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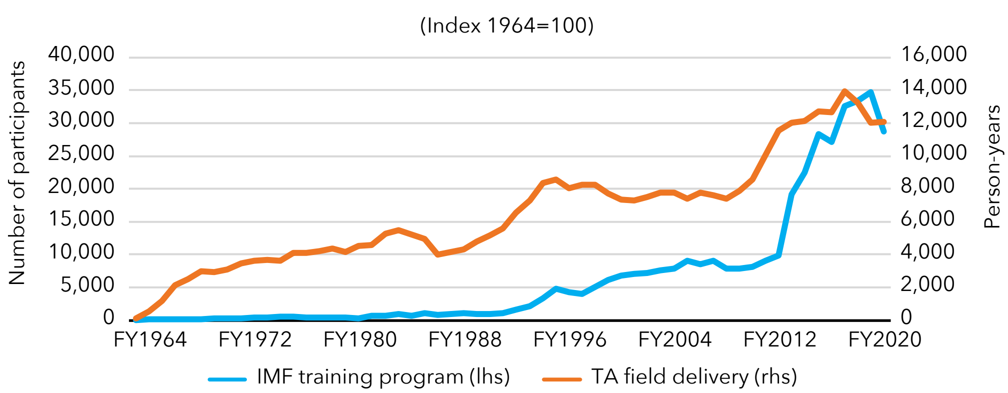
CONTEXT

CAPACITY DEVELOPMENT AT THE IMF: A BRIEF HISTORY

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 capacity development (CD) spending.[7] Nevertheless, the IMF is among the largest providers in its areas of expertise, including fields such as public financial management (PFM), domestic revenue mobilization, macroeconomic statistics, and financial sector stability.

The IMF has provided some form of CD support since its early years. Initially, this took the form of technical assistance (TA) provided on an informal basis as needed, alongside surveillance. The IMF institutionalized such activities in the mid-1960s when many newly independent countries became members, creating three new specialized departments to provide expertise and training courses to member country officials (Boughton, 2001). These activities grew over time in response to increasing demand from member countries (Figure 2). From the early 1990s, the Fund started to open regional TA centers to support TA delivery. The provision of classroom-type training to member country officials accelerated in the early 1990s with the opening of regional training centers (RTCs), and again from 2013 with the creation of an online learning program.

FIGURE 2. TECHNICAL ASSISTANCE AND TRAINING EVOLUTION, FY1964–2020



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

[7] Other providers include other multilateral organizations (for example, the World Bank, the United Nations, and the 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#); it does not include TA packaged with development projects nor technical expertise provided to emerging market or advanced economies.

As the Fund adjusted to declining operating income through a "downsizing" in 2008, it imposed significant cuts in the internal resources allocated to CD. The institution then launched a proactive effort to attract increased external funding for CD. This shift led to greater alignment of IMF CD activities with donor development strategies and efforts to develop long-term partnerships around specific topics and/or regional delivery mechanisms (IMF, 2008a; IEO, 2014). With the arrival of the global financial crisis, the IMF's expertise attracted both donor financing and country interest. Demand for CD work has received further boosts from countries' desire for CD support for their efforts to meet their Sustainable Development Goals, from increasing attention to the needs of fragile states and small states, and from growing interest in areas such as anti-corruption, fintech and cyber risks, climate change, gender, and debt management. More recently, the IMF has accelerated the use of remote delivery of CD, in response to the challenges posed by the COVID-19 crisis.

AN OVERVIEW OF THE IMF'S CURRENT APPROACH TO CAPACITY DEVELOPMENT

High-level objectives for CD during the evaluation period were set out in the CD Policy and Practice statements of 2014 and 2019. The latter states "Consistent with its mandate, the main objective of the Fund's CD activities is to help member countries build strong institutions and boost skills to formulate and implement sound macroeconomic and financial policies. Some of these efforts also aim to deepen the dialogue between Fund and member country experts on specialized aspects of macroeconomic and financial policy issues, complementing policy discussions between member countries and the Fund related to surveillance or Fund-supported programs" (IMF, 2019c). The statement also highlights that:

- CD activities are driven by demand from member countries.
- Fund CD should be tailored to the country's needs and reflective of its absorptive capacity, but also integrated with the policy dialogue between member countries and the Fund that take place under surveillance or Fund-supported programs.
- 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.
- The Fund delivers its own CD services, and "stands by the services it delivers regardless of the mode of delivery and exercises quality control."
- The Fund cooperates closely with other providers of CD "to avoid duplication in coverage and to enhance complementarity with other CD providers."

IMF CD can be broadly split into two types: that which is mobilized quickly for short-term needs and that which helps countries build sound institutions in order to manage policies effectively and boost resilience to shocks. The first type can be crisis-related or to fill a specific gap identified by surveillance or to support a lending program. Such CD may be a single event or a succession of engagements. The second type reflects the longer-term nature of institution-building and increasingly involves a "programmatic approach." The former has been termed "curative" CD; the latter, "preventive" or "developmental" CD.

In terms of CD services to countries, the IMF has moved away from considering CD as either TA or training, and now emphasizes a range of delivery modalities that should, as far as possible, be integrated. These modalities include field assignment of experts for periods ranging from days to years; missions from headquarters; online, classroom, and customized training; peer-to-peer (PTP) learning and technical workshops; and discussions at Fund headquarters or remotely from headquarters. This evaluation generally uses the term "CD" to cover all these various modalities, but in some instances, we use the more traditional distinction between TA and training.

IMF CD has a different delivery model than other providers, the key difference being that the IMF does not outsource any of its CD. All CD is delivered by combinations of HQ-based experts, long-term experts (LTXs) based in the field, and short-term experts (STXs) who have been directly selected for specific CD engagements. LTXs are recruited for assignments typically lasting several years in an RCDC or placed as resident advisors (RAs) 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. HQ-based staff and contractual employees oversee and prepare CD projects, deliver CD (usually working closely with STXs and LTXs), and "backstop" (or conduct quality assurance of) all CD. By contrast, other public sector providers typically outsource CD delivery to consultants or private companies who frequently write their own terms of reference; the resulting report is usually that of the consultants alone.[8]

Since the IMF focuses its CD on topics where it has in-house expertise, there are cases in which the institution needs to work with other providers to leverage each side's comparative advantages. 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—such as France with Albania—allowing a more intensive interrelationship between them. Some other providers deploy far bigger CD resources than the Fund.[9]

The planning, delivery, and reporting of CD at the IMF involves the interaction of area departments (ADs) and capacity development departments (CDDs).

- **ADs** formulate CD strategies at the regional and country levels in Regional Strategy Notes (RSNs) and Country Strategy Notes (CSNs) for heavy CD users[10] and prioritize CD demand based on their active engagement with member countries via surveillance and program work. ADs are also responsible for managing many of the RCDCs located in member countries (Box 2).
- **CDDs**—the Fiscal Affairs (FAD), Monetary and Capital Markets (MCM), Statistics (STA), and Legal (LEG) departments and the Institute for Capacity Development (ICD)—each deliver CD in their areas of expertise.[11] Responsibilities for managing CD expertise, delivery, and resources continue to rest with individual CDDs, each of which has different practices and organizational arrangements for delivery and review.
- **Inter-departmental coordination**. The Committee on Capacity Building (CCB), chaired by one of the IMF's Deputy Managing Directors, is charged with internal oversight of Fund CD and ensuring consistency with institutional priorities. It advises IMF management about CD priorities, identifies CD topics targeted for growth for the coming three-year period, coordinates and approves the medium-term work plan, and fixes limits (set department-by-department) on externally financed CD activities. The CCB is supported by ICD, which, since its creation in May 2012, has been responsible for developing the Fund's overall CD strategy, coordinating across Fund departments, fund-raising and managing partnerships with donors, and designing and coordinating M&E processes. ICD works with SPR on the integration of CD with surveillance and programs.

The **Board** provides "strategic direction and oversight" for IMF CD, "including with respect to the overall envelope for externally financed CD and the size of CD relative to other outputs of the Fund" (IMF, 2019c). IMF management is responsible for setting medium-term priorities for CD and allocating resources, taking into account the guidance provided by the Board.

The IMF has introduced a unified system to facilitate the planning, managing, and reporting CD. A Results-Based Management (RBM) framework was instituted in 2013 and has required the setting of, and reporting against, standardized outcomes and objectives for all CD projects

[8] World Bank CD has some of the elements of the Fund CD, 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.

[9] The World Bank, for instance, has 400 staff in its office in Jakarta alone, enabling a much more extensive operation than the Fund's—although many of them are engaged in activities not equivalent to or related to CD.

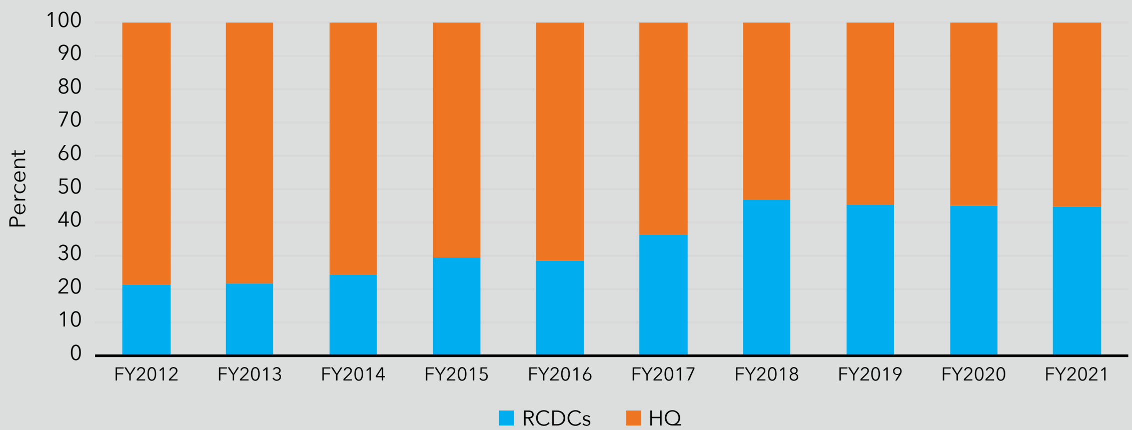
[10] IMF staff consider a country to be a "heavy user" of CD when annual CD spending is greater than US$1.5 million for the most recent fiscal year (IMF, 2020a).

[11] Other departments, such as Research (RES) and Strategy, Policy and Review (SPR), also provide some CD.

BOX 2. REGIONAL CAPACITY DEVELOPMENT CENTERS

The IMF maintains a growing global network of Regional Capacity Development Centers (RCDCs) that coordinate much of its capacity development (CD) in the field. Located in member countries, these centers aim to help the Fund respond to emerging needs of authorities, including by tailoring work to regional challenges and providing sustained on-the-ground support. Currently, there are 17 RCDCs operating in Africa, Central America, the Caribbean, the Middle East and North Africa, Southeast Asia, the Pacific Region, China and South Asia, and the Caucasus, Central Asia, and Mongolia. These centers represent partnerships between the IMF, participating countries (i.e., the CD beneficiaries), and external donors. External partners—host countries and donors together—provide more than three-quarters of the resources to fund these centers and also contribute expertise to help with coordination, delivery, and sharing of best practices. Since 2018, nearly half of IMF CD is delivered through the RCDCs (see figure).

CAPACITY DEVELOPMENT DELIVERED BY REGIONAL CAPACITY DEVELOPMENT CENTERS AND HEADQUARTERS, FY2012–21



Sources: IMF, TIMS; IEO staff calculations.

Some RCDCs were founded with a focus on technical assistance (TA), others on training; one was designed from the outset to cover both. The particular set of CD activities in each RCDC is guided by the agreement between RCDC member and donor governments and the IMF when the center was originated and is subject to independent evaluation, usually at the midpoint of each five-year tranche of funding. Dedicated training centers focus primarily on delivery of classroom-based courses, based on the needs of participating countries.

RCDCs are staffed by a director, from IMF staff, who manages the center's work, and topical experts who both deliver TA and training and arrange for delivery by short-term experts (STXs). RCDC staff deliver IMF CD under the supervision and guidance of capacity development departments responsible for the topical area, in support of and complementary to CD provided by IMF headquarters (HQ), in most cases. The workplans for the RCDCs are discussed and agreed with the functional departments. The work of topical experts is typically coordinated and quality-assured by HQ-based experts.

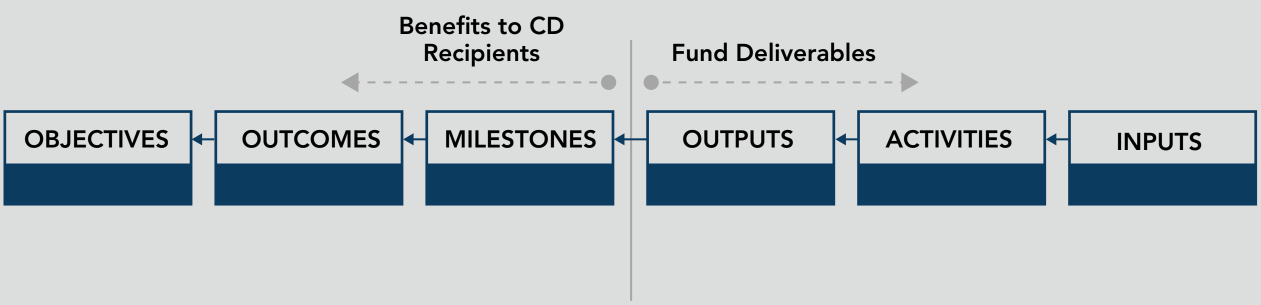
Sources: Enoch (2022), De Lannoy (2022b), Radelet (2022), and Stedman (2022a).

since 2017 (Box 3). The RBM framework is now integrated in the CD Management and Administration Program (CDMAP), a broader management information system that aims to bring together information relevant to the planning, execution, and monitoring of CD, across topics and departments in a way that enhances transparency, accountability, and coordination. CDMAP has been operational for all projects since 2021, although some capabilities remain to be added.

BOX 3. THE RESULTS-BASED MANAGEMENT FRAMEWORK AND THE CAPACITY DEVELOPMENT MANAGEMENT AND ADMINISTRATION PROGRAM

Results-Based Management (RBM) is an approach used by many development agencies, both multilateral and bilateral, to design and monitor their projects and interventions. It is centered on the concept of a "logical framework," or log frame, which comprises a series of steps causally linking the resources, or inputs, of a project, to activities, outputs, and, finally, medium-term and longer-term results (see figure). During the past two decades, at the request of its Board, partners, and donors, the IMF has been gradually introducing a dedicated RBM system to plan and monitor the inputs, outputs, and outcomes of its technical assistance. More specifically, the Fund's RBM system aims to contribute to (i) capacity development (CD) project design and management; (ii) strategic and resource allocation decision-making at the portfolio level; (iii) accountability and reporting; and (iv) evaluations (see IMF, 2020b; Lamdany, 2022). The Fund started to collect RBM data for some donor-funded projects in 2013, and in 2017 it standardized the format and expanded coverage to include all CD projects, internally as well as externally funded.

The Logical Framework or "Log Frame"



The Fund's RBM system has been embedded within broader management information systems to support CD coordination and accountability. Since 2005, the IMF has used different systems, such as the TA Information and Management System and CD-Port. From 2020, CD-Port has been progressively replaced by the Capacity Development and Administration Program (CDMAP), which aims to transform how the Fund manages its CD activities by addressing gaps and inconsistencies in processes and IT systems underlying the administration of CD operations. According to staff, these problems with earlier systems put a heavy burden on staff administering CD, contributed to operational risks, and created siloed information that made it hard for all those involved to get a clear picture of the Fund's CD activities.

CDMAP is country focused, so that for the first time area departments and others can obtain a comprehensive picture of all CD activities in a country, including those led by Regional Capacity Development Centers (RCDCs). It is therefore intended to facilitate the integration of CD, surveillance, and lending operations. Also, the increasing diversity of Fund delivery modalities should to some extent be identifiable, as CDMAP distinguishes six different delivery modalities, consistent with the taxonomy in the 2021 guidance note on CD Prioritization and Work Planning (IMF, 2021c). It also tracks a program's progress, for instance with a code to quickly identify when a program is off-track. It thus also gives a real-time dashboard picture of CD delivery to management.

The first release of CDMAP went live in August 2020 and enabled FY2022 CD budgeting and planning. Release 2, enabling CD execution and resource management, went live in April 2021. Release 3 (November 2021) included capabilities for project close, evaluation, and risk management. Further releases are planned to add additional functionalities.

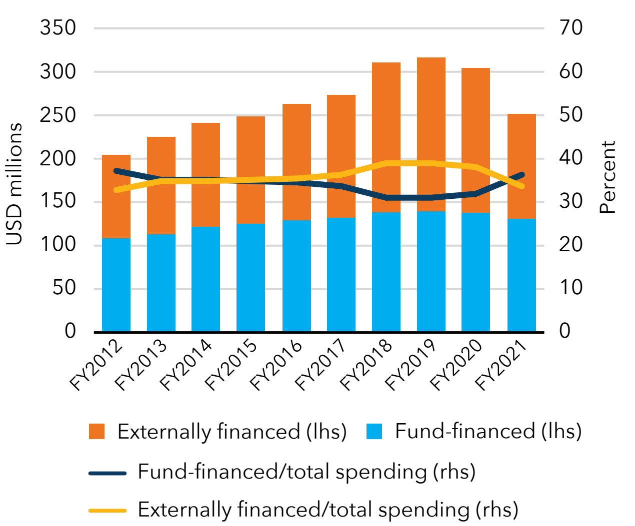
Source: Lamdany (2022).

CURRENT CHARACTERISTICS

CD spending grew by about 50 percent over the evaluation period, with expenditure on "direct delivery" of CD increasing from around US$200m in FY2012 to around US$300m in FY2019.[12] Spending on CD then leveled off as the Fund sought to maintain an appropriate balance between the scale of CD with other core activities as well as to preserve the quality and value of CD, though CD spending fell in FY2021 because of COVID-19-related disruptions (Figure 1). TA accounted for the bulk of total CD, with training accounting for about one-sixth of total CD (De Lannoy, 2022b).

As noted above, IMF CD activities are financed almost entirely by the IMF's own budget resources and resources provided by external donors. CD to high-income countries, which represents a small share of total CD, is self-financed unless it is de minimis or judged to be critical; in addition, other recipient countries very occasionally co-fund IMF CD (Stedman, 2022a). The share of CD spending financed by external donors grew during the evaluation period to more than half in FY2018–FY2020, up from about a quarter in FY2008 (Figure 3).

FIGURE 3. IMF DIRECT SPENDING ON CAPACITY DEVELOPMENT BY SOURCE OF FUNDING, FY2012–2021



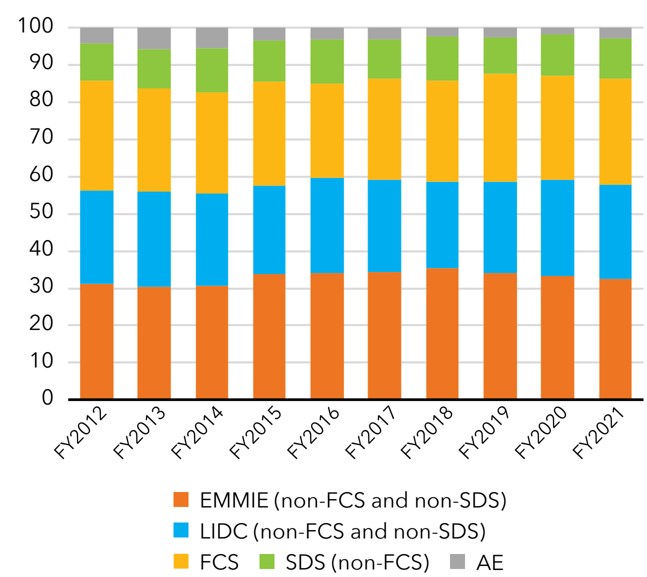
Sources: IMF, ACES as of September 2021; IEO staff calculations.
Note: These data exclude indirect overhead costs such as the costs of the Board, IMF buildings, and other facilities. See Jensen and Kell (2022).

Almost all CD has been focused on low-income developing countries (50 percent) and emerging market and middle-income members (46 percent). More than a quarter of IMF CD spending in the last three years went to fragile and conflict-affected states (FCS) (29 percent in FY2019, 27 percent in FY2020, and 28 percent in FY2021, Figure 4).[13] Relative shares allocated to different country groups have not changed much over the evaluation period.

CD has been provided to over 180 IMF member countries over the evaluation period (Figure 5). At the country level, CD is spread widely across the membership, albeit with concentration among some heavy users. In any given year during the evaluation period, virtually all 155 non-advanced economies (or roughly 80 percent of the Fund's membership) received some amount of CD. However, there has been a considerable degree of country concentration of Fund CD, typically reflecting the ramping up of CD programs in response to crises and IMF lending operations, and/or the existence of long-lived CD projects and extensive donor funding. This intensity is illustrated by the fact that

FIGURE 4. CAPACITY DEVELOPMENT ALLOCATION BY COUNTRY CLASSIFICATION, FY2012–2021

(In percent)

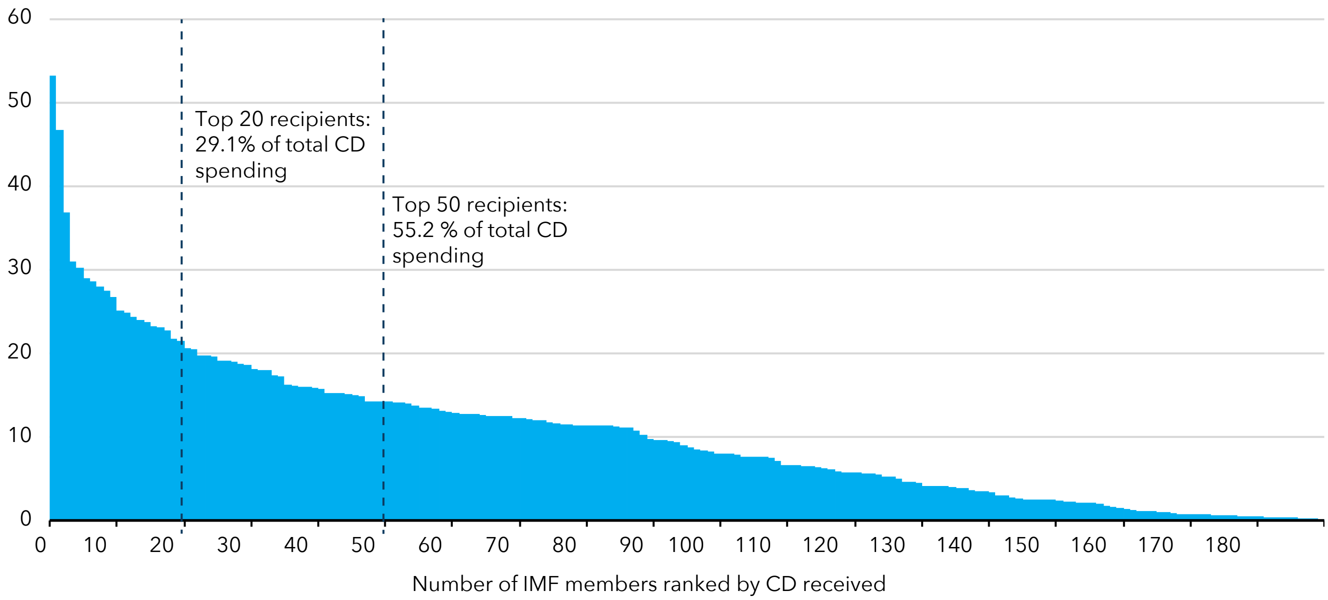


Sources: IMF, ACES; IEO staff calculations.
Note: AE = advanced economies; EMMIE (non-FCS and non-SDS) = emerging market and middle-income economies that are non-FCS and non-SDS countries; LIDC (non-FCS and non-SDS) = low-income developing country.

[12] This is spending that can be directly attributed to CD activity; total spending on CD also includes CD's share of indirect costs of overheads such as IMF governance, accommodation, and various support services. See Jensen and Kell (2022) for further discussion.

[13] As of February 2022, the Fund had classified 42 economies as FCS, around a fifth of its members (IMF, 2022c).

FIGURE 5. ALLOCATION OF CAPACITY DEVELOPMENT SPENDING AMONG MEMBERS, FY2012–2021
(In USD millions)

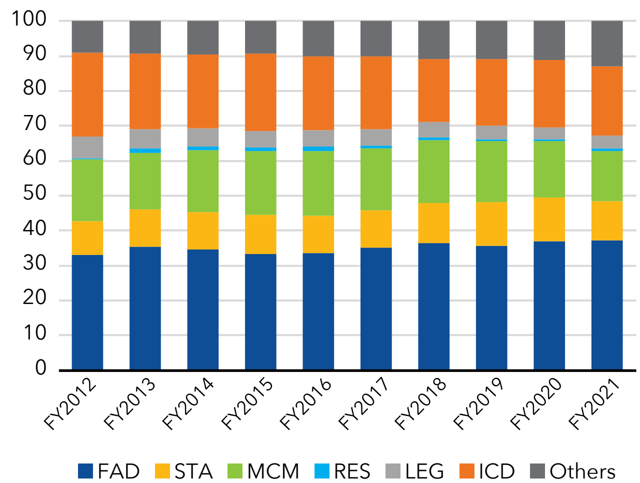


Sources: IMF, ACES; IEO staff calculations.

20 countries benefited from nearly 30 percent of total IMF CD over the evaluation period (Towe, 2022).

The topical distribution of CD delivery has been steady, with CD in the fiscal area as the largest area of support (Figure 6). CD in financial and central banking areas rose during the global financial crisis to represent almost a third of total IMF CD delivery. CD in the area of statistics has had a roughly constant share of around 11 percent during the past decade, and assistance on anti–money laundering/combating the financing of terrorism (AML/CFT) and other legal issues has declined from 6 percent in FY2012 to 4 percent of total CD in FY2021. Beginning in FY2019, the Fund defined a number of topical "growth areas" where an increase in the share of CD over the medium term was targeted. These topics are a combination of traditional CD areas where there has been persistent unmet demand, such as tax policy, and new topics such as digital money and climate change.[14]

FIGURE 6. TOTAL CAPACITY DEVELOPMENT SPENDING BY DEPARTMENT, FY2012–2021
(Share of spending, in percent)



Sources: IMF, ACES; IEO staff calculations.

[14] The initial list of topical growth areas identified in the IMF's 2019 medium-term budget included anti-corruption; debt sustainability, and debt statistics; expenditure policy and public investment management; and tax policy, fintech, and cyber risks (IMF, 2019a). The topical growth areas have been modified slightly since then. In FY2021, the growth topics together constituted 9.3 percent of total CD delivered (IMF, 2021j).