

SU/18/156

November 19, 2018

**The Acting Chair's Summing Up
2018 Review of the Fund's Capacity Development Strategy
Executive Board Meeting 18/94
November 14, 2018**

Executive Directors broadly supported the main conclusions and recommendations of the 2018 Review of the Fund's Capacity Development (CD) Strategy. They commended the substantial progress made in implementing the 2013 CD Strategy, and noted the widespread appreciation for the Fund's CD, which plays a key role in supporting member countries' efforts to build institutions and capacity necessary to formulate and implement sound economic and financial policies. They emphasized that the Fund's CD Strategy should continue to serve the membership's current and evolving needs, and welcomed the inclusion of risk considerations in the strategy.

Directors supported the focus on two mutually reinforcing objectives of enhancing the impact and efficiency of CD. They agreed that the impact of CD needs to be increased by further strengthening integration with the Fund's policy advice and lending operations and by tailoring strategies to each country's institutional capacity and specific needs, while focusing on implementation and outcomes. Directors also underscored the need to increase the efficiency of CD by improving processes and systems, aimed at enhancing transparency and accountability, and strengthening the basis for strategic decision-making, including by the Board.

Directors supported the five specific areas of recommendations that underpin the Fund's CD Strategy:

- *Roles and responsibilities.* Directors emphasized the importance of country authorities playing a leading role throughout the CD process, with due consideration to institutional and capacity constraints. Such a country-centered approach requires area departments to be in the leading role on the Fund's overall country engagement, including establishing country strategies and priorities for CD, taking into account the country's own strategy and working in collaboration with CD departments. Directors encouraged staff to learn more systematically from best practices in integrating CD and surveillance and looked forward to exploring further how to better integrate CD and surveillance, following on findings of this review and experience from mainstreaming best practice in the context of the 2020 Comprehensive Surveillance Review.

- *Prioritization and monitoring.* Directors considered that, with CD spending projected to stabilize, effective prioritization is critical. They welcomed the move to a medium-term orientation of CD planning, which will help increase the flexibility of resource allocation across departments and topics. They also agreed on the need to further strengthen overall monitoring of activities and narrowing the list of priorities, building on better information systems. In this regard, Directors looked forward to further steps to operationalize Results-Based Management and the Common Evaluation Framework.
- *Country-tailored delivery focused on implementation.* Directors agreed that departments will need to build on existing strategies to move toward greater modernization and agility in CD delivery. They called for continued experimentation with innovative technologies to support more flexible delivery of CD and encouraged cost-efficiency evaluation of the different modalities of delivery. They also supported further work on strengthening the operational support for Regional Capacity Development Centers (RCDCs). Directors underlined the importance of Fund CD activities in Fragile States, with some calling for further prioritization for these countries. More generally, Directors looked forward to the follow-up work on the IEO report on IMF and Fragile States. A number of Directors supported further improvement in CD delivery in the Caucasus and Central Asia, including through a possible RCDC in the region.
- *Internal consultation and information sharing.* Directors called for further efforts to strengthen information sharing on CD activities within the Fund. They noted the Fund's capital investments, including in establishing the Digital Workplace, investment in Knowledge Management, and the CD Management and Administration Program (CDMAP), which will help address critical gaps and support the harmonization of CD processes across departments.
- *Coordination, communication, and dissemination.* Directors encouraged staff to better systematize existing good practices on coordination with other CD providers, notably with the World Bank, and to pursue innovative approaches to raise awareness of the Fund's CD work. Highlighting the benefits of sharing best practices, they saw merit in improving the presentation of recommendations in TA reports and publishing more topical notes and TA reports while preserving confidentiality and client trust.

In light of the significant growth of the Fund's CD activities in recent years, Directors emphasized the need to strengthen the sustainability and fungibility of external financing and to closely monitor and manage related risks. They asked for more comprehensive information about the funding model, with a few Directors noting the need to discuss the funding issue in future updates. Directors acknowledged that the review takes place in a resource-constrained environment. While some key reforms are already in train, many recommendations will likely need to be accommodated through reprioritization within departments, and others will require targeting and prioritization of CD more rigorously to focus on impact. Directors also noted the importance of strengthening HR practices and

better incentivizing the work on CD.

Directors emphasized that, in accordance with the 2014 CD policy statement, which remains in place, the Board should provide strategic direction and oversight through (i) regular reviews of, and policy guidance for, the Fund's CD policies and activities; and (ii) the budget process. While respecting the demand-driven nature of CD activities, they stressed the importance of more information sharing to better inform their views on broad priorities for CD and to strengthen the strategic role of the Board. In this regard, they encouraged staff to continue the practice of informal Board briefings on CD activities and to engage the Board on strategic direction and priority-setting on a more regular basis going forward.

It is expected that the next review of the Fund's CD strategy will be completed no later than November 2023.