

Technical Assistance Subaccount for Iraq

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Evaluation

March 2008

Evaluation of the Technical Assistance Subaccount for Iraq

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List of Abbreviations

AC/OM	--	Accounting and Organizational and Management
ACH	--	Automated Clearing House
ADV	--	Advisor to the Governor
BMP4/5	--	Balance of Payments Manual, 4 th /5 th Edition
BOP	--	Balance of Payments
BS/BR	--	Banking Supervision Training and Bank Restructuring
BTO	--	Back to Office Reports
CBI	--	Central Bank of Iraq
COA	--	Chart of Accounts
COSIT	--	Central Office for Statistics and Information Technology
CPA	--	Coalition Provisional Authority
CPI	--	Consumer Price Index
DCS	--	Depository Corporations Survey
DFID	--	Department for International Development
EPCAP	--	Emergency Post Conflict Assistance Program
FAD	--	Fiscal Affairs Department
FF	--	Fiscal Federalism
FMIS	--	Financial Management Information System
GDDS	--	General Data Dissemination System
GFS	--	Government Finance Statistics
GFSM 2001	--	Government Finance Statistics Manual 2001
IEO	--	Independent Evaluation Office
IFRS	--	International Financial Reporting Standards
IFS	--	International Financial Statistics Yearbook
LEG	--	Legal Department
LOI	--	Letter of Understanding
MCD	--	Middle East and Central Asia Department
MCM	--	Monetary and Capital Markets Department
METAC	--	Middle East Technical Advisory Center
MF	--	Monetary and Financial
MFSM 2000	--	Monetary and Financial Statistics Manual 2000
MOF	--	Ministry of Finance
MOP	--	Monetary Policy and Operations
MOU	--	Memorandum of Understanding
NA	--	National Accounts
OTM	--	Office of Technical Assistance Management
PEIA	--	Public Expenditure and Institutional Assessment
PFM	--	Public Financial Management
RTGS	--	Real Time Gross Settlement
SNA68	--	1968 System of National Accounts
SNA93	--	1993 System of National Accounts
SBA	--	Stand By Arrangement
STA	--	Statistics Department
TAIMS	--	Technical Assistance Information Management System
TP	--	Tax Policy
UNDP	--	United Nations Development Programme
USAID	--	United States Agency for International Development

Executive Summary

Key Messages

- The Iraq Subaccount is a good example of donor coordination as expressed in the Paris Declaration.
- Overall, the TAs funded from the Iraq TA Subaccount were successful, relevant, efficient and effective.
- Ensuring long-term sustainability requires maintaining an adequate the level of TA activity in the future.
- There were instances where more pro-active donor coordination was needed to build synergies to achieve development results.
- While the offsite modality was fairly effective and cost efficient and delivered value for money, the limits of this model will be stretched as IMF moves from policy and operational advice and training to greater emphasis on supporting the implementation of policies and procedures.
- The Fund's internal monitoring needs to be strengthened, particularly the TA Information Management System. Reforms in this area are on track, supported by Fund management, and improvements are expected by 1 May 2008.
- The Fund's TA evaluation framework needs to be strengthened by instituting a system of self assessments of all completed TAs and developing guidelines for the ex-post evaluation of TAs. Work in these areas is planned.
- The Fund delivered slightly more internally funded TA to Iraq than originally planned.

A. Background

1. The Technical Assistance Subaccount for Iraq was set up in July 2003, with contributions from Australia, Canada, India, Italy, the United Kingdom and Sweden, to strengthen macroeconomic management in the areas of monetary policy and banking, fiscal management and statistics. Support was provided to the Central Bank of Iraq (CBI), the Ministry of Finance (MOF) and the Central Office for Statistics and Information Technology (COSIT). By the end of 2007, 94% of the \$6 million available had either been spent or committed and 35 (74%) of the 47 approved TAs had been completed. The resources were managed by the Fiscal Affairs Department (FAD) (30%), the Monetary and Capital Markets (MCM) Department (37% of the total), the Statistics Department (STA) (14%) and the IMF Institute (INS) (3%). The remainder of the funds was used to finance overhead charges and two small activities. The level of effort financed by the Subaccount allowed IMF to increase its TA delivery to Iraq by about 43% over the resources that were financed internally by IMF. The Fund delivered slightly more TA financed by its own resources than was originally envisioned. The objectives of the Subaccount to generate synergies and leverage resources were achieved (e.g. Fund resources; other resources from donors; commitment of all donors to Fund/Iraq measures in the Stand By Arrangements).

2. IMF's TA activities were viewed as part of a larger framework of TA delivery developed collaboratively with other donors. The emphasis on donor coordination was consistent with the subsequent 2005 Paris Declaration. The design of the Iraq TA Subaccount is consistent with the principles laid out in the Paris Declaration and as such represented best international practice. The donors identified the international organization with the comparative advantage, IMF in this case, and

provided the funds to IMF. This increased donor coordination and reduced transaction costs for the Government.

3. The delivery of the TA program in Iraq has been extraordinarily challenging because of the difficult security environment and political changes. The IMF travel ban imposed after the tragic bombing of the UN headquarters in Baghdad in August 2003 remains in force. As a result, all TA was delivered offsite. This limited the interaction with counterparts and precluded the use of onsite policy advisors. The TA was delivered through missions, workshops, seminars and training in neighboring countries.

4. The objectives of evaluation were to assess: (i) the TA strategy; (ii) the TA provided; and (iii) the offsite TA delivery modality. The evaluation assessed the relevance, efficiency, effectiveness and sustainability of the TAs and identified lessons to inform IMF's future TA strategy and program in Iraq. Because of the security situation, the evaluation was an offsite assessment that drew heavily on documents available in IMF and interviews with IMF staff. Limited feedback was received from Government officials through a small number of interviews with key informants and a completed questionnaires covering TAs provided to CBI and the COSIT. The evaluation team also contacted other TA providers and their consultants, some of whom were stationed in Baghdad.

B. Evaluation Ratings

5. The total portfolio of TAs was rated as **successful** (see table below). The findings of the evaluation team are consistent with feedback from MOF, CBI and COSIT that was broadly positive. All three major clients requested additional TA to continue improving macroeconomic management and generally rated the TAs favorably. Given the difficult conditions prevailing in Iraq and the fact that an offsite delivery model was used, this is a good to very good outcome. Relevancy, efficiency and effectiveness were all rated as **good**. Given the continuing challenges associated with operating in Iraq, concerns about the level of continued IMF involvement and problems in participant selection for some TAs, sustainability was rated on the border between **modest** and **good**.

Assessment of the TAs Financed from the Iraq Subaccount					
Criteria	Weight (%)	Rating ^a			
		FAD	MCM	STA	Score ^b
		37	45	18	100
Relevance	30	3.1	3.3	3.1	3.2
Efficiency	20	3.0	3.3	2.8	3.1
Effectiveness	30	2.7	3.3	2.8	3.0
Sustainability	20	2.5	2.6	2.5	2.5
Overall Rating/Score	100	2.8	3.2	2.8	3.0

a/ Rating: 4 = Excellent; 3 = Good; 2 = Modest; 1 = Poor
b/ Weight by % of TA budget allocated to each TA department

Highly Successful (Excellent) ≥ 3.5 ; Successful (Good) ≥ 2.5 ;
2.5 < Partly Successful (Modest) ≥ 1.5 ; Not Successful (Poor) < 1.5

FAD = Fiscal Affairs Department TAs; MCM = Monetary and Capital Markets Department TAs; STA = Statistics Department TAs

6. There were differences in success between and within TA departments. Although the portfolios for all three TA departments were rated as successful, the portfolio of MCM TAs performed the best, followed by the STA and FAD portfolios. Two clusters of TAs achieved excellent results and were rated as **highly successful**: (i) MCM's Bank Supervision Training and Bank Restructuring TAs; and (ii) STA's

Monetary and Financial TAs. Of the 13 clusters of TAs that were rated, two were rated as **highly successful**, 6 as **successful**, 4 as **partly successful** and one as **not successful**.

C. Findings and Lessons

7. Several findings were common across most of the TAs: (i) the TAs were generally based on adequate diagnostics and received high ratings in terms of consistency with IMF activities in Iraq; (ii) the topics covered by the TAs were consistent with Government priorities; (iii) Government officials generally gave positive feedback on the TAs, their prioritization and sequencing and the results achieved; (iv) the TA was delivered in a timely manner, given the circumstances, although time lines to achieve results consistently had to be extended; (v) IMF's internal management of the TAs was generally efficient; and (vii) there was consistency between the TAs programmed and those that were delivered.

8. Lessons learned included the following: (i) because MCD played an important role in setting priorities, the TAs was well aligned with Government priorities and IMF's operations in Iraq; (ii) the offsite model achieved results and was rated as successful, although there are limits as to what it can achieve -- going forward, challenges will be encountered as IMF places more emphasis on the implementation of new policies, changing organizational structures and implementing new procedures; (iii) problems in participant selection reduced the probability that the knowledge gained in some TA clusters will be applied on the job – participant selection will likely continue to be a problem until IMF staff can travel to Iraq and become more familiar with the partner institutions and their staff; and (iv) a mixed picture emerged in terms of implementing the recommendations in the 2005 evaluation undertaken by the Independent Evaluation Office (IEO) of IMF's TA activities, particularly related to systematically tracking TA activities and undertaking self evaluations of completed TAs.

9. Some of the practical lessons for TA success include: (i) the need to design TA to produce concrete outputs, rather than delivering pedagogical inputs; (ii) holding the authorities accountable for producing or improving these outputs; and (iii) the need to engage the authorities continuously in specific areas, through frequent workshops and regular backstopping from IMF Headquarters, rather than workshops every couple of years.

10. Eight lessons of experience are associated with good practice and achieving development results: (i) good coordination with other donors and their in-country experts was a key ingredient for the top rated TAs; (ii) proper participant selection is a key ingredient of successful TAs – participants must be employed in areas where they will apply the skills on the job, attendance should be viewed as part of career planning, there should be a continuity of participants in a series of workshops on the same subject and adequate prior preparation increases TA efficiency and effectiveness; (iii) the workshops for successful TAs built on, and extended, the work of the previous workshops, by agreeing on an action plan and reporting on progress implementing it at the next workshop – consistent involvement in a topic over a period of several years yielded better results than a one off involvement; (iv) going forward it may be possible to supplement the offsite workshops with the use of offsite advisors who could provide high level advice on a part time, on demand basis, to senior officials in CBI, MOF or COSIT; (v) offsite workshops can be used to create opportunities to address issues related to inter-departmental cooperation, coordination and sharing of information among different Government agencies; (vi) clear, realistic objectives should be stated in the Project Framework for each TA and used as benchmarks against which to assess progress made; (vii) successful TAs addressed issues that were consistent with Government priorities and IMF operations in Iraq; and (viii) consistent involvement of well qualified IMF staff and/or experts in a series of workshops that address the same topic. The offsite modality proved to be more robust and effective than expected and, with good preparation and coordination with donors, can continue to be useful going forward until security conditions permit Fund staff to travel to Iraq.

D. Recommendations

11. **Be more pro-active in the coordinating with other development partners to develop synergies help to achieve development results:** Although there were examples of excellent IMF/donor

coordination in TAs managed by all three TA departments, in some cases opportunities were missed where potential synergies might have improved the development impact achieved by the TAs. In the best practice examples synergies were built with other donors through: (i) joint missions; (ii) developing a joint framework within which to provide technical assistance; (iii) inviting in-country consultants financed by other donors to workshops to make a professional input; (iv) using in-country experts to help implement the action plan agreed at the end of workshops; and (v) using IMF conditionalities and policy dialogue to create opportunities for other donors to expand their programs in Iraq. The importance of donor coordination and calls for IMF to do better in this area are not new. IEO's TA evaluation and the assessment of IMF's experience in post conflict situations reached similar conclusions. Donor coordination requires cooperation from three parties – IMF, the other donor(s) and the government. However, each party has its own agenda, objectives, time lines and procedures. Because of such factors, despite broad conceptual agreement that donor coordination important, it sometimes does not happen. Going forward, consistent with the Paris Declaration on Aid Effectiveness, IMF could encourage CBI, MOF and COSIT to take the lead in setting priorities and coordinating assistance in their areas of responsibility. This might involve forming TA committees to be responsible for developing work plans in conjunction with all donors, and evaluating the delivery and implementation by the staff of the executing agencies. Such committees would serve as a useful focal point for donors and could promote coordination among TA providers.

12. Strengthen the TA Information Management System so it becomes an effective management tool: Although STA effectively used TAIMS to create a comprehensive information base on TA activities, the other departments did not for a variety of reasons (e. g., not a user friendly system; not used by departmental management as a management tool; data at the portfolio level is not regularly produced; lack of interfaces with other Fund systems). The many information gaps and missing documents in TAIMS increased the effort needed to undertake the evaluation and suggests that at the institutional level IMF lacks a functioning system to monitor TAs throughout their life cycles and to facilitate learning. The problems with TAIMS are well known. Action is expected to be taken to fix TAIMS and use it for all TAs, regardless of the source of financing, by 1 May 2008. With a growing reliance on external donor funding for TA activities the Fund needs to show not only that resources are used effectively but that all management, monitoring and accountability procedures for TA are transparent and comply with best practices.

13. Strengthen the TA evaluation system by building a self assessment system and developing guidelines for ex-post evaluations: Some ex-post TA evaluations have been undertaken since 2002 when the Board endorsed a proposal to introduce a formal program of TA evaluation. IMF needs a standard methodology to evaluate and rate TAs that is set out in clear guidelines governing the ex-post evaluations undertaken by OTM and the TA departments. A new methodology should not be developed for each evaluation. Having a standard methodology would allow aggregation across TA evaluations and improve the efficiency of the evaluation process by reducing the amount of time individual evaluation teams spend developing the approach, methodology, evaluation criteria and rating system. However, only a small fraction of IMF's TAs can be formally post-evaluated. Such evaluations must be complemented by a system of self evaluation for all completed TAs. None of the TA departments had self evaluated completed TAs financed from the Iraq TA Subaccount, although a template is available for End of Project Assessment Reports. IMF should develop a self evaluation system for TAs to: (i) learn from past to improve future by identifying what works and what does not; (ii) provide departmental management with an assessment of their TA portfolios at an aggregate level and by TA type; (iii) provide the Managing Director with the information that is necessary for him to be accountable to the Board for the use of TA funds; and (iv) provide the information that donors are increasingly asking from other international financial institutions to demonstrate the results achieved and value for money for the grant funds that they entrust to such institutions. IMF recognizes the weaknesses in its TA evaluation system and work is planned to improve it by addressing these issues.

14. Improve reports to the donors: The reports to the donors focus more on inputs than outputs, outcomes and results achieved. Problems IMF encounters in delivery TA should be frankly discussed. This problem reflects, in part, the many gaps in TAIMS and the lack of a well developed TA self evaluation system that can be used when preparing the reports to the donors. The focus on inputs rather

than outputs appears to be a systemic problem in IMF's internal documentation for TAs as the same issue was also reported in the IEO TA evaluation. Since the Iraq Subaccount was put forward as an integral part of IMF's total assistance to Iraq, the report to the donors should provide a more comprehensive picture to donors by describing the sum total of IMF's TA support to Iraq, regardless of the source of financing.

I. Introduction

Key Messages

- The objective of the Iraq TA Subaccount was to strengthen macroeconomic management in monetary policy and banking, fiscal management and statistics.
- 94% of the funds have been committed.
- The delivery of TAs has been extraordinarily challenging because of the difficult security and political environment.
- All TAs were delivered offsite.
- The Iraq TA Subaccount is consistent with the Paris Declaration -- the donors identified the international organization with the comparative advantage, IMF, and then provided the funds to IMF.
- The evaluation was an offsite assessment with all of the associated limitations.

A. Background

15. **The Technical Assistance Subaccount for Iraq was set up in July 2003 with contributions from Australia, Canada, India, Italy, the United Kingdom and Sweden to strengthen macroeconomic management in the areas of monetary policy and banking, fiscal management and statistics.** Support was provided to the Central Bank of Iraq (CBI), the Ministry of Finance (MOF) and the Central Office for Statistics and Information Technology (COSIT). **By the end of 2007, 94% of the \$6 million available in the Subaccount had either been spent or committed and 35 (74%) of the 47 approved TAs had been completed** (see Annex A). The Monetary and Capital Markets (MCM) Department was the largest user of TA, both in terms of numbers (17) and amount (\$2.175 million or 37% of the total). The Fiscal Affairs Department (FAD) accounted for 30% of resources committed and the Statistics Department (STA) for 14% of the total. Training courses put on by the IMF Institute (INS) used 3% of the total commitments. The remaining allocations were accounted for by two small activities¹ and the \$635,000 in administration costs that offset the costs incurred by IMF for administering the Subaccount². Background information in the Iraq TA Subaccount is given in Annex A.

16. **The delivery of the IMF TA program in Iraq has been extraordinarily challenging because of the difficult security environment.** As stated in the staff report for the 2007 Stand By Arrangement, despite some improvement in 2007, the security situation continues to hamper economic recovery. IMF's overall assessment is that "Although most parts of the government are functioning, the security problems are straining its capacity to develop and implement policy." The poor security was not, and could not, have been foreseen when the Fund and donors began to discuss the concept of the Iraq TA Subaccount. However, with the tragic bombing of the UN headquarters in Baghdad in August 2003, IMF suspended all travel to Iraq. The travel ban continues to remain in force. As a result, **all activities financed under the**

¹ The cost of a resident coordinator in Amman to help with the administration and logistics associated with the workshops and the cost of this evaluation.

² As a matter of policy IMF levies a 13% administrative fee on all such funds which covers about half of the cost of IMF staff time spent on backstopping and managing TAs and trust funds. IMF is reforming this policy to enhance transparency and strengthen accountability. Starting in mid 2008, IMF will identify all related costs for a specific TA. Donors will be billed for all direct costs for TA delivery, including staff time spent for backstopping and project management, and the administrative fee will be reduced to between 5 percent and 7 percent.

TA Subaccount were delivered offsite. The inability of Fund staff and experts to travel to Iraq made it difficult to undertake the detailed diagnostics that are usually a pre-requisite for the effective delivery of TA and to have frequent interaction with counterparts. Onsite policy advisors that play a crucial role supporting the Fund's efforts to strengthen macroeconomic management in virtually all countries could not be used. The TA was delivered through consultation missions, workshops, seminars and training held in neighboring countries. **Tragically, several senior government officials working as counterparts to IMF staff were assassinated** during the period under review. The lack of security also contributed to counterpart staff turnover and made it difficult to implement policy changes and capacity building measures.

17. **Iraq has undergone a major political transformation.** After the war, Iraq was governed by the Coalition Provisional Authority (CPA), which was followed by an Iraqi Interim Government in June 2004. Parliamentary elections for the Transitional National Assembly were held in January 2005. In May 2005 the Iraqi Transitional Government was sworn in and began working on the constitution which was approved by a national referendum in October 2005. Following the parliamentary elections in December 2005, the National Unity Government took office in May 2006 after lengthy negotiations among political parties. There were strains in the governing coalition during 2007 but the government remains in office. Iraq is in the early stages of a transition to democracy, a political system that has not been experienced in Iraq's long history. It takes time to build the institutions, legal regulatory framework and the political parties and coalitions that are needed to make a democratic system work. This is a particular challenge in Iraq given the regional and ethnic/religious divisions and the legacy of the past regime. **This political transformation created challenges for the delivery of TA and implementation of the related recommendations.**

18. The uncertainties of beginning operations in Iraq were recognized in the July 2003 Program Framework for the Subaccount. The initial plan was subject to change since it was not feasible to develop a detailed program in the circumstances. The use of the funds was based on a rolling work plan to be approved by participating donors. Provision was made to adjust the work program as circumstances warranted, a pragmatic approach to managing uncertainty.

19. **The 2003 Program Framework recognized the importance of donor coordination,** noting that in post-conflict situations donor support sometimes overwhelms the absorptive capacity of the government and that the Fund's TA framework could help provide the basis for donor collaboration. **The Program Framework raises the possibility of IMF being able to play a lead role in advising the government on how to monitor and promote donor coordination.** IMF typically focuses on strengthening the core economic institutions, establishing an appropriate institutional and legal framework and supporting capacity building. IMF often takes the lead providing TA in the fiscal, monetary, statistical and in some legal areas. IMF's TA activities were viewed as being part of a larger framework of TA delivery developed collaboratively with other donors. The emphasis on donor coordination was consistent with the subsequent 2005 Paris Declaration.³ **The design of the Iraq TA Subaccount is consistent with the principles laid out in the Paris Declaration** and as such represented best international practice. **The donors identified the international organization with the comparative advantage, IMF in this case, and then provided the funds to IMF. This increased donor coordination and reduced transaction costs for the Government.**

B. Objectives and Limitations of the Evaluation

20. **The evaluation was undertaken because the work programs under the original financing are close to completion and a new round of financing is contemplated to begin in 2008.** The objectives of the evaluation, which covers the period from 2003 to late 2007, were to assess: (i) the TA strategy; (ii) the TA provided; and (iii) the offsite TA delivery modality. The evaluation assessed the relevance, efficiency, effectiveness and sustainability of the TAs and identified lessons that could help to

³ PARIS DECLARATION ON AID EFFECTIVENESS. Ownership, Harmonisation, Alignment, Results and Mutual Accountability. March 2005.

formulate IMF's strategy for its future TA program in Iraq. FAD, MCM and STA TAs were evaluated but the IMF Institute training courses were not⁴.

21. **The security situation constrained the evaluation as it required an offsite assessment.** This is clearly a second best solution and does not reflect best practice. Limitations for the evaluation include: (i) **limited feedback from Government officials** to get their views on the TAs; (ii) **limited ability to interact with workshop participants** to determine whether they found the workshops useful and applied the knowledge gained in their day to day activities; (iii) **limited diagnostic work** that could be done to assess the relevancy of the strategy, the appropriateness of the focus of the TAs, the efficiency of its delivery and its effectiveness in achieving results; and (iv) **limited ability to assess Government ownership**.

22. This evaluation was prepared under the direction of the Office of Technical Assistance Management (OTM). The evaluation was undertaken by three independent evaluators: (i) Bruce Murray, who was the lead evaluator responsible for coordinating the work of the team and evaluated the STA TAs; (ii) Patrick Downes, who evaluated the MCM TAs; and (iii) Benoit Chevauchez, who evaluated the FAD TAs. No member of the evaluation team had worked previously on TAs in Iraq or had a conflict of interest. The evaluation team acknowledges that support and assistance provided by the staff of OTM, FAD, MCM, the Middle East and Central Asian Department (MCD) and the Legal Department and officials from the Central Bank of Iraq (CBI), the Ministry of Finance (MOF), the Central Office for Statistics and Information Technology (COSIT) and the staff and consultants of other TA providers.

⁴ These activities were excluded from the scope of the evaluation for a number of reasons: (i) general macroeconomic training did not fit easily into the evaluation framework; (ii) the small portion of the funds used to finance these activities; (iii) there is an evaluation system for INS courses, which includes a triennial survey of agencies that send participants to the courses and regional meetings addressing the content of the training program (one covering Middle Eastern countries was held in Abu Dhabi in December 2007); and (iii) time and resource constraints for the evaluation precluded organizing a follow up survey of participants.

II. Evaluation Approach and Methodology

A. Conceptual Framework

23. The evaluation approach and methodology is summarized below and discussed in more detail in Annex B. The conceptual framework covers the results chain and factors external and internal to IMF that influenced the results achieved (see Figure B1 in Annex B). The results chain summarizes the steps from the identification of the TA to the impacts that can be plausibly attributed to the provision of the TA. Conceptually, the results chain included: (i) strategy and TA selection; (ii) TA design; (iii) inputs; (iv) outputs; (v) outcomes; and (vi) impacts. The results chain was used to develop check lists to guide the work of the evaluation team and a set of sub-criteria used to rate various aspects covered by the evaluation.

24. The end results achieved by IMF TAs are sometimes influenced by factors beyond IMF's control. In assessing the success, or otherwise, of the TAs, the evaluation team examined external factors that affected the results. The evaluation team is rating the success of the TA and not just the contribution of IMF staff. Because of external factors cases could arise, for example, in which IMF's contributions were good but the TA did not achieve the results intended. In such cases the negative impact of external factors could overwhelm the positive contributions of IMF staff.

25. The 2005 evaluation⁵ of IMF's TAs undertaken by the Independent Evaluation Office (IEO) identified methodological challenges related to evaluating TAs. Similar challenges were encountered by the evaluation team and, indeed, are commonly faced by international agencies that provide and evaluate TA. One particular methodological challenge related to attributing results to the effects of TA. IEO noted that this becomes more difficult at the higher levels of the results chain and that such assessments rely heavily upon qualitative judgments. IEO concluded that its "efforts to assess impact have revealed shortcomings in documentation and processes that limit the extent to which one can evaluate outcomes. This, in turn, undermines accountability and the potential for the IMF's evaluations to be used as learning tools and mechanisms to allocate future TA."⁶

26. Normally, evaluations seek extensive feedback from senior officials in executing agencies and workshop participants. Because of the travel ban, this was not possible for this evaluation. The evaluation team relied heavily on a review of material in IMF's files and interviews with IMF staff. The following methods were used to obtain feedback from Iraqi sources: (i) two members of the evaluation team attended the final day of a bank restructuring workshop in Amman which allowed for interviews with participants from CBI, including the Deputy Governor, MOF and the Supreme Audit Authority; (ii) a telephone interview with the CBI Governor; (iii) a trip by one member of the evaluation team to Amman to meet with the senior adviser to the Minister of Finance; (iv) questionnaires that were completed by senior officials in CBI for TAs related to bank supervision and restructuring, payments systems, monetary operations/foreign exchange auctions and treasury bill auctions, accounting, monetary and financial statistics and balance of payment statistics; (v) a questionnaire completed by the head of COSIT covering the national accounts and the price statistics TAs; (vi) an interview with staff in the office of the IMF executive director representing Iraq; (vii) a review of documents submitted by the Government to IMF; and (viii) a review of material on the web pages of CBI and COSIT. Further information on the local situation was obtained through face to face and telephone interviews with staff of the United States Agency for International Development (USAID), the Department for International Development (DFID) of the United Kingdom, the United States Treasury Department and the United States Federal Reserve Board, including those who are/were stationed in Baghdad and in-country consultants employed by the United States Treasury Department and USAID.

⁵ IMF. Independent Evaluation Office. Evaluation of the Technical Assistance Provided by the International Monetary Fund. 31 January 2005 (http://ieo-imf.org/eval/complete/eval_01312005.html).

⁶ Ibid. Para 156.

B. Evaluation Criteria and Rating Methodology

27. The terms of reference provide an evaluation framework that is based on relevance, effectiveness, efficiency and sustainability, an approach that is consistent with the practices used by other international financial institutions. The sub-criteria used to assess these four dimensions of evaluation, the rating methodology and the weights applied to each of the sub-criteria and the four dimensions of evaluation are summarized below and described in Annex B. Each sub-criteria was rated on a four point scale of excellent (4 points), good (3 points), modest (2 point) and poor (1 points)⁷. The sub-criteria follow with the weights shown in brackets:

- a) **Relevance:** (i) quality of diagnostics (20%); (ii) consistency of TA with IMF activities in Iraq (30%); (iii) consistency with Government priorities (30%) and (iv) IMF/development partner coordination (20%).
- b) **Efficiency:** (i) process and implementation efficiency (30%); (ii) consistency of engagement (30%); (iii) efficient use of resources (30%); and (iv) timeliness (10%).
- c) **Effectiveness** (i) use of TA outputs (30%); (ii) desired versus actual outputs (30%); (iii) effectiveness of offsite delivery mode (10%); and (iv) the significance of IMF's contribution to developing core economic functions/institution building (30%).
- d) **Sustainability:** (i) Iraqi context (20%); (ii) continued IMF involvement (30%); (iii) Government ownership of TA outputs (30%); and (iv) the likelihood that participants will apply the knowledge gained on the job (20%).

28. Each FAD, MCM and STA TA cluster was rated against each of the sub-criteria for the four dimensions of evaluation. The scores for the TA clusters were aggregated, weighted by the proportion of the TA budget allocated to each cluster. The weighted scores calculated for each of the four dimensions of evaluation were, in turn, aggregated using the specified weights to assess the FAD, MCM and STA TA portfolios. Slightly more weight was given to relevancy and effectiveness (30% each) than to efficiency and sustainability (20% each). The results for the three TA departments were then aggregated, weighted by their TA budgets, to derive the overall assessment of all TAs funded under the Iraq TA Subaccount.

29. Standard descriptors, based on numerical cutoffs, describe the overall ratings:

- a) **Highly Successful or Excellent.** Overall weighted average was greater than 3.5. A rating of this level means that at least 2 of the 4 sub-criteria were rated as a "4" and the others were rated as "3". This rating is given to TAs with particularly good ratings on all four of the sub-criteria. Few TAs achieved such a rating.
- b) **Successful or Good.** The weighted average was between 2.5 and 3.5. At the high end of the range, two of the four sub-criteria were rated as "4" and at the low end, two were rated as "2". Although there were some issues related to one of more of the sub-criteria that prevented an excellent rating, there were no major shortfalls, and the TA resulted in relevant outputs that are likely to be sustained. Problems were small relative to the positive findings.
- c) **Partly Successful or Modest.** The weighted average was between 1.5 and 2.5 on a scale of 4. At the upper end of the range, two ratings of "3" could have been achieved while at the lower end, the ratings could include two "1"s. Although the evaluation identified shortfalls in several of the sub-criteria, there were also some positive findings, although not what was originally expected.
- d) **Not Successful or Poor.** The weighted average was less than 1.5. In this case, probably three of the 4 sub-criteria were rated as poor by the evaluators. The TA had clear problems at the time of evaluation and did not succeed in achieving development results.

30. This approach provides a consistent basis for overall assessments. The evaluation Team carefully assessed and modified the initial ranking in an iterative process to ensure consistency between TA clusters within a TA department and across TA departments. The relative rankings of the sub-criteria

⁷ This four point rating scale is similar to the rating scale that is supposed to be used in IMF End of Mission Assessment Reports and End of TA Assessment Reports.

were also reviewed for logical consistency. Particular attention was given to those ratings on the borderlines used to define the descriptors.

31. International experience in assessing TAs was adapted by the evaluation team to reflect the terms of reference. It is the first application of such a detailed rating and scoring system in an evaluation commissioned by OTM. This experience should serve as a useful model to inform OTM and IEO and lead to the development of a standard approach and guidelines for IMF TA evaluation going forward. In doing so it would be desirable to seek feedback on the weights and sub-criteria used in the rating system from Fund staff. If differences in opinion on the weights resulted in different ratings, the alternate views could be presented in the report. A Delphi technique should be used to reach consensus between OTM, the TA departments and the area departments on the sub-criteria used under each of the four dimensions of evaluation and the various weights used. This should be done an independent exercise that is not related to any particular evaluation. Eventually OTM should have a standard set of sub-criteria and weights that could be used for all ex-post TA evaluations and summarized in an OTM issued guideline. The same weights and sub-criteria should be under in any self evaluation system that IMF develops for TAs.

C. Triangulation of Information

32. The evaluation team drew on information from different sources including documents available from IMF, interviews with representatives from concerned constituencies on the IMF Board of Directors, multiple discussions with Fund staff from OTM, MCD, FAD, MCM and STA, questionnaires completed by the key macroeconomic agencies, interviews with Iraqi officials and participants within the limits imposed by the travel ban to Iraq and discussions with the staff of some key donor partners and their consultants. In reaching its conclusions, the evaluation team considered the evaluation evidence from all sources and attempted, to the extent possible, to validate key conclusions with information from multiple sources. The evaluation team tried to address the methodological challenges associated with evaluating TA by using triangulation but the information base was incomplete and a considerable amount of judgment had to be applied. The evaluation methodology was designed to make those judgments transparent to the reader. The report was circulated in draft form within IMF. The comments received were reviewed and, when considered appropriate by the evaluation team, the report was revised in the light of the comments.

33. There are challenges applying this quantitative framework of ratings and scores to a TA program that is still in its early stages. In many areas it is a work in progress. This type of assessment is more commonly applied to completed projects where outcomes, sustainability, and impacts are clearer. In terms of progress with monetary policy, financial sector development, the fiscal area and macroeconomic statistics, Iraq is just beginning the first generation of reforms, a task that is being undertaken in extremely difficult security and political conditions by executing agencies with limited institutional capacity and low absorptive capacity. While there are some successes to be highlighted, which are significant accomplishments given the present context in Iraq, in many areas they do not represent a core mass for sustainable progress at this stage. Despite these qualifications, the evaluation team is of the view that the evaluation framework and methodology used is appropriate to identify lessons which should inform the Fund's strategy in moving ahead with the TA program in Iraq. As per the terms of reference, this is the primary purpose of the evaluation.

III. Evaluation of the Fiscal TAs

Key Messages

- Overall, the fiscal TAs were rated as being successful.
- The Public Financial Management TAs were more successful than the Fiscal Federalism TAs which were more successful than Tax Policy TAs.
- The fiscal strategy and TA prioritization and sequencing were adequate.
- TAs contributed to a new Chart of Accounts that is GFSM 2001 compliant (<http://www.imf.org/external/pubs/ft/gfs/manual/>).
- Outcomes of other TAs is not always clear since much of the advice provided has not yet been acted on by the Iraqi authorities
- While technically very good, some of the training was over ambitious, there were issues related to trainee selection and there is no way to determine if the knowledge acquired was used on the job
- The offsite delivery mode was successful in achieving results but there are limits of what this modality can achieve.
- FAD did not use TAIMS as a management tool.

A. Introduction

34. This section summarizes the evaluation of the FAD technical assistance provided to Iraq over the period 2003-2007. It is based on the analysis and conclusions in Annex C.

35. **Two introductory comments must be made:**

- a) **The information and data on which this evaluation is based are fragile.** No onsite visit could be made to observe the situation on the ground, the actual status of the reforms and the specific results of the technical assistance provided by FAD. Contacts with the Iraqi TA recipients were very limited: no reply was received to the questionnaire sent in December and again in January. The only opportunity to hear the recipients' views directly was a two-hour discussion with the senior adviser to the Minister of Finance in Amman on 29 January 2008. Most of the information obtained comes mainly from documents and written or oral exchanges with IMF departments and with the other stakeholders. It was not possible to clarify uncertainties. A cautious approach must therefore be adopted towards the opinions expressed in this evaluation.
- b) **The FAD strategy and the activities undertaken must be considered in the light of the political and security context in Iraq.** The Fund's decision to provide technical assistance to Iraq, although it was physically impossible to visit the country, was political in nature. Assessing the appropriateness of that decision was beyond the scope of this evaluation. The TA activities, their results and their impact cannot be evaluated without taking into account the security and political constraints.

36. FAD TA to Iraq has **two specific features:** (i) it **did not cover all the FAD competencies** and has focused **primarily on subjects dealt with by the Public Financial Management (PFM) teams;** and

(ii) the TA provided focused mainly on general themes instead of more specific operational and technical subjects.

37. For the purposes of the evaluation, the FAD TAs were grouped into three clusters:

- a) **Public Financial Management:** This important TA category concentrated on all the elements which traditionally, in all countries, are involved in the management of government spending: budget, management, audit, treasury, accounting, etc. These activities were all organized by the FAD PFM teams.
- b) **Fiscal Federalism (FF):** This cluster includes the three seminars held between December 2004 and December 2006 on subjects related to fiscal decentralization, fiscal federalism and petroleum issues. The discussion of these three topics covered, from different angles, the various aspects of one crucial question: how to distribute the government revenue derived from petroleum activities between public authorities at various levels in Iraq. This broad issue combined technical subjects, of a fiscal and budgetary nature, in a group reflecting one of the basic characteristics of Iraqi government finance: 98% of domestic government resources (excluding donor contributions) come from petroleum production. These activities were mostly dealt with by PFM team members but other divisions also contributed.
- c) **Tax Policy (TP):** For reasons related to the characteristics of Iraqi government finance, virtual non-existent tax revenue, tax policy questions were dealt with in a limited fashion; there was practically no attention to the technical aspects of tax administration. These activities were the responsibility of the FAD Tax Policy Division.

38. Over this 54-month period, FAD undertook the following activities. Five missions: two general missions on PFM subjects in 2003 and 2005, followed by two targeted missions on specific technical questions [Chart of Accounts (COA) in 2005 and the Financial Management Information System (FMIS) in 2006] and a short mission on tax policy questions (2007). There were 10 training seminars, including six during the first quarter of 2004, on a large group of subjects ranging from general budget policy questions to customs administration and budget decentralization questions. With the exception of the first mission, which took place before the attack on the United Nations building in Baghdad, all these activities took place in the capitals of neighboring countries (i. e., Amman, Beirut, Abu Dhabi).

39. Between 200 and 250 Iraqi officials were in contact with about 40 IMF experts, who spent a combined total of about 500 days in the region. This activity was mainly concentrated in an initial period from July 2003 to April 2005. No activity was undertaken in the region over the subsequent 16 months (April 2005 to November 2006). Since November 2006, activities have resumed at a modest level. In addition to these activities FAD also undertook work in Iraq that was financed from the Fund's budget. Examples of such activities include extensive reviews and provision of written comments or advice on the development of the Financial Management Law and the new budget classification, some remote advice from Washington, some discussions during annual and spring IMF meetings and TA administration (e.g., TA planning, contracting and administration). FAD activities that were not funded from the TA Subaccount are not covered by this evaluation.

40. The allocation of the FAD TAs, by cluster, financed from the Subaccount is shown in Table III.1.

TA Cluster	Budget (\$)	Expenditures (\$)	% of Total Budget
Public Expenditure Management	851,785	742,426	49%
Tax Policy	482,255	406,755	28%
Fiscal Federalism	405,531	296,379	23%
Total	1, 739,571	1,445,560	100%

B. Assessment of the Fiscal Strategy

41. **No comprehensive strategy covering the whole fiscal area was prepared to prioritize, sequence and guide FAD's TA activities in Iraq.** However, based on the material reviewed by the evaluation team, it is clear that an implicit strategy guided IMF's support for fiscal reform in Iraq. Based on an analysis of the following factors, **the implicit FAD strategy was assessed as adequate:**

a) **Sequencing: The sequencing and prioritization of the TAs was satisfactory.** For PFM, the 2003 and 2005 reports identified a comprehensive array of goals and tasks covering both budgeting and management. The sequencing was clearly defined and broken down between short term, medium term and long term reforms. A two step strategy was developed for PFM moving from providing advice based on sound diagnostics on a broad range of issues to a focus on two well defined activities -- COA and the FMIS – areas in which FAD has good skills and were directly related to SBA structural performance criteria. In the areas of fiscal federalism and tax policy, FAD was content to train and provide advice by introducing international practice to Iraqi officials. No more specific, operational TAs in these fields were provided. No detailed, prioritized action plans for implementation were developed for TP and FF, something that would have been premature. Feedback from MCD staff, MOF officials and other TA providers in the fiscal field indicated that the broad priorities and sequencing were appropriate.

b) **Flexibility/Robustness:** For each cluster, beyond the initial comprehensive reviews, specific TA actions were undertaken in response to Iraqi requests and the local situation. **This process was pragmatic and adaptable to changing circumstances.**

c) **Focus: The focus on the expenditure side of public finances and a more general involvement on the tax side was appropriate given the fiscal conditions in Iraq** -- The rather good fiscal situation, i.e., balanced budget or surpluses, is quite exceptional for a developing country. This is why tax policy and tax management were not priorities during the evaluation period. The reports on the 2005 (<http://www.imf.org/external/np/sec/pr/2005/pr05307.htm>) and 2007 SBAs (<http://www.imf.org/external/pubs/ft/scr/2007/cr07301.pdf>) make it clear that because of poor security there were problems in budget execution and needed expenditures to restore infrastructure could not be made. Also, Government revenues increased significantly as the price of oil approached \$100 per barrel. **While the PFM focus was an appropriate choice for the short-medium term, in the longer term tax issues will have to be addressed. The focus of PFM on two well defined major building blocks of any budget system, COA and FMIS, was appropriate** given the limited IMF resources and the significant financial and human resources provided by other TA providers in the fiscal area⁸. Because of the local context, the TP and FF clusters could not have a precise focus in the early stage of IMF's involvement.

d) **Realism: The strategy was judged to be realistic** because it was compatible with the FAD technical resources and the planned TAs were largely delivered. The 2003 FAD TA action plan

⁸ Primarily USAID, which financed BearingPoint consultants, DFID, which financed a team from the Adam Smith Institute, and the World Bank.

identified many operational issues that were not addressed by the subsequent TAs, specifically issues involving managerial and organizational questions. However, the FAD TA action plan pre-dates the tragic bombing of the UNDP building and IMF's travel ban and was developed at a time when onsite activities could be planned. The main impediment was not access to funding -- more funds were available from the Iraq TA Subaccount than could be committed in during most of the evaluation period. Rather, the main constraint related to the recruitment of well qualified experts who were available in a timely manner. **The PFM strategy appears to have been quite ambitious compared to the absorption capacity of the Iraqi administration, the security conditions and the availability of expertise.**

e) **Evidence of Learning: There is evidence of learning in the strategy.** There was consistency between the FAD strategy and the lessons drawn from the Fund's past experience in post-conflict countries.

C. Overall Assessment of the Fiscal TAs

42. The overall rating of the fiscal TAs is given in Table III.2. **Overall, the FAD TAs were rated as successful.** The Fiscal TAs were rated as **relevant** and **efficient**, above the mid-point in the range. The ratings were slightly lower for **effectiveness** and on the border between **sustainable** and **partly sustainable** since, given the difficult situation in Iraq, the lack of clear evidence of actual results and the prospect of real improvements was not obvious for all the clusters. **PFM – the largest cluster of FAD TAs -- was the most successful** and was rated above the mid-point of the **successful** range. **The FF cluster was also rated as successful**, but below the mid-point in the range. **The TP cluster was rated as partly successful**, as it has not shown the same level of success at this point in time.

Criteria	Weight (%)	Rating ^a			
		PFM	TP	FF	Score ^b
		49	28	23	100
Relevance	30	3.5	2.3	3.2	3.1
Efficiency	20	3.0	2.7	3.3	3.0
Effectiveness	30	3.0	2.4	2.4	2.7
Sustainability	20	2.8	2.3	2.3	2.5
Overall Rating/Score	100	3.1	2.4	2.8	2.8

a/ Rating: 4 = Excellent; 3 = Good; 2 = Modest; 1 = Poor
b/ Weight by % of FAD TA budget allocated to the TA cluster.

Highly Successful (Excellent) ? 3.5; 3.5 < Successful (Good) ? 2.5;
2.5 < Partly Successful (Modest) ? 1.5; Not Successful (Poor) < 1.5

PFM = Public Financial Management TAs; TP = Tax Policy TAs; FF = Fiscal Federalism TAs

43. This overall rating is based on the following considerations:

a) **The specific areas of intervention were correct:** overall, the areas chosen suitably reflected the needs of the Government, took into account the current situation, were in line with the general policy of the IMF in Iraq and were consistent with the activities of other donors. The phasing of implementation was satisfactory, since urgent subjects were given priority and those which could wait were dealt with at the end of the period.

b) **The technical quality of the TA provided was excellent:** the experts deployed all had excellent qualifications in the subjects that they covered; all procedures met high professional standards; the outputs of these activities (mission reports or teaching materials) were of good quality.

c) **Project oversight and management were generally satisfactory** and followed the usual IMF rules and practices for TA: for each activity there were terms of reference defining the proposed goals and procedures, submitted to the monthly committee meeting chaired by the head of FAD. A report on each activity was prepared and circulated by the team responsible. This traditional

methodology ensured good continuity between the various activities, most of which kept to the original schedule. However the procedures for project oversight and management could have been improved in two respects. First, there was no general document on FAD overall strategy; only the strategy relating to the specific area of PFM was formalized (twice, in 2003 and then in 2005). The lack of a formalized FAD strategy in Iraq reflects the fact that overall strategic oversight of the TA seems to have been mainly provided by the regional department, MCD. Second, there seem to have been some shortcomings in overall coordination: internal coordination in FAD (see below), coordination within the IMF with other TA departments (certain technical areas of TA were common to FAD and MCM or to FAD and STA), coordination with other technical assistance providers (coordination was entirely satisfactory with the World Bank; coordination with USAID was good in some areas but there were some differences of opinion in other areas; DFID felt that better coordination could have taken place⁹).

d) **The on the ground impact of the activities undertaken has sometimes been questioned. However, no onsite visit was possible either by FAD or by the evaluation team so evidence in this area is sparse.** FAD was able to visit Baghdad once in 2003 to make an overall assessment of the budget system, but that was the first and last time. All the information obtained on the situation in Iraq and developments over the evaluation period is therefore indirect and reported by sources whose reliability cannot always be guaranteed by the evaluator. In addition, most of the TA was, to varying degrees, concerned with “knowledge transfer” rather than with “operational advice”. This was the case, in particular, for the training seminars. Questions may also be asked, for example, about the ultimate impact of the TA activities on the allocation of government funds derived from petroleum (FF). These seminars, attended by the top international experts on these subjects and by the political and administrative decision-makers concerned, seem to have been good but no petroleum legislation has yet been adopted. While there is a lack of clear evidence that tangible results were achieved, it is clear that the principal determining factors for this are beyond the control of FAD. Although FAD interventions have not always produced actual solutions, they have helped to introduce a spirit of economic and financial best practice into discussions that are sometimes dominated political, ideological and religious issues. Introducing best practice into such discussions was a useful contribution in its own right and FAD was well positioned to provide such advice. However, providing excellent advice in such circumstances does not always result in the achievement of outcomes and impacts used in the conceptual framework for the evaluation (see Figure B1 in Annex B). Sometimes factors beyond the control of IMF can result in such advice not being acted upon.

D. Assessment of the Fiscal TA Clusters

1. Evaluation of the Public Financial Management TAs

44. **The main area of intervention of FAD was PFM.** The initial period (from July 2003 to March 2005) was a period of intense activity covering all the subjects, by means of the two missions and at the six seminars held over this period of some 20 months (see the pattern of FAD expenditures in Table A3). **Subsequently FAD activity was less intense and concentrated on two specific subjects: COA and FMIS.** This concentration of effort on these subjects was appropriate. They are basic underlying elements needed in Iraq’s budgetary system. Also, FAD has solid skills in these areas and experience that is widely recognized in the donor community. These two areas were covered in the conditionalities adopted under the Stand By Arrangements (see Annex F). **These activities and products were fully in compliance with the Fund’s usual professional standards** (e.g., scientific rigor and technical expertise of TA staff; implementation method and organization; quality of outputs like mission reports and seminar teaching materials). However, the nature of FAD involvement in these two areas was fundamentally different. For COA, it was FAD and MOF that were directly responsible for the construction of this tool. In the case of FMIS, FAD did not have operational responsibility or authority to make decisions – rather USAID/BearingPoint played the lead role and FAD acted as an adviser to MOF.

45. The two missions (2003 and 2005) were clearly useful. They provided MOF, immediately after the change of regime, with **complete and detailed global analyses of the existing budget system, its**

⁹ FAD made major efforts to coordinate with and share information with DFID in 2005. However, MOF discouraged inviting DFID financed consultants to the workshop.

principal features, its weaknesses and the main directions of the reforms to be undertaken. Priorities were set on this basis. While they were prepared for MOF, these documents were also **very useful as a common basis for programming the TA activities of the entire donor community** as regards to PFM. **One reservation concerns the gap between the appropriate but highly ambitious recommendations and the lack of advice on ways and means of implementing them;** in other words, while the target appears correct, the road leading to it was not well marked.

46. The PFM training provided in the first half of 2004 followed a needs-appropriate program and was delivered by **highly competent experts using good-quality teaching materials.** The general issue of the composition of this and for the training for the other clusters (FF and TP) is discussed in a later section on training activities.

47. In the case of the more operational activities, the **positive impact of the TA is undeniable for COA:** if Iraq today has a budgetary and accounting nomenclature meeting international standards (GFS Manual 2001), it is mainly because of the TA provided by FAD.

48. **With regard to FMIS,** an area in which FAD has been active over the past four years **in an advisory role, the benefits are not so clear, since no FMIS will be operational for some time.** From the viewpoint of the interests of Iraq, the attempt to develop a functioning FMIS was a failure. **However, this failure is not attributable to FAD:** the FMIS project was managed by USAID/BearingPoint. FAD consistently raised questions and expressed concerns about the approach adopted because the FMIS was not based on a detailed needs analysis that adequately considered the legacy system. FAD deserves credit for raising important issues that, unfortunately for MOF, turned out to be correct. With the benefit of hindsight, Iraq would have benefited if a more collaborative and trusting working relationship had been established between the three partners: the MOF, USAID/BearingPoint and FAD, rather than the approach taken by USAID and the authorities at the time that did not involve FAD. The future progress of FMIS, which seems to be resuming in 2008 in better conditions, should be monitored carefully.

2. Evaluation of the Tax Policy TAs

49. General tax policy (TP), the second FAD area of intervention, has been addressed by two types of activity: in the first half of 2004, a series of general training seminars on tax questions for senior Ministry of Finance officials; and, at the beginning of 2007, a short mission combined with a seminar to assist with the formulation of global tax policy, proposing a number of strategic options to design the tax architecture, particularly through the introduction of a sales tax that could eventually lead to the introduction of Value Added Tax. **The later and lesser involvement of FAD in tax questions was justified in view of the small share of tax revenue in current financing of government spending in Iraq.** However, these questions, which were not urgent to immediately address following the war, **must now start to be addressed** so that the budget can, in the long term, be based on more balanced and more sustainable resources. A second mission on tax choices, focusing on the possibility of a sales tax, is scheduled for the first half of 2008.

3. Evaluation of the Fiscal Federalism TAs

50. Questions relating to fiscal federalism (FF) were covered in the third FAD TA cluster. In the area of government finance, this is definitely **one of the most important structural subjects for Iraq, since it concerns how to share between the center and the regional and local governments the petroleum revenues which are the only major source of revenue for government budgets.** The selection of this topic was appropriate. This is a central issue and its solution will be decisive for the construction of the Iraqi budgetary system and therefore for the viability of the Iraqi State. It was important not to allow this debate to develop solely in political, regional and religious terms and to include in the debate references to technical, economic and financial issues and international experience. **The IMF was particularly well-suited, within the international donor community, to tackle this subject.**

51. At three seminars, starting in December 2004, this very basic question was addressed from different viewpoints: fiscal decentralization, fiscal federalism and petroleum issues. **These seminars were attended not only by senior staff from the ministries concerned but also by members of Parliament. This mixed attendance, including politicians, was appropriate for a subject of this kind.**

52. **A draft paper was prepared for the discussions of the Iraqi Constituent Assembly by IMF and World Bank staff and consultants that presented key options.** The final working paper¹⁰ reflected the thrust of the discussions, including the views on the options prepared by the Iraqi officials and included a short-term work plan for the Assembly. **A second technical paper was prepared by IMF staff in February 2007 on the basis of discussions that took place during the seminars, more focused on petroleum issues. That document suggested a coordinated strategy to deal with intergovernmental fiscal relations and petroleum issues. However, that paper was not cleared for release, an indication of the sensitivity of the topic.** Whatever was the rationale of this final decision, it underlines the gap between the amount of inputs invested by FAD in this work and the limited amount of documentation that was produced to provide information in a formal, visible and long lasting form that was accessible to a broad audience. **The immediate impact of these activities, which were conducted in an entirely satisfactory manner with regard to professionalism and quality, is difficult to observe today.** It was not possible systematically to monitor whether the beneficiaries use of the knowledge transmitted and it is difficult to know whether they actually have used, or will use, the knowledge thus acquired.

53. Regarding FF, the final achievements of TA merit some comments. Sharing of the oil revenues lies at the heart of fiscal federalism in Iraq. However, it is a very contentious issue with differences between regions (those with and without oil resources), the central and local governments and ethnic/religious divides. In addition there is a debate over the role of foreign direct investment in the sector and how to treat contracts that have already been signed. **There are many political economy issues involved with the sharing of oil revenues and fiscal federalism.** A draft law incorporating elements of the FAD seminars was introduced in Parliament in 2007 but it has not yet been passed and it seems that the Government did not follow all of FAD advice since this law does not address simultaneously oil issues and fiscal federalism issues¹¹. While these are important issues that are directly related to the future of Iraq and the role of the central government, **there are uncertainties related to the ultimate impact and effectiveness of FAD's work in these areas: although FAD provided good advice in this area, the Government did not follow all its advice and it is not clear when the legal framework will be established or what the final shape will be.** Thus, on this point, the present evaluation might be considered as an interim assessment: the final assessment will only be clear after the necessary legislation has been adopted by Parliament¹². In their comments on the draft report, FAD and MCD stated that it was not appropriate to ascribe this outcome (i.e., lack of clear evidence that the advice provided was reflected in legislation) to the FF TAs for several reasons: (i) the issue of hydrocarbon legislation is extremely complicated and highly politically charged, requiring a difficult-to-obtain political

¹⁰ IMF Working Paper WP/05/69 (<http://www.imf.org/external/pubs/ft/wp/2005/wp0569.pdf>). Iraq: Considerations on Intergovernmental Fiscal Relations for the Constituent Assembly. Ehtisham Ahmad, Robin Boadway, Giorgio Brosio, Bob Ebel, and Bob Searle. April 2005.

¹¹ Some of the provisions of the draft petroleum legislation contradict key elements of the Public Financial Management Law that was prepared with FAD assistance.

¹² On 19 March 2008, the the presidential council withdrew its objections on the provincial powers law and it will be sent to the Justice Ministry to be published in the Iraqi gazette. The provincial powers law will define the relationship between Iraq's 18 provinces and the central government. Most of the commentary available on the web related to the fact that this law will make it possible to hold local elections by 1 October 2008, an important element of the reconciliation process. However, some of the commentary stated that the law is expected to increase the powers provinces to launch their own economic projects with funds allocated by the central government. The evaluation team did not have an opportunity to examine the law to determine whether it was consistent with the advice provided under the FF TAs.

consensus; (ii) the FF TAs provided excellent advice regarding international best practice, highlighted the complexity of the issues involved and allowed the stakeholders to consider all implications (including those of a political and security nature) more carefully; (iii) some of the options identified by FAD are being taken up by a large number of parliamentarians (e.g., the issue of asymmetric decentralization), that may have a bearing on the design of petroleum management and revenue sharing issues; and (iv) The appropriate counterfactual is what would have happened if FAD had not been involved at all. The evaluation team considered these issues, which provoked considerable debate and some disagreement between the fiscal expert and other team members. In finalizing the report the team leader concluded that, consistent with the evaluation framework illustrated in Figure B1 in Annex B and to ensure consistency in ratings across TAs funded from the Iraq TA Subaccount, it was appropriate to consider as an indicator of outcomes and impacts whether there was a link between the advice provided and the legislation. In doing so, it is clear to the evaluators that the lack of such a linkage at this time reflects factors that are beyond IMF's control and does not reflect adversely on the quality of the advice provided.

E. General Lessons

1. Training Activities

54. The following comments cover the training activities in the three areas (PFM, TP and FF). No further remarks are made on the relevance of the programs or the quality of the experts and of the teaching materials, which in all areas were entirely satisfactory. The decision to hire one consultant, who was responsible for each series of seminars and for coordination of all the presentations, was correct, albeit probably somewhat costly. **The logistics, including interpretation, were rated highly and the way in which FAD reacted to changes in the security environment was commendable.**¹³ One reservation concerns the **over-ambitious nature of the training in some cases**: in view of the level of the experts and of the teaching materials used, the training content was probably sometimes too advanced for the attendees. However, the trainers tried to gear their presentations to the desired level. There were interactive exercises allowing audience expectations to be better taken into account and adjustments to better match the level of training to the level of the attendees.

55. In general, **although the content of these seminars was good, further comment must be made on the way in which the trainees' profiles were taken into account.** The selection of persons to attend the training activities did not follow established training procedures, particularly as regards the need to select trainees in the light of their careers. **Both their past careers** (What is their background? Will it enable them to take full advantage of the courses?) **and their future careers** (What posts may the trainees occupy in the short and medium term? Will the knowledge acquired at the seminars help them to assume their future responsibilities?) **must be considered.**

56. It seems that the Iraqi authorities were given considerable latitude and drew up the lists pragmatically on the basis of numerous vague criteria, including criteria unrelated to the training. **The candidates selected seem variously suited to the training content and goals and very heterogeneous.** This heterogeneity created an additional difficulty for the trainers. Lastly, even if the trainee selection method was appropriate, there is no certainty that the knowledge acquired provided sustainable benefit for the Iraqi authorities. Because of staff turnover in the Ministry of Finance, these newly acquired competencies may, in some cases, have been lost.

57. **There is no certainty that the trainees selected were always the ones best able to benefit from the training or the ones destined to make effective and direct use of the knowledge acquired.** While FAD could not intervene directly in this selection, greater attention could have been paid to this difficult aspect, which is crucial to the success of any training. It should not be surprising that some difficulties were experienced in participant selection, given that FAD staff could not travel to Iraq and develop the detailed knowledge of MOF's organization and staffing --- knowledge that was necessary for FAD to play a more proactive role in this area.

¹³ Organization of the seminars in Abu Dhabi after security conditions deteriorated suddenly in Amman.

2. Looking to the Future

58. The nature of the continuation of FAD TA in Iraq in the medium and long term depends on the central issue of war or peace, which determines whether on-site TA is possible. Strategic thinking on the future TA must take into account the various scenarios that can be envisaged in this regard.

59. Under one scenario, the civil war continues and prevents any on-site work. If this assumption were to prevail, the strategy followed for almost five years would need to be reviewed. **While what was done in recent years was probably as good as possible, this type of activity cannot be extended indefinitely. Much of the TA concerning policy advice topics has already been provided and it is difficult to imagine FAD continuing to give advice of such a general nature to the Government on a large-scale and sustainable basis.** As regards TA on operational subjects, the picture is mixed and is based on the limited experience of the past. It is difficult to effectively provide offsite TA on operational questions, except when FAD plays a major leading role as was the case for the COA.

60. Under the assumption of continued offsite TA, the strategy would be to:

- a) **Focus TA in operational areas (i. e., managerial and organizational issues)** on activities already launched (e.g., FMIS), subjects in which only IMF expertise or are directly related to IMF conditionalities. Avoid spreading limited resources too widely.
- b) **Continue some policy advice TAs on subjects most directly linked to Fund missions, i. e., activities and issues directly related to SBA conditionalities.**
- c) **Invest in training**, an activity suited to offsite constraints. If the Fund were to continue to provide technical assistance without onsite access, training could be a good way of usefully investing available resources. It is a means of capacity-building that meets undeniable needs and that can produce good results in the long term. However, it must be developed as a strategy pursued continuously over the long term (i. e., no longer as one off short solutions) and with good pedagogical professionalism. In particular, it seems necessary to devote more attention to the link between training and career development and to the lecturers' teaching methods and to ensure good coordination with INS.

61. In the other scenario, peace is established, allowing for a normal delivery of onsite TA. More normal working conditions are gradually established, so that field missions with executing staff can be organized regularly. Under this assumption, emphasis should be placed on TA activities focusing on specific organization and procedural issues, in which operational and managerial aspects predominate. As a consequence, general policy advice would be reduced. TA resources would be concentrated on onsite missions and the appointment of one or two in-country experts would become a priority.

3. Assessing the Offsite Model for Fiscal TAs

62. **Attention is again drawn to the exceptionally difficult conditions for providing technical assistance in Iraq:**

- a) The difficulties familiar to the IMF in post-conflict situations. However, these were combined with an ongoing civil war, which makes Iraq a special case.
- b) There was also an additional difficulty in Iraq connected with the regime of Saddam Hussein: the legacy structure, culture and behaviors were strongly impregnated because of the centralized, authoritarian and bureaucratic past, which prevailed for several decades.

63. Because of these very marked and important peculiarities, it is not certain that the Iraqi experience provides useful lessons for other countries. However, one lesson that can be drawn relates to the offsite model. In the formulation of a policy for offsite TA, issues of *procedure* become strategic issues, to be given close attention. Traditionally, for onsite TA, only substantive economic and political aspects are central to thinking on TA strategies. In offsite situations, on the other hand, procedural questions must be considered equally strategic: how to do it becomes as important as what to do. Procedure is no longer a subsidiary issue that decision-maskers can neglect.

64. **While the offsite model is not suitable for all situations, the Iraq experience indicates that in certain circumstances it can deliver good development results.** Until the security situation improves, FAD will continue to use the offsite delivery model. **The overall experience of the offsite model in delivering FAD TAs suggests that following general conclusions: (i) The offsite model is less usable for TA activities focused on the implementation of operational policies and procedures that require day to day local contact. (ii) It is more compatible for TA focused on providing policy advice and training. (iii) The benefits of the offsite model can be maximized through good coordination with other donors, particularly those with an in-country presence. (iv) To gain maximum advantage of the use of the offsite delivery mode, in the future the use of all the teleworking possibilities provided by information technologies, such as audio and video conferencing, including via Internet, should be explored.** Equipment that used to be large and sophisticated has now become more accessible, more ergonomic, more reliable and less costly. This approach should make it possible to provide a certain type of remote technical assistance on a continuous basis and with better monitoring made possible through the use of the power of information technology.

4. The FAD Strategy in Iraq

65. The evaluation of offsite TA has raised the broader issues which should be at the heart of the strategic thinking of Fund officials on the subject of TA prioritization and selection in Iraq going forward. Is this part of the Fund's role? What assistance/oversight combination should be envisaged? How to better guarantee the use and therefore the usefulness of assistance? On which sectors should action be concentrated?

66. **FAD has undeniable assets:** the technical excellence and idealism of its staff and experts, plus the scope and diversity of their experience. On the other hand, **FAD is sometimes criticized for some failings:** a certain rigidity and insufficient attention to the operational feasibility of some of its recommendations. The delivery of FAD TA in Iraq was also handicapped by its limited resources, relative to other TA providers (e. g., the World Bank; bilateral donors), which may shrink further.

67. In the competitive world of international technical assistance, the supply of TA must be more specific or better identified as distinguishable from that of other donors. The example of Iraq shows that FAD TA seems to have two advantages compared with that of other stakeholders:

- a) FAD is a "general specialist": because of its other functions, the competencies that it possesses and the experience that it has accumulated, the Fund is well placed to provide advice to governments on general strategies, overall architectures and global budgetary and fiscal policies. This global role is widely recognized and appreciated.
- b) FAD has specialized competencies in particular technical niches that have developed over time.

68. In a way that was generally positive, the global presence of FAD in Iraq illustrates this twofold strategy. On the one hand, IMF was a reference institution to address strategic issues and issues of overall architecture. On the other hand, in Iraq FAD opportunistically addressed a few technical subjects when there was congruence between Government needs and FAD competence.

69. In such circumstances, the question arises of the relationship of FAD with the other international technical assistance providers. In general, FAD was in permanent and open contact with some other key stakeholders in the delivery of TA in Iraq, particularly USAID and the World Bank. However, cooperation is not an end in itself. It is desirable in areas where it is relevant and useful: on common subjects where complementarities and synergies are possible.

70. Another point was also illustrated in the case of Iraq: **What can be done to ensure that the assistance provided actually benefits the recipient?** The question arose, for example, in connection with FF TA. In response to an Iraqi request, the assistance provided by the Fund was excellent but so far it has resulted in little change on the ground and few decisions. Another example relates to training. The

training was requested by the authorities and was provided in a satisfactory manner. However, it is not clear whether the trainees have applied the skills learned on the job to improve the management of government finance in Iraq.

71. For this reason, above and beyond these specific examples, it would appear **desirable for FAD, before committing itself to providing additional TA in Iraq, to ascertain more precisely the prospects that the product of its efforts will be used or effectively implemented.** This could be achieved by two means:

- a. A realistic analysis by FAD of the conditions and the environment surrounding the request for TA, which could enable it to reliably foresee the probability that its analyses and recommendations will be used and effectively implemented.
- b. A formal undertaking given by MOF, that TA inputs will be used effectively and that its recommendations will be seriously considered.

72. **Political economy issues have made it more difficult to achieve progress in fiscal reform that the other areas in which IMF has been involved.** Iraq is in the early stages of a transition to democracy, a new type of political system that has not been experienced in Iraq's long history. It takes time to build the institutions, legal/regulatory framework and the political parties and coalitions that are needed to make a democratic system work. This is a particular challenge in Iraq given the regional and ethnic/religious divisions and the legacy of the past regime. Although elections were successfully held, there are strains in the governing coalition. MOF is more directly affected by political uncertainty than CBI which has a greater degree of independence. The Minister of Finance is a key position that is of interest to many members of a governing coalition in any country. Budgets and expenditures are more political in nature than monetary policy and banking regulation. Line ministries in Iraq are larger and more politically powerful than banks and line ministers report to the Prime Minister and not to the Minister of Finance. Fiscal reforms and the associated policies have a political dimension, particularly areas like fiscal federalism and sharing oil revenues. The resulting policies are subject to long and sometimes contentious negotiations among coalition partners. Experience in other countries indicates that policies and reforms can be reversed with changes in governments, coalition partners or ministers of finance. All of these factors present risks for the sustainability of FAD TA benefits.

IV. Evaluation of the Monetary and Banking TAs

Key Messages

- The strategy for TA on monetary and banking issues was sound and well prepared and was a robust and effective mechanism to set priorities and allocate resources in a challenging environment.
- The Monetary and Banking TAs were successful and contributed to development of core economic functions and institution building.
- One group of TAs (Banking Supervision Training and Bank Restructuring) was highly successful, two were successful (the Advisor to the CBI Governor; Monetary Policy and Operations TAs) and two were partly successful (Payment Systems Reforms; Accounting, Organization and Management).
- The TAs are works in progress -- a continuation of Fund support will be needed for the results to achieve more permanent traction.
- The offsite modality was more robust and cost-effective method than originally expected in delivering a wide range of TAs.
- Supporting the implementation of policies and using knowledge gained by CBI staff will pose a challenge for the offsite delivery modality going forward and highlight further the need for effective collaboration with other donors as during implementation the presence of in-country technical advisors becomes more crucial.
- TAIMS, though designed to facilitate both monitoring and evaluation of TA activities, has many shortcomings in MCM.

A. Introduction

73. Annex D describes the monetary and banking TAs delivered to Iraq under the TA Subaccount and, on the basis of the methodology described in Annex B, makes a qualitative assessment of the TAs by reference to the strategy and the classic norms of evaluation i.e., relevance, efficiency, effectiveness and sustainability. A quantitative rating system is then used to score the TAs for each of the four norms, having regard to the sub-criteria used to examine each norm. The results are shown in Tables D3 to D7 in Annex D.

74. Annex D provides the building blocks for the summary of results of the evaluation presented in this chapter. In contrast to the approach in the Annex, this analysis of results is looked at from the perspective of the TA clusters rather than the norms of evaluation. This is done not just to indicate ratings and scores for each cluster—though this benchmarking of progress is important—but to facilitate the distilling of lessons learned and recommendations going forward for each cluster. This approach will better inform the Fund's strategy in moving ahead with the TA program in Iraq from the following perspectives: (i) improving the authorities' success in implementing TA recommendations; (ii) increasing the effectiveness of the TA; and (iii) recommending improvements to TA delivery and implementation.

75. To facilitate the evaluation, the monetary and banking TAs are grouped into six clusters: (i) banking supervision and restructuring; (ii) adviser to the CBI governor; (iii) payment systems reforms; (iv) accounting, organization and management; (v) monetary operations and instruments; and (vi) currency exchange. The funding allocated to each cluster is shown in Table IV.1.

TA Area	Budget (\$)	Expenditures (\$)	% of Total Budget
Bank Supervision and Restructuring	1,231,100	728,079	47.6
Advisor to Governor CBI	496,600	411,600	26.4
Payment Systems Reform	161,636	161,636	10.5
Accounting, Organization and Management	158,808	158,808	10.2
Monetary Operations/Instruments	105,777	87,963	5.1
Currency Exchange	3,125	3,125	0.2
Total	2,157,046	1,551,211	100.0

76. This chapter includes an assessment of the monetary and banking TA strategy in Section B, a brief overview of the combined TAs in Section C and a cluster by cluster assessment in Section D. In addition to presenting quantitative scores and the qualitative rationale for them, lessons learned and recommendations going forward are set out. Section E comments on some common issues impacting all TA clusters. These include sustainability, the efficacy of the offsite TA delivery modality and the data base (TAIMS) supporting ongoing monitoring and evaluation of TAs in MCM. To facilitate the overall and individual (cluster by cluster) assessment of TAs, Table IV.2 below, combines the ratings and scores for all norms (weighted against both the chosen criteria for the assessment of the four norms and the budget for each TA cluster), to produce the overall and individual TA cluster scores for monetary and banking TAs.

B. Assessment of the Strategy for the Monetary and Banking TAs

77. **The strategy for TA on monetary and banking issues evolved pragmatically** from the priorities established in the initial comprehensive diagnostic work carried out by the Fund and other partners. There is ample evidence that **adequate diagnostics underpinned the strategy**. To ensure its **ongoing relevance and focus**, the strategy was reviewed in the context of the periodic reports to donors by OTM and periodically by MCD. **This ensured consistency with the objectives and targets of the Government of Iraq's economic reform embedded in the Fund program and as further articulated in the Iraqi authorities' letters of intent**. These stocktaking exercises did not result in any major change in the content of the strategy but **ensured good sequencing and prioritization of key financial reforms** -- such as maintaining emphasis on improving monetary and foreign exchange operations, payments systems reform to underpin market activity, governance and transparency at the CBI and early attention to the restructuring of state-owned banks.

78. **The close linkage of the activities planned in the Subaccount, the TAs actually delivered and the objectives and conditionalities of the SBAs, confirm that the strategy was realistic and consistently implemented**. The MCM strategy mirrors the Fund's extensive experience in post-conflict and transition countries on financial sector reforms, which provides **evidence of learning in the formulation and modification of the strategy**.

79. **References to the literature¹⁴ on optimal sequencing and prioritization of financial sector reforms indicate that the MCM strategy was well designed, focusing on a comprehensive range of first generation reforms that aim to improve stability and confidence in payments and banking arrangements**. These included: (i) putting in place reliable payment systems and modern financial sector

¹⁴ Sequencing Financial Sector Reform: Country Experiences and Issues. IMF publication; Editors, Johnston and Sundararajan (<http://www.imf.org/external/pubs/cat/longres.cfm?sk=834.0>)

legislation (CBI and Banking Laws); (ii) enhancing risk-based supervision and restructuring of banks; (iii) strengthening CBI liquidity management and monetary policy; and (iv) starting the development of money, treasury bills and foreign exchange markets. This approach also helped to ensure that **the TA clusters delivered were mutually consistent, technically sound and reinforced each other.**

80. Based on the analysis in Annex D, **the evaluation has concluded that the strategy for MCM TAs on monetary and banking issues was sound and well prepared and was a robust and effective mechanism to set priorities and allocate resources in a challenging environment.**

C. Overall Assessment of the Monetary and Banking TAs Portfolio

81. **The overall (combined) score of the monetary and banking TAs rated in Table IV.2 below is successful.** This is also the outcome resulting from the evaluation in Annex D by reference to the four norms of evaluation. **This is a very good result for MCM, given the challenging conditions in Iraq and the need to use an offsite model for delivering the TAs.** As Table IV.2 and the analysis in Annex D show, the overall weighted scores of the combined TAs under each of the norms of **relevance, efficiency and effectiveness were also successful.** In the more detailed analysis of effectiveness in Table D6 in Annex D, the combined TAs are scored **effective** under the criteria of planned versus actual achievements and **all TAs contributed to development of core economic functions and institution building:** (i) monetary and exchange rate operations, debt restructuring, payment systems reform and financial accounting practices at the CBI supported macroeconomic stabilization efforts; (ii) putting in place modern financial sector legislation underpins good governance in the CBI and oversight of financial institutions; and (iii) strengthening banking supervision and planning for the restructuring of state owned banks helps to restore financial intermediation and promote access to financial services vital to support growth.

82. Sustainability was one of the norms of the evaluation in Annex D. The rating of many of the sub-criteria used for this dimension of the evaluation were similar for all TA clusters. **The MCM TAs were rated as marginally sustainable, significantly lower than the other dimensions of evaluation** (see the key points on this part of the analysis in Annex D). While **CBI ownership of TA outcomes is rated as good and most of the CBI staff that attended and received training at 15 workshops still work at the CBI and apply their knowledge on the job,** key concerns about sustainability remain and relate to: (i) the uniquely challenging conditions, both in relation to security and the political process, in Iraq; and (ii) the availability of TA funding going forward, both from the Subaccount (existing resources are fully committed) and the Fund's own budget (impending retrenchment of 15% of IMF staff and the implications for both delivery and coordination of TA).

83. Given the general lessons that IMF has learned from operating in post conflict countries, these overall findings in relation to monetary and banking TAs should not be surprising—all the more so as, with the uniquely difficult conditions that have persisted since the regime change in 2003 and the absence so far of a “peace dividend”, Iraq could well be regarded as “the mother of all post-conflict countries”. **These TAs are a “work in progress”** in the context of the current Fund supported economic program (SBA) for sustainable growth in Iraq. **A continuation of Fund and other donor support will be needed for the results to achieve more permanent traction.**

Norm of Evaluation	Weight (%)	Rating ^a					
		BS/BR	ADV	PS	MOP	ACC/OM	Score ^b
		48	26	11	10	5	100
1. Relevance	30	3.8	3.3	2.3	3.0	2.2	3.3
2. Efficiency	20	3.7	3.3	2.4	3.0	2.3	3.3
3. Effectiveness	30	3.6	3.0	2.7	3.3	2.4	3.3
4. Sustainability	20	2.7	2.5	2.3	2.5	2.3	2.6
Overall Rating/Score	100	3.5	3.1	2.4	3.0	2.3	3.2

a/ Rating: 4 = Excellent; 3 = Good; 2 = Modest; 1 = Poor
b/ Weight by % of TA budget allocated to TA Group excluding Currency Exchange Experts

Highly Successful (Excellent) ≥ 3.5 ; 3.5 < Successful (Good) ≥ 2.5 ; 2.5 < Partly Successful ≥ 1.5 (Modest); Not Successful (Poor) < 1.5

BS/BR = Banking Supervision Training and Bank Restructuring TAs; ADV = Advisor to the Governor TA; PS = Payment Systems TAs; MOP = Monetary Policy and Operations TAs; ACC/OM = Accounting and Organization and Management TAs

D. Assessment of the Monetary and Banking TA Clusters

1. Banking Supervision and Bank Restructuring

84. TAs for banking supervision and bank restructuring accounted for nearly half of the total MCM Subaccount expenditure with supervision and related training accounting for most (80%) of this cluster. This amount financed seven workshops. Three of these were held in June 2004, July 2004 and January 2006, together with a USAID sponsored workshop in April/May 2005 with US Fed and IMF participation, and provided structured and comprehensive basic training for a core cadre of some 30 banking supervision staff (pre-selected on the basis of written examinations by USAID/Bearing Point consultants). In a second more hands-on phase of training, three workshops in November 2006, March and July 2007, were dedicated to analyzing case studies directly related to the work of CBI staff involved in offsite and onsite supervision. The seventh and most recent workshop, in December 2007, brought together the key parties involved in the implementation of an agreed Memorandum of Understanding (MOU) on the restructuring of state-owned banks, including senior officials of the CBI, the Ministry of Finance, the Supreme Audit Authority and the state-owned banks. Their task was to agree on near term priorities of the restructuring plan, including the appointment of international auditors to undertake the financial and operational audit of Rasheed and Rafidian Banks.

85. As can be seen from Table D2 and the more detailed assessment in Annex D, **the Banking Supervision and Bank Restructuring cluster was rated excellent on relevance and effectiveness norms and the overall score was highly successful** because: (i) **the TAs were linked to the design and implementation of structural benchmarks** in Fund supported programs (EPCA and SBAs) and thus helped to generate ownership at the CBI and indeed among the donors for these measures¹⁵; (ii) **the strategy/diagnosis for the TA was particularly thorough** at the inception of the program and at key stages during delivery of the seven workshops with the focus on classic supervision training for the earlier workshops (June 2004 to January 2006) moving to more on-the-job training in onsite and offsite practical

¹⁵ This was especially the case for the MOU on bank restructuring and the recent agreement to move forward with the financial and operational audits of Rasheed and Rafidian Banks, both essential preconditions for improving banking intermediation and access to banking facilities by Iraqis to support growth.

supervision case study problems arising in the course of workshop participants' actual work¹⁶ at the CBI (November 2006 to July 2007) and then to focus on modalities of restructuring state owned banks after an MOU had been agreed by the CBI (March to December 2007); (iii) **coordination with other donors**, particularly the US Treasury, US Fed, USAID/BearingPoint and their in-country banking advisors and the World Bank, was made operational from an early stage and the donors remained consistently engaged, under the leadership of MCM staff (this exemplary coordination avoided duplication and conflicting advice and generated synergy¹⁷); (iv) **agenda and materials for the workshops were well prepared**, participants were preselected with objective assistance from in-country advisors (USAID/BearingPoint) for the banking supervision training workshops and the majority consistently attended the workshops and continue to work in the CBI supervision area; and (v) **the TA was an efficient use of resources and contributed effectively to institution building at the CBI.**

86. The assessment above and the ratings also take cognizance of **very positive feedback from: (i) the Governor and other senior officials of the CBI** with whom the evaluation team spoke; (ii) evaluation team questionnaires completed by senior officials in the banking supervision area; and (iii) discussions with other TA providers including the US Federal Reserve, the US Treasury (including Baghdad-based banking experts), USAID and World Bank officials.

87. The main **lessons to be drawn from this TA cluster** are: (i) **the importance and added-value of close and ongoing coordination with other donors** in delivering and implementing TA, especially where donors with in-country presence are in a position to add value to workshops and assist implementation at the CBI and banking institutions; (ii) **effective training can be enhanced by ensuring, in consultation with the CBI and with the help of in-country donors**, that suitable candidates are selected, attend consistently and remain in their area of expertise at the CBI; and (iii) **the well prepared offsite workshop model**, especially when donors and/or their in-country advisors participate, **can be an effective modality** for both delivering training and advisory TA and supporting the design and implementation of TA recommendations and program objectives of MCD and the CBI.

88. In terms of ways to improve the delivery and implementation of the TA going forward, the **recommendations for this cluster** are, essentially, more of the same. On substance this would mean: (i) **continuing with the framework already devised for supervision training with a mix of workshops addressing training and practical onsite and offsite work.** (A useful focus of this work could be on a full set of "cradle to the grave" banking regulations put in place and promulgated and that supervisors are well versed in the practical implications of applying and enforcing the regulations); and (ii) **maintaining the momentum on bank restructuring**, a follow – up workshop convened ahead of the finalization of the Ernst and Young financial and operational audits would seem worthwhile¹⁸. This would also facilitate the envisaged passing of the baton on the implementation of bank restructuring to the World Bank.

¹⁶ An innovative remote training set-up was used to simulate, on a limited scale, the work that an in-country resident advisor would perform in reviewing the actual work and outputs, relating to on-site and offsite supervision, produced by CBI banking supervisors in Baghdad; this was done by IMF staff/experts with the cooperation of a Baghdad-based USAID/BearingPoint expert, in collaboration with US Fed, using video conference and electronic communication. Later an offsite workshop was arranged for all participants to review progress and lessons learned and define a follow-up work program for CBI participants to undertake on their return to Baghdad.

¹⁷ One concrete example of the synergies created from donor collaboration is that the World Bank, which had lessened its involvement in work on the Iraq banking sector during 2005-2006, now has plans to reengage. Feedback to the evaluation team from World Bank staff at the close of the December 2007 bank restructuring workshop in Amman confirmed that the workshops and the related SBA conditionality have created an enabling environment for the World Bank to take on a more active role in implementing the restructuring program at the bank level. The World Bank has recently raised trust funds of Euro 10 million from the European Union to finance the audits of the state owned banks under restructuring and it seems probable that, consistent with usual division of labor between the Fund and the World Bank, it will take on oversight of the restructuring process, with the possibility of a broader engagement later on in the reform of the financial sector. Thus the structural conditionality in the SBA on the Iraqi banking sector has become a major driver of activities of the TA donors.

¹⁸ The evaluation team had the opportunity to attend a session of the December 2007 workshop and interact with some of the participants. This group of participants in Amman comprised the key players and decision makers in this

2. General Advisor to the CBI Governor

89. Over a quarter of the MCM Subaccount expenditure financed the varied activities of an offsite general advisor to the Governor of the CBI who provided expert advice on a broad range of policy and operational matters relating to: (i) general macroeconomic and specific monetary policy issues; (ii) renegotiating external debt (official and private); (iii) facilitating the negotiation of the SBAs for Iraq since October 2005 as well as periodic program reviews; and (iii) liaising on capacity building with TA donors and the IMF TA departments, particularly MCM, which backstops the expert's activities.

90. **The Policy Advisor TA cluster was rated as successful and rated as good under the norms of relevancy, efficiency and effectiveness** (See Table IV.2). Factors influencing this score included: (i) while there was no precedent in Fund TA programs for an out-of-country general advisor to a central bank governor and accordingly some reticence to go ahead, from the time of his appointment¹⁹ the general advisor has played a key and multifaceted role in helping to progress economic reform efforts in the many areas of his involvement; (ii) the feedback received from Fund staff and the Governor and senior officials of the CBI confirm that the Policy Adviser has the confidence of all parties and his work, particularly in macroeconomic and monetary issues, supporting the Governor in program negotiations and external debt renegotiations is held in high regard²⁰; (iii) his comprehensive terms of reference and contractual arrangements are flexible and efficiently tailored to his out-of-country peripatetic status and his regular reports are comprehensive and succinct on the advice he delivered, its context and future plans; and (iv) he is uniquely equipped, by virtue of his diplomatic and language skills, background and experience in Fund work, including extensive experience in emerging market as well as post conflict countries in furthering policy and operational reforms. Some of the IMF staff interviewed by the evaluation team had not seen the reports of the policy adviser. More effort should be made to disseminate his reports to concerned IMF staff working on Iraq.

3. Payment Systems

91. TA for the development of the payment system accounted for 10.5% of the MCM Subaccount expenditures to date. These TAs funded a symposium (attended by 12 officials from the CBI and other relevant Iraqi institutions) and two workshops (each attended by 17 CBI staff) organized by the Fund in coordination with World Bank. **The July 2004 payments symposium agreed on a plan for a comprehensive development of payment systems in Iraq.** As decisions on the introduction of an automated clearing house (ACH) system for retail payments and a real time gross settlement (RTGS) system for wholesale (high value) payments had been largely taken in consultation with US agencies (US Treasury and US Defense Department) and a provider of the infrastructure (Montran) had been selected, **the focus of the March 2005 workshop was on the CBI's role and internal institutional**

exercise. Maintaining continuity by bringing them together again would preserve the focus for this vital work [(there are two relevant structural benchmarks in the SBA for 2008 and other related objectives in the Letter of Intent (LOI)]. There are a number of other advantages: (i) it could be helpful for the Iraqi restructuring group to have advance access to the findings that the international auditors before they are finalized -- the auditors work could also benefit from such interaction; (ii) the Supreme Board of Audit (a key participant in the group) is also working on the reconciliation of the foreign debt of the two banks and the cleaning up of large suspense accounts (mentioned in the LOI) and this must surely have relevance for, and be an input to, the financial and operational audit and the operational restructuring program to be adopted later in 2008; (ii) the submissions by selected public enterprises of their business plans to the two banks for funds to restart operations (mentioned in LOI) is also very relevant to the restructuring plans and resumption of intermediation; and (iv) another possible agenda item (especially with MOF and CBI people present in this group) could be the manner of financing the recapitalization of the two banks -- perhaps considering issue of negotiable government bonds of varying maturities that could support the development of the securities market.

¹⁹ This occurred shortly before the negotiation of the EPCA program in late 2004.

²⁰ Further attestation of this is that on at least two occasions, extension of his contract has been requested by the Governor and supported by MCD and MCM; his current contract ends in April 2008.

arrangements for payments policy implementation and oversight, including the development of a legal framework with help from the Fund's legal department (LEG). Agreement was reached with the US Treasury and Montran that IMF/MCM would take a leadership role in coordinating work on the payment systems going forward and review the technical and business specifications of the infrastructure from Montran.

92. The second workshop on payments, six months after the first, reviewed developments, agreed the legal framework and draft rule books for ACH and RTGS as well as a standard format for checks and the check clearing process (initially the ACH process was confined to credit and debit cards but provision had to be made for check payments). Electronic custodial and payment arrangements, linked to RGTS, for the trading of government bonds were also discussed as a planned future add-on project by the supplier. Participants from the CBI prepared and discussed a report on the outcome of the workshop.

93. Table IV.2 shows that **the rating for the payment systems reform cluster for the effectiveness norm was good but the ratings for the relevancy, efficiency and sustainability norms were modest**. The overall score was partly successful, albeit close to the top of that range. This is a good outcome at this juncture in a project with a significant technology component and given the fragmented and parlous state of the banking system and the relatively low volume of wholesale payments transactions. Main reasons for these ratings, addressed in more detail in Annex D, were that: (i) the joint Fund/World Bank symposium on payment and settlement systems in Cairo in July 2004 developed, in consultation with CBI and other relevant Iraqi officials, a blueprint for introducing sound and efficient payments systems; (ii) there was good linkage with the Fund program from the outset on design and implementation of payment systems structural reforms, including the legal framework; (iii) ownership by the CBI was good; (iv) overall, consistency of engagement on the part of the donors was reasonably good especially after the first Subaccount workshop in March 2005 but there is some evidence that coordination was poor in the period between the July 2004 symposium and the first workshop, leading to some shortcomings in design²¹, which, though subsequently addressed and corrected in the context of the second workshop in September 2005, might have been avoided had the first workshop taken place earlier, as originally planned²²; and (v) feedback from CBI official in an evaluation team questionnaire expressed appreciation for IMF workshops and agreed that good advice for designing and implementing the payment systems had been provided but stated that workshops were "general and limited" in terms of providing practical help with the problems of activating the electronic systems and stress the need for more hands on help with implementation issues going forward.

94. **The lessons from this TA cluster emphasize the importance of consistency of both engagement with the CBI, coordination among donors and agreement among all sides on the detailed business plan for the infrastructure, preferably before an infrastructure provider is selected**. Another lesson relates to the importance of consistent involvement of the appropriate counterpart staff. **There was a high turnover of the CBI staff dealing with the payment system**. MCM advised the Governor on several occasions of the need to establish an independent payment systems department with dedicated staff. However, payment systems work is undertaken by staff in the accounting department. Since 2006, there has been a lack of continuity regarding the staff attending the workshops.

95. The **recommendations** going forward for this cluster are: (i) **the need for TA to be well coordinated with all donors, and more hands-on and responsive to the needs of the CBI**, as the ACH and RTGS systems are rolled out to all banks, including those in the northern region, and become more operational; (ii) if in-country expert support can not be provided by other donors, **the possibility of using remote (out-of-country) experts to provide back-up to key officials at the CBI should be explored** in consultation with the CBI; and (iii) **completion of the add-on module for electronic security settlement and custody of government securities to support money market development and open market operations by the CBI**.

²¹ Examples include a failure to provide, at the outset, for checks as a payment instrument and for a rollout to the existing private banks in Iraq and issues related to the timeliness in putting in place the legal framework for payments.

²² See Annex D for further details.

4. Monetary Policy and Operations

96. TA delivered in monetary operations under the Subaccount comprised two workshops to follow up on earlier Fund staff work in coordination with other donors in the field and provided advice and assistance in developing a basic monetary management framework and instruments. This TA cluster accounted for just over 5% of MCM Subaccount expenditure. The first workshop in 2004 assisted eight CBI and Ministry of Finance officials to develop a program and capacity to sell government securities to the market by auction, building on earlier work on foreign exchange auctions, to improve the monetary management framework. The second workshop in 2006, attended by eight officials as well as US Treasury experts and the payment systems infrastructure provider (Montran), took place after the introduction of a modern real time gross settlement system for payments. The focus was on measures to enhance monetary operations including improvements to liquidity forecasting and a review of best practices in restructuring government (Ministry of Finance) debt to the CBI.

97. **The Monetary Policy and Operations TA cluster was rated as successful overall, and received good ratings on relevancy, efficiency and effectiveness** (See Table IV.2). The main reasons, distilled from the assessment in Annex D, were as follows: (i) **the TAs built on earlier work of Fund staff to establish a basic monetary management framework that was refined gradually** as additional monetary instruments were introduced to strengthen liquidity management and thus to control inflation, combat dollarization and achieve a measure of price stability²³; (ii) **TA outputs in this area helped MCD to frame meaningful structural reform measures and supported their timely implementation**; (iii) **improvements have occurred in the implementation of monetary policy and in the financial infrastructure to facilitate market development**; (iv) **there has been measured success in controlling inflation and building foreign exchange reserves** (The improvements in monetary policy, noted in recent Fund staff reports have also been mentioned in independent economic reports, including a recent country report on Iraq by the Economic Intelligence Unit published in December 2007 - see Annex D); and (v) feedback in an evaluation team questionnaire received from a senior CBI official in the monetary management area indicated agreement that the workshops provided practical advice on monetary operations and market development, noted that all staff who attended the workshops use the knowledge gained in day to day work and identified the need for further workshops to develop the skills of CBI staff. **The lessons learned from this cluster is that in the area of strengthening capacity in monetary policy operations it is necessary to invest time, effort and money before new monetary policy instruments and operations become available and results become visible.**

98. To sustain and build on the hard-won success achieved and in terms of **recommendations for future TA in this cluster**, the challenge is to provide further assistance to: (i) **assist the CBI staff to improve analysis and research** to guide monetary policy; (ii) **extend the range of monetary instruments and improve liquidity forecasting**; (iii) **develop a strategy to complete the rollout of payments system infrastructure to all banks** as soon as possible; and (iv) **encourage further development of money and government securities market and more market-based monetary policy implementation and interest rates.**

5. Accounting, Organization and Management at the CBI

99. This cluster of TAs funded two workshops on accounting and one on CBI governance, organization and management and accounted for 10.2% of MCM Subaccount outlay. The December 2003 accounting workshop provided training and advice on best accounting practice for the various types of financial transactions and operation undertaken in a central bank as well as on international financial reporting standards (IFRS) for published annual financial accounts. Fifteen CBI staff working in

²³ These measures included the establishment of a daily foreign exchange auction and periodic auctions of treasury bills as well as the introduction of reserve requirements and standing facilities (Details including outcomes of auctions are published on a regular basis in the CBI website). These measures all feed into structural reform measures in Fund programs and were consistent with CBI priorities.

accounting and financial control areas attended as well as DFID and USAID funded accounting advisors working in Baghdad. The second workshop in November 2007 was attended by 16 CBI staff and the METAC regional advisor on accounting. Its purpose was to review progress since the last workshop and provide advice and assistance to support ongoing work of Ernst and Young to bring the audit of the CBI annual financial accounts up to IFRS, as well as and implementation of Fund staff recommendations on the Interim Safeguards study (both structural measures under the SBA). The workshop on governance, organization and management in February 2004, attended by 8 CBI officials and representatives of the Bank of England and the US Defense Department, covered central bank independence and accountability, options for central bank reorganization and related human resource management. The workshop assisted senior CBI management with the development of a strategy to discharge its new functions under the proposed new central bank and financial institutions legislation about to be enacted. A planning exercise at the end of the workshop revealed an urgent need for sustained TA for the CBI reorganization project.

100. As shown in Table IV.2, the **rating on all norms for the Accounting and Organization and Management at the CBI cluster was moderately good. The overall score was partly successful** (at the higher end of that range). Factors underpinning these results were as follows: (i) **the initial accounting and organization and management TAs** in December 2003 and January 2004 respectively were **well focused on the priorities of CBI** as determined by earlier diagnostic work and meetings with the governor and addressed reform needs in central bank accounting, the adoption of IFRS and other governance and transparency issues relevant to the imminent adoption of modern central banking and financial institutions laws; (ii) **the workshops and course materials were well prepared** and a commendable effort was made to focus the CBI attention on the need for work plans to address the most urgent issues going forward; (iii) on organization and management issues **there was no further follow up TA and thus no evidence of consistency of engagement or meaningful recognition of CBI's priorities** despite the fact that it was noted in the Back to Office (BTO) report for the December 2003 workshop that the CBI had sought ongoing assistance to modernize and that there was an urgent need for sustained TA to help restructure the CBI and develop its key functions including in the research and statistics area;²⁴ and (iv) while **the second workshop** of accounting, four years after the first, was again well prepared in consultation with CBI and the METAC advisor on accounting -- this time with a focus on key structural measures in the SBA -- it **did not meet its expected results largely because the ability of the participants did not match the proposed subject matter**. Commendably, the level and content of the course was retailored at the start of the workshop by the coordinators to address more basic accounting issues. Nevertheless, the workshop did not meet the stated objectives in the project documentation of supporting the implementation of the recommendations of the Fund's Interim Safeguards Assessment and assisting the CBI to implement IFRS²⁵.

101. The **lessons learned** from this TA cluster are twofold: (i) **the selection of participants should be based on those whose work is directly related to the subject matter** to be covered by the workshop so that the CBI can gain the maximum benefit from the TA²⁶; and (ii) **consistency of engagement with the CBI and effective collaboration with other donors**, including their in-country experts are vital prerequisites for institution building activities, all the more so when IMF TA is being delivered through the offsite modality.

²⁴ While there was other donor participation at the seminar from DFID and CPA, there is little evidence of a continuation of this collaboration between the IMF and donors. However, other donors continued to provide assistance to the CBI through in-country experts.

²⁵ The lack of consistency of engagement is discussed in Annex D. Fund collaboration with other donors in this area could have been better as the USAID accounting advisor did not participate in the workshop.

²⁶ This is a general lesson but was more crucial in the second accounting workshop, which was to provide targeted assistance to the CBI on the implementation of important time-bound structural measures in the SBA.

102. In terms of measures to improve the effectiveness of future TA in this area, and with due cognizance of the lessons learned above, recommendations for this cluster are: (i) on **accounting TA**, the ongoing work in **bringing CBI financial accounting in line with both IFRS and the recommendations of the Interim Safeguards Assessment** (important structural measures in the SBA) provides an opportunity for meaningful training of CBI accounting staff in a structured workshop context (consistent engagement and sustained coordination with other donors, including onsite advisors and METAC, will be essential for success); and (ii) on **organization and management TA**, four years on, a **second workshop to take stock of developments and challenges in these crucial aspects of institution building at the CBI would seem appropriate**. In the light of the Fund's strategic objective to rebuild the capacity of the CBI in policy matters there is a need for more in depth focus on strengthening the organizational and management structure of the bank to discharge its responsibilities under the 2004 central bank, banking institutions and payment system laws and improve its outreach activities to explain its policies. **Success with monetary and other policy functions will be hard won but their sustainability will depend on good governance and effective organizational and management structures and practices at the CBI**. In this context the proposed amendments to the Central Bank law merit early attention (see Annex D).

6. Currency Exchange

103. TA on currency exchange accounted for a very marginal amount of overall expenditure under the MCM portion of the Iraq TA Sub Account. Because of the small amount, 0.2%, this TA is not formally rated in Annex D. Some contingency financing for offsite currency experts was provided to continue earlier work by Fund staff from MCM and LEG, in coordination with other agencies including the US Treasury and the Coalition Provisional Authority, on what was generally regarded as a **well planned and successfully executed replacement of existing currency with a new Iraqi dinar note issued in the Fall of 2003**. Only a small amount of the contingency was drawn down to finance four days an international expert who had experience on currency issue and exchange in post conflict countries. Assistance was available offsite on procedures concerning logistics and transportation, control and auditing, invalidation and destruction of old notes, communications, human resources and training. In practice recourse to this assistance was limited.

E. General Lessons

1. The offsite TA Delivery Modality

104. **Going forward, the focus of TA efforts will need to place greater emphasis on implementation of policies and putting knowledge gained by CBI staff to use rather than planning reforms and related work programs. This will pose a challenge for the offsite delivery modality as usually, at the implementation stage, the presence of in-country technical advisors to provide hands-on assistance becomes more crucial.** It is likely that the pressure for in-country advisors will increase should security conditions improve. Addressing the constraints on Fund travel to Iraq is a matter outside the scope of this evaluation. However, what can be said is that **the offsite modality**, considered at the outset to be very much a second best delivery mechanism for TA, **has proven to be a more robust and cost-effective method than expected in delivering a wide range of TAs that have contributed to capacity building and progress in implementing monetary policy as well as structural reforms.**

105. The analysis in Annex D attests to the above conclusion. **Good coordination with the CBI, other donors and their in-country experts is a crucial ingredient for success and a continuation of this on delivery of workshops** and the expansion of the offsite linkage with other donors' advisors in Baghdad -- especially in relation to accounting, payments systems implementation and improving organization and governance at the CBI -- could bridge the gap until security conditions improve sufficiently to permit of IMF staff and expert travel to Iraq. Indeed if this arrangement worked well it could lessen the budgetary pressure on the Fund to place in-country experts. A more organized approach at the CBI to planning and evaluating TA could enhance the effectiveness of offsite TA delivery. In this context, it would be useful to establish a TA committee within the CBI, responsible for developing and coordinating

a work plan with all donors -- in conjunction with other relevant Iraqi institutions -- as well as evaluating delivery by all providers and implementation by CBI staff.

106. **The bank supervision and restructuring cluster is a best practice model on the efficacy of the offsite delivery modality.** The design of this TA commendably laid emphasis on developing concrete outputs (bank examination reports, memoranda of understanding on bank restructuring etc.) to be produced by the CBI rather than just delivering pedagogical inputs. Additionally, CBI officials were held accountable for producing or improving these outputs and were continuously engaged through fairly frequent workshops and regular backstopping from IMF Headquarters. This design, together with the ongoing experience with the remote offsite expert assistance component in banking supervision training, should be closely monitored by MCM to explore the possibility of replicating it in relation to some other TA clusters where consistency of engagement has been much less pronounced. Indeed, it may also be a useful model for discussion with the World Bank as the latter steps up its engagement in bank restructuring; the World Bank may have more scope to locate of-site experts in its Amman office.

2. Technical Assistance Information Monitoring System (TAIMS)

107. As discussed in Annex D in relation to efficiency, **the TAIMS electronic information base in MCM, though designed to facilitate both monitoring and evaluation of TA activities, has many shortcomings** in this respect. In many cases, project proposals contain the minimum amount of information necessary to get approval of Subaccount financing and log frameworks do not furnish adequate information on objectives, expected outcomes and monitoring indicators. Likewise, expert terms of reference and periodic reports, BTOs and TA reports were not always accessible and in some cases proved difficult to locate elsewhere. That said, materials examined relating to terms of reference for TA experts such as the general advisor to the governor were comprehensive and focused and expert reports and staffs back to office reports were, in most cases, clear on the TA delivered, the context and future plans. As noted in Annex D, some inconsistencies in dissemination procedures were observed in that expert reports (including from the general advisor) and staff BTOs were not always shared with relevant departments in the Fund, especially MCD.

108. **TAIMS has shortcomings not just for external evaluation but to support an adequate audit trail of the substance of TA activities for internal monitoring and quality control as well as external scrutiny** (e.g. by donors who are concerned about value for money and whether development results are being achieved.) **With a growing reliance on external donor funding for TA activities, the Fund needs to show not only that resources are used effectively but that all management, monitoring and accountability procedures for TA are transparent and comply with best practices.** This is an issue that warrants remedial attention if the intention is to have an IMF-wide uniform electronic information system to facilitate monitoring and evaluation of TA activities with user-friendly accessibility for all those who need to have access.

V. Evaluation of the Statistics TAs

Key Messages

- The Statistics Strategy Note for Iraq provided useful guidance but it needs to be updated since the short term objective has been achieved.
- The diagnostics, priority and sequencing of the TAs were sound.
- The portfolio of statistics TAs was rated as successful, but there are some concerns about sustainability.
- The Monetary and Financial TAs were rated as highly successful, the BOP and Price TAs as successful, the national accounts TAs as partly successful and the GFS TA as not successful.
- STA should be more pro-active in coordinating with other development partners.
- Good participant selection is a pre-requisite for TAs to be effective, efficient and sustainable.
- The offsite model was an efficient use of resources.
- STA made effective use of TAIMS.

A. Introduction

109. **Accurate, timely macroeconomic statistics are needed for the Government to manage the economy, for IMF monitoring and surveillance purposes and to promote good governance through better transparency, predictability and accountability.** One of the priorities identified in the July 2003 Program Framework for a Multidonor Technical Assistance Subaccount was “providing TA to rebuild statistical and administrative capacity of key economic institutions responsible for making and implementing fiscal, monetary, and exchange rate policies”. By late 2007, \$834,703 had been allocated to finance 15 STA TAs, of which 10 had been completed. About 90% of the approved budget had been spent or committed, indicating that timely implementation followed TA approval. For analytical purposes, the STA TAs were grouped into five clusters: (i) national accounts; (ii) price; (iii) balance of payments (BOP); (iv) monetary and financial; and government finance statistics (GFS) (see Table V.1).

Category of Statistics	Budget (\$)	% of Total Budget
National Accounts ^a	242,730	29.1
Prices ^a		24.4
Balance of Payments	166,825	20.0
Monetary and Financial	145,450	17.4
Government Finance	39,000	4.7
Multisector Statistics Mission	37,227	4.4
Total	834,703	100.0

a/ In some cases the budget for the national account and pricing TAs were combined. In those cases the budget estimates were divided into the two areas based on the information included in the Project Profile.

110. The evaluation of the statistical TAs is given in Annex E. The main findings and lessons for IMF to consider in planning its future assistance to help strengthen Iraq's macroeconomic statistics are summarized in the remainder of this chapter.

B. Assessment of the Strategy for the Statistics TAs

111. **Unlike for the other TA departments, there was a formal Statistical Strategy Note to guide STA's activities in Iraq²⁷.** The short-term strategy was to improve data quality and timeliness of reporting macroeconomic data to IMF so that it was adequate for surveillance. The medium-term strategy was to improve the institutional framework (e.g., organizational issues, statistical capacity, and legislation) so that Iraq's macroeconomic statistics met international standards. TAs were designed to support COSIT, CBI and MOF. The strategy stated that IMF was to coordinate with other TA providers.

112. **Adequate diagnostics, undertaken by two 2003 missions, underpinned the strategy.** The General Data Dissemination System (GDDS) framework was used to identify the broad priorities. The Program Framework identified the areas in which TA would be provided.²⁸ The relevance of IMF's assistance to strengthen macroeconomic statistics is clear from the findings of 2003 missions. While Iraq's macroeconomic statistics were among the best in the region until 1968, because of war and repression the quality, timeliness and transparency of the statistics deteriorated. By 2003, macroeconomic statistics did not provide a sound basis for managing the economy or for IMF monitoring and surveillance purposes. Like many other post-conflict situations, there were problems related to: (i) an institutional environment that was not conducive for producing quality statistics; (ii) institutional weaknesses, including issues with the quality and quantity of staffing; (iii) inadequate information technology hardware and software; (iv) poor accuracy and reliability of the statistics and gaps in the data and geographic coverage; (v) methods of compiling macroeconomic statistics did not follow international standards and used outdated versions of the various IMF manuals; and (vii) a lack of transparency -- most macroeconomic data was confidential, accessible to a limited number of users within the government and was not publicly disclosed.

113. **The priorities and sequencing identified in the strategy were broadly correct,** a view supported in feedback the evaluation team received from MCD staff and senior staff in COSIT and CBI.

²⁷ Initially prepared in May 2004, it has been updated periodically.

²⁸ A statistical resident advisor was envisioned to provide advice on statistical methodology and broader institutional issues. Because of the travel ban to Iraq, placing a statistical advisor in Baghdad was not pursued.

MCD played a role in setting the priorities for the use of TA in its annual strategy paper for Iraq and reviewed and endorsed the various versions of the statistics strategy paper. An examination of reports of the five reviews of the 2005 SBA (<http://www.imf.org/external/np/sec/pr/2005/pr05307.htm>), the 2007 Article IV (<http://www.imf.org/external/pubs/ft/scr/2007/cr07301.pdf>) consultation, the report on the 2007 SBA (<http://www.imf.org/external/pubs/ft/scr/2007/cr07301.pdf>) and discussions with MCD staff found consistency between the design and output for the STA TAs and IMF's broader objective of strengthening economic management in Iraq. Although the strategy was updated periodically, the overall focus and priorities did not change significantly. The general consistency between the TA program as delivered and the strategy indicates that the strategy was realistic. The one part of the strategy that was not effectively operationalized related to STA's GFS activities²⁹. Overall, the evaluation has concluded that the Statistics Strategy was well prepared, sound and was an effective mechanism to set priorities and allocate resources and has served STA well.

C. Overall Assessment of the Statistics TA Portfolio

114. The statistics portfolio of TAs is evaluated and rated in Annex E. The overall rating for each TA cluster and the ratings for relevance, efficiency, effectiveness and sustainability are given in Table V.2. **The portfolio of STA TAs was rated as successful. The findings of the evaluation team are broadly consistent with feedback from COSIT and CBI that generally rated the TAs favorably.** Given the difficult conditions prevailing in Iraq and the fact that an offsite delivery model was used, this is a good outcome. Relevancy was rated above the mid-point and effectiveness and efficiency were rated below the mid-point of the **successful** range. Given concerns about the Iraqi context, the level of continued IMF involvement and participant selection for some workshops, sustainability was rated on the border between **sustainable** and partly **sustainable**.

115. **There were differences in success across the TA clusters. The Monetary and Financial TAs were rated as highly successful.** That cluster of TAs received the most positive assessment by the senior CBI officials. **The BOP and Price TAs were rated as successful. The national accounts TAs were rated as partly successful. Because of a lack of any outputs, the GFS TA was rated as not successful.** Since less than 5% of the budget allocated for the STA TAs was used for the GFS TA, that result did not have a major impact on the rating of STA's portfolio of TAs.

Criteria	Criteria Weight (%)	Rating ^a					Score ^b
		NA	CPI	BOP	MF	GF	
		30	26	21	18	5	100
Relevance	30	2.6	3.4	3.0	4.0	1.4	3.1
Efficiency	20	2.4	2.4	3.6	3.6	1.0	2.8
Effectiveness	30	2.3	2.9	3.0	4.0	1.0	2.8
Sustainability	20	2.1	2.5	2.7	3.3	1.0	2.5
Overall Rating/Score	100	2.4	2.9	3.1	3.8	1.1	2.8

a/ = Rating: 4 = Excellent; 3 = Good; 2 = Modest; 1 = Poor

b/ = Weighted by % of STA TA budget for the TA cluster, excluding the multisector statistics mission.

Highly Successful (Excellent) ≥ 3.5; 3.5 < Successful (Good) ≥ 2.5; 2.5 < Partly Successful (Modest) ≥ 1.5

Not Successful (Poor) < 1.5

NA = National Accounts Statistics TAs; CPI = Price Statistics TAs; BOP = Balance of Payments Statistics TAs; MF = Monetary and Finance Statistics TAs; GF = Government Finance Statistics TAs

²⁹ While IMF supported improved fiscal management, those TAs were provided by FAD, rather than STA. The FAD TAs are evaluated in Chapter III and Annex C.

116. Several findings applied to most of the TAs: (i) **The TAs were generally based on adequate diagnostics and received high ratings in terms of consistency with IMF activities in Iraq and Government priorities.** (ii) There was a clear pattern of **consistency between the topics covered by the TAs and government priorities.** In response to a survey question, senior officials from CBI and COSIT said that they strongly agreed with the statement that improving the national accounts, consumer prices, balance of payments and monetary and financial statistics was among their top institutional priorities. (iii) Feedback from senior officials in COSIT and CBI and staff of MCD confirm the conclusion of the evaluation team that the **TAs addressed priority areas and that the interventions were properly prioritized and sequenced**³⁰. (iv) **The timely delivery of the TAs were generally good, although the expectation that major objectives could be achieved by the end of 2005 was overly optimistic.** The initial time lines for all TA clusters had to be revised and extended. (v) There was **generally good ownership of the TA outputs by CBI and COSIT.** (vi) Issues related to the Iraqi context and the ability of IMF to find the resources needed to continue to deliver the same level of assistance to Iraq going forward raise some **concern about the sustainability of the TA benefits.**

117. The evidence reviewed by the evaluation team suggests that **STA's management of the TAs was generally efficient. The TAs programmed and those that were delivered were consistent.** Logical frameworks were prepared that clearly identified the objectives, inputs, activities, output and outcomes for the TA and monitoring indicators. Technical notes were prepared in advance to guide the work of the missions. The BTOs provide evidence that the missions: (i) followed up on the recommendations of the previous missions; (ii) provided hands-on training related to best international practice as given in the various IMF manuals, data collection, compilation, and dissemination practices; and (iii) agreed on a post workshop action plan. Unlike the other TA departments, there was an element of self assessment for most STA missions available in the TAIMS³¹. Undertaking such self evaluation on the basis of the mission objectives and tasks set out in the project framework is good practice and should be encouraged. **Unlike the other TA departments, STA has actively used TAIMS and has included a considerable amount of information and documentation in the system.** This facilitated the evaluation by making access to information relatively efficient.

D. Assessment of Statistics TA Clusters

1. Evaluation of the National Accounts Statistics TAs

118. STA's 2003 missions found that national accounts data was compiled using the outdated 1968 System of National Accounts (SNA). Other problems included: (i) poor quality source data, gaps in coverage and problems in data collection; (ii) an inadequate number of well qualified COSIT staff; (iii) inadequate COSIT computer hardware and software; and (iv) a lack of transparency. The objectives of the 2004 national accounts statistics strategy were to: (i) improve national accounts source data by improving data coverage, both geographically and by economic activity; (ii) train COSIT staff to compile the national annual accounts according to the 1993 System of National Accounts (SNA93: <http://www.imf.org/external/pubs/cat/longres.cfm?sk=575.0>); and (iii) develop quarterly indicators and make them available in a timely manner. IMF provided five TAs in this area.

119. **Progress has been made to improve national accounts statistics and they are better than was the case in 2003.** A consistent time series is now available from 1997 to 2006 in current and constant prices, which are available on COSIT's web page, and quarterly data are produced, albeit with some delays. This is a good achievement given the security situation. Examples of outcomes that can be attributed to the national statistics TAs include: (i) providing **hands on training for compiling national**

³⁰ It was appropriate for IMF to initially concentrate on making short term improvements in the compilation of the macroeconomic statistics since Iraq's economic managers and Fund staff were going to make decisions based on the available information, regardless of the caveats placed on the data by professional statisticians.

³¹ Mission achievements were rated on a four point scale: Fully Achieved; Largely Achieved; Partially Achieved; Not Achieved.

accounts according to SNA93 (<http://www.imf.org/external/pubs/cat/longres.cfm?sk=575.0>); (ii) making technical improvements in the GDP estimates; (iii) reviewing data sources and methods for quarterly GDP estimates; and (iv) indicating priorities for source data development and contributing to the progress made in filling data gaps. However, the effectiveness, efficiency and sustainability of the National Accounts Statistics TAs were undermined by issues related to inappropriate participant selection and lack of participant preparation.

120. While good information is available on crude oil production, which accounts for 60% to 68% of value added, there are coverage and data quality problems for the non-oil sectors. Despite four years of effort, **the national accounts data is not yet up to the standards that it can be published in the International Financial Statistics yearbook (IFS)**. COSIT has made progress implementing the SNA93 (<http://www.imf.org/external/pubs/cat/longres.cfm?sk=575.0>) concepts and definitions. However, it is still at the initial stage in compiling the accounts and aggregates³². Outstanding issues include: (i) classifications remain out of date; (ii) lack of coverage of Kurdistan and some sectors; (iii) poor source data, particularly related to external trade and capital formation; (iv) gaps and inaccuracies in the national accounts estimates; and (v) the current and capital account for the institutional sector are not estimated following SNA93. Addressing issues related to the quality of the source data requires surveys to be undertaken. The initial statistics strategy made the point that there were many weaknesses in the coverage and quality of the source data and stated that STA would make efforts to include northern Iraq in the national accounts estimates, implying that surveys would be undertaken. The strategy further stated that such TA needed to be coordinated with other donors with an onsite presence in Baghdad. **The initial project profile indicated that IMF would be involved developing a work program and identifying additional TA to improve data sources. In practice STA did not devote significant resources to improve the source data nor did it work with other donors to do so, other than working with the World Bank on the Household Income and Expenditure Survey³³**. Iraq applied to join GDDS in 2005 and appointed a GDDS coordinator. Tragically, he was assassinated and has not been replaced. Iraq joining GDDS is a long term objective. Priorities identified by COSIT for future assistance in this area included preparing input output tables, demand supply tables and GDP estimates by governorates. The need for books and basic reference materials was also noted.

2. Evaluation of the Price Statistics TAs

121. The 2003 Missions found that the monthly CPI was comprehensive and generally sound, despite distortions related to domestic price controls. Issues that needed to be addressed included: (i) inadequate staff numbers involved in compiling the CPI; (ii) training needs; (iii) upgrading COSIT's computer hardware and software; (iv) problems of data collection; (v) outdated 1993 weights; and (vi) extending the geographic coverage to include Kurdistan.

³² Compiling SNA93 (<http://www.imf.org/external/pubs/cat/longres.cfm?sk=575.0>) value added and GDP in current and constant prices.

³³ In commenting on draft versions of the report, STA stated that improving source data and coordinating the development of source data was beyond its resources and the remit of STA's TA and could not be reasonably expected as an output from 1–2 two-week missions a year delivering hands-on training on methodology. STA further stated that its policy regarding the development of statistical source data for real sector statistics (other than surveys of outlets to collect prices for price indexes) was to avoid providing assistance to develop data sources and to avoid playing an explicit coordination role regarding other donors of such assistance. These assumptions were built into the Iraq project design and TA financing was provided only for experts for short-term mission work. While such short missions could not address the problems related to source data, given the slow pace of committing the funds during the initial years of the Iraq TA Subaccount, it is not clear to the evaluator that limited financial resources was a binding constraint. Also, given the statements in the 2003 Project Framework, it appears to the evaluator that an opportunity was missed to play a more active role in the area of donor coordination to help address source data problems to complement STA's missions that were focused on methodology and making the best use of available data. Such a narrow focus was not sufficient to achieve the objective of Iraq having sound set of national accounts compiled according to SNA93.

122. The objective of the Price Statistics TAs was to strengthen COSIT's capacity to compile and disseminate a monthly CPI using the methodology defined in the Consumer Price Index Manual. The short term strategy concentrated on improving data collection procedures and processing, adding more representative items to the basket, selecting more representative outlets, improving the methodology for seasonal and missing items and providing advice on the World Bank supported Household Income and Expenditure Survey and aggregation procedures to produce regional indices. The medium-term CPI strategy was designed to: (i) update the basket of items based on the new Household Income and Expenditure Survey; (ii) extend the CPI coverage to include Kurdistan; (iii) improve data collection, editing, and estimation system to reflect international best practice; and (v) improve the producer price index. IMF provided four TAs to build COSIT's capacity to compile the CPI.

123. **The TAs improved the CPI** in the following areas: (i) **technical improvements in the compilation and data**; (ii) **provision of technical guidance on how to extract the weights from the World Bank supported 2007 Household Income and Expenditure Survey**; and (iii) **basing the weights for the 2007 CPI for regional indices on the proportion of total consumption expenditure rather than population**. The CPI is made public through an announcement by the Planning Minister on the tenth of the following month. At end 2007, the September 2007 CPI was available on COSIT's web page. **A senior COSIT official stated on the evaluation team's questionnaire that the TAs had a positive, significant impact on improving the quality and timeliness of the CPI**. Offsetting this positive feedback was the fact that the efficiency, effectiveness and sustainability of these TAs were undermined by the problems encountered in participant selection, pre-workshop preparation and continuity of participation³⁴. Although STA raised these issues with senior COSIT staff, they remained a problem.

124. **The CPI was sounder and more robust in 2007 than was the case in 2003 and is viewed as being adequate compared to CPIs in other post-conflict countries**. Despite the efforts made over the past four years, the CPI is not published in the IFS³⁵ and some of the major issues identified in 2003/2004 remain outstanding (e.g., lack of coverage of Kurdistan; need to rebase the CPI). The World Bank supported 2007 Household Income and Expenditure Survey will provide the data necessary to address these long outstanding issues. Incorporating new weights in the CPI based on the 2007 household expenditure survey by 31 May 2008 is a structural benchmark in the 2007 SBA (<http://www.imf.org/external/pubs/ft/scr/2007/cr07301.pdf>). Thus, with the actions that have begun, there should be a significant improvement in the CPI in 2008.

125. **The price statistics TAs focused almost exclusively on the CPI**. One can question whether the price statistics strategy should have been designed to provide a broader range of assistance covering more price indices rather than focusing on the CPI. Evaluation findings that support this possibility include: (i) IMF's 2003 conclusion that the CPI was reasonably comprehensive and timely; (ii) problems in participant selection, perhaps not surprising given the limited institutional absorptive capacity of COSIT's CPI Section³⁶; (iii) COSIT's desire for a course for price enumerators; (iv) requests in 2005 that the coverage of the workshops be broadened to include other price indices; and (v) when asked during the evaluation to identify **future priorities, senior COSIT staff identified assistance for the Producer Price Index, the Export Price Index and the Import Price Index**³⁷. While the feedback from COSIT to the evaluation team was generally positive, the one piece of negative feedback was that COSIT was not adequately involved in setting priorities and designing the assistance. This suggests that mechanisms need to be found to more effectively engage with senior COSIT staff at the strategic level.

³⁴ Two key individuals, an assistant chief statistician and the director of the CPI Unit., consistently attended the CPI workshops.

³⁵ STA staff advised that a decision to publish the CPI in the IFS would not be based only on the quality of the CPI. There would have to be a number of timely and satisfactory series.

³⁶ The CPI Division was staffed by only two people.

³⁷ In commenting on the draft report STA stated that because the other price indexes were not signaled as priorities by MCD, the CPI was the focus of STA's work.

3. Evaluation of the Balance of Payments Statistics TAs

126. The 2003 IMF missions found that: (i) BOP data was presented according to the Balance of Payments Manual, fourth edition (BPM4) format rather than BPM5 (<http://www.imf.org/external/pubs/ft/bopcg/1995/bopcg.pdf>); (ii) problems with data integrity; (iii) the BOP estimate was distorted due to exchange rate issues; (iv) problems of coverage and inadequate data from customs and the external debt; (v) CBI staff needed training on best international practice as given in BPM5 (<http://www.imf.org/external/pubs/ft/bopcg/1995/bopcg.pdf>); and (vi) the human and technological resources needed improvement.

127. The objectives of the BOP TAs were to produce more reliable BOP statistics by: (i) improving the collection and compilation practices using the methodology in BPM5 (<http://www.imf.org/external/pubs/ft/bopcg/1995/bopcg.pdf>); (ii) improving the quality of the data in the historical time series; (iii) providing hands on training and knowledge transfer; and (iv) producing methodological notes to allow the BOP estimates to be published in the IFS and in the Balance of Payment Statistics Yearbook (BOPSY). The short-term BOP strategy was to improve the timeliness and quality of balance of payment and foreign trade statistics so that the BOP data was adequate for surveillance. The medium-term strategy was to improve the institutional framework. IMF provided three TAs to strengthen BOP statistics.

128. Compiling BOP statistics in a manner that is consistent with international standards is a long and difficult process. **Compared to 2003, improvements have been made in the BOP collection and compilation methods.** Through the provision of hands on training, the TAs succeeded in helping the Balance of Payment Statistics Division implementing the BPM5 (<http://www.imf.org/external/pubs/ft/bopcg/1995/bopcg.pdf>) methodology in a practical way. Achievements attributable to the BOP TAs include: (i) **exchange rate problems that initially undermined the credibility of BOP estimates have been resolved;** (ii) **publishing international reserves data,** compiled in a manner that is consistent with international standards, beginning with the October 2006 edition of the IFS; (iii) from June 2006 banks, including one of two banks in Kurdistan, began reporting using the international transactions reporting system form; (iv) **incorporating additional nonbank data sources;** and (v) **better sharing of information** within CBI and better coordination between CBI and COSIT's Trade Statistics Division. **Senior CBI staff strongly agreed with the statement that the improvements in the BOP statistics reflect the advice provided in the workshops.** However, they only agreed, as opposed to strongly agreed, that the workshops provided practical advice in implementing the BPM5 methodology (<http://www.imf.org/external/pubs/ft/bopcg/1995/bopcg.pdf>). BOP data is included in the Annual Statistical Reports posted on the CBI website, although at the end of 2007 only preliminary data for 2006 was available on the website.

129. The 2004 CBI and Banking laws strengthened the legal basis for compiling BOP statistics.³⁸ **The quality of the BOP estimates has improved significantly over the situation prevailing in 2003 and for 2005, 2006 and up to June 2007 are now available in BPM5 format** (<http://www.imf.org/external/pubs/ft/bopcg/1995/bopcg.pdf>). **Despite the progress that has been made, there remain issues related to the coverage, quality and data integrity.** Because of the outstanding issues, the target for IMF publishing the BOP statistics in 2007 was missed. Publication is now expected in 2008, and the meta data has been prepared. While there is generally adequate and timely information available on the oil sector which dominates the economy and government imports and exports, there are issues related to the coverage and integrity of data related to non-oil imports and exports of goods and services. **Many of the problems identified in the 2004 Statistics Strategy related to BOP statistics were also cited in the 2007 version of the strategy.** Examples include: (i) problems regarding data

³⁸ IMF's legal department worked with USAID to help prepare this legislation. While provisions were included requiring banks and other agencies to provide the necessary information, the CBI Law does not cover collecting data outside of the financial sector. STA made some comments related to statistical matters as inputs into the drafting of the CBI law.

quality; (ii) unreliable data from the non-banking sector; (iii) transactions of nongovernmental organizations, foreign embassies, and international organizations are not recorded; (iv) services data are based on estimates and a lack of capital account and foreign direct investment data; (v) discrepancies between COSIT's external trade data and CBI's estimates based on data from the financial sector and issues related to customs data; and (vi) CBI does not have access to Ministry of Finance data on external debt, an issue that is delaying the publication of BOP data in the Balance of Payment Statistical Yearbook. The unfinished agenda to improve the BOP statistics is reflected by the strong agreement by CBI that there is a need for further IMF assistance to improve BOP statistics.

4. Evaluation of the Monetary and Financial Statistics TAs

130. In the area of monetary and financial statistics, the 2003 missions found: (i) weaknesses in quality, timeliness, coverage and compilation methods; (ii) the monetary survey did not provide a sufficiently detailed breakdown of financial instruments by resident economic sectors; (iii) the monetary survey did not cover Kurdistan or provide a breakdown of financial instruments by resident economic sectors; (iv) there was no cross-checking of information between the relevant monetary data and the matching balance of payments information; and (v) computing resources were not adequate.

131. The short-term strategy for the Monetary and Financial statistics TAs was to support the work on compiling a Depository Corporations Survey (Monetary Survey), which was a structural benchmark for the Emergency Post Conflict Assistance Program. The TA would also help to develop sectoral balance sheets for the CBI and Other Depository Corporations, and correct the improper classification of the financial instruments and sectorization of resident institutional units. The medium-term strategy involved compiling and disseminating monetary statistics that conform to MFSM 2000 (<http://www.imf.org/external/pubs/ft/mfs/manual/>). IMF provided two TAs, totaling \$145,450, to strengthen CBI's monetary and financial statistics. The objective of both TAs stated in the logical framework was to improve Iraq's monetary statistics so that monetary data is consistent with MFSM 2000 (<http://www.imf.org/external/pubs/ft/mfs/manual/>).

132. **Major outcomes attributable to the TAs** include: (i) **adequate monetary data reporting to the IMF for surveillance and publication in the March 2008 edition of IFS**; (ii) **improved quality and coverage of monetary data**; (iii) **improved sectorization, classification, and valuation of financial instruments in the monetary survey**; and (iv) **reporting monetary data to IMF using the Standardized Report Form. Senior CBI staff agreed strongly with the statements that the missions provided practical advice in designing and implementing the monetary survey, something that is also acknowledged on CBI's webpage.** The Iraq page in the 2007 IFS contained very little information. Although Iraq began providing monetary data in 2006, issues related to timeliness and detail precluded publication in the IFS. Because of the continued progress, monetary data, consistent with MFSM 2000 (<http://www.imf.org/external/pubs/ft/mfs/manual/>), was shown on the Iraq country page in the March 2008 edition of the IFS and IFS Supplement. The additional data published in the IFS Supplement resulting from the TAs included the Central Bank Survey, the Other Depository Corporations Survey, the Depository Corporations Survey, monetary aggregates (based on the definition in the MFSM) and interest rates. The information to be published in the IFS Monthly includes Monetary Authorities, Banking Institutions, the Banking Survey and interest rates. This is a major, positive achievement that is clearly attributable to the Monetary and Financial TAs. **The accompanying metadata documents the current deviations of Iraq's data from international standards, thus pointing to areas that need further improvement.**

133. **The Monetary and Financial TAs were highly effective in achieving their objective.** After two years of assistance, there is now a monetary survey and a consistent set of data for CBI and the banking system beginning in December 2004. By the end of 2007 data was available up to September 2007. In 2004 and 2005, information was only available for the CBI balance sheet. The statistical year book on the CBI web page includes the monetary survey. Timeliness is reasonable as the data is submitted with a two month time lag. Despite the substantial progress that has been made, issues remain about the coverage, quality, integrity and timeliness of monetary and financial data: (i) banks in Kurdistan, including the branches of CBI, do not report data to CBI; (ii) data integrity remains an issue; (iii) the financial data

needs to be extended to cover Other Financial Corporations (preparatory work for this has begun); and (iv) the chart of accounts needs to be made fully compliant with international standards³⁹. CBI strongly agreed with the statement that there is a need for continued support from IMF in this area. Despite the progress that has been made in improving the monetary and financial statistics, monetary policy remains relatively simple. There is little interbank lending and in the current environment banks are understandably conservative about extending new loans. The main policy instrument is the exchange rate. **The building blocks developed under the Monetary and Financial TAs will strengthen the information base necessary to implement a more sophisticated monetary policy in the future.**

5. Evaluation of the Government Finance Statistics TAs

134. There are many issues associated with GFS: (i) except for a summary of budgetary estimates and outcomes for the central government, no fiscal statistics were published; (ii) the Ministry of Planning, not MOF, prepared the capital budget; (iii) the coverage of the budget did not provide a comprehensive fiscal picture as the budget was narrow, excluding extra-budgetary expenditures by regions/ministries using own resources, off budget expenditures of self-financing agencies or public agencies and off-budget donor funded projects; (iv) there was no institutional unit with the legal mandate to collect and compile GFS; (v) GFS data was not compiled even on the basis of GFSM 1986 (<http://www.imf.org/external/pubs/ft/gfs/manual/1986/eng/>), although there was sufficient accounting data to compile GFS data for the central government; and (vi) incomplete data on letters of credit issued to finance the government imports and a lack of coverage of Kurdistan. Moving beyond the central government to general government GFS would be major challenge that would require significant coordination between MOF and many other government agencies (e.g., agencies involved in extra-budgetary expenditures; governates; local governments; Ministry of Planning; CBI and donors) to obtain the necessary data.

135. The objective of the GFS TA was to help strengthen the compilation of government finance statistics by identifying: (i) TA and training needs for GFS within a GDDS framework and specific actions to be taken by the authorities; (ii) the institutional setup for GFS; and (iii) the coverage of different source data used for GFS compilation. The short-term GFS strategy was to focus on strengthening the MOF's capacity to compile GFS in parallel with development of the FMIS and other budgetary and accounting system reforms. The GFS TA was to develop a plan for data reporting/gathering that could be used to estimate the fiscal operations. To support this, MOF was to establish a unit to develop and disseminate fiscal statistical data. The medium-term GFS strategy was to focus on improving the reporting of the data by non-financial public corporations and to address debt statistics. **During the evaluation period, STA processed one GFS TA but the money approved under the GSF TA was not spent. Consideration should be given to cancelling the GFS TA to free up resources for other priorities.**

136. Improving government financial statistics, at a conceptual level, is consistent with the Government's priority to improve fiscal management, budget execution and fiscal policy making. The five reviews of the 2005 SBA (<http://www.imf.org/external/np/sec/pr/2005/pr05307.htm>) and discussions with MCD staff indicate that the Government placed a high priority on making improvements in the area of fiscal management. Despite the apparent consistency of GFS and MOF's priorities, **STA was not able to engage effectively in this area. MOF did not take the actions recommended by the 2005 GFS mission or establish a GFS Unit.** While one Iraqi did attend the May 2007 regional GFS course held in Abu Dhabi held together with the Arab Monetary Fund, the participant was from CBI – an agency not directly engaged in compiling GFS. **MOF did not propose any participant.** Also, MOF did not respond to annual letters requesting fiscal data in the GSF format for the central government that could be published in IFS. **Given these indications of a lack of Government ownership, STA was correct in not processing of implementing GFS TAs.** However, the lack of follow up by MOF on implementing the

³⁹ In April 2007, the CBI Board passed a resolution requiring a new Chart of Accounts by the end of 2007. The new Chart of Accounts should be consistent with MFSM 2000, BPM5 (<http://www.imf.org/external/pubs/ft/bopcg/1995/bopcg.pdf>) and 1993 SNA (<http://www.imf.org/external/pubs/cat/longres.cfm?sk=575.0>).

recommendations of the 2005 GFS mission or the decisions not to send a representative to the 2007 GFS regional course were never mentioned in the revised versions of the Statistics Strategy or the reports to the donors. Those documents indicate that improving GFS was a priority for STA and that STA was unable to find appropriate staff or experts.

137. The Fund, however, provided support in the fiscal area and made bringing the chart of accounts into line with Government Finance Statistics Manual (GFSM) 2001 (<http://www.imf.org/external/pubs/ft/gfs/manual/>), a structural performance criterion in the 2005 SBA (<http://www.imf.org/external/np/sec/pr/2005/pr05307.htm>). This reform was achieved on 28 June 2007. Part of STA's inability to engage in GFS is related to sequencing and the respective roles of STA and FAD in this area. While STA was not been involved, FAD TAs and the work of USAID funded consultants helped to strengthen MOF's capacity by supporting FMIS development and other budgetary and accounting system reforms. As stated in the Memorandum of Economic and Financial Policies for the 2007 SBA (<http://www.imf.org/external/pubs/ft/scr/2007/cr07301.pdf>), the Government recognized that much remains to be done to strengthen the effectiveness and transparency of budgetary management. External support for the FMIS, which had started on a trial basis in January 2007, was terminated following the abduction of an external consultant in May. As a result, and in light of the difficulties experienced to adapt this system to MOF's, the FMIS is no longer in use. TA has been requested from IMF to help identify priorities for modernizing public financial management and a Memorandum of Understanding has been signed by USAID and MOF to resume work on the FMIS. Adopting an action plan to modernize the government's financial management system by 31 July 2008 is as a structural benchmark in the 2007 SBA (<http://www.imf.org/external/pubs/ft/scr/2007/cr07301.pdf>). **Given the progress that has been made, MOF, MCD, FAD and STA should engage in discussions to see if MOF now would put a higher priority on receiving STA GFS TA than in the past.**

E. General Lessons

1. Lessons Derived from the Evaluation of the STA TAs

138. Senior officials from CBI strongly agreed with the statement that improvements in the monetary survey and BOP statistics reflected the advice provided under STA TAs. Senior officials from COSIT indicated on the evaluation team's questionnaire that the TAs had a positive, substantial impact on improving national accounts statistics and the CPI. The evaluation identified some common characteristics that were associated with the successful use of the offsite model. Two lessons emerging from the evaluation of STA's portfolio of TAs in Iraq include: (i) the importance of participant selection and preparation; and (ii) in the Iraqi context, the offsite model was an efficient use of resources.

a) Importance of Participant Selection and Prior Preparation

139. Factors that contributed to differences in the ratings of CBI and COSIT TAs related participant selection, consistency in attendance, prior preparation, and being employed in areas where participants were likely to apply the skills on the job. Consistent staff involvement on the side of both the executing agency and IMF helps to improve efficiency and effectiveness since it avoids the need for new staff to come up to speed, builds trust and makes it easier to build on the progress made in earlier workshops. **There was consistent engagement of appropriate CBI staff but problems were experienced in participant selection⁴⁰, continuity, suitability and prior preparation for the TAs involving COSIT.** Of the 24 people who attended the National Account workshops, 19 attended one workshop and 5 attended two workshops. Twenty five of the 32 participants attending CPI workshops attended only one workshop⁴¹. Many of the participants attending the COSIT workshops were

⁴⁰ Issues related to participant selection are common problems associated with out of country seminars and training courses funded by other international financial institutions.

⁴¹ Four attended two workshops and one each attended 3, 4 and 5 workshops. Fortunately, the most consistent attendees for the CPI workshops were an assistant chief statistician and the director of the CPI Unit.

enumerators rather than people directly involved in compiling statistics. Problems with participant selection and continuity undermined the efficiency, effectiveness and sustainability of the National Accounts and Price Statistics TAs and resulted in some workshops being repetitive. STA advised its counterparts in advance of the topic of the workshops, the target participants and asked them to bring data and Excel worksheets from Iraq that could be analyzed in the workshops. This worked well for the CBI TAs. However, for the 2005 COSIT workshops, the necessary data was not brought to the workshops. **IMF brought these issues to the attention of COSIT in March 2005. However, the problems were repeated in the workshops held in December of that year.**

b) The Offsite Model was an Efficient Use of Resources

140. **The use of the offsite model**, necessitated by the difficult security situation that prevailed during the entire evaluation period, did **not detract from the delivery of good quality, practical and timely advice**. While there are limits to what can be achieved with this model, the pragmatic step by step approach adopted for the STA TAs was generally effective in achieving results. **Client feedback from both CBI and COSIT was that the offsite delivery mode has been effective and IMF TA should continue to be delivered in this way.**

141. The expenditures for STA's TAs were analyzed in two categories – the cost of experts and the cost of participants (e.g., the cost of airfare, accommodation, per diem, etc). The expenditures were about equally divided between the two categories. Expenditures on experts were largely independent of whether workshop and seminars were held in Baghdad or elsewhere in the region, assuming that the amount of preparation and length of the workshops would be the same. The cost per participant was about \$4,000 and the cost per participant day averaged about \$400. The incremental cost of the offsite model was compared to some of the costs that would have been associated with delivering the services onsite in Iraq. The security cost per trip outside of the Green Zone is about \$15,000. In the current conditions, the cost of stationing an expert in the Green Zone is estimated at between \$750,000 and \$1,000,000 per year. **Using these comparators, the expenditures on the offsite model appears to be an efficient use of resources.**

2. Recommendations Derived from the Evaluation of the STA TAs

142. **Two recommendations** flow from the evaluation of the statistics TAs: (i) revise the **Statistics Strategy Note for Iraq**; and (ii) **IMF to be more pro-active in coordinating with other development partners. Each recommendation is discussed in more detail below.**

a. Revise the Statistics Strategy Note for Iraq

143. The reports of the 2007 Article IV consultation (<http://www.imf.org/external/pubs/ft/scr/2007/cr07301.pdf>) and the 2007 SBA (<http://www.imf.org/external/pubs/ft/scr/2007/cr07301.pdf>) state that "Data provision is broadly adequate for surveillance/program monitoring, but there are some delays in data provision and weaknesses exist that hamper economic analysis." **Despite the known weaknesses in the data, the statistics were judged to give a sufficiently reliable picture of economic developments overall and to provide the information needed for meaningful policy discussions. Thus, the short term objective of the strategy has been achieved and it should no longer be a major feature of the Statics Strategy Note for Iraq.**

144. **While some progress has been made toward achieving the medium term objective, this is a work in progress as Iraqi statistics do not yet meet international standards.** In particular: (i) the national accounts are not yet fully consistent with SNA93 (<http://www.imf.org/external/pubs/cat/longres.cfm?sk=575.0>), there are major problems in the source data and there is no timetable for IFS publication; (ii) there remain problems in the BOP data, particularly trade, government debt and FDI data – other than reserve figures, the BOP data does not meet the BPM5 standards and is not published in the IFS (<http://www.imf.org/external/pubs/ft/bopcg/1995/bopcg.pdf>); (iii) the monthly CPI is available in a timely fashion but problems remain (e.g., base year; coverage of Kurdistan) and the CPI is not published in the IFS; (iv) the monetary survey was published in the March

2008 edition of the IFS, although gaps in coverage remain; and (v) the government financial statistics are inconsistent with GFSM 2001 (<http://www.imf.org/external/pubs/ft/gfs/manual/>), although progress⁴² has been made through FAD TAs rather than STA TAs.

145. **A revised strategy is needed to provide a new framework to prioritize, sequence and guide future IMF support to improve Iraq's macroeconomic statistics.** In revising the strategy, consideration should be given to: (i) **ensuring that the priorities and sequencing in the strategy are consistent with Government priorities** – this is particularly important for COSIT since its senior staff advised that they were not sufficiently involved in determining priorities and designing the assistance in the past; (ii) **continuing to provide assistance to complete the unfinished agenda for the Monetary and Financial and BOP TAs**, but identify criteria for exiting from these areas once the data is compiled according to MFSM 2000 (<http://www.imf.org/external/pubs/ft/mfs/manual/>) and BOP5; (iii) **identifying how to develop synergies with other donors providing assistance to COSIT**, determining whether IMF can play a strategic role to help COSIT set priorities and coordinate donors assistance and developing ways to have the necessary surveys undertaken; (iv) **assessing whether an offsite statistical advisor⁴³ should be considered in the future**; (v) **determining whether IMF's assistance for Price Statistics should be broadened beyond the CPI to cover the Producer Price Index, the Export Price Index and the Import Price Index** after work is completed in 2008 to rebase the CPI and cover Kurdistan; (vi) **undertaking serious discussions between MOF, MCD, FAD and STA to determine if there is a future role for STA in the GFS area**; if the answer is "no," the Statistics Strategy Note should indicate that STA will not be active in this area; and (vi) **ensuring consistency between strategy and the resources that are likely to be available to the Fund to implement it.**

b. Proactive Coordination With Other Development Partners Going Forward

146. The importance of donor coordination is discussed in several places in the 2003 Program Framework, including the possibility of IMF advising the authorities on how to monitor and promote donor coordination. The typical model is for IMF to provide assistance on best international practice and the methodology included in the IMF manuals (e. g, SNA93 (<http://www.imf.org/external/pubs/cat/longres.cfm?sk=575.0>); BPM5 (<http://www.imf.org/external/pubs/ft/bopcg/1995/bopcg.pdf>); MFSM 2000 (<http://www.imf.org/external/pubs/ft/mfs/manual/>) and GFSM 2001 (<http://www.imf.org/external/pubs/ft/gfs/manual/>)) and other donors to play the lead role in addressing issues related to the source data (e.g., undertaking surveys), demographics, large scale capacity building efforts of statistical agencies and improving the hardware and software. **While there were some examples of good coordination in the delivery of a few STA TAs, the rating in this area was partly relevant, the lowest rating of the four sub-criteria of relevance.**

147. **Coordination and information sharing in the wider donor community will become a more important issue going forward.** Because of expectations that the security situation will improve, the UN system and some bilateral donors are making plans to increase their presence in Baghdad. IMF should more proactively share information and coordinate with agencies that are not located in Washington but are providing assistance in strengthening Iraq's statistics. COSIT has a better overview than IMF of all of the assistance that is being provided to strengthen statistics in Iraq. Best practice suggests that executing agencies, rather than donors, should play the lead role in coordinating assistance. IMF could encourage COSIT to more actively work with TA providers to identify its priorities and appropriate roles for each donor and provide feedback to the donor community on what works and what does not.

⁴² For example, the budget classification was changed on 28 June 2007 to bring it into line with GFSM 2001 (<http://www.imf.org/external/pubs/ft/gfs/manual/>).

⁴³ In-depth discussions would be needed with the most senior staff in COSIT to ensure that they would value and would use such advice. Selection of the advisor should consider technical skills, language capability and cultural sensitivity.

148. **Recurring themes that affected all of the STA TAs were weaknesses in the source data and a lack of coverage of Kurdistan.** Given the security situation, it is a major challenge to undertake surveys. **Nevertheless COSIT, with the help of some donors, undertook some large scale surveys.** There has been some coordination between IMF and the World Bank in this area (e.g., Household Income and Expenditure Survey; Enterprise Survey). Information on the COSIT web page shows that DFID funded the 2006 Rapid Household Income and Expenditure Survey, UNDP supported the 2005 Iraqi Living Survey and UNICEF supported the 2006 Multiple Indicator Cluster Survey⁴⁴. The last two surveys covered all 18 governates in the country. The experience of other donors indicates that it is possible to undertake large scale surveys, even in difficult security conditions, and that there are ways to cover Kurdistan. In the material reviewed by the evaluation team, there is **little evidence that STA made pro-active efforts to coordinate with other donors active in Iraq to identify priorities, mobilize support to undertake the surveys that were needed to address data gaps.**

149. **Going forward, there should be a more pro-active donor coordination effort.** This reflects the following considerations: (i) IMF's strength is providing the methodological training and guidance related to best international practice, as defined in IMF manuals; (ii) other donors normally finance the surveys that are necessary to improve the source data and capital investments in information technology, hardware and software that are necessary for a modern statistical agency to function efficiently; (iii) there are some examples of other donors undertaking major surveys in Iraq – the lack of STA advisory involvement might have resulted in a lost opportunity to maximize the benefits from those surveys; (iv) STA could be actively engaged with the donor community to help COSIT set overall priorities to use its scarce resources most effectively to improve source data; and (v) in-country statistical advisers financed by other donors could support the implementation of the action plans agreed at the workshops and provide feedback to IMF on government priorities and capacities.

150. **Pre-requisites for such a strategy include:** (i) Government agreement that IMF should play such a role; and (ii) IMF would allocating sufficient resources to undertake this role – donor coordination is not a free good. While the TAs have helped to strengthen the skills of Iraqi statisticians in applying best international practice, making the best use of available data, identifying gaps in data quality and coverage and making some suggestions on survey design and the use of new data, STA's TAs will only be truly effective if the issues of data quality and coverage are addressed. More pro-active donor coordination is needed to reach this goal. In its comments on the draft report, STA stated that its mandate is to improve methodological concepts and not source data. It is undoubtedly important for countries to improve their methodologies and to implement the best international practice contained in IMF statistical manuals. However, in Iraq there are major problems related to the source data. It may be that the underlying errors of estimate in the source data over ride the benefits of improved methodology. In such situations, IMF's statistical strategy should better balance the twin objectives of improving both the statistical methodology and the source data. Given its extensive work on many facets of Iraq's macroeconomic statistics over the past four years, STA is well placed to use this knowledge to help identify priorities for the next datasets to develop.

151. **There are regional resources that could be used more proactively to compliment STA TAs:** (i) the Middle East Technical Advisory Center (METAC); and (ii) the Arab Monetary Fund. METAC has expertise in multisector statistics. Given its location and Arabic language capabilities, METAC might also be in a position to undertake the myriad of logistical issues related to planning and implementing the workshops more cost effectively and efficiently than staff in Washington. METAC could also help draft reports in Arabic or oversee the translation of reports into Arabic. Having reports in Arabic would facilitate wider dissemination in Iraq. If METAC were requested to undertake these roles, the corresponding resource issues would need to be addressed. In CBI's response to the evaluation team's questionnaire, it was suggested that the Arab Monetary Fund could be used to give CBI more exposure to the experience of other Arab countries in the area of Monetary and Financial and BOP statistics.

⁴⁴ These surveys covered 3,160, 21,668 and 18,144 households respectively.

VI. Overall Assessment, Lessons Learned and Recommendations

Key Messages

- Overall, the TA portfolio was successful, relevant, efficient and effective.
- Ensuring long-term sustainability requires maintaining an adequate the level of TA activity in the future.
- Two TA clusters were rated as highly successful, 6 as successful, 4 as partly successful and one as not successful.
- The offsite modality was cost efficient and donors received value for money. The limits of this model will be exposed as IMF moves from policy advice/training to supporting the implementation of policies and procedures.
- Good participation selection is essential for TA success -- this will be a challenge as long as IMF staff cannot travel to Iraq and have only limited knowledge of the organization and staffing of the partner institutions.
- Place a higher priority on pro-active donor coordination, including encouraging executing agencies over time to take the lead in this area, to develop synergies that increase the probability of achieving development results.
- Strengthen the TA Information Management System so it is used more effectively to manage and monitor TA. Reforms in this area are expected to be implemented by 1 May 2008.
- Strengthen IMF's evaluation system for TAs by developing a self evaluation system for all TAs and guidelines for ex-post evaluations. Work on this is planned.
- Improve reports to donors.
- The Fund delivered slightly more internally funded TA to Iraq than was originally planned.

A. Overall Evaluation of TAs Funded From the Iraq Subaccount

152. The portfolios of TAs managed by the three TA departments were evaluated in Chapters III, IV and V with supporting details in Annexes C, D and E for FAD, MCM and STA respectively. Drawing on that analysis, **the entire portfolio of TAs financed from the Iraq TA Subaccount was rated as successful** (see Table VI.1). The findings of the evaluation team are consistent with feedback from MOF, CBI and COSIT that was broadly positive. **All three clients requested additional TA to continue improving macroeconomic management and generally rated the TAs favorably. Given the difficult conditions prevailing in Iraq and the fact that an offsite delivery model was used, this is a good to very good outcome. Relevancy, efficiency and effectiveness were all rated as good. Given concerns about the Iraqi context, the level of continued IMF involvement and participant selection for some TA clusters, the prospects for sustainability were rated as on the border between modest and good.**

153. There were some differences in success between and within the TA departments. Although the TA portfolios for all three TA departments were rated as successful, the evaluation found that the portfolio

of MCM TAs performed the best, followed by STA and FAD. Two clusters of TAs achieved **excellent** results and were rated as **highly successful**: (i) MCM's Bank Supervision Training and Bank Restructuring TAs; and (ii) STA's Monetary and Financial TAs. **Of the 13 clusters of TAs that were rated, two were rated as highly successful, 6 as successful, 4 as partly successful and one as not successful.**

Criteria	Weight (%)	Rating ^a			
		FAD	MCM	STA	Score ^b
		37	45	18	100
Relevance	30	3.1	3.3	3.1	3.2
Efficiency	20	3.0	3.3	2.8	3.1
Effectiveness	30	2.7	3.3	2.8	3.0
Sustainability	20	2.5	2.6	2.5	2.5
Overall Rating/Score	100	2.8	3.2	2.8	3.0

a/ Rating: 4 = Excellent; 3 = Good; 2 = Modest; 1 = Poor
b/ Weight by % of TA budget allocated to each TA department

Highly Successful (Excellent) ≥ 3.5 ; $3.5 < \text{Successful (Good)} \geq 2.5$;
 $2.5 < \text{Partly Successful (Modest)} \geq 1.5$; Not Successful (Poor) < 1.5

FAD = Fiscal Affairs Department TAs; MCM = Monetary and Capital Markets Department TAs; STA = Statistics Department TAs

154. **Operating in Iraq has been very challenging**, more so than in typical post conflict situations. The major challenges include: (i) the security situation which resulted in the deaths of several key officials who were working closely with IMF and the continuous travel ban; (ii) the need to rely exclusively on the offsite model to deliver TA rather than the more traditional in-country delivery of workshops and training and the use of long term in-country advisors; (iii) the uncertainties associated with several changes in government; (iv) institutional weaknesses associated with the legacy of the previous regime (e.g., institutions and systems did not use best international practices; human resource weaknesses; inadequate information technology, software and hardware; a bureaucratic culture that did not value openness, transparency or sound macroeconomic practices); and (v) a lack of knowledge of Iraq on IMF's part since IMF had not operated there for more than 20 years and Iraq had not reported data to the Fund. **Given these severe operating challenges, the TAs were generally more effective than the evaluation team expected at the beginning of the assignment. The TA ratings represent a good outcome in terms of value for money and achieving results.**

155. **Several findings were common across most of the TAs:**

- a) The TAs were generally based on **adequate diagnostics** and received high ratings in terms of **consistency with IMF activities in Iraq**.
- b) There was a clear pattern of **consistency between the topics covered by the TAs and Government priorities**.
- c) **Government officials gave positive feedback** on the TAs, their prioritization and sequencing and the results achieved.
- d) The **TA was delivered in a timely manner**, given the circumstances. However, time lines had to be extended and, similar to most post conflict situations, it took longer than expected to achieve results. The expectations in the 2003 Project Framework that about \$2.6 million would be committed during the first 12 months after the start of TA activities \$10 million would be required over a three year period were far too optimistic. Slightly less than \$500,000 was spent in FY 2004.

- e) Issues related to the Iraqi context and the ability of IMF to find the resources needed to continue to deliver the same level of assistance to Iraq going forward raise **concerns about the sustainability** of the TA benefits.
- f) IMF's **internal management of the TAs was generally efficient and the TAs programmed and those that were delivered were consistent.**

B. Lessons Learned

156. The purpose of the remainder of this chapter is to draw broad lessons and recommendations, rather than to identify specific lessons and recommendations related apply to the TA portfolios of FAD, MCM or STA. Those are reported in Chapters III, IV and V and the corresponding annexes.

1. MCD Played a Key Role in Setting TA Priorities

157. The evaluation team received consistent feedback from MCD, FAD, MCM and STA that there was **good coordination between the regional department and the TA departments and that the priorities for the use of TA funds were largely driven by operational needs related to the SBAs.** The findings in Chapters III, IV and V report evaluation evidence that largely confirms this assertion. The evaluation ratings for the three TA departments for consistency between their TAs and IMF operations in Iraq are summarized in Table VI.2. All TA departments were rated as **good** on this sub-criteria, with MCM and STA bordering on **excellent**. The ratings on this sub-criteria were among the highest in the evaluation and were higher than the average ratings for relevancy and overall TA success ratings.

Criteria	FAD	MCM	STA	Score ^b
		37	45	18
Consistency With IMF Activities	3.0	3.4	3.3	3.2
Overall Relevance Rating/Score	3.1	3.3	3.1	3.2
Overall Rating/Score	2.8	3.2	2.8	3.0

a/ Rating: 4 = Excellent; 3 = Good; 2 = Modest; 1 = Poor

b/ Weight by % of TA budget allocated to each TA department

Highly Successful (Excellent) ≥ 3.5 ; 3.5 < Successful (Good) ≥ 2.5 ;
 2.5 < Partly Successful (Modest) ≥ 1.5 ; Not Successful (Poor) < 1.5

FAD = Fiscal Affairs Department TAs; MCM = Monetary and Capital Markets Department TAs; STA = Statistics Department TAs

158. Annex F provides further evidence of the close relationship between the TA program and the conditionalities associated with the 2005 (<http://www.imf.org/external/np/sec/pr/2005/pr05307.htm>) and 2007 SBAs (<http://www.imf.org/external/pubs/ft/scr/2007/cr07301.pdf>) and the 2003 Emergency Post Conflict Assistance Program (<http://www.imf.org/external/np/dm/2003/102403.htm>). In Boxes F1, F2 and F3 respectively, the Prior Actions, Structural Benchmarks and the Structural Performance Criteria are given in the left hand column and the contribution of the TAs are summarized in the right hand column. The data indicates that TAs addressed: (i) 3 of the 6 Prior Actions; (ii) 17 of the 30 Structural Benchmarks; and (iii) 5 of the 11 Structural Performance Criteria. Overall, **TAs helped to address 53% of the 47 conditionalities.** The link between IMF's operations in Iraq was the strongest for MCM TAs⁴⁵.

⁴⁵ Of the 25 conditionalities addressed by the TAs, 20 related to MCM TAs, 3 to FAD TAs and 2 to STA TAs.

2. The Offsite Model Achieved Results and Was Relatively Cost Effective

159. One of the key objectives of the evaluation was to assess the success or otherwise of the exclusive use of the offsite model, an unprecedented experience for the Fund that was necessitated by the difficult security situation that prevailed throughout the evaluation period. Based on the evaluation findings, **the offsite delivery model was rated as successful** (see Table VI.3). However, the ratings for this sub-criteria were slightly below the average rating for the effectiveness dimension of evaluation and the overall success ratings. There were some differences across the TA departments. Factors that contributed to successful outcomes using the offsite delivery mode are summarized after Table VI.3, generalizing from the lessons drawn in the FAD, MCM and STA TA evaluations.

Criteria	Rating ^a			
	FAD	MCM	STA	Score ^b
	37	45	18	100
Assessment of Offsite Delivery Mode	3.0	3.0	2.5	2.9
Overall Effectiveness Rating/Score	2.7	3.3	2.8	3.0
Overall Rating/Score	2.8	3.2	2.8	3.0

a/ Rating: 4 = Excellent; 3 = Good; 2 = Modest; 1 = Poor
b/ Weight by % of TA budget allocated to each TA department

Highly Successful (Excellent) ≥ 3.5 ; 3.5 < Successful (Good) ≥ 2.5 ;
2.5 < Partly Successful (Modest) ≥ 1.5 ; Not Successful (Poor) < 1.5

FAD = Fiscal Affairs Department TAs; MCM = Monetary and Capital Markets Department TAs; STA = Statistics Department TAs

160. **IMF successfully developed and used the offsite model during the last four years. This model, which was used pragmatically, was the right answer to meet the needs during the evaluation period.** While the evaluations of the FAD, MCM and STA TA portfolios all found that the offsite model achieved results, the assessments also concluded that **there were limits to what could be achieved by the offsite model. In particular, the offsite delivery mode will encounter challenges as IMF shifts to placing more emphasis on the implementation of new policies, procedures and tools, changing organizational structures and procedures and putting knowledge gained by participants to use from the past focus on planning reforms, introducing best practice methodologies and general training.** Traditionally, long term in-country advisors have been used to support implementation and the related capacity development.

161. Two TA clusters, Bank Supervision Training/Bank Restructuring and Monetary and Financial Statistics, were rated as **highly successful**. Practical lessons related to these TAs include: (i) the need to design TA to develop concrete outputs to be produced by the authorities, rather than delivering pedagogical inputs; (ii) holding the authorities accountable for producing or improving these outputs; and (iii) the need to engage the authorities continuously in specific areas, through frequent workshops and regular backstopping from IMF Headquarters, rather than workshops every couple of years.

162. The evaluation identified **eight lessons of experience that are associated with good practice and achieving development results.** The presence of these factors contributed to **highly successful** or **successful** ratings and their absence contributed to **partly successful** or **unsuccessful** ratings.

a) **Good coordination with other donors and their in-country experts was a key ingredient for the top rated TA clusters** – going forward developing synergies between IMF TAs and the in-country advisers could improve TA effectiveness, help implement the action plans agreed at the end of the workshops and provide a useful bridge to the executing agencies. Developing synergies with

in-country experts financed by other TA providers would be one way to lessen the impact of the likely future cuts in the Fund's budget. That being said, the evaluation team acknowledges that there were a few instances when unilateral actions by other donors complicated the work of the Fund.

b) **Proper participant selection is a key ingredient of highly successful TAs** – participants must be employed in areas where they will apply the skills learned on the job, attendance should be viewed as part of career planning and there should be a continuity of participants in a series of workshops on the same subject. Adequate prior preparation increases the efficiency and effectiveness of workshops and training. Participant selection is a challenge when IMF staff cannot travel to a country to become familiar with their counterpart organizations and its key staff.

c) The workshops for highly successful TAs **built on, and extended, the work of previous workshops**, by agreeing on an action plan and reporting on progress implementing it at the next workshop – consistent involvement in a topic over a period of several years yielded better results than a one off involvement.

d) **In the future it may be possible to supplement the offsite workshops with the use of offsite advisors** who could provide high level advice on a part time, on demand basis, to senior officials in CBI, MOF or COSIT on a wide range of issues – for such advisors to be effective there would need to be a clear request for such assistance from very senior officials in the executing agencies who would be involved in the selection of the person and there would need to be frequent contact with, and supervision by, the concerned IMF staff. Cultural sensitivity and language capabilities must be considered in the recruitment process as well as technical expertise and experience.

e) **Offsite workshops can be used to create opportunities to address issues related to inter-departmental cooperation**, coordination and sharing of information among different Government agencies – inviting representatives from several agencies involved in an issue to a workshop creates occasions for discussions and coordination that are not frequent within Iraq, given the difficult security environment.

f) **Clear, realistic objectives must be stated in the Project Framework for each TA and used as a benchmark against which to assess progress made in BTOs.**

g) The successful TAs addressed issues that were **consistent with Government priorities and IMF operations in Iraq.**

h) **The same IMF staff and/or experts should be involved in a series of workshops that address the same topic** -- they must be recognized as experts in their field and work well with the participants.

3. Concerns About Sustainability

163. **Among the four dimensions of evaluation, the lowest rating was given to sustainability** (see Table VI.1). Given that IMF's involvement in many issues in Iraq is a work in progress rather than something that has been completed, assessing sustainability was a challenge. The assessment was made more difficult, like all aspects of the evaluation, by the fact that the evaluation team could not travel to Iraq to interview a cross section of participants to assess the degree to which they applied the knowledge gained on the job. Despite these caveats, it is a matter of concern that sustainability was rated as on the border between **modest** and **good**. While some of the issues related to sustainability are beyond the control of IMF and executing agencies, they can influence others:

a) **Iraqi Context: Security issues and issues related to the political transition create risks to the sustainability of the TA benefits.** These issues are beyond the control of IMF and executing agencies. The best that can be done is to recognize these risks are present and, to the extent possible, try to mitigate them in pragmatic TA design and implementation. The key appears to be having the flexibility to respond to changing local conditions and frequent interaction with senior Government officials and donors with an in-country presence. This rating reflects the risks associated with working in Iraq. However, given the generally positive ratings reported in this report, the evaluation team believes that IMF made the right decision to engage in Iraq, despite these risks, rather than waiting for a more stable situation. Had IMF opted for the latter strategy, six years after the war finished, IMF still would not be engaged in Iraq.

b) **Continued IMF Involvement: Ensuring long term sustainability requires an adequate level of TA activity in the future.** Issues related to whether IMF will be able to sustain the same level of involvement in Iraq relate to resources. Staff from MCD, FAD, MCM and STA are developing plans for

continued involvement. There is clearly a demand for additional IMF support in all areas, something that senior officials from CBI, MOF and COSIT all stressed their feedback to the evaluation team. However, **IMF's resources are under pressure and it is facing significant staff and budget cuts. The Iraq TA Subaccount has been fully committed. Donors have not yet been approached for a possible replenishment, although this is expected to take place in 2008.** Resources for Iraq will need to compete with the needs for assistance from other countries, possibly within a smaller envelop of resource availability. At this stage it is too soon to say with certainty how the possible downsizing the available resources will affect operations in Iraq. However, the evaluation team believes that the resource issue represents a potential risk to the achievement of objectives and sustainability of benefits for the TAs. While there are a few cases where the benefits would probably be sustainable without any more IMF involvement (e. g., the monetary survey funded under STA's Monetary and Financial TA Cluster; FAD's work related to COA), they are few in number. The majority of TA clusters are works in progress. If adequate TA does not materialize in the future, the expected benefits will not be achieved and sustained. Because of these potential risks the evaluation team has opted to be conservative and assigned relatively low scores to this sub-criteria. What is clear is that sustained engagement over a period of many years is required to achieve results in post conflict situations. A recent paper suggests that best case scenario for successful donor exits from other post conflict situations ranges from 15 to 27 years⁴⁶. Sustained engagement requires access to adequate resources.

c) Government Ownership of TA Outputs: This was the highest rated sub-criteria under the sustainability dimension. **There was good Government ownership to the TA outputs.**

d) Application of Knowledge Gained by Participants on the Job: Neither IMF nor the evaluation team were able to track participants to determine definitively if they were applying skills learned on the job. Concerns in this area relate to the selection of the workshop participants and trainees. **For the most successful TA clusters, it was clear that the right people attended and were applying the knowledge gained on the job. In other cases the evaluation found evidence that the wrong participants attended, that they did not adequately prepare for the workshop and/or there was a lack of consistency in participant participation.** All of these issues raise questions about whether the knowledge learned is actually applied on the job for those TAs. Participants section is a challenge for many international institutions funding out of country events. There must be clear communication from IMF to senior officials defining the desired profile of participants, careful screening and follow up with senior officials if there are problems in this area. IMF made efforts to follow this good practice but, despite such efforts, problems in this area occurred. Adequate participant selection will likely continue to be a challenge as long as IMF staff cannot travel to Iraq and have only limited knowledge of the organization and staffing of TA-receiving institutions.

164. Concerns about sustainability have also been raised in other evaluations of IMF TAs. TAs being rated as successful, despite findings that effectiveness and sustainability were sometimes compromised by factors outside the control of the TA providers and its immediate recipients, has been reported in other evaluations⁴⁷.

⁴⁶ Center for Global Development. Working Paper Number 14. How Soon Can Donors Exit From Post-Conflict States? Satish Chand and Ruth Coffman. 1 February 2008. This paper is based on case studies of Liberia, Mozambique, Solomon Islands, and Timor-Leste. The criteria for successful exit was defined to be the creation of the fiscal space to fund the recurrent budget from internally generated revenues, a necessary but not sufficient condition for donor exit. Given Iraq's potential oil wealth this fiscal space may be created earlier. However, in addition to financial support, time is also needed to create and nurture the institutions required so that the state does not return to being a failed state when donors exit.

⁴⁷ IMF. Technical Assistance Evaluation Program Findings of Evaluations and Updated Program (<http://www.imf.org/external/np/ta/2004/eng/030104.htm>). 12 July 2006.

4. Addressing the Recommendations of a Previous Evaluation of TA

165. In 2005 the Independent Evaluation Office undertook a comprehensive evaluation of IMF's TA activities⁴⁸. The Executive Directors⁴⁹ commended the IEO report as a thorough and insightful and supported all six recommendations. The Managing Director⁵⁰ stated that the report provided a balanced assessment of the strengths and weaknesses of IMF's TA and agreed with all six recommendations. Given this strong support for the IEO report from both the Executive Directors and the Managing Director, the evaluation team expected to find evidence that improvements had taken place since 2005. The findings of this evaluation and those recommendations are juxtaposed in Table VI.4. The key conclusions are:

a) **The Importance of TA Strategies**⁵¹: MCD played an important role in prioritizing TAs and all three TA departments had mechanisms to address strategic issues. The annual work program was submitted to donors for approval. The prioritization and sequencing were generally appropriate and the TAs were closely aligned with country priorities and IMF's operations in Iraq. These findings are more positive than those reported in this area in the IEO evaluation. However, despite the IEO recommendation to prepare a comprehensive written strategy to encourage focus and selectivity, serve as a medium-term priority-setting mechanism through which country TA priorities as well as priorities across countries could be established and to facilitate donor coordination, such a document was not produced.

b) **Systematically Tracking TA Activities**: The expectation that TAIMS would be a useful system to improve IMF's monitoring of TAs has not materialized. Only STA made effective use of TAIMS.

c) **Greater Executing Agency Involvement**: Government ownership of the TAs and their outputs was generally good. There were only a few incidences identified in the evaluation of insufficient Government involvement in the TA design.

d) **Discussion Prior to Formulating Recommendations**: A series of workshops, often involving in-country experts financed by other donors, designed to achieve a specific objective, showed the greatest executing agency involvement formulating and implementing recommendations, with the proviso that participant selection was appropriate.

e) **Stronger Ex-Post Evaluation and Self Assessment of TAs**: This evaluation is an example of the type of ex-post evaluation recommended by IEO. A few other ex-post evaluations have been undertaken by OTM, MCM and FAD. However, the evaluation team did not find any evidence of systematic self evaluation of completed TAs funded from the Iraq TA Subaccount, although STA systematically assessed the progress made by missions.

f) **TA Prioritization**: Consistent with the IEO recommendation, the evaluation found evidence that TA prioritization was driven by MCD, with the result that the TAs supported IMF operations in Iraq and were consistent with the priorities of the authorities. For FY 2008, the Regional TA Strategy Note for Iraq was strengthened.

⁴⁸ IMF. Independent Evaluation Office. Evaluation of the Technical Assistance Provided by the International Monetary Fund. 31 January 2005 (http://ieo-imf.org/eval/complete/eval_01312005.html).

⁴⁹ The Acting Chair's Summing Up Independent Evaluation Office—Evaluation of the Technical Assistance Provided by the Fund. Executive Board Meeting 05/16. 18 February 2005 (<http://www.imf.org/external/np/ieo/2005/ta/eng/pdf/021805.pdf>).

⁵⁰ Statement by the Managing Director on the Independent Evaluation Office Evaluation of the Technical Assistance Provided by the Fund. Executive Board Meeting. 18 February 2005 (<http://www.imf.org/external/np/ieo/2005/ta/eng/pdf/021105.pdf>).

⁵¹ Previous evaluations of TA have noted the importance of having a strategy and that TAs are most successful when they are part of an overall strategy. See IMF. Technical Assistance Evaluation Program Findings of Evaluations and Updated Program. 2 March 2004 (<http://www.imf.org/external/np/ta/2004/eng/030104.htm>).

Table VI.4: Findings Regarding the Recommendations of IEO's Evaluation of TA	
IEO Recommendations and Findings	Iraq TA Subaccount Findings
<p>1. The IMF should develop a medium-term country policy framework for setting TA priorities, incorporating country specific strategic directions and linked to more systematic assessments of factors underlying past performance. TAs were not guided by medium-term country-based policy frameworks that set TA priorities across sectors, program needs and institutional initiatives, and balanced TA demands. The area departments were expected to play the lead role in preparing a multiyear plan of TA as an integral part of the assistance strategy to countries. Preparing such a strategy was viewed by IEO as an important step to improve the coordination of TA with other providers—an area where both IMF staff and donors felt improvements were needed. IEO concluded that IMF should focus its activities and be selective to improve the relevance of TAs and probability of success.</p>	<p>The evaluation confirmed that, as envisioned in the IEO study, MCD played an active role in setting TA priorities that were set out in the work program submitted to the donors for approval. STA prepared a strategy paper for Iraq, MCM prepared a periodic strategy note and FAD has regular meetings, chaired by departmental management, to prioritize TA requests. All of these, plus good diagnostics, led to the proper prioritization and sequencing of TAs that were aligned with Government priorities and the IMF's activities in Iraq. These positive findings reflect pragmatic decision making and appear to be more positive than the results reported in this area in the IEO study. However, there was no comprehensive, written strategy that, in the words of the IEO study, was "... a medium-term priority-setting mechanism through which country TA priorities as well as priorities across countries can be established". Preparing such a strategy would provide a vehicle to engage the Government in setting priorities and making tradeoffs⁵². A more comprehensive approach to developing TA strategies does not mean that the Fund would be expected to deliver everything in the strategy. Rather, it should be viewed as a tool to help the donor community to work together to deliver a well integrated and coordinated package of assistance that addresses the needs of a government in a comprehensive way.</p>
<p>2. The IMF should develop more systematic approaches to track progress on major TA activities and to identify reasons behind major shortfalls. A results chain through which a TA was expected to have a final impact, benchmarks for measuring progress and the factors behind short falls needed to be identified. TAIMS was to be the vehicle through which TA monitoring practices were unified and made transparent across IMF.</p>	<p>STA has made effective use of TAIMS to support TA management. STA's documentation on TAIMS was complete and well organized. BTOs included a written assessment and used a four point scale to assess whether or not objectives were achieved. FAD and MCM do not use TAIMS as a management tool. Documentation was incomplete and BTOs were not accompanied by self assessments of their achievements.</p>
<p>3. Greater involvement by the authorities and counterparts in the design of TA activities and arrangements for follow-up should be emphasized as a signal of ownership and commitment. Counterparts should participate in the preparation of the terms of reference and help design the activity. For more complex multiyear TA activities, a letter of agreement could specify commitment and resources including mutually agreed milestones of progress, resource commitments by both the IMF and the authorities and the policy steps required to ensure necessary institutional changes.</p>	<p>Overall, the evaluation rated Government ownership of the TA outputs as good. In only a few instances was there evidence of the executing agencies not being sufficiently involved in TA design. Although each TA department had a complex, multi-year TA program, none of them followed IEO's recommendation of having a letter of agreement.</p>
<p>4. Stronger efforts should be made by TA experts to identify options and discuss alternatives with local officials prior to drafting TA recommendations. IEO</p>	<p>A series of workshops designed to build on past results and achieve a specific objective provided several opportunities for counterparts and experts to work</p>

⁵² The IEO evaluation suggests that such a strategy could be linked to the Poverty Reduction Strategy and Program, although difficulties in doing so were noted. Although the World Bank provided TA in 2006 to support the preparation of such a document for Iraq, a search of its webpage indicates that it is not yet available.

<p>concluded that this increases the likelihood of TA recommendations being implemented. Sufficient time is needed for informal discussions prior to issuing recommendations.</p>	<p>together to develop recommendations. Such TAs had relatively high effectiveness ratings and the feedback was that the experts and IMF staff worked well with their counterparts and took their views into consideration. One off workshops and training sessions provided less opportunity for such interaction. Appropriate participant selection was a necessary pre-requisite for discussions to be fruitful.</p>
<p>5. The program of ex post evaluations of TA should be widened and more systematic procedures for disseminating lessons put in place. OTM should continue to prepare and update a program of ex post evaluations of TA. The TA departments should undertake self-assessments. Evaluation findings should be made more widely available within IMF.</p>	<p>OTM's decision to undertake an evaluation of the Iraq TA Subaccount is consistent with this recommendation. OTM and the TA departments work together to prepare reports (Technical Assistance Evaluation Program Findings of Evaluations and Updated Program) that typically post evaluate three or four clusters of TAs selected by theme or by country. However, the evaluation found no self evaluations of completed TAs funded from the Iraq TA Subaccount were undertaken by any of the TA departments.</p>
<p>6. The prioritization filters should be discontinued or replaced by ones that would more effectively guide TA allocation. Either course of action involves strategic decisions on trade-offs that need to be taken explicitly. OTM noted that different approaches can be adopted to balance two groups of factors in setting priorities: (i) strategic direction by the Executive Board and management on those areas where the IMF will seek to maintain or develop "core competencies" in its TA activities; and (ii) a system that allocates resources effectively between competing demands, guided by overall strategic objectives. IEO concluded that priority setting should be derived from country strategies guided by area departments and should be done in a manner that reflects strong country ownership.</p>	<p>The prioritization filters were abolished in 2005 and replaced by Regional TA Strategy Notes which are created through an interdepartmental process led by the area departments. The evaluation found clear evidence that MCD played a key role in setting priorities for TA in Iraq and that the TAs were well aligned with country priorities, had a reasonable degree of country ownership and supported IMF operations. For FY 2008, the Regional TA Strategy Note for Iraq was strengthened.</p>

C. Recommendations

1. Place A Higher Priority on Pro-active Coordination

166. **Although IMF/donor coordination was assessed as being good, it was the lowest rated criteria among the relevance sub-criteria** (see Table VI.5). As is shown in Chapters III, IV and V there were examples of excellent coordination in the TA clusters managed by each of the TA departments. In the best practice examples synergies were built with other donors through: (i) joint missions; (ii) developing a joint framework within which to provide technical assistance; (iii) inviting in-country consultants financed by other donors to workshops to make a professional input; (iv) using in-country experts to help implement action plans agreed at the end of workshops; and (v) using IMF conditionalities and policy dialogue to create opportunities for other donors to expand their programs in Iraq. **While there were examples of best practice, there were TA clusters where more could, and should, have been done in the area of donor coordination.** Opportunities were missed that had the potential to develop synergies that might have improved the development impact achieved by the TAs. The evidence suggests that proximity results in better coordination. In general, coordination was better between IMF and Washington based institutions than with non-Washington based institutions. However, for some TA clusters there was less than optimal coordination with Washington based institutions.

Criteria	Rating ^a			
	FAD	MCM	STA	Score ^b
	37	45	18	100
Assessment of IMF/Donor Coordination	2.7	3.3	2.5	2.9
Overall Relevance Rating/Score	3.1	3.3	3.1	3.2
Overall Rating/Score	2.8	3.2	2.8	3.0

a/ = Rating: 4 = Excellent; 3 = Good; 2 = Modest; 1 = Poor
b/ = Weight by % of TA Budget Allocated to Each TA Department

Highly Successful (Excellent) ≥ 3.5 ; $3.5 < \text{Successful (Good)} \geq 2.5$;
 $2.5 < \text{Partly Successful (Modest)} \geq 1.5$; Not Successful (Poor) < 1.5

FAD = Fiscal Affairs Department TAs; MCM = Monetary and Capital Markets Department TAs; STA = Statistics Department TAs

167. There are **five reasons why coordination among donors matters**: (i) under the 2005 Paris Declaration,⁵³ IMF committed to better coordination at the country level to increase development impact and to reduce the transaction costs for recipient countries – the Iraq TA Subaccount could be viewed as a positive example of the type of collaborative behavior among donors that was promoted in the Paris Declaration; (ii) one of the lessons that IMF learned from operating in post conflict situations was that donor coordination was important and that IMF should do more in this area; (iii) the July 2003 Program Framework explicitly recognized the importance of donor coordination and committed IMF to work closely with other TA providers; (iv) the evaluation has provided evidence that the synergies developed through good coordination helped to achieve **good to excellent** TA outcomes; and (v) given some indications of a better security situation in the latter part of 2007, some donors are thinking about increasing their presence in Iraq – if this comes to pass, more pro-active coordination will be needed in the future. Donor coordination requires cooperation from three parties – IMF, the other donor and the government. However, each party has its own agenda, objectives, time lines and procedures. Because of such factors, despite broad conceptual agreement that donor coordination important, it sometimes does not happen.

168. While donor coordination is important, the evaluation also identified **other areas where more attention to coordination might lead to better development results**:

a) **Coordination with Regional Institutions**: In 2004 IMF established the Middle East Technical Advisory Center (METAC) in Beirut, with financial support from 13 donors, to better coordinate and manage its technical assistance services across the region. METAC provides assistance in the areas of banking supervision, public financial management, multi-sector statistics, and revenue administration. There is an overlap in the types of activities undertaken by METAC and those financed by the Iraq TA Subaccount. The evaluation identified a couple of instances when an expert from METAC was involved in a TA mission. Going forward, more effort could be made to develop synergies between METAC assistance and TAs financed under the Iraq TA Subaccount. The resources of divisions at IMF Headquarters needed to oversee and backstop missions are under pressure. Also, the administrative demands for organizing missions in the Middle East for the offsite delivery of Iraq TAs are substantial. Given its location and Arabic language capabilities, METAC might be in a position to undertake the myriad of logistical issues related to planning and implementing the workshops more cost effectively and efficiently than staff in Washington⁵⁴. If METAC is asked to take on such a role, administrative and budget

⁵³ PARIS DECLARATION ON AID EFFECTIVENESS. Ownership, Harmonisation, Alignment, Results and Mutual Accountability. March 2005.

⁵⁴ Initially a TA coordinator was financed for this purpose but this was later discontinued.

issues would need to be addressed. CBI suggested that working more closely with another regional institution, the Arab Monetary Fund, might compliment some of IMF's efforts.

b) **Coordination Between Government Agencies:** For several TA clusters, the evaluation team found issues related to coordination between government agencies. In some cases different agencies needed to work together to address complex challenges (e.g., bank restructuring) or to share information (e.g., several MCM and STA clusters). There were some examples that suggest that such issues can sometimes be addressed by inviting senior staff from concerned agencies to offsite workshops. For this strategy to work, careful planning is required, senior level participants need to be able to commit their agencies and high level agreement needs to be reached among all participants on the importance of working together and sharing information. Security conditions limit meetings of Government officials in Baghdad. Until the security situation improves, offsite venues may be one way to address this issue.

c) **Coordination Within IMF:** The evaluation found evidence of good coordination between MCD and the TA departments. However, there were also instances where there were opportunities for better information sharing between and within TA departments. The entire knowledge within IMF should be leveraged to benefit Iraq.

169. The importance of donor coordination in the provision of TA and calls for IMF to do better in this area are not new. IEO's evaluation⁵⁵ reached a similar conclusion as it found many instances of weak coordination between the IMF and donors working in similar areas. The IEO evaluation recommended "Going forward IMF should make more proactive efforts to coordinate with other development partners, make optimal use of regional institutions and address coordination issues within the government and within IMF." This evaluation echoes those IEO findings, although it did find some examples of best practice in this area.

170. The Paris Declaration stresses the importance of "increasing alignment of aid with partner countries' priorities, systems and procedures and helping to strengthen their capacities" and "eliminating duplication of efforts and rationalising donor activities to make them as cost effective as possible". To achieve these objectives the Paris Declaration states that "Partner countries exercise effective leadership over their development policies, and strategies and co-ordinate development actions". Partner countries committed to taking "the lead in co-ordinating aid at all levels in conjunction with other development resources in dialogue with donors and encouraging the participation of civil society and the private sector" and donors committed to "respect partner country leadership and help strengthen their capacity to exercise it". As a signatory of the Paris Declaration, IMF is committed to Iraq playing a leading role in coordinating donor assistance to strengthen macroeconomic management and the related institutions. In addition to IMF playing a more proactive role in the area of donor coordination, IMF could suggest that CBI, MOF and COSIT take the lead in setting priorities and coordinating assistance in their areas of responsibility. This might involve forming TA committees to be responsible for developing work plans in conjunction with all donors, and evaluating delivery by providers and implementation by the staff of the executing agencies. Such committees would serve as a useful focal point for donors and be responsible for coordination among TA providers. While it may take some time before executing agencies can play the lead role in donor coordination, this should be the long term objective.

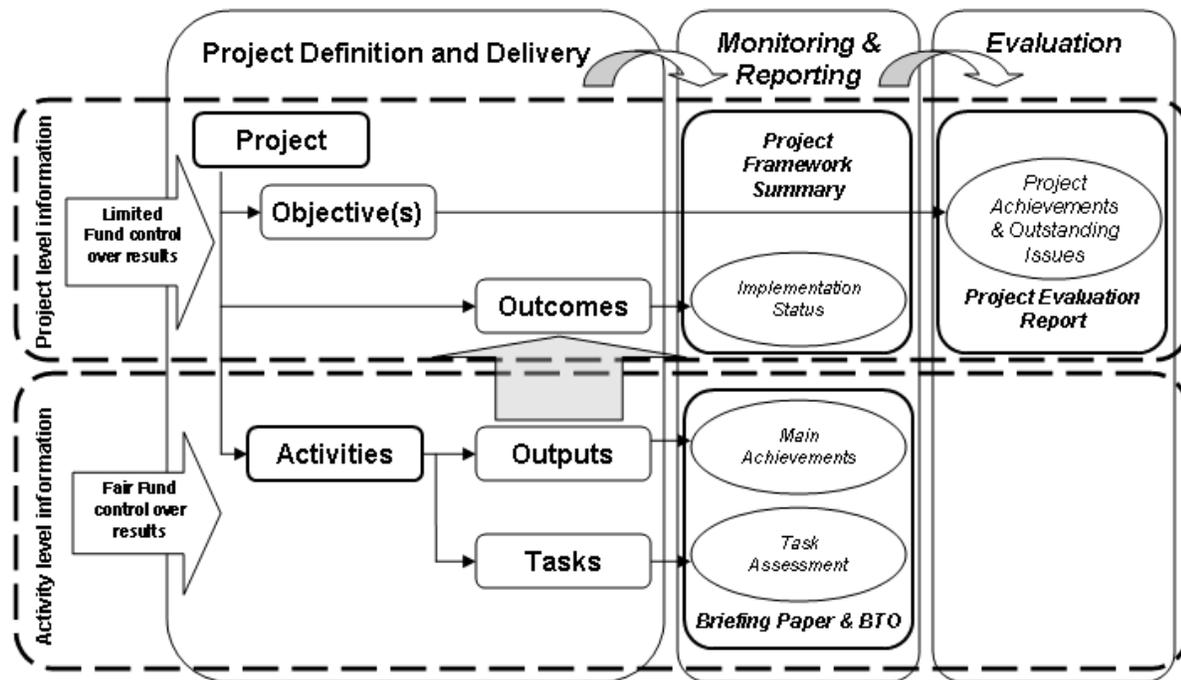
2. Strengthen the TA Information Management System

171. TAIMS was designed to be a tool for documenting and sharing information on TA delivery to facilitate the prioritization of TA resources, improve awareness of issues related to TA provision, improve the integration of TA with surveillance and IMF operations and enhance reporting on the effectiveness of TA. TAIMS was to provide Fund-wide access to information on the content of TA activities, progress achieved, a record TA activities (e.g., missions; short-term experts; long-term advisors; seminars and workshops; headquarters-based work) and facilitate TA evaluation by storing information needed for such assessments. An overview of the TAIMS process is illustrated in Figure VI.1.

⁵⁵ IMF. Independent Evaluation Office. Evaluation of the Technical Assistance Provided by the International Monetary Fund. 31 January 2005 (http://ieo-imf.org/eval/complete/eval_01312005.html).

172. TAIMS was designed to ensure that: (i) monitoring takes place during the entire life cycle of the project as an input into TA management; and (ii) TA evaluation is undertaken to facilitate learning. The self evaluation of TAs was to be undertaken not later than 12 months after TA completion to assess the extent TA objectives and outcomes were achieved on a scale from 1 (poor) to 4 (excellent). The resulting ratings were to be used for the corporate performance indicators. **Despite the time and effort that has gone into developing TAIMS as an IMF-wide platform and OTM's attempts to encourage its use, the evaluation team found major differences in its use across the TA departments.**

Figure VI.1: TAIMS Process Overview



Source: TAIMS GUIDANCE NOTE (draft for discussion) July 2007. Page 5

173. On the positive side, **STA has been operating TAIMS for the last three years and has used it to create a comprehensive information base on TA activities**, both IMF and donor-funded. It is a "cradle to the grave" system -- from briefing papers, project documents, logical frameworks, BTOs and TA reports. For STA, TAIMS included mission assessments that evaluate mission outcomes relative to objectives on a four point scale. The evaluation team reviewed this material and found the records were reasonably complete, up to date and of generally good quality. The ease of access to these documents facilitated the evaluation. The only document that was consistently missing in TAIMS for the STA TAs was the end of the project assessment report. While this is done for one external donor funded TA⁵⁶, such reports have not been prepared for the Iraq TA Subaccount. OTM should issue written guidelines requiring end of TA assessment reports for all TAs, regardless of source of financing. With the adaptations STA have made to TAIMS, it is an effective platform that could be used by other departments. One of the key factors in this success story is that STA departmental management recognized the need for a system that provides an information base for internal monitoring and evaluation purposes and is committed to ensuring that it works and is kept up to date. The interest and support of departmental management provides incentives for STA staff to use TAIMS and keep the information up to date.

⁵⁶ In practice such reports are only prepared for TAs financed from the Japan TA Subaccount because they are explicitly required by OTM, something that is written in the corresponding guidelines and website.

174. In contrast to STA, **TAIMS was not used effectively by either FAD or MCM. In both of those departments there were many gaps in the information available.** Consequently, it proved difficult and time consuming for the evaluation team to find the necessary documents. The information needed for effective TA monitoring and evaluation was not in TAIMS. In many cases, project proposals contained the minimum amount of information necessary to get approval of financing from the Iraq TA Subaccount and logical frameworks did not provide adequate information on objectives, expected outcomes and monitoring indicators. Neither end of mission assessments nor end of TA assessments were prepared for FAD or MCM TAs. FAD and MCM staff cited several reasons for not using TAIMS: (i) the system was cumbersome and time consuming to use; (ii) the system did not meet the needs of their departments; (iii) departmental management did not use the system so there was no incentive for MCM and FAD staff to use the system or to keep the information in the system complete and up to date; and (iv) the effort needed to use TAIMS was not commensurate with the resulting benefits.

175. OTM has made it clear that TAIMS has an important role to play of externally funded TA. All funding proposals, using the approved Project Proposal template, must be entered, and approved through TAIMS as a condition for access to funding. However, once funding was secured, FAD and MCM were much less diligent in entering additional material in TAIMS. Although OTM recognizes the importance of comprehensive monitoring and reporting to donors, FAD and MCM did not use TAIMS to make such information available. **The short comings in TAIMS relate not just for external evaluation but also to support internal monitoring and quality control of TA activities.**

176. **The problems associated with TAIMS and the fact that IMF does not have a sound information platform for TA management are well known.** Because of these concerns, a review of TAIMS was undertaken in 2007 to take stock of progress since the 2005 TAIMS review and make recommendations for improvement. The key findings of that study included: (i) the objectives of TAIMS are important and such a system is required; (ii) TAIMS is not meeting its original objectives as it does not provide a comprehensive view of TA use, is viewed as having little practical use by some departments and there are no procedures to ensure that the information in TAIMS is complete and up to date⁵⁷; (iii) some TA departments do not agree on the conceptual model that underpins TAIMS; (iv) the resource implications of increased, systematic monitoring and evaluation of TAs and their outcomes have not been quantified or considered as an integral part of TAIMS implementation; (v) the draft TAIMS Guidance Note should be finalized to provide the minimum set of information that all departments must maintain in TAIMS; (vi) the potential benefit of making a TA “knowledge base” more widely accessible has not yet been realized; and (vii) TAIMS provides a solid technical platform for the management of TA activity, although some redesign is needed to improve usability and better support remote access.

177. As part of the TAIMS review, a usability assessment⁵⁸ was undertaken which found that: (i) there was general support for the goals of TAIMS, although it was viewed as being flawed; (ii) the highest satisfaction rates were in OTM and STA and most people in FAD, MCM and LEG disliked TAIMS and did not use it; and (iii) TAIMS did not provide the information the area departments needed so it was rarely used. There were widespread difficulties experienced using the system and specific usability issues were identified that needed to be addressed. The findings of the evaluation team were generally consistent with these conclusions. While there was strong support for the system in OTM and STA, TAIMS was not used effectively in FAD or MCM. When the evaluation team used the system we found that it was not very user friendly, offsite access was sometimes problematic and security codes prevented access by the evaluation team to some documents. While information was available for specific STA TAs, it was not

⁵⁷ An examination of externally funded projects completed in FY 2007 found that 68% lacked an end-of-project assessment, 22% did not have defined outputs and 13% did not have project objectives and that most of the information in reports provided to donors is not stored in TAIMS.

⁵⁸ Evans Incorporated. Technical Assistance Information Management System (TAIMS). Usability Testing. TASK 3 Deliverable. Usability Test Final Report. 23 April 2007.

possible to easily develop tables that aggregated information on a portfolio or TA cluster basis⁵⁹. Information on a portfolio or TA cluster basis is more likely to be of interest to departmental management, Fund management and donors than very detailed information on one TA mission or activity.

178. **Implementing the recommendations of the Second TAIMS review should address many of the issues identified this evaluation.** However, given the deep seated antipathy to TAIMS in FAD and MCM, it remains to be seen if the recommendations will be implemented and if they are sufficient to address the underlying problems. Strong leadership from OTM, supported by Fund management and the management of the TA departments, will be needed to address the longstanding problems in TAIMS. To be successful, staff must see that departmental management use and value TAIMS and that it makes their life easier rather than more difficult. IMF is in the process of improving the usability of TAIMS with inputs from the TA departments. **The expectation is that as of 1 May 2008, IMF management will require all TAs, regardless of source of financing, to be designed and monitored through TAIMS.**

3. Strengthen the Evaluation System for TAs by Building a Self Evaluation System for TAs and Developing Guidelines for the Ex-post Evaluation of TAs

179. In July 2002 the Board endorsed a proposal to introduce a formal program of TA evaluation to: (i) increase the frequency and coverage of TA evaluations; (ii) generate and disseminate lessons to make TA more effective; (iii) strengthen TA integration with IMF's surveillance and program work; and (iv) improve the accountability and transparency of TA. Reports entitled Technical Assistance Evaluation Program Findings of Evaluations and Updated Program were produced in 2004, 2006 and the next is scheduled for release in May 2008. The reports are prepared jointly by the TA departments and OTM. Sometimes the evaluations are undertaken by independent, external evaluators and sometimes by the staff of the concerned TA department. Each report includes a post evaluation of three or four clusters of TAs.⁶⁰ Only a small fraction of IMF's TAs can be assessed each year using this approach. This raises issues related to the topic selection and how representative the findings are, i. e., whether the results can be generalized.

180. Part of one of the recommendations in IEO's TA evaluation report was that IMF should develop a self evaluation system for TAs. This was broadly supported by the Executive Directors and the Managing Director who, in commenting on the report, stated "There is also a continuing role for self-assessments by TA-providing departments." Despite this, **the evaluation team did not see any evidence that the TA departments have implemented a self evaluation system for completed TAs financed from the Iraq TA Subaccount.** The only evidence of consistent, formal self evaluation that the evaluation team came across was the self assessment of STA missions.

181. A Project Assessment template is available to be completed at the end of the TA to compare achievements against the objectives and verifiable indicators indicated in the project proposal. The evaluation team did not see any examples of End of Project Assessment Reports that documented the degree to which objectives were achieved and outputs produced, underlying reasons for the results and lessons learned. The plan was for End of Project Assessment Reports to become a part of the documentation sent by OTM to the donors. While this is a good plan, the TA departments need to produce the necessary documentation. OTM should issue written guidelines to ensure that such documents are produced for all TAs, regardless of the funding source. **Based on the findings of this evaluation, IMF is a long way from achieving the objective of instituting a sound self evaluation system for TAs.**

182. **There are several compelling reasons why IMF should develop a self evaluation system for TAs:** (i) to learn from past to improve future by identifying what works and what does not; (ii) to provide departmental management with an assessment of their TA portfolios at an aggregate level and by TA

⁵⁹ While this could be done, it required a special run by a technical expert.

⁶⁰ For example, evaluations of regional TA centers, country or sector evaluations and project evaluations.

type; (iii) to provide the Managing Director with the information that is necessary for him to be accountable to the Board for the use of TA funds; and (iv) to provide the information that donors are increasingly asking from other international financial institutions to demonstrate the results achieved and value for money for the grant funds that they entrust to such institutions.

183. It was beyond the terms of reference for this study to develop a full self evaluation system for TAs. However, the evaluation team does believe that such a system is needed. Based on the experience of the evaluation team, **a number of good practice principles** for such a system can be identified:

a) **Keep it simple:** Develop a standard two to three page template that would not place inordinate burdens on task managers to complete.

b) **100% Coverage:** All IMF TAs, regardless of the source of funding and responsible department, should be covered.

c) **360° Feedback:** The assessment should reflect the views of IMF staff, the executing agency and experts.

d) **Use A Standard Evaluation Rating System:** The standard dimensions of evaluation (e.g., relevance; efficiency; effectiveness; sustainability) should be rated and weighted to arrive at an overall rating. One approach to this has been used for this evaluation, which could be modified, simplified and adapted for IMF's self evaluation system. In the current proposal, the judgments that are used to arrive at the assessment on the four point rating scale are unlikely to be transparent to all readers or consistent across TAs.

e) **Self Evaluation Provides a Basis for Ex-post Evaluation:** Periodically, OTM and the TA Departments undertake evaluations of TAs. This should include periodic evaluations of the quality of the self assessments. The same dimensions of evaluation, sub-criteria and rating methodology should be used for both the self evaluation and ex-post evaluations. OTM should work closely with the TA departments to develop the standard evaluation rating system. The goal is through periodic comparisons between self evaluations and ex-post evaluations for the same TAs, the IMF Board, the Managing Director and donors believe that they can rely on the self evaluation system. Some differences in the results of self evaluations and ex-post evaluations are to be expected, given that ex-post evaluations will normally be undertaken a year or more after the self assessments when more information is available. The objective is to eliminate any consistent upward bias in the ratings in the self evaluations in the TA portfolios.

f) **Focus on Outputs and Outcomes:** The self evaluation system should focus on outputs and outcomes, rather than being dominated by a discussion on inputs.

g) **Make the Self Assessments Public:** Making self assessments public through the IMF web page would increase transparency and provide incentives for objective, candid evaluations that can withstand public scrutiny.

h) **Set Targets for the Number of Self Evaluations to be Completed in the Year:** Preparing self evaluations of TAs should be included in the work programs of individual staff members and departments. Whether or not the targets were achieved would be reported at the end of the year.

184. The purpose of the study was to evaluate the TAs funded under the Iraq TA Subaccount. The study was not designed to assess IMF's evaluation system for TAs. However, in undertaking its work, the evaluation team found that, in practice, IMF does not have a functioning self evaluation system for TAs. This increased the amount of work undertaken for this evaluation. Given that the number of ex-post evaluations will be limited in number and will only cover a small number of the total IMF TAs, and the recommendation in the IEO TA evaluation, the lack of self evaluation system ought to be a matter of concern to the Fund. Given the budget cuts that IMF will face, there are likely to be more pressures on OTM to try to secure additional TA resources from donors. Donors are becoming increasingly discriminating in terms of making decision on whether to channel portions of limited aid budgets through multilateral or bilateral agencies or nongovernment organizations. Aid budgets are coming under increasing scrutiny as part of the accountability mechanism to the public for how taxpayer money is spent. Given this context, donors are asking increasingly pointed questions about the results achieved by multilaterals for the funds entrusted to them. Going forward, donors will likely demand more evaluation and accountability for delivering results from organizations to which they provide trust funds. IMF would

be in a better position to respond to such questions if it had a functioning self evaluation system for TAs. The need for a self evaluation system has been recognized and plans are in hand to develop it.

185. **IMF needs a standard methodology to evaluate and rate TAs that is set out in clear guidelines governing the ex-post evaluations undertaken by OTM and the TA departments.** A new methodology should not be developed for each evaluation. Having a standard methodology would allow aggregation across TA evaluations and improve the efficiency of the evaluation process. A standard methodology would reduce the amount of time individual evaluation teams spend developing the approach, methodology, evaluation criteria and rating system. The evaluation framework used in this study reflects best practices of other international financial institutions, adapted to reflect the terms of reference of this evaluation. It is the first application of such a detailed rating and scoring system in an evaluation commissioned by OTM. This experience should serve as a useful model to inform OTM and lead to the development of a standard approach and guidelines for the ex-post evaluations of TAs. In doing so this framework should be further tested and refined in the context other types of evaluation (e.g., assessing TA at country or sector level; evaluating other TA subaccounts; evaluating regional technical assistance centers). A Delphi technique should be used to reach consensus between OTM, the TA departments and the area departments on the sub-criteria used under each of the four dimensions of evaluation and the various weights used. This should be done as an independent exercise that is not related to any particular evaluation. Eventually OTM should have a standard set of sub-criteria and weights that could be used for all ex-post TA evaluations and are set out in OTM issued guidelines. The guidelines should, however, provide the flexibility for evaluators to propose changes in the recommended weights and sub-criteria, with adequate justification, should that be necessary to suit the purposes of particular TA evaluation. There should be consistency in the approach and methodologies used in ex-post evaluation guidelines and the guidelines for self assessments.

4. Improve Reports to the Donors

186. Regular reports on the Iraq TA Subaccount were prepared for the donors -- three annual reports and work plans and periodic interim reports. The reports provided a brief overview of the economic and political context, described past and expected activities, reported on financial matters and put forward a work program for no objection approval. Although there were two meetings with donors during the early period of the Iraq TA Subaccount, during most of the evaluation period the donors were not actively involved in the decision making and relied on these written reports to monitor progress.

187. **The reports to the donors focus more on inputs than outputs, outcomes and results achieved.** Several of the representatives of donors interviewed by the evaluation team stated that **the reports should focus more on the results achieved rather than inputs.** While it is understandable that in the first year or so of the evaluation period the reports focused mostly on inputs, as time progressed there should be an increasing focus on results achieved. This problem reflects, in part, the lack of a well developed TA self evaluation system that OTM can draw on when preparing the reports to the donors and the many gaps in TAIMS. Project frameworks were not always well prepared and, with the exception of STA, documentation was not available that showed a clear self assessment process for missions that rated accomplishments vis a vis the initial objectives. The focus on inputs rather than outputs appears be a systemic problem in IMF's internal documentation for TAs. The IEO TA evaluation stated that "As far as capacity-building activities are concerned, current IMF internal documentation focus largely on the input side—organization of missions, logistics, preparation of analytical reports, and the particular tasks that resident experts need to undertake during the delivery stage—and the near-term outputs (Stage A), including advice, training of personnel, preparation of manuals, exposure to state of the art practices, and improvements in information systems. There is less effort to identify indicators that track the enforcement of the new technical know-how by the agencies that have received TA (Stage B), and even less effort to track final impact on the ground (Stage C)."⁶¹

⁶¹ IMF. Independent Evaluation Office. Evaluation of the Technical Assistance Provided by the International Monetary Fund. 31 January 2005. Para 201 (http://ieo-imf.org/eval/complete/eval_01312005.html).

188. **In some cases the reports did not give the donors a clear picture of the problems that IMF was experiencing in effectively delivering TA in Iraq.** While the reports did discuss the challenges caused by the security and political situation, factors beyond IMF's control, there was little discussion about some operational problems over which IMF and the executing agencies had some control (e. g., problems experienced with inappropriate participant selection; lack of consistency in participant participation; lack of pre-workshop preparation; the failure to bring data and Excel worksheets to the workshops; the reasons for STA's inability for engage in the area of government finance statistics; problems that were being experienced with the FMIS).

189. The evaluation rated the effectiveness of the TAs funded by the Iraq TA Subaccount as **good**, both in terms of using TA outputs and in terms of actual versus desired outputs (see Table VI.6). The evaluation documented some outputs and outcomes, although in many areas the TAs would still be classified as a "work in progress". The information in this evaluation should help OTM to respond to the requests from the donors for more information on achievements associated with the TAs funded under the Iraq Subaccount.

Criteria	FAD	MCM	STA	Score ^b
		37	45	18
Use of TA Outputs	2.5	3.5	2.8	3.0
Desired vs. Actual Outputs	3.0	3.3	2.8	3.1
Overall Effectiveness Rating/Score	2.7	3.3	2.8	3.0
Overall Rating/Score	2.8	3.2	2.8	3.0

a/ Rating: 4 = Excellent; 3 = Good; 2 = Modest; 1 = Poor
b/ Weight by % of TA budget allocated to each TA department

Highly Successful (Excellent) ≥ 3.5 ; 3.5 < Successful (Good) ≥ 2.5 ;
2.5 < Partly Successful (Modest) ≥ 1.5 ; Not Successful (Poor) < 1.5

FAD = Fiscal Affairs Department TAs; MCM = Monetary and Capital Markets Department TAs;
STA = Statistics Department TAs

190. **The reports to the donors focused only on the TAs financed under the Iraq Subaccount. However, the 2003 Program Framework clearly indicates that the Iraq Subaccount was an integral part of the IMF's operations in Iraq and that resources were to be contributed from the IMF's budget as well as the funds provided by donors.** About 45% of the funds and 52% of the person months were to be provided from the IMF's internal resources to deliver the planned program of assistance for Iraq (see Annex A). Although the Program Framework estimates the internal resources that the IMF expected to provide to complement the resources made available from the TA Subaccount, similar information was not provided in the progress reports submitted to the donors.

191. During the evaluation it was clear that IMF was devoting more resources to Iraq than what was being financed from the Subaccount. MCM, FAD and LEG⁶² all made important contributions that were

⁶² For example LEG provided assistance related to central bank and commercial banking legislation and for the currency exchange. The October 2004 Progress Report states LEG will provide assistance related to secondary central bank and commercial banking legislation, the payment system and tax legislation. However, none of the assistance provided by LEG was financed under the TA subaccount. In September 2007 LEG and CBI officials discussed TA for anti-money laundering and capacity building. A proposal is included in TAIMS and official TA request from Iraq authorities was received in March 2008. Recent developments in relation to LEG's budget mean that LEG will need access to funds from the TA Subaccount provide this support, which is expected to involve working jointly with the World Bank and UNODC. In relation to any contribution by LEG to a TA work plan in the area in FY2010 and FY2011, the cost of any non-assessment related TA is unlikely to be financed by internal means and

financed from internal IMF resources. However, data was not readily available that could be used to quantify this amount of effort. At the request of the evaluation team, OTM extracted some data from the IMF time recording system to assess the amount of time that IMF staff are putting into Iraq operations. While this data is not perfect, it provides an order of magnitude estimates, based on actual data, to compare to the estimates in the Program Framework. This data also helps to put the Iraq TA Subaccount into perspective relative to the total TA resources that IMF has devoted to Iraq. The results of this analysis are summarized in Table VI.7. Over the period 2005 to 2007, about 7.25 person years of IMF staff and experts time was devoted to TA for Iraq. Of this total, 68% was financed by IMF resources, 30% by the Iraq TA Subaccount and 2% by METAC. Looked at another way, **the level of effort financed by the Subaccount allowed IMF to increase its TA delivery to Iraq by about 43% over the resources that were financed internally by IMF.** In relative terms, **IMF contributed slightly more person months than was implied in the 2003 Program Framework.** Some of the internally funded activities would cover TA administration activities (e.g. TA planning; contracting; administration) and some was the direct delivery of TA services. However, it was not possible to break down the information into those two categories. In addition to the Fund's resources, IMF also leveraged incremental resources in the form of experts financed from other sources (e.g. the U. S. Federal Reserve; U. S. Treasury; USAID; World Bank) to support some of the workshops and training.

Department	IMF	Iraq Subaccount	METAC	Total	Subaccount as % of Total
FAD	1.05	0.27	0.05	1.37	19
LEG	0.20	0.00	0.00	0.20	0
MCD	0.03	0.00	0.00	0.03	0
MCM	2.35	1.08	0.02	3.45	31
STA	1.10	0.80	0.06	1.96	41
TGS	0.24	0.00	0.00	0.24	0
Total	4.96	2.15	0.13	7.25	30

a = data for METAC only available for 2006 and 2007

Source: Time Recording System data

accordingly all costs including staff travel costs relating to Iraq TA would have to be borne by the Iraq (or another) sub-account. Such assistance would involve capacity development in the three target groups (e.g., development of a financial intelligence unit; training in financial sector supervision; and overall awareness raising of government officials with an extension to the private sector in due course).

Evaluation of the Technical Assistance Subaccount for Iraq

ANNEXES

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March 2008

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Annex A: The Iraq TA Subaccount

A. Background

1. The Technical Assistance Subaccount for Iraq was set up in July 2003 to strengthen macroeconomic management in Iraq. During the initial phase, the IMF's role was to: (i) help ensure that core economic functions were in place and operational; (ii) identify the priority needs for TA; (iii) provide Fund TA; and (iv) coordinate TA from other providers. It was necessary to establish IMF staff contacts with in-country counterparts, take stock of the economic conditions and policies, and assess the legal and institutional framework.

2. Australia, Canada, India, Italy, the United Kingdom and Sweden contributed to the Iraq TA Subaccount. The current status of the financing is shown in Table A1. The donors originally pledged \$10.7 million, but in September 2006 the United Kingdom reduced its pledge from \$5.65 million to \$1.35 million and reallocated the funds to other priorities in Iraq¹. In total \$6 million was available in the Subaccount, which was largely committed by the end of 2007.

Table A1: Contributions to the TA Subaccount for Iraq In U.S. Dollars		
Contributor	Contribution	Amount Received
Australia	370,120	370,120
Canada	784,155	784,155
India	350,000	350,000
Italy	372,600	372,600
United Kingdom^{a/}	1,351,015	1,351,015
Sweden	2,812,027	2,812,027
Total	6,039,917	6,039,917
^{a/} = The original Contribution of the United Kingdom was £3,150,000. In its letter of 21 September 2006, the United Kingdom reduced its contribution to £787,500.		

Source: OTM

3. Annual rolling work programs have been prepared and donors have been advised of the status through three progress reports, four interim reports, and two donor meetings. Information provided to donors included financial statements on the Subaccount, project specific work plans, project descriptions, status of project completion, and project expenditures.

4. In 2003 IMF had not been active in Iraq for more than two decades. During this period, Iraq did not report any data to the Fund. There were uncertainties about the administrative structures and institutional capacities of the agencies involved in macroeconomic management and the details of the programs of other donors already active in Iraq, chiefly the United States and the United Kingdom. In

¹ The major reason for DFID's decision related to slow disbursement. DFID committed £3.15 million to the Iraq TA Subaccount in 2003. By September 2006, DFID had disbursed £787,500. DFID noted at that time that the Subaccount still had over \$2 million in unspent funds, sufficient for financing for two more years of activity at the pace of implementation. DFID's original commitment was to support the Iraq TA Subaccount up to the end of July 2006. In its letter DFID stated that: (i) it would be happy to look at proposals for additional resources in the future, should they be required; and (ii) DFID remained committed to providing technical assistance and capacity building for economic governance and financial management issues and looked forward to working closely with the Fund.

the absence of the in-depth country knowledge normally associated with the Fund, the Program Framework drew on IMF's experience and lessons learned in other post conflict situations, which indicated that substantial technical and capacity-building assistance is needed in such situations. IMF's primary role in such situations was to help restore macroeconomic stability to provide a basis for sustainable growth. The Fund's assistance in post-conflict situations typically included:

- "TA to rebuild statistical and administrative capacity of key economic institutions responsible for making and implementing fiscal, monetary, and exchange rate policies.
- Policy advice to help develop a macroeconomic framework to stabilize the economy that can also provide a basis for mobilizing donor support.

Financial assistance to meet urgent balance of payments needs once the security situation is sufficiently stable and adequate administrative capacity in place to successfully implement a Fund-supported program."

5. The indicative priorities identified in the 2003 Program Framework were:

- a) **Fiscal Sector:** Provide TA through small, specialized missions on expenditure management, and revenue policy and administration. If needed, a specialized resident advisor could be assigned to support the necessary reforms.
- b) **Monetary and Financial Policies:** TA could first focus on establishing essential monetary and payments system operations. The adequacy of the financial sector institutions and laws would be examined and revised as necessary. TA might be needed on monetary policy and foreign exchange market operations.
- c) **Statistical Database:** Following an initial assessment, TA would be in the form of a multi-sector mission to assess data and related legal and institutional deficiencies, using the General Data Dissemination System framework to identify broad priorities to develop the statistical system. This could be followed by sector-specific missions to develop action plans and provide in-depth TA in collaboration with bilateral and international agencies. A multi-sector statistical resident advisor could be assigned to provide advice on statistical methodology in core areas, address statistical organization issues and provide support on cross-sectoral issues.
- d) **Legal Matters:** Support would depend on the adequacy of the existing legal framework for core economic functions, which was to be assessed at an early stage.
- e) **Training:** Training needs could be addressed through IMF Institute courses on macroeconomic management, financial programming and sectoral courses delivered by other Fund departments.
- f) **Advice:** The Fund could provide advice on reforms needed to deliver sustained growth. Such work could focus on modernizing core economic institutions, establishing an appropriate institutional and legal framework, updating systems and procedures, and supporting capacity building.

6. The uncertainties of beginning operations in Iraq were recognized in the 2003 Program Framework for a Multidonor Technical Assistance Subaccount for Iraq. It stated that the initial plan was subject to change and adjustment. Because it was not feasible to develop a program in 2003 setting out detailed objectives, outputs, activities and monitoring indicators, the use of the Iraq TA was to be based on a rolling work plan to be approved by participating donors. Provision was made to adjust the work program as the circumstances warranted. This was a pragmatic approach to managing uncertainty.

7. The July 2003 Program Framework explicitly recognized the importance of donor coordination. The document commits IMF to work closely with other development partners. The Program Framework noted that in post-conflict situations sometimes donor support overwhelms the absorptive capacity of the government. It was expected that the Fund's TA framework could help provide the basis for donor collaboration. The Program Framework raises the possibility of IMF being able to play a lead role in advising the Government on how to monitor and promote donor coordination. IMF typically focused on strengthening the core economic institutions, establishing an appropriate institutional and legal framework and supporting capacity building. IMF often took the lead providing TA in the fiscal, monetary and statistical areas, often supported by other agencies. IMF's TA activities were viewed as being part of a larger framework of TA delivery developed collaboratively with other TA providers.

8. The strong emphasis on donor coordination was good practice and was consistent with the subsequent 2005 Paris Declaration,² which was signed by 93 countries³ and 26 organizations including IMF and all of the multilateral development banks. Among other things that Paris Declaration called for: (i) “eliminating duplication of efforts and rationalizing donor activities to make them as cost effective as possible”; and (ii) “reforming and simplifying donor policies and procedures to encourage collaborative behavior and progressive alignment with partner countries’ priorities, systems and procedures”. In signing the Paris Declaration donors, including IMF, committed to: (i) “Implement, where feasible, common arrangements at country level for planning, funding (e.g. joint financial arrangements), disbursement, monitoring, evaluating and reporting to government on donor activities and aid flows. Increased use of programme-based aid modalities can contribute to this effort (**Indicator 9**)”; and (ii) “Work together to reduce the number of separate, duplicative, missions to the field and diagnostic reviews (**Indicator 10**) and promote joint training to share lessons learned and build a community of practice.” The design of the Iraq TA Subaccount is consistent with the principles laid out in the Paris Declaration and as such represents best international practice. The donors identified the international organization with the comparative advantage, IMF in this case, and then provided funds to Iraq through IMF. This increased donor coordination, reduced the demands of multiple donors and multiple missions on Iraq when it had limited institutional capacity to absorb missions, each with their own objectives, priorities and procedures.

9. Security issues made the delivery of TA in Iraq extraordinarily challenging. The poor security was not foreseen in June 2003 when the Fund and donors began to discuss the concept of the Iraq TA Subaccount. However, after the tragic bombing of the UN headquarters in Baghdad in August 2003, the Fund suspended all travel to Iraq. The travel ban remains in force. As a result, all activities financed under the TA were delivered off-site. The inability of Fund staff and experts to travel to Iraq made it difficult to undertake the detailed diagnostics that are usually a pre-requisite for the effective delivery of TA and to have frequent interaction with counterparts. Onsite policy advisors that play a crucial role in providing the support necessary to support the Fund’s efforts to strengthen macroeconomic management in virtually all countries could not be used. The delivery of the TA has been through consultation missions, workshops and seminars held in neighboring countries. The travel costs of the Iraqi staff were funded from the TAs. Expertise was provided by Fund staff and experts hired and supervised by IMF staff.

B. Commitments and Expenditures

10. The use of the proceeds of the Iraq TA Subaccount is summarized in Table A2. Of the 47 TAs that have been approved, 35 (or 74%) have been completed. MCM was the largest user of TA, both in terms of numbers (17) and amount (\$2.175 million or 37% of the total). The average size of the MCM TAs (\$127,000) was close to the average size of all TAs (\$110,000). STA had the second highest number of TAs (15) but the average size was relatively small (\$56,000), about half the average. The total budget associated with STA TAs was \$835,000, or 14% of the total. FAD’s model for TA delivery differed from that of STA and MCM. It processed a small number of relatively large TAs⁴. FAD accounted for 30% of all allocations made under the Subaccount. The courses put on by INS cost about \$47,000 each and accounted for a small amount of total commitments (3%). The remaining allocations were accounted for by two activities⁵ classified as Other and the \$635,000 in administration costs that offset the incremental costs incurred by IMF for administering the Subaccount.

² PARIS DECLARATION ON AID EFFECTIVENESS. Ownership, Harmonisation, Alignment, Results and Mutual Accountability. March 2005.

³ Iraq was not a signatory.

⁴ The average cost of a FAD TA was \$193,000, 57% higher than the average TA size.

⁵ A resident coordinator stationed in Amman helped with the administration and logistics arrangements associated with the workshops.

Department	No. TAs Approved	No. TAs Completed	Budget (\$)	Expenditure (\$)	Remaining Commitment (\$)	Remaining Balance (\$)
FAD	9	8	1,739,571	1,445,560	75,500	218,511
MCM	17	13	2,157,055	1,370,820	786,235	0
STA	15	10	834,704	483,104	263,097	88,503
INS	4	3	189,165	159,600	5,818	23,747
Other	2	1	293,600	89,400	204,201	0
Overhead Costs (13%)			634,903	461,372	173,531	0
Total	47	35	5,848,997	4,009,856	1,508,381	330,761

Source: OTM

11. Of the approved \$5.8 million budget, 94% has either been spent or is committed. The uncommitted balance shown in Table A2 is the difference between the approved budget and the sum of the expenditures that have been paid to date and remaining commitments. The difference is about \$330,000, most of which relates to FAD TAs that have been closed and for which there are no remaining commitments. There is also a \$39,000 Government Finance Statistics TA that was approved several years ago but has not been implemented. It is inefficient to have these funds tied. Consideration should be given to cancelling the outstanding balances that are not being used and recycling those funds to finance additional TAs in 2008.

12. Over a three year period, the resource requirements were estimated at \$16 million, of which IMF would provide \$6 million and would seek \$10 million in donor contributions. The Program Framework clearly states that the estimates of resource requirements are tentative and subject to change, depending on a number of factors such as the use of long-term expert assignments. Table 1 in the July 2003 Program Framework provides the indicative resource requirements for the first year of operations in Iraq in both person months and dollars. At total of \$5.277 million and 181 person months were planned. Of this amount, \$2.350 million and 94 person months were to be from IMF's internal resources and \$2.927 million and 87 person months were to be externally financed. Thus, about 45% of the funds and 52% of the person months were to be provided from IMF's internal resources to deliver the planned program of assistance for Iraq. Although the Program Framework shows the internal resources that IMF will provide to complement the resources made available from the TA Subaccount, similar information was not provided in the progress reports submitted to donors.

13. At the request of the evaluation team, OTM undertook special computer runs to analyze expenditure from the Iraq TA Subaccount by fiscal years, net of the administrative overhead charges (see Table A3). During the first full fiscal year⁶, about \$490,000, of 14% of the total expenditures were made. This is considerably below the \$2.350 million anticipated in the Program Framework. The slow start up reflects the deteriorating security conditions and the bombing of the UN building, events that occurred after the initial planning was done for the TA Subaccount. The large amount of FAD's expenditures took place in 2004 and 2005. MCM and STA expenditures started off more slowly but reached their peaks in 2006 and 2007.

⁶ A small amount of the proceeds from the Subaccount were spent in FY2003, but those figures were not included in the analysis. The data for FY 2008 only reflects a partial year.

Department	2004	2005	2006	2007	2008	Total	% of Total
FAD	219,814	868,153	65	108,491	26,096	1,222,619	34
MCM	229,048	253,341	424,627	557,268	245,398	1,709,682	47
STA	40,755	89,352	143,843	151,813	27,404	453,167	13
TA Departments	489,617	1,210,847	568,535	817,572	298,898	3,385,468	94
INS	-	103,947	-	81,253	(818)	184,382	5
OTM	-	-	-	-	33,257	33,257	1
Total	489,617	1,314,794	568,535	898,825	331,337	3,603,108	100
% of Total	14	36	16	25	9	100	

Source: OTM

14. Expenditures by type for the three TA departments are analyzed in Table A4, which is based on special runs that OTM undertook at the request of the evaluation team. Participant costs accounted for 53.5% of total expenditures and the cost of experts 46.5%. There were somewhat different patterns among the TA departments. While participant costs accounted for just under half of total expenditures for MCM and STA, they counted for 62% for FAD. This reflects somewhat different TA delivery models. While MCM and STA focused on relatively small workshops, much of FAD's earlier TA involved was training. The participants cost (e.g., travel; accommodation; per diem) represents costs that would not have been incurred if TA could be delivered in Iraq. The cost of experts was broadly similar, regardless of where the TA was delivered. Overall, about half of the costs financed from the Iraq TA Subaccount were incremental costs incurred because the security problems precluded the delivery of TA in Iraq.

Department	Participant Costs	Expert Costs	Other	Total	% Participants
FAD	759,195	463,425	0	1,222,619	62.1
MCM	828,396	880,648	637	1,709,682	48.5
STA	222,336	230,831	0	453,167	49.1
Total	1,809,927	1,574,903	637	3,385,468	53.5

Source: OTM

C. Objectives and Limitations of the Evaluation

15. The evaluation covers the period from 2003 to late 2007. This evaluation is being undertaken for two reasons: (i) the work programs under the original financing are close to completion; and (ii) a new round of financing is contemplated to begin in 2008. The objectives of the evaluation are to assess: (i) the TA strategy; (ii) the TA provided; and (iii) the off-site TA delivery modality. The evaluation focused on the relevance, efficiency, effectiveness and sustainability of the TAs. The evaluation was designed to identify lessons that could help to formulate the Fund's strategy for its

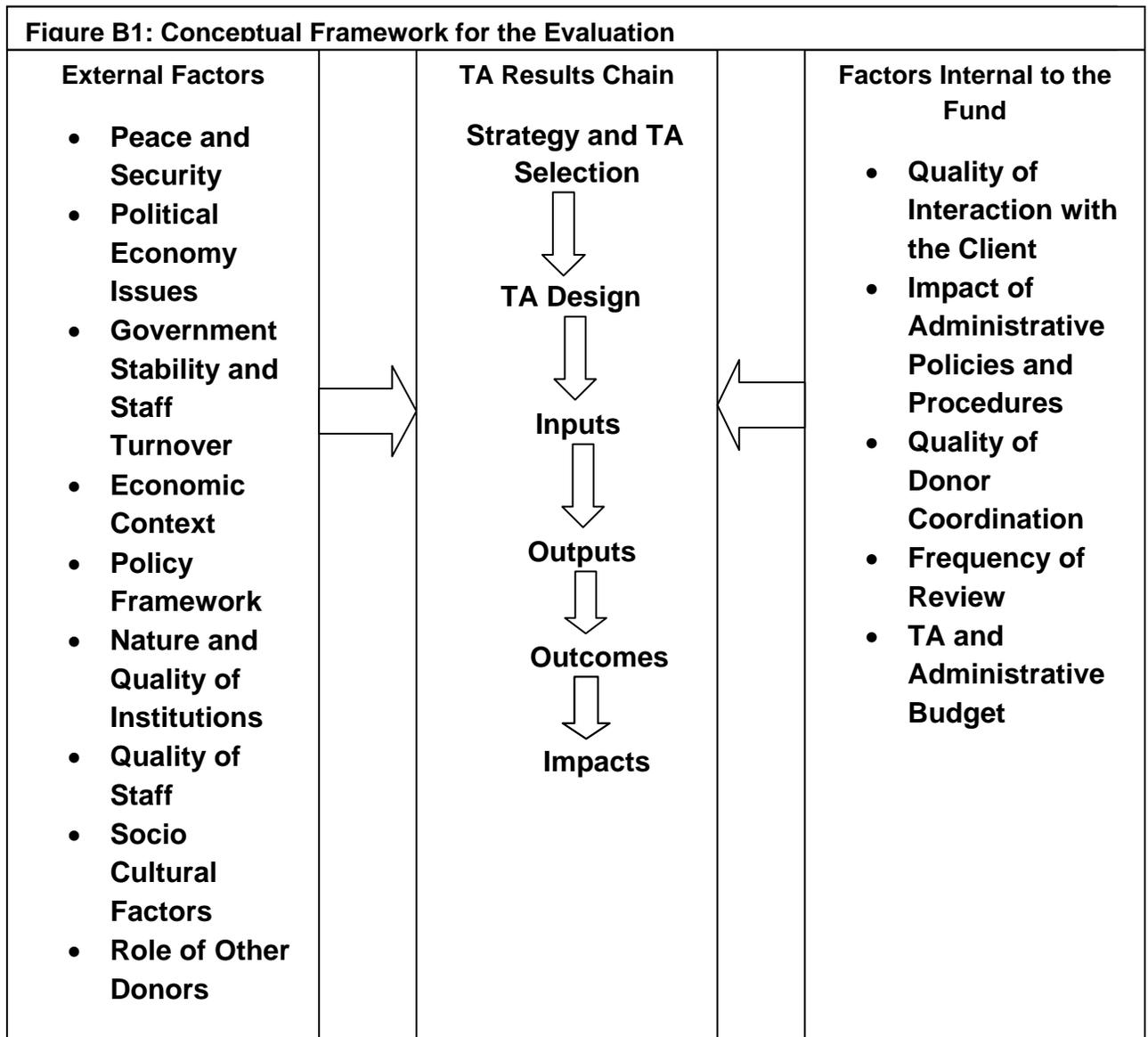
future TA program in Iraq. The evaluation is designed to assess the portfolio of TAs financed from the Iraq TA Subaccount. IMF also provided additional TA financed from its own resources. While examples of such work are sometimes described, no attempt is made in the evaluation to develop a complete inventory of TA financed from other sources or to evaluate it.

16. The security situation has constrained the evaluation as it required an off-site assessment. This is clearly a second best solution. Limitations for the evaluation include: (i) limited feedback from Government officials to get their views on the TAs; (ii) limited ability to interact with workshop participants to determine whether they found the workshops useful and would apply the knowledge gained in their day to day activities; (iii) limited diagnostic work that could be done to assess the relevancy of the strategy, the appropriateness of the focus of the TAs, the efficiency of its delivery and its effectiveness in achieving results; and (iv) limited ability to assess Government ownership.

Annex B: Evaluation Approach and Methodology

A. Conceptual Framework

17. This annex describes the methodology that was developed to achieve the objectives of the evaluation. The broad conceptual framework is illustrated in Figure B1 and is described below. The conceptual framework covers the results chain and factors external and internal to the Fund that influenced the results achieved. In the sections following Figure B1 criteria that were considered for each element of the results chain are described. These criteria were used as a check list to guide the work of the evaluation team but were not applied rigorously for each TA. They were, however, used to derive a set of sub-criteria that were used to rate various aspects covered by the evaluation.



1. Results Chain

18. The results chain summarizes the steps from the identification of the TA to the outcomes and impacts that could be plausibly attributed to the TA. Typically results chains are reflected in the TA Project Frameworks. The steps in the results chain are illustrated in Figure B1 and are described below.

a) Strategy and TA Selection

19. An important element of a successful TA program relates to the strategy underlying the individual TAs. The strategy and priorities underlying the planned TA work program can be assessed by examining:

- the adequacy of the diagnostics that underpin the strategy;
- the degree that the priorities and sequencing were correct and whether the planned TAs were mutually consistent and reinforced each other;
- whether the strategy was robust enough to cope with the uncertainties identified in the Program Framework for the Iraq TA Subaccount;
- the adequacy of the focus of the strategy, i.e., too narrow or too diffuse;
- the realism of the strategy, i.e., the consistency between the strategy and the program as implemented and whether changes in the strategy and program during implementation strengthened or weakened the results achieved;
- evidence of learning in the formulation and modification of the strategy; and,
- the degree to which the TA program took into account the activities of other donors – the degree of complementarity or overlap.

b) TA Design

20. The quality of entry of the TAs can be assessed by considering:

- the quality of the diagnosis and organizational assessment underlying the TA;
- the consistency of the TA with IMF priorities in Iraq, particularly conditionalities associated with the Stand By Arrangements;
- the consistency of the TA with Government priorities and degree of executing agency involvement and ownership;
- coordination of the TA design with other development partners;
- the degree to which the workshops and training were consistent with, or designed to support, the processes and activities in the executing agency;
- the clarity of the objectives, inputs, activities, output and outcomes specified, including the use of monitoring indicators, in the Project Frameworks in the TAIMS;
- the degree to which local conditions were reflected in the TA design (e.g., skills of the Iraqi staff; limitations related to computer hardware and software; existing systems and procedures; language and culture); and,
- degree to which TAs built on, and supported, previous TAs.

c) Inputs/Activities/TA Implementation

21. The Inputs, Activities and TA Implementation cover the actions required to produce the outputs. Issues to consider include:

- process and implementation efficiency;
- efficient use of resources;
- timeliness;
- the quality of the workshops and training;
- criteria and process used to select the participants;
- consistency of engagement of both IMF staff and experts and participants; and,
- synergies developed with in-country experts financed by other donors.

d) Outputs

22. The outputs are the specific deliverables of the TA. Ideally they should be monitorable with verifiable measures specified in the Project Framework. Issues to consider include:

- an examination of actual outputs;
- a comparison of actual outputs and desired outputs;
- views of senior staff of the executing agencies on the usefulness of the TA;
- an assessment of whether the knowledge gained was useful;
- an assessment of whether the policy advice provided was useful and appropriate; and,
- an assessment of the effectiveness of the offsite delivery mode.

e) Outcomes

23. Outcomes are the reasons why the TA was provided or the expected end-of-TA changes. Assessing might included determining whether:

- Government ownership of the TA outcomes exists;
- the skills learned were actually used on the job;
- views of the workshop participants, trainees and their supervisors on the value of the TAs;
- the number of participants still employed in the executing agency or fields that they can apply the training;
- the degree to which knowledge gained influenced change;
- significance of IMF's contribution to developing core economic functions and related institution building;
- the degree to which the TA benefits are sustainable in the Iraqi context; and,
- likelihood of continuing IMF involvement.

f) Impacts

24. Impacts the expected medium-run impacts that could be plausibly associated with the TA. Examples include improvements in various economic management activities (e.g., central banking activities; fiscal management; statistics; laws). Given the nature of the evaluation, the types of TA activities funded and restrictions on travel to Iraq, there was limited coverage of impacts in the evaluation.

25. The 2005 evaluation⁷ of IMF's TAs found that the diverse and broad range of TA activities presents special challenges in evaluating TA effectiveness. Some of the methodological challenges faced by the Independent Evaluation Office (IEO) were similar to those encountered by the evaluation team and, indeed, are commonly faced by international agencies that provide and evaluate TA. One particular methodological challenge noted by IEO related to attributing results to the effects of TA. IEO noted that this becomes more difficult at the higher levels of the results chain and that such assessments rely heavily upon qualitative judgments. IEO concluded that its "efforts to assess impact have revealed shortcomings in documentation and processes that limit the extent to which one can evaluate outcomes. This, in turn, undermines accountability and the potential for the IMF's evaluations to be used as learning tools and mechanisms to allocate future TA."⁸ Similar comments apply to this evaluation, including a lack of documentation on which to base the evaluation of outcomes and impacts.

2. External Factors

⁷ IMF. Independent Evaluation Office. Evaluation of the Technical Assistance Provided by the International Monetary Fund. 31 January 2005 (http://ieo-imf.org/eval/complete/eval_01312005.html).

⁸ Ibid. Para 156. The methodological challenges of evaluating TAs were recognized in the comments of both the Board of Executive Directors and the Managing Director during the discussion of the IEO report.

26. The end results achieved by IMF TAs are sometimes influenced by factors beyond IMF's control. In assessing the success, or otherwise, of the TAs, the evaluation team examined external factors that affected the results. The evaluation team is rating the success of the TA and not just the contribution of IMF staff. Because of external factors cases could arise, for example, in which IMF's contributions were good but the TA did not achieve the results intended. In such cases the negative impact of external factors could overwhelm the positive contributions of IMF staff.

27. As stated in the staff report for the 2007 Stand By Arrangement (<http://www.imf.org/external/pubs/ft/scr/2007/cr07301.pdf>), despite some improvement in 2007, the security situation continues to hamper economic recovery. IMF's overall assessment is that "Although most parts of the government are functioning, the security problems are straining its capacity to develop and implement policy." The security situation in Iraq had a major impact on the Fund's ability to deliver the best practice assistance under the TAs. In many cases IMF was required to adopt second best delivery modalities (e.g., off site TA delivery modality; no in country advisers; no missions to Iraq by IMF staff). The adverse security conditions also had a significant impact on the staff of CBI, MOF and COSIT. Tragically, staff from each organization who worked with IMF were assassinated and/or received death threats. Other staff of the executing agencies left the country. The dangerous conditions contributed to absenteeism and low productivity. The poor security also has negative consequences for in-country advisers financed by other donors. Some in-country consultants were confined to the Green Zone for long periods of time, one was kidnapped and others were targeted and security costs significantly increased the operational costs of donors active in Iraq. The evaluation considered the difficult security conditions when drawing conclusions regarding the achievements of the TAs, or lack thereof.

28. The travel ban to Iraq because of the security problems had implications for the design of the evaluation methodology. Normally, evaluations seek extensive feedback from senior officials in executing agencies, workshop participants and trainees. This was not possible for this evaluation. As a result, the evaluation team had to rely heavily on a review of material in IMF's files and interviews with IMF staff. However, feedback from Iraqi officials was needed to help the evaluation team reach appropriate judgments. The following methods were adopted to get input from the Iraqi sources: (i) two members of the evaluation team attended the final day of a bank restructuring workshop in Amman which allowed for interviews with participants from CBI, including the Deputy Governor, MOF and the Supreme Audit Authority; (ii) a telephone interview with the CBI Governor; (iii) a trip by one member of the evaluation team to Amman to meet with the senior adviser to the Minister of Finance; (iv) questionnaires that were completed by senior officials in CBI for TAs related to bank supervision and restructuring, payments systems, monetary operations/foreign exchange auctions and treasury bill auctions, accounting, monetary/finance statistics and BOP statistics; (v) a questionnaire completed by the head of COSIT covering the TAs for national accounts and the price statistics; (vi) an interview with staff in the office of the IMF executive director representing Iraq; (vii) a review of the letters of intent and other documents submitted by the Government to the Fund; and (viii) a review of material on the web pages of CBI and COSIT. Further information on the local situation was obtained through face to face and telephone interviews with staff of USAID, DFID, United States Treasury Department and US Federal Reserve Board, including those who are/were stationed in Baghdad and in-country consultants employed by the United States Treasury Department and USAID (BearingPoint).

29. In undertaking its analysis and drawing conclusions, the evaluation also considered other external factors that impacted on the achievement of TA results. The check list of such factors included:

- Political Economy Issues (central/regional government issues; changes associated with the changes from the Coalition Provisional Authority to Interim Government to the National Unity Government; institutional changes; legal/policy/regulatory changes): The staff report of the 2007 Stand By Arrangement (<http://www.imf.org/external/pubs/ft/scr/2007/cr07301.pdf>) noted that the political consensus has weakened with the withdrawal of some parties from the coalition but the government has remained in power and key ministers (e.g., finance; oil) have remained in place. However, the report concludes that the unsettled political situation could adversely impact on the Government's ability to maintain fiscal discipline and undertake reforms.

- Government Stability and Staff Turnover (e.g., policy changes; procedural changes; debathification; turnover in senior staff and workshop participants): As the staff report for the 2007 Stand By Arrangement (<http://www.imf.org/external/pubs/ft/scr/2007/cr07301.pdf>) states: “The exodus of professionals has weakened the policy implementation capacity of the government, and also harmed the economy as a whole.”
- Economic Context (e.g., economic growth; inflation; fiscal position);
- Policy Framework and New Laws; and,
- Socio Cultural Factors (ethnic and regional issues; language).

30. In some areas the role of other donors may affect the outcomes achieved by IMF. If synergies are developed, IMF’s outcomes and impacts may be enhanced. In other cases opportunities may have been missed to develop such synergies, IMF’s assistance may work at cross purposes with the assistance provided by other donors or expected contributions from others did not materialize.

3. IMF Policies and Procedures

31. The evaluation was not designed primarily to assess IMF’s policies and procedures. These were only commented on if they appeared to have an impact on TA delivery, management and achievement of development results. Examples of factors considered included:

- ease of access to information and quality of information in TAIMS;
- consistency of involvement of IMF staff and experts;
- degree of self evaluation of TA activities;
- evidence of learning from past experience;
- reporting to donors;
- degree of pro-active donor coordination; and,
- TA budget and management.

B. Evaluation Criteria and Rating Methodology

32. The terms of reference provide for an evaluation framework that is based on relevance, effectiveness, efficiency and sustainability. The use of such criteria is consistent with the practices used by other international financial institutions. The sub-criteria used to assess the four dimensions of evaluation (e.g., relevancy, effectiveness, efficiency and sustainability), the rating methodology and the weights applied to each of the sub-criteria and the four dimensions of evaluation are described below. The evaluation methodology draws from the approaches used by international financial institutions, particularly ADB’s Guidelines for evaluating TAs,⁹ modified as appropriate to reflect the needs of this evaluation. The major innovation for this evaluation was to specify and rate explicit sub-criteria for relevancy, effectiveness, efficiency and sustainability.

33. In the international development community, some organizations develop an overall assessment of a TA and others only rate the individual dimensions of the evaluation (e. g., relevancy; effectiveness; efficiency; sustainability). The Evaluation Team believes that best practice is to develop overall, numerical ratings. Such ratings force evaluators to come to a conclusion. While reaching such conclusions involves judgment, the evaluation methodology should help to make such judgments transparent to the reader. The approach used to derive the overall rating is described below. It involves two steps: (i) rating each of the sub-criteria on a four point scale of excellent (4 points), good (3 points), modest (2 point) and poor (1 points); and (ii) assigning weights to each of the sub-criteria, TA cluster and the four dimensions of evaluation so that the results can be aggregated to reach broader conclusions. As a first step, each TA cluster in FAD, MCM and STA was rated against the specific sub-criteria for the four dimensions of evaluation. The scores for the clusters of TAs within FAD, MCM and STA were added together weighted by the proportion of the departmental TA budget allocated to each TA cluster. Then the weighted scores were derived to each or the four

⁹ ADB. Guidelines for Preparing Performance Evaluation Reports for Public Sector Operations. Addendum 2: Contents of a Technical Assistance Performance Evaluation Report. 2006.

dimensions of evaluation which, in turn were aggregated by specified weights to rate the TA portfolio in FAD, MCM and STA. The weights are essentially arbitrary. For this evaluation, slightly more weight was given to relevancy and effectiveness (30% each) than to efficiency and sustainability (20% each)¹⁰. The evaluation results were then added together weighted by the amount of the TA funds budgeted in each area. The results for the three TA departments were then aggregated, weighted by the TA budget allocated to each department to derive the overall assessment of all TAs funded under the Iraq TA Subaccount.

34. This four point rating scale is similar to the rating scale that is supposed to be used for some of the IMF End of Mission Assessment Reports and End of TA Assessment Reports¹¹. This is a good approach to developing a self evaluation system. Unfortunately, a search of the TAIMS found that such self assessments of mission accomplishments were not completed by FAD and MCM, although it was common for STA. None of the TA Departments completed End of TA Assessment Reports for TAs funded from the Iraq TA Subaccount. IMF appears to have missed an opportunity to build a sound and consistently applied self evaluation system for TAs. The absence of such a system and the uneven quality and paucity -- and absence in many cases-- of information essential for monitoring and assessing TA, made it more difficult to conduct an evaluation of the Iraq TA Subaccount than it should have been.

35. There are challenges applying this quantitative framework of ratings and scores to a TA program that is still in its early stages and in many areas is a work in progress. This type of assessment is more commonly applied to completed projects where outcomes, sustainability, and impacts are clearer. In terms of progress with monetary policy, banking development, the fiscal area and in macroeconomic statistics, Iraq is just beginning the first generation of reforms, a task that is being undertaken in extremely difficult security and political conditions by executing agencies with limited institutional capacity and low absorptive capacity. While there are some successes to be highlighted, which are significant accomplishments given the present context in Iraq, in many areas they do not represent a core mass for sustainable progress at this stage. The evaluation team is of the view that the evaluation framework and methodology used is appropriate to identify lessons which should inform the Fund's strategy in moving ahead with the TA program in Iraq. As per the terms of reference, this is the primary purpose of the evaluation.

1. Relevance

36. An assessment of relevance addressed questions related to the quality of the diagnosis underlying the TAs, the consistency with IMF and government priorities and the degree of coordination with other development partners. Relevancy is not a theoretical concept. In arriving at the ratings the evaluator must consider whether the TA inputs were adequate to produce the desired outcomes and make a contribution to the specified impacts. The four sub-criteria used to assess relevance are listed below with the weight applied shown in brackets:

- a) **Quality of Diagnostics (20%):** Evidence of an adequate diagnostic assessment resulted in a TA that addressed the correct problems, was based on a sound understanding of the institutional constraints and needs and was focused, properly sequenced and was implementable. One measure of the adequacy of the diagnostics is whether the TA program as delivered was consistent with the strategy and program.
- b) **Consistency of TA With IMF Activities in Iraq (30%):** Evidence of consistency between the TA and IMF's operations in Iraq, drawing on the analysis and conditionalities in the Stand By Arrangements, the related staff monitoring reports

¹⁰ Relatively less weight was given to sustainability because it is heavily influenced by the security situation in Iraq and the likelihood of continuing IMF involvement. These sub-criteria affect all TAs more or less equally in terms of sustainability. Relatively less weight was given to efficiency because the use of the offsite model made it difficult to identify independent benchmarks to use to compare efficiency and, in terms of cost efficiency, there were similar conclusions for most TAs.

¹¹ The evaluation team reviewed many examples of end of mission assessments for STA TAs in the TAIMS.

and interviews with MCD staff. The highest rating was reserved for TAs that achieved results and were directly related to IMF conditionalities.

- c) **Consistency With Government Priorities (30%):** Evidence of consistency between the TA and Government priorities based on feedback from senior government officials and inferences drawn from a review of IMF documents and material on CBI and COSIT web pages.
- d) **IMF/Development Partner Coordination (20%):** Assess whether synergies were developed with other donors to maximize the relevance and impact of IMF's TA. The evaluator should assess whether the TA complimented and enhanced the work of others or unnecessarily duplicated the work of other donors.

37. Each relevancy sub-criteria was rated on the four point scale separately for each for each TA cluster. The ratings were then aggregated horizontally, weighted by the proportion of the budget spent on the TA cluster, and vertically using the weights assigned to each sub-criteria. The same approach was followed for the FAD and MCM TAs and for the other dimensions of evaluation.

38. Standard descriptors, based on numerical cutoffs, describe the overall relevance rating:

- (i) **Highly Relevant or Excellent.** Overall weighted average was greater than 3.5. A rating of this level means that at least 2 of the 4 sub-criteria were rated as a "4" and the other is rated as "3". This rating is given to TAs whose relevancy ratings are particularly good on all four of the sub-criteria. There is a high probability that the TA achievements led to results that will be sustainable and will remain highly relevant. Few TAs would achieve such a high rating.
- (ii) **Relevant or Good.** The weighted average was between 2.5 and 3.5. At the high end of the range, two of the four relevancy sub-criteria dimensions could be rated as "4" and at the low end, two could be rated as "2". Although there were some issues related to one of more of the sub-criteria that prevented a highly relevant rating, there were no major shortfalls, and the TA resulted in relevant outputs that are likely to be sustained. The TA remains relevant and the problems were small relative to the positive findings.
- (iii) **Partly Relevant or Modest.** The weighted average was between 1.5 and 2.5 on a scale of 4. At the upper end of the range, two ratings of "3" could have been achieved while at the lower end, the ratings could include two "1"s. Although the evaluation identified shortfalls in several of the sub-criteria, overall there were some positive findings for the TA, although not what was originally expected.
- (iv) **Not Relevant or Poor.** The weighted average was less than 1.5. In this case, probably three of the 4 sub-criteria were rated as poor by the evaluators. The TA had clear problems at the time of evaluation and did not succeed in achieving clear development results.

39. Similar descriptors were used for the other dimensions of evaluation. This approach provides a consistent basis for overall assessments. The evaluation Team carefully assessed and modified the initial ranking in an iterative process to ensure consistency between TA clusters within a TA department and across TA departments. The relative rankings of the sub-criteria were also reviewed for logical consistency. Particular attention was given to those assessments where ratings were on the borderline, i. e., were near the cut off points used to define the descriptors.

2. Efficiency

40. The evaluation of efficiency was designed to assess project execution relating to the resource inputs, activities and timeliness to determine how well resources were used to achieve TA outcomes. The evaluation of efficiency follows the same general pattern of scoring, weighted rating and use of cut off points as was described above for relevance. Thus, only the efficiency sub-criteria and weights are described below:

- (i) **Process and Implementation Efficiency (30%):** Efficiency of process and implementation covers such factors as IMF's internal management of the TA, efficiency in recruitment of consultants, making appropriately qualified staff available and the efficiency of planning and executing the TA delivery.

- (ii) **Consistency of Engagement (30%):** The consistency of engagement at the institutional and individual level for both IMF and the executing agency was examined. This included examining whether IMF was consistently engaged in the topics covered by the TA clusters and the turnover of IMF staff and experts and the participants in the workshop and training courses.
- (iii) **Efficient Use of Resources (30%):** To assess the efficiency of the use of resources, the incremental cost of the offsite delivery model in terms of cost per participant and cost per participant per day was compared in broad terms to the costs associated with delivering similar services through in-country advisers. Other factors (e.g., inappropriate participant selection; adequate pre-workshop preparation on the part of participants; cost of experts) were also considered.
- (iv) **Timeliness (10%):** Assessing timeliness involved examining timeliness of TA execution (i.e. were the tasks completed on time) and actual project execution dates compared to the work plan timetables. If individual workshops or training courses were put on as planned, that was rated as good. Given that most time lines had to be extended to achieve the broader TA objectives and DFID reduced its commitment because of slow disbursements, few excellent ratings would be expected under this sub-criteria.

3. Effectiveness

41. The evaluation of effectiveness examined whether the TA outcomes were achieved, or can reasonably expected to be achieved given the developments at the time of the evaluation. The evaluation team identified the factors that contributed to success or lack thereof. The four sub-criteria, and the assigned weights, used to evaluate effectiveness were:

- (i) **Use of TA Outputs (30%):** This involved an assessment of the use of the outputs of each TA cluster and whether the outputs are likely to lead to the desired outcomes.
- (ii) **Desired vs. Actual Outputs (30%):** The actual outputs were compared to the desired outputs implied from goals and objectives stated in the Project Framework, TA strategy or other documentation. This analysis might highlight an unfinished agenda. If so, the evaluation team made a judgment if the expected outcomes were likely to be achieved. The evaluation of effectiveness gave credit for the anticipated future achievements. In making judgments about what might happen in the future, the evaluation team used a relatively short timeframe, about a year, and assumed that the amount of additional resources needed to achieve the TA objectives was modest compared to the time and effort that had already been made.
- (iii) **Effectiveness of Offsite Delivery Mode (10%):** The assessment of the effectiveness of the off-site delivery mode involved considering factors such as (a) the outputs from the TA and their contribution to achieving the stated objectives; (b) whether participant selection and pre-workshop preparation contributed to, or detracted from, the achievement of results; (c) the effect of remote delivery on the quality and timeliness of the TA; and (d) whether the involvement of in-country experts financed by other donors resulted in synergies between IMF and another donor.
- (iv) **Significance of IMF's Contribution to Developing Core Economic Functions/ Institution Building (30%):** Evaluators need to be careful about distinguishing between attribution and contribution. The Progress Reports to the donors attribute achievements to IMF's activities without considering the activities of other donors. While it may be true that progress has been made, this progress may reflect the joint efforts of the Fund and others. The evaluation team tried to estimate the relative importance of IMF's contribution to developing core economic functions, building institutional capacity and achieving the desired outcomes by considering the extent to which TA inputs and activities contributed to observed achievements of TA outputs relative to other factors. One of the issues addressed in this area was whether the results would have been achieved without IMF involvement.

4. Sustainability

42. The sustainability criterion examined whether the human, institutional, policy and legal framework and financial resources are sufficient to sustain the TA benefits. The sub-criteria used to assess sustainability included:

- (i) **Iraqi Context (20%):** Conditions in Iraq continue to be difficult which will have an adverse impact on the sustainability of TA benefits.
- (ii) **Continued IMF Involvement (30%):** Factors that will determine whether IMF staff will continue to be involved at the same level include the future strategy, IMF's internal budget and staffing and the availability of TA resources.
- (iii) **Government Ownership of TA Outputs (30%):** Government ownership was assessed through the questionnaires sent to CBI, MOF and COSIT, examining the documents reviewed and websites for evidence that appropriate policies, procedures, institutional changes and/or legal frameworks were in place to ensure continued use of the TA outputs.
- (iv) **Likelihood that Participants Will Apply the Knowledge Gained on the Job (20%):** This factor was assessed through the questionnaires and analysis of the characteristics of workshop participants to determine the likelihood that they apply the skills learned on the job. Another consideration was whether the TA outputs were embedded in the routine businesses practices of the executing agencies.

5. Aggregation of the Ratings Across the Four Dimensions of Evaluation, the TA Clusters and the TA Departments

43. After completing the ratings for the TA departments across the four dimensions of evaluation, the ratings were aggregated to provide an overall assessment of the TA portfolio for FAD, MCM and STA. Common weights for relevance, efficiency, effectiveness and sustainability were used across the TA departments.

44. The last step in the analysis was to provide an overall evaluation of the entire portfolio of TAs funded from the Iraq TA Subaccount. The weights for the final aggregation process were derived from the proportion of the budget in the TA Subaccount allocated to each TA department, net of the allocations for INS, Other and Administration Costs (see Table A2). The resulting weights were 37% for FAD, 45% for MCM and 18% for STA.

45. The evaluation framework reflects best practices of other international financial institutions. This international experience was adapted by the evaluation team to reflect the terms of reference of this evaluation. It is the first application of such a detailed rating and scoring system in an evaluation commissioned by OTM. Hopefully this experience will serve as a useful model to inform OTM and lead to the development of a standard approach and guidelines for IMF TA evaluation going forward. One of the points made in FAD's comments on the initial draft of Annex C was that the evaluators should have sought feedback on the weights and sub-criteria used in the rating system from Fund staff. That would be good practice. If OTM wants to use the types of methodology used in this report in the future ex-post evaluations. A Delphi technique should be used to reach consensus between OTM, the TA departments and the area departments on the sub-criteria used under each of the four dimensions of evaluation and the various weights used. This should be done an independent exercise that is not related to any particular evaluation. Eventually OTM should have a standard set of sub-criteria and weights that could be used for all ex-post TA evaluations and summarized in OTM issued guideline. The guidelines should, however, provide the flexibility for evaluators to propose changes in the recommended weights, with adequate justification, should that be necessary to suit the purposes of particular ex-post TA evaluations.

C. Triangulation of Information

46. The evaluation team drew on information from many different sources including documents available from IMF, interviews with representatives from concerned constituencies on the IMF Board of Directors, multiple discussions with Fund staff from OTM, MCD, FAD, MCM STA and LEG,

questionnaires completed by the key macroeconomic agencies, interviews with Iraqi officials and participants within the limits imposed by the travel ban and discussions with representatives or staff of some key donor partners as well as TA experts. In reaching its conclusions, the evaluation team considered the evidence from all sources and attempted, to the maximum extent possible, to validate key conclusions with information from multiple sources. The evaluation team is aware of the methodological challenges associated with evaluating TA. Some of the challenges are summarized in Table B1, which is taken from IEO's evaluation of IMF TA. The evaluation team tried to address these challenges by using triangulation but the information base was incomplete and a considerable amount of judgment had to be applied. The evaluation methodology was designed to make those judgments transparent. The report was circulated in draft form within IMF. The comments received were reviewed and, when considered appropriate by the evaluation team, the report was revised in the light of the comments.

Table B1: Challenges in Evaluating TA Outcomes and Impact		
Types of TA	How to Measure Progress in Implementation and Impact of TA	Possible Reasons for Lack of Progress
TA to allow the IMF to advise on specific IMF policy issues	<ul style="list-style-type: none"> • Was the advice taken or modified? • What does "taken" mean: (i) Accepted by the executive? (ii) Passed by legislature? • Implemented on the ground? • Economic effects observed? With what time lag? 	<ul style="list-style-type: none"> • Advice not well explained. • Analytically correct, but not appropriate to local circumstances. • Too ambitious time tables. • Lack of human capital and resources to implement recommendations.
TA to enhance countries' institutional capacity	<ul style="list-style-type: none"> • Proxies for enhancing technical capacity of agencies: (i) better trained personnel; (ii) better information systems. — Up-to-date methodologies and manuals. • Proxies for the agencies' ability to carry out their work and enforce new capabilities (e.g., improve tax collections, reduce tax arrears, and better enforce penalties; enforce prudential regulations in banks, including closures and penalties if needed). • Impact on relevant final outcomes (e.g., tax/GDP, measures of strength of the financial sector). 	<ul style="list-style-type: none"> • Advice not sequenced or implemented with other measures included in surveillance or programs. • Unexpected lack of country level commitment at different levels: (i) executive; (ii) legislature; (iii) bureaucratic infighting; and (iv) opposition of interest groups affected by the measure. • Lack of a judicial framework to enforce new capabilities.

Source: IMF. Independent Evaluation Office. Evaluation of the Technical Assistance Provided by the International Monetary Fund. 31 January 2005. Table 6.1. Page 85 (http://ieo-imf.org/eval/complete/eval_01312005.html).

D. Lessons for Future Evaluations

47. Some lessons were learned from undertaking this evaluation that might be useful for those undertaking future evaluations:

48. The evaluation team devoted much time and effort to collecting documents (e. g., BTOs, red cover reports, working papers, documentation that should have been in TAIMS but was often missing). Most of these documents were provided after the week of discussions and meetings in Washington at the beginning of December, at the start of the evaluation. The evaluation process would have been more efficient if this material had been available before the evaluation team traveled to IMF Headquarters at the beginning of the evaluation. Having access to the necessary documentation at an early stage would have resulted in more productive and focused discussions with IMF staff in Washington and Government officials in Amman.

- a) The evaluation team involved three people living in three different countries with different skills and expertise who had not worked together before. They only met as a group for less than a week at the beginning of the assignment in Washington. It was important to have a standard methodology and consistent judgments when assessing the TA portfolios of FAD, MCM and STA. A common methodology was developed and there were innumerable E-mails and some telephone calls at the draft report stage to try to ensure consistency. However, it might have been better to have a two day face to face discussion after the initial drafts and ratings were prepared as an added measure to ensure consistency across the various chapters of the evaluation.
- b) IMF needs a standard methodology to evaluate and rate TAs. A new methodology should not be developed for each evaluation. Having a standard methodology would allow aggregation across TA evaluations and improve the efficiency of the evaluation process. A standard methodology would reduce the amount of time individual evaluation teams needed to spend developing the approach, methodology, evaluation criteria and rating system. If such a standard methodology is not developed by IMF, more time should be allocated at the beginning of evaluations undertaken by individual experts who have not worked together in the past to discuss the approach and methodology collectively at the outset of the evaluation.

Annex C: Evaluation of Fiscal TAs

A. Introduction

49. Annex C evaluates the relevance, efficiency, effectiveness and sustainability of the technical assistance provided by FAD to MOF in the fiscal area from July 2003 to the end of 2007. The findings and conclusions are based on data, information and analysis drawn from documents provided by the Fund, both OTM and FAD, from meetings held in Washington, from phone interviews with people involved and key informants and from feedback received from a senior Iraqi MOF official during a meeting in Amman in January 2008.

50. For evaluating the FAD TAs, TAIMS was of limited use. FAD staff and FAD departmental management do not use TAIMS as a management tool. Rather the project profiles were entered in TAIMS because OTM made that a condition of receiving funding from the Iraq TA Subaccount. Not only did the paucity of information in TAIMS hinder the evaluation, it made it more difficult than should have been the case for OTM to monitor the progress on the FAD TAs. Despite the difficulties experienced in accessing information, eventually the fact finding process resulted in assembling the information needed to get a quite comprehensive view on the various topics concerned. The cooperation of those involved was very positive, although it took a considerable amount of time due to the dispersion of the people and documents involved and the length of the period under review (some information dating back more than four years).

51. The main weakness of the evaluation of FAD TAs relates to the lack of information available from the TA beneficiaries themselves. Because of the travel ban, the evaluation team could not travel to Baghdad to interview a cross section of MOF staff, both workshop participants and their supervisors, observe the actual work place situation to assess the degree to which the knowledge gained is applied on the job, examine MOF's policies, organizational structure and operational processes and discuss issues with the representatives of bilateral donors and their consultants that are supporting MOF's efforts to reform and improve the fiscal system. To compensate for the inability to travel to Iraq some questionnaires were sent to MOF but no reply was received. However, a two-hour meeting took place on 29 January 2008 in Amman with a very senior MOF official who has been the main FAD counterpart during the whole period¹². Had it been possible to get deeper and wider Iraqi feedback, the quality of this evaluation would have been better. However, given the security situation that was not possible. This limitation on the evaluation must be considered by both evaluators and readers when drawing conclusions and interpreting results.

B. Summary of the Fiscal TAs Provided

52. The scope of TA provided did not cover the entire span of FAD's areas of activity (i.e., fiscal policy, public financial management, tax management, tax policy). Rather, it was mainly focused on public financial management and tax policy, including an issue very specific to Iraq related to the sharing of oil tax revenue. Limited TA was also provided on fiscal policy and tax management. The concentration on these two areas is a key feature of FAD's activities. The rationale for the selected strategic priorities is discussed in Section C below.

53. Because of the security situation, FAD could not frequent in-country missions, in-country advisors or onsite expert missions TA modalities that were typically used in other situations. Given this constraint, two main types of activities were used, both offsite: (i) expert missions to analyze the situation and to advise Iraqi officials; and (ii) training seminars and workshops. In many cases the distinction between the two instruments was not that clear: many meetings during "missions" were akin to "seminars" and, conversely, training activities presented opportunities for analysis and advice.

¹² The same MOF official is the key contact point for other donors (i.e., the World Bank; DFID) active in the fiscal area.

Nevertheless, the distinction between missions and seminars will be used in this annex for analytical purposes.

54. The missions included the following:

a) July 2003 on PFM: an 11 day mission involving four IMF staff. This first mission, at the request of the CPA, was aimed at undertaking a broad assessment of the PFM situation and at giving guidance for the re-building of the budget system. It took place just before the travel ban and it turned out to be the first and last opportunity for FAD staff to go to Baghdad. This mission produced a 73-page "Findings and Recommendations" report that comprehensively covered the whole PFM area, including budget preparation, coverage and budget execution. This first mission was funded by IMF resources rather than the Subaccount.

b) February 2005 on PFM: This joint 12 day IMF/World Bank mission to Amman comprised 5 IMF staff, one expert and 5 World Bank staff. A total of 34 Iraqis officials traveled to Amman, mostly from MOF. The objectives of this mission were to: (i) assess PFM benchmarks and commitments under the IMF's EPCA; and (ii) develop a short to medium-term work plan. The resulting 102 page report included operational recommendations on the medium-term budget framework, improved budget coverage, classification as well as accounting, reporting, payroll, controls and audit with sequencing and prioritization of the recommended actions¹³.

c) April 2005 on budget classification: This 10 day mission involved one IMF staff and one expert. Thirteen Iraqi officials, mostly from MOF, traveled to Amman. Building on the work of the previous IMF/World Bank joint mission, this mission was aimed at establishing a new budget classification system compliant with GFS 2001. A 78-page report, issued in July, gave recommendations about budget classification and chart of accounts, together with an implementation timetable.

d) November 2006 on the FMIS: This 10 day mission involved two staff each from FAD and MCD, an expert and some contributions from a World Bank staff. The mission met with ten MOF officials and four people from the Board of Audit in Amman. This mission examined a very precise issue: to assess the adequacy of the reports generated by the FMIS. The 36 page report issued 4 months later evaluated the FMIS.

e) May 2007 on tax reform: This 5 day mission in Beirut involved two IMF staff and one expert and met with 11 Iraqis, mostly from MOF. During this mission, a 2-day seminar was held. The 35 page final report gives guidance for future medium-long term tax reforms, including some views on tax administration, and proposes priorities.

55. The FAD seminars are listed in Table C1. Seven of the 10 seminars were organized during 2004. Since then, one seminar has been held each year.

¹³ As part of this mission, an STA mission also assessed the issues related to government finance statistics (GFS) and developed a number of recommendations in this area that were designed to develop opportunities for STA to provide GFS TA. Those results are discussed in Annex E.

Table C1: List of FAD Seminars				
TOPICS	DATE	DAYS	LOCATION	OTHERS
Macro-fiscal issues	March 2004	5	Amman	
Budget Preparation	April 2004	6	Amman	
Tax	May 2004	9	Abu Dhabi	
Customs	June 2004	5	Abu Dhabi	
Debt Management	July 2004	5	Abu Dhabi	
Accounting	July 2004	5	Abu Dhabi	
Fiscal Decentralization	December 2004	4	Amman	With the World Bank
Petroleum Issues	January 2005	4	Beirut	With the World Bank
Fiscal Federalism	December 2006	3	Amman	With the World Bank
Tax Policy	March 2007	3	Beirut	

56. During this 54 month period, FAD's activities in Iraq can be summarized as follows:

- a) 5 missions totaling 45 days covering a total of 160 expert/days;
- b) 10 seminars covering 49 days for a total of 1,104 training/days;
- c) 250 to 300 Iraqi participants (for both missions and seminars); and,
- d) 40 different experts involved for a total of more than 500 expert days in the region (for both missions and seminars).

57. These activities were not spread evenly over the 54 month evaluation period. Most of the activities were concentrated between July 2003 and April 2005. There was a heavy concentration of seminars in the first half of 2004. There were no FAD TA activities in Iraq during the 18 months from April 2005 to November 2006. Activities resumed from November 2006 to March 2007. Between these visits to the region, there was some contact and interaction between FAD and MOF through exchanges about the finalization of reports, planning TAs and providing advice on specific issues via short memorandums sent to Baghdad¹⁴. There were also opportunities for discussions between FAD and MOF officials when they periodically visited Washington to attend annual meetings and on other occasions.

58. As of November 2007, the budget for the approved FAD TAs totaled about \$1.73 million, of which 83% had been spent. The FAD TA in Iraq can be divided into three different clusters: public financial management (PFM), tax policy (TP) and fiscal federalism (FF). The division between PFM activities and the other TA clusters is broadly appropriate. PFM is a large but homogeneous and well identified cluster. However, the subdivision between fiscal federalism and tax policy activities is a bit artificial since the main issues addressed under the term of "fiscal federalism", "fiscal decentralization" or "petroleum" focused on tax issues; namely, to what extent and how taxes on oil activities would fund the national Iraqi budget or would be captured by the oil producing regions. Although the issues were closely related, the Iraqi officials and TA experts involved were different. Thus for the purposes of analysis, both a fiscal federalism cluster and a tax policy cluster were identified.

¹⁴ For example, written comments were provided on the draft budget law.

59. FAD TAs accounted for 29% of the total budget of the Iraqi TA Subaccount. About one half of the FAD TAs was allocated to PFM, 28% to tax policy and 23% to fiscal federalism (see Table C2). These figures understate IMF's contributions to improving Iraq's fiscal system since they do not include the cost of IMF staff or services financed out of the Fund's internal budget.

Table C2: Distribution of FAD TAs by Cluster			
TA Cluster	Budget (\$)	Expenditures (\$)	% of Total Budget
Public Expenditure Management	851,785	742,426	49%
Tax Policy	482,255	406,755	28%
Fiscal Federalism	405,531	296,379	23%
Total	1,739,571	1,445,560	100%

C. Assessment of the Strategy for the Fiscal TAs

60. Assessing IMF TA strategy in the fiscal area needs to consider the following factors: (i) TA provision should be "demand driven" and triggered by MOF requests; (ii) there is a multiplicity of TA providers in the fiscal area and, consequently, a certain degree of competition; and (iii) FAD resources are limited compared to other donors like the World Bank and DFID.

61. One of the main features of FAD TA strategy is the strong and structured focus on the expenditure side of public finances and a lighter and more general involvement on the tax side. The evaluation team believes that this choice was justified by the specific context of the overall fiscal structure of Iraq -- a major oil producer, whose public expenditures are financed by oil resources and external grants (more than 98% of its overall resources). The rather good fiscal situation in the last two years -- balanced budget or surpluses -- illustrates this basic feature, which is quite exceptional for a developing country. This explains why "tax policy" and "tax management" were not considered as a priority during the evaluation period by either MOF or FAD. The reports on the 2005 (<http://www.imf.org/external/pubs/ft/scr/2005/cr05294.pdf>) and 2007 (<http://www.imf.org/external/pubs/ft/scr/2007/cr07301.pdf>) Stand By Arrangements make it clear that because of poor security there have been problems in budget execution. Needed expenditures to restore infrastructure could not be made. Also, Government revenues increased significantly as the price of oil approached \$100 per barrel.

62. The PFM focus was a relevant choice for the short-medium term. In a longer term perspective, tax issues will have to be addressed. That was the objective of the March 2007 mission and seminar. That broad review should provide a good foundation for deeper TA involvement in this area going forward. Another mission on tax issues is scheduled for the Spring of 2008.

63. No comprehensive strategy document covering the whole fiscal area has ever been prepared to prioritize, sequence and guide FAD's TA activities in Iraq. However, for each TA cluster, there were implicit strategies, although they were not formally documented. These implicit strategies are described in the following paragraphs.

64. A two step strategy was developed for PFM:

- (i) To help the Iraqis analyze their overall system and to advise them on the reforms that was undertaken through two important missions (July 2003 and March 2005). For this essential first step, FAD took the lead among the donors supporting fiscal reform. In the same vein, the seminars held in the first half of 2004 also covered very broad and basic issues.
- (ii) To focus FAD's limited resources on two well defined technical activities areas in which FAD has very good, specific skills:

- a) chart of account: an issue on which FAD played a lead role in providing advice on the form and content of the reform, and helped the authorities develop the detailed classification, which they eventually implemented
- b) FMIS: although USAID was the lead donor for FMIS, FAD was asked by the authorities, at specific points in time, to provide its opinion on selected aspects of the FMIS project.

65. In the areas of fiscal federalism and tax policy, FAD was content to train and provide advice to Iraqi officials. No deeper and more operational TAs appeared to be possible at the beginning of the period and no requests for more specific TA in these fields were made.

66. Several criteria were used to assess FAD's strategy: (i) Were the priorities and sequencing correct? (ii) Was the strategy robust and flexible enough to cope with the uncertainties identified in the Program Framework? (iii) Was the strategy sufficiently focused? (iv) Was the strategy realistic?

1. Sequencing

67. In the PFM area, the 2003 and 2005 reports identified a comprehensive array of goals and tasks covering this whole area (i.e. both budgeting and management). The sequencing was clearly defined and broken down between short term, medium term and long term reforms. Although it took into consideration the needs and specifics of the Iraq situation and needs, the prioritization and sequencing proposed in those reports followed the standard recommendations used by international experts in this area.¹⁵ During the evaluation, feedback from MCD staff, MOF officials and other TA providers in the fiscal field indicated that the broad priorities and sequencing identified by FAD were appropriate. These priorities were confirmed in the IMF surveillance process. Some of the FAD TA (COA and FMIS) were directly related to structural performance criteria in the Stand By Arrangements. This further confirms the importance of the priority and sequencing given to these tasks.

68. For tax policy, prioritization was a less relevant criterion. The major part of this TA cluster was delivered through training activities covering the whole array of tax issues in developing countries. Although there were some general recommendations on priorities, the report of the April 2007 mission about possible tax reforms was broad and did not develop a detailed, prioritized action plan for implementation. At that stage doing so would have been premature.

69. The question of sequencing and priorities is somewhat irrelevant in the area for fiscal federalism since this TA cluster only involved training and conceptual thinking covering the whole issue. Issues related to fiscal federalism, largely related to how to share oil revenues, is an overarching priority in the process of building a new Iraqi fiscal system. However, it is an area in which the necessary political consensus has not been reached.

2. Flexibility/Robustness

70. For each cluster, beyond the initial comprehensive reviews, specific TA actions were undertaken in response to Iraqi requests. This process was pragmatic and adaptable to changing circumstances. The timetables, contents and locations of the seminars were changed several times to take into account the Iraqi wishes as well as security conditions. For FMIS, the TAs reflected the difficulties addressing this complex issue. Over a period of several years, the USAID financed BearingPoint consultants put considerable effort into installing the software for a new FMIS. At the very beginning of these efforts, FAD advised against the FMIS strategy followed. Despite its

¹⁵ See, for example, (i) DFI. Public Financial Management Reform in Difficult Environments. Cape Conference 2007. (ii) USAID. Building Fiscal Infrastructures in Post-Conflict Countries. Mark Gallagher.

reservations, FAD tried to contribute to make the USAID backed initiative successful. This issue is discussed in more depth in a later section.

71. The pace at which the FAD TA program was implemented was slower than planned. At the outset, the program was expected to disburse within two to three years but now it looks like it will take more than twice that time. This was largely due to the serious security problems and the difficulties that this created for delivery and timeliness of the TA program.

3. Focus

72. In the PFM area, FAD identified quickly, after a comprehensive assessment, two well defined major building blocks of any budget system on which to focus its efforts: the COA (an issue on which FAD took the lead) and the FMIS (a project managed by USAID but an area in which FAD provided advice on selected issues to MOF – much of FAD's advice was not followed in implementing the FMIS). Given the limited IMF resources and the significant financial and human resources of other TA providers in the fiscal area¹⁶, whose budgets exceeded those of IMF, it was appropriate to focus on a limited number of goals. The two areas identified by FAD were both very important, were areas in which urgent support was required and were areas that matched the skill set available in FAD.

73. Because of the local context, the tax policy TA cluster could not have a precise focus in the early stage of IMF's involvement. This area was not a priority at the beginning of the period under review. However, going forward there will be a growing need to address tax issues. A more focused TA, mainly on a sales tax, will likely be developed by a FAD mission planned for 2008.

74. For similar reasons there was also a lack of precise focus in the area of fiscal federalism. Identifying this issue as a priority for Iraq and focusing substantial resources on it was appropriate. Three FAD seminars were organized between December 2004 and December 2006. They provided about 20 Iraqi officials with a total of 11 days of training and policy discussions and gave them an opportunity to exchange views with some of the best international experts on an issue. Fiscal federalism is one of the most important issues for the future economic and social development of Iraq.

4. Realism

75. Two approaches may be used to assess the realism of the FAD TA strategy: (i) Was it compatible with the FAD technical resources and the security environment? (ii) To what extent were the planned TAs actually delivered? The 2003 FAD TA action plan identified many operational issues that were not addressed by the subsequent TAs, specifically all the issues involving managerial and organizational questions. However, the FAD TA action plan pre-dates the tragic bombing of the UNDP building in Baghdad and IMF's travel ban. The FAD TA action plan was developed at a time when onsite activities could be planned. The missing TA actions were those which required an onsite presence. The 2005 PFM reform agenda appears, in that regard, to have a more valid basis: most of the issues that were initially identified have been addressed by some form of TA¹⁷, mostly seminars and workshops.

76. Regarding the availability of the required resources, the main impediment was not access to funding -- more funds were available from the Iraq TA Subaccount than could be committed in during most of the evaluation period. Rather, the main constraint related to the recruitment of well qualified experts who were available in a timely manner. This remains a constraint for the FAD TA program.

77. Against these criteria, the PFM strategy appears to have been quite ambitious compared to the absorption capacity of the Iraqi administration, the security conditions and the availability of expertise. Much was done at the beginning of the period and much remains to be done. However, it

¹⁶ Primarily USAID, which financed BearingPoint consultants, DFID, which financed a team from the Adam Smith Institute, and the World Bank.

¹⁷ Including TA provided by the World Bank and DFID for issues related to the Board of Audit, procurement and civil service issues.

took longer than anticipated to deliver results. This is consistent with a lesson that IMF consistently learns when operating in post conflict situations.

78. The FAD strategy for Iraq was compared with the lessons drawn from past experiences of TA in post-conflict countries¹⁸. In Table C3, the left column summarizes the lessons learned from previous experience in post conflict countries and the right column gives the corresponding information for FAD's TAs in Iraq. Table C3 indicates a considerable degree of consistency, suggesting that the FAD operations in Iraq generally applied these lessons, a positive finding.

Table C3: Lessons From Post Conflict Countries	
FAD Lessons From Post Conflict Countries	Iraq FAD Strategy
<p>1. Building fiscal institutions in post-conflict countries involves three-steps: (i) creating a legal/regulatory framework for fiscal management; (ii) establishing/ strengthening the fiscal authority; (iii) and designing appropriate revenue and expenditure policies and strengthening revenue administration and public expenditure management. While the sequencing can differ across countries. First, usually existing legislation was reviewed to simplify or establish tax laws and administrative procedures. The second step was to strengthen the central fiscal authority, which usually consisted of four departments: budget; treasury; tax; customs</p>	<p>Clearly reflected in IMF's support for fiscal reform in Iraq. FAD participated in the review of the New Financial Law in 2004. The 2003 and 2005 missions and reports were aimed at establishing a framework for budgeting and expenditure management. FAD focused on the design of a new Chart of Account (GFS compliant) and a FMIS, the two main building blocks of any budget system. Given the situation of Iraqi public finances (e.g., an oil country in which taxes account for less than 2% of overall public resources), tax issues have not been considered a priority. This was appropriate in the short term.</p>
<p>2. Four objectives have guided FAD's advice on building or reestablishing fiscal institutions: (i) avoiding ad hoc decision making; (ii) promoting transparency; (iii) ensuring a minimum level of revenue collection; and (iv) ensuring that spending patterns reflect government priorities.</p>	<p>Transparency was an objective of the COA and, to a lesser extent, of the FMIS. Prioritization issues were not addressed by FAD. Because of the oil revenues, revenue collection was not a major issue.</p>
<p>3. In some countries, an explicit mechanism for coordinating donor assistance was established.</p>	<p>IMF/World Bank coordination was good. The USAID/IMF relationship was extensive although there were disagreements on the FMIS. Less than optimal coordination took place with DFID.</p>
<p>4. FAD's advice was tailored to the circumstances of post-conflict countries: (i) more openness to tax policies that were not first-best from an efficiency point of view (e.g., export taxes), given the need to generate revenue; (ii) proposals to improve tax administration focused on the basic procedures; (iii) implement simplified expenditure systems to be refined at a later stage. In some cases, the adoption of the first post-conflict budget— sometimes a transitional one—became an urgent priority.</p>	<p>No primary focus on taxes (see above).</p>
<p>5. The sequencing of reforms differed among post-conflict countries. The timetable for implementing fiscal reforms was much longer. In general, recommendations focused on a large number of intermediate measures over the short term that</p>	

¹⁸ IMF: Rebuilding Fiscal Institutions in Post-Conflict Countries. 13 December 2004 (<http://www.imf.org/external/np/fad/2005/022505.htm>).

<p>could gradually move budgetary practices from a crisis mode to a more normal state of affairs.</p> <p>6. Lessons from rebuilding fiscal institutions in post-conflict situations include: (i) formulating a TA strategy at the outset to get the sequencing right and to coordinate TA among donors; (ii) there might not be a substitute for posting long-term advisors in the early post-conflict phase; (iii) initially focus on simple steps and procedures; (iv) initial policy recommendations may not be optimal from an efficiency point of view, but may still be the best possible alternative in the circumstances; (v) while there is a need for simplicity and administrative ease in short-term laws and procedures, they should be consistent with the long-term goal of moving to a modern fiscal system, and (vi) fiscal decentralization can pose a challenge for fiscal management.</p> <p>7. Lessons regarding implementation include: (i) the initial strategy should be flexible enough to respond to changing circumstances; (ii) the level of ownership and commitment of the authorities is important for the pace of reforms; (iii) effective donor coordination is important -- there is scope for improvement in this area; (iv) appropriate conditionality in Fund supported programs can facilitate implementation of reforms; (v) development of local capacity takes longer than envisaged; and (vi) the pace of implementation can be affected by security.</p>	<p>The two PFM first reports were focused on very basic tools and procedures</p> <p>This sequencing was applied in Iraq</p> <p>Applicable in Iraq only for PFM was a comprehensive strategy designed.</p> <p>Although considered in 2005, no advisor was posted on site due to the security environment.</p> <p>The challenges related to fiscal decentralization are clear in Iraq. Despite the challenges, FAD chose to engage in this area.</p> <ul style="list-style-type: none">i) FAD operations took into account changing circumstances.ii) Generally good Government ownership.iii) Good coordination with the World Bank and USAID, but to a lesser extent to DFID.iv) Two conditionalities related to FAD TAs were included in the SBAs. <p>It has taken longer to develop capacity in Iraq than was anticipated.</p> <p>Security was a major problem in Iraq and slowed the pace of implementation.</p>
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D. Assessment of the Relevance of the Fiscal TAs

79. The evaluation of the relevance of the fiscal TAs is given in the following sections.

1. Quality of Diagnosis

80. For PFM, the July 2003 mission and the resulting report provided a comprehensive understanding of the prevailing situation in Iraq after the war and decades of centralized and bureaucratic practices. The weaknesses of the existing system were fully described in the July 2003 report, with an interesting distinction between pre-war and post-war developments. The March 2005 report complemented and deepened the diagnosis made in the first report. These elements of FAD's diagnosis were complemented and crosschecked with information gathered and disseminated by MCM and the other TA providers with whom FAD was in contact.

81. The many seminars and workshops held during the first 12 months of the period under review provided opportunities to enhance and deepen the diagnosis via the interactive sessions during which Iraqi officials were asked to present and explain their system, organization and procedures. The BTO reports issued after those training events described and analyzed the Iraqi reactions and debates and deepened the diagnosis.

82. Overall, the evaluation team has concluded that there is good evidence of adequate diagnostics underpinning the FAD strategy.

2. Consistency With IMF Activities in Iraq

83. Consistency with IMF operations in Iraq addresses two issues: (i) the degree of coordination with MCD in deciding on FAD TA priorities and in monitoring their implementation and results achieved; and (ii) the extent to which FAD liaised with MCM and STA on possible overlapping issues.

84. For the first issue, there is clear evidence that FAD TA was prioritized, processed and monitored in close coordination with MCD. Three out of five FAD missions included a MCD staff. This ensured practical coordination at the field level and demonstrated that MCD believed that the FAD TAs were important for their operations. An examination of the reports of the five reviews of the 2005 SBA (<http://www.imf.org/external/pubs/ft/scr/2005/cr05294.pdf>), the report of the 2007 SBA (<http://www.imf.org/external/pubs/ft/scr/2007/cr07301.pdf>) and discussions with MCD staff all attest to the consistency between the design and implementation of fiscal structural reforms included in the EPCA and SBAs, which were aimed at strengthening expenditure management, and the FAD TAs. Some FAD TA inputs were directly linked to the mainstream program and surveillance activities of the IMF. Two areas (COA and FMIS) in which FAD was heavily engaged were included as benchmarks in the SBAs. A third one has been included for the 2007 SBA (<http://www.imf.org/external/pubs/ft/scr/2007/cr07301.pdf>): an action plan on PFM issues will have to be prepared by MOF by mid 2008 and it is likely that FAD will be asked to contribute to it. However, other major fiscal problems were identified by MCD and discussed in the SBA reports that were not covered in FAD TAs. For example, the need for a better control of the wage bill and under spending of investment appropriations was highlighted by MCD as important, recurrent problems in the analysis of successive Iraqi budgets. However, these issues were addressed by the World Bank, according to the usual division of tasks between the two institutions which assigns specific issues to the World Bank such as compensation policy and civil service reform or public investment policy and prioritization. Nevertheless FAD might perhaps have usefully provided some assistance on the more technical budgeting and PFM aspects of these issues (e. g., budget procedure; budget nomenclature; appropriation status; carry over provisions; etc) for these two type of expenditures). The structural performance criteria in the 2005 SBA (<http://www.imf.org/external/pubs/ft/scr/2005/cr05294.pdf>) related to the completion of the data collection for the census of all public service employees, which following mutual agreement was to be addressed by the World Bank, was not met and has become a structural benchmark in the 2007 SBA (<http://www.imf.org/external/pubs/ft/scr/2007/cr07301.pdf>).

Given that FAD's TA activities declined after 2005, it is not clear to the evaluation team why some of these other recurrent fiscal issues were not addressed, particularly given the availability of funds in the Iraq TA Subaccount. It is possible that had FAD been requested to address these issues, the resulting advice might have helped to overcome the difficulties experienced.

85. There were two potentially overlapping issues concerning the TA departments. One relates to banking arrangements aimed at managing public funds. This issue was raised in the FAD reports of 2003 and 2005 as a problem with a recommendation to consider establishing a Treasury Single Account. However, this issue was not mentioned in the MCM work and reports. A second overlapping issue relates to government financial statistics. FAD was in charge of establishing an international standard budget classification system while the STA strategy included providing some TA to develop government finance statistics in a manner consistent with the GFSM 2001 (<http://www.imf.org/external/pubs/ft/gfs/manual/>). Despite some collaboration with FAD, STA was not successful in engaging with MOF in this area.

3. Consistency With MOF Priorities

86. Best international practice is to ensure that TAs are only provided if there is a formal request from the government. This helps to build government ownership, a key pre-requisite for successful TA outcomes. An official request from MOF, in principle, ensures consistency between the TA and MOF needs and priorities. On two occasions, the planned FAD activities were modified to better align them to Iraqi priorities and choices. This is evidence that FAD responded to MOF's needs. Beyond this basic "demand driven" rule, the evaluation team found evidence of close and constant contact between FAD and MCD and senior MOF officials, including the top advisor to the Minister of Finance. In addition to contacts at the workshops and missions in the region and at IMF Meetings, there were contacts by phone and E-mail. The Memorandum of Economic and Financial Policies attached to the reviews of the 2005 (<http://www.imf.org/external/pubs/ft/scr/2005/cr05294.pdf>) and 2007 SBAs (<http://www.imf.org/external/pubs/ft/scr/2007/cr07301.pdf>) and the related conditionalities provide further evidence of the consistency between the FAD TAs and MOF priorities. Overall, the evaluation team has concluded that there was a strong relationship between the Government's priorities and the FAD TAs.

4. Coordination With Development Partners

87. Strong IMF/World Bank cooperation is evident in the PFM area. There was an important joint mission in February 2005 led by the IMF that comprised five IMF staff and five World Bank staff. That mission prepared a mapping that allocated sub-areas between the Fund and the World Bank. This division of tasks was appended to the report on the Article IV (<http://www.imf.org/external/pubs/ft/scr/2005/cr05294.pdf>) consultation and seems to have remained the basis of common planning of TA activities. A World Bank expert was included in the November 2006 Fund mission on FMIS. Since then, the two institutions have kept each other informed of their activities. There is frequent participation in joint meetings in Washington. Recently, FAD was asked to peer review the World Bank's new analysis and assessment of the strengths and weaknesses of the Iraqi budget system. Also, a senior economist working on Iraqi PFM issues for the World Bank joined the Fund one year ago to work on the same kind of issues.

88. The FF seminars also involved World Bank experts. Although similar evidence of coordination is not available for TP, this is a domain in which the World Bank is traditionally less involved. While FAD coordination with the World Bank has been quite deep in some areas (i. e., PFM), overall the Fund/World Bank cooperation has been quite narrow in the fiscal area.

89. Oral feedback from DFID was less positive. A DFID financed team from the Adam Smith Institute has working on site in the Green Zone on fiscal issues since 2003. Feedback from DFID indicates opportunities were missed for IMF to advise DFID about the workshops, invite in-country experts to the workshops and share information. The joint IMF World Bank PFM diagnostic mission in 2005 was preceded by extensive discussions with DFID in London, and video-conferences with

DFID/Adam Smith advisors stationed in Baghdad. The Iraqi authorities did not permit either Bearing Point or Adam Smith personnel to attend the discussions in Amman, although there was follow up after the event with DFID and there were robust discussions with the U.S. Treasury and USAID. The reason for this exclusion from the formal meetings/seminars was that the authorities had concerns about the advice being given by BearingPoint and could not just exclude one consulting firm. Difference of views and strategies together with the geographical distance between the two headquarters may have resulted in less evidence of consistent, pro-active coordination efforts with DFID during the evaluation period. Going forward, ways of developing synergies between FAD and the DFID financed teams should be explored.

90. USAID, and its consultant BearingPoint, were systematically associated to all the FAD activities. Missions on occasion met with them and they participated, upon FAD invitation, in seminars and workshops held in the region. Meetings also took place in Washington between USAID and FAD. While there were frequent contacts between the Fund and USAID and BearingPoint, there were difficulties in the relationship between the two organizations and their experts on an important issue -- the design and building of a new FMIS. Commissioned by USAID, since mid 2003 BearingPoint worked on implementing new financial software, based on an "off the shelf" package¹⁹. FAD made early²⁰ and repeated²¹ warnings against this approach because of concerns that the adaptation of this system to the Iraqi needs and environment would be difficult and that the effort might not produce any system solution. USAID and BearingPoint considered that an operational FMIS tool, even if not perfect, would be better than nothing. This conflicting advice between two major donors went on for several years. This was somewhat confusing for MOF. MOF requested an IMF mission, with World Bank staff, in November 2006 to evaluate the adequacy of the reports generated by this FMIS. The conclusion of this mission confirmed the initial IMF assessment based on an examination of the reports generated by the FMIS which was operating on a trial basis. Since then, this FMIS has been abandoned, partly because of the technical difficulties and partly because the BearingPoint consultant was kidnapped. Recently a Memorandum of Understanding (MOU) was signed by USAID and MOF to resume work on the FMIS. At the time of completion of this report, discussions between FAD and USAID were in progress in Washington to clarify various clauses in the MOU and to advise USAID of planned assistance to MOF to prepare a list of reports that is one of the requirements in the MOU. All parties need to work together in a constructive manner to help MOF have a decent FMIS as soon as possible.

91. Based on the foregoing, taken as a group, the **FAD** TAs were rated as **relevant** (see Table C3). The relevance rating varied by TA cluster: the **PFM** TA cluster was rated as **highly relevant**, albeit on the border with **relevant**. The **FF** TA cluster was rated as relevant, above the midpoint of the relevance scale. The **TP** cluster was rated as **partly relevant**.

¹⁹ Freebalance is a well-known system that has been used in many countries. There are alternative systems available in the market.

²⁰ In July 2003

²¹ In April 2005

Table C3: Assessment of the Relevance of Fiscal TAs					
1. Quality of Diagnostics	20	4	2	4	3.4
2. Consistency: IMF Activities	30	3	3	3	3.0
3. Consistency: Government Priorities	30	4	2	3	3.2
4. IMF/Development Partner Coordination	20	3	2	3	2.7
Overall Relevance Rating/Score	100	3.5	2.3	3.2	3.1
a/ Rating: 4 = Excellent; 3 = Good; 3 = Modest; 1 = Poor b/ Weight by % of FAD TA budget allocated to the TA cluster. Highly Relevant (Excellent) ≥ 3.5; 3.5 < Relevant (Good) ≥ 2.5; 2.5 < Partly Relevant (Modest) ≥ 1.5; Not Relevant (Poor) < 1.5 PFM = Public Financial Management TAs; TP = Tax Policy TAs; FF = Fiscal Federalism TAs					

E. Assessment of the Efficiency of the Fiscal TAs

92. The efficiency assessment of FAD’s portfolio of TAs follows.

1. Implementation and Process Efficiency

93. FAD’s internal management of each cluster of TAs was good. Most of the TAs as delivered were consistent with the programmed TAs and the preparation and monitoring process of the different TA actions was satisfactory. Before undertaking every mission, a memorandum was prepared to define the terms of reference and the main goal to be achieved. Every FAD TA project was submitted for formal approval at a monthly Review Committee chaired by the FAD head. The BTOs show evidence of a satisfactory planning/doing/reporting process: (i) actual results of TAs were systematically compared to the initial goals; (ii) reporting exercises provided useful ideas for the planning of further activities; and (iii) lessons were drawn from strengths and weaknesses of a given event were used to improve the next one.

94. The evaluation team found less evidence of an internal coordination process between different the FAD TA clusters. For example, it was not clear that there were well defined processes to: (i) circulate information, data and documents (e.g., Terms of Reference; BTOs; red cover reports; training materials) among different FAD staff involved in different TA clusters; and (ii) coordinate PFM, FF and TP TA activities (e.g., meetings and the like, beyond the formal Review Committee) within FAD. While there were pragmatic hints of a good coordination between TP and FF and between PFM and FF, evidence of good coordination in the PFM/TP areas was limited.

2. Consistency of Engagement

95. Continuity of staff involvement from both sides, the provider and the beneficiary, is an important issue for any TA process. On the IMF side, the turn-over of the staff involved since 2003 varied across clusters. In the PFM area, seven different IMF staff were involved in the four missions. One FAD staff participated in three missions, one MCD staff participated in two and five staff took part in only one mission. The series of six workshops organized in the first half of 2004 were undertaken by three external experts. These experts prepared the programs and agendas, checked the relevancy of the contents and the quality of materials, made presentations and acted as an overall coordinator and moderator during the courses. Although rather expensive²², this organizational arrangement allowed for good consistency and continuity in the workshops

²² The cost of this management and coordination arrangements represents, in terms of expert-days, slightly over half (114 out of 216) of expert-days used for the training courses.

management process. For FF, two out of three workshops were organized and headed by the same FAD staff.

96. On the beneficiary side, an examination of the list of Iraqi officials involved in the missions and workshops shows a greater volatility. The five expert missions were occasions for meetings and discussions with 70 to 80 Iraqis officials. There was considerable turn-over and lack of consistent participation. For example, none of the 35 Iraqi officials met during the March 2005 mission had been involved in the July 2003 mission on the same topic. While this 100% turn-over was a major drawback for the TAs, it reflects, in part, the unstable governmental situation and consequent staff turnover in MOF. The turnover in seminar participants, about 200, was also important. However, in the case of training activities, it is more normal to have different people with different backgrounds from different services attending different courses on different issues. According to oral feedback received on the FF seminars, a high degree of continuity in the attendees was observed. This is a positive sign.

97. In terms of the FAD TAs, a major positive in terms of continuity was the continuous and active presence of the senior adviser to the Minister of Finance, who is concurrently the financial advisor to the Vice-President. The permanence of this main focal contact point for FAD had a strong, positive impact on the FAD/MOF cooperation.

3. Efficient Use of Resources

98. The total budget for the FAD TAs delivered was about \$1.7 million (see Table C1). Of this amount, approximately 20% reflected the costs associated with the offsite delivery, reflecting the cost of travel, accommodation and per diems of Iraqi staff²³. These costs would not have been incurred if it were possible to deliver the TA in Iraq, as would be the normal practice in other countries. Given the security conditions in Iraq, the offsite model does not necessarily represent an inefficient use of funds. In countries with a normal security situation, FAD usually uses long term in-country advisers in the ministry of finance and conducts quarterly TA multi-topic missions of 3 to 4 staff/short-term experts. Non Fund staff costs in this scenario would likely be considerably higher than the cost of the offsite model. For Iraq, the cost per person year of an in-country adviser is estimated at \$750,000.

99. Another basis for comparison, though not a realistic one given the Fund's ban on travel to Iraq, would be to compare actual offsite modality costs with the hypothetical costs of delivering similar TA in Iraq. Anecdotal evidence, in part based on World Bank and other donors (USAID and DFID) experience in assigning resident experts in Iraq under current security conditions indicates that: (i) the security cost per trip outside of the Green Zone is about \$15,000; (ii) the effective working day for meetings with Iraqi counterparts is restricted to a few hours; (iii) it is extremely difficult to plan meetings with Iraqi counterparts not to mention arranging a meaningful workshop on the lines of those conducted in Amman; and (iv) the cost of basing one expert in Baghdad is estimated at \$750,000 per annum. These parameters suggest that the offsite model was a relatively efficient expenditure of funds compared to delivering TAs through advisers stationed in the Green Zone.

100. The workshop design helped to improve the efficiency of resource use. For example each workshop was designed for a particular target audience (e.g., customs issues for customs officials; accounting for accountants; tax for tax people, etc.). FAD advised MOF in advance of the topics of the workshops/training and the characteristics of the target participants both in writing and in discussion with senior MOF staff. Partly because of the specialized nature of the workshops, there was a lack of consistent participation among the Iraqi officials, other than the senior adviser to the Minister of Finance. This raises some concerns about the efficiency of resource use. With such a wide variety and large turnover in participants, succeeding workshops were not designed to build on the knowledge acquired in the earlier workshops. It is likely that some of the participants are no longer in a position to apply the skills learned on the job. However, information was not available to either IMF or the evaluation team to trace the participants. Both of these factors lower the cost

²³ The cost of experts would, however, not be the same in both the onsite and offsite delivery models.

efficiency and suggest that a more thorough participant screening could have resulted in achieving the same benefits for less money. FAD took up the issue of participant selection with senior MOF officials. The problem of proper participant selection is not unique to FAD TAs. Other donors also have problems with participant selection for out of country seminars/training. There are strong incentives operating in executing agencies to use such opportunities for reward their staff that some times over ride the purely technical criteria for participant selection used by donors.

4. Timeliness

101. FAD rapidly mobilized its resources to become involved in Iraq at the beginning of the period under review. The first PFM mission traveled to Iraq just four months after the end of the war. A significant number of seminars took place in the following 12 months, sticking to a tight schedule despite the difficult circumstances²⁴. The second PFM mission took place about two years after the war's end. Thus, FAD staff reacted very quickly during this period to provide a fair amount of TA in the aftermath of the conflict. After that, FAD provided help in PFM area, mainly COA and FMIS, on a slower and less intensive pace but as soon as it was requested by MOF. The later FAD involvement in the TP and FF areas reflects the fact that FAD did not try to address these challenging issues prematurely.

102. The absence of any postponement attributable to FAD of missions or seminars, the pace at which the Subaccount resources have been spent and the relatively short time lag between TA approval and spending are additional indications of a timely delivery of TAs in the fiscal area. Nevertheless, there were some delays in the completion of the reports. While the July 2003 report was issued the very month of the mission, two out of five reports were issued three to four months after the end of the mission. One of the reasons for these delays was the time needed for the interactions between the different players involved and the time required to reach consensual conclusions.

103. The overall rating of efficiency, based on the foregoing, is shown in Table C4. As a group the FAD TAs was rated as **efficient**, as was each cluster.

Criteria	Weight (%)	Rating ^a			
		PFM	TP	FF	Score ^b
		49	28	23	100
1. Process and Implementation Efficiency	30	3	3	3	3.0
2. Consistency of Engagement	30	3	3	4	3.2
3. Efficient Use of Resources	30	3	2	3	2.7
4. Timeliness	10	3	3	3	3.0
Overall Efficiency Rating/Score		3.0	2.7	3.3	3.0

a/ Rating: 4 = Excellent; 3 = Good; 2 = Modest; 1 = Poor
 b/ Weight by % of FAD TA budget allocated to the TA cluster.

Highly Efficient (Excellent) ? 3.5; 3.5 < Efficient (Good) ? 2.5; 2.5 < Partly Efficient (Modest) ? 1.5;
 Not Efficient (Poor) < 1.5

PFM = Public Financial Management TAs; TP = Tax Policy TAs; FF = Fiscal Federalism TAs

F. Assessment of the Effectiveness of the Fiscal TAs

²⁴ The Amman seminars had to be re-located to Abu Dhabi due to the deterioration of the Jordanian security environment.

104. The assessment of the effectiveness of the fiscal TAs is given in the following sections.

1. Use of TA Outputs

105. Different sorts of outputs were produced by the two different types of activities: missions and seminars. Each is discussed separately below.

a) Missions

106. The main outputs of the missions were the reports produced. All of them were excellent -- well structured, well written, with comprehensive in depth analysis and relevant recommendations in line with the best international standards and experience. They were also translated into Arabic which is best practice to improve dissemination and usefulness in Iraq.

107. The July 2003 report comprised: (i) a set of recommendations for immediate action (by the end of 2003), short term reforms (during 2004) and medium-term reforms (in 2005 and onward); and (ii) a TA action plan on budget preparation and coverage, budget execution and supporting areas.

108. The March 2005 report sets out a comprehensive PFM reform agenda in line with the July 2003 recommendations and action plan, albeit wider, encompassing macro-fiscal framework, budget coverage and appropriations, budget classification and chart of account, cash management, control and audit, payroll and human resources, FMIS, institutional reforms and training.

109. In both cases, broad priorities were identified but there was no indication about the way and means to reach the targets. In these reports, the analysis, views and orientation given on the design of MOF's future PFM system was relevant, coherent and adapted to the specific situation of this country. Although broad priorities were identified and a basic action plan proposed, the report did not include a detailed road map that clearly explained how to manage and implement the reforms and the related resource implications. In other words, the target was clearly and rightly set but the path to be followed to achieve the target was not shown. A clear road map and related resource implications would have been helpful to coordinate the activities of the various donors involved in the sector.

110. In the tax policy area, no document was available that laid out a comprehensive strategy until March 2007, the last year of the period under review and more than three years after FAD began its operations in Iraq. This March 2007 report provides a comprehensive approach to address each tax domain. The present situation is assessed and alternatives are presented that cover all the main tax reforms (including a possible value added tax) that might be considered and studied by the Government in the future. The report provides a broad outline of a comprehensive and consistent target tax system. The proposals are sound and relevant, albeit with a very limited road map to reach the end goal. However, given the circumstances, at this stage this may be the best that could have been done.

111. Three seminars between December 2004 and December 2006 addressed the issue of a comprehensive strategy for fiscal federalism. Given the importance of this issue, its political sensitivity and the economic interests at stake, IMF could not propose any structured formal strategy at that stage. Therefore, an appropriate approach was to provide knowledge and references to nurture the intense debate on this issue with relevant materials to help the Iraqis to better understand the issues and the various alternative solutions that have been adopted to address it in other countries. A draft paper was prepared for the discussions of the Iraqi Constituent Assembly by IMF and World Bank staff and consultants that presented key options that might be relevant for the discussions to senior officials from the central and local governments in Iraq, including from Kurdistan. The final working paper²⁵ reflected the thrust of the discussions, including the views on the options prepared by the Iraqi officials and included a short-term work plan for the assembly. A second technical paper was

²⁵ IMF Working Paper WP/05/69 (<http://www.imf.org/external/pubs/ft/wp/2005/wp0569.pdf>). Iraq: Considerations on Intergovernmental Fiscal Relations for the Constituent Assembly. Ehtisham Ahmad, Robin Boadway, Giorgio Brosio, Bob Ebel, and Bob Searle. April 2005.

prepared by IMF staff in February 2007 on the basis of discussions that took place during the seminars, more focused on petroleum issues, that document suggested a coordinated strategy to deal with intergovernmental fiscal relations and petroleum issues. However, that paper was not cleared for release, an indication of the sensitivity of the topic. Whatever was the rationale of this final decision, it underlines the gap between the amount of inputs invested by FAD in this work and the limited amount of documentation that was produced to provide information in a formal, visible and long lasting form that was accessible to a broad audience.

112. One of the most significant indicators of the effectiveness of FAD TAs is the fact that major operational improvements in two areas supported by TAs (COA and FMIS) were included as structural benchmarks in the SBAs.

b) Workshops

113. Workshops and seminars have been properly organized, documented and implemented. Written material and oral feedback were positive. The evaluation team has concluded these were successful events, although problems related to participant selection and continuity undermined, to some extent, their effectiveness. A general review of the agenda, programs and materials prepared for all workshops and training seminars indicates that real efforts were made to make these successful. The quality of experts, the level of their skills and the diversity of their experience and national origins were all rated as good to excellent. Their pedagogical materials reflected this quality. In some cases it may have been somewhat too high and, for most part, was not translated into Arabic. These factors somewhat undermined the effectiveness of this modality. There was liaison with the MOF on the selection of relevant, qualified people in the right position and with the responsibilities and skills needed to apply the knowledge on the job. In most of the cases, the attendees were the right persons in terms of level, position, and background. However, in some cases the number of people attending the training sessions was too large. According to BTOs and oral feedback, while some participants were actively involved in the training courses and discussions, others were not as pro-active. Going forward it appears that more attention will have to be paid to participant selection to improve the efficiency and effectiveness of the training.

114. In most instances the workshop format encouraged dialogue and participation with attendees. IMF received feedback from them, and in some cases presentations, and tried to reach agreement on work plans for future implementation at the wrap-up sessions. The post seminar questionnaires show that the vast majority of the attendees appreciated the content of the presentations, the quality of the speakers and the relevancy of most of the themes that match their needs and expectations. These sorts of end of course assessments generally have a positive bias²⁶ and do not, of course, provide any information on the extent to which participants used the knowledge acquired when they returned to their jobs. This is a more relevant indicator of the effectiveness of training which is discussed later in this annex.

115. There are two issues of concern:

a) Most of the attendees had no, or very limited, command of the English language. In the quite technical fields covered by the training, the reliability of oral translation is never certain even if the best translation resources have been mobilized by the organizers. This language barrier is not unique to Iraq. Generally there is greater knowledge transfer if the medium of instruction is in the local language, Arabic in this case²⁷.

b) There was a large cultural and knowledge gap between the participants and the presenters. Some of the pedagogical materials, albeit professionally excellent, were perhaps too advanced given the limited academic background and international exposure of most of the participants. Indeed, the presenters tried to adapt their presentations orally but when oral

²⁶ For example similar end of course assessment for training courses put on by the IMF Institute and financed under the Iraq TA Subaccount participants typically rate courses at 4.8/4.9 on a scale of 5.

²⁷ For the training courses funded under the Iraq TA Subaccount and put on by the IMF Institute, all courses were put on in Arabic and the training material was translated into Arabic.

presentations do not follow slides, typically the translation becomes more difficult and it is not clear how much knowledge was correctly communicated to the participants.

116. Training is an investment in people and should be managed as such. The highest attention should be given to the long-term effects of the resources invested i.e. with a good integration of training to staff career development policies and decisions.

2. Desired vs. Actual Outputs

117. In many respects, it is too early to make this assessment since, according to the general experience with post-conflict countries it usually takes many years for measurable progress in structural reforms to be evident. In Iraq, given the specific circumstances, the delay might be longer.

118. For each cluster, the degree of FAD involvement evolved unevenly over the period. Significant financial and human resources were deployed to address some issues that were directly related to IMF's operational activities in Iraq (i. e., COA, an area on which FAD took the lead, and FMIS, an area on which FAD was in a more advisory position). Other areas were addressed more broadly via seminars aimed at raising awareness and developing administrative and economical skills.

119. In the PFM area, a comparison between the planned TA activities in the July 2003 and March 2005 reports and the actual achievements leads to the following conclusions:

- a) most of the issues raised have been addressed via missions and/or seminars with the main, with the exception of issues related to organization and management; to be efficient -- any TA addressing this type of issue needs to have a presence on the ground and to observe everyday activities in MOF;
- b) every TA output corresponded to a previously planned activity; in other words, planning and achievements were consistent.

120. In terms of achievements, one specific issue that merits consideration is whether FAD's involvement in the FMIS was a success or a failure. Building a good FMIS was a major goal in the PFM area and, consequently, a lot of resources – funding, time, and energy – were devoted to it over a period of more than four years by MOF, FAD and USAID/BearingPoint. However, today the results would be rated as poor since the FMIS is not actually working and a new plan of action is being developed. In terms of benefiting MOF, the combined efforts of the donor community to develop a functioning FMIS has, up to now, been a failure. USAID was the lead donor in this area and FAD's advice and concerns about the risks associated with the proposed approach went unheeded.

121. FAD constantly warned MOF, beginning at the inception of this work in mid-2003, about the risks and likely difficulties associated with the USAID/BearingPoint choices and strategy. FAD's main concerns were that there was no prior needs assessment, whether the final choice was an off-the-shelf or customized software, and insufficient consideration had been given to the legacy system. At the end of 2007, the trial operation of the FMIS was terminated and BearingPoint was asked to stop working on this issue. As a result, MOF remains committed to strengthening public financial management and has requested IMF to provide TA to help it identify priorities in this area and to a plan of action. It appears that FAD's warnings and recommendations related to FMIS have proven to be correct by events. However, heavy costs were incurred by the Government because FAD's advice was not followed in 2004/2005.

122. Regarding FF, the final achievements of TA merits some comments. Oil accounts for 97% of Iraq's exports and 98% of government domestic revenue. Because of the difficult security situation and limited investment, production and export of crude oil have consistently been lower than expected under the SBA-supported programs. However, Iraq has very large proven oil reserves and has the potential to become the world's second largest oil producer. There are massive financial flows associated with the development of the oil industry. Sharing of the oil revenues lies at the heart of fiscal federalism in Iraq. However, it is a very contentious issue with differences between regions (those with and without oil resources), the central and local governments and ethnic/religious divides. In addition there is a debate over the role of foreign direct investment in the sector and how to treat contracts that have already been signed. There are many political economy issues involved with the sharing of oil revenues and fiscal federalism. A draft law- incorporating elements of the FAD

seminars- was introduced in Parliament in 2007 but it has not yet been passed and it seems that the Government did not follow FAD advice since this law does not address simultaneously oil issues and fiscal federalism issues. While these are important issues that are directly related to the future of Iraq and the role of the central government, there are uncertainties related to the ultimate impact and effectiveness of FAD's work in these areas: although FAD provided good advice in this area, the Government did not follow all its advice and it is not clear when the legal framework will be established or what the final shape will be. Thus, on this point, the present evaluation might be considered as an interim assessment: the final assessment will only be clear after the necessary legislation has been adopted by Parliament.

3. Effectiveness of the Offsite Delivery Mode

123. For FAD, the offsite model comprised two types of actions: missions and workshops. A third possibility was considered in 2005 -- appointing a permanent PFM expert offsite, based either in Beirut, where METAC was established, or in Amman to allow for close coordination with the IMF resident representative who could provide some support. However, this type of support was not operationalized.

124. The offsite model for TA delivery was used pragmatically, given the difficult security conditions²⁸. FAD had no precedent of using the offsite model on this magnitude in which Iraqi officials consistently traveled to some other city in the region. The results achieved indicate that the use of the offsite model was good solution in difficult circumstances. At the beginning of the period, these modalities were considered by everyone as a "more than nothing" and provisional way of delivering TA. Frequent references about a "back to normal" situation in the future appear in the files and were made in the oral feedback received by the evaluation team.

125. There are some positive aspects to offsite delivery compared to the usual onsite modalities: (i) it separated participants from the day to day work and routine constraints thus allowing them to focus full time on the workshop/seminar and to develop broader views, perspectives and ideas for improvements and reforms; and (ii) it provided opportunities for participants to meet with colleagues from other departments and regions -- occasions for discussions, exchanges and coordination that were not so frequent in Iraq, given the difficult security environment.

126. Aspects related to the use of the offsite model need to be considered going forward:

- a) Some oral feedback received by the evaluation team indicated that some Iraqi officials no longer believe that much can be achieved in the current security condition. Since the evaluation team did not talk to a large cross section of officials, this feedback must be treated with caution as it is not clear how representative this feeling is. However, such weariness is understandable. If confirmed, this needs to be recognized and integrated in the FAD TA strategy and choice of delivery mode.
- b) A clear message received from a senior MOF official was that FAD should consider the option of gradually shift to onsite TA delivery. Until the travel ban is lifted, an interim response to such a request could include: (i) closer coordination with bilateral donors that are funding in-country consultants; and (ii) the use of an offsite fiscal adviser who could provide frequent high level policy advice to senior MOF officials on a wide array of fiscal matters.
- c) Most of the "policy advice" type TA that can easily be delivered offsite was provided during these four last years. At this point what the fiscal system modernization program primarily requires are the operational tools and better organization and procedures. Support for these

²⁸ For the fiscal area, this severe security environment was sadly illustrated by the assassination of some MOF officials and the abduction of the BearingPoint consultant working on the FMIS.

types of practical issues will become increasingly difficult to deliver efficiently and effectively in the future using an offsite model. There will be an increasing need for an onsite presence.

127. FAD successfully developed and used the offsite model. It was the right answer to meet the needs during the evaluation period. However, there are limits to what can be achieved with this model. Going forward different options may need to be considered, some of which will include a need for greater coordination with other TA providers to MOF.

4. Significance of IMF’s Contribution to Developing Core Economic Functions/ Institution Building

128. The main contributions of FAD TA to developing the core economic functions of Iraq, more specifically to its fiscal system, have included the following:

- a) a comprehensive analysis of the public financial management system and a set of desirable reforms which was the basis of the fiscal reform program and the framework of the subsequent TA provided by the donor community;
- b) guidance on building a sound budget and accounting classification system which has been adopted and is being implemented -- this is a key building block for fiscal policy formulation, budget management and financial reporting;
- c) providing guidance and advice on the FMIS, although FAD’s advice did not prevent the choice of inappropriate solutions;
- d) identification of options and alternatives regarding a future tax structure, although implementation progress in this area has been limited; and,
- e) advising senior decision makers and politicians on issues related to fiscal federalism and the critical importance of revenue sharing arrangements concerning oil related public resources between the state and the regions and providing analysis and references on possible options in this sensitive field. While FAD TAs introduced international experience into the debate, the political consensus has not yet emerged on how Iraq will address these issues. Thus the impact of the FAD TAs in terms of shaping Government policies in these areas is not yet clear.

129. Evaluating effectiveness assesses whether TA outcomes were achieved and contributed to the outputs and objectives underlying the TA. Overall, the **FAD TAs** are rated as **effective** (see Table C5) but two clusters (**FF** and **TP**) are rated as **partly effective**

Table C5: Assessment of the Effectiveness of the Fiscal TAs					
Criteria	Weight (%)	Rating ^a			
		PEM	TP	FF	Score ^b
		49	28	23	100
1. Use of TA Outputs	30	3	2	2	2.5
2. Desired vs Actual Outputs	30	3	3	3	3.0
3. Effectiveness of Offsite Delivery Mode	10	3	3	3	3.0
4. Significance of Contribution to Developing Core Economic Functions/ Institution Building	30	3	2	2	2.5
Overall Effectiveness Rating/Score	100	3.0	2.4	2.4	2.7

a/ Rating: 4 = Excellent; 3 = Good; 2 = Modest; 1 = Poor
b/ Weight by % of FAD TA budget allocated to the TA cluster.

Highly Effective(Excellent) ? 3.5; 3.5 < Effective (Good) ? 2.5; 2.5 < Partly Effective (Modest) ? 1.5;
Not Effective (Poor) < 1.5

PEM = Public Expenditure Management TAs; TP = Tax Policy TAs; FF = Fiscal Federalism TAs

G. Assessment of the Sustainability of the Fiscal TAs

130. Evaluating sustainability assesses the probability that human, institutional, and financial resources are sufficient to sustain the output and outcome achieved. The assessment is given below.

1. Iraqi Context

131. The security problems in Iraq are the major impediment to take into account when thinking about developing a sound and efficient fiscal system. The impact of the security situation on the sustainability of FAD TAs is clear since some MOF officials have been assassinated and a BearingPoint contractor was abducted. While there were some signs of improvement in late 2007, this evaluation is not designed to assess or forecast the security situation. Suffice to say, security issues pose a potential threat to the sustainability of TA benefits.

132. Iraq is in the early stages of a transition to democracy, a new type of political system that has not been experienced in Iraq's long history. It takes time to build the institutions, legal regulatory framework and the political parties and coalitions that are needed to make a democratic system work. This is a particular challenge in Iraq given the regional and ethnic/religious divisions and the legacy of the past regime. Although elections were successfully held, there are strains in the governing coalition. MOF is more directly affected by political uncertainty than CBI which has a greater degree of independence. The Minister of Finance is a key position that is of interest to many members of a governing coalition in any country. Budgets and expenditures are more political in nature than monetary policy. Also line ministries in Iraq are larger and more politically powerful than banks and line ministers report to the Prime Minister and not to the Minister of Finance. Fiscal reforms and the associated policies have a political dimension, particularly areas like fiscal federalism and sharing oil revenues. The resulting policies are subject to long negotiations among coalition partners. Experience in other countries indicates that policies and reforms can be reversed with changes in governments, coalition partners or ministers of finance. All of these factors present risks for the sustainability of TA benefits.

133. Senior MOF officials wish to see a deeper and expanded provision of FAD TAs with a gradual shift to onsite activities: although the evaluation team is doubtful about such a prospect in the current circumstances, the request was expressed with such emphasis that it deserved a mention in this report. Indeed, an improvement of the security situation would create many opportunities for FAD to expand and deepen its activities and to help address new issues, for example the whole field of operational, organizational and managerial reforms, and to use more traditional forms of TA delivery. However, there is a potential risk that the security situation will not improve. Should this scenario materialize, FAD might reconsider the following issues when re-focusing its TA strategy:

- a) areas: offsite TA is more relevant in the field of "policy advice" than in the field of "operational management"; and,
- b) types of actions: provided they are well targeted, workshops on human resource management, training and policy options are more relevant, at this stage, than analysis and recommendation missions.

2. Continued IMF involvement

134. Based on the material reviewed by the evaluation team, some further FAD TAs are likely to be organized including a mission on tax policy in early 2008 to address specific tax issues (with a focus on sales tax) and a mission on FMIS to help resume the work on this important issue. No training activities are currently planned. At this stage, likely FAD involvement will remain at the 2005/2007 level, which is significantly below the 2003/2004 level. It appears likely that FAD involvement will plateau at this level or might decrease, unless the prevailing environment or current strategy changes.

135. There are also other factors, external to FAD, which may make it difficult to maintain the existing level of TA activities: (i) the resources in the Iraq TA Subaccount are fully committed and there is no commitment to replenish it; and (ii) the Fund faces significant cutbacks in its own resources. These resource questions are risks to the continued involvement of IMF at the same level which may necessary to ensure that the benefits of FAD TAs are sustained.

3. MOF Ownership of the TA Outcomes

136. All the TAs were formally “demand driven” and the TAs on COA and FMIS were elements of conditionalities associated with the SBAs. FAD TAs were taken seriously by the Iraqi authorities. However, there are factors that raise some questions about the Government ownership of the TA outcomes and the likelihood that the TAs will result in sustainable benefits. Conversations between the evaluation team and a senior MOF official left somewhat conflicting impressions in this area. While expressing strong and repeated requests for further TAs in the fiscal, no precise response was given when asked to enumerate the major achievements of FAD TAs, with the exception of those related to the COA. Similarly, there was not a clear articulation of the main priorities for future FAD TAs. Also, the lack of consistent participation at the staff level raises further questions about Government ownership of the TA outcomes and the sustainability of benefits.

4. Participants Application of Knowledge Gained on the Job

137. The positive assessment of the quality of the mission reports was given above. However, the question of the actual use of these outputs by the participants is more difficult to evaluate. While the reports were translated into Arabic by the Fund, the evaluation team has some concerns about whether there was wide spread circulation and use of these reports across the Iraqi administration. Given the legacy of centralization, the administrative culture of closely holding information and the shortage of equipment (e.g., photocopiers; computers; access to the internet), it is likely that the reports were read by only a narrow circle of officials rather than the wide dissemination these documents deserved. The information collected during the evaluation suggests that this was the case but the evidence is not conclusive because the evaluation team could not visit Baghdad. However, the continuous involvement of one very senior and influential MOF official might offset, to some extent, concerns about a wider dissemination of the reports if he used them in his decision making and policy advice provided to the Minister of Finance.

138. Knowledge was acquired via seminars and workshops, by about 200 Iraqi officials mainly from the MOF but also from other ministries (e.g., Oil, Planning) and institutions (Board of Audit). Most of the attendees were from Baghdad but several officials from Kurdistan attended some seminars. The events reached people far beyond the narrow budget or tax MOF directorates to encompass larger circles of financial/economic institutions, including Parliament. Thus, the breadth of the dissemination was satisfactory. However, it is difficult to evaluate the extent to which these officials will stay in the civil service and use the knowledge gained through FAD TAs. The current staff turnover is said to be limited but it is difficult to forecast the future trend since it depends, in part, on political and security developments. The evaluation team is concerned about the implications of the turnover in participants for the application of the knowledge gained on the job. The implication is that for future workshops and training events, there should be a more rigorous selection of participants that involves a closer assessment of their on the job responsibilities and career prospects to ensure that the FAD TAs are investing their resources in the right people. This sort of screening is difficult to do from Washington. Closer involvement with FAD staff and in-country consultants financed by other donors might be one way to address this issue.

139. A further concern about the sustainability of outcomes is the limited evidence of clear changes in MOF policies and procedures that can be plausibly considered as outcomes of the FAD TAs. There is, however, one exception to this generalization. That is the adoption of the COA in 2007 that is something to which FAD TAs clearly contributed. Many of the other TAs transferred knowledge but given the lack of clear outcomes, it is not clear at this stage whether there will be outcomes that will prove to be sustainable.

140. As a group fiscal TAs were rated as **partly sustainable** (see Table C6). However one cluster (PFM), which accounted for about half of total expenditures, was rated as **sustainable**.

Table C6: Assessment of the Sustainability of the Fiscal TAs					
Criteria	Weight (%)	Rating ^a			Score ^b
		PFM	TP	FF	
		49	28	23	100
1. Iraqi Context	20	2	2	2	2.0
2. Continued IMF Involvement	30	3	3	2	2.8
3. MOF Ownership of TA Outputs	30	3	2	3	2.7
4. Participants Apply Knowledge	20	3	2	2	2.5
Overall Sustainability/Score	100	2.8	2.3	2.3	2.5

a/ Rating: 4 = Excellent; 3 = Good; 2 = Modest; 1= Poor
b/ Weight by % of FAD TA budget allocated to the TA cluster.

Highly Sustainable (Excellent) ≥ 3.5; 3.5 < Sustainable (Good) ≥ 2.5;
2.5 < Partly Sustainable (Modest) ≥ 1.5; Not Sustainable (Poor) < 1.5

PFM= Public Financial Management TAs; TP= Tax Policy TAs; FF= Fiscal Federalism TAs

H. Overall Rating of the Fiscal TAs

Overall, the FAD TAs were rated as **successful** (See Table C7). The portfolio was rated as **relevant** and **efficient**, above the mid-point in the range. The ratings were lower for effectiveness and sustainability since, given the difficult situation in Iraq and the presence of real improvements are not obvious for all the clusters. PFM – the largest cluster of FAD TAs -- was the most successful and was rated above the mid-point of the **successful** range. The FF cluster was also rated as **successful**, at the mid-point in the range. The TP cluster, a more recent and modest TA cluster, was rated as **partly successful**.

Table C7: Overall Assessment of the Fiscal TAs					
Criteria	Weight (%)	Rating ^a			Score ^b
		PFM	TP	FF	
		49	28	23	100
Relevance	30	3.50	2.30	3.20	3.1
Efficiency	20	3.00	2.70	3.30	3.0
Effectiveness	30	3.00	2.40	2.40	2.7
Sustainability	20	2.80	2.30	2.30	2.5
Overall Rating/Score	100	3.1	2.4	2.8	2.8

a/ Rating: 4 = Excellent; 3 = Good; 2 = Modest; 1 = Poor
b/ Weight by % of FAD TA budget allocated to the TA cluster.

Highly Successful (Excellent) ? 3.5; 3.5 < Successful (Good) ? 2.5;
2.5 < Partly Successful (Modest) ? 1.5; Not Successful (Poor) < 1.5

PFM = Public Financial Management TAs; TP = Tax Policy TAs; FF = Fiscal Federalism TAs

Annex D: Evaluation of Monetary and Banking TAs

A. Introduction and Summary of the Monetary and Banking TAs Provided

142. Key priorities set down in the July 2003 Framework for the Iraq TA Subaccount for the monetary and banking areas were the establishment of essential monetary and payments system operations, including monetary policy and foreign exchange market operations, as well as assessing the adequacy of financial sector institutions and laws. These TA components were seen as the building blocks of a foundation for restoring basic financial intermediation as part of the broader challenge of modernizing core economic institutions, including the CBI, and promoting reforms needed to deliver a return to sustained growth.

143. From late 2003 onwards, the TA framework for utilizing Subaccount resources was gradually rolled out and expanded to encompass a comprehensive range of “first generation” financial sector reforms: (i) in September 2003 to address the near term priority of completing the currency exchange; (ii) in December 2003 to assist the CBI in accounting matters; (iii) in January 2004 to provide advice for the governance, organization and management framework at the CBI; (iv) in April 2004, to support the establishment of risk-based banking supervision capacity; (v) in December 2004 -- linked to the establishment of the first Fund EPCA program for Iraq (<http://www.imf.org/external/pubs/ft/scr/2004/cr04325.pdf>) -- to provide a general advisor on policy and operational issues to the Governor of the CBI; and (vi) from around mid 2006, to target assistance for the restructuring of state owned banks.

144. As shown in Table D1, as of December 2007, the budget for the approved MCM TAs totaled \$2.157 million, of which 70% has been spent. All of the allocated funds undisbursed were for TAs approved in 2007 so the financial data indicates that implementation generally followed soon after approval of the TA. That said, resources under the Subaccount were not expended at the pace intended when the account was established. This was largely due to the disruption and delay caused by unforeseen developments in Baghdad in the Summer of 2003 -- the tragic security incident that led to the ban on IMF staff travel to Iraq and the introduction of the remote model for TA delivery-- as well as the volatile and disruptive security conditions that persisted in subsequent years, especially during 2006.

TA Cluster	Budget (\$)	Expenditures (\$)	% of Total Budget
Bank Supervision and Restructuring	1,231,100	728,079	47.6
Advisor to Governor CBI	496,600	411,600	26.4
Payment System Reforms	161,636	161,636	10.5
Accounting, Org. and Mgt. at CBI	158,808	158,808	10.2
Monetary Ops./Instruments	105,777	87,963	5.1
Currency Exchange	3,125	3,125	0.2
Total	2,157,046	1,551,211	100.0

145. TAs for banking supervision and bank restructuring accounted for nearly half of the total with supervision and related training accounting for the lion’s share (80%) of this cluster. This amount was expended on seven workshops. Three of these were held in June 2004, July 2004 and January 2006, and together with an additional USAID sponsored workshop in April/May2005 with US Federal Reserve and Fund participation, provided structured and comprehensive basic training for a core cadre of some 30 banking supervision staff (pre-selected on the basis of written examination by USAID/BearingPoint consultants). In a second more hands-on phase of training, three workshops in

November 2006 and March and July 2007, were dedicated to analyzing case studies directly related to the work of CBI supervision staff involved in offsite and onsite supervision. The seventh and most recent workshop, in December 2007, brought together the key parties involved in the implementation of an agreed MOU on the restructuring of state-owned banks, including senior officials of the CBI, the Ministry of Finance and the Supreme Audit Authority; their task was to agree on near term priorities for the restructuring plan.

146. Over a quarter of the MCM Subaccount expenditure financed the varied activities of an offsite general advisor to the Governor of the CBI who provided expert advice on a broad range of policy and operational matters relating to: (i) general macroeconomic and specific monetary policy issues; (ii) renegotiating external debt (official and private); (iii) facilitating the negotiation of the SBAs for Iraq since October 2005 as well as periodic program reviews; and (iv) liaising on capacity building with TA donors as well as the IMF TA departments, particularly MCM, which backstops the expert's activities.

147. TA on payment system development accounted for 10.5% of Subaccount expenditures to date and underpinned a symposium (attended by 12 officials from the CBI and other relevant Iraqi institutions) and two workshops (each attended by 17 CBI staff) organized by the Fund in coordination with World Bank. The payments symposium in July 2004 agreed a plan for a comprehensive development of payment systems in Iraq. As decisions on the introduction of an automated clearing house (ACH) system for retail payments and a real time gross settlement (RTGS) system for wholesale (high value) payments had been largely taken in consultation with US donor agencies (US Treasury and US Defense Department) and a provider of the infrastructure (Montran) had been selected, the focus of the first workshop in March 2005 was on the CBI's role and internal institutional arrangements for payments policy implementation and oversight, including the development of a legal framework with help from the Fund's legal department (LEG). Agreement was reached with the US Treasury and Montran that IMF/MCM would take a leadership role in coordinating work on the payment systems going forward and review the technical and business specifications of the infrastructure from Montran.

148. The second workshop on payments, six months after the first, reviewed developments, agreed the legal framework and draft rule books for ACH and RTGS as well as a standard format for checks and the check clearing process (initially the ACH process was confined to credit and debit cards but provision had to be made for check payments). Electronic custodial and payment arrangements, linked to RTGS, for the trading of government bonds were also discussed as a planned future add-on project by the supplier. Participants from the CBI prepared and discussed a report on the outcome of the workshop.

149. TA on CBI accounting and organization and management cluster provided two workshops on accounting and one on governance, organization and management at the CBI and accounted for 10.2% of Subaccount outlay. The first accounting workshop in December 2003 provided training and advice on best accounting practice for the various types of financial transactions and operation undertaken in a central bank as well as on international financial reporting standards (IFRS) for published annual financial accounts. A total of 15 CBI staff working in accounting and financial control areas of the CBI attended as well as DFID and USAID accounting advisors working in Baghdad. The second workshop in November 2007 (almost four years later) was attended by 16 CBI staff and the METAC regional advisor on accounting and its purpose was to review progress since the last workshop and provide advice and assistance to support ongoing work of Ernst and Young to bring the audit of the CBI annual financial accounts up to IFRS, as well as and implementation of Fund staff (FIN) recommendations on the Interim Safeguards study (both structural measures under the SBA).

150. The workshop on governance, organization and management in February 2004, attended by 8 CBI officials and representatives of the Bank of England and the CPA covered central bank independence and accountability, options for central bank reorganization and related human resource management. The workshop assisted senior management of the CBI with the development of a strategy to discharge its new functions under the proposed new central bank and financial institutions legislation about to be enacted. A planning exercise at the end of the workshop revealed the need for sustained TA for the CBI reorganization project.

151. TA delivered in monetary operations under the Subaccount comprised two workshops to follow up on earlier Fund staff work in coordination with other donors in the field and provided advice and assistance in developing a basic monetary management framework and instruments and accounted for just over 5% of Subaccount expenditure. The first workshop in 2004 assisted eight CBI and Ministry of Finance officials to develop a program and capacity to sell government securities to the market by auction, building on earlier work on foreign exchange auctions in order to improve the monetary management framework. The second workshop in 2006, attended by eighteen officials as well as US Treasury experts and the payment systems infrastructure provider (Montran), took place after the introduction of a modern real time gross settlement system for payments. The focus was on measures to enhance monetary operations including improvements to liquidity forecasting and a review of best practices in restructuring government (Ministry of Finance) debt to the CBI.

152. TA on currency exchange accounted for a minor portion of the total expenditure under the sub account (0.4%) and provided continuity to earlier extensive work by Fund staff (MCM and LEG) in coordination with other agencies including the US Treasury and the CPA in what was generally regarded as a well planned and successfully executed replacement of existing currency with a new Iraqi dinar note issue in the Fall of 2003. This Subaccount financed assistance was delivered offsite by an international expert who had experience on currency issue and exchange in post conflict countries. Assistance was provided on logistics and transportation, control and auditing, invalidation and destruction of old notes, communications, human resources and training.

B. Assessment of the Strategy for Monetary and Banking TAs

153. By and large, the **strategy for TA on monetary and banking issues** evolved pragmatically from the priorities established in the initial comprehensive diagnostic work carried out by the Fund and other developing partners. Indeed, Fund staff work on Iraq was under way before the Subaccount was activated and the initial TA priorities were established following an intensive series of fact finding missions by MCM staff throughout June and the early part of July, and MCM participation in a Fund-wide assessment including the June 2003 mission to Baghdad which was led by MCD and included discussions with the CBI.

154. Diagnostic work carried out by the World Bank, in coordination with other international institutions and TA providers confirmed, inter alia, the priority needs in monetary and banking areas listed in paragraph 1. From early July 2003, work by MCM and LEG staff in Headquarters and in the field was addressing key elements of the strategy -- planning currency exchange, payment systems reforms and priority financial sector legislation, in coordination with the CPA and the US Treasury. Intensive assistance was provided for the latter by LEG and MCM staff, but was not financed under the TA Subaccount. Fund staff delivered substantial inputs for the drafting of the new central bank and financial institutions laws. At the Madrid Donors Conference for Iraq in October 2003, the evolving strategy was discussed and agreed with the Governor of the CBI and activities under the Subaccount got under way. Therefore, there is ample evidence that **adequate diagnostics underpinned the strategy.**

155. To ensure its **ongoing relevance and focus**, the strategy for MCM TA (as with TA from FAD and STA) has been reviewed in the context of the periodic reports to donors by OTM and, since the establishment of a Fund economic program for Iraq in 2004 (the EPCA (<http://www.imf.org/external/pubs/ft/scr/2004/cr04325.pdf>) and the successor SBAs of 2005 (<http://www.imf.org/external/pubs/ft/scr/2005/cr05294.pdf>) and 2007 (<http://www.imf.org/external/pubs/ft/scr/2007/cr07301.pdf>)), is also subject to periodic review by MCD. This is to ensure consistency with the objectives and targets of the Government of Iraq's economic reform embedded in the Fund program and as further articulated in the Iraqi authorities' letters of intent. These stocktaking exercises have not resulted in any major change in the content of the strategy but the periodic review of financial sector TA by MCD has helped to ensure **good sequencing and prioritization of key financial reforms** -- such as maintaining emphasis on improving monetary and foreign exchange operations, payments systems reform to underpin market activity, governance and transparency at the CBI and early attention to the restructuring of state-owned banks -- all of which support the objective of macroeconomic stability.

156. Many examples from around the World demonstrate that financial sector reforms will fail if not rooted in, and supported by, sound macroeconomic fundamentals. Good sequencing and prioritization has also facilitated better donor input and coordination, especially after the TA Subaccount became operational, and the monitoring of TA implementation. Furthermore, the close linkage of the activities planned in the Subaccount, the TAs actually delivered and the objectives and conditionality of the SBAs, confirm **that the strategy was realistic and consistently implemented.**

157. It is also noteworthy that the strategy mirrors the Fund's extensive experience in post-conflict and transition countries on financial sector reforms. Table D2, column 1 summarizes the lessons learned from MCM's experience in post conflict countries and the notes in column 2 the degree of consistency in applying the lesson to the situation of Iraq. This provides **evidence of learning in the formulation and modification of the strategy.**

Table D2: Lessons From Post-Conflict Countries		
#	Lessons From Post Conflict Countries ²⁹	Iraq MCM Strategy
	Substantial TA needed because of weak basic monetary and financial services (e.g., for payments, budget execution and financial intermediation). Services severely impeded by emergency conditions, physical destruction, security challenges, disrupted central administrative functions, a nonexistent legal/regulatory framework, economic instability, and often corruption and theft.	Applicable to Iraq at the outset of the Fund's involvement in 2003.
	Severe challenges for TA delivery: security issues delay/preclude the on-site delivery; damaged buildings, infrastructure and communication; impact of conflict on government employees; and ambiguity of the legal status of the government'	Security issues following the tragic incident at the UN office in Baghdad leading to a ban on Fund staff travel resulted in all subsequent Fund TA having to be delivered via the remote model in locations in adjoining countries, principally Amman, Jordan.
	Choice of a currency and exchange rate regime is one of the first decisions to be made. Options: National banknotes from existing stocks; banknotes of another country; multiple currencies.	This was the case in Iraq. A successful currency exchange and new exchange regime was one of the first priorities.

²⁹ IMF MFD Technical Assistance to Recent Post-Conflict Countries. 14 December 2004 (<http://www.imf.org/external/np/fad/2005/022505.htm>).

	<p>Restoring payment services: Initially, an emergency payment system may be required. New legislation may be needed. Eventually payment reforms should aim to have transactions carried out by banks.</p>	<p>Applicable in Iraq. TA addressed the payment system.</p>
	<p>Restoring basic central bank services: In the absence of a central bank, key tasks can be organized in a Central Payments Office. The central bank can help make public sector transactions and payments. The central bank and the Ministry of Finance agree on what services it provides and the charges.</p>	<p>Introducing modern payment systems –both retail (ACH) and real time wholesale (RTGS) was one of the earlier priorities. Shortcomings in the strategy were not to roll out new systems to the private banks and include check payments at the outset. These are being redressed.</p>
	<p>Approaches are generally required for monetary policy. Initially a foreign exchange auction is usually the main instrument and the strongest policy transmission is through the exchange rate. Changes in reserve requirements and lending facilities can help manage the impact of unexpected fluctuations in base money. Establish a short-term information system for monetary management and a formal foreign exchange market.</p>	<p>Applicable in the case of Iraq. Reviews of the 2005 SBA (http://www.imf.org/external/pubs/ft/scr/2005/cr05294.pdf) state that the foreign exchange rate is the main monetary policy instrument. Foreign exchange auction was the first monetary instrument introduced, then auction of treasury bills, changes in reserve requirements and lending facilities -all to improve monetary management, accompanied by a short-term information system.</p>
	<p>Assess commercial banks and establish a market-based and properly supervised banking system. Modernize the banking law, strengthen the bank supervisory authority. The central bank has the power issue bank licenses.</p>	<p>These activities are key components of the ongoing MCM TA program and the SBA.</p>
	<p>Security and suitable premises are prerequisites for effective TA delivery.</p>	<p>Security concerns require IMF TA be delivered via off-side modality.</p>
	<p>The impracticality of long-term planning means that judgment and flexibility are especially important. Often the second and third best solutions must be chosen in the context of shifting and country-specific circumstances.</p>	<p>Applicable in the case of Iraq. The off-site delivery of TA is a second best solution but no efforts were spared to adapt and try to make it work.</p>
	<p>Sequence key policy decisions. Reform of currency comes first, followed by set up of the payment system, the restoration of basic</p>	<p>Applicable in the case of Iraq. The MCM TA program essentially followed this sequencing.</p>

	central bank services, improved monetary operations, reforms in bank supervision and bank restructuring.	
	Lessons regarding coordination and expatriate advisers include: Avoid providing conflicting advice by full cooperation among donors and between them and the local entities. Expatriate advisers must be flexible and willing to train local staff to take over.	Coordination with other donors was good. Placement of IMF experts in Iraq was not possible because of security risks but an off-site advisor to the Governor was in place.

158. References to the literature³⁰ on optimal sequencing and prioritization of financial sector reforms indicates that the strategy in Iraq is well designed, focusing on a comprehensive range of first generation reforms that aim to improve stability and confidence in payments and banking arrangements. These included: (i) putting in place reliable payment systems and modern financial sector legislation (CBI and Banking Laws); (ii) enhancing risk-based supervision and restructuring of banks; (iii) strengthening CBI liquidity management and monetary policy; and (iv) starting the development of money, treasury bills and foreign exchange markets. This approach has also helped to ensure **that the TA clusters delivered were mutually consistent, technically sound and reinforced each other.**

159. One factor that was underestimated in the original strategy was the slower than expected pace of implementation of the TA. At the outset, the program was expected to disburse within about two years but now it looks like it will take more than twice that time. This was due to the largely unanticipated serious deterioration in security conditions and the difficulties that this created for delivery and timeliness of the TA program. Another unanticipated factor was the extent that political developments, exacerbated by security conditions, would negatively impact both the quality and the absorptive capacity of the Iraqi counterparts. The longer than expected time required to achieve development results is a lesson that the Fund has learned from operating in many post conflict countries.

160. Based on the criteria discussed above, **the evaluation has concluded that the strategy for MCM TA on monetary and banking issues was sound and well prepared and was a robust and effective mechanism to set priorities and allocate resources in a challenging environment.**

C. Assessment of the Relevance of the Monetary and Banking TAs

161. In the following sections a quantitative assessment, incorporating ratings and covering the topics of relevance, effectiveness, efficiency and sustainability, is made for the various clusters of MCM TA set out in Table D.1. Criteria considered to be most relevant to benchmark each topic in the assessment have been selected.

162. The assessment of the relevance of the five clusters of TA is summarized below.

1. Quality of Diagnostic Assessment

³⁰ Sequencing Financial Sector Reform: Country Experiences and Issues. IMF publication; Editors, Johnston and Sundararajan

163. The monetary and banking arrangements in Iraq at the time that diagnostic work was undertaken were dysfunctional and a reflection of the previous regime and mirrored the parlous state and disarray of the post war economy. As indicated in the introduction to this annex the diagnostic work on the financial sector was extensive and carried out by many players in addition to the Fund including the World Bank, the donor agencies of the countries involved in the CPA, particularly the United States and the United Kingdom.

164. While there were some differences of opinion³¹ in relation to the tactical approach to rebuilding the banking and payment systems (these differences have since been resolved), there was consensus on the key priorities of re-establishing essential monetary and payments arrangements, including a currency exchange, monetary policy and foreign exchange market as well as putting in place a sound legal framework, reflecting good international practices, for the central bank and the financial system. At the outset, TA needs were assessed based on a sound diagnosis of problems related to monetary and banking issues in a macroeconomic context. Subsequent progress in arresting inflation and addressing price stability has shown this approach to be sound.

165. The diagnostic assessment for the banking supervision and restructuring cluster was particularly thorough, both at the inception of the program (a sound training strategy was developed at a symposium in Cairo) and at key stages during delivery of the seven workshops linked to the Subaccount framework (the focus moved from classic training to more on-the-job training in onsite and offsite practical supervision problems and then in late 2006 to focus on restructuring of state owned banks).

166. On payment systems development, the diagnostics -- especially after the strategy was agreed at the Fund/World Bank symposium in July 2004 -- could have laid more emphasis on assessment of the business plan to be developed by the infrastructure provider to ensure that there was provision for checks as a means of payment and that the new systems would be rolled out to private banks as well as the state-owned banks. These shortcomings related most likely to a lack of coordination in the early stage of reform efforts when the CPA was operating to very tight deadlines and these deficiencies—essentially rooted in the ideology underpinning the strategy -- were corrected in 2005.

2. Consistency with IMF Activities in Iraq

167. An examination of reports of the five reviews of the Fund program for Iraq since 2005, the report of the 2007 SBA (<http://www.imf.org/external/pubs/ft/scr/2007/cr07301.pdf>) and discussions with MCD staff attest to the consistency between the design and implementation of financial sector structural reforms in the EPCA and SBAs -- aimed at strengthening economic management -- and the TA provided by MCM, especially those clusters focused on (i) improving the monetary operations framework; (ii) providing hands on advice to the Governor on a broad range of reforms; (iii) carrying out the groundwork to establish risk-based supervision of financial institutions and the restructuring of the state-owned banks; (iv) providing a sound legal basis for the CBI to pursue monetary and financial stability goals; and (v) improving payment systems and accountability and governance at the CBI.

168. Many clusters and the timing of their TA inputs are directly linked and coordinated with the mainstream program and surveillance work of the IMF. This is evident, in most cases, from the timing and calibration of various TAs, which were carefully sequenced to support MCD's initial country strategy and, later on, prior actions and program priorities as they evolved. Examples are (i) monetary instruments and support for basic payments reform to help attain a measure of price stability; (ii) work

³¹ An initial view of the CPA was that the banking system should be rebuilt from scratch and that electronic payment systems infrastructure should only provide for credit and debit card payments. Later, with input from MCM staff, decisions were made to restructure the major state owned banks (to preserve franchise value) and to make provision for checks in the ACH.

on financial sector legislation³² as part of the foundation for monetary policy and banking governance; (iii) accounting and organization structure at the CBI aimed at furthering compliance with international financial reporting standards for published accounts and the implementation of the findings of the Fund's Safeguards assessment³³; and (iv) more recently, the focus on moving forward with bank restructuring which has enhanced program conditionality and paves the way for much needed strengthening of banking intermediation.

169. TA Outcomes have been disseminated in staff reports on Iraq relating to approval of Fund-supported programs (EPCA and SBAs) over the past three years and the five periodic reviews of these programs, as well as regular Article IV Consultations. The programs specify the agreed upon policy and structural reforms (including Fund supporting TA), clearly set out in the accompanying letters of intent from the Iraqi authorities. On the occasion of program reviews and program approvals by the Board of the IMF, progress in monetary and banking reforms and compliance (or non-compliance) with prior actions and structural conditionalities are reported. These and the directors' discussions and decisions are also disseminated. The strong relationship between the MCM TAs and SBA conditionalities is illustrated in Annex F.

3. Consistency with CBI Priorities

170. There has been close and ongoing contact with senior officials of the CBI, especially the Governor. This has taken place on the occasion of the Spring and Annual Meetings, at workshops in the region, and often by phone and email on the broad strategy and components of TA program. Indeed the basic plan for TA in monetary and banking areas was developed, in agreement with the governor, on the margins of the first donors meeting on Iraq in Madrid, October 2003, and reflects his views including in areas such as central bank accounting and organization and management. He has been closely involved in any changes to the plan since then.

171. The General Advisor to the Governor has been instrumental in helping to both clarify CBI priorities and ensure they are reflected in the TA framework and followed through. This advisor also plays a crucial role in assisting the governor in a broad range of activities including debt restructuring and SBA program negotiations. The CBI website provides further evidence of the linkage of TAs with the CBI priorities in that the results of foreign exchange and government securities auctions are published regularly as are the financial accounts of the CBI—albeit not yet in full compliance with the CBI objective of IFRS—and the new central banking and commercial banking laws and regulations.

172. By and large the TA program as implemented is consistent with the CBI priorities, most of which, in turn, find expression in the Fund program. However, the resource committed to TAs in accounting -- and indeed in the organization and management part of this cluster as well -- may not be adequate to sustain reforms in these key areas of governance.

173. Feedback to the evaluation team from senior CBI officials, including the Governor, acknowledged the importance of the support that TAs provided to modernize the functions and operations of the CBI and to help address its core responsibilities of price stability and promoting

³² From July 2003 onwards, LEG, in cooperation with MCM, provided intensive assistance, both in the field and subsequently at HQ, to the Iraqi authorities in drafting the new CBI and Banking Laws as well as legal provisions to give effect to the currency exchange and the new dinar (See TA Report of January 2004 on joint mission of MCM/LEG to Baghdad). More recently, the need for further revisions has been identified in the light of implementation problems, including conflict with the new Iraq Constitution on CBI autonomy, some concerns about the legal status of regulations issued by the CBI and governance-related aspects of the composition of the Board of the CBI; these will be addressed in the near future. While not part of the Sub account TA activities being evaluated, the TA from LEG, delivered in coordination with MCM, has made a significant contribution to establishing a modern legal framework to underpin central and commercial banking and payment systems activities.

³³ Conditionality to strengthen financial accounting at the CBI was in the Fund program from an early stage, as well as in MCD's TA strategy, but the consistency and timing of accounting TAs, in particular the second accounting workshop in November 2007, almost four years after the first one, does not reflect that priority.

sound banking. A questionnaire providing feedback response from the CBI payment system area highlighted the need for more hand-on help with practical implementation issues going forward and noted in this context that workshops to date were “general and limited”.

4. Coordination with Other Development Partners

174. Activities in all clusters and indeed in the development and fine tuning of the strategy and priorities for TAs attest to good coordination with other donors. Examples are: (i) the currency exchange where there was close coordination with the CPA, US Treasury, US Department of Defense and DFID in this very successful exercise; and (ii) banking supervision and restructuring where coordination with the US Federal Reserve, the US Treasury, USAID/BearingPoint and the World Bank was exemplary both in formulating and implementing the TAs. Coordination was most successful in this cluster because: (i) it was made operational at an early stage with the US Federal Reserve, the US Treasury, and later World Bank participation; and (ii) USAID funded consultants were invited to attend three of the four training workshops on banking supervision training. This is good practice as it avoided duplication and conflicting advice and established a network through which donor agencies with in-country advisers could work with the CBI officials to help implement the work programs that were agreed on at the end of each workshop.

175. The above coordination mechanism was largely an outgrowth of a biweekly conference call, established at an early stage in the collaborative effort on Iraq -- this came to be known as the **monetary call** -- hosted by a US Treasury official who linked MCD and MCM staff with US and other donors including their experts in the Green Zone in Baghdad. It still provides a valuable forum for discussion and exchange of information on monetary, banking and payment system matters as well as progress with the Fund program, particularly in the monetary policy implementation area and related structural SBA conditionalities, and underpins coordination between donors.

176. While coordination on payments systems reforms was good, in retrospect it could have been better. Commendably, USAID and the provider of the infrastructure (Montran) were invited to the two payment system workshops. However, at the second workshop it emerged that the business plan for the automated clearing house did not provide for the clearing of check payments but only credit and debit cards. As checks were the most common means of payment, an add-on project had to be devised to accommodate checks. Likewise the rollout of the electronic payments system to the private banks was not factored in at the early stages and this shortcoming had to be addressed later. Had the seminars been held at an earlier date this mistake might have been avoided and better coordination ensured. Coordination for the second accounting workshop reflected some shortcomings in that the abilities of participants from the CBI did not match the proposed subject matter; apparently the lack of coordination was on the CBI side as it had been consulted by MCM staff on the agenda for the workshop. Furthermore the USAID advisor on accounting based in Baghdad did not participate. Donor coordination needs the agreement of all parties involved and when this coordination is not as effective as it could be projects suffer and, in accordance with the methodology for the evaluation, must be rated accordingly, even though the shortcomings may be due to external factors and not directly attributable to IMF staff or experts.

177. The relevance ratings of the monetary and banking TAs are given in Table D3. Based on the foregoing analysis of the criteria, TAs in banking supervision and restructuring are scored as **highly relevant** and the rest of the TAs are scored as **relevant**, except for payment systems and accounting and organization and management which are **partly relevant**. The combined TAs are scored as **relevant**, both at the time that they were approved and at the time of evaluation.

Criteria	Weight (%)	Rating ^a					Score ^b
		BS/BR	ADV	PS	MOP	AC/OM	
		48	26	11	10	5	
1. Quality of Diagnostics	20	3	3	2	3	3	2.9
2. Consistency with IMF Activities	30	4	3	3	3	2	3.4
3. Consistency with CBI Priorities	30	4	4	2	3	2	3.6
4. Coordination with Development Partners	20	4	3	2	3	2	3.3
Overall Relevance Rating/Score	100	3.8	3.3	2.3	3.0	2.2	3.3

a/ = Rating: 4 = Excellent; 3 = Good; 3 = Modest; 1 = Poor
b/ = Weight by % of TA Budget Allocated to TA group, excluding the Currency Exchange Experts

Highly Relevant (Excellent) ≥ 3.5; 3.5 < Relevant (Good) ≥ 2.5; 2.5 < Partly Relevant (Modest) ≥ 1.5;
Not Relevant (Poor) < 1.5

BS/BR = Banking Supervision Training and Bank Restructuring TAs; ADV = Advisor to the Governor TA; PS = Payment Systems TAs; MOP = Monetary Policy and Operations TAs;
ACC/OM = Accounting and Organization and Management TAs

D. Assessment of the Efficiency of Monetary and Banking TAs

178. The evaluation of the efficiency of MCM's TAs is given in the following sections.

1. Process/Implementation Efficiency

179. The objectives of the IMF monetary TAs are to help rebuild the CBI's capacity and its ability to formulate and implement sound policies in a very challenging environment. To meet this objective, MCM has delivered workshops and expert assistance through the offsite modality to: (i) support a successful currency exchange; (ii) oversee the payment systems; (iii) conduct monetary policy; (iv) strengthen banking supervision; and (v) support the restructuring of state-owned banks. Most MCM TA outputs have helped MCD frame meaningful conditionality and supported implementation (see the effectiveness assessment below). More generally, there have been improvements in the conduct of monetary policy and in the financial infrastructure – not major improvements but as good as could be expected.

180. A general overview inspection of agenda and materials prepared for all workshops and training seminars, supplemented with a closer look at the ones dealing with banking supervision and payments system and accounting, indicate that solid efforts were made to prepare relevant training materials and translate these into Arabic, to liaise with the CBI on the content of workshops to ensure relevance and to encourage the CBI to send the best qualified people with the right skills set. This did not always work and the second accounting workshop was a case in point. However, when it was clear that the level of participants did not match the work shop agenda, the coordinators were able to change presentations to match the skills set of participants. There were other occasions when coordinators had to make mid course adjustments as a result of postponement of activities or delay in start up of workshop due to late arrival of participants.

181. The workshop rather than training course or seminar format was chosen in most cases to encourage dialogue and participation of participants, to get structured feedback -- and in some cases presentations -- and to seek to establish work programs for participants at wind-up sessions. Diversity in coordinators' presentations was facilitated by participation of experts from collaborating donors, including from the region in some cases. Two members of the evaluation team had the opportunity to observe the discussions on the final day of the December 2007 workshop on bank

restructuring and to get feedback individually from a diverse group of senior level Iraqi officials³⁴ who participated. This was a good practice model for effective technical assistance delivery: (i) in that all the relevant players were present (including World Bank, and US Treasury representatives/banking experts based in Baghdad and several Iraqi organizations involved in bank restructuring); and (ii) because of security conditions in Baghdad, it is difficult and dangerous for senior government officials to meet. The agenda was focused and the discussions were results oriented and directly linked to an important goal in program conditionality in the form of a prior action -- getting agreement to appointment of an international firm of accounts to undertake the financial and operational audits of the two state-owned banks -- for the successor SBA approved by the IMF Board on December 19, 2007.

182. While the process and implementation efficiency of MCM TAs delivered under the Subaccount was generally of a high standard when measured in terms of relevance and effectiveness, the process of gathering information to support this conclusion relied mainly on interviews with MCM staff and representatives of other development partners involved in delivering the TAs, back to office reports, MCD staff reports, BTO reports and feedback from the authorities. The TAIMS electronic information base in MCM, though designed to facilitate evaluation of TA activities, has many shortcomings in this respect. In many cases, project proposals contain the minimum amount of information necessary to get approval of Subaccount financing and log frameworks in project proposals did not give adequate information on objectives, expected outcomes and monitoring indicators; expert terms of reference and periodic reports, BTOs and TA reports were not accessible on TAIMS and in some cases difficult to locate elsewhere. In general, the information systems in MCM have shortcomings not just for external evaluation but to support an adequate audit trail of the substance of TA activities for internal monitoring and quality control as well as external scrutiny- e.g. by donors. These are issues that warrant remedial attention if the intention is to have a Fund wide uniform electronic information system to facilitate monitoring and evaluation of TA activities. On the other hand, terms of reference for TA experts such as the general advisor to the governor were comprehensive and focused and expert reports and staffs back to office reports were, in most cases, clear on the TA delivered, the context and future plans. However, expert reports (including from the general advisor) and staff BTOs were not always circulated to other relevant departments in the Fund especially MCD.

2. Consistency of Engagement

183. Consistent engagement, vital to develop institutional capacity and to ensure that what is learned is applied, was more in evidence in TAs on bank supervision and restructuring, general advisor to the governor, and monetary operations than in other TAs, especially accounting, organization and management. Nevertheless, BTOs for all activities indicate that where follow-up TAs occurred, progress from earlier TAs was assessed and incrementally built on to establish a new work program going forward.

184. Consistent involvement of personnel from both the IMF/donors and CBI helps to improve efficiency since it avoids the need for new staff to come up to speed establishes trust and makes it easier for one workshop to build on the progress made in earlier ones. Consistent engagement and involvement among all participants was particularly the case in bank supervision and restructuring workshops. The same coordinator from IMF was involved in all seven workshops. Likewise, there was continuity of support from the US Federal Reserve, the US Treasury and USAID presenters and a high level of continuity and commitment was observed for CBI participants. The same, by and large, was true for workshops in monetary operations. There were some issues on consistent engagement related to the payment systems TAs. There was a high turnover of the CBI staff dealing with the payment system. MCM advised the Governor on several occasions of the need to establish an independent payment systems department with dedicated staff. However, payment systems work is undertaken by staff in the accounting department. Since 2006, there has been a lack of continuity regarding the staff attending the workshops. Further, for the payment systems TAs there were some

³⁴ At the workshop the evaluation team also met with experts financed by other donors, including some who were stationed in the Green Zone, World Bank staff and concerned IMF staff.

issues related to the consistent engagement and contact with other donors. This did not appear to be effective until the first payments workshop in March 2005, when some shortcomings in the business specifications for the infrastructure—lack of provision for checks and restricted rollout of new systems to banks – were noticed and had to be redressed. On the organization and management TA to the CBI, there was no follow-up to the first workshop despite the fact, mentioned in the BTO report, that there was a need for sustained TA to support the modernization of the CBI's organization and management functions. It would appear that other development partners, including DFID and USAID/BearingPoint, provided some ongoing assistance in this area but there is no evidence of coordination between IMF and other donors.

185. In the second accounting workshop, some shortcomings on consistency of engagement on the CBI side were observed. The workshop coordinators were pleased with the skills set of CBI participants in the first accounting workshop in December 2003 and their capacity both to absorb materials presented and meaningfully participate in discussions. In contrast, despite good preparation good preparation by MCM staff in contact with the METAC based accounting advisor and the Baghdad-based USAID funded accounting expert and having shared the agenda for the second workshop in November 2007, with the CBI – to include issues arising from ongoing work of Ernst and Young on annual financial audits of the CBI accounts and implementation aspects of Fund staff (FIN) recommendations on Safeguards audit (both structural measures under the SBA) -- the abilities of the 16 CBI attendees did not match the proposed subject matter. The level and content of course material had to be retailored, at the last minute, to address more basic accounting materials. The lesson is that the selection of participants should be based on those whose work is directly related to the subject matter to be covered by the workshop so that CBI can reap the maximum benefit from the TA.

3. Efficient Use of Resources

186. The total cost to the Subaccount of the MCM TAs delivered was \$1,551,000 (see Table D1). Of this amount, approximately \$700,000 (45%) was the incremental costs associated with the offsite delivery, reflecting the cost of travel, accommodation and per diems of CBI staff³⁵. The average cost per CBI staff attending the workshops was about (\$2,800) and the cost per day was (\$460)³⁶. These costs would not have been incurred if it were possible to deliver the TA in Iraq, as would be the normal practice in other countries that receive TA from the IMF. However, given the security conditions in Iraq, the offsite model does not necessarily represent an inefficient use of funds. In that scenario the proper cost comparison would be the cost of delivering the services onsite in Iraq, if security conditions permitted, as in other post conflict countries. Based on experience in post conflict countries where the travel of Fund staff and experts has not been restricted, it would not be unusual for MCM to station up to three resident experts at the central bank and to conduct at least quarterly TA multi-topic missions of 3 to 4 staff/short-term experts. Non Fund staff costs in this scenario, the correct basis for comparison in the case of Subaccount TAs, would likely be considerably higher. On an annual basis, the cost alone of placing three resident experts would be at least \$750,000 per annum. Such a comparison, however, would need to assess the comparative cost/benefit in terms of progress with core reforms at the central bank.

187. Perhaps a more relevant basis for comparison, though not a realistic one given the Fund's current ban on staff travel to Iraq, would be to compare actual offsite modality costs with the hypothetical costs of delivering similar TA in Iraq. Anecdotal evidence, in part based on World Bank and other donors (US and UK) experience in assigning resident experts in Iraq under current security conditions indicates that: (i) cost per individual trip outside of the Green Zone is about \$15,000; (ii) the effective working day for meetings with Iraqi counterparts is restricted to a few hours; (iii) it is extremely difficult to plan meetings with Iraqi counterparts not to mention arranging a meaningful workshop on the lines of those conducted in Amman; and (iv) it costs an estimated

³⁵ The cost of experts would, however, be the same in both the onsite and offsite delivery models.

³⁶ These estimates, as well as those presented in Annex E, are approximate and include an undetermined error of estimate. IMF's information systems are such that it is difficult to extract precise estimates of such parameters.

\$750,000 per annum to base one expert in Baghdad. A back of the envelope cost/benefit analysis would at least suggest that expenditures on the offsite model are unlikely to compare unfavorably with use of the green zone as a location for delivering the TAs. Additionally, experience with the workshop format indicates that, for many TAs, a well prepared off-site workshop can achieve good results in terms of passing on knowledge and advice and in training staff by ensuring a structured format for exchange of views.

4. Timeliness

188. The volatile security conditions and the consequent need to plan for delivery of TA on the offsite model delayed execution of the overall program under the Subaccount. The same can probably be said for the negotiation, in the early stages, of the Fund program for Iraq which was a major driver of the TA program. MCM TAs were closely linked to development of the Fund program for Iraq and by and large the TAs was implemented in a timely fashion, consistent with the comprehensive strategy, including appropriate sequencing and prioritization, that was periodically updated by MCD, and once projects were approved against the Subaccount framework. Timeliness on the Bank Supervision Training/Bank Restructuring TA Cluster was excellent, reflecting high quality diagnostics and coordination with other donors. On accounting TAs to the CBI, as mentioned in the assessment of relevancy earlier, the extent and timing of the TAs did not correlate well with the objectives for accounting reforms in the Fund program and the MCD TA strategy.

189. Some 70% of the MCM Subaccount budget was spent at end 2007 and TAs were generally executed fairly soon after approval. The unspent portion relates to TA approved during the second half of 2007 and likely to be delivered in the coming months.

190. The efficiency ratings of the MCM TAs are summarized in Table D4. Most TAs are rated efficient (highly efficient in the case of banking supervision training and bank restructuring) except payments and accounting/organization and Management, which are rated partly efficient. The overall assessment of the MCM portfolio of TA is **efficient** suggesting that, in the challenging circumstances, resources were used in a reasonably efficiently manner to achieve TA outcomes.

Table D4: Efficiency Assessment of Monetary and Banking TAs							
Criteria	Weight (%)	Rating ^a					Score ^b
		BS/BR	ADV	PS	MOP	AC/OM	
		48	26	11	10	5	100
1. Process/Implementation Efficiency	30	3	3	2	3	2	2.8
2. Engagement Consistency	30	4	4	2	3	2	3.6
3. Efficient Use of Resources	30	4	3	3	3	3	3.5
4. Timeliness	10	4	3	3	3	2	3.4
Overall Efficiency Rating/Score	100	3.7	3.3	2.4	3.0	2.3	3.3
a/ Rating: 4 = Excellent; 3 = Good; 2 = Modest; 1 = Poor b/ Weight by % of TA budget allocated to TA Group excluding the currency exchange experts Highly Efficient (Excellent) ≥ 3.5; 3.5 < Efficient (Good) ≥ 2.5; 2.5 < Partly Efficient (Modest) ≥ 1.5; Not Efficient (Poor) < 1.5 BS/BR = Banking Supervision Training and Bank Restructuring TAs; ADV = Advisor to the Governor TA; PS = Payment Systems TAs; MOP = Monetary Policy and Operations TAs; ACC/OM = Accounting and Organization and Management TAs							

E. Assessment of the Effectiveness of Monetary and Banking TAs

191. The evaluation of the effectiveness of the Monetary and Banking TAs is presented below.

1. Use of TA Outputs

192. The objectives of the monetary TAs were to help rebuild CBI's capacity and its ability to formulate and implement sound policies in a very challenging environment. IMF has delivered workshops and expert assistance to help develop CBI's institutional capacity for a successful currency exchange, to oversee the payment systems, to conduct monetary policy, and to strengthen banking supervision ahead of the restructuring of state-owned banks.

193. More specifically, the linkage of monetary and banking TAs with outcomes is particularly evident in the reported progress in fund staff reports related to: (i) improving monetary policy implementation and payment systems; (ii) strengthening of the legal framework in the financial sector; and (iii) building staff capacity at the central bank in supervision, bank restructuring and accounting. All this material is published on the IMF website. Independent reports of other agencies also disseminate reports on Iraq's progress with financial reforms.

194. Thus most MCM TA outputs have helped MCD frame meaningful conditionality and supported implementation. For example, the third and fourth Review Assessments of the 2005 SBA (<http://www.imf.org/external/pubs/ft/scr/2005/cr05294.pdf>) reported on the progress in achieving the Structural Benchmarks: (i) requiring CBI to adopt a Board-approved timetable for the full implementation of IFRS as the financial reporting framework was met on schedule on 1 April 2007; (ii) the requirement to meet implementation of payment system regulations was met on June 30, 2006; and (iii) requirement to commence operations of the ACH and RTGS payment systems were met in August/November 2006. More recently, the following prior actions taken by the Iraqi authorities for approval of the December 2007 SBA (<http://www.imf.org/external/pubs/ft/scr/2007/cr07301.pdf>), included the appointment of international auditors to: (i) undertake the 2007 audit of the CBI's financial accounts; (ii) the audit of CBI net external reserves; and (iii) the financial and operational audits of the Rasheed and Rafidian banks, in the context of restructuring. More generally, there have been improvements in the conduct of monetary policy and in the financial infrastructure – not major improvements but as good as could be expected given the challenging circumstances. By way of independent verification, the improvements to monetary policy implementation in Iraq have been noted in a December 2007 report of the Economist Intelligence Unit Limited.³⁷

195. Most importantly, MCM TA has enhanced program conditionality and furthered the macroeconomic work of MCD. Feedback from donors³⁸ indicates that well considered structural conditionality in the Fund supported program, agreed with the authorities: (i) is viewed as the driver for implementation of financial sector reforms in a safe and properly sequenced manner; (ii) helps to ensure that all development partners are working off the same page on significant structural reforms; and (iii) contributes to core economic functions and institution building.

³⁷ The report notes that the CBI “has sought to manage liquidity in the economy more effectively through the introduction of an interbank market, a basic lending (or ‘intervention’) rate, minimum reserve requirements, a daily currency auction and a government securities market” and that “since late 2006 the CBI has overseen a strengthening of the Iraqi dinar and implemented several interest rate increases in the hope that this will help to maintain domestic price stability and combat dollarization. The report also notes that policy has helped to “allow inflation to fall gradually from 65% at end 2006 to around 23% in October 2007”.

³⁸ One concrete example of the synergies created from donor collaboration is that the World Bank, which had lessened its involvement in work on the Iraq banking sector during 2005-2006, now has plans to reengage. Feedback to the evaluation team from World Bank officials at the close of the December 2007 bank restructuring workshop in Amman confirmed that the workshops and the SBA conditionality that ensued have created an enabling environment for the Bank to take on a more active role in implementing the restructuring program at the bank level. The World Bank has recently raised trust funds of euro 10 million from the European Union to finance the audits of the state owned banks under restructuring and it seems probable that, consistent with usual division of labor between the Fund and the World Bank, it will take on oversight of the restructuring process for the SOBs, with the possibility of a broader engagement later on in the reform of the financial sector. Thus the structural conditionality in the SBA on the Iraqi banking sector has become a major driver of activities of the TA donors.

2. Planned versus Actual Achievements

196. In many respects, it is too early to make this assessment in that the general experience with post conflict countries is that it can take up to 5 years for measurable progress in basic first generation financial sector reforms to take hold. In the unique difficult circumstances of Iraq — perhaps the mother of all post conflict countries — the time frame is likely to be even longer. Nevertheless it is timely to make an interim assessment on this criterion if only to draw the lessons learned and to recalibrate the strategy and work program going forward to take account of experience in delivering TAs.

197. Within the overall context of the Fund's primary role of restoring macroeconomic stability as a basis for sustainable growth, Subaccount TA plans in the monetary and banking area focused on capacity building at the CBI to support (i) the implementation of monetary policy including the development of monetary instruments and modern payment systems; (ii) the supervision and restructuring of the banking system and (iii) putting in place the legal and regulatory framework needed to underpin sound monetary and banking arrangements. From the outset the framework for TA was designed to support the work of MCD on a Fund supported program and to seek to promote and monitor donor coordination. The TAs delivered, as summarized in Table D1 and described earlier in this annex, were designed to further the achievement of the plans.

198. With some 70% of Subaccount resources disbursed at this stage, the overall plan is still a work in progress. Nevertheless there are some concrete achievements. Following a successful currency exchange the new Iraqi dinar currency was introduced in early 2004. This was a major achievement and it was well planned and very effective. In the monetary policy area, auctions of foreign exchange (daily) and Treasury bills (periodically) have been introduced as well as minimum reserve requirements and standing facilities. This has given a beginning to money market development, though the parlous state of the banking system hinders the development of effective market based monetary policy. Nevertheless the CBI has been managing liquidity more effectively through the use of these instruments and the Iraqi dinar has strengthened, helped by an increase in interest rates to combat inflation. These developments, in turn, have helped to reduce inflation and combat dollarization. New infrastructure for an automated clearing house (ACH) and real time gross settlement (RTGS) system are in place as are plans to extend this to all banks and add on a central securities depository to facilitate electronic delivery against payment and custody of government securities to help money and securities market development. While work remains to be done to strengthen and extend the operation of payments system, measurable progress has been made. New central bank, banking institutions, and payment system laws are in place.

199. In the banking supervision area, a core cadre of banking supervisors has been trained in modern risk-based supervision techniques and in the practical application of off-site and on-site supervision. Encouraging progress has been made on the restructuring of the state-owned banks. An MOU for the restructuring of Rasheed and Rafidian banks was agreed in March 2007 and the financial and operational audits to underpin the implementation are under way. Ongoing efforts to bring the published financial accounts of the central bank into compliance with international financial reporting standards and the Funds Safeguards requirements are making steady progress. In Accounting TAs, the second workshop in November 2007 failed to achieve its planned objectives of supporting the implementation of the recommendations of the Fund's interim safeguards assessment and assisting the CBI to implement IFRS. The circumstances in which this occurred are explained above.

200. The TAs provided under the Subaccount have supported all of the above developments and many have directly supported both the design and implementation of conditionalities for the EPCA and SBAs (see above in relation to the use of outputs). The TAs, especially those parts with strong linkage to the Iraq program, have facilitated an important underlying purpose of the Subaccount: i.e. to achieve optimal donor coordination and to reap the synergies that flow from this. Granted the coordination was somewhat tenuous in some areas in the early days and there are other areas where it could have been better but at this juncture it has functioned well for the core mass of MCM TAs. Likewise, the TAs, including the provision of a general advisor to the Governor, have helped to foster Iraqi ownership of the Fund supported economic program. While donor coordination has been on the whole exemplary in relation to TA activities supporting monetary policy and banking

system oversight and restructuring reforms, there is room for improvement in some areas, particularly accounting and organization and management at the CBI.

201. The advisor to the governor was uniquely equipped by virtue of his background and extensive experience in Fund work, including country experience in emerging market and post conflict countries. He has played an effective supportive role in helping to move key aspects of the reform program along and has the confidence of both the Fund staff and senior officials at the CBI. TA on payments system has focused on advising the CBI on its role as a provider and overseer of payment systems and since the most recent workshop there has been agreement with other development partners involved in the provision of the payments infrastructure that the IMF/MCM will play a more coordinating role in overall payments system reform.

202. Feedback from the Governor and other senior staff of the CBI confirms the achievements so far and is very positive on the contribution that TAs under the Subaccount have made. The need for a continuation of assistance in all areas and for more practical hands-on assistance in some areas, for example payment systems, as the focus moves more into implementation is also noted in the feedback.

3. Effectiveness of the Offsite Delivery Model

203. The offsite delivery mode was introduced following the Fund's ban on staff travel to Iraq in August 2003 and after the core strategy and near term priorities for technical assistance had been identified. It was widely perceived as a second best solution to the more customary on site delivery. Indeed the usual way to deliver TA to post conflict countries was through focused on site missions of fund staff and experts for specific topics that developed agreed work plans with the authorities. As the work plan went into implementation, short or long term advisors would be placed to help with implementation and periodic multi-topic missions would monitor progress and make revisions to the work plan as needed. Clearly the difficult choice for the Fund after August 2003 was to do nothing or to do what it could. It choose the latter and while more results might have been achieved in a shorter period of time, if the security and political environment had been more supportive and IMF had been able to station short and long term experts in Iraq, the offsite model has been reasonably robust and resilient.

204. As discussed in the section on efficiency above the offsite model has been relatively cost effective in delivering a wide range of TAs that have contributed to capacity building and progress with monetary policy implementation and structural reforms. The use of the offsite model did not detract from the delivery of good quality, practical and timely advice. While there are limits to what can be achieved with this model, the pragmatic step by step approach is achieving results, as noted in the previous section on efficiency. Good preparation with the CBI, emphasis on meaningful workshop materials, and effective coordination with other development partners who have expert presence in Baghdad, have helped to make this model a success for most of MCM TAs.

205. At this stage of the reform process, with greater emphasis needed on implementing reforms and putting knowledge gained by CBI staff to use rather than designing reforms and discussing policies and regulations, the pressure for in-country advisors at the CBI will increase -- all the more so should security conditions improve. Meantime, with a continuation of the ban on travel, a premium is placed on maintaining effective coordination especially with donor in-country advisors; indeed a strengthening of this in certain areas like accounting and governance and payment systems at the CBI will be of help. This is the key to success for practical workshops that aim to assist implementation of agreed financial reforms, until security conditions improve sufficiently to permit of Fund staff and experts to travel to Iraq. Feedback from the governor and indeed the replies to some of the questionnaires indicate the need for in-country advisors and interest has also been expressed in off-site remote advisors in areas such as payment system reform implementation where hands-on advice is needed.

4. Significance of Contribution to Developing Core Economic Functions and Institution Building

206. Modern Central Bank and commercial banking laws as well as payments legislation have been put in place to underpin the CBI objective and role and provide the authority and governance framework to permit the CBI to implement monetary policy and supervise the banking and payments system. These are significant contributions to developing CBI's core economic functions and to building the necessary capacity in CBI. The need for revisions to the central bank law has emerged and this will be addressed in the near future. Likewise, while the TA on CBI organization and management has helped to identify a work program to improve governance, more needs to be done to achieve results in this area.

207. A process is in place to restructure the two major State Owned Banks and follow up work on the other three small state owned banks is in train. This task when completed together with the payments infrastructure that is being rolled out will facilitate a gradual deepening of intermediation as conditions permit. Commendably, MCM was able to use its competitive advantage in leveraging additional World Bank assistance into this area and it seems likely that the World Bank will soon take over the oversight task of restructuring the State Owned Banks, a vital institution building component for furthering core economic reforms.

208. The effectiveness rating for the monetary and banking TAs is given in Table D5. All TAs were rated **effective** except for the accounting and organization TAs, which were rated **partly effective**. The overall rating for the MCM TA portfolio is **effective**. Solid progress has been made despite the difficult security situation. The off-site modality of delivering TA has proved to be robust and effective way of delivering TA. **Indeed what started out as very much a second best option for delivering TA has evolved into a modality that delivers results and that may well, in present security conditions in Baghdad, be an optimal means for TA delivery -- assuming strong coordination with donors and in-country experts -- until such time as security conditions in Iraq show significant improvement.** Despite the progress that has been achieved, there is still much to be done to put monetary and banking arrangements on a sound footing.

Criteria	Weight (%)	Rating ^a					Score ^b
		BS/BR	ADV	PS	MOP	AC/OM	
		48	26	11	10	5	
1. Use of TA Outcomes	30	4	3	3	4	2	3.5
2. Planned vs. Actual Achievements	30	4	3	2	3	2	3.3
3. Effectiveness of the Off-Site Delivery Mode	30	3	3	3	3	3	3.0
4. Significance of Contribution to Developing Core Economic Functions and Institution Building	10	3	3	3	3	3	3.0
Overall Effectiveness Rating/Score	100	3.6	3.0	2.7	3.3	2.4	3.3

a/ Rating: 4 = Excellent; 3 = Good; 3 = Modest; 1 = Poor
b/ Weight by % of TA budget allocated to TA Group excluding Currency Exchange Experts

Highly Effective (Excellent) ≥ 3.5; 3.5 < Effective (Good) ≥ 2.5; 2.5 < Partly Effective (Modest) ≥ 1.5; Not Effective (Poor) < 1.5

BS/BR = Banking Supervision Training and Bank Restructuring TAs; ADV = Advisor to the Governor TA; PS = Payment Systems TAs; MOP = Monetary Policy and Operations TAs; ACC/OM = Accounting and Organization and Management TAs

F. Assessment of the Sustainability of the Monetary and Banking TAs

209. The assessment of the sustainability of the MCM TA portfolio, following the methodology described in Annex B is given in the following sections.

1. Iraqi Context

210. TA objectives in the monetary and banking area have a continuing focus on rebuilding the capacity of the CBI to promote financial stability. At this juncture, sustained progress is inexorably linked to security conditions and the government's ability to move forward with a broad-based political consensus, as well as meeting the challenge of increasing economic growth. Absent progress in these areas, capacity building efforts to date are at risk.

2. Continued IMF involvement

211. No doubt the IMF staff will seek to continue to support the authorities' efforts to implement the Iraqi economic program. As regards TA, maintaining and coordinating the existing level of activities may be difficult as resources under the Subaccount will be exhausted over the coming months. Additionally, the Fund faces significant cutbacks in its own resources and planned retrenchment of staff is likely to reduce Fund staff time available for TA. These resource questions also impact the effective coordination of TAs of other donors, crucial for success, and raise doubts about sustainability of key aspects of the financial reform program.

3. CBI Ownership of the TA Outcomes

212. Practically all of the TAs have a linkage to conditionality in the EPCA and its successor SBA programs. This is the program of the Iraqi authorities supported by their letter of Intent. There is, therefore, ownership of the program and its content, which are linked to TA outcomes. Feedback from the CBI received from discussions with the governor, deputy governor and senior officials present at the bank restructuring workshop, as well as replies received from questionnaires sent to other senior officials in the payments and monetary policy areas, note both the areas where progress has been made and where more needs to be done. CBI's replies to the evaluation teams' questionnaires are consistent with a constructive approach to ownership of TA outcomes. This ownership is more marked in some areas like monetary operations, banking supervision and restructuring, advisor to the governor and payments system than in others e.g. accounting (see earlier assessment of effectiveness).

4. Proportion of Trained Staff Working in CBI

213. There are encouraging indications that most of the CBI staff³⁹ who attended and received training at 15 workshops supported under the MCM Subaccount activities, are still working at the CBI. This was confirmed in feedback received from the CBI in response to evaluation questionnaires. There has been good consistency of attendance of key staff at the workshops, especially, in the bank supervision training, as evident from the lists of participants. Thus there is encouraging evidence of reasonable level of staff continuity in the training process and, at the time of this evaluation, these people are benefiting from the training and applying their new skills on the job. In the course of his work on helping CBI to formulate monetary policy the general advisor has provided advice and training in the preparation of regular internal monetary policy reports and most staff trained still work at the CBI. There were some questions, however, about the number of participants in the payment and accounting workshops who are applying the knowledge learned on the job.

214. The sustainability rating for the monetary and banking TAs is given in Table D6. Ratings for individual TAs are **sustainable** as is the overall rating. Concerns about the Iraqi context and the

³⁹ The attendance from the CBI at all seminars and workshops linked to MCM was approximately 250 staff. While many of these were repeat attendees, especially in the banking supervision training workshops, the overall number of person days of training provided is of the order of 1,500.

financing of continued IMF involvement offset higher scores related to CBI ownership, and retention of trained staff, resulting in a sustainability rating that was bordering on **partly sustainable**. In order, for the benefits that have resulted from the TAs to be sustainable, these risks will need to be addressed.

Criteria	Weight (%)	BS/BR	ADV	PS	MOP	AC/OM	Score ^b
		48	26	11	10	5	100
1. Iraqi Context	20	2	2	2	2	2	2.0
2. Continued IMF Involvement	30	2	2	2	2	2	2.0
3. CBI Ownership of the TA Outcomes	30	3	3	3	3	3	3.0
4. % of Participants Still Working at the CBI	20	4	3	2	3	2	3.3
Overall Sustainability Rating/Score	100	2.7	2.5	2.3	2.5	2.3	2.6
a/ Rating: 4 = Excellent; 3 = Good; 2 = Modest; 1 = Poor b/ Weight by % of TA budget allocated to TA Group excluding Currency Exchange Experts Highly Sustainable (Excellent) ≥ 3.5; 3.5 < Sustainable (Good) ≥ 2.5; 2.5 < Partly Sustainable ≥ 1.5 (Modest); Not Sustainable (Poor) < 1.5 BS/BR = Banking Supervision Training and Bank Restructuring TAs; ADV = Advisor to the Governor TA; PS = Payment Systems TAs; MOP = Monetary Policy and Operations TAs; ACC/OM = Accounting and Organization and Management TAs							

G. Overall Rating of the Monetary and Banking TAs

215. Combining the four ratings tables on relevance, efficiency, effectiveness and sustainability, the **overall rating** of the monetary and banking TAs is scored in Table D8 below. Scores for individual clusters were as follows: banking supervision and restructuring - **highly successful**; advisor to the governor and monetary operations - **successful**; and payments system and accounting/organization and management - **partly successful** (but at the higher end of the range). Overall, these TAs are rated as **successful** and reach the same score for the individual evaluation norms of relevance, efficiency and effectiveness. This is a good outcome, given the challenging conditions in Iraq and the need to use an offsite delivery model. The TAs were also effective in achieving some important outputs. However, this is a “work in progress” and continued efforts will need to be made for the results of the TAs to achieve permanent results that are needed to build CBI’s core capacities in effectively developing and implementing monetary policy and managing the many challenges in the financial sector. Given the general lessons that IMF has learned from operating in post conflict countries, this finding should not be surprising. Furthermore, because of the challenging Iraqi context and concerns about the availability of funding going forward – both from the Subaccount and from the Fund’s own budget for staff -- TAs were rated as marginally successful under the sustainability norm, which brought down the overall ranking/score somewhat.

Table D7: Assessment of Monetary and Banking TAs							
Norm of Evaluation	Weight (%)	Rating ^a					
		BS/BR	ADV	PS	MOP	AC/OM	Score ^b
		48	26	11	10	5	100
1. Relevance	30	3.8	3.3	2.3	3.0	2.2	3.3
2. Efficiency	20	3.7	3.3	2.4	3.0	2.3	3.3
3. Effectiveness	30	3.6	3.0	2.7	3.3	2.4	3.3
4. Sustainability	20	2.7	2.5	2.3	2.5	2.3	2.6
Overall Rating/Score	100	3.5	3.1	2.4	3.0	2.3	3.2

a/ Rating: 4 = Excellent; 3 = Good; 2 = Modest; 1 = Poor

b/ Weight by % of TA budget allocated to TA Group excluding Currency Exchange Experts

Highly Successful (Excellent) ≥ 3.5; 3.5 < Successful (Good) ≥ 2.5; 2.5 < Partly Successful ≥ 1.5 (Modest); Not Successful (Poor) < 1.5

BS/BR = Banking Supervision Training and Bank Restructuring TAs; ADV = Advisor to the Governor TA; PS = Payment Systems TAs; MOP = Monetary Policy and Operations TAs; ACC/OM = Accounting and Organization and Management TAs

Annex E: Evaluation of Statistics TAs

A. Introduction

216. Drawing on IMF's experience in operating in post conflict countries, a priority identified in the July 2003 Framework for a Multidonor Technical Assistance Subaccount for Iraq was "providing TA to rebuild statistical and administrative capacity of key economic institutions responsible for making and implementing fiscal, monetary, and exchange rate policies". Accurate and timely statistics are needed to support macroeconomic management decision making, improve governance and for IMF surveillance. For analytical purposes the statistics TAs were grouped into five clusters – national accounts, price, BOP, monetary and finance and GFS. The portion of the budget for the TAs clusters is shown in Table E1. Improving national accounts statistics received the largest share of the funds. Roughly similar amounts were used to improve price, BOP and monetary and financial statistics. A small amount was allocated to GFS and to support the 2003 multisector statistics mission that made a major contribution to developing IMF's strategy to strengthen macroeconomic statistics. By the end of 2007, \$834,703 had been allocated to finance 15 STA TAs. Of these, 10 had been completed. Of the budget, 58% had been spent and an additional 32% had been committed. The financial data suggests that, with the exception of one TA for GFS, implementation generally followed reasonably quickly after TA approval.

Category of Statistics	Budget (\$)	% of Total Budget
National Accounts ^a	242,730	29.1
Prices ^a	203,471	24.4
Balance of Payments	166,825	20.0
Monetary and Financial	145,450	17.4
Government Finance Statistics	39,000	4.7
Multisector Statistics Mission	37,227	4.4
Total	834,703	100.0

a/ In some cases the budget for the national account and pricing TAs were combined. In those cases the budget estimates were divided into the two areas based on the information included in the Project Profile.

B. Assessment of the Strategy for the Statistics TAs

1. Statistics Strategy

217. Unlike the other TA departments, there was a formal Statistical Strategy Note to guide STA's activities in Iraq⁴⁰. Sustained assistance was needed over a multiyear period to deal with the institutional and methodological issues. The short-term strategy was to improve data quality and timeliness of reporting macroeconomic data to IMF so that it was adequate for surveillance. The medium-term strategy was to improve the institutional framework (e.g., organizational issues, statistical capacity, and legislation) so that Iraq's macroeconomic statistics met international standards. The TAs were designed to support COSIT, CBI and MOF. The strategy stated that IMF was to coordinate with other TA providers.

2. Assessing the Statistics Strategy

218. At one time Iraq's statistical capacity was among the best in the Middle East. However, after decades of isolation that capacity deteriorated. Given the circumstances, a reasonable amount of

⁴⁰ This was prepared in May 2004. It has been updated periodically and the current version is dated 20 October 2007.

diagnostics was undertaken to underpin the strategy. The Statistics Department was represented on the IMF mission that visited Baghdad 5-21 June 2003 and met COSIT and CBI staff. While a range of macroeconomic data statistics were available, there were serious distortions in the data due to the issues related to exchange rates used and controlled domestic prices. By 2003 Iraq statisticians needed training in modern methodologies. Based on those findings, the 2 July 2003 Program Framework stated that TA would be provided to strengthen Iraq's macroeconomic statistics related to national accounts, prices, balance of payments, monetary and financial and government finance.⁴¹

219. The December 2003 Multisector Statistics Mission used the General Data Dissemination System (GDDS) framework to identify the broad priorities to STA TAs. The following issues were to be addressed: (i) better legislation to enhance the independence of agencies compiling and publishing statistics; (ii) base estimates on market exchange rates; (iii) use international standards and the methodologies in IMF manuals to compile statistics; (iv) train COSIT and CBI staff; (v) improve the timeliness and consistency of source statistics; and (vi) increase transparency by publishing macroeconomic data.

220. In 2003 it was clear that the quality, accuracy, timeliness and transparency of the Iraq's macroeconomic statistics had deteriorated to such an extent that they did not provide a sound basis for managing the economy or for IMF monitoring and surveillance purposes. Institutional strengthening, improved policies and procedures, developing human resources and introducing modern methodologies were needed in all areas.

221. Feedback from MCD staff and senior staff in COSIT and CBI indicated that the broad priorities and sequencing were appropriate. There was good coordination within IMF on setting and refining the priorities, including significant involvement from MCD. MCD's annual strategy notes consistently endorsed the broad priorities established in 2003/2004, an indication of their robustness. Although the strategy was updated periodically, the overall focus and priorities did not change significantly. Further evidence of the appropriateness of the priorities and sequencing is provided by the linkage between the outputs of some of the TAs and IMF surveillance, better data for the monitoring of the 2005 SBA (<http://www.imf.org/external/pubs/ft/scr/2005/cr05294.pdf>) and formulating the 2007 SBA (<http://www.imf.org/external/pubs/ft/scr/2007/cr07301.pdf>) and the structural performance criteria and structural benchmarks included in the SBAs.

222. One common evaluation lesson is that capacity building is a long and difficult exercise. It often takes sustained effort over a period of 5 to 10 years to build such institutional capacity. One of the key drivers of success is to focus. The best results are often achieved if strategies have realistic capacity development objectives and involve a long-term commitment and a careful phasing/sequencing of activities. The Statistics Strategy focused on the key statistics needed for macroeconomic management and adopted a step by step approach.

223. Comparing the actual program delivered to what is stated in the strategy indicates that the strategy was realistic. The one part of the strategy that was not effectively operationalized related to STA's GFS activities. Although IMF active supported improving fiscal management, TAs in this area were provided by FAD and not by STA.

224. Successful strategies learn from past experience to increase the probability of success. The Statistics Strategy drew on lessons from IMF's experience in post conflict countries⁴² and was fine tuned as lessons were learned in Iraq. Lessons from post conflict countries include: (i) the importance of having a strategy; (ii) appropriate sequencing; (iii) initially adopting second best solutions; (iv) promoting transparency; (v) flexibility to modify the strategy as experience is gained in the country; and (vi) a recognition that considerable TA is required over a period of years. The one lesson that

⁴¹ A statistical resident advisor was envisioned to provide advice on statistical methodology and broader institutional issues. Because of the travel ban to Iraq throughout the evaluation period, the idea of placing a statistical advisor in Baghdad was not pursued.

⁴² (i) IMF. Rebuilding Fiscal Institutions in Post-Conflict Countries. 13 December 2004 (<http://www.imf.org/external/np/fad/2005/022505.htm>); and (ii) IMF. MFD Technical Assistance to Recent Post-Conflict Countries. 14 December 2004 (<http://www.imf.org/external/np/ta/2005/eng/022805.htm>).

was not fully reflected in the strategy was the need for good donor coordination. This issue merited more discussion in the strategy.

225. One of the roles of evaluations is to challenge conventional thinking. In its comments on the draft report, STA stated that its mandate is to improve methodological concepts and not source data. It is undoubtedly important for countries to improve their methodologies and to implement the best international practice contained in IMF statistical manuals. There are many opportunities to improve statistical compilation practices, data validation procedures and to make the best use of available data. However, in Iraq there are major problems related to the source data. It may be that the underlying errors of estimate in the source data over ride the benefits of improved methodology. In such situations, IMF's statistical strategy should balance the twin objectives of improving both the statistical methodology and source data. Improvements in both areas are needed to reach the overall goal – having sound macroeconomic data. In Iraq, this sort of two pronged strategy would require a major donor coordination effort as other donors have access to more funding than IMF has – supporting large scale surveys can be expensive. Also, an in-country presence could be helpful, something that at this point in time other donors, but not IMF, can provide. The operationalization of STA's strategy was based on the assumption that other donors would help COSIT to develop data sources, and in parallel STA would provide on-the-job training to implement international standards. However, other than in the case of coordinating with the World Bank for the Household Income and Expenditure survey, there is no evidence in the documents reviewed that STA pro-actively coordinated with other donors to improve the source data, despite the fact that the 2003 Multisector Statistics Mission identified improving the timeliness and consistency of source data as something that needed to be addressed.

226. In commenting on draft versions of the report, STA stated that improving source data and coordinating the development of source data was beyond its resources and the general remit of its TAs and could not be reasonably expected as an output from 1–2 two-week missions a year delivering hands-on training on methodology. STA further stated that its policy regarding the development of statistical source data for real sector statistics (other than surveys of outlets to collect prices for price indexes) was to avoid providing assistance to develop data sources and to avoid playing an explicit coordination role regarding other donors of such assistance. These assumptions were built into the Iraq project design and TA financing was provided only for experts for short-term mission work. While such short missions could not address the problems related to source data, given the slow pace of committing the funds during the initial years of the Iraq TA Subaccount, it is not clear to the evaluator that limited financial resources was a constraint. Also, given the statements in the 2003 Project Framework, it appears to the evaluator that an opportunity was missed to play a more active role in the area of donor coordination to help address source data problems to complement STA's missions that were focused on methodology and making the best use of available data. Such a narrow focus was not sufficient to achieve the objective of Iraq having sound set of macroeconomic statistics that are compiled according to IMF manuals.

3. Looking to the Future

227. Overall, the evaluation has concluded that the Statistics Strategy was well prepared, sound and was an effective mechanism to set priorities and allocate resources. The strategy has served STA well in the past.

228. Following the 2005 Guidance Note on Data Provision to the Fund for Surveillance⁴³, MCD takes the lead⁴⁴ in certifying the adequacy, or otherwise, of the data for surveillance and

⁴³ This framework covers four areas: (i) timely provision of data required under Article VIII, Section 5, including a common set of indicators required for surveillance; (ii) provision of additional data needed for surveillance, which vary according to individual circumstances and over time; (iii) assessment of the adequacy of data provision in Article IV staff reports, to highlight data weaknesses; and (iv) procedures for cases where a member fails to provide (or provides inaccurate) data required pursuant to Article VIII, Section 5.

⁴⁴ Consultations take place with STA during this process.

monitoring purposes. In making this judgment a selective assessment is made, focusing only on the main data deficiencies in areas central to surveillance. The reports of the 2007 Article IV (<http://www.imf.org/external/pubs/ft/scr/2007/cr07301.pdf>) consultation and the 2007 Stand-By Arrangement state that "Data provision is broadly adequate for surveillance/program monitoring, but there are some delays in data provision and weaknesses exist that hamper economic analysis." Despite the known weaknesses in the data, the statistics were judged to give a sufficiently reliable picture of economic developments and provide the information needed for a meaningful discussion on policy-making. The data does not suffer from deliberate, systematic biases that would mislead decision makers in the Government and IMF. The surveillance data is included in the Table of Common Indicators Required for Surveillance in the appendices on statistical issues attached to staff reports on SBAs. The program performance monitoring data needed to assess whether or not Iraq has met quantitative performance criteria and indicative targets as specified in the Technical Memorandum of Understanding is also reported in staff reports on the SBAs.

229. The short term objective of the strategy has been achieved. Thus, a new strategy is needed to provide a framework to prioritize sequence and guide future activities. The medium-term objective of the Statistics Strategy was to improve the institutional framework in which statistics are generated including organizational issues, statistical capacity, statistical legislation and improve the quality and timeliness of the statistics to conform to international standards. While some progress has been made toward achieving the medium term objective, more progress will be required before evaluators could certify that the medium term objective has been achieved. The statistics strategy needs to be revised to define new short and medium term objectives to prioritize, sequence and focus future support to improve Iraq's macroeconomic statistics.

C. Summary of the Statistics TAs Provided

230. To provide a context for the evaluation of the statistics TAs, the strategy and objectives of each of the five clusters of TAs are described below.

231. **National Accounts Statistics:** The objectives of the 2004 national accounts statistics strategy were to: (i) improve national accounts source data by including Kurdistan in the coverage and new sources of data of economic activity; (ii) train COSIT staff to compile the national annual accounts according to SNA93 (<http://www.imf.org/external/pubs/cat/longres.cfm?sk=575.0>); and (iii) develop quarterly indicators and make them available in a timely manner. IMF provided a cluster of five TAs⁴⁵ totaling \$242,730 to build COSIT's capacity to compile and disseminate timely, accurate national accounts data by: (i) improving knowledge of, and assessing the need for, new data sources for the national accounts;⁴⁶ and (ii) improving the skills of national accounts compilers in implementing the international standards in SNA93 (<http://www.imf.org/external/pubs/cat/longres.cfm?sk=575.0>).

232. **Price Statistics:** The price statistics strategy focused almost exclusively on the CPI. The short term strategy concentrated on improving data collection procedures and processing, adding more representative items to the basket, selecting more representative sample outlets, and improving methodology for handling seasonal and missing items (and selecting new ones) and providing advice on the new Household Income and Expenditure Survey and aggregation procedures to produce regional indices. The medium-term CPI Strategy was designed to (i) update the basket of items based on the new Household Income and Expenditure Survey; (ii) extend the CPI coverage to include Kurdistan; (iii) improve data collection, editing and estimation to reflect international best

⁴⁵ In most cases, the national accounts and price statistics TAs were processed as one, with separate objectives, terms of reference and budgets for each. This improved efficiency and reduce the paper work, i.e. improve administrative efficiency. The amounts allocated to the national accounts TAs were \$19,620, \$7,200, \$86,250, \$30,660 and \$99,000 respectively.

⁴⁶ This involved developing a work program and identifying additional TA to improve data sources.

practice; and (v) improve the producer price index. IMF provided four TAs⁴⁷ totaling \$203,471 to build COSIT's capacity to compile the CPI. The objective of the TAs in the logical framework attached to the Project Profile was to strengthen COSIT's capacity to compile and disseminate a monthly CPI by improving: (i) knowledge of, and assess the need for, new data sources⁴⁸; and (ii) the skills of price statistics compilers in implementing the methodology defined in the Consumer Price Index Manual.

233. **Balance of Payments Statistics:** The short-term BOP strategy was to improve the timeliness and quality of balance of payment and foreign trade statistics so that the BOP data was adequate for surveillance and conformed to international standards by using the BPM5 (<http://www.imf.org/external/pubs/cat/longres.cfm?sk=575.0>) methodology. The medium-term strategy was to improve the institutional framework. IMF provided three TAs⁴⁹ totaling \$166,825 to strengthen BOP statistics. The objectives were to produce more reliable BOP statistics by: (i) improving the collection and compilation practices for BOP statistics to be consistent with BPM5 (<http://www.imf.org/external/pubs/cat/longres.cfm?sk=575.0>); (ii) improving the quality of the data in the historical time series; (iii) providing hands on training and knowledge transfer; and (iv) producing methodological notes to allow the BOP estimates to be published in IFS and in the Balance of Payment Statistics Yearbook.

234. **Monetary and Financial Statistics:** The short-term strategy for the Monetary and Financial statistics TAs was to support the work on compiling a Depository Corporations Survey (Monetary Survey), which was a structural benchmark for the Emergency Post Conflict Assistance Program. The TA would also help to develop sectoral balance sheets for the CBI and Other Depository Corporations, and correct the improper classification of the financial instruments and sectorization of resident institutional units. The medium-term strategy involved compiling and disseminating monetary statistics that conform to MFSM 2000 (<http://www.imf.org/external/pubs/ft/mfs/manual/>). IMF provided two TAs⁵⁰, totaling \$145,450, to strengthen CBI's monetary and financial statistics. The objective of both TAs stated in the logical framework was to improve Iraq's monetary statistics so that monetary data is consistent with MFSM 2000 (<http://www.imf.org/external/pubs/ft/mfs/manual/>).

235. **Government Finance Statistics:** The short-term GFS strategy was to focus on strengthening the MOF's capacity to compile GFS in parallel with FMIS development and other budgetary and accounting system reforms. The TA was to develop a plan for data reporting/gathering that could be used to estimate the fiscal operations. MOF was to establish a unit in charge of developing and disseminating fiscal statistical data. The medium-term GFS strategy, once a basic GFS system was in place, was to focus on improving the reporting of the data by non-financial public corporations and to address debt statistics (domestic and foreign). The logical framework stated that the objective of the GFS TA was to help strengthen the compilation of government finance statistics by identifying: (i) TA and training needs for GFS within a GDDS framework and specific actions to be taken by MOF; (ii) the institutional setup responsible for GFS; and (iii) the coverage of different source data used for GFS compilation. During the evaluation period, STA processed one GFS TA valued at \$39,000. Although improving GFS was consistently included in the statistics strategy for Iraq, there was no serious engagement by STA in this area. According to OTM's official records, the money approved under the GFS TA was not spent. The Fund, however, provided support in the fiscal area through FAD.

D. Assessment of the Relevance of the Statistics TAs

⁴⁷ Valued at \$19,615, \$54,196, \$30,660 and \$99,000 respectively.

⁴⁸ This was to involve developing a plan, supported by additional TA, to improve data sources (prices and expenditure weights).

⁴⁹ In 2005 for \$10,185, in 2006 for \$36,090, in 2007 for \$42,500 and in 2008 for \$78,050 respectively.

⁵⁰ Approved in 2005 for \$88,083 and 2007 for \$76,275 respectively. Each TA involved several missions.

236. The rating of relevance of the STA TAs is given in Table E2. Taken as a group, the STA TAs were **relevant**. The ratings varied by TA cluster. The Monetary and Financial TAs were rated as **highly relevant**. Three TA clusters (i.e., national statistics; price statistics; balance of payments) were rated as **relevant**. The GFS TA was rated as **not relevant** because it was not implemented. The details supporting the rating for each dimension of relevance are provided in the paragraphs following the table.

Table E2: Assessment of the Relevance of the Statistics TAs							
Criteria	Criteria Weight	Rating ^a					
	(%)	NA	CPI	BOP	MF	GF	Score ^b
		30	26	21	18	5	100
1. Quality of Diagnostics	20	3	2	3	4	2	2.9
2. Consistency: IMF Activities	30	3	4	3	4	1	3.3
3. Consistency: Government Priorities	30	3	4	3	4	1	3.3
4. IMF/Development Partner Coordination	20	1	3	3	4	2	2.5
Overall Relevance Rating/Score	100	2.6	3.4	3.0	4.0	1.4	3.1
a/ = Rating: 4 = Excellent; 3 = Good; 3 = Modest; 1 = Poor b/ = Weight by % of TA Budget Allocated to TA group, excluding multisector statistics mission Highly Relevant (Excellent) ≥ 3.5; 3.5 < Relevant (Good) ≥ 2.5; 2.5 < Partly Relevance (Modest) ≥ 1.5; Not Relevant (Poor) < 1.5 NA = National Accounts Statistics TAs; CPI = Price Statistics TAs; BOP = Balance of Payments Statistics TAs; MF = Monetary/ Finance; GF = Government Finance							

1. Quality of Diagnostics

237. The quality of the diagnosis for the statistical TAs was rated as **good**. The priority and sequencing of the statistics TAs were based on the work of the IMF's first mission to Iraq, before the travel ban was put in place, and the subsequent 2003 Multisector Statistics Mission. IMF staff could not travel to Iraq to undertake a full institutional diagnosis, normally a pre-requisite for successful capacity building. Given the difficult conditions resulting from the security situation, and the fact that IMF had not been operational in Iraq for a long time, these missions did a good job and the diagnosis was generally sound. Feedback from senior officials in COSIT and CBI and staff of MCD confirm the conclusion of the evaluation team that the TAs addressed priority areas and that the interventions were properly prioritized and sequenced. While the strategy was sound, the expectation that major objectives could be achieved by the end of 2005 was overly optimistic. The initial timelines for all TA clusters have had to be revised and extended. In 2003/2004, no one thought that the peace and security situation would be as difficult as it turned out to be for the entire evaluation period. However, experience in other post conflict countries should have been more closely scrutinized to develop more realistic time frames for implementation of the statistics strategy.

238. **National Accounts TAs:** IMF's 2003 missions found that while national accounts data was produced, there were serious distortions in the valuation of economic flows due to multiple exchange rates and domestic price controls. The data was compiled using the outdated 1968 Systems of National Accounts (SNA), rather than 1993 SNA. Issues that impacted on quality of the data included: (i) poor quality source data, gaps in the data and problems in data collection; (ii) an inadequate number of well qualified COSIT staff; (iii) inadequate COSIT computer hardware and software; and (iv) a lack of transparency -- under the previous regime, most macroeconomic data was confidential and was not publicly released. The national accounts TAs were designed to introduce international best practice as given in SNA93 (<http://www.imf.org/external/pubs/cat/longres.cfm?sk=575.0>) to COSIT staff through on-the-job training, making the best use of available data sources and improving the statistical compilation methods. In addition to addressing these areas, improving the source data was an essential pre-requisite to improve the quality and accuracy of Iraq's national accounts. IMF traditionally relies on other donors to undertake the large scale surveys needed to improve the source data. The strategy did not include any detailed assessment as to how this important assumption would be realized. This issue merited more discussion in the strategy.

239. **Price Statistics TAs:** The 2003 Multisector Statistics Mission identified a need to strengthen COSIT's capacity to compile and disseminate monthly CPI estimates. Prior to the March 2003 war, a monthly CPI was produced. Although domestic price controls resulted in distortions, IMF found the

CPI to be comprehensive and generally sound. Issues that needed to be addressed included: (i) inadequate staff numbers involved in compiling the CPI; (ii) training needs; (iii) upgrading COSIT's computer hardware and software; (iv) problems of data collection; (v) outdated 1993 weights; (vi) extending the geographic coverage to include Kurdistan; and (vii) documenting the procedures and methods used to compile the CPI for the GDDS metadata. Subsequent events have shown this diagnosis to be sound. There is, however, a question of whether there was adequate institutional diagnosis. COSIT has 13 technical directorates, one of which, the Index Numbers Directorate, is responsible for all indices. The Index Numbers Directorate has three sections (CPI; wholesale price indices and the Sectoral Index Number Section⁵¹). The price statistics TAs focused almost exclusively on the CPI. While the CPI is clearly important, given the limited institutional capacity (two people in the Consumer Price Index Section) and COSIT's other price indices, one can question the price statistics strategy should have been designed to provide a broader range of assistance covering more price indices rather than only focusing on the CPI. Evaluation findings that support this possibility include: (i) IMF's 2003 conclusion that the CPI was reasonably comprehensive and timely; (ii) problems in participant selection, perhaps not surprising given the limited institutional absorptive capacity of the CPI Section; (iii) COSIT's desire for a course for price enumerators; (iv) requests in 2005 that the coverage of the workshops be broadened to include other price indices; and (v) when asked during the evaluation to identify future priorities, senior COSIT staff identified assistance for the Producer Price Index, the Export Price Index and the Import Price Index. While the feedback from COSIT to the evaluation team was generally positive, the one piece of negative feedback was that COSIT was not adequately involved in setting priorities and designing the assistance. This suggests that mechanisms need to be found to more effectively engage with senior COSIT staff at the strategic level.

240. **Balance of Payment Statistics TAs:** Prior to IMF resuming operations in Iraq, the last BOP data published in IFS was for 1976 and 1977. The 2003 IMF missions found that: (i) while a BOP time series was available from 1988 to 2002, it was presented according to the Balance of Payments Manual, fourth edition (BPM4) format rather than BPM5 (<http://www.imf.org/external/pubs/cat/longres.cfm?sk=575.0>) and there were issues related to the integrity of the data (e.g., deviations in definitions, data coverage, classification, valuation, and sectorization); (ii) the BOP estimate was seriously distorted due to exchange rate issues⁵²; (iii) the BOP estimate did not include most trade, capital transfers and military transactions; (iv) the statistics did not cover Kurdistan; (v) from 1994 to 2002, the BOP deficit was fixed as a matter of policy at 250 million Iraqi dinar; (vi) CBI staff needed training on best international practice as given in BPM5 (<http://www.imf.org/external/pubs/cat/longres.cfm?sk=575.0>); (vii) the human and technological resources for the Balance of Payment Department needed improvement; (viii) better cooperation was needed within CBI and between CBI and the Ministries of Finance and Planning and COSIT so that all of the data needed to compile the BOP estimate⁵³ was received; (ix) a better legal framework was needed for collecting and compiling BOP statistics; (x) there was inadequate data from customs; (xi) new surveys were needed to improve the coverage of services, income and current transfers accounts; (xii) data on foreign direct investment was poor; (xiii) data on external debt needed to be compiled in a manner that was consistent with international guidelines; and (xiv) financial account data was not reliable. This detailed analysis provided a firm basis for planning the BOP TAs. The analysis did a good job identifying problems and identifying ways to address methodological issues. However, it is proven to be challenging to develop and implement ways to effectively address the gaps and weaknesses in the source data. Most source problems related to institutional factors that and were beyond CBI's control. The quality of the BOP statistics continues to be hampered poor responses to surveys, difficulties in collecting information due to the security situation and the

⁵¹ Responsible for compiling the producer price index, the industrial production index, the agriculture index and export/import indices.

⁵² The CBI used the official exchange rate (\$3.20 per Iraqi dinar) to value BOP transactions compared to market exchange rates in the order of 1,500 to 2,500 Iraqi dinars per U.S. dollar from 1999–2001.

⁵³ Especially for financial account transactions, including official reserves.

exclusion of the Kurdish areas from most BOP statistics components. Gaps in source data are reflected in the limited coverage of the BOP statistics data from the nonbanking sector that is not unreliable⁵⁴.

241. **Monetary and Financial TAs:** The main findings of the 2003 missions in the area of monetary and financial statistics included: (i) there were weaknesses in the quality, timeliness, coverage and compilation methods for CBI's monetary and financial data; (ii) the monetary survey did not provide a sufficiently detailed breakdown of financial instruments by resident economic sectors; (iii) the classification of units in the government sector and the public nonfinancial corporations subsector needed clarification; (iv) gold was valued at historic cost or market price, whichever was lower; (v) the value of loans was adjusted for expected losses due to defaults but that value did not include the accrued interest, which was included in the capital account; (vi) end-of-month positions in foreign currency denominated assets and liabilities in the monetary survey were valued using various exchange rates; (vii) the monetary survey did not cover Kurdistan or provide a breakdown of financial instruments by resident economic sectors; (viii) there was no cross-checking of information between the relevant monetary data and the matching balance of payments information; (ix) training on the methodology in the Monetary and Financial Statistics Manual (MFSM) was needed; and (x) computing resources were not adequate. Subsequent events have shown this diagnosis to be sound.

242. **Government Finance Statistics TA:** The 2003 Multisector Statistics Mission was not able to engage in serious discussions on strengthening GFS. As reported in Appendix IV of the report on the 2004 Emergency Post Conflict Assistance (<http://www.imf.org/external/pubs/ft/scr/2004/cr04325.pdf>), IMF could not properly assess the quality of fiscal statistics because of a lack of appropriate counterparts nor did Iraq report government finance data for publication in the IFS. However, IMF's experience in post conflict countries suggested that assistance was often needed to strengthen GFS within the framework of GFSM 2001 (<http://www.imf.org/external/pubs/ft/gfs/manual/>).

243. A 2005 GFS mission, in conjunction with a World Bank and FAD mission, reviewed the progress made in meeting commitments and benchmarks in the fiscal area for the Emergency Post Conflict Assistance and discussed how to strengthen GFS reporting within the overall plans to rehabilitate the budgetary, accounting and the FMIS. That mission identified many GFS problems: (i) except for a summary of budgetary estimates and outcomes for the central government, no fiscal statistics were published; (ii) the Ministry of Planning, not MOF, prepared the capital budget; (iii) the coverage of the budget did not provide a comprehensive fiscal picture as it excluded extra-budgetary expenditures by regions/ministries using own resources, off budget expenditures of self-financing agencies or public agencies and off-budget donor funded projects⁵⁵; (iv) there was no institutional unit with the legal mandate to collect and compile GFS; (v) GFS data was not compiled even on the basis of GFSM 1986, although there was sufficient accounting data to compile GFS data for the central government; (vi) moving beyond the central government to general government GFS would be major challenge that would require significant coordination between MOF and many other government agencies (e.g., agencies involved in extra-budgetary expenditures; governates; local governments; Ministry of Planning; CBI and donors) to obtain the necessary data; and (vii) incomplete data on letters of credit issued to finance the government imports and a lack of coverage of Kurdistan.

⁵⁴ For example, there is no consistency between external trade data from COSIT and CBI. The latest data available for imports and exports are from August 2005. COSIT, CBI and the Customs Department worked together to develop a new customs form for imports. However, it is not used because of the security situation and the lack of human and technological resources in the Customs Department at the border outlets. Thus, import estimates are based on the form for reconstruction fee, a levy on private sector imports. Imports, as registered on the reconstruction fee form, are undervalued and therefore unreliable. Data for private sector imports were derived from a survey of private sector imports involving wholesale traders at five border outlets that gave estimates of imports by economic activity.

⁵⁵ A number of donor funds were managed independently of the budget: (i) the U.S. Supplemental budget, managed by the Iraqi Reconstruction Management Office; (ii) the Iraqi Reconstruction Fund; (iii) other bilateral donors' grants; and (iv) UN Oil for Food Program managed by the UN to fund purchases of goods imported to Iraq through letters of credit executed by the Ministry of Trade.

244. The work of the 2005 mission shows evidence of pragmatic decision making (e.g., recognizing that a responsible unit had to be established for GFS and that the initial focus should be on the central government and improving the cash based accounting system before moving onto accrual accounting). The 2005 mission reported that the 33 senior Iraqi officials in Amman agreed with the action plan proposed by the mission that included establishing a GFS unit. While the issues identified by the 2005 mission and in the strategy appear to be sound, the strategy was never implemented.

2. Consistency With IMF Activities in Iraq

245. There was a high degree of consistency between the statistics TAs and IMF's work in Iraq. The STA TAs were rated as **relevant**, close to **highly relevant**, on this sub-criteria. This reflects the generally good coordination between the technical assistance departments and MCD. MCD played a role in setting the priorities for the use of TA in its annual strategy paper for Iraq and reviewed and endorsed the various versions of the statistics strategy paper. Also, some of the TA Monetary and Financial missions were planned to overlap with MCD missions.

246. An examination of reports of the five reviews of the 2005 SBA (<http://www.imf.org/external/pubs/ft/scr/2005/cr05294.pdf>), the 2007 Article IV consultation (<http://www.imf.org/external/pubs/ft/scr/2007/cr07301.pdf>), the report on the 2007 SBA (<http://www.imf.org/external/pubs/ft/scr/2007/cr07301.pdf>) and discussions with MCD staff found consistency between the design and output for the STA TAs and IMF's broader objective of strengthening economic management in Iraq.

247. All reports monitoring the 2005 SBA (<http://www.imf.org/external/pubs/ft/scr/2005/cr05294.pdf>) include historical data and forecasts for GDP, CPI and BOP. Timely, sound statistics in these areas are essential to support both the work of IMF and for the Government manage the economy. Iraq's two key economic challenges during the evaluation period were to increase the economic growth rate and reduce inflation. The current target for the GDP growth rate is 7%. Sound national accounts and CPI data are needed to monitor the progress being made to achieve those objectives. During the evaluation period inflation was high⁵⁶. The IMF analysis indicated that CBI needed to bring down inflation by tightening of monetary conditions, raising interest rates and allowing the exchange rate to appreciate. That policy advice was followed. The importance of improving the CPI for IMF's operations is illustrated by the fact that in the 2007 SBA (<http://www.imf.org/external/pubs/ft/scr/2007/cr07301.pdf>), updating the weights in the CPI, based on the results of the 2007 Household Income and Expenditure Survey, by 31 May 2008 was made a structural benchmark. Because of these considerations, improving the CPI TAs were rated as **highly relevant** to IMF's operations in Iraq.

248. Balance of payments issues are one of the areas in which IMF leads the policy dialogue with the Government and there is no direct World Bank involvement. BOP statistics, both historical trends and forecasts, are analyzed in the staff reports on the SBAs and the Article IV consultations. This information becomes an input into IMF's policy dialogue with the Government. Included among the Quantitative Performance Criteria and Indicative Targets under the 2007 SBA (<http://www.imf.org/external/pubs/ft/scr/2007/cr07301.pdf>) is a floor for the Net International Reserves of the CBI. The Technical Memorandum of Understanding includes a precise definition of Net International Reserves. One of the first outputs of the BOP TAs was to improve data in this area so that it could be published in the IFS. These factors all support the conclusion that the BOP TAs were **relevant** for IMF's operations. Although better BOP data was **relevant** to IMF's operations, it was not rated as **highly relevant** because there was no explicit conditionality in the SBAs that was directly related to improving the BOP statistics.

⁵⁶ Inflation peaked at 77% in August 2006 and was 65% at year end. According to the report on the 2007 SBA (<http://www.imf.org/external/pubs/ft/scr/2007/cr07301.pdf>), consumer price inflation was 20% and it is expected to remain below the target of 25% by year-end. The future inflation target is 12% with the medium term objective of reducing inflation to single digits.

249. The **highly relevant** nature of the TAs to support the monetary survey and improve monetary and financial data is clear from an examination of IMF documents. The June 2007 staff report of the Article IV consultation and fifth review of the 2005 SBA (<http://www.imf.org/external/pubs/ft/scr/2005/cr05294.pdf>) acknowledge the importance of producing the monetary survey and that the TAs helped to improve the quality and coverage of monetary data. Data from Central Bank Survey and Depository Corporations Survey are routinely included in the staff monitoring reports. Because of the progress made in improving the monetary and finance data, the quality of the analysis and forecasts underlying the December 2007 SBA (<http://www.imf.org/external/pubs/ft/scr/2007/cr07301.pdf>) was better than its predecessor⁵⁷.

250. Compilation of a Depository Corporations Survey was included as an indicative structural benchmark in the 2004 Emergency Post Conflict Assistance Program (<http://www.imf.org/external/pubs/ft/scr/2004/cr04325.pdf>) and was an integral part of monitoring performance under the 2005 SBA (<http://www.imf.org/external/pubs/ft/scr/2005/cr05294.pdf>). Iraq did not meet the structural benchmark under the Emergency Post Conflict Assistance Program for the “development of a monetary survey” by March 2005. At that time, a preliminary Central Bank Survey was compiled broadly in accordance with MFSM 2000 (<http://www.imf.org/external/pubs/ft/mfs/manual/>), albeit with a number of shortcomings related to coverage, classification, and valuation. By July 2005 most of these problems had been corrected and a preliminary Other Depository Corporations (Commercial Banks) Survey had been developed to complete a monetary survey and the structural benchmark to develop a monetary survey was deemed to have been met. However, issues regarding coverage and quality of the data remained and the TAs provided continuing support to address them. Another strong indicator of the relevancy of the Monetary and Financial TAs is in the March 2008 edition of the IFS, the coverage of monetary data was significantly improved for Iraq.

3. Consistency With Government Priorities

251. The topics covered by the TAs were consistent with government priorities. In response to a survey question, senior officials from CBI and COSIT said that they strongly agreed with the statement that improving the national accounts, consumer prices, balance of payments and monetary and financial statistics was among their top institutional priorities. Overall the TAs were rated as **relevant**, bordering on **highly relevant**, for this sub-criteria.

252. Improving macroeconomic statistics has been a consistent priority of the Government. For example in the Memorandum of Economic and Financial Policies for the 2007 SBA (<http://www.imf.org/external/pubs/ft/scr/2007/cr07301.pdf>), the Government committed to continue its efforts, supported by IMF TA, “to improve the accuracy, coverage, and timeliness of macroeconomic statistics” and, despite serious capacity constraints, to submit economic and financial data to the Fund within the time lines specified in the Technical Memorandum of Understanding. Senior COSIT officials confirmed to the evaluation team that improving the national account statistics and the CPI were high priorities.

253. The Government uses national account data to formulate its economic policies and to monitor economic performance. For example the letters of intent from the Governor of the Central Bank of Iraq and the Minister of Finance and the related Memorandum of Economic and Financial Policies sets targets for GDP growth, discuss any shortfalls and propose policy measures to improve economic performance.

254. The Government uses the CPI to monitor inflation and to formulate monetary policy. During the evaluation high inflation was a persistent problem. The authorities tightened their exchange rate and monetary policies to fight inflation. After August 2006, CBI started issuing its own securities and raised the policy interest rate in a number of steps from an average of 7% in 2006 to 20% in January

⁵⁷ The report on the 2007 SBA (<http://www.imf.org/external/pubs/ft/scr/2007/cr07301.pdf>) included the Monetary Survey with data from 2005 and forecasts until 2009.

2007. The exchange rate⁵⁸ appreciated and gross international reserves increased. As a result of these policy measures, inflation declined in 2007, although continued efforts are needed to reach single digit levels. Further evidence of the importance of the CPI for CBI is provided by the publications page of CBI's website. One of the four English publications is a press communiqué dated 18 October 2006 on current positive signals in the general price level. The evaluation team could not read the full document as it was in Arabic. However, the fact that it was posted as a public document indicates the importance that CBI places using the CPI in policy making.

255. There was a difference of opinion between COSIT and IMF on the issues to be covered in the CPI workshops. COSIT requested a course for price enumerators. There are many countries where the CPI methodology⁵⁹ was good but the integrity of the data was compromised by inadequately trained or motivated enumerators. While training of price enumerators is important, it is a lower level of training and should be done by in the local language, in country. IMF is rarely involved in providing training to enumerators. Rather, IMF's input is, rightly, at a higher level (e.g., establishing the base year; sampling strategies; weights; questionnaire design; statistical techniques for compilation; inputs into the expenditure survey design). Often problems at the level of price enumerators are not so much technical as issues related to things like the funding to go to the field or, in the case of Iraq, security. However, enumerators do have to be briefed on the importance, purpose and reasons for the price surveys.

256. Feedback from CBI officials acknowledged the importance of the support that TAs provided to improve BOP data. Trade data (e.g., imports and exports by country of origin/destination and SITC codes) and BOP data are included in the annual statistical bulletins⁶⁰ published on CBI's web page. BOP calculations include several key parameters that are monitored and used to help make major economic management decisions (e.g., trade balance, current account balance and overall balance as a percent of GDP; reserves in months of imports of goods and services; impact of debt forgiveness). As of 1 January 2008, data on net foreign reserves was available on CBI's home page up to 13 December 2007.

257. Feedback from CBI officials acknowledged the importance of the support that TAs provided to improve monetary and finance data. In particular, the introduction to the 2006 Statistical Bulletin states that the data, including that strengthened with IMF TAs, is "of significant importance for preparing studies and necessary analysis to develop monetary and financial policies in the Iraqi economy." The introduction acknowledges IMF's role in undertaking the monetary survey, saying that it "was prepared according to the basis set by the IMF." The results of the monetary are published on CBI's web page, although the monthly data covers the period from December 2004 until April 2006. However, more current data is available. By the end of 2007, IMF had data up to September 2007. Monetary policy decisions must be based on sound, timely data. The Fifth Review Assessment of the 2005 SBA (<http://www.imf.org/external/pubs/ft/scr/2005/cr05294.pdf>) reported that the Structural Benchmark requiring CBI to adopt a Board-approved timetable for the full implementation of IFRS as the financial reporting framework was met on 1 April 2007.

258. Improving government financial statistics, at a conceptual level, was consistent with the Government's priority to improve fiscal management, budget execution and fiscal policy making. An examination of the five reviews of the 2005 SBA (<http://www.imf.org/external/pubs/ft/scr/2005/cr05294.pdf>) and discussions with MCD staff indicate that the Government places a high priority on improving fiscal management. Despite the apparent consistency of GFS and MOF's priorities, MOF did not take the actions recommended by the 2005

⁵⁸ Given weaknesses in the instruments needed for monetary management, management of the currency is a key policy instrument.

⁵⁹ i. e., the weights, scope, valuation, aggregation formulae, sampling of outlets and items and treatment of missing and seasonal items.

⁶⁰ The 2006 bulletin included revised BOP estimates for 2005 and preliminary estimates for 2006.

GFS mission or establish a GFS Unit by the target date of mid 2005. While one Iraqi did attend the May 2007 regional GFS course held in Abu Dhabi together with the Arab Monetary Fund, the participant was from CBI – an agency that is not directly engaged in compiling GFS. MOF did not propose any participant. Also, MOF has not responded to annual letters requesting fiscal data in the GSF format for the central government that could be published in IFS. Given these indications of a lack of Government ownership, STA was correct in not processing or implementing GFS TAs. However, the lack of follow up by MOF on implementing the recommendations of the 2005 GFS mission or the decisions not to send a representative to the 2007 GFS regional course were never mentioned in the revised versions of the Statistics Strategy or the reports to the donors. That documentation indicates that improving GFS was a continuing priority for STA and that the lack of engagement reflected STA's inability to find appropriate staff or experts.

259. Part of the issue appears to be related to sequencing and the respective roles of STA and FAD in this area. While STA has not been involved, FAD TAs and the USAID funded consultants supporting FMIS development and other budgetary and accounting system reforms. In 2007 the Government adopted a new chart of accounts and budget classification that was consistent with GFSM 2001. As stated in the Memorandum of Economic and Financial Policies for the 2007 SBA (<http://www.imf.org/external/pubs/ft/scr/2007/cr07301.pdf>), the Government recognized that much remains to be done to strengthen the effectiveness and transparency of budgetary management. External support for the FMIS, which had started on a trial basis in January 2007, was terminated following the abduction of an external consultant in May. As a result, and in light of the difficulties experienced to adapt this system to MOF's, the FMIS is no longer in use. TA has been requested from IMF to help identify priorities for modernizing public financial management and a Memorandum of Understanding has been signed by USAID and MOF to resume work on the FMIS. Adopting an action plan to modernize the government's financial management system by 31 July 2008 is specified as a structural benchmark in the 2007 SBA (<http://www.imf.org/external/pubs/ft/scr/2007/cr07301.pdf>). IMF should engage in discussions to see if MOF would now put a higher priority on receiving STA GFS TA than in the past.

4. Coordination With Development Partners

260. IMF learned that good donor coordination was important from working in post conflict countries. Donor coordination was discussed in the 2003 Program Framework.⁶¹ Among other things, IMF TA is provided in close coordination with other donors, IMF usually takes the lead in the fiscal, monetary and statistical areas, often supported by other agencies, and IMF may be able to advise the authorities on how to monitor and promote donor coordination. Good coordination with other development partners increases the relevance and effectiveness of IMF's TAs. The typical model is for IMF to provide assistance on best international practice and the methodology included in the current versions of IMF manuals (e. g, SNA93; BOPM5; MFSM 2000 and GFSM 2001 and other donors to play the lead role in addressing issues related to the source data (e.g., undertaking surveys), demographics⁶², large scale capacity building efforts of statistical agencies and improving the hardware and software. While there were some examples of good practice for some of the TA clusters, overall the rating in this area was on the margin between **good** and **modest**, the lowest rating of the four relevancy sub-criteria.

261. The Project Framework for the first national accounts TA identified the need for good coordination with bilateral donors supporting COSIT⁶³. In 2003 two BearingPoint statistical advisers were working in COSIT. In 2007 there was one adviser in COSIT working on SNA93

⁶¹ See paras 5, 7 and 12 in the 2003 Program Framework for a Multidonor Technical Assistance Subaccount for Iraq.

⁶² The last census was undertaken in 1997. Vital statistics (e.g., births and deaths) are unreliable. There is no accurate information on the population displacement, emigration and deaths following the 2003 war.

⁶³ The Project Framework, document STA_IRQ_IRQ004, includes the following sentence: "Improved coordination with bilateral and international agencies providing assistance in the area of statistics is also expected".

<http://www.imf.org/external/pubs/cat/longres.cfm?sk=575.0>) and chart of accounts. Initially there was some coordination with BearingPoint consultants working in COSIT. However, this diminished after 2005. The 2005 National Accounts statistics Project Profile stated that USAID funded contractors (e.g., BearingPoint; The Consulting Group) were providing some technical assistance in macroeconomic statistics but that the extent and effectiveness of that assistance is difficult to determine. Exactly the same statement appeared in the 2007 Project Profile. Two years later, IMF should have had a better understanding on what was being achieved under USAID funded work and made more proactive efforts to develop synergies. From the documents reviewed, there appears to have been little coordination between BearingPoint consultants and STA for national accounts statistics.

262. The Project Framework for the first price statistics mission identified a need for coordination with other donors. Excellent synergies were developed between IMF and the World Bank to improve the CPI. The World Bank supported the 2007 Household Income and Expenditure Survey that will be used to rebase the CPI and to extend its coverage in Kurdistan. From the documentation reviewed, it is not clear that STA shared information related to efforts to improve price statistics with USAID financed contractors, invited the experts financed by other donors to workshops or tried to leverage the presence in-country experts to support the implementation plans developed at the workshops.

263. Donor coordination was not viewed by IMF as an important issue for the BOP TAs since the project profiles state that no other donors were involved in providing assistance in this area. While this is true in the narrow sense, other donors were involved in strengthening macroeconomic management, the financial sector and statistics more generally (e. g., USAID; US Treasury; World Bank; DFID). Going forward more coordination will be needed with other donors who might have an indirect interest in BOP issues or will provide support that could help to improve source data by undertaking surveys, improving customs or with UNCTAD that is helping to strengthen MOF's debt management system. It will be important for STA and CBI to be aware of planned surveys to maximize the synergies between those surveys and improved source data for BOP statistics.

264. The most effective donor coordination for the STA TAs related to the Monetary and Financial TAs. The TA Profile noted that the work of BearingPoint consultants in the area of banking supervision would complement IMF's TAs in this area. Coordination was operationalized at a practical level by inviting BearingPoint consultants to attend three of the four workshops. This was good practice as it avoided duplication and created conditions so that the in-country advisers could work with the CBI officials to help implement the work programs agreed on at each workshop. While this coordination was excellent, documentation reviewed by the evaluation team did not mention coordination with the US Treasury, particularly their consultants stationed in the Green Zone⁶⁴, and the Federal Reserve. While MCM has established a strong coordination mechanism with those donors, STA did not.

265. There was good coordination in the area of government finance statistics between STA, FAD and the World Bank during the joint 2005 GFS mission. However, that joint initiative was not sustained by STA. While IMF has a competitive advantage providing leadership and training related for GSFM 2001 (<http://www.imf.org/external/pubs/ft/mfs/manual/>), coordination with others working in the fiscal area is still important to develop synergies that could reinforce the systems needed to make improvements in the government finance statistics possible and effective. Other donors (e.g., the World Bank; DFID) have been supporting Iraq in the area of fiscal reform. DFID indicated to the evaluation team that there was some disappointment regarding IMF's lack of coordination, sharing of information, providing information on planned workshops and efforts to develop synergies with in-country advisers working in the area.

266. Recurring themes that affected all of the STA TAs were that weaknesses in the source data and a lack of coverage of Kurdistan. Given the security situation, it is a major challenge to undertake surveys to improve source data. Nevertheless COSIT, with the help of some donors, has undertaken

⁶⁴ These advisers are helping to improve data on the banking sector which compliments STA's work.

large scale surveys. There has been ongoing coordination between IMF and the World Bank in this area (e.g., Household Income and Expenditure Survey; Enterprise Survey). Information on the COSIT web page shows that: (i) DFID funded the 2006 Rapid Household Income and Expenditure Survey (3,160 randomly selected households); (ii) UNDP supported the 2005 Iraqi Living Survey (21,668 households); and (iii) UNICEF supported the 2006 Multiple Indicator Cluster Survey (18,144 households). The last two surveys covered all 18 governorates in the country. The experience of other donors indicates that it is possible to undertake large scale surveys, even in difficult security conditions, and that there are ways to cover Kurdistan. In the material reviewed by the evaluation team, there is no evidence that STA made pro-active efforts to coordinate with other donors, other than the World Bank, to mobilize support to undertake the surveys that were needed to address data gaps. COSIT was in a better position than IMF to have an overview of the sum total of assistance provided by all TA providers. In the material reviewed, there is no evidence that COSIT played a pro-active role in encouraging IMF to coordinate with other donors.

267. Going forward there should be a more pro-active donor coordination effort in the statistical area. This conclusion reflects the following considerations: (i) IMF's strength is providing the methodological training and guidance related to best international practice, as defined in IMF manuals; (ii) other donors normally finance the surveys that are necessary to improve the source data and capital investments in information technology, hardware and software that are necessary for a modern statistical agency to function efficiently; (iii) STA could be actively engaged with the donor community to help COSIT set overall priorities to use its scarce resources most effectively to improve source data; (iv) in-country statistical advisers financed by other donors could support the implementation of the action plans agreed at the workshops and provide feedback to IMF on government priorities. Pre-requisites for such a strategy would include: (i) Government agreement that IMF should play such a role; and (ii) IMF would allocate sufficient resources to undertake this role – donor coordination is not a free good. While the TAs have helped to strengthen the skills of Iraqi statisticians in applying best international practice, making the best use of available data, identifying gaps in data quality and coverage and making some suggestions on survey design and the use of new data, STA's TAs will only be truly effective if the issues related to data quality and coverage are addressed. More pro-active donor coordination is needed to reach this goal.

268. There are regional resources that could be used to improve the relevance and effectiveness of STA TAs: (i) the Middle East Technical Advisory Center (METAC);⁶⁵ and (ii) the Arab Monetary Fund⁶⁶. METAC has expertise in multisector statistics. An expert from METAC was involved in one BOP mission, something that CBI staff appreciated. This was a good attempt to develop synergies between METAC and STA, a model that could be used more frequently in the future. Given its location and Arabic language capabilities, METAC might be in a position to undertake the myriad of logistical issues related to planning and implementing the workshops more cost effectively and efficiently than staff in Washington⁶⁷. In CBI's response to the evaluation team's questionnaire, it was

⁶⁵ In late 2004 IMF established METAC in Beirut, with financial support from 13 donors, to better coordinate and manage its technical assistance services across the region. METAC provides assistance in the areas of banking supervision, public financial management, multi-sector statistics, and revenue administration through in-country workshops, training assignments to institutions in IMF member countries and regional training courses.

⁶⁶ The objectives of the Arab Monetary Fund are to: (i) correct disequilibria in the balance of payments of member States; (ii) remove of restrictions on current payments between member States; (iii) establish policies and modes of Arab monetary co-operation; (iv) provide advice on policies related to the investment of the financial resources of member States in foreign markets; (v) promote the development of Arab financial markets; (vi) promote the creation of a unified Arab currency; and (vi) promote trade among member States. Among other things, the Arab Monetary Fund provides technical assistance and training to banking and monetary institutions in member States. See <http://www.amf.org.ae/>.

⁶⁷ IMF's resident office in Amman could also provide such assistance if its human and financial resources were augmented appropriately.

suggested that the Arab Monetary Fund could be used to give CBI more exposure to the experience of other Arab countries in the area of Monetary and Financial⁶⁸ and BOP statistics.

⁶⁸ Courses on Monetary and Financial Statistics are held at the Arab Monetary Fund and CBI staff participate in those courses.

E. Assessment of the Efficiency of the Statistics TAs

269. The statistical TAs as a group is rated as an **efficient** use of resources (see Table E3). All of the dimensions were rated as **efficient**. There were some differences among the TA clusters. The Monetary and Financial and BOP TAs were rated as **highly efficient**, albeit borderline. The National Accounts and Price Statistics TAs were rated as **partly efficient**, but well above the midpoint in the range. The Government Finance Statistics TA was rated as **not an efficient** use of funds. Support for the ratings follows Table E3.

Table E3: Assessment of the Efficiency of the Statistics TAs							
Criteria	Criteria Weight	Rating ^a					
	(%)	NA	CPI	BOP	MF	GF	Score ^b
		30	26	21	18	5	100
1. Process and Implementation Efficiency	30	3	3	3	3	1	2.9
2. Consistency of Engagement	30	2	2	4	4	1	2.7
3. Efficient Use of Resources	30	2	2	4	4	1	2.7
4. Timeliness	10	3	3	3	3	1	2.9
Overall Efficiency Rating/Score		2.4	2.4	3.6	3.6	1.0	2.8

a/ = Rating: 4 = Excellent; 3 = Good; 2 = Modest; 1 = Poor
b/ =Weight by % of TA Budget Allocated to TA group, excluding multisector statistics mission
Highly Efficient (Excellent) ≥ 3.5; 3.5 < Efficient (Good) ≥ 2.5; 2.5 < Partly Efficient (Modest) ≤ 1.5;
Not Efficient (Poor) < 1.5
NA = National Accounts; CPI = Consumer Price Index; BOP = Balance of Payments; MF = Monetary and Finance; GF = Government Finance

1. Process and Implementation Efficiency

270. The evidence reviewed by the Evaluation Teams suggests that STA's internal management of the TAs was generally efficient. The TAs programmed and those that were delivered were consistent. Logical frameworks were prepared that clearly identified the objectives, inputs, activities, output and outcomes for the TA and monitoring indicators. Technical notes were prepared in advance to guide the work of the missions. The Back to Office reports (BTOs) provide evidence that: (i) the missions followed up on the recommendations of the previous missions; (ii) provided hands-on training related to best international practice as given in the various IMF manuals, data collection, compilation, and dissemination practices; and (iii) agreed on post workshop action plans. There was an element of self assessment for most missions available in the TAIMS⁶⁹. Undertaking such self evaluation on the basis of the mission objectives and tasks set out in the project framework is good practice.

271. Feedback from CBI and COSIT indicated that: (i) the workshops provided practical advice; (ii) IMF staff and experts worked well with the workshop participants and considered their views; and (iii) IMF staff and experts were well qualified in data collection, compilation and dissemination practices. The reply received for the Monetary and Financial TAs was particularly positive with senior CBI staff strongly agreeing with positive statements in these areas. The responses for the BOP indicated that they agreed, as opposed to strongly agreeing, with the statements. COSIT advised the evaluation team that areas that the National Account and Price Statistics workshops could have better covered

⁶⁹ Mission achievements are rated on a four point scale: Fully Achieved; Largely Achieved; Partially Achieved; Not Achieved.

included: (i) using national accounts software to calculate product income and accumulated accounts; and (ii) review of the methodology of fixed capital formation and the methods to evaluate assets that have been destroyed.

272. The format of the CBI balance sheet portion of the monetary data required by STA and MCD differ. If unresolved, this would have detracted from the process efficiency of the Monetary and Financial TAs. This problem has been addressed and bridging tables have been developed, so that CBI could report the data only once to STA. This issue had its roots in the fact that initially there was no monetary survey. In its absence, MCD needed some data to compile a CBI balance sheet in a format that could be used for monitoring. For consistency purposes, MCD will continue to use the old format for monitoring which means that different formats are used for the monitoring results reported for the 2005 SBA (<http://www.imf.org/external/pubs/ft/scr/2005/cr05294.pdf>) and the monetary survey. MCD will use their format until the end of the program and then convert to the format based on the monetary survey.

273. The Government Finance Statistics TA was in a different category than the other TAs. Only one GFS mission took place during the entire evaluation period and STA's GFS TA was never implemented. The reason consistently cited in the documentation⁷⁰ reviewed by evaluation team for the failure to mount GFS missions was that no suitable staff was available. The inability to mobilize appropriate staff suggests that STA did not manage the process efficiently for the GFS TA. During the evaluation STA staff advised that other reasons also contributed to the lack of follow up: (i) STA TA program is delivered on the basis of priorities set by MCD and specific requests received from national authorities; (ii) assistance in the fiscal area was provided by FAD rather than STA; and (iii) MOF did not implement the recommendations of the 2005 GFS mission.

2. Consistency of Engagement

274. Consistent staff involvement from both the executing agency and IMF helps to improve efficiency since it avoids the need for new staff to come up to speed, builds trust and makes it easier to build on the progress made in earlier workshops. During the evaluation period there was consistent engagement by IMF for the National Accounts, Price, BOP and Monetary and Financial TAs although there was a break on one year, 2006, for the National Accounts and Price Statistics TAs. The one exception to consistent involvement was the GFS TA. There was reasonable continuity of IMF staff and experts involved in the TA clusters. The same people were involved from the IMF side for the BOP and Monetary and Financial TAs. Turnover from the IMF side was not a problem for the National Accounts and Price TAs. The same experts were involved in the four workshops in both clusters that took place in 2004/2005, although a new expert was involved when operations resumed in these areas in 2007.

275. The continuity of engagement from the government side varied across TA clusters. There was exceptionally consistent engagement of CBI staff for the BOP⁷¹ and Monetary and Financial TA clusters. The pattern was different for the TA clusters involving COSIT (i.e., the National Accounts and Price Statistics TAs). For the 2004 workshops in those areas the participants were appropriately selected and brought the source material and data necessary for the provision of hands on training. However, by 2005 there were concerns about participant selection, in terms of both turnover among participants and the suitability of some. Of the 24 people who attended the National Account workshops, 19 attended one workshop and the other 5 attended two workshops. The pattern was broadly similar for the CPI workshops. Twenty five of the 32 participants attended only one workshop. Four attended two workshops and one each attended 3, 4 and 5 workshops. Fortunately, the most consistent attendees for the CPI workshops were an assistant chief statistician and the director of the

⁷⁰ Reports to donors and updates of the Statistics Strategy.

⁷¹ A January 2008 mission reported that the BOP director had left CBI. She had a wealth of experience. Future BOP TA missions will need to help rebuild that capacity.

CPI Unit⁷². Consistency of attendance by senior staff helped to ensure that the knowledge transferred at the workshops was actually applied. For some of the Price Statistics workshops the participants included people from COSIT Baghdad and one participant each from several governates. Training that involves only one person from a governate is unlikely to reach the critical mass that is necessary to introduce new procedures when people return to their governate. Further, sometimes inappropriate COSIT staff attended the Price Statistics workshops in 2005 and 2007. Problems with participant selection and continuity undermined the efficiency of the National Accounts and Price Statistics TAs and resulted in some workshops being repetitive.

276. To increase the efficiency and effectiveness of the workshops, IMF advised their counterparts in advance of the topic of the workshops, the target participants and asked them to bring worksheets from Iraq with actual data that could be analyzed in the workshops. This worked well for the BOP and Monetary and Financial TAs. For those workshops appropriate participants attended and brought the source data. Similar good results were achieved in the 2004 workshops for the National Accounts and Price Statistics TAs. However, for the 2005 workshops in these areas, there were problems⁷³ associated with participant selection and the necessary data was not brought to the workshops⁷⁴. Rather than using Iraqi data, data from Jordan was used to illustrate the concepts covered by the workshops. These factors undermined the process and implementation efficiency of those workshops. STA brought these issues to the attention of COSIT in March 2005. However, the problems were repeated in the workshops held in December of that year.

3. Efficient Use of Resources

277. The expenditures for STA's TAs were analyzed in two categories – the cost of experts and the cost of participants (e.g., the cost of airfare, accommodation, per diem, etc). The expenditures were about equally divided, 49.1% for participants and 50.9% for experts. Expenditures on experts were largely independent of whether workshop and seminars were held in Baghdad or elsewhere in the region, assuming that the amount of preparation and length of the workshops would be the same. The cost of participants was estimated to be the incremental costs associated with the offsite delivery mode⁷⁵.

278. To ensure consistency between the estimated number of participants and participant days and financial data, the cost per participant and cost per participant day were estimated from budget data. Most of the workshops, ranging from one to three weeks, took place in Amman but a few took place in Abu Dhabi. The cost per participant was about \$4,000 and the cost per participant day averaged about \$400. For the longer the workshops, the fixed portion of the participant costs (e.g., air fares) were spread across more participant days. These estimates exclude any provision for the overhead charges paid to IMF.

279. The participant costs would not have been incurred if it were possible to deliver the TAs in Iraq. To determine whether the offsite delivery model was an efficient use of funds, the proper comparison for cost efficiency would be the cost of delivering the services onsite in Iraq. The security cost per trip outside of the Green Zone is about \$15,000. In the current conditions, the cost of stationing an expert in the Green Zone is estimated to cost between \$750,000 and \$1,000,000 per year. Using these comparators, the expenditures on the offsite model appears to be an efficient use of resources.

⁷²The Director of the CPI unit attended most sessions, except for 2005 when he attended an IMF Price Index training session and was also present at the Joint ILO/ECE Meeting on CPIs in Geneva.

⁷³ Problems in participant selection are experienced by other donors funding out of country workshops.

⁷⁴ IMF made a written request for participants to bring the source data used to compile the latest annual and quarterly GDP estimates to the mission site. Most of the source data was not brought with the participants.

⁷⁵ The cost of participants included the cost of airfares, accommodation, per diems and venue costs. The cost of experts would be broadly similar in both the onsite and offsite delivery models.

280. In some cases the efficient use of resources was undermined by inappropriate participant selection and a lack of preparation by COSIT staff attending the workshops. For example, In the December 2005 workshop, only 2 of the 7 participants were directly involved in compiling the CPI; in the February 2007 workshop 4 of the 6 participants were CPI compilers and 3 of 6 in the November 2007 workshop. The other participants were data collectors. This suggests that nearly half of the expenditures for those workshops was used to train the wrong people who were unlikely to apply the knowledge gained on the job. A similar issue arose for some of the National Accounts TAs. From this perspective, the Monetary and Financial and BOP TAs were a more efficient use of funds.

281. The GFS TA was an inefficient commitment of funds, given that it has not been spent several years after the budget was allocated.

282. The administrative demands for organizing missions in the Middle East for the offsite delivery of Iraq TAs are substantial. From a cost efficiency point of view, it would appear to be more efficient if it were possible for staff located in METAC to undertake the myriad of logistical issues related to planning and implementing the workshops than staff in Washington.

4. Timeliness

283. Assessing timeliness involves examining whether: (i) the TA was provided when it was needed; and (ii) there were any delays in delivering the assistance that were controllable. Because of the security situation it has taken longer than expected to achieve results, a common lesson from IMF experience in post conflict situations. While delivering specific missions, workshops and training as planned on an annual basis would be rated as **good**, given the overall delays experienced in achieving results few, if any, TAs would be rated as **excellent** on the timeliness sub-criteria.

284. Some of the statistics TAs were processed very quickly after IMF resumed operations in Iraq. For both the national account and prices statistics TA clusters, there were two workshops in both 2004 and 2005. Operations began more slowly in the other areas. The first BOP TA mission was originally planned for May 2004 but was deferred for about a year because of security concerns. Once the initial BOP TA mission was mounted in 2005, the subsequent TA execution dates were consistent with the work plan timetable. Development of a monetary survey was included as a structural benchmark in the Emergency Post Conflict Assistance Program, and compliance was delayed. In 2004, STA collaborated with a USAID expert, a former STA staff, who was providing assistance to CBI in this area. Several informal meetings with that expert provided inputs to the planning of the 2005 Monetary and Financial TA.

285. The overall conclusion when reviewing the planned and actual delivery of STA TAs is that, with the exception of the GFS TA, they were generally programmed and delivered in a timely manner, given the difficult operating conditions. The experience gained under the statistics TAs is consistent with the lesson learned in many other post conflict situations – it takes longer than expected to achieve results. In all of the TA clusters, the achievement of the overall goal, that Iraq produces statistics that reflect best international practice, is a work in progress and has yet to be achieved. Largely because of the security situation in Iraq, COSIT could not conduct many of the censuses and surveys that the 2003 Multisector Statistics Mission expected would be undertaken during 2004. Many of the tasks in the original work programs were predicated on the assumption that these surveys would be undertaken as scheduled. Because the difficult security situation persisted much longer than anyone expected in 2003, resources could not be committed as rapidly as was anticipated in the 2003 Program Framework. The original timelines to achieve the outputs for the TA clusters were over optimistic and the work plans had to be updated and timelines extended. This was a pragmatic decision related to operating in difficult circumstances.

F. Assessment of the Effectiveness of the Statistics TAs

286. Overall, the STA TAs were rated as **effective** (see Table E4). Senior officials from CBI strongly agreed with the statement that improvements in the monetary survey and BOP statistics reflected the advice provided under IMF TAs. Senior officials from COSIT indicated on the evaluation team's questionnaire that the TAs had a positive, substantial impact on improving national accounts statistics and the CPI. All sub-criteria were rated as **effective**, although some scored higher than others. There were differences in the effectiveness ratings of the various clusters of statistical TAs.

The Monetary and Financial TAs were rated as **highly effective** and the BOP and Price Statistics TAs were rated as **effective**. The national accounts TAs were rated as **partly effective** and the STA GFS TA was rated as **not effective**. The details supporting these ratings are given in the paragraphs that follow Table E4.

287. There have been improvements in the quality, integrity, timeliness and disclosure of macroeconomic statistics. However, despite this progress, with the exception of the monetary survey and data on reserves, after four years of engagement most data is not compiled in a manner that reflects best international practice and can be published in the IFS.

Criteria	Criteria Weight (%)	Rating ^a					Score ^b
		NA	CPI	BOP	MF	GF	
		30	26	21	18	5	100
1. Use of TA Outputs	30	2	3	3	4	1	2.8
2. Desired vs Actual Outputs	30	2	3	3	4	1	2.8
3. Effectiveness of Offsite Delivery Mode	10	2	2	3	4	1	2.5
4. Significance of Contribution to Developing Core Economic Functions/Institution Building	30	3	3	3	4	1	3.1
Overall Effectiveness Rating/Score	100	2.3	2.9	3.0	4.0	1.0	2.8

a/ = Rating: 4 = Excellent; 3 = Good; 2 = Modest; 1 = Poor
b/ =Weight by % of TA Budget Allocated to TA group, excluding multisector statistics mission
Highly Effective (Excellent) ≥ 3.5; 3.5 < Effective (Good) ≥ 2.5; 2.5 < Partly Effective (Modest) ≥ 1.5;
Not Effective (Poor) < 1.5

NA = National Accounts Statistics TAs; CPI = Price Statistics TAs; BOP = Balance of Payments Statistics TAs; MF = Monetary and Finance Statistics TAs; GF = Government Finance Statistics TAs

1. Use of TA Outputs

288. **National Account TAs:** The TAs focused on helping to make best use of available data and improving the accuracy of statistical techniques in compiling the national accounts. Examples of outcomes that can be attributed to the national statistics TAs include: (i) providing hands on training, advice and guidance for compiling national accounts according to the 1993 SNA and editing and validating data covering both current and constant price estimates; (ii) improving annual GDP estimates (e.g., expenditure and production approaches; value added in agriculture, construction, transportation and services); (iii) reviewing data sources and methods for quarterly GDP estimates, particularly the deflators and production indices used for constant price estimates; and (iv) contributing to the progress made in filling gaps in the data.⁷⁶ A senior COSIT official advised IMF in 2005 that the national accounts TAs did not improve the quality of COSIT staff or contribute to the implementation of the SNA 93. It was felt that the material covered in the workshops was repetitive and that there was insufficient delivery of a new or advanced experience. However, feedback to the evaluation team indicated that there is a widespread view that progress has been made to improve national accounts⁷⁷.

⁷⁶ Examples include: (i) beginning in 2005 to collect quarterly indicators on mining, manufacturing, and electricity; (ii) undertaking a special survey during 2005 to measure the war's impact on fixed assets; (iii) a quick household survey conducted in 2005 to revise the 2002 household income and expenditure survey.

⁷⁷ In addition to the evaluation team, IMF, COSIT, USAID and some World Bank staff share this view.

289. **Price Statistics TAs:** Examples of outcomes related to the CPI TAs included: (i) a reasonably robust CPI is available on a timely basis;⁷⁸ (ii) technical improvements in the data;⁷⁹ (iii) provision of technical guidance on how to extract the weights from the World Bank supported 2007 Household Income and Expenditure Survey, defining the basket of items for pricing, improving the sampling of outlets, and price collection,⁸⁰ and (iv) basing the weights for the 2007 CPI for regional indices on the proportion of total consumption expenditure rather than population. The CPI is made public through an announcement by the Planning Minister on the tenth of the following month. As of the end of 2007, the September 2007 CPI was available on COSIT's web page. It is not clear how much credit for a better CPI can be attributed to the TAs, given concerns about the inappropriate participant selection, the fact that in 2005 a senior COSIT official advised IMF that the price statistics TAs had not improved the quality of COSIT staff compiling the CPI and the fact that in 2003 IMF concluded that the CPI was timely and sound. Offsetting these factors was the feedback of a senior COSIT official to the evaluation team that the TAs had a positive, significant impact on improving the CPI quality and timeliness.

290. **Balance of Payments TAs:** Compiling BOP statistics in a manner that is consistent with international standards is a long and difficult process. Compared to 2003, improvements have been made in the BOP collection and compilation methods. Through the provision of hands on training, the TAs helped the Balance of Payment Statistics Division implementing the BPM5 (<http://www.imf.org/external/pubs/cat/longres.cfm?sk=575.0>) methodology. Examples of specific achievements attributable to the BOP TAs include: (i) exchange rate problems that initially undermined the credibility of BOP estimates have been resolved; (ii) publishing international reserves data, compiled in a manner that is consistent with international standards in the October 2006 and subsequent editions of the IFS; (iii) compiling the BOP data with a BPM5 (<http://www.imf.org/external/pubs/cat/longres.cfm?sk=575.0>) breakdown into the current, capital, and financial accounts; (iv) from June 2006 banks, including one of two banks in Kurdistan, began reporting using the international transactions reporting system form; (v) incorporating additional nonbank data sources; and (vi) better sharing of information within CBI and better coordination between CBI and COSIT's Trade Statistics Division. Senior CBI staff strongly agreed with the statement that the improvements in the BOP statistics reflect the advice provided in the workshops. However, they only agreed, as opposed to strongly agreed, that the workshops provided practical advice in implementing the BPM5 (<http://www.imf.org/external/pubs/cat/longres.cfm?sk=575.0>) methodology. Annual BOP data is included in the Annual Statistical Reports posted on the CBI website. At the end of 2007, the most recent BOP data on the CBI website were the preliminary estimates for 2006.

291. **Monetary and Financial TAs:** Major outcomes attributable to the TAs include: (i) adequate monetary data reporting to the IMF for surveillance and publication in the March 2008 edition of IFS; (ii) improved quality and coverage of monetary data⁸¹; (iii) improved sectorization, classification, and valuation of financial instruments in the monetary survey; and (iv) reporting monetary data to IMF

⁷⁸ There is a general CPI, one excluding oil and indices for the CPI components (i.e., rent, miscellaneous goods and services, medical services, transport and communications, fuel and light, household goods, clothes cloth and shoes, tobacco and alcohol and foodstuffs).

⁷⁹ Examples include: prices are collected quarterly; the number of products covered in the CPI increased; the treatment of controlled tariff prices, missing items and seasonality has improved.

⁸⁰ The Classification of Individual Consumption by Purpose was adopted for both the new CPI and the Household Income and Expenditure Survey.

⁸¹ Progress has been made in improving the institutional coverage of the broad money survey in accordance with the MFSM 2000 (<http://www.imf.org/external/pubs/ft/mfs/manual/>) methodology. A list of financial corporations has been developed, forms developed and trial balances reviewed. However, implementing the survey and collecting and compiling the data will require more time.

using the Standardized Report Forms⁸². Senior CBI staff agreed strongly with the statements that the missions provided practical advice in designing and implementing the monetary survey, something that is also acknowledged on CBI's webpage. The Iraq page in the 2007 IFS contained very little information. Although Iraq began providing monetary data in 2006, issues related to timeliness and detail precluded publication in the IFS. Because of the continued progress, monetary data, consistent with MFSM 2000 (<http://www.imf.org/external/pubs/ft/mfs/manual/>), was shown on the Iraq country page in the March 2008 edition of the IFS and IFS Supplement. The additional data published in the IFS Supplement resulting from the TAs included the Central Bank Survey, the Other Depository Corporations Survey, the Depository Corporations Survey, monetary aggregates (based on the definition in the MFSM) and interest rates. The information to be published in the IFS Monthly includes Monetary Authorities, Banking Institutions, the Banking Survey and interest rates. This is a major, positive achievement that is clearly attributable to the Monetary and Financial TAs. The accompanying metadata data documents the current deviations of Iraq's data from international standards, which point to areas that need further improvement.

292. **GFS TA:** No achievements can be attributed to the STA GFS TA.

2. Desired vs. Actual Outcomes

293. **National Accounts TAs:** There is a widespread view that significant progress has been made to improve national accounts compared to the 2003 situation⁸³. A consistent time series is now available for national accounts data from 1997 to 2006 in current and constant prices⁸⁴ and quarterly data is produced, albeit with some delays⁸⁵. While good information is available on crude oil production, which accounts for 60% to 68% of value added, there are coverage and data quality problems for the non-oil sectors. Despite four years of effort and the progress made, the national accounts are still not fully consistent with the 1993 SNA and the data is not yet up to the standards that it can be published in the IFS⁸⁶. Implementation of SNA93 (<http://www.imf.org/external/pubs/cat/longres.cfm?sk=575.0>) involves two aspects: (i) implementing the related concepts and definitions; and (ii) implementing the accounts and aggregates. While progress has been made on the former, for the latter, COSIT is still at the stage of the minimal requirements⁸⁷, although work has started on annual expenditure aggregates and national quarterly accounts. Examples of outstanding issues include: (i) classifications remain out of date; (ii) lack of coverage of Kurdistan and some sectors⁸⁸; (iii) poor source data, particularly related to external trade

⁸² Monthly monetary data for CBI and Other Depository Corporations is available from December 2004 to January 2007. While there is a delay in publishing it on the CBI web page, IMF has access to more recent data. However, for sound monetary policy making, more efforts should be made to improve timeliness.

⁸³ In addition to the evaluation team, IMF, COSIT, USAID and some World Bank staff share this view.

⁸⁴ The constant base year price needs to be updated as it is 1988.

⁸⁵ A limited amount of national accounts data is published on COSIT's web page. Consistent with the provisions of the Statistics Act, COSIT releases national accounts data after approval of the Minister of Planning. To ensure transparency and objectivity, best international practice is that statistical agencies make independent decisions related to the disclosure of data.

⁸⁶ No timetable has been set for this although STA expects the annual data (e.g., current prices and volume measures) to be improved in the short term, after which COSIT will consider publishing the data in IFS. In October 2007, the Deputy Governor of CBI indicated that priority will be given to publishing data in the IFS.

⁸⁷ Compiling SNA93 (<http://www.imf.org/external/pubs/cat/longres.cfm?sk=575.0>) value added and GDP in current and constant prices.

⁸⁸ Examples include the informal sector, the building industry and parts of the service sector (i.e., business, community, social, and personal services).

and capital formation; (iv) gaps and inaccuracies remain in the national accounts estimates⁸⁹; and (iv) the current and capital account for the institutional sector are not estimated following SNA93 (<http://www.imf.org/external/pubs/cat/longres.cfm?sk=575.0>). Addressing issues related to the quality of the source data requires better surveys to be undertaken. The initial statistics strategy made the point that there were many weaknesses in the coverage and quality of the source data and stated that STA would make efforts to include northern Iraq in the national accounts estimates, implying that surveys would be undertaken. The strategy further stated that such TA needed to be coordinated with other donors with an on-site presence in Baghdad. The initial project profile indicated that IMF would be involved developing a work program and identifying additional TA to improve data sources. In practice STA did not devote significant resources to improve the source data nor did it work with other donors to do so, other than working with the World Bank on the Household Income and Expenditure Survey. Iraq applied to join GDDS in 2005 and appointed a GDDS coordinator⁹⁰. Tragically, he was one of four COSIT assassinated and has not been replaced. STA has not been able to have substantive interaction in this area. Iraq joining GDDS is a long term objective. Priorities identified by COSIT for future assistance included preparing input output tables, demand supply tables and GDP estimates by governorates. The need for books and basic reference materials was also noted.

294. **Price Statistics TAs:** The CPI is now significantly closer to international best practice than was the case in 2003. However, despite the progress made over the past four years, the CPI is not published in the IFS.⁹¹ During the November 2007 mission the CPI GDDS metadata were reviewed and updated. The metadata requires official COSIT approval but this has not yet been received. Some of the major issues identified in 2003/2004 remain outstanding (e.g., lack of coverage of Kurdistan⁹²; need to rebase the CPI⁹³). However, with the actions that have begun, there will be a significant improvement in the CPI in 2008 as it will be based on 2007 weights and cover Kurdistan. The World Bank supported 2007 Household Income and Expenditure Survey will provide the data necessary to address these long outstanding issues. IMF has worked with COSIT and the World Bank to provide methodological inputs and will provide training focused on staff from Kurdistan. By working together, IMF and the World Bank are maximizing the return on the cost of undertaking the Household Income and Expenditure Survey. Future TA is needed to complete the work related to rebasing the CPI and developing regional indices. COSIT's response to the evaluation team's survey requested future assistance for the producer, export and import price indices.

⁸⁹ Examples as of 2007 included: (i) the communications sector was excluded from the GDP estimate; (ii) inappropriate treatment of subsidies; (iii) poor estimates of trade margins; (iv) poor foreign trade statistics; (v) inappropriate institutional classification; (vi) poor use of deflators; (vii) adjustments of population figures in per capita estimates to take into account emigrants; and (viii) poor coverage of activities of foreign companies, security companies, imports of the coalition forces and smuggling.

⁹⁰ In May 2005, a GDDS Workshop was conducted and draft GDDS metadata for almost all data categories was drafted according to the Data Quality Assessment Framework underlying the Data Module of the Reports on Observance of Standards and Codes. Participants and experts found the new, more structured format of the GDDS metadata templates straightforward to complete, and noted the benefits of consistent and comprehensive coverage of information in the four GDDS metadata dimensions. The Iraqi participants agreed to work with their counterpart experts via email to complete remaining metadata details, after which STA staff would begin finalizing the metadata with the GDDS coordinators. Despite this promising start, the GDDS metadata was not completed and the authorities did not pursue formalizing Iraqi participation in the GDDS. The metadata now needs to be updated.

⁹¹ IMF staff advised that a decision to publish the CPI in the IFS would not be based only on the quality of the CPI. There would have to be a number of timely and satisfactory series.

⁹² There are 18 provinces, three of which make up Kurdistan. Although the CPI does not cover Kurdistan, where 17% of the population lives, the geographic coverage is comparable to the CPIs in many other countries. In some other countries, the CPI only covers major cities or in some cases only the capital. The weights for the CPI are based on the 1993 household survey that did not cover Kurdistan.

⁹³ The September 2007 value for the CPI was 25,109.4 compared to the 1993 base of 100.

295. **Balance of Payments TAs:** The 2004 CBI and Banking laws strengthened the legal basis for compiling BOP statistics.⁹⁴ The quality of BOP estimates has improved. By the end of 2007, CBI had submitted BOP data to IMF in BPM5 (<http://www.imf.org/external/pubs/cat/longres.cfm?sk=575.0>) format for 2005 up to June 2007. This is a significant improvement over the situation in 2003 when the BOP estimates were not reliable. Despite the progress that has been made, issues remain related to the coverage, quality and data integrity. Many of these problems are beyond the control of CBI as it requires source data from other agencies. BOP estimates do not yet meet BPM5 (<http://www.imf.org/external/pubs/cat/longres.cfm?sk=575.0>) standards. Because of the outstanding issues, the target for publishing the BOP statistics in January 2007 was missed. Publication is now expected in the 2008 edition of the Balance of Payments Statistical Yearbook. However, the data will only be published when agreement is reached with MCD that it meets the standards needed for publication and the accompanying meta data explains the remaining deficiencies. The BOP meta data was prepared in early 2008. While there is generally adequate and timely information available on the oil sector⁹⁵, there are issues related to the coverage and integrity of data related to non-oil imports and exports of goods and services. Many of the problems identified in the 2004 Statistics Strategy related to BOP statistics were also cited in the 2007 version of the statistics strategy. Examples include: (i) problems regarding data quality⁹⁶; (ii) unreliable data from the non-banking sector; (iii) transactions of nongovernmental organizations, foreign embassies, and international organizations are not recorded; (iv) services data are based on estimates and there is limited capital account and foreign direct investment data; (v) discrepancies between COSIT's external trade data and CBI's estimates based on data from the financial sector⁹⁷ and issues related to customs data⁹⁸; and (vi) CBI does not have access to Ministry of Finance data on external debt, a major issue that is delaying IMF's publication of BOP data. The unfinished agenda to improve the BOP statistics is reflected by the strong agreement by CBI that there is a need for further IMF assistance to improve BOP statistics.

296. **Monetary and Financial TAs:** The Monetary and Finance TAs were highly effective in achieving their objective of improving the compilation of monetary statistics in accordance with the MFSM methodology to the point where monetary data will be published in the March 2008 IFS edition. After two years of assistance there is now a monetary survey and a consistent set of data for CBI and the banking system beginning from December 2004. By the end of 2007, September 2007 data was available. In 2004 and 2005, information was only available for the CBI balance sheet. The annual statistical year book on the CBI web page includes the monetary survey. Timeliness is

⁹⁴ The 2003 Multisector Statistics Mission noted the need to improve the legal framework for BOP data collection. IMF's legal department worked with USAID to help prepare this legislation. While provisions were included requiring banks and other agencies to provide the necessary information of BOP estimation, the CBI Law does not cover collecting data outside of the financial sector. STA provided some suggestions on statistical matters for incorporation into the legislation.

⁹⁵ In 2006, the non-oil portion of the economy accounted for 43% of GDP and oil for 57%. Oil accounted for 97% of total exports. Government imports accounted for 57% of total imports and the private sector for 43%. The information for government transactions is based on administrative records, i.e., accrual accounting.

⁹⁶ Examples include incorrect interpretation of some BOP concepts, the lack of resources, nonresponse to surveys and reporting forms, difficulties in collecting information due to the security situation and limited data from Kurdistan.

⁹⁷ Weaknesses in foreign trade data were also noted in the BTOs of national account statistics missions.

⁹⁸ Including: (i) customs declaration forms are often unreadable and miss important information; (ii) CBI does not use the customs form as the primary source to compile the trade data; (iii) the customs form for imports has not been used since 2003 due to the security situation and the lack of human and technological resources of the Customs Department; and (iv) the Customs Department classifies items by customs duties, which makes it difficult for the COSIT to reclassify them.

reasonable as the data is submitted with a two month time lag. Despite the substantial progress that has been made, issues remain about the coverage, quality, integrity and timeliness of monetary and financial data. Many of these issues were identified in the IMF's 2003/2004 diagnostics. Examples include: (i) banks in Kurdistan, including the branches of CBI, do not report data to CBI⁹⁹; (ii) data integrity remains an issue (e.g., balance sheet presentations for the commercial banks do not conform with

the sectorization and instrument classification of MFSM 2000

(<http://www.imf.org/external/pubs/ft/mfs/manual/>); data on the banking system is distorted by large suspense accounts); (iii) the financial data needs to be extended to cover Other Financial Corporations (preparatory work for this has begun); and (iv) the chart of accounts needs to be made fully compliant with international standards¹⁰⁰. CBI strongly agreed with the statement that there is a need for continued support from IMF in this area. Despite the progress that has been made in improving the monetary and financial statistics, monetary policy remains relatively simple. There is little interbank lending and in the current environment banks are understandably conservative about extending new loans. Foreign exchange is earned by selling oil and converted into dinar for expenditure. Thus, the main policy instrument is the exchange rate. The building blocks developed under the monetary and finance TAs will provide some of the tools necessary to implement a more sophisticated monetary policy in the future.

297. **Government Finance Statistics TA:** None of the desired objectives for the STA GFS TA were achieved. That being said, IMF recognized the importance of bringing the chart of accounts into line with GFSM 2001. This was featured in all the reports on the 2005 SBA (<http://www.imf.org/external/pubs/ft/scr/2005/cr05294.pdf>) and was made a structural performance criterion. This reform was achieved on 28 June 2007. However, support was provided by FAD¹⁰¹ rather than STA.

3. Effectiveness of the Offsite Delivery Mode

298. The offsite delivery model was used because of the difficult security situation that prevailed during the entire evaluation period. The use of the offsite model did not, *per se*, detract from the delivery of good quality, practical and timely advice. While there are limits to what can be achieved with this model, the pragmatic step by step approach adopted for the STA TAs was generally effective in achieving results. While more results might have been achieved in a shorter period of time if STA had been able to station a long term statistical adviser in Iraq, this traditional model was not an option because of security conditions. Client feedback from both CBI and COSIT was that the offsite delivery mode has been effective and IMF TA should continue to be delivered in this way. While the offsite delivery mode was generally effective in achieving results, a mixed picture emerges across the STA TA clusters.

299. The TAs that involved CBI made effective use of the offsite delivery model. Factors that contributed to these good ratings included: (i) the right participants attended the workshops and were well prepared; (ii) the participants were a captive audience, i.e., they devoted all of their time to the topic at hand compared to part time involvement that is often the case when similar workshops are held in country; (iii) there was consistency in CBI participants; and (iv) the workshops built on the achievements of previous workshops. The Monetary and Financial workshops were rated as **highly effective**. A unique feature among the statistics TAs was that in-country consultants from

⁹⁹ The two CBI branches in Kurdistan, in practice, report to local authorities, rather than CBI. It is not clear what national obligations the Kurd branches of CBI are incurring or the state of the financial sector in Kurdistan.

¹⁰⁰ Amendments to the Chart of Accounts and new report forms were developed. However, approval was required from the Supreme Board of Audit, which MOF has not reconvened. In April 2007, the CBI Board passed a resolution requiring a new Chart of Accounts by the end of 2007. The new Chart of Accounts should be consistent with MFSM 2000 (<http://www.imf.org/external/pubs/ft/mfs/manual/>), BPM5 and 1993 SNA.

¹⁰¹ These TAs are evaluated in Annex C.

BearingPoint were invited to attend the workshops. CBI strongly agreed with the statements that IMF worked well with the BearingPoint consultants in this area and that these in-country consultants helped to implement the action plans agreed at the end of the workshops. The experience of the Monetary and Financial TAs suggests that opportunities should be actively sought to develop synergies with in-country consultants as a possible way to increase the effectiveness of the offsite delivery mode. CBI stated that in-country advisers played an important role in improving monetary statistics.

300. The offsite delivery mode was rated as partly effective for the TAs involving COSIT. Problems that occurred included: (i) inappropriate participant selection and turnover of participants; (ii) lack of participant preparation for some workshops¹⁰²; (iii) a repetition of the training provided¹⁰³; and (iv) insufficient attempts to develop synergies with donors, other than the World Bank supported Household Income and Expenditure Survey. COSIT was asked to compare IMF's assistance with that provided by other donors on a four point scale -- much better; better; about the same; or not as good. The quality of the assistance provided by IMF was rated as better, as opposed to much better, than the assistance provided by other organizations.

301. There are limits to what can be accomplished using the offsite model. It appears to have worked reasonably well in terms of introducing the methodologies and compilation practices defined in the various IMF statistical manuals. It has also been effective in providing hands on training and guidance on techniques to check and verify data and better statistical techniques to compile data. However, at some point in time reasonable progress will have been made in these areas and emphasis should shift to addressing issues related to the quality and coverage of the source data. These problems are major issues that adversely affect all of Iraq's macroeconomic statistics. The offsite model may come under stress when this issue is addressed as it will involve undertaking surveys. It may require more onsite support and greater coordination with other donors that have an onsite presence and the funds to finance such surveys.

302. There were many things that need to be done to improve the statistics produced by COSIT. Going forward, consideration could be given to providing COSIT with a statistical advisor who could provide advice on a wide range of topics. There are two options: (i) IMF could coordinate with a bilateral donor that finances in-country experts to see if such an advisor could be financed – there would have to be regular, direct contact between the advisor and IMF staff working on national accounts; or (ii) IMF could finance an out of country advisor who could provide advice by phone, E-mail and video conference to COSIT on a myriad of issues. The latter would be a part time advisor who would provide advice as and when needed. Whichever model is chosen to supplement the current offsite delivery model, the statistical advisor should be invited to, and be involved in the planning of, workshops and seminars that involve COSIT. A possible option to consider would be to base the statistical advisor at METAC or make greater use of METAC's expertise. In considering the possibility of an advisor, in-depth discussions would be needed with the most senior staff in COSIT to ensure that they would value and would use such advice. Careful selection of the advisor would also be needed. In addition to technical skills, language capability and cultural sensitivity would also need to be considered.

4. Significance of IMF's Contribution to Developing Core Economic Functions/ Institution Building

303. The significance of IMF's contribution to developing core economic functions and related institution building was determined by: (i) whether IMF, through the provision of TA and advice, made substantial inputs that helped to materially improve macroeconomic statistics; and (ii) IMF's

¹⁰² For the workshops to be effective in providing hands-on training, COSIT staff were asked to bring data and worksheets to the workshops. Unfortunately, they did not always bring the required material.

¹⁰³ The effectiveness of the Price Statistics TAs was also undermined to some extent by the diffuse topic selection. One off training that was not followed up in such areas as wholesale and production price indices and poverty lines is unlikely to have been effective.

contribution relative to the contributions of others. In reaching judgments on this sub-criteria, the key issue to be considered by the evaluators was whether the results would have been achieved without any IMF input.

304. The national accounts TAs contributed to transferring best international practice in compiling national accounts and making technical improvements in the statistics, although they still do not fully comply with SNA93 (<http://www.imf.org/external/pubs/cat/longres.cfm?sk=575.0>). There are, however, questions about whether the skills transferred at the workshops are actually applied by all participants on the job to improve the quality and accuracy of the national accounts. Other donors have also provided assistance to support COSIT. At this stage, the relative importance of IMF's contributions to improving Iraq's national accounts unclear. The Price Statistics TAs contributed to transferring best international practice and improving the quality of the CPI. However, in 2003 the CPI was judged to be reasonably timely and comprehensive. Thus improvements in this area would not have been as substantive as could have been achieved in other areas. Despite the foregoing, it is clear that some of the improvements in the national accounts and the CPI would not have taken place in the absence of IMF's assistance. Also, work is in hand that will result in a significant improvement in the CPI in 2008 – a factor that was considered in the rating for the Price Statistics TAs.

305. IMF has been the only source of external assistance to help improve BOP statistics. Thus results that have been achieved in this area can be attributed to the work of CBI and STA.

306. The Monetary and Financial TAs contributed substantially to improving Iraq's monetary statistics. However, USAID funded BearingPoint consultants also contributed by participating in 3 of the 4 STA missions and in providing in-country support to follow up on the work programs developed by each mission. The Progress Reports submitted to the donors attribute the improvements in the monetary statistics to IMF's activities and do not sufficiently reflect the contributions of others. The progress made reflects the joint efforts of IMF and the USAID funded consultants. Senior CBI officials strongly agreed with the statement that the BearingPoint consultants helped to implement the action plans developed by the Monetary and Financial TA missions.

307. Since it was never implemented, the contribution of the GFS TA to improving government financial statistics was nil. To the extent that progress has been made in this area, it reflects the work of the government, other donors and other IMF departments.

G. Assessment of the Sustainability of the Statistics TAs

308. As a group, the statistics TAs were rated on the border between **sustainable** and **partly sustainable**, bordering on **sustainable** (see Table E5). Issues related to the Iraqi context and the likelihood of continued IMF involvement at the same level pose potential risks that will need to be overcome for the benefits resulting from the TAs to be sustained. Reasonable government ownership of the TA outcomes should contribute to the sustainability of the benefits. The likelihood that participants will continue to apply their knowledge on the job, a key dimension of sustainability, varied across TA clusters. The benefits of the Monetary and Financial and BOP TAs are rated as sustainable, the national accounts and price statistics TAs as partly sustainable and the GFS TA as not sustainable. Support for these ratings is given in the paragraphs following Table E5.

Table E5: Assessment of the Sustainability of the Statistics TAs							
Criteria	Criteria Weight (%)	Rating ^a					
		NA	CPI	BOP	MF	GF	Score ^b
		30	26	21	18	5	100
1. Iraqi Context	20	2	2	2	2	1	2.0
2. Continued IMF Involvement	30	2	2	2	3	1	2.1
3. Government Ownership of TA Outputs	30	3	3	3	4	1	3.1
4. Participants Apply Knowledge	20	1	3	4	4	1	2.7
Overall Sustainability/Score	100	2.1	2.5	2.7	3.3	1.0	2.5
a/ = Rating: 4 = Excellent; 3 = Good; 2 = Modest; 1= Poor							
b/ = Weight by % of TA Budget Allocated to TA group, excluding multisector statistics mission							
Highly Sustainable (Excellent) ≥ 3.5; 3.5 < Sustainable (Good) ≥ 2.5; 2.5 < Partly Sustainable (Modest) ≥ 1.5 Not Sustainable (Poor) < 1.5							
NA = National Accounts Statistics TAs; CPI = Price Statistics TAs; BOP = Balance of Payments Statistics TAs; MF = Monetary							
MF = Monetary/Finance; GFS = Government Finance Statistics							

1. Iraqi Context

309. The Iraqi context influences, positively or negatively, the sustainability of the TA benefits: (i) security conditions; (ii) the political situation; and (iii) the policy, legal and institutional factors. Some issues related to the Iraqi context go far beyond the ability of COSIT, CBI and IMF to influence. They are risks associated with doing business in Iraq.

310. Security continues to pose threats to COSIT and CBI staff and make collection of source data difficult. There are threats of kidnapping and assassination, some of which have tragically become more than threats. Four COSIT staff involved with the IMF TAs have been assassinated. Threats have also been made against CBI staff, particularly the senior management, MOF staff and in-country consultants¹⁰⁴. CBI is located in a particularly difficult area from a security perspective. Since April 2006 DFID financed experts have not been allowed to venture outside of the Green Zone. Even when in-country experts can visit government offices in the Red Zone, security conditions make it difficult to arrange meetings in advance, especially ones involving multiple senior officials. It is also difficult and sometimes demeaning for government officials to pass through the multiple check points to enter the Green Zone. Entering the Green Zone also poses risks for Government officials as they may be branded as collaborators. The security situation undermines the sustainability of TA benefits.

311. Poor source data, which results in issues of data quality and integrity, impacts on all of the TA clusters. If the data issue cannot be addressed, the sustainability of the TA benefits will be at risk. The security situation makes it difficult to undertake surveys and lowers the response rate. Also, the security situation in particular areas can have an adverse impact on the ability to follow random statistical designs.

¹⁰⁴ In 2007 director general of accounting in CBI was assassinated. He worked closely with IMF and received a death threat letter as a collaborator. His deputy received a similar letter. MOF's director general of the budget department kidnapped and a senior official in Ministry of Oil resigned because he was targeted. A BearingPoint contractor was kidnapped and another working in CBI was targeted and left the country. The deputy governor and acting governor of CBI were purged during de-bathification. In general CBI was not as seriously affected by de-bathification as was MOF. The recent reconciliation to allow some Bath party members should help to address some of the human resource problems and possibly improve the safety of government officials.

312. A further risk to the sustainability of CBI TAs relates to the fact that the CBI building burned down in early 2008. CBI's paper based records and computers were lost. It remains to be seen how seriously that will impact on sustainability.

313. It takes time to build government institutions that function effectively. The national government is a coalition of diverse groups. In any coalition members bargain for key ministerial and senior official positions and policies are developed by consensus. Building such consensus is a time consuming, painstaking process. There can be policy reversals and changes in ministers and senior officials. There are also ethnic and religious tensions in Iraq. All of these are potential threats to the sustainability of the TA benefits.

314. During the evaluation period, there were some improvements in the policy, legal and institutional framework which should increase the probability that the outcomes will be sustained. The legal framework for statistics improved with the 2005 amendment of the Statistics Act. The amendments strengthened COSIT by providing a legal mandate for undertaking surveys and requiring compulsory reporting by institutions and individuals, increased the penalties for non-reporting and stressed the need for institutional cooperation among agencies producing statistics. However, these amendments have not yet had the desired effect and there continue to be issues related to the accurate, timely reporting of data. The legal framework for the banking sector improved with the passage of the central bank and commercial bank laws. The 2004 Central Bank Law strengthened the ability of CBI to collect statistics by providing a legal basis for the mandatory reporting of BOP data to CBI. The 2004 Central Bank Law and a CBI board resolution provide a sound legal basis for reporting data to international standards. There remain institutional issues in both COSIT and CBI that were identified in 2003 that need to be addressed to increase the probability of sustainability (e.g., issues related to human resource issues, hardware and software).

2. Continued IMF Involvement

315. Improving Iraq's macroeconomic statistics to the point where they meet international standards remains an unfinished agenda. The October 2007 Statistics Strategy recognizes the need for further IMF support and proposes continued involvement in national account, price, BOP and monetary and financial statistics. For each TA cluster, short and medium term strategies have been prepared and missions are planned for 2008. Thus the October 2007 strategy provides a basis for assuming continued IMF involvement in these areas. Although the task of improving the government finance statistics is far from finished, the October 2007 Statistics Strategy states that no GFS missions are planned for 2008. However, the 2009 to 2011 work program does include provision for a follow on STA GFS TA in 2010. Given the progress that has been made in the fiscal area, there should be a serious discussion between MCD, STA and MOF to determine if the time is now appropriate for a more serious STA engagement in GFS.

316. Although the October 2007 Statistics Strategy envisions further IMF assistance and both COSIT and CBI strongly agree with the statement that further assistance is needed, it is not clear whether IMF will have the resources to remain engaged at the same level as it was during the evaluation period. There are two major concerns: (i) the Iraq TA Subaccount is fully committed and there is no commitment yet from donors to replenish the fund; and (ii) if IMF's budget and staffing are cut, its internal resources for TA will be under pressure. These issues raise concerns about the sustainability of the scale of IMF's future involvement to improve macroeconomic statistics in Iraq. Most of the work supported under the STA TA clusters would be classified as works in progress that require continuing IMF support to reach their goals and for the benefits to be sustainable. Because of the progress that has been made implementing the monetary survey, the Monetary and Finance TA cluster was rated higher than the others on this criteria. Because the monetary survey is now built into CBI's procedures, the evaluation team believes that there is a higher likelihood that the benefits of these TAs would be sustained without further IMF support.

3. Government **Ownership** of TA Outputs

317. Government ownership of TA outputs is one of the most important determinants of the sustainability of the benefits. If the government uses the TA outputs in its day to day operations, the benefits are likely to be sustainable. Based on the IMF staff reports monitoring the SBAs, it is clear that the Government recognizes the importance of the national accounts and CPI data and uses them to support macroeconomic policy making. COSIT has the institutional mandate to collect the information necessary to estimate national accounts and CPI and to publish the resulting statistics. While progress has been made in improving the national accounts and CPI, some questions must be raised about COSIT's ownership of the TA outputs. For some of the workshops, there was a lack of continuity among participants, not all of the participants were well prepared and not all would be in a position to apply the skills that they learned when they returned to Iraq. Although STA brought these matters to the attention of senior COSIT staff, the problems reoccurred. These factors suggest that COSIT did not make the best use of the opportunities provided by the TAs and that some of the knowledge transferred under the TAs will not have a sustainable impact on improving the national accounts and CPI estimates.

318. There is strong ownership of the TA results in CBI. Feedback from senior CBI management indicates that the importance of timely and accurate BOP and monetary and financial data and that the institution is committed to making continuous improvements in this area. CBI departments have the organizational mandate to compile BOP estimates and undertaking the monetary survey. CBI's Research Department has the organizational mandate to continue improving the data.

4. **Participants Application of Knowledge on the Job**

319. A key factor that affects the sustainability of the TA benefits is whether the participants are still employed in COSIT and CBI and whether they apply the knowledge learned on the job. Despite the difficult conditions in Iraq, the CBI TAs scored well on this criteria. Participant selection was good as dedicated participants were from the Balance of Payment Department¹⁰⁵ and staff involved directly with the monetary survey. There was little turnover among the participants attending the successive workshops. Senior staff from CBI strongly agreed with the statement that at least 80% of the participants attending the workshops are still involved in compiling the BOP and monetary/financial statistics. Given the profile of the workshop participants and feedback from IMF staff, this is plausible.

320. In its response to the evaluation team's questionnaire, COSIT indicated that most workshop participants used the knowledge acquired on a daily basis when they returned to Iraq to compile the national account statistics and the CPI. Given the documents reviewed and feedback from STA staff, this assertion does not seem plausible. There were problems of participant selection for some of the workshops for both clusters of TAs. The fact that some of the COSIT participants in the national account and CPI workshops were enumerators or were involved in data collection rather than being directly involved in compiling national account statistics and the CPI suggests that too many of people are not likely to be applying the skills learned about best international practice on compiling statistics on the job. Also, there was considerable turnover in the COSIT participants in the workshops. These evaluation findings undermine the sustainability of the benefits associated with these TA clusters. That being said, there does appear to be clear evidence that COSIT staff will apply the recent training to change the base and extend the coverage of the CPI to Kurdistan by analyzing the data that is available from the World Bank financed Household Income and Expenditure Survey. Applying that knowledge will make a significant improvement in the quality of the CPI.

H. Overall Rating of the Statistics TAs

321. Each cluster of TAs was rated by combining the ratings for relevance, efficiency, effectiveness and sustainability. The ratings, and the weights used for each, are shown in Table E6. The overall ratings for the entire portfolio of statistics TAs was derived by weighting the rating of each cluster by the proportion of the departmental budget in the Iraq TA Subaccount allocated to each

¹⁰⁵ CBI has a 16 person department dedicated to compiling BOP data.

cluster. The portfolio of STA TAs was rated as **successful**. The findings of the evaluation team are broadly consistent with feedback from COSIT and CBI that generally rated the TAs favorably. Given the difficult conditions prevailing in Iraq and the fact that an offsite delivery model was used, this is a good outcome. Relevancy was rated about the mid-point and effectiveness and efficiency were rated below the mid-point of the **successful** range. Given concerns about the Iraqi context, the level of continued IMF involvement and participant selection for some workshops, sustainability was rated on the border of **sustainable** and **partly sustainable**.

322. Success varied across the TA clusters. The Monetary and Financial TAs were rated as **highly successful**. That cluster of TAs received the most positive assessment by the senior CBI officials. The BOP and Price TAs were rated as **successful**. The national accounts TAs were rated as **partly successful**. Because of a lack of any outputs, the GFS TA was rated as **not successful**. Since less than 5% of the budget allocated for the STA TAs was used for the GFS TA, that result did not have a major impact on the rating of STA's portfolio of TAs.

Criteria	Criteria Weight (%)	Rating ^a					Score ^b
		NA	CPI	BOP	MF	GF	
		30	26	21	18	5	
Relevance	30	2.6	3.4	3.0	4.0	1.4	3.1
Efficiency	20	2.4	2.4	3.6	3.6	1.0	2.8
Effectiveness	30	2.3	2.9	3.0	4.0	1.0	2.8
Sustainability	20	2.1	2.5	2.7	3.3	1.0	2.5
Overall Rating/Score	100	2.4	2.9	3.1	3.8	1.1	2.8

a/ = Rating: 4 = Excellent; 3 = Good; 2 = Modest; 1 = Poor
b/ = Weighted by % of STA TA budget for the TA cluster, excluding the multisector statistics mission.
Highly Successful (Excellent) ≥ 3.5; 3.5 < Successful (Good) ≥ 2.5; 2.5 < Partly Successful (Modest) ≥ 1.5;
Not Successful (Poor) < 1.5

NA = National Accounts Statistics TAs; CPI = Price Statistics TAs; BOP = Balance of Payments Statistics TAs; MF = Monetary and Finance Statistics TAs; GF = Government Finance Statistics TAs

323. The goal of the IMF's statistics strategy for Iraq was to help develop and improve the institutional capacity to macroeconomic statistics. The short-term objective was to ensure that the quality and the timeliness of the data was adequate for IMF's surveillance and monitoring purposes. The medium-term objective was to improve the institutional framework (including organizational issues, statistical capacity and statistics legislation) and improve the quality and timeliness of the statistics to conform to international standards.

324. The short term objective of the statistics strategy has been achieved and IMF staff reports now state that "Data provision is broadly adequate for surveillance/program monitoring, but there are some delays in data provision and weaknesses exist that hamper economic analysis." While some progress has been made toward achieving the medium term objective, this is a work in progress as Iraqi statistics do not yet meet international standards. In particular: (i) the national accounts are not yet fully consistent with SNA93 <http://www.imf.org/external/pubs/cat/longres.cfm?sk=575.0>, there are major problems in the source data and there is no timetable for IFS publication; (ii) there remain problems in the BOP data, particularly trade, government debt and Foreign Direct Investment data – other than reserve figures, the BOP data does not meet the standards in BPM5 (<http://www.imf.org/external/pubs/cat/longres.cfm?sk=575.0>) and is not published in the IFS, although publication in the Balance of Payments Statistics Yearbook is now targeted for November 2008; (iii) the monthly CPI is available in a timely fashion but problems remain (e.g., base year; coverage of Kurdistan) and the CPI is not published in the IFS; (iv) the results of the monetary survey were

published in the March 2008 issue of IFS and IFS Supplement based on the concepts and presentation of MSFM 2000, although gaps in coverage remain; and (v) the government financial statistics are inconsistent with GFSM 2001 (<http://www.imf.org/external/pubs/ft/gfs/manual/>), although progress has been made through FAD TA (e.g., the budget classification was changed on 28 June 2007 to bring it into line with GFSM) rather than STA TAs. These conclusions are consistent with the overall **successful** rating of the portfolio of STA TAs.

325. It was appropriate for IMF to initially concentrate on making short term improvements in the compilation of the macroeconomic statistics since Iraq's economic managers and Fund staff were going to make decisions based on the available information, regardless of the caveats placed on the data by professional statisticians. Undertaking surveys in the current conditions in Iraq is difficult. However, COSIT has undertaken some large scale surveys with donor support. Going forward, STA should play a strategic leadership role and work more closely with COSIT and other donors to develop a prioritized strategy to address the weaknesses in the source data. Given its extensive work on many facets of Iraq's macroeconomic statistics over the past four years, STA is well placed to use this knowledge to help identify priorities for the next datasets to develop.

Annex F: Linkage of TAs to IMF Conditionalities

Box F1: TA Contributions to Prior Actions

Prior Action	Contribution of TAs
Emergency Post Conflict Assistance Program	
2005 Stand By Arrangement (http://www.imf.org/external/pubs/ft/scr/2005/cr05294.pdf)	
1. Nationwide increase of official domestic price of petroleum products as follows: ID 100 per liter of regular gasoline, ID 250 per liter of premium gasoline, ID 90 per liter of diesel, ID 25 per of kerosene, and ID 600 for 12 kg of LPG.	
2. Work on audit of Central Bank of Iraq (CBI) according to international accounting and auditing standards to have progressed to an advanced stage ¹⁰⁶ .	First MCM workshop on accounting, December 2003, provided advice and training on international financial reporting standards(IFRS)
2007 Stand By Arrangement (http://www.imf.org/external/pubs/ft/scr/2007/cr07301.pdf)	
1. Adoption by Cabinet of the 2008 government budget, in line with program objectives.	
2. Appointment of an external auditor to undertake the audit of the CBI 2007 financial statements in accordance with International Standards on Auditing.	First MCM workshop on accounting, December 2003, provided advice and training on international financial reporting standards(IFRS)
3. Appointment of an external auditor to undertake an audit of the CBI net international reserves data reported to the IMF as at December 31, 2007, including a full count of gold and foreign exchange holdings at the CBI.	
4. Commencement by an internationally reputable auditor of the operational and financial audits of Rasheed and Rafidain banks based on their 2006 financial accounts.	Workshops on bank restructuring in 2006 and December 2007 provided advice and facilitated decisions.

Box F2: TA Contributions to Structural Benchmarks

Prior Action	Contribution of TAs
Emergency Post Conflict Assistance Program (Indicative)	
1. Development of a monetary survey. (March 2005 -- A draft depository corporations (monetary) survey through August 2005 has been compiled, consistent with the Monetary and Financial Statistics Manual. Improvements to the call report form are ongoing and expected to be completed by end-December 2005).	First Monetary/Finance statistics TA approved in 2005. Given this indicative structural benchmark, earlier approval desirable. Monetary/Finance TAs made a major contribution to completing the monetary survey in 2007 with results that are expected to be published in IFS 2008. 2007 SBA (http://www.imf.org/external/pubs/ft/scr/2007/cr07301.pdf) based on better monetary data than 2005 SBA (http://www.imf.org/external/pubs/ft/scr/2005/cr05294.pdf).
2. Establishment of an automatic payroll system for all government employees (June 2005 -- Was not met).	
3. Development of monthly fiscal accounts for the central government and the oil sector (December 2004 -- Monthly fiscal accounts are now reported with a lag of 9–10 weeks).	

¹⁰⁶ The audit would be deemed to be an advanced stage with (i) finalization of Ernst and Young's assessment of the 2004 audit conducted by the Supreme Board of Audit, (ii) finalization of the special audit on international reserves for end-June 2005; and (iii) finalization of a timetable for the completion of the 2005 audit.

4. Issuance of regulations regarding bank licensing and standard prudential ratios (December 2004-- Ongoing. Authorities expect to have them ready by end-2005/early 2006).	MCM Workshops on Banking Supervision provided advice and assistance in coordination with other donors.
5. Enactment of payments systems law (Dec 2004-- Draft regulations of an article in the CBI law that will serve this purpose has been prepared with the help of MFD and is pending approval).	MCM together with LEG provide drafting assistance. MCM Workshop on Payment Systems in September 2005 provided follow-up assistance and advice.
6. Adoption of a plan to overhaul the tax and customs administration (June 2005 -- Considerable progress has been achieved towards improving custom collections through negotiating agreements with neighboring countries).	Poor customs data continues to be a problem for national accounts and balance of payments statistics. TAs have not addressed this area.
2005 Stand By Arrangement (http://www.imf.org/external/pubs/ft/scr/2005/cr05294.pdf)	
1. Implementation of payment system regulations (June 30, 2006 – Met).	
2. Establishment of an audit oversight committee, to become effective September 30, 2006, including the participation of independent international audit experts, to continue the work of the International Advisory and Monitoring Board (upon its dissolution) in overseeing and making public audits of the Development Fund for Iraq and oil export sales (on or before December 31, 2006 -- Met in November 2006; IAMB mandate has been extended to December 31, 2007).	
3. Reform of pension law in line with sustainable pension system (September 30, 2006 -- Met in December 2007).	
4. Approval by Council of Representatives of law liberalizing private gasoline imports (September 30, 2006 – Met).	
5. Commencement of operation of Real Time Gross Settlement system (RTGS) linking headquarters of commercial banks to the CBI (August 31, 2006 Met) (November 30, 2006 Met).	MCM Workshops in March and September 2005 provided advice and assistance to prepare for introduction of RTGS.
6. Commencement of payments clearing system between the headquarters of commercial banks and the CBI through the Automatic Clearing House (ACH).	MCM Workshops in March and September 2005 provided advice and assistance to prepare for introduction of RTGS
7. Full capitalization of CBI to the stipulated ID 100 billion, based on the 2005 audited financial statements and taking into account the restructuring of outstanding claims on the central government that are on the December 31, 2005 balance sheet of the CBI (December 31, 2006 -- Met in February 2007).	MCM Workshop on Accounting, December 2003, provided advice on this issue.
8. Adopt a CBI Board-approved timetable for the full implementation of IFRS as the bank's financial reporting framework (March 31, 2007 -- Met on April 1, 2007).	MCM Workshop on Accounting, December 2003, provided advice on this issue.
9. Appoint an internationally reputable audit firm to conduct an operational and financial audit of Rasheed and Rafidain banks based on their 2006 financial accounts (April 30, 2007 -- Underway).	MCM Workshop on Bank Restructuring in 2006 provided advice on an MOU and facilitated decisions in this area.
10. Address the lack of proper accounting records being maintained by the CBI, one of the major issues giving rise to E&Y's disclaimed audit opinion for 2005 ¹⁰⁷ (June 30, 2007 -- Underway).	MCM Workshop on Accounting, December 2003, provided advice in this area.

¹⁰⁷ The following issues should be addressed: (i) the lack of reconciliations of local bank's current accounts; (ii) unreconciled suspense accounts and interbranch accounts; (iii) unreconciled differences on accounts managed on behalf of the Ministry of Finance, including the DVI; and (iv) insufficient information to support amounts, and to ensure the completeness and valuation of off-balance sheet commitments.

11. Establish adequate control procedures for reserves management, including developing reserves management policy and investment guidelines (June 30, 2007—Underway).	MCM Workshop on Accounting, December 2003, provided advice in this area
2007 Stand By Arrangement (http://www.imf.org/external/pubs/ft/scr/2007/cr07301.pdf)	
1. Implementation of regular reconciliation in the CBI accounts of (i) local banks' current accounts; (ii) intra-branch accounts; and (iii) suspense accounts (March 31, 2008).	
2. Adoption of reserves management guidelines by the CBI (March 31, 2008).	An MCM workshop to provide advice and assistance to the CBI is planned during the first quarter of 2008.
3. Completion of the operational and financial audits of Rasheed and Rafidain banks based on their 2006 financial accounts (May 31, 2008).	MCM Workshop on Bank Restructuring in 2006 provided advice on an MOU and facilitated decisions in this area. Further TA is planned in coordination with World Bank.
4. Incorporate new weights in the CPI based on the 2007 household expenditure survey (May 31, 2008).	Price Statistics TAs made essential contributions to creating the enabling conditions that will lead to achieving this structural benchmark.
5. Submission to the Board of Supreme Audit of the final accounts of the Federal Budget for the year ending December 31, 2007 (June 30, 2008).	
6. Completion of census of all public service employees (central government and military) (June 30, 2008).	
7. Adoption of an action plan for modernizing the government's financial management system (July 31, 2008).	Periodic FAD input on FMIS matters. A FAD mission scheduled in Spring 2008 to develop the action plan.
8. Completion of a comprehensive set of prudential regulations for commercial banks (July 31, 2008).	MCM Workshops on Banking Supervision to date have provided assistance in this area and further workshops, in coordination with other donors, are planned during the first half of 2008.
9. Publication of audit reports mandated by the Committee of Financial Experts (COFE) and presentation of the first semi-annual COFE report, covering the period January–June 2008 and including recommendations, to the Council of Ministers (September 15, 2008).	
10. Development of a periodic adjustment mechanism for fuel prices based on changes in domestic production costs and import costs to prevent re-emergence of direct budget subsidies on fuel products (September 15, 2008).	
11. Adoption of an operational restructuring program for Rafidain bank based on the findings of the audits (September 30, 2008).	MCM Workshop on Bank Restructuring in December 2007 provided advice on an MOU and facilitated decisions in this area. Further TA is planned in coordination with World Bank
12. Adoption of operational and financial restructuring programs for Rasheed bank based on the findings of the audits (September 30, 2008).	MCM Workshop on Bank Restructuring in December 2007 provided advice on an MOU and facilitated decisions in this area. Further TA is planned in coordination with World Bank
13. Submission to the Council of Representatives and publication of the audited accounts of the Federal Budget for the year ending December 2007, in accordance with the Financial Management Law of 2004 (November 15, 2008).	

Box F3: TA Contributions to Structural Performance Criteria

Prior Action	Contribution of TAs
Emergency Post Conflict Assistance Program (Key Policy Measures)	
1. Increase of domestic prices of oil refined (December 2004 -- Official price of regular gasoline in Baghdad was products. unified with the official price of premium gasoline from ID 20 per liter to ID 50 per liter on September 18, 2005. Premium gasoline is sold at a number of mobile gas stations in Baghdad at ID 100 per liter).	
2. External audit of Central Bank of Iraq (CBI). (June 2005 --Iraqi Supreme Board of Audit (SBA) conducted audit of 2004 accounts. The audit firm Ernst and Young has been selected to review the SBA 2004 audited accounts).	First MCM workshop on accounting, December 2003, provided advice and training on international financial reporting standards (IFRS).
3. Adopting implementing regulations for the Financial Management Law. (December 2004 -- Regulations in the area of budget execution were adopted on September 1, 2005).	FAD commented on the draft law in writing.
2005 Stand By Arrangement (http://www.imf.org/external/pubs/ft/scr/2005/cr05294.pdf)	
1. Avoid administrative measures limiting participation or bids in the CBI's regular auction of foreign exchange other than screening related to anti-money laundering or counter-terrorism (Continuous -- Met).	First workshop on Monetary Instruments in 2004 provided advice and assistance.
2. Final audit of CBI 2005 Financial operations and statements. May 15, 2006 (Completed on October 1, 2006).	
3. Adoption of a budget classification and chart of accounts in line with the IMF's Government Financial Statistics Manual (GFSM) 2001, within a cash accounting framework. ¹⁰⁸ (June 30, 2007 Met on July 28, 2007).	Major FAD input during the June 2005 mission.
4. Completion by Ernst & Young of (a) a final audit of the net international reserves data reported to the IMF as at December 31, 2006, including a full count by Ernst & Young of gold and foreign exchange holdings at the CBI, and (b) an interim audit report of CBI financial statements in accordance with International Standards on Auditing (May 31, 2007 -- NIR audit completed on time; interim audit report completed on July 15, 2007).	
5. Completion of census of all public service employees (central government and military) (June 30, 2007 -- Not met; extended to November 30, 2007 -- Not met).	
2007 Stand By Arrangement (http://www.imf.org/external/pubs/ft/scr/2007/cr07301.pdf)	
1. Avoid administrative measures limiting participation or bids in the CBI's regular auction of foreign exchange other than screening related to anti-money laundering or counter-terrorism (Continuous).	MCM Workshops on Monetary Operations provided advice.
2. Completion by an external auditor of an audit of the CBI net international reserves data reported to the IMF as at December 31, 2007, including a full count of gold and foreign exchange holdings at the CBI (March 31, 2008).	
3. Completion of external audit of CBI 2007 financial statements following International Standards on Auditing (June 30, 2008).	

¹⁰⁸ The budget classification and chart of accounts will be deemed in line with the IMF GFSM 2001 (<http://www.imf.org/external/pubs/ft/gfs/manual/>) if it is consistent with the methodology and high level classification defined in the technical assistance report of the IMF's Fiscal Affairs Department entitled "Iraq Budget Classification Reform" (July 2005).

