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2023 REVIEW OF THE FUND'S CAPACITY DEVELOPMENT STRATEGY—CONCEPT NOTE

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

- The **Staff Report** prepared by IMF staff and completed on November 15, 2022.

The report prepared by IMF staff has benefited from comments and suggestions by Executive Directors following the informal session on December 5, 2022. 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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2023 REVIEW OF THE FUND'S CAPACITY DEVELOPMENT STRATEGY—CONCEPT NOTE

EXECUTIVE SUMMARY

Capacity development (CD) is a core pillar of the Fund's work. It helps countries build strong institutions and boost skills to formulate and implement sound macroeconomic and financial policies. To help the Fund CD maximize its impact on member's ability to conduct effective macroeconomic management and boost their institutional resilience, the Fund regularly reviews its CD strategy. The last such review was concluded in November 2018.

The Fund has made significant progress in improving the CD program, following the 2013 and 2018 CD Strategy Reviews. Recent Independent Evaluation Office (IEO) evaluations, including on the [Fund and Capacity Development](#), confirmed that Fund CD is highly valued by member countries and is broadly effective and efficient. The evaluations recommended actions to further increase the value of CD to members. The landscape has also changed significantly since the last CD review, with members facing challenges in the Fund's traditional areas of expertise, as well as in new areas such as climate change, digital money, and inclusion and gender, and with the pandemic years having accelerated innovations to CD delivery.

Against this background and with an overarching objective of enhancing further the value of CD for the membership, the 2023 CD Strategy review will center on four themes: (1) Enhancing the Strategic and Prioritization Framework; (2) Ensuring that the Size, Composition, and Funding of CD is in Line with the Proposed Framework; (3) Modernizing CD Delivery; and (4) Assessing the Effectiveness and Impact of CD.

The review will be guided by an interdepartmental contact group and an independent External Advisory Group of 3-4 experts who will review staff analysis and recommendations. Five background papers and engagements with recipients and other providers are envisaged to inform the review. The review is expected to conclude by the end of 2023.

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Acronyms

ATI	Africa Training Institute
CAP	Capacity Assessment Program
CCB	Committee on Capacity Building
CD	Capacity Development
CDD	Capacity Development Department
CDMAP	Capacity Development Management and Administration Program
CSN	Country Strategy Notes
CSR	Comprehensive Surveillance Review
FCS	Fragile and Conflict-Affected States
HR	Human Resources
IEO	Independent Evaluation Office
IET	Internal Economics Training
KMU	Knowledge Management Unit
M&E	Monitoring and Evaluation
RAP	Resource Allocation Plan
RBM	Results-Based Management
RCDC	Regional Capacity Development Centers
RSN	Regional Strategy Notes
TA	Technical Assistance

INTRODUCTION

1. Capacity development (CD) is a core pillar of the Fund’s work alongside surveillance and lending. CD is delivered in topics that span the whole range of the Fund’s mandate and in a wide variety of ways. Over the past decade, the Fund has made substantive progress in enhancing the delivery, management, and funding of CD. Delivery has changed profoundly, with increasing field presence, more tailored and programmatic CD enabled by external resources, innovative delivery modalities, and greater utilization of technology. A more results-oriented approach has increased ownership and improved the value of Fund CD to member countries. Furthermore, higher flexibility in resource allocation and delivery modalities has helped navigate unprecedented shocks such as the pandemic and better align CD with surveillance priorities. Looking ahead, CD will need to appropriately respond to the changing global context, paralleling the evolution of surveillance and lending in a more fragmented and shock-prone world. In that context, building resilient institutions is more important than ever.

2. The 2023 review remains focused on the overarching goal of further enhancing the effectiveness of Fund CD at this pivotal moment. The five-yearly review offers an excellent opportunity to reassess the CD strategy to further enhance the value of Fund CD to member countries, contributing to institutional resilience. It will be informed by the strategic guidance of the Board and the recently concluded [Evaluation of the Fund CD by the Independent Evaluation Office](#). This concept paper highlights the evolution of the CD strategy in the last decade, assesses its outcomes, contextualizes the new environment, and proposes some themes for the review.

PREVIOUS CD STRATEGY REVIEWS (2013 AND 2018)

3. Past reviews reflected the Fund’s continued commitment towards improving the Fund’s CD program. The reviews were guided by the objective of supporting better policies through stronger institutions in member countries.

- **The [2013 CD Strategy Review](#) highlighted reforms to increase the effectiveness of Fund CD.** The recommendations included strengthening the CD governance structure, enhancing the prioritization process, clarifying the funding model, strengthening monitoring and evaluation, promoting greater integration of technical assistance (TA) and training, improving delivery, and leveraging CD as outreach.
- **The [2018 CD Strategy Review](#) built on the reforms of the 2013 review and aimed at two mutually reinforcing objectives.** These were (a) increasing the impact of CD by continuing to strengthen integration between CD, surveillance, and lending within a comprehensive country-centered approach; and (b) increasing the efficiency of CD by improving CD processes and prioritization systems, including through the CD Management and Administration Program (CDMAP).

4. The delivery and management of Fund CD have been transformed over the past decade. This reflects the changed external environment and the modernization of internal governance, stemming from the implementation of the actions agreed in the 2013 and 2018 reviews. The most significant achievements include the following:

- **Strengthening of strategic planning.** CD planning has been strengthened through (a) updates following the 2013 and 2018 reviews of the policy statement that lays out the objective and principles of Fund CD; (b) regular reviews of CD every five years, similar to the reviews of surveillance and conditionality; (c) an active Committee on Capacity Building (CCB) with clearer terms of reference and agenda; and (d) introduction of regional strategy notes (RSNs) and CD country strategy notes (CD-CSNs) to reinforce a more medium-term orientation in CD planning. Strategic engagement with the Executive Board on CD issues has also been stepped up, including with an annual informal meeting on CD priorities since 2020.
- **Integration of CD, lending, and surveillance.** Area departments have taken on the lead role in setting CD strategies and priorities, increasingly guided by their policy dialogue with the country authorities and medium-term country strategies developed in consultation with CD departments (CDDs). CDDs remain responsible for effective CD design and delivery. More than 50 country teams have produced CD-CSNs, although their coverage in country papers remains uneven. The recently approved [surveillance guidance note](#) aims to improve the coverage of CD in the Article IV staff reports. CDMAP supports efforts to ensure that area department priorities are internalized during the CD resource allocation process. The pandemic also saw increased participation of area department teams in CD activities and CD experts joining surveillance and program missions, thus improving the consistency of country engagements and policy advice. The new [CD information dissemination policy](#) aims to facilitate broader access to CD-related materials and enable more active publication of CD outputs, .
- **Prioritization.** CD-CSNs and RSNs ensure that both the authorities' and area departments' views on country needs feed into the prioritization process. The enhanced resource allocation process is guided by member needs and the Fund's institutional priorities. A top-down approach that sets departmental envelopes and indicative allocations by workstreams and regions allows for an explicit consideration of the Fund's strategic priorities. A bottom-up and area department-led approach, where individual projects are identified and planned, reflects specific country needs and CD demand. Since 2013, CD priorities are defined by the CCB and annually approved by management. Reforms since 2018 narrowed the list of priorities and ensured that delivery is monitored. The Board regularly engages with staff on CD through the annual budget process, which determines the overall envelope for CD and the size of CD relative to other outputs of the Fund, and through the risk management process.
- **CD systems.** CDMAP has harmonized and automated processes across departments and created greater transparency on demand for CD, its prioritization, implementation, and results. Challenges with operationalizing the system remain. Ongoing efforts are aimed at improving performance, simplifying administrative processes, and enhancing the accessibility and presentation of the rich data captured by the system to enhance user value. In parallel, work is

underway to improve technology available for CD delivery and to enhance the online training platform.

- **Monitoring and evaluation framework.** A unified Results-Based Management (RBM) Framework and a [Common Evaluation Framework](#) were rolled out following the 2013 review. The frameworks were updated and further strengthened after the 2018 review. More recently, the pandemic led to fewer internally funded evaluations, with externally funded evaluations taking up most of the slack. Efforts are underway to revive internally funded evaluations and institute a more consistent dissemination of findings to inform CD design and priorities.
- **Funding.** With external partners financing an increasing share of CD, the Fund outlined principles to guide when CD should be financed internally or externally, starting in the 2014 policy statement. The Fund has also been implementing a matrix model of multi-partner vehicles (regions and topics) to complement bilateral programs, enhancing the flexibility of funding, and reducing administrative costs. Progress has been made toward broadening the donor base. Donor support has allowed the Fund’s rapid response to short-term needs, as reflected in the COVID-19 Crisis Capacity Development Initiative.

Annex I provide further information on the Board-approved recommendations of the 2013 and 2018 CD Strategy Reviews (Tables A1.1 and A1.2).

5. Recognizing progress over the past decade, the IEO reaffirmed that Fund CD is highly valued by Fund members. The CD evaluation concluded that Fund CD is responsive and tailored to members’ needs; valued by member countries; of highest technical quality in the Fund’s diverse core areas of expertise; flexibly delivered through a range of delivery modalities and vehicles; well-prioritized; and adaptive to changing circumstances and needs. Recent evaluations on [IMF engagement with small developing states](#) and on [growth and adjustment in IMF-supported programs](#) resulted in similar findings. These evaluations also found that while CD is broadly effective and efficient, there is room for improvement to further increase the value of Fund CD to member countries.

6. The landscape has changed significantly since the last review. Member countries are facing new challenges—multi-decade high inflation, tighter financing conditions, capital flow disruptions, and high debt—and will need a variety of Fund CD covering heterogenous areas of expertise to boost their resilience to shocks. With more frequent and intense climate-related disasters, higher food and energy insecurity, and the digital revolution, the Fund’s own priorities expanded with the Board’s approval of strategies on addressing climate change; on fragile and conflict-affected states (FCS); on mainstreaming gender; and on digital money. Relatedly, financing conditions faced by donors have tightened. The COVID-19 pandemic created opportunities for staff to develop and refine innovative approaches for delivering CD, while the needs and priorities of CD recipients shifted, and travel temporarily froze.

Box 1. Fund CD At-A-Glance

The Fund's capacity development work is...

...significant. The Fund spent \$242 million on capacity development (CD) in FY22, with delivery accounting for a quarter of country operations. A useful unit of analysis is a single-country CD project, which captures a set of activities (e.g., missions, workshops, desk review of materials, and backstopping) aimed at achieving an objective or several related objectives in a country. In FY22, the Fund implemented more than 1,800 CD projects, through over 4,500 activities.

...delivered to a wide range of countries. In FY22, 166 of 190 member countries received some form of CD from the Fund. Low-income developing countries, FCS, and small states—around 50 percent of the recipient list—accounted for 64 percent of single country CD delivery. Other country groups, including emerging and some advanced economies also benefit from Fund CD, with less intensive engagement.

...multifaceted. The Fund is one of a wide range of organizations that provide CD assistance. According to the results-based management (RBM) catalog that captures the Fund CD topics, the Fund offers CD on 37 workstreams. It is among the largest CD providers in its core areas of expertise, including public financial management, domestic revenue mobilization, macroeconomic statistics, and financial stability. Internally, the responsibility for managing technical expertise and delivery rests with five CDDs.

The Fund's 2022 training catalog lists 84 courses that are offered in a classroom setting in 7 languages, and 64 massive open online courses offered in 6 languages. In addition, 207 microlearning videos are available on YouTube, and many workshops and peer-to-peer events are organized on an ad hoc basis every year.

...intensive. A CD recipient in the top 25th percentile benefitted from an average of 13 CD projects in FY22. On average, a project to such a recipient costs 1.1 million USD and involves 16 activities. Around 70 percent of projects are programmatic, with sequenced activities spanning several years. As a result of this specialized and intensive engagement, the Fund produces close to 1,000 technical assistance (TA) reports every year and has written more than 100 how-to and COVID-19 notes since the pandemic outbreak.

...delivered through different modalities. CD modalities are tailored to the diverse needs and absorptive capacity of recipients. TA can be delivered by headquarters or a regional capacity development center (RCDC) (virtually or via desk review of materials), via expert field visits, or continuously via an in-country resident advisor. Field visits accounted only for 5 percent of CD spending in FY22, but the resumption of travel saw the number increase to 40 percent in the first 4 months of FY23. Training is delivered synchronously in a classroom, via webinars, workshops, or peer-to-peer engagements, and asynchronously via a growing suite of online courses. In FY22, around 12 percent of CD projects were delivered using more than one modality.

...funded by Fund's own and external partner resources. Fund CD has grown in the last decade, funded increasingly by external partners. In FY22, external partners financed 58 percent of the total CD budget. A single CD project could include activities funded by both the Fund's own resources and one or more external partners, the latter typically structured through vehicles such as an RCDC, thematic fund, or bilateral accounts. The Fund's own resources can be flexibly reprogrammed for unexpected needs, such as in crisis and program countries, while external partner resources, particularly through multi-year vehicles, are often used for more programmatic CD.

THEMES FOR THE 2023 REVIEW

7. The 2023 review will seek to further increase the impact on the ground of Fund CD to member countries. As a matter of course, the review will assess progress on the recommendations

of the 2018 review, including how the Fund adapted during the pandemic and advanced CD-surveillance integration. Beyond that, the review will focus most on issues most critical for impact on members, and less on internal processes. The review will elucidate the rationale for Fund CD and discuss overall CD size, its composition, and options for enhancing the funding model. In addition, the review will consider practical issues of how to deliver CD to maximize impact and better serve the Fund’s members, including drawing on lessons from the recent innovations in delivery modalities, and explore means for boosting information provision to the Board on CD effectiveness and value for money. Tackling these questions will aim to reinforce the strategic role of the Board in informing and guiding key dimensions of the Fund’s CD program.

8. The 2023 review will address the recommendations that emerged from the recent IEO evaluations. The IEO called for further enhancing the prioritization and strategic framework of CD, improving delivery, and increasing recipient ownership, integrating the output of monitoring and evaluations into CD management, sustaining funding, and calibrating HR policies and incentives. A common theme across all three recent evaluations that covered CD related to deepening integration across CD, surveillance, and lending to enhance effectiveness and traction with country authorities. The management response of all three evaluations and implementation plans of the small states and growth and adjustment evaluations noted that many of these issues will be tackled in this review, building on ongoing efforts (Box 1).

The review topics could be grouped around four broad headings:

A. Why?—Enhancing the Strategic and Prioritization Framework

9. The strategic and prioritization framework sets out the objective and principles around the provision of the Fund’s wide range of CD expertise. Unlike surveillance or lending, CD is voluntary for both the recipient and the Fund. As such, the 2019 [IMF Policies and Practices on Capacity Development](#), approved by the Executive Board, lay out the objective of CD and the principles that govern when CD could be provided by the Fund in response to a member demand. The main objective of Fund CD is ***to help countries build strong institutions and boost skills to formulate and implement sound macroeconomic and financial policies***. The policy statement also lists several principles:

- **Core competence.** The Fund provides CD in its core areas of competence.
- **Results and impact.** All CD should target high-impact activities.
- **Demand.** CD activities are driven by demand from its member countries.
- **Integration with other core activities.** CD activities are integrated with the policy dialogue between member countries and the Fund that take place under surveillance or Fund-supported programs; and

- **Comparative expertise.** The Fund seeks to avoid duplication in coverage and to enhance complementarity with other CD providers.

10. While broadly understood, the objective and principles of Fund CD need to be updated and clarified to be more effective gauges for prioritization. The Board’s approval of strategies in transformation areas highlighted new macro-critical priorities for CD, particularly for FCS, as well as areas such as climate change, digital money, and gender, when such areas are deemed critical to macroeconomic and financial stability in advanced, emerging, and low-income economies. The policies and practices statement also needs to provide a clearer framework, including for ranking CD demand across diverse topics and country needs where all of the above principles hold, or for assessing whether and under what circumstances CD that would not satisfy all the principles should nevertheless be pursued. In some cases, broader HR and other conditions in counterpart institutions may need to be tackled for CD to be effective. For example, when the budget constraint is binding, should CD to an FCS be prioritized due to substantial needs even though the track record of implementation is weak? Similarly, surveillance may consider financial sector statistics in an emerging economy to be more than adequate, and therefore not of high priority, and yet should not such a CD be pursued if country buy-in to further improvement is very strong? To help operationalize CD prioritization, the review therefore will:

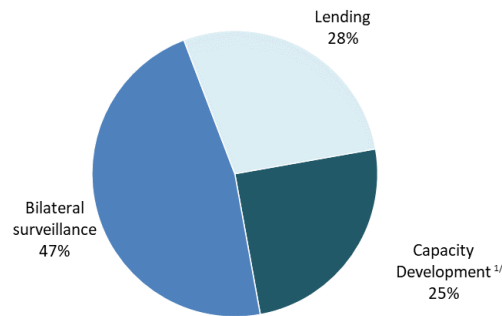
- Update and propose more detailed guiding principles on the objectives of Fund CD beyond those currently outlined in the policies and practices statement, while being mindful of the heterogeneity of Fund CD and the need to retain flexibility to respond to changing economic circumstances and member demand.
- Define Board engagement around these principles to reinforce the Board’s strategic and oversight role.
- Map out the Fund’s comparative expertise in the CD space, taking into account evidence on impact, the changing pattern of demand, and complementarities with other providers.
- Identify opportunities to collaborate with other CD providers to assess reforms necessary to create preconditions and an enabling environment for institutional reforms to take hold.
- Assess progress toward integrating CD with surveillance and lending, analyze synergies and trade-offs between CD, surveillance, and lending, and propose practical avenues for further improving strategic aspects of member country engagements, including through CD strategy notes.
- Indicate whether recommendations require further enhancement of CDMAP or Fund financial systems, in addition to those that may emerge from the targeted review of CDMAP functionality and its underlying business processes set to take place in 2023.

B. What?—Ensuring the Size, Composition, and Funding of CD is in Line with the Proposed Strategic Framework

11. CD accounts for a significant share of the Fund’s core activities, supported by funding partners. In FY22, CD is estimated at close to a quarter of total country operations (Figure 1). Successive reviews confirm strong demand and members’ deep appreciation for CD’s role in helping them implement reforms. External funding has enabled the Fund to meet rising member demand in the tight internal budget environment and coordinate more effectively with development partners. The improved approach to CD planning, creating buffers for CD demand surges, diversification of financing sources, front-loaded funding and instituting a carry forward policy for multi-year CD expenditure optimization all helped to mitigate potential volatility of funding. The dual funding model helps offset potential risks that external financing would unduly drive CD prioritization and resource allocation. At the same time, this core Fund activity remains exposed to risks that donor funding will shift or decline, potentially impacting the Fund’s ability to continue to deliver CD at or near recent levels and in the desired structure. External funding is also generally less fungible across regions and workstreams, necessitates continual fundraising and more complex reporting, and the governance arrangements for donor-financed CD can be complicated.

12. The review provides a chance to reflect on the size, composition, and funding of CD. CD has been relatively stable as a share of the Fund’s activities over the past five years. Demand for Fund CD is expected to remain strong, including from increasing focus on transformation areas that require new technical expertise. Building on the conclusions of the revised strategic and prioritization framework and taking stock of the opportunities and challenges from the current size and funding structure of CD, the review will:

- Examine the desirable size of CD spending relative to other core activities of the Fund, given the changing needs of the membership, evolving coverage of Fund surveillance, development of other providers in similar fields, technological developments, and utilization of budgeted resources.
- Explore how to ensure the deep technical expertise embodied in Fund CD is delivered to members in the most impactful ways to enhance institutional resilience in a shock-prone world, including by further deepening CD integration with surveillance and lending.
- Reflect on how the current composition of Fund CD stacks up against the proposed new principles, including whether country-level CD reflects surveillance and program priorities.
- Review the CD funding model, including the policy of charging advanced economies, explore new funding options and modalities, including further increasing the internal funding for CD, and consider risk mitigating strategies to strengthen coordination with Fund’s other fundraising activities and fully leverage the advantages of external partner collaboration.

Figure 1. Country Operations Spending by Major IMF Activities, FY 2022

Source: IMF staff estimates. Excludes minor miscellaneous items and travel.

^{1/} Direct delivery only. Excludes CD activities related to policy, analytics, and other output areas.

C. How?—Modernizing CD Delivery

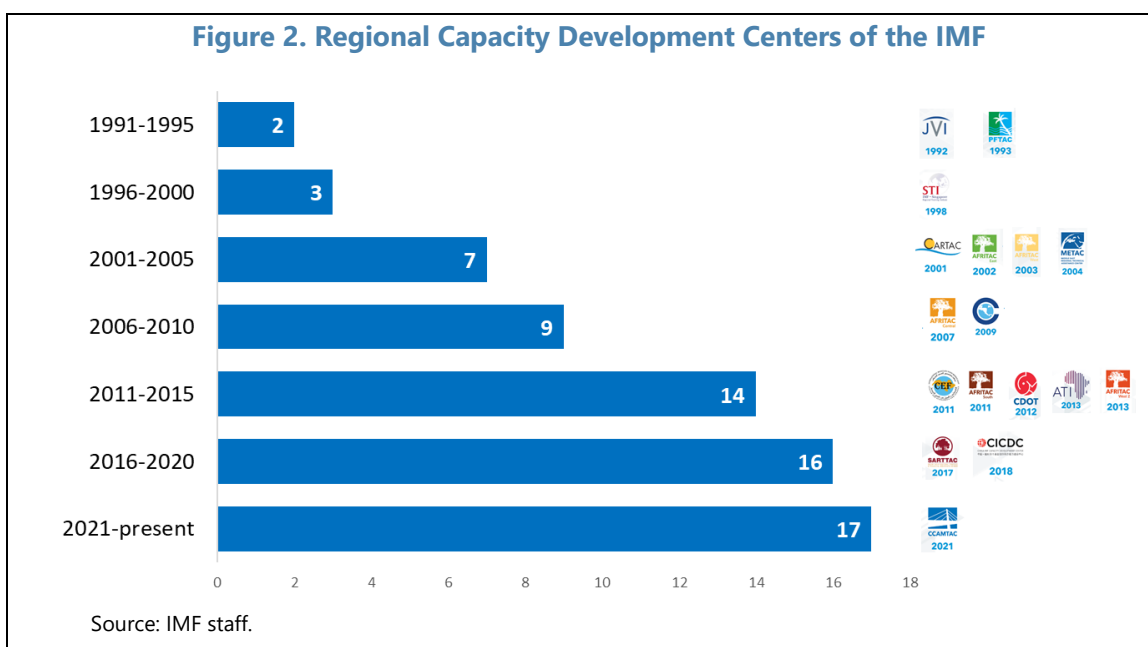
13. The Fund has adapted how it delivers CD to the needs of member countries. CD delivery had been evolving and modernizing for some time. Launched in 2013, the pioneering online training program complements synchronous classroom training and helps share the Fund’s knowledge with the broader public. With the onset of the COVID-19 pandemic, delivery shifted to virtual TA and virtual (synchronous) training, while online (asynchronous) training ramped up. The Fund has also greatly increased its field presence over the years, including through the expansion of 17 regional capacity development centers (RCDCs), where experts provide responsive on-the-ground assistance, recognizing the need for differentiated implementation support, particularly in FCS and low-income countries.

14. The review is an opportunity to build on this success and consider effective combinations of modalities. A fuller review of CD delivery modalities is fitting at this juncture, given the experience during the pandemic, the ongoing Fund modernization agenda, and prospects for further gains in CD effectiveness and efficiency, aided by well-targeted outreach. Rapid evolution of CD scope and topics also calls for greater efforts to build and maintain technical expertise, ensure greater continuity of expert engagement in CD projects, and ensure that CD work is appropriately rewarded and receives the necessary priority as an integral aspect of country engagement. The review will consider the following issues:

- **Modernized delivery models.** The optimal modality for CD delivery depends on a range of factors including the topic and absorptive capacity of the recipients. For instance, blended training that combined self-paced courses with live instructor-led virtual sessions had high learner retention and course completion rates during the pandemic; this suggests potential for delivering such training in conjunction with TA engagements at manageable cost to improve reform implementation capacity. Similarly, experience during the pandemic suggested room to

combine virtual with in-person engagements—whether TA or training—to follow-up on recommendations made or lessons transferred during in-person missions. The review will:

- Explore options for improved delivery modalities to maximize effectiveness and impact, leveraging early lessons learned from remote engagements and from blending them during the pandemic, while being mindful of the diversity of CD topics and local contexts and technological constraints.
 - Assess whether current mission and other engagement practices should evolve further, including toward more consistent sequencing from diagnostics to action plans to implementation of action plans and more proactive dissemination of CD outputs that can improve knowledge management and aid integration of CD with surveillance and lending.
- **Field presence.** Field presence, including through RCDCs, has been highly appreciated by recipients and shown to be a factor in determining better CD outcomes ([Bassanetti, 2021](#)). The forms of field presence vary in terms of intensity of assistance, their complementarity, cost, and flexibility. The RCDC model has become the cornerstone of the Fund’s CD field presence, supported a more programmatic and decentralized approach to CD, and fostered greater country/regional engagement and ownership (Figure 2). The review provides an opportunity to consider longstanding RCDC strategic and governance issues. These include financing—the centers are effectively funding vehicles almost entirely reliant on funding partners and beneficiary countries for CD delivery. RCDC governance also needs to be clarified. RCDCs have their own steering committees, while their directors report to area departments (TA centers) or ICD (training centers) and long-term experts are backstopped by CD departments, with work programs developed as part of the broader area department-led annual process, which allocates resources at the regional rather than RCDC level. To maximize the impact of the Fund’s field presence and increase its efficiency, the review will:
 - Assess the relative costs and benefits of various forms of engagement by HQ and field-based experts and field presence; explore policies (including HR and budget) to support deeper and flexible field presence that can leverage closer collaboration with country teams and CDDs, and knowledge sharing between the RCDCs and HQ.
 - Explore whether changes are needed in the mandates, internal governance, and financing structure of RCDCs while remaining cognizant of institutional budgetary considerations.
 - **HR policies.** Against the backdrop of the ongoing implementation of the 2018 HR Strategy Update, and the need to account for the interdependencies with broader HR policies, the review will identify specific measures that could help raise the recognition of CD work, increase opportunities for and retention of CD specialists, program managers and administrators (e.g., flexibility of location, greater fungibility across job streams) and improve staff incentives to work on CD, including in the new priority areas.



D. To What Effect?—Assessing the Effectiveness and Impact of CD

15. Over the last decade, the Fund developed a monitoring and evaluation (M&E) framework to assess the effectiveness and impact of CD in building institutions and capacity. A RBM framework was developed to define the objectives, outcomes, and milestones of every CD project, and guidance on how to assess progress toward them. CDMAP recently started facilitating the systematic collection of this information. Reforms around CD evaluations created a framework on evaluating several dimensions of CD, including by using RBM to assess effectiveness. Most training courses also include surveys and pre- and post-course tests to assess learners' satisfaction and learning gains, respectively.

16. The review is an opportunity to analyze these assessments, with care and caution, to better inform planning, design, and prioritization of all Fund CD. While RBM data, coupled with training course surveys and test scores, are very rich, they require careful treatment and analysis of context. They are informative at lower levels of granularity (e.g., ratings of specific milestones) but less so at higher aggregation levels (e.g., average ratings at the workstream and regional level), as the context and key qualitative information behind each project (e.g., traction, absorptive capacity) are lost in aggregation. As such, the explanatory power of summary RBM information may be more limited. Evaluations in turn provide the qualitative context but high-quality evaluations are typically costly to prepare. With this in mind, the review will:

- Propose mechanisms to allow for more systematic usage of existing M&E tools, such as RBM data, evaluations, training surveys and test scores, along with relevant mission outputs to assess impact, ownership, traction, and value for money. Consider whether improvements to the current framework are needed, taking into account cost-benefit considerations.

- Report a summary of findings, recommendations, action plans (and progress) from CD evaluations, and consider ways of using the external and internal evaluations to better inform planning, design, and prioritization of Fund CD. Relatedly, investigate options for further improving the strategic planning and execution of internal evaluations.
- Identify approaches to assessing absorptive capacity and measures to promote country buy-in and commitment, to improve tailoring and increase the value of Fund CD to member countries, including through greater integration of CD with surveillance and lending, and closer collaboration among country teams, RCDCs and CDDs.

PROPOSED FRAMEWORK FOR THE REVIEW

17. Interdepartmental contact group. An interdepartmental contact group, with representation from area departments, CD departments, the Strategy, Policy, & Review Department, and the Office of Budget & Planning, has been created and has started to provide guidance on the CD strategy review process and outputs.

18. External advisory group. A group of 3-4 independent experts with broad regional representation and policy experience will provide an independent view of staff's analysis and recommendations.

19. Background studies and other engagements. Several background studies are planned to help inform the review including:

- **Review of delivery modalities and considerations of blended models of delivery.** Staff will review the Fund's experience with delivery before and during the pandemic and promote more effective and efficient delivery models.
- **Review of field presence and the RCDC model.** Staff will review the Fund's different approaches to field presence, including resident advisors, expert visits, including from headquarters, and RCDCs, and identify their strengths and challenges. The paper will also take stock of the current mandate, governance, and funding structure of RCDCs. The paper will consider a framework of field presence that will be aided by adequate level of HQ support and will enhance complementarities with HQ activities in the core areas of CD, surveillance, and lending as well as with other providers, to further increase the effectiveness and efficiency of Fund CD.
- **Mapping of the Fund's position vis-à-vis other CD providers in its main areas of expertise.** Staff will study the work of other providers that provide CD in the main areas of Fund expertise, and ascertain the extent of Fund's comparative advantage, and potential for duplication and/or complementarity in CD provision.
- **Review of CD evaluations and impact.** Staff will review findings and recommendations from external and internal CD evaluations completed since the last briefing to the Board in 2021 to

strengthen institutional learning. The paper will also look at the empirical evidence on the effectiveness of Fund CD, using RBM and financial data from CDMAP. Further improvements to M&E tools will be explored.

- **Review of HR policies around CD.** Staff will explore select CD policies (e.g., contract length, locational choice, mobility across departments) that could foster greater flexibility, recognition, and incentives for CD experts and their career path, thereby allowing the Fund to remain nimble in its coverage and delivery of CD and attractive for the relevant experts, including in the new priority areas.

Views from CD recipients and other providers/partners will be gathered through various channels, such as a series of consultations and the Triennial Survey on Training, building on the findings of the recent IEO evaluation and background surveys.

20. Timeline. The 2023 CD strategy review kicks off with this concept note and informal Board meeting (to engage). The External Advisory Group and staff will be working from December 2022 to September 2023. We expect the review will take most of 2023—the main CD strategy review paper and background studies are planned to be issued to the Board in late 2023.

ISSUES FOR DISCUSSION

- 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?

Table 1. IEO Recommendations on Capacity Development		
Recommendation	Management Response	Coverage Under the 2023 CD Strategy Review
The IMF and Capacity Development		
Further enhance the strategic framework for IMF CD to provide clearer guidance for a more intention and transparent approach to the prioritization and allocation of IMF CD.	Qualified support	Strategic and Prioritization Framework
Further develop the Executive Board's strategic and oversight role through increased engagement and provision of information.	Support	Strategic and Prioritization Framework
Reinforce measures to promote CD ownership, along with tighter integration with surveillance and lending, tailoring to country circumstances and closer collaboration, as key drivers of CD effectiveness.	Support	Strategic and Prioritization Framework; Size, Composition, and Funding of CD; Assessing Effectiveness and Impact
Leverage further the advantages of RCDCs and put them on a sustainable footing.	Support	Modernizing CD Delivery
Further enhance the M&E system and fully exploit it to drive improvement in CD prioritization, design, and delivery.	Qualified support	Strategic and Prioritization Framework; Assessing Effectiveness and Impact
Consider further steps to enhance the stability and flexibility of CD funding in order to sustain support for the CD needs of member countries.	Qualified support	Size, Composition, and Funding of CD
Calibrate HR policies and incentives further to ensure that the IMF maintains and enhances the quality and continuity of CD expertise, and that CD receives appropriate priority as an integral aspect of country engagement.	Support	Modernizing CD Delivery
The IMF Engagement with Small Developing States		
Steps should be taken at the operational level to enhance the focus and traction of the IMF work on small developing states in the areas of surveillance and CD.	Qualified support	Strategic and Prioritization Framework; Modernizing CD Delivery; Assessing Effectiveness and Impact

Table 1. IEO Recommendations on Capacity Development (concluded)		
Recommendation	Management Response	Coverage Under the 2023 CD Strategy Review
Growth and Adjustment in IMF-supported Programs		
IMF-supported programs should pay greater attention to supporting deep, more growth-oriented structural reforms with more effective CD support and more effective collaboration with partners in areas outside the Fund’s core mandate and expertise.	Support	Strategic and Prioritization Framework; Size, Composition, and Funding of CD

Annex I. Recommendations from Previous CD Strategy Reviews

Table A1.1 2013 CD Strategy Recommendations	
Recommendations	Actions/Comments
Enhance the Effectiveness of CD	
Update the governance structure	
Prepare a new policy statement for Board approval Draft new terms of reference for the CCB	CD Policy statement issued August 2014 Completed July 2013; regular meetings since November 2013. Also, established a regular dialogue on CD at heads of departments level starting in 2017.
Enhance prioritization	
Integrate CD into Fund's strategic planning process Develop guidance for RSNs Pilot & assess Capability Assessment Program (CAP)	Greater attention to CD in Fund strategic documents (GPA; budget; work program; policy reviews). Medium-term CD priorities discussed annually by CCB based on country needs and broader Fund priorities. RSN staff-level guidance issued in 2014. CAP piloted for Tunisia and Libya. Staff review completed in 2015.
Clarify the funding model	
Establish approval process for new donor initiatives Take up CD-related issues in Human Resources (HR) department-led paper on categories of employment	Staff-level guidance issued in May 2014. CD issues reflected in October 2014 review on these issues. Further consideration expected in upcoming HR Strategy Review.
Strengthen monitoring and evaluation	
Pursue work on RBM to enhance planning and managing of outcomes Develop guidance for a common evaluation standard, based on principles for performance indicators, methodology, and dissemination	RBM in use for all new projects since FY18; catalog (indicators and outcomes) in place. Framework in place; guidance issued.
Seize Opportunities for CD Delivery and Outreach	
Greater integration of TA and training	
Seek further opportunity to coordinate TA and training, including through enhanced interdepartmental dialogue Offer internal training that complements external training and TA so staff can support CD absorption	Included training in the RSNs and Resource Allocation Plan (RAP) Internal Economics Training (IET) curriculum restructured in line with restructured external curriculum. Customized training provided to desks of countries receiving external training. The IET program is being adapted to staff training needs including in emerging areas with a more hands-on, operations-oriented approach.

Table A1.1 2013 CD Strategy Recommendations (concluded)	
Recommendations	Actions/Comments
Monitor Africa Training Institute (ATI) experience with integrating TA and training	Delivered substantial joint ATI-AFRITAC training. SARTTAC opened in 2017.
Exploit new technologies for delivery	
Use advances in technology to enhance the effectiveness and expand the delivery of CD	Online learning launched in late 2013.
Experiment with webinars to aid high-level peer-to-peer exchanges and spread Fund institutional knowledge	Several webinars with chief economists in Western Hemisphere region in 2014–2015.
Leverage CD as outreach	
Monitor impact of CD-related outreach	Created CD platforms on imf.org; active social media use; greater RCDC role.
Enhance communication among departments of CD-related outreach activities	CD communications group created; Fund-wide CD story competition and Postcard series launched.
Track progress on dissemination to various stakeholders of CD findings and evaluations	Initiated major reforms to strengthen information available to staff; mixed progress on increasing information to external stakeholders.

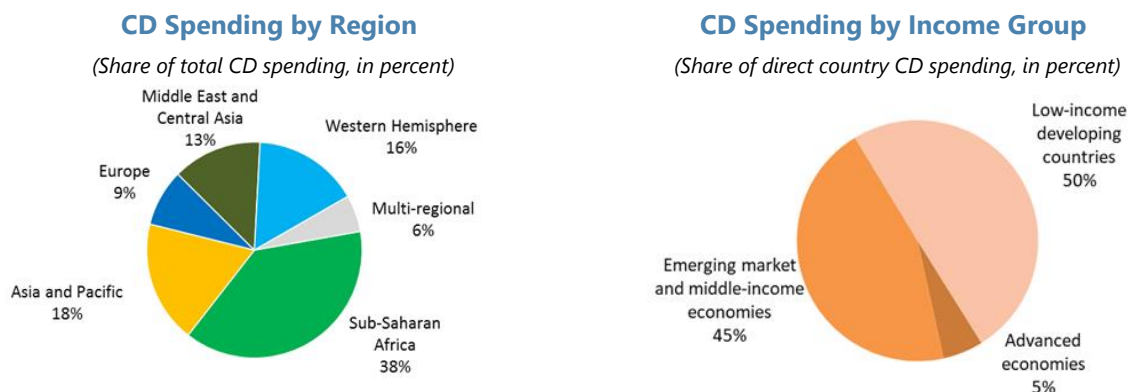
Table A1.2 Recommendations of the 2018 CD Strategy Review	
Recommendations	Actions/Comments
Clarify Roles and Responsibilities	
Deepen strategic engagement with country authorities throughout the CD process	CD country strategies discussed with the authorities in the context of surveillance and lending.
Area departments to be in the leading role on overall country engagement, including through CD-CSNs for all heavy users (defined by a common metric)	Completed guidelines to CD-CSN, with CD-CSNs reflected in several country reports.
Strengthen efforts to expand and learn from best practices in integrating CD and surveillance	Completed staff guidelines on the integration of CD with surveillance and lending, reflecting best practices.
Explore further how to better integrate CD and surveillance in the context of the 2020 Comprehensive Surveillance Review (CSR), following on the findings of this review and experience from mainstreaming best practices	Covered CD-surveillance integration in the 2021 CSR and provided staff guidance.
Better Prioritization and Monitoring	
Strengthen the focus and monitoring of priorities by narrowing the list of priorities and building on better information systems	Narrowed priorities list and aligned it with overall Fund priorities; prioritization framework built into the CDMAP system.
Take further steps to develop and operationalize a clear governance framework for RBM and the common evaluation framework	Updated policies and guidelines on RBM governance and evaluations; strategic evaluation workplan updated every year.
Enhance Country-Tailored Delivery Focused on Implementation	
CD departments to build on existing departmental strategies to continue moving towards greater modernization, modularity, flexibility, and agility in CD delivery as well as to bring about medium-term shifts in expertise as CD priorities change over time	Developed department-level strategies on CD delivery, refined further and tested during the pandemic.
Continue experimentation with new technologies to support flexible delivery	Developed fully virtual mode of delivery, with ongoing experimentation of blended delivery.
Follow up on the Management Implementation Plan for the 2018 IEO Report on the IMF and Fragile States	CD a key component of the IMF strategy for FCS.
Strengthen operational support for RCDCs	Enhanced harmonization and efficiency in administrative, financial management, and reporting procedures; increased Fund resources for administrative expenditures.
More Effective Internal Consultation and Sharing of Information	
Implement ongoing initiatives to enhance knowledge management (KMU project) and improve internal access to data, analytical tools, and productivity tools (Digital Workplace)	TA reports disseminated to staff and Board via Knowledge Exchange countries; CD data available in CDMAP and related dashboards; ongoing progress on modules under the Digital Workplace.

Table A1.2 Recommendations of the 2018 CD Strategy Review (concluded)	
Recommendations	Actions/Comments
Implement CDMAP	Formal close of the CDMAP project (on budget) with ongoing work to strengthen end-user interfaces.
Continue the practice of informal Board briefings on CD activities and find other opportunities to inform and engage the Executive Board more regularly on CD	Regular informal board meetings on CD priorities (February); occasional briefings by CD departments; CD regularly covered in regional briefings by area departments; topical briefings: evaluation and impact, information dissemination, fundraising.
Improved External Coordination and Communication	
Better leverage existing good practices on coordination in collaboration with other providers	CD partnership forums and dialogues, as well as regular steering committees, have helped to coordinate the overall country engagement across CD providers. Forums such as the Platform for Collaboration on Tax have also been useful for such coordination.
Pursue innovative CD communications approaches to raise awareness of the Fund's CD work	A wide range of initiatives have boosted the impact of CD communications: an expanded social media presence; modernized and harmonized branding; elevated CD events; new campaigns (e.g., #IMFPartners); leveraged wide interest in the online learning program; regular CD stories on internal and external communications vehicles; and more audiovisual content on CD.
Improve the presentation of recommendations in TA reports to senior authorities and other nontechnical users; Engage local stakeholders on key TA recommendations as part of surveillance and outreach	Introduced high-level summaries, as a new publication series, focused on findings and recommendations of TA reports.
Publish more topical notes in specialized areas of interest to policymakers, bringing in cross-country learning	Since 2019, published around 20 policy notes that offer practical advice to policymakers on important issues. Around 100 special series notes on pandemic-related policy responses (COVID-19 notes) were published between April 2020 and March 2022 to help members address the economic effects of the pandemic.
Implement forthcoming recommendations of the working group on TA report publication	Updated the CD information dissemination policy. Enhanced the Partners Connect platform.
Continue to increase the sustainability and fungibility of external financing	The COVID-19 Crisis CD Initiative was an important step in increasing the flexibility and agility of external funding; Ongoing work to develop broader and medium-term agreements with partners are also supporting the sustainability of funding.

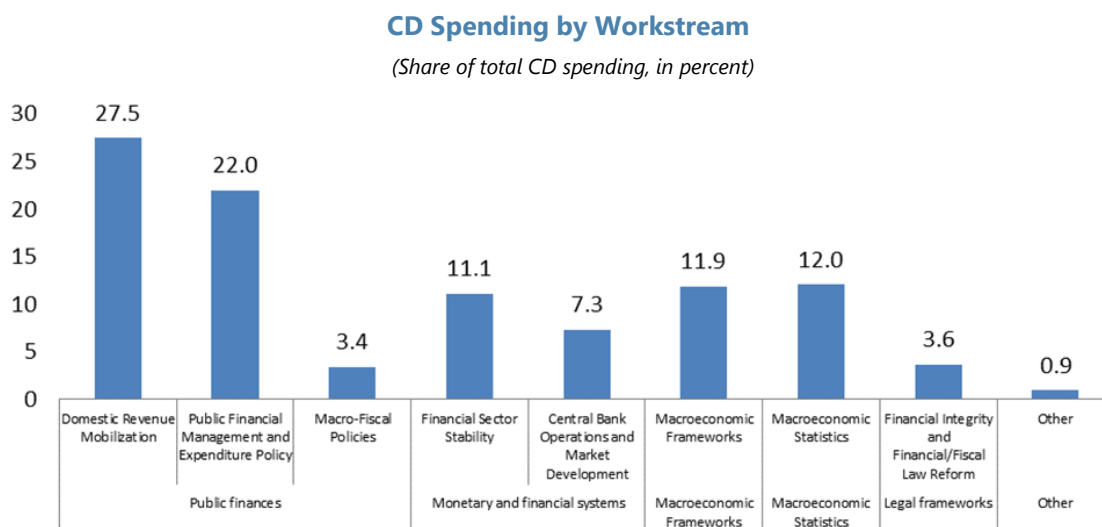
Annex II

Figure 1. CD Overview

During FY22, the Fund delivered CD to **166** IMF members countries...



... offering assistance on **37** CD workstreams....

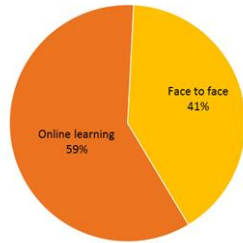


Source: CDMAP.

Figure 1. CD Overview (continued)

Training by Mode of Delivery

(Share of total number of participants, in percent)



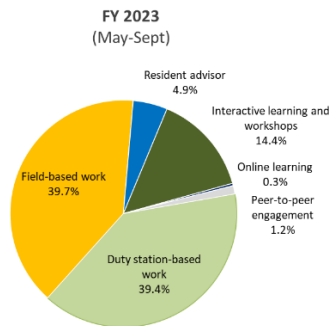
.... and training on **84** courses delivered in a classroom setting and **48** online.

An average project for heavy CD users (top 25th percentile)...

- costs **1.1** million USD,
- include about **16** activities, and
- is delivered through a range of modalities, based on member needs and absorptive capacity.

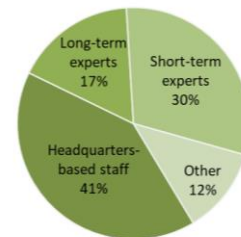
CD Spending by Modality

(Share of total CD spending, in percent)



CD Activity by Resource Type

(Share of total CD activity, in percent)

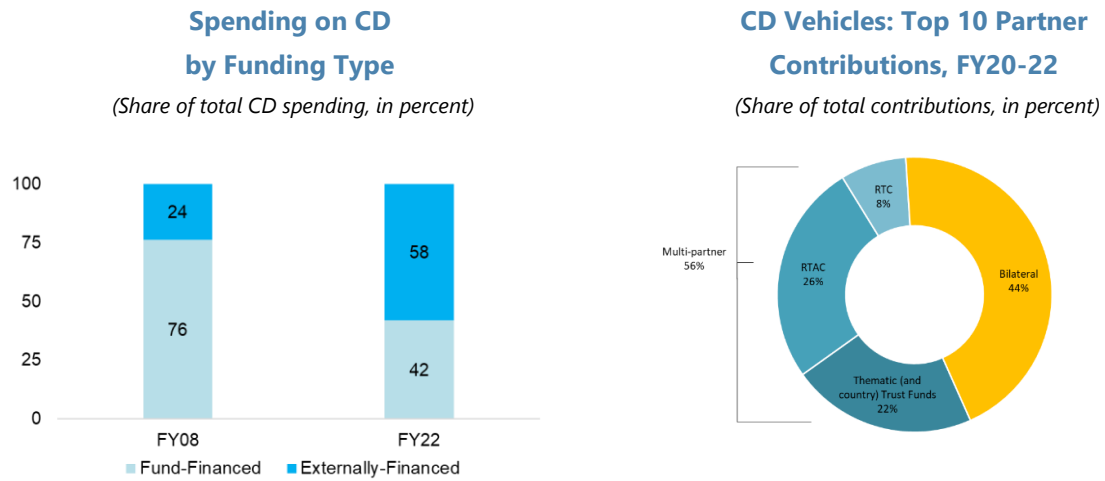


Sources: CDMAP, TRACES, PATS.

Notes: HQ: Headquarters; RCDC: Regional Capacity Development Centers; LTX= Long-Term Experts; STX= Short-Term Experts.

Figure 1. CD Overview (concluded)

CD is funded by external partners, through funding vehicles, and the Fund’s internal resources.



Source: IMF staff estimates.

Notes: RTC: Regional Training Centers; RTAC: Regional Technical Assistance Centers.