This chapter summarizes the key findings laid out in Chapter 3, grouping them under three headings: (i) those relating to progress against the five key Board-endorsed priorities from the 2018 capacity development (CD) Review, as set out in Box 4; (ii) progress against three other priorities identified by the Board following the 2018 CD Review, namely, the external funding model, human resources (HR) practices, and the Board’s role in CD; and (iii) four other key issues examined by the evaluation, namely, institutional objectives and strategy; quality; effectiveness and impact; and the response to and lessons from the pandemic.

PROGRESS AGAINST THE FIVE KEY BOARD-ENDORSED PRIORITIES FROM THE 2018 CD REVIEW

1. ROLES AND RESPONSIBILITIES

Country-Centered Approach

The evidence from this evaluation supports the view of IMF staff that country ownership and tailoring of CD are critical to the success of CD. The Fund has made good progress in ensuring that CD is provided in the areas that recipients need and want, including by enhancing the role of its area departments (ADs) in working with country authorities to identify and clarify their CD priorities.

However, there is scope for the Fund to do more to enhance ownership of CD, by more systematically involving CD recipients in the design, implementation, and monitoring of projects, and in the development of country strategies for CD, and by considering whether holistic approaches to underlying obstacles may be required. The Fund could also do more to systematically assess country ownership and analyze the evidence on the factors that influence and signal ownership.

Integration with Surveillance and Programs

Since the 2018 CD Review, the integration of CD with surveillance has been enhanced. However, practice remains uneven between and within ADs, as reflected for example in the patchy coverage and variable quality of Country Strategy Notes (CSNs). Challenges remain in terms of resource pressures on AD teams, behavioral inertia on the part of some AD mission chiefs, and coverage of CD in staff reports.

IMF staff have also addressed the integration of CD and programs, but important strategic and operational questions remain. The inclusion of CD recommendations in program conditionality risks unrealistic timetables for CD and can undermine CD ownership and role of CD experts as trusted advisors. Guidance for staff contains little practical advice on how to navigate these issues.
2. PRIORITIZATION AND MONITORING

## Prioritization

The Fund strengthened its framework and processes for CD prioritization across multiple dimensions. The allocation of CD resources struck a good balance between country demands and IMF priorities, with the possible exception of fragile and conflict-affected states (FCS), where limited absorptive capacity made it challenging to achieve the intended increase in CD support. The new FCS initiative and recent budget augmentation aim to address this.

The Fund has also shown itself to be flexible in reallocating resources in response to changing circumstances and priorities. The Fund’s response to the pandemic showed particularly impressive adaptation.

These achievements notwithstanding, prioritization could be further enhanced.

- Strategic CD priorities are not clearly grounded in an integrated Fund-wide strategy covering surveillance, lending, and CD activities.
- It would be desirable to establish guidelines on how staff should balance considerations of recipient need, recipient preferences, likelihood of success of the CD, and the importance of evenhandedness across the Fund’s membership in deciding which CD requests to prioritize; and whether/how these considerations will depend on the type of funding.
- The Committee on Capacity Building (CCB) should take on greater responsibility for making hard choices between country demand and IMF strategic priorities.
- Prioritization should be more clearly grounded in regular assessments of the relative effectiveness of different CD topics and delivery modalities in different circumstances, and clearer analysis of country track record on past CD and commitment to current CD, drawing on the evidence available from Results-Based Management (RBM) data and evaluations of Fund CD.
- Coverage and content of CSNs is still patchy, even among heavy CD users.

## Monitoring and Evaluation

The design and scope of the monitoring and evaluation (M&E) system has been substantially improved, reinforcing the shifts toward results-oriented and programmatic CD. Nonetheless, there are still important gaps and weaknesses to be addressed, in particular:

- Recipient authorities should be more systematically involved in the RBM process of setting objectives and assessing progress.
- The Fund needs an expanded and integrated evaluation strategy that brings together the multiple evaluation tools, prioritizes top-down what to evaluate and when, enhances dissemination, and applies the results to drive change.
- There is only limited measurement of progress against institutional-level CD objectives.
- There is no systematic assessment of CD effectiveness and impact at the level of countries and their key organizations, or of the synergies between CD, surveillance, and lending; and no framework for assessing the IMF-wide synergies between CD and surveillance and lending.
- Little strategic thinking about how findings and lessons from M&E should contribute to CD prioritization, the design of activities and the choice of delivery modalities.
- Staff concerns with the usability of the Capacity Development Management and Administration Program (CDMAP) should be addressed to ensure the system works smoothly and with full compliance.
### 3. COUNTRY-TAILORED DELIVERY FOCUSED ON IMPLEMENTATION

<table>
<thead>
<tr>
<th>Modernization and Agility</th>
<th>CD design is generally well adapted to country needs and preferences. The Fund has applied flexibly an extended, modernized, and better integrated range of delivery modalities. However, there is scope to make delivery more country-tailored and integrated across modalities. Peer-to-peer (PTP) learning and “twinning” attachments—which were identified in the 2013 and 2018 CD Reviews as modalities to be expanded—were highly valued yet are not widespread.</th>
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<tbody>
<tr>
<td>RCDCs</td>
<td>Regional Capacity Development Centers (RCDCs) have played an increasingly important role and are highly regarded by their member countries and many donors. However, while some RCDCs will receive additional IMF funding as part of the budget augmentation, there is room to enhance coherence in funding, governance, and country coverage, as part of a wider review of the Fund’s geographical presence through RCDCs.</td>
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<tr>
<td>Follow-Up</td>
<td>The Fund has enhanced its focus on follow-up, as a result of the increased use of medium-term, programmatic CD, underpinned by RBM and the increased use of diagnostic tools, which has helped the Fund to better plan for implementation activities, and identify when follow-up is required; and through more RCDC engagement with CD recipients. Nonetheless, some recipients indicated a desire for more follow-up and greater continuity, including after the formal completion of a CD project. Steering the right path between hands-on support and encouraging self-reliance is difficult and would benefit from more systematic analysis of the optimal balance between them.</td>
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<tr>
<td>Cost-Efficiency Evaluation of the Different Modalities of Delivery</td>
<td>The Fund’s response to the Board’s call for cost-efficiency evaluation of the different modalities of delivery IMF has been limited. Full implementation of RBM and CDMAP should enhance the evidence to make informed decisions about CD delivery modalities, a task that is particularly urgent as the IMF considers new blended in-person and virtual forms of CD delivery. It would also facilitate increasing the availability of data on cost-effectiveness that would be helpful in sustaining donor support.</td>
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<tr>
<td>Fragile States</td>
<td>Despite the ambition since 2019 to increase the share of CD allocated to FCS, that share has changed little between 2015 and 2021, reflecting the challenges of political ownership and limited absorptive capacity in FCS, but also financing and Fund personnel rigidities. Our three FCS case studies found that most CD yielded limited outcomes in the short-term but some major achievements given the context; one case study particularly identified CD intensity at odds with absorptive capacity. New efforts are now underway to increase CD and its effectiveness in FCS, reinforced by the budget augmentation and FCS strategy approved in 2022.</td>
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### 4. INTERNAL CONSULTATION AND INFORMATION SHARING

| CDMAP | The objectives of CDMAP—to address gaps, inconsistencies, and asymmetries in CD information across the institution—are appropriate, but there are significant criticisms by many users, which suggests the need for a full and independent review to ensure the benefits of the Fund’s significant investment in the system are realized. |
Strengthen the Sustainability and Fungibility of External Financing

The IMF has implemented the dual funding model for CD pragmatically, adapting it as needed and seeking ways to offset potential risks. However, concerns about the sustainability and flexibility of the funding model persist, as a substantial share of external financing continues to come primarily from a relatively small number of donors. Future external funding prospects depend importantly on donors’ priorities and resource availability, as well as effective engagement with them on the IMF’s part. Recent augmentation of the IMF budget envelope and more flexible carryover will help to provide more internal funding, but other avenues also need to be explored to contain funding risks.

Strengthening HR Practices and Incentives for CD Work

The IMF developed a strong cadre of experts for CD delivery. It benefited from its “in-house” rather than “out-sourced” model, as well as the range of contractual and staff appointments and SE profiles that it developed for its CD activities. However, there remained a tension between the need for flexibility, given changing CD needs and funding uncertainties, and the importance of continuity in CD engagements. There was limited progress in addressing the critical issues of career development and mobility for staff engaged in CD work, as well as the perceived value of their work, which raises concern about the sustainability of the Fund’s high-level expertise in its traditional areas and its ability to develop adequate expertise in newly emerging areas.

Board Oversight

The design of the governance framework for CD provides the Board with clear and broadly appropriate oversight responsibilities, reflecting the fundamental differences to surveillance and lending. Although engagement on CD increased substantially during the evaluation period, many EDs still want more information and opportunities to effectively exercise their oversight role. The updated policies on CD dissemination clarify and broaden the range of CD information that can be provided to the Board.

Sharing of Best Practice

RCDCs have actively developed networks to promote the sharing of best practice, and CD staff were very active in identifying and sharing best practice relating to virtual delivery during the pandemic. But we identified areas of good practice, for example on coordination of CD providers in-country and PTP learning, that could be disseminated more systematically. Responsibility and mechanisms for this within headquarters (HQ) are not clearly established.

5. COORDINATION, COMMUNICATION AND DISSEMINATION

Coordination

While coordination of CD activities in-country has been enhanced by RCDCs, overall it remains uneven, reflecting inconsistent emphasis, guidance, and support by managers.

Collaboration

Collaboration with partners and other providers on cross-cutting issues is mixed.

Dissemination

Progress toward more dissemination of CD information during the evaluation period was modest. The new policy and guidance introduced in 2022 was aimed at better balancing authorities’ legitimate expectations of confidentiality, and the benefits of greater dissemination of CD reports and knowledge. It is too early to assess how much practical impact these reforms will have on dissemination and the resources to implement them.

PROGRESS AGAINST OTHER BOARD PRIORITIES FROM THE 2018 CD REVIEW

The IMF has implemented the dual funding model for CD pragmatically, adapting it as needed and seeking ways to offset potential risks. However, concerns about the sustainability and flexibility of the funding model persist, as a substantial share of external financing continues to come primarily from a relatively small number of donors. Future external funding prospects depend importantly on donors’ priorities and resource availability, as well as effective engagement with them on the IMF’s part. Recent augmentation of the IMF budget envelope and more flexible carryover will help to provide more internal funding, but other avenues also need to be explored to contain funding risks.

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# FINDINGS ON OTHER KEY ISSUES

## Institutional Objectives and Strategy

CD strategy reviews every five years have effectively set the agenda for enhancing Fund CD, and the IMF has clearly articulated high-level objectives for CD—to strengthen institutional and human capacity, and help enhance the Fund’s dialogue with member countries. However, these reviews have largely focused on internal management of CD and have not addressed a number of important strategic questions. The IMF has also not assessed or reported progress against its high-level objectives. More broadly, the IMF has not set out an overarching strategy explaining the roles, synergies and tensions between CD, surveillance, and program work. This has made it harder for the Board to fulfill its strategic and oversight roles, for Management and staff to set priorities and allocate resources, and for internal and external stakeholders to make a coherent assessment of the impact of CD. Finally, there are gaps in organizational responsibilities for strategic issues, and some overlaps and inconsistencies in CD delivery and fundraising responsibilities across departments.

## Quality

Fund training and TA continues to be widely regarded as being of the highest technical quality, and at the same time is becoming better tailored to recipient needs and circumstances, albeit with some exceptions. The Fund’s approach to keeping delivery in-house rather than outsourced and of careful backstopping of field work by HQ staff thus seems to be working well, ensuring consistently high technical quality.

Nevertheless, we identified some issues to be kept under review, including providing adequate quality assurance in new priority areas of CD where Fund staff expertise is limited; ensuring that backstoppers continue to be recognized and resourced, and sufficiently adapt their positions to reflect realities “on the ground;” and the fact that quality could benefit from more transparency of Fund advice.

## Evidence on Effectiveness and Impact

Subjective assessments of the effectiveness of IMF CD—by recipients, donors, and the membership more generally—continue to be very positive. Objective assessment of the effectiveness of CD is difficult, but overall, the evidence from RBM, CD evaluations, and IEO case studies strongly suggests that IMF CD has supported member countries to build stronger institutions and skills to formulate and implement sound macroeconomic and financial policies. Moreover, this assessment applies across a wide range of issues and country circumstances.

The Fund does not systematically assess the longer-term and broader impact of its CD. Our case studies concluded that when the outcomes of CD were sustained, they generally contributed to the broader desired impact. There is scope for the Fund to enhance the evaluation of the holistic impact of all its interventions (CD, surveillance, and programs) at the level of member countries, and for more cross-country research into the effects of Fund CD on institutional improvement, economic growth, and stability in member countries.

Evidence on the effectiveness and impact of CD as well cost efficiency and cost effectiveness can and should be made more available, including to the Board, and used more consistently to strengthen CD allocation, design, and delivery.
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<tr>
<th>Response to and Lessons from COVID-19</th>
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<tr>
<td>The Fund’s response to the challenges for CD caused by the pandemic has been very impressive. However, while authorities and staff agree that virtual delivery brings some benefits, it also creates challenges and is not a full substitute for in-person engagement. A wider review of the Fund’s delivery model, supported by more systematic gathering and analysis of data on the cost-effectiveness of different delivery modalities and the trade-off between breadth and depth in CD delivery, would help understand the costs and benefits of remote and in-person delivery to develop a blended approach that combines the best features of virtual and in-person delivery, tailored to country circumstances.</td>
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<td>The effort to introduce a new form of multi-partner vehicle via the COVID-19 Initiative with enhanced flexibility for the IMF has had limited success, raising questions about the scope to introduce greater flexibility to the existing funding model through multi-party external funding vehicles.</td>
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