



RECOMMENDATIONS

The evaluation offers seven broad recommendations for Board consideration (Box 10). They are aimed at further enhancing the effectiveness and impact of IMF capacity development (CD), seeking to build on the considerable progress made in strengthening CD over the evaluation period. Many could be appropriately considered in the five-year CD strategy review due in 2023. For each broad recommendation, we offer some specific suggestions for how they could be implemented. In some cases, the specific suggestions are for consideration over the medium term, as resources permit.

BOX 10. IEO RECOMMENDATIONS FOR BOARD CONSIDERATION

Recommendation 1. Further enhance the strategic framework for IMF CD to provide clearer guidance for a more intentional and transparent approach to the prioritization and allocation of IMF CD.

Recommendation 2. Further develop the Executive Board’s strategic and oversight role through increased engagement and provision of information.

Recommendation 3. Reinforce measures to promote CD ownership, along with tighter integration with surveillance and lending, tailoring to country circumstances, and closer collaboration, as key drivers of CD effectiveness.

Recommendation 4. Leverage further the advantages of Regional Capacity Development Centers and put them on a sustainable footing.

Recommendation 5. Further enhance the monitoring and evaluation (M&E) system and fully exploit it to drive improvement in CD prioritization, design, and delivery.

Recommendation 6. Consider steps to enhance the stability and flexibility of CD funding in order to sustain support for the CD needs of member countries.

Recommendation 7. Calibrate HR policies and incentives further to ensure that the IMF maintains and enhances the quality and continuity of CD expertise and that CD receives appropriate priority as an integral aspect of country engagement.

It is important to stress that for these recommendations to be truly effective there will also need to be a change in the institutional culture toward CD. While the membership considers CD as one of the three core tasks of the IMF, in practice CD is not always treated on par with surveillance and lending. This is particularly the case for Board engagement; integration of CD in the Fund’s engagement with members through surveillance and lending; and incentives for staff to work in CD. To change the broader culture and effective second-class status accorded to CD will require leadership and support from the Board, management, and senior departmental staff.

Recommendation 1. Further enhance the strategic framework for IMF CD to provide clearer guidance for a more intentional and transparent approach to the prioritization and allocation of IMF CD.

This would involve finetuning rather than overhauling the already strengthened approach put in place in recent years. Specific steps could include:

- ▶ More clearly articulating the role of IMF CD in meeting the IMF’s goals; the synergies between CD, surveillance, and programs at the institutional and country levels; and the trade-offs between the objectives of, and guiding principles for, CD. Clearer articulation of priorities and tradeoffs would help guide allocation of CD resources, for example, between a country’s need for capacity development and the likelihood of near-term impact from CD support, or between individual country demand and the IMF’s broader strategic priorities.
- ▶ Enhancing the empirical/analytical basis for informing decisions about the allocation of CD, for instance, whether and when shorter versus longer-term (programmatic) engagements work best and how to balance the relative costs and benefits of dispersing CD widely across the membership versus deeper and more intensive engagements. Such a framework could incorporate factors including countries’ track record on past CD and their commitment to current CD, drawing on the growing evidence available from Results-Based Management (RBM) data and evaluations of Fund CD; an improved assessment of CD need; and a systematic assessment of institutional capacity in heavy CD user countries.
- ▶ Strengthening the role of the Committee on Capacity Building (CCB), including to position it to provide more definitive guidance for hard choices between country demands and the IMF’s

strategic priorities, informed by a deepening empirical/analytical evidence base. The terms of reference for the CCB could be reviewed and updated to reflect this enhanced role.

- ▶ Clarifying departmental roles and responsibilities vis-à-vis CD, to avoid overlaps, inconsistencies, and any potential incompatibility in responsibilities.
- ▶ Ensuring that Country Strategy Notes (CSNs) are regularly produced for all heavy CD users and are more consistent in terms of scope, consideration of strategic choices, and clarity in setting objectives for Fund engagement that could be subsequently assessed. Putting in place a more systematic review process would help accomplish this.
- ▶ Over the medium term, as resources permit, consideration could be given to:
 - Extending the preparation of Country Engagement Strategies, which bring together surveillance, lending, and CD for fragile and conflict-affected states (FCS), to all heavy CD users.
 - Developing explicit guiding principles, to be discussed and endorsed by the Board, on how to balance competing considerations—of recipient countries’ needs and preferences, the likelihood of success of CD activities, and the importance of evenhandedness across the Fund’s membership—in deciding how to allocate CD resources and the use of internal vs. external funding.
 - Developing a holistic framework to examine the roles, synergies, and tensions across CD, surveillance, and program work in different country contexts. Convening an expert group including external stakeholders as well as internal contributors could help to consider these issues and to offer recommendations about an overarching strategy for IMF engagement across these activities.

Recommendation 2. Further develop the Executive Board’s strategic and oversight role through increased engagement and provision of information.

While CD should not necessarily be on a fully equal footing with surveillance and program work in terms of the nature and modalities of Board oversight, the Board should nonetheless have more opportunity to understand progress against CD priorities and objectives and to provide strategic guidance on: (i) allocation of resources; (ii) the CD strategy and its integration with surveillance and program work in recipient countries; and (iii) external funding decisions.

Actions could include:

- ▶ Introducing a formal Board meeting, based on a staff paper, to discuss progress in implementing the agreed CD strategy and priorities and how to address any new challenges, at the midpoint between CD strategy reviews, as well as upgrading the annual informal Board engagement on CD before the spring Medium-Term Budget (MTB) discussion by including an update on progress in implementing the agreed CD strategy and priorities.
- ▶ Requiring all surveillance and program country documents for heavy CD users provided to the Board to include a short but substantive discussion of the CD strategy for the subject country, how CD activities fit into that strategy and are integrated with surveillance and program activities, and how CD is providing value.
- ▶ Explaining to the Board, for example in documents seeking Board approval of new external funding vehicles, how new vehicles would contribute to the Fund’s CD strategy, and how the priorities of donors and the IMF will be aligned.
- ▶ *Over the medium term*, as the evidence base matures, developing a reporting format to routinely provide more information and analysis to the Board of the results, impact, and value for money of CD activities, both at the country level and at the aggregate level, drawing on RBM, evaluations, and cost and activity data from the Capacity Development Management and Administration Program (CDMAP).

Recommendation 3. Reinforce measures to promote CD ownership, along with tighter integration with surveillance and lending, tailoring to country circumstances and closer collaboration, as key drivers of CD effectiveness.

Particular actions could include:

- ▶ Deepening engagement with recipient authorities in the development of CSNs and in the design and planning of CD projects, including the specification of objectives, outcomes, and milestones provided in RBM, and the monitoring of progress against them.
- ▶ Elaborating the guidance to staff on how to navigate challenges of CD in a program context, most importantly to ensure that CD contributes to rather than detracts from ownership.
- ▶ Clarifying the expectations of and guidance for staff, especially resident representatives, in supporting efforts by country authorities to lead and coordinate across different CD providers, underpinned by collection and dissemination of evidence on best practices more generally in coordination of CD providers.
- ▶ Over the medium term, exploring options for recipient authorities to signal their ownership, for example through requiring sign-off on terms of reference for CD projects, and commitment of own resources to working with the Fund. Staff could also explore ways to measure and assess ownership on a more systematic basis.

Recommendation 4. Leverage further the advantages of Regional Capacity Development Centers (RCDCs) and put them on a sustainable footing.

Specific steps could include:

- ▶ Clarifying the respective roles of HQ and RCDCs and strengthening the governance structure of RCDCs.

- ▶ Moving toward more coherent geographic coverage, as well as more consistent deployment of fully integrated centers and greater balance in funding across regions.
- ▶ Providing for a stronger role for internal IMF financing of RCDCs where needed to ensure a more stable source of funds for overhead costs, enabling donor resources to be focused on financing specific CD activities.
- ▶ Over the medium term, enhancing knowledge exchange across RCDCs and between centers and HQ about best practices (such as in peer-to-peer, or PTP, learning).

Recommendation 5. Further enhance the monitoring and evaluation (M&E) system, and fully exploit it to drive improvement in CD prioritization, design, and delivery.

Measures could include:

- ▶ A thorough assessment of CDMAP progress and remaining challenges, with further fine-tuning to ensure that the system is as user-friendly as possible to encourage full and effective compliance.
- ▶ Developing a more coherent institution-wide strategy for CD evaluation to be endorsed by the CCB, covering both internal and external evaluations, that guides what will be evaluated and by whom, and ensures that lessons are distilled and effectively disseminated. Such a strategy could include periodic evaluations of all the major CD workstreams, conducted by the capacity development departments (CDDs) with the Institute for Capacity Development (ICD) supporting quality control and dissemination.
- ▶ Streamlined project assessments reports prepared at the conclusion of all projects could consistently include lessons learned with broad applicability and comments from the relevant authorities, to serve as the building blocks for broader evaluations

- ▶ Over the medium term, as resources permit, consideration could be given to:
 - Exploring how more systematic use of RBM results and CDMAP data could help enhance assessment of CD effectiveness and cost effectiveness and contribute to prioritization and allocation decisions.
 - Developing a framework and processes to assess CD effectiveness and impact at the level of countries and their key institutions, as well as the synergies between CD, surveillance, and lending.
 - Undertaking a comprehensive assessment of performance and actual outcomes and impact to inform the five-yearly CD Strategy Reviews. The proposed integrated and strategic approach to evaluation would enrich the inputs on performance and outcomes for the reviews.

Recommendation 6. Consider further steps to enhance the stability and flexibility of CD funding in order to sustain support for the CD needs of member countries.

In addition to the regular efforts to monitor and finetune CD funding already in place, a deeper review of the CD funding model would seem warranted to explore options given the risks involved in relying on external funding, growing concerns about donor fatigue, and the tensions inherent in the IMF CD funding model. Options for consideration could include:

- ▶ Further enhancements in the management of the current funding model to enhance its effectiveness and efficiency, for instance by seeking greater flexibility in and consolidation of donor arrangements where appropriate.

- ▶ Exploring potential alternatives to increase funding, such as a targeted increase in contributions from some CD higher-income recipients, an internal set-aside or stabilization mechanism, or a larger contribution from internal resources via a targeted augmentation or reallocation from other activities.
- ▶ Enhancing communication and coordination across departments regarding requests to and engagement with donors, with the goal of ensuring that requests are well-aligned and prioritized, which would help mitigate donor fatigue.

Recommendation 7. Calibrate human resource (HR) policies and incentives further to ensure that the IMF maintains and enhances the quality and continuity of CD expertise and that CD receives appropriate priority as an integral aspect of country engagement.

Steps could include:

- ▶ Energizing the development and implementation of an ambitious expert track to enhance career opportunities by providing additional budgetary resources. The expert track could be calibrated to significantly increase career opportunities for specialized economists (SEs) to move into suitable roles both horizontally, including across departments, and vertically, including both advisory and managerial roles.
- ▶ Taking steps needed to complete the workforce planning and talent inventory initiatives to allow better tracking and planning of CD expertise across the Fund.
- ▶ Seeking to build on innovations introduced during the pandemic, for instance examining whether the definition of “duty station” could be adapted to allow experts in some cases to work remotely from third countries, with a view to appealing to a broader candidate pool and helping attract high-quality and diverse experts.

- ▶ Over the medium term, consideration of the extent to which HR policies and practices related to appointment terms for employees engaged in CD are appropriately calibrated to balance the tension between flexibility and continuity in CD expertise.

Budgetary Implications

In developing these recommendations, the IEO recognizes the overall budgetary constraints and the competing demands for available resources across the Fund’s activities. A number of the recommended actions are already resourced in the Fund’s MTB, including the completion of the rollout of CDMAP and the upcoming CD strategy review, which provides an appropriate venue to consider many of the suggestions made here. Nevertheless, some of the specific suggestions could imply significant increases in expenditure, although others present opportunities for efficiencies. We expect that a few would be broadly budget neutral, such as the enhancements to HR policies and practices affecting CD experts and steps to increase country ownership.

Several recommendations imply more resources being allocated to the planning, coordination and evaluation of CD, and better learning from CD experience, as opposed to operational delivery. We do not envisage a major reallocation in resources away from operational delivery, but rather anticipate that a small shift in the overall CD budget could allow significantly stepped-up attention to assessing and utilizing CD results. We believe that such an adjustment would have a substantial payoff over the medium term through better design, allocation, effectiveness, and impact of CD, which will in turn help to sustain external funding support.

The evaluation does not take a view on the appropriate overall spending envelope for CD but concludes that the Board should address the key strategic questions of the scale of CD, in absolute terms and relative to other activities, in the context of the Fund’s broader CD and institutional strategy and objectives. The upcoming CD strategy review provides an opportunity to reflect on these strategic issues, as well as consider this evaluation’s recommendations and potential resource implications.