

THE CHAIR'S SUMMING UP

INDEPENDENT EVALUATION OFFICE—THE IMF AND CAPACITY DEVELOPMENT EXECUTIVE BOARD MEETING 22/80, SEPTEMBER 26, 2022

Executive Directors welcomed the report of the Independent Evaluation Office (IEO) on The IMF and Capacity Development (CD) and appreciated its insights and recommendations. They welcomed the report's finding that overall, Fund CD has been of high quality and constitutes a key function of the Fund, alongside surveillance and lending, which has supported member countries in building the institutional capacity to formulate and implement sound macroeconomic and financial policies in a very wide range of circumstances. Directors also welcomed the finding that IMF CD is relevant, valued, and broadly effective, and that significant progress has been made in recent years in improving tailoring, governance, funding, and management of CD, including through the recent pandemic. While recognizing these achievements, Directors noted the evaluation's finding of a number of shortcomings and challenges facing Fund CD work. Against this background, Directors welcomed the Managing Director's broad support for the IEO findings and recommendations, while also noting the qualifications. They agreed that further reinforcing the value provided by the Fund's CD to member countries should be a guiding principle, particularly in the context of the forthcoming Capacity Development Strategy Review, which will consider prioritizing actions that best address needs, enhance CD impact for members, and help meet growing demand in the core and newly emerging areas of work.

Directors broadly supported Recommendation 1 on further enhancing prioritization and the strategic framework for CD. They noted that this objective would be a key theme of the forthcoming Review, which will consider synergies and trade-offs between CD, surveillance, and program work, and reflect on the overall size of CD. At the same time, most Directors noted that the Review is not meant to be an overarching framework for the entirety of Fund engagement with member states, and that developing such an umbrella framework covering CD, surveillance, and lending would be a costly exercise with uncertain benefits given the backdrop of already existing Board-endorsed policies and strategic documents both on CD and the other main activities of the Fund. Some Directors, however, suggested or were open to considering such a framework. Directors agreed that strengthening the role of the Committee on Capacity Building (CCB), including through updating the Terms of Reference will be important. They agreed that Regional and Country Strategy Notes should continue to drive prioritization at the country level while improving their rigor, consistency, and approaches to strengthen member country engagement. While a number of Directors supported or were open to the recommendation to develop Country Engagement Strategies (CES) for all heavy CD users, other Directors wondered about the cost implications of mandating such use for all heavy CD users and a few Directors noted that this would best be considered following longer experience with the implementation of the FCS Strategy.

Directors concurred with Recommendation 2 on further developing the Executive Board’s strategic and oversight role through increased engagement and provision of information. They recognized that Board engagement on prioritization and strategy has increased significantly in recent years, with formal engagement remaining centered on the five-year CD strategy reviews. They agreed that introducing a formal mid-point progress report on the implementation of the CD strategy could be a useful vehicle for deepening Board engagement. They saw merit in strengthening the coverage of CD in appropriate Board country documents, in line with the Comprehensive Surveillance Review guidance, as well as in continuing to explore other means for enhancing information provision to the Board on CD effectiveness and value for money, including through funding vehicle approvals and standardized reporting formats. This will help enhance the Board’s strategic oversight.

Directors supported Recommendation 3 on reinforcing measures to promote CD ownership, along with tighter integration with surveillance and lending, tailoring to country circumstances and absorptive capacity, and promoting closer collaboration with CD recipients and other CD partners as key drivers of CD effectiveness. Directors stressed the importance of enhancing the guidance to staff on how to integrate CD in a program context. They encouraged addressing these issues in the context of the upcoming Review.

Directors agreed with Recommendation 4 on further leveraging the advantages of Regional Capacity Development Centers (RCDCs) and putting them on a sustainable footing. They highlighted that enhancing field presence in general and the governance of RCDCs, including clarifying the roles of HQ and RCDCs, is an important element of CD provision and should be a central element in the upcoming Review. Many Directors called for increasing Fund financing of RCDCs to ensure a more stable source of funds and noted that a stronger role for IMF internal financing should be explored. Other Directors recognized that implementation would depend on resource availability.

Directors broadly agreed with Recommendation 5 on further enhancing the Monitoring and Evaluation system and fully exploiting it to drive improvements in CD prioritization, design, delivery, and reporting. They encouraged

undertaking a thorough assessment of progress under CDMAP and remaining implementation challenges, along with fine-tuning of operational practices as experience with CDMAP accumulates. Directors also encouraged continued efforts to improve the quality and consistency of RBM, including through closer communication between area and CD departments and with authorities. Directors emphasized that the CCB should continue to strive for a coherent and effective evaluation strategy to learn lessons for how to ensure maximum CD impact. Noting the already extensive externally mandated evaluation program, Directors suggested seeking to make strategic use of their findings and synthesize them so they can better inform planning, design, and prioritization of all Fund CD. They also noted that options should be explored to further strengthen the strategic planning and execution of internal evaluations, while bearing in mind cost-benefit trade-offs.

Directors broadly agreed with Recommendation 6 on considering further steps to enhance the stability and flexibility of CD funding in order to sustain support for the CD needs of member countries. They recognized that the Fund has made progress in this area in recent years including broadening of the donor base, creating buffers for CD demand surges, and instilling a carry forward policy for multi-year CD programs and expenditure optimization. In this regard, Directors saw the benefit of continuing to explore new options, although they recognized that the scope for, or speed of, significant gains may be limited, given pressures on both Fund and donor budgets. Some Directors were open to exploring the feasibility of the option to increase charging for CD services. Other Directors expressed doubts, given the serious administrative difficulty of implementing such a charging regime and the limited appetite of members for the policy. Many Directors were also open to exploring the merits of larger contributions from internal Fund sources. Many Directors suggested a review of the CD funding model, including external funding vehicles. Directors noted, however, that the merit and practicality of the different options would have to be carefully considered in light of the Fund’s income model and donors’ preferences and constraints.

Directors agreed with Recommendation 7 on the need to calibrate HR policies and incentives to maintain and enhance the quality and continuity of CD expertise, and ensure that CD receives appropriate priority as an integral

aspect of country engagement. They stressed the need to deliver on initiatives such as the talent inventory and the expert track that were already part of the HR strategy. Directors recognized that the timing of implementation of some other elements of this recommendation would need to be aligned with the pace of broader HR reforms, although a number of Directors suggested there could be scope to consider options on flexible working arrangements, at least on a trial basis. Directors looked forward to proposals in the MIP on staff incentives to work in CD. They noted that raising the recognition and opportunities for CD specialists at the Fund also requires behavioral and cultural changes.

Overall, Directors noted that the recommendations and their detailed suggestions should be carefully weighed against their budgetary implications and be subject to overall prioritization within the Fund's medium-term budget process and the inevitable trade-offs that come with a flat real budget. In line with established practice, management and staff will give careful consideration to today's discussion in formulating the Management Implementation Plan for Board-endorsed recommendations.