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BACKGROUND PAPER

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The IMF and Capacity Development—Delivery

Charles Enoch

Address. 700 19th Street, N.W., Washington, D.C. 20431, U.S.A. Telephone. +1 202 623 8623 Fax. +1 202 623 9990 Email. ieo@imf.org Website. ieo.imf.org

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* Consultant, Independent Evaluation Office of the IMF.

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ABBREVIATIONS

ACES	Analytic Costing and Estimation System
AD	Area Department
AFR	Africa Department (IMF)
AFRITAC	African Regional Technical Assistance Center
AML/CFT	Anti-Money Laundering/Combatting the Financing of Terrorism
APD	Asia and Pacific Department (IMF)
APR	Annual Performance Review
ATI	Africa Training Institute
CARTAC	Caribbean Regional Technical Assistance Center
CAPTAC-DR	TA Center for Central America, Panama and Dominican Republic
CBR	Central Bank of Russia
CCAMTAC	Caucasus, Central Asia, and Mongolia Regional Capacity Development Center
CCB	Committee for Capacity Building
CD	Capacity Development
CDD	Capacity Development Department
CDMAP	CD Management and Administration Program
CCP	Central Counterparty Clearing House
CSD	Central Securities Depository
CSN	Country Strategy Note
DMD	Deputy Managing Director
Ecowas	Economic Community of West African States
EMDC	Emerging Market and Developing Country
FAD	Fiscal Affairs Department (IMF)
FATF	Financial Action Task Force
FCS	Fragile and Conflict-Affected States
FTE	Full-Time Equivalent
FSSR	Financial Sector Stability Review
GDDS	General Data Dissemination System
HRD	Human Resources Department (IMF)
HQ	Headquarters
IA	Information Annex to Article IV Report on Relations with the IMF
ICD	Institute for Capacity Development (IMF)
IMF01	CD financed through the IMF's own resources
IMF02	CD financed through external resources
JVI	Joint Vienna Institute
LEG	Legal Department (IMF)
LTX	Long-Term Experts
MCM	Monetary and Capital Markets Department (IMF)
MECEF	IMF-Middle East Center for Economics and Finance
MEFP	Memorandum of Economic and Financial Policies

METAC	Middle Eastern Technical Assistance Center
OIA	Office of Internal Audit (IMF)
PFM	Public Finance Management
PFTAC	Pacific Technical Assistance Center
PTP	Peer-to-Peer
RA	Resident Advisor
RBM	Results-based Management
RCDC	Regional Capacity Development Center
RM	Resource Management division
RSN	Regional Strategy Note
RTAC	Regional Technical Assistance Center
RTC	Regional Training Center
SARTTAC	South Asian Training and Technical Assistance Center
SC	Steering Committee (of an RCDC or a trust fund)
SDDS	Special Data Dissemination Standard
SDS	Small Developing States
STA	Statistics Department (IMF)
STI	Singapore Training Institute
STX	Short-Term Experts
TA	Technical Assistance
TADAT	Tax Administration Diagnostic Assessment Tool
TIMS	Travel Information Management System
TOR	Terms of Reference
UFR	Use of Fund Resources
VAT	Value-Added Tax

EXECUTIVE SUMMARY

This paper considers the delivery of capacity development (CD) by the Fund over 2012–2020. It focuses on Fund policy and practice; recipient country experience of CD delivery is discussed and assessed in the country case studies, but brought to bear in this paper.

CD delivery is to be demand-determined within areas that are deemed by the Fund to be within its areas of responsibility and expertise. It is to be of the highest quality. Modalities of delivery depend in part on budget resources, reflecting the dual funding model, with donors financing over half of Fund CD and contributing to the growth of programmatic CD. IMF CD can be broadly split into two types: that which can be mobilized quickly for short-term needs and that to help countries build sound institutions in order for them to manage policies effectively and boost resilience to shocks. The first type can be crisis-related or to fill a gap needed for surveillance or use of fund resources (UFR); it may be a single event, or a succession of such events. The latter type reflects the longer-term nature of institution-building, and usually involves a "programmatic approach" to the activity.[1] The Fund terms the former "curative" CD, with the latter characterized as either "preventive" or "developmental" CD.

Given its focus on the Fund's internal approach to CD delivery, this paper mainly relies on an examination of IMF documents, IMF data, and interviews with some of those involved in the delivery of IMF CD. The interviews included present and past IMF staff from capacity development departments (CDDs), as well as area department (AD) staff involved in CD, a number of Executive Directors, and some external donors.

Key Findings

IMF CD is widely seen as of high quality and generally well-tailored to countries' needs. It is highly appreciated by recipients, who consider that IMF CD is the best amongst all providers in most, if not all, the IMF's core competencies.

The Fund's CD model differs from that of other providers in that all CD is delivered by Headquarter (HQ) staff directly or by experts (short-term or long-term) recruited by the IMF, and (in the case of experts) supported by access to Fund backstoppers. The Fund stands behind its CD.

External funding now accounts for around 50 percent of all CD, partly through a range of trust funds and partly through regional CD centers. Partly reflecting donor preferences, and partly in recognition that sustained structural change may take some time, CD has moved increasingly from one-off missions to a programmatic approach, in which a project lasting perhaps several years is put together at the outset.

[1] See Staff Guidelines on CD Delivery (IMF, 2021a, paragraph 19).

There are a number of exemplary performers that have worked closely with IMF staff, and successfully absorbed significant volumes of CD. Among case studies in this evaluation, these include Georgia, Peru, Rwanda, and Senegal. Diagnostic tools, such as FAD's Tax Administration Technical Assistance Tool (TADAT), MCM's Financial Sector Stability Review (FSSR) and STA's Data Gaps assessment have been among the successful products developed during the review period.

The staff's strategic CD review in 2018[2] stressed that further steps needed to be taken to integrate CD with surveillance and UFR activities. Considerable progress was made in this regard over the evaluation period. In principle, AD mission chiefs have to sign off on all CD delivery and to discuss CD developments in Article IV reports. Cross-participation by AD and CDD staff in each other's missions is encouraged. AD mission chiefs' APRs may include evaluation of their involvement in the CD work in their country. Experience to date, however, is mixed, with some mission chiefs much more enthused about CD oversight than others. Inclusion of CD discussions in Article IV papers is so far not complete. There is more discussion than earlier of CD in UFR papers, although some concern that CD timelines set for UFR objectives have so far not always been aligned with the timelines that would be preferred for optimal CD delivery.

All CD is required to be demand determined. Here too there has been progress. ADs and CDDs make efforts to ascertain demands, and CD for systemic countries is clearly demand driven. In general, all CD events require a written request from the country authorities. There seems, however, less recipient involvement in the design and implementation stage of the CD. Terms of References (TORs) are not generally shared with recipients nor do most departments work with recipients on setting out Results-Based Management (RBM) outputs or milestones.

Seventeen Regional Capacity Development Centers (RCDCs) now provide around 50 percent of externally-financed IMF CD. Their work is highly appreciated by member countries. The RCDCs cover most major CD recipients, although not all. There is no RCDC in South America nor in Central and Eastern Europe—arguably reducing some of these countries' full access to the CD they request. Only one RCDC explicitly combines a training and a TA function. For the others, much training is delivered through separate regional training centers (RTCs), which too are highly appreciated, but are not geographically coincident with the RCDCs and thus in some cases face challenges in putting together fully integrated TA/training programs. On the other side, some fragile and conflict-affected states (FCS) consider that the peripatetic assistance provided through the RCDCs, while welcome, is second best, and they would prefer full time resident advisors (RAs). However, RAs are expensive, and risk being used as substitute staff; there have been cases where they have not been used productively. Two-thirds of long-term experts (LTXs) of MCM, for instance, are now placed in RCDCs, while RAs make up the remainder. There may be benefits in increasing the RA quotient in those FCS countries with intense CD activity, if the RAs can be used effectively.

[2] IMF (2018a).

IMF CD is delivered through a range of modalities, depending on country characteristics and topic being covered, including through Headquarter (HQ) experts, short-term experts (STXs) and LTXs, peer-to-peer (PTP) learning, bespoke training, classroom training, and desk review. In many cases initial diagnostics for a program are ascertained through a mission from HQ; Implementation then is handled from an RCDC. PTP has become increasingly valued: it may involve placements of officials in an institution in a peer or mentoring country; regional workshops in a RCDC; or workshops at HQ.

Outputs and communication of findings continue to evolve: there is now less emphasis on long reports, with shorter PowerPoint presentations and other informal mechanisms considered to be more effective. However, few reports are published, reducing visibility and possibly public support for the recipients' efforts.

Recipient countries stress the importance of the IMF providing assistance for implementation and follow-up, and for continuity in the experts delivering CD. This is facilitated by the programmatic approach, where implementation and other follow-on can be set out from the start, with continuity in the expert assignment; RCDC and thematic trust fund funding cycles may however cause periodic uncertainty. Even for one-off missions it would be useful to build in contingencies for necessary follow-on and to make the expert who delivered the assistance available to the recipient, even if only virtually. While high priority countries access follow-on assistance relatively easily, it seems that other countries may struggle to get assistance promptly.

The Fund has designated 43 countries as FCS, and recognized that they have intense needs and face particular difficulties. Thirty-eight of these countries are participants in an RCDC; of the others, two have bespoke arrangements. It is recognized that CD to these countries is particularly risky, with success likely only in the long term. Interviewees for the IEO study on FCS acknowledged that long-term progress beyond an initial phase could be slow and subject to setbacks.[3] Nevertheless, over time progress can be achieved; intra-program successes can be recognized and built upon when propitious conditions resume, rather than regarding the interrupted project as a failure and beginning the process over again.

Most CD is given to the central authorities, but there have been cases of assistance to states in federal systems (Brazil, India, Nigeria). Such assistance has been successful, with the state projects being seen as possibly pilots for the rest of the country, and in that regard a new modality for delivery. IMF CD on occasion has also been provided to regional bodies, particularly to assist with monetary integration.

While maintaining focus on core activities, the Fund has identified additional areas where the Fund should increase its share in CD delivery. These include cyber security, digital currencies, climate change and gender issues. While becoming involved in these areas demonstrates the Fund's relevance and flexibility, there are risks if the CD products are not sufficiently prepared, as

[3] IEO (2018).

the Fund needs to maintain the high standards of its traditional activities. Amongst other challenges, the Fund needs to have sufficient high-quality specialist staff in these areas: this is likely to require targeted recruitment and/or training of existing staff at a time when such skills may well be in high demand more widely. There are also reputational risks when the Fund provides CD in some highly technical niche core areas, where the expert is unlikely to be able to receive much substantive oversight.

The Fund has invested heavily in IT to better manage and monitor its CD. The RBM has been an important step in this regard, but its potential has so far not been fully realized. Most departments do not routinely share RBM outputs and mileposts with recipient countries, making them less effective as a tool for working through a program's delivery. Also, notwithstanding staff's efforts to standardize objectives and outcomes in the RBM, projects are implemented in countries with widely differing conditions and capacities, and in very different subject areas, making it hard to undertake cross-project analysis and draw lessons for future crafting of CD delivery.[4] RBM is also limited in covering results only though a project's end-point. An important role must therefore continue to be played by CD evaluations including of impact.

Most recently, the IMF has rolled out CD Management and Administration Program (CDMAP), one of its five highest priority change projects. This platform aims to bring together all aspects of CD prioritization, delivery and implementation in a more transparent process than hitherto. It is too early to assess the success of the project. Concerns were raised in interviews about the time involved in inputting data, the heavy emphasis of the system on costs, and the lack of clarity on where the promised savings will come from. Proponents argue that these reflect start-up concerns, and that over time the system will demonstrate its strengths.

The COVID-19 pandemic led to an immediate switch to virtual delivery. As was the case with its other activities, the Fund reacted remarkably efficiently to the new environment. CD was quickly delivered on COVID-related topics, such as managing the debt burden resulting from emergency fiscal expenditures; how to manage temporary forbearance from prudential norms in the banking sector; and how to collect statistics when one could no longer do surveys. Some benefits from virtual delivery were quickly apparent: travel and living costs could be largely eliminated; additional experts and recipient officials could be brought into discussions for short periods rather than be required for whole missions; senior officials could be persuaded to attend regional meetings, such as RCDC Steering Committees (SCs); and experts could more easily be available for follow-on assistance.

On the other hand, there were some serious drawbacks. Connectivity issues were resolved in some but not all recipients. Time differences and local travel restrictions limited the hours that Headquarters (HQ) staff could interact with recipients. The "soft" benefits of physical contacts and informal interactions were lost. The lack of in-country presence of resident representatives,

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[4] IMF (2021c) urges (page 22): "Apply caution when comparing results across workstreams. Given the disparate nature of workstreams, their results are not necessarily comparable."

as well as RAs, diminished the ability to manage and deliver CD. The physical impossibility of maintaining virtual communication for more than a few hours a day meant that missions had to be extended, sometime substantially (a virtual mission to Kenya lasted seven weeks). Remote work fatigue set in. And while CD continued relatively well on existing projects, it was hard to start anything new. It was felt that the CD relied on the relationships already built up between Fund experts and recipients; as these rotate to other jobs, it will be hard to take the CD forward with people with whom one has not interacted in-person before.

The post-pandemic future of CD therefore is likely to be a hybrid, perhaps with a physical mission at the diagnostic stage, followed by virtual planning meetings, and then a delivery mission in the field accompanied by virtual meetings with those who need only a limited attendance on the mission, and succeeded by virtual follow-up and implementation.

Many of these issues related to CD delivery including how best to learn from results of past CD for future delivery modalities, how to integrate CD and program work in a way that strengthens rather than diminishes country ownership, and the design of a new hybrid model for CD delivery could be suitable topics for the next CD strategy review.

I. INTRODUCTION

1. **This paper focuses on the delivery of Capacity Development (CD) by the Fund.** It is background to the IEO review of IMF CD over 2012–2020, and is a complement to other background papers, including the country case studies that discuss CD delivery from the perspective of recipient authorities and thematic background papers focusing on prioritization and allocation, on effectiveness, on relations with other providers, on training, and on human resource issues.

2. **This paper aims at describing and assessing Fund policy for and practice of CD delivery.** CD delivery is to be demand-determined, within areas that are deemed by the Fund to be within its areas of responsibility and expertise. It is to be of the highest quality. Modalities of delivery depend in part on budget resources, hence, they reflect the dual funding model. Donors now finance around 55 percent of Fund CD, which has contributed to the growth of programmatic CD. The remainder comes from the IMF's own resources.

3. **The most recent review of CD, the 2018 Strategic Review (IMF, 2018a), was followed in 2019 by guidance notes for the delivery of CD (IMF, 2019b; 2020a). Amongst the objectives and guidelines set out there are the following:**

- Fund CD activities are to be country-centered and planned with the **full involvement of recipient authorities**.
- Experts should work in consultation with area departments to develop an understanding of countries' circumstances and offer appropriate advice. These processes help to **integrate CD more fully into the Fund's analytical activities and policy dialogue**.
- Fund CD should represent advice or training that is of the **highest quality**, reflecting international best practices and complemented by the Fund's analytical work.
- Fund CD should be tailored to the country's **needs and reflective** of its absorptive capacity.
- It should build in a follow-up process to help ensure **implementation** and a sustainable impact.
- Fund CD should be **delivered by staff or by external experts that are selected, contracted, and backstopped by the Fund**. The Fund maintains a roster of experts with a proven track record and familiarity with international best practices in areas specific to the Fund's CD activities. As the effectiveness of CD delivery depends to a large extent on the quality of the experts, the Fund retains full control on selection of CD experts and content of CD advice, regardless of mode of delivery or source of financing.

- Fund CD activities are subject to **quality controls**. Experts in the field have direct access to the wide expertise embodied in Fund staff. Their work is facilitated by strong quality control processes, including backstopping of experts and regular supervision by the relevant CD department and the review process.

4. **CD delivery evolved considerably over the evaluation period as the Fund invested in better processes and information systems to support their country-centered model of CD delivery.** Initiatives include Results-Based Management (RBM), as well as the Digital Workplace, Knowledge Management Initiatives, and the CD Management and Administration Program (CDMAP) aimed at strengthening access to data, documents and tools across departments and workstreams. At the same time, CD delivery departments built on existing strategies to move toward greater modernization and agility in CD delivery, including through the growing role of Regional Capacity Development Centers (RCDCs) and continued experimentation with innovative technologies including for virtual delivery.

5. **IMF CD can be broadly split into two types: that which can be mobilized quickly for short-term needs, and that to help countries build sound institutions in order for them to manage policies effectively and boost resilience to shocks.** The first type can be crisis-related, or to fill a gap needed for surveillance or IMF lending. Such CD may be a single event or a succession of such events. The latter reflects the longer-term nature of institution-building, and usually involves a "programmatic approach" to the activity.[1] The former has been termed "curative" CD; the latter "preventive" or "developmental" CD.

6. **The 2021 Staff Guidelines on Capacity Development Prioritization and Work Planning (IMF, 2021b) provide a broad taxonomy of CD delivery modalities.[2]** Modalities include duty station-based work; field-based work; resident advisor; interactive learning and workshop; online learning; and peer-to-peer (PTP) learning. The first three categories are TA; the next two are training. PTP activity as well as in-country advisors combine elements of both. This paper considers the integration of technical assistance (TA) and training activities, while a separate background paper provides more in-depth assessment of training (De Lannoy, 2022).

7. **Given its focus on the Fund's internal approach to CD delivery, this study mainly relies on an examination of IMF documents, IMF data, and interviews with some of those involved in the delivery of IMF CD.** The interviews included present and past IMF staff from CD departments (CDDs), as well as area department (AD) staff involved in CD, a number of Executive Directors, and some external donors. In addition, the views of recipient authorities on CD delivery were gathered through the country case studies and an IEO survey. These are covered in other background papers but reflected in this paper.

[1] See IMF (2021a), paragraph 19.

[2] Besides delivery, CD activity also includes two other main types of work: analytical and developmental work, and management and administration. See IMF (2021b), Table 2 and Annex III.

8. **The rest of the paper is structured as follows.** Section II describes the evolution in CD delivery since 2012, including how the Fund has adapted delivery in the context of the COVID-19 pandemic and the new opportunities for remote delivery. Section III then describes the key elements of the Fund's current CD delivery model, highlighting the differences with other CD providers and explaining the roles of the various players within the Fund. Section IV assesses CD delivery against the Fund's stated ambitions. Finally, Section V provides an overall evaluation of IMF CD delivery and identifies some lessons.

II. The Evolution of CD Delivery Since 2012

9. **The present framework for CD delivery has emerged through evolving Fund practices and periodic reviews on the subject.** The staff's strategic review of 2018 was the most recent, putting forth a model in which CD is delivered as part of a comprehensive IMF engagement with a recipient country. The previous strategic review of 2013 focused on recommendations for updating the internal governance of CD, fostering greater integration of TA and training, and exploiting new technologies for delivery. Prior to that, a 2008 Review (IMF, 2008a) endorsed external financing for TA and set in train the dual financing model of Fund CD that underlies delivery.

10. **Amongst the key developments over the period of this evaluation were the increasing positioning of CD as an integral element in the Fund's engagement with a country and the increasing emphasis on the leadership role of the AD in strategic CD management.** CD is seen as a critical complement to surveillance and lending by many recipient countries as well as by the Fund. Other key developments included the decentralization of CD delivery, with 17 RCDCs now accounting for roughly half of CD delivery; the increasing integration of TA and training in the delivery of CD;[3] the refocusing of the delivery model of the Institute of Capacity Development (ICD) from classroom training through a set of pre-specified courses towards delivering TA in macroeconomic frameworks; and most recently technological advances allowing TA and training to be delivered virtually. This last development gives rise to further opportunities for hybrid physical-remote delivery and hence fluidity in CD staffing, timing, and other modalities. IT and systems investment, most recently the introduction of CDMAP, increases the transparency and facilitates the management of CD.

11. **This section describes the evolution of Fund CD over the evaluation period of 2012 to 2020.** It begins with an overview, which includes for context a brief explanation of the Fund's "traditional" (pre-2012) CD delivery model (II.A). It then expands and quantifies the discussion of key trends in delivery since 2012, in terms of types of recipient country (II.B) and across CDDs (II.C). Subsequent sections discuss the implications for delivery of the increasing shift to external funding (II.D); the changing relationship between training and TA and the move to expand and integrate the range of delivery modalities (II.E); the increasing role of RCDCs (II.F); and the Fund's investment in systems to manage delivery (II.G). The chapter concludes with a

[3] For the IMF's current definition of the distinction between TA and training, see De Lannoy (2022).

brief description of how the COVID-19 pandemic has impacted CD delivery and how the Fund has responded (Part H).

A. Overview

12. **The IMF traditionally delivered CD through short- and long-term TA, and through training largely delivered through a portfolio of classroom courses.** Short-term TA typically involved two-week single-country missions (fly-in, fly-out) from IMF headquarters (HQ), with repeat visits and targeted training if necessary; long-term assistance involved placing a Resident Advisor (RA) into an institution—typically a central bank, ministry of finance, or statistical agency—in the recipient member state. Training was largely classroom training at HQ for officials from a range of member countries.

13. **Much of the initial impetus for growth in IMF CD came from the break-up of the Soviet Union in 1990, which led to the accession of new member states to the IMF with extensive needs for thoroughgoing economic transition.** Meeting this need complemented assistance already in train to developing countries and involved formalized cooperation with a number of advanced countries. Central banks and finance ministries committed to provide staff resources for IMF multi-topic missions. In 1992, the Joint Vienna Institute (JVI) was set up with IMF involvement as a focus for delivering training in particular for the transition economies.

14. **The Fund introduced major changes to the internal organization of CD with the creation of ICD in 2012, though the model had been evolving prior to that.** Changes derived in part from the financial crises of the late 1990s and 2000s, with the recognition that both for short-term crisis management and longer-term institution building, CD could be a critical complement to policies in the Fund's core areas of responsibility; hence greater coordination was needed between the ADs and the CDDs. Technical change, IMF budgetary pressures, the need for more bespoke assistance, and the desire by recipient countries to be more involved in setting CD priorities were additional factors for change. There was also the growing view that placing RAs into institutions over the longer term risked the advisor essentially doing the work of the institution, transferring little knowledge and leaving only weak footprints on departure. On the training side, the key development was the initial emergence, and rapid growth, of online training.[4]

15. **The IMF traditionally positioned itself as providing high-level strategic advice, with nitty-gritty issues of implementation left to others, but has moved to put more emphasis on follow up.** The traditional positioning was increasingly untenable, with "hand-holding" during implementation seen as needed often in order to make the CD effective, especially as other providers were typically not willing to support operational aspects of a program implementation that they had not themselves been involved in designing. Nevertheless, the strategic overview in CD work remains, to ensure that CD is consistent with the overall objectives of the Fund.

[4] De Lannoy (2022) looks at training issues. They are covered here insofar as they relate to TA, including in particular the integration of TA and training.

16. **CD is still in some cases a one-off event, but the Fund has shifted towards more programmatic delivery.** One-off CD may for instance involve assistance to address a specific statistical lacuna that impedes surveillance or to enable a recipient to successfully carry out restructuring in a banking crisis. Programmatic CD aims at fundamental structural changes to an economy, for instance to transform the country's expenditure management. CD ranges from high-level strategic institutional design to hand-holding for technical Implementation. The shift to more programmatic delivery reflects the increasing recognition that structural change is complicated and can rarely be achieved quickly, and that repeated interactions between the IMF and the recipient country will be needed for successful achievement. As a result, rapid one-off or "emergency" CD declined in the latter part of the evaluation period, following large CD deliveries in the context of IMF lending to Greece up to 2015, understanding that addressing structural bottlenecks may need a comprehensive program involving several distinct components which can be more effectively handled if all planned together at the outset. Hence, CD projects now typically involve initial diagnostics provided from HQ, followed by programmatic delivery through RCDCs or short-term experts (STXs).

17. **Increasing donor funding for CD has had significant implications for delivery, as donors tend to support CD programs rather than one-off events, reinforcing the shift towards more programmatic delivery and an increasing emphasis on monitoring implementation and outcomes. This has involved developing an RBM approach and tools for evaluating impact**. Before the pandemic, financing by outside donors (IMF02) comprised around 55 percent of total CD. Much of this is provided on a programmatic basis, with trust funds explicitly designed to capture such funding. Funding issues more generally are discussed in Stedman (2022a).

18. **While the IMF continues to steer its CD activity to issues that are macro-critical and focus on areas where the Fund has comparative advantage, it has also expanded into new areas of CD.** In terms of traditional areas of Fund expertise, while there are some grey areas around the edges of what the Fund will handle, all CDDs have declined requests that they felt were outside the boundaries. Monetary and Capital Markets Department (MCM), for instance, declined a request for assistance in the regulation of pensions funds; Statistics Department (STA) declined requests for assistance in labor statistics; and Legal Department (LEG) declined to work on corporate restructuring. In recent years, the Fund has identified a number of new areas—such as anti-corruption, fintech and cyber risks, climate change, gender, and debt management—as relevant to its membership and consistent with the commitment to its core mandate, in terms of surveillance, lending and CD.[5] When new subject areas are added or prioritized, CDDs have been required to build expertise to meet the evolving needs.

[5] The IMF declines to provide assistance where the member is seeking to act contrary to the Fund's overall advice. Thus, no assistance will be provided to El Salvador for the adoption of Bitcoin as legal tender.

19. **In many countries, to varying degrees, the CD being delivered is more sophisticated and advanced than that provided earlier, a development hard to pick up in the data.** For the Bank of Albania, for example, around the start of the review period, CD was being given in basic monetary techniques. By 2018, the Fund was providing assistance on modelling inflation forecasts. In many recipient countries, technical expertise amongst counterparties is now high, for instance, including staff with PhDs from top economics programs: country authorities are looking for CD in operations and implementation rather than broad principles. At the same time, in some countries, such as Moldova, the IMF has had to repeat the CD, due to lack of absorption by the recipient, often at least in part because of rapid turnover amongst the counterparts. In Ukraine, the IMF repeated its CD, in order to avert the authorities adopting a policy (exit tax) of which the Fund did not support.

20. **There has been significant convergence within CD between TA and training in the various phases of delivery**. Particularly in the case of RCDC delivery, a CD program can be designed around both TA and training events, and indeed include hybrids of both, depending on the subject and the nature of the recipient. TA events can be preceded by training, or the TA events can be followed by training on implementation.[6]

B. Recipient Countries

21. **CD delivery modalities vary depending upon the type of country.** Most CD has been to low-income countries, to fragile states, and to small states with relatively limited institutional capacity, but delivery is also to middle income and—to a lesser extent—advanced economies with more sophisticated institutions. As shown in Figure 1, relative shares have not changed much over the review period. Fragile and Conflict-Affected States (FCS) were designated as priority recipients for CD, reflecting the conclusion that they had extensive CD needs and the recognition that positive results could likely only be seen in the long term. Efforts have been made to tailor CD delivery to FCS to their particular circumstances, but in practice, the share of IMF CD going to FCS has changed little since 2015.[7]

22. **CD to advanced economies and large emerging market countries is increasingly on cutting edge issues**, such as on digital currencies particularly after the end of the financial crisis programs, especially that for Greece. Such CD may be disproportionately significant, both in terms of generating support from these countries for CD, and because lessons in such CD may be two-way, with the IMF also gaining experience that it can deploy in its own work and in delivering CD to others. As the Fund moves more into cutting edge issues such as digital currencies, the share of CD provided to advanced economies may increase.[8]

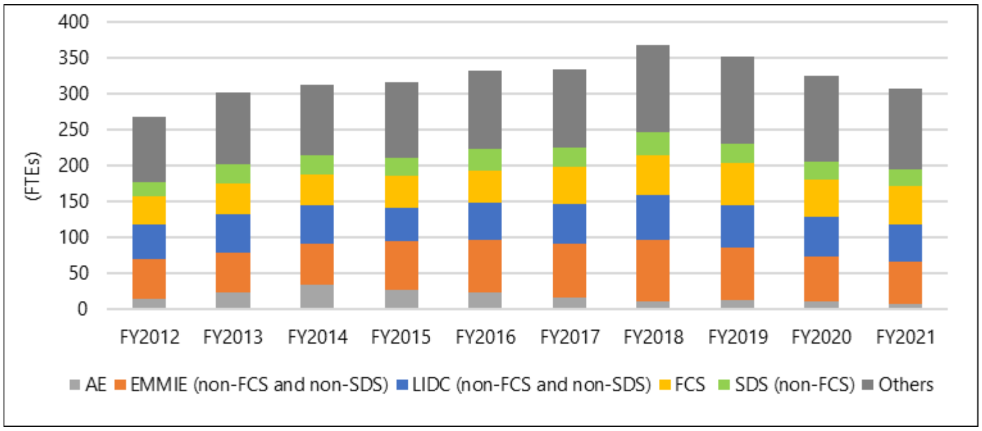
[6] See De Lannoy (2022).

[7] See IEO (2018).

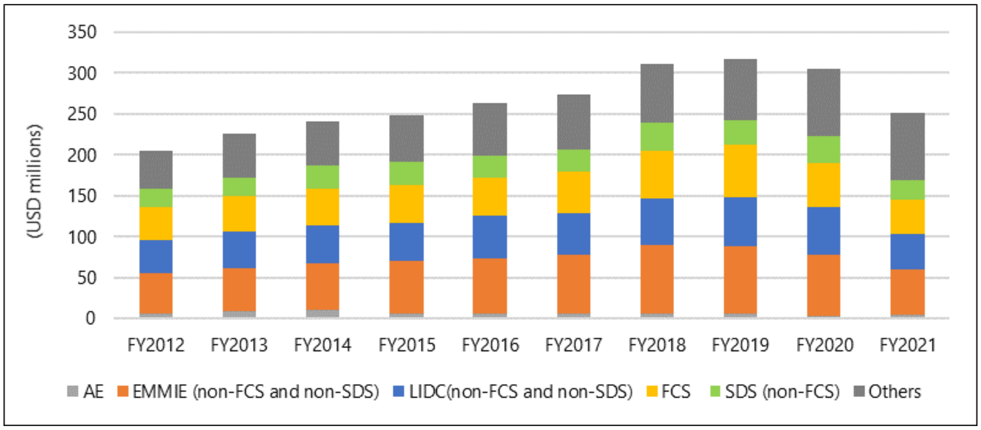
[8] There may also be a terminological effect reducing the apparent share of CD to middle income and advanced economies. An IMF interaction with advanced countries on, say, crypto-currencies, may be classified as surveillance or research, while essentially the same event with low-income countries might be defined as CD.

Figure 1. CD Allocation by Country Classification, FY2012–2021

A. By Staffing Resources[1]



B. By Spending



Sources: IMF, ACES; IEO staff calculations.
Notes: AE=advanced economies; EMMIE (non-FCS and non-SDS)=emerging market and middle-income countries which are non-FCS and non-SDS countries; LIDC (non-FCS and non-SDS)=lower-income developing countries which are non-FCS and non-SDS countries; FCS=fragile states; SDS (non-FCS)=small and developing states which are non-FCS countries. Others-multi-country CD.
[1] Data includes planned and approved missions.

23. **CD to other country groups tends to focus more on institutional development in the area of IMF expertise, and hence is frequently designed in multi-year plans with an RBM framework.** In the case of countries undertaking Use of Fund Resources (UFR) programs, aspects of these CD plans may be incorporated within the programs, with CD milestones included within UFR conditionality, and delivered on a timeline consistent with the UFR. CD to these countries may also be provided on a one-off basis, to meet a particular need to satisfy the UFR requirements, for instance on statistics. In the case of FCS and small developing states (SDS), delivery plans may have a more protracted timescale and not be overly ambitious, reflecting lack of absorptive capacity in the face of greater needs.[9] In recent years, these CD programs have been set within an RBM framework to help management and assessment of the program.

[9] See de Las Casas and Balasubramanian (2022).

C. Delivery by Department

24. **Five IMF departments provide by far the largest part of CD.** Throughout the period under review, Fiscal Affairs Department (FAD) has had the largest share, over 40 percent of total delivery measured by expenditures and staffing. MCM and STA have provided around 20 percent and 15 percent, respectively (Figure 2). ICD has traditionally been the largest provider of training. With the erosion of the TA/training distinction and the refocusing of ICD to fill a gap in provision of CD (on macroeconomic frameworks), it now also has TA delivery responsibilities. LEG provides CD on laws in a number of areas under the IMF's purview.

25. **HQ expert staffing in some of the CD areas has increased commensurately.** For instance, in 2008 there were around 14 staff working on tax policy; now there are 36. In looking at Figure 2 it is worth noting that there may be a cyclical element in CD delivery. The period until COVID-19 was not one of widespread financial crisis, so may not reflect a whole picture over the longer term. In the event of a financial crisis for instance, MCM might be taking on the largest role.

D. Funding

26. **Increased reliance on external funding has a fundamental impact on the scale and modalities of CD delivery, but funding through the IMF's own budget remains important.** IMF CD is financed through the IMF's own resources (IMF01) and those of outside donors (IMF02). The distinction originated when a few donors, initially led by Japan, offered funding to the IMF in order to generate additional CD beyond what the IMF's own resources could provide. In 2008 the Executive Board approved management's proposal to seek additional outside funding (and examine the option of charging for CD) with a view to reducing IMF01 spending on CD, possibly towards zero. Progress in reducing IMF01 has so far been slow, although its share had declined. The perspective on CD funding now is quite different, as brought out clearly in the 2018 CD Review. CD is an integral part of the IMF's activities and services to its membership, and the need for IMF01 is unchallenged. Rather, questions on the volatility, flexibility and governance of IMF02 have come more to the fore. IMF02 in FY2020 accounted for the financing of around 55 percent of CD delivery. Funding issues are discussed in depth in a separate background paper (Stedman, 2022a).

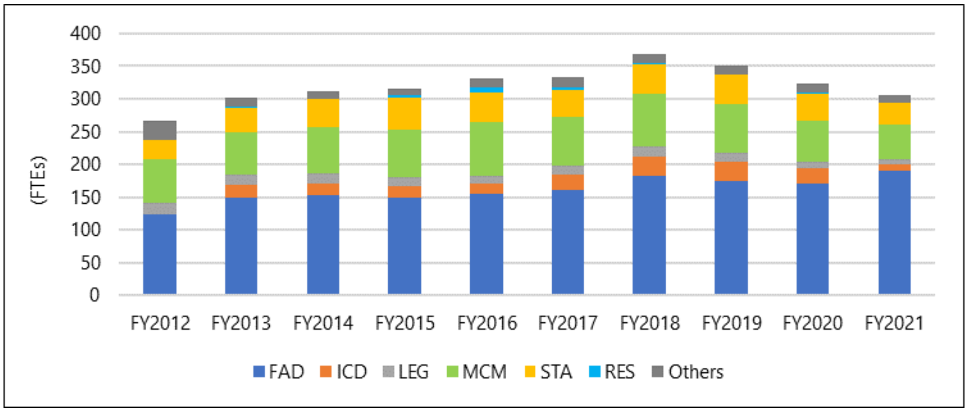
27. **Given its longer-term focus, the growth of external funding has contributed to the increased use of the programmatic approach to CD.** External financing is typically collected into a trust fund, of which the IMF currently has nine thematic funds (such as FAD's Revenue Mobilization Fund and its Managing Natural Resource Wealth Fund and STA's D4D—data for decisions) including a recently-created fund for COVID-19-related CD, and one country fund, Somalia.[10] These funds may be single donor or multi-donor. They are designed to finance

[10] A Trust Fund was established for South Sudan upon its entry into IMF membership in 2012. It was phased out in 2019/20 in light of the lack of new funding commitments. South Sudan remains a beneficiary of the Measuring Natural Resources Topical Trust Fund, and was recently approved for membership of AFRITAC East.

programs of support on particular subjects to a defined group of countries. A particular project may use a combination of IMF01 and IMF02 resources, with initial diagnostic work being carried out with IMF01 and the implementation of the CD by IMF02.

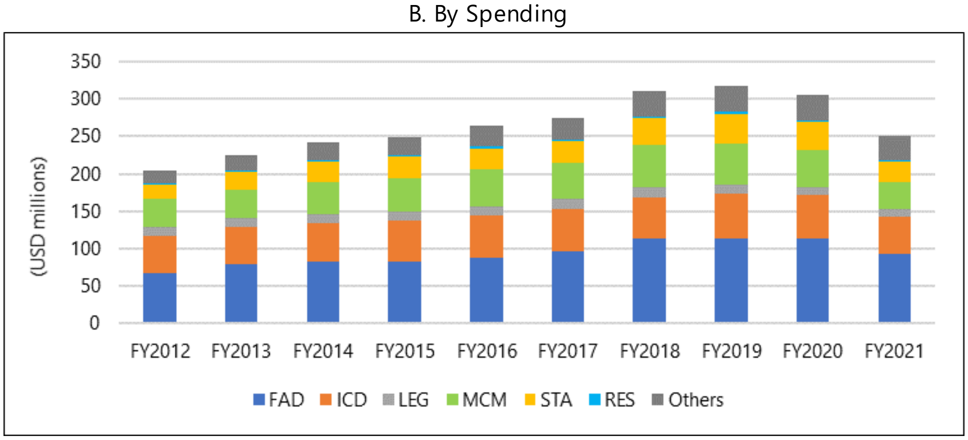
Figure 2. Total CD by Department, FY2012–2021

A. By Staffing Resources



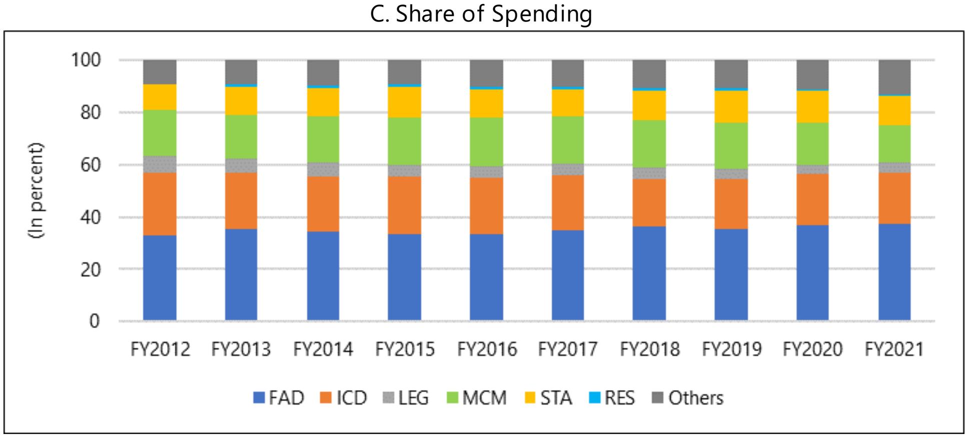
Sources: IMF, TIMS unallocated data; IEO staff calculations.
Note: Data includes planned and approved missions.

B. By Spending



Sources: IMF, ACES; IEO staff calculations.

C. Share of Spending



Sources: IMF, ACES; IEO staff calculations.

28. **Financing through the IMF01 has a number of advantages for delivery.** It can be put in place more quickly, thus is indispensable for CD linked to crisis management. It can cover the entire membership, even those countries that are not of particular interest to donors. It can finance diagnostic CD, to obtain a good idea as to what is needed before the entire requirements for arranging a program are brought into play. It can cover new areas, where donors may not yet have formalized a commitment to be involved. It may also be more flexible, enabling redirection of the activity or its cancelation, although having a lending arrangement may limit such possibilities. On the other hand, IMF01 is subject to the Fund's budget constraints and its persistence over the longer term therefore not be assured, risking sustained CD engagement in countries where less external funding is available. Also, funding is subject to the continuing internal prioritization process: according to the 2021 guidelines for delivering CD: "The prioritization process can lead to adjustments to ongoing projects, through consultations, with regard to existing commitments. In practical terms this is expected to happen rarely, and only either midway through the CD cycle of in preparation for a new medium-term work program.[11]

29. **Donor-financed CD is generally less flexible than that financed through IMF01.** Where donors are financing the CD, it is generally within certain parameters. Such financing is through trust funds that may be thematic or country-based, or through an RCDC. If conditions change, it may be possible to adjust the CD within the boundaries of the trust or the RCDC, albeit sometimes after a delay. However, given the specificity of some IMF02 funding, and the processes under which donors review the programs that they fund, delays in implementation or changes in program focus may jeopardize the delivery, and hence the outcome of the program. Donors financing CD vary in the extent to which they seek to actively monitor the CD, and how much flexibility they accept in a program.

E. Expanding and Integrating Delivery Modalities

30. **The Fund has taken steps to integrate TA and training and to expand the range of delivery modalities.** While TA activities have always on occasion included a training element, and classroom training included hands-on TA-type exercises, the Fund's move to integrate them has furthered the development of hybrid products. A program may begin with regional training on a subject, followed by bilateral TA; or bilateral TA can be concluded with a regional event at which participants discuss what they have learned. The spectrum of delivery modalities now covers duty station work (i.e., work at HQ or RCDCs), field-based work involving travel to the country, in-country resident advisors, interactive learning and workshops, online learning and PTP engagement (see Box 1). While the Fund now downplays the distinction between TA and training, it still allocates all CD activity between these two modalities. Figure 3 shows how this has evolved over the evaluation period.

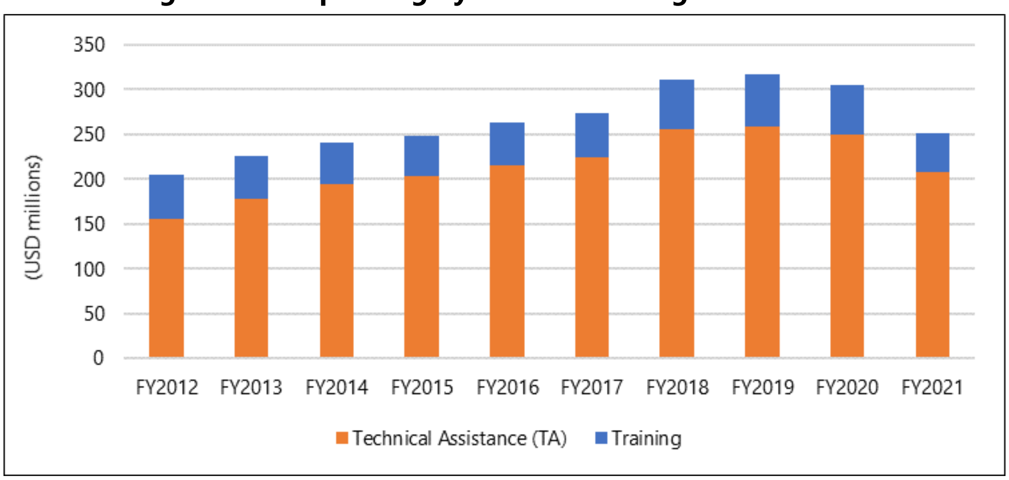
[11] Medium-Term Work Program, formerly Resource Allocation Plan (RAP).

Box 1. Modalities of CD Delivery

Delivery Modality	Description
Duty station-based work	Preparation and delivery of CD support to beneficiary countries' officials, primarily through a combination of diagnostic and technical advice, at the staff/expert's duty station (i.e., involving no travel). Includes desk review of and remotely-provided TA on legislation; operational manuals, guidelines, or procedures; draft official reports; and research papers, etc. Excludes other desk work undertaken in the context of preparation for delivery of CD activities or external backstopping under other modalities, which should be included in those modalities.
Field-based work	Preparation and delivery of CD support to beneficiary countries' officials, primarily through a combination of diagnostic and technical advice, provided on a non-resident basis, at the beneficiary country (or a remote location, other than the staff/expert's duty station). *(This modality requires supplemental information on HQ-led vs. RCDC-led work.)*
Resident advisor	Preparation and delivery of CD support to beneficiary countries' officials, primarily through a combination of diagnostic and technical advice or training, provided on a long-term basis, by an external expert residing in the beneficiary country (i.e., excludes support provided by regional advisors).
Interactive learning and workshops	Preparation and delivery of synchronous learning activities and/or technical advice provided in a multi-country context delivered in-person or remotely. Includes structured content learning activities and workshops. *(This modality requires supplemental information on (i) single-country vs. multi-country; (ii) structured content course vs. workshop; (iii) in-person vs. remotely-provided; and (iv) HQ-led vs. RCDC-led work.)*
Online learning	Preparation and delivery of asynchronous computer- or mobile device-based learning activities, including courses, modules, and videos, with structured learning content, conducted via the internet or in a digital environment. *(This modality requires supplemental information on single-country vs. multi-country.)*
Peer-to-peer engagement	Facilities of peer-to-peer engagements, through which officials from beneficiary country learn from peers in another country, under the supervision of and with complementary guidance from Fund staff. Includes facilitation of communities of practice, study tours (beneficiary country officials visit officials of a peer country), and internships (high potential junior staff from a beneficiary country is assigned to work in an IMF office on a specific topic for a pre-determined period). *(This modality requires supplemental information on (i) single-country vs. multi-country; (ii) in-person vs. remotely-provided; and (iii) HQ-led vs. RCDC-led work.)*

Source: IMF (2021b).

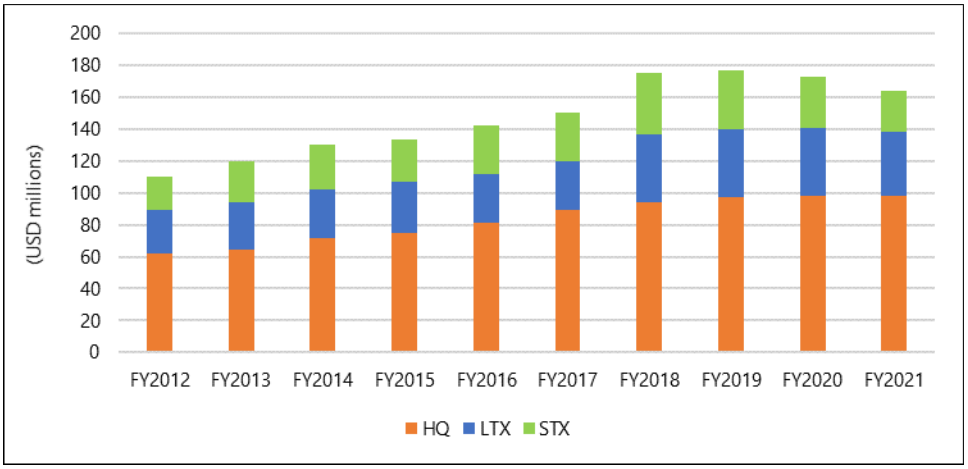
Figure 3. CD Spending by TA and Training FY2012–2021



Sources: IMF, ACES; IEO staff calculations.

31. **CD is delivered through HQ staff and experts, together with long-term experts (LTX) and STX, as shown in Figure 4.** Their respective roles are discussed below, in Section III.

Figure 4. CD Spending by HQ, LTX, and STX, FY2012–2021



Sources: IMF, ACES; IEO staff calculations.
Note: These values do not include non-personnel costs and are only for direct delivery.

32. **PTP learning is increasingly popular but volumes of delivery may be hard to measure and have not been systematically tracked within the Fund.** Some of the types of PTP are shown in Box 2. Recipient countries particularly welcome the opportunity to place their officials into agencies in peer, or mentoring, countries, as well as workshops where participating countries present their various experiences, either in a regional center or at IMF HQ. There is increasing preference for learning what worked elsewhere in countries facing similar challenges rather than advice derived from externally provided theory. While some recipients look to regional peers, others seek assistance on global best practices, perhaps from outside the region. CD deliverers need to be aware of such country preferences. PTP is further discussed in De Lannoy (2022) and some of the country case studies.

Box 2. Peer-to-Peer Learning

PTP has grown substantially in recent years; the case studies indicate that recipients find PTP a particularly valuable form of CD delivery, usually combining elements of TA and training. Amongst the various types of PTP:

Official placements into agencies in a peer or mentoring country. As an example, officials from Gambia were placed into the Rwandan central bank. On return they were expected not only to have absorbed the Rwandan practices for themselves, but also to train colleagues in their home institution.

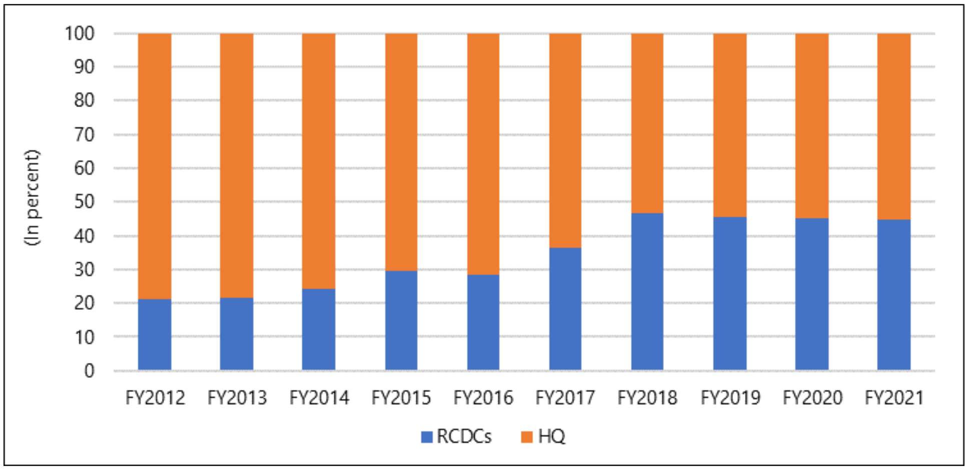
Regional workshops, often hosted by an RCDC. Officials from the RCDC members meet to exchange practices and experiences on a particular topic, sometimes facilitated by an RCDC LTX.

Mentoring workshops. As an example, China hosts workshops with officials from selected countries to draw on their practices and experiences. The IMF also hosts such workshops, for instance for Senegal during the Annual Meetings, with officials also from Mauritius and Morocco.

F. More Geographically Dispersed Delivery

33. **The expansion of RCDCs, particularly in the first half of the review period, has been a major change in the nature of CD delivery, implying less reliance on HQ-led delivery and RAs located in recipient countries.** Nearly half of IMF CD is now delivered through the RCDCs (Figure 5). The first Regional Technical Assistance Center (RTAC),[12] the Pacific Technical Assistance Center (PFTAC), was set up in 1993,[13] and the Caribbean Technical Assistance Center (CARTAC) in 2002, to bundle assistance to small states where it would have been disproportionately costly (in terms of dollars and staff) to provide single-country assistance.

Figure 5. CD Delivered by RCDC and HQ, FY2012–2021



Sources: IMF, TIMS unallocated data; IEO staff calculations.
Note: Data includes planned and approved missions.

34. **Originally envisaged to be temporary, and limited to certain situations, RCDCs are now seen as a central element of the Fund's engagement with many, though not all, CD users.** The increasing desire of recipient countries to have a greater participatory role in the CD they receive, as well as their interest in regional experience, and a wish for the "decolonialization" of assistance—together with a perception across donors and more widely of the benefits of more local delivery—have led to the growth of RCDCs across most recipient member states. Evidence from country case studies confirms that the countries covered by RCDCs value them greatly.

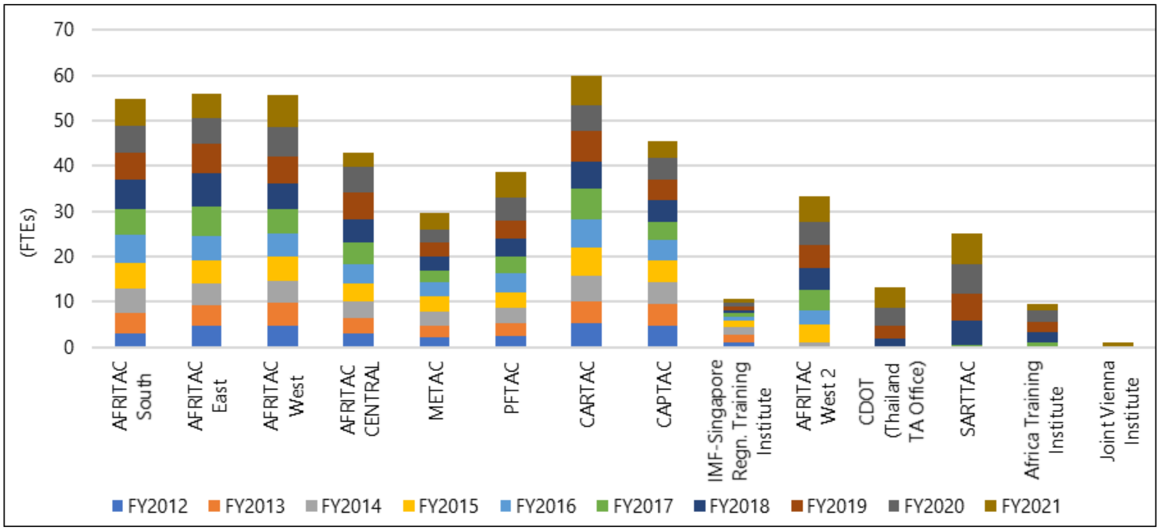
35. **There are now 17 RCDCs, following the opening of the newest center, in Almaty in February 2021, covering the Caucusus, Central Asia and Mongolia.** Most RCDCs provide both TA and training, although some (the Regional Training Centers, RTCs) provide only training. They vary in the number of experts (Figure 6); and in the numbers of countries covered, ranging at

[12] As discussed above, the distinction between TA and training has eroded, leading to the concept of CD covering both activities. Similarly, while RTACs and RTCs were initially established for the separate activities they now have broader CD responsibilities, with some explicitly incorporating both sets of activity.

[13] As well as covering a range of Pacific Island states PFTAC also covers two New Zealand dependencies.

present from four countries to 17. Earlier-established RCDCs such as the African Regional Technical Assistance Center (AFRITAC) East and the Middle East Technical Assistance Center (METAC) have in recent years increased the number of countries they cover and the number of experts they employ, in order to provide more complete country coverage. Of the 43 fragile states,[14] 38 are covered by RCDCs, and all but one of the remainder have bespoke arrangements.

Figure 6. CD LTX FTEs in RCDCs, FY2012–2021



Sources: IMF, TIMS unallocated data; IEO staff calculations.
Note: Data includes planned and approved missions.

36. **While RCDC coverage is geographically extensive, it is not complete, and some RCDC member countries still prefer advisors that are based in their countries.** There is less RCDC coverage of Emerging Markets Countries, with the South American countries and Central and Eastern European countries amongst the significant CD recipients not covered by an RCDC. The case study on Peru suggests[15] that absence of an RCDC for the region has impeded full delivery of CD. On the other side, amongst countries that do participate within an RCDC, there are cases—for instance, the Democratic Republic of Congo (DRC) and Liberia—where the authorities are appreciative of the RCDC but note that they would prefer placement of RAs rather than reliance on peripatetic visits from RCDC experts.[16] For fragile states such as these, continuous engagement may be most effective to achieve substantial and sustained progress.

37. **Country coverage by regional training centers is more extensive than that for general CD delivery, but still has gaps and overlaps.** RTCs remain largely separate—only one RCDC explicitly includes training as well as TA within its title;[17] most other RCDCs provide some

[14] Includes one non-member, West Bank and Gaza.

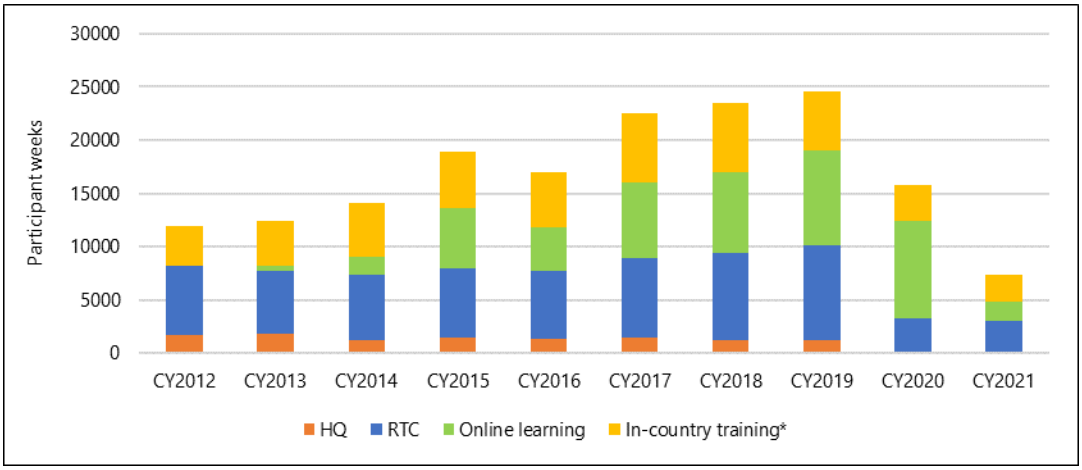
[15] Ter-Minassian (2022).

[16] Legg and Sembene (2022).

[17] South Asian Regional Training and Technical Assistance Center (SARTTAC).

training as part of their overall programs, but are complemented by dedicated RTCs—and the geographic coverage of RTCs is not coincident with that of the RCDCs. The Africa Training Institute (ATI), although co-located with AFRITAC South, has training responsibilities for countries included in all five African RCDCs. The Singapore Training Institute (STI) covers members of the regional RCDC but also important countries that are not members of an RCDC. Training volumes from the training institutes are shown in Figure 7. The gaps and overlaps in country coverage of RCDCs in training are further discussed in De Lannoy (2022).

Figure 7. Participant Weeks by HQ and Other Training Institutes, CY2012–2021



Sources: IMF, PATS; IEO staff calculations.
Note: This includes RTACs and third-party agencies.

G. Investment in Systems for Managing Delivery and Monitoring Results

38. **Beginning in the mid-2000s, the Fund has progressively introduced an RBM system to, inter alia, improve the management of CD delivery and monitoring its results, reflecting the increasing emphasis being placed on ensuring the effectiveness of CD.**[18] In this regard, the IMF comes into line with other CD providers.[19] The initial impetus for introducing RBM came from some of the donors, who have been using it for their own accountability for their funds, but it has been progressively adopted by the IMF as an internal management and monitoring tool. However, its introduction has taken much longer than expected.[20]

[18] The Fund's RBM Governance Framework explains that RBM is intended to enhance (i) CD project management; (ii) strategic and resource allocation, i.e., decision-making at the portfolio level; (iii) accountability and reporting; and (iv) evaluations. The discussion of RBM in this background paper focuses on the first objective of RBM; the other objectives are discussed in other background papers.

[19] See Binnendijk (2000) for an early study of RBM experience.

[20] The Fund's progress in adopting an RBM approach is considered in Lamdany (2022). See also Box 3 in the main report.

39. **Since 2017 all CD projects—although until recently excluding most one-off missions (which are mainly diagnostic)—have to be set within an RBM framework**. As of end-2020, RBM was tracking almost 400 CD projects under implementation and an additional 175 completed projects, covering 134 countries. Achievement of project outcomes is then rated "1" to "4" by the CDDs. The RBM also requires CDDs to identify five sets of risk to successful outcomes which have to be rated at the outset: political support; management and technical staff support; resource adequacy; external climate conditions; and other risks, e.g., idiosyncratic by country. A discussion of the effectiveness of CD, including as measured by the RBM, is contained in Lamdany (2022).

40. **The targeted results are supplemented by "milestones" that enable progress with implementation actions for the authorities within the CD project to be assessed and monitored annually.**[21] With increasing operational guidance these milestones are being applied more systematically than earlier, and with greater care, although there are criticisms: for instance, CDDs have suggested that milestones may be set to align with UFR targets rather than CD objectives. A broader concern is that RBM milestones are often not even discussed or agreed with country authorities. As a result, milestones may not play a significant role in their project management.[22] Some CD interviewees suggested that RCDCs may be placing less weight on milestones, following RCDC evaluations showing these are of variable value.[23]

41. **RBM faces particular challenges when used for delivery to FCS, a priority area for Fund CD.**[24] As recognized in the IEO's evaluation of Fragile States (IEO, 2018), such countries require comprehensive assistance, well-tailored to country circumstances and results may not be visible within the period over which the RBM is generally run. Also, delivery is from the start recognized as high-risk, so that not all CD is likely to be successful. The recent IMF Strategy for FCS (IMF, 2022b) acknowledges the importance for FCS of "tailoring [via] realistic RBM milestones and indicators."

42. **While the adoption of the RBM framework since 2013 has facilitated the planning of integrated programs, making cross-project comparisons and analysis is challenging**. Some results included may be trivial, while others highly ambitious and distant. The RBM catalogue[25] aims at standardization, but there is scope for discretion within the "standard" objectives, as well as the number of objectives that are included in a program. The 2020 Operational Guidance on the RBM (IMF, 2021c) notes difficulties in making cross-country comparisons: "….by reflecting project specifics, milestones become less useful when attempting

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[21] See detailed discussion in Lamdany (2022).

[22] Chopra (2022).

[23] See further discussion in Lamdany (2022).

[24] See the IEO (2018) and further discussion of FCS below. Some tentative studies suggest that the RBM framework is slightly less effective for FCS than for other CD recipients.

[25] IMF (2021c).

to compare ratings across countries or projects." As regards output data, one should "….apply caution when comparing results across workstreams. Given the disparate nature of workstreams, these results are not necessarily comparable." However, the amount of RBM data will increase over time, enabling more meaningful comparisons of similar projects, and refinement of the standardized objectives, outcomes and indicators used by the RBM system.[26]

43. **The IMF has invested heavily in a succession of IT systems to manage the delivery of CD, but CD-PORT, the management information system for CD that was operational for much of the evaluation period, was widely seen as unsuccessful.** It was seen as too complicated for non-specialists to operate efficiently, could not interact with other Fund systems pertaining to CD, and was thus not seen as a helpful tool for managing CD delivery.[27]

44. **CD-PORT has recently been replaced by CDMAP, which is one of the five transformational projects at the Fund, and became largely operational in April 2021.[28]** CDMAP brings together the financing of CD, prioritization of country requests, project planning, budgeting and execution, and the RBM. It is intended to increase the transparency of the CD process, giving ADs full sight of CD activities, and embedding an AD sign-off requirement for all CDD events. It is designed to make operational the CD model set out in the 2018 review, harmonizing existing practices across CDDs, eliminating obsolete systems, and addressing concerns identified in an Office of Internal Audit (OIA) review of the predecessor system, CD-Port.

45. **CDMAP is country focused, so that for the first time ADs and others can obtain a comprehensive picture of all CD activities in a country**. Activities are tagged to Fund priorities, so it will be clearly visible how far deliveries have been in line with priorities. RCDC activities will be fully included. Earlier stories of duplication of missions, or supply side projects driven by the CDDs, may have reflected exceptions rather than the norm, but coherent management of a country's CD program will be much assisted when the AD mission chief has a full picture of CD involvement in a country. Also, the increasing diversity of Fund delivery modalities should to some extent be identifiable, as CDMAP distinguishes and tracks six different delivery modalities, consistent with the 2021 guidance note taxonomy set out in the previous section. It also tracks a program's progress, with for instance a code to quickly identify when a program is off-track. It thus gives a real-time dashboard picture of CD delivery to management.

[26] For further discussion of this point, see Lamdany (2022), and Jensen and Kell (2022).

[27] OIA (2018a).

[28] Unlike with earlier systems, the introduction of CDMAP included the involvement of a change management team to generate understanding and buy-in for the changes. There was some question as to whether this would be an appropriate time to introduce the major changes that CDMAP involves, since staff had so much else going on, but the introduction went ahead as planned. Some CDD staff have expressed frustration at lack of user-friendliness, and at insufficient attention being paid to proper costing for the time involved in operating the system.

46. **While CDMAP's potential for enhancing the coordination of delivery across departments, and for increasing the effectiveness of delivery, is appreciated, CDDs have questioned the efficiency of using LTXs and other technical experts to input the extensive information required into the system; they also question where the projected savings that were important for gaining approval of the project will be achieved.** CDMAP remains in the start-up phase, with cost savings and other benefits largely still in the future. Change management staff implementing the project argue that criticisms are usual start-up problems, and that these will decline as staff gain familiarity. On the other side, CDDs express concern at "reform fatigue" with a complex new system being introduced at a time when staff are already under stress. It is too early to make a detailed assessment of CDMAP here, but such an assessment will be a useful element in the 2023 staff CD review.

H. The Impact of COVID-19 Pandemic on Delivery

47. **At the outset of the pandemic in March 2020, HQ was closed, field staff and experts evacuated to their homes, and all travel halted.** CD work continued but delivery needed to be shifted to virtual communications systems. By mid-2021, RCDC staff and resident representatives were progressively returning to their posts.[29] HQ began a process of gradual reopening, although on a more extended schedule than earlier envisaged. However, the usual CD-related travel from HQ remained largely curtailed in early 2022.

48. **COVID-19 led to major and abrupt changes in the types of CD needed by many countries**. Many countries sought Fund assistance in how to deal with economic management challenges of the pandemic, whether for fiscal, financial, supervisory or statistical needs, including in particular how far to ease existing regulations and targets. With some of these countries also seeking IMF financial support at this time, the advisory/conditionality distinction was somewhat blurred as CDD staff were brought in to provide quick advice to support policy responses of crisis management. Staff were switched from other activities to deliver COVID-19-related assistance. More recently, countries have also sought guidance on how to deal with the aftermath of the pandemic. For example, assistance has been sought in how to phase out any regulatory forbearance as economies start to reopen.

49. **CD delivery was quickly re-prioritized towards short-term crisis management, and refocused to the new circumstances**.[30] MCM, for instance, gave TA on monetary management in the face of some economic and financial disruption, and on the appropriateness of regulatory forbearance. STA provided advice on maintaining statistics when it became impossible to

[29] Although having returned to their country of assignment, RCDC experts and resident advisors in many cases still experience extensive local COVID-19 restrictions severely limiting in-person contacts.

[30] There were some examples of special agility. For example, when the main airport in Papua New Guinea was closed, the STA LTX was unable to leave. The authorities provided accommodation and the expert rapidly designed and delivered CD to Papua New Guinea. More generally, LTXs switched from their ongoing work programs to deliver COVID-related assistance to their recipient countries.

conduct physical surveys. FAD provided advice on Public Finance Management (PFM) for the pandemic spending. With financial constraints lifted by the absence of travel costs, the binding constraint on CD delivery became the availability of staff. RCDC Steering Committee meetings were better attended, with virtual connections being much easier than having to travel to the RCDC host country.

50. **With CD providers working from home, WebEx and other communication tools became the universal channels of communication.** Early challenges included lack of connectivity in some recipient countries, particularly in officials' homes, necessitating that communication went through the officials' or the resident representative's office—which in turn caused difficulties because of curfews and restrictions on local movement. Time differences from HQ also complicated communication, with Asia and the Pacific most severely affected. Some HQ staff worked for extended periods as if in the recipient's time zone. On the other hand, improvements in connectivity in countries where security considerations had previously precluded physical visits enabled more intensive CD than otherwise.

51. **Delivery was in some cases complicated through having no resident representative or experts in-country.** Field presence by the resident representative and experts generally facilitates continuous interactions with country authorities, enabling a build-up of trust, and improving understanding between the Fund and the member state. At the outset of the COVID-19 pandemic almost all resident representatives and experts were evacuated to their home countries. Several case studies report observations from country authorities that their CD programs were impacted when the resident representative was no longer in-country. Nevertheless, the Fund's evident efforts to adapt its CD content and means of delivery reportedly significantly enhanced countries' perception of the Fund as a trusted advisor.

52. **Work practices more generally evolved to meet the new conditions.** It is not physically possible to maintain virtual communications for more than a few hours a day, so pacing a mission meant it might be extended from the usual two weeks to four or, on occasion, even more. A tax mission to Kenya lasted seven weeks. Without the constraint of having a plane to catch there was no binding end-point, leading missions to stretch out. In some cases, the relaxation of time commitments led to the adverse consequence of decisions being postponed.

53. **Tracking the delivery of CD is more difficult in the new environment.** CD has traditionally been tracked through the Travel Information Management System (TIMS) which records mission travel.[31] Without travel and accommodation costs, TIMS became a less useful source of data on CD activity. Also, tracking of CD inputs through FTE calculations needs to be adapted when staff contributions may be in hours not in days, covering desk reviews, WhatsApp calls, when staff or experts just join particular meetings, or when missions extend part-time over an extended period. In time, staff involvement should be picked up in the Analytic Costing and

[31] The IMF tool for measuring CD delivery, based on measuring the costs of staff and experts on mission.

Estimation System (ACES)[32] system, but this may need to become more granular than has usually been the case up to now. FAD includes as a CD contribution in ACES any involvement on a single country greater than four hours, but this may miss, for instance one-off phone calls or participation in single meetings.

54. **Recipient countries have been pressing for a more complete resumption of in-country CD, including that delivered from HQ, when conditions permit.** For some countries IT connectivity issues remain important. Also, many appreciate the "soft" skills of personal interactions through in-country CD, and consider this a critical element of the CD experience, and important for establishing the trust to carry forward with implementation. While CD delivery has continued fairly effectively through virtual means in many countries on projects that were already in train, there has been less momentum on projects that were yet to start. As existing relationships weaken as staff and counterparts move on to new assignments, it is likely to be increasingly difficult to maintain the earlier CD relationships. There are also reports of "remote working fatigue" as participants find it increasingly tiresome to discuss and negotiate virtually.

55. **Future CD delivery will thus likely be in hybrid format including physical delivery as a component.** HQ missions, as well as in-country visits from RCDCs, will resume, restoring the personal relationships and hands-on components of CD. At the same time, gains from enhanced connectivity and experience of remote delivery will doubtless be maintained. Follow-up in particular can be enhanced through the availability of remote facilities. Experts with specific expertise, as well as senior officials (from both the delivering and the recipient sides) can have short, albeit sometimes critical, involvement in a CD event through virtual contacts with an in-field mission. And the heightened interaction between RCDCs and resident experts with HQ can helpfully continue. Overall, the hybrid format increases the cost effectiveness of IMF CD, potentially increasing its attractiveness including to donors and recipients—although differing time zones may require further innovation to address.[33]

III. THE IMF'S MODEL AND PRACTICE FOR CD DELIVERY

56. **This section sets out the key components of the IMF's CD delivery model.** It begins with an overview of the IMF model and highlights the main ways in which it differs from that of other CD providers (III.A). It then explains the roles of the various Fund departments (III.B) and different types of experts working on CD (III.C). Part D then explains the respective roles of RCDCs and HQ in CD delivery. III.E briefly discusses the outputs of IMF CD.

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[32] IMF tool for reporting types of work carried out by all Fund staff and experts.

[33] There may for instance be scope for a regional CD cluster, for instance in Singapore or elsewhere in the APD region.

57. **The "delivery" of CD comprises a number of components**. First, there is diagnosis of what needs to be done. Next, the CD project is designed, taking account of technical requirements for the delivery as well as financial constraints, and then implemented. The final stage is follow-up and outreach. Diagnosis and design are usually led by CDD staff from HQ. Implementation and follow-up may also be from HQ, but can be from the RCDCs.

A. IMF CD—A Different Model

58. **As noted above, the 2018 CD Strategy Review and the subsequent guidance on practices established a number of policies and guidelines for the delivery of CD**. These codified many of the trends that emerged since the previous review. The guidelines include that CD should reflect the demands of the recipient country; that the AD should take the lead in working with the authorities to formulate CD requests, using its linkages to the recipient to discuss and obtain agreement on what is to be delivered; that CD is to be of the highest quality; and that CD should be a blend of best practices adapted to country circumstances. The 2018 Review called for "continued efforts…to be made to enhance the impact and efficiency of CD through further strengthening integration with the Fund's surveillance and lending operations, and by tailoring strategies to each country's institutional capacity and specific needs, while focusing on implementation and outcomes. Such strategies should inform and be informed by the Fund's broader country engagement and reporting, particularly for heavy users of CD, including to ensure the volume of Fund CD does not exceed the authorities' absorptive capacity" (IMF, 2018a).

59. **The IMF offers CD support for the entire membership.** Very few members are formally precluded from receiving CD, although this is possible on the vote of the Executive Board at the behest of a member—Myanmar was a rare example for many years. However, some may have relatively low priority, for instance because of lack of need (e.g., among advanced economy members) or because of lack of traction in past CD or perceived lack of commitment from the country authorities. With only a few exceptions for high-income economies in some circumstances, IMF CD is delivered free of charge in almost all cases.[34]

60. **While recognizing that each country's situation is different, the Fund recognizes core elements of best practice as global**. In order to foster this consistent application of global best practices by different experts in different countries, the Fund seeks to ensure mobility across regions for its staff, and that CD staff and experts move across regions, sharing experiences of

[34] The Fund does not charge recipient countries for delivery of CD services except for high-income countries (for CD that is not deemed critical and that costs above a minimum threshold). In some cases, countries make voluntary contributions to finance CD services they receive from the Fund. Depending on the circumstances, a high-income country may receive both Fund-financed CD and CD financed by its own contributions to the Fund.

one region to another.[35] Many recipients look for comparators outside their region; first-hand experience including from outside the region by those delivering the CD can add credibility and usefulness.

61. **IMF CD delivery is usually based on guidance notes or key work on a subject carried out in the Fund.[36]** Where CD is intended to help the recipient meet standards and codes, such standards and codes will either have been prepared in the Fund (such as the statistical standards) or there will be a close departmental involvement with the respective standard-setting bodies (such as the Basel Committee for banking standards and Financial Action Task Force (FATF)). Some CD delivered by FAD is underpinned by frameworks such as the Tax Administration Diagnostic Administration Tool (TADAT). MCM has developed the Financial Sector Stability Review (FSSR) as its vehicle for diagnostics and assistance on financial sector stability issues.[37]

62. **IMF CD follows a different delivery model than that of other providers: the key difference is that the IMF does not outsource any of its CD.** It is delivered by HQ staff and experts, STXs and LTXs who have been directly selected by the staff for the specific CD engagements. The IMF stands behind the outputs. LTXs are recruited for assignments typically lasting several years in an RCDC or placed as resident experts in an agency in a recipient country; STXs are recruited for a particular mission, traditionally lasting about two weeks; longer-term involvement may be achieved through repeated short-term visits. IMF staff's role is to oversee and prepare each CD project, designing and reviewing the briefing paper for the CD and backstopping all delivered CD; IMF staff also lead on diagnostic and strategic level CD. (These elements are discussed further below.) Other public sector providers typically outsource the delivery to consultants or private companies who frequently write their own terms of reference (TOR); the resulting report is only that of the consultants.[38] World Bank CD has some of the elements of the Fund, but generally is delivered as a component of a lending program (and often outsourced to consultants), rather than by a specialist division with in-house expertise.

63. **The Fund focuses its CD on topics where it has in-house expertise, so there are many cases where the Fund needs to work with other providers to leverage each side's comparative advantages** (see Radelet, 2022). For example, LEG divided up legal work under the

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[35] Reflecting this objective, language training has traditionally been an important element of training at the Fund, to ensure for instance that not only native French speakers can work in Francophone Africa or native Spanish speakers in much of Latin America.

[36] The relationship is not unidirectional. As noted below, all CDDs have responsibilities beyond TA and learn from their TA experience in other aspects of their work. MCM, for instance, uses the lessons from its TA delivery and wider interactions with recipient countries to form its position at the Financial Stability Board and other international bodies that have much more restricted membership.

[37] With the Executive Board decision to give priority to periodic FSAPs for systemically important countries (as identified in MCM studies) few resources remain to conduct the exercise for non-systemic members. Additional external financing was secured to provide more targeted financial sector assessment exercises for these countries, with a particular emphasis on identifying areas warranting CD.

[38] Fund staff reportedly have been pressed to share their reports with such private sector consultants.

IMF Memorandum for Economic and Financial Policies (MEFP) for Georgia with the Asian Development Bank, the EBRD, the Belgian Markets Authority and the Bundesbank, with each focusing on their specific areas of expertise. The IMF and World Bank collaborate in many countries, each focusing on areas in which they have particular expertise. Some advanced countries "twin" with recipient countries on a particular project—such as France with Albania—allowing a more intensive interrelationship between them.

64. **Delivery is generally directed to the central authorities of member countries**. In a few cases, IMF CD has been to states within federal countries, in particular in Brazil, India, and Nigeria. In Brazil, FAD assistance was provided to Sao Paolo province; in Nigeria to Kaduna state. Both interactions were successful, and considered possible pilots for other states in the country so as to improve performance in the country as a whole. In India, SARRTAC arranged PTP interactions across Indian states. Within Tanzania, there has been CD delivery to Zanzibar, given its separate institutions and fiscal authority.

65. **CD is also on occasion provided to regional bodies.** "For multi-country CD, demand may be less explicit and more likely to be an aggregation of perceived needs by the AD and the CDD for regional initiatives, and the CDDs…in consultation with ICD…for global initiatives."[39] For example, CD on monetary integration has been provided to the East African Community; there is reportedly potential demand for similar assistance elsewhere, such as to the Economic Community of West African States (Ecowas). However, such CD is sometimes withheld, when the policies of the regional body do not align with IMF recommendations (for instance on currency unions). CD has in the past also been delivered to non-members, subject to Executive Board approval, in particular to aspiring members during the accession process, and where an entity has not received international recognition as a separate state, such as the West Bank and Gaza.

66. **Some other providers deploy far bigger CD resources than the Fund.** The World Bank, for instance, has 400 staff in its office in Jakarta alone, enabling a much more extensive operation than the Fund. Also, private sector consultations and firms deliver CD directly under contract with a country recipient. In some of these cases, for instance, Saudi Arabia, a private consulting company may have a much larger involvement than the IMF could put in place. However, many countries could not afford the costs of such assistance. Critically also such deliveries focus exclusively on what is in the contract, which is rarely subject to independent review or set within the broader political economy background of a country's needs and constraints.

67. **Despite the different CD models the IMF frequently collaborates with other providers, especially the World Bank and the regional development banks, particularly in areas of overlapping interests as mentioned earlier.** This serves to leverage the resources and the respective expertise of the institutions, and also reflects the strong preferences of the donors. Further details are given in Radelet (2022).

[39] IMF (2021b).

B. Departmental Roles

Area Departments

68. **The ADs are the prime contact points with member countries.** African Department (AFR) throughout the review period maintained a close involvement in the CD to its countries, reflecting the high share of CD that goes to the region and that African Department (AFR) countries place a particular value on IMF CD support. Asia and Pacific Department (APD), the second largest region for CD and the other ADs have progressively also enhanced their focus on CD activities, allocating more senior staff to CD issues and deepening involvement in CD briefing and other papers.

69. **Following the 2018 Review, the role of the AD mission chief has been explicitly expanded so that they have oversight over all aspects of the Fund's interactions with a country**. As regards CD delivery, the remit includes ascertaining the country's demands for CD, and liaising with the CDD as to how this can best be brought about. Regional Strategy Notes (RSNs) and for some recipients Country Strategy Notes (CSNs)[40] are prepared, providing guidance specifics for delivery. Amongst other points, the guidelines note that, after consultations with CDDs, the RSNs should briefly discuss delivery modalities—whether HQ-based or field-based, whether single-country or PTP—and explain the rationale behind these views.[41] The guidelines note:

> "CD services are delivered at the request of Fund member countries through various modalities. These modalities are normally part of multi-year CD programs to an individual Fund member country or group of countries (provided either from headquarters or one of the Fund's RCDCs) and include field assignment of experts for periods ranging from days to years; individual missions from headquarters; online, classroom, and customized training; peer-to-peer learning and technical workshops; and discussions at Fund headquarters or remotely from headquarters. A close integration of all modalities of delivery should be sought when feasible."[42]

70. **ADs are now required to cover CD activities in the context of the Article IV discussions, or at the Annual or Spring Meetings**, so as to increase traction and feedback, and demonstrate that the Fund operates with one voice. However, coverage of CD issues in Article IV reports has often been quite limited; see Appendix I and De Lannoy (2022).

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[40] Departments vary in the number of CSNs produced during the review period. The Western Hemisphere Department (WHD) produced CSNs for only three countries; AFR and APD substantially more, but with lower frequency than the RSNs.

[41] One may wonder how is this compatible with the recipient country being in the lead and that CD is to be demand determined. This is discussed in the later sections of the paper.

[42] IMF (2020a), and further discussion in De Lannoy (2022).

71. **With the increased transparency of CDMAP and ADs' sign-off requirement for CDD missions, surveillance and CD missions can be scheduled coherently**, so that any overlaps or underlaps are put in place deliberately. AD and CDD experts may participate in each other's missions.[43] HR incentives are being put in place, so that attention to CD involvement is considered in the mission chief's Annual Performance Review.

72. **Resident representatives have been assigned in most countries receiving substantial CD.** Twenty-four of 43 fragile states, and including most countries with Fund programs have a resident representative. In the countries where there is a resident representative, they serve as a continuous intermediary between the Fund and the country authorities. Resident representatives are AD staff, and their involvement in CD work has traditionally been patchy, with some resident representatives deeply involved in CD whilst others gave it low priority. CDDs staff commented in interviews that where a resident representative is fully involved with CD, this can have a significant impact for CD success. The country case studies discuss specific instances—for instance in Georgia and Jamaica—of the important role that has been played by resident representatives in CD delivery and coordination with other providers. Ter-Minassian (2022) notes that in Peru there was a notable fall-off in CD delivery after the closing of the resident representative office in 2015.

73. **The resident representative has a number of ways to support CD delivery**. Important elements include that they attend at least the opening and closing meetings of CD missions; they liaise with country authorities to ascertain CD demands and pass them on to HQ. They can make office facilities available for CD interactions if connectivity is better from their office than in the local institutions, or where the involvement of the resident representative's staff may be useful. They can monitor implementation and discuss possible follow-up where needed. While the resident representative may not feel comfortable with technical CD issues at the outset, deeper involvement in CD enables them to acquire some level of expertise over time. Recipient countries are urged by mission chiefs to regard the resident representative as a "one-stop shop."[44] In a few countries, such as Nigeria, Tanzania and Uganda, AFR has combined the position of resident representative with that of mission chief, hence providing a more senior in-country presence; these experiments have been well-received by the recipient countries.[45]

74. **RCDC directors are appointed by the AD and have a central coordinating role.** The directors (formerly titled Coordinators) manage the RCDC and liaise closely with HQ, the resident

[43] It would be useful to trace the extent to which this is now taking place. Existing systems are not well set up to easily quantify the extent of such integration. Virtual communications increase the range of possible delivery modalities, for instance a TA expert at HQ may be in communication with a mission in the field; quantifying all such activities is likely to be a challenge.

[44] Resident representatives may also be the key interlocutor between an RCDC and the ministry of finance for securing the funding committed by member countries for the RCDCs. Securing the funding has reportedly become more difficult during the COVID-19 pandemic, with many countries seeking to find expenditure cuts.

[45] See Legg and Sembene (2022) on Nigeria and Uganda.

representatives (where assigned), the authorities of the participating countries, and the donors.[46] They generally have a lead role in the RCDC's Steering Committee (SC) meetings. Most are long-term IMF staff, often with experience in the region. Some directors move from one RCDC to another once their term is over. While RCDC LTXs report to the CDDs, the directors report to the AD. Thus, both AD and CDD can have detailed involvement in, and awareness of, the activities of the RCDC. There has reportedly been occasional friction between an RCDC CD director and an RCDC-based LTX (generally supported by the CDD), for instance when a director challenges a proposed delivery, perhaps arguing on budget grounds that it could be done more quickly. While the CDD has responsibility for appointing the RCDC's LTXs, the RCDC director is generally also involved in selection, reflecting their broader knowledge of local circumstances.[47] The role of RCDCs is discussed further below.

The Capacity Development Departments

75. **CDDs are responsible for delivery.** Overall CD responsibility within a CDD is usually assigned at least to the deputy director level. Once areas for CD in a country are identified, CDDs are responsible for turning requests into operational projects, determining the modalities of delivery, including the coverage, the timing, and the staffing. Staffing includes not just those in the field but also the "backstoppers" at HQ who provide support for and oversight of field-based experts (see below). The CDDs each have well defined and longstanding areas of CD expertise. Where new priority areas are identified, such as climate change, these have to be developed into operational CD projects that reflect the Fund's comparative advantages and the country's specified needs. New in-house expertise has to be built up, subject to resource constraints and the Fund's ability to attract the right people. These challenges are discussed further in Section IV.

76. **CDDs may typically conduct extensive background cross-country studies in order to ascertain how best the Fund can provide assistance.** For instance, FAD conducts a detailed technical "gaps" exercise which indicates that non-compliance with VAT runs at about 25 percent in Latin America and 40–50 percent in Africa, suggesting that assistance on compliance could generate a significant increase in revenue. CDDs are active in developing standards and codes that can assist institutional strength and resilience in member states, either through their direct responsibility for the standards, such as that of STA with regard to the Special Data Dissemination Standard (SDDS) and that of MCM in the recently endorsed central banking standard,[48] or through intensive interactions with standard setters, such as MCM with the Basel Committee in its setting of capital standards for the banks and LEG with the Financial Action Task

[46] One RCDC director suggested in an IEO interview that the introduction of CDMAP reduces their role, as it is now the AD HQ that is central, with the mission chief having sign-off rights on all CD activity. The closer integration of CDD HQ with the RCDC LTXs may also reduce the role of the RCDC director.

[47] There may also be an important role to coordinate in the field across CD providers. In some cases, this may fall to the resident representative, or to the RCDC Director, if in place. In other cases, it may be undertaken externally. In Mozambique, an externally-financed provider successfully performed this role.

[48] See IMF (2020).

Force in its setting of Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) international standards. Also, CDD Directors and senior staff have a critical role in fostering relations with ministers, central bank governors and heads of agencies, through meetings at HQ including during the Annual and Spring Meetings as well as through country visits.

77. **CDDs follow broadly similar models for delivery, though there are some differences between them.** No CDD works exclusively on CD; indeed, both FAD and MCM have "Flagship" outputs that are not CD as well as the cross-country work discussed in paragraph 69, and country review work.[49]

- Each department has a resource management (RM) division, although in some departments the division has a greater strategic role than in others. The RM division has the departmental coordination role for the CD prioritization process, and is centrally involved in the migration to CDMAP. Departments' RM divisions meet periodically to discuss topics of common interest.

- FAD and LEG have divisions dedicated to CD, while MCM and STA have functional divisions in which CD is only one part of the staff's responsibility. MCM has a separate division dedicated to the organization and strategy of CD, reflecting the additional issues raised by providing a wider range of CD topics than other CDDs.

- Most departments recruit LTXs and STXs to carry out the larger part of the CD delivery, while LEG strives to keep the majority of CD delivery in-house. LTXs are increasingly recruited along similar lines to those of HQ staff, with interviews and involvement of the Human Resources Department (HRD), while FAD, MCM, and STA maintain internally-managed expert rosters to cover STX assignments (Stedman, 2022b).

Institute for Capacity Development

78. **In addition to its cross-cutting responsibilities for CD governance and external partnerships, ICD has delivery responsibilities.** ICD, established in 2012, brought together the training responsibilities of the long-established IMF Institute with the fundraising responsibilities of the Office of Technical Assistance and the emerging secretariat responsibilities of CD management. In 2016, its training responsibilities were substantially updated, with diverse training courses consolidated into 16 course offerings. The department has made increasing use of online training and training in regional centers, moving away from the earlier emphasis on (expensive) physical training at HQ. Figure 7 above shows the distribution of training across the various training centers, and the increasing role of online learning.

[49] The Fiscal Monitor and Global Financial Markets Report, respectively. STA's most prized work is the development of statistical methodologies. Like FAD and MCM, STA staff also participate at high profile international gatherings on issues other than CD, in the case of STA having a formal role at the United Nations Statistical Commission.

79. **In its 2019 strategy paper, ICD explained that in addition to classroom and online training, it would provide country-by-country TA in macroeconomic frameworks, combining the various CD modalities.** Thus, surveillance and UFR programming requirements could be supported by "how to do it" assistance from the Fund.[50] This nascent function filled a gap in the Fund's CD portfolio and established a fifth CD-delivering department that is developing a full delivery and support structure. Meanwhile, resources delivered to classroom training are being slowly reduced, particularly because of the opportunities opened by remote and online delivery. Reflecting its new perspective, ICD was restructured on May 1, 2021 from having region-based divisions to having function-based divisions, aiming to enhance quality control by concentrating reviewing and support within the respective new divisions.

80. **ICD is building up expertise, including in recruiting LTXs, in order to deliver its new TA responsibility, finding that there is a relatively small expertise base in macroeconomic frameworks.** To some extent, ADs are backstopping ICD macroeconomic frameworks LTXs,[51] but this may be limited. At present, delivery is constrained by staff and expert capacity rather than funding, with a complementarity between staff and experts, as new macroeconomic frameworks LTXs require particularly intense backstopping (see below). In some cases (an example is Cameroon), the recipient also has bilaterally arranged advisors; the relationship between such advisors and ICD CD would need to be particularly intense to avoid likely inconsistencies.

81. **ICD separates its delivery functions from its other responsibilities of CD coordination and donor funding so as not to get into conflict-of-interest issues** where it could be appearing to be giving itself preferential treatment in case of prioritization or financing decisions.

C. Types of Staff

CD Delivery Experts

82. **Most CD is delivered by subject matter specialists—HQ-based experts on fixed-term contracts, LTXs and STXs[52]—though some CD is delivered by regular IMF staff on open-ended contracts.**[53] LTX contracts place them either into an RCDC or as resident advisor in a recipient country agency. HQ-based experts on fixed-term contracts are recruited to HQ into areas where the Fund considers the need may not persist into the long term. In some cases, the

[50] This has been described as the CD that RES would give if RES gave CD. Earlier, some of the assistance in such areas was provided through RES staff working with MCM. A few transitional problems arose as ICD took over responsibility for some of these projects. In countries such as Morocco and Vietnam ICD TA complements that being given by MCM, with ICD TA operationalizing the structural assistance being given by MCM.

[51] At present ICD has six in the field. The relatively heavy reliance on HQ delivery makes ICD CD relatively costly; although the strategy has been questioned, including by a donor, there seems to be acceptance that this the result of the primary objective to not compromise on quality.

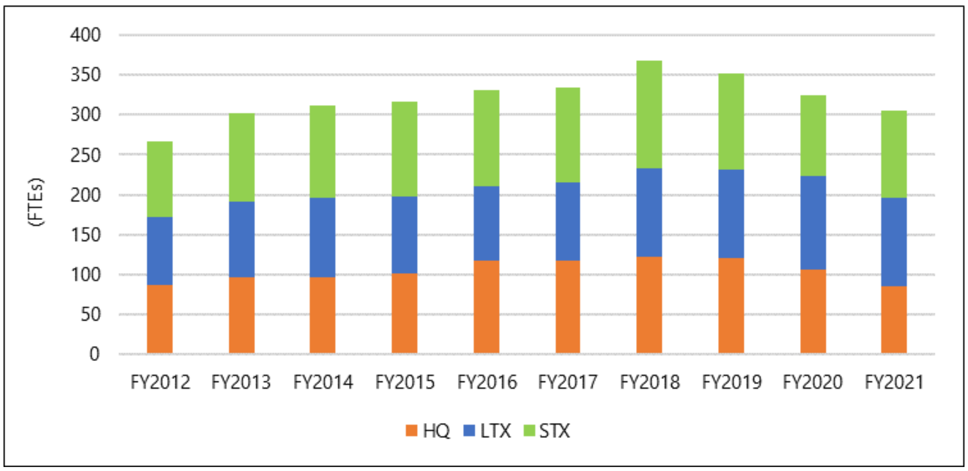
[52] Their roles are defined above, in paragraph 62.

[53] Differences between the categories are discussed in the accompanying background paper on human resource issues. See Stedman (2022b).

assumption of the short nature of the need has proved misplaced and HQ-based experts have been transferred to regular staff. Bank supervision and restructuring are examples. Regular IMF staff recruited as fungible macroeconomists may also be "trained up" to specialist departmental expertise.

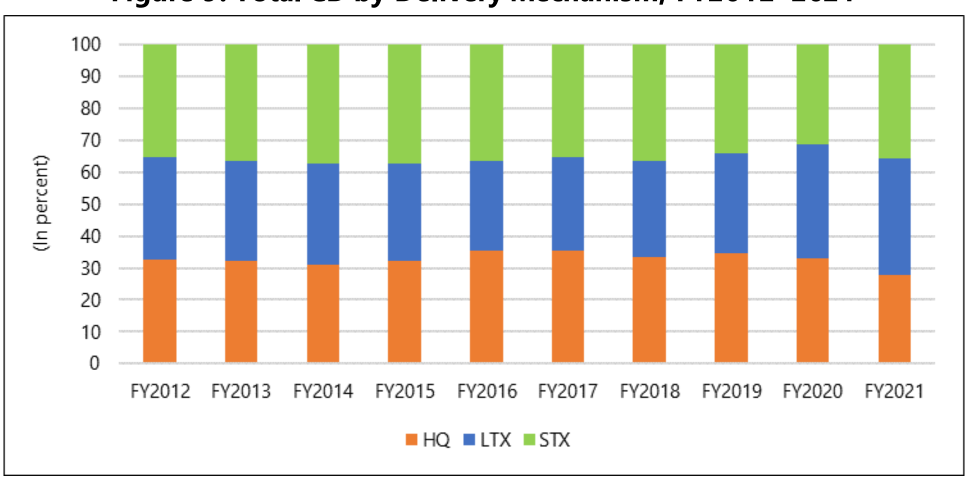
83. **Notwithstanding the growth of RCDCs, and of CD as a whole, there has been relatively little change over the period in the shares of HQ, LTX and STX in overall CD delivery** (see Figures 8 and 9). This suggests that LTX placements in RCDCs have largely substituted for direct placements into recipient institutions as Resident Advisors, and that STX contracts from RCDCs largely replaced HQ contracts.

Figure 8. Total CD by Delivery Mechanism, FY2012–2021



Sources: IMF, TIMS unallocated data; IEO staff calculations.
Notes: This chart excludes backstopping activities. Data includes planned and approved missions.

Figure 9. Total CD by Delivery Mechanism, FY2012–2021



Sources: IMF, TIMS unallocated data; IEO staff calculations.
Notes: This chart excludes backstopping activities. Data includes planned and approved missions.

Long-Term Experts

84. **While long-term advisors traditionally were placed into the agencies of the recipient country (generally the Finance Ministry, the Central Bank or regulatory authority, or the statistical agency), most are now assigned to an RCDC.** This reflects economies of scale, in that a single LTX can cover several countries. Also, having several experts within an RCDC under a single Director makes in-field oversight and coordination with the AD more feasible. Also, an LTX in an RCDC can provide examples of practices elsewhere in the region when visiting a particular county. Donors find it attractive to fund LTX activities through an RCDC. MCM, for instance, now has two-thirds of its LTXs in an RCDC, and only one-third in national institutions. National placements are retained where there is a need for intensive assistance that peripatetic visits alone could not deliver. There are, for instance, three LTXs advising Cambodia; for most of the review period Nigeria had two LTXs in the central bank. Having an in-country dedicated LTX is often seen as particularly important in fragile states. For example, in DRC, Haiti, and Liberia, peripatetic advisors visiting from an RCDC are considered second best compared to a Resident Advisor permanently located in-country.[54]

85. **LTXs are hired on a contractual basis, whether they are resident advisors in national institutions in member countries[55] or deployed in an RCDC.** Departments determine the length of contracts, which are typical for up to five years. LTXs are also eligible for consecutive contracts, in a different country or RCDC, with no overall limit on IMF employment. HRD is involved with the CDD in the recruitment for such positions, which are advertised externally, and subject to similar processes as for HQ staff, although it seems that there is less focus on diversity objectives than for HQ. LTXs are periodically evaluated by the CDDs, and are subject to the annual performance review (APR) process.

86. **The relatively long time of assignment enables an LTX to develop a good understanding of the country; continuity of engagement is strongly appreciated by the authorities**. They may use the LTX as their first point of contact when considering their CD needs, particularly when there is rapid turnover of AD staff or the AD does not itself have an intensive country presence. In one RCDC, for example, one LTX has five years' experience in-post and another four, both considerably longer than the length of assignment of the AD mission team. LTXs may help to refine their country's CD demands so as to place them within the Fund's usual parameters for AD prioritization. Technical expertise is thus a necessary but not sufficient qualification for a good LTX. LTXs who have previously worked in another RCDC can come up to speed in a new RCDC very quickly. A risk is that work from an LTX becomes supply-driven—sometimes abetted by donors—and that an LTX may be less exposed to new analysis and research at HQ.

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[54] See Legg and Sembene (2022).

[55] Each of the 19 country case studies includes a list of resident advisors in place during 2012–2020.

87. **RCDC-based LTXs' central function is providing peripatetic CD to the member countries covered by the RCDC.** This delivery model ensures that delivery comes from the region. The peripatetic nature means that the LTX conducts repeated visits, whilst not being permanently in-country and thus at risk of doing the host institution's work. LTXs also host regional meetings, facilitating PTP events, and may join with ICD staff to deliver training at the RCDC. LTXs need to schedule their deliveries, within the prioritization set by the AD, to balance across a range of demands. At RCDC Steering Committees, LTXs play an important role in presenting their outputs to donors. In Jamaica the LTX coordinated the various parts of the FAD program, facilitating its funding by the various donors. On occasion, after their assignment, LTXs are hired on to HQ regular staff, where they can play a useful role both in backstopping and delivering HQ CD. From HQ's perspective, such recruitment is "safe," since the department will have had extensive interaction with the LTX in the field. However, such recruitment is subject to limits on HQ positions.

88. **RCDC LTXs may have an oversight CD remit that extends beyond their own expertise.** For instance, they may have oversight over tax policy in a region, although their own expertise stretches only over a limited part of the remit. They may then be responsible for also recruiting STXs to cover any gaps when demands arise in them. They have the same access to departmental STX rosters as HQ staff. With CD becoming increasingly technical and specialized, such sub-recruitment of STXs may become more the norm.

Short-Term Experts

89. **STXs are selected by CDDs from their rosters of experts to conduct missions from HQ and RCDCs to deliver specific CD assignments.** FAD, MCM, LEG and STA have rosters of many hundreds of experts.[56] FAD have around 1,200, although only about 10 percent are ever used.[57] MCM place their experts provisionally on to the roster until they have conducted two or three successful missions; they then become full members. If an STX has not done a mission for three years they become "inactive;" after six years they are dropped from the list. As of late 2021, there were 1,231 experts on MCM's roster, of which 7 were provisional, 274 active, 149 inactive, and around 640 nominated by official institutions. Experts can be invited by staff to join the roster, contact the department themselves in order to offer their services, or are nominated by cooperating institutions, such as the central banks of Belgium, Canada, or France; in such cases an MOU with the Fund determines whether the STX is to be paid by the Fund or by the home institution, so as to avoid "double-dipping." MCM has MOUs with 184 official agencies. STXs from cooperating institutions may carry their own credibility. For instance, in providing assistance to a central bank, an STX from a central bank could carry the credibility also of their home central bank. As with FAD, the greater part of MCM's STXs are never used.

[56] ICD delivers most of its CD with staff, and never has STXs working alone. ICD has only recently begun providing TA, on macroeconomic frameworks, and is finding limited availability of suitable outside experts in the area.

[57] See paragraph 93.

90. **As part of quality control, all STXs have to be approved by the respective departmental committee for inclusion on to the roster**. Consideration is based on nominations from staff or from national institutions (such as central banks), or self-nomination. STXs self-certificate their expertise within a set of detailed sub-specialisms drawn up by the departments to which they are applying. Especially with STA, where areas in which STXs are involved are closely related to the work that STA staff do at HQ, a significant share of the experts are former Fund staff.

91. **In the event that a shortage is identified in a sub-specialism or CD moves into a new area, Fund staff and existing experts use their networks to invite specialists in the underserved areas to join the roster**. The world of many of the sub-specialisms is relatively small, and Fund staff and experts have a good knowledge as to who else is working in their area.[58] In addition, the Fund has agreements with national authorities, in particular central banks, to release their staff for short-term assignments. Such agreements vary as to whether the host institution continues to pay the expert's salary while they are working for the Fund, or whether the expert takes a leave of absence and receives payment from the Fund.

92. **Management of STXs has become more complicated during the Covid epidemic**, largely because they have to be hired for a longer period of time than otherwise and yet will generally not be employed for the full day each day.

93. **A 2018 OIA report reviewing the management of STXs noted the very heavy reliance of all departments on just a small number of experts, who were sometimes being used on almost a full-time basis**. The report considered that this could reflect cronyism, and was unlikely to secure the best use of the wide range of expertise available.[59] The IMF therefore adopted a 150-day annual limit for use of individual experts, although this limit was suspended for FY2020–2021 when the need for rapid responses in a large number of countries to provide CD support during the pandemic raised the need for experienced STXs. For FAD, for example, three STXs exceeded the 150-day rule in FY2021. FAD has a tiered approach, with usage beyond 80 days needing progressively higher levels of approval.

94. **Each CD department periodically reviews the performance of its experts and has a process for removing them from the roster**, either because of sub-par performance or more commonly because of lack of use. On the other side, well-used STXs sometimes are accepted for an LTX position. There is no formal mechanism for removal of experts who have been on the roster or away from their parent institution for a particular length of time, nor is there an upper age limit. There is limited evidence so far of regional diversity, although departments stress the efforts that they are making in this regard, and note improvements in recent years.

[58] MCM for instance divides central bank work into 24 main specialisms with around 120 sub-specialisms. Payments systems for instance are divided into nine categories, including national payments strategies and retail payments. Experts can self-certify into multiple sub-specialisms.

[59] OIA (2018b).

95. **Sticking to tested experts may make sense in the short term, but has disadvantages.** "Seasoned" experts may need less backstopping and may be less risky, particularly as many STXs are sent on mission on their own. Also, recipients put great emphasis on continuity, and may already have encountered the designated expert, making building trust much easier. On the other hand, it leaves the possibility of an untapped potential pool of talent. Moreover, insofar as a CD assignment also benefits the expert and makes them an advocate for the Fund, limiting the breadth of the expert pool loses this possibility. And, probably most importantly, at a time of rapid change, CD delivery risks becoming increasingly out of touch with latest developments if the roster is not regularly refreshed with new expertise.

96. **CDDs are aware of the issue, and are seeking to address it.** When resources allow, perhaps towards the end of the financial year,[60] untested experts are sent out with more experienced staff in order that they gain experience and can be evaluated. Also, staff from the Resource Management divisions (RM) draw country managers' attention to the availability of alternative experts, particularly where the preferred expert is busy and a mission schedule is bring drawn up on the basis of the expert's needs rather than that of the recipient.[61] However, such efforts may have limited impact in the face of continuing budget pressures and a model that has become very much "single topic, single expert" rather than the multi-topic, multi-expert model that had widespread use earlier during earlier periods when countries were seeking comprehensive CD assistance, particularly during the transition from centrally-planned economies.

HQ Experts

97. **All CDDs include HQ experts—typically specialist economists on fixed-term contracts—in addition to their regular open-ended specialist economist staff.** Their primary function is to deliver HQ CD. They serve a particularly critical role as HQ CD generally sets the overall strategy for a CD project which RCDC or locally-placed resident advisors will implement. HQ expert positions have traditionally been on fixed-term contracts, for a maximum of four years, out of concern that particular specialisms might not be needed over the long term, and so that the Fund could refresh its in-house expertise and import knowledge of latest developments in the specialism. Although such contracts could potentially be renewed, the uncertainty over renewal has been considered a deterrent to recruitment, especially for those needing to uproot a family or to move a large distance, and caused unhappiness amongst some experts, with a feeling of differentiated treatment compared with macroeconomist "generalists." In practice,

[60] With missions approved for delivery not allowed to exceed resources available for that year, there is typically a delivery shortfall towards the end of the year, as not all planned missions will take place, leaving room for additional missions, or expansions of the missions, towards year-end.

[61] For example, as noted below, FAD has made efforts to address the issue by using surplus funds, where available, to finance training missions for untested experts, with the aim that country managers will feel less nervous about using such experts in the future.

while there has been some rotation of HQ experts, quite a few have been able to move to secure open-ended positions within the Fund over the longer term, either staying within their specialism,[62] or moving on to mainstream "fungible macroeconomist" Fund positions or even to management positions.[63]

Backstoppers

98. **Backstoppers are designated at HQ in all CDD-delivering departments to support and quality control all CD field delivery, both that from HQ-initiated activities—short-term missions or long-term resident advisors—as well as that associated with an RCDC.**[64] Backstoppers are usually open-ended Fund staff with long Fund experience, and generally have a good knowledge of the country where the CD is being delivered as well as of the subject of delivery. They can also be HQ experts on fixed-term contracts. They review reports from the field, may add the political economy elements, and facilitate requests for assistance or guidance. They may be the project manager, although in some cases this falls to a separate functional specialist. They can call on other resources in the department and the Fund to ensure the quality of delivery.

99. **Backstopping can be most successful when the backstoppers are well integrated both into the country's AD team and the CD team, as well as into other parts of the CDD**. This has been facilitated by the virtual mission environment of the COVID-19 pandemic as backstoppers have been able in some cases to form stronger bonds with their CD field counterparts and become more involved in actual deliveries, in some cases participating in key meetings using virtual communications technology.

100. **While critical, backstopping is barely visible to donors and recipients, exposing it to budgetary pressures**. Backstoppers are reportedly increasingly feeling under pressure, as resources devoted to backstopping have not risen in line with the rise in CD. Although donor-funded CD has an overhead for backstopping, donors are skittish about paying this overhead, and there is a perception at the Fund that the budgeted overhead does not meet the full backstopping costs. Although not earmarked, resources for backstopping staff derive in part from the overheads provided by donors for CD deliveries, entailing some insecurity to departmental budgets in the event that donor support drops away.[65] IMF01 backstopping comes from general departmental budgets, but may not be the highest priority when budgets are under pressure.

[62] For instance, a number of specialists in bank restructuring. Retaining such expertise may be considered particularly useful, since techniques will likely not have changed much over time, so that experience even acquired in the past would likely be useful.

[63] See the separate background paper on human resource issues (Stedman, 2022b) for discussion on the employment of various classes of expert at the IMF.

[64] MCM splits two aspects of the backstopping, with field activities having both a country and a functional backstopper.

[65] Or if delivery falls, such as the result of pandemic.

101. **Incentives for backstopping are not clear**. Little credit for a successful CD project may go to the backstopper, but all interviews with staff in CDDs indicate that the backstopping staff is fully committed to the work and provides an excellent service. Some backstoppers are themselves also deliverers as part of their job, so are aware of the importance of the backstopping role from the viewpoint of the deliverer. Others have themselves benefitted from good backstopping in the past. There is, however, little evidence that good backstopping leads to rapid career progression. Backstoppers may fall into the general issue that career development and the path for promotion in the Fund has been designed largely around fungible macroeconomists working mainly in ADs.[66]

D. RCDC versus HQ-Led Delivery

102. **Generally speaking, HQ tends to lead in the design of CD projects and RCDCs focus more on implementation and follow-up**, though this is not a hard and fast rule. Prioritization and allocation are undertaken at HQ, with ADs in the lead. At the design stage, the process moves to the relevant divisions of the CDDs. Urgent work will generally have to be financed through IMF01 resources, and usually delivered by HQ, but programmatic work can be placed wholly or partly with an RCDC, depending on skill mixes, as well as RCDC location and funding availability. That said, some CD is handled throughout all stages by HQ. Also, on occasion an experienced LTX may work directly with the AD and the recipient country in designing a project as well as undertaking it.

The Role of RCDCs

103. **RCDCs are responsible for close liaison with their participating countries and delivering programs prioritized and generally designed at HQ.** CD delivered from an RCDC is expected to be of the same quality as that from HQ (although reports from RCDCs are delivered to authorities under a different color cover than those from HQ, so as to give visibility to the RCDC). LTXs based in RCDCs are now recruited on the same basis as HQ-based CD experts, with HR closely involved in the recruitment process, and similar qualifications being sought as for HQ experts.[67] RCDC LTXs have the same access to HQ backstoppers. As noted above, there is reportedly considerable variation in the extent to which these LTXs' main contacts are through their CDD backstoppers or directly with the ADs, with differences relating largely to AD mission chiefs' preferences. Given their more intensive interactions with participant countries, LTXs are likely to need skills beyond the purely technical in order to interact effectively with them.

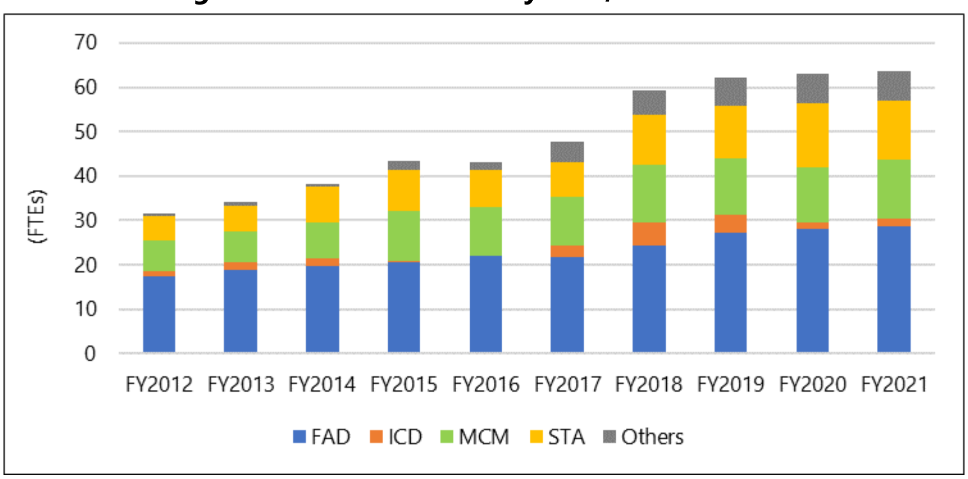
[66] Questions arise regarding the incentives for CD more generally. There is for instance no mention of CD in the forms that are filled in when a staff member is being considered for promotion by the Review Committee. A separate background paper (Stedman, 2022b) covers the human resource issues of IMF CD.

[67] See more detail in Stedman (2022b).

104. **RCDCs are overseen by Steering Committees (SCs) involving donors, country authorities, and IMF staff, both from HQ and the RCDC.** Arrangements differ somewhat across RCDCs, but SCs provide a significant opportunity for RCDC member countries to express their CD demands to the IMF and the donors. They are also the opportunity for donor input, since the SC has to approve prospective work programs and RCDC staff are available to respond to donors' questions and concerns. The mid-program reviews, and the additional evaluations required by some donors, add to the governance and oversight over the CD process. The funding structure of RCDCs is discussed in more depth in (Stedman, 2022a).

105. **Each RCDC is headed by a director who reports to the respective AD and staffed by a number of LTXs who are managed by different CDDs.** FAD provides the largest number of LTXs, with STA and MCM providing the bulk of the remainder. Selection of LTXs is led by the CDDs based on the perceived needs of the region, as well as donor funding availability input from RCDC Director or AD. AFRITAC East, for instance, employs 7 LTXs, AFRITAC South 13, and AFRITAC West 6. Some RCDCs seek to employ experts from the region: for instance, out of 10 CARTAC LTXs, 3 are from the Region. The director is selected by the AD and may have been a member of the country team of one of the participating countries; language skills are critical in some RCDCs, such as the Central American, Panama and Dominican Republic Technical Assistance Center (CAPTAC-DR). Figure 10 below shows the distribution of activities across the RCDCs in terms of the CDD application of the experts.

Figure 10. LTXs in RCDCs by CDD, FY2012–2021



Sources: IMF, TIMS unallocated data; IEO staff calculations.
Note: Data includes planned and approved missions.

106. **The structure of an RCDC is well-suited to peripatetic assistance, allowing the LTXs paying repeated visits to the participants of the region**. LTXs may have responsibility for the implementation stage of a project after a diagnostic carried out by an HQ expert. Like an HQ expert, the RCDC LTX draws on an HQ backstopper for their work.[68] CD departments differ in the

[68] See below for a discussion of the role of backstoppers.

roles they envisage for the LTXs they select for an RCDC: on the one hand there are benefits in an LTX who has broader experience across a range of subjects within their purview and can provide CD quite widely; on the other hand, sometimes the LTX is a narrowly specialized expert who will themselves recruit an STX to deliver CD when it falls outside their own field of expertise. FAD links each RCDC to a specific division. On occasion, the LTX may be the designated project manager, although that function usually resides at HQ. LTXs serve for a maximum of five years in a particular RCDC, but may if selected move to other CDs, thus providing a possible longer-term (albeit not very secure) career option.

107. **The location of an RCDC is based on factors including ease of communication to other countries being served by the RCDC, ease of recruitment of LTXs to the location, and sometimes the amount of contributions (often in kind) from host countries.** In some cases, this has led to location in a member state with particularly high CD needs, but in some cases other factors dominated. Given the intensity of CD to the region, 6 of the 17 RCDCs are located in the African region. While membership of some RCDCs—such as those in West Africa—is geographically concentrated, for others—such as the RCDC for the Caucasus and Central Asia or that for the Pacific islands—membership is widely diffused and travel connections may not always be straightforward. Host countries may contribute, in finance or in kind, to the costs of the RCDC, but may also gain benefits in terms of access to CD. Guatemala, for instance, hosts CAPTAC-DR (as well as the regional resident representative), which is considered to be significant in ensuring the country's continuing access to CD.[69]

108. **External funding for an RCDC is generally more readily available for lower income countries, particularly in Africa, than for middle-income countries**. This has facilitated the establishment of a denser coverage of RCDCs in Africa than elsewhere. Conversely, there are still CD-receiving countries, particularly in South America, such as Ecuador and Peru, as well as in Central and Eastern Europe, that are not members of an RCDC and therefore receive all their CD from HQ, which therefore may be more restricted than that provided to countries with more access to donor funding.

109. **There is considerable variation in the degree to which the AD mission chief has direct contact with an RCDC LTX**. In some cases, there is close integration, particularly where there is particular interest by the AD mission chief, while in others there is little direct contact, with the AD's links being primarily through the HQ CDD.[70] RCDCs may also provide the site for regional training, with LTXs joining with ICD for the training. The cost for delivery from an RCDC relative to that from HQ adds a budget case to the other arguments supporting the increasing role of the RCDCs. Also, the RCDC director provides in-field linkage between the CDDs and the AD.

[69] See Ter-Minassian (2022).

[70] In either case there are reports of unease, as a triangular relationship may become binary and lead to exclusion. Some RCDC directors may worry that direct links on CD issues between the AD chief and the CDD leave them redundant, while direct links between the AD mission chief and the LTX may leave the CDD feeling redundant.

110. **Most of the training centers are still involved mainly in training, although in some cases are linked to the RTAC** (such as METAC and the IMF-Middle East Center for Economics and Finance, MECEF), and are increasingly also involved in training, particularly in macro frameworks. The South Asia Training and Technical Assistance Center (SARTTAC) is explicitly devoted to both TA and training. Before the COVID-19 pandemic, there were joint workshops across RCDCs in Africa in which the respective RCDCs pooled their expertise, sometimes together with the ATI, which is co-located with AFRITAC South but covers a wider range of African countries and has a distinct set of programs from AFRITAC South. The STI runs joint programs with the Capacity Development Office in Thailand (CDOT). Other training centers, such as the JVI, largely maintain their original functions, reflecting also their structures in which the IMF shares ownership with other institutions (in the case of the JVI the Government of Austria) and where recipients may be a wider group of countries than those generally receiving CD through an RCDC.

111. **In some cases, training institutes formally link some of their activities to the TA some of their members are receiving.** The JVI, for instance, provides such training to officials from its participating countries. The MECEF provides training for METAC participants and others. Regional events can include PTP learning sessions. PTP can also occur by placement of officials in a partner country's institution. For instance, four officials from Gambia were placed in the finance ministry in Rwanda, with the mandate to train their own staff when they returned to their home institutions. In some countries training is encouraged to develop staff, even where there is little traction in TA. Nigeria, for instance, is amongst the top-10 training recipients despite its monetary TA program being run down because of lack of traction. While such training can provide a good base for implementing TA in the future, this linkage may be weakened by rapid turnover of the staff or by sending staff to training who are not directly involved in that activity in their home institution.

112. **Bringing together TA and training has expanded the scope of delivery options, particularly from the RCDCs.**[71] Hybrid products can be put together. Some RCDCs manage both elements of CD and where appropriate set up programs that involve both, sometimes including PTP learning, which has elements of both, across their participant countries. Some RCDCs are fully responsible for both TA and training, while others still focus on one or other side. Training institutes, such as the MECEF and the STI, have a larger membership than the corresponding TA center, given that some members of the training institute would not wish to be receiving TA and because the greater intensity of TA would make expanding the TA center to a broader membership both operationally and financially difficult. Figure 7 shows the amount of training delivered by the various training centers.

[71] CDD staff considered that it was too early to give examples of such hybrid delivery from HQ, apart from the training component that has frequently been an element of TA in the past, but it was likely to take off in the future.

HQ-led CD

113. **Notwithstanding the growth of delivery through RCDCs, there remains an important role for HQ-led CD.** Although widespread, RCDCs are not universal; only 3 of the 27 countries listed as emerging market developing countries by Morgan Stanley have an RCDC, although most—except those in Latin America—participate in a training center. It is hard to raise donor funds for middle-income countries, such as those in South America, leaving them dependent on HQ for their deliveries.[72] The present arrangements seem to work satisfactorily for South America at the moment, but the IMF may need to review the situation if there were a resurgence of high CD demand for the region, for instance to facilitate the re-integration of Venezuela, and there are suggestions that countries such as Peru might be able to access more CD if part of an RCDC. HQ CD may also fill gaps where there are difficulties—by country or by subject—in obtaining donor support.[73]

114. **Certain types of CD warrant delivery from HQ.** When emerging market countries with already well-developed institutions such as Brazil, Chile, or Indonesia request specific assistance from the Fund, it is often on policy issues where HQ has the expertise and international perspective, and sometimes at short notice, to which RCDCs do not have the scope to respond rapidly. More generally, the programmatic CD carried out by the RCDCs, requires time to set up, given in particular the need to put together donor support and fit into the agreed RCDC work program. Therefore, when the needs for CD are particularly urgent, for instance in a banking crisis, such delays would be costly, and the CD is typically therefore delivered from HQ. Where crises occur across much of the membership, such as arising from the COVID-19 pandemic, particularly where the response involves new strategies covering new topics, initial support, at least, has to come from HQ, probably using the IMF's own resources, since it takes time to raise external funding for new CD topics and adjust RCDC medium-term work programs which have been agreed with donors.

115. **CDDs need to balance their limited resources between committing to long-term engagement to a country, or a region, and retaining nimbleness to meet sudden exigencies**. In practice, CDDs allocate as many eligible CD projects as possible to the available external funding, reserving their internal budgets for CD which is ineligible for external funding and for unexpected but high priority CD requests which materialize during the year. Budgets for CD have been devolved to divisions and are on a dollar basis: a division can choose between

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[72] There was formerly a regional training center in Brazil, but this was closed when Brazil withdrew its funding, having concluded that it could not justify it budgetarily. Constraints on IMF01 funding nevertheless raise the issue of seeking to establish additional RCDCs, in particular one for South America. Such an RCDC might involve a substantial share of self-finance. Middle East and Central and East European countries, although not covered by an RCDC, are participants of RTCs, the IMF-Middle East Center for Economics and Finance (MECEF) and the JVI, respectively.

[73] For instance, FAD delivers most CD on customs duties from HQ as it has less donor interest than other elements of tax reform.

spending a large amount on a single multi-person engagement or spreading the dollars across a number of shorter engagements. See Jensen and Kell (2022) for more details.

E. Follow Up

116. **Follow-up through the implementation phase is increasingly seen as critical to the success of a CD project.** Although in some cases this can be passed on to another provider, generally a member will look to the Fund to continue with a project that the Fund has initiated. Where the project has been designed within the programmatic approach, follow-up engagements and activities will likely be an integral part of the program, and usually reflected within the program's RBM milestones. If the project is RCDC-run, continuing peripatetic visits may be envisaged during implementation. Otherwise, a member may need to make a follow-on request for assistance, which likely will take time to process and be subject to competing priorities.

117. **The COVID-19 pandemic experience has demonstrated the usefulness of virtual delivery, which may be particularly suitable for follow-up to virtual or field delivery.** Once implementation is complete and the CD program concluded, ongoing monitoring will likely be an element of AD surveillance, with the AD on the lookout in the event further CD in the area becomes necessary.

F. Outputs

118. **CD outputs have gradually evolved with declining emphasis on long technical reports and growing use of shorter and more diverse formats.** Traditionally, CD missions provided near-final but often lengthy reports *ad referendum* at the close of a mission and then sent in final form after HQ review sometime later. This practice led to a number of concerns: that such reports were produced largely for HQ and not directed at the CD recipient; they risked just being "put in a drawer" particularly; that report containing criticisms could make the counterparty defensive and less willing to implement recommendations; that recommendations in a full report may seem overwhelming, and discourage attempts at implementation; and that by the time the final report arrives there is no longer recipient interest. There is also a growing view too that time spent writing the report on mission could be better spent interacting with the CD recipients. There has therefore been a growing preference therefore for short presentations, through PowerPoint, or Q and A, delivered at the time of the mission. Workshops are a preferred CD modality, for instance in China. Diagnostic tools that provide hands-on assistance to the authorities, such as the Fiscal Risk Assessment Tool, have also been developed. While there is merit in the criticisms of long reports, absence of a final report may threaten the quality control of the CD. There may also be little record of the CD to be drawn upon in the event that there is follow-up, either in the short term or much later.

IV. ASSESSMENT

119. **This section looks at selected areas where enhancing CD delivery is still a work in progress, and faces challenges, or where there are vulnerabilities.** Amongst the former are implications for CD delivery of having a comprehensive country strategy under the leadership of ADs, the complications arising from integration of CD and program work and the objective that all CD should be demand-driven from the recipient country. Amongst the latter are the delivery of CD in new priority areas and in niche areas, as well as issues relating to implementation and follow-up.

A. Integrated Country CD Plans Under Area Department Leadership

120. **The emphasis placed on AD leadership in CD activities is designed to make delivery more timely, and more attuned to countries' needs, given the ADs' ongoing relationships with recipient countries.** As such it should serve to integrate the IMF's various activities in the country—CD, surveillance, and lending—and reduce the risk that CD may be supply-driven, i.e., reflect the availability and objectives of the CDDs rather than the needs of the member, and not be well-suited to local conditions.

121. **The 2021 Operational Guidelines for Integrating CD with surveillance and lending set out procedures for such integration, giving detailed guidance particularly for integrating CD with surveillance, but acknowledged that ADs had raised concerns.** In particular, ADs had asked for recognition of the increased workload inherent in their new responsibilities if there was no budget augmentation. In response, ADs were urged to prioritize towards those member states having the biggest capacity gaps. While such prioritization mitigates the problem to some extent, it still leaves the possibility that CD delivery may, in the new framework, receive less-than-full oversight. Also, supply-driven CD at least matched the capacities of the CDDs, while AD-determined CD needs care, by both ADs and CDDs, to avoid potentially falling into expertise gaps.

122. **Mission chiefs need to be humble in their new responsibilities if they are not experts on CD subjects under discussion**, ready to defer to specialists covering highly technical subjects so as to avoid the risk that the CD delivery lacks teeth and becomes banal. Conversely, in-field partnership between an AD mission chief and a high-quality specialist, where needed, can achieve important synergies in CD delivery. Several examples were cited by CDDs of successful experiences in this regard during the Euro crisis. Ukraine was offered as a more recent example (see Everaert, 2022).

123. **CDDs retain responsibility for designing and delivering CD projects.** This involves determining the modalities—HQ or RCDC, staffing, timing, and in the case of programmatic projects, developing the RBMs and mileposts. Critically, they are responsible for the quality of the CD. Linkages to surveillance and UFR may need to be handled carefully, to ensure that the CD genuinely is demand driven, and in line with local capacity.

124. **Significant progress is reported by CDDs regarding AD mission chiefs taking on their expanded role, but practice is reportedly still mixed.** The new approach represents a major change in culture, and some mission chiefs have responded more quickly than others. This may in part depend upon their backgrounds, with some mission chiefs more comfortable with detailed discussions on CD topics than others. Some departments have a more long-standing interest in using and integrating CD, so for such departments—most particularly AFR—the change is less marked and easier to implement. Examples were cited by CDDs that in earlier times some AD mission chiefs gave sole priority to their surveillance and lending responsibilities, ensuring for instance that CD missions did not coincide with AD missions so as to not distract, or overwhelm, the authorities. Under the new arrangements missions are more likely to coincide or overlap, and there is more mission cross-participation between ADs and CDDs, serving to enhance delivery on both sides.

125. **Progress so far is mixed in following the 2021 revised guidelines that ADs should discuss CD issues in the Article IV consultations and include them in the staff report.** Inclusion in the report would indicate that CD delivery was being considered within the same policy framework as surveillance in the country. However, a brief review was conducted for this background paper of the 18 stand-alone Article IV Reports that were published in July–August 2021 shared uneven results. Results are shown in more detail in Appendix I. Several reports (e.g., Bolivia, Dominican Republic, Lithuania, and Saudi Arabia) contained no mention of any CD, even where there were events during the period covered, or just the traditional listing of CD events in the Informational Annex on Relations with the Fund (IA). The best example of integrated treatment was Tuvalu, where several of the mission team came from PFTAC and CD issues were included seamlessly in the main part of the Report. The Philippines Report also stood out, being alone in having a distinct section on CD issues in the main report and using the IA to set out a forward-looking summary of CD needs. Côte d'Ivoire, Ghana, and Guinea reports also contained more extensive discussions of CD in their main texts. A different issue arose in some other Article IV reports, where technical recommendations were given—such as to pursue risk-based supervision—by mission teams that included no specialists and no evidence is shown that there has ever been TA in the field, and no specific recommendation to seek TA.

B. Integration of CD and Program Work

126. **Integrating CD with UFR faces additional challenges. The IEO report on *Growth and Adjustment in IMF-Supported Programs* (IEO, 2021) found no statistically significant relationship between the amount of TA provided during a program and the success of structural conditionality.** While this is disappointing, it may reflect a situation where the most difficult cases, and the members with the greatest needs, receive the highest amount of CD. On the other hand, it may be the case that CD delivery is ineffective (perhaps for the reasons cited in the paragraphs above). In any case, the subject warrants further study in future Reviews.

127. **It is noteworthy that the operational guidelines on integrating CD with surveillance and lending cited above deal almost exclusively with surveillance**, leaving some of the UFR issues to be resolved. CD implementation as part of UFR will be specific and time-bound, with significant potential financial costs to the recipient if not implemented, since access to Fund resources can be jeopardized if structural benchmarks are missed. In the absence of a program the Fund has less leverage. That said, CD pursued as part of a program may have less country ownership, may indeed be tainted by association if the program itself is unpopular, and may be curtailed by the country once there are no longer the program mandates. CD undertaken in the absence of a program is likely to have greater country ownership, be undertaken at a time when the country is not in crisis with leadership attention largely elsewhere, and be designed with regard to CD objectives rather than short-term program needs. Lack of country ownership is frequently given as a leading cause if a CD program is not carried out successfully. The distinction may, however, be overdrawn; it is not the case that CD during a Fund-supported program necessarily has less country ownership. Jamaica provides an example of ambitious CD initiatives begun under the country's Fund-supported program, but carried forward also after the program ended. This likely reflected the country ownership of the reforms throughout the period, the strong leadership of the finance minister, and his efforts to include all parts of the political spectrum through the formation of an inclusive council to take the reforms forward.

128. **Involvement in program conditionality may risk undermining the CD deliverers' role as trusted advisor.** Even absent a program, the obligation of the CDD to report CD findings to ADs, to be possibly picked up in future program conditionality, may have undermined the trusted advisor role, and led CD discussions to be seen as potential program negotiations. An IEO Report (IEO, 2013) on this relationship acknowledged the possibility, but noted that with care the effect could be reduced. The counterpoint is that where a member recognizes its difficulties, there is ownership of its program and of the CD assistance in resolving the difficulties, the integrated approach between AD program and CD assistance may well enhance the perception of the Fund as trusted advisor.[74]

129. **There is concern in some CDDs that the short-term focus of ADs, particularly for countries under Fund-supported programs, may be inconsistent with the medium-term delivery timeline that might be needed to achieve the CD goals.** In some cases, immediate priorities may compromise the careful preparation needed for effective delivery. Careful discussions may therefore be needed to ensure delivery that meets both the immediate needs of the program and the longer-term objective of institution strengthening. For countries under programs, the quarterly review process drives also the CD process implying that milestones and structural benchmarks may be timed to meet the program's timeline rather than that which would be optimal to ensure the success of the CD. Objectives too may be different. There are

[74] Another challenge arises if a government changes during CD delivery, particularly if the area of delivery had been a focus in the election. The case study background paper covering Guatemala (Ter-Minassian, 2022) describes how CD delivery fell after a change of government, and only revived once the Fund had gained the confidence of the new government.

reports that in some cases the AD wished to pull back on CD because immediate objectives were not being achieved while CDDs argued for continuing, on the basis that they were still making technical advances. There are also reports that the CDD wished to pull back, considering that the CD was not being implemented well, while the AD wished to continue, to maintain relationships with the recipient.

130. **There is recent evidence that CD delivery is now regularly being incorporated within IMF program documentation.** A survey of the nine UFR programs where the papers were published in January 2022 showed that all nine made reference to CD (nearly always TA) in the staff papers on the program, and most included it in the MEP. Details are shown in Appendix II.

C. How Well Does CD Delivery Reflect Country Input?

131. **The broad areas of CD delivery generally reflect recipient demands, although lack of political commitment remains a principal cause of CD failure.** Case studies of Guatemala and Nigeria for instance[75] identify lack of political traction as the main reason for non-implementation of CD recommendations, caused in the first instance by a change in the minister responsible and in the second to policy differences.

132. **While all CD requires a formal request from the country authorities, there is less country involvement in determining the modalities and objectives of the CD delivery.** The 2020 revised staff guidelines on the RSNs prepared by ADs state that these notes are to be discussed with CDDs, and should "also briefly discuss delivery modalities." RSNs are to give ADs' views on HQ versus field delivery as well as modalities such as PTP learning. Recipient countries are not systematically involved although they are sometimes consulted by ADs. Countries are also not involved in the prioritization matrix established by ICD and applied by the CDDs to filter excess demands into actual deliverables.

133. **Use of RBM to foster closer recipient involvement has been uneven. Only STA routinely shares the RBM with a recipient**. Most CDDs use RBMs as an internal planning tool and do not share log frames that set out program objectives with recent authorities. Probably most importantly, milestones are not shared; recipients reportedly often do not know that milestones are in place. In some RBMs, it is not even clear who is the recipient (e.g., the tax authority or the ministry of finance). While some interviewers argued that the recipients only have a general idea as to what CD they want and would not be able to provide much value in technical design issues, this is likely to be increasingly untrue, and in any case recipient involvement in setting milestones and objectives would increase country ownership and commitment, and would likely prevent misunderstandings that could otherwise complicate program delivery. There were also suggestions by staff interviewees that some recipients see RBMs as conditionality and therefore avoid involvement and ownership; if so, the distinction between RBMs and conditionality needs to be made clear by the ADs. That said, while poor

[75] See Ter-Minassian (2022) and Legg and Sembene (2022).

outcomes identified in the RBMs may reduce the willingness of the IMF to supply CD, full awareness of the RBM and the mileposts should encourage overall consistency in the design of CD delivery, and commitment of the recipients to achieve them.

134. **The adoption of RBMs has been a significant step forward, but their potential in enhancing CD ownership and delivery is thus not yet achieved.** They have evolved from initially largely being used for donors, at the behest of donors, to becoming a central planning tool for CD delivery. It is, however, odd to argue that CD is fully demand-based on the basis of requiring a general request on a subject, and then not have the recipient agree to, or even be aware of, expected end-points or interim milestones. It is inconsistent to design and monitor a project without their knowledge and involvement. Also, unlike with other CD providers, Fund CDDs do not share CD TORs with the recipient. Dealing with the Fund can therefore be a leap of faith for countries seeking CD. Full sharing of an RBM log frame at the outset, or some form of TOR, could enhance the usefulness of the CD, in that it would likely align better with the recipient's capacity and aspirations, and reduce the risk that the project "fails."

D. Delivery to New Areas

135. **While much CD is in subjects that have been central for a long time, new subjects and priorities have been taking up an increasing share of total delivery.** The CCB identifies new priority areas and monitors delivery to those areas. They reflect changes in the world economy and ensure that the Fund remains central and relevant in its work with its member states. These are areas for building capacity for delivery, but are not necessarily intended to crowd out deliveries to existing CD areas. New priorities or areas to receive increased emphasis include country types—such as fragile states—specific areas of conjunctural interest—such as debt management—and new macro-critical topics—such as gender studies and climate change. Departments are mandated to increase the share of CD devoted to these topics; progress is regularly monitored.

136. **New priorities imply challenges for delivering CD that meets the IMF's high quality standards. There is a risk that setting over-ambitious short-term targets for staff could lead to premature introduction of CD in new areas.** CD may not be well specified or may be essentially a reformulation of traditional Fund's prescriptions (e.g., arguing for greater fiscal space or higher capital standards in the face of new shocks) which, while worthy, may be less useful than the intention of the prioritization. Areas such as gender studies and climate change may at the outset be relatively undefined, may be in areas with limited Fund expertise, and can potentially overlap with another institution that already has a good reputation at delivering in the area.

137. **Premature launching of delivery into new areas may carry reputational risk if the product is not seen as of similar quality to the CD in the traditional areas that fostered the IMF's reputation for excellence or is viewed as inferior to CD on offer from an alternative more established source.** Thus**,** designation of a new area as a priority should be only the start of a process needed before high quality CD delivery in that area becomes operational. The precise CD challenge that needs to be addressed by the Fund has to be identified, and the

modalities for providing CD ascertained. This in turn may require recruitment of experts or staff, and redeployment of staff into the new area. It also needs member countries to be made aware of the new offering of what IMF CD in this area could achieve and why the Fund would be the best organization to achieve it. There may be a "chicken and egg" problem, in that the IMF would need credibility in order to generate requests, and credibility would best be achieved by actually delivering this CD. This is particularly so where there are other potential providers that are already supplying CD.[76] The Fund is however in a fortunate position, in that its involvement in other activities will likely give it credibility for a good start also in the new areas, particularly where the new areas have demonstrable links to macro-criticality and thus to the Fund's other work. Nevertheless, high-quality performance in the new areas will be needed in order to sustain this support, and ensure that CD is successfully implemented. Staff have expressed concerns that in some areas the quality of CD may be less than what the Fund has traditionally provided. Special care would be needed to avoid such a perception becoming widespread.

138. **CDDs are highly aware of such risks and careful preparations are made for introducing CD in the new priority areas.** For example, in building expertise on digital currencies, MCM designated a team of staff who had relevant expertise to research the topic and prepare a paper setting out the substance of the subject as well as the Fund's potential role in surveillance and a framework for delivering CD. This paper was sent to the Executive Board in July 2021, and published later that month. With Board endorsement of the paper, and CD delivery having been facilitated through a staff guidance note, the department proposed the establishment of a new division to handle the topic.

139. **CD delivery to new topics carries particular challenges for staffing.[77]** When the IMF commits to delivering CD on a new topic, it may not immediately have sufficient in-house expertise to fulfil this commitment, and urgent training of existing staff or recruiting from outside may be needed. Neither may be straightforward. If the new topic is distant to others in the Fund's core mandate, staff retraining might have to be extensive. If the topic has become central in many institutions beyond the Fund, the Fund will likely be in competition with other potential employers over a limited pool of suitable experts, and its relatively restrictive employment contracts may put it at a disadvantage. In seeking to establish expertise on climate change, FAD recruited an experienced outside official at management level, and used internal staff with related expertise, drawing on the linkages with the Fund's competitive advantage in other

[76] A senior official from a potential recipient country commented that the World Bank has established a high reputation in assistance with climate change.

[77] CD requirements have also limited the ability of CDDs to achieve diversity objectives. For instance, only 20 percent of FAD staff is female, and some regions are underrepresented. One suggestion to help increase diversity (and recruitment more generally) would be to allow LTXs associated with an RCDC to be based in the region rather than necessarily in the RCDC itself. Greater diversity could enhance the effectiveness of CD as recipients might better identify with more diverse experts, and diversity amongst the experts might increase the understanding of the issues facing recipients. Twenty percent of the FAD STX roster is female. There has been some success in attracting experts from sub-Saharan Africa, but less from the Middle East. Enhancing the regional dimension for RCDC work would assist enhancing regional diversity.

aspects of fiscal CD, to create a dedicated division. In general, such efforts may be difficult to finance within existing budgets. In recognition, a budget augmentation paper was sent to the Executive Board for approval.[78]

140. **While the greater part of IMF CD involves well-established mainstream subjects where the Fund has broad expertise, there are important niche areas that may be macro-critical but where Fund expertise may be very limited.[79]** In such cases, the usual infrastructure for delivering CD may be stretched or not in place. Outside experts in the field may be identified and hired, but the Fund's capacity to manage the process and backstop their work may be limited.

141. **Backstopping responsibilities may be relatively straightforward in delivery of mainstream subjects, such as expenditure management or bank supervision, but can be a challenge in niche topics.** Payments systems management, or Central Counterparty Clearing Houses or Central Securities Depositories (CCPs/CSDs) are core to IMF interests, because of their macro-criticality in the event of failure, but are separate technical specialisms that will not need more than one or two IMF staff to handle. Similarly, central bank accounting is a limited but important specialism. The usual roster of managers and backstoppers of experts will be able to give little technical advice or review. Even more so, AD staff will be unlikely to be able to give any substantive oversight. If experts are essentially "marking their own homework" this implies that the usual checks and balances in CD delivery may be missing.

142. **The basic approach taken to handle this issue is that the Fund takes great care in the recruitment of experts in such topics, as in others**. Experts will likely have acquired their expertise at a leading institution in the field, such as a central bank, ministry of finance, or statistical agency.[80] Particularly though where the Fund is going to be involved in an area where staff can provide limited substantive oversight, within limits of confidentiality the Fund will need to seek assurances from within such agencies, which can generally be relied on for the high quality of their staff.[81] Under this approach, the Fund may consider it adequate to maintain only a minimum number of experts in the subject on the roster (the number should rarely be less than two).

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[78] IMF (2021e).

[79] With 120 sub-specialisms within the MCM STX roster, there are likely to be a significant number of niches. These may include regulation of certain types on non-bank financial institutions, payments issues for particular sectors, regulation of some financial markets, as well as issues concerning central depositories. Also, one-off issues that a country may initiate, such as a currency reform or the restructuring of a regulatory institution, may have a limited pool of expertise.

[80] There is a report of someone with limited credentials being close to being recruited to a CDD. After a review, including with HRD, the recruitment process was stopped.

[81] An alternative, as employed during the transition from the centrally-planned economies in the 1990s, would be to have experts directly nominated by the respective national institution.

143. **There may be a role for an outside advisory panel, which may be asked to prepare or review guidance notes for CD in a niche subject, and also to review outputs.** The IMF has used this approach, for instance on securities supervision.[82] Experience in this topic indicates that this has been quite effective, both in ensuring the quality of the IMF's CD and in raising the profile of the IMF's involvement in this activity amongst the specialist community.

E. "Cookie-Cutter" or Bespoke Design?

144. **Critiques have been made of CD delivery that it sometimes adopts a "one size fits all" approach.** Experts may have limited knowledge of the specificities of the receiving country and simply provide a standardized product. Even worse, successive events in a CD program may be largely repeats of an earlier event rather than learning from engagement.[83]

145. **While there may have been some truth to the critique at the start of the evaluation period, it now seems outdated.** All CDDs are aware of the issue, and make efforts to match the advice to the needs and capacity of the country, as well as to local political realities, compromising from best practice where this is considered appropriate to fit the local context. LEG, for instance, while regarding all central bank financing of government as undesirable in principle, has suggested laws that provide for rotating lines of credit to provide temporary financing up to 10 percent of previous year's revenues. More broadly, LEG provides a variety of examples of laws in its CD engagement, recognizing that each country is different. Where model laws exist, its advice focuses on key principles and design issues that underlie a particular model as a starting point of a CD discussion. MCM provides assistance on how one manages a "muddy float" even though best practice might prescribe full withdrawal from the foreign exchange market. On banking supervision, low-capacity countries will not be advised for full integration of Basel 3, but rather a composite with elements of Basel 3 together with those from earlier agreements. STA adapts its recommendations for compiling price indices depending on local capacities.

146. **There is, however, also a risk in making a program too unambitious.** An Oxford cross-county study[84] found that CD programs were sometimes ambitious specifically at the request of the recipients, who themselves were under pressure from potential investors and others to show that they met the same high standards—particularly on prudential regulations and institutional structure—as more advanced economies. Early IMF outreach on standards and codes found that, in most areas, developing countries were adamant that they did not want a "two-tier" system. The skill may therefore sometimes be to modulate the speed of CD program implementation to match the country's capacity without watering down the ultimate objective.

[82] FAD has used this for B staff-led CD missions, on the grounds that these are likely to be high profile and hence carry disproportional reputational risk.

[83] This was a specific critique of successive TADAT missions in Rwanda.

[84] Jones (2020).

147. **Peer-to-peer assistance enhances the basis for country-appropriate CD.** The demonstration by nearby countries as to what works in their context counters possible perception that some extraneous best practice is being proposed. In some cases, a regional motor can help transmit CD to others in the region. Lebanon, for instance, has played this role in the monetary area for other Arab countries.

F. Implementation by the CD Recipient

148. **The 2018 Review[85] stated that implementation of CD recommendations by the recipient countries was the benchmark for success of CD.** Leaving aside that (as discussed above) implementation may be protracted and difficult to measure, and that in the case of FCS one is providing CD in the face of known and unknown risks, this is a valid proposition. Lack of implementation is a waste of resources, and can lead to wider reputational damage.

149. **A critique of CD delivery has been that sometimes there is insufficient follow-through by staff to ensure effective implementation**. Staff may have moved on; donors' funds may have been exhausted; or RCDC experts may be over-extended and have to devote their time to other countries. There may be little incentive for the staff to return to work that may have been considered completed; it is a balancing act between putting extra (staff and money) resources into countries or areas that have already been recipients or to share the limited resources more equitably with new recipients. The ability to pass responsibility for the implementation phases to another supplier may not be readily available, unless it was planned from the outset as an integral element of the overall project.

150. **The 2018 Review looked at reasons for implementation failure in a small number of projects.**[86] It looked at 10 projects where there was limited implementation: 2 were found to have failed through the project being supply driven and not receiving much interest in the country; 3 because of lack of specificity of recommendations; and 2 from lack of recognition of local conditions. On the demand side, lack of ownership, weak implementation capacity and high turnover of local officials were seen as factors.

151. **The growth of programmatic CD, and especially of the RCDCs, has facilitated follow-up by the IMF to assist capacity implementation. Such an approach allows CD projects to be designed from the outset to include elements for assisting implementation.** For RCDCs, LTXs are in the region, mandated to perform peripatetic visits to recipient countries, so can oversee implementation once the initial CD has been delivered. That said, LTXs may be bound by the parameters of their work programs, and if implementation assistance is not included in the program at the outset, it may be hard to add it later.

[85] IMF (2018c).

[86] RBMs are at present insufficiently standardized to provide system-wide data for this purpose. See Lamdany (2022).

152. **CDDs are well aware of the importance of supporting implementation, and consider that it is largely being addressed through a more holistic programming approach.** LEG, for instance, provides CD on enabling powers and implementing regulations, not just on primary legislation. FAD notes that increasing use of programmatic CD rather than one-off CD has helped to reduce implementation difficulties, as an explicit implementation phase is built into the program from the outset. With many more LTXs in the field now—FAD alone has 75—the scope for remedying incomplete implementation has been greatly increased. MCM divides the causes of lack of implementation into three: legislation problems; lack of high-level political commitment; and lack of capacity.[87] It then adapts follow-up stages to the diagnosis, for instance, sending assistance on legislation, or ensuring that LTXs seek high level meetings with relevant country officials to increase the likelihood of buy-in. MCM shares with donors the details on how recipients are implementing CD projects, and considers that donors are now supportive and understanding in modifying initial financial targets and timelines and providing additional support in order to achieve ultimate implementation. For example, a project for Sierra Leone was reworked with donor support, with successful results. There is also a view that, while delivery may be "paused" in the event of loss of traction, what has been achieved will generally be retained, and delivery can resume in the future when conditions are more propitious. Thus, a project should not be considered "failed" in the event it is not fully carried through on the original schedule, but instead remains "in process."

153. **It is recognized however that follow-up is still work in progress, and there still remain significant gaps and challenges.** The development of the RBM system in particular is a work in progress, and use of RBMs can be refined as more data become available. Also, sharing RBMs more widely with recipients would enhance country ownership and facilitate early corrections if elements of the RBM are considered unfeasible. One challenge in the present design is that the RBM system does not go beyond the end of the project, hence is hard to bring into play for results that necessarily take a long time to become evident. Inputting into the RBM system is reported to be complicated, so that inputters may not pay sufficient attention to doing so carefully. The RBM is a management tool. It remains important that the Fund design a project comprehensively and ensure that human and financial resources are available until completion, and indeed beyond, to be able to continue monitoring and identify post-completion problems. Even "one off" missions need to include a contingency in case follow-up is needed, and that the expert who delivered the CD is accessible for implementation queries from the recipient.

[87] It was found for instance that Djibouti diverted all 40 staff at the central bank to work on FATF issues, leaving no resources to work on other issues. In Nigeria, lack of implementation of foreign exchange reforms was ascribed to policy issues, not lack of capacity, leading the department to try a different approach in its subsequent involvement.

G. Quality of CD Delivery

154. **The quality of IMF CD delivery is hard to measure directly, in the absence of generally accepted quantifiable indicators, and is generally measured indirectly, through assessing outcomes from delivery, ongoing demand for delivery, or surveys and evaluations.**

155. **The continuing demands for assistance from member countries and the willingness of donors to finance the greater part of it are two indicators that IMF CD is of high quality.** Country case study provide extensive interview evidence from recipient officials that the IMF delivers on a well-focused portfolio of topics linked to its areas of expertise and the macro-criticality of the areas to the recipient country. The Fund is not a monopsonist, and there are other suppliers, and there are potential costs to a recipient in embarking on IMF-delivered CD,[88] so continuing demand indicates that recipients and financiers prefer the Fund to potential alternative providers.[89]

156. **Increasing publication of CD reports may improve the quality of CD delivery.[90]** CD has not shared the increased transparency of surveillance and UFR,[91] as few reports are published at the moment, although there is dissemination to donors and delivery partners. This partly reflects official nervousness at revealing possible weaknesses, but also resource constraints in that it may not be thought worth the time to work a report into publishable form. Increasing publication would subject CD to additional commentary, and could provide helpful signposts for improvement. It is unlikely that such a policy could be across the board: some topics are inherently sensitive and recipient countries might be less likely to engage in frank dialogue with CD providers, but in other topics—particularly new, or cutting-edge areas—recipients might gain reputation from being seen to be working with the Fund, and welcome stronger moves to publication. Similarly, they may gain public support for a reform program if the CD report is published.[92]

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[88] Costs include the time costs of key officials spending significant time with the providers, as well as the possible downside of having sensitive information passed on from the provider to the AD and so to surveillance and possible conditionality.

[89] Some countries choose to receive CD from both the Fund and other sources. The Fund has generally regarded this as inefficient, and questioned the validity of recommendations that have differed from those of the Fund. On the other side, some senior recipient country officials regard competition amongst suppliers as legitimate and healthy. Insofar as recommendations from another supplier are adopted, the Fund may wish to consider the reasons without immediate outright dismissal.

[90] The issue was discussed by the Executive Board in February 2022. See IMF (2022a) and Radelet (2022).

[91] Higher transparency for surveillance and UFR is regarded as one of the successes of the Fund. See Dawson and Enoch (2013).

[92] There are no "flagship" product reporting CD events, along the lines of the "flagships" on macro, financial and fiscal developments put out by RES, MCM, and FAD, respectively, although CDDs and RCDCs do produce annual reports on their activities. With over 1000 CD reports produced by the Fund annually, it clearly would be feasible for a periodic report on IMF CD to be produced for the wider public. Raising the visibility of CD in this way would likely encourage staff to work in CD areas, thus enhancing the CD staff pool, and the quality of CD.

157. **Initial studies of project RBMs give some indication as to how successful a project has been, but RBM has not yet matured to the point where it provides the basis for detailed comparative analysis of how well different modalities work.** RBMs are the "workhorses" of CD assessments, since they cover all CD deliveries apart from one-off missions, and data are now reaching the point where they can be used for analysis of overall results. Staff analysis of RBM data for TA projects completed between 2013 and 2020 found, for instance, that 60 percent of outcomes were fully or partially achieved (IMF, 2021c). Disaggregation at this point is, however, challenging, given heterogeneity across countries and across regions and the still small size of the data base. Linkage to value-for-money assessments, for instance, or to assessments of delivery quality, may therefore still be difficult, although it is clearly valid to seek such assessments. In any case, RBMs are not intended as a replacement for evaluations, which require deeper analysis, particularly of the implementing environment and other causative factors, and more attention to assessing post-project impact.

158. **To allow more direct assessment of quality, it might be helpful to deconstruct the elements of CD delivery—separating the chosen modality (timing, nature of engagement) from the individual deliverer and what was delivered**. It would be useful also to focus on the quality of the process (for instance, was the recipient fully informed?); the quality of the substance (e.g., was the delivery setting out best practice, adapted as appropriate to country circumstances?); and the quality of the technique (e.g., how did the expert transmit their expertise to the recipient?). Lessons and responses could be targeted to the specific findings.

159. **ICD has a well-developed system for conducting feedback on its training, but could evaluate its training further.** Questionnaires are sent to course participants at the start of the training, and close to the end of the training, both to assess what has been learned and how recipients rate the training, both by subject and by trainer. Results are studied carefully to assist future course preparation. Follow-up questionnaires have been found to be much less useful, due to very low (and declining) response rates.[93] Evaluation exercises could complement this feedback, focusing on the impact on the institution of the trainee rather than the trainee themselves, studying to what extent training in a particular area improves the overall capacity of the institution in that area.

160. **Regarding TA, FAD sends recipient countries forms seeking feedback on CD deliveries after a mission.** In order to draw out frank responses specific questions are asked.[94] FAD provides the option that the forms are returned to RM, in the expectation that the division is more distant from the activity being assessed. There seems to be little standardization of such forms across departments, possibly causing confusion with the authorities. MCM routinely seeks feedback from recipient officials at Spring or Annual Meetings.

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[93] Lamdany (2022) looks at evaluations in the context of CD effectiveness.

[94] For instance, was the agenda discussed at the outset of the mission?

161. **CDDs conduct periodic self-evaluations on a thematic basis, while external evaluations are prepared often at the behest of donors for trust funds and RCDCs.** These enable further digging into the substance as to what was delivered and what was achieved. Self-evaluations were, although at the start of the review period, sent to the Executive Board for information, but are used largely for internal purposes. ICD updated the Common Evaluation Framework in 2020, asking for shorter, more focused papers, aiming to provide lessons for the future.

162. **While CD evaluations are now being conducted at various levels—by departments, trust fund donors, and the Fund—and there has been convergence in approaches, these remain sporadic, not systematic.** As such results may be indicative, but not complete in this period of rapid change. The 2023 CD review may wish to consider introducing a more systematic approach to evaluations to further identify factors that can improve the quality of CD delivery.

H. Cost Effectiveness

163. **It is hard to assess the cost effectiveness of the IMF's CD compared to that of other providers, given that the model employed is different and the inherent difficulties of assessing the benefits of CD.** For example, the quality control exercised by the Fund is higher than that exercised by other CD providers, which makes like-for-like comparisons difficult. The costs of Fund CD compared to other CD providers, and issues related to assessing the cost-effectiveness of Fund CD, are further discussed in Jensen and Kell (2022). Here we offer some thoughts on specific areas related to CD delivery where efficiency savings are feasible.

164. **The growth of the RCDCs seems likely to have improved the cost-effectiveness of IMF CD, but there remains potential for further enhancement.** There still are regions receiving significant CD that so far have no RCDC. Establishing RCDCs in South America and Central, Eastern or South Eastern Europe would largely complete the process of providing a regional-sourced alternative to HQ delivery, and arguably provide a more equitable basis for delivery—although difficulties in financing CD for some of these countries may cause challenges. Also, the present funding model for RCDCs, in that they are largely dependent on donor funding, may mean they do not have the flexibility to deliver urgent, suddenly-arising CD, meaning that such deliveries likely have to be made from HQ: maintaining an IMF01 buffer for RCDC to deliver CD at short notice may enhance the cost-effectiveness of delivery of such CD.

165. **The opportunities deriving from maintaining virtual delivery as part of CD post-COVID-19 pandemic also provide opportunities for enhancements in cost-efficiency.** This is discussed below, amongst the lessons from the COVID-19 pandemic.

166. **A number of areas in the administration of CD delivery have been identified as having potential for enhancing cost-efficiency, although some of these may be difficult to introduce.** The administration of the various CD trust funds is time-consuming; merging trust funds (as the World Bank is trying to do from a much higher base) could reduce administrative

costs and increase the flexibility of CD delivery. On the other hand, donors may be less interested in a more generic trust fund, and less inclined to support it. Consolidation of departments' expert rosters, or centralizing CDDs' RM functions might also bring some administrative savings, but would risk loss of expertise from very specialized, and distinct units. And centralization of RM functions into ICD would add further complexity to a disparate department that is already undergoing restructuring, and would add to concerns about conflict of interest if it were to decide resources across departments. It might be better, for the present, to continue to intensify RM coordination across CDDs and examine the possibility of putting the expert rosters together, and to review broader changes at a time when the overall situation is more settled.

167. **There has traditionally been little emphasis on recruiting STXs from countries near the recipient.** Experts from Australia and New Zealand, for instance, have been widely used in countries not close to them. While these experts doubtless deliver excellent products, it may be the case that experts from countries closer by could similarly deliver the product. Especially if the COVID-19 experience causes greater focus on limiting travel, it may be worth seeing if travel costs such can be cut by taking them into account in the selection of experts. For instance, when a mission chief, backstopper, or project manager, sets out the proposed STA for a mission, it might be helpful to require for the review stage where travel distances for experts are above some agreed level that an alternative, lower-travel-cost expert be identified, with an explanation why the lower cost alternative should not be selected.[95]

I. The Fund's Response to COVID-19

168. **The COVID-19 pandemic greatly accelerated changes in delivery modalities that were previously occurring much more gradually.** The Fund's rapid adoption of virtual delivery following the COVID-19 travel restrictions was a major achievement. Aided by in-house IT expertise, delivery both of CD and the Fund's other engagements with countries moved to virtual formats very quickly. The Fund developed new CD programs for countries struggling with the effects of the pandemic, in some cases together with the lending programs that the ADs were preparing.

169. **Many interviewees—both staff and officials—observed that virtual delivery permits a new flexibility.** Mission teams no longer have to be rigidly defined. Staff or experts whom it might not have been worthwhile to bring along for an entire mission can participate in particular meetings. Backstopping can be conducted in real time, with backstoppers even participating themselves in some mission meetings. It is far easier for an AD mission chief to participate in key CD meetings. On the recipients' side, senior officials can be brought into key meetings, so providing early endorsement or questioning of a mission's proposals, and showing commitment to proposed actions to their technical staff.

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[95] In some ways this would be similar to present arrangements for staff travel, where travel services identify lower-cost routings for a mission, and there has to be at least a consideration as to why this lower cost routing should not be taken.

170. **At the same time, both staff and recipient officials also emphasized that the nature of the virtual meetings prevented the direct contacts and bonding that are often an essential element of a successful interchange**. And the inability of both deliverers and recipients to fully divest from their "day jobs" while they were still physically in the vicinity and the challenge of operating on multiple time zones meant that many became exhausted. Some initial consideration was given as to whether it might be possible to take mission teams to a regional "safe spot," such as Singapore for the Asian region, so as to draw the benefits of the virtual environment in the present conjuncture while mitigating the difficulties, and to place officials from recipient countries into local hotels, but the benefits of such operations were thought not to be commensurate with the costs and the idea was not taken further.

171. **Virtual CD delivery also has drawbacks as a long-term approach.** It is not possible to continue virtual meetings beyond a few hours in the day, so virtual missions may take two or three times as long as physical missions. Concluding dates for missions may be somewhat nebulous, enabling postponement of outputs and decisions. Connectivity issues were significant at the outset; good progress has been made in resolving them in many but not all countries, and the residual issue is likely to be greatest in countries most in need of CD support. In many recipient countries, it was hard to obtain connections at home, so connectivity was through their institution, or the resident representative's office. Where the recipient is in a different time zone from HQ, Fund staff have worked in the time zone of the recipient, often for extended periods. This has added to the stress, and is not considered sustainable.

172. **Some forms of CD work better than others in the virtual environment.** Some one-on-one TA can be delivered well, although hands-on demonstrations may be problematic. Where counterparties already know each other, virtual delivery can work better than where relationship is starting cold. Cambodia declined the offer of virtual follow-up to a TADAT mission, preferring to wait for when a physical visit become viable. A richer mix of participants than otherwise can be brought together without impacting costs. LTXs were on occasion able to demonstrate their function to audiences of up to 250 people. Training lectures were found to be effective on-line even pre-COVID, but workshops present challenges. Reports to date indicate that progress on existing projects continued fairly well during Covid time, but that new projects were taken forward more slowly or postponed.

173. **Moving to a virtual environment permitted more interactions into countries with security difficulties.** For a number of potential recipients, especially amongst the FCS, security concerns had led to a cut-back in in-country missions, or transport of key officials to an outside delivery location. With the introduction of virtual missions, CD delivery could be more assured, although connectivity issues remained a hinderance.

174. **Greater familiarity with the virtual environment has helped the integration of RCDC staff and LTXs with CDD counterparts at HQ.** While staff in RCDCs had in some cases felt less-than-fully integrated with HQ staff, the enforced switch to virtual meetings meant that they could participate as fully as staff at HQ. While practices reportedly vary, in some cases RCDC staff now

participate more regularly in divisional and other meetings. This benefits the RCDC staff through acquiring a deeper understanding as to HQ's needs and priorities, and brings the HQ staff added insights about the RCDC staff's country knowledge. It may be argued that in the virtual environment there is less need for a regional center, as distant places are as accessible to a recipient country as are those in the region. There may be some truth in this, but the general consensus among both staff and officials is that the benefits of a regional center very largely remain. RCDC staff operate in the local time-zone, focus exclusively on the needs of the RCDC member countries, can resume their physical contacts when conditions permit, and continue to bring to bear their knowledge of local conditions.

175. **The COVID-19 pandemic has in some cases also increased the interactions of LTXs with the AD**. While this is broadly welcome, there has been some concern in CDDs that this may reduce the role of the backstopper, which in turn may interfere with the wider expertise that the backstopper may bring to the issue. While some LTXs have been designated project managers, there seems to be general agreement that this should only be in special cases, where the LTX has particularly deep knowledge of the country, the subject, and the relevant political economy factors.

176. **Learning from this experience, post-COVID-19 delivery will likely be of hybrid form.** CD programs can become hybrid, maybe with a core physical event preceded by virtual joint design of the program, and succeeded by virtual follow-up and assistance with implementation Thus, whilst the central delivery of a project is likely to again be physical, virtual delivery may remain, for instance for: coordination among ADs, CDDs and RCDCs; dialogue with the recipient as to precisely what is wanted; application of specific expertise where it might be considered wasteful to bring the relevant expert to the field for the entire mission; intra-mission review; and post-mission implementation assistance. Careful attention to diagnostics before details for a program are put in place becomes more feasible in the hybrid environment, and can substantially enhance the likelihood of a program's success. CD programs could be divided into physical and virtual components, with a core physical mission preceded by virtual diagnostics and scoping and followed by virtual assistance in implementation as well as post-implementation monitoring. With concerns raised about challenges in project design and especially in follow-up and implementation support, the availability of virtual communication could provide a substantial fillip to CD delivery. Extra staff can be included for parts of the program, perhaps joining virtually to the physical mission.

177. **There also challenges.** First, monitoring frameworks may need to be adapted when CD missions are not unambiguously defined in their dates and composition, so that there is a full record of what has been done. Also, there may be a temptation to leave too much in the virtual sphere. Virtual communication has worked well so far, because there was no alternative, and it was expected to be necessary for a limited period of time. Importantly, it also rested on understandings and trust built up over years between Fund staff and their counterparts. Over time people move on, and such relationships need to be rebuilt. It is harder to conduct an

effective virtual meeting if all participants are meeting each other "cold". There are reports from the case studies and the CDDs of "Webex fatigue," that participants are tiring of continuous virtual discussions and negotiations. And excessive reliance on virtual delivery would become increasingly risky as counterparts who knew each other before the pandemic move on and are replaced by "cold callers." It is considered that while existing projects have moved forward successfully, new projects have progressed more slowly or been postponed.

178. **In particular cases, given an increased familiarity with virtual or hybrid environment and inclusion of new subjects, it may be worthwhile to consider moving away from the single-subject, single expert model.** Multiple-person CD teams become more feasible when not all the team needs to be in the same place at the same time, allowing a comprehensive approach to multi-faceted subjects, such as climate change; it could also enhance intra-mission quality through covering interrelationships amongst the topics, possibly including AD mission heads to add the political economy aspects. The FSSRs by MCM introduced before COVID, and the revival of the multi-sector statistics model in the recent mission to Uzbekistan, might serve as examples.

V. CONCLUSIONS

179. **IMF CD is of high quality, well-constructed, and generally well adapted to local conditions**. The IMF is the preferred provider in most, if not necessarily all, the areas that it covers. Progress in addressing many of the issues raised in earlier reviews has strengthened the Fund's delivery further.

180. **Successful CD implementation is likely to require a combination of two necessary conditions: that the requisite technical skills have been absorbed and that high level political support is provided**. Emphasis is put by all CDDs on matching their CD delivery to the capacities of the recipient, but lack of political support is one of the main factors cited to explain CD failures.

181. **One of the strongest findings from the case studies and the CDDs is the importance of continuity of assignments to enhance understanding of local conditions, and match delivery should reflect country circumstances.** It takes time to build trust, and to acquire the necessary knowledge of country circumstances and political realities. Successive short-term missions should be conducted by the same STX; and LTX assignments should be for an extended period. Backstoppers and HQ experts too should be expected not to rotate through country assignments too quickly. It would therefore be productive to align incentives with lengthy engagements for a country, most particularly for an FCS, where issues are likely to be particularly complicated and conditions difficult.

182. **External funding now covers more than half of delivery.** Increased use of external resources has facilitated substantial increases in CD delivery. Trust funds cover many, but far from all, IMF CD activities. Their distribution may in turn influence the choice of delivery modalities.

FAD, for instance, has been highly successful in obtaining funding for its trust funds. Lack of donor interest in supporting customs reform, however, means that the volume and type of assistance to that area is constrained by availability of IMF01 funding rather than an assessment of the relative merits of alternative delivery modalities. Short-term urgent needs must also be covered by internal IMF01 resources. Increased delivery flexibility (and administrative costs savings) could be achieved by merging trust funds (as the World Bank is seeking to do, from a much higher base), although there is a risk that donors would be less interested in supporting generic funds that their own preferred specialisms.

183. **IMF CD has increasingly been delivered within a programmatic approach, and integrated with surveillance and UFR, but the process is not complete.** Fund CD has evolved from just "what to do" to encompassing also "how to do it." However, the process is not complete, with unevenness in securing prompt follow-up assistance. The programmatic approach facilitates including implementation assistance as an integral element in all programs. Even one-off missions could embed implementation assistance at least as contingency. The trend towards a programmatic approach, which reflects the preferences of donors, as well as recognition that much assistance is structural and takes time to carry through, has substantial benefits for CD delivery, making explicit the diagnostic and implementation phases that frequently are critical to the project's success. It forces the Fund to define the objectives of the CD. However, it may also limit flexibility in the event that conditions change or the program stalls.

184. **There are now 17 RCDCs, covering most of the CD-receiving membership, but with gaps and overlaps resulting from the funding model and opportunistic growth.** RCDCs are very much appreciated by member countries. However, they have widely varying numbers of members, have differing degrees of funding stability, and still have significant gaps in country coverage, at least in part reflecting differences in the resources available. Some regions that are significant recipients of CD, in particular South America and Central and Eastern Europe, still have no RCDC, possibly hampering their full access to Fund CD. Also, in most cases, the geographic distribution of RCDCs does not coincide with that of the training centers, making more complicated the full integration of TA and training. CD for middle income countries finds it harder to attract donor interest. Within a particular topic, the choice of modality between HQ and RCDC may therefore depend on financing as much as technical appropriateness. It may be worthwhile to review possible imbalances and gaps in the RCDC network, possibly to establish one or more additional RCDCs (such as in South America), to strengthen under-resourced RCDCs, and further align the coverage of RCDCs and training centers.

185. **Recommendations related to the role of ADs and recipients were central in the 2018 CD Review, but progress remains uneven**. ADs were already under resource pressure, and may be stretched to fully assume their new responsibilities. Mission chiefs vary in the extent to which they become fully involved in CD plans and deliveries, although there has been a marked increase in recent years. References to CD are uneven in Article IV reports. On the other

side, lack of care in integrating CD with other Fund activities has on occasion undermined CD deliverers as trusted advisors.

186. **CD is increasingly incorporated within UFR, but CD projects may have a different timescale from UFR programs**, which are necessarily time-bound and end in the event of substantial non-compliance; CD programs may rather be seen as providing milestones that may be in place to resume the journey later even if the journey has been paused. Country authorities can thus be left with a sense of achievement rather than failure, even if the CD program is not fully carried through as originally intended.

187. **Much CD is now clearly demand-determined, especially that for larger countries, and processes are in place to ensure that CD reflects country demand.** Where CD is delivered to support UFR this can help achievement of UFR objectives; on the other hand, there may be tensions if CD is pressed into a program-determined timeline that may not be consistent with the CD's optimal technical requirements. Also, there are gaps in country involvement in the actual delivery: CD TORs are not shared with recipient countries, nor do most departments share RBM outputs or milestones with recipients. Recipients are not involved in key elements of CD delivery, including TORs for CD missions or setting milestones for delivery within the RBM framework.

188. **Transparency has not increased for CD in recent years as it has for surveillance and UFR.** Few CD reports are published, partly because of concern over sensitivities but also because of inertia. This can lead to lack of understanding of the rationale for difficult decisions, to lack of buy-in amongst the wider community, and thus to risks for the sustainability of the reforms. Wider outreach as part of CD delivery, including publication of, at least, report summaries, could help allay such concerns, and indeed provide feedback to improve delivery in the future.[96]

189. **Delivery to FCS raises particular challenges.** As noted in the IEO FCS evaluation, the Fund's interaction with these countries is likely to be riskier, and less subject to the usual assessment metrics. Project breakdowns and policy reversals occur (as indeed identified in several of the case studies for this evaluation). While CD delivery may therefore be intermittent, progress can nevertheless be built over time. Even if a project is not carried to its planned endpoint, what is achieved during the project can be taken as a success, retained so far as possible, and built upon as reform momentum resumes. Particularly for FCS, the peripatetic advice generally provided through an RCDC may not be enough. RAs are in place in a number of countries—for instance they account for one-third of MCM LTX placements. They are expensive, and there have been examples where RAs have been left underemployed, confronted with hostile counterparties, and used as substitutes for local officials. That said, there is strong country interest in more RAs;[97] an expansion of carefully constructed RA assignments should be considered for such cases.

[96] Proposals to increase the transparency of CD were discussed by the Executive Board on February 4, 2022.

[97] See, for instance, Legg and Sembene (2022).

190. **Fund CD is moving into new areas, including cybersecurity and responses to climate change.** These moves keep the Fund relevant as the global environment evolves. Care is, however, needed before the CD is launched that the product being delivered has been fully developed, and that it meets country demand.

191. **Careful attention is also needed to ensure that the Fund has high-level expertise available (through recruitment or training**), so that the high standards evident in delivering on core subjects are fully maintained in the new areas. Similarly, care is needed when delivering in highly specialized core areas where non-technical staff can give only limited oversight (see paragraphs 155 and157).

192. **The RBM framework supports the move towards a programmatic approach, but is not yet fully realizing its potential**. All projects are now required to be designed around a results-based program framework, to be monitoring over its various stages. However, heterogeneity in the situation and capacity of recipient countries as well as limited sharing with recipient countries has so far dampened the RBM's potential.

193. **The Fund's substantial investment in information technology is facilitating its CD delivery, but remains a work in progress.** Most recently, CDMAP has been rolled out, supported by a change management team, to bring together the various elements of CD planning, delivery, and evaluation, and to increase the transparency of the process. AD sign-off of missions adds to the vision of having CD as an integral element of the Fund's interaction with a country. While the potential of CDMAP is widely recognized, there are worries about reform fatigue and CD providers being overwhelmed as it is introduced on top of other major changes and the physical difficulties of operating in the COVID-19 environment. Concerns have been raised at the burden of inputting data into the system, the heavy emphasis on the costing of the various elements, and uncertainty as to projected savings. These may reflect largely start-up problems.

194. **The COVID-19 pandemic changed the nature of CD delivery.** While there had already been some virtual delivery, in particular through telephone conferences, beforehand, at the outset of the pandemic all CD moved quickly to virtual delivery, with modalities of communication enhanced by new technologies. CD topics also changed, with focus heavily on pandemic-related issues. Virtual delivery has a number of advantages: transport and living costs are largely eliminated; individual experts, recipient officials, and senior management on both sides can be brought into discussions for limited periods; post-diagnostic planning and follow-up work can be conducted virtually and more easily embedded in the overall program; and additional elements, such as post-program monitoring, can more easily be maintained. On the other side, there is universal concern at the loss of the "soft" benefits of physical delivery—the build-up of trust through the less formal interactions; also, it is physically impossible to hold virtual meetings for more than a few hours a day, so missions need to be lengthened, often substantially. It seems that while existing projects continued fairly successfully, there was much less progress in taking new projects forward. As time goes on, and legacy contacts diminish, the

problems of only-virtual delivery will likely increase. The post-pandemic delivery model will therefore likely be a hybrid, with diagnostic and core missions again physical while post-diagnostic planning, as well as peripheral mission attendance by specific experts and senior officials, and follow-up, likely to be to a large extent still virtual. Guidelines can usefully be developed to optimize the use of the hybrid model.

195. **A number of topics have been identified that would be useful to follow-up in the next staff CD review.** Issues concerning the integration of CD with lending would be useful to examine, as would be further efforts to ensure CD is fully demand-determined, for instance through greater sharing of RBMs and milestones. Also, the development of a regional perspective to delivering CD, including possibly through the possible establishment of additional RDCDs, or additional funding where there are gaps, would be helpful. Along the same lines further integration of CD and training, and the further development of PTP learning could be useful issues. It will be timely also to review progress with CDMAP, and to examine whether the RBM system is being taken forward to meet its full potential. The scope for increasing the placement of resident advisors into fragile and post-conflict states could also be examined. Finally, it will be worth assessing the desired balance between in-field and remote delivery in the post-pandemic phase.

APPENDIX I. CD IN ARTICLE IV DISCUSSIONS

The 2019 Statement of CD Policies and Practices reinforced existing guidance on surveillance that ADs should take the opportunity of Article IV discussions to raise CD issues with recipient countries. The 2018 CD Review had suggested that CD was generally well integrated in UFR discussions, but that integration in surveillance discussions was more mixed. The Operational Guidelines for Integrating Capacity Development with Surveillance and Lending, issued in April 2021, stated that "when capacity gaps constrain the implementation of recommended policies, the CD strategy and priorities to address such gaps and the implementation of relevant CD should be reflected in the staff report" (IMF, 2021a).

In seeking to examine how far CD is integrated with surveillance, this appendix gives the findings of a review of Article IV reports examining the degree to which surveillance discussions included discussions of CD. The survey comprises all stand-alone Article IV reports published in July and August 2021 (excluding Germany and the United States). This is clearly not a balanced sample across the Fund, but is indicative in showing how CD is handled by ADs in surveillance discussions, and how this is reported to the Board.

The overall finding is that generally there was limited integration. Most reports had no mention of IMF CD in the main text, suggesting that the subject was not raised in discussions, although some issues that have conventionally been the subject of CD are covered in the text (risk-based supervision, revenue-raising strategies). Most Article IVs just included a list of past TA events in the supplementary document on relations with the Fund.

The Article IV discussions on Philippines and Guinea were more complete. For the Philippines, a paragraph on IMF CD was included in the main text; also, the appendix reference to TA was not the usual list of past events but a brief forward-look at the CD that the authorities should pursue. Cote d'Ivoire, Ghana, and Guinea had the most detailed discussion of IMF CD, including in the main text; they had recently emerged from UFR and the discussion covered CD that had been set out during their UFR programs. In no case was training mentioned in the Article IV report.

Coverage of CD in Article IV Reports published in July–August 2021 is shown below.

Bolivia. No reference to CD in text, except a note that a prospective move to inflation targeting could require CD. No appendix on CD.

Cote d'Ivoire. The text encourages effective financial supervision, completing restructuring of public banks, and increasing governance and PFM practices. There is a four-page description and assessment of TA. "An exhaustive agenda of IMF TA has supported the program's objectives." The Information Annex on Fund Relations (IA) lists missions (all on fiscal and statistical issues, as monetary issues fall to the regional authority).

Dominican Republic. No reference to CD in text. The IA includes paragraphs on revenue and customs administration TA, PFM, statistical and financial sector supervision TA, giving objectives and state of play.

Estonia. The text encourages acceleration of the green and digital transitions. The recommendations include reference to the AML/CFT reform agenda, drawing on prospective regional CD on AML/CFT. The IA covers this, as well as ongoing STA assistance, LEG advice on corporate insolvency, and the FAD fiscal transparency evaluation.

Ghana. The mission included FAD and MCM staff. The Report contains an annex on options to increase tax revenue. Annex VI describes the Capacity Development Strategy: "CD plays a central role in the policy dialogue with Ghana. Despite the pandemic, the priority continues to consolidate gains made under the program." It notes that "Progressing CD has been uneven," with revenue administration particularly slow despite extensive support. The paper lists six top CD priorities, including the objectives of each, as well as the number of missions envisaged per topic in FY2021.

Greece. The mission included LEG and MCM staff. Discussions included on the asset management company, and slow progress in improving bank health and reducing non-performing exposures. A seven-page financial sector background note lists 38 TA events 2011–2021.

Guinea. The mission comprised AFR, FAD and SPR staff. Uniquely for this sample, on the cover page of the report the mission expresses its thanks to staff from FAD, LEG, MCM, STA, RES, and AFRITAC West for "analysis on particular topics." In the section on the financial sector in the main report, the staff encourages follow-up to FSSR TA, and the transition to risk-based AML/CFT. The text notes that as a pilot country under the Capacity Building Framework for fragile countries, Guinea is an intense user of Fund TA. Its new program is to focus on key priorities, complemented by additional CD where needed. An annex gives the status of the 2019 FSSR recommendations, and summaries CD achievements under Guinea's 2011–2020 ECF arrangements. It highlights 13 prospective projects identified by the CDDs and AFW reflecting discussions with corresponding government agencies.

Hungary. No reference in text. IA shows last CD mission, on VAT Gap analysis, in 2018.

Kyrgyz Republic. Mission comprised three Middle East and Central Asia Department (MCD) HQ staff, and three from the resident representative office. Main text noted need to strengthen the budget process. The IA has a separate section on Fund TA, listing 66 events, of which 17 by FAD, 1 MCM/LEG, 13 MCM, 14 LEG, 1 LEG/FIN, 18 STA. There is also a list of resident advisors 2014–2021 (the last left in 2019).

Latvia. No reference to CD in text, but recommendations, such as risk-based supervision, that previously might have depended on CD. Annex VIII gives reference to a TA report on NPLs. Fund relations annex lists CD events: none since 2018, and only three since 2012.

Lithuania. No reference to CD in text. IA shows FAD mission in February/March 2021.

Kingdom of Netherlands: Curacao and Sint Maarten. No reference to CD in text. IA shows 24 missions since 2019, of which 9 were from CARTAC.

Panama. Mission team included FAD, LEG, MCM, and STA staff as well as WHD. The text includes discussion of NPLs and resilience. Paragraph 34 refers to IMF CD on drafting a bill on resolution of troubled banks. An appendix looks at improving the fiscal reporting framework. The IA notes that Panama is a large recipient of (TA)…directly from the Fund or through CAPTAC-DR. Five lines describe the various assistance events, mainly FAD.

Philippines. Detailed recommendations on the supervisory agenda. Official response to recommendation to ban dividends. Section E of main text, on CD, states "Integration of capacity development (CD) with surveillance suggests a focus on strengthening institutional capacity to address the fallout from the pandemic." The IA under the heading "Integration of IMF Capacity Assistance and Surveillance" provides one-and-a-half pages identifying nine CD topics, forward looking, that the authorities are proposed to request. As in the other Article IV reports, there is no reference to CD in the ED's statement.

Saudi Arabia. Mission included FAD and LEG. No mention of CD in the main text or the IA. An annex of the FSSA refers to World Bank TA on deposit protection fund payouts.

Singapore. Text includes a recommendation to implement the 2019 FSSA recommendations. The IA notes that Singapore has received no TA.

Timor-Leste. The text refers to the IMF's Special Series note on COVID-19 on banking sector regulatory and supervisory responses. TA information is not included in the IA.

Tuvalu. The mission included two staff from APD, one each from MCM and FIN, and four from PFTAC. The discussion covered a range of topics frequently found in Fund TA reports. A section on "Strengthen policy making through capacity development" covered statistical issues. The authorities welcomed various TA. The staff appraisal drew attention to CD on banking supervision. The IA had three lines summarizing PFTAC assistance, plus an appendix on relations with PFTAC. Ninety-six days assistance were delivered in FY2019

APPENDIX II. CD IN IMF PROGRAMS

This appendix summarizes the references to CD in the documentation for the nine UFR programs that were published by the Fund in January 2022. Dates relate to when the papers were published (generally a few days after discussion by the Executive Board).

Angola, January 18, 2022

Para 18. "Tax administration…..IMF support for strengthening these areas will continue, with plans for a number of missions in 2022."

"PFM…..The authorities requested and Fund staff agreed to assist with elaborating a regulation to enhance coordination in the fiscal planning process (MEFP 15) supported by a long-term resident IMF technical advisor. IMF staff will continue to assist the authorities' broader efforts to strengthen PFM…."

"Public investment and PPPs: The initial focus will be on project appraisal, evaluation and costing…with IMF staff assisting with follow-up PIMA TA in 2022."

Para 20: "Further central bank action may be needed to lower high inflation. The authorities have requested IMF TA to support this transition."

Para 21: "IMF staff are providing continuing technical advice to the BNA on reserve management."

Para 25: "IMF staff recently provided TA to the BNA on the implementation of its…..Supervisory Review and Evaluation Process for banks…"

Annex VI, Capacity Building in Angola.

"The Angolan authorities, supported by IMF staff and other institutions, are implementing a comprehensive demand-driven capacity building program. Table 1 shows a list of TA activities 2019-22….."

MEFP

Para 5: "We will continue fiscal structural reforms….Tax administration…we are committed to making the most of the IMF capacity development support….PFM….We will elaborate a regulation to the PFSL with assistance from the IMF….."

Para 10: "…..We have begun a transition …..to an inflation targeting regime with help from the IMF."

Appendix: Joint IMF-World Bank Management Action Plan. Table showing 1) WB requests to IMF for delivery in WB-led areas; 2) IMF requests to World Bank for delivery in IMF-led areas; 3) joint products.

Democratic Republic of Congo, January 5, 2022

Para 12. "The government adopted the new PFM strategy prepared with IMF CD support…"

Para 17: "With IMF support, the authorities are expected to submit to Parliament the new Commercial Banking Law….The FSSR planned in early 2022 will be instrumental in providing a banking sector diagnostic…"

MEFP

Para 23. "Strengthening the oversight and regulation of the financial sector remains a priority. We will submit the new Commercial Banking Law to Parliament in December 2021….as additional technical assistance was needed to incorporate important elements in the draft law."

Jordan, January 6, 2022

Para 8: "…with the support of the IMF's Fiscal Affairs Department (FAD) a revenue mobilization plan…."

Para 17: "….the authorities are leveraging Fund TA to update their monetary policy and banking supervision frameworks, and payments systems…."

MEFP

Para 14 (1): "We have delivered….with the support of the IMF's FAD a revenue mobilization plan."

Para 14 (iv) "The upcoming IMF TA on cash management…"

Para 14 (vi): "Fiscal transparency and fiscal risk management, …..leveraging FAD's SOE Health Check Tool…."

Para 14 (viii); "Building on recent MCM TA, we will update…our Medium-Term Debt Management Strategy (MTDS)."

Para 24: "We have also requested additional IMF TA to further update our monetary policy, payments and banking supervision frameworks …the Central Bank has greatly benefitted from continuous IMF TA."

Moldova, January 14, 2022

Para 25: "….strengthening the public investment management (PIM) framework….in line with FAD TA recommendations."

Para 31: List of financial sector measures: "Most of these initiatives will be supported by the multi-year FSSR follow-up project."

Box 4: FSSR summary findings.

Para 32: "….implementation of the Bridge-Bank Tool and Bail-in Tool….in line with IMF TA recommendations."

MEFP: Reforms to Strengthen Revenue Mobilization.

Para 8: "……improve the State Tax Service (STS) in line with IMF TA….strengthening STS capacity …and organizing training and TA from the IMF."

Para 18: "….strengthen financial supervision…in line with the FSSR recommendations."

Para 20: "We pledge to bolster financial safety nets….in line with IMF TA recommendations."

Nepal, January 27, 2022

Para 15**:** "The program will seek complementarity with other development partners…and implementation of reforms will be supported by IMF technical assistance, including through HQ and SARTTAC…."

Para 26: There is a commitment to IMF TA on banks, including a possible FSSR.

MEFP

"We plan to request IMF TA to assist with these reforms."

Para 27: "We need capacity building…We plan to enhance the risk management capacity of the NRB through the TA we will receive from the IMF."

Para 32: "We will develop a strategy ….with support from IMF technical assistance and a potential Financial Sector Stability Review (FSSR)."

Rwanda, January 13, 2002

Para 17: "…fiscal risks assessment, with Fund TA support…."

Para 21: "Recent TA on Forecasting Policy and Analysis System (FPAS) assisted BNR's forecasting team with developing inflation projections."

Para 22: "With IMF TA support, BNR is improving their review expertise on Internal Capital Adequacy Assessment Process (CAAP) and Internal Liquidity Assessment Process (ILAAP).

Para 35: Section on Program Modalities and Capacity Development: ".....CD priorities remain closely linked to program priorities: FPAS; improve GFS; design MTRS; strengthen fiscal risk management; strengthen implementation of BCPs and IFRS for MFIs, and strengthen internal processes for reviewing banks' IT risk. Going forward, activities are expected to focus on conducting a PIMA, and PFRAM, and MTRS follow-up, and IPSAS roll-out, per budgetary and FSSR recommendations.

Annex VIII. Capacity Development.

1. Public Financial Management: Objectives; Past TA; Planned TA.

2. Tax Policy and Revenue Administration: Objectives; Past TA; Planned TA.

3. Monetary Policy: Objectives; Past TA; Planned TA.

4. Financial Sector Supervision and Regulation.

Senegal, January 14, 2022

Para 27: "....staff encouraged the authorities to accelerate the implementation of key reforms sponsored under the program and by extensive Fund TA...."

Annex V.1: Extensive discussion of CD, including priorities by department.

Seychelles, January 13, 2022

Para 10: "The authorities could not meet the structural benchmark for submitting the Policy Paper on the Financial Stability Act due to capacity constraints, and requested IMF assistance to peer review the policy paper."

Para 15. "A recent IMF technical assistance (TA) mission....delivered hands-on training on the principles of fiscal sustainability and debt dynamics....For FY2023 additional support…is scheduled. Also, the authorities have started technical discussions with IMF staff on strengthening fiscal forecasting."

Para 16: "A PIMA planned for FY23 will help identify opportunities to increase the efficiency of public investment…"

Para 19: "Planned TA support from AFRITAC South on updating producer price indices….To strengthen monetary policy implementation, IMF TA is planned…"

Para 29: "After requesting IMF TA, the CBS will submit the Policy Paper to the Cabinet."

Para 33: “IMF TA has supported the NBS to release annual GDP estimates…IMF TA was also provided to the CBS to improve external sector statistics…”

MEFP

Para 65: “CBS has requested the IMF’s assistance to peer review the Policy Paper on the Financial Stability Act.”

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