

INTERNATIONAL MONETARY FUND

Review of Technical Assistance

Prepared by the Office of Technical Assistance Management

(In consultation with the Fiscal Affairs, Legal, Monetary and Financial Systems, Policy Development and Review, Statistics, and other Departments, and the IMF Institute)

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Selected List of Acronyms

ACBF	Africa Capacity Building Foundation
AfDB	African Development Bank
AsDB	Asian Development Bank
AFRITAC	Africa Regional Technical Assistance Center
AMF	Arab Monetary Fund
AML	Anti-Money Laundering
CARTAC	Caribbean Regional Technical Assistance Center
CFT	Combating the Financing of Terrorism
DQAF	Data Quality Assessment Framework
EDMS	Electronic Document Management System
FAA	Framework Administered Account for Technical Assistance Activities
FATF	Financial Action Task Force
FIRST	Financial Sector Reform and Strengthening Initiative
FSAP	Financial Sector Assessment Program
GDDS	General Data Dissemination System
HIPC	Heavily Indebted Poor Country
IMFC	International Monetary and Financial Committee
JAI	Joint Africa Institute
JSA	Japan Administered Account for Selected Fund Activities
JVI	Joint Vienna Institute
NEPAD	New Partnership for African Development
OFC	Offshore Financial Center
PEM	Public Expenditure Management
PFTAC	Pacific Financial Technical Assistance Center
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
RAP	Resource Allocation Plan
ROSC	Report on the Observance of Standards and Codes
SARS	Severe Acute Respiratory Syndrome
SCM	Steering Committee Meeting
SDDS	Special Data Dissemination Standard
STI	Singapore Training Institute
TA	Technical Assistance
TAC	Technical Assistance Committee
TAEP	Technical Assistance Enhancement Program
TAIMS	Technical Assistance Information Management System
TCAP	Technical Cooperation Action Plan
TIMS	Travel Information Management System
TPR	Tripartite Review
WGME	Working Group on Technical Assistance Monitoring and Evaluation

Executive Summary

The Fund's TA program has expanded considerably over the past four decades, evolving in parallel with the changing focus of the Fund's work itself. TA now accounts for about one fifth of the Fund's net administrative budget. The growth in TA demand to support new initiatives and ongoing programs, against a background of tightening Fund budgets, has posed challenges for the TA program. The two main challenges facing the TA program at present are to ensure that TA remains well focused and prioritized, and that it is effective.

A number of initiatives in recent years have helped to tighten the focus of TA. In addition to the system of prioritization filters put in place in 2001, the initiatives to strengthen surveillance in the financial sector (FSAPs, OFC assessments, AML/CFT work) and work related to international standards and codes have provided useful assessment tools to help define and prioritize TA. The framework provided by use of Fund resources arrangements and surveillance more broadly have also helped to reinforce the focus of TA on supporting the Fund's core mandate.

The report notes that while significant progress has been made in strengthening TA prioritization, keeping the TA program well focused is an ongoing effort. Finding the right balance among programs, initiatives, and subject areas is likely to be a "moving target" which will correspond to the particular needs of the membership at different points in time. Therefore, to remain focused the TA program will need to remain flexible and TA instruments will need to respond appropriately to changing needs.

Because of its resource intensity and long-term nature, TA to support institution building in low-income countries presents special management challenges in terms of planning, coordination, monitoring and evaluation. To meet institution-building needs, it would be useful in individual country and sector cases to more frequently develop TA strategies that define longer-term objectives and the specific role of the Fund.

The effectiveness of the Fund's TA program has been the subject of extensive review and action in recent years. In responding to the needs of country authorities it is particularly important that their ownership and commitment is secured and that the role of the Fund vis-à-vis other TA providers is clearly defined. From the perspective of resource efficiency, the growing role of external financing in supporting Fund TA has provided a welcome opportunity to enhance TA effectiveness by permitting the Fund to leverage its own resources.

The way that TA is delivered is also an important aspect of effectiveness. The report reviews the Fund's use of regional approaches to TA delivery and training, and finds that they provide important additions to the range of delivery modalities available to the Fund to meet the needs of regions or sub-regions in an efficient way.

Reviews of the TA program have consistently signaled the importance of improving dissemination of information on Fund TA, and management, monitoring and evaluation as

key to improving its effectiveness. In the past, the focus was often mainly on assuring the high quality of the advice provided, with less attention paid to the sustainability of the results. In this regard, providing the systems and tools to achieve more systematic monitoring and evaluation of TA results has been and remains a particular challenge. Although important progress is being made in this area, particularly in establishing a Fund-wide system for TA information and monitoring, and in establishing a formal annual TA evaluation program, results-oriented TA management will continue to require a long-term effort.

I. INTRODUCTION

1. The Fund's technical assistance (TA) program was last reviewed by the Executive Board in July 2002.¹ At that time, the Board emphasized that, while notable progress had been made in mainstreaming the Fund's TA, continued efforts were needed to improve its effectiveness. The Board therefore endorsed a work program which continued these efforts through improved transparency, resource management, and monitoring and evaluation of the TA program. This report focuses on a number of strategic issues affecting the Fund's TA and its financing and management. It also outlines progress in the implementation of the work program as well as other steps taken to strengthen the effectiveness of TA. The report is complemented by a *Supplement* which reviews in detail the delivery of Fund TA and training on a departmental basis.

2. This report is part of a regular program of reviews of the Fund's TA. It should be noted that the Independent Evaluation Office (IEO) is undertaking a review of the Fund's TA with the purpose of deriving operational recommendations that can enhance its contribution to the overall IMF mandate.²

3. The report is organized as follows. Section II examines key challenges facing Fund TA. Section III reviews TA issues in low-income countries. Section IV discusses the benefits and costs of regional approaches to TA delivery, with a particular focus on regional TA centers. Section V considers issues related to the growing importance of external financing of TA. Section VI reviews actions undertaken to strengthen TA information, management, monitoring and evaluation. Section VII presents the report's conclusions, while Section VIII offers issues for discussion.

II. TECHNICAL ASSISTANCE CHALLENGES

4. Over the past four decades, the Fund's TA program has responded to a diverse set of needs from the membership, which have changed over time. The TA program has been an important source of assistance to member countries' efforts to reduce their vulnerability to crisis and to strengthen the design and implementation of economic policies in support of economic growth and private sector development, including by strengthening the skills of officials and institutions, and improving governance. It also plays a critical role in supporting other areas of Fund work. For example, TA seeks to help post-conflict countries develop institutions with adequate capacity for them to become eligible for Fund financial support,

¹ *Review of Technical Assistance Policy and Experience* (SM/02/180, 6/13/02).

² The draft issues paper of the IEO review of Fund TA is available on the IEO's website at: <http://www.imf.org/external/np/ieo>. The IEO was established to systematically conduct objective and independent evaluations on issues relevant to the mandate of the Fund. It complements the review and evaluation work within the Fund.

and for low-income countries to help improve governance and strengthen institutions to enable them to graduate from financial assistance. The TA program has also become increasingly important in assisting countries to follow-up on weaknesses identified through surveillance, including through Financial Sector Assessment Programs (FSAPs) and Reports on the Observance of Standards and Codes (ROSCs). Managing this enhanced role poses challenges which are rooted in the rapid evolution in the scope and size of the Fund's TA program in an environment of tightening Fund resources. Against this background, two main challenges facing the Fund's TA program are to ensure that TA remains well focused and prioritized, and that it is effective.

A. Background

5. The Fund's TA program has expanded rapidly since the late 1980s, evolving in parallel with the changing focus of the Fund's work itself (Box 1). During this period, the

Box 1. The Changing Nature of the Fund's Technical Assistance

The evolution of the TA program has mirrored the changing focus of the Fund's work generally. Fund TA broadly originated in the 1960s with the coming of independence of many developing countries. TA focused on providing newly-independent countries with assistance in setting up their central banks and finance ministries. The amount of TA provided from the 1960s to the 1980s remained relatively small.

During the 1990s, TA field delivery doubled in response to the needs of newly independent countries in transition in the wake of the break-up of the Soviet Union; crises in emerging market economies; Enhanced Structural Adjustment Facility (ESAF)/PRGF and heavily indebted poor country (HIPC)-related needs; follow-up requirements of new surveillance instruments, such as FSAPs, offshore financial center (OFC) assessments and ROSCs; and the need to assist members to combat money laundering and the financing of terrorism. TA in the financial sector expanded to cover a broader range of issues (e.g., banking systems, financial institutions and markets, and debt management), while the volume of TA in the fiscal and statistical sectors increased sharply. Technical advice on policy issues was increasingly complemented, first by advice on specific issues in structural reform, and then by capacity-building TA. The Fund's approach to TA shifted from responding mainly to discreet requests from countries on an ad hoc basis to a more planned approach using annual resource allocation plans, in conjunction with other institution-wide outputs (e.g., use of Fund resources, surveillance, and standard setting).

TA delivery modalities changed, as the menu of delivery options expanded, shifting in part away from the traditional long-term resident advisor to short-term expert assignments, peripatetic expert visits, and headquarters-based staff missions, as well as regional approaches.

Financing arrangements also changed dramatically. Inexistent during the period 1960-80, external financing since the 1990s has supported a growing share of Fund TA. Today 55 percent of TA field delivery is funded externally.

volume of Fund TA nearly doubled in response to the institution-building needs of the transition countries, the financial crises of the late 1990s, capacity-building requirements associated with the implementation of Poverty Reduction and Growth Facility (PRGF) arrangements, and the stream of follow-up TA associated with new initiatives in the international financial sector and ROSCs. TA delivery modalities also diversified. Compared with the late 1980s when most TA was delivered through stand-alone staff missions, now the majority of TA—51 percent—is delivered by non-staff short- and long-term experts, and there is a growing emphasis on regional approaches to TA delivery. Financing arrangements for TA also changed dramatically. As noted, compared with 1990, when all TA was financed from the Fund’s own budget, in 2003, roughly 55 percent of TA delivered in the field was funded by external donors.

6. More recently, the expansion of Fund TA has slowed considerably (see Appendix, Table 6). Over FY 2000–FY 2003, the volume of direct TA delivery remained basically flat, reflecting the overall constraints on the Fund’s budget and the diversion of Fund staff resources from TA to new outputs such as ROSCs, FSAPs, and other surveillance-related initiatives.³ In contrast, resources devoted to TA management, supervision, and administration rose steadily over this period, reflecting both the growing importance of external financing—and the concomitant need to manage it effectively—and efforts to strengthen TA management more broadly.

7. As the nature of the Fund’s TA has evolved over time, so has the debate on TA policy issues. A few years ago, the main concern was to define the Fund’s core areas of TA competence vis-à-vis bilateral and multilateral providers, and support new surveillance and crisis prevention initiatives. More recently the focus has been on TA prioritization, effectiveness, and management. Efforts in this area have involved encouraging enhanced TA prioritization and planning, greater involvement of country authorities, closer internal cooperation among Fund departments, better coordination with donors and providers, and enhanced monitoring. Future efforts point toward a further strengthening of TA effectiveness through Fund-wide standardization of TA management, selective, in-depth evaluations, and enhanced internal and external dissemination. Ongoing efforts to address these issues have yielded clear results, as noted throughout this report, but there is scope for further improvement.

B. Focus and prioritization

8. The evolution of the size and scope of the Fund’s TA program and the constraints on its financing suggest that attention will need to continue to be given to ensuring that Fund TA remains well focused and prioritized. Available data suggest that excess demand for Fund TA may be in the range of about 25 percent of available resources, and the excess demand for

³ See the Supplement to this paper for details.

training provided by the IMF Institute may be even higher.⁴ Balancing demand and supply also means maintaining an appropriate balance among different programs and initiatives, technical subject areas, and modalities—for example, short-term, problem-solving TA versus capacity building.

9. In response to the need to effectively allocate TA resources in the face of excess demand, and to link TA more explicitly to the Fund's main program areas and key policy initiatives, a new process of prioritizing TA was put in place in FY 2001.⁵ In brief, the approach uses a series of priority program categories and filters to assist staff in making TA allocation decisions.⁶ These main program areas are complemented by three further categories of filters, which are not country specific. These are:

- *Target filters*: The TA provided must fall within the Fund's core areas of specialization and support the Fund's key policy initiatives.
- *Effectiveness filters*: The TA provided must be deemed to have a substantial impact and be effectively supported and implemented by the recipient country. It also should be sustainable in terms of financing and lasting in its effect.
- *Partnership filters*: The TA provided should be delivered in a regional context, benefiting several recipients, or drawing on multiple financial sources, or complementing third-party assistance.

10. A review of experience with the new approach in June 2002 concluded that the prioritization filters were proving to be a useful tool in allocating TA resources more effectively.⁷ Recent evidence suggests that this conclusion remains valid. TA departments have reported that they actively use the prioritization filters in the context of the annual resource allocation plan (RAP) exercise, as well as throughout the year. They have noted that the prioritization filters enter into the resource allocation process at a number of levels: (i) in the context of aligning TA delivery with the Fund's overall policy priorities; (ii) at the

⁴ See: *Ensuring Alignment of Technical Assistance with the IMF's Policy Priorities* (SM/00/284, 12/20/00), p. 3, and Annex I. Excess demand for TA is difficult to measure both from a conceptual and an empirical standpoint. This issue is discussed in detail in SM/00/284, Annex I, op. cit. Recent data suggest that the estimates of excess demand cited in SM/00/284 remain broadly valid.

⁵ The new approach is described in: *Ensuring Alignment of Technical Assistance with the IMF's Policy Priorities*, op. cit.

⁶ Countries receiving Fund TA have been divided into five main program areas covering crisis prevention (non-use of Fund resources countries); poverty reduction (PRGF-eligible countries); crisis resolution and management (other use of Fund resources countries); post conflict/isolation; and regional/multi-regional arrangements.

⁷ See: *Review of Technical Assistance Policy and Experience*, (SM/02/180, 6/13/02), pp. 22–27.

regional level, to achieve an appropriate balance among regions; and (iii) at the individual country level. TA departments also reported that a country's record of past implementation of TA advice and the availability of alternative TA providers were important considerations in allocating TA.

11. The initiatives to strengthen surveillance in the financial sector (FSAPs, OFC assessments, anti-money laundering/combating the financing of terrorism (AML/CFT) work), and the work related to international standards and codes (for example, ROSCs, Special Data Dissemination Standard (SDDS)/General Data Dissemination System (GDDS)) have also helped to sharpen the focus of Fund TA. These initiatives provide useful diagnostic tools which help define and prioritize TA. Fund TA related to these initiatives now represents about one fifth of total field delivery.⁸ The framework provided by use of Fund resources arrangements also provides an important prioritization mechanism, as TA interventions are designed to support the implementation of policy objectives. About three fifths of total TA delivered in the field is provided in the context of use of Fund resources arrangements.

12. Technical assistance is increasingly being delivered within the context of country- and sector-specific TA strategies. Derived from the diagnostic tools available and often designed to also support use of Fund resources arrangements, such strategies are helpful in prioritizing, sequencing, and giving a more strategic direction to TA in a specific sector or sub-sector. FAD, for example, has developed Fiscal Strategy Briefs which are designed to aid FAD in the prioritization of TA in a particular country, and in discussions with area departments and the World Bank. Based on past TA and ROSC recommendations, the briefs discuss priority areas for reform and in some cases the sequencing of measures. Although, owing to the nature of its mandate, the Fund will always be called upon to provide ad hoc TA policy advice, articulating and using country- and sector-specific strategies more frequently as a basis for delivery can be a useful way to strengthen further the focus and prioritization of TA. The clear association of TA needs to various aspects of a country's macroeconomic program in such strategies helps both country authorities in their program design (thereby fostering ownership in both policy formulation and framing TA requests), and the Fund and other TA providers in selecting an appropriate involvement in their areas of expertise.

13. Further assistance in meeting the challenge of keeping the TA program tightly focused can be provided by distilling lessons from evaluations of TA activities. Evaluations can point to areas and circumstances where Fund TA can provide the most benefit for members, thereby assisting with prioritization.

14. In summary, while significant advances have been made in strengthening TA prioritization, keeping the TA program well focused requires sustained effort. Achieving the right balance among programs, initiatives, subject areas, and modalities, is likely to be a "moving target" which will correspond to the particular needs of the membership at different

⁸ Field delivery excludes time spent on TA-related work at headquarters.

points in time. Therefore, the challenge in staying focused is for the TA program to remain flexible and to make sure that the Fund has the TA instruments to respond appropriately to changing needs. Yet, at the same time, it is important to ensure that TA requirements—in as much as they are not ad-hoc requests for specific assistance requiring little, if any, follow-up assistance—are met in a strategic way. This will require a continued use of the filters in the TA allocation process, a rigorous use of surveillance-based assessments to help prioritize assistance, and an increased use of TA strategies as a basis upon which TA is prioritized and sequenced and interaction with other providers undertaken.

C. Enhancing effectiveness

15. Technical assistance effectiveness has been the subject of extensive review and action in recent years. While noting the high quality of the technical advice and training provided, the 1999 *Review of Fund Technical Assistance* prepared by the Office of Internal Audit highlighted a number of areas where TA effectiveness could be strengthened.⁹ The review singled out in particular the need for better follow-up on TA recommendations, improved information about TA activities, closer integration of TA with surveillance, stronger monitoring and evaluation of TA outputs, and an improved resource management system. A number of important steps to address these and other TA effectiveness issues were taken after the OIA review, which were documented in the 2001 and 2002 reviews of the TA program. This review reports on further measures which have been taken to strengthen TA effectiveness and highlights areas where additional challenges remain.

16. Effectiveness encompasses a range of considerations, all of which are generally directed toward ensuring that the TA provided is appropriate for the purpose it was requested and leads toward desired outcomes.

- *Ownership and TA planning:* Deciding how to move forward with a TA activity is an important element determining ownership and commitment by the country authorities and effectiveness more generally. It is critical that an open and consultative process be followed in order to ensure that the Fund's response meets the needs of the country authorities in a cost-effective way. In this connection, the Fund has used a range of TA delivery modalities, including most recently, regional TA centers. The mix of different elements of Fund TA (whether it is strategic, capacity building, problem-solving, "hands-on," etc.) and the intensity of Fund involvement (stand-alone mission, short- or long-term expert, regional center, etc.) cannot be determined a priori. It calls for case-by-case judgments and constant adjustments of activities and plans.
- *The role of Fund TA vis-à-vis other TA providers:* It is accepted that the Fund has a comparative advantage in certain subject areas, but has much smaller resources than

⁹ See: EBAP/99/59 and Supplement 1 (5/17/99).

many other TA providers. At the same time, the Fund has an economic policy advisory role vis-à-vis members that most other TA providers do not have, which can permit the Fund to play a strategic role beyond what its more limited TA resources would normally confer. In optimal circumstances, such a role can permit the Fund to leverage TA resources and enhance their effectiveness. However, to ensure effective implementation of reforms where the Fund's role is primarily to assist with the development of strategic direction, requires very close coordination with other TA providers, and a strong management and follow-up role for staff, which functional departments are evolving toward. It is important to recognize that the application of any strategic approach inevitably calls for a careful assessment of the circumstances, and its success is predicated on the willingness of other providers to support the reform path designed by the Fund. Enhancing collaboration with other TA providers therefore continues to be a high priority, especially in low-income countries.

- *External financing:* The growing role of external financing in supporting Fund TA provides an opportunity to enhance TA effectiveness by permitting the Fund to leverage its own resources and by providing a systematic monitoring and management framework which is in line with international best practice. The fact that externally financed TA activities require a systematic approach to project design, monitoring and evaluation has helped to foster greater awareness of these issues among Fund staff and improve the effectiveness of the TA program more generally. Nevertheless, the reliance on external financing presents a number of challenges, including finding the resources to manage the funds and ensuring that external financing instruments are sufficiently flexible. These challenges are reviewed in Section V, which also contains a number of suggestions for addressing them.
- *Dissemination, management, monitoring, and evaluation:* Reviews of the TA program have consistently signaled the importance of improving the availability of information on TA activities as well as strengthening management, monitoring, and evaluation of Fund TA as key to improving effectiveness. In the past, the focus was often mainly on assuring the high quality of the advice provided, with less attention paid to the sustainability of the results. In this regard, establishing a robust Fund-wide TA resource information system to help achieve more systematic monitoring and evaluation of TA results, including better and more frequent feedback from the authorities, has been and remains a particular challenge. In addition, work needs to continue on enhancing dissemination of information on TA activities. As noted in previous reviews of the TA program and in Section VI of this report, considerable progress is being made in these areas, although they still remain long-term efforts.

III. TECHNICAL ASSISTANCE ISSUES IN LOW-INCOME COUNTRIES

17. The Fund has an important role to play in helping low-income countries achieve sustained growth and poverty reduction.¹⁰ The broad principles of the comprehensive development strategy expressed in the Poverty Reduction Strategy Paper (PRSP) approach, and re-affirmed by the *Monterrey Consensus*, provide the appropriate framework for the Fund's engagement with low-income countries. Within this framework, the Fund's TA program has provided an important source of support for the development of institutional capacity and skills for improved policy design and implementation in such countries.

18. One of the main characteristics of TA to low-income countries is its capacity-building nature. What typically makes TA to low-income countries different from that provided to other countries is the complexity and scope of the assistance needed.¹¹ Because the Fund is a relatively small TA provider, the challenge is to find a role for its TA in contributing to institution building in low-income countries in a way that is in line with available resources, yet produces meaningful and lasting results.

A. The Fund's technical assistance to low-income countries

19. Fund TA delivered in the field to low-income countries during FY 2000–FY 2003 represented about 43 percent of total Fund TA. The Fund's strategy for delivering TA to low-income countries is constrained by the fact that the resources required are usually well beyond what the Fund can offer. This requires that its TA be well focused within its core areas of expertise, prioritized, and managed to maximize the effectiveness of its limited size.

20. TA to low-income countries usually involves a daunting reform agenda, limited absorptive capacity, weak institutions, only a thin layer of skilled officials and low retention rates for those who are qualified, and lack of equipment, among other constraints. Addressing those limitations may require large amounts of TA, extensive training, and careful sequencing, as well as a broad array of complementary reforms that are outside the Fund's areas of expertise, such as civil service reform. Another obstacle is the difficulty associated in low-income countries with the building of broad-based ownership. The traditional methods of promoting "buying into reforms," such as dissemination of key documents, organization of workshops and focus groups, and use of the media, usually run into insurmountable logistical problems, which often result in poor public support for reforms. Vested interests may also represent an obstacle to reform.

¹⁰ Low-income countries are defined as countries with a per capita GNI of US\$735 or less in 2002, calculated using the *World Bank Atlas* method.

¹¹ However, the Fund receives a variety of TA requests from low-income countries, including for short, highly focused TA. Conversely, some middle-income countries may also need long-term TA for complex structural reforms.

21. In identifying the focus of Fund TA to low-income countries, it is important to acknowledge that institution building takes time and requires a longer-term involvement for Fund TA than has often been the case in the past. The major share of Fund TA to low-income countries is provided in the context of use of Fund resources programs.¹² Such programs may provide a useful organizing structure for TA, and indeed may contribute to success in the short run.

22. However, if TA is not designed within a long-term strategic framework that comprehensively addresses institution building, skills needs, and absorptive capacity constraints, there is a danger that initial successes may prove short-lived. Sticking to a long-term framework for institution-building TA, irrespective of whether a Fund-supported program is in place, would give low-income countries confidence that the Fund is “in for the long haul.” It also accepts that progress across sectors in a given country may be uneven. For example, commitment to reform by officials may be stronger in one government agency than another, causing reform to advance faster in some sectors and lag in others.

23. The need to look beyond program constraints to consider a longer time horizon is also echoed in the IEO’s evaluation of fiscal adjustment in Fund-supported programs which recommended that “programs should give greater emphasis to the formulation and implementation of key institutional reforms in the fiscal area, even if (as is likely) they cannot be fully implemented during the program period.”¹³ This tension is present in all areas of Fund TA, but is particularly acute in the fiscal and statistical sectors, where reforms typically take longer to bear fruit.¹⁴

24. The PRSP serves as a useful long-term framework for defining TA needs and setting country-owned priorities. It is widely recognized that the effectiveness of TA is closely related to the recipient authorities’ commitment to implement it. Institution building has a better chance to take root if reforms are “home grown.”¹⁵ Country commitment and ownership, are key ingredients in successful TA outcomes in all countries, but they are particularly critical in low-income countries where the magnitude of the reform effort is

¹² About 60 percent of TA in recent years went to countries with Fund-supported programs, with HIPC/PRGF countries accounting for a majority of this assistance. See *Strengthening Country Ownership of Fund-Supported Programs*, p. 22 (SM/01/340, 11/13/01).

¹³ *Evaluation of Fiscal Adjustment in IMF-Supported Programs*, Recommendation No. 3, p. 21, IEO, September 2003.

¹⁴ A recent assessment of FAD’s TA in public expenditure management in Anglophone African countries noted that the impact of TA in those countries had been mixed, in part, owing to the need to respond to urgent fiscal crisis within the context of a Fund-supported program.

¹⁵ James Boughton and Alex Mourmouras, *Is Policy Ownership an Operational Concept?*, IMF Working Paper, WP/02/72, April 2002.

especially challenging. But beyond the overall framework, it is also important that country authorities are actively involved in the design of the specific TA activities. They need, in particular, to be involved in drafting the design of longer-term TA activities so that their focus, and their own contributions to the final outcome, including the nomination of suitable counterparts, provision of adequate staffing, and keeping trained staff in key positions during the life of the activities, are clear. It is important that the design involve in-depth discussions on monitorable outputs and outcomes, so that the indicators of success are fully understood and execution of the TA can be tracked with a focus on results.

25. Owing to the resource intensity and the long-term nature of much of the Fund's TA to low-income countries, it is particularly important that progress in implementing TA is closely monitored by both Fund staff and the authorities so that modifications to the TA plans receive both parties' support. In cases where the authorities' commitment appears to be waning, or absorptive capacity remains weak, setting milestones for the continuation of TA can be helpful in gauging the authorities' determination to press forward with the assistance. TA can be structured to set milestones that trigger further assistance, letting countries know that the Fund is committed to providing the assistance in the long run. In this way, enhancing the predictability of Fund TA encourages implementation of the steps needed to strengthen institutions over the long haul.¹⁶ Conversely, in cases where the authorities do not reach the milestones, it may be more effective—both for the Fund and the country—to disengage and wait until the circumstances are in place so that TA can be resumed effectively (Box 2).

26. Because of their circumstances, TA to low-income countries emerging from conflict or crisis requires an especially careful approach. Typically, in these cases TA and training needs are both large and urgent. Such cases present particularly difficult challenges for the Fund to mobilize the required TA resources to support capacity building, and to coordinate with other TA providers. The pressing need to solve urgent problems and put in place measures to resolve the immediate deficiencies in post-conflict countries' institutions often places serious constraints on adopting a longer-term framework for TA in the initial stages of reconstruction. Therefore it must be recognized that an optimal sequencing of TA may not always be achievable from the beginning.

B. Partnerships with other technical assistance providers

27. The principle that donor support should be aligned around country-owned, poverty-reducing strategies is now widely accepted, and has been endorsed by the Fund. At the global level, and as part of their commitment under the *Monterrey Consensus*, donors and countries

¹⁶ FAD has experimented with this approach by structuring the terms of reference for some of its long-term advisors to become terms of reference for the reform they were to help to bring about, and by including required actions of the recipient authorities, after involving them in the design of the TA project.

endorsed the *Rome Declaration on Harmonization* in February 2003.¹⁷ Under this approach, countries are encouraged to design, in agreement with the donor community, action plans with clear and monitorable proposals to harmonize donor assistance. However, as the recent review of the progress in implementation of PRSPs notes, the implementation of measures designed to enhance donor coordination remains a challenge.

Box 2. The Gambia: Setting Technical Assistance Milestones

The Central Bank of The Gambia (CBG) received TA from MFD over the period 1996-2001 in a variety of forms in several monetary and financial areas. In April 2002, the CBG and the Fund agreed to draw detailed plans for a second phase of comprehensive TA provision during 2001-04 within the framework of a Technical Cooperation Action Plan (TCAP).¹ The objective of future TA was to modernize CBG's central banking operations, strengthen its financial system oversight, and build institutional capacity. In addition, the legal and enforcement framework of the CBG needed to be brought in line with internationally accepted practices. However, considering the large amount of TA resources required, including from other potential TA providers and donors, the implementation of MFD's component of the TCAP was subject to the implementation of seven mutually agreed "up front" actions.

After the completion of three largely procedural up front actions, the implementation of the other agreed actions proved difficult. The decision was then taken to suspend further Fund TA in this area until these remaining actions were implemented.

¹ The Gambia—*Strengthening the Central Bank and the Financial System: TCAP for the Central Bank of The Gambia*, IMF, MFD Technical Assistance Report, April 2002.

28. The Fund's role as a "niche TA provider" to low-income countries calls for close coordination with other providers. For its TA to be effective, the Fund needs to rely on complementary support of other providers, notably in the areas of training, the posting of long-term advisors, and the provision of computer equipment. Yet for the Fund, the challenge is one of coordinating its smaller, more focused TA interventions with the large-scale projects funded by many bilateral and multilateral donor agencies.

29. At a practical level, meeting this challenge requires Fund staff to be proactive in identifying what other donors are undertaking in areas that intersect or overlap with Fund

¹⁷ See: Poverty Reduction Strategy Papers—Detailed Analysis of Progress in Implementation (SM/03/279, Sup. 1, 9/16/03), p. 37, and Rome Declaration on Harmonization, http://siteresources.worldbank.org/NEWS/Resources/Harm-RomeDeclaration2_25.pdf.

TA.¹⁸ It thus requires more frequent contacts with donors, encouraging the authorities to take the lead in coordinating TA, particularly in “donor rich” assistance areas, and flexibility to modify plans for Fund TA to take into account relevant features of donor support. In such situations, it is important for the Fund to win acceptance for its approach and advice not only from the recipient authorities, but also from other TA providers. In certain TA-intensive situations, the Fund has mounted joint diagnostic/assessment missions with other providers to bring them on board from the beginning of the reform process. It is critical to agree with the authorities and other providers on the approach and recommendations, as otherwise, reforms may be delayed, or in the worst case, reforms could move in a direction different from the one preferred by the Fund.

30. In some cases it may be appropriate for the Fund to take a strategic role in TA coordination in low-income countries, and donors and the authorities often support such a role. Typically in the immediate aftermath of a conflict or crisis, when the UN takes over the administration of a country on a temporary basis, the Fund has been called in to provide essential staff and guidance to run embryonic central banks and ministries of finance (e.g., Bosnia/Herzegovina and Timor-Leste). However, given resource limitations and the magnitude of the coordination effort usually required in post-conflict countries, the Fund may hand over implementation in some sectors progressively after an initial period. Accordingly, it is important for the Fund to assess early on the adequacy of its resources and start coordinating with other key TA providers involved in the country from the beginning so that its role remains relevant and supported by the actions of other donors. This is best done on a country-by-country and sector-by-sector basis. For an example of successful capacity-building TA coordinated with other partners, see Box 3.

C. Management challenges

31. Because of its resource intensity and long-term nature, TA to support low-income countries’ efforts to strengthen their institutions presents special management challenges in terms of planning, coordination, and monitoring and evaluation. Planning of TA activities requires not only a careful assessment of the country authorities’ commitment, but also active involvement by the authorities in the design of the activities to ensure that they meet their needs and concerns. Throughout the planning process it is also important that the work of other providers is taken into account, and, where the actual implementation of TA advice requires complementary support from other providers, that the assistance is closely coordinated with these providers.

¹⁸ The issue of coordination of Fund TA to low-income countries with that of the World Bank has been extensively covered in recent Fund policy papers. See for example: *Bank/Fund Collaboration on Public Expenditure Issues*, (SM/03/73, 2/19/03).

Box 3. Indonesia: Successful Capacity Building and Effective Donor Coordination

Significant progress has been made over the last couple of years in strengthening Indonesia's tax and customs administrations with assistance from the Fund. In the tax administration area, efforts to register additional corporate and individual taxpayers, to rationalize the audit programs, and to speed up the collection of tax arrears boosted tax revenues in 2002 by the equivalent of about 0.5 percent of GDP, and are estimated to have yielded an additional 0.5 percent of GDP in 2003. Other significant achievements included the setting up of a modern large taxpayers' office, and the implementation of a computerized system for filing tax returns and recording tax payments. In the area of customs administration, a comprehensive modernization strategy has started to be implemented, including streamlined customs clearance procedures, combating smuggling, controlling undervaluation of imports, and improving the customs department's governance.

The implementation of the revenue administration reforms has benefited from close cooperation between the Fund and various bilateral donor agencies (AusAID, CIDA, the US Treasury). The broad division of responsibilities among the agencies allowed FAD to formulate the reform strategy—which was closely linked to the Fund-supported program—and identify the strategy's TA requirements while the bilateral agencies were responsible mainly for financing and recruiting technical experts. In this context, FAD developed terms of reference for the various TA assignments, closely monitored the implementation of the reforms and the progress of the experts through periodic missions (timed to overlap with APD missions) and intensive backstopping, and kept donor agencies informed of developments by way of donor meetings in the field and regular reporting from headquarters. The Fund's Resident Representative office also played an active role in following up on TA issues with both the authorities and donors in between FAD missions.

Effective donor coordination has also been a major result of the Fund's TA program for law reform in Indonesia, supported by the Netherlands TA Subaccount. The program has supported the efforts of the Indonesian authorities in establishing an effective bankruptcy regime and a competent and objective judiciary that ensures its proper implementation. While significant progress has been made so far, considerable work is still required in order to achieve these goals. The June 2003 Tripartite Review concluded that the program has used an effective method of supporting sustainable law reform in Indonesia by building a constituency of reform and emphasizing the development of blueprints as a mechanism for focusing reform efforts and for prioritizing and coordinating technical assistance from other TA providers. By helping the authorities with the development of an effective framework for TA and by working closely and openly with other donor-supported initiatives covering legal and judicial reform, the program has played a critical role in the coordination of donor efforts.

32. Longer-term TA tends to be more demanding in the planning process than one-off or short-term events and requires closer monitoring. In the low-income country environment, there may, however, be particular benefits from focusing more explicitly on longer-term objectives in the delivery of TA as it would tilt in the direction of ensuring that conditions are in place for the implementation of TA advice. Without such a focus, and in particular in the case of low-income countries with weak implementation capacity, there is a significant risk that the assistance provided will lead to short-term and unsustainable results. Regardless of whether the assistance is focusing only on upstream, strategic advice, or also includes downstream assistance aiming directly at strengthening the skills of officials and institutions,

longer-term planning would take into account the resources needed to ensure that the conditions are met. Even if the role of the Fund is limited to assisting with the strategic direction of a reform effort, developing action plans, assisting with coordination, and monitoring progress, it requires a sustained effort which would benefit from a longer-term planning horizon.

33. The management challenge is therefore to define whether a specific problem in a low-income country context requires a one-off intervention or a sustained effort by the Fund. If it is the latter, developing a sector or sub-sector, or in some cases, a country TA strategy would help ensure that the role of the Fund and the magnitude and type of resources are clearly defined. A TA strategy would also have the advantage of easier integration/coordination of TA objectives with use of Fund resources or surveillance, and better resource management. For example, it would determine TA needs using available FSAPs, ROSCs, data quality assessments and other diagnostic tools. Where developed, such a strategy should set out the link with the PRSP (if there is no PRSP, then other country development strategies can be used). A well prepared strategy should also specify the commitment of the authorities in terms of resources and realistic implementation milestones, and take into account complementary resources and assistance offered by other TA providers.

34. Considering the long-term nature of capacity-building TA, a possible step forward that warrants further consideration would be to move to multiyear *indicative* TA budgets for the long-term activities typically required in low-income countries. This approach would be particularly useful for Fund TA currently being financed through multiyear donor commitments. Given the Fund's mandate to provide TA to the membership at large, it is, however, important to strive for an appropriate balance between budget predictability and resource flexibility, for instance to be able to respond quickly to accommodate TA requests emerging in the context of program measures, or to address short-term ad hoc requests made by members.

35. Given its long-term nature and the relatively large resource commitment needed, Fund TA to low-income countries should be subject to regular output and outcome monitoring, in collaboration with the authorities. An ex post review should be a requirement for institution-building TA projects, while outcome evaluation would be done on a selective basis. Evaluations are costly, thus funding for them needs to be factored into project designs from the beginning.¹⁹ Sector-wide or cross-country TA programs would be particularly appropriate for independent outcome evaluation when they present a potential for useful lesson-learning. The Fund is already following this approach to some extent in the case of externally financed TA, particularly for the regional TA centers and for selected post-conflict/post-crisis countries.²⁰

¹⁹ The cost of recent external evaluations of some externally financed TA projects has been around US\$80,000–100,000 per evaluation.

²⁰ SM/02/180, pp. 31–33, op. cit.

36. In summary, the approach outlined above suggests that a greater distinction should be made in low-income countries between one-off TA activities and TA provided as part of a sustained effort. Moreover, if the needs of a sector or sub-sector in a low-income country are such that the Fund's response is expected to be longer-term, it would be useful to more frequently develop TA strategies that seek to define the longer-term objectives and the specific role of the Fund.

37. The approach outlined above has a number of important implications. First, it requires a careful balance between the two categories of assistance. The Fund needs to retain flexibility in deploying TA resources, and thus needs to balance its resources used as part of a longer-term effort with the evolving needs for short-term assistance. In this vein, it is important to recognize that a sustained effort does not equal unconditional provision of TA— institution-building assistance needs to be built around clear outputs and outcomes, with a clear exit strategy if those milestones are not met. Second, if the nature of the problems faced by the country is such that a sustained effort is required, it is important that the magnitude of resources and types of TA inputs (whether it is strategic, downstream, capacity building, etc.) required from the Fund is carefully assessed to ensure that they provide meaningful and lasting results.

38. Third, regardless of whether the Fund's role is strategic or of a more downstream nature, a sustained effort is likely to be resource intensive and require a higher degree of coordination and management than has typically taken place in the past. Finally, the approach can fall prey to the tension between the need to show short-term results in the context of a Fund-supported program and the need to provide sufficient time for institution building to take root.

IV. TECHNICAL ASSISTANCE AND TRAINING USING A REGIONAL APPROACH

39. The volume of Fund TA and training delivered using a regional approach has expanded noticeably in recent years. The increased use of regional approaches is motivated by efficiency concerns but also reflects their value added in terms of enhanced quality. Regional approaches have become important means of addressing the needs of countries in a region facing similar TA issues in a comprehensive way, enhancing the field presence, and promoting regional cooperation. Regional arrangements to deliver TA and training include regional TA centers; participation of countries in regional projects; regional advisors serving several countries in a specific region or sub-region; one-off regional seminars and workshops; and regional training organized by INS and other departments through one of INS's six regional training institutes or programs. Given the recent rapid growth of TA and training using a regional approach, it may be useful to examine the perceived benefits and costs.

A. Regional technical assistance centers

40. Since 1993, the Fund has used regional TA centers to provide TA to groups of countries confronted with similar economic problems, that are likely to derive added benefits from a regional approach to TA delivery. The regional TA centers were originally conceived to provide TA to small island economies, first in the Pacific (Pacific Financial Technical Assistance Center—PFTAC) and then in the Caribbean (Caribbean Regional Technical Assistance Center—CARTAC). The approach has been adapted for low-income countries in Africa (African Regional Technical Assistance Center—AFRITACs), and is being considered to provide TA to selected countries in the Middle East region.²¹

41. The perceived benefits of the regional TA centers include: (i) flexibility to respond rapidly to emerging needs through decentralized delivery; (ii) ability to field frequent follow-up visits, thereby monitoring implementation closely, with a “hands-on” approach; (iii) enhanced country ownership and accountability; (iv) ability to develop regional expert networks, which creates local capacity to deliver further assistance; (v) advancement of regional policies and strengthened cooperation and coordination within the region; (vi) more focused, subject-specific training of local officials; and (vii) closer coordination of activities with other TA providers.

42. At the same time, to be successful, such an approach requires close cooperation among all the parties involved, systematic TA planning within a comprehensive, country-focused work plan, a high level of backstopping, coordination, and administrative support from Fund headquarters, and a significant financial commitment from donors, the center’s host country, and the Fund.

Regional technical assistance centers in the Pacific and Caribbean

43. The impulse for adopting a regional approach to TA in the Pacific and the Caribbean relates to the fact that member countries in those regions have a number of similarities—small populations, small island states, and small and open economies, which are heavily dependent on one or two sectors. Most of these economies are highly vulnerable to external shocks. Individual TA providers, including the Fund, have been hard-pressed to meet these countries’ TA requests. These factors, together with the fact that there are potential economies of scale when dealing with a large number of similar economies, resulted in several donors expressing support for the creation of regional TA centers in the Pacific, and later in the Caribbean. Recent reviews of the operations of PFTAC and CARTAC suggest

²¹ At the Madrid Donors’ Conference for the Reconstruction of Iraq on October 24, 2003, the Managing Director announced that he would propose to the Executive Board the establishment of a regional TA center in the Middle East. The main objective of establishing such a center would be to facilitate both the reintegration of Iraq into the Middle East, and capacity and institution building in the region more broadly.

that these regional TA centers have largely met their original objectives and have provided important benefits for the small island economies which they serve.

44. The performance of PFTAC has been subject to regular reviews since its inception and an independent evaluation in 1997. These reviews concluded that the project's regional approach yielded many notable benefits that sub-regional or national approaches to delivering TA would not have.²² These reviews found that a regional center was a cost-effective way of providing TA to Pacific Island countries and that it was unlikely that any other modality of TA delivery would have been as efficient. A new independent evaluation is currently underway and is expected to be completed in mid-2004.

45. In July 2003, an independent mid-term review of CARTAC's operations was undertaken. The review, which is published on CARTAC's website, concluded that the CARTAC project was well designed and its execution, management, and governance is good. The outputs from CARTAC's activities during the first 18 months were considered impressive and the center had played a significant and positive role in the region.²³ One of the main findings of the review was that CARTAC's success was in large part attributable to its flexibility, lack of bureaucracy, and its quick response to requests for assistance. The current balance between a reactive and proactive approach to TA had been correct and the balance between country-specific and regional work had been appropriate.

46. The reviewers concluded that the Center is working well and nothing major needs fixing, and recommended therefore that the Center should stay the course for the next 18 months. Continuation of CARTAC after its initial three-year period, that is beyond 2005, has subsequently been endorsed by the Center's stakeholders. The Center's Steering Committee agreed to extend the current UNDP project and asked CARTAC and the Fund to begin work on the program framework that will continue the project for a further three-year period.

The Africa Regional Technical Assistance Centers

47. The rationale for establishing the AFRITACs was different from that for the centers in the Pacific and the Caribbean. The AFRITAC initiative originated from the Fund's response to African leaders' call on the international community, through New Partnership for African Development (NEPAD) and other fora, to increase TA to Africa and focus it more sharply on capacity building.²⁴ The AFRITAC initiative's overarching goal is to assist sub-Saharan African countries in strengthening their capacity for effective macroeconomic management in the context of the PRSP process and, in doing so, complement existing

²² *Review of Technical Assistance Policy and Experience* (SM/02/180, 6/13/02), p. 37.

²³ *Mid-Term Review of CARTAC (UNDP RLA/01/011)* by Consulting and Audit Canada, Ottawa, Ontario, Canada, August 2003, available at <http://www.cartac.com.bb>.

²⁴ See: *The Fund's Africa Capacity-Building Initiative* (EBS/02/72, 4/24/02), p. 6.

capacity-building efforts by other TA providers. The initiative also aimed at strengthening TA follow-up, ownership and accountability of participating governments, and coordination with other TA providers—issues which had been identified in the past as limiting the long-run impact of TA in many sub-Saharan African countries.

48. As the AFRITACs have been in existence for a relatively short period, it is too early to make anything other than broad observations about their operations to date.²⁵ Lessons will be distilled within the framework of the planned independent evaluation, scheduled for the Fall of 2004. Nonetheless, based on the limited information available, mainly from the operations of the East AFRITAC, some general observations can be made.²⁶

49. The AFRITACs appear to be meeting their main objectives of providing effective TA to participating countries, fostering ownership, and enhancing coordination with other TA providers. Informal feedback suggests that the resident experts are developing valuable points of contact with the authorities of the participating countries and the locally-based donor community, which are well-appreciated. Because of the continuity of their involvement in the different countries served by the center, the resident experts can alert the authorities as to the progress made by other countries and offer successful models to be copied. Being based locally, the resident experts have provided a “technically informed” vehicle for improved communications between the authorities and headquarters, and have assisted with assessments of what other donors may be undertaking in similar technical areas.

50. Based on discussions in the field, donors have been generally positive about the role the AFRITACs have played in fostering the adoption of recommendations made by earlier Fund TA missions. Donors saw value for the AFRITACs in being able to provide first-hand guidance on “next steps” in reform programs which are tailored to the limits of the countries’ implementation capacity.

51. At the same time, the complex TA environment characterizing the countries served by the AFRITACs has meant that the centers are drawing on headquarters staff resources for backstopping of experts, coordination of TA work between headquarters and the centers, formulation of the centers’ work programs, and coordination with other TA providers, to a greater extent than expected.

²⁵ Progress to date is reviewed in *Progress Report on the Implementation of the Fund’s Africa Capacity-Building Initiative* (EBS/03/168, 12/11/03). The center located in East Africa (Tanzania) serves six countries and was established in October 2002. The center located in West Africa (Mali) serves ten countries and was established in May 2003.

²⁶ These observations are gathered from informal feedback from headquarters’ and centers’ staff, officials from the participating countries, and representatives of donors at the centers’ Steering Committee meetings, and recent inspection visits to assess the performance of some of the resident experts at the East AFRITAC.

B. Regional technical assistance advisors

52. TA departments have been using regional advisors as a cost-effective mode of TA delivery. Arrangements may vary. For example, advisors may cover a limited number of countries on a peripatetic basis,²⁷ or they may be based in one of the countries served and travel regularly to the others. For example, excluding advisors assigned to regional TA centers, in FY 2003, long-term advisors delivering TA to more than one country accounted for just over 5 percent of total field delivery of TA.²⁸ Such approaches have been particularly useful in the context of the GDDS regional statistical improvement projects, and have also been used frequently to deliver TA to groups of countries in sub-Saharan Africa, the Commonwealth of Independent States (CIS), and Eastern Europe.

C. Costs of regional technical assistance

53. Establishing a regional TA center with a center coordinator, 4–6 resident experts, and administrative staff involves set-up costs and additional overhead costs which traditional TA modalities do not entail. Costs related to the center’s governance structure, for example, holding Steering Committee meetings, conducting mid-term reviews and evaluations of the center’s activities, etc., also need to be taken into account.

54. Under the current TA regional center model, management and overhead costs (physical facilities, general headquarters management of the center, the cost of the center coordinator, backstopping of the experts, and administrative support) are borne by the Fund and the host country. Other costs, such as experts’ remuneration and travel, training, and evaluations of the centers’ work are borne by the donors. Respective costs of the regional centers are summarized in Table 1. The higher cost to the Fund for the AFRITACs reflects the budget decision taken from the inception of the initiative to provide additional resources for management and backstopping, which were not provided for PFTAC or CARTAC. While operating in a similar manner, the resources allocated to each center for long- and short-term experts and training vary, as reflected in the separate cost components. The unit cost of direct TA delivery is broadly similar, although to a large extent it depends on the intensity of use of regional experts and the respective regional travel costs.

²⁷ Under this modality, the advisor is based outside the region and visits the assignment countries periodically on a short-term basis.

²⁸ Details about regional delivery of TA are provided in the Supplement to this paper.

Table 1. Regional Technical Assistance Centers: Estimated and Planned Expenditures, FY 2003 and FY 2004
(In thousands of U.S. dollars)

	FY 2003		FY 2004 Planned			Total
		Of which: Externally Financed	Headquarters Staff 1/	Local Fund- Financed 2/	Externally Financed 3/	
PFTAC 4/	1,779	1,271	379	443	1,508	2,330
CARTAC 5/	2,510	1,800	379	615	2,877	3,871
AFRITAC - East	1,843	580	1,383	730	2,205	4,318
AFRITAC - West	532	-	1,383	978	2,198	4,559
Total	6,664	3,651	3,524	2,766	8,788	15,078

Sources: Office of Budget and Planning (internal costs); and Office of Technical Assistance Management (externally financed costs).

1/ Includes direct costs for backstopping, supervision, and inspection visits; and indirect costs for support.

2/ Salary and benefits for center coordinator and center budgets.

3/ Donors provide an additional 13 percent of the funding to help defray the Fund's costs as executing agency.

4/ The planned expenditures on PFTAC in FY 2004 reflect increases both in the Fund-financed (costs of the coordinator) and externally financed category: the latter is for more short-term experts, training activities, and the cost of the planned external evaluation.

5/ The expenditure on CARTAC in FY 2004 is expected to increase mainly because of a significantly greater use of externally financed short-term experts and training activities.

55. The direct costs of regional advisors, compared to headquarters-based missions or short-term expert assignments, are presented in Table 2. In comparing these costs, it should be remembered that delivery modalities are tailored to countries' specific circumstances. However, as a general rule, the total direct cost per day of a long-term regional advisor is lower than the most frequently used alternative, which is a short-term expert assignment, or a headquarters-based mission. This conclusion depends, however, on a number of important factors, including the length of the regional advisor's assignment and the proximity of the countries covered.

56. Owing to data limitations, it is not possible to compare the resources spent on management, coordination, backstopping and administration of a regional TA center with the indirect cost of backstopping and administration of a single expert providing TA to one or more countries. Informal staff surveys and Budget Reporting System (BRS) data suggest that these types of overhead costs may add around 25 percent to a long-term expert's total cost. Backstopping and overhead costs for short-term peripatetic experts appear to be somewhat

higher. Actual supervision and administration costs, as well as travel and subsistence costs, will obviously vary from expert to expert, depending upon the nature of the assignment, and the expert's qualifications and previous experience with the Fund.

Table 2. Typical Direct Cost of Selected Technical Assistance Delivery Modes, FY 2003 1/					
Mode of Delivery	Time (person-days)	Salary and Benefits	Travel Cost	Total Direct Cost	Total Direct Cost per day
Headquarters-based mission	77	\$52,000	\$43,000	\$95,000	\$1,230
Short-term expert	22	\$19,100	\$10,800	\$29,900	\$1,360
Long-term regional advisor 2/	260	\$215,600	\$49,000	\$264,600	\$1,020

Source: Office of Technical Assistance Management.

1/ The results are weighted averages of TA departments' TA delivery data. Salary and benefits costs are derived from standard cost data for Fund staff and for TA experts. Travel cost data are derived from a survey of actual travel costs for Fund staff and TA experts.

2/ Direct cost data are applicable to a single long-term advisor serving two or more countries, and to a long-term advisor attached to a regional TA center. Data do not include any overhead costs.

57. The decision on what mode of delivery to employ in meeting countries' requests for Fund TA is made on a case-by-case basis, and tailored to the particular circumstances of the request. For this reason, it is important for TA departments to be able to use a range of delivery modalities flexibly.

58. The Fund's experience with regional TA centers suggests that, despite their higher overall cost,²⁹ they can provide a promising modality for TA delivery in specific circumstances in which their objectives are clear and delivery is well tailored to the needs of the participating countries and the region. Some criteria which could be considered in deciding whether to establish a regional center include: similarity of TA needs among a group of countries in a region; need for more continuity of TA and closer contacts with the authorities and other TA providers through the field presence of a group of advisors covering a range of subject expertise; and commitment from a critical mass of external donors interested in pooling funds to provide TA to a region. Where these criteria are not met, but the regional circumstances are such that it would be beneficial to provide TA through a

²⁹ Overall cost is defined to include fixed costs and overheads.

regional modality in a particular sector, the use of a long-term regional advisor appears to be a cost-effective alternative to other forms of TA delivery.

D. IMF Institute regional training

59. The IMF Institute runs a network of six regional training programs in collaboration with various co-sponsors.³⁰ The expansion of the regional programs has accounted for the entire increase in participant-weeks of training over the past five years (Table 3) and these programs now provide about two-thirds of the courses and seminars offered by INS and about half of the participant-weeks of training. The development of INS's regional programs has been influenced both by their cost advantages and by the flexibility they offer in the design of INS's curriculum.

Table 3. IMF Institute: Number of Courses and Seminars for Officials, FY 1999–FY 2003

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Training in Washington 1/	20	22	22	21	23
Regional training institutes and programs 1/ 2/	38	57	67	80	79
Other overseas training 3/	20	24	19	16	17
Distance learning 4/	--	1	1	3	3

Source: IMF Institute.

1/ Includes courses and seminars offered by departments other than the IMF Institute.

2/ Includes courses and seminars offered by the African Development Bank and the World Bank (4 in FY 2000, 4 in FY 2001, 8 in FY 2002, and 6 in FY 2003).

3/ Does not include courses and seminars offered by departments other than the IMF Institute.

4/ Included in training in Washington.

Costs for INS training

60. The regional programs have been a cost-effective means of expanding INS's training, as training costs overseas are lower than in Washington. In addition, the regional programs have elicited substantial additional financing in the form of cost sharing by the program co-sponsors, which has enabled a much greater expansion of training than could have been

³⁰ These co-sponsors include: the African Development Bank, the Arab Monetary Fund, Austria, Brazil, China, and Singapore. Information on these programs is available in the Supplement to this paper.

accomplished using the Fund’s budgetary resources alone. The programs have also greatly facilitated the development of INS’s curriculum.

61. Looking at direct training costs, the average cost of the regional programs is almost as high as in Washington (Table 4). This reflects the fact that courses in Washington are, on average, about two and a half times longer than those at the regional programs and that certain costs, such as air travel, are largely independent of course length. However, the direct training cost to the Fund’s administrative budget on this basis is still considerably lower at the regional sites (about 60 percent of the cost at headquarters), reflecting the contributions from co-sponsors.

Table 4. IMF Institute Direct Training Costs, FY 2003 1/ (In U.S. dollars)		
	Regional programs 2/	Washington courses
All courses		
Cost per participant-week	1,850	1,890
<i>of which: IMF share</i>	<i>1,140</i>	<i>1,890</i>
Typical two-week course		
Cost per participant-week	1,620	2,670
<i>of which: IMF share</i>	<i>930</i>	<i>2,670</i>
Source: IMF Institute.		
1/ Participant costs and staff travel costs.		
2/ Unweighted average of regional programs.		

62. Adjusting for course length, the cost advantage of the regional programs becomes even more apparent. For a typical two-week course, direct training costs at the regional programs are about 60 percent of the corresponding costs in Washington. This mainly reflects higher participant travel costs to, and living costs in, Washington. After taking account of cost sharing with program co-sponsors, the direct training cost to the Fund for a two-week regional course is significantly lower, at about 35 percent of that in Washington. Comprehensive data are not available to compare the indirect administrative support costs for training activities in Washington and at the regional programs.

63. Abstracting from these cost considerations, it should be noted that INS training at headquarters focuses principally on courses and seminars for which regional delivery is not practical or well suited. In particular, longer courses that draw on a wide range of staff expertise account for over 80 percent of training at headquarters. It would be difficult as well as expensive to organize such comprehensive courses in overseas locations., Headquarters is

also well suited as a venue for activities on global issues, directed at senior officials, as it enables officials from around the world to share experiences.

64. The above evidence supports the view that regional programs have been a cost-effective way of expanding IMF training both from the perspective of overall costs and even more so from the perspective of the IMF administrative budget, given the financing from co-sponsors. Providing this training at other locations would have entailed greater overall costs (especially in the case of training in Washington) and would have been unlikely to elicit additional financing on the scale that has been secured.

V. THE GROWING IMPORTANCE OF EXTERNAL FINANCING

A. Challenges in external financing

65. External financing has provided a welcome addition to the resources available to finance TA in recent years. Given the increased reliance on external financing, it is important to ensure that the Fund has the right approach vis-à-vis this source of TA funding. The approach needs to ensure that: (i) an adequate volume of external resources can be procured in the medium to long term; (ii) sufficient resources, instruments, and systems are available to manage external financing according to international best practice; and (iii) externally financed TA is as tightly focused and prioritized as Fund-financed TA and is in the core areas of the Fund's expertise. These objectives raise a number of issues.

66. As is the case for Fund-financed TA, the implementation of externally financed TA projects entails administrative and supervisory costs for the Fund (i.e., backstopping and project management). Some of these costs are met from the 13 percent administrative fee charged by the Fund to donors. However, it needs to be recognized that the Fund's ability to leverage its internal resources is limited by the extent to which TA departments and OTM can meet the TA backstopping and management needs.

67. In the face of limited staff resources, a way to reduce some of these pressures, which has worked well in recent projects, such as the regional GDDS projects in Africa, is to build into the budgets of externally financed projects the cost of hiring a project manager. For larger projects, especially capacity-building projects, the employment of project managers is a promising avenue to relieve management resource constraints. OTM has been discussing this approach with selected donors. This practice is routinely done by other multilateral TA providers, for instance, the World Bank.

68. Externally financed TA requires the Fund to take into account the concerns, methods, and requirements of the participating donors. Thus the design, monitoring, and evaluation of externally financed TA need to conform to methods and concepts that are not yet necessarily those of the Fund. Staff in TA departments have been gaining a greater awareness of project management requirements as practiced by donors, but there is scope for embracing more widely a TA project mentality. From a resource management standpoint, challenges also

arise with respect to multiyear financial commitments which must be managed within the constraints imposed by single-year Fund budgets.

69. The Fund's current policy is that external financing should be accepted only if it is for TA that is fully consistent with the Fund's policy priorities and is in the core areas of the Fund's expertise.³¹ The availability of external financing should not drive TA delivery.

70. The instruments available for accepting external financing have improved over recent years. Establishment of the Framework Administered Account for Technical Assistance Activities (FAA) has simplified the process and rationalized the administrative burden of managing external contributions. The amendment of the FAA instrument to accept resources from several contributors for joint financing of TA activities has also reduced the administrative burden. At present, some 22 understandings have been signed with 18 different contributors under the three multidonor subaccounts. While the initial negotiations in a multidonor setup are more complex than with a single donor, there are significant efficiency gains in terms of reporting and management, once the multidonor subaccount is operational.

71. The donor environment and financing of TA activities are constantly changing which necessitates that the Fund regularly assess, and if necessary, adjust the tools available to secure and manage external financing. The trend towards joint financing of specific TA projects, such as the AFRITACs, is but one element of the changing multilateral financing environment. Another is the pooling of resources for the purpose of supporting more general objectives. The Financial Sector Reform and Strengthening Initiative (FIRST) is an example of a financing modality that is increasingly favored by donors. Through the FIRST Initiative, which is operated under a World Bank trust fund, TA providers, and private and public sector organizations, including the Bank and the Fund, can seek resources to assist with the implementation of TA projects in the financial sector area. However, unless the Fund finds ways to access resources made available through such trust funds, as it has done with the FIRST Initiative, the establishment of such trust funds, by channeling resources away from the Fund, could have a negative impact on the ability of the Fund to attract external financing.

72. To respond to some of these challenges, OTM is in the process of identifying the scope for establishing a limited number of sectoral or topical multidonor subaccounts. Establishment of such subaccounts, to complement bilateral subaccounts, would provide a number of benefits, such as the reduction of earmarking for selected countries, flexibility of using the resources received, and reduction in the administrative burden of managing contributions.

³¹ Regardless of the funding source, all Fund TA activities have to be consistent with the Fund's purposes as set out in the Articles of Agreement.

73. The number of donors providing external funding for Fund TA has increased significantly during recent years. However, in order to meet the need for an increasing level of external financing, it will be important to continue to increase the number of donors. There are a number of potential financing sources that the Fund has not yet been able to tap through its existing instruments, and for which it has to rely on intermediaries, such as the UNDP. To access such sources directly, and hence increase the scope for securing additional external funding, it may in some instances be necessary to develop new instruments or to negotiate specific framework agreements of a different type.

B. An approach toward external financing

74. The Fund's ability to continue to attract a large volume of external financing will to a large extent depend on its ability to address the issues and challenges raised above. It will therefore be important to develop a comprehensive approach with respect to external financing, which could include the following:

- Acknowledging the important role of external financing in funding Fund TA and the desirability of leveraging Fund resources in support of the membership's TA needs.
- Setting an indicative annual benchmark for external financing, as part of the overall budget and TA planning processes.
- Emphasizing that externally financed TA needs to be fully consistent with the Fund's priorities and core areas of expertise.
- Addressing in part the backstopping issue through financing project managers from external sources—preferably long-term headquarters-based managers. Given the medium-term budget outlook, it should also be recognized that accommodating additional backstopping may require some reallocation of departmental resources to support the leveraging of external resources.
- Strengthening the ability of the Fund to procure external financing by improving existing, and developing new, instruments for external financing that respond to the changing donor environment and, where possible, address the special constraints of those important donors that have not yet been able to provide financing without the use of intermediaries.³²
- In the medium-term, looking for ways to make external financing more flexible. OTM has already initiated discussions with donors on this issue.

³² This constraint applies particularly to accessing funds from the European Union.

VI. STRENGTHENING TECHNICAL ASSISTANCE INFORMATION AND MANAGEMENT

75. The July 2002 review proposed a number of actions to be taken over FY 2003–FY 2005 to enhance information about the Fund’s TA program and to strengthen TA management, monitoring, and evaluation.³³ Table 5 reviews the status of their implementation, which covers four main areas, namely:

- *Enhanced internal and external dissemination of TA reports*—to enhance awareness of TA advice and its role in supporting Fund surveillance and use of Fund resources, as well as to improve transparency and accountability.
- *Strengthened Fund-wide TA resource management*—to better support TA management, including tracking resource commitment, capturing actual expenditures in addition to the current standard cost information, and computing total staff and expert time spent on specific TA projects.
- *Establishment of a formal three-year rolling program of TA evaluation*—to increase the frequency and coverage of evaluations, and to improve accountability and transparency.
- *Creation of a Fund-wide TA monitoring and evaluation system*—to track TA projects consistently from conception through completion, with particular emphasis on tracking outputs and outcomes, and thus provide information, at a subsequent stage, for project evaluation.

Dissemination of technical assistance reports

76. In order to enhance access to TA reports by Fund staff, Executive Directors’ offices, and interested donors, it was decided to implement a new internal dissemination policy for TA reports. The intention was to begin with an enhanced internal access policy to gain experience and to gauge countries’ views on enhanced dissemination of TA reports. After reviewing experience with this approach, steps could be taken to expand dissemination of reports to the public, with the consent of country authorities. The enhanced access was launched Fund-wide in February 2003.³⁴ It provides for dissemination of TA reports to staff, under the provisions of GAO 35. Reports are also made available, with the consent of country authorities, to Executive Directors and their staff, and to outside donors who have a legitimate interest in the report.

³³ SM/02/180, Table 10, p. 60, op. cit.

³⁴ The provisions of the policy appear in: *Internal Availability of Technical Assistance Reports*, SM/02/378 (12/11/02).

Table 5. Medium-Term Work Program for Technical Assistance, FY 2003–FY 2005

	Estimated Cost		Status	New Proposals	Estimated Cost	
	(In person-years)	FY 2003 and onwards (In US\$) 1/			FY 2004 and onwards (In US\$) 1/	(In person-years)
Dissemination of TA reports and information Substantive coverage of TA included in Article IV Staff Reports for countries where TA is most critical. 25 reports covered by end-FY 2003 and 50 by FY 2004 and onwards 2/ Development of a policy for internal and external dissemination of TA reports by end-FY 2003 3/ Implementation of a broader policy of internal and external dissemination of TA reports and information 4/	Nil	Nil	Not implemented systematically			
	1.0	220,000	Completed			
	Up to 5.0 person-years	--	Up to 810,000	Implemented	Encourage voluntary external publication of TA reports on the Fund's website	Nil
TA resource management Project proposal and tender document developed during FY 2003 4/	1.0	165,000	Project proposal completed. Tender document development in progress	Tender signed in FY 2004	Nil	Nil
TA management structure which captures total staff and expert time spent on specific TA activities established within the PeopleSoft system by mid-FY 2005 5/	TBD	--	In progress	Work pursued in FY 2005 on TAEP	TBD	2.5 million
Monitoring and evaluation of TA Fund-wide methodology for planning, monitoring, and evaluating TA established by end-2002 6/	1.5	280,000	In progress	TAIMS first phase piloted before end FY 2004 and if successful rolled out in a timely fashion	TBD	0.5 million
Formal three-year rolling TA evaluation program established by mid-FY 2003 4/ 7/	1.0–2.0 person-years	--	Completed	Pursue at a rate of three evaluations/assessments per year	1.0–2.0 person-years	165,000–330,000
Total		0.7 million				Up to 1.1 million
Sources: Office of Technical Assistance Management, and Table 10, p. 60, SM/02/180, op.cit. 1/ Cost estimates includes salary and most benefits but do not include office occupancy. 2/ Estimated staff time equals estimated saving from discontinuing the Technical Consultations. 3/ Cost estimate assumes 0.5 person-years of B-level and A9–15-level staff, respectively. 4/ Cost estimate assumes A9–15-level staff. 5/ The cost of developing this capability is to be determined, but is within the current and medium-term capital projects plan. TBD indicates cost to be determined. 6/ Cost estimate assumes 0.5 person-year of B-level staff; 0.6 person-year of A9–15-level staff; and 0.4 person-year of consultants. 7/ Cost estimates refers to the cost of conducting the assessments.						

77. By end-November 2003, 619 TA reports were placed in the Repository. About three-fourths were classified FOR OFFICIAL USE ONLY, and thus was accessible without restriction to all Fund staff; one-fourth of the reports was classified as CONFIDENTIAL, and thus are available on a limited basis only (typically access is restricted to B-level staff). About one-third of the reports were authorized for release to Executive Directors and their staff by country authorities. Although many countries have not responded so far to the Fund's request for release authorization, it is noteworthy that of those authorities that have responded, a large majority (about 80 percent) agreed to make the reports available to Executive Directors and their staff and concerned donors.

78. Staff's use of the new access policy has been initially slow, but the rate of consultation has picked up lately. On average, each available report has been consulted twice since February 1, 2003. Based on an informal consultation of departments, awareness about the availability of TA reports differs widely among staff. Access by OED members has been low, with only 21 reports being consulted by Directors and their staff.

79. As discussed during the previous review of Fund TA in July 2002, making TA reports available to the public is important for transparency, accountability, and for sharing lessons learned. As a next step toward enhancing dissemination of information on Fund TA, and consistent with existing policies on information security and treatment of confidential information, countries could be encouraged to consent to the publication of their TA reports on the Fund's external website.

80. The medium-term TA work program had proposed expanding selectively the coverage of TA included in Article IV staff reports for those countries where TA had important macropolicy implications, or where a substantial amount of TA had been provided. Some progress has been made in reporting more fully on the outcome of TA in Article IV staff reports where such activities have been important for achieving macropolicy goals. However, the practice has not been systematic. Further, selective, efforts in this area could be beneficial to inform the Board of particular cases in which TA has been important in underpinning macropolicy and institution building goals.

Strengthened technical assistance management

81. The Fund's *TA Enhancement Program* (TAEP) is a multiyear effort toward strengthening the management of the Fund's TA.³⁵ It is aimed at ensuring that current and future business needs in five functional areas of TA management are addressed efficiently. The five areas comprise: monitoring of TA; donor management; TA resource management; TA project management; and mid-term TA planning. TAEP is intended to provide management tools to support best practice operations in all of the above categories. Tools and procedures will be created to monitor project goals, review outputs of TA work,

³⁵ SM/02/180, Section VII. A., pp. 51-52, op. cit.

associate financial and resource inputs more easily, and assess the effectiveness of TA. The project also aims at improving coordination between area and TA departments and OTM. A Work Practice Review has started in December 2003 to identify more effective processes.

82. At the beginning of FY 2004, the business proposal for TAEP was completed, a full-time project manager was engaged, a project plan was developed, a project schedule for development and implementation for the next three years was drawn up, and a cost-benefit analysis for the project was conducted. The project is in the design phase and internal consultations are continuing.

Formal program of TA evaluation

83. During the last review, Directors requested additional information on the effectiveness and impact of TA, and endorsed the proposal to introduce a formal three-year program of evaluation.³⁶ The intention is to provide the Board with three to four evaluations per fiscal year. The program was launched in April 2003, and the first set of three evaluations will be available in early 2004.³⁷ The purpose of the program is to introduce a more formal approach to TA evaluation. The program aims at: (i) increasing the frequency and coverage of evaluations of Fund TA; (ii) generating and disseminating lessons that can be applied to make Fund TA more effective; (iii) strengthening integration of TA with the Fund's other institutional outputs; and (iv) improving accountability and transparency of Fund TA. The findings are expected to be used in improving future TA interventions, as well as in making more effective the collaboration with other TA providers. Once a standard methodology for monitoring and evaluating TA becomes operational (see below), the rolling evaluation program will be harmonized with it.

Technical assistance monitoring

84. Staff are working on putting in place a Fund-wide *Technical Assistance Information Management System* (TAIMS), which will strengthen TA monitoring capability. TAIMS is one of the five components of TAEP and will integrate project monitoring with basic information on TA costs and time spent on TA activities. It will serve as a basis for project evaluation.

85. The *Working Group on Technical Assistance Monitoring and Evaluation* (WGME) was set up in April 2002 with the aim of developing a Fund-wide, standard, computer-

³⁶ The program includes a mixture of topics and employs different methodologies consisting of both internally conducted and independent evaluations.

³⁷ *Technical Assistance Evaluation Program*, SM/03/141 (4/17/03). The first set of three evaluations covers the 2003 review of CARTAC, and two evaluations of TA provided by FAD in public expenditure management in sub-Saharan Africa.

supported TA monitoring and evaluation system.³⁸ The WGME recruited a consultant³⁹ who produced a *Report on Strengthening the Monitoring and Evaluation of Technical Assistance at the IMF*. The Consultant found that while the Fund's TA departments tracked and monitored their inputs better than other comparable international organizations, they lagged behind those organizations in monitoring the results produced by their interventions. The Consultant's report contained three principal recommendations:

- adopting a *common terminology* pertaining to TA monitoring and evaluation;
- creating a Fund-wide, *standardized system of monitoring* for all TA activities and accessible to all Fund staff; and
- setting up an *independent TA evaluation function* for the management and dissemination of selective, independent, and in-depth TA evaluations with a view to distilling lessons learned and linking them to TA decision making.

86. After internal debate, a work program focusing on the establishment of a common terminology and a standardized monitoring system was endorsed unanimously by the departments represented on the *Technical Assistance Committee (TAC)*,⁴⁰ and later approved by management. Accordingly at end-December 2003, an initial set of common terminology had been adopted and work is moving forward on the development of a computer-supported, standardized monitoring system, which is expected to allow staff to monitor TA delivery, and gather related information on a consistent basis. The general architecture of TAIMS is presented in Chart 1.⁴¹ It is expected that the first phase of TAIMS (i.e., TA project registration and monitoring) will be piloted in mid-2004.

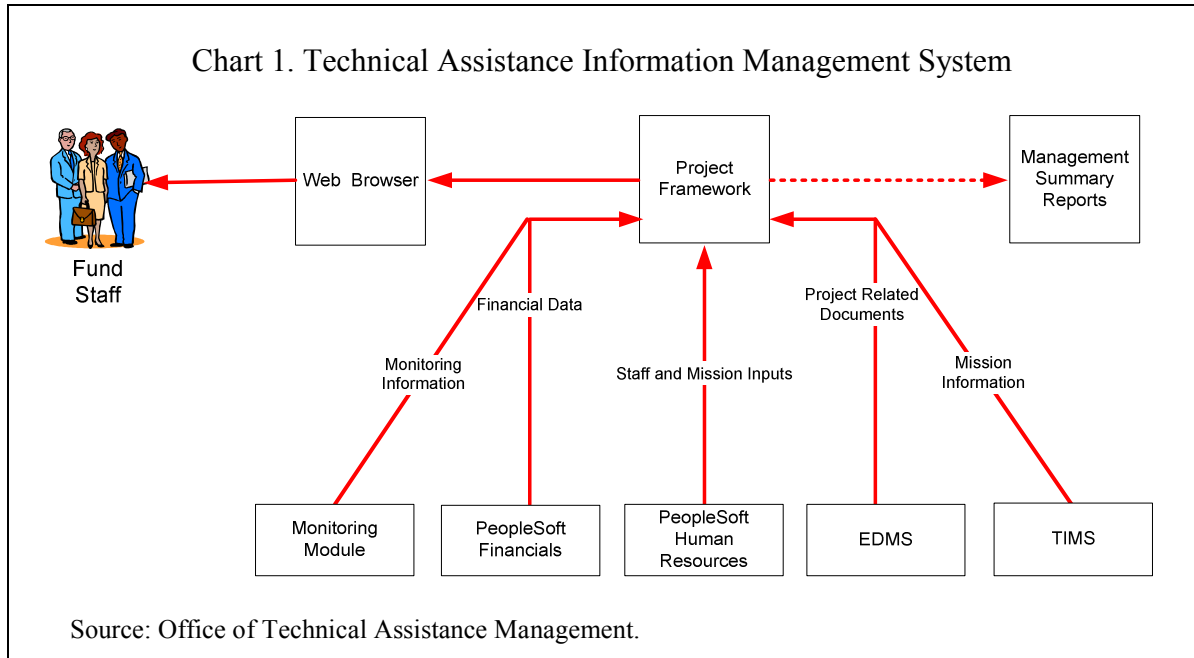
87. The current cost estimates for the five components of TAEP are US\$3 million, of which US\$1.2 million has already been appropriated for FY 2004. Preliminary cost estimates for the piloting of TAIMS's Phase I are US\$0.5 million. It is assumed that all components of TAEP can be developed and implemented within the already approved IT budget.

³⁸ The WGME is composed of senior staff members of the seven TA departments and three area departments (AFR, EUR, and MCD). It is chaired by OTM.

³⁹ The terms of reference of the WGME and of the Consultant are posted on OTM's website.

⁴⁰ The TAC consists of B-level staff from all area and TA departments, OBP, PDR, and HRD. It is chaired by the Deputy Managing Director in charge of TA.

⁴¹ The architecture and desired specifications of TAIMS are discussed in greater detail in the *TAIMS Contribution Paper* (October 2003) posted on OTM's website.



Technical assistance evaluation

88. The monitoring information which will be provided by TAIMS will serve as the basis for selective evaluations of IMF TA. Work on the possible establishment of an independent TA evaluation function, as recommended in the WGME Consultant's report, will be initiated after the completion of the IEO evaluation of the Fund's TA. This will allow further work in this area to benefit from the IEO's findings and progress in the introduction of the standardized TA monitoring system. In the meantime, in addition to the formal TA evaluation program mentioned earlier, functional departments are undertaking internal evaluations of the TA they provide on a more systematic basis. These evaluations are being complemented by ad hoc assessments, such as the recent review of the effectiveness of Fund TA to Mauritius, conducted by OTM/AFR.⁴² Moreover, mandated evaluations of the regional TA centers and those carried out for other externally-financed projects are providing a useful body of information from which to draw lessons.

VII. CONCLUSION

89. The Fund's TA program has evolved considerably in recent years in response to the changing needs of the membership. This evolution, against a background of tight Fund resources, has challenged the TA program to remain well focused and effective.

⁴² See: *Mauritius—Assessment of IMF Technical Assistance* (SM/03/199, 06/04/03).

90. A new approach to prioritizing TA using a system of priority program categories and filters was put in place in 2001, and is proving to be a useful tool in allocating TA resources effectively. The initiatives to strengthen surveillance in the financial sector and the work related to international standards and codes have also provided useful assessment tools to help define and prioritize TA needs. Further enhancing the role of TA to support the needs of the membership suggests that TA will need to focus on what the institution is best placed to provide, on a case-by-case basis, with due consideration to the circumstances of both the country and the TA sector involved. Achieving a balance among programs and initiatives that call for TA will need to evolve in line with the particular needs of the membership at different points in time.

91. The report concludes that the Fund's current TA modalities are broadly adequate. However, TA effectiveness could be enhanced by working towards stronger ownership and commitment of the country authorities in the design of TA activities and through more systematic monitoring of outputs and evaluation of TA activities. Dissemination of information on TA and resource information could also be further strengthened.

92. A particular challenge relating to both the focus and the effectiveness of Fund TA is presented by the Fund's role in supporting institution building in low-income countries, where the resources required are large and generally well beyond what the Fund can provide. Accordingly, it will be important to find a role for the Fund's TA in low-income countries that is in line with its limited resources, yet produces meaningful and lasting results.

93. To meet this challenge, the report suggests that the Fund needs to look beyond the pressures to show short-term results and to position its TA for institution building within a longer-term horizon. This would require that a greater distinction is made between one-off TA activities and TA provided as part of a sustained capacity-building effort. If the needs are such that the Fund's response is expected to be longer-term, it would be useful for individual country or sector cases to develop more frequently TA strategies that seek to define the longer-term objectives and the specific role of the Fund vis-à-vis those of other providers. TA to low-income countries usually requires more intensive coordination with other TA providers, an area where considerable progress has been made since the last review. Because of its resource intensity and long-term nature, Fund TA for institution building in low-income countries may require more intensive planning and monitoring, and more systematic, though selective evaluation, than has typically taken place in the past.

94. The importance of regional approaches for delivering Fund TA and training, in particular regional TA centers, has continued to grow, as a means to enhance the efficiency and quality of the TA program. Regional TA provides a number of added benefits to members facing similar problems, including a continuous field presence and closer follow-up, and promotion of regional cooperation. Reviews of the operations of PFTAC and CARTAC have been positive, suggesting that these arrangements have had a clear value added for all of the parties concerned. While it is too early to draw conclusions from the early experience with the AFRITACs, preliminary feedback has also been positive. Given the important qualitative benefits that they can confer, the recent experience with regional TA

centers suggests that their value added likely outweighs their higher cost, compared to other delivery modalities. A review of INS regional training activities shows that regional programs have been a cost-effective way of expanding IMF training.

95. In regions or sub-regions where there would be limited efficiency gains from establishing a regional center, but where the circumstances are such that it would be beneficial to provide TA through a regional modality in a particular sector, the use of a long-term regional advisor appears to be a cost-effective alternative to other forms of TA.

96. External financing has provided a welcome and much-needed addition to the Fund's own resources for TA. The report suggests that a strategy vis-à-vis external financing needs to ensure that: (i) an adequate volume of external resources can be procured in the medium to long-term; (ii) adequate Fund staff resources are available to manage external financing and backstop experts; (iii) the external financing instruments available are flexible; and (iv) externally financed TA is as tightly focused and prioritized as Fund-financed TA.

97. These issues have implications over the long term for the management of TA and the resources devoted to this management. Enhanced management of TA requires a continued improvement of current management systems, in line with the recent efforts by functional departments described in the report. The report notes that steps have been taken to strengthen resource management through a multiyear capital project to provide TA departments with the tools to plan and manage TA resources more efficiently. Under this effort, the development of TAIMS, which will provide the basis for enhanced monitoring and evaluation of TA activities, is a significant undertaking.

98. In 2003, steps were taken to enhance the availability of information on Fund TA. A new pamphlet on IMF TA was prepared, and TA reports became available to staff, the offices of Executive Directors through the Fund's Institutional Repository, and to selected donors. A formal program of TA evaluations was launched to provide the Board with three to four evaluations of TA each year, with the first set of evaluations scheduled to be available in early 2004. The report suggests that, now that some experience has been gained with enhanced internal dissemination of TA reports, it may be useful to broaden this initiative to the public. The report therefore suggests that consistent with existing policies on information security and treatment of confidential information countries be encouraged to publish their TA reports on the Fund's external website to foster sharing of lessons learned and transparency.

VIII. ISSUES FOR DISCUSSION

99. Do Directors agree that the focus of Fund TA has become more strategic as a result of the prioritization process introduced in 2001 and the strengthened link to other Fund outputs?

100. Do Directors support the actions being taken to enhance the effectiveness of the Fund's TA, and in particular the efforts underway to improve dissemination, management, monitoring, and evaluation?

101. The role of Fund TA in low-income countries has been emphasized in recent years. Do Directors agree that TA to low-income countries should become more strategic with the development and use of sector or country strategies defining the role of the Fund vis-à-vis other providers in achieving longer-term objectives?
102. Do Directors agree that regional arrangements, including regional TA and training centers, can provide an effective way of delivering TA?
103. Do Directors agree that external financing provides a welcome addition to the Fund's resources for TA? Are current efforts in terms of resource mobilization adequate, or should more be done to leverage Fund resources?
104. Do Directors agree that this Review Paper and its Supplement should be published, as was done on the occasion of the last two reviews?

Table 6. IMF: Technical Assistance Delivery, FY 2000–FY 2003				
(In effective person-years) 1/				
	FY 2000	FY 2001	FY 2002	FY 2003
	Actual	Actual	Actual	Actual
Fund TA budget	257.7	265.5	268.8	262.2
Staff	164.4	171.8	172.2	174.1
Headquarters-based consultants	16.4	22.7	23.2	20.1
Experts	76.9	71.0	73.4	68.0
External TA resources	85.5	77.7	77.8	93.5
UNDP	8.7	8.4	9.6	9.6
Japan	68.0	59.5	56.2	61.9
Other	8.8	9.8	12.0	22.0
Total TA resources	343.2	343.3	346.6	355.7
Total direct delivery	282.2	275.8	280.0	286.5
African	69.8	68.2	71.9	72.1
Asia and Pacific	44.4	57.0	63.1	67.5
European 1	24.1	30.2	30.3	27.7
European 2	40.4	40.8	32.6	25.1
Middle Eastern	27.5	27.8	22.4	26.5
Western Hemisphere	28.2	23.7	28.0	32.6
Multiregional	47.9	28.0	31.7	35.1
TA policy, supervision, and administration	61.0	67.5	66.6	69.2
Total TA use	343.2	343.3	346.6	355.7
Total resource use by TA department				
Monetary and Financial Systems Department	113.0	101.2	115.5	120.0
Fiscal Affairs Department	106.6	111.9	97.5	94.3
Statistics Department	49.1	48.2	49.2	55.7
IMF Institute	54.6	54.4	56.0	55.4
Legal Department	8.6	15.4	15.5	19.6
Other Departments	11.3	12.2	12.9	10.7
Source: Office of Technical Assistance Management.				
1/ Total TA delivery, including headquarters and field time. An effective person-year of technical assistance is 260 days. From FY 2001, the data include all time spent on TA activities by support staff.				