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BACKGROUND PAPER

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The IMF and Capacity Development—The Role of the Executive Board in CD Governance

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ABBREVIATIONS

AD	Area Department
AFR	African Department (IMF)
AFRITAC	African Regional Technical Assistance Center
APD	Asia and Pacific Department (IMF)
ATI	Africa Training Institute
BIS	Bank for International Settlements
CAPTAC-DR	Central America, Panama, and Dominican Republic Regional Technical Assistance Center
CARTAC	Caribbean Regional Technical Assistance Center
CCAMTAC	Caucasus, Central Asia, and Mongolia Regional Capacity Development Center
CCB	Committee on Capacity Building
CD	Capacity Development
CDD	Capacity Development Department
CDMAP	Capacity Development Management and Administration Program
CDOT	Capacity Development Office in Thailand
CICDC	China-IMF Capacity Development Center
CSN	Country Strategy Note
ECB	European Central Bank
EUR	European Department (IMF)
FAD	Fiscal Affairs Department (IMF)
GPA	Global Policy Agenda
ICD	Institute for Capacity Development (IMF)
IMFC	International Monetary and Financial Committee
JVI	Joint Vienna Institute
LEG	Legal Department (IMF)
LIC	Low-Income Country
LOT	Lapse-of-Time
MCD	Middle East and Central Asia Department (IMF)
MCM	Monetary and Capital Markets Department (IMF)
MECEF	IMF-Middle East Center for Economics and Finance
METAC	Middle East Regional Technical Assistance Center
OECD	Organization for Economic Co-operation and Development
OIA	Office of Internal Audit (IMF)
ORM	Office of Risk Management (IMF)
OTM	Office of Technical Assistance Management (IMF)
PFTAC	Pacific Financial Technical Assistance Center
RBM	Results-Based Management
RCDC	Regional Capacity Development Center
RES	Research Department (IMF)
RSN	Regional Strategy Note

RTAC	Regional Technical Assistance Center
RTC	Regional Training Center
SARTTAC	South Asia Regional Training and Technical Assistance Center
SFA	Selected Fund Activities
SPR	Strategy, Policy and Review Department (IMF)
STA	Statistics Department (IMF)
STI	IMF-Singapore Regional Training Institute
TA	Technical Assistance
TAC	Technical Assistance Committee
UNDP	United Nations Development Program
WHD	Western Hemisphere Department (IMF)

EXECUTIVE SUMMARY

This paper assesses the governance of IMF capacity development (CD), and in particular the role of the Executive Board, since 2012.

The paper did not find fundamental flaws in the overall design of the CD governance framework. The CD governance framework assigns broadly clear roles and responsibilities for the Executive Board, management, and staff. The role of the Executive Board concentrates mostly on strategic issues, while avoiding getting involved in CD at the day-to-day operational level, which is the remit of management and staff. This delineation is not strict, however, given that per the Articles of Agreement the Executive Board is responsible for conducting the business of the IMF. This delineation has also evolved over time, with the Executive Board having been more involved in operational issues in the past than it is today.

Equally important as the design of the CD governance framework is whether it is implemented effectively. To do so, it is important that all stakeholders understand their roles and that they have the opportunities, resources, and information to conduct their roles effectively. This paper finds that this is broadly the case when it comes to stakeholders understanding their roles. Based on the powers delegated to it by the Board of Governors, the Executive Board has the power to take any decision it deems necessary to ensure that the IMF's CD strategy reflects the needs of the membership. The Executive Board reviews and approves the CD strategy and through its role in approving the IMF's annual budget, it has the levers in hand to ensure that sufficient funding is made available to implement that strategy. In addition, there is a coordination and collaboration mechanism in place through the Committee on Capacity Building (CCB) that brings together management and the departments involved in CD to further discuss and clarify roles if necessary. Since 2012, the IMF has also increased the number of Executive Board meetings dedicated to CD and increased the information on CD provided to Executive Board members.

Nonetheless, there remain three challenges related to opportunities and information gaps for the Executive Board to play its role effectively in providing strategic guidance and oversight of CD. First, CD is not on the same footing as surveillance and lending, especially not in terms of Executive Board engagement, and despite some improvement, the number of Executive Board meetings dedicated to CD has remained relatively low.

Second, while the formal role of donors is limited, through their generous funding for CD and participation in the steering committees of Regional Capacity Development Centers (RCDCs) and trust funds, they do have an impact on the CD goals of the CD activities they finance at the more operational level. Understandably, the Executive Board has refrained from discussing individual external funding agreements, to avoid becoming overly involved in operational issues and creating the impression that external funding would not be welcome. But the Executive Board did also not discuss the strategic issues related to external funding and how the priorities of donors interact with the institutional CD strategy and priorities.

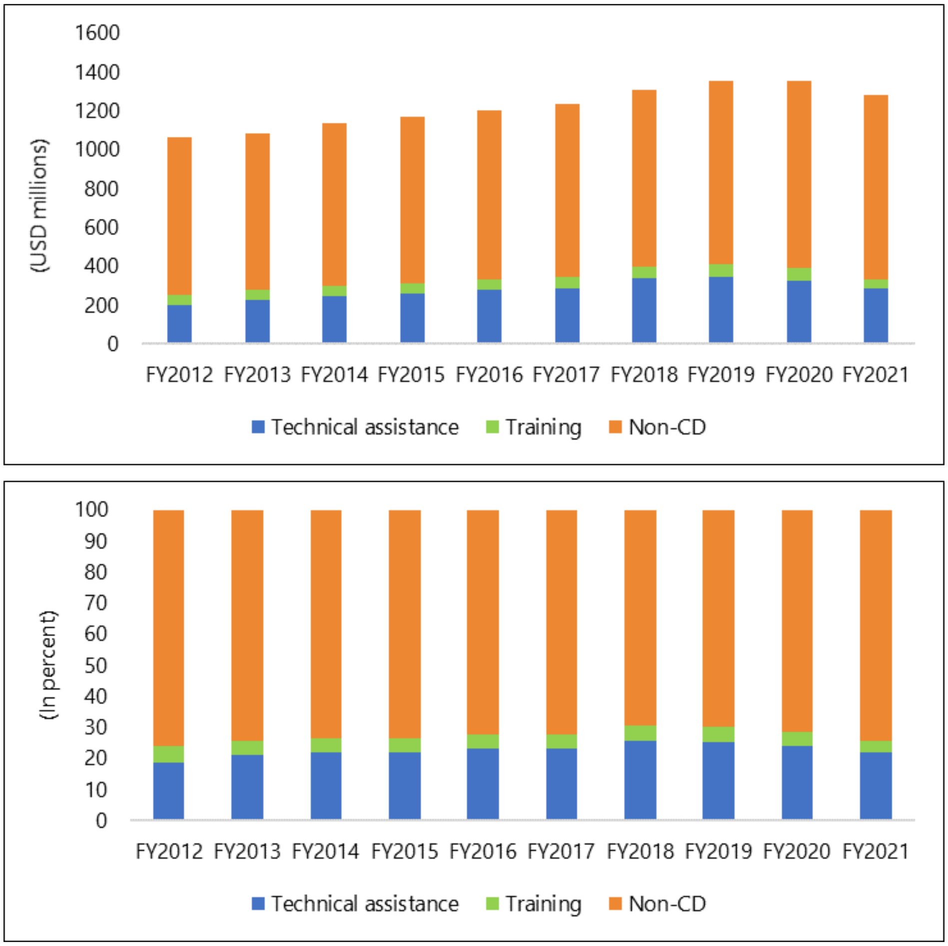
Third, this paper identified five key information gaps: (i) The Executive Board did not receive sufficient information in a consistent and regular way on the implementation of the CD strategy in the years between CD strategy reviews; (ii) relatively few country documents contained substantive information on CD in a way that would have allowed Executive Board members to have a holistic discussion about IMF engagement, including surveillance, program, and CD engagement, in that country; (iii) the Executive Board does not receive information on donors' CD priorities and how these interact with the IMF's CD strategy and priorities; (iv) there were important gaps in information on the results, impact, and value for money of CD activities, both at the country level and at the more aggregate level; and (v) the work program could link ongoing workstreams and future CD work more clearly to the IMF's CD strategy and priorities as reflected in the Global Policy Agenda (GPA), International Monetary and Financial Committee (IMFC) communiqués, and CD strategy reviews approved by the Executive Board.

Overall, the paper concludes that the challenges related to the design of the CD governance framework and its implementation can be addressed by creating more opportunities for Executive Board engagement in CD; modifying certain work practices, including considering discussing donors' CD priorities and how they interact with those of the IMF and the CD strategy approved by the Executive Board; and closing information gaps by providing more information on CD to the Executive Board in a consistent and more regular way.

I. Introduction

1. Capacity Development (CD) is considered one of the three core tasks of the IMF, alongside surveillance and lending. Over the past decades, its scale has increased substantially. In FY2019, before the onset of the COVID-19 pandemic, CD represented around 30 percent of the IMF's total budget, up from 24 percent at the start of the evaluation period in FY2012 (Figure 1).

Figure 1. Share of CD in Total IMF Spending, FY2012–2021



Sources: IMF, ACES database; and IEO staff calculations.
Note: Includes both internally and externally financed activities.

2. While the IMF's Articles of Agreement define and provide substantial guidance related to surveillance and lending, CD is only referenced in Article V, Section 2(b),[1] which states that the IMF can provide "technical services" upon request and provided they are consistent with the

[1] Article V, Section 2(b): "If requested, the Fund may decide to perform financial and technical services, including the administration of resources contributed by members, that are consistent with the purposes of the Fund. Operations involved in the performance of such financial services shall not be on the account of the Fund. Services under this subsection shall not impose any obligation on a member without its consent" (see https://www.imf.org/external/pubs/ft/aa/index.htm).

purposes of the IMF. This has two important implications. First, CD is entirely voluntary. There is no obligation for the IMF to provide CD to a member country. Member countries can request CD, but management and staff could decide not to respond positively to such a request.[2] Nor can the IMF provide CD without the member country's consent. For example, in the context of program engagement management and staff could suggest specific CD activities to help achieve program objectives, but the member country is free to decline the offer. This is very different from, e.g., mandatory surveillance under the Article IV Consultation, where the obligations of the IMF and the member countries are clearly spelled out in the Articles of Agreement. Second, given the voluntary nature of CD, there is no obligation to disseminate or publish CD reports.[3]

3. Further guidance on CD is given in selected decisions by the Executive Board. For example, as CD is provided free to recipient countries (except for 38 high-income member countries), one such decision was to establish a specific framework administered account for the administration of the resources contributed by donors for the IMF to provide CD to its member countries.[4]

4. The limited guidance on CD provided in the Articles of Agreement has consequences for the role of the Executive Board in CD. The Executive Board is very involved in surveillance and lending, while the number of Executive Board meetings dedicated to CD is relatively low, especially considering the share of CD in the IMF's budget. Executive Board engagement in CD has increased during the evaluation period, but the role of the Executive Board in CD remains more limited than in surveillance and program engagement. Concerns have been raised about whether Executive Board members have the adequate channels and necessary access to information to provide strategic guidance and oversight of CD.

5. Against this background, this paper discusses the governance of IMF CD and addresses three key questions:

- Does the design of the governance framework for CD provide clear lines of responsibility and adequate Executive Board oversight?
- Is the governance framework for CD implemented effectively?
- What could be done to enhance the effectiveness of the Executive Board's role in the governance of IMF CD?

6. This paper relies on a review of IMF documents, complemented with interviews of stakeholders, including IMF staff, Executive Directors, country officials, and donors.

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[2] For a discussion on the prioritization and allocation of CD, see Towe (2022).

[3] For a discussion on dissemination and publication of CD reports, see Radelet (2022).

[4] For a discussion on CD resources, see Stedman (2022).

7. The remainder of this paper is organized as follows. Section II discusses the IMF corporate governance related to CD, including the role of the Board of Governors, the International Monetary and Financial Committee (IMFC), management, staff and the different departments involved in CD, and donors. Section III analyzes the role of the Executive Board in CD governance and Section IV concludes.

II. IMF CORPORATE GOVERNANCE AFFECTING CD

8. Except for the establishment of the Institute for Capacity Development (ICD) in 2012, there were no fundamental changes in the governance structure affecting CD during the evaluation period (see Box 1 for an overview of key developments in CD governance). Both the 2013 and 2018 CD strategy reviews[5] discussed aspects of CD governance and were followed up by updated statements on IMF Policies and Practices on CD in 2014 and 2019[6], respectively, which reflected the conclusions of the CD strategy reviews approved by the Executive Board, as well as other relevant documents discussed by the Executive Board in the interim.

A. Role of the Board of Governors and the IMFC

9. Based on Article XII, Section 2 of the Articles of Agreement, the Board of Governors is the highest decision-making body of the IMF. It consists of one governor and one alternate governor for each of the IMF's 190 member countries. Normally the Board of Governors meets once a year, typically during the IMF and World Bank Annual Meetings. Given the impracticality of conducting a meeting with 190 governors, the Board of Governors has delegated many decisions to the Executive Board. Also, formal decisions taken by the Board of Governors are almost exclusively taken through a written voting procedure, rather than during in-person meetings. As a result, decisions related to CD are de facto taken by the Executive Board and not the Board of Governors.

10. The IMFC, on the other hand, provides high-level guidance on CD priorities. The IMFC was established in 1999, when the Board of Governors transformed the Interim Committee on the International Monetary System into the IMFC.[7] The IMFC consists of 24 members appointed by member countries or groups of member countries ("constituencies") that elect an Executive Director. It normally holds two plenary meetings a year, during the IMF and World Bank Spring and Annual Meetings. Some international institutions like the Bank for International Settlements (BIS), the European Central Bank (ECB), the Organization for Economic Co-operation and Development (OECD), and the World Bank participate as observers.

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[5] IMF (2013b and 2018c)

[6] IMF (2014b and 2019f)

[7] For a historical overview of the IMFC, see Sakhow (2008).

Box 1. Key Developments in CD Governance, 1991–2020

1991	Establishment of the Technical Assistance Committee (TAC). The Executive Board approved the decision to allow the Managing Director to accept and approve technical assistance (TA) requests as part of the "ordinary business" of the IMF. As a result, TA requests no longer required Executive Board approval.
1999	1999 TA review and first institution-wide Policy Statement on IMF TA.
2001	2001 Policy Statement on IMF TA: updated the 1999 Policy Statement on IMF TA.
2002	2002 TA review.
2004	2004 TA review.
2005	IEO evaluation of IMF TA and review of the IMF's Regional Technical Assistance Centers (RTACs).
2006	Establishment of the Committee on Capacity Building (CCB).
2008	2008 TA review.
2009	Establishment of the Framework Administered Account for Selected Fund Activities (the "SFA Instrument"), a new framework to administer external resources.
2011	Report of the Task Force on the Fund's Technical Assistance Strategy, which proposed the establishment of ICD.
2012	Establishment of ICD.
2013	The 2013 CD strategy review proposed to upgrade the 2001 Policy Statement on IMF TA, considering the relevant principles outlined in the 2008 and 2011 TA reviews; to review the CD strategy on a regular basis (the Executive Board settled on five years); and to enhance the role of the CCB by updating its terms of reference, incorporating donor-financed CD activities more fully into the planning and budget process, and formalizing the approval of new fundraising initiatives. However, the 2013 CD strategy review did not examine the role of the Executive Board, nor did it address the key strategic question of how much CD the IMF should undertake, and its implications for the IMF's overall budget.
2014	Statement on IMF Policies and Practices on CD: updated the 2001 Policy Statement on IMF TA, reflecting the conclusions of the 2013 CD strategy review approved by the Executive Board, as well as other relevant principles described in earlier documents considered by the Executive Board. Update of the 2005 IEO evaluation of IMF TA.
2018	The 2018 CD strategy review noted that since the 2013 CD strategy review CD governance had been strengthened: the updated Statement on IMF Policies and Practices on CD was published in 2014, the role of the CCB was enhanced, and strategic engagement with the Executive Board on CD issues was being stepped up. Greater attention was also paid to CD in key documents (GPA, work program, budget, and policy reviews). In terms of Executive Board engagement, the 2018 CD strategy review recommended to continue the practice on informal Executive Board briefings on CD activities and find other opportunities to inform and engage the Executive Board more regularly on CD. During the discussion Executive Directors stressed the importance of more information sharing to better inform their views on broad priorities for CD and to strengthen the strategic role of the Executive Board. They also encouraged staff to engage the Executive Board on strategic direction and priority-setting more frequently. Like the previous review, the 2018 CD strategy review did not address the key strategic question of how much CD the IMF should undertake, and its implications for the IMF's overall budget.
2019	Statement on IMF Policies and Practices on CD: updated the 2014 Statement on IMF Policies and Practices on CD, reflecting the conclusions of the 2018 CD strategy review approved by the Executive Board, as well as other relevant principles described in earlier documents considered by the Executive Board.

Sources: IMF; and IEO staff analysis.

11. Unlike the Board of Governors or the Executive Board, the IMFC has no formal decision-making powers. The IMFC advises and reports to the Board of Governors with respect to developments in the international monetary and financial system, as well as on any other issue the Board of Governors seeks its advice on. It also considers proposals by the Executive Board to

amend the Articles of Agreement. While the IMFC does not formally make decisions, it is an influential committee, and it is often perceived as a decision-making body. The IMFC communiqués issued following the IMFC plenary meetings during the Spring and Annual Meetings provide strategic guidance to the IMF's work and policies. While these plenary meetings are mostly formal with limited interactive discussion, many of the real discussions take place ex ante and the text of these communiqués is the result of extensive negotiations and drafting between IMFC members. As such, the IMFC communiqués represent the consensus view of the membership.

12. During the evaluation period (2012–2020), CD was mentioned in every IMFC communiqué except two (Table 1). However, as documented in Section II.B, these motions normally follow, rather than precede priorities related to CD in the Managing Director's Global Policy Agenda (GPA). The IMFC provided guidance related to CD for specific parts of the membership, as well as specific priorities for CD. Support for CD for small states was explicitly stated during the period 2013–2017, followed by low-income countries (LICs) during the period 2014–2018, and fragile states intermittently from 2015 onwards. CD for Arab Countries in Transition was mentioned between 2012–2014 as a result of developments in the Middle East and North Africa. During the evaluation period, the IMFC did not provide guidance on specific priorities for CD before 2015. Collaboration with other partners and integration of CD with surveillance and program engagement was mentioned most often as a priority from 2015 onwards, followed by domestic revenue generation and international tax issues. Emerging topics like e.g., climate change and digitalization, were first highlighted as a priority for CD in 2021.

Table 1. CD in IMFC Communiqués, 2012–2021

	2012		2013		2014		2015		2016		2017		2018		2019		2020		2021	
	SM	AM	SM	AM	SM	AM	SM	AM	SM	AM	SM	AM	SM	AM	SM	AM	SM	AM	SM	AM
Support CD for specific parts of the membership																				
Advanced Economies																				
Arab Countries in Transition/Middle East & North Africa	■			■	■															
Conflict-Affected States																■				■
Emerging-Market Economies									■											
Fragile States								■		■	■	■				■				■
Low-Income Countries					■				■	■	■	■	■							
Small States			■		■			■		■	■	■								
Support specific CD priorities																				
Climate change, digitalization, inequality, fragility, gender																			■	■
Collaboration with other institutions & donors								■	■	■		■				■	■		■	■
Debt-related issues (incl. sustainability, transparency)								■				■	■			■				
Digital money/CBDC																				
Domestic revenue generation							■	■	■	■		■				■				
Economic diversification											■	■								
Financial sector								■	■	■		■								
Fiscal policy										■						■				
Governance								■												
Integration with surveillance/program engagement								■	■		■	■			■	■			■	
International tax issues								■	■	■		■				■				
Monetary policy										■										
Natural resource management																				
Peer learning								■												
Regional integration																				
Strengthening effectiveness/accountability of CD								■				■	■	■						
Sustainable Development Goals/Financing for Development							■	■								■				

Source: IEO staff analysis.

B. Role of Management

13. On a day-to-day basis, the IMF is led by the Managing Director. The Managing Director is selected by the Executive Board and is the head of the staff of the IMF. As such the Managing Director is responsible for conducting the "ordinary business" of the IMF and the organization, appointment, and dismissal of the staff.[8] The Managing Director is also the chairperson of the Executive Board. As a result, the responsibilities of the equivalent of the chairperson of the Board of Directors and the Chief Executive Officer, which are often carried out by two separate individuals in other organizations, are concentrated in one person at the IMF. The Managing Director is assisted by a First Deputy Managing Director and three Deputy Managing Directors. Responsibility for oversight of CD has typically been delegated to one of the Deputy Managing Directors (currently the First Deputy Managing Director).

14. The role of management related to CD can be grouped into four components. First, since 1991 the Managing Director formally accepts and approves the CD requests from member countries (see Section III). Second, in the daily operations of the IMF, management takes all CD decisions that fall under the "ordinary business" of the IMF and provides strategic and operational guidance related to CD to staff. This is mostly done through the CCB, which is chaired by the Deputy Managing Director with responsibility for CD oversight (see Section II.C). Third, all area departments (ADs) and capacity development departments (CDDs) report either directly to the Managing Director (e.g., Legal Department, LEG) or to one of the Deputy Managing Directors. As a result, management oversees the objectives, including those related to CD, set by the ADs and CDDs, and assesses their progress in implementing these objectives. Finally, management advises the membership on strategic priorities for CD, e.g., through the Managing Director's GPA.

15. Since October 2012, the Managing Director has presented a GPA to the IMFC for the Spring and Annual Meetings. This document identifies the key economic and financial challenges facing the membership in the months ahead, as well as the Managing Director's views on what policy actions are required to address these challenges and what support the IMF can give, including in terms of CD. It also provides an update on some of the main workstreams in the IMF. The GPA is shared with the Executive Board before the Spring and Annual Meetings, which provides feedback to the Managing Director during two informal Executive Board meetings. However, while the Managing Director may take the Executive Board's feedback into account, ultimately the GPA reflects the Managing Director's views and it is not formally approved by the Executive Board.

[8] Article XII, Section 4(b): "The Managing Director shall be chief of the operating staff of the Fund and shall conduct, under the direction of the Executive Board, the ordinary business of the Fund. Subject to the general control of the Executive Board, he shall be responsible for the organization, appointment, and dismissal of the staff of the Fund" (see https://www.imf.org/external/pubs/ft/aa/index.htm).

16. Support for CD for specific parts of the membership and/or specific CD priorities were mentioned in every GPA during the evaluation period (Table 2). Particularly in the period 2012 to 2017, the GPA made references to support for CD for LICs, emerging market economies, fragile states, Arab Countries in Transition, and to a lesser extent small states and advanced economies. In terms of CD priorities, debt-related issues, the financial sector, fiscal policy, and monetary policy dominated the first few years of the evaluation period. Later, priorities like collaboration with other institutions and donors, integration of CD with surveillance and program engagement, and strengthening the effectiveness and accountability of CD gained prominence in the GPA. CD related to emerging topics like e.g., climate change and digitalization, was consistently highlighted as a priority only more recently in 2020 and 2021.

17. While the IMFC provides strategic guidance to the IMF's work and policies, including on CD, the discussions of the IMFC during the Spring and Annual Meetings are informed by the Managing Director's GPA, which is shared with member countries, including IMFC members and those involved in drafting the IMFC communiqués, prior to the meetings. CD priorities, both in terms of recipients and topics, mentioned in the GPA are therefore often reflected in the IMFC communiqué, albeit sometimes with a delay (Table 2). During the evaluation period only four CD priorities were first highlighted by the IMFC and only then found their way to the GPA: collaboration with other institutions and donors, CD related to governance, peer learning, and the Sustainable Development Goals and Financing for Development.

Table 2. CD in the IMFC Communiqués and Managing Director's GPA, 2012–2021

	2012		2013		2014		2015		2016		2017		2018		2019		2020		2021	
	SM	AM	SM	AM	SM	AM	SM	AM	SM	AM	SM	AM	SM	AM	SM	AM	SM	AM	SM	AM
Support CD for specific parts of the membership																				
Advanced Economies			GPA	GPA	GPA															
Arab Countries in Transition/Middle East & North Africa	IMFC	GPA	GPA	Both	Both		GPA	GPA												
Conflict-Affected States																Both				Both
Emerging-Market Economies			GPA	GPA	GPA				IMFC	GPA	GPA	GPA								
Fragile States							GPA	Both	GPA	Both	Both	Both				Both				Both
Low-Income Countries		GPA	GPA	GPA	Both	GPA	GPA	GPA	Both	Both	Both	Both	IMFC				GPA			
Small States			Both	GPA	IMFC		GPA	Both		IMFC	IMFC	IMFC					GPA			
Support specific CD priorities																				
Climate change, digitalization, inequality, fragility, gender								GPA									GPA	GPA	Both	Both
Collaboration with other institutions & donors								IMFC	Both	Both	GPA	Both	GPA	GPA	GPA	Both	Both		Both	Both
Debt-related issues (incl. sustainability, transparency)		GPA	GPA	GPA		GPA	GPA	Both				Both	IMFC		GPA	IMFC				
Digital money/CBDC																			GPA	GPA
Domestic revenue generation			GPA	GPA			IMFC	Both	Both	Both	GPA	Both				IMFC				
Economic diversification								GPA			IMFC	IMFC								
Financial sector		GPA	GPA	GPA	GPA	GPA	GPA	Both	Both	Both	GPA	Both				GPA		GPA	GPA	GPA
Fiscal policy			GPA	GPA	GPA	GPA	GPA	GPA	GPA	Both	GPA	GPA				IMFC			GPA	GPA
Governance								IMFC		GPA						GPA				
Integration with surveillance/program engagement							GPA	Both	Both	GPA	Both	Both	GPA	GPA	Both	Both			Both	GPA
International tax issues								Both	Both	Both	GPA	Both				IMFC				
Monetary policy				GPA	GPA	GPA	GPA	GPA		IMFC								GPA		
Natural resource management		GPA		GPA						GPA	GPA									
Peer learning								IMFC											GPA	
Regional integration					GPA															
Strengthening effectiveness/accountability of CD							GPA	Both	GPA	GPA	GPA	Both	Both	Both	GPA	GPA			GPA	GPA
Sustainable Development Goals/Financing for Development							IMFC	Both	GPA	GPA	GPA	GPA	GPA			Both				

GPA IMFC Both

Source: IEO staff analysis.
Note: The first GPA was published in October 2012.

C. Role of Staff and Departments

18. The departments playing a key role in the IMF's CD are the ICD, the CDDs, and the ADs. Coordination on CD between these departments happens primarily through the CCB.

Institute for Capacity Development

19. ICD was established in 2012 following the recommendation in the 2011 Report of the Task Force on the IMF's Technical Assistance Strategy (IMF, 2011) to merge the Office of Technical Assistance Management (OTM) and the IMF Institute, which until then had been responsible for delivering IMF training. The report argued that potential synergies existed in terms of knowledge, fundraising, and locational economies of scale.

20. As a result of this merger, ICD plays a key role in terms of CD delivery, CD governance, and CD partnerships:

- **CD delivery**. As the successor to the IMF Institute, ICD was tasked to design the IMF's core external training curriculum in cooperation with other departments and to continue to provide external training in the areas traditionally covered by the IMF Institute. As such, ICD also manages the IMF's online training program established in 2013. Following the 2018 CD strategy review, ICD's role in CD delivery started changing gradually from a department delivering only multi-country classroom training to also providing country-specific CD on macroeconomic frameworks as a CDD[9] (IMF, 2019c and 2020c). ICD is also responsible for the IMF's internal training program.

- **CD governance**. In terms of governance, ICD was established with the explicit mandate to develop the CD strategy for the IMF as a whole and develop the IMF's key CD policies in consultation with other departments. ICD leads the preparation of the CD strategy reviews and any other Executive Board discussions related to CD strategy or policy. It also oversees the implementation of Executive Board CD strategy or policy decisions, including e.g., the CD strategy approved by the Executive Board following a review. ICD coordinates and manages the prioritization and budgeting of CD across the different departments to ensure that CD is driven by member country demand and integrated with surveillance and program engagement. ICD also jointly manages the Regional Capacity Development Centers (RCDCs) (see Section II.D) with the ADs and CDDs. On a more practical note, ICD provides a host of support services for capacity building. This includes the design and coordination of systems and processes for RBM and for evaluating the effectiveness of CD provided by the IMF. In light of ICD's role in the IMF's overarching institutional CD strategy and policies, it plays a key role in the CCB.

[9] For a discussion on the transformation of ICD, see De Lannoy (2022) and Enoch (2022).

- **CD partnerships**. ICD is responsible for managing partnerships with donors and other stakeholders to support IMF CD.[10] As a considerable part of CD provided by the IMF is externally funded, ICD coordinates fundraising for external resources to finance IMF CD activities and ensures sound fiduciary oversight over the use of external funds. ICD also communicates on IMF CD in collaboration with other departments.

21. An important tool sponsored by ICD is the new Capacity Development Management and Administration Program (CDMAP). From mid-2020, CDMAP has progressively replaced earlier systems to transform how the IMF manages its CD activities. While CDMAP is still a work in progress,[11] it is country-focused, so that for the first time it will be possible to obtain a comprehensive picture of all CD activities in a country, including those led by RCDCs. CDMAP is therefore intended to facilitate the integration of CD, surveillance, and lending operations.

Capacity Development Departments

22. CDDs are responsible for CD delivery, including through the RCDCs.[12] Three departments provide the bulk of CD. Throughout the evaluation period, the Fiscal Affairs Department (FAD) provided the largest share, at over 40 percent of total CD delivery. The Monetary and Capital Markets Department (MCM) and the Statistics Department (STA) delivered around 20 percent and 15 percent of CD, respectively. The other CDDs are LEG and the Research Department (RES). CDDs are also responsible for CD quality control and contribute to setting the CD strategies for regions and countries and for defining CD priority projects in collaboration with the ADs. For example, MCM prepares a three-year CD strategy report and annual CD reports, which it shares with Executive Directors.

Area Departments

23. The five ADs for Africa (AFR), Asia and the Pacific (APD), Europe (EUR), the Middle East and Central Asia (MCD), and the Western Hemisphere (WHD) define the strategic CD priorities for their respective regions and the countries within their region in collaboration with the CDDs in Regional Strategy Notes (RSNs) and Country Strategy Notes (CSNs). These strategic priorities include both CD provided from IMF Headquarters and through the RCDCs.

24. Prior to the 2013 CD strategy review, ADs overall had a more limited role in CD and defined their TA strategy through RSNs. As a result of the 2013 CD strategy review, RSNs were extended to also include training, to enhance the role of ADs in establishing more holistic CD

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[10] For a discussion on IMF partnerships, see Radelet (2022).

[11] For a discussion on CDMAP, see Lamdany (2022).

[12] For a discussion on CD delivery, see Enoch (2022).

country strategies and priorities. Subsequent reforms went a step further and recommended, besides RSNs, to require ADs to develop CSNs for heavy CD users.[13]

25. The ADs engage with the country authorities and the CDDs to consider CD needs and priorities. Country teams then integrate CD requests with surveillance and program priorities in their RSNs and CSNs. It remains unclear, however, how much influence countries have on their CSNs (Towe, 2022), and the overall use and quality of CSNs has been inconsistent, even for heavy CD users (De Lannoy, 2022). ADs also play a role in reviewing candidates for ICD courses and they select and supervise the resident representatives, which are part of the ADs. Resident representatives have the advantage of being geographically located in the recipient country.[14] Therefore, they can play an important role before, during and after CD delivery, including managing key relationships with the authorities and external partners (other CD providers and donors). In practice, however, the intensity of engagement on CD by resident representatives is uneven.

The Committee on Capacity Building

26. Given the different roles and responsibilities of management, ICD, the CDDs, and the ADs related to CD, some form of coordination and collaboration between the different actors is key. In 2006, the high-level CCB was established to foster coordination and collaboration and to strengthen the involvement of management and senior staff across different departments in the CD strategy and in the monitoring of its implementation. The CCB replaced the TAC, established in 1991 (see Section III.A).

27. Following the establishment of ICD in 2012, the 2013 CD strategy review examined the role of the CCB. The 2013 review argued that the terms of reference of the CCB should be updated to reflect the rise of donor funding and the move to exploit further the synergies between TA and training. Updated terms of reference should also reflect the expectation that the CCB would complement the demand-driven approach to CD in the RSNs by providing clear guidance to departments on institutional priorities for CD to improve the allocation of CD resources; review CD results; and provide explicit guidance on fundraising activities (IMF, 2013b). As a result, the terms of reference of the CCB were updated as envisaged in the 2013 review (IMF, 2013e).

28. The CCB is chaired by management (currently the First Deputy Managing Director) and has members from all departments involved in CD policy and delivery. ICD plays a central role in the CCB by providing its secretariat. It normally meets three times a year:

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[13] A country is considered a heavy user of CD when annual CD spending is greater than US$1.5 million for the most recent fiscal year (IMF, 2020b).

[14] At the end of 2020, the IMF had 94 resident representative offices (34 in Africa, 18 in Asia and the Pacific, 15 in Europe, 18 in the Middle East and Central Asia, and 9 in the Western Hemisphere) and 2 regional permanent offices. Out of the 94 resident representative offices about 20 percent are local offices, without resident representatives (IMF, 2021d).

- **Fall/Winter**: To discuss CD priorities as reflected in the Managing Director's GPA, the IMFC communiqués, and the work program of the Executive Board, and taking into account the conclusions of CD strategy and related policy reviews. The CCB then agrees on a draft budget, including indicative CD resource allocations to the different regions and workstreams. The CCB also decides which CD areas will be prioritized for growth and allocates space for externally financed CD activities within the overall envelope for CD spending set by the Executive Board in the medium-term budget. This allows the ADs, in consultation with the CDDs, to prepare the RSNs outlining the short-term and medium-term CD priorities for their specific region and to prepare CSNs for heavy CD users. Based on these RSNs, ADs and CDDs then develop medium-term workplans detailing CD activities by region, by country, by funding source, and by CDD.

- **Spring**: To take stock of external funding and to review the fundraising strategy against the backdrop of CD priorities and the budget.

- **Summer**: To assess the execution of the previous year's CD workplans, to review progress on CD outcomes, and to consider any evaluations on ongoing or past CD activities to distill lessons learned and enhance the performance of future CD activities. The CCB also decides on the allocation of the CD reserve. This CD reserve was originally established as a contingency fund for TA in FY2008 by setting aside 5 percent (later 10 percent) of the budget allocation for short-term experts and TA travel in the IMF's internal budget. The CD reserve allows the IMF to accommodate unexpected and urgent CD requests in light of the limited scope to reallocate resources across CDDs.

D. Role of Donors

29. External funding for the IMF's CD activities has grown substantially over the past two decades.[15] In FY2020, over half of the IMF's direct CD spending was funded by donors, including member states, multilateral organizations (e.g., the European Commission), and occasionally private foundations (e.g., Gates Foundation). External funding is guided by principles approved by the Executive Board, which state that donor financing can be considered when donor interests are consistent with IMF priorities and objectives, when the IMF's budget is able to cover related indirect costs, and when sufficient space exists under the overall limit for externally financed CD set by the Executive Board (IMF, 2019f).

30. While formally the Executive Board is responsible for conducting the business of the IMF based on the powers delegated to it by the Board of Governors, donors have considerable influence in deciding what the financing they provide for CD will be used for. They exercise such influence in two different ways: when the agreement to fund specific CD activities is negotiated

[15] For a more detailed discussion on external funding, see Stedman (2022).

with management and staff and through their participation in the steering committees of the different RCDCs and trust funds.

Donor Representation

31. Donors are not formally represented at the Executive Board, as Executive Directors represent member countries, rather than donor agencies per se. Some donors are indirectly represented by the Executive Director representing their country, but in the case of multi-country constituencies, in which the Executive Director represents several countries, even such indirect representation is less clear cut. Sometimes there are also tensions between different agencies within one country, whereby the agency providing the funding for CD activities (e.g., development agency) is not necessarily the same as the one the Executive Director normally reports to and that is responsible for ordinary IMF relations and surveillance engagement (e.g., central bank or finance ministry).

32. Some donors are not represented at the Executive Board at all, not even indirectly, like multilateral organizations and private foundations. For example, the European Commission, one of the largest contributors of financing for CD, is not a member of the IMF. If it has specific views related to IMF CD, it could convey and discuss these with EURIMF, the informal coordination mechanism of Executive Board members representing European Union member states, and ask EURIMF members to reflect these views in their Executive Board statements and interventions. However, the views of the European Commission and individual European Union member states may not always be fully aligned.

RCDCs, Multi-Donor Trust Funds, and Bilateral Funds

33. External funding is channeled through a range of vehicles. In FY2020, around 65 percent was channeled through multi-partner vehicles to regions in the form of RCDCs or through multi-donor trust funds that focus on thematic issues across countries (Thematic Funds), or occasionally through trust funds for individual countries (Country Funds). External funding through bilateral funds accounted for the remaining 35 percent.

34. The IMF currently operates 17 RCDCs around the world (Table 3). The term RCDC was introduced following the establishment of the South Asia Regional Training and Technical Assistance Center (SARTTAC) in 2017, the first center that would fully integrate TA and training. Before the creation of the SARTTAC, the RCDCs were set up as focused either on training (Regional Training Centers) or technical assistance (Regional Technical Assistance Centers). As a result of the RCDCs developing separately over the years, there are important differences in terms of governance, size, and funding model between RCDCs. There are also geographical gaps, as well as overlaps, between the areas of operation of the different RCDCs. The most obvious gap in geographical coverage is South America, which is not covered by any of the RCDCs.[16]

[16] For a more detailed discussion of the evolution and geographic coverage of RCDCs, see De Lannoy (2022).

Table 3. Regional Capacity Development Centers

Regional Training Centers (RTCs)	Regional Technical Assistance Centers (RTACs)
The **Joint Vienna Institute** (JVI), established in 1992 in Austria. The **IMF-Singapore Regional Training Institute** (STI), established in 1999 in Singapore. The **IMF–Middle East Center for Economics and Finance** (MECEF), established in 2011 in Kuwait. The **Africa Training Institute** (ATI), established in 2013 in Mauritius. The **China-IMF Capacity Development Center** (CICDC), established in 2018 in China.	The **Pacific Financial Technical Assistance Center** (PFTAC), established in 1993 in Fiji. The **Caribbean Regional Technical Assistance Center** (CARTAC), established in 2001 in Barbados. The **AFRITAC East**, established in 2002 in Tanzania. The **AFRITAC West**, established in 2003 in Côte d'Ivoire. The **Middle East Regional Technical Assistance Center** (METAC), established in 2004 in Lebanon. The **AFRITAC Central**, established in 2007 in Gabon. The **Central America, Panama, and Dominican Republic Regional Technical Assistance Center** (CAPTAC-DR), established in 2009 in Guatemala. The **AFRITAC South**, established in 2011 in Mauritius. The **Capacity Development Office in Thailand** (CDOT), established in 2012 in Thailand. The **AFRITAC West 2**, established in 2013 in Ghana. The **Caucasus, Central Asia, and Mongolia Regional Capacity Development Center** (CCAMTAC), established in 2021 in Kazakhstan.
Fully integrated Regional Capacity Development Center (RCDC)	
The **South Asia Regional Training and Technical Assistance Center** (SARTTAC), established in 2017 in India.	
Source: IMF.	

35. Typically, the donors for the RCDCs are the beneficiaries (the host country and the regional member countries) themselves and external partners. For example, METAC is financed with contributions from the host country (Lebanon) and the other regional member countries, and financing from its external partners, including the European Union, France, Germany, the Netherlands, and Switzerland. The share in the financing of the host country, regional members, and external partners varies from one RCDC to another. For example, in the case of the ATI (Mauritius), the CCAMTAC (Kazakhstan), the MECEF (Kuwait), the CICDC (China), the JVI (Austria), the SARTTAC (India), and the STI (Singapore), financial contributions of the respective host countries to the overall financing of the center are considerable. In most cases, however, external partners provide the bulk of the financing, as in some cases it has been challenging for host countries and regional members to provide resources.[17]

36. Trust funds were established to complement the work of the RCDCs in specific areas of expertise of the IMF. During the period under review, the IMF maintained 10 thematic funds focused on fiscal policy, the financial sector, and data issues, of which 1 was closed in 2021, and 4 country funds, of which 2 were closed in 2021 (Table 4).

[17] For additional information on RCDC financing, see Stedman (2022).

Table 4. Multi-Donor Trust Funds

Thematic Funds	Country Funds
Financial Sector Reform and Strengthening Initiative (FIRST) Thematic Fund, established in 2002 jointly with the World Bank.	**Liberia Macro-Fiscal Trust Fund**, established in 2010 and closed in 2021.
Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) Thematic Fund, established in 2009.	**Republic of South Sudan Macroeconomic Capacity Building Trust Fund**, established in 2012 and closed in 2021.
Managing Natural Resource Wealth (MNRW) Thematic Fund, established in 2011.	**Somalia Trust Fund for Capacity Development in Macroeconomic Policies and Statistics**, established in 2014.
Revenue Mobilization Thematic Fund (RMTF), established in 2011.	**Southeastern Europe Trust Fund**, established in 2018.
Financial Access Survey Thematic Fund, established in 2013 and closed in 2021.	
Tax Administration Diagnostic Assessment Tool (TADAT) Thematic Fund, established in 2014 jointly with other partners, including the World Bank.	
Financial Sector Stability Fund (FSSF), established in 2017.	
Data for Decisions (D4D) Thematic Fund, established in 2018.	
Debt Management Facility III (DMF III) Thematic Fund, established in 2019 jointly with the World Bank and the successor of DMF I (2008) and DMF II (2014).	
COVID-19 Crisis Capacity Development Initiative Thematic Fund, established in 2020.	

Source: IMF; and IEO staff analysis.

37. Bilateral funds channel external funding provided by individual donor countries, which decide the parameters for CD topics and beneficiaries for which they wish to provide financing. An example of such a bilateral fund is the Netherlands-IMF Capacity Development Partnership Program established in 2016, which provided financing for CD in nine countries in Eastern and Southeastern Europe, focused on strengthening economic institutions (IMF, 2016b). Initially all external funding was provided bilaterally, but as external funding grew over time, the IMF started developing and promoting multi-partner vehicles. As a result, the share of bilateral funds declined to slightly below 50 percent in FY2012 at the start of the evaluation period and further to 35 percent in FY2020.

The Steering Committee

38. From a governance point of view, decisions related to the day-to-day operations of the RCDCs and the trust funds are taken by so-called steering committees. Each RCDC and trust fund has its own steering committee, which plays a key role in providing strategic guidance, setting priorities, and endorsing the work program and budget.

39. The governance structure of the RCDCs and the trust funds reflect the explicit partnership between the three key groups of stakeholders and as a result the steering committees consist of representatives from the beneficiary countries, donors, and the IMF (both ADs and CDDs). This is

to ensure that the work plans of the RCDCs or the trust funds reflect the needs of beneficiary countries, the wishes of donors, as well as the IMF's institutional CD priorities, and are integrated with surveillance and program engagement. The Executive Board is not involved in the work of the steering committees.

40. The formal role of donors in the overall CD governance is limited. Donors do not play a direct role in setting the CD goals for the institution as a whole, but through their generous funding for CD and participation in the steering committees, they do have an impact on the priorities and objectives of the CD activities they finance at the more operational level. This raises governance issues when the CD priorities and objectives of the IMF and those of donors are not fully aligned. As mentioned earlier, the external funding principles approved by the Executive Board state that donor financing can be considered when donor interests are consistent with IMF priorities and objectives, but this leaves a margin of interpretation as to what extent they need to be consistent and/or whether they need to be consistent with every individual priority and objective.

41. Interestingly, CD priorities of donors, and how they relate to those of the IMF are not discussed by the Executive Board. For example, the Executive Board has approved the establishment of every proposed external funding subaccount (see Section III.B) on a lapse-of-time (LOT) basis without any Executive Board discussion. Such a discussion would have provided an opportunity to seek a better understanding of the CD priorities and objectives of the donors and how these interact with those of the IMF. The four external funding subaccount decisions related to the establishment of new RCDCs (the ATI, AFRITAC West 2, SARTTAC, and CCAMTAC) during the evaluation period could have been an opportunity for the Executive Board to discuss the desired level of decentralization of CD, gaps and overlaps in geographical coverage of RCDCs and how to address them, as well as how a new RCDC's mandate is aligned with the conclusions of the CD strategy reviews (e.g., related to the integration of TA and training). Such issues were not discussed in other, more general CD meetings either. Exceptionally, the establishment of the CCAMTAC was informally discussed in February 2020 during an informal briefing on capacity building in the Middle East and Central Asia (see Section III.B). But that meeting took place after the decision to establish the CCAMTAC was already approved on a LOT basis in January 2020 and also did not touch on the question of possible divergent priorities of donors and the IMF.

42. Donors interviewed for this paper were broadly happy with the current governance set up for donor involvement, including their role in the steering committees and the information they receive. Some donors, however, would like to receive more information on the impact of IMF CD and its cost effectiveness so that they could more easily satisfy domestic requirements related to transparency and good governance on use of government funds. They expressed hope

that once CDMAP, the new CD management and administration system[18] will be fully operational, such information will be more readily available.

III. The Role of the Executive Board in CD Governance

43. According to Article XII, Section 3 of the Articles of Agreement, the Executive Board is responsible for conducting the business of the IMF, and for this purpose it exercises all powers delegated to it by the Board of Governors.[19] It is currently composed of 24 Executive Directors and chaired by the Managing Director. Executive Directors are elected by a single member country, as is the case for China, France, Germany, Japan, Saudi Arabia, the United Kingdom, and the United States of America, or a group of member countries ("constituency") for the other 17 Executive Directors.

44. The Executive Board usually meets several times a week to discuss papers and/or proposed decisions prepared by management and staff. Decisions by the Executive Board are mostly taken by consensus, but if it were to come to a formal vote, each Executive Director casts the votes of the country or countries they represent. Executive Director's voting power ranges from 16.5 percent of total votes for the U.S. Executive Director to 1.6 percent for the Executive Director representing Argentina and five other countries in South America. Most decisions related to the day-to-day operations of the IMF, including CD operations, can be taken with a simple majority.

A. Evolution in the Executive Board's Role in CD Governance

45. The IMF started providing CD since the mid-1960s, but there was no explicit institution-wide objective for CD. The various TA-providing departments defined objectives for their respective departments' activities, focusing on supporting countries engaged in IMF programs. The role of the Executive Board in CD governance was mostly limited to approving individual TA requests by member countries on a LOT basis, and the Executive Board provided no guidance on CD priorities.[20] This decentralized approach to TA continued until 1991. In March 1991, the IMF established the TAC, a staff committee reporting to the Deputy Managing Director responsible for TA matters, to enhance coordination on TA within the institution. The TAC was tasked to look into ways to evaluate TA, coordinate reports to the Executive Board, and to provide a forum for discussing TA policies, practices, and a medium-term strategy. Despite the creation of the TAC, there would be no institution-wide TA objective until 1999. The TAC was replaced by the CCB (see Section II.C) in 2006.

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[18] For a discussion on cost effectiveness, see Jensen and Kell (2022), and on how the effectiveness of CD is monitored and evaluated, see Lamdany (2022).

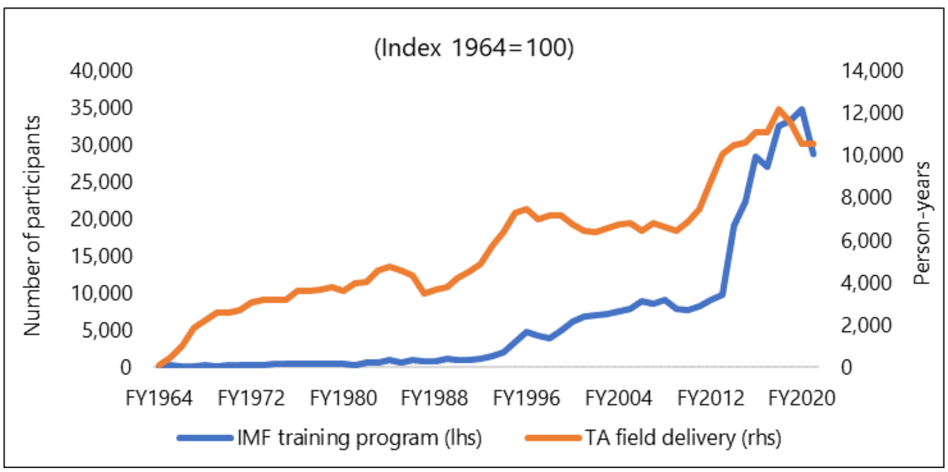
[19] Article XII, Section 3(a): "The Executive Board shall be responsible for conducting the business of the Fund, and for this purpose shall exercise all the powers delegated to it by the Board of Governors" (see https://www.imf.org/external/pubs/ft/aa/index.htm).

[20] For a historical overview of the governance of IMF TA, see Cortes (2007).

46. With the increase in TA delivered by the IMF over time (Figure 2), the approval of individual TA requests led to a subsequent increase in the number of documents sent to the Executive Board. Every time management proposed to respond positively to a TA request and send a TA mission, the request was sent to the Executive Board for formal approval. In the year from June 1990 until May 1991, 118 such documents (some related to more than one TA request) were sent to the Executive Board. Given the high number of such requests, decisions were taken on a LOT basis and not discussed during Executive Board meetings (IMF, 1991).

47. At the request of the Executive Board, staff conducted an inter-departmental review of Executive Board documentation during 1991 to reduce and streamline the number of documents (including those related to CD) sent to the Executive Board. As a result of this review management and staff suggested that the Executive Board should recognize that TA had become part of the day-to-day business of the IMF (IMF, 1991). Management and staff therefore proposed that the Executive Board would allow the Managing Director to accept TA requests as part of the "ordinary business" of the IMF. This proposed decision was approved by the Executive Board in September 1991 and as a result the Executive Board was no longer involved in decisions related to individual TA requests and missions from then onwards. Only the Executive Director representing the relevant member country would continue to be consulted ex ante about travel by staff.

Figure 2. TA and Training Evolution, FY1964–2020



Sources: 2018 CD Strategy Paper; Participant and Applicant Tracking System (PATS); Travel Information Management System (TIMS); ICD staff estimates.

48. From 1999 onwards, Executive Board engagement in CD increased substantially. In 1999, the Executive Board undertook a comprehensive review of TA based on a report prepared by the IMF's Office of Internal Audit (OIA). The OIA report pointed to several shortcomings, including the weak link between TA and surveillance, that TA had been mostly directed to members considering or implementing IMF programs only, in the working of the TAC, and that there was little reporting on the results of TA to management and the Executive Board (IMF, 1999). As a result, the IMF developed a TA policy statement, issued in November 1999, with active involvement of the Executive Board. This policy statement was further updated in 2001.

49. In 2002 and 2004 the Executive Board discussed two further reviews of TA (IMF, 2002 and 2004). Executive Directors underscored the essential contribution of IMF TA in helping LICs and countries emerging from conflict situations in laying the capacity, institutional, and governance foundations for sustained poverty reduction. They also recognized that TA had become a core task of the IMF, along with surveillance and lending, for helping countries to develop and implement sound economic policies, reduce their vulnerability to crises, and strengthen their financial sectors. In 2005 the Executive Board discussed the IEO's evaluation of IMF Technical Assistance (IEO, 2005) and reviewed the experience with the IMF's RTACs so far (IMF, 2005).

50. In 2008, the Executive Board reviewed TA again, to discuss reforms to enhance the impact of TA (IMF, 2008). These reforms aimed inter alia at enhancing the integration of TA with surveillance and lending, better aligning TA with the strategic objectives of the recipient country and those of the IMF, better integrating TA into the IMF's medium-term budget, and widening the dissemination of TA findings to share lessons learnt. Executive Directors also discussed the importance of partnering with donors to finance TA activities. In 2011 an inter-departmental task force re-examined the IMF's strategy for TA, which was discussed by the Executive Board and inter alia led to the establishment of ICD in 2012 (see Section II.C).

51. During the evaluation period, engagement in CD grew further, particularly from 2017, as explained in more detail in Section III.B.

B. Principal Channels of Executive Board Engagement

52. During the evaluation period the Executive Board provided strategic guidance and performed its oversight function through nine principal channels (Table 5).

Table 5. Principal Executive Board Engagement Channels and CD Information Sources

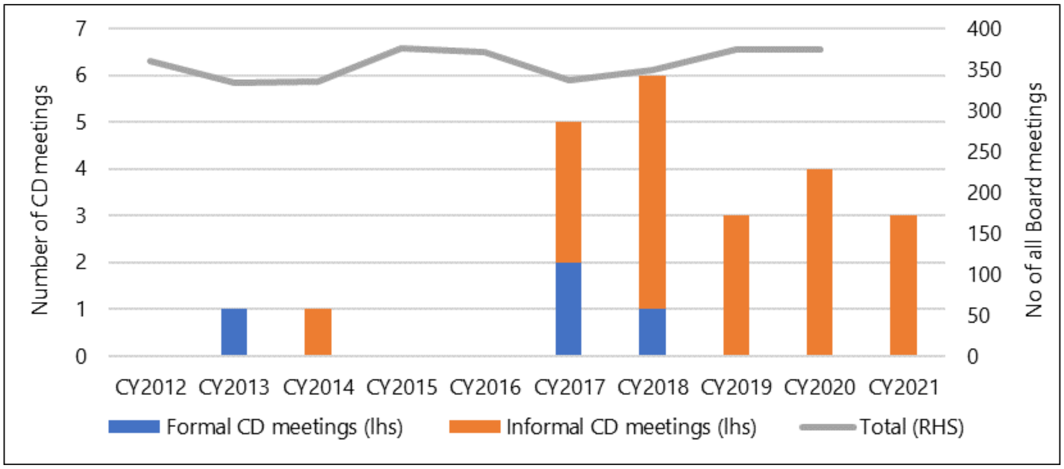
Multi-Annual Processes	
CD Strategy Review & CD Policy Issues	CD strategy review every five years plus additional staff papers on CD issues as needed.
Non-CD Policy Issues	Staff papers dedicated to specific policy topics, which may or may not contain information and/or data on CD, depending on the topic.
Annual Processes	
Medium-Term Budget	Staff papers on the medium-term budget, including information and data on CD. Staff papers on the FY output cost estimates and budget outturn.
Risk Management Process	Annual risk report and other staff papers and briefings.
Work Program of the Executive Board	Biannual statement of the Managing Director on the work program of the Executive Board. The Managing Director's GPA. The communiqués of the meetings of the IMFC.
Continuous Processes	
Regional Discussions	Informal Executive Board presentations by staff, dedicated to developments in a specific region. Coverage of CD in the staff presentations is uneven: some staff presentations do cover CD, others do not.
Country Discussions	Staff papers dedicated to the specific country, which may or may not contain information and/or data on CD. Executive Directors also have access to TA reports about specific CD activities, both published ones and those that are not published but available through the internal document management system and Partners Connect. TA reports are not discussed by the Executive Board, however. Executive Board members representing donor countries have additional channels to receive information: e.g., materials for steering committees.
Ad Hoc Processes	
Establishment of External Funding Accounts	Staff papers dedicated to the specific external funding account to be established.
Approval of CD to Non-Members	Staff papers dedicated to specific non-member CD requests.

Source: IEO staff analysis.

The CD Strategy Review and CD Policy Discussions

53. Overall, the number of Executive Board meetings specifically dedicated to CD is very low. During the evaluation period between 2012 and 2020, the Executive Board held on average 357 meetings a year, but only held four formal meetings (none since 2018) and 16 informal meetings in total dedicated specifically to CD (Figure 3).

Figure 3. Executive Board Meetings by Topic, 2012–2021
(Number of meetings)



Sources: IMF; and IEO staff analysis.
Note: Total includes committee and miscellaneous meetings besides formal and informal meetings.

54. The number of meetings specifically dedicated to CD increased during the period under review, particularly as of 2017, when informal Executive Board meetings became more regular. During the discussion of the 2018 CD strategy review, Executive Directors asked for better information sharing to enhance the strategic role of the Executive Board, and they indicated that they wanted to engage more regularly on CD strategy and priorities. They also encouraged staff to continue the practice of more regular informal Executive Board briefings on CD activities that started in 2017. The increase in meetings dedicated to CD continued beyond the evaluation period with six additional informal meetings in 2021 and 2022 (January to April).

55. The four formal meetings (Table 6) discussed the 2013 and 2018 CD strategy reviews, a paper prepared by FAD on fiscal capacity building in fragile states, and a report to the Executive Boards of the IMF and the World Bank on developments in capacity building related to the Medium-Term Debt Management Strategy. The five-yearly CD strategy reviews are the primary channel for the Executive Board to discuss the IMF's overall CD strategy and priorities. While some Executive Directors interviewed for this paper found the five-year interval between CD strategy reviews appropriate, others argued that it could be reduced, e.g., from five to three years, or a CD strategy update meeting could be held at the midpoint between two reviews. Executive Directors agreed though that more regular updates (e.g., annually) on the

implementation of the CD strategy in between the strategy reviews would be welcome to take stock and provide an opportunity to discuss emerging issues.

56. The informal meetings focused on a broad range of topics related to CD, ranging from CD activities in a particular region to more technical subjects like CD evaluation tools (Table 6). Since 2020 there has been an annual informal discussion of CD priorities, timed in advance of the formal discussion of the medium-term budget.

57. For the formal Executive Board meetings dedicated specifically to CD, Executive Directors received detailed staff papers related to CD policy and/or the specific CD decision. For example, for the 2013 and 2018 CD strategy reviews, the Executive Board received an extensive set of papers, including an overview paper and several background papers. For the 2013 review, the overview paper focused inter alia on new opportunities and challenges, the institution-wide objective of CD, the CD governance structure, CD prioritization, the funding model, monitoring and evaluation, integration of TA and training, new technologies for delivery, and CD outreach. The background paper provided further details to these topics. For the 2018 review, the overview paper discussed progress since the 2013 review and the CD strategy for the next five years, focusing on CD governance, prioritization, monitoring, delivery, coordination, and communication and dissemination. The set of background papers was more extensive than for the 2013 review and included the results of a survey of stakeholders and interviews; the report of an external advisory group that looked at internal and broader issues related to effective CD strategies; commentary and background studies by external experts, including on the IMF's efforts to strengthen individual and institutional capacity and the demand-driven nature of CD; and background studies and notes prepared by staff on a wide range of topics. These included inter alia the integration of CD and surveillance, CD prioritization, monitoring and evaluation, the integration of TA and training, technology in CD delivery, CD partnerships, coordination with other CD providers, and dissemination of TA documents.

58. The staff papers for the 2013 and 2018 CD strategy reviews, however, did not address the key strategic question of how much CD the IMF should undertake, and its implications for the IMF's overall budget and the share of CD, surveillance, and program engagement within the overall budget.

59. For most of the informal Executive Board meetings, Executive Directors received a presentation prepared by staff. For the annual informal discussions on CD priorities introduced in 2020, the presentations covered updates on the implementation of the CD strategy, CD priorities going forward, CD delivery challenges (mainly related to the COVID-19 pandemic), updates related to the CD budget, risks, and updates to the CD prioritization and budget framework. Executive Directors welcomed the informal discussions on CD priorities and the information provided as a step in the right direction. In the other cases (e.g., the discussions on the new statement on IMF policies and practices on CD and on the 2018 CD strategy review concept note), Executive Directors received the draft document as input for the informal discussion.

Table 6. Executive Board Meetings Dedicated to CD, 2012–2022

Year	Status	Topic
06/2013	**Formal**	The Fund's Capacity Development Strategy—Better Policies Through Stronger Institutions: discussion and approval of the 2013 CD strategy review.
04/2014	Informal	IMF Policies and Practices on Capacity Development: discussion on the new statement on IMF policies and practices on CD (published in August).
02/2017	Informal	2018 Quinquennial Review of the Fund's Capacity Development Strategy: discussion of the 2018 CD strategy review concept note.
05/2017	**Formal**	Building Fiscal Capacity in Fragile States: discussion of FAD's paper on CD in fragile states.
07/2017	**Formal**	The Medium-Term Debt Management Strategy—An Assessment of Recent Capacity Building: discussion of the report to the Executive Boards of the IMF and the World Bank on developments in capacity building related to the Medium-Term Debt Management Strategy.
11/2017	Informal	Staff Briefing on FAD's Capacity Development Delivery.
11/2017	Informal	Staff Briefing on MCM's Capacity Development Delivery.
05/2018	Informal	Staff Briefing on STA's Capacity Development Delivery.
05/2018	Informal	Staff Briefing on ICD's Capacity Development Delivery.
06/2018	Informal	Staff Briefing on LEG's Capacity Development Delivery.
06/2018	Informal	2018 Review of the Fund's Capacity Development Strategy: presentation and discussion of the preliminary findings of the 2018 CD strategy review.
07/2018	Informal	Staff Briefing on External Financing of the IMF's Capacity Development.
11/2018	**Formal**	2018 Review of the Fund's Capacity Development Strategy: discussion and approval of the 2018 CD strategy review.
03/2019	Informal	Staff Briefing on Results-Based Management (RBM) in Capacity Building: staff presentation and discussion on the RBM tool.
06/2019	Informal	IMF Policies and Practices on Capacity Development: discussion on the new statement on IMF policies practices on CD (published in November).
10/2019	Informal	CDMAP — Program Objectives and Cost-Benefit Analysis: staff presentation on the new Capacity Development Management and Administration Program.
02/2020	Informal	Staff Briefing on Capacity Building in the Middle East and Central Asia: staff presentation and discussion, including on the establishment of the Caucasus, Central Asia, and Mongolia Regional Capacity Development Center (CCAMTAC).
02/2020	Informal	Implementation of Capacity Development Priorities: presentation and discussion of developments in implementing the 2018 CD strategy.
05/2020	Informal	CD Developments and Outlook: staff presentation and discussion on the CD response to the COVID-19 pandemic, lessons learned to date, the impact on the CD budget, and emerging priorities.
11/2020	Informal	Update on Externally-Financed IMF Capacity Development and the COVID19 Capacity Development Initiative: staff presentation and discussion, including on the proposed COVID-19 Crisis Capacity Development Initiative Subaccount.
02/2021	Informal	Capacity Development Priorities for FY2022–2024.
05/2021	Informal	Briefing on Building Capacity in Monetary and Financial Policies in Fragile and Conflict-Affected States.
08/2021	Informal	CD Evaluations and Impact.
01/2022	Informal	Updated Framework on the Dissemination of CD Information.
01/2022	Informal	Staff Briefing on Central Bank Digital Currency Developments and an Approach to Capacity Development.
03/2022	Informal	Capacity Development Priorities for FY2023–2025.

Sources: IMF; IEO staff analysis.

Non-CD Policy Discussions

60. Besides during Executive Board meetings dedicated to CD, Executive Directors also have the opportunity to raise issues related to CD within the scope of other policy discussions, including on surveillance and lending. Formal and informal Executive Board meetings on policy topics represented almost 17 percent of all Executive Board meetings during the period 2012–2021. In addition to formal and informal Executive Board meetings, Executive Directors also meet in the context of Executive Board committee meetings. Executive Board committees do not have decision-making authority but allow committee members to examine the issues under their purview in greater detail before they are forwarded to the Executive Board as a whole. During the period under review, however, the committees have not considered CD.

61. Whether staff papers for policy discussions not specifically dedicated to CD cover CD depends on the topic of the policy discussion and how relevant CD is for that topic. For example, policy documents related to the other core tasks of the IMF's work, surveillance and lending, also covered the integration of these activities with CD. During the evaluation period, the Executive Board discussed the review of IMF surveillance within the context of the 2014 Triennial Surveillance Review (IMF, 2014a), the 2018 Interim Surveillance Review (to take stock of the implementation of the recommendations of the 2014 Triennial Surveillance Review; IMF, 2018a), and the 2021 Comprehensive Surveillance Review. In all three instances the staff papers covered CD, focusing particularly on the interconnection between the IMF's core tasks surveillance, lending, and CD. The 2021 Comprehensive Surveillance Review identified better integrating surveillance with CD as a priority area, including through the elaboration of CD country strategies (IMF, 2021b and 2021c). The 2018 Review of Program Design and Conditionality also referenced CD, but less extensively than the surveillance reviews, and found that CD activities were aligned with program conditionality (IMF, 2019a).

62. Other policy documents have covered CD too, when relevant. For example, in 2015 the Executive Board discussed the review of the IMF's engagement with countries in post-conflict and fragile situations. The staff paper (IMF, 2015b) contained several sections dedicated specifically to CD in post-conflict and fragile countries, including boxes on TA and training. Another example is the Executive Board's discussion and approval of the new framework on enhanced engagement on governance in 2018. In this case, the paper (IMF, 2018b) included several references to CD related to the IMF's work on governance and how the new governance framework would help to identify which governance areas in a particular country would most benefit from IMF CD and how these areas would be prioritized in the provision of CD. More recently, the Executive Board's discussion and approval of the new Strategy for Fragile and Conflict-Affected States (IMF, 2022b) covered CD extensively, including how an expanded field presence will enhance CD engagement and how Country Engagement Strategies for fragile and conflict-affected states will support the integration of CD with surveillance and lending.

63. One channel that did not cover CD was the Strategy, Policy and Review (SPR) Department's annual survey: the past five years, SPR has surveyed Executive Directors with a

focus on the quality of the IMF's engagement with the membership in surveillance and program work. Interestingly, this annual survey did not cover CD at all.

The Medium-Term Budget

64. In April, the Executive Board formally discusses and approves the IMF's administrative and capital budget for the next fiscal year starting on May 1. In preparation for this meeting, the Executive Board receives a staff paper on the medium-term budget. This medium-term budget paper contains both backward and forward-looking information, including on CD, related to the IMF's administrative and capital budget. The forward-looking part provides the proposed administrative and capital budget for the next fiscal year starting on May 1, as well as the indicative budgets for the following two fiscal years. The paper on the medium-term budget for the formal Executive Board meeting has benefited from the questions raised and feedback given by Executive Directors during an informal meeting on the preliminary budget proposals for the upcoming year, usually in February or March, and since 2020 also during an informal meeting on CD priorities. These meetings provide the opportunity for Executive Directors to discuss and approve the overall spending envelope, including both internal and external financing, as well as the relative share of specific activities, including CD, within the overall envelope.

65. Since 2015, in late Summer, Executive Directors also receive a staff paper for information on the output cost estimates and budget outturn for the fiscal year that ended on April 30, including an annex specifically on CD.[21] The output cost estimates and budget outturn paper provides backward-looking information only and is not discussed by the Executive Board.

66. During the evaluation period, budget documents contained key information on the IMF's overall budget envelope, the share of CD in the IMF's total budget and how the share of CD in the IMF's total budget has evolved over time (Tables 7 and 8). Budget documents also provided information on external funding related to CD and given the forward-looking nature of the medium-term budget paper, it elaborated on new budget demands related to CD.

Table 7. CD in the Medium-Term Budget Documents, FY2012–2014 to FY2022–2024

	FY2012-14	FY2013-15	FY2014-16	FY2015-17	FY2016-18	FY2017-19	FY2018-20	FY2019-21	FY2020-22	FY2021-23	FY2022-24
Overall budget envelope	X	X	X	X	X	X	X	X	X	X	X
Spending data by output area, incl. CD	X	X					X	X	X	X	X
Information on new budget demands, incl. CD	X	X	X	X	X	X	X	X	X	X	X
Information on external funding for CD	X	X	X	X	X	X	X	X	X	X	X
Dedicated annex/appendix on CD					X						
Dedicated box on CD		X			X		X		X	X	
Dedicated section on CD								X			X
Info on CD in other parts of the report	X	X	X	X	X	X	X	X	X	X	X
Table(s), incl. data on CD/TA/training (previous years)				X		X	X	X	X	X	X

Source: IEO staff analysis.

[21] For a discussion on the cost and cost-effectiveness of CD, see Jensen and Kell (2022).

67. The quality of CD coverage in the budget documents has improved markedly over the evaluation period. The output cost estimates and budget outturn papers introduced in 2015 consistently contained a dedicated annex on CD and clear tables with data on CD (including the split up between TA and training). Since the FY2018–2020 medium-term budget paper, the papers have included a dedicated section, and/or box or annex/appendix on CD in a consistent way. Tables with historic data on CD have been included in the medium-term budget documents in a consistent way since the FY2017–2019 paper.

Table 8. CD in the Output Cost Estimates and Budget Outturn Documents, FY2015–2021

	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Overall budget envelope							
Spending data by output area, incl. CD							
Information on new budget demands, incl. CD	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Information on external funding for CD							
Dedicated annex/appendix on CD							
Dedicated box on CD							
Dedicated section on CD							
Info on CD in other parts of the report							
Table(s), incl. data on CD/TA/training (previous years)							

Source: IEO staff analysis.

68. Despite these improvements, most Executive Directors interviewed for this paper argued that the Executive Board's involvement with the current budget process did not allow to appropriately cover strategic questions related to the budget provided for CD. Such strategic questions include how much CD the IMF should be providing and the share of CD in the IMF's overall budget, as well as the sources of CD funding (e.g., internal versus external). They felt that such strategic questions did not get sufficient space in the budget process due to issues related to surveillance and program engagement dominating the discussion. Executive Directors welcomed the recent informal discussions on CD priorities, as these provided updates on the CD budget, including on risks and budget pressures. They felt that these informal briefings were a step in the right direction but still felt somewhat ad hoc and mostly geared to providing information, rather than an opportunity for a strategic discussion.

The Risk Management Process

69. The Executive Board provides strategic direction and oversight on risks through the IMF's risk management process. The risk management process is led by the Office of Risk Management (ORM), which helps the IMF identifying, evaluating, mitigating, and monitoring the risks facing the institution, and reports those risks to the Executive Board. This reporting takes the form of an annual risk report discussed by the Executive Board, complemented by informal briefings during the year (e.g., mid-year risk update).

70. While all annual risk reports during the period under review covered risks related to CD activities, CD was covered consistently in a dedicated section from the 2015 risk report onwards. CD risks are considered core function risks (alongside risks to surveillance and lending operations) and are defined as the risk that CD is misaligned vis-à-vis emerging risks and the IMF's strategic objectives. The risk reports have focused mainly on delivery and funding risks to CD. For example, the 2019 risk report (IMF, 2019d) argued that agility against emerging risks was hampered by reallocation rigidities in available resources and pointed to donor funding risks. The 2020 risk report (IMF, 2020d) noted that the COVID-19 pandemic had raised risks to CD delivery as a result of travel restrictions, the limitations of virtual CD delivery, and limited absorption capacity of CD recipients. It also noted that funding risks were increasing given the impact of the pandemic on donor members' changing priorities. Similarly, the 2021 risk report (IMF, 2021g) covered delivery risks related to the COVID-19 pandemic and risks related to external funding.

The Work Program of the Executive Board

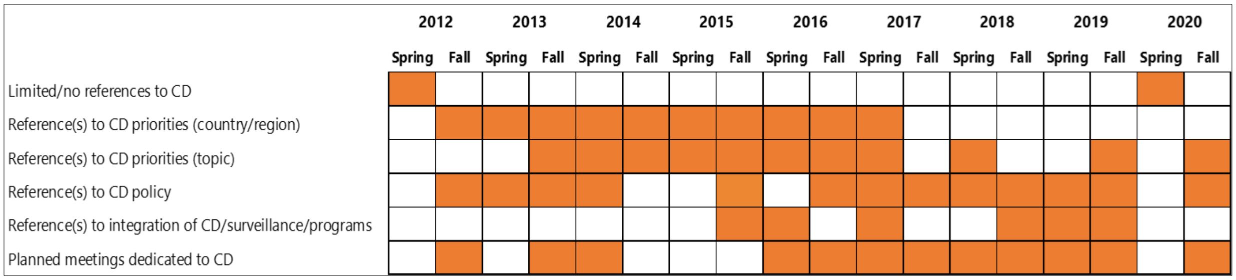
71. Twice a year, after the Spring and Annual Meetings, management and staff prepare a work program for the Executive Board for the next six months. The proposed work program and the priorities therein are discussed and endorsed by the Executive Board, which allows Executive Directors to shape the work program, raise issues related to CD, and modify priorities and/or introduce new ones. It also allows Executive Directors to request for additional (or fewer) meetings dedicated to CD or change the status of proposed meetings from "for information" and "informal" to "formal" (and vice versa). The work program is presented as a statement of the Managing Director, and it is not formally approved by the Executive Board, but management and staff take into account the feedback given by Executive Directors as they operationalize and implement the work program.

72. During the evaluation period, all but two statements of the Managing Director on the work program (Spring 2012 and Spring 2020) made references to the IMF's upcoming work on CD (Table 9). Between Fall 2012 and Spring 2017, they consistently made references to CD for specific groups of countries or regions. Since the Fall of 2015, the statements consistently included references to CD policy and/or the integration of CD with surveillance and/or program engagement. They also provided information on upcoming Executive Board meetings dedicated to CD, but as discussed earlier, the number of formal and informal meetings dedicated specifically to CD during the evaluation period was low compared to the total number of meetings.

73. The work program builds on the IMF's ongoing work streams as well as the strategic guidance presented in the Managing Director's GPAs and the IMFC communiqués. While the general priorities in terms of topics from the GPAs and/or IMFC communiqués are reflected in the Managing Director's statement on the work program, the link between the statement on the work program and specific strategic guidance on CD in the latter two is not always evident. For example, while the Spring 2020 GPA mentions CD related to climate change as a priority, the Spring 2020 statement on the work program only mentions that to support a green recovery, the

Executive Board will be engaged on integrating climate change into surveillance. There is no mention of how the integration of climate change into CD is reflected in the work program.

Table 9. CD in the Managing Director's Statement on the Work Program of the Executive Board, 2012–2021



Source: IEO staff analysis.

Regional Discussions

74. The five ADs (see Section II.C) organize informal briefings for the Executive Board to discuss regional developments and country matters. These informal briefings take the form of a staff presentation, followed by a discussion. During the evaluation period, such regional briefings have become more regular, particularly after 2014, and every AD now organizes at least two such briefings a year. The regional briefings during the period under review focused primarily on economic developments and program engagement. Since 2019 more attention was given to CD in such regional briefings, but not consistently across all regional briefings. During the COVID-19 pandemic, regional briefings covered the impact of the pandemic on CD delivery.

75. These informal Executive Board meetings provide an opportunity for Executive Directors to discuss CD in a regional context. When CD was included in regional briefings, Executive Directors welcomed the update on CD activities. At the same time, they also indicated that they would have liked more in-depth information on the regional CD strategy and priorities and their implementation, as well as the integration of CD activities with surveillance and program engagement.

Country Discussions

76. While individual CD requests by member states are not subject to Executive Board approval, country-specific CD-related issues can be raised by Executive Directors during formal and informal Executive Board meetings on country topics. The 2018 CD strategy review argued that bilateral surveillance discussions of heavy CD users provided an opportunity for the Executive Board to discuss the CD strategy for that country (IMF, 2018c). More generally, the review noted that bilateral surveillance discussions could provide an opportunity to consider whether capacity issues constrain the adoption of key policies, whether the IMF is providing relevant CD support, and what progress is being made with implementing CD recommendations.

77. This point was further elaborated in the 2019 statement on IMF Policies and Practices (IMF, 2019f) and the 2021 supplement to the 2015 Guidance Note for Surveillance Under Article IV Consultations (IMF, 2021a). The 2019 statement on IMF Policies and Practices on CD noted that in accordance with the 2015 Guidance Note for Surveillance under Article IV Consultation (IMF, 2015a) and the 2018 CD strategy review approved by the Executive Board, country level CD was increasingly and systematically being integrated into surveillance and program engagement, providing an opportunity for Executive Board members to engage in CD as part of the IMF's overall country engagement. The supplement to the 2015 surveillance guidance note provided practical guidance to staff, clarifying that where relevant, to cover CD priorities in the body of the staff report to better integrate CD and surveillance. It also clarified that lists of CD activities are not required and encouraged staff to include a summary of heavy CD users' CSN, either in the body or annex of the staff report.

78. In practice, however, most country documents, including those for heavy CD users, do not cover CD issues in a substantive way (Figure 4).[22] Based on a desk review of surveillance (Article IV) and lending (program and emergency financing) country documents for the four years from 2018 to 2021 for the 50 largest CD users pre-COVID-19 pandemic, only 38 percent of country documents covered CD in a substantive way. For the 25 largest CD users this goes up somewhat to 41 percent. This was mostly done in the form of a separate section or annex on the overall CD strategy for the country or on how CD activities are integrated with surveillance and/or program objectives. For example, the staff report for the third review of Benin's program under the Extended Credit Facility (IMF, 2018g), included an annex on the CD strategy for FY2019, including key objectives and achievements, future priorities, as well as the authorities' views. In the staff report for the fifth review of Sri Lanka's program under the Extended Fund Facility (EFF) (IMF, 2019b) the link between program objectives and CD was presented in the form of a matrix.

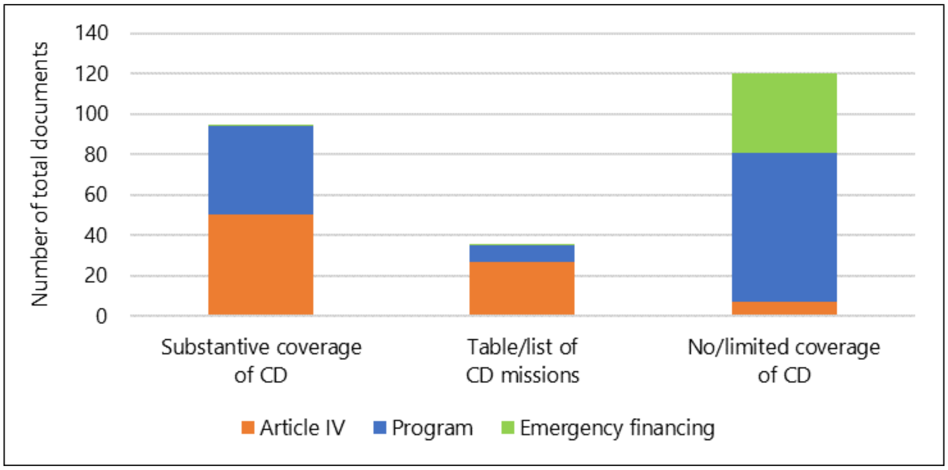
79. Another 14 percent of country documents included a table or a list of CD missions. Such tables or lists give an overview of past CD missions, indicating the organizing department, topic, and timing of the missions, but without context. For example, they do not provide information on why these CD missions took place or how these CD missions fit in the overall CD strategy for the country.

80. The bulk of country documents contained no or limited coverage of CD (48 percent). If CD is mentioned by staff, it is limited to a few references, but not sufficiently comprehensive for the Executive Board to be able to form an informed opinion on the overall CD strategy for the

[22] For this paper, CD is considered to have been covered in a substantive way if the information provided is sufficiently comprehensive to allow the Executive Board to understand why the CD activities were undertaken and how they fit in the wider CD strategy, or surveillance or program engagement in a particular country or group of countries.

country or how individual CD activities fit in such a strategy or the broader surveillance or program engagement.

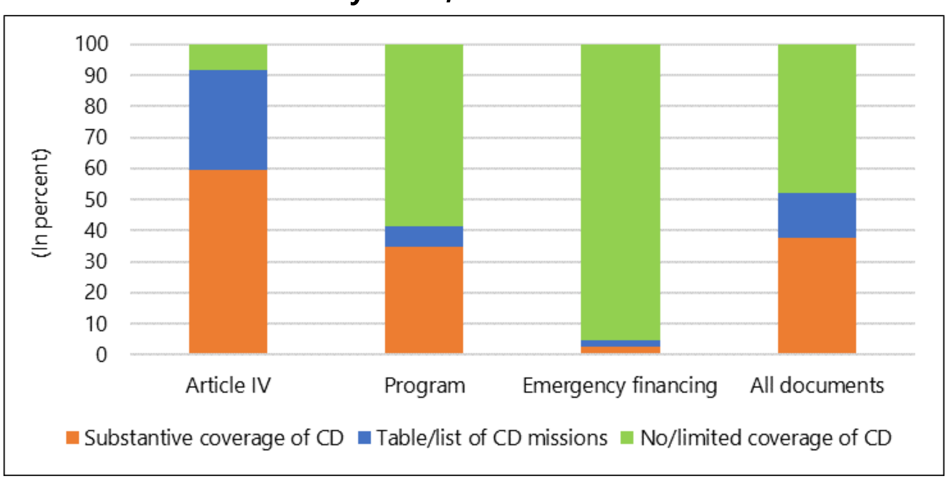
Figure 4. Coverage of CD in Country Documents for Heavy CD Users, by Number, 2018–2021



Source: IEO staff analysis.

81. When CD was covered in a substantive way in country reports, this was done mostly in Article IV Consultation reports, followed by program documents (Figure 5). But substantive coverage of CD in Article IV Consultation reports or program documents was not done consistently: only 50 out of 84 Article IV Consultation reports and 44 out of 126 program documents contained substantive information on CD activities. Not surprisingly, documents related to emergency financing requests rarely contained any information on CD, given the nature of the request.

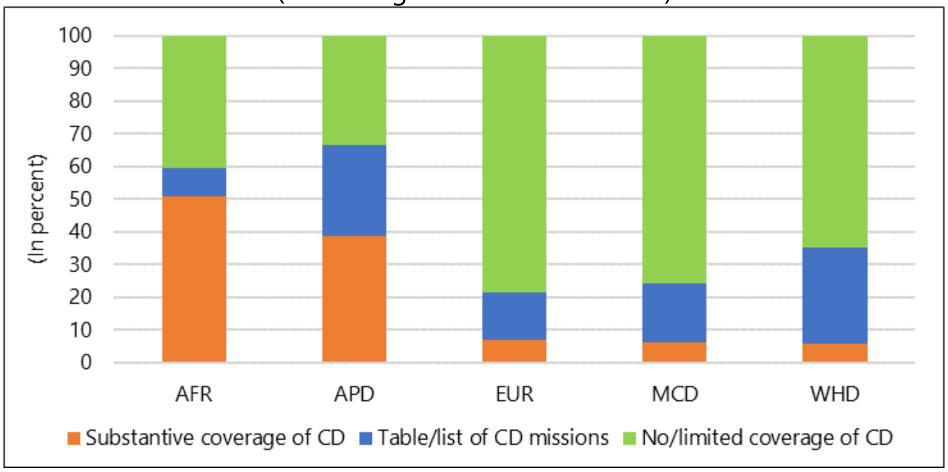
Figure 5. Coverage of CD in Country Documents for Heavy CD Users, by Share, 2018–2021



Source: IEO staff analysis.

82. Practices also differed substantially across ADs (Figure 6). Overall, in AFR, 51 percent of all country documents covered CD in a substantive way, followed by APD (38.9 percent). In EUR, MCD, and WHD, less than 8 percent of documents contained substantive information on CD activities.

Figure 6. Coverage of CD in Country Documents for Heavy CD Users, by Region, 2018–2021
(Percentage of total documents)



Source: IEO staff analysis.

83. Executive Directors interviewed for this paper clearly expressed their wish to receive more substantive information on CD in country documents on a more regular basis in order to be able to have more holistic discussions about IMF country engagement, including the integration of surveillance, lending, and CD. To have such a holistic discussion about overall country engagement, they argued that country documents should better explain CD objectives and priorities for that particular country, and how CD activities support policy advice and lending. They also wished to be better informed about the impact and results of CD activities.

84. Besides surveillance and lending country documents, the Executive Board also has access to TA reports. These TA reports contain detailed information about specific CD activities and missions in a particular country, but they are disseminated internally "for information" and not scheduled for discussion by the Executive Board. Not all TA reports are published on the IMF's website.[23] Those that are not published can be accessed by Executive Board members in the IMF's internal document management system and on Partners Connect, a platform managed by ICD that allows the IMF to connect and share information with its CD partners. The usefulness for Executive Directors of these TA reports is limited, however, as they do not routinely allow the Executive Board to form an informed opinion on the overall CD strategy for the country or how CD activities or missions fit in such a strategy.

[23] For a discussion on dissemination and publication, see Radelet (2022).

85. Final project assessment reports and country-level RBM data have not been routinely shared with the Executive Board in the past (Lamdany, 2022). Under the previous dissemination policy, such information required CD recipient consent before sharing. The revised dissemination policy (IMF, 2022a), which went into effect on May 1, 2022, presumes CD recipient consent to share such information with Executive Board members unless the recipient explicitly states otherwise, which will make sharing such information easier. However, to ensure appropriate interpretation of RBM data, the Staff Operational Guidance on Dissemination of Capacity Development Information clarifies that country- or non-country specific RBM data can only be shared outside IMF staff in reports or with accompanying narrative (IMF, 2022c). Unless such information is put in context, the usefulness for Executive Directors of final project assessment reports and RBM data is limited anyway.

The Establishment of External Funding Accounts

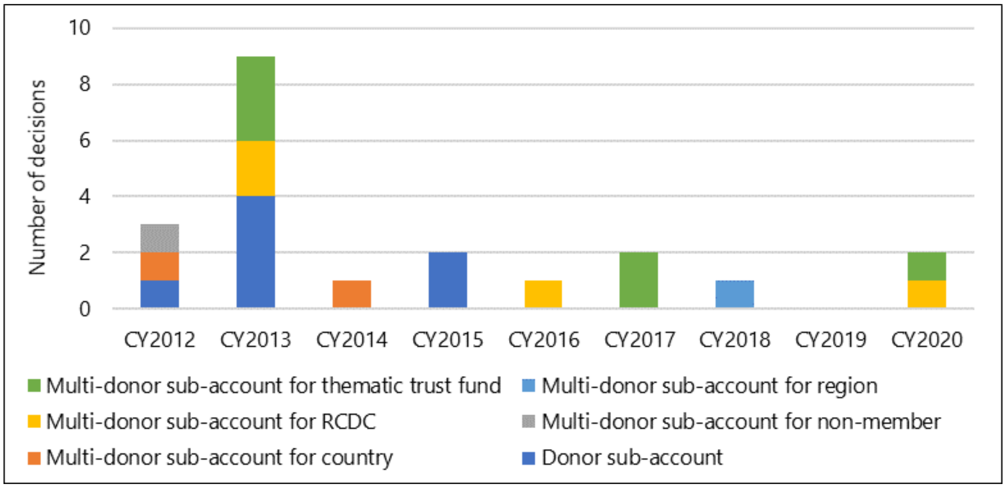
86. The Executive Board formally approves the establishment of external funding accounts, although typically on a LOT basis without discussion.

87. To organize the flow of donor funding (see Section II.D), in March 2009, the Executive Board approved the Framework Administered Account for Selected Fund Activities (the "SFA Instrument"), a new framework to administer external resources (IMF, 2009). CD activities are financed through the establishment and operation of a subaccount within the SFA Instrument. The establishment of each subaccount is approved by the Executive Board. During the period under review, the Executive Board approved the establishment of 21 subaccounts (Figure 7), each time on a LOT basis without Executive Board discussion. Six of these sub-accounts were created to administer resources to benefit Thematic Funds, four subaccounts were created to benefit newly created RCDCs (the ATI, the AFRITAC West 2, the SARTTAC, and the CCAMTAC) and two for Country Funds (South Sudan and Somalia).

88. In the same way the Executive Board approves the establishment of a subaccount when accepting external funding for CD it can also decide to terminate one. For example, in May 2021 the Executive Board decided on a LOT basis to terminate the three subaccounts for the Republic of South Sudan Macroeconomic Capacity Building, the Financial Access Survey, and the Liberia Macro-Fiscal Subaccounts (IMF, 2021f). All three subaccounts had completed their activities and utilized their financial resources, and residual balances were returned to their contributors.

Figure 7. Executive Board Decisions on the Establishment of Sub-accounts Under the SFA Instrument, 2012–2020

(Number of decisions)



Source: IEO staff analysis.

89. For each decision, the Executive Board received a staff paper indicating the type of subaccount to be created under the SFA Instrument, either to administer the resources provided for CD by a specific donor (e.g., in March 2012 the Executive Board approved the establishment of a subaccount for the Government of Canada; IMF, 2012) or to administer the resources of multiple donors for a specific RCDC, Thematic Fund, or Country Fund. In addition, the staff papers explained the essential terms and conditions of the subaccount with respect to the nature, design, and implementation of the activities to be financed with the resources transferred by donors to the subaccount and the method by which the costs of the activities will be financed from the subaccount.

90. The staff papers also provided the rationale for the establishment of the subaccount. This section, however, was relatively short and did not explain with much detail how the creation of the new RCDC, Thematic Fund, or Country Fund fits in the overall CD strategy as agreed by the Executive Board. For example, in April 2013, when the subaccount to finance the operations of the ATI was established (IMF, 2013a), the rationale provided did not note that the ATI would be co-located with the AFRITAC South and managed by the same director to facilitate the coordination of TA and training activities. In March 2016, when the SARTTAC subaccount was established (IMF, 2016a), the paper omitted that the SARTTAC would be the first fully integrated RCDC, integrating both TA and training in one CD center, and that this responded to the stated objective of the 2013 CD strategy review to foster greater integration of TA and training. In the same vein, when the CCAMTAC subaccount was established in January 2020 (IMF, 2020a), the staff paper did not explain that the CCAMTAC was not a fully integrated CD center, a development contrary to the objective of integrating TA and training activities.

Approval of CD to Non-Members

91. Requests for CD from non-members and international agencies require approval by the Executive Board. For example, in May 2021 the Executive Board approved the provision of technical assistance to Monaco and any other non-IMF member countries that may join the Coalition of Finance Ministers for Climate Action in the context of the work IMF staff will conduct as co-host of the Coalition's secretariat (IMF, 2021e). This decision was approved on a LOT basis without any Executive Board discussion.

92. Other earlier examples were the Executive Board decisions in 1993 authorizing the IMF to provide TA to South-Pacific Island countries and territories at the request of the United Nations Development Program (UNDP) (IMF, 1993); in 1998 to North Korea (IMF, 1998); and in 2001 for offshore financial center assessments for Andorra,[24] Liechtenstein, Monaco, and Nauru (IMF, 2001). The 1993 TA request required Executive Board approval mainly because two non-members of the Fund, Nauru[25] and Tuvalu,[26] were among the beneficiaries of TA to be provided by the TA center set up by UNDP. The 1998 TA request was for the delivery of a workshop on the Fund and a training course in economics in the context of North Korea's expression of interest in IMF membership.[27]

93. In 2010 the Executive Board also authorized the Managing Director to approve training to officials of international agencies meeting certain criteria (IMF, 2010). It approved a list of such agencies, and an Executive Board decision is required to add new organizations to the list. The list was most recently updated in 2019 to add the Andean Financial Corporation—Development Bank of Latin America, the Asian Infrastructure Investment Bank, the New Development Bank, and the Council of Ministers of Finance of Central America, Panama, and the Dominican Republic (IMF, 2019e).

94. For decisions related to the provision of CD to non-members, the Executive Board receives staff papers dedicated to the specific decision. For the 2021 decision, the Executive Board received a short staff paper providing background on the work of the Coalition of Finance Ministers for Climate Action, as well as on how the work of the coalition aligns with the climate agenda of the IMF. The paper explained that if the Executive Board approved the proposed decision, the IMF planned to accept the invitation to co-host the secretariat together with the World Bank and indicated the benefits for the IMF of doing so. The paper also noted that while IMF staff would provide some administrative support to the work of the secretariat, the bulk

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[24] Andorra became the IMF's 190th member on October 16, 2020.

[25] Nauru became a member of the IMF on April 12, 2016.

[26] Tuvalu joined the IMF on June 24, 2010.

[27] To date, North Korea is not a member of the IMF.

would be undertaken by the World Bank, and that the costs of IMF staff involvement are expected to be met by external funding.

IV. Assessment and Suggestions for Next Steps

95. Returning to our three key questions, this section assesses whether the design of the governance framework for CD provides clear lines of responsibility and adequate Executive Board oversight, whether it is implemented effectively, and what could be done to enhance the effectiveness of the Executive Board's role in CD governance.

A. The Design of the CD Governance Framework

96. This paper finds that the design of the governance framework for CD assigns broadly clear roles and responsibilities for the Executive Board, management, and staff. The role of the Executive Board concentrates mostly on strategic issues, while avoiding getting involved in CD at the day-to-day operational level, which is the remit of management and staff. This delineation is not strict, however, given that per the Articles of Agreement the Executive Board is responsible for conducting the "business" of the IMF, while the Managing Director is responsible for the "ordinary business," which leaves some margin for interpretation.

97. Based on the powers delegated to it by the Board of Governors, the Executive Board discusses and approves the CD strategy, as it did in 2013 and 2018 following on a comprehensive CD strategy review. In doing so, the Executive Board takes into consideration the strategic guidance it receives from the IMFC, which itself has benefited from the information and guidance provided in the Managing Director's GPA on the ongoing CD workstreams and what they believe should be the IMF's priorities, including those related to CD, going forward.

98. The CD strategy approved by the Executive Board is developed by management and staff, and in particular by ICD. Since its establishment in 2012, ICD has developed the CD strategy for the IMF as a whole and the IMF's key CD policies in consultation with other departments. It does so, reflecting the strategic guidance provided by the Executive Board, the IMFC, and in the Managing Director's GPA. ICD also leads the preparation of the CD strategy reviews and any other Executive Board discussions related to CD strategy or policy. The CCB brings together management and the departments involved in CD, operationalizes the CD strategy, and then monitors its implementation by the different ADs and CDDs. By providing its secretariat, ICD also plays a central role in the CCB.

99. There are nevertheless two challenges related to the design of the governance framework for CD: the role of the Executive Board as provided by the Articles of Agreement and the role of donors.

The Role of the Executive Board

100. Together with surveillance and lending, CD is considered, both by the Executive Board and the membership at large, as one of the three core tasks of the IMF. However, while the IMF's Articles of Agreement define and provide substantial guidance related to surveillance and lending, CD is only referenced minimally. As a result, CD is not on the same footing as surveillance and lending, especially not in terms of Executive Board engagement. The Executive Board is very involved in surveillance and program engagement. But despite some improvement, Executive Board engagement in CD has remained relatively low during the evaluation period.

101. In interviews for this paper, Executive Directors mentioned that they would want more Executive Board engagement in setting the CD strategy, overseeing how the strategy is implemented, in the process of the prioritization and allocation of CD, and in the integration of CD with surveillance and program engagement at the country level. At the same time, they were clear that their role should remain at the strategic level and that they did not seek to be involved at the level of individual CD activities or projects, nor were they interested in approving individual CD requests by member states again, like in the period before 1991.

102. Modifying the formal status of CD in the Articles of Agreement, to formally bring CD on an equal footing with surveillance and lending, would require a decision by the Board of Governors and a majority of 85 percent of total voting power. Executive Directors, however, did not consider changing the Articles of Agreement necessary to enhance Executive Board engagement in CD, as they considered CD fully in line with the spirit of the Articles of Agreement.

The Role of Donors

103. The formal role of donors is limited, and donors do not play a direct role in setting the CD goals for the institution as a whole. However, as explained earlier, through their generous funding for CD and participation in the steering committees, they do have an impact on the CD goals of the CD activities they finance at the more operational level.

104. The fact that the CD priorities and objectives of the IMF and those of donors may not always be fully aligned is not necessarily a problem as long as this is understood and recognized. The argument that donors should continue to play a role in the governance of CD, as they currently do when negotiating the forms of their contribution and by participating in the steering committees is valid. Without external funding the IMF would have to significantly reduce the amount of CD it can deliver, and it is reasonable to expect that the providers of financial resources would wish to influence how they are used. The alternative would be for the membership to decide on a substantial increase of the IMF's internally financed budget, so external financing for CD activities would no longer be required. The membership, through the Executive Board, has so far refrained from doing so and Executive Directors made it clear that this is not in the cards in the immediate future. Executive Directors have accepted that the current governance set up related to the formal and informal role of donors reflects a pragmatic solution

that balances political constraints to increasing the internal budget, the need for and importance of CD for a large part of the membership, and the willingness of donors to finance (part of) those needs.

B. Implementation of the CD Governance Framework

105. Equally important as the design of the CD governance framework is whether it is implemented effectively. To do so, it is important that all stakeholders understand their roles and that they have the opportunities, resources and information to conduct their roles effectively.

106. This paper finds that this is broadly the case when it comes to stakeholders understanding their roles. Based on the powers delegated to it by the Board of Governors, the Executive Board has the power to take any decision it deems necessary to ensure that the IMF's CD strategy reflects the needs of the membership. Indeed, the Executive Board reviews and approves the CD strategy and through its role in approving the IMF's annual budget, it has the levers in hand to ensure that sufficient funding is made available to implement that strategy. In addition, there is a coordination and collaboration mechanism in place through the CCB that brings together management and the departments involved in CD to further discuss and clarify roles if necessary.

107. However, despite an increase in the number of meetings dedicated to CD and improvements in the information provided to the Executive Board during the period under review, there remain challenges related to opportunities for engagement and information gaps for the Executive Board to play its role effectively in providing strategic guidance and oversight of CD.

Opportunities for Executive Board Engagement

108. Despite some improvement, the number of Executive Board meetings dedicated to CD has remained relatively low during the evaluation period. With an average of around 357 Executive Board meetings a year between 2012 and 2020, the Executive Board's schedule is already very heavy though. The majority of meetings are driven by pre-set cycles mandated by surveillance and lending activities (e.g., mandatory Article IV Consultations on a 12 or 24-month basis and program reviews every so many months). With CD being the only "voluntary" activity under the Articles of Agreement (as opposed to surveillance and lending, which are highly regulated), the challenge is to carve out sufficient Executive Board time for CD. It is also understandable that the Executive Board may not want to discuss individual external funding agreements, as to avoid becoming overly involved in operational issues and creating the impression that external funding would not be welcome. But it is the Executive Board's role to discuss the strategic issues related to external funding and how the priorities of donors interact with the institutional CD strategy and priorities.

109. There would be several options for Executive Directors to enhance engagement in CD by providing strategic guidance and oversight of CD more frequently and substantively, without getting involved into the day-to-day CD operations. First, an annual update on the implementation of the CD strategy in between the five-yearly CD strategy reviews would provide an opportunity for the Executive Board to take stock and discuss any emerging issues. Second, a preparatory meeting dedicated to CD within the annual budget process would allow to appropriately cover strategic questions related to the financing of CD. Such a meeting could also be an opportunity to discuss issues related to external funding. Finally, one area where there is scope to enhance the Executive Board's engagement in CD without adding more meetings to the schedule is the country meetings. As discussed in the next section, the inclusion of more substantive information on CD in country documents on a more regular basis would enable Executive Board members to have a more holistic discussions about IMF country engagement, including the integration of surveillance, lending, and CD.

Gaps in Information Provided to the Executive Board

110. This paper identified five key information gaps:

- First, the Executive Board does not receive sufficient information in a consistent and regular way on the implementation of the CD strategy in the years between CD strategy reviews. For example, there were no annual updates on progress implementing the CD strategy approved by the Executive Board, challenges encountered in the implementation, and any emerging issues that warranted discussion in a consistent and regular way.

- Second, relatively few country documents contain substantive information on CD in a way that would have allowed Executive Board members to have a holistic discussion about IMF engagement, including surveillance, program, and CD engagement, in that country. Country documents did not routinely explain CD objectives and priorities for that particular country, how CD activities supported policy advice and lending, and what the impact and results of CD activities were.

- Third, the Executive Board does not receive information on donors' CD priorities and objectives and how these interact with the IMF's CD strategy and priorities. Such information was not provided in documents related to the establishment of external funding accounts, nor in other staff papers dedicated to CD. For example, external funding subaccount documents were mainly technical and could have indicated when activities and/or priorities of donors and the IMF were not fully aligned like e.g., in the case of the CCAMTAC, which was a missed opportunity to discuss the further integration of TA and training in the operations of RCDCs.

- Fourth, there is very limited information provided on the results, impact, and value for money of CD activities, both at the country level and at the more aggregate level, e.g., self-evaluations prepared by staff on CD activities.

- Finally, the work program does not contain a dedicated section on CD, linking ongoing workstreams and future CD work more clearly to the IMF's CD strategy and priorities as reflected in the GPA, IMFC communiqués, and CD strategy reviews approved by the Executive Board.

C. What Could Be Done to Enhance the Effectiveness of the Executive Board's Role?

111. This paper did not find fundamental flaws in the overall design of the CD governance framework. The challenges for the effectiveness of the current governance set up related to the design of the CD governance framework and its implementation explained in Sections IV.A and IV.B do not require changes to the formal design of the framework. They can be addressed by enhanced Executive Board engagement in CD, modifying certain work practices, and providing more information on CD to the Executive Board in a consistent and more regular way.

112. Based on this assessment, this paper offers three suggestions to enhance the effectiveness of the Executive Board's role in CD governance:

- First, steps could be taken to provide more opportunities for Executive Board engagement on CD strategy and oversight. Given that CD is being considered one of the three core tasks of the IMF, as well as the share of CD in the IMF's budget, further steps could be taken to empower the Executive Board to effectively play its designated role through opportunities for engagement and access to needed information, both at the institutional and country levels. At the institutional level, this could involve: (i) a formal annual Executive Board meeting based on a paper by staff reviewing progress in implementing the agreed CD strategy and priorities, and any emerging issues. This would then feed into the medium-term budget process and the work program. (ii) The budget process could be reviewed to allow for enhanced opportunity to discuss strategic choices related to the share of CD in the budget and the way CD is financed. (iii) ADs could include a section dedicated to CD in their regional briefings in a more consistent way or consider holding a separate briefing on CD developments in their respective region on a regular basis. Finally, (iv) the annual survey of Executive Directors could be expanded to include CD.

- Second, related to external funding, the Executive Board could consider, e.g., during the next CD strategy review, donors' priorities and how they interact with those of the IMF and the CD strategy approved by the Executive Board, as well as those areas where they may not be fully aligned.

- Third, more complete information could be provided to the Executive Board at both aggregate and country levels. At the aggregate level, information could be provided systematically on progress in implementing the CD strategy, on aggregate results on effectiveness and value for money from RBM, and on lessons learned from self-evaluation results. Country documents could routinely include a section on the CD strategy for that particular country and how CD activities fit into that strategy and are integrated with surveillance and lending. External funding documents could better explain how externally funded CD activities fit in the IMF's CD strategy and indicate when the priorities of donors and the IMF are not fully aligned. Finally, going forward the annual survey of Executive Directors could be expanded to include CD to feed into the annual review of progress in implementing the CD strategy.

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