



Independent Evaluation Office  
*of the* International Monetary Fund

DRAFT ISSUES PAPER

**THE IMF AND  
CAPACITY  
DEVELOPMENT**

NOVEMBER 10, 2020



## I. INTRODUCTION

1. This draft issues paper discusses the objectives and scope of an IEO evaluation of the IMF's capacity development (CD) activities since 2012. The paper draws on IMF Board documents and staff notes; past IEO evaluation reports; the broader literature on CD; and initial discussions with Fund Executive Directors, staff, and external stakeholders.

2. IMF CD 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, 2019a). CD includes a range of technical assistance (TA) and training activities and has become a prominent aspect of the IMF's work, serving as an important complement to surveillance and lending in meeting the Fund's mandate. CD is available to the full membership, and indeed has benefited all member countries at some point in the Fund's history, although it is directed mainly towards low- and middle-income countries.

3. CD activities have expanded dramatically in the last decade, and now account for around \$400 million of spending a year, one-third of the Fund's operational budget (IMF, 2018). Field delivery of TA has tripled since the mid-1980s, and the number of external participants in training programs has grown about five-fold since the early 1990s. This expansion has been supported by strong growth in external funding, which now finances about 55 percent of IMF CD spending.

4. Over time and as CD has grown, the IMF has taken steps to adapt 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 countries, and periodic strategic reviews, most recently in 2018. The IEO itself evaluated technical assistance in 2005 (IEO, 2005), with an update in 2015, and assessed CD in fragile states in 2018 (IEO, 2018). The evolution of CD has included efforts to prioritize country needs and interests so that CD is driven more by demand than the availability of IMF expertise; to enhance engagement and follow up through a growing set of regional capacity development centers (RCDCs); and to develop a results-based management framework to facilitate better design, monitoring and evaluation of CD work (IEO, 2014). Following the 2018 strategic review of CD work, the IMF has continued to work to better integrate CD with its surveillance and lending activities, including, by increasing the strategic role of area departments and to strengthen the systems and processes supporting decision making (IMF, 2018). Most recently, the COVID-19 pandemic has created new challenges for CD activities, requiring the IMF to quickly adjust delivery mechanisms and respond to rapidly evolving country needs.

5. 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. While assessing this is inherently very difficult, the Fund's progress toward a fully functioning approach to monitoring and evaluating of CD has been slow. 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, 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 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 new challenge of remote CD delivery as travel has been curtailed in the COVID-19 pandemic. Fourth, there are questions related to the CD resource framework, both financial and human, including 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, and whether the Fund is well positioned to recruit and retain the needed technical expertise. And fifth, there are issues related to coordination with other providers and dissemination, such as whether there is sufficient learning across projects, countries, and regions.

6. Given the importance of CD, and its substantial evolution since the IEO last undertook an examination of this topic, the IEO is planning a full-scale evaluation of IMF CD and its role in fulfilling the institution's mandate for completion in 2022. While recognizing the breadth and depth of reforms currently underway to enhance the effectiveness and efficiency of IMF CD, the evaluation will provide an early read on progress being made in advance of the next strategic review due in 2023. The evaluation will also consider broader issues related to the IMF's strategic vision for CD and the CD governance and resource framework, as well as undertake an early stocktaking of how IMF CD adapted to new challenges during the initial phase of the COVID-19 pandemic.

7. The next section of this paper provides broader context and historical background about the IMF's CD work. Section III outlines current practices and challenges for the IMF's CD. Section IV concludes by laying out the objectives, scope, and work plan for the evaluation.

## II. BACKGROUND

### **Capacity development as a form of international support**

8. Sharing knowledge and contributing to building institutions has long been part of the international community's support for countries' efforts to achieve sustainable and inclusive growth. The approach to such activities has evolved over the years—from an emphasis on filling capacity gaps by training staff and establishing new government agencies in newly independent states, to the broader and longer-term challenges of addressing organizational and institutional constraints, with increasing recognition of the critical importance of the voice and ownership of recipient/partner countries in creating and maintaining capacity over time.<sup>1</sup>

9. The IMF is one of a wide range of providers of CD, including other multilateral organizations (for example, the World Bank, United Nations, OECD), regional entities (such as the European Commission), bilateral government agencies (including finance ministries, central

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<sup>1</sup> See, for example, Andrews (2011), Parks and others (2015), Rose and others (2016), Andrews and others (2017), and Cox and Norrington-Davies (2019).

banks, and development ministries), and civil society organizations. The OECD estimated total CD spending at \$19.2 billion in 2018, over 40 times the IMF's annual CD spending.<sup>2</sup> Nevertheless, the IMF is among the largest providers in its areas of expertise including fields such as public financial management, tax administration, macroeconomic statistics, and financial sector stability.

10. While CD activities are widespread and longstanding, and efforts to evaluate their effectiveness have been extensive, it has been hard to assemble solid evidence about their contribution to achieving desired outcomes. Building institutional and human capacity is a long-term undertaking, with progress very much dependent on the wider political and economic context and other developments outside the control of the CD provider. Furthermore, measuring impact and effectiveness<sup>3</sup> is complicated by the fact that CD activities do not typically contribute to policy outcomes in a linear way. Assessing the long-term impact of capacity development, and even its effectiveness in delivering on shorter-term objectives, is thus not straightforward.

11. While recognizing these limitations, a number of commentators have concluded that the impact and effectiveness of CD is at best uneven. For instance, Cox and Norrington-Davies (2019) suggest that “the fact that similar TA projects have been repeated for decades in the same contexts suggests a pattern of repeated failure. There is little evidence of cumulative impact, leading to better development outcomes over time. There is, however, evidence that TA has generated ‘islands of capacity’ – particularly for discrete tasks that are easily monitored and in institutional sites that are insulated from the rest of the public sector.”<sup>4</sup>

### **Evolution of CD at the IMF**

12. IMF capacity development activities are anchored in the Articles of Agreement, which allow the Fund to perform “financial and technical services” consistent with the Fund’s purposes

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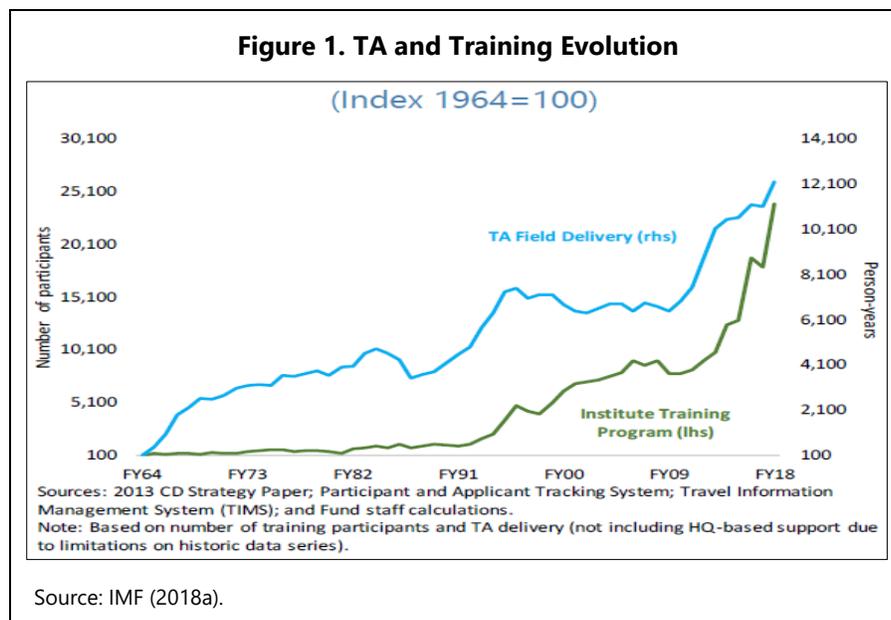
<sup>2</sup> There is no comprehensive consolidated data on CD activities across providers, and in fact many providers do not report on their CD activities separately from other forms of assistance. The OECD collects data on official sector spending on “technical cooperation” in developing countries, defined as “grants to nationals of aid recipient countries receiving education training at home or abroad or payments to consultants, advisers, and similar personnel as well as teachers and administrators serving in recipient countries”. Data is available in the OECD database (<https://stats.oecd.org/Index.aspx?DataSetCode=Table2A#>). OECD data does not include assistance packaged with development projects nor technical expertise provided to emerging market or advanced economies

<sup>3</sup> Impact and effectiveness are generally seen as closely related but distinct concepts. There is increasing convergence on the definitions in the recently revised guidance of the OECD-DAC Network on Development Evaluation. This guidance defines effectiveness as “the extent to which the intervention achieved, or is expected to achieve, its objectives, and its results” and impact as “the extent to which the intervention has generated or is expected to generate significant positive or negative, intended or unintended, higher-level effects...It seeks to identify social, environmental and economic effects of the intervention that are longer term or broader in scope than those already captured under the effectiveness criterion” (OECD, 2020).

<sup>4</sup> See also Andrews and others (2017). Buch and others (2017), Andrews (2013), Booth (2011), and Birdsall (2007).

to member countries on request.<sup>5</sup> Unlike members' obligation to participate in surveillance, CD is a voluntary form of engagement requiring a request from the member country.

13. In the Fund's earliest years, TA was provided on an informal basis as needed alongside surveillance. The IMF institutionalized these activities in the mid-1960s when a large number of 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, with an initial wave of growth in the 1970s alongside increased IMF lending to low-income countries, a brief spurt as countries grappled with emerging external debt problems in the early 1980s, and a further surge in the 1990s as an important tool in the IMF's work to help countries of the former Soviet bloc make the transformation from central planning to market-driven economies (Boughton, 2004) (Figure 1). From the late 1990s, the Fund started to open regional technical assistance centers to support TA delivery, focusing on providing more on-site support to countries with particular needs (Annex I). The provision of training to member country officials accelerated in the early 1990s and has grown strongly since.



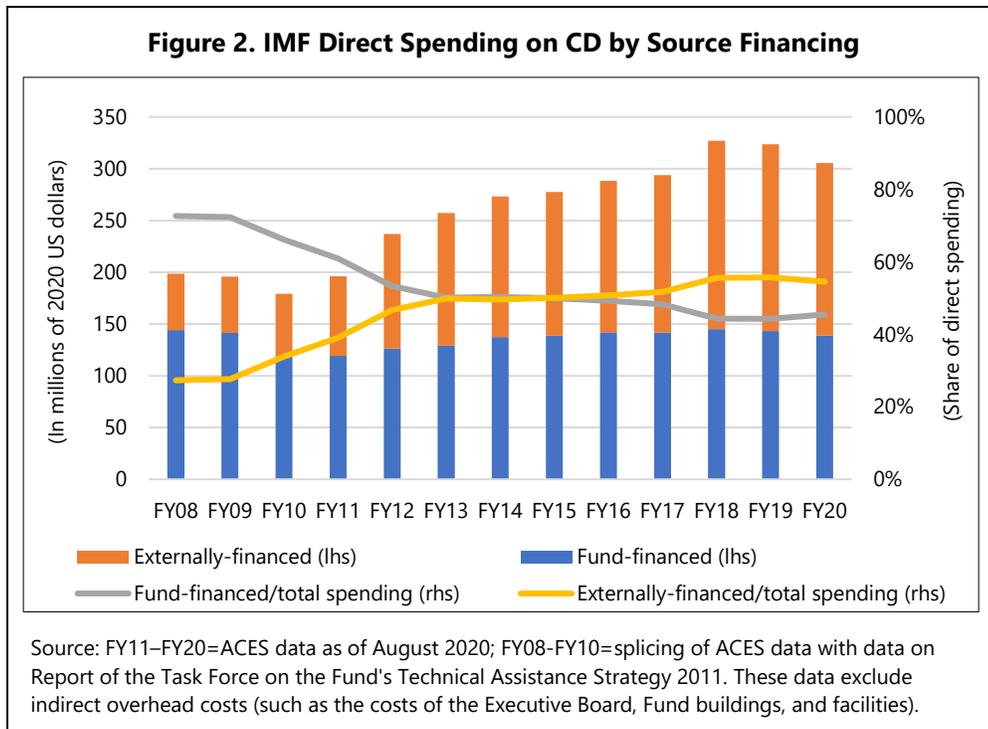
14. As the Fund adjusted its operations to declining operating income through a "downsizing" in 2008, it imposed significant cuts in the internal resources allocated to CD. The institution then launched a proactive effort to attract increased external funding for CD.<sup>6</sup> This shift led to greater alignment of IMF CD activities with donor development strategies and efforts

<sup>5</sup> "If requested, the Fund may decide to perform financial and technical services ... that are consistent with the purposes of the Fund. .... Services under this subsection shall not impose any obligation on a member without its consent" (Article V2b).

<sup>6</sup> IMF TA has long been supported by generous bilateral donors, such as Japan.

to develop long-term partnerships around specific topics and/or regional delivery mechanisms (IMF, 2008; 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 (SDGs), 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.

15. IMF spending on CD has grown in line with these events. It expanded from about 12 percent in FY2005 to nearly one-third of the Fund’s budget in FY2018. Since then, the share of spending on CD has leveled off as the Fund determined that a pause was needed to reflect more broadly on the appropriate scale of CD activities relative to other IMF activities, and dipped a little in FY2020 because of COVID-19-related disruptions in the last months of the year. Total spending on CD amounted to \$392 million in FY2020 (\$305 million on direct delivery costs and the remainder on indirect support and governance costs).<sup>7</sup> External donors financed more than half of this in FY2019, up from about a quarter in FY2008 (Figure 2). TA accounted for the bulk of total CD, with training accounting for about one-sixth of total CD.



<sup>7</sup> Tracking spending on CD is complicated by discontinuous data series as the IMF has shifted its methods for collecting and reporting this information over time.

16. The organization and management of CD activities at the Fund has changed substantially over time in response to a series of Fund-wide strategic reviews, as well as a 2005 IEO evaluation of *IMF Technical Assistance* and an Update of this evaluation in 2014.<sup>8</sup> These reviews have shared a number of common themes, including strengthening the arrangements for CD administration and oversight; enhancing the systems for setting priorities and allocating TA resources; increasing the role of area departments and engagement of country authorities in selection, design and implementation of CD projects; and enhancing monitoring and evaluation, including by strengthening management information systems. The 2018 review emphasized in particular the importance of having area departments take the lead in prioritizing CD, to help integrate CD with surveillance and lending; and enhancing IMF systems for administering, monitoring, and evaluating CD to improve efficiency and to strengthen the basis for strategic decision making. Following this review, the IMF has undertaken a broad set of reforms that remain in progress, including the respective roles of departments, the resource allocation process, monitoring and evaluation frameworks, and a major investment in improved management systems.

17. Following the 2013 strategic review, the IMF issued a statement on *Policies and Practices on Capacity Development* (IMF, 2014), laying out CD objectives, scope and modalities, and principles to guide prioritization, partnership with donors, delivery, monitoring and evaluation, and dissemination. This replaced a 2001 policy statement on technical assistance. Further revisions were made to the policy statement in 2019 to reflect the conclusions of the 2018 Review (IMF, 2019a).

### III. CURRENT PRACTICES AND CHALLENGES

#### Objectives and strategy

18. The 2019 statement of CD policies and procedures states that “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, 2019a).

19. These institutional objectives—of strengthening institutional capacity, building individual capability and helping the Fund’s dialogue with member countries—are complemented by more specific and measurable objectives at the project level, as discussed below. But there remain questions whether the high-level objectives provide sufficient guidance for making strategic choices, or an adequate basis for measuring progress at the institutional level. For example, how

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<sup>8</sup> The IEO has also evaluated IMF CD as part of other evaluations, including *Behind the Scenes with Data at the IMF* (2016), *The IMF and Fragile States* (2018), and is considering CD as part of two ongoing evaluations, “Adjustment and Growth in IMF-supported Programs,” and “The IMF and Small States.”

is “deepen[ing] the dialogue between Fund and member country experts” to be assessed, and traded off against concrete success in building institutions?

20. In terms of the Fund’s broad approach to CD, the 2019 statement highlights several key features or principles:

- CD activities are driven by demand from its member countries.
- CD activities should be integrated with the policy dialogue between member countries and the Fund that take place under surveillance or Fund-supported programs.
- The Fund delivers its own CD services, and “stands by the services it delivers regardless of the mode of delivery and exercises quality control” (IMF, 2019a).
- The Fund cooperates closely with other providers of CD “to avoid duplication in coverage and to enhance complementarity with other CD providers” (IMF, 2019a).

21. As mentioned above, the most recent review of the Fund’s CD Strategy focused on strengthening management and decision-making on CD to enhance integration with other activities and to support the efficiency and impact of CD. However, the 2018 CD Strategy Review did not explicitly address a number of over-arching strategic questions. In particular, the review did not tackle the question of how much CD the IMF should undertake relative to its other activities—an issue which staff judged should be considered in the broader context of the IMF’s overall strategy and medium-term budget. The review also did not consider strategic questions related to the appropriate balance between internal and external funding, the balance between providing CD to those with the greatest long-term need and those with a short-term ability to absorb and implement, and the appropriate role of the Fund in coordinating with other CD providers. In addition, some areas that were touched on by the review may merit deeper consideration, including the extent to which the IMF should adapt its CD approach to take more account of drivers of institutional change beyond transfer of technical knowledge and the possibility of a greater role for charging recipients of CD services.

### **Organizational responsibilities and oversight**

22. The planning, administration, and delivery of CD at the IMF involves the interaction of a broad range of departments, with management and the Executive Board each playing important roles.

23. The **Executive 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, 2019a). Unlike surveillance and lending, the Executive Board does not review or approve individual CD activities in member countries, although Board views on country issues, as reflected in surveillance and program discussions, also feed into the prioritization of CD

resources.<sup>9</sup> The primary vehicles for Board oversight are approval of an annual statement of medium-term CD priorities, drawn up by staff, as part of the Board’s consideration each spring of the Fund’s overall medium-term budget; and its input into the Managing Director’s Global Policy Agenda (GPA), presented twice yearly to the Board and then IMFC.<sup>10</sup> In addition, in recent years, as part of efforts to increase Board engagement on CD activities, departments have provided regular informal briefings both on CD topics specifically and as part of regional briefings. Every five years, staff prepares strategic reviews of CD that provide the Board deeper insights into CD activities and offer an opportunity to discuss and guide policies and practices.

24. Whether the current practices for informing the Board about CD, including its outcomes and impact of CD in the country context and more globally, are sufficient for appropriate Board oversight remains an open question, as does the adequacy of opportunities for Directors to influence prioritization and to provide guidance on broader strategic issues. In the Board discussions of the medium-term budget and the GPA, CD is only one of many issues on the table, some of which are urgent policy challenges. Directors underscored concerns on this front when concluding the 2018 strategic review, calling for the opportunity to weigh in on “strategic direction and priority-setting on a more regular basis going forward” (IMF, 2018). There may also be potential for Directors to play a more active role in promoting collaboration between the IMF and the aid agencies of governments that they represent, as recommended in the IEO evaluation on fragile states (IEO, 2018), and in helping to coordinate CD provision with recipient authorities.

25. **Management** is responsible for setting medium-term priorities for CD and allocating resources, taking into account the guidance provided by the Board, working with an interdepartmental **Committee on Capacity Building** (CCB), which is charged with internal oversight of Fund CD and ensuring consistency with strategic priorities. The CCB is chaired by a Deputy Managing Director and comprises heads of area departments, CD departments, SPR and OBP. ICD acts as the secretariat. Based on the overall resource level approved for CD as part of the Fund-wide budget process, the CCB oversees the preparation of and approves a detailed Resource Allocation Plan (RAP) each year that specifies the delivery of CD activities across countries and regions by CD-providing departments. The CCB makes decisions about priorities and also identifies CD topics targeted for growth for the coming three-year period and creates limits (set department-by-department) on externally financed CD activities.<sup>11</sup> On this basis, CD departments and ICD work together to raise the necessary funding (discussed further in the next sub-section). The processes and systems underpinning the RAP are changing with the rollout of

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<sup>9</sup> In 1991, as part of a broader effort aimed at “reduction and streamlining of Board documentation,” a decision was made to recognize the Managing Director’s authority to accept TA requests from members as part of ordinary business, ending the requirement for Board approval of individual TA requests, which led to 118 individual decisions by the Board in the year preceding the decision (IMF, 1991).

<sup>10</sup> The Board has also received mid-year updates on overall spending on CD activities, CD distribution, training participation, and sources of external financing as part of the previous year’s budget outturn.

<sup>11</sup> The RAP process has been streamlined for FY2020–21, in response to the COVID-19 pandemic.

the CD Management and Administration Program (CDMAP), which is intended to support the prioritization.

26. Within this structure, **Area departments** formulate country or regional CD strategies and prioritize CD demand based on their active engagement with member countries via surveillance and program work; they are also responsible for managing many of the Regional Capacity Development Centers (RCDCs) located in member countries (see Annex I). **Capacity development departments**—the Fiscal Affairs (FAD), Monetary and Capital Markets (MCM), Statistics (STA), and Legal (LEG) departments, along with the Institute for Capacity Development (ICD) — each deliver CD in their areas of expertise.<sup>12</sup> Since its creation in May 2012, ICD has been responsible for defining overall CD strategy, coordinating across Fund departments, fundraising and partnerships with donors and other stakeholders, and designing and coordinating monitoring and evaluation processes. ICD also manages formal, multi-country courses that are delivered by the various CD departments. However, responsibilities for managing CD expertise, delivery, and resources continue to rest with CD departments individually, each of which has different practices and organizational arrangements for delivery and review, inter alia.

27. As mentioned earlier, the IMF has worked over time to increase the role of area departments in CD, in order to help align CD provision with country views and needs and to enhance integration of CD with surveillance and program work. However, the fact that the need for a greater area department role has been continually highlighted in successive strategic CD reviews suggests that progress has been slower than desired. An important question is how much has been achieved since the 2018 strategic review to more effectively integrate CD with surveillance and program work. Related issues include the internal resource implications of this effort and the potential implications for member countries, some of which may prefer clear separation of CD from programs and surveillance.

## Financing

28. Most IMF CD is provided free of charge to member countries with the exception of non-critical CD to advanced economies.<sup>13</sup> The IMF introduced a policy of country contributions (“cash charges”) for TA in 2008, as a means to signal ownership and country commitment, but charges were ultimately never introduced and the policy was repealed in 2011 as donor financial support grew (IEO, 2014).

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<sup>12</sup> FAD is responsible for delivery of the largest share of CD (43 percent in FY2019), followed by MCM (20 percent), STA (16 percent), ICD (12 percent), LEG (5 percent). Other departments, such as Research (RES) and the Strategy, Policy and Review (SPR) account for the remaining 4 percent.

<sup>13</sup> “The Fund does not charge recipient countries for delivery of CD services except for high-income countries (for CD that is not deemed critical and that costs above a minimum threshold). In some cases, countries make voluntary contributions to finance CD services they receive from the Fund. Depending on the circumstances, a high-income country may receive both Fund-financed CD and CD financed by its own contributions to the Fund” (IMF, 2019a).

29. Instead, IMF CD activities are predominantly financed by a combination of the IMF's own resources and resources from external donors. External financing grew by 16 percent per year on average over FY2009–20 (IMF, 2020a), and by FY2020 represented about 54 percent of total direct spending on CD, up from under 30 percent of a smaller pie in FY2008 (Figure 2). External financing has thus been instrumental in allowing the Fund to increase CD to its members, particularly in the context of a flat real budget constraint. There are more than 25 donors, the largest of which is the EU, which provided nearly 20 percent of all external funding in the FY2018–20 period, followed by Japan (14 percent), China (7 percent), Germany (7 percent), Switzerland (6 percent), and the U.K. (6 percent).<sup>14</sup>

30. Most external financing is provided through trust funds, whether single donor or multi-donor, which can be recipient or thematically focused. Trust funds are typically initiated by IMF staff as a means of funding CD on topics or regions where donor partners have similar strategic priorities. Over time, there has been a gradual shift towards multi-donor and thematic trust funds and away from single-country trust funds, as the IMF sought to increase flexibility in allocating resources to changing needs, and to reduce administrative costs. Creation of trust funds is subject to CCB and management approval. Some trust funds also involve partnership with another IFI (e.g., the Debt Management Facility with the World Bank). Trust funds play a large role in financing RCDCs (see Annex I), leading to differences in funding across different RCDCs, reflecting donors' geographical priorities. Typically, governance arrangements for trust funds involve regular meetings between IMF staff and donors, and in some circumstances recipients, as well as periodic evaluations to assess the use of resources against objectives.

31. While the Fund has been very successful in attracting resources from external donors to allow substantial expansion in CD activities, this reliance on external resources has also raised issues and concerns.<sup>15</sup> First, there is the risk of reliance on a source of financing that is not assured but must be periodically renewed. This exposes CD funding to potential changes in the priorities or financial circumstances of donors, particularly at times of stress on national budgets such as during the current COVID-19 pandemic. Second, external financing of CD has implications for the Fund's own resources, including because some costs may not be fully charged to donors and thus are borne by the IMF's own budget. Third, there is concern that accommodating donor priorities can reduce flexibility to adapt CD to quickly evolving needs, an issue again underlined by shifting CD needs in the context of the pandemic. Fourth, the need to accommodate donor preferences raises questions about evenhandedness—for instance, if a donor directs funds to a particular country, region, or RCDC. Finally, there are strategic questions about the overall size, balance, and future path of funding, including whether the IMF could or should expand CD further if more donor resources were available, and the pros and cons of

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<sup>14</sup> Some CD receiving countries are also donors, including China, India, and Kuwait, and most RCDCs are also funded at least in part by beneficiary countries, who participate in the governance of these centers.

<sup>15</sup> The challenges from reliance on external financing are noted in IMF (2019a), in the IMF's 2019 Risk Report (IMF, 2019c), the FY2021–23 medium-term budget (IMF, 2020a), and the FY2020 budget outturn (IMF, 2020b).

alternative funding models, such as endowments and charging for CD services in some circumstances.

### **Strategic priorities and allocation**

32. The IMF's approach to prioritizing and allocating resources across regions, countries, and topic areas and allocating resources has evolved over time. The framework for doing so has generally sought to strike a balance between the IMF's mandate, focus on its core areas of expertise, and the needs and interests of member countries. The Fund also aims to be nimble in responding quickly to short-term crisis related needs ("curative CD"), as well as helping countries build sound institutions to boost resilience ("preventative CD") and sustaining efforts to develop capacity, particularly in low-income countries and fragile and small states ("developmental CD"). Nonetheless, the need to ensure an adequate focus on the interests and needs of countries, and avoid an excessively supply-driven approach, has been a recurring theme in strategic reviews, as well as the 2005 IEO evaluation and 2014 Update. As noted above, the 2018 strategic review highlighted the need for a strengthened role for area departments in defining CD needs and priorities, encouraging enhanced engagement with country authorities at an early stage, and focusing priorities on areas within the IMF's core mandate and on areas where impact is high.

33. Building on the 2018 review, the current process for prioritizing IMF CD and allocating resources brings together both country-focused area department staff and CD department staff responsible for delivery. Area departments establish needs and priorities, with RCDCs providing key input; these priorities are laid out in Country Strategy Notes and/or Regional Strategy Notes, which are discussed with CD-delivery departments and constitute the basis for prioritizing CD activities each year in the RAP.

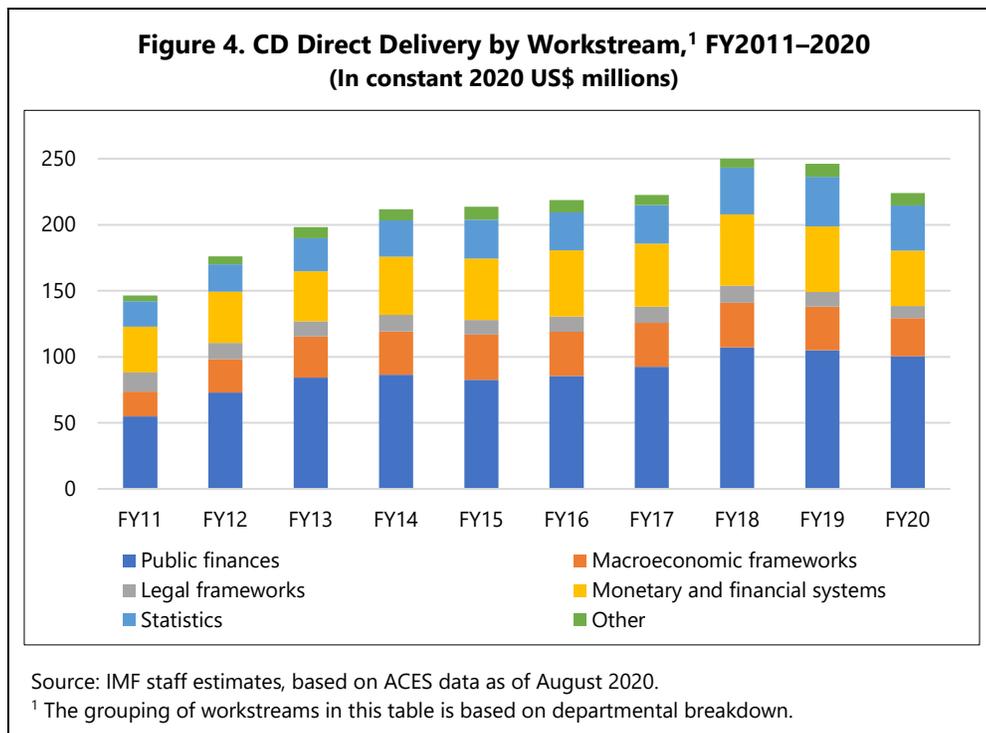
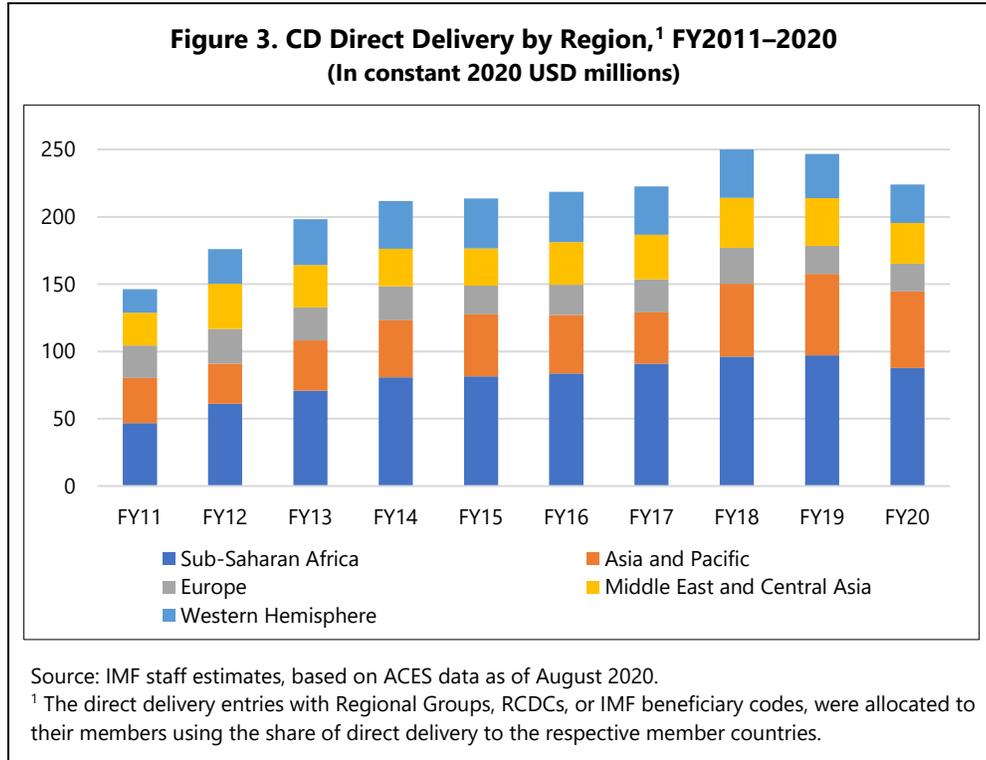
34. In practice, almost all CD is focused on low-income and developing countries (52 percent) and emerging market and middle-income members (44 percent). Sub-Saharan Africa received nearly 40 percent in FY2020, followed by Asia and the Pacific, Western Hemisphere, and the Middle East and Central Asia; these shares have shifted somewhat over time, with the main trend being an increase in the share received by Sub-Saharan Africa and a decline in that for Europe (Figure 3). About half of the IMF's CD resources<sup>16</sup> in the last two years went to countries identified as highly vulnerable, and more than a quarter (29 percent in FY2019 and 27 percent in FY2020) to fragile states.

35. IMF policy calls for most CD to take place in "core areas" of IMF technical expertise: revenue administration; tax policy; public financial management and expenditure policy; macroeconomic frameworks; macroeconomic statistics; financial sector stability; central bank operations and market development; financial integrity and financial/fiscal law reform. As CD has

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<sup>16</sup> As a share of direct delivery costs, that is excluding overheads.

grown, the distribution of resources among these workstreams has shifted somewhat but consistently accounted for more than 90 percent of IMF CD (Figure 4).



36. In recent years, the IMF has targeted a number of “growth areas” for CD, reflecting shifts in priorities, including within core areas. These growth areas are identified by the CCB in consultation with management and currently include: anti-corruption; debt sustainability; expenditure policy and public investment management; tax policy; cyber security and fintech; and climate change. Although CD in these areas has grown, they remain under 10 percent of IMF CD.

37. Even as the approach to prioritization and allocation of CD has been refined, the IMF continues to face challenges in striking the right balance between competing considerations. A key question is whether recent modifications to the allocation process have now brought sufficient attention to a country’s interests, needs, and political commitment and to fostering ownership. A second issue is how allocation should be related to a country’s absorptive capacity and related implementation risks. For instance, the countries that have the greatest potential for CD to make a major impact, such as fragile states, also have particularly challenging circumstances for effectively using CD (IEO, 2018). Concerns also remain about the appropriate weight for donor priorities. In addition, there is the question about whether the prioritization and allocation processes are sufficiently flexible to adapt to changing country needs within the year, accentuated by the challenges of changing CD needs resulting from the COVID-19 pandemic.

38. In considering the challenges in allocating CD resources, it is worth reflecting that other CD providers, such as development banks and bilateral aid agencies, typically use a less centralized process for making decisions about where and when to provide CD; they generally make decisions as part of country engagement strategies, integrated with other forms of support, with less attention to central oversight of how resources are allocated to different modalities (Annex II). The differences in approach from the IMF in part reflect different organizational mandates and frameworks, but there may be lessons for the Fund from the experiences of these other organizations.

### **Delivery and dissemination**

39. All IMF CD, including that provided through RCDCs) is delivered directly by Fund staff or by short-term or resident experts who are backstopped by Fund staff. Headquarters-based CD has usually involved a one to two-week visit to the country by one or more staff, sometimes accompanied by a short-term expert.<sup>17</sup> As noted above, RCDCs located in member countries have played a growing role in CD delivery; they also help coordinate CD activities in countries and engage with other providers (see Annex I).

40. As the IMF has sought to increase attention to follow-up to support implementation, especially in countries with limited expertise and institutional capacity such as fragile states, it has increased use of resident long-term experts who can offer continuous and hands-on support for

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<sup>17</sup> Modalities have been adapted following the COVID-19 pandemic, with much heavier use of virtual engagement. IMF staff have created a community of practice to help develop and share tools and work practices in this area.

country reform efforts. They may be assigned to a single country (e.g., based in ministries of finance, central banks, or with tax authorities) or can be stationed in an RCDC to deliver TA and follow up to a group of countries. In FY2019, headquarters-based personnel spending accounted for 45 percent of CD direct spending, while long-term experts accounted for 14 percent, and short-term experts about 13 percent.<sup>18</sup>

41. Depending on the individual country or project context, TA reports are usually produced at the conclusion of TA missions; these are finalized after review within the IMF and by the relevant member country authorities (IMF, 2020c)—a process that sometimes can be drawn out. The Fund’s policies do not require publication of TA reports; publication is encouraged but requires the consent of the member and in practice the vast majority of reports are kept confidential.<sup>19</sup> Information about the topics for TA provided to each member is included in annual Article IV reports but is not intended to convey information about the content of advice or its impact. In order to disseminate lessons from TA work, CD departments have published how-to notes, technical notes and manuals, and compilation volumes drawn from CD reports, as well as organizing seminars and workshops and preparing blogs and podcasts. Notwithstanding such efforts, the question remains whether the Fund’s policies on dissemination of TA reports and other CD information continue to reflect an appropriate balance between transparency and confidentiality

42. Training was historically considered a distinct activity separate from TA, but is now regarded as part of a spectrum of CD modalities. Increased integration of training and TA modalities is an ongoing priority, as it is seen as a way to help strengthen uptake and enhance traction. Training formats range from the traditional formal multi-country courses, to targeted workshops, communities of practice (i.e. cross-country networks of peers in specific subject areas who are brought together periodically), or on-the-job instruction by experts. RCDCs are responsible for delivering training in their region, drawing on CD departments as needed. Inclusion of training in the Fund’s planning process through the RAP is expected to help enhance sequencing of CD modalities.

43. Delivery of CD has been significantly affected by the COVID-19 pandemic. The IMF has sought to adapt the delivery modalities, as well as content, of its CD to challenges created by the pandemic (IMF, 2020b). Early indications suggest increased reliance on virtual CD can bring advantages such as greater flexibility and timeliness of advice, although it also poses practical accessibility challenges, particularly where there is less well-developed communications

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<sup>18</sup> IMF staff estimates (per FY2020 CD Outturn and FY2021 Resource Allocation Plan). Non-personnel expenses accounted for about 28 percent.

<sup>19</sup> The 2018 strategic review of CD reported that only about 5 percent of TA reports were published despite a longstanding policy to encourage publication and noted that an interdepartmental working group was considering how to increase the publication rate given the reality that such publication is a voluntary choice for recipient countries and the importance of maintaining confidentiality (IMF, 2018).

infrastructure, and concerns remain around how to ensure that virtual CD can achieve the impact of hands-on engagement.

44. The Fund will need to adapt to these new challenges and opportunities as it continues to grapple with long-standing issues related to CD delivery. Among these continuing challenges is striking the right balance between providing advice based on global best practices and providing fit-for-purpose advice tailored to country circumstances. There are also questions about how much progress has been made in addressing issues raised in previous strategic reviews, such as whether the IMF is doing enough to follow up on its advice by supporting implementation, how CD should interact with program and surveillance work, and whether different modalities are integrated sufficiently to support uptake and traction. Regarding formal training courses, there are questions about whether content is sufficiently tailored to participants' regional or country context and whether the IMF identifies or attracts participants best suited to benefit. In addition, it will be relevant to consider whether the Fund could further increase use of modalities such as peer-to-peer learning and communities of practice and practical questions about the right balance between virtual and face-to-face delivery modalities, in the light of experience during the COVID-19 pandemic. There are also fundamental questions about whether the Fund's approach to CD design and delivery puts enough weight on recipient country ownership, commitment, and absorptive capacity to maximize the chances of sustained positive impact.

45. Finally, there are long-running HR issues related to ensuring the Fund has the right amount, type, selection processes, and geographical location of technical experts to deliver the high-quality TA to which the Fund is committed. There are concerns that longer-term career paths are less clear or attractive for staff with specialist technical skills, compared to those for fungible macroeconomists, which complicates the recruitment and retention of mid-career technical experts and the development of sufficient technical expertise in-house.<sup>20</sup> There may be opportunities, highlighted by the changes to working practices spurred by the COVID-19 pandemic, to consider different employment models for those delivering CD, to enable more flexibility between HQ-based, field-based, and third-country-based staffing.

### **Impact, monitoring, and evaluation**

46. Overall, IMF CD work is well regarded, as the Fund maintains a global reputation as a center of high-quality advice in its areas of expertise. This perception is consistent with continuing high demand for IMF CD services as well as surveys of officials in recipient countries.<sup>21</sup> The IEO evaluation of *The IMF and Fragile States* concluded that IMF CD was particularly effective

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<sup>20</sup> See IMF (2018a). Recent IEO evaluations of *IMF Financial Surveillance* (IEO, 2019) and *The IMF and Fragile States* (IEO, 2018) raised similar issues.

<sup>21</sup> The results of surveys of leaders in over 100 counties receiving development aid, conducted by AidData in 2014 and 2017, found the IMF to be ranked very highly in terms of helpfulness and influence amongst development partners, though this applies to all IMF engagement, rather than CD specifically. See Custer and others (2015; 2018).

in the early institution-building phase in areas such as revenue collection, public expenditure control, central banking, currency reform, and statistics (IEO, 2018).

47. Nevertheless, assessing the impact of IMF CD in more systematic and objective ways has long been viewed as a key challenge. Under the IMF CD guidelines, “monitoring and evaluation is used to review CD activities to ensure accountability; to assess their relevance, efficiency, effectiveness, and impact; and to distill lessons on how to strengthen future activities. It is recognized that monitoring and evaluation is key to ensure quality and effectiveness of CD activities.” Difficulties include the complex and non-linear nature of capacity building and the many diverse influences on it, and the associated problems of attributing the relative contributions of all the many factors, besides CD, that could explain improvements in outcomes such as enhanced macro-economic stability or higher tax revenues. Assessing effectiveness, or the extent to which CD has achieved its specific objectives in terms of a more limited set of outputs, is more straightforward, through standard evaluation techniques. Although not necessarily assuring the desired long-term outcome, systematic monitoring of progress in implementing CD against clearly specified inputs, activities, milestones and final outputs or outcomes can help ensure that CD is tailored to the needs of the country, builds on evidence of what works, and is an important complement to ex post evaluation for accountability and learning.

48. The IMF has long sought to enhance its approach and systems for monitoring the results of its CD work. In particular, the Fund has worked toward measuring results (outputs and outcomes), as opposed to work undertaken (inputs), in order to provide a firmer basis for learning and accountability. As part of this effort, the IMF has begun to implement a results-based monitoring (RBM) framework, which was endorsed by the Board in 2013. Some use of logical frameworks traces back as far as 2005; but since 2017 such “log frames” using standardized outputs and outcomes for each principal CD product line have been produced for each CD project.

49. Notwithstanding these efforts, the RBM approach is still at an early stage of implementation. There are also open questions about how intended outputs and outcomes are identified, and whether there is sufficient buy-in to them from the recipient authorities, as there is a risk that RBMs can be perceived as a form of “stealth conditionality” (Radelet, 2018). More generally, RBM is subject to concerns commonly raised about such efforts for CD activities more generally, including that such approaches: can lack clarity about the relative importance of their various possible purposes, e.g., informing external accountability versus internal management of delivery versus fostering country ownership; encourage a focus on actions and outcomes that are measurable and easy to achieve rather than those which may be more important for long-term success but are harder to measure; may penalize those with limited implementation capacity but the greatest capacity development needs; and need to be complemented by concerted efforts to ensure that information and wider lessons generated are acted upon by the institution.

50. The RBM framework is embedded within broader management information systems to support CD coordination and accountability. Since 2005, the IMF has used different systems, such as TA Information and Management System (TAIMS) and CD-PORT, to track CD activities, but the task has been complicated by the growing scale of CD and number of donors. The recently launched CDMAP represents the latest effort to bring together information about CD, across topics and departments in a way that enhances transparency, accountability and coordination; on current plans, CDMAP will be fully rolled out by September 2021.

51. For ICD-delivered training courses, the IMF gathers data on the perceived value and benefits of training, including by conducting follow-up surveys of participants and sponsors and a triennial survey of sponsoring agencies. An annual review of each course aims to assimilate this information and facilitate ongoing improvement. Online courses also include pre- and post-course testing to assess how well information is conveyed and absorbed. Establishing the broader effectiveness and medium-term impact of courses on institutional capacity poses a range of challenges, including due to staff turnover in recipient countries.

52. The IMF has also undertaken ex post evaluations of particular CD activities for many years, although not in a systematic or integrated way. CD departments have periodically prepared or contracted for evaluations of specific topical or country work.<sup>22</sup> Externally-financed CD activities, notably RCDCs and trust funds, are required to undergo regular external evaluations based on donor requirements. However, there has been some concern about whether these evaluations have contributed to learning in the IMF, as opposed to providing accountability for donors (IEO, 2015; IMF, 2020d), and about a tendency to focus on the assessment of activities and outputs, rather than long term impacts. The CCB is charged with discussing main findings and monitoring implementation of key recommendations of CD evaluations, although it is not clear to what extent the evaluation findings are considered in the prioritization process.

53. Following the 2013 CD Strategy Review and the IEO assessment of IMF self-evaluation practices (IEO, 2015), staff introduced a Common Evaluation Framework (CEF) to improve consistency across internal and external evaluations and strengthen the focus on results (IMF, 2017b). The 2018 CD Strategy Review committed to further steps to operationalize the CEF and in September 2020 an updated CEF and guidance note was issued (IMF, 2020d). This identifies two main areas for improvement, based on experience since the CEF's adoption in 2016. First, the primary purpose of evaluations will be shifted toward learning, with less emphasis on accountability. And second, the evaluation process will be simplified by de-emphasizing the requirement to use a counterfactual approach and instead requiring evaluation approaches to

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<sup>22</sup> These have averaged 1-2 per year over the period FY14–FY19. Only some of these are published, for example: "Guatemala: Technical Assistance Report—Statistics Technical Assistance and Training Evaluation Mission" (IMF, 2015b) and "Building Fiscal Capacity in Fragile States" (IMF, 2017).

draw on RBM data on objectives and outputs and to involve the consistent application of the recently updated OECD Development Assistance Committee (DAC) evaluation criteria.<sup>23</sup>

54. Thus, although there have been substantial efforts in this area, and a number of major recent initiatives, there remain open questions about the IMF's system for tracking the progress of its CD activities, whether this system clarifies and reinforces the key drivers of effectiveness, the extent to which the institution identifies the long-term impacts of its CD, and whether it provides for appropriate accountability and learning.

#### **IV. OBJECTIVES, SCOPE, AND WORK PLAN**

55. This evaluation aims to assess how effective the IMF has been in meeting the CD needs and expectations of recipient countries, and in meeting its institutional objectives for CD on behalf of all its member countries, and to identify steps the Fund could take to enhance the impact and effectiveness of its CD. The evaluation will assess progress made against, inter alia, the objectives identified in the IMF's last internal strategic review in 2018. It will also consider broader strategic issues, 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, and long-standing issues concerning the role of the Board. The evaluation will provide an early opportunity for a stocktaking of how IMF CD adapted to new challenges during the initial phase of the COVID-19 pandemic, although this response will clearly be evolving as the evaluation proceeds.

56. The evaluation will focus on six themes—strategy and oversight; impact and effectiveness; allocation and prioritization; delivery; human and financial resource issues; and coordination with other CD providers and dissemination. Given the critical importance of commitment and ownership to lasting results, a key focus of the evaluation will be on gathering the views of CD recipients in order to reflect their perspectives and experiences throughout the evaluation. The evaluation will cover IMF CD activities over the period 2012 through 2020. It will also consider earlier information and experience as needed.

#### **Evaluation questions**

57. The main questions to be considered are organized according to the key themes of the evaluation, plus overarching strategic issues, recognizing the interconnections among these themes.

- *Strategy and oversight*
  - Does the Fund have a well-articulated strategy/vision/approach for CD that is consistent with and advances its overall mandate?

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<sup>23</sup> See OECD (2020) for details.

- Does the Fund have institutional objectives for CD that inform decisions about trade-offs, and against which progress can be assessed?
- Is the overall scale of CD relative to other IMF activities appropriate as the IMF seeks to provide value to the membership from limited budget and personnel resources?
- Does the Board receive appropriate information, and does it have appropriate opportunities to exercise its oversight function?
- *Effectiveness and impact:*
  - What does the available evidence say about the effectiveness and impact of IMF CD work?
  - How well does the Fund understand and respond to the key drivers of effectiveness, such as country ownership, political commitment, and other factors that drive and impede change?
  - Has the effort to integrate CD into surveillance and lending helped to enhance the effectiveness of CD?
  - Is the Fund's RBM approach appropriately designed and implemented?
- *Allocation/prioritization:*
  - Are CD resources allocated across the institution in a way that appropriately balances the needs of member countries with the strategic and other priorities of the Fund?
  - How well are allocations integrated with priorities identified in surveillance and program work, and with country priorities?
  - Is the allocation/prioritization process sufficiently nimble and adaptable to respond to shifting needs, e.g., in the initial phase of the COVID-19 pandemic?
  - Are there lessons to be learned from approaches to allocation and prioritization used in other CD providers and donors?
- *Delivery:*
  - Does the Fund's mix of delivery modalities allow for approaches to CD that maximize effectiveness and impact for different countries?
  - Is the IMF delivering quality CD that is well-tailored to the conditions, needs, and priorities of individual member countries?

- Does the Fund's delivery of CD make efficient use of resources and allow for effective integration with surveillance and lending activities?
- How effectively has the Fund adapted delivery and follow-up to deal with travel restrictions, technology limitations, and other changing circumstances to meet country needs during the initial phase of the COVID-19 pandemic?
- *Resource issues:*
  - Does the Fund have the right skill sets and employment models to enable deployment of the expertise needed for high-quality and impactful CD?
  - Does the Fund have a convincing vision and strategy for nurturing its CD human capital over the medium term?
  - Do recruitment, retention and promotion policies support the development of technical expertise over the medium term, with needed flexibility to respond to shifting demand?
  - How does the IMF's current framework for financing CD work affect its coherence and effectiveness?
  - How well is the Fund managing the risks and maximizing the opportunities associated with external financing of CD?
  - Does the Fund have a resilient and adaptable strategy for funding desired levels of CD in the context of its overall budget envelope? Should the Fund consider alternative financing models, such as user charging or endowment funds?
- *Coordination and dissemination:*
  - Is the Fund coordinating effectively with other CD providers to maximize impact and to minimize overlap and the burden on recipient countries?
  - Does the Fund engage effectively with recipient countries, for instance to build institutional capacity and effective communities of practice?
  - What are the benefits and shortcomings of the Fund's publication policies for CD information, and do these continue to reflect the priorities and interests of the institution and its membership?
  - Is the Fund taking appropriate steps to disseminate learning from its CD activities, including within and beyond the institution, for instance to make information more accessible and to help promulgate lessons and best practices across countries and regions?

## Methodologies, outputs, and workplan

58. Sources of evidence for the evaluation will include interviews with internal and external stakeholders, Fund documents and data, empirical analysis, and targeted surveys, as well as review of the broader CD literature. The evaluation will also take into account the findings and conclusions relevant to CD activities in other recent and ongoing IEO evaluations, for instance on fragile states (IEO, 2018), collaboration with the World Bank (IEO, 2020), adjustment and growth in IMF-supported programs (ongoing); and small states (ongoing).

59. The evaluation will include a series of thematic background papers which will provide in-depth assessment of the following:

- *Effectiveness and impact.* This paper will describe and assess the Fund's approach to monitoring and evaluation, including the uses of the resulting information in quality control and prioritization. It will review and synthesize the existing evidence on the effectiveness and impact of IMF CD, including information from the RBM system as well as evaluations undertaken of specific CD activities; it will also present new evidence from surveys, stakeholder interviews, country case studies and empirical analysis. The paper will draw lessons from practices of other CD providers, in terms both of approaches to monitoring and evaluation and evidence of (perceived) impact and value.
- *Allocation and prioritization.* This paper will assess how well the IMF's CD prioritization and allocation process have balanced the needs of member countries with the strategic and other priorities of the Fund as whole. It will consider how these priorities are weighed against those of the donors that now finance the bulk of CD and will examine the adaptability and nimbleness of IMF CD to shifting needs. Finally, the paper will compare the Fund's approach to that of other CD providers and consider whether there are lessons therein for the Fund.
- *Delivery.* This paper will assess the various modalities used by the Fund to deliver CD and the tradeoffs between them. It will consider in particular the contributions and effectiveness of RCDCs. Drawing on the country case studies, it will explore whether CD strikes the right balance between best practices and international standards and tailoring to country conditions, needs, and priorities; and whether there is due attention to follow up to help support implementation. It will also provide a stocktaking of how the Fund has adapted delivery in the initial phase of the COVID-19 pandemic and to benefit from new opportunities for remote CD delivery.
- *Financial resources and human capital.* This paper will explore issues related to the funding model for IMF CD, including the risks as well as the opportunities of relying on outside donors to finance a large share of IMF CD and the potential for alternative approaches. It will assess the Fund's strategy for developing and maintaining the human capital needed to deliver CD, including whether the IMF has cultivated the right skill sets

for delivery of high-quality CD and whether recruitment, retention, promotion policies, and employment models are in place to support flexible and sustainable technical expertise over the medium term.

- *Working with partners.* This paper will examine the IMF's coordination with other CD providers as well as the role of CD recipients. It will consider the Fund's role in coordinating with other providers, along with their effects on and implications for recipient countries. It will also assess the IMF's efforts to disseminate learning from its CD activities, how the institution has balanced the benefits of greater information sharing with confidentiality and the voluntary framework for publication of TA reports.

60. In addition, we plan to undertake extensive country case studies, examining the experiences and perspectives of countries at different income levels, absorptive capacity, program status, and CD intensity. These country case studies will consider, inter alia, the interconnections between CD, program, and surveillance work and implications for ownership and should provide insights into the value and impact of CD from the recipient perspective as well as shed light on what approaches work and do not work in different circumstances.

61. The evaluation is targeted for completion around mid-2022, to give staff and management time to absorb the findings and recommendations ahead of the next internal strategic review of CD, expected in 2023. A challenge for the evaluation is that IMF CD work is continuing to evolve in response to previous strategic reviews, as well as to the new challenges presented by the COVID-19 pandemic. In some aspects, there may be insufficient record of experience to provide for a full evaluation, and in these areas the report may need to confine itself to a stock-taking and identification of issues for further study, which should still provide useful input for the next strategic review.

## ANNEX I. REGIONAL CAPACITY DEVELOPMENT CENTERS

The IMF maintains a growing global network of sixteen Regional Capacity Development Centers (RCDCs) that coordinate much of its CD in the field. Located in member countries, these centers aim to help the Fund be responsive to emerging needs of authorities, including by tailoring work to regional challenges and providing sustained on-the-ground support. RCDCs currently operate 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 (the CD provider), participating countries (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. RCDCs were responsible for about 40 percent of the CD delivered in the field in FY2018 (IMF, 2018).

Some centers were founded with a focus on TA, others on training, and two were designed from the start to cover both. The particular set of CD activities in each RCDC is guided by the agreement between governments and the IMF when the center was originated and is subject to independent evaluation, usually at the mid-point and end of each 5-year tranche of funding. Events and activities each year are determined through discussions with recipient authorities by the RCDC and resident experts within these parameters and in consultation with HQ. TA centers (RTACs) are staffed by a coordinator from IMF staff who manages the center's work and several topical experts who both deliver TA and arrange for delivery by short-term experts. The work of topical experts is typically backstopped and coordinated by HQ-based experts for quality control. Training centers focus primarily on delivery of classroom-based courses, based on the needs of participating countries.

RCDCs are generally appreciated and well-regarded, including because they are perceived to help the IMF build relationships and to develop greater knowledge and understanding of circumstances in the region in which they are located (IMF, 2018). However, while RCDCs are widely dispersed, they do not cover all countries that might benefit from or be interested in IMF CD, such as in South America. Previous reviews have also raised questions about the degree to which experts on the ground provide state-of-the-art advice, the adequacy of attention to implementation and follow-up, coordination with area departments, and the effectiveness of quality assurance.

## ANNEX II. ALTERNATIVE APPROACHES TO CD RESOURCE ALLOCATION AND FINANCING

A variety of other organizations engage in CD activities, including the World Bank, regional development banks, and other international organizations, as well as national entities such as development assistance agencies, central banks, and finance ministries. An initial IEO review of several of these organizations suggests that they follow different approaches to CD resource allocation than the IMF. CD is typically not identified and prioritized as a distinct class of activity, but rather designed and implemented as an integral element of development assistance programs or projects. Teams that manage country-level programs are often in charge of weighing CD against other priorities and forms of assistance. Organizations typically set high-level priorities for their development assistance that help drive the specific design of programs and the allocation of resources. They do not set specific priorities for CD activities per se, although they may use quantitative criteria and analytical tools to help identify how and in which countries their assistance will have its maximal impact. For example:

- In the *World Bank*, CD activities are not centrally managed or monitored but instead come about either as an element of project or program lending, as laid out in Country Partnership Frameworks, or in the form of “other advisory services and analytics” provided by the Bank’s 15 global practice groups. Management and the Executive Board do not monitor CD activities specifically, nor is there data on the amount of this work that is performed. About two-thirds of World Bank TA and training is funded by multi-donor trust funds managed by the Bank; exceptions include TA services provided in the context of a project loan and reimbursable (i.e. fee-based) advisory services provided to higher income countries.
- The *UK Department for International Development (DfID)*<sup>1</sup> also views CD/TA as part of a portfolio of possible intervention tools; CD is usually not delivered or managed as a separate program. DfID does not report how much is spent on CD activities. A country diagnostic is the starting point for most of DfID’s development assistance programs; this examines political economy, macro-economic and poverty trends and drivers, and provides a basis for assessing where UK development interventions can have the greatest impact on poverty and other SDGs. Funding requests by country teams are assessed initially with reference to two allocation models: a “poverty model” which calculates the optimal allocation of UK’s aid budget by maximizing its impact on poverty reduction; and a “fragility model” estimates an optimal cross-country aid allocation by taking account the interaction of aid effectiveness, country political fragility, and an index of UK “interests” (e.g., trade, immigration, etc). Actual allocations will then factor in judgmental, country-specific considerations and political priorities.

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<sup>1</sup> In June 2020, the UK government announced that DfID and the Foreign and Commonwealth Office will merge. The combined department now operates as the Foreign, Commonwealth, and Development Office.

- TA is among the modalities used by the *US Millennium Challenge Corporation* (MCC) in its partnerships with developing countries. In determining how to provide support to an applicant country, the MCC undertakes a diagnostic exercise to identify sectoral impediments to growth, followed by a “root-cause” analysis to help define a project focus and the types of intervention needed (including TA). As projects are developed and before they are approved, further assessments are made of country commitment, the potential project’s economic rate of return, environmental impact, and the timeframe for the project.

A number of official agencies such as central banks and finance ministries provide targeted TA or training in their areas of expertise or interest, and their approach to allocation is closer to the Fund’s. For example, the *U.S. Treasury Office of Technical Assistance* (OTA) places advisors in finance ministries, central banks or other government agencies to work side by side with officials in supporting implementation of sound practices. The OTA identifies needs based on requests from officials or from other organizations engaged with the country, such as the IMF or USAID. Requests are then assessed according to each country’s need for TA (based on further engagement with officials and consultation with other experts and organizations); evidence of commitment to reform; complement or conflict with existing projects; relation to Treasury policy priorities; and availability of funding. The OTA generally seeks to balance TA evenly across the five program areas: revenue policy and administration; budget and financial accountability; government debt and infrastructure finance; banking and financial services; and economic crimes.

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