

INDEPENDENT EVALUATION OFFICE (IEO)

ISSUES PAPER FOR AN EVALUATION OF TECHNICAL ASSISTANCE PROVIDED BY THE IMF

November 5, 2003

This issues paper sets out the direction for an IEO evaluation of technical assistance (TA) provided by the IMF with the purpose of deriving operational recommendations that can enhance its contribution to the overall IMF mandate. It provides a brief background, identifies the main areas to be examined, and reviews past evaluation efforts, including recommendations and follow up. In light of the above, the final section outlines the structure of the proposed evaluation by the IEO.

I. BACKGROUND

The IMF has historically provided a significant amount of TA to member countries. In terms of person-years, TA activities in the field account for about 18 percent of the total resources of area and specialized functional departments.¹

The stated objectives of the IMF TA has been clearly defined in the latest policy statement on IMF TA. “In accord with the IMF's first Article of Agreement, the objective of the IMF's TA program is to contribute to the development of the productive resources of member countries by enhancing the effectiveness of economic policy and financial management. The IMF's TA program works to achieve this objective in two ways. First, much of the IMF's TA seeks to support the efforts of members to *strengthen their capacity*—in both human and institutional resources—to formulate and implement sustainable, growth-oriented and poverty-reducing macroeconomic, financial, and structural policies. Second, the IMF assists countries in the *design* of appropriate macroeconomic and structural policy reforms, taking account of the lessons learned by other countries in addressing similar economic policy concerns.”²

In pursuing such objectives the pattern of IMF TA activities has evolved over time. In the early 1990s, a significant share was allocated to the transition countries to help them develop the policies and institutions for a market economy. Since the late 1990s a greater share of resources has focused on PRGF countries, including improved governance through capacity

¹ The specialized functional departments include Fiscal Affairs, International Capital Markets, IMF Institute, Legal, Monetary and Financial Systems, Policy Development and Review, Research, Statistics, and Finance. To the extent that some preparatory TA activity takes place in headquarters this figure may underestimate the total TA activities undertaken.

² “Policy Statement on IMF TA” (April 1, 2001), and Annex I.

building. Crisis prevention, resolution and management, post-conflict and regional arrangements have also received increased attention. Regarding regional patterns at present Asia and Africa receive each about 25 percent of TA resources, followed by Europe (mostly transition economies) with 20 percent, and Latin America and the Middle East, each receiving about 10 percent.

II. THE ISSUES

In examining whether IMF TA is achieving the objectives being stated and, if necessary, to identify corrective steps, it is useful to unbundle the stages of the TA process and ask three broad questions: first, is the allocation of TA resources across countries and to specific activities within countries consistent with such objectives? Second, how effectively is TA being delivered during the implementation period? Third, what has been the impact of TA and how is it being measured and monitored? What has happened as a result of the program, both in the short run and in the post delivery period, e.g., after the program or project funding has ceased and what factors determine the sustainability of benefits? These three areas are now examined.³

The relevance and prioritization of TA programs. How is it being allocated?

The major instruments of the IMF to achieve the institution's objectives described earlier are lending in support of adjustment, IMF surveillance and related diagnostic activities such as Reports on the Observance of Standards and Codes (ROSCs), Financial Sector Assessment Programs (FSAPs), as well as the provision of TA. A key question is how TA resources are prioritized (across countries and specific activities within countries), and how is TA linked to these other instruments of the IMF in order to contribute most effectively to the broad objectives of the institution?

Ideally, a TA program should be derived from the IMF medium term strategy of support to a member country (jointly developed with the authorities) in its core areas of responsibility. The organizing principle (to identify the relevant TA) should be to prevent a lack of knowledge or know-how from becoming a critical bottleneck in the ultimate implementation of key reforms under that strategy. This bottleneck may operate through several channels: in the design of better policies, the institutions required to implement and sustain them over time, and the associated legislation and regulations that allow the institutions to do the job.

Specific knowhow may be needed to enhance the authorities ability to design specific reform policies. In these cases TA tends to consist of highly focused/short-term activities. But it may also be needed, depending on the degree of institutional development, to support the

³ These areas of analysis are consistent with the Development Assistance Committee (DAC) sequence for evaluating development assistance namely: relevance, effectiveness, efficiency, and impact.

implementation of programs and policy advice or in enhancing countries' own ability to diagnose. These activities are more in the realm of capacity building, often requiring TA of longer duration and follow up. The proper mix between short term and longer-term TA activities, and how they interact with each other and with the other instruments of the IMF over time becomes a major challenge in the design of the overall TA program (Figure 1 illustrates the links between TA and other IMF instruments).

A key question to be addressed is how well is this process working today. Is TA provided to a country anchored in a medium-term IMF strategy from which TA priorities can be coherently derived? Is surveillance providing such an integrated view? Or is TA the result of a piecemeal process driven by the separate needs of programs, ROSCs, FSAPs, etc.? How are tradeoffs managed? How well are the authorities involved in the process?

Effectiveness and efficiency during the process of TA delivery

Achieving the final objectives of TA will also depend on the efficiency and effectiveness during the period of delivery. A good system of tracking and monitoring—particularly in TA activities of longer duration—is essential to identify midterm corrections required by both the IMF and the authorities. Several questions can be identified: (1) Were intermediate objectives achieved? (2) How well is the IMF tracking and monitoring during implementation both inputs and intermediate outputs? (3) Is there sufficient clarity at the outset concerning these indicators and how success is to be measured? (4) How effective has been the dialogue with the authorities in assuring success during implementation?

Ex post impact assessment

Most TA activities have, by design or not, benefits beyond the delivery period. When capacity building is the objective this post delivery impact becomes the true test for the success of the project. The ability of the IMF to identify the factors influencing sustainability of such benefits and tracking these factors systematically becomes important. Several questions arise: What has been the ex post impact of TA activities and how well has the IMF assessed that in the past? What are the factors influencing sustainability and does the IMF try to identify them? What has been the role of country ownership? Are there potential longer-term benefits of short term TA activities that could be realized with modest allocation of resources by the IMF?

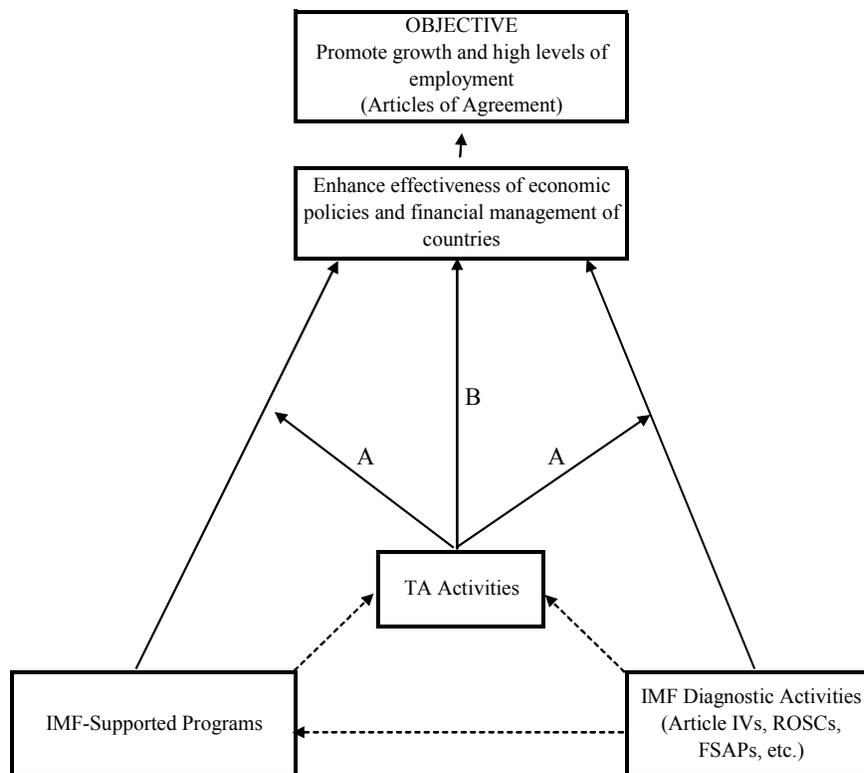
III. THE RESULT OF PAST EVALUATIONS OF IMF TA AND FOLLOW UP

In 1999, the Office of Internal Audit and Inspection (OIA) carried out a comprehensive evaluation of IMF TA covering the Fiscal Affairs Department (FAD), [Monetary and Exchange Affairs Department \(MAE\)](#), and the Statistics Department (STA) activities.⁴

⁴ The MAE department was reorganized in 2003 and renamed Monetary and Financial Systems Department (MFD).

Several of the issues discussed earlier were addressed by the evaluation, which included an extensive use of questionnaires aimed at IMF staff, consultants and government authorities and detailed evaluations of a sample of randomly selected TA projects. Selective missions were carried out to ascertain the consistency of data provided by various parties.

Figure 1. How TA Interacts with Other IMF Instruments to Achieve the Institutional Objectives



TA contributes to the objectives of the IMF through the following:

- Facilitating the implementation of IMF-supported programs and policy advice emanating from IMF diagnostic activities (A)
- TA that is independent of programs or diagnostic activities (B), namely
 - Providing direct policy advice
 - Supporting capacity building to enhance countries' own capacity at policy formulation and policy implementation

Major findings

The major findings were as follows:

- IMF TA is highly appreciated by members who want more of it.
- While IMF TA is rated highly for its advice and recommendations, gaining country commitment and following-up seem to be the weakest parts of the IMF's advisory processes; partly as a result, the impact of TA projects was less than satisfactory in about one-third of projects.
- In general, TA provided by staff missions appears more likely to be successful than that provided by long-term experts.
- While implementation of advice and impact depend most importantly on the commitment of the recipient country, the probability of achieving high impact through can be improved by actions within the control of the IMF.
- There is only a weak link between IMF surveillance and IMF TA, the orientation of which is generally reactive rather than proactive.
- There is no explicit IMF policy on TA, little evaluation, little reporting on results to management and the Executive Board, and little public dissemination of the lessons learned.

The evaluation of the selected TA interventions suggested that those with the greatest impact were characterized by strong government involvement and ownership, excellent communications between TA providers and recipients, the placement of the project in a broader policy framework, well-prepared experts, focused and specific project preparation and recommendations, and special attention to follow-up. Neither the existence of an IMF-supported program nor having an IMF resident representative in place appeared to make a statistically significant difference with regard to impact.

Recommendations

The major recommendations were:

1. *The need to link the assessment of TA priorities and allocation decisions more closely to IMF surveillance.* This should become particularly important as the IMF works more intensely on the implementation of international standards and codes relating to statistics, fiscal transparency, and transparency in monetary and financial policies. This will require a change in the orientation of the IMF's TA from being largely curative to being more preventative. The evaluation recommended that the Executive Board and management adopt an explicit policy framework, guided by the principle that the IMF should move beyond the concept of technical "assistance" toward one of technical "consultation and cooperation".

2. To *integrate technical cooperation more closely with both surveillance and program work*, it was recommended that Article IV missions should conduct *technical consultations* (TC) with all members on their past progress in implementing past technical advice from the IMF as well as their future needs. For countries requesting significant volumes of TA, the staff should work with the authorities in drawing up a “*technical cooperation action plan (TCAP)*” that would place this cooperation in a medium-term framework.
3. *TA should be limited to those subject areas for which the IMF has a comparative advantage*. More weight should be given to projects that are most related to the core objectives of the IMF and to those demonstrating the strongest commitment by the authorities to implement the advice they will receive. Where recipient country commitment is weak despite best efforts by the IMF, technical cooperation should be withdrawn.
4. *The probability of successful implementation of advice can be improved by better IMF technical cooperation practices*. IMF practices need to secure a much closer involvement of national authorities at all stages: defining the project, choosing the delivery mode, choosing experts, formulating terms of reference, monitoring the project, following up on implementation of recommendations, and evaluating the project after its completion.
5. *Future requests for the assignment of long-term experts, and the quality of the expert, need to be more closely scrutinized* and greater emphasis should be placed on the assignment of short-term and peripatetic experts. The expert recruitment process should be broadened with a view to finding more candidates that have not only the required technical skills but also: excellent teaching, communications, and language skills; and, experience in working with countries at similar stages of development to the one to which they will be assigned.
6. *TA Missions should work more closely with authorities in the preparation of their work* before departure, in the preparation of their recommendations in the field, and in the follow-up to recommendations and project evaluation after their return to headquarters.

Directors supported the recommendations such as better integration of TA into a country’s overall policy framework and surveillance, improved follow up and implementation of recommendations, strengthened coordination among TA providers and national authorities, and improved selection and training of experts. However, Directors cautioned against overburdening Article IV consultations. Furthermore, they were concerned that commitments to medium-term programs of TA should not undermine the IMF’s ability to respond flexibly to changing circumstances.

Follow up and the 2002 OTM Review

Several initiatives were taken in response to the recommendations of the OIA Report. First, the IMF issued a policy statement on TA in April 2001.⁵ It highlighted the importance of

⁵ “Policy Statement on IMF TA,” op.cit.

strengthening country ownership of TA. It called for close consultation with the authorities to ensure that the conditions were right for making good use of an expert's time. It also called for a review past and current TA efforts, including a country's track record in the implementation of TA recommendations, and a consideration of future needs.

Second, in order to better integrate TA with surveillance, the IMF carried out pilot TCs in the context of surveillance, including a review of past TA and agreement on future priorities. For countries with extensive TA needs, the IMF undertook (also on a pilot basis) comprehensive medium-term TCAPs to be discussed with the authorities.

Third, a set of prioritization filters and guidelines were introduced in 2000 (and revised in the April 2001 Policy Statement) to align TA with the IMF's main core areas of specialization, main program areas and key policy initiatives. A country's past track record in effectively utilizing TA and its commitment to the implementation of reform efforts were to become a critical filter.⁶

Fourth, because the TA provided by the Legal Department (LEG) was not included in the 1999 evaluation, a special evaluation of that TA activity was carried out thereafter. The main conclusion was similar to the 1999 evaluation. Notwithstanding the high quality of the advice provided, the final implementation of the advice and hence the overall impact was only moderate due to the authorities' weak ownership of the project.

Fifth, in recognition of the importance of TA in pursuing the IMF's core mandate, IMF management upgraded the former Technical Assistance Secretariat (TAS) to a separate office under the Office of the Managing Director in June 2001. This office was expanded and renamed the Office of Technical Assistance Management (OTM).

OTM started a series of activities to standardize monitoring and evaluation activities across the IMF as well as a future program for ex post evaluations in specific areas/initiatives of TA. In June 2002, OTM prepared a Board paper on "*TA policy and experience*," reviewing progress since the 1999 evaluation.⁷ The main findings and recommendations were:

⁶ These filters are described in the April 2001 policy statement on IMF TA (Annex I). The filters basically identify specific program areas and policy initiatives. The specific program areas are crisis prevention, poverty reduction (PRGF countries), crisis resolution, post-conflict situations, and regional arrangements. Specific policy initiatives include follow-up TA for standards and codes, FSAP, HIPC, safeguard of IMF resources, offshore financial centers and policy reforms/capacity building.

⁷ International Monetary Fund (2002), "Review of TA Policy and Experience," IMF Memorandum, SM/02/180, available online at www.imf.org/external/np/ta/2002/eng/061202.pdf.

- Prioritization filters have provided greater transparency in the allocation of TA resources and have helped to allocate resources in the face of continuing excess demand.
- A review of 29 TCs showed disappointing results. TA departments responded that TCs did not yield sufficient value added to their own planning process. Area departments reported that the exchange of views with the authorities were less informative than expected. In view of these findings—and the already apparent overloading of Article IV consultations—the report recommended discontinuing the TC initiative.
- The “country focus” objective of TCs should be better addressed through the new prioritization filters to allocate TA, which include extensive country specific discussions between the area departments and the TA departments in the context of the annual TA Resource Allocation Plan (RAP)—the main vehicle to allocate resources at the country level. (Thus, the main challenge is for RAPs to provide the strategic focus to justify the rationale for the program.)
- Reflecting the increased emphasis on monitoring and evaluation discussed at previous Board meetings, TA departments have strengthened their activities in this area. These changes have had a positive impact on their ability to evaluate the effectiveness of TA. Departments have occasionally carried out thematic, regional and country-specific evaluations.

A major development from the Board discussion was a request by Directors for a more formal assessment of TA effectiveness and impact in the context of a medium-term program of ex post evaluation. To address this request OTM and the different TA departments have recently prepared a 3 year forward looking program of evaluation. This program includes a mixture of topics ranging from comprehensive evaluation covering large country samples, focused policy area studies with small country samples, evaluation of regional TA centers and country or sector case studies. Specific topics include, among others: TA in public expenditure management in Sub-Saharan African countries, evaluation of TA provided through regional TA centers, TA in anti-money laundering, and TA in support of countries undergoing trade reform. The amount of TA delivered in the areas covered by the evaluations is estimated at 150 person years.

IV. OUTLINE OF THE PROPOSED EVALUATION

The proposed evaluation will focus on some of the issues raised in Section II, including assessing the follow up measures since the 1999 evaluation. Specifically, it would focus on the allocation of TA resources, the delivery of TA to member countries, and considerations related to ex post evaluation and how this feeds back into the allocation and management of future TA resources. It will also examine how the internal incentive system impacts on the effectiveness of TA. The structure of the evaluation will be as follows:

1. Trends and patterns in the allocation and delivery of TA

This part of the evaluation will examine how the IMF allocates its resources at the aggregate level. Using a database of TA activities during the last six years it will look at:

- Patterns over time, by major recipients and regions (including allocation relative to economic performance).
- Composition by subject.
- Share of Post-conflict TA
- Patterns associated with implementation of the new institutional mandates/filters issued in FY 2001 to improve prioritization. Have they made a difference?
- Are there important discontinuities at the country level that may signal a response to domestic developments such as reform effort, ownership, etc.

2. How are decisions on the allocation of IMF TA resources made?

This component of the evaluation will look at how decisions are made on who receives TA and in what areas it is provided. A sample of (about 20) recent resource allocation plans (RAPs), through which final decisions are made to allocate resources to a particular country, will be examined for a group of TA recipients. This will be supplemented with interviews and a review of internal documents and Staff Reports, in an effort to better understand how the interaction between the various players (e.g., area and TA departments, management, country authorities, and the Executive Board) affects the allocation and composition of TA resources across the IMF's membership. This will also include RAPs in countries that receive little TA and assess why this has been the case.

Some of the specific questions to be addressed are:

- How are the total resources devoted to TA by the main TA providing departments being determined? What determines the allocation across countries? How do different departments (area departments, TA departments, PDR) interact with each other in the process? What is the sequence?
- How are TA priorities determined within a country? How much do they reflect the need of IMF staff to build up their own knowledge? Is surveillance providing a sufficient medium-term strategy from which to derive TA needs and priorities? If this is the case, how often do we observe TA priorities not linked to surveillance? What were the specific reasons technical consultations (TC) on TA as part of surveillance—a recommendation out of the 1999 evaluation—were not successful and then abandoned. Are there alternative modalities to better link TA to surveillance?

- How are country authorities involved in the process? Is there enough ownership?
- How is the allocation of TA determined *by objective or policy area* driven by institutional priorities versus country priorities? Have the “filters” introduced during the last two years helped in setting priorities? Are there too few or too many?
- What role do diagnostic instruments and policies introduced by the IMF in the last several years (e.g., FSAPs, ROSCs, OCF Assessments, Safeguards Assessments, etc.) play in decisions regarding the allocation of TA resources?
- How are decisions made on the modality for delivering TA? (e.g., between short-term and longer term interventions, links with other TA providers, etc.)
- Is TA introduced too prematurely relative to the overall policy effort? Is TA provided just to maintain a “presence” in the country or a gesture of goodwill in the absence of a program?
- What has been the impact on allocation decisions of any past evaluations of TA provided to a particular country?

3. The delivery stage

The focus of this part of the evaluation is on the *delivery* of IMF TA. This will require an examination of the relevance of TA in specific country contexts, as well as the efficiency with which TA is provided. The perspective taken in this section will largely be that of the recipient country (i.e., the “client”). A group of 5/6 country case studies will be selected out of the group of twenty to assess the manner in which TA resources, once allocated, are delivered. The countries chosen will have received a significant quantity of TA over the period under study and should reflect a diversity of circumstances (i.e. PRGF-eligible, non-PRGF-eligible, transition economy).

This section will require country visits by members of IEO, possibly augmented with the assistance of local consultants, to assess the manner in which TA is delivered “on the ground”. It will require some in depth analysis of specific TA projects approved during the last two years, including interviews with recipients and providers of IMF TA as well as IMF staff working in related areas (e.g., surveillance).

Some of the questions to be addressed include the following:

- Are TA interventions structured in such a way as to allow evaluability over time (of both implementation and of impact)? How clearly do they define, *a priori*, criteria with which to assess implementation and impact? (e.g., intermediate outputs, final impact indications, initial benchmarks)

- How are choices on the specific TA provider made? (e.g. IMF staff vs. external consultants?) What role does the recipient play in this decision?
- How does the actual TA delivered compare with the original strategy? What explains the deviations? Are these deviations internally or country driven?
- Are there appropriate understandings between the IMF and the authorities with respect to the expectations of the TA provider and of the TA recipient on the manner in which it will be delivered to ensure maximum impact?
- Do departments track outcomes and indicators of success *during* the lifetime of a project? If so, how? How is the need for mid-course corrections identified by either the TA departments or by the country? How has TA identified or adapted to shortcomings or unforeseen circumstances?
- Does the IMF take into account alternative sources of TA in order to provide the maximum benefit to the membership, consistent with its comparative advantage? How is IMF TA integrated into a wider framework of country capacity building and/or donor efforts? To what extent is IMF TA coordinated with that of the World Bank, other IFIs and/or bilateral donors?

4. Ex post evaluation and feedback

Drawing on the subset of TA projects selected for the country case studies (in Section 3), the following issues will be examined :

(a) How does the IMF evaluate ex post impact and feed back that information into future TA decisions?

- What efforts were made by departments to assess success after completion of the project? Do these *ex post* evaluations provide an objective and easily understandable tool for ensuring accountability and managing future TA resources? What is the involvement of the country's authorities?
- What efforts were made to identify medium-term (i.e., institutional) impacts of projects beyond short-term technical outputs?
- Does evaluation provide sufficient opportunity for institutional learning and feed back into future TA allocation decisions and modalities for delivery? Is there scope for improvement?
- What has been the role of IMF resident representatives in this process?

(b) What happened on the ground? Are there systemic factors impairing/explaining the success of TA projects?

- What was the short- and medium-term impact of specific TA activities measured against the ultimate objective specified originally? Do we observe effects not stated in the original objectives? Are there systemic factors explaining successes/failures across projects within a country or across projects in the same sector/area in different countries?
- Are there systemic factors explaining sustainability of impact beyond the lifetime of the project? Is ownership a major factor affecting the authorities' commitment to implementation of the advice? Have these factors been incorporated in the earlier design or in midterm corrections?
- Is the internal incentive system geared toward the successful and sustainable implementation of TA initiatives, particularly those of long-term nature?

V. SCOPE AND METHODOLOGY

The evaluation will focus on TA activities provided and managed directly from the IMF headquarters in Washington. It will not assess the activities of the four TA Regional Centers that have been established in the field. Two of the four are the newly created Regional Technical Assistance Centers in Sub-Saharan Africa (AFRITAC's), which were established at the end of 2002. We believe it is too early to assess their performance. The other two centers (the Caribbean Regional Technical Assistance Center, CARTAC, and the Pacific Financial Technical Assistance Center, PFTAC) are being regularly and independently evaluated.

The evaluation will not cover the IMF Institute whose activities focus on training not only for officials of member countries but also extensively for the IMF own staff. Thus, its mandate is broader and different than the TA activities to be assessed by this evaluation and, if warranted, could be evaluated as a separate project.

As mentioned earlier, the methodology and empirical basis of the evaluation changes as it evolves across the different sections. Section 1 (Trends and Patterns) will be based on the universe of TA activities provided by FAD, MFD, STA, and LEG during the last six years. Section 2 (How TA is allocated) will focus on a sample of allocation exercises in the most recent two years, covering a sample of about 20 countries representative of different regions and levels of development, including those that have received both large and small amounts of TA relative to their economic size. They will include countries with and without programs. That variability will enrich the analysis of the determinants of such allocations. It will examine internal documentation leading to final allocations of TA resources and interview relevant staff participating in country specific RAPS.

Section 3 (Delivery) and 4 (Impact and Evaluability) require more in depth analysis of specific TA activities and country knowledge and will rely extensively on what happens on the ground. These sections will be based on a sample of about 5/6 countries from the above group, focusing in those having received large amounts of TA. They will rely on country

visits and interviews with specific authorities and country officials having been specifically associated with the TA activities being examined.

The evaluation will also consider the possibility of complementary methodologies based on a broader use of questionnaires. For example, questionnaires could be sent to a sample of consultants that have been involved in TA activities in the field so as to elicit their opinion on some of the issues raised in Sections 3 and 4.

Policy Statement on IMF Technical Assistance

April 1, 2001

In accord with the IMF's first Article of Agreement, the objective of the IMF's technical assistance¹ program is to contribute to the development of the productive resources of member countries by enhancing the effectiveness of economic policy and financial management. The IMF's TA program works to achieve this objective in two ways. First, much of the IMF's TA seeks to support the efforts of members to *strengthen their capacity*—in both human and institutional resources—to formulate and implement sustainable, growth-oriented and poverty-reducing macroeconomic, financial, and structural policies. Second, the IMF assists countries in the *design* of appropriate macroeconomic and structural policy reforms, taking account of the lessons learned by other countries in addressing similar economic policy concerns. In both ways, IMF TA provides a cooperative framework for the sharing of knowledge and international experience, in a lasting manner, with member countries.

Scope and Nature

The IMF seeks to provide TA as efficiently and effectively as possible in its core substantive areas of competency, namely:

- macroeconomic policy formulation and management;
- monetary policy; central banking; the financial system; and foreign exchange markets and policy;
- fiscal policy, public finances, and fiscal management;
- macroeconomic, external, fiscal, and financial statistics.

The specific topics covered, and the relative emphasis given, are very much influenced by the issues that emerge in the course of the IMF's surveillance and program activities, such as the recent focus on the links between high-quality growth and poverty reduction.

The Annex to this Statement describes the TA provided by the functional departments of the IMF and summarizes the core areas in which the IMF seeks to concentrate its TA. The IMF's regional (or area) departments, which are responsible for country-level management of surveillance and program operations, collaborate closely with the functional departments in the planning, implementation, monitoring, and follow-up of TA.

Mode of delivery. TA is provided in a variety of forms. These include staff missions from headquarters; the placement of experts for periods ranging from a few months to a few years (depending on the nature of the tasks to be done and the capacity and interest of the countries concerned); the preparation of technical and diagnostic reports; the delivery of training courses, seminars, and workshops; and the on-line provision of advice and support from headquarters. TA and training are also delivered from regionally-based centers.

Recruitment of experts. The IMF provides the services of qualified experts, either directly from its staff or from external sources. These are often drawn from the staff, or former staff, of member country ministries, institutions, and agencies. The IMF seeks to expand and review its roster of experts, in order to ensure an adequate supply of well-qualified specialists that are conversant with technical developments in their particular fields of expertise. The principal approach to identifying candidates is through the IMF's contacts with central banks, financial supervision agencies, ministries of finance, tax and customs departments and statistical offices. Advertising is also occasionally used for highly-specific scarce skills. The importance of appropriate language, communication, and pedagogic skills is recognized in the recruitment of staff and experts. All IMF experts are professionally supervised and administratively backstopped by technically-qualified IMF headquarters staff. The IMF's resident representatives also liaise closely with experts during their assignments. During staff visits, area departments may follow up on the implementation of TA-related policy advice and the work of experts.

Collaboration with other assistance providers. The IMF is committed to cooperate and collaborate with other providers of TA. The global decline in Official Development Assistance levels underscores the need to ensure that duplication and overlap in coverage are avoided and that TA is delivered by the most appropriate source within a carefully-coordinated framework. The limited character of the TA provided by the IMF offers a fruitful basis for such collaboration, with the IMF's provision of experts usefully complemented by TA-related services and equipment offered by other TA agencies.

Determining Technical Assistance Priorities

The sources of demand for IMF TA. The IMF's TA services are one of the benefits and rights of membership, and its provision, in almost all cases, is not related to IMF conditionality (i.e., TA would not be a requirement as part of an IMF-supported program).² Much of the demand by countries for the IMF's TA services arises from the perception of recipient governments that such assistance can play an important role in helping them to strengthen their implementation of macroeconomic policies. As indicated above, the IMF's surveillance and program activities may also generate requests for TA from the IMF. Specifically, it is often during discussions with country authorities during Article IV consultations, or when designing and monitoring IMF-supported programs, that the needs for capacity building and policy strengthening are mutually recognized and the concomitant requirements for TA clearly identified. Recently, the IMF has given added emphasis to the importance of a better integration of TA with its surveillance and program activities. In this regard, it stresses the importance of encouraging countries to identify their TA needs and priorities well in advance, rather than waiting for problems to emerge. Working in partnership, the IMF and governments are thus moving further from a "reactive" to a more "proactive" stance in the planning, prioritization, and delivery of TA.

Linking TA with surveillance. This objective is currently being pursued, on an experimental basis in two respects. First, Technical Assistance Consultations (TCs) have been added to the agenda of a selected number of Article IV missions. A TC provides an

opportunity for discussions on the effectiveness of past IMF TA and on the scope and direction of future possible assistance from the IMF. Secondly, for countries facing critical capacity constraints in their efforts to implement programs of economic and financial reforms, the IMF initiated a pilot project involving the preparation of medium-term Technical Cooperation Action Plans (TCAPs). These action plans are intended to comprise a comprehensive assessment of a country's or sub-region's macroeconomic and financial management weaknesses in the core areas of the IMF's work and an elaboration of a TA program for addressing these. Such exercises are carried out by IMF staff and the country authorities with the active participation and support of other interested donors. The preparation of a TCAP is seen as the beginning of a dynamic process which would involve a commitment by the authorities, the IMF, and other donors to provide resources to implement the plan and jointly to monitor and adjust its implementation over an agreed time period.

Unanticipated sources of demand. Despite the intention to improve projections of TA requirements through the Technical Assistance Consultations and TCAPs, some of the demand for TA from the IMF will still arise in response to unexpected changes in the policy environment of a country—a change in government, an unanticipated crisis, or an external shock. There is thus expected to remain a continuing element of unpredictability in the demand for TA services, and an important characteristic of the IMF's TA program will remain its capacity to respond quickly to such situations.

Prioritizing requests. TA is provided only when requested by a country's authorities.³ Since the demand for such assistance normally exceeds the resources available from the IMF, a number of considerations are taken into account in prioritizing country requests. Guidelines, in the form of the following "filters," are used in considering requests.

Filter 1—Core specialization of the IMF. The assistance provided must fall within the substantive areas of TA recognized as being within the IMF's core areas of specialization listed in the Annex to this report. The IMF provides TA that supports policy reform and builds institutional capacity.

Filter 2—Main program areas. TA must be clearly directed towards supporting one of five main program areas. These are:

- preventing or containing crises and their contagion effects in non-program countries (principally systemically important non-industrial countries and emerging market economies);
- implementing sustainable debt relief and poverty reduction programs for low income countries (encompassing the full range of TA in support of both poverty reduction initiatives and policies to restore macroeconomic stability);
- fostering and maintaining macroeconomic and financial sector stability in countries not currently using IMF resources (largely middle income and transition economies);
- promoting regional capacity building initiatives, including training and, in some cases, regional integration efforts; and

- rehabilitating basic economic and financial institutions in post-conflict situations.

Filter 3—Key policy initiatives. Assistance should be focused on supporting the IMF's key policy priorities and initiatives. While these will vary over time, at present they are as follows:

- **Standards and codes:** *follow-up* assistance to help countries bring their fiscal, financial, and statistical practices (including legal instruments) in compliance with the standards and codes that are under the auspices of the IMF. This would include TA to help countries undertake assessments of their compliance with such standards;
- **Financial Sector Assessment Program (FSAP):** *follow-up* assistance to help countries address weaknesses identified in an FSAP;
- **HIPC programs:** TA for strengthened public expenditure management systems to track the use of debt relief for poverty reduction outlays as well as basic economic and financial statistics improvement under the Heavily Indebted Poor Countries (HIPC) Initiative;
- **Safeguarding IMF resources:** Assistance in support of strengthened public expenditure management or central bank accounting and reserve management practices (and associated legal instruments) as well as addressing data misreporting issues;
- **Offshore financial centers:** assessments and introduction of best practices; and
- **Policy reforms/institutional capacity building in support of achieving macroeconomic viability:** For instance, revenue mobilization efforts; strengthening sound monetary policy; developing macroprudential and other statistical indicators.

Filter 4—Impact and commitment. A country's past track record, and its degree of ownership and commitment, should receive a large weight in appraising a request for TA. These factors could be offset by other considerations only in limited set of cases, such as dealing with systemic countries or crisis situations. At times, a change in government may result in stronger ownership and better prospects for successful assistance, even where a poor track record exists.

Filter 5—Regional diversity. The principle of uniformity of treatment of members requires that some diversity in TA resource allocation be maintained, and that small countries' needs, where TA can often have high impact and where other sources of assistance may be unavailable, are not ignored.

Filter 6—Availability of external financing. Although availability of external financing should normally not be a decisive factor, cooperation with other donors providing funding for IMF TA and/or to support other elements of assistance which the IMF cannot easily provide (for example, equipment, in-country training, systems development, local expertise, etc.) should be positively taken into account when appraising requests for TA.

Filter 7—Nature of the request. Requests for a policy or diagnostic mission, or short-term expert, are obviously less costly than requests for a resident expert. Some of these requests

can be met without significantly impinging on the IMF's overall TA program resources, irrespective of their priority, unless they are likely to have implications for longer-term follow-up assistance.

Filter 8—Regional approach. Given the high cost of providing assistance to small member countries, and in the light of common problems even among some of the larger countries, the IMF will actively seek opportunities for using regionally-based approaches to providing TA. In some situations, regional TA centers may be an efficient solution (the Pacific Financial Technical Assistance Center (PFTAC), for example) and will be pursued.

Filter 9—Presence of other TA providers. In deciding whether to provide assistance, the IMF will consider whether other providers are actively engaged in similar efforts. Duplication should be avoided, and where requests are made in such situations, all efforts at coordination will be made.

Role of Recipient Governments in Realizing Effective TA

Strengthening recipient country ownership. The IMF's TA program is based on the fundamental principle that to be effective and to have a high impact, it is important to ensure that a partner country is fully committed to owning the work associated with the assistance and implementing the recommendations flowing from it. This underscores the importance of having IMF TA activities planned and implemented with the full involvement of the recipient authorities at each of the various stages of the process, from identification of need through discussion and agreement on terms of reference and project objectives, to implementation, monitoring, and evaluation. Particularly when it is intended to field a long-term expert—whether on a full-time or peripatetic basis—close consultation with the authorities is critical in order to ensure that the conditions are right for making good use of an expert's time. Such consultation should result in reaching agreement on the type of expert required; the needed qualifications and experience; and, ultimately, on the individual chosen to provide the TA. A mutual review of the results of past and current TA efforts, including a country's track record in the implementation of TA recommendations, and a consideration of future needs, are important aspects of the process of enhancing ownership by recipient country authorities.

Charging policy of the IMF for its TA. In line with the practice of other bilateral and multilateral agencies, the IMF's TA is generally provided free of charge. The exception relates to the assignment of long-term experts (defined as experts residing in a country for six months or more), for middle- and upper-income countries which are asked to make a specified financial contribution to the IMF. The IMF's management determines the precise quantitative charges within a basic policy framework on country contributions established by the IMF's Executive Board. Currently, middle-income countries are expected to make a partial cash contribution and upper-income countries are expected to reimburse the full cost of long-term TA. As a cooperative undertaking between the IMF and the requesting country, the IMF recognizes that successful TA requires careful preparation and commitment of resources by the recipient authorities. Important in this regard are the assignment of counterpart staff and adequate complementary resources (for example, office space and

equipment, administrative support staff, communications facilities, material supplies, and utilities), all of which amounts to a considerable real cost for the recipient government, over and above whatever charges may be levied by the IMF.

Monitoring and Evaluation

Development of a cost-effective and well-integrated system of monitoring and evaluation. Monitoring and evaluation are essential for ensuring accountability and transparency in TA activities; for assessing their relevance, efficiency, effectiveness, and impact; and for drawing lessons on how to strengthen ongoing and future assistance operations. The size of the IMF's TA program, though still modest by international standards, has reached a level requiring the adoption of a systematic approach to TA monitoring and evaluation. Staff are in the process of preparing proposals in this area, drawing on the experience and current practices of other agencies. Monitoring needs to involve both IMF staff and country authorities in order to ensure that all ongoing TA efforts meet agreed targets and objectives and produce the required outputs. Monitoring also inevitably involves the making of evaluative-type judgments during a project's lifetime, which are then used to improve ongoing implementation efforts. In contrast, more analytical evaluation exercises generally take a longer perspective, are often carried out independently of the directly-involved staff (sometimes by external evaluators), and focus mainly on completed operations or on completed operations of an ongoing program.

A common approach to monitoring and evaluation will be developed to enable judgments across countries and selected subject areas, so that lessons can be drawn and used to strengthen future operations. All monitoring and evaluation activities will require input from the recipient authorities, at the project and policy level, to ensure their views on the reasons for success and failure of TA are fully taken into account. In-depth, thematic evaluation studies on selected topics are expected to complement routine and comprehensive monitoring activities by individual TA departments. Such studies serve as a cross-check on the consistency and quality of the advice rendered, and allow for an assessment of the policy and capacity-building impact of the TA provided and of its sustainability. Independent evaluations will also be undertaken, taking account of budgetary implications.

External Dissemination

The IMF recognizes the importance of disseminating information on its TA activities of general interest both to the membership and the public at large. One vehicle for this is the Annual Report on TA to the Executive Board, which summarizes TA activities and related policy developments over the previous year, as well as the outcome of monitoring and evaluation efforts. The report will also highlight any policy issues on which Board guidance may be needed.

In the interests of transparency and a public well-informed on key economic policy matters, the IMF believes that information on the lessons learned from the IMF's TA program, as well as on the assistance provided to individual countries, should be disseminated as widely as

possible. Thus, information on the *general substance* of the IMF's technical policy advice in the different functional areas is disseminated both through IMF research and other publications (handbooks, occasional papers, and pamphlets, for example), and increasingly on the IMF's external website. While the IMF recognizes the public interest would also be served by the provision of information on the *country-specific* advice tendered by the IMF, it is also important to recognize that members may seek the IMF's technical advice on a confidential basis. It is thus appropriate that a member country should have the right to decide on whether to allow publication of this advice. For this reason, individual TA reports will continue to be circulated on a restricted basis within the IMF, the World Bank, and other cooperating donor agencies, with wider distribution contingent upon the permission of the country concerned.

Internal Management of Technical Assistance

Although the management of the IMF's TA program is largely devolved to individual departments, IMF-wide policies and procedures governing the financing, planning, implementation, monitoring, evaluation, and reporting are coordinated and developed by a senior-level Technical Assistance Committee (TAC). Reporting directly to the Deputy Managing Director responsible for TA matters, the TAC also acts as a forum for reaching agreement on recommendations to management on the allocation of TA resources across the different geographic regions and functional areas. In addition, it serves as the coordinator for pilot initiatives undertaken by the IMF (such as the recent experiment with Technical Assistance Consultations and Technical Cooperation Action Plans) and for the implementation of the reforms that emanated from the Executive Board's June 1999 review of the IMF's TA activities. The TAC and its subcommittees are supported by a small unit, the Technical Assistance Secretariat (TAS), attached to the Office of Budget and Planning in the Office of the Managing Director, which also assists in negotiating and administering TA agreements with other agencies and donors. The TAS compiles aggregate data on planned and actual TA delivery for internal and external reporting purposes.

Role of External Financing

In recent years, the IMF has sought to expand its range of contacts and collaboration with other TA providers. For example, the IMF has cooperated with other donor agencies on a number of large-scale integrated multi-year assistance projects of administrative and institutional reform. Equally, the IMF's TA program has benefited from generous co-financing from a few multilateral and bilateral agencies, which have supplemented the IMF's own budgetary resources for these activities. As the IMF intensifies its efforts to help countries strengthen their economic policy and financial management capacities, the pressure of demand on its TA resources is likely to increase further—for work on implementing the new international codes and standards; for work on strengthening the banking sector and financial systems; for helping HIPC countries undertake debt sustainability analyses and managing their debt reduction programs; and for public expenditure management and statistical TA in connection with the design and implementation of Poverty Reduction Strategy Papers and IMF-supported policy programs under the new Poverty Reduction and

Growth Facility. The IMF will seek every opportunity to cooperate with other agencies in these areas. The Technical Cooperation Action Plans in particular will require the close involvement of other donor agencies,⁴ since effecting and financing their implementation will greatly exceed the TA resources and instruments available to the IMF.

The IMF encourages member countries that have not yet done so to consider providing such complementary financial support in order to enhance the resources available for TA, preferably in a manner that is as unrestricted as possible. Meanwhile, the IMF's efforts to deepen collaboration on TA with its multilateral and bilateral development partners will continue.

¹The term "technical assistance" as used here includes training provided to country officials such as those organized by the IMF Institute.

²Eligibility for TA for countries in protracted arrears to the IMF is restricted in the absence of specific approval of the Executive Board, which takes account of a country's degree of cooperation with the IMF in seeking to redress its arrears difficulties.

³TA may also be provided, at the IMF Board's discretion, to nonmembers and to international organizations.

⁴It will be particularly important to involve the World Bank and the UNDP, to ensure consistency with the Bank's Comprehensive Development Framework and the UN system's Country Strategy.