I. INTRODUCTION

1. This evaluation assesses how effective the IMF has been in meeting the Capacity Development (CD) needs and expectations of recipient countries and in achieving its institutional objectives for CD on behalf of all its member countries. It evaluates CD activity over the period 2012 to 2020 and provides an initial review of how IMF CD adapted to new challenges during the initial phase of the pandemic.

2. CD provided by the IMF refers to a set of activities that aim to “support member countries’ efforts to establish the institutions and human capacity necessary to develop and implement sound macroeconomic and financial policies” (IMF, 2019c). The Fund provides CD mainly in its traditional core areas of competence, such as revenue administration, public financial management (PFM), macroeconomic statistics, financial supervision and regulation, macroeconomic frameworks, central bank operations, tax policy, and financial integrity, with some attention to emerging areas such as digital currencies and climate change. IMF CD consists of technical assistance (TA), aimed at enhancing institutional capacity, and training, aimed at enhancing human capacity, delivered through a range of modalities.¹

3. IMF CD activities are anchored in the Articles of Agreement, which allow the Fund to perform “financial and technical services” consistent with the Fund’s purposes to member countries on request.² Unlike the Fund’s surveillance and lending operations, where the obligations of the IMF and the member countries are clearly spelled out in the Articles, CD is entirely voluntary; it requires a request from the member country and for the Fund to accept that request. CD is available to the full membership, and indeed has benefited all member countries at some point in the Fund’s history. Almost all CD is provided free of charge to member countries, with the exception of non-critical CD to high income countries. IMF CD activities are thus predominantly financed by a combination of the IMF’s own resources and resources provided by external donors.

4. CD activities have increased significantly in the last decade. By FY2020, they accounted for around US$400 million of spending a year, or roughly one-third of the Fund’s administrative budget, a larger share of the IMF’s administrative budget than program activity, bilateral surveillance, multilateral surveillance or oversight of the global system (Figure 1). This expansion has been supported by strong growth in external funding, which now finances about 55 percent of IMF CD spending.

¹ The Fund works in many ways to develop the capacity of its member countries to design and implement sound economic and financial policies, including through its Article IV surveillance (AIV), Financial Sector Assessment Program (FSAP), cross-country research, developing guidelines/principles in particular policy areas, and lending activities. But for the purposes of this evaluation, CD is defined more narrowly, and in the same way as in the Fund’s budgetary processes, namely: direct delivery of services to recipient countries; associated management and administrative activities; and development of CD-related tools and analytics.

² We discuss the objectives for IMF CD in greater depth in Section III below.
5. The IMF has taken steps over the past 10 years to adapt its CD to meet the changing needs of members, as well as to improve its efficiency and effectiveness. Changes have reflected learning from experience, input from beneficiary and donor countries, external evaluations, and periodic CD strategy reviews by staff, most recently in 2013 and 2018 (IMF, 2013; 2018b). In particular, the evolution of CD since 2012 has included:

- Changes in the relative importance attached to IMF strategic priorities versus country demand in the allocation of CD resources.
- Efforts to enhance CD engagement and follow-up through a growing set of RCDCs, of which currently there are 17.
- Shifting towards a medium-term orientation in CD engagement with countries, in part at the prompting of external donors.
- Developing an Results-Based Management (RBM) framework to support better design, M&E of CD work and introducing management information systems to bring together RBM and other CD information for planning, implementation and reporting purposes.

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3 Since the 2005 IEO evaluation of TA (IEO, 2005), Fund staff have conducted a number of strategic reviews, including a Task Force on TA in 2005 to develop proposals in response to the IEO evaluation (IMF, 2005a); two reviews in 2008, one of training (IMF, 2008b) and another on TA (IMF, 2008a); a Report of the Task Force on the Fund’s TA Strategy (IMF, 2011); and the two strategy reviews of CD in 2013 and 2018 already mentioned.
• Efforts to better integrate IMF CD with surveillance and lending activities, in particular by increasing the role of area departments (ADs) in CD.

• Increased engagement with the Board.

• Adapting to the pandemic, which required the IMF to quickly adjust CD delivery mechanisms and respond to rapidly evolving country needs.

6. Notwithstanding these substantial efforts, a number of long-standing issues continue to pose challenges for IMF CD. First, there is the basic question of how much impact CD work has and whether the IMF has taken sufficient steps to put in place a fully functioning approach to monitoring and evaluating CD. Second, there is the question of how far the Fund has moved in its efforts to prioritize country needs and interests in allocation and prioritization of CD, to provide CD in emerging areas beyond traditional areas of expertise, and to align CD activities with surveillance and lending work. Third, there are issues related to how CD is delivered, such as the balance between headquarters (HQ)-based and field-based experts, the balance between best practice and fit-for-purpose TA, the approach to quality control, the attention to follow-up, and the challenge of rapidly scaling-up remote CD delivery after travel was curtailed during the pandemic. Fourth, there is the question of how the IMF should draw on donor financing in a way that balances the interests of the Fund and donors and mitigates constraints and risks of dependence on external funding. Fifth, there are questions about whether the Fund is well positioned to recruit and retain the needed technical expertise to sustain high quality CD, including in emerging areas. And sixth, there are issues related to coordination with other providers and dissemination of CD products, such as whether there is sufficient learning across projects, countries, and regions.

7. This evaluation examines these, and other issues related to IMF CD. The IEO previously evaluated IMF TA in 2005 (IEO, 2005), with an update in 2014 (IEO, 2014). Given the growth and evolution of CD over the last decade, it is time for the IEO to revisit the subject. The evaluation is also timed to provide input to the Fund’s next five-yearly strategic review of CD, due in 2023. More specifically, the evaluation aims to:

• Assess progress made in implementing the strategic directions set by the Board following the 2013 and 2018 CD reviews.

• Identify and discuss some of the broader issues that the 2013 and 2018 reviews largely did not cover, such as the scale of CD relative to other IMF activities, the sustainability of and risks associated with external financing, the implications of alternative funding models, the adequacy of HR policies to nurture needed expertise for CD delivery, and long-standing issues concerning the role of the Board.

4 CD has also been covered in some recent IEO evaluations, in particular IEO (2018, 2021).
• Provide an early assessment of the response of IMF CD to the pandemic.

• Recommend steps the Fund could take to enhance the effectiveness of its CD in meeting the needs and expectations of recipient countries, and the Fund’s strategic priorities.

8. The evaluation covers IMF CD activities from 2012, when major internal changes to the governance of CD were initiated, through 2020.5 We also provide information on some subsequent developments that are important—in particular, the evolving response of IMF CD to the pandemic and updates on some of the key reforms to CD that are ongoing—without seeking to draw evaluative conclusions on this recent experience.

9. The evaluation assesses IMF CD against a range of benchmarks and criteria. These include the Board’s priorities for CD following the IMF’s internal CD strategy reviews in 2013 and 2018; the objectives for CD set out in the 2019 Statement of CD Policies and Procedures (IMF, 2019c); the performance and approaches of other CD providers; and the standard Organisation for Economic Co-operation and Development Assistance Committee (DAC) evaluative criteria, namely relevance, coherence, efficiency, effectiveness, impact, and sustainability.6

10. The main sources of evidence for the evaluation are: (i) semi-structured interviews with current and former IMF Board members, management and staff; current and former country officials; academics; and representatives from donor agencies, other CD providers and civil society; (ii) desk review of internal documents and Board presentations, IMF TA reports and other outputs, Article IV (AIV) staff reports, program documents, policy papers and reviews of CD; (iii) analysis of various IMF databases relevant to CD; and (iv) surveys of all IMF member countries (recipient authorities, non-recipient countries and donors) and of staff, including contractuals who have worked on CD in the last three years.

11. The rest of this report is structured as follows. Section II provides the context for the evaluation. Section III presents an overall assessment of each of the key elements of IMF CD, namely: strategy and oversight; prioritization and allocation of CD resources; delivery; working with partners; monitoring and evaluation; effectiveness, impact and costs; funding; and HR issues. Section IV provides a summary of key findings and conclusions, and Section V lays out the evaluation’s recommendations. Fifteen detailed background papers (Box 1) provide the underlying evidence for the evaluation’s findings and conclusions. Ten address thematic issues and five contain 19 country case studies grouped by region.

5 In some cases, we use Financial Year data, which in the IMF runs from May to April, and thus consider FY2012 through FY2021.

6 See OECD (2019).
Box 1. Background Papers

**Country Case Studies**
- Africa: Democratic Republic of the Congo, Liberia, Nigeria, Senegal, and Uganda (Legg and Sembene, 2022)
- Asia: Cambodia, China, Indonesia, and Sri Lanka (Citrin and Legg, 2022)
- Europe: Albania, Moldova, and Ukraine (Everaert, 2022)
- Middle East and Central Asia: Georgia, Saudi Arabia, and Somalia (Chopra, 2022)
- Western Hemisphere: Brazil, Guatemala, Jamaica, and Peru (Ter-Minassian, 2022)

**Thematic Papers**
- The Role of the Executive Board in CD Governance (De Lannoy, 2022a)
- Prioritization and Allocation (Towe, 2022)
- Delivery (Enoch, 2022)
- Training (De Lannoy, 2022b)
- Coordinating and Collaborating with Partners (Radelet, 2022)
- Monitoring, Evaluation, and Effectiveness (Lamdany, 2022)
- Costs and Cost-Effectiveness (Jensen and Kell, 2022)
- Funding Issues (Stedman, 2022a)
- Human Resource Issues (Stedman, 2022b)
- IEO Surveys and Analysis of AidData Surveys (Pedraglio and Stedman, 2022)

II. CONTEXT

A. CD at the IMF: A Brief History

12. **Contributing to building institutions and skills has long been an important part of the international community’s support for countries’ efforts to achieve sustainable and inclusive growth.** The IMF is one of a wide range of organizations that support countries in this way and provides only a small fraction of this type of assistance, which the OECD estimated to total US$17.1 billion across all developing countries in 2020, over 50 times the IMF’s annual CD spending.\(^7\) Nevertheless, the IMF is among the largest providers in its areas of expertise, including fields such as PFM, domestic revenue mobilization, macroeconomic statistics, and financial sector stability.

13. **The IMF has provided some form of CD support since its early years.** Initially, this took the form of TA provided on an informal basis as needed, alongside surveillance. The IMF institutionalized such activities in the mid-1960s when a large number of newly independent countries became members, creating three new specialized departments to provide expertise and

\(^7\) Other providers include: other multilateral organizations (for example, the World Bank, United Nations, OECD), regional entities (such as the European Commission and the African Development Bank), bilateral government agencies (including finance ministries, central banks, and development ministries), and civil society organizations. The OECD estimate is based on data on official sector spending on "technical cooperation" in developing countries ([https://stats.oecd.org/Index.aspx?DataSetCode=Table2A#](https://stats.oecd.org/Index.aspx?DataSetCode=Table2A#)); it does not include TA packaged with development projects nor technical expertise provided to emerging market or advanced economies.