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November 17, 2006

To: Members of the Executive Board

From: Bernd Esdar, Committee on the Budget Secretary

Subject: **Report of the Second Task Force on Performance Indicators**

The attached report of the second task force on performance indicators will be taken up at the meeting of the Committee of the Budget on **a date to be announced**. Main recommendations appear on pages 17 and 18. A companion technical paper to the report (EB/CB/06/7, Sup. 1, 11/17/06) is also being circulated.

Questions may be referred to Mr. Cottarelli, PDR (ext. 35370) and Mr. Brumby, OBP (ext. 36683).

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INTERNATIONAL MONETARY FUND

Report of the Second Task Force on Performance Indicators

Prepared by the Second Task Force on Performance Indicators

Approved by Carlo Cottarelli

November 16, 2006

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EXECUTIVE SUMMARY

Defining strategic performance goals and monitoring their attainment are critical for good management in any institution. Performance assessment at the Fund has traditionally taken place in the context of policy reviews undertaken by staff, outside experts and, more recently, the Independent Evaluation Office. In 2004, Fund management asked a staff task force to assess whether it would be useful to complement these reviews with simple performance indicators that could be used to generate information for decision making in the context of the Fund budgetary process. The task force concluded that indicators to monitor the Fund's output quantity, quality, timeliness, as well as its effect on the outside world (outcomes), could serve a useful role and defined broad principles for their introduction.

The second Task Force on Performance Indicators (TFPI2) was asked by Fund management to develop a concrete set of these indicators, focusing, in particular, on those measuring the Fund's physical outputs (output quantity indicators). As a secondary objective, the TFPI2 was asked to outline a work program for the development of indicators of the quality of the Fund's outputs, as well as of cost effectiveness and outcomes.

This report and its technical companion paper present the recommendations of the TFPI2. They identify a set of output quantity indicators, as well as some implementation steps that could facilitate their introduction in FY2008. The task force also identified many indicators relating to output quality and outcomes, but pointed at several practical problems in their use and interpretation. In light of these problems, the range of output quality and outcome indicators that could be introduced in the near future is more limited. Further methodological work could be undertaken to explore the relative role that simple indicators and more complex methodologies should play in assessing the effectiveness of the Fund.

I. INTRODUCTION

1. **This report presents the recommendations of the Second Task Force on Performance Indicators (TFPI2),**¹ which was established in late 2005 to bring forward the agenda identified by the “Davis Report,” namely the establishment of a system of performance indicators to be used in the context of the Fund business planning process.² Preliminary recommendations were discussed at the July 20 meeting of the Committee on the Budget (COB) (see Appendix I).
2. **The report is structured as follows.** Section II provides background information on performance indicators, the recommendations of the Davis Report, and the TFPI2 terms of reference. The following five sections deal respectively with outcomes indicators (Section III), output quantity indicators (Section IV), output quality indicators (Section V), timeliness indicators (Section VI), support and governance indicators (Section VII), and cost indicators (Section VIII). Section IX discusses implementation issues and costs. Section X summarizes the main recommendations and proposes issues for discussion. A technical companion paper (TCP)—an integral part of this report—provides specific information on the recommended indicators.
3. **One general caveat is in order at the outset.** The report focuses on the identification of possible performance indicators. While it does discuss the information content of various classes of indicators, it does not reopen the discussion of the indicator-based approach and how this can support business decisions (which was the focus of the Davis Report). Nevertheless, it is worth recalling that indicators provide information that could assist, *ex ante*, in defining production strategies and in allocating resources consistently, and, *ex post*, in monitoring the attainment of objectives and related costs. This said, indicators should not be used mechanically for management decisions. For example, evidence of low output quality in a certain area should prompt an analysis of the reasons for sub-standard quality, before decisions on resource allocations are taken. Moreover, given the Fund’s limited experience in the use of indicators for budgetary purposes, particular caution should be used in their initial phase of implementation.

¹ The TFPI2 comprised Mr. Cottarelli (PDR, Chairman), Mr. Edwards (STA), Mr. Enoch (MCM), Mr. Hemming (FAD), Ms. Kochhar (RES), Mr. Leipold (EUR), Mr. Mueller (AFR), and Ms. Sahay (FIN). The TFPI2 was assisted by a Secretariat—Messrs. Brumby, Errico, Hill, and Ms. Ayrton (all OBP). In addition, several working groups with broader departmental participation contributed to this report.

² See Report of the Task Force on Performance Indicators (EB/CB/04/3) of July 27, 2004. The task force was headed by Mr. Davis (FAD), hence the reference to the Davis Report. This report also contains information on the use of performance indicators by other comparable institutions. The past 15 years have seen a renewed emphasis on performance information, with now 75 percent of OECD countries including nonfinance performance data in budget documentation. For a useful summary of this practice see, Teresa Curristine, “Performance Information in the Budget Process: Results of the OECD 2005 Questionnaire”, in *OECD Journal of Budgeting*, Volume 5, Number 2, Paris, 2005.

II. THE INDICATOR-BASED APPROACH TO PERFORMANCE ASSESSMENT

4. **In May 2001, the Report on the Fund’s Internal Budgetary Practices recommended several wide ranging budgetary reforms, including the development of performance indicators** (EBAP/01/43). Many of these reforms—dollar budgeting, departmental business plans and the medium-term budget—have now been introduced. As anticipated in that report, developing performance indicators—a set of numerical indicators capturing the effectiveness and efficiency of the Fund’s work—proved to be more challenging:

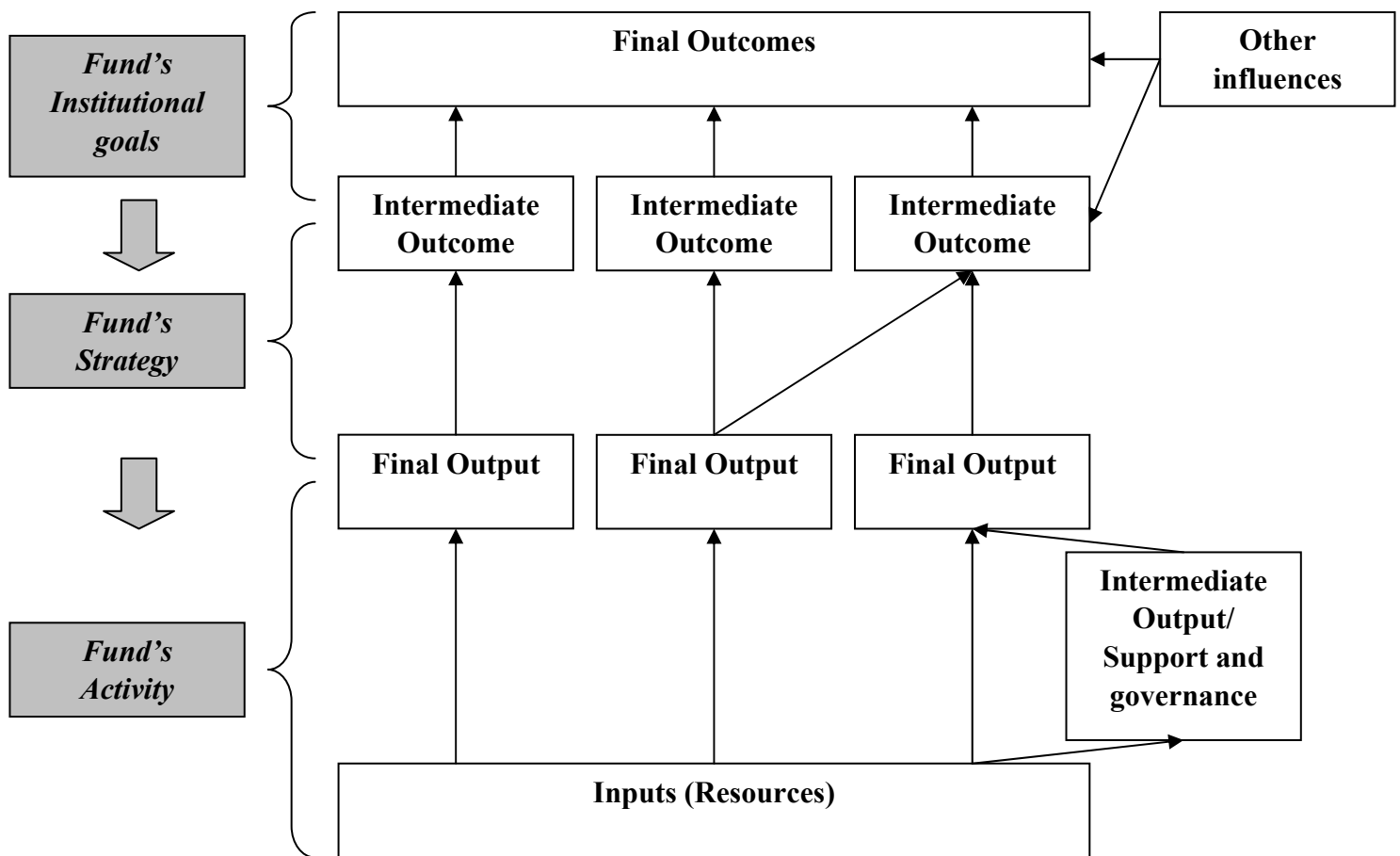
We acknowledge the complexity of deriving suitable performance indicators for so-called ‘intellectual outputs,’ where it is the quality of advice that is of paramount concern.... Good performance indicators need to be developed gradually over time. This is especially the case where it is difficult to measure the quantity and quality of outputs and judgments will often be required.

5. **The challenge to provide an analytical framework for the development of performance indicators was taken up by the Davis Task Force.** This framework was summarized in a template linking Fund outputs with their desired outcomes (Figure 1). The term *outcome* refers to conditions that the Fund does not control directly; it contrasts with the term *output*, which the Fund produces and controls. More specifically:

- The starting point is the identification of high-level **final outcomes** that the Fund is trying to achieve. These outcomes are common to all Fund outputs and identify the Fund’s broad institutional goals.
- These final outcomes are achieved through the attainment of **intermediate outcomes**. These can vary across outputs. For example, ensuring that country officials have the skills needed to run appropriate economic policies can be seen as the expected outcome of technical assistance (one of the Fund’s outputs), but not of, say, multilateral surveillance.
- The Fund’s consideration of the appropriate strategy in pursuing these intermediate outcomes results in the identification of the **final outputs** needed to achieve them. Final outputs are products that are provided to the users of Fund services. In addition, the Fund produces **intermediate outputs** and support and governance activities, products that are consumed internally to deliver final outputs.³

³ The difference between “intermediate outputs” and “support and governance activities” is that the former are used in the production of a single output, while support and governance activities are used for the production of all outputs. Examples include human resource and budget management, network IT development and maintenance, security and payment services, and supporting the operation of the Executive Board.

Figure 1. The Davis Report Template



6. **The Davis Report recommended identifying, and using for budgetary purposes, appropriate indicators for the key steps in the above template.** More specifically, quantity, quality, timeliness, and cost indicators should be identified for each intermediate and final output. Indicators to monitor final and intermediate outcomes should also be developed. These indicators could be used to define strategic targets, and to monitor their attainment, in the context of the budget process. In particular, the monitoring of quantitative, qualitative and cost aspects of outputs would assist in assessing the Fund's efficiency and effectiveness (see below on the interpretation of specific indicators).

7. **Against this background, the TFPI2 was asked by Fund management to bring forward the implementation of the Davis Report.** Some progress had been made in recent years to introduce some indicators, but this had been done on an ad hoc basis and had fallen

short of the ambitious goals set by the Davis Report.⁴ In this context, management gave the TFPI2 (see also Appendix II) a primary goal, namely to recommend a set of **quantity indicators (“physical measures”)** for the Fund’s intermediate and final outputs. As a secondary goal, the TFPI2 was asked to outline a work program for the development of **quality indicators** for final and intermediate outputs, as well as cost effectiveness and outcomes, and to **review the current approach to the system for allocating costs** to specific activities and outputs.

8. **The TFPI2 work on indicators is presented in the TCP tables.** It focuses on the output classification developed by the TFPI2 itself, which, responding to a request by the COB for a finer output classification than the one introduced in FY2003, has become operational in FY2007. It includes 12 final outputs (Table 1), which are broken down into 38 output components, a broad—and yet possibly not fully comprehensive—list of the variety of products offered by the Fund.⁵ Several intermediate outputs and components, together with support and governance activities, are also identified.⁶ The TCP tables present information on outcome, output quantity, output quality, and timeliness indicators output by output, and, separately, for governance and support activities (information on cost indicators is not included—this is discussed separately in Section VIII). In discussing this information, the following sections follow a thematic approach, focusing in turn on the various classes of indicators.

III. FINAL AND INTERMEDIATE OUTCOME INDICATORS

9. **The Fund’s desired final outcomes—those high-level goals common to all outputs—can be derived from the Fund’s mission statement.** Article I of the Articles of Agreements, defining the Fund’s purposes, suggests the following breakdown:

- A first group of goals includes concepts—such as promoting international monetary cooperation—that are hard to define specifically, let alone measure through meaningful indicators. Any such indicator would in any case be subject to measurement errors that may be greater than any influence the Fund has over them.

⁴ A set of “activity indicators” was introduced in FY2004 for use in the formulation of, and reporting on, departmental business plans. In FY2005, these indicators were extended, and aggregate tables of IMF activity—based on departmental business plans—were presented to the Executive Board as part of the budget documentation. During FY2006, information on activity indicators was reported to management and the Executive Board on a quarterly basis. Moreover, TGS has introduced “balanced scorecard” reports covering the attainment of 15 strategic objectives. These reports provide quantity, quality and timeliness indicators for a particular class of intermediate outputs, namely support activities.

⁵ The number of output components is adjusted for “double counting” (see discussion below on the number of output quantity indicators).

⁶ See Appendix III for further details on output classification and definitional issues.

Moreover, it may be useful to track such outcomes over the long term only, as short-term fluctuations may be difficult to interpret. Thus, monitoring developments in these areas in the context of an annual budget exercise does not seem very meaningful.

- A second group of goals includes objectives—e.g., promoting exchange rate stability or shortening the duration of balance of payment disequilibria—that, rather than being shared by all outputs, are more easily related to one or two specific outputs, and are therefore—in the Davis Report terminology—more properly regarded as intermediate outcomes.

10. **Thus, there seems to be not much merit in formally introducing a higher level class of final outcome indicators.** While this is partly a semantic issue—reflecting the partial coincidence between “final” and “intermediate” outcomes—it seems preferable to turn the attention to the feasibility of introducing useful intermediate outcome indicators.⁷

11. **The list of the Fund’s intermediate outcomes is broad** (Table 1). Monitoring developments in these outcomes is critical as it yields a clear focus on what the Fund is trying to achieve, thus providing a basis for management strategic decisions. Indeed, various initiatives have recently underscored the need to identify the desired outcomes of the Fund’s action, as a way of enhancing its effectiveness.⁸ From the perspective of this report, however, the main question is whether, in order to monitor the Fund’s *performance*, with potential implications for its accountability, it is appropriate to use simple indicators of outcomes, which the Fund does not control directly and are subject to many influences. In principle, there are good reasons to assess performance looking at outcomes, even if these are not controlled by the Fund. Outcome indicators can provide information on the quality of the Fund’s output (particularly when “quality” is itself difficult to measure). This has the intuitive appeal of a “bottom line” assessment: after all, should achieving the desired outcome not be seen as the best measure of the effectiveness of an institution?⁹

⁷ Admittedly, the intermediate outcome corresponding to the “Oversight of the International Monetary System” output is of such a general nature that could be regarded also as a final outcome.

⁸ Notably: the definition of country-specific “surveillance agendas” focused not only on the Fund’s outputs but also on desired policy outcomes; and the possible definition of a Fund-wide surveillance remit, defined in terms of both outputs and desirable outcomes.

⁹ Note, however, that evidence of limited impact on outcomes, coupled with independent information of high output quality, would call into question not the Fund’s performance—at least for accountability purposes—but whether the tools the Fund has to achieve certain outcomes are adequate. For example, in the area of surveillance, the Fund is required to monitor countries’ compliance with Article IV, with the ultimate desired outcome of promoting the implementation of good economic policies. Evidence of high quality monitoring (e.g., candid and analytically rigorous staff reports) coupled with evidence of limited effect on countries’ economic policies may, in principle, call into question the adequacy of the overall surveillance framework,

(continued)

12. **There are, however, some problems in focusing performance assessments on outcomes, particularly through simple indicators.** The main problem is “attribution” as the Fund’s action is likely to be only one of the several factors affecting outcomes. This problem is common in assessing performance of institutions, but is most acute in advisory services—where the link between output and outcome is indirect, may act through long lags, and may be hidden by a host of other causes affecting outcomes. The more severe this problem is, the less useful outcome indicators are to assess an institution’s performance. The second problem relates to the possibility of describing the desired outcomes through a parsimonious set of indicators, even when the desired outcomes are complex.

13. **A pragmatic approach is needed to address these problems.** Intermediate outcome indicators have been identified, at least at the conceptual level, for many final outputs (see tables in the TCP). However, the use of intermediate outcome indicators in the framework of the annual budgetary cycle is recommended, at this stage, only for a more limited set of outputs, for which the above problems are regarded as less severe.¹⁰ For most outputs, the monitoring of intermediate outcomes should continue to take place primarily through the periodic reviews of Fund policies and other evaluation work undertaken by staff and the Independent Evaluation Office (IEO). These reviews, by using more complex methodologies (e.g., case studies, surveys policy reviews, econometric evidence, in addition to simple indicators) can be more useful in evaluating whether certain developments in outcomes provide information on the Fund’s performance. Note, finally, that outcome monitoring also takes place—albeit outside a performance indicator framework and without attempts to overcome attribution problems—through various Fund outputs (for example, in the area of surveillance, the WEO, the GFSR, and the vulnerability exercise, the latter including a system of standard indicators to monitor developments over time of emerging market countries vulnerabilities).

rather than the Fund’s performance in implementing surveillance. More generally, while assessing the overall effectiveness of an institution over time requires a focus on outcomes, assessing performance/accountability over shorter time horizons—that is, given certain institutional frameworks—requires primarily a focus on outputs. Indeed, in both the initiatives mentioned in the previous footnote, the focus of accountability is on the Fund’s outputs even if the goals are set in terms of desired outcomes.

¹⁰ Specifically, some intermediate outcome indicators are recommended for Cross-Country Information and Methodologies, the statistical and some fiscal components of Technical Assistance, Standards and Codes, and Financial Sector Assessments, and General Outreach.

IV. OUTPUT QUANTITY INDICATORS

14. **The value of output quantity indicators as performance assessment tools should be put in context.** Quantity indicators, by themselves, do not adequately capture performance. Even for standardized products (like cars or computers), information on production volumes needs to be complemented by information on quality. In nonstandardized services, like policy advice, quantity indicators are just a first step. Yet, they are, in many respects, a useful management tool. First, institutional strategies have often implications for output quantities, as they may involve targeting changes in the output mix. For example, the Fund’s Medium-Term Strategy (MTS) envisages an increased number of streamlined consultations and outreach events, while encouraging a more selective approach to the production of selected issues papers for Article IV consultations, as well as less frequent policy reviews. Whether these goals are achieved or not should be monitored.¹¹ Second, combined with information regarding costs, quantity indicators allow the identification of unit costs, thus providing some insights on efficiency (combined with quality and timeliness information, of course). Third, monitoring separately final and intermediate outputs (and their ratios, expressed, for example, in terms of relative resource absorption) can also provide insights on production efficiency, e.g., in signaling whether the production of final outputs requires an excessive production of intermediate outputs.

15. **Quantity indicators were developed for all final and intermediate outputs** (see TCP), based on following principles:

- The selected indicators had to meet certain practical requirements in terms of: (i) timeliness (the timely availability of data); (ii) cost—in terms of readiness and being available in a cost effective way; and (iii) simplicity and clarity.
- They had to reflect more accurately measures of outputs, rather than inputs. For instance, while the existing activity indicators measure the volume of technical assistance delivered by counting the number of person mission nights (a workload measure), the recommended three-tier definition of technical assistance interactions reflecting the intensity of each project with countries—and hence the output—is a more adequate output measure. The use of information not directly referring to outputs was limited to a few cases, where “proxies” were inevitable.
- There should be at least one indicator per output component, so as to have a broad spectrum of developments at the relevant degree of granularity, another difference with respect to the fairly limited coverage of the current activity indicators. However,

¹¹ The above examples also illustrate that “more output” is not necessarily good. Production must be aligned with institutional priorities. This is a critical consideration in interpreting quantity indicators.

a parsimonious approach was followed, using more than one indicator only when needed (i.e., when a single indicator could yield ambiguous indications).

16. **Altogether, 45 final output quantity indicators were identified and could be used starting in the next budget cycle** (Table 2). While a larger number than the activity indicators currently in use, this total averages to 1.2 indicators per output component, underscoring the generally parsimonious approach followed. The 45 quantity indicators are the ones departments would have to report quarterly, although each department would monitor only the relevant subset of indicators.¹² Of course, departments could decide to include other indicators in their business plans, if they so wish, to provide additional information on their specific activities.

17. **Additionally, 18 intermediate output quantity indicators were identified**, corresponding to 16 intermediate output components. Given the priority to be given to the monitoring of final outputs, consideration could be given to allowing departments considerable flexibility in the monitoring of these intermediate outputs for the time being. Any requirement to monitor these indicators could come at a later stage, after the benefits from the use of final output quantity indicators has been evaluated.

18. **In addition to the full set of final output quantity indicators, it may be useful to define smaller sets to be used for specific purposes.** In particular:

- In principle, it would be possible to define **synthetic indicators** through the aggregation of the basic indicators. This would lead to output indexes for each output and, ultimately, for Fund output. There are difficulties in this approach, though. The first one is to find the appropriate conversion rates that would allow the aggregation of output components. While this is not impossible—it could, for example, be done by using conversion rates based on resource absorption—further work would be needed to move in this direction. Second, there is a risk of focusing the attention on indicators that are excessively aggregate and that could not be easily related to the Fund’s strategic goals.
- Some indicators may receive particular attention because of the role they play in the definition of key strategic goals. Indeed, it would be useful to identify, in defining the Fund’s Medium-Terms Strategy (MTS), some indicators that are particularly relevant to monitor. An example, based on the current MTS, is the number of streamlined

¹² These numbers, and those reported below for intermediate outputs, are adjusted for double-counting arising because the same indicator (e.g., number of research papers) appears for various outputs. Note, however, that some indicators are “composite indicators,” i.e., they require some information at a more granular level (e.g., “number of outreach events”). Note also that the number of output components is adjusted to reflect the fact that some output components (such as the various kinds of technical assistance) are listed in the output classification as separate output components, even if they are monitored by the same indicator set.

consultations, for which the MTS sets a specific target range. Other relevant indicators could also be used, even if the MTS just sets general objectives, rather than specific targets. Examples of the latter include the number of outreach events, given the emphasis of the MTS on outreach activities, and the number of selected issues papers, for which the MTS recommends greater selectivity. Budget documents could give special attention to these indicators.

V. OUTPUT QUALITY INDICATORS

19. **The Fund has already in place several processes to monitor output quality.** The traditional tool has been represented by the policy reviews conducted by staff, complemented more recently by staff evaluations of program work, and by reviews undertaken by outside experts and the IEO. These reviews—often focusing, as noted above, both on outcomes and outputs—have employed many assessment techniques: case studies, surveys of users’ opinions, econometric evidence (e.g., to assess accuracy of forecasts or to link certain outcomes to Fund’s outputs), as well as simple indicators. Generally speaking, however, these processes have been based on ad hoc methodologies, defined for the specific review in question. This has allowed a better tailoring of the methodology, but also has made it more difficult to assess progress over time. Moreover, these reviews, given their cost, are not undertaken at an annual frequency. Thus, in principle, it may be useful to complement them with a simple set of quality indicators (for both final and intermediate outputs), that facilitates monitoring progress over time in the annual budgetary cycle.

20. **The use of quality indicators for performance assessment has well-known pros and cons.** In principle, setting pre-defined quality standards as part of a system of indicators should facilitate the monitoring of quality. Indeed, quality indicators are a good complement to quantity indicators, deflecting one of the more obvious perverse incentives of the latter—i.e., that quantity may take precedence over quality. However, quality indicators themselves are subject to pitfalls. First, emphasis on some particular features of a certain output, as summarized by the indicators of choice, may distort the output process in undesirable ways. Second, many aspects of quality are hard to capture using simple indicators—an issue that is particularly important in Fund work, given the nonstandardized, intellectual nature of its outputs (e.g., what is a proper indicator for “focus” in exercising surveillance?). At the same time, there are areas where useful quality indicators can be more easily identified.

21. **On balance, a flexible approach seems appropriate.** In some cases, the TFPI2 has identified quality indicators that could become immediately operational, at least at an annual frequency. These are listed in Table 3 for the four relevant outputs. Even in these areas, it is recommended that quality assessment continues to be based on broader assessment tools, as in the past. For other outputs, the TFPI2 has identified—although often only in general terms—some indicators that could be introduced over time. But their immediate introduction is not recommended at this stage, as quality assessment based merely on these indicators taken in isolation may provide an excessively partial picture of the quality of Fund outputs—

even leaving aside the above-mentioned risk of distortions due to the use of performance indicators, as well the additional work needed to operationalize them.

22. **However, it would be useful to conduct further work on the methodological issues that arise in assessing quality for the Fund's main outputs.** The current periodic reviews of Fund policies, ex post evaluations and assessments by staff and the IEO should continue to constitute the main mechanisms for quality assessment (see TCP on general considerations on the appropriate mix of assessment tool for each output).¹³ Nevertheless, in order to avoid relying exclusively on ad hoc approaches, it would be important to develop, in a more systematic way, methodologies of quality (or effectiveness) assessment aimed at exploring issues such as:

- The proper balance between the indicators and other less mechanistic, and more judgmental, assessment tools (such as case studies and surveys of users' views).
- How to assess difficult quality aspects, such as "focus" and "selectivity."
- How to ensure comparability over time of the results of various assessments.
- How to reflect the outcome dimension in assessing output quality.
- How to ensure proper governance arrangements (e.g., who should be the assessors, how public should be the assessment, and what frequency is desirable): the more quality assessment is based on judgment, the more these aspects become important.
- How to mitigate the heavy costs associated with comprehensive quality assessments.

23. **Answers to these questions are unlikely to be the same across outputs.** Thus, it may be desirable to undertake methodological studies to address these questions in depth separately for the key outputs. A paper aimed at this for bilateral surveillance is expected to be discussed in an Executive Board seminar early next year.

¹³ These considerations refer typically to the output component specific for each output. For the two output components that are common to all final outputs ("Research" and "Outreach"), see respectively the general considerations on assessment tools under the General Research and General Outreach output groups.

VI. TIMELINESS INDICATORS

24. **Timeliness is of course of critical importance in the provision of most Fund outputs.**¹⁴ In many cases, such as with the finalization of a technical assistance report, the Fund specifies the characteristic of timeliness it is seeking through internal regulations and policies. However, in other cases, it is not helpful or meaningful to pre-specify timeliness as the output needs to be defined in terms of the demand for it at a particular time. For instance, it is not meaningful to identify timeliness characteristics of presentations by management to external fora. In other cases, monitoring timeliness is unnecessary because output delivery follows a firm timetable which is always respected (e.g., WIO publications).

25. **As in the case of quality indicators, this suggests an eclectic approach.** Three basic approaches are proposed for timeliness indicators:

- Elapsed time from a defining event (such as in the case of emergency assistance facilities); 15 indicators of this kind are recommended.
- Elapsed time relative to agreed standards or work programs; eight indicators of this kind are recommended.
- Cases where no separate timeliness indicator is recommended.

26. Although most output components fall into the last category, this is not the case with some key resource-intensive output components, such as Article IV consultations where timeliness indicators are recommended. In any case, timeliness assessments should be undertaken, at the appropriate frequency, in all key areas, as part of periodic policy reviews.

VII. SUPPORT AND GOVERNANCE

27. **The heterogeneous nature of support and governance functions means that the number of outputs and output components is sizable.** As discussed above, “support and governance” include certain administrative functions that are consumed internally by the Fund. In total, 11 support outputs have been identified, with 37 output components, and four governance outputs, with six output components.

28. **The transactional nature of many support and governance functions also means that they are, in comparison with final outputs, more conducive to the specification of quantity, quality and timeliness indicators** (capturing the effectiveness and the efficiency of the support functions). Overall, 95 quantity indicators have been developed for support outputs, and 15 for governance outputs. Several output quality and timeliness indicators have

¹⁴ While timeliness is in principle an aspect of quality, timeliness indicators are here discussed separately, in line with the Davis Report approach.

also been identified (see TCP for further details). While the number of recommended indicators is sizable, the additional cost of monitoring them should be limited, as most of them are already in use. Indeed, in many cases, service level agreements exist for support functions that specify performance in these terms.

VIII. COST INDICATORS

29. **The ability to assess comprehensively and accurately the cost of producing the Fund's individual outputs is an important requirement for future performance measurement work.** The Fund must further refine the capacity to estimate and compare the relative costs of providing different outputs, and to review the relative efficiency (output/cost ratios) with which similar outputs are produced by different departments, and eventually by comparator institutions.

30. **The key challenge in developing cost indicators for the various outputs is to establish accurate and cost-effective techniques to allocate the information on costs collected through the existing systems.** TRS and TIMS and FACTS are the key systems for cost service delivery and support and governance costs.¹⁵ What is needed, in principle, to build cost indicators for the various products is an alignment of these sources of information to the output and output component structure (including intermediate outputs and support and governance activities) for which quantity indicators are introduced. This could make it possible to compute unit costs of production for the various components of the output structure by combining the output quantity indicators with the corresponding cost indicators.¹⁶ Further work to improve the existing cost information system is needed to achieve this goal.

31. **Some refinements are being made to the various cost information systems in the current financial year**—including to enable an accurate costing of new MTS initiatives, and to account for time spent by resident representatives on different outputs. More generally, departments are being encouraged to make greater use of Business Planning Components (a further disaggregation of their use of staff time below the 12 output level) to allow costing of individual projects.

¹⁵ TRS (Time Reporting System) allocates the cost of all staff time to individual outputs or identified support and governance services; TIMS (Travel Information Management System) captures travel costs incurred in the direct provision of outputs under codes linked to the TRS coding structure. Finally, simple models and rules have been introduced in recent years for allocating other costs (indirect such as staff leave, support such as building costs, and governance such as those incurred on the OMD and OED).

¹⁶ Note, however, that, at least in some cases, the resulting number should be interpreted as an *index* of unit costs and not as providing a dollar cost of producing a certain output component. This is because the quantity indicators used, in some cases, only measure some aspects of the production process (they are quantity *indexes* rather than homogeneous physical quantities). Also, whenever there is more than one quantity indicator per output component there would be a need to decide which one to combine with the corresponding cost indicator.

32. **Further refinements are envisaged for FY2008.**

- Work is well advanced on devising a more robust methodology for allocating governance costs to the main outputs and will be presented in due course to the COB.
- A new corporate budgeting information system (iBBIS) is being developed by OBP which will coordinate all the Fund's relevant financial, HR and administrative information systems to provide a single fully integrated source of data. The new system will have the capacity to build in fields relating to output quantities and related indicators. During FY2008, the next development phase of iBBIS will focus on output quantities and ongoing improvements to the cost allocation system.
- The current TRS codes, which were modified this year to capture the new outputs classification, will be further reviewed to ensure sound alignment with the full set of proposals stemming from this report.¹⁷

33. **The aim is that the main changes described above should be made in time for introduction, alongside the performance indicators, in the FY2008 budget.** In principle, this should allow, at least for personnel costs, to define cost indicators for most output components. In practice, however, some experience will have to be gained with the use of these indicators, before they can play an operational role in budget decisions.

IX. IMPLEMENTATION ISSUES AND COSTS

34. **The benefits from introducing the performance indicators discussed above can be maximized through careful and swift implementation steps.** In particular:

- OBP needs to prepare an implementation manual to clarify: (i) any remaining issue related to the definition of indicators, so as to facilitate their consistent use across departments; an attempt was made to minimize ambiguities, but some further refinement may be needed;¹⁸ (ii) the monitoring responsibilities: it is necessary to identify for each indicator who is responsible for reporting and how the information will be reported across various departments; this is needed both to avoid “double-counting” at the Fund's level, and to have an appropriate attribution of outputs jointly produced by various departments; and (iii) the specific source of information (see next bullet).

¹⁷ Two aspects are relevant in particular: there have been some changes to the specification of output components across outputs areas; and there is now a more detailed classification of outputs and output components for support and governance intermediate output areas.

¹⁸ For example, it may be useful to clarify some concepts, such as what constitutes an outreach event that is worth recording. In general, some “de minimis” exclusion criteria may have to be clarified.

- Appropriate technology applications are needed to facilitate the monitoring of indicators. Some departments, particularly, support and governance departments, already monitor several quantity, quality, and timeliness indicators. For these departments the additional cost of the initiative is limited. Other departments monitor primarily the existing activity indicators. These will sustain additional costs, whose magnitude critically depends on the monitoring technology. For example, of the 45 final output quantity indicators recommended by the taskforce about half are already monitored, at least annually, either in the Fund's standard activity reports by relevant departments, or in the department business plans of three departments monitoring (EXR, INS, SEC). As for the remaining recommended indicators, developing the appropriate monitoring technology does not appear particularly demanding, but the issue should be explored further, with the objective of minimizing monitoring costs.

35. **Undertaking these implementation steps in the run-up to FY2008 should not be impossible, if action is taken rapidly.** Nevertheless, the specific list of indicators to be introduced in FY2008 should be finalized in light of progress in bringing forward these implementation steps, and, thus, of the estimate of the monitoring costs.¹⁹

X. MAIN RECOMMENDATIONS

36. **The TFPI2 main recommendations are as follows:**

Recommendation 1. Outcome indicators—more specifically, intermediate outcome indicators which could be regarded as operationally more relevant than final outcome indicators—could be introduced selectively for some Fund outputs. For most outputs, however, the case for the introducing outcome indicators does not appear to be strong at this juncture. Monitoring outcomes through a range of methodologies is, however, critical and should continue to be a key feature of the periodic review of Fund policies, as well as of any external assessment of the Fund's actions.

Recommendation 2. The final output quantity indicators identified in the TCP could be introduced in the FY2008 budget cycle, with the specific number depending on progress in taking some implementation steps. The intermediate output quantity indicators also identified in the TCP could be introduced at a later stage, in light of the experience with the final output quantity indicators.

¹⁹ The implementation steps themselves involve a one-off cost. The development by OBP of an implementation manual is expected to cost some \$50,000. The cost of developing new monitoring technologies is hard to assess ex ante as it will reflect the specific technologies introduced.

Recommendation 3. The appropriate methodology to assess output quality depends on the specific output being considered. Simple final and intermediate output quality indicators could be introduced in FY2008 for selected outputs. For most outputs, output quality assessments should continue to rely on various methodologies—surveys of users’ views, case studies, econometric techniques, as well as indicators—in the context of policy reviews and other assessment vehicles. Further output-specific work could be undertaken to explore the most appropriate assessment methodologies, as currently envisaged for bilateral surveillance.

Recommendation 4. The usefulness of timeliness indicators also depends on the specific output being produced. For many outputs, it is not considered helpful to identify timeliness indicators. However, for other cases, elapsed time relative to defining events or to agreed timeliness standards should be monitored.

Recommendation 5. A broad set of quantity and quality indicators for support and governance activities can be introduced in FY2008. Indeed, several indicators are already used for many of these activities.

Recommendation 6. Much progress has been made in recent years to improve cost monitoring, but further progress is needed and should facilitate the use of cost indicators for output components in the budget process, after sufficient experience has been gained.

Recommendation 7. The introduction of the above indicators will require some implementation steps. In particular OBP should: (i) issue an “implementation manual” to ensure that the proposed indicators are defined and implemented consistently across departments; and (ii) promote the introduction of appropriate information technology applications to facilitate the recommended monitoring of indicators. The list of indicators to be introduced in FY2008 should be finalized in light of progress in taking these steps.

Recommendation 8. The list of indicators should be kept updated, in line with the Fund’s business strategies and production techniques, and as staff gathers experience on their use.

37. Executive Directors may wish to consider the following issues for discussion:

- Do Directors agree with the above recommendations regarding the modalities of introduction of performance indicators?
- Do Directors believe it would be useful to conduct further work regarding the use of indicators, as part of studies aimed at evaluating the appropriate methodologies to assess the effectiveness of the Fund in delivering its various outputs?

Table 1. Intermediate Outcomes of Interest by Outputs

Output	Intermediate Outcomes of Interest
Oversight of the International Monetary System	<ul style="list-style-type: none"> • Smooth functioning of the international monetary system. As this output refers to activities aimed at facilitating the attainment of the goals for which the IMF was established, all economic developments included as intermediate outcomes for the other outputs could be regarded as outcomes of interest.
Multilateral Surveillance	<ul style="list-style-type: none"> • International macroeconomic and financial stability while maintaining high levels of employment and real income growth • International policy cooperation • Efficient intermediation of global financial flows • Identification of risks and systemic vulnerabilities • Well-informed members and public about global economic issues, spillovers and potential global vulnerabilities
Cross-Country Statistical Information and Methodologies	<ul style="list-style-type: none"> • Macroeconomic data that are comparable across countries and relevant for policy analysis and implementation, surveillance, private sector decisions, and research, at both national and international levels
General Research	<ul style="list-style-type: none"> • Better understanding of economic issues • More informed policy consideration
General Outreach	<ul style="list-style-type: none"> • Country authorities, other international institutions, and the public are well-informed about the activities of the IMF, and their feedback is reflected in Fund activities and policies
Bilateral Surveillance	<ul style="list-style-type: none"> • Well-informed members (and public, as appropriate) about state of member economies and policies • Members run appropriate policies (complying with obligations arising from Article IV)

Regional Surveillance	<ul style="list-style-type: none"> • Regional macroeconomic and financial stability while maintaining high levels of employment and real income growth • Identification of regional risks and vulnerabilities • Well-informed members and public about regional economic issues, spillovers and potential regional vulnerabilities
Standards and codes and financial sector assessments	<ul style="list-style-type: none"> • Adherence to international standards endorsed by the IMF Executive Board • Financial sector stability • Financial sector deepening • Well informed members (and public as appropriate) about issues covered in this output
Generally available facilities	<ul style="list-style-type: none"> • Member countries overcoming their balance of payments problems, without resorting to measures destructive of national or international prosperity, while safeguarding Fund resources • Members implementing sound macroeconomic policies beyond duration of formal program arrangements • Other lenders are well informed about the performance of concerned members
Facilities specific to LICs	<ul style="list-style-type: none"> • Member countries overcome their balance of payments (including debt) problems, without resorting to measures destructive of national or international prosperity, and while safeguarding Fund resources • Members implementing sound macroeconomic policies beyond duration of formal program arrangements • Other lenders are well informed about the performance of relevant members. • Durable growth leading to a reduction of poverty
Technical Assistance	<ul style="list-style-type: none"> • All member countries have the capacity to formulate and implement sound macroeconomic and structural policies.
External Training	<ul style="list-style-type: none"> • All member countries have the human resources capabilities to formulate and implement sound macroeconomic and structural policies

Table 2. Final Output Quantity Indicators

Final Output Components	Quantity Indicators
A. Output: Oversight of the International Monetary System (IMS)	
1. Policy and analytical papers prepared for and distributed to stakeholders (namely: Board of Governors, IMFC, G-7, G-8, G-10, G-11, G-20, G-24, FSF, APEC, Development Committee and ECOSOC)	Number of papers issued
2. Presentations by management/staff on IMS in official fora (namely: IMFC, G-7, G-8, G-10, G-11, G-20, G-24, FSF, APEC, Development Committee and ECOSOC)	Number of presentations made
3. Non-country specific crisis resolution work	Number of papers issued
4. Outreach related to this output	Number of outreach events
5. Research produced as part of this output (e.g., Working Papers, PDPs, OPs, Staff Papers, publications in external journals)	Number of papers issued
6. Operational support to Board of Governors and IMFC	<ul style="list-style-type: none"> Number of IMFC/G-24 communiqués prepared Number of IMFC/IMFC Deputies, G-24, summaries, minutes and notes prepared
B. Output: Multilateral Surveillance	
1. Reports to membership (namely: WEO and GFSR)	Number of WEO and GFSR publications
2. Multilateral consultations	Number of multilateral consultation reports completed
3. CMC/Sovereign Debt Managers Forum (SDMF) meetings	Number of meetings
4. Outreach related to this output	Number of outreach events (namely: WEO and GFSR press conferences, seminars, and speeches)
5. Research produced as part of this output (e.g., research in support of reports and presentations to the Board/Management/Staff plus maintenance and development of models and projections for multilateral surveillance (Multimode and GEM) plus working Papers; PDPs; OPs; Staff Papers, publications in external journals)	Number of papers published
C. Output: Cross-Country Statistical Information and Methodologies	
1. Statistical databases (IFS, GFS, BOP, DOT, CPIS, COFER, FSI, and WEO)	<ul style="list-style-type: none"> Number of time series published Number of countries with country pages
2. Statistical manuals and guides	Number of manuals and guides published
3. Outreach specifically related to this output	Number of outreach events (namely: press conferences, seminars, and speeches)
4. Research produced as part of this output (e.g., Working Papers; PDPs; OPs; Staff Papers, publications in external journals)	Number of papers published

D. Output: General Research	
1. Research papers (namely: Working Papers; PDPs; OPs; Staff Papers, publications in external journals)	Number of papers published
2. Research conferences organized	Number of conferences
3. Outreach specifically related to the Fund's research program	Number of outreach events
E. Output: General Outreach	
1. Dissemination events (press conferences and speeches)	Number of events
2. Regular general publications (Finance & Development, IMF Survey, Annual Report)	Number of issues (number of chapters for the Annual Report)
3. Other general publications	Number of publications (number of chapters for books)
4. Interaction with external constituencies	<ul style="list-style-type: none"> • Number of meetings and seminars (with civil society organizations, legislators, other bodies, including think tanks and academia) and number of letters answered. • Number of visitors to IMF center who receive briefings
5. Media: Press releases/ PINs	Number of press releases/PINs
6. Media: Other interaction (op-eds, other articles, interviews)	Number of interactions
F. Output: Bilateral Surveillance	
1. Article IV consultations	<ul style="list-style-type: none"> • Number of Article IV consultations concluded: <ul style="list-style-type: none"> ○ streamlined ○ non-streamlined • Number of chapters in SI papers • Number of statistical appendices
2. Staff visits	Number of staff visits
3. Outreach specifically related to this output	<ul style="list-style-type: none"> • Number of concluding statements • Number of press conferences/ seminars/workshops • Number of press statements
4. Research produced as part of this output - other than SI papers (namely: Books; Working Papers; PDPs; OPs; Staff Papers, publications in external journals)	Number of papers published
G. Output: Regional Surveillance	
1. Formal regional surveillance (namely: CEMAC, ECCU, EU and WAEMU)	Number of regional surveillance reports completed

2. Ad hoc discussions with regional bodies	Number of meetings attended
3. Regional papers discussed at the Board	Number of regional papers discussed
4. Outreach specifically related to this output	<ul style="list-style-type: none"> • Number of concluding statements • Number of press conferences • Number of press statements • Number of Regional Economic Outlooks published
5. Research produced as part of this output (namely: books; Working Papers; PDPs; OPs; Staff Papers, publications in external journals)	Number of papers published
H. Output: Standards and Codes and Financial Sector Assessment	
1. FSAP assessments and updates	<ul style="list-style-type: none"> • Number of assessments completed • Number of updates completed
2. Stand-alone Fiscal and Statistical ROSCs assessments and updates	
3. AML/CFT assessments and updates	
4. OFC assessments and updates	
5. Standard setting and revisions (including SDDS/GDDS)	Number of significant revisions to IMF standards and codes, and to supporting manuals
6. Outreach specifically related to this output	Number of outreach events
7. Research produced as part of this output (e.g., Working Papers; PDPs; OPs; Staff Papers, publications in external journals)	Number of research papers published on the subject of standards and codes and FSAPs
I. Output: Generally Available Facilities	
1. Upper credit tranche facilities (SBA, SRF, EFF and CFF)	<ul style="list-style-type: none"> • Number of programs, of which: <ul style="list-style-type: none"> ○ SBA ○ SRF ○ EFF ○ CFF • Disbursements during a certain period (including potential disbursements under precautionary arrangements) • Number of approved program requests • Number of completed reviews
2. Emergency assistance facilities (ENDA and EPCA)	<ul style="list-style-type: none"> • Number of programs, of which: <ul style="list-style-type: none"> ○ ENDA ○ EPCA • Disbursements during a certain period
3. Poverty and Social Impact Analysis (PSIA)	Number of countries assessed

4. Country monitoring in support of other lenders (Assessment letters, donor coordination, debt relief)	<ul style="list-style-type: none"> Number of events, namely: <ul style="list-style-type: none"> Number of assessment letters Number of donor meetings or conferences attended Number of missions to the Paris Club Number of Fund staff participation in other IFI's Board meetings
5. Non-financial monitoring programs (PPM, SMP, other near program monitoring)	<ul style="list-style-type: none"> Number of countries, of which under: <ul style="list-style-type: none"> PPM SMP Other near-program
6. Outreach specifically related to this output	Number of outreach events
7. Research produced as part of this output (e.g., Working Papers; PDPs; OPs; Staff Papers, publications in external journals)	Number of research papers published
J. Output: Facilities Specific to Low-Income Countries	
1. Upper credit tranche facilities (PRGF and PRGF Exogenous Shocks Facility)	<ul style="list-style-type: none"> Number of programs, of which: <ul style="list-style-type: none"> PRGF PRGF Exogenous Shocks Facility Disbursements during a certain period
2. Policy Support Instruments	Number of programs
3. Debt relief specific to low-income countries (HIPC and MDRI)	<ul style="list-style-type: none"> Number of countries reaching: <ul style="list-style-type: none"> Decision point Completion point Number of preliminary HIPC documents Number of Board papers related to requests for interim and topping-up assistance
4. Support to PRSPs including JSAN	Number of PRSP documents supported
5. Outreach specifically related to this output	Number of events
6. Research produced as part of this output (e.g., Working Papers; PDPs; OPs; Staff Papers, publications in external journals)	Number of papers published

K. Output: Technical Assistance	
1. Fiscal TA	<ul style="list-style-type: none"> • Number of Tier 1 (i.e., multi-event, multi-topic) projects • Number of Tier 2 (i.e., multi-event, single-topic) projects • Number of Tier 3 (i.e., single-event, single-topic) projects
2. Financial sector TA	
3. Statistics TA	
4. Legal TA	
5. Outreach specifically related to this output	Number of events
6. Research produced as part of this output (e.g., Working Papers; PDPs; OPs; Staff Papers, publications in external journals)	Number of papers published
L. Output: External Training	
1. External training in macroeconomics	<ul style="list-style-type: none"> • Participant training weeks • Number of participants trained
2. External training in statistics	
3. External training in specialized areas	
4. Outreach specifically related to this output	Number of events
5. Research produced as part of this output (e.g., Working Papers; PDPs; OPs; Staff Papers, publications in external journals)	Number of papers published

Table 3. Final Output Quality Indicators that Could Be Introduced Soon

Final Output	Quality indicators
Multilateral Surveillance	<ul style="list-style-type: none"> • Citations of WEO and GFSR in academic journals, research on financial sector issues in Financial Stability Reviews, and financial industry publications • Press coverage of WEO and GFSR (number of articles) • Number of WEO and GFSR copies sold • Number of hits on and downloads from the WEO and GFSR websites • Track record of forecasts (relative to consensus)
Cross-country Statistical Information and Methodologies	<ul style="list-style-type: none"> • Number of countries for which metadata are disseminated (by dataset) • Number of subscribers to statistical publications, of which: <ul style="list-style-type: none"> ○ IFS ○ GFS ○ BOP ○ DOT • Revenues raised (in constant dollars) from dissemination of statistics
General Research	<ul style="list-style-type: none"> • Number of papers published in outside journals or books by IMF staff • Number of citations in academic journals, books and magazines • Number of downloads from the IMF website referencing IMF staff's research • Feedback from conference participants on quality of research papers based on standardized forms
External Training	Evaluation statistics

**Committee on the Budget—Summary of Discussion on
Performance Indicators, July 20, 2006**

- The Committee on the Budget (COB) met on July 20, 2006, to discuss, among other things, the preliminary conclusions of the Second Task Force on Performance Indicators (TFPI2), as illustrated by Mr. Cottarelli, Chair of the TFPI2.
- Directors welcomed the work of the TFPI2 in evaluating the practical application of a template to connect the specific resources invested in the Fund's work to the delivery of identified work products/processes, and the impact of the latter on the outside world. Directors agreed that well-defined performance indicators would assist the allocation of budgetary resources to medium-term strategic priorities.
- Directors focused the discussion on two key issues, namely: (i) the problems associated with attribution and accountability as they relate to the monitoring of the external macroeconomic conditions of particular interest to the Fund (i.e., the *outcomes*); and (ii) striking the right balance between quantitative and qualitative assessments of the Fund's performance in producing its own main work products (i.e., the *outputs*).
- Several Directors urged the TFPI2 to persist in seeking ways to apply performance indicators to the (final and intermediate) outcomes of the Fund's work despite the recognized difficulties, noting that certain member countries had developed frameworks for linking output to outcome measures. Other directors considered that investing further effort to develop performance indicators, particularly for the outcomes, would have little practical result.
- Directors generally considered that further work to identify appropriate quality indicators would be valuable; Mr. Cottarelli's suggestion that different methodologies for measuring quality of different outputs might need to be developed was noted.
- With regard to the integration of performance indicators with the budget formulation process, the Director of the Office of Budget and Planning (OBP) indicated that it was intended to conclude the work of the TFPI2 by November 2006 in order to have at least the new quantity indicators in place for the FY2008 budget.

The TFPI2 Terms of Reference

1. The TPFI2 Terms of Reference (TOR) set the overarching goal of overseeing the development and implementation of better performance information, to assist in the effective management of the Fund's resources in delivering its overall output within a medium-term budget framework. To this end, the TOR (note that TFPI2 is here referred to as TFPI) specifically indicated the following:

“Building on the conclusions of the earlier Task Force on Performance Indicators, TFPI will develop a more comprehensive and structured approach to performance indicators for the Fund's operations. These indicators will relate to the Fund's inputs, intermediate outputs, final outputs and outcomes, as well as to some of the activities and processes undertaken which are relevant in assessing the Fund's capability to produce its outputs.

The Task Force should focus on the physical measure of intermediate and final outputs and activities (starting from the existing indicators collected by departments) and seek to improve on these in terms of accuracy, relevance, timeliness and the other criteria normally applied to physical performance indicators.

Additionally, the Task Force may (i) review the current approach to the system for allocating costs to specific activities and outputs; and (ii) outline a work program for the development of better information on indicators of quality of intermediate and final outputs, as well as of cost effectiveness and outcomes.”

The Classification of Fund Outputs: Definitional Issues

1. Table 1 shows the classification of Fund outputs developed by TFPI2 and introduced in FY2006.

Table 1. A New Classification of Fund Outputs

Key Output Areas (KOAs)	Outputs
Global monitoring	Oversight of the international monetary system
	Multilateral surveillance
	Cross-country statistical information and methodologies
	General research
	General outreach
Country specific and regional monitoring	Bilateral surveillance
	Regional surveillance
	Standards and codes and financial sector assessments
Country programs and financial support	Generally available facilities
	Facilities specific to low income countries
Capacity building	Technical assistance
	External training

2. **Four Key Output Areas (KOAs) reflect the perception of the main business areas of the Fund.** While these KOAs are unlikely to have immediate operational implications for the definition of specific output decisions, they could play a useful role in highlighting long-term strategic trends for the Fund (e.g., relative shift between surveillance and program work).

3. **Twelve final outputs**, within the four KOAs, give a more detailed overview of the final products of the Fund's work. They are the key focus of the templates presented in the TCP. A final "output" must cross the Fund's departmental boundaries and provide a service to the "outside world". The Fund is normally intended to include staff, management, and the Board. This approach is followed in this paper. Thus, products, such as policy reviews, that are directed *primarily* to the information of the Board are not considered as final outputs (but, rather, as intermediate outputs components; see below), even if they are published.²⁰

²⁰ In contrast, the Board of Governors and the IMFC are considered to be external entities. Hence, outputs provided to these bodies should be classified as final outputs. This distinction—while not fully consistent with

(continued)

4. **These 12 outputs are broken down into 38 output components**—smaller groupings of more homogeneous Fund products considered relevant for monitoring outputs (see TCP). These output components provide additional granularity and are generally well aligned to departmental business processes, thus assisting in developing meaningful measures of performance. Indeed, each output component may be viewed as a specific “good and/or service” produced by the Fund that is worth singling out for operational purposes, and for which meaningful production decisions (e.g., intensifying or reducing) may be considered.

5. **The 12 outputs can be easily combined to form other aggregates.** Thus, for example, resources devoted to “total surveillance” (multilateral, regional and country) may be derived readily. Moreover, underneath the high-level classification shown in Table A.1, the monitoring of outputs by country and by department would be possible. For example, all resources devoted to, say, facilities to low income countries in AFR and capacity building (by department and type) would be measurable. Further, within outputs, the resources devoted to specific initiatives, would be monitored through the use of Business Planning Codes (BPC)—some of which are specific to individual department. This would enable the tracking of resources devoted to individual MTS initiatives.

6. **In addition to final outputs, there are a number of products that the Fund consumes internally and that it is useful to monitor.** For example, a briefing paper for a mission is a necessary step towards the production of a staff report, but, unlike the latter, it is not “consumed” directly by outsiders. These intermediate products are, for the purpose of this paper broken down into three different groups:

- **Intermediate outputs:** this term is used to refer to products needed for the production of specific outputs. This includes, for example products that are undertaken to provide quality assurance for the final outputs of the Fund, thus increasing their value to final users. These activities include the internal review processes and evaluation mechanisms (see templates in the TCP). Note that the distinction between final and intermediate outputs is to some extent arbitrary. Many of the intermediate outputs (e.g., policy development papers) can also be argued to provide a direct service to the final users, at least in terms of information, if they are published. What was considered to be relevant for the classification in the TCP is the primary goal of the product.
- **Support and governance outputs:** These are products that, unlike the “intermediate outputs” defined above, are needed for the production of all Fund outputs. Examples

the Articles of Agreement, since the Board of Governors is an organ of the Fund (Art. XII, Section 1)—appears to be more consistent with the business practice of the institution, in which the Executive Board, management and staff participate in the daily business activities of the Fund, with the Board of Governors and the IMFC playing a less direct and continuous operational role.

of support output components include administrative budget management, IT infrastructure services, security and payroll services. Governance output components relate to the Fund's governance arrangements (e.g., supporting the operation of the Executive Board and Board of Governors).

- **Intra-departmental outputs:** These are products that do not cross the departmental boundaries. Examples include internal reviews (e.g., departmental reviews of a technical assistance report) and internal position papers. In order to avoid an unnecessarily granular composition of intermediate output components, it was decided not include these outputs in the (intermediate) output components list.

7. **The classification of certain products using the above taxonomy requires further discussion.** In particular:

- **Research.** Should research activities be regarded as final or intermediate outputs? "R&D" is regarded as an intermediate activity in many organizations, as it leads to the introduction of new products or their improvement. Fund research, however, is regarded as a final output in the same way that the research work undertaken by academic centers would be. This reflects the fact that research—to the extent it reaches the outside world—produces a knowledge product which may be regarded as a key motivation for engaging in research in the first place. A second issue is whether research should be regarded as a separate final output or as an output component of each specific output. Some research activities can easily be attributed to a specific output, while others cannot be so easily attributed. The former should be classified as an output component. The latter should be classified under "General Research."
- **Outreach.** Two issues again need addressing. The first is whether outreach should be singled out as an output, rather than as a modality of delivery of a certain output. On balance, the first approach is preferable, as outreach *per se* increases the value added of the Fund's outputs (and it is often addressed to audiences that are different from the primary audience of some other output components). The second issue is whether outreach should be considered as a stand alone output and/or whether it should be an output component of the various outputs. As in the case of research, this will depend on whether the outreach activity is infisically related to a certain output (in which case it would be an output component) or whether it covers multiple topics/outputs (e.g., the bi-weekly press briefing session). These are classified under the stand-alone output "General Outreach."