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May 17, 1999

To:            Members of the Executive Board

From:         The Acting Secretary

Subject:      **Review of Fund Technical Assistance**

Attached for consideration by the Executive Directors is a paper, prepared by the Office of Internal Audit and Inspection, on the review of Fund technical assistance. This subject, together with a background paper (EBAP/99/59, Sup. 1, 5/17/99) and a statement by the staff and issues for discussion suggested by management (EBAP/99/60, 5/17/99), will be brought to the agenda for discussion on a date to be announced. Conclusions appear on page 57.

Mr. Brau (ext. 37854) or Ms. Nagy (ext. 34029) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

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INTERNATIONAL MONETARY FUND

**Review of Fund Technical Assistance**  
***“From Technical Assistance to Technical Consultation and Cooperation”***

Prepared by the Office of Internal Audit and Inspection

Approved by Eduard Brau

May 14, 1999

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## Executive Summary

1. OIA has undertaken a comprehensive review of the technical assistance activities of the Fund, focusing primarily on the advisory services provided by the Fiscal Affairs (FAD), Monetary and Exchange Affairs (MAE) and Statistics Departments (STA). The review sought the views of staff, experts and national authorities through: a general questionnaire, detailed evaluations of a sample of randomly selected technical assistance projects (separately by the technical assistance providing department, the area department, and the recipient national authorities); and interviews both in Washington and in selected recipient countries. Consultations were also held with other institutions providing technical assistance.

2. The volume of all technical assistance provided by the Fund has grown significantly over the years reaching 180 person years (in-field) and 308 person years (total) in FY1998, and costing \$73.4 million (of which \$21.8 million was financed by external donors), equivalent to about 14 percent of the Fund's administrative budget, as much as is spent on bilateral surveillance. About 80 percent of this technical assistance is provided to countries that are in-- or discussing--program status and, throughout the 1990s, as much as a third of the total has been directed toward the transition economies, while relatively little has gone to the emerging-market or surveillance-only economies.

3. Six major assessment findings emerged from the review: (i) While Fund technical assistance is rated highly for its advice and recommendations, gaining country commitment and following-up seem to be the weakest parts of the Fund's advisory processes; partly as a result, the impact in the recipient countries of around one third of Fund technical assistance projects appears to be less than satisfactory; (ii) in general, technical assistance provided by staff missions appears more likely to be successful than that provided by long-term experts; (iii) while implementation of advice and impact depend most importantly on the commitment of the recipient country, it appears that the probability of achieving high impact through technical assistance can be improved by actions within the control of the Fund; (iv) Fund technical assistance is highly appreciated by members who want more of it; (v) there is only a weak link between Fund surveillance and Fund technical assistance, the orientation of which is generally reactive rather than proactive; and (vi) there is no explicit Fund policy on technical assistance, little evaluation, little reporting on results to management and the Executive Board, and little public dissemination of the lessons learned.

4. The evaluation of the randomly selected projects suggests that those with the highest impact are likely to be characterized by: strong government involvement and ownership, excellent communications between technical assistance providers and recipients, the placement of the project in a broader policy framework, well-prepared experts, focussed and specific project preparation and recommendations, and special attention to follow-up. Neither the existence of a Fund-supported program nor having a Fund resident representative in place appear to make a statistically significant difference with regard to impact.

5. Fund technical assistance has achieved notable successes under practices which have evolved flexibly and pragmatically over time. The absence of an overall policy framework has,

however, contributed to a strategic weakness that has resulted in too little technical assistance being allocated to areas of manifest need and systemic importance. As an extreme example, Mexico, Thailand, Korea and Indonesia together received only slightly more than one person year of technical assistance in the year that preceded the onset of their economic crises but almost 12-person years in the year that followed it. There is a strategic need to link the assessment of technical assistance needs and allocation decisions more closely to Fund surveillance. This will be particularly true in the future as the Fund works more intensely with its members on the implementation of international standards and codes relating to statistics, fiscal transparency, and transparency in monetary and financial policies. To achieve this will require a change in the orientation of the Fund's technical assistance from being largely curative to being more prophylactic. It is important to adopt a programmatic framework that will also encourage middle income countries to cooperate proactively with the Fund in using its advisory services. In this context, it is recommended that the Executive Board and management adopt an explicit policy framework, guided by the principle that the Fund should move beyond the concept of technical "assistance" toward one of technical "consultation and cooperation".

6. To integrate technical cooperation more closely with both surveillance and program work, it is recommended that missions, while visiting countries to conduct Article IV consultations, should conduct *technical consultations* with all members on their past progress in adopting the codes and standards and on implementing previously received technical advice from the Fund and, also, on their future needs for technical advice from the Fund. The results of these technical consultations should be included in the staff report presented to the Board. For those countries wishing to request technical cooperation from the Fund to address substantial needs, the staff should work with the authorities in drawing up, for information of the Board, a "*technical cooperation action plan*", that would place needs for technical cooperation in a medium-term framework. Because of internal resource constraints, it is proposed that technical consultations and the possible preparation of technical cooperation action plans be phased in over a period of time. It is expected that the conduct of these technical consultations will lead to a needed closer involvement of the national authorities, improved follow-up by the Fund, and better coordination with other technical cooperation providers. These ideas on technical consultations were welcomed by recipient country officials during the course of this review.

7. It is recommended that the Fund's advisory services to members be limited to those subject areas for which the Fund has a comparative advantage. For this reason, technical cooperation on information technology matters provided by the Fund's Bureau of Computing Services, for example, should be discontinued. In the prioritization of requests for advice, greater weight should be given to those projects that are related most closely to the core objectives of the Fund (including those that facilitate progress toward the implementation of codes and standards), and to those which demonstrate the strongest commitment on the part of the authorities to implement the advice they will receive. Where recipient country commitment is weak, despite best efforts by the Fund, technical cooperation should be withdrawn.

8. The probability of successful implementation of advice can be improved by better Fund technical cooperation practices. Above all, Fund practices need to secure a much closer involvement of national authorities at all stages of the technical cooperation process, in: defining the project, choosing the delivery mode, choosing the expert, formulating the terms of reference, monitoring the project while it is ongoing, following up on implementation of recommendations, and evaluating the project after its completion.

9. Delivery of advice through long-term experts appears to be more susceptible to less than satisfactory impact than delivery by other means. Future requests for the assignment of long-term experts, and the quality of the expert, need to be more closely scrutinized and greater emphasis should be placed on the assignment of short-term and peripatetic experts, as suggested by a number of national authorities in the course of this review. The expert recruitment process should be broadened with a view to finding more candidates that have not only the required technical skills but also: excellent teaching, communications, and language skills; and, experience in working with countries at similar stages of development to the one to which they will be assigned. Once recruited, experts should be provided with more comprehensive training and preparation for their assignment. Once in place, their work should be more fully integrated with other work of the Fund in their respective countries. They should benefit from: more responsive back-stopping, more contacts with area department staff, and more access to Fund documentation.

10. The work of Fund technical cooperation missions should also be modified to yield a higher impact of their work. Missions should work more closely with authorities in the preparation of their work before departure, in the preparation of their recommendations in the field, and in the follow-up to recommendations and project evaluation after their return to headquarters. Mission reports should place more emphasis on the analysis of possible policy options than on descriptions of current practices and their recommendations should be as country specific and operational as possible.

11. The working practices of the technical cooperation departments should be adjusted to achieve higher impact, by increasing the transparency of their operations. They should make available to all members a clear statement on the subjects on which they offer advice and how it can be accessed, and also disseminate more papers on the lessons learned on important subject matters of general interest. Technical cooperation reports should be published, (with appropriate deletions of sensitive country-specific information), unless the recipient country objected. Technical cooperation departments should also introduce self-evaluation schemes relating to all of their completed projects, that will take account of the views of the recipient authorities and employ a common rating system for a common set of factors that will facilitate future Fund-wide evaluations of technical cooperation activities. Impact in the recipient countries can only be ascertained by meaningful evaluations. The departments should also consider making greater use of available new technologies in their work, for example, through videoconferencing and the provision of more information through an external web site.

12. It is recommended that the interdepartmental Technical Cooperation Committee continue to be responsible for monitoring and analyzing issues relating to technical

cooperation. The Committee should prepare annual reports on technical cooperation for management and the Executive Board, including on evaluation results. The Committee should also work to create a new comprehensive data base and information system that will be essential for institutional memory and for efficient evaluation of the Fund's overall technical cooperation activities.

13. Contributions toward the cost of long-term experts should continue to be required as a means of encouraging countries to consider whether this high-cost form of delivery of technical cooperation is the best for their needs and, if so, to increase their sense of ownership and commitment to the project. Unlike at present, such contributions should also be required for Fund long-term experts financed by external donors. External donations, especially by Japan, have been an important source of financing for Fund advisory services, and improved burden-sharing would be most welcome via donations from more countries to the Technical Assistance Framework Account approved by the Executive Board in 1995. Unlike at present, future recipients should be informed at the inception of an advisory project of the estimated cost to the Fund or to the donor.

14. Broadly indicative quantification shows that the recommendations of this review, including devoting more resources to improved project preparation and follow-up and to evaluation, can be implemented with existing budgetary resources devoted to technical cooperation and those proposed for FY2000, provided that technical consultations and technical cooperation action plans are phased in gradually and provided that low-priority/low-impact technical cooperation projects equivalent to some US\$2.4 - \$3.5 million are cut. With annual expenditures of some US\$69 million for technical cooperation provided by MAE, FAD, and STA, and with around one third of projects appearing to achieve a less-than-satisfactory impact, OIA considers that such as a redistribution of resources is feasible, and is desirable to raise the overall success rate of Fund technical cooperation projects.

15. The findings and recommendations of this review need a thorough debate and reflection. Should the Executive Board, management, and staff proceed towards revising technical cooperation policies and practices, it is recommended that a focused review on the progress made be conducted in about two years, and thereafter at intervals of three years.

## I. INTRODUCTION

16. In the Fall of 1997, the Evaluation Group of Executive Directors considered suggesting to the Executive Board and Fund management that an external evaluation of Fund technical assistance activities be carried out. It was pointed out to Executive Directors that a review of technical assistance was already included in the work program of the Office of Internal Audit and Inspection (OIA), that had been approved by Fund management; there was broad agreement at the Board that this planned review should proceed. **Executive Directors, management, and staff encouraged a comprehensive review**, inter alia by adding suggested topics to a tentative outline circulated by OIA. Suggestions on the tentative outline were received from the Evaluation Group of Executive Directors and other Board members at a meeting in February 1998. In July 1998, Fund management requested that a review of the effectiveness of technical assistance on information technology matters supplied by the Bureau of Computing Services (BCS) be also made part of this review. The Legal Department's technical advisory services are proposed to be covered by a later review (see Box 1, p. 2).

17. OIA received excellent cooperation from Fund staff, and in particular from staff in the technical assistance departments throughout this review. A draft of the present report benefitted from supportive as well as critical comments from Fund departments. This report incorporates many of the suggestions received. The findings and recommendations of the review, however, are the responsibility of OIA alone. It is expected that Fund staff will circulate to the Executive Board a statement containing its comments on this review.

18. An attempt has been made to keep this paper as short and focused as the subject matter permits. The reader will find frequent references to paragraphs in a background paper (EBAP/99/59, Supplement 1) throughout the text of this main paper.

## II. THE BACKGROUND AND PRESENT ORGANIZATION

19. **The background.** Since the Second Amendment, Article V, Section 2(b) of the Articles of Agreement states: "If requested, the Fund may perform financial and technical services....that are consistent with the purposes of the Fund." From the earliest days, the Executive Board and management have seen technical assistance as a responsibility of the institution. The concept of technical assistance as a discrete activity separate from the regular work of the area departments dates back to 1964, with the creation of the Fiscal Affairs Department (FAD) and the Central Banking Services (now the Monetary and Exchange Affairs Department (MAE)). The Bureau of Statistics (now the Statistics Department (STA)) began making its contribution to the technical assistance effort in 1969. Over the years, small amounts of technical assistance have also been provided by other Fund departments—particularly by the Legal Department and the Bureau of Computing Services. Fund technical assistance provides policy advice to members or assists them in capacity (institution)-building, with the latter gaining increasing importance in recent years. The training provided by the IMF

Institute, although categorized as technical assistance in some Fund publications, is not included in the purview of this report.

### **Box 1. Technical Assistance by the Legal Department**

The Legal Department is, at present, providing the equivalent of about 10 person-years annually of advice concerned with the drafting of, or commenting on, texts of laws and associated regulations in all areas of the Fund's responsibilities--notably, central banking, commercial banking, foreign exchange systems, taxation, and budget and customs administration. Because of resource constraints, an evaluation of the technical assistance provided by the Legal Department was not included in the coverage of this review. It is recommended that such an evaluation be done by OIA in two-years' time, at the same time as a proposed follow-up to the present review is undertaken.

20. The **volume of in-field technical assistance**<sup>1</sup> provided by the three main technical assistance departments rose from less than 3 person-years in 1964 to 106 person-years in FY1989. It then rose sharply during the 1990s with the influx of new members with massive technical assistance needs, reaching 180 person-years in FY1998. The volume is expected to increase further in FY 1999 reflecting Fund efforts to assist countries traversing economic crises in Asia and elsewhere. In FY1998, the cost to the Fund of its overall technical assistance activities was \$73.4 million (excluding expenditures on training) equivalent to 180 person-years (in field) and 308 person-years (total) or 14 percent of the Fund's administrative budget; of this amount, \$21.8 million was financed by external donors. Technical assistance provided by FAD, MAE, and STA amounted to \$68.7 million (Box 2).

21. The analysis in this report covers experiences with Fund technical assistance since FY1993. During the period FY1993-FY1998, some 1,042 person-years of in-field technical assistance were provided by the three main technical assistance departments at a cost of some \$370 million. In FY 1998, the average cost to the Fund of a long-term expert-year was about \$250,000, and the average cost of a four-person advisory mission (two staff and two experts) was about \$100,000. The distribution of this technical assistance by department, delivery mechanism, subject, financing source, region, and country group is illustrated in Figure 1. Also in Figure 1 is a chart showing the contrast between the amount of technical assistance provided to Mexico, Thailand, Korea and Indonesia in the year immediately preceding the onset of their economic crisis and the year that followed it (see also paragraph 34, below).

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<sup>1</sup>Most of the analysis in this review relates to technical assistance time spent in the recipient countries ("in-field technical assistance") rather than to total technical assistance time which would include time spent at headquarters as well as in the field. The reason for this is that it is possible to analyze the country and subject allocation of technical assistance time spent in the field, whereas this is not the case for technical assistance time spent at headquarters. The cost estimates for technical assistance are based on the broadest definition and include headquarters time, administrative support, and overheads.

Box 2

TECHNICAL ASSISTANCE IN THE FUND'S BUDGET CONTEXT

Fund technical assistance is the **third largest activity of the institution**. In FY 98, its cost amounted to **US\$ 73.4 million, equivalent to some 14 percent** of the Fund's overall administrative budget.

	FY 1998	
	In millions of U.S. dollars	In percent of total
Total Fund administrative budget <sup>1/</sup>	<u>531.1</u>	<u>100.0</u>
Surveillance <sup>2/</sup>	134.1	25.2
Of which: bilateral surveillance	72.4	13.6
Use of Fund resources <sup>2/</sup>	99.4	18.7
Technical assistance, Fund-wide <sup>3/</sup>	73.4	13.8
Of which:		
FAD, MAE, and STA <sup>3/</sup>	68.7	12.9
IMF Institute	23.2	4.4
Other activities <sup>4/</sup>	201.2	37.9

The **financing of Fund technical assistance** has two main sources: about 70 percent is provided from the Fund's administrative budget, and almost all the rest from bilateral and multilateral external donations. Country contributions are minimal.

	FY 1998	
	In millions of U.S. dollars	In percent of total
Total technical assistance financing	<u>73.4</u>	<u>100.0</u>
Fund administrative budget	51.3	69.9
External donations <sup>5/</sup>	21.8	29.7
Country contributions	0.3	0.4

Sources: OBP, and OIA calculations.

1/ From EBAP/98/69, of July 2, 1998. Data include reimbursements.

2/ In addition to direct costs, includes travel costs and overhead.

3/ Excludes the IMF Institute. In addition to direct costs, includes travel costs and overhead; see Table 3 of the background paper for details.

4/ Includes external relations; administrative support and paid leave not directly associated with surveillance, use of Fund resources, technical assistance provision and the IMF Institute; and costs associated with the Offices of Executive Directors and Board of Governors.

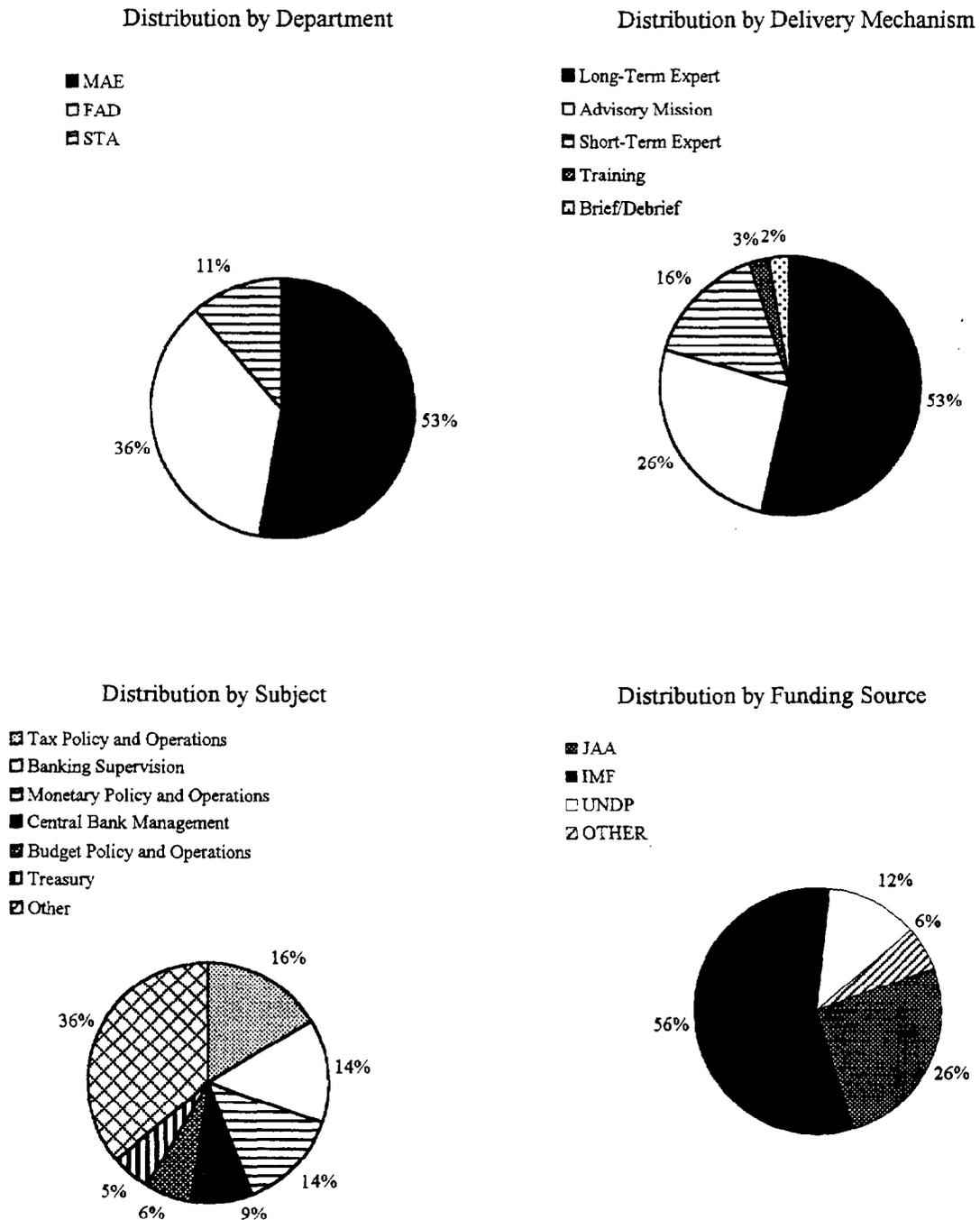
5/ Includes financing by Japan, the UNDP, and other external sources. See Table 10 of the background paper for details.

22. **Present organization.** The day-to-day decisions on technical assistance activities are taken within the technical assistance departments, the heads of which report on technical assistance matters to a Deputy Managing Director. The departments receive broad guidance on the prioritization of the country requests from the interdepartmental Technical Assistance Committee (TAC), which is composed of senior officials of all departments involved with the provision of technical assistance, and whose Chairman reports to a Deputy Managing Director. A prime responsibility of the TAC is to help ensure a broad regional balance in the allocation of technical assistance resources and incorporate resource requests into an annual Regional Allocation Plan (RAP) that is submitted to management for approval. The secretariat for the TAC is provided by the Technical Assistance Secretariat (TAS), which is now a unit of the Office of Budget and Planning. While reference to technical assistance matters is made in the context of discussions of country items, at discussions of the work program, and the administrative budget, the Executive Board does not take this subject up regularly as a discrete topic—the last such occasions were in February 1994 (EBM/94/10) in the context of discussing the staff paper on the review of Fund technical assistance (EBAP/93/78) and in May 1996 (EBM/96/47) when discussing the external evaluation of technical assistance provided by MAE (EBS/96/15). A detailed description of the present organization of the Fund's technical assistance and the practices that are followed is set out in paragraphs 9 to 57 of the background paper.

23. **In concluding the last review** (prepared by TAC) of the Fund's Technical Assistance Program (EBM/94/10), **Executive Directors** were in agreement on the critical importance of technical assistance by the Fund to its members and on the need to reconcile a growing demand with a tighter budget constraint. Directors underlined the particular importance of prioritizing, of focussing advice on areas where the Fund has a comparative advantage, and of making all efforts to improve the overall efficiency, productiveness, and cost effectiveness of the Fund's advisory services. On the modalities of prioritization, views contrasted; several Directors stressed the importance of the recipient's past track record, while others cautioned against establishing rigid guidelines. In addition, several Directors considered that technical assistance should not become part of Fund program conditionality.

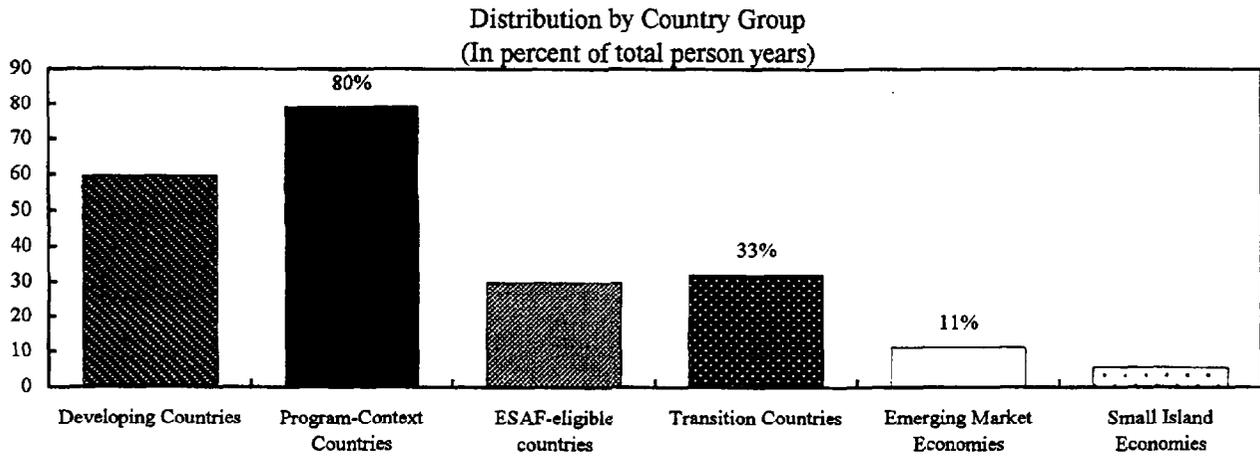
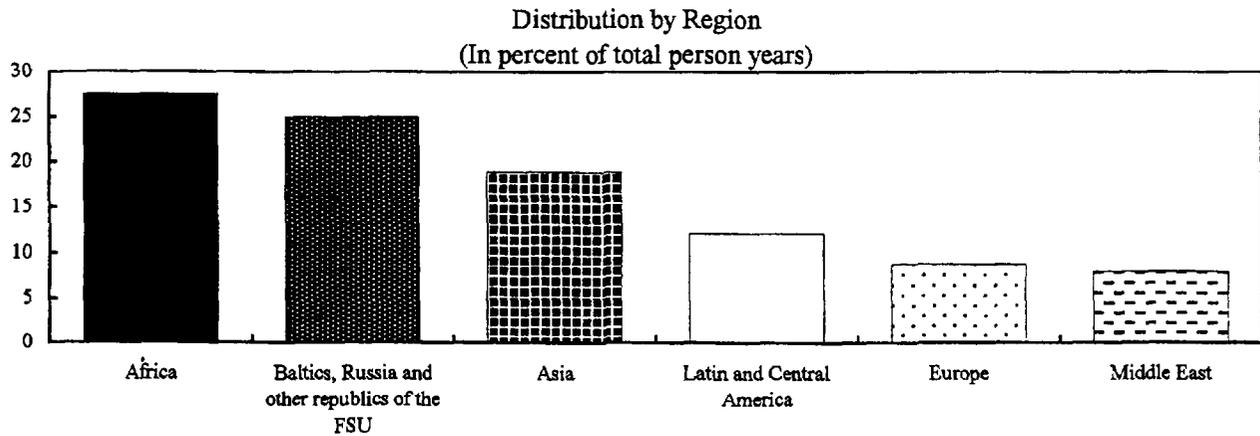
Directors agreed that the main determinant of the effectiveness of technical assistance is the authorities' commitment to adjustment and reform; many Directors agreed on the importance of adequate advisory services to countries that are committed to reform, including in cases where the member country did not implement a program supported by the Fund. The importance of adequate follow-up on the implementation of advice was also emphasized, and it was stressed that the Fund should devote sufficient resources to such follow-up. It was suggested that this could take the form of a review on the occasion of the Article IV consultations, or a periodic review of technical assistance, including case studies, as well as more general review work.

Figure 1. In-field Technical Assistance Distribution, FY1993-1998  
(In percent of total person years)



Source: Central Travel Scheduling System.

Figure 1 (cont'd). In-field Technical Assistance Distribution, FY1993-1998



1/ Individual countries are included in more than one country group.



2/ Crisis onset is deemed to be on the last day of the financial year quarter in which it occurred: Mexico, January 31, 1995; Thailand, July 31, 1997; and Indonesia and Korea, October 31, 1997.

Source: Central Travel Scheduling System.

Directors generally supported a better coordination of technical assistance with the World Bank and other providers, and suggested that the Fund should not shy away from taking the lead in the areas of the Fund's competence.

Finally, on the issue of financing technical assistance and country contributions, Directors' views diverged. While a number of Directors favored the introduction of charges, no consensus emerged.

OIA notes that the summing-up of the Board discussion made no reference to specific follow-up on the recommendations made in the review, or to the timing of a subsequent review of technical assistance.

### III. ASSESSMENT

24. The literature on evaluation makes clear that it is difficult to evaluate technical assistance since many disparate elements and parties are responsible for the outcome. OIA employed a **range of methodologies in this evaluation** (for detail, including the economists and external consultants involved, see background paper, paragraphs 1 to 8), **seeking evidence from more than one source wherever possible:**

- a review of current technical assistance facts, practices, and organizational arrangements (background paper, paragraphs 9 to 57);
- a general survey on Fund technical assistance completed by respondents from the Executive Board, Fund staff, experts, and member country authorities (background paper, paragraphs 58 to 83);
- an evaluation, independently by technical assistance department staff, by Fund area department staff, and by the recipient country authorities, of the impact and other features of randomly selected technical assistance projects carried out by the three main technical assistance departments during FY 1996 and FY 1997 (background paper, paragraphs 84 to 215).
- interviews with officials from member countries during the last Annual Meetings and in country visits conducted by OIA (background paper, paragraphs 216 to 229);
- a review of the effectiveness of technical assistance on information technology matters provided by the Bureau of Computing Services (background paper, paragraphs 230 to 251); and
- discussions with staff focus groups, and talks with Fund staff, technical assistance experts stationed in member countries, and representatives of other major bilateral and multilateral technical assistance providers.

Evidence from all these sources formed the basis for OIA's own analysis and conclusions. All of the major findings of this review are supported and mutually reinforced by results from more than one source. In comments on the draft of this report, concerns were raised about the methodology employed to evaluate the randomly selected projects. These concerns are addressed in Box 3. OIA agrees with the need for cautious interpretation of the statistical results presented in this report. Some suggestions for technical improvements in the project evaluation methodology could usefully be incorporated in the evaluation system that this report recommends should be developed by the technical assistance departments (paragraphs 63 to 71, below).

25. This paper does not attempt to summarize exhaustively the large amount of information available in the background paper but limits its coverage to:

- those facts, evaluation results, and views of participants in the technical assistance process which constitute the **major findings of the review**; and
- a presentation of the **empirical characteristics** of those technical assistance projects that achieve, as well as of those projects that do not seem to achieve, the desired high impact in the recipient country; this presentation is intended to shed light on **"what works in Fund technical assistance and what does not work."**

#### A. Major Findings of this Review

26. The review has led to **six major assessment findings**:

(i) **The quality of the Fund's technical assistance "product"--the advice and recommendations delivered--appears to be high. In contrast, the processes and effort devoted by the Fund to maximizing the probability of implementation and impact in the recipient countries (the technical assistance "impact"), seem to be the weakest part of Fund technical assistance provision. Partly as a result, the impact of around one third of Fund technical assistance provision seems to be less than satisfactory.<sup>2</sup>**

This assessment is supported by the following findings:

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<sup>2</sup>A review of the experience of several multilateral providers of technical assistance (excluding the IMF) in the early 1990s concluded that on average 33 to 50 percent of projects had a less than satisfactory outcome, with 10-15 percent of them being considered outright failures. In only about a third of the projects were the objectives considered to have been fully met (Cassen, Robert. *Does Aid Work*, Oxford 1993). There is little evidence of any significant improvement in these figures; a recent study by the World Bank showed that of the 157 technical assistance loan projects active in the Bank's portfolio, 80 percent were classified as "at risk in terms of inadequate attainment of development objectives and unsatisfactory implementation." (Baser, Heather, and Peter Morgan with the collaboration of Nimrod Rphaeli, *Review of Technical Assistance Loans in the World Bank*, Washington 1997, p. 6).

- Fund staff, experts, and recipient country survey respondents overwhelmingly point to quality and expertise as two of the main strengths of the Fund's technical assistance operations (background paper, paragraph 61);
- follow-up procedures are consistently mentioned by survey respondents as one of the weakest elements in the technical assistance activities of all three technical assistance departments (background paper, paragraph 61);
- among the randomly selected projects subject to evaluation for this review, the quality of technical assistance procedures including the recommendations (the technical assistance "product") received high average ratings, while implementation and impact (the technical assistance "impact") were rated significantly lower (background paper, paragraph 180);
- similarly, for the same randomly selected projects, the quality of the "product" was outstanding or good in as many as two thirds of the projects, while "impact" was outstanding or good in only about one third of the projects. "Product" was less than satisfactory in at most one tenth of the projects, while "impact" was less than satisfactory in around one third of the projects (Box 3).

**(ii) Technical assistance delivery by long-term experts stationed in recipient countries (between 50-60 percent of total volume of Fund advisory services) seems to be more susceptible to having a less than satisfactory impact than delivery by staff missions.**

This assessment is supported by the following findings:

- for the randomly selected projects, the impact of mission-delivered advice appears to be appreciably higher than the impact of expert-delivered advice; additionally, there is only a 30 percent probability that expert-delivered advice is among the ten projects with the highest impact, while there is an 80 percent probability that it will be part of the ten projects with the lowest impact (background paper, paragraphs 162, 175, and 205).<sup>3</sup>

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<sup>3</sup>In comments on the draft of this report, this finding elicited significant skepticism. It was pointed out that the results could be a symptom of other problems (such as expert quality, specification of the project, guidance of experts, etc.) whose cumulative impacts on project effectiveness become important over the longer time horizon of work of long-term experts. OIA agrees with that view and believes that long-term experts are the appropriate providers of technical assistance in certain instances. This finding seems to suggest that a series of conditions need to be satisfied to ensure successful impact of the work of long-term experts, and that it is difficult to satisfy them consistently. It is also relevant to note that this finding is influenced by strong views of recipient authorities on this matter, in contrast to more neutral views by Fund staff. Some commentators suspect bias in the responses in favor of staff missions, but OIA has no evidence of bias and would think it unlikely for the three independent respondents to have the same systematic bias.

Box 3  
**PERFORMANCE OF TECHNICAL ASSISTANCE PROJECTS**  
(Share in total projects)

46-PROJECT SAMPLE

(Sample evaluated by the technical assistance departments, area departments, and the recipient authorities)

Performance level <sup>1/</sup>	By "Product"	By "Impact"
<i>Outstanding</i>	13	7
<i>Good</i>	54	26
<i>Satisfactory</i>	29-24	34-28
<i>Less than satisfactory</i>	4-9	33-39

In comments on the draft of this report, some concerns were expressed about the reliability of the methodology used by OIA to evaluate projects. It was suggested that *case studies*, tailored to the specific delivery method of advice, would have been necessary to obtain a detailed understanding of the impact of advisory projects. While OIA agrees that a case study approach is an ideal method, it also considers that it is important to arrive at an *overall view of the effectiveness of Fund technical assistance*, which requires *an analysis of a representative sample*. Since case studies for a representative sample of Fund technical assistance would be prohibitively expensive, OIA used a methodology that (i) is based on a representative project sample; and (ii) uses the independent assessment of the three involved parties: the technical assistance departments, the area departments, and the recipient authorities.<sup>2/</sup>

A further concern was that the sample OIA used for its analysis was not fully representative, as the response rate from the recipient authorities reduced the original sample size from 100 to 46 projects, with the consequence that projects from one technical assistance department and from one area department region are under-represented. OIA would also have preferred to have the original, fully representative sample as its principal basis of analysis. However, because OIA considers that the **views of the recipient authorities are vital to any meaningful evaluation**, it decided to use the 46-project sample as a principal basis of analysis. The results need to be interpreted with due caution. OIA emphasizes, however, that some key findings of the 46-project sample analysis are confirmed in broad terms by its other evaluation methods.

OIA notes that a **fully representative two-respondent sample containing 93 projects is also available**. This sample is evaluated only by staff from Fund technical assistance and area departments. The results of this 93-project sample can be compared with a two-respondent 46-project sample (i.e., a sample that is **evaluated by Fund staff only**, dropping the evaluations by the recipient authorities): project performance by "product" is high and very similar in these two samples, whereas performance by "impact" is weaker in the 93-project sample, compared with the 46-project sample.<sup>3/</sup>

<sup>1/</sup>For a definition of performance levels and of the use of ranges to distinguish between satisfactory and less than satisfactory performance, see paragraphs 196-198 of the background paper.

<sup>2/</sup>For further details on the methodology, see paragraphs 85 to 90 of the background paper.

<sup>3/</sup>For details, see Chapter IV, Appendix I of the background paper.

- in interviews with OIA, senior country officials expressed more concerns about the performance of long-term experts they had worked with than with staff missions, and several officials spontaneously expressed a preference for short-term over long-term experts (background paper, paragraphs 219 to 221). Such concerns, and a clear preference for increased use of short-term experts, had already been reported in the *External Evaluation of Technical Assistance Provided by the Monetary and Exchange Affairs Department--Report of an Independent Panel* (EBS/96/15, p. 18).<sup>4</sup>

**(iii) While implementation and therefore high impact of Fund technical advice depends most importantly on the commitment of the recipient country, it appears that the probability of achieving high impact can be improved by actions within the control of the Fund.**

This assessment is supported by the following findings:

- the evaluation of the randomly selected projects shows that the impact of Fund advisory projects is correlated with specific factors or conditions within the control of the Fund, and not with other factors (for details, see Section III.B below); the probability of high impact seems to increase when:
  - ▶ advisory recommendations are specific and include an implementation plan;
  - ▶ authorities are closely involved in project preparation and when a project is part of a “technical assistance action plan” where projects are designed to support each other;
  - ▶ experts have received pre-assignment training, have good communication and language skills, and have visited the assignment country prior to being appointed.
  - ▶ attention is paid to follow up.
- surprisingly, impact is not correlated with the presence in the country of a Fund resident representative;
- when asked to identify particular problems in technical assistance provision, all survey respondents believe that insufficient attention is being paid by advice

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<sup>4</sup>There are other similarities between the assessments reported in EBS/96/15 and those of the present review.

providers to strategy and methods for inducing change in the recipient country or agency (background paper, paragraph 73);

- in interviews with OIA, several officials observed that they would be more engaged in technical assistance projects if they could be more involved in defining terms of reference, discussing progress with headquarters staff during its delivery, and participating in evaluations at its conclusion (background paper, paragraph 218).
- when asked about coordination with other technical assistance providers, respondents saw room for improvements. Survey respondents were not very satisfied with the Fund's coordination/cooperation with other technical assistance providers, in particular the World Bank (background paper, paragraph 76). In interviews with OIA, several officials underlined the need for more effective coordination (background paper, paragraph 228).<sup>5</sup> Similarly, the evaluation of the randomly selected projects shows that while formally the coordination is extensive (for example, World Bank counterparts were contacted during the preparation of the technical assistance projects in about 60 percent of the projects) *substantive dialogue* is much less frequent (for example, the World Bank received project terms of reference for comments in 12 percent of the cases only) (background paper, paragraph 129).

**(iv) Fund technical assistance provision appears to be highly appreciated by recipient countries who want more of it.**

This assessment is supported by the following findings:

- recipient country survey respondents listed Fund resource constraints as among the top three weaknesses of Fund technical assistance provision (as did Fund staff respondents, and expert respondents) (background paper, paragraph 61);
- sixty-seven percent of recipient country survey respondents favored an increase in the volume of technical assistance provision (background paper, paragraph 67); recipient country respondents—often by large majorities—identify specific subject areas in which they believe too little Fund technical assistance is being provided (background paper, paragraph 68);
- evidence of the high value attributed to Fund technical assistance is the fact that, in interviews with OIA, most recipient authorities supported making contributions toward the cost of long-term resident experts, scaled by

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<sup>5</sup>The 1993 Review of Fund Technical Assistance (EBAP/93/87) made a similar point, highlighting, at the same time, the responsibility of the recipient authorities in this regard (page 19).

countries' ability to pay. Most were of the view that willingness to bear some of the cost constituted a valuable test of their own commitment (background paper, paragraph 226). Most country authorities appear to be willing to pay for advisory projects that achieve high impact (background paper, paragraph 207). (The question of country contributions is addressed in detail in paragraphs 72 to 76);

- in interviews with OIA, virtually all country authorities made a point of expressing their appreciation of Fund technical assistance received in the past and their strong hope that it would continue to be available—in many cases with the wish that certain suggested improvements in practices be incorporated that would make the advice even more helpful (background paper, paragraph 217).

**(v) The allocation of Fund technical assistance resources overwhelmingly benefits members with (or discussing the prospects for) Fund-supported programs. The link of Fund technical assistance to Fund surveillance activities is weak; the orientation of Fund technical assistance appears to be largely reactive rather than proactive, and there is little medium-term planning.**

This assessment is supported by the following findings:

- in each year since FY1993, only about 20 percent of technical assistance volume has been directed toward surveillance-only countries (countries not discussing or implementing Fund-supported programs);
- during the period FY1993-FY1998, only 11 percent of technical assistance was directed toward the largest 25 emerging market economies—more than half this amount was directed to 19 small island economies (Figure 1 above);
- survey respondents perceive a conflict between the ideal goals of Fund technical assistance (transferring knowledge and assisting capacity building) and the practical priority of supporting Fund-supported programs (background paper, paragraph 63);
- survey respondents believe that Fund technical assistance is weakly integrated with Fund surveillance work and has had a weak focus on subject areas in which the expected impact in terms of “improved economic performance” or “in crisis prevention” was greatest (background paper, paragraph 64);
- nevertheless, where technical assistance was received by surveillance-only countries, the implementation and impact appear to have been slightly better than in countries with Fund-supported programs (background paper, paragraphs 162 and 175);

- in interviews with OIA, the authorities of some surveillance-only countries said they did not avail themselves of—the admittedly much needed—Fund technical advice because of a perceived “stigma” attached to needing Fund technical “assistance” (background paper, paragraph 225);
- in interviews with OIA, all country authorities strongly supported ideas and schemes designed to utilize Fund advisory services in a more proactive and preventative manner, wherever possible (background paper, paragraph 225).

**(vi) There is no explicit Fund policy on technical assistance. There is little evaluation, little reporting on results of technical advisory work to the Executive Board and management, and little public dissemination of the lessons from technical advisory work or of its success stories.**

This assessment is supported by the following findings:

- more than two thirds of survey respondents said that they were not aware of any management- and Executive Board-endorsed statement on Fund technical assistance policy; these respondents are correct since there is no such policy statement<sup>6</sup> (background paper, paragraph 62);
- more than three-quarters of survey respondents are not aware of any written statement by the three main technical assistance departments about the areas in which they provide advice and/or the conditions under which it is available; more generally, respondents perceive a lack of adequate information, transparency, and accountability with respect to the Fund’s technical advisory activities (background paper, paragraph 65);
- of the randomly selected projects subject to evaluation in this review, the final mission report (or the end-of-assignment report of experts) was routinely provided to the area department in only 61 percent of the cases, and to World Bank counterparts in only one quarter of the cases (reports are available on demand) (background paper, paragraph 116);
- efforts to report the results of advisory work (as in the case of IMF Occasional Paper No. 157 (1997) “Central Bank Reforms in the Baltics, Russia, and the Other Countries of the Former Soviet Union” by a staff team led by Malcolm Knight) are relatively rare, and public dissemination of the lessons of advisory work is not routine;

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<sup>6</sup>Respondents who said that they were aware of such a statement list as sources the Annual Report, the medium-term budget outlook paper, papers on past technical assistance reviews, etc., none of which define Fund technical assistance policy.

- only 10 percent of the 100 randomly selected projects received some kind of evaluation at an earlier time (background paper, paragraph 120); while departments do have elements of self-evaluation practices in place, these are not systematic nor reported to management and the Board;
- responding to suggestions for improving the coordination between the Fund and recipient countries, recipient country and Executive Director survey respondents voiced strong support for a systematic evaluation of Fund technical assistance activities, and Fund staff voiced moderately strong support (background paper, paragraph 82; and also paragraph 225).

### **B. Empirical Characteristics of High- and of Low-Impact Technical Assistance Projects**

27. The evaluation of the randomly selected projects included an analysis of the particular **conditions and factors that are associated with high and low project impact**. The methodology of the analysis consisted of (i) ranking the projects by their impact level, as measured by an “impact” index (as defined in paragraph 190 in the background paper); (ii) creating two impact groups: one containing the 10 projects with the highest impact, and one containing the 10 projects with the lowest impact (Box 4 below shows these two groups); and (iii) conducting nonparametric tests to find the factors that are associated with high impact and those with low impact, with a level of confidence of 95 percent (background paper, paragraphs 201-204). While these tests imply, of course, correlation and not causation, they can point to those factors that play a significant empirical role in project impact. Out of a total of more than 100 possible factors, the analysis identified those factors that are statistically significant with regard to impact (background paper, paragraph 205). It is important to keep in mind that these factors are the ones that make a *difference*--i.e., play an important role in one group, but negligible or none in the other--and thus *not* those that work, or do not work, in *both* groups. Some of the factors that common wisdom would perhaps predict should make a difference, but which the tests failed to identify, are summarized in paragraph 32, below.

**Box 4. The Ten Highest— and Ten Lowest— Impact Projects by Subject Matter \***

**10 Highest Impact Projects**

Treasury operations (m; 91.7 %)  
Central bank information tech (e; 91.7 %)  
Monetary policy (m; 90.3 %)  
Multi sector statistical mission (m; 87.5 %)  
Article VIII (m; 86.1 %)  
Central bank general advisor (e; 86.1 %)  
Monetary statistics (m; 86.1 %)  
Monetary accounting (e; 86.1 %)  
Treasury operations (m; 83.3 %)  
Monetary statistics (m; 83.3 %)

**10 Lowest Impact Projects**

Fiscal federalism (m; 37.5 %)  
Balance of payments stat.(e; 41.7 %)  
Monetary research (e; 43.1 %)  
Monetary research (e; 44.1 %)  
Treasury bond issue (e; 47.2 %)  
Bank privatization (e; 50.0 %)  
Monetary policy (m; 50.0 %)  
National accounts and prices (e; 50.0 %)  
Monetary accounting (e; 52.8 %)  
Payments system (e; 58.3 %)

\* In brackets “m” indicates a mission, and “e” an expert-delivered project, the ratio next to these is the “impact index” of the project.

28. Box 5 tabulates the main results of the nonparametric tests. Sixteen factors were found to be statistically significant; these can be grouped under a few main “groups of influence”:

**Strong government involvement and ownership**

Of the 16 factors listed in Box 5, about one third relate directly to government involvement—and associated ownership—in the project from start to finish. Impact is correlated with factors such as active government participation in preparation and follow-up, with the government’s role in selecting the expert, and with the project being a part of the government’s own reform package. As columns two and three in the Box show, these factors characterize the majority of the high, and only a fraction of the low, impact projects.

**Excellent communication and team effort by Fund staff and recipients**

About one quarter of the 16 factors relate to communication and language skills and team effort; their statistical significance, as measured by the Chi-square test, is particularly robust (8.9 and higher). Translation of reports and the expert being able to communicate in the authorities’ own language are correlated with impact. The significance of team effort is noteworthy also because the identified specific factors--government involvement in follow-up, and Fund staff involvement in the Government’s implementation strategy--point in the same direction, i.e., that traditionally viewed rigid “spheres of responsibilities” should not exist. High impact may be fostered by the actors assisting each other in the other’s main sphere of responsibility.

**The project is part of a broader policy framework**

An integration of the project into a broader policy framework is correlated with impact: considerably more projects among the high impact projects were part of a government reform package, and/or of a “technical assistance action plan.” This may point to the advantages of providing technical assistance within a framework of medium-term planning.

**The importance of expert preparation**

Evidence appears to point to the importance of an expert visiting the country prior to appointment; *all* experts in the high impact project group had been able to do that, in contrast to *none* among the low impact projects. Similar evidence seems to suggest the importance of pre-assignment training. Another factor in this area provides evidence for *low* impact when an expert is chosen by cooperating bilateral institutions. *None* of the experts in the high impact projects were chosen by cooperating bilateral institutions, in contrast with 38 percent of the low impact experts, pointing perhaps to a need to reassess the expert selection mechanisms used under such arrangements.

Box 5  
**Significant Factors in Technical Assistance Impact:  
 Results of Nonparametric Tests<sup>1/</sup>**

		High-Impact Projects	Low-Impact Projects
		(in percent of projects)	
<b>I.     <i>Strong Government Involvement and Ownership</i></b>			
1.	Government is strongly involved in project preparation	56	29
2.	Government is strongly involved in follow-up	88	26
3.	Government's preference for expert plays part in expert selection	67	25
4.	Government interviews expert	67	--
5.	Project is part of government reform package	68	39
<b>II.    <i>Excellent Communication and Team Effort by Fund Staff and Recipients</i></b>			
6.	Report is provided in authorities' language	63	17
7.	Expert speaks local language	100	13
8.	Government's implementation strategy involves Fund staff (also, Government strongly involved in Fund's follow-up process, point I.2 above)	75	22
<b>III.   <i>Project is Part of a Broader Policy Framework</i></b>			
9.	Project is part of "technical assistance action plan" (also, project is part of government reform package, point I.5 above)	54	26
<b>IV.    <i>The Importance of Expert Preparation</i></b>			
10.	Expert visits country prior to assignment	100	--
11.	Pre-assignment training for expert	100	29
12.	Expert is chosen by bilateral cooperating institutions	--	38
<b>V.     <i>Focussed and Specific Project Preparation and Recommendations</i></b>			
13.	Terms of reference includes detailed work plan for expert	67	13
14.	Recommendations include implementation targets with pre-determined time schedule	67	20
<b>VI.    <i>From Project Inception, Special Attention to Follow-Up</i></b>			
15.	Project's terms of reference provides for follow-up	60	--
16.	Follow-up through headquarters staff	60	20

<sup>1/</sup> All factors had a Chi-square value of 3.8 or higher, indicating a statistically significant result at the 95 percent confidence level (background paper, paragraph 205).

### **Focussed and specific project preparation and recommendations**

Specificity is correlated with impact: in the case of an expert-delivered project, two thirds of the terms of reference of high-impact projects provided for a detailed work program for the expert, in contrast with only 13 percent for the low-impact projects. Similarly, two thirds of the high impact projects' recommendations included specific implementation targets with a predetermined time schedule, in contrast to only 20 percent for the low-impact projects.

### **From project inception, special attention to follow-up**

Attention paid to follow up from the inception of the project appears to be a critical ingredient of high impact. Follow-up was planned in 60 percent of the terms of reference of high-impact projects, while *in none* of the low-impact projects. The specific follow-up mechanism associated with high impact is follow-up through headquarters staff.

29. The tests revealed some additional information about the relative impact of the two technical assistance delivery mechanisms. It appears that **mission-delivered advice tends to have considerably higher impact than expert-delivered advice.**<sup>7</sup> The high impact project group contained seven missions and *three experts*; the low impact group contained two missions and *eight experts* (Chi-square of 15.2).

30. It is important to note that in the majority of cases **the impact of Fund technical assistance appears to be predictable from the beginning.** To the evaluation questionnaire's inquiry "when you first saw the request/approval of this project, how much confidence did you have that it would be successful?," as many as *83 percent* of the high impact projects had the respondents' *full* confidence in success, in contrast with *only 11 percent* of the low impact projects. This is a striking result, even after allowing for the possibility of some bias arising from hindsight (background paper, paragraph 73). Similarly, *80 percent* of the high impact projects had received high priority by the technical assistance department, in contrast with *only 38 percent* of the low impact projects.

31. It is also interesting to see whether a Governments' **willingness to pay for technical assistance** correlates with project impact. Of the recipients of the high impact projects, *59 percent would have paid the Fund for the project*, in contrast with only 32 percent of the recipients of low impact projects. It appears that most governments are quite willing to pay for high impact technical advice.

32. The **factors which** could have been expected to, but in fact **did not, make a statistically significant difference with regard to impact** include:

- the presence of a Fund-supported program. In fact, the share of projects that was provided while the recipient had a Fund program—or was negotiating one—was *lower* in the high impact projects than in the low impact projects;

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<sup>7</sup>The analysis did not distinguish between long-term and short-term experts.

- the presence of a Fund resident representative (of course, these two factors may be correlated).
- the quality and extent of coordination with other technical assistance providers made no difference.<sup>8</sup>

#### IV. RECOMMENDED CHANGES

##### A. From Technical Assistance to Technical Consultation and Cooperation— A Policy Framework

33. Fund technical assistance touches all member countries: as recipients of technical expertise, as beneficiaries of the externalities of well-implemented advice (or the reverse); as providers of expert personnel; and as providers of financing through cooperative Fund financing and through special donations. For many years, technical assistance has thus been the “third leg” of the Fund’s work with its members, having grown to absorb Fund administrative budget resources now broadly comparable in size to those devoted to surveillance and program work. While achieving a high success rate in technical assistance proves difficult for all multilateral and bilateral technical assistance providers<sup>9</sup>, it is clear from this evaluation that **Fund technical assistance is getting many things right, is very much appreciated by recipients, and has achieved notable successes.** In OIA’s view, these successes owe much to the provision of expertise by highly qualified staff in Fund departments which participate in all aspects of the Fund’s economic work with members. **A unique strength** of Fund technical assistance has been its primary reliance on **in-house expertise**, in contrast to most other providers who typically finance and/or organize the assistance, but contract out its actual delivery. Besides technical assistance, Fund departments involved in advisory work promote active participation by their staff in research work in the fields in which they provide advice to members. As a result, Fund technical assistance is provided, or supervised, by staff generally renowned for expertise in their fields.

34. These successes have been achieved under practices which evolved flexibly and pragmatically over time and without the benefit of an explicit policy framework--either Fund-wide or at the departmental level. In OIA’s view, **the absence of a policy framework has caused a strategic weakness in Fund technical assistance and weaknesses in governance and management.** At a strategic level, technical assistance is often not allocated to manifest needs. As an extreme illustration of this fact, the technical assistance received by Mexico, Thailand, Korea, and Indonesia—countries to whom the Fund has committed large resources—amounted to only 1.2 person years between them in the year before the onset of their respective financial crises, even though the Article IV consultation reports described a

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<sup>8</sup>The only exception is that there is a *negative* effect on impact when an expert is selected by a cooperating institution.

<sup>9</sup>See footnote 2, page 8.

variety of needs. This contrasts with the 1.5 person years received annually by one 150,000-citizen country in FY1995-FY1997, and with the 11.9 combined person years received by Mexico, Thailand, Korea, and Indonesia in the first year after the onset of their crises.

35. More generally, Fund technical assistance is not conceived and planned as an outgrowth of surveillance work, but as a consequence of work mainly with developing and transition countries in a program context to which around 80 percent of Fund technical assistance has been allocated. Most decisions on provision of technical assistance are taken reactively and are not the result of forward-looking discussions with members. Where more comprehensive planning with authorities does take place, it rarely goes beyond the incidental and general level planning briefly mentioned in policy framework papers for ESAF programs or in some other policy memoranda, and is thus subject to the delays and interruptions experienced in program work. The depth of technical assistance planning in a program context frequently depends on the interests of individual Fund mission chiefs and economists. There is, therefore, **a strategic need to link Fund technical assistance need assessment and planning to the continuity of Fund surveillance, encompassing all members, inter alia to help technical assistance become more relevant to the avoidance of problems, rather than to repair.**

36. At the **governance and managerial level**, the present evaluation has pointed to the **inadequate attention and resources devoted to obtaining initial country commitment to the technical assistance project and then later to making follow-up contacts.** This is a significant weakness in view of the conclusive evidence from this review and other sources<sup>10</sup> that commitment by the authorities and follow-up by the provider of technical expertise are critical to the success of technical assistance. In addition, improvements are needed in the way staff missions and field experts interact with country authorities. At the risk of overstressing the point, it can be said that **the attention of Fund technical assistance providers has been too much on providing excellent recommendations and too little on achieving high impact in the country receiving the advice.** The latter is the objective of all technical assistance, and the excellence of recommendations is a necessary but not sufficient condition for achieving the objective. These weaknesses have contributed to around one third of technical advisory projects appearing to have a less than satisfactory impact. The lack of an explicit policy framework has also meant that there is little transparency and dissemination regarding the Fund's technical assistance work, little evaluation, and little reporting on results to management and the Executive Board other than episodically. The absence of meaningful evaluation is, in OIA's view, further evidence that the focus of Fund technical assistance has not sufficiently been on maximizing the probability of achieving high impact in the receiving country, since ascertaining impact requires ongoing, meaningful evaluation. **All this stands in**

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<sup>10</sup>"Of all the issues influencing technical assistance loan performance, the commitment issue needs the most sustained attention on the part of the Bank" (Baser, Heather, and Peter Morgan with the collaboration of Nimrod Raphaeli, *Review of Technical Assistance Loans in the World Bank*, Washington 1997, p. 27).

**contrast to the greater transparency and scrutiny long received by the Fund's surveillance and program work.**

37. The recent development by the Fund of data dissemination standards and of codes of good practices on fiscal transparency and transparency in monetary and financial policies presents new challenges for Fund surveillance as regards the monitoring of members' practices and as regards the potential requests for technical help to assist members in adopting the suggested practices. In this context, the Fund has stated that it stands ready to help with its expertise in so far as possible, implying a potentially significant increase in demand for its technical assistance. Thus, the Fund has to find ways to meet justified higher demands—from expertise supplied by the Fund or by other providers—and, more generally, **a need to integrate the Fund's work with members on standards and codes with its surveillance and program activities, and with its technical assistance activities.**

38. Meeting these needs requires that Fund technical assistance achieve a higher impact in each individual delivery and more of a systemic impact among member countries. **The adoption by the Executive Board and management of an explicit policy on Fund technical assistance is a necessary condition for achieving these aims. In substance, such a policy will need to amount to a shift from "technical assistance" to "technical consultation and technical cooperation"**. OIA believes that the substantive changes in Fund practices inherent in such a shift are essential not only for achieving higher effectiveness of Fund technical help to members but also for increasing the readiness of all members to cooperate proactively with the Fund in technical areas. Senior officials of a number of middle income member countries made clear to OIA that the appearance of weakness they signal when seeking the Fund's technical "assistance"—a term they also considered to be somewhat paternalistic and outdated—was a factor that had prevented them from seeking Fund expertise proactively. These officials from emerging market countries said that a way needed to be found to cast Fund technical advisory work with members in a programmatic framework. Considering also that the Fund is one of the only major providers of expertise who still uses the term "assistance", OIA recommends that the term be dropped in favor of "technical consultation and technical cooperation".

39. Substantively, **it is recommended that the Executive Board and management adopt and publish a Fund policy framework on technical consultation and cooperation** incorporating the following key elements:

- a statement of the objectives of Fund technical cooperation with members, including, in particular, the objective of achieving high impact; and, a definition of the core substantive areas in which the Fund is prepared to cooperate with its own expertise. The opportunity should be taken to discontinue technical work with members in areas in which the Fund does not have a comparative advantage (see Box 6 concerning technical cooperation work by the Bureau of Computing Services on information technology);

- providing for a link between the Fund's surveillance work, its promotion of standards and codes of good practices on transparency, and its technical cooperation work, by adopting the concept of "technical consultations" with all members as part of the Article IV consultations. These technical consultations would review members' progress toward meeting suggested standards and codes and outline possible areas where the member may wish to initiate technical cooperation in the context of these standards and codes and in other areas of the Fund's competence revealed by the surveillance discussions (see paragraphs 42, 46, and 47, below);
- as an outgrowth of technical consultations, requiring that technical cooperation action plans (TCAPs) be prepared as part of the Article IV process, with those members who are using, or are intending to request, technical cooperation with the Fund exceeding a certain size threshold (see paragraphs 43 to 46, below);
- a statement that the Fund seeks to establish conditions of partnership with members in technical cooperation and will prefer to work with members who show commitment and who establish a good track record of implementation of technical advice;
- a statement that Fund technical cooperation departments will begin active dissemination, via a common technical cooperation external website, of the lessons of technical advice in key areas of common interest to members, along with a statement on the same web site of the expertise available from departments and how to access it (see paragraph 58, below);
- an encouragement to members to provide financial resources to the Fund for technical cooperation projects via the Technical Assistance Framework Account (see paragraphs 79 and 80, below), and adoption of a revised policy on recipient country contributions to the costs of technical cooperation work (see paragraphs 72-76, below);
- the establishment of a framework for evaluations of results of technical cooperation work and of annual reporting on technical cooperation issues and results to the Executive Board and management (see paragraphs 63-71, below, and paragraph 58); and of periodic policy review.

## Box 6

### Technical Cooperation from the Bureau of Computing Services (BCS)

The Fund has provided technical assistance in the field of information technology (IT) to member countries since before BCS was established in 1982. The IBRD and IADB do not provide this type of assistance through their own staffs but may earmark part of their loans for this purpose. BCS's technical assistance can be classified into two categories:

- *Assessment and elaboration of strategic development plans in information technology.* Such strategic plans are typically drawn up by a consultancy firm or the country authorities themselves. If no previous blue print exists, BCS may develop a strategic plan that encompasses areas such as future technology direction, IT organization, and prioritization of automation requirements.
- *Support of other Fund technical assistance projects.* In the case of MAE, BCS generally provides advice on IT support of central banking operations; examples have been the installation of book-entry systems for government securities, review of software systems for banking operations, and advice on technologies needed to support applications in a central bank. In the case of FAD, the operations of a ministry of finance have been supported; the focus has been on identifying software development alternatives for applications, and training requirements to support applications. In the case of STA, assistance has gone to central banks and statistical agencies; activities have included the identification of alternative software packages for managing financial time series data, the installation of, and training in, AREMOS as well as developing small databases in spreadsheet packages.

BCS generally conducts short-term missions, lasting from 4-5 days as in the case of book-entry systems to two or more weeks for certain other purposes. The majority of BCS's missions are one-time affairs for a specific purpose (i.e. installation of AREMOS) or for an independent assessment of an IT strategic plan. Over the three fiscal years FY 1996-98, there have been a total of 33 missions to 22 countries, of which 12 mission for the assessment of strategic plans, and 21 missions in support of other technical cooperation projects of the Fund, mostly in the monetary area. Compared to other technical cooperation of the Fund, the cost of support in the IT area through BCS is rather small. Over the period FY 1996-98, such assistance has been of the order of \$ 550,000 per year on average. Just under one half of this amount was for BCS manpower, another 30 percent for travel expenses, and the rest for contracting external manpower (consultants). In terms of destination, one half was in support of technical assistance projects of other Fund departments, 40 percent for the assessment of IT strategic plans of member countries, and 10 percent for in-field long-term experts. It should be noted that during FY 1996-98 the trend has been away from assessment activities toward support of monetary, fiscal and statistical technical assistance. Over the past 12 months or so, an increasing number of resident experts have been placed in user countries for periods of 6-16 months which has added to the cost of the program, currently running at an annual rate of \$ 750,000 - 800,000.

OIA conducted a review of the effectiveness of BCS technical assistance. The report of an independent consultant and an opinion survey of Fund staff coincide in qualifying IT assistance by BCS as useful to the Fund's work and members alike, but by no means as indispensable. Such assistance, while not always being (nor required to be) "state of the art", has supported well other Fund projects and has been appreciated by recipient authorities; especially in the case of assessing IT strategic plans, the Fund through BCS has been regarded as impartial in its advice and without any hidden agenda. The fact that such assistance came without cost to the recipient member has been an added advantage, particularly for low-income countries.

Both the independent consultant and Fund staff interviewed agreed that the services provided by BCS could generally be obtained from alternative providers. This would likely be more expensive to the country and perhaps less convenient for countries and Fund technical assistance departments alike, but no significant drawback was perceived to the successful implementation of Fund technical assistance projects in the monetary, fiscal, and statistical areas (or to regular Fund surveillance and program work with members) if the Fund were to cease BCS technical cooperation activities.

40. **Based on the guidance provided by the Executive Board discussion of this evaluation report, OIA recommends that staff propose to management and the Executive Board a policy framework on technical cooperation with members.**

**B. Integrating Technical Cooperation with Fund Surveillance and Program Work**

41. As noted above, OIA sees a **need to integrate technical cooperation more closely with the Fund's surveillance and program work.** Three objectives need to be pursued:

- a periodic consideration with members of their progress in adopting practices consistent with standards and codes of transparency endorsed by the Fund, and of whether and how Fund technical advice can be helpful to the member, in line with wishes expressed by the Executive Board;<sup>11</sup> These issues are currently under consideration in the Executive Board;
- a periodic consideration with members of the possible help which Fund advisory services can provide to their efforts to upgrade their capacities and policy tools in other areas of competence of the IMF (proactive and programmatic assessment of technical cooperation priorities);
- the preparation of a plan of technical cooperation--transparent to all parties involved--with those members who request a significant volume of advisory services from the Fund, in order to ensure the needed close cooperation with the member and with other providers of advice.<sup>12</sup>

OIA suggests that the introduction of two instruments linked to the Article IV consultation process should be considered to help achieve these objectives, namely

- technical consultations, and
- technical cooperation action plans (TCAPs)

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<sup>11</sup> See, for example, remarks made at EBM/98/99, (September 15, 1998), during the discussion on the draft manual on fiscal transparency.

<sup>12</sup>This suggestion is not new: "Action plans should be developed to provide a basis against which progress could be measured. While action plans were already being used by the staff in the context of technical assistance in support of comprehensive programs of structural reforms, their use could be broadened. Use of such action plans would be beneficial not only in monitoring the effectiveness of technical assistance, but would be an important tool in setting priorities and in clarifying inter-relationships between reforms in various areas." (EBM/96/47, May 17, 1996-Summing up by the Acting Chairman, External Evaluation of Technical Assistance provided by the Monetary and Exchange Affairs Department (MAE)-Report of Independent Panel; Buff/96/65, May 22, 1996, page 3.)

42. A **technical consultation** would address three topics: (i) an exchange of views between Fund staff and national authorities about the member country's practices relative to Fund-endorsed standards and codes of best practices on transparency and the possible role of Fund advice; (ii) an exchange of views on whether the surveillance discussions have suggested other areas where the member may wish that Fund technical cooperation be initiated or deepened. **As at present, technical advice would only be provided at the request of the member;** and (iii) if applicable, a review of the implementation of previous technical advice. The technical consultation would be conducted by the staff as part of the Article IV consultation discussions. Staff from technical cooperation departments would participate in the staff mission as needed. An account of the technical consultations would be given in a separate section in the Article IV staff report. For all member countries, staff reports would contain a section with the following information: (i) an assessment by the authorities and Fund staff of the country's practices relative to Fund-endorsed standards and codes of best practices; (ii) changes in the country's practices since the last consultation; (iii) recommendations, if any, for areas in which improvements would be most beneficial; (iv) plans, if any, to modify and/or improve existing practices; and (v) technical needs, if any, that arise from such plans, and how they are going to be met. For those member countries where the surveillance discussions have suggested other areas for possible technical cooperation with the Fund, the Article IV staff report would describe the plans and report on accomplishments since the last consultation. It is recommended that technical consultations be phased in, possibly for 20 to 30 countries per year. The resource implications of this proposal are discussed in paragraphs 81 to 84.

43. For countries with utilize or intend to request substantial amounts of technical advice, the technical consultations would be expanded and a **technical cooperation action plan (TCAP)** would be prepared. In this context, "substantial amounts" could be defined as requiring at least, say, 2 to 3 person-years of technical cooperation from the Fund during the most recent fiscal year, or expectations of technical cooperation from the Fund of that magnitude in the near future. For countries meeting these criteria, the link between the technical consultation and Article IV surveillance would be maintained but, because of the work involved in preparing the TCAP (especially the first one), the technical consultation itself would not necessarily need to take place during the regular Article IV consultation mission; rather, a separate paper on the technical consultation containing the TCAP could be prepared as part of the Article IV consultation documentation.

44. As noted, a key element of the technical consultation in countries with substantial technical needs would be the preparation of a TCAP with a suggested time horizon of two years. **All identified technical needs in the core areas of competence of the IMF would be included in the TCAP**, which would outline the timing and sequencing of technical cooperation activities—whether they are to be undertaken by the Fund or by another provider.<sup>13</sup> It is proposed to conduct these expanded technical consultations involving the

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<sup>13</sup>Identified technical needs that are not expected to be addressed within the suggested two-  
(continued...)

preparation of TCAPs during a separate staff mission, whenever the scope of the consultation is expected to be broad and the consultation would therefore be resource-intensive both for the Fund and for the national authorities. Responsibility for the TCAP would be shared by the area department and the technical cooperation departments, with their joint approval of reports. The leadership of a separate mission to prepare a TCAP would be decided in consultation between the area department and the technical cooperation departments, taking into account the experience of potential mission chiefs and the primary area of expertise in which the bulk of the work of the mission is expected to take place. Where resident representatives are in place, they would be involved **ex officio** in the work of a TCAP mission. The technical consultation documentation, including a TCAP where indicated, would be part of the Article IV consultation documentation. As noted, documentation on an expanded technical consultation including the TCAP could be issued when convenient, provided such documentation is available to the Executive Board at the next Article IV consultation.

45. **Technical Cooperation Action Plans (TCAPs) are expected to provide an effective framework for coordination with other technical cooperation providers.** There are weaknesses in the coordination of Fund technical advice with other providers (paragraph 26). The assessment of technical needs and how to meet them most effectively gives the Fund and the national authorities a framework to coordinate technical cooperation provision with providers other than the Fund. This should help avoiding overlaps and focussing the provision of technical advice in each provider's comparative advantage. Other providers are also likely to appreciate the framework provided by the Fund through these medium-term plans. The very limited and high-level reference to technical cooperation in the Fund's areas of competence that is currently made in policy framework papers (PFPs) would be replaced by the TCAPs.

46. **Expanded technical consultations involving the preparation of TCAPs require a commitment of resources from the area and technical cooperation departments.** This is especially true for the initial technical consultations; future updates would require fewer resources. Because increased resources are needed, it is proposed that these expanded technical consultations be phased in. During the first two years, staff could identify a total of six to nine countries per year for which expanded technical consultations will be conducted and technical cooperation action plans prepared.<sup>14</sup> The resource implications of this proposal are discussed in paragraphs 81 to 84.

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<sup>13</sup>(...continued)

year time frame should, nevertheless, be noted in the plan.

<sup>14</sup>For a number of countries—for example, some post-crisis countries and a few countries with large-scale technical assistance programs—a substantial amount of the work required by expanded technical consultations is currently already being undertaken. Formalizing the procedure for such countries should, therefore, not require large additional resources.

47. **The practice of technical consultations is expected to lead to: substantial improvements in commitment and ownership by the national authorities and in follow-up by the Fund and the authorities to the technical advice provided.** These are the areas in which weaknesses have been identified. Conducting regular technical consultations, which include an exchange of views on past technical cooperation, will provide a continuous dialogue and involvement of national authorities in the entire process that should help improve their ownership and thus the impact of Fund technical cooperation. Because of the continuity of the dialogue and because it includes a backward-looking element of review and assessment, follow-up to past technical cooperation will be ensured and will become transparent.

48. **The ideas on technical consultations, and on technical cooperation action plans,** have been discussed with senior officials in more than a dozen member countries. OIA can report that **virtually all officials saw substantial benefits in these ideas,** notwithstanding the fact that their implementation would entail additional demands on *their* staff resources as well. Particularly strong support for these ideas was voiced by officials from certain middle-income countries which had not made proactive use of Fund technical advice in the past, despite apparent needs; these officials thought that these ideas provided the proper vehicle for technical cooperation with the Fund in a programmatic fashion, rather than in the current reactive manner that had proven problematic for them. Other officials welcomed the comprehensive exchange of views on needs for technical improvements and the consistent planning and follow-up that would be made possible through technical cooperation action plans. They believed that such plans would prove to be better instruments for the purpose at hand than such documents as policy framework papers or certain other policy memoranda. Some officials believed that development of action plans would foster a desirable more comprehensive view of technical cooperation involving consideration of broader issues, such as reorganization of the management structure of an agency or civil service reform, which, if not dealt with satisfactorily, could systematically thwart successful implementation of individual down-stream projects. OIA encountered examples in this review where the low impact of individual advisory projects seemed to stem from the failure to deal with specific but larger “up-stream” issues. Finally, it is noteworthy that Fund staff and authorities generally have viewed as helpful medium-term technical cooperation plans in those few instances in which they were prepared in the past (background paper, paragraph 79), and that recipient countries feel strongly that they should be closely involved in the assessment of technical cooperation priorities (background paper, paragraph 225). Technical cooperation plans have been prepared in the past with good results in selected instances (some transition countries, post-crisis situations, countries with large capacity-building needs) usually when a significant share of the financing was provided by an external donor.

### **C. Concentrating on the Fund’s Comparative Advantage and Improving the Allocation and Prioritization of Technical Cooperation Resources**

49. OIA believes that there is **some, though weak, evidence that the subject matters on which Fund technical advice is offered may be too widely disbursed, with some possibly**

**at the edge or beyond the Fund's comparative advantage.** A judgement on the subjects on which expertise is offered by the Fund is a matter best decided by the technical cooperation departments themselves, in the context of defining the subjects for technical cooperation in the development of the policy framework on technical cooperation. OIA does believe, however, that **BCS technical advice on information technology matters is outside the Fund's comparative advantage** and discontinuation of this service should have only marginal impact on members because of the availability of quality alternative sources of such advice (Box 6, page 23). On other subject areas, the evidence is inconclusive. Such evidence will, however, become available with the implementation of an evaluation scheme, as suggested in paragraphs 63 to 71. It is hoped that such evidence will help departments concentrate their expertise on high-value added subject areas while referring requests on subject matters at the edge or beyond the Fund's core competence to other providers of advice.

50. The **Regional Allocation Plan (RAP)** has been successful in achieving one of its principal objectives of avoiding the situation in which the amount of technical cooperation resources provided to long-standing Fund members would be significantly reduced in the face of the massive demand that came from the new transitional economy members. Care must now be taken that this success does not lead to perceived regional entitlements being used as the most important criterion for allocation decisions. Already, recent RAPs have given grounds for concern, in that:

- too few resources have been allotted to priority subjects in countries clearly in need of expertise;
- too many resources have been allotted to countries making mediocre or poor use of the expertise provided; and
- too many resources have been allotted to subjects that are marginal to, or outside of, Fund comparative advantage--for example, information technology advice.

OIA believes that adoption of the recommended framework for technical consultations and of technical cooperation action plans (and of evaluations) will, over time, establish a sound basis for improved allocation of resources to members, both proactively and taking better account of countries' track record of implementation. It should thereby improve the basis for deciding on the level and distribution of budgetary resources for Fund technical cooperation activities.

51. **Why has it seemingly been difficult for Fund staff to prioritize better the allocation of technical cooperation resources on uses of higher impact?** This question must be asked as there is evidence that for many proposed projects the staff and the authorities appear to have a good ex ante view of likely success (see paragraph 30). OIA feels that the reasons for inadequate prioritization include the absence of the tools whose introduction or wider application is recommended in this review (including technical consultations, TCAPs, evaluation, etc.). However, other influences also appear to be at work:

- OIA deduces that resources appear to be available to undertake technical cooperation projects that are questionable ex ante;
- in some instances, the technical cooperation departments are reportedly experiencing pressures—including from country officials, Executive Directors, and Fund officials—to make resources available for technical advice in situations of marginal ex ante utility;
- OIA believes that the combination of the above two influences—in the absence of a Fund policy statement on the objectives of its technical cooperation services, including a declaration that its technical advice is intended to achieve high impact—appears to make it difficult for technical cooperation departments to reject some low priority projects or those with low probability of success.

#### **D. Improving the Instruments of Technical Cooperation<sup>15</sup>**

52. Good technical advice has impact if it is implemented, an action by sovereign member governments that depends on the level of their commitment. Such action is always within the discretion of members, but—as suggested by the findings of this review—**the probability of successful implementation of advice can be improved, perhaps significantly, by better Fund technical cooperation practices.** If commitment by a member is still lacking after best efforts by the Fund, technical cooperation should be withdrawn.

This chapter focuses on improved practices that can be put in place by the Fund concerning:

- promoting commitment by recipient countries;
- choosing the delivery mode for advice (long-term experts, short-term experts, staff missions, seminars and workshops, modern information technology);
- choice, preparation, and guidance of experts;
- conduct of staff advisory missions;
- follow-up by the Fund to the advice provided;

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<sup>15</sup>OIA agrees with many of the recommendations concerning improvements in the instruments of technical advice that were made in Chapter VI “The Effectiveness of Technical Assistance” in “Review of Fund Technical Assistance” (EBAP/93/78, December 1, 1993), except that EBAP/93/78 did not envisage follow-up review of its recommendations.

- transparency on technical cooperation inside the Fund and dissemination of information to member countries and the general public;
- arrangements concerning internal organization, administrative support, and record-keeping.

53. Adoption of the recommendations made below requires changes or additions to the procedures employed mainly by the technical cooperation departments. OIA recommends that these and other departments **adopt the recommended changes and make them accessible within the Fund in the form of guidelines, and available on the website in condensed form.**

**(i) Promoting commitment by recipient countries**

54. Fostering commitment by the recipient authorities at both technical and policy levels is of paramount importance. OIA therefore recommends the following changes in current technical cooperation procedures:

- technical cooperation and area departments should take steps to increase the participation by the recipient authorities in all stages of technical cooperation, **and thus increase their commitment.** Special emphasis should be placed on close country involvement in the identification of needs through technical consultations and the preparation of technical cooperation action plans, the design and preparation of individual projects—in particular recipient authorities' input into the terms of reference (see below), and the evaluation of technical cooperation projects;
- **recipient countries should be made participants in drawing up the terms of reference both for missions and for expert assignments,** with a view to specifying work plans wherever possible. The terms of reference should clearly specify both the Fund's and the recipient country's responsibilities for the particular project in question. Currently, recipient countries generally receive the terms of reference for expert assignments after they are finalized; in the case of missions, no consultation at all takes place with recipient countries regarding the mission's terms of reference;<sup>16</sup>
- **the Fund should issue a policy statement** stating that technical cooperation will be sought primarily with those countries that have demonstrated their commitment by implementing the recommendations of prior technical advice.

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<sup>16</sup>Some officials observed that some experts and missions seemed to work more for the Fund than for the country. They noted, for example, that often a large proportion of final reports was devoted to a description of the present system that they knew very well and relatively less to an analysis of the options for change and reform which they badly needed.

In contrast to current procedures, such a statement would lay the groundwork for explicitly recognizing a country's track record as a factor in making decisions about future technical cooperation projects;

- recipient countries should be informed prior to the delivery of technical cooperation of **the estimated standard cost to the Fund, or the donor**. Currently, recipient countries are not provided with any information about the cost;
- commitment of the authorities to productive work with long-term experts needs to be fostered through **a more equitable policy for charging recipients** for the cost of expert-provided technical cooperation. The current system suffers from inconsistencies which should be removed;
- **ex post evaluation** should be introduced, as strongly desired by recipient countries;
- the **accountability of the recipient country** will be improved through better reporting to management and the Executive Board on technical cooperation activities in individual member countries through the TCAP. Under current practices, no meaningful information is available to management and the Executive Board on individual country performance regarding technical cooperation.

**(ii) Choosing the delivery mode for advice (long-term experts, short-term experts, staff missions, seminars and workshops, modern information technology)**

55. The **choice of the appropriate mode of delivery for technical advisory work is a critical decision** for the technical cooperation departments. OIA believes that departments may be **too much inclined to choose delivery by long-term experts**. From the experience of the Fund and other providers of advisory services, there is a typical life-cycle of technical cooperation that is linked to the recipient country's level of development. In the early stages of the process, a large amount of technical cooperation is typically provided by resident long-term experts. The emphasis at this stage is on basic institution and capacity-building and training of local staff. After the first stage, the emphasis shifts to tackling more specific and complex projects and issues, and peripatetic experts as well as missions provide more and more of the advice. At a later stage, the large majority of technical cooperation is provided by missions and training opportunities.

56. While there are clear cases where only long-term experts can be considered for an advisory project (size, complexity of implementation, and teaching component of project), **OIA believes that there may be three good reasons to subject the choice of delivery through a long-term expert to greater scrutiny in the future:**

- the evidence in paragraph 26 above, that **delivery by long-term experts seems to be more susceptible to less than satisfactory impact than delivery by other means.** The reasons are in part (but likely **only** in part) related to the use of long-term experts mainly in countries with the weakest administrative infrastructure and the greatest obstacles to success of advisory work. The evidence is of concern because delivery through a long-term expert is more expensive than other delivery means.<sup>17</sup>
- the spontaneous **call by officials of low-income countries in interviews with OIA for increased Fund use of short-term experts visiting periodically.** These officials made three points: first, a long-term expert may experience lengthy “downtime” because of slow decision-making related to the project by the authorities; second, a short-term expert visiting periodically is forced to give great attention to the work program of local officials to carry out the recommendations as otherwise nothing gets done and this incentive is highly desirable—in contrast, long-term experts have a tendency of wanting to do too much themselves; and, third, it is easy to stay in contact with the short-term expert should unexpected issues come up in between periodic visits. OIA would add that the short-term expert delivery mode affords the provider of technical advice better leverage through withdrawal of support should local cooperation become unsatisfactory. Moreover, should departments find that more of a shift away from long-term experts to short-term experts were desirable in more cases than hitherto, **the double purpose would be served of increasing the efficiency and impact of technical cooperation provision and of saving resources that can be utilized elsewhere.**
- the availability of **efficient international communication channels** to nearly all countries. It seems to OIA that technical cooperation departments have not been sufficiently active in exploiting apparent possibilities. There is, for example, no active use of a technical cooperation website, no use of video-conferencing in advisory work, and little use of distance learning tools.

**(iii) Choice and guidance of experts**

This review has become aware of experts who did an outstandingly effective job, but also of experts who:

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<sup>17</sup>This point had also been made in the last review of technical assistance: “An innovative alternative to the assignments of long-term experts is the use of repeated short visits, usually by the same individual (peripatetic expert). This form of delivery has proven [to be] cost effective”. (EBAP/93/78, page 8).

- lacked the teaching and communication skills (and sometimes the language skills) necessary for effective persuasion,<sup>18</sup>
- had not visited the country prior to their assignment and turned out to be ill-suited for a developing country environment and thus ineffective;
- were not adequately integrated into the Fund's work with the country, sometimes never having met the area department mission chief;
- were inadequately guided by their supervising technical cooperation department. (In one extreme case, an expert reported that he had not received any communication from headquarters for almost a year--not since he had received a response to his first report in which his backstopper had noted that he disagreed with some of the points it contained.)

OIA makes the following suggestions:

- **the expert selection mechanism should be modified** with the aim of: (i) attracting through mandatory external advertising a broader pool of experts with the necessary technical and communication/ language skills; (ii) involving both the area department and the recipient country in the selection process; (iii) subjecting to stringent approval procedures any appointment of experts to a country which has used experts for long periods in the same assignment. Under current practices, expert positions are advertised in less than 10 percent of the posts becoming available. The area department is not routinely involved in the selection of an expert, and recipient countries' involvement is small and largely formal. The latter are typically provided only with the curriculum vitae of one (pre-selected expert), on the basis of which they are asked to either accept or reject the expert. Instead, a visit of the expert candidate to the country prior to appointment should be mandatory;
- **the preparation of experts for their assignment should be enhanced.** The preparation needs to: (i) provide the expert with more background information on the specific conditions in the assigned country and Fund policies in areas related to the experts' assignment—both from the technical assistance and area department perspective; (ii) in many cases, train the expert in effective teaching and communication skills (a major emphasis, for example, of the German parastatal organization for technical cooperation, GTZ). To achieve these objectives, briefings of experts in Washington should be mandatory; their

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<sup>18</sup>Some very pointed comments were made to OIA by officials when experts showed little effort or skill at teaching and communication; in these cases, the large difference in remuneration between local staff and the expert was referred to, pointing out how much local training could be accomplished with the resources, if done in effective alternative ways.

lengths could vary depending on experience, but a period of some weeks most likely would be required. This is a major change from current practices where experts are briefed in Washington for at most one week and in some cases the technical cooperation departments do not even require the expert to prepare with staff at headquarters before taking up an assignment; and (iii) provide the expert with terms of reference that include a workplan with objectives that can be monitored.

- long-term experts should be appointed with a **three-to-five month probationary period**. It should be understood that the assignment could be terminated at that time, if the Fund or the national authorities so request;
- both technical cooperation departments and area departments should **adopt procedures that result in a fuller integration of the work of experts with that of the Fund**. For example, as a rule experts should be contacted by area department and advisory missions when in the field. Furthermore, the resident representative (or the area department) and the technical cooperation department should regularly brief the expert on all relevant developments regarding the country of his assignment and provide basic publications and documents of the Fund necessary for keeping abreast of Fund-wide developments. There are currently no formal procedures to ensure that this happens and as a result some experts have very limited contact with staff from headquarters;
- technical cooperation departments should **improve and formalize their backstopping procedures**. The terms of reference for each expert should include the expert's reporting requirements as well as the scope of backstopping to be expected from the technical cooperation department. Also, backstopping should include some assessment of the performance of the expert during and at the completion of the assignment. Under current practices, backstopping procedures vary widely depending on the practices of the individual expert and of the supervisor in the technical cooperation department. Furthermore, only one technical cooperation department has in place a formal procedure for assessment of experts.

**(iv) Conduct of staff advisory missions**

Country officials have told OIA that:

- they were not always certain of the mission's objectives before its arrival or what interlocutors would need to be available;

- missions have sometimes arrived ill-prepared, had not absorbed information that had already been made available to the Fund, and had made unreasonable data requests;
- missions have sometimes made “off-the-shelf” rather than country-specific recommendations;
- missions have made recommendations that were not sufficiently operational in character;
- some missions appeared short-staffed and pressed for time, not allowing enough time for meaningful discussion of the recommendations with local technical and policy level officials.

OIA makes the following suggestions:

- technical cooperation departments should modify their procedures to pay more attention to the preparatory phase of a mission. Preparation for a mission should be more detailed and should more closely involve the relevant area department and recipient country. To the extent possible, data requests should be addressed to recipient countries as far in advance of a mission as possible. In particular, the recipient country should be involved in the preparation of the terms of reference. **Some recipient authorities urged that written material on the lessons from previous Fund advice on the topic to be dealt with by the upcoming mission should be sent to them beforehand;**
- care should be taken that **the recommendations of a technical cooperation mission be as country-specific and operational as possible.** Also, the recommendations should be discussed both with policy and technical staff in the recipient country during the mission, a point repeatedly made to OIA by country officials. This requires that adequate time be allocated for this purpose.

**(v) Follow-up by the Fund to the advice provided**

57. Follow-up activities by the Fund have been identified in this review as the weakest element in its technical cooperation procedures; yet, **a small investment in follow-up activities could make the difference between a high-impact and a low-impact project.**

OIA considers that:

- **follow-up activities need to be planned and budgeted for.** Under current practices, no specific budgetary allocations are made for follow-up, and the terms of reference for individual projects often do not include specific responsibilities for follow-up;

- **a recipient country should be expected to react to the final report** prepared by a technical cooperation mission and the end-of-assignment report of an expert. Under current procedures, recipient countries do not, as a general rule, react to final reports. STA has put in place a procedure under which recipient countries are asked to comment on the final report; however, responses have regrettably been limited. The recipient country should be asked to comment on the recommendations made and to inform the Fund of plans regarding implementation—if any. In the case of an expert assignment, the recipient authorities should be asked to indicate how they plan for local staff to carry on the work after the expert assignment. Technical cooperation-providing departments should elicit such a response from recipient authorities and if responses are consistently not forthcoming, the appropriate consequences should be drawn. These issues may also be discussed during the proposed technical consultations.
- technical cooperation departments should show **more flexibility regarding follow-up**; for example, in some cases it might be necessary to follow up a mission or an expert assignment with a staff visit by a high-ranking staff member to “sell” the technical advisory product. Currently, some such follow-up does take place, but no procedures are in place that ensure that these options are considered systematically, including making requests to resident representatives for specific follow-up.

**(vi) Transparency on technical cooperation inside the Fund and dissemination of information to member countries and the general public**

58. As this review has shown, both internal and external reporting on technical cooperation is weak. As an aside, it is curious that Fund external communications seldom point to the success stories of an activity that absorbs a large portion of the Fund’s administrative budget resources and is so widely appreciated by member countries.

OIA suggests that:

- **an annual report be prepared for management** and the Executive Board on Fund technical cooperation activities. This report would include the results of evaluations of technical cooperation activities as well as point to any important issue Directors should be appraised of. Under current practices, little meaningful information on technical cooperation activities is provided to management and the Executive Board. Management receives back-to-office reports for technical assistance missions to selected countries but not for expert assignments, and receives reports on Regional Allocation Plan (RAP) matters. Board papers on technical assistance have been infrequent;

- technical cooperation departments should **prepare policy statements** about the kind of technical advice that they provide and the conditions under which such advice is available. This information should be posted on an external website. Currently, this information is not available;
- technical cooperation departments should **prepare papers on the lessons learned on important technical cooperation subjects of general interest**. These papers should be posted on the website mentioned. Such information is currently rarely available. Several comments made during OIA country visits provided evidence that worldwide dissemination would be an efficient way to transfer knowledge and would be greatly appreciated by a number of member countries;
- **technical advisory reports should be made available to a wider audience**. It is recognized that some reports include confidential information, for example, in the field of banking supervision. It is proposed that technical advisory reports be given the same status as staff reports for Article IV consultations and that they be published (with appropriate deletions of sensitive information) **unless the recipient country objects**. Under current practices, technical advisory reports have a very limited circulation. Wider availability with the recipient authorities' consent of suitably edited advisory reports would have a number of advantages: the incentives promoting high quality of advice would be strengthened through monitoring by the expert community; coordination with other providers would be enhanced; incentives for recipient countries would be strengthened to implement high quality advice; and lessons would be shared with other countries in a cost-effective way.

**(vii) Arrangements concerning internal organization, administrative support, and record-keeping**

59. The question arises whether **changes in internal organization arrangements** might be needed if the recommendations of this report concerning the policy framework for technical cooperation activities of the Fund were implemented, broadly along the proposed lines. The specific issues are:

- who is responsible for monitoring and analyzing policy issues concerning Fund technical cooperation?
- who is responsible for preparing the proposed annual reports to management and the Executive Board concerning technical cooperation?

It would seem reasonable to allocate these tasks to **the Technical Assistance Committee (TAC)**, to be renamed the Technical Cooperation Committee, which already has the responsibility of preparing the annual Regional Allocation Plan (RAP), and dealing with other

technical cooperation matters. All departments with an interest in technical cooperation matters are represented on this Committee, which already has secretariat resources (the Technical Assistance Secretariat-TAS-recently incorporated, for administrative purposes, into the Office of Budget and Planning (OBP)). In fact, it could be said that the TAC already has the above-mentioned responsibilities—see TAC terms of reference in the background paper (paragraph 14 and Box 1). It may also be helpful to have TAC chaired by a Deputy Managing Director, as is the case with the Surveillance Committee. Entrusting the above responsibilities to the TAC has the added advantage that the same Committee should also be responsible for improvements in common data bases concerning technical cooperation matters (see paragraph 62, below). If this report's proposals concerning technical consultations and technical cooperation action plans were to become a regular feature of Fund surveillance, PDR's current role in participating in surveillance activities via the internal review process would extend to these new modalities. In this role, **PDR would help provide broad oversight that Fund technical cooperation efforts are incorporated into the Fund surveillance process.**

60. At the same time, OIA does not believe that other organizational changes are helpful. In particular, **a separate Fund department dedicated to technical cooperation across the various specialties should not be created.** OIA considers it a special strength of Fund technical advisory work that it is carried out by staff in departments fully integrated in all elements of the Fund's work with members, and not devoted solely to technical advisory work. This integration makes it possible for these departments to maintain the excellence of their staffing and expertise and to bring to specific advisory projects the wealth of Fund experience from similar situations in other member countries.

61. **Current administrative practices related to technical cooperation activities suffer from a number of problems.** Many of these problems can be traced to a lack of usable technology tools. Work aids in many areas--e.g., RAP preparation--do not exist, and automation tools that do exist are not well integrated and have been developed for purposes other than for the management of technical cooperation. It is beyond the scope of the current review to fully analyze the issues involved in administrative/financial support procedures and systems for technical cooperation. It is therefore recommended that a work practices review of these procedures be undertaken as soon as possible. The Work Practices Section of OIA (OIA/WPS) is ready to give support to such an endeavor, if requested.

62. OIA feels strongly about the **related need to improve record-keeping on technical cooperation activities.** At present, a single, consistent set of data that describes the facts of technical cooperation activities--i.e., when, where, by whom advice was given, and for how long and through what financing--cannot be produced. Moreover, a repository of information on the substance of the advice--such as completed reports, terms of reference, evaluations--is not available at all, hampering the building of institutional memory and sharing of lessons learned. For a program of this importance and magnitude, OIA recommends the development of such a repository to serve as the authoritative record on the Fund's technical cooperation activities. As such, it would improve accountability, transparency, and future reviews of technical cooperation activities. It is recommended that plans for such a database be drawn up

as an outcome of the work practice review and under the leadership of the Technical Assistance Committee (TAC).

### E. Introducing Evaluation

63. This review has identified evaluation as one of the weakest elements in the chain of activities comprising the Fund's technical cooperation.<sup>19</sup> A systematic ex-post review of the results of Fund technical cooperation work needs to be put in place because:

- without adequate evaluation, it cannot be reliably ascertained whether the technical cooperation achieves its objective—high impact in the member country receiving the advice—and whether improvements need to be made in the chain of technical cooperation activities;
- without adequate evaluation that is reported upon, accountability for, and transparency of, technical cooperation work is weak; **as a result, the incentives for staff and recipient authorities are not what they should be.**

64. **Evaluation is all the more needed** for two reasons: first, the immediate output of Fund technical cooperation has hitherto been treated as confidential, or, in any case, has been closely held, implying that few actors other than those immediately involved (technical cooperation provider, Fund area department staff, and authorities) see the technical cooperation reports or recommendations; and second, most Fund technical cooperation is provided free of charge, making evaluation an indispensable tool for feedback. Such a situation differs from the greater transparency for the output of the Fund's surveillance and use of Fund resources activities, where published reports of self-evaluation and of other evaluation have long existed. In any event, all other major multilateral and bilateral providers of technical cooperation services have evaluation schemes in place, some for long periods.

65. However, **several of these other major providers of technical cooperation services are also reconsidering their evaluation schemes** because they are not satisfied with their usefulness and cost-effectiveness.<sup>20</sup> Some existing evaluation schemes provide lessons too late to be really helpful and others are insufficiently owned by the technical cooperation providers, thus leading "parallel bureaucratic lives" of uncertain usefulness. OIA has concluded that an organic integration of evaluation into the entire management and quality control system of the

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<sup>19</sup>"...no procedures for independent assessment and evaluation of Fund technical assistance have been developed so far... The effectiveness survey has pointed to the desirability of developing procedures for more systematic assessment and evaluation of technical assistance. This would, however, absorb significant resources." (EBAP/93/78, page 9).

<sup>20</sup>In addition to reviewing the literature concerning evaluation of technical cooperation activities, OIA had discussions on this topic with representatives of the OECD-DAC, the World Bank, the IADB, the UNDP, the German GTZ, the British DFID, and the U.S.AID.

Fund's technical cooperation departments is essential. Because of the needed close involvement of technical cooperation departments in the development of a viable evaluation scheme, OIA has abandoned its earlier intention to propose a detailed evaluation scheme as part of this review.

66. Instead, OIA suggests that **the Fund adopt procedures for evaluation of future technical cooperation operations that encompass two tiers**, namely

- self-evaluations led by the technical cooperation departments and to be conducted according to procedures to be proposed by the technical cooperation departments themselves, subject to certain requirements (see paragraph 69, below), and
- occasional evaluations of Fund technical cooperation prepared by an evaluator independent of the technical cooperation departments (e.g., OIA) but building on these self-evaluations.

67. It is hoped that this structure will take appropriate account of **the biases of evaluation** noted in the literature, namely, that independent evaluators are sometimes negatively biased focussing on faults that need correction because their identification "appears to confirm the value of evaluation more than does the identification of things done correctly"<sup>21</sup> and that self-evaluators are sometimes biased toward an evaluation that justifies their efforts and leaves the terrain open for further projects.

68. **Self-evaluations** have the dual objectives of serving as a managerial tool for staff within technical cooperation departments and of providing important input for informing policy makers on technical cooperation effectiveness. Self-evaluations should aim at assessing:

- the quality of inputs and of technical cooperation procedures (prioritization, preparations, choice of delivery mechanism, etc.);
- the quality of the recommendations; and
- the impact of the advisory project in the recipient country.

Some elements of such self-evaluation already exist in technical cooperation departments. Also, in the past, a technical cooperation department initiated an outside review of its activities<sup>22</sup>. However, such elements of self-evaluations as now exist in technical cooperation departments are not reported upon, have lacked a framework, a complete coverage, as well as

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<sup>21</sup>Robert J. Muscat, *Evaluating Technical Cooperation: A Review of the Literature*, Development Policy Review, IV.1, 1986.

<sup>22</sup>External Evaluation of Technical Assistance Provided by the Monetary and Exchange Affairs Department--Report of Independent Panel, EBS/96/15.

common elements that are needed for comparability across technical cooperation activities and over time.

69. As noted above, OIA is convinced that **a more satisfactory self-evaluation scheme needs to be developed** by the technical cooperation departments themselves as part of their quality control work, subject to certain requirements. These requirements are that the self-evaluation system to be developed should:

- be simple and cover all technical cooperation projects within approximately one year after their completion;
- involve input of all concerned parties, namely, the provider technical cooperation department, the area department, and the recipient authorities;
- have a common rating system for a common set of factors to be rated that cover the key elements in the chain of technical cooperation work from identification of the project to its impact in the recipient country. Such **commonality is critical for comparison purposes among uses of technical cooperation resources and over time, and for the ease of the needed input from recipient authorities and Fund area departments;**
- enable an individual technical cooperation department, if it wishes, to add elements beyond the common core described in the previous bullet, and
- record the results of the self-evaluations in a central technical cooperation database that can be used for purposes which build on these self-evaluations, including reporting to management and the Executive Board, and use in independent evaluations.

70. It is proposed that technical cooperation departments suggest such a system for the approval of Fund management; OIA is prepared to assist in its development, if requested. **Budgetary resources will be required for self-evaluations and should be made available.**

71. **Evaluations of Fund technical cooperation activities by an independent evaluator** (e.g., OIA) say, every three years, would have the two objectives of:

- providing an independent view of project quality and impact based on analysis on the basis of random sampling; and drawing lessons from other aspects of technical cooperation activities, such as the experience with TCAPs, if adopted as suggested earlier; and
- ascertaining that the system of self-evaluation, as proposed above, functions well in practice and is cost-effective.

## F. Revising Country Contributions

72. Over the past 35 years, **the question of country contributions toward the cost of technical cooperation has been discussed on several occasions** by Executive Directors, but it has proved difficult to reach a consensus.<sup>23</sup> Some Directors have argued that Fund members pay for the services they receive from the Fund via the cooperative financing arrangements implicit in the difference between the rate of charge and the rate of remuneration; thus requiring a specific country contribution would, in part, charge the recipient country twice. Other Directors have expressed concern about the capacity to pay of the recipient country, arguing that the poorest countries often needed advice the most urgently and that for the Fund to refuse technical cooperation because of a lack of payment would be counterproductive to the membership at large. It has also been argued that requiring a contribution might force countries to seek out other providers--most of which provide advice on grant terms--and that these providers might dispense advice that might be at odds with what would have been provided by the Fund.

73. Other Executive Directors have advanced opposing arguments. They have observed that a financial contribution by the recipient country increases its sense of ownership and commitment to the project. (In many countries, the use of public funds triggers supervision and reporting requirements that raise the accountability of the recipient agency.) A few Directors have argued that requiring a specific contribution brings the benefits of the price mechanism, moderating demand from a higher level consistent with technical advice being a free good. Some Directors have also argued that contributions generate revenue for the Fund that can be used to finance additional advice. The argument has also been advanced that there is some inequity inherent in the fact that those members not receiving technical advice subsidize--via their effective contribution to the administrative budget--those that do. In the absence of a broad consensus, an ad hoc system of contributions toward the cost of some long-term experts has been maintained. The resulting revenues have been small, yielding little more than \$300,000 in FY 1998. More details of this system and information on the debate surrounding it are set out in paragraphs 55 to 57 of the background paper.

74. In the review, OIA attempted to gauge the opinion of the authorities on this question. In the evaluations of randomly selected projects, some 30 percent of recipient authorities stated that they would have been willing to pay for all or some of the cost of the technical advice they had received and this percentage rises to almost 60 percent in the high impact cases (background paper, paragraphs 178 and 207). In interviews with the authorities of technical cooperation recipient countries, OIA posed the more specific question of payment for long-term experts and found that **almost all of the authorities it spoke to supported the concept that countries should contribute toward the cost of the long-term experts that are sent to assist them.** Many agreed that the requirement to contribute could enhance the

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<sup>23</sup> The variety of views on the issue was evident at the last major Executive Board review of technical assistance in 1994 (EBM/94/10, 2/9/94) and also at meetings of the Executive Board Committee on the Budget (CB/95/4, 7/25/95 and CB/95/5, 10/26/95).

authorities' sense of ownership of the work of the expert. Even the authorities of some of the poorest countries agreed in principle with these concepts, although most of them observed that, in practice, budget constraints meant that they themselves would be unable to pay or make more than a nominal contribution. However, there was support for a policy of charging for long-term experts with contribution levels related to a country's ability to pay. Finally, it was also clear that country contributions would dampen the demand for technical advice. In the national authorities' responses to the general questionnaire, 60 percent of developing countries and 75 percent of transition economies stated that there would be a significant reduction in their demand, if the Fund began to charge for all or a substantial portion of its advice (background paper, paragraph 78).

75. Weighing the arguments for and against country contributions, OIA recommends the following:

- As at present, **country contributions should not be required for technical cooperation provided through staff missions and visits by short-term experts.** In OIA's view, it is in the strong interest of the entire membership to use these means of delivery for **prompt advice** by the Fund, **when required.** It is not in the interest of the Fund to burden its most flexible means of provision of technical advice with the procedures necessary to collect charges.
- **country contributions should continue to be required for long-term experts.** OIA believes that, in formulating their requests for technical cooperation, countries should recognize that the most expensive form of delivery of advice is through the long-term expert. If countries are required to make some contribution toward this cost, they are likely to evaluate more seriously how much they really need the Fund's help in this form and, if they proceed, to make greater efforts to ensure that they receive the best value for their outlay--i.e. that they have a greater sense of ownership of the project. Enhancing ownership for long-term expert projects is particularly critical because, according to the results of the evaluation of the randomly selected projects, long-term expert projects appear to be the most susceptible to weak impact. Setting an incentive for multiple, short-term expert visits when implementing a technical cooperation project would also be consistent with the intention of directing technical cooperation toward more productive instruments of delivery (see paragraph 56, above). OIA believes that the level of contributions should continue to be related to countries' ability to pay and that provision should continue to be made for in-kind payments of transportation or suitable housing to be offset against the cash payment requirement.
- **one objectionable feature of the Fund's current policy on country contributions for technical cooperation should be eliminated.** At present, country contributions are required only from countries with long-term experts

financed by the Fund's own resources and not those financed by external donors.<sup>24</sup> This means that proper incentives do not apply in the case of long-term experts financed by external donors (the large majority of long-term experts). It also reduces the potential net financial benefits to the Fund to negligible levels, and it is seen--rightly so--as inequitable by recipient countries. If this inequity cannot be removed, then it would be better to discontinue the contribution policy altogether.

76. Under **the recommended new system, contributions would increase.** As under the old system (Box 7), contributions would be required only for in-field long-term experts, but they would be required irrespective of whether they were financed from the Fund's own budget or from external sources. Contributions would be payable in advance on an annual basis and cash payments due could still be offset by in-kind payments of transportation (\$5,000 per year) or acceptable accommodation (\$15,000 per year). **In order to make national authorities aware of the cost of each technical cooperation project, the estimated standard cost to the Fund, or to the donor, of financing each advisory project would be provided at the inception of the project.**

### G. Financing the Proposed Policy Changes

#### External donations

77. Before considering the resource implications of the recommendations of this review, it is necessary to review briefly the present arrangements for financing Fund technical cooperation. **The share of resources dedicated to technical cooperation in the Fund's administrative budget has been increasing over the past few years,** reaching about 14 percent in FY1998<sup>25</sup> (Box 2, page 3). As the volume of external donations has fallen somewhat over the past two years, the growing demand from members for technical cooperation could only be accommodated through rising allocations from the Fund's budget and increases in staff productivity, including uncompensated overtime. Any further significant decline in external funding from current levels would have a serious impact on the delivery of technical advice, unless the Executive Board were willing to meet the shortfall with more funding from the administrative budget. The difficulties that such a course of action would entail make the recommendations of this Report with respect to improving the productivity of delivery of technical cooperation that much more relevant.

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<sup>24</sup>The argument has been made that one reason for country contributions not being required for externally financed long-term experts is that such contributions could be seen as a "tax" by the Fund on the grants supplied by the donor. This view seems to overlook the fact that if country contributions were required for all long-term experts, the grants by external donors would be smaller for each expert, releasing grant resources for additional projects.

<sup>25</sup>Excluding training provided by INS.

78. **External donors have been a most important source to the Fund to supplement its own resources** and sustain a high level of technical cooperation with members. The Fund received \$21.8 million (including \$2.3 million for the Fund's own overhead costs<sup>26</sup>) during FY1998 or about 30 percent of total technical cooperation cost. This allowed the Fund to finance more than 80 person-years of in-field technical assistance. The donor with the largest contribution has consistently been Japan (accounting for 67 percent of all such external financing in FY1998), followed by the UNDP (23 percent) and other donors combined 10 percent (see Figure 1, page 5). The Executive Board and management have on repeated occasions recognized the generosity of these donors, as have the recipient countries. The Fund's technical cooperation program would be considerably smaller without these donations.

79. In OIA's view, there should be **greater burden sharing** through expansion of the number of subaccounts under the Technical Assistance Framework Account approved by the Board in March 1995. A number of governments, most notably Australia, Denmark, France, and Switzerland have chosen to open such subaccounts to finance technical cooperation and training activities in a number of areas and countries. These accounts are administratively simple to operate and, in addition to the financing element, provide the opportunity for improved coordination of donor, recipient, and Fund interests and activities in strengthening economic and financial management capacities in member countries. Such subaccounts, by extending the instruments available to the Fund technical cooperation departments (they normally include financing for equipment for "pilot" activities, in-country and external training, and local goods and services), greatly enhance the effectiveness of long-term experts engaged in capacity-building projects.

80. However, all external donations placed into trust accounts involve the **disadvantages of earmarking**. For example, situations have arisen when donations could not be used because they were earmarked for the financing of in-field experts, and no resources were available at headquarters to backstop and supervise these experts. Likewise, projects in countries with a weak track record of implementation of advice may receive funding to the detriment of other countries with more legitimate needs, because earmarked funds cannot be used elsewhere. OIA would, thus, **encourage donors to avoid placing narrow limits on the uses of the donated funds and on the beneficiary countries.**

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<sup>26</sup>Almost all of the external funds are earmarked for the purpose of stationing long-term resident experts in certain countries specified by the donor. In addition to the cost of the expert, the Fund is reimbursed a further 13 percent (10 percent in case of UNDP) to cover its overhead in supporting the expert in the field; however, the Fund estimates that the actual cost of this supervision is close to one half of the in-field cost. Thus, each expert year in the field that is officially listed as fully financed from external sources, in fact requires substantial additional resources from the Fund's budget.

**Box 7**  
**Minimum Yearly Country Contributions for Long-Term Experts**

Country Group	Current Policy <sup>1/</sup>	Proposed New Policy <sup>1/</sup>	<b>Amount due to Fund under present system in FY98 and amount that would have been due had new system been in place<sup>2/</sup></b>
Group I (ESAF eligible countries--less than \$785 GDP per capita)	Fund Financed \$5,000 Externally Financed \$0	3 percent of cost \$7,500	Present: \$265,942 New: \$398,913
Group II (Lower middle-income countries--\$786-\$3,125 GDP per capita)	Fund Financed \$15,000 Externally Financed \$0	20-30 percent of cost (\$50,000-\$75,000)	Present: \$224,192 New: \$747,307 to \$1,129,061
Group III (Upper middle-income countries--\$3,126-\$9,655 GDP per capita)	Fund Financed \$30,000 Externally Financed \$0	30-40 percent of cost (\$75,000-\$100,000)	Present: \$30,115 New: \$75,288 to \$100,385
Group IV (High income countries--more than \$9,656 per capita)	Full cost at a standard rate of \$210,000 Externally Financed \$0	Full cost <sup>3/</sup>	Present: \$0 New: \$0
			Totals
			Present: \$520,250
			New: \$1,221,508 to \$1,619,359

1/ The current system has been in place since May 1996 and the current level of contributions since May 1998. Under both systems, the cash obligation can be met by in-kind payments. For example, the provision of housing gives a \$15,000 cash credit and an official car \$5,000.

2/ Assuming that demand remained unchanged

3/At full cost of \$247,030 per long-term expert (background paper, paragraph 51).

**Resource implications of this report's recommendations**

81. This report has argued that the impact of Fund technical cooperation projects can be improved by actions and procedures within the control of the Fund. **Several of these recommended actions and procedures will absorb budgetary resources while others will lead to savings. Increased absorption of budgetary resources** will come from the recommendations that call for: introducing technical consultations and the preparation of Technical Cooperation Action Plans; improving the recruitment, training, and supervision of long-term experts; improving pre-delivery preparatory work on projects and stepping-up

follow-up activities; introducing an evaluation system, and increasing internal and external reporting on technical cooperation activities. **Reduced absorption of budgetary resources** will come from: limiting technical cooperation to those subjects that are at the core of the Fund's responsibilities and for which the Fund enjoys a comparative advantage (hence discontinuing the provision of advice on information technology); decisions on project prioritization to ensure that low-priority projects and projects with a low probability of achieving satisfactory impact are cut; referring requests to other providers wherever possible; shifting the emphasis away from use of long-term experts toward short-term experts; increasing the availability of external funds, including their fungibility, and increasing receipts from country contributions.

82. It is not possible at this stage to quantify the effect of absorption and release of resources other than in a broadly indicative way, because the resource consequences are sensitive to the specific ways in which the recommendations are implemented. Such a **broadly indicative quantification** is presented in Box 8. The assumptions made are presented in the Box; the critical assumptions are that over the next two years, and until a further review takes place:

- resources are devoted to improved project preparation and follow-up, and to better evaluation and reporting;
- technical consultations, as proposed in paragraph 42 above, are implemented for 20 to 30 countries per year and require the participation of two additional staff members per Article IV consultation mission;
- technical cooperation action plans, as proposed in paragraphs 43-46 above, are prepared for six to nine countries per year and require a four-person staff mission;
- advice on information technology matters is discontinued, and
- low-priority technical cooperation projects, and/or those with anticipated low impact, are cut.

**The estimates show that the recommendations of this report very likely can be implemented over the next two years with existing Fund-wide budget resources and those proposed for FY 2000, provided technical consultations and Technical Cooperation Action Plans are phased in gradually, as suggested. Critical to this estimate is that low-priority/low-impact technical cooperation projects equivalent to some US\$2.4 to \$3.5 million are cut.**

Given a volume of annual spending of some US\$69 million by the Fund on technical advice by the three main providing departments, **is a cut of some US\$2.4 - \$3.5 million** in low-

priority/low-impact technical cooperation provision desirable, feasible, and **reasonable** in light of the findings of this evaluation? **The answer is very clearly in the affirmative:**

- First, the resources in excess of US\$20 million that are spent on about one third of technical cooperation projects whose impact is less than satisfactory offer scope for a cutback of US\$2.4 - \$3.5 million. Sufficient funds would still be available to undertake projects whose chance of success might not be high, but which the Fund might nevertheless wish to undertake because of the benefits if success is achieved despite the odds.
- Second, a cutback of low-priority/low-impact projects is required if the failure rate of projects is to decline, while more resources are simultaneously allocated, as proposed, to giving greater attention to pre- and post-delivery procedures to raise the success rate on other projects.
- Third, the evidence appears to indicate (paragraph 30) that staff and authorities know with a rather high ex ante assurance which projects promise to achieve satisfactory impact.

83. It is emphasized that these estimates of the resource implications of the recommendations in the present report are necessarily only broadly indicative. The estimates show that the **required redistribution of Fund-wide technical cooperation resources among uses and among departments is not large in quantitative terms.** However, issues will be faced concerning the fungibility of budgetary resources on expenditures for manpower subject to staff year ceilings, and on expenditures for other purposes. The implementation of the recommendations of this report will likely imply a scaling back in the use of in-field experts and an expansion in the use of headquarters-based consultants. In principle, such a redistribution can be accomplished under existing budget rules. If that redistribution were hindered in actual practice, those budget rules may need to be reviewed and adjusted that stand in the way of desirable resource flexibility.

Clearly, in any implementation of this report's recommendations, more refined estimates of resource implications would be needed, as well as flexibility in implementation. For example, first-time technical consultations and Technical Cooperation Action Plans may well prove more resource-intensive than later ones; in that case, fewer such exercises would be done initially to keep within available resources in the first two years of implementation.

84. After two years, and if a review shows satisfactory experience with technical consultations and Technical Cooperation Action Plans, leading to a desire for their continued use and possible expansion, the Fund would face the need either to allocate additional resources to these activities, or cut back on others. At that time, evidence on technical cooperation effectiveness should begin to become available from the evaluation system

**Box 8**  
**Estimated Resource Implications of OIA Recommendations**  
**(Average annual amount during first two years)**

Area	Technical Cooperation Departments	Other	TOTAL
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(In millions of U.S. dollars) \*

**Increased Resource Absorption**

			<u>4.6 - 5.7</u>
1. Introduce Technical Consultations (TCs)	0.9 - 1.4 <sup>1/</sup>	0.2 - 0.4 <sup>2/</sup>	1.1 - 1.8
2. Introduce Technical Cooperation Action Plans (TCAPs)	0.8 - 1.1 <sup>3/</sup>	0.1 <sup>2/</sup>	0.9 - 1.3
3. Improve project preparation, including expert selection, and follow-up	0.2 <sup>5/</sup>	1.2 <sup>4/</sup>	1.4
4. Introduce systematic evaluation/reporting	0.2 <sup>5/</sup>	0.7 <sup>6/</sup>	1.2

**Reduced Resource Absorption**

			<u>4.6 - 5.7</u>
1. Increase country contributions/external donation		0.5 <sup>8/</sup>	0.5
2. Discontinue Information Technology advice		0.8	0.8
3. Shift from long-term to short-term experts and refer TC to other providers		0.9 <sup>9/</sup>	0.9
4. Cut low-priority/low impact projects	2.4 - 3.5		2.4 - 3.5

\* One staff year at A14 equivalent of US\$186,700.

1/ Assumes: (i) 20-30 technical consultations per year; (ii) each Article IV mission requiring two additional staff members; and (iii) 1.5 months of work per staff; 2/ Travel costs, assuming \$6,000 per staff; 3/ Assumes: (i) six to nine TCAPs per year; (ii) four staff members per TCAP; and (iii) 2.0 months of work per staff; 4/ 6.5 staff years;

5/ One staff year for set-up of operations and subsequent work; 6/ 3.5 staff years for set-up of operations and subsequent work; 7/ IT support; 8/ Assumes constant external donations, and conservative estimates for increasing country contributions; 9/ Assumes: (i) replacing five long-term experts with short-term experts, with a net savings of about US\$100,000 per each; and (ii) referral of four TC projects to other TC providers.

recommended in this report. Such evidence would allow the required **resource judgments also to be based on the effectiveness of the resources deployed** in technical cooperation, and **not only on incremental judgements** related to exogenous demand shifts that have hitherto characterized Fund resource decisions for technical cooperation activities.

## V. CONCLUSION

85. Technical cooperation is a valuable service of the Fund to its members and is highly valued by them. Fund technical cooperation excels at those strengths that are hard to replicate—the high quality of advisory recommendations grounded in the expertise of staff, the flexibility and speed of the response, and the impartiality of advice based on the experience of the membership at large. The Fund does not, however, excel in a number of procedures and practices of technical cooperation that it is in a position to control, and that can contribute to ensuring a higher rate of implementation of advice by recipient countries. Because of this, and notwithstanding the high quality of recommendations, the Fund experiences a share of projects with a less than satisfactory impact in a range similar to that experienced by other major providers of advisory services, though comparisons must be made with caution.

86. In this report, OIA has outlined those changes in policies and procedures that it believes will lead to higher impact of Fund technical cooperation services, individually and systemically. It is recognized that it is unrealistic to expect that all advisory projects will be successful. There are exogenous factors over which the Fund has no control that will continue to make difficult the achievement of objectives that appeared realistic at the outset of a project. OIA believes, however, that the implementation of the recommendations of this report will (i) cut back on the number of projects with less than satisfactory results; and (ii) increase the effectiveness of all projects through the implementation of those policies and actions that the review has suggested to have been associated most closely with high impact. All of the recommendations of the report have a large element of common sense and can be readily put in place, either immediately or over a period of time. In OIA's view, the recommendations can be implemented over the next two years with existing budget resources devoted to technical cooperation and those proposed for FY 2000.

87. The findings and recommendations of this evaluation report need a thorough debate and reflection. If the Executive Board, management, and staff were to proceed toward revising technical cooperation policies and practices, OIA recommends that a short and focused review of the progress made be conducted in about two years' time, and thereafter at intervals of three years.

