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To: Members of the Executive Board
From: The Secretary
Subject: **External Evaluation of Technical Assistance Provided by
the Monetary and Exchange Affairs Department - Report of
Independent Panel**

This paper provides supplementary information to the report of an independent panel evaluating technical assistance provided by the Monetary and Exchange Affairs Department which was discussed at Executive Board Meeting 96/47 on May 17, 1996.

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EXTERNAL EVALUATION OF TECHNICAL ASSISTANCE PROVIDED BY THE I.M.F.'S MONETARY AND EXCHANGE AFFAIRS DEPARTMENT

ADDITIONAL OBSERVATIONS

The Panel's report was scheduled for consideration by the Executive Board on May 17, 1996; the members of the Panel were invited to attend. Among the issues that came up during the discussion, there were two on which the members of the Panel felt it necessary to comment more extensively to clarify their views and to put their suggestions in the correct perspective; they were invited to elaborate more fully on their oral remarks in this written addendum. The first issue has to do with the method adopted by the Panel for the selection of the countries concerned; the second, with the question of conditionality for technical assistance.

On the first issue, the report indicates the following: "As to method, the Panel, given the constraints on its time and budget, had to choose between examining in depth a very few individual cases of technical assistance to central banks by MAE, and examining a larger sample of cases [...]. The Panel felt it neither practical nor indeed necessary, or desirable, to choose the first course and examine in excruciating detail two or three individual cases. Instead, it chose to examine a larger number of instances of MAE technical assistance, both to obtain insights useful in evaluating the TA process as a whole, and to be able to propose general improvements in that process." However, during the discussion of the report at the Executive Board, several Directors voiced their strong preference for the alternative method.

According to the terms of reference for this study, the object of the evaluation was "the technical assistance activities of the Department;" or, as the paragraph quoted above states, "the TA process as a whole." In addition, the last sentence of the terms of reference makes it clear that "the findings are not intended as an assessment of the TA activities of MAE as they relate to any individual country." Hence, the Panel adopted a "representative sample" approach while knowing full well that the latter was not a probabilistic, random sample.

In statistical inference, the sample size varies directly with the variance of the population. A mere sip of wine from the glass gives full information about the content of the bottle, because the variance among all possible glasses is zero (or sufficiently close to zero); the content of the bottle is homogeneous. But the technical assistance activities are far from homogeneous among countries. Hence, a single observation or a very small sample could hardly give the necessary information about the many dimensions and nuances of the TA process as a whole. Actually, at one point, the Panel considered increasing the sample size, not reducing it; but then, "the constraints of time and budget" allowed no such increase. Other alternatives, like stratified sampling, could have also been attempted but the complexity and the variety of dimensions of the TA process would have made it too difficult to implement.

Of course the individual country study is feasible but for a different purpose, as any one country in the sample taken individually would not have allowed genuine inferences about the MAE technical assistance process as a whole. On the basis of the information in Annex IV of the report, one can see that an evaluation of TA based on

China alone, would not have given any insight into the problems or merits of the work of short- or long-term experts; Egypt, alone, into the work of short-term experts and the value of local or external seminar and workshops; Namibia or Zambia, individually, would have given disproportionate weight to the role of long-term experts; and so on. Only Russia would have given information about all the modes of delivery; but could this particular case (with 24 missions, 20 experts, 22 seminars and workshops, and 16 reports in only two years) be taken as a representative example of the TA process as a whole?

That being said, the Panel did investigate the technical assistance process in each individual country in the sample in considerable depth. Its conclusions and suggestions are based on careful review of the written record and on extensive interviews for each country. As mentioned in the report, however, specific references to individual country cases are avoided both in keeping with the terms of reference and to respect the confidentiality of the interviews.

On the second issue, the question of possible conditionality for TA, several Directors indicated that they felt the proposal to be "interesting" and worth exploring in more detail. A number of comments made during the Board discussion, however, suggest that some clarification of our meaning is in order.

The purposes of conditionality would be to make the use of the Fund's TA resources temporary, to improve the monitoring and follow-up of TA activities, to clarify the recipient's contribution to a TA project, and to enhance the recipient's commitment to any TA activity. The temporary use of TA resources refers to the fact that each individual project or portion of a larger project should come to a conclusion (and is in tune with the Fund's insistence, in other contexts, on the revolving character of the use of Fund resources); it does not mean that all TA activity will be terminated forever. Rather, it is intended to mean that each specific use of TA resources should be temporary but that TA activity of the same or of a different kind could be repeated in case of need.

The reference to a "Letter of Intent on Technical Assistance" appears in quotation marks in the report, precisely because it is intended as shorthand for something quite familiar in the Fund's jargon. But it does not mean to imply legal formalities, performance clauses and the like. It could be called an "Agreement on TA" or "Action Program Agreement," or any other such name. One of the advantages of a written agreement is that it could involve the signature (or commitment in some other form) not only of the central bank but also of some other authority (Treasury, Economy, etc.), thus engaging the concerted commitment of a wider area of the administration. It would imply commitment, follow up, report on results and failures, etc. Any such systematic follow up will help the process of self-evaluation in the MAE Department.

As a matter of fact, conditionality in the sense just defined would be one part of the measures suggested by the Panel to improve monitoring and control of the TA activities of the MAE Department. Together with benchmarks and a certain amount of tranching for the lengthier action programs, it would provide not only a basis for self-evaluation within the MAE Department but also for monitoring of the recipient and self-evaluation by the latter.

Such "conditionality" could be applied to any TA project; not only to large, comprehensive, or long-term projects. For instance, the agreement on a one-year project destined to establish an office devoted to open-market operations at the central bank could delineate not only the terms of reference for the expert but also the expected contribution of the central bank in terms of counterpart staff, future budget and personnel for the office, etc. It will entail a "price" for TA, but not a price to be paid to the Fund but by the central bank to itself, as it were, for its own institutional benefit. The agreement could also establish the components and the sequencing of the TA activities, as well as certain intermediate goals to be achieved during the year and beyond. If the TA project is successful, it will record the achievements; if a failure, it will elicit explanations; obstacles will be seen in a clearer perspective and follow-up will become automatic. It is true that action plans have been introduced in certain cases but, in many of them, they have not been operational. The envisaged "conditionality" will strengthen this approach. It is also true that difficulties might appear with precise conditionality; but precision is something that can be adjusted at will; if results can only probably be achieved in three months but surely in four months, why not aim for results to be achieved in three to four months, thus losing precision but gaining in confidence?

Finally, conditionality, as envisaged here, is not and cannot be a commitment to unknown recommendations. It is a carefully pre-assessed and mutually agreed set of conditions.

