and other stakeholders
- Extend the pre- and post-course tests to all IMF training courses
- Revise the end-of-course and follow-up survey questions for training to be more results oriented
- Maintain a channel for regular reviews of training course content
- Seek information from IMF country teams on the extent to which they observe tools learned in IMF training being applied at the country level

Maintain the current level of resources allocated to evaluation but use these scarce evaluation resources more efficiently:

- Establish reasonable accountability standards without evaluating everything
- Introduce a CD evaluation work plan with a rolling three-year horizon, revised annually
- Decide what and how to evaluate based on potential value of the information, cost, and achievement of accountability standards
- Maintain the flexibility to conduct mid-term or rapid evaluations of TA projects

Use the information from evaluations to alter practices and/or shift resources:

- Introduce quantitative scoring to complement qualitative information in evaluations to facilitate comparisons and aggregation
- Ensure evaluations are easily accessible upon completion and findings are broadly shared among Fund staff
- The November CCB meetings would be expected to use evaluation results when setting CD priorities

Use of a common approach is intended to provide cross-activity and cross-IMF comparability, permit aggregation and enable an overall assessment of performance. Additional, satellite questions could be added as appropriate to enable evaluations to respond to requests by stakeholders and to address issues that are specific to particular activities. In other words, while using a similar evaluation framework, different types of evaluation may be appropriate for different products and may be produced by different evaluators. However, all evaluations are expected to cover the following four-step thought process:

1. Describe the logical framework laying out the sequence of steps on how the CD actions are expected to lead to outcomes.
2. Describe what would most likely have occurred without the CD activity.
3. Apply the DAC criteria (e.g. relevance, effectiveness, impact, efficiency, sustainability) to each objective identified in the logical framework.
4. Evaluate why achievement of DAC criteria was low/high, and whether alternative activities or modes of intervention might have achieved better results.

The framework is designed to use information from and to help inform the Results Based Management (RBM) system (CD-PORT).