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March 31, 1989

To: Members of the Executive Board  
From: The Acting Secretary  
Subject: Special Services to Member Countries

The attached paper is being issued as background for the discussion on the Administrative and Capital Budgets for FY 1990, scheduled for Monday, April 24, 1989.

Mr. Beveridge (ext. 4552) is available to answer technical or factual questions relating to this paper.

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INTERNATIONAL MONETARY FUND

Special Services to Member Countries

March 31, 1989

I. An Overview

As noted in the Managing Director's memorandum to the Executive Board on the FY 1990 Budget Outlook (EBAP/89/10, January 11, 1989), departments providing special services <sup>1/</sup> are playing an important role in the Fund's work, in collaboration with area departments and individual member countries. These special services are an integral part of the Fund's work. In the context of financial programs, policy advice has been provided through missions to members regarding a wide variety of structural and other issues. In recent years, technical assistance has become a normal feature of discussions on Fund-supported programs of adjustment, in particular with regard to the Structural Adjustment Facilities (SAF and ESAF). In the framework of Fund programs, this assistance has been used to explore options available to individual members, to assist in the design and sequencing of measures, and to strengthen the administrative framework thereby facilitating program implementation.

Some of this work is covered in the regular activities of the area departments and some is conducted under the Fund's special services program; considerable expertise on structural and technical issues is found in the departments providing those services. Provision of special services has not been confined to members with financial programs. A number of other members, especially in Asia, Europe, and the Middle East value the assistance offered by the Fund, and to a degree, this input has helped the members involved to treat difficult external problems. Some industrialized countries, also, have looked to the Fund to provide expert advice on problems in the areas of public finance, banking, and statistics.

The Fund's program, while small in an international context, is well controlled and concentrated in sectors where the Fund has established expertise. Responding to requests from member countries, as well as suggesting some initiatives to them, Fund staff make considerable efforts to identify and specify the technical work that is to be done. Often, the initial request has to be redefined to increase the likelihood that the Fund's input will have a useful impact. The project cannot proceed unless the right personnel--staff or panel experts--is available. The size of Fund special services programs is governed to an extent by the availability of well qualified people to undertake the work.

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<sup>1/</sup> Central Banking Department, Fiscal Affairs Department, IMF Institute, and the Bureau of Statistics.

Increasingly, reliance has been placed on short-term assignments to meet members' needs. At the same time, there continues to be strong demand for long-term assistance and, to meet members' needs in this area, significant resources have been devoted to building up, and keeping current, panels of experts in the fiscal and central banking fields. Management recognizes the cooperation extended by member countries in building up these panels and also the need for an intensification of this cooperation.

A vital element in assuring effectiveness of long-term technical assistance is the monitoring of experts on field assignments. Area and special service departments see this as an important task and they are endeavoring to strengthen this aspect of the work. This would require the extension, perhaps in a modified form, of the existing practices of monitoring long-term fiscal advisors to other elements of the program.

## II. Size of the Program

Recorded Fund expenditures on special services programs are about \$36 million a year and represent 15 percent of the Fund's total Administrative Budget (Table 1). The largest component of these programs relates to the IMF Institute whose outlays have grown by 29 percent in the four years to FY 1989. There has been a corresponding increase in the number of participants in courses at headquarters (Table 2), due in part, to the introduction of an Arabic program. Expenditures on other special programs have grown little in that period. There has been a modest decline in expenditures on long-term technical assistance experts with a largely corresponding increase in outlays on short-term staff technical assistance missions (Table 3).

Technical assistance provided by area departments through Article IV consultation missions and other staff visits is not reflected under the budgetary heading of "Special Services to Members". It is incorporated in the budgetary heading of "Operations and Relations with Member Countries" but it is not possible to identify separately this element of technical assistance.

Fund outlays are very small compared with those of other agencies and donors. The World Bank expends about \$30 million a year on technical assistance through its Administrative Budget, somewhat less than the Fund, but finances technical assistance, on a large scale, in other ways. Some \$1.25 billion was lent in FY 1988 on project financed technical assistance, of which a little more than 50 percent was in areas of broad economic advice. In addition, more than \$100 million a year of Bank technical assistance is financed by other agencies including some \$50 million a year disbursed in connection with the Bank's role as an Executing Agency for the UNDP (see Table 4, which includes a note on the salient features of World Bank technical assistance).

Bilateral donors involved in the Development Assistance Committee (DAC) disburse major sums under the heading of "Technical Cooperation". Data available for CY 1986 suggest total donor disbursements of about \$7.5 billion. Of this, some \$800 million was in the area of planning and public administration, areas somewhat analogous to Fund special services (Table 5).

The United Nations Development Program (UNDP) also commits nearly \$1 billion a year to technical assistance (Table 6). It is to be noted that most of these funds are disbursed through Executing Agencies, usually specialized agencies of the U.N. system (Table 6 D).

### III. Recent Internal Reviews

As with other areas of activity, management has encouraged over the past few years an on-going review of the major components of the Fund's program of special services to members. The purpose has been to establish priorities and to identify, explicitly, ways to strengthen where needed the cost effectiveness of the programs, their value to the membership and their impact on the quality of the Fund's work. These efforts have produced new thinking in a number of areas and have already led to the adaptation of some procedures and practices. Management is encouraging this process to go forward, being aware that a change in one area may well have an impact, that needs examination, in other areas. For example, as mentioned above, there has already been an increased emphasis on technical assistance in connection with structural adjustment programs. In addition, the arrangements being discussed with the UNDP (see below) may require a further review of priorities for technical assistance.

At this time, some of the major programs of special services are in a state of evolution. This section is intended to inform Executive Directors of the general direction of departmental thinking and Section IV outlines some other issues that are also being considered. It has to be borne in mind that, given the gradual and evolutionary nature of the changes, this paper does not seek to set a new framework for the special service programs.

The following paragraphs relate to the major components of the special services program as shown in the Fund's Administrative Budget and make no specific reference to the technical assistance work of the area departments. Also, there is no separate discussion of the important technical assistance work of the Legal Department as it is closely associated with the work of the Fiscal Affairs and Central Banking Departments. The Exchange and Trade Relations Department, the Research Department, and the Bureau of Computing Services all provide small amounts of technical assistance.

1. IMF Institute

The IMF Institute outlays absorb 38 percent of the Fund's direct expenditures on special services to members. About one third of these outlays correspond to courses and seminars run jointly by the Institute and other departments, principally the Bureau of Statistics and Fiscal Affairs Department. Early in FY 1989, and with management support, a staff committee began a review of the Institute's activities. The findings at this stage are preliminary.

The work so far does not suggest a need for a radical change in the orientation of the Institute. Rather, it suggests that it remains appropriate for the emphasis to be on a targeted and controlled program and one that seeks to enhance the skills and effectiveness of officials most directly associated with the work of the Fund. Some changes are under consideration that would aim at a better focussing of the Institute's standard courses to the needs of member country officials and at the introduction of increased program flexibility.

In this connection, thought is being given to the structure and content of courses conducted at Fund headquarters. It is already planned to rationalize the three courses conducted directly by the Institute; beginning in 1990, only two courses would be offered. This change will make it easier to target and train participants according to their academic qualifications. The change will involve elimination of the longest of the current courses, thereby facilitating the introduction of shorter new courses on timely topics. A new eight-week course on the design of medium-term adjustment programs is being introduced late in 1989.

The matter of a larger number and variety of shorter courses has been examined closely by the staff committee, bearing in mind the relatively higher cost of such a curriculum at headquarters. The Institute might adopt a flexible approach as to whether such courses would be held at headquarters or overseas, although the advantages to participants of courses at headquarters are thought to be considerable. Consideration is also being given to some expansion of the Institute's role in conducting more high level seminars on specific policy issues. External training is believed to be valuable and appropriate in some circumstances, as is assistance to regional training institutes. At this time, an assessment is being made of additional emphasis on these types of work as part of the more flexible approach by the Institute.

As to selection procedures, some changes that would involve the area departments to a greater extent are under consideration. The Institute is also weighing the possibilities of giving national authorities stronger encouragement to follow existing guidelines and of issuing more precise descriptions of the necessary qualifications for each course. The procedures need to ensure that key officials are exposed to training

in the Fund that will be useful to them in the formulation of economic policy.

The internal review also suggests that there should be a strengthening of the linkages between the Institute and other Fund departments to ensure the effectiveness of the training program. Institute courses should continue to draw upon the resources of other departments, and the courses conducted in collaboration with the Fiscal Affairs Department and the Bureau of Statistics should remain an essential part of the program.

## 2. Central Banking Department

The Central Banking Department (CBD) is responsible for about 27 percent of the Fund's Administrative Budget spent on special services to members. Traditionally, most of the technical assistance provided by CBD has taken the form of stationing central banking experts in the field on a long-term basis, i.e., for a year or more. These experts are supervised through quarterly reporting and periodic inspection visits by senior CBD staff. However, the sharp increase in the number of SAF programs, the introduction of ESAF programs, and the generally growing interest in the design of structural reforms in the financial sector by member governments, together have led to a rapid increase in short-term advisory missions for financial sector analysis and the related technical assistance. Many of these missions typically include staff of the area departments in order to facilitate coordination on financial sector issues. Such missions have also strengthened collaboration with the World Bank, by ensuring consistency between Fund programs and the structural policies included in the World Bank loans.

As approved in the FY 1989 budget, CBD has embarked on a gradual restructuring to enhance its capability to field short-term missions as well as to contribute specialist staff to area department missions. At the same time, it is fully recognized that many central banks will continue to need long-term Fund technical assistance for some time to come. This restructuring is an outgrowth of the fact that technical assistance needs in the financial sector area are becoming increasingly interwoven with the structural policies underlying members' financial arrangements with the Fund and with the analytical and policy work carried out by the Fund with a range of other members. The heavy demand for short-term advisory assistance and for CBD staff participation in area department activities reflects the growing need to address a range of issues of significance to adjustment and growth. These include the shift from direct to indirect monetary instruments, particularly to facilitate a liberalization of interest rates, the institutional and policy issues associated with the transformation of banking systems in the centrally planned economies, the need to develop money and securities markets, often in the context of reforming government debt management, the strengthening of bank regulation and supervision, and managing bank solvency problems in a growing number of countries.

The restructuring of CBD involves gradual reduction in the number of long-term experts in the field and increases in the number of CBD staff, and the stationing of some experts with central banking and macroeconomic background at headquarters from where they can be assigned to short-term missions. This process began in FY 1989 and will continue in FY 1990 and beyond.

The restructuring also has implications for the traditional status of CBD experts. Initially, all CBD experts, although paid by the Fund, reported to the central bank authorities to whom they were assigned. With the involvement of these experts in work with members having a financial arrangement with the Fund, and with the use of experts in short-term missions, some of them have been designated as consultants to the Fund, and this tendency is likely to continue.

### 3. Fiscal Affairs Department

The technical assistance work in the fiscal field has evolved since 1982 when the Executive Board discussed a paper (EBD/82/102, April 29, 1982) which responded to a request from management to explore ways in which the Fund's technical assistance could be used to implement financial programs more successfully. Since that time there have been adaptations to the program of technical assistance in the fiscal field, which represents 16 percent of the total Fund expenditure on special services to member countries.

Being small, the program is closely supervised and oriented toward structural improvements that strengthen a country's fiscal processes and budgetary control. The advice continues to be concerned as much with the design and implementation of policy changes as with the achievement of improved technical efficiency. Technical assistance has been provided to improve all aspects of fiscal management because of the close relationship between fiscal imbalances and the emergence of balance of payments difficulties. In many cases, it has contributed significantly to successful adjustment within the context of Fund-supported programs and to the adjustment endeavors of member countries outside such programs. In the framework of structural adjustment, FAD technical assistance has helped implement fiscal measures by easing existing administrative constraints and by improving the effectiveness of policy instruments.

In the last two years the increase in SAF programs and the phasing in of ESAF arrangements has provided a new focus for FAD technical assistance. Selected studies showed that typically about 70 percent of all structural improvement measures to be undertaken in the context of such programs are in the fiscal area. Of the 24 SAF arrangements and the 6 ESAF arrangements in effect at the beginning of 1989, in all but three cases, fiscal technical assistance provided a direct input into the program while in the remainder fiscal advice was given in earlier years. Because of the need for expeditious advice in the framework of a

structural program, assistance mostly took the form of staff missions, which in some cases was followed up with longer-term assignments.

#### 4. Bureau of Statistics

From its origins in 1968, when the Executive Board authorized technical assistance by the Bureau of Statistics to establish or improve central bank bulletins that would bring together information needed for the analysis of monetary policy, the program of technical assistance in statistics has expanded into other areas and its basic objectives have broadened. The Bureau took responsibility for the collection of balance of payments statistics and government finance statistics in the 1970's, and in the 1980's extended its work to international banking and external debt statistics. At present, the technical assistance of the Bureau represents 5 percent of the Fund's outlays on special services to members.

In early 1989, the Bureau of Statistics began an internal study of its technical assistance program. At present, almost all technical assistance in statistics takes place within the framework of back-to-back, two-week missions of one staff member to two countries. Follow-up missions take place to review the implementation of recommendations of earlier missions. While this format is suitable for part of the work of the Bureau's technical assistance, particularly in money and banking, there is doubt on whether it is appropriate in all cases. There are obvious drawbacks to back-to-back missions, particularly in relation to the time needed to complete reports. In addition, the short-term mission approach may not be cost effective where assistance is needed to help countries with a poor statistical infrastructure and where there is a shortage of trained personnel. In areas such as the compilation of national accounts and price indices, and in the development of statistical procedures with regard to data presentation, short-term assistance may prove beneficial at times only if complemented by long-term assistance to ensure implementation of recommendations. In this context, consideration will be given to establishing a panel of experts capable of providing long-term assistance in the statistical field.

The review of technical assistance indicates that work in government finance statistics could be more useful if attention were focused on the need for more aggregated and timely data, even if detailed data are not available in some cases. There would be merit also if technical assistance in this area could be more closely integrated with work of other departments in the fiscal field (especially FAD), and could pay more attention to setting up systems to monitor central government expenditures and finances of government enterprises.

The staff work in reviewing this program points to the need to pay greater attention to exploring the linkages and consistency among the main macroeconomic accounts. One suggestion would be to consider combining separate technical assistance missions to individual countries

so as to deal with statistical problems in those countries on a multitopic, or more comprehensive, basis. Such missions could be staffed by more than one staff member from the Bureau of Statistics and could include participation by area departments. Similarly, the work of area department missions could benefit by expanded and more continuous involvement of staff members from the Bureau.

#### IV. Other Issues

Management will continue to examine the ongoing work outlined in the previous section. In doing so, the primary objective of strengthening collaboration on technical assistance matters within the Fund would help maximize the timeliness and the quality of the analytical, policy and institutional advice provided to members. Also, there is a need to do all that is possible to avoid duplication of, or conflicting, advice to members from the Fund and the World Bank. A careful examination is also needed of collaborative arrangements with other agencies, notably the UNDP. At the same time, the priorities of special services should be continually evaluated. It should be emphasized that this should not be a one-time event. Moreover, more thought will need to be given to ex post evaluation of the results of Fund special services. These services are held in high regard by members, but additional ways could be developed to monitor carefully ongoing assignments and evaluate the results of the work to ensure their continued high quality and usefulness.

##### 1. Collaboration within the Fund

Considerable efforts have been made over the years to make more effective the collaboration among the departments providing special services, the area and other functional departments. It should be recalled that, initially, these services were essentially designed to help in building institutions and, to a degree, this meant that the departments providing this assistance could perform their functions without any particular need for close day-to-day collaboration with area departments. The departments providing special services developed their own direct contacts with national authorities and there have been a few cases in the past where bilateral requests by member countries were agreed without sufficient collaboration with area departments. There can be little doubt that all departments providing special services need to link their activities very closely to those of the area departments. For their part, area departments recognize that, in the past, they have not involved themselves adequately in the substance of technical assistance. They have come to better understand the need to identify needs for special services at an early stage and to ensure that inputs are made at the critical times. Certainly, management considers that greater mutual involvement to be essential.

As staff from departments providing special services became increasingly involved in the mission activity of the area departments (e.g., FAD participates in about 100 area department missions a year) and as the Fund focus moved toward policies of structural change needed to strengthen macroeconomic policy formulation and implementation, the collaboration among departments has in fact strengthened appreciably. A growing proportion of requests for technical assistance has been conveyed through the area departments in the context of Fund supported programs. Technical assistance involving design of structural policies, in a sense, has become the catalyst for greatly increased collaboration. There can also be little doubt that the redirection of technical assistance toward short-term assistance has been, and will continue to be, a significant factor behind more effective coordination within the Fund.

While much progress has been made, there is room for increased coordination to maximize the benefits of special services to members. For example:

a. Area departments and departments providing special services should plan jointly, in consultation with the member country, technical assistance requirements over the short and medium term in the context of the needs of structural adjustment which itself extends over a multi-year period.

b. Area departments should increase their involvement in long-term assignments which would mean devoting more time and resources to briefing the experts thoroughly while they are at Fund headquarters and to cooperating with the special service departments in following closely their activities while on assignment.

c. Staff reports on members with overdue obligations to the Fund will include more comprehensive information on the extent of any technical assistance provided by the Fund to those members, together with staff recommendations regarding further assistance (Chairman's Summing Up, EBM/89/19, February 17, 1989).

d. Special service and area departments would develop approaches to help each other in the process of evaluating the results of technical assistance projects.

Management considers that stronger collaboration within the Fund is of high priority and this in itself should help the collaboration process with the World Bank (see below).

## 2. Collaboration with the World Bank

Substantial efforts have been made in the area of collaboration between the Fund and the Bank on technical assistance matters. Senior Bank and Fund staff consider that the present system for informal

collaboration between the two institutions is working reasonably well, but a further strengthening of collaboration would be useful for the following reasons:

a. The initial demarcation lines for provision of technical assistance between the Bank and the Fund have not been observed in all cases in recent years. In earlier years, technical assistance in the central banking and financial sector areas was provided solely by the Fund. More recently, in response to members' requests, the Bank has been advising in certain cases on monetary policy, bank supervision and so on. Similarly, under an early agreement between the Fund and Bank, the Fund was largely responsible for the provision of technical assistance on tax matters. In recent years, the Bank has provided technical assistance on a wide range of public finance areas, including taxation. In part, this has occurred because the Fund is not always in a position to provide staff requested by the Bank to participate in Bank missions involved in technical assistance matters.

b. Departments providing special services report a few instances where both the Fund and the Bank have provided technical assistance, unaware of the fact the other institution had already given assistance in the same area. There are also a few reported cases where separate Fund and Bank advice to a member country in the same sector have been in conflict.

c. Ten years ago, there was a focal point within the Bank for the coordination of technical assistance in the fiscal field which as a result of changes in World Bank organization, now does not exist. There is limited central authority in the Bank on technical assistance activities, and it appears that decisions on these matters are delegated to country directors.

At the same time, there have been many notable examples of strong collaboration. One relates to Jamaica where an FAD staff member participated in a series of Bank missions to advise on a large technical assistance project in the budget area. There have been a number of other similar examples.

There is also a prospect for strengthened collaboration if the Fund's role as provider of management services for some Bank technical assistance were to develop, for example as in the recent case of Sri Lanka (see EBD/88/178, page 6). In such cases, the Fund undertakes the design of the project, in collaboration with the Bank. Financed by the proceeds of a Bank loan, the Fund hires an expert or experts to undertake an assignment in an area of Fund expertise and the Fund monitors the progress of the work. This development appears to have the promise of tangible collaboration between the Bank and Fund in central banking activities in certain countries.

As to training, the IMF Institute and its counterpart in the World Bank, the Economic Development Institute (EDI), collaborate in several ways. There are, first of all, continuing informal contacts to exchange information and ideas. Also, Bank and Fund staff are frequently invited to participate in courses offered by the Institute and EDI, respectively. There are, in addition, occasional joint ventures, e.g., a joint advisory mission in 1988 for the Arab Monetary Fund's new training institute. Also, the Institute is participating both in the planning and implementation of the EDI's seminar in 1989 on structural adjustment.

Another area where the Fund and Bank have worked closely together concerns the relationship with the UNDP. The Bank has extensive experience in this area and Fund staff have benefited from Bank advice.

There remains a great deal of scope for cooperation between the Fund and the Bank on technical assistance matters so as to maximize the benefits to members in the use of resources available to the two institutions. Management considers that strengthened collaboration in this area to be of high priority. The Bank has suggested the possible need for some guidelines on Bank-Fund collaboration on technical assistance matters which could be worked out in the context of the more general collaborative process. These might stress, inter alia, the need to share information to avoid some of the problems mentioned in 2(b) above. This approach will be explored further in the context of strengthened relationships between Fund area departments and Bank Regional Offices. In addition, more effective efforts to pool information are needed at the technical level and meetings between senior Bank and Fund staff are planned to discuss the modalities.

### 3. Collaboration with UNDP

In recent months there have been contacts at the management and senior staff level between the Fund and the UNDP as to whether the Fund might become an Executing Agency for the UNDP in the provision of special services to members. These discussions have been highly constructive and the necessary agreements with the UNDP to give effect to the new role for the Fund are being readied.

As noted above, the UNDP has available substantial funds for technical cooperation, most of which are disbursed through a series of Executing Agency arrangements with specialized agencies of the United Nations. The UNDP is interested in expanding the "portfolio" of technical assistance projects by financing the type of work being done by the Fund in the area of special services to members. UNDP resources will be additional to the resources in the Fund's Administrative Budget. Fund management is interested in augmenting the resources available within that budget to deepen and extend Fund special services to members and to devote a greater proportion of Fund resources in cases of high priority to the Fund.

A number of important details regarding the Fund's relationship with the UNDP need to be resolved. Naturally, from the Fund side, it would be preferable if the new relationship did not disturb present practices. At the same time, the UNDP has played a major role in the provision of international technical assistance for many years. The discussions have revealed a considerable flexibility on the part of the UNDP to accommodate Fund preferences. Fund adaptations in those areas where the UNDP has strong preferences are also possible.

A dramatic expansion in the program for special services is not expected in the near term. For one thing, the build-up will be slowed by the difficulties, already apparent, in identifying experts of sufficiently high quality to undertake assignments. The Fund should move into the new relationship in a fully collaborative way, learning more in the process about the UNDP's approach. From this point of view, the proposed establishment by the UNDP of a post at the Fund headquarters for initial liaison purposes is greatly to be welcomed.

In principle, a new Executing Agency role for the Fund would allow the Fund to expand its efforts in most areas now covered by the special service program. The Fund could, for example, deepen its work in the fiscal and central banking areas. New ground could be broken in the provision of long-term assistance in the statistical field, particularly in cases where the statistical infrastructure is weak and where Fund supported programs are in place or are being contemplated. The work could be a valuable complement to short-term staff missions on statistical matters. The possibility also exists to become more involved in assisting members in restructuring, where needed, their financial ministries and central banks. More resources could be devoted to training of national officials, particularly external programs.

In this new work, management is particularly mindful of the overhead costs to the Fund. The financial arrangements with the UNDP provide a margin designed to cover these overheads. Experience will be needed to see that this margin does fully cover the costs of handling the additional work consistent with the ways in which Fund special services are operated. Of at least equal importance will be the need to avoid increases in the permanent staff ceiling to handle this new endeavor, consistent with the policy of tightly controlling the size of the institution. However, as the work with the UNDP expands, consideration will have to be given as to whether additional contractual support at headquarters would be justified; such support could be funded by the financial margin provided by the UNDP.

#### 4. Priorities

The work described in Section III above indicates that priorities are being reviewed. The needs of the membership for Fund-type technical assistance are very large. The availability of assistance from other

agencies, the Fund's budget constraint and a policy of giving priority to technical assistance supporting adjustment programs has meant that some other needs have received less attention in recent years. Thus, assistance to individual public enterprises or local governments has not been undertaken nor has there been extensive assistance in the area of automation. Also, as newly created central banks have matured, there has been, in general, a phasing out of assistance of an executive character. The placement of experts in central banks exclusively for the general training of staff, or for developing training programs, has been phased out too, in recognition of the comparative advantages enjoyed by donors in this area.

Management will be reviewing with the staff the priorities and criteria in the provision of special services to members. While more exact criteria and priorities would be helpful, it is not planned to develop a system that is rigid and unbending to the needs of the members and of the Fund as an institution. In this area, priority would have to be given to providing assistance to members in the design and implementation of programs of structural change, whether or not these programs are to be supported by use of the Fund's financial resources.

It would not be the intention to give absolute priority to those cases. As mentioned earlier, priority would also need to be given to meeting the needs of a variety of members who look to the Fund more as a source of technical and expert advice than as a source of financial assistance. Also, those members with weak administrative capacity also need to be given priority, especially for the training of local personnel. Management also considers that more technical assistance work is needed with respect to monetary and exchange rate instruments and institutions in Africa. In addition, it is felt that, in support of the program of technical assistance in statistics, the Fund could help members by advising on electronic data processing aspects of the collection and reporting of data. The intention would be to examine the priorities within each of the major components of special services and also to reassess whether there should be shifts of resources among its various components.

Finally, an important factor in giving priority should be the "track record" of the member country involved. There is little to be gained by the international community or the member itself, for the Fund to provide assistance to a member that does not use the assistance effectively. This suggests that searching questions have to be asked in some cases, e.g., in the field of long-term assistance where the member has not identified suitable local counterparts to permit phasing out the expatriate technical assistance on a reasonable and agreed time scale.

5. Evaluation

International agencies and bilateral donors attempt to evaluate ex post the effectiveness of their technical assistance. It has been found that such a process can be conducted in a quantitative fashion where the technical assistance or cooperation takes the form of assisting a country in the running of physical plant and equipment. There are problems of measurement, however, when assistance takes the form of developing policy initiatives and human capital or the building of institutional infrastructure.

It is for this reason that the Fund, as yet, has not developed formal systems of ex post evaluation of the results of the program of special service to member countries. To ensure quality and cost effectiveness, reliance has been placed on providing assistance only in areas where the Fund has professional expertise, on careful selection of personnel for the different assignments, on monitoring their work, and on frequent contacts with national authorities. It is recognized that the staff and national authorities have many opportunities for such contacts, including through the Article IV consultation process. Because of this, the Fund has considerable advantage, as compared with a number of other institutions that provide technical assistance, since the contacts provide many opportunities for the staff to check to ensure that a particular technical assistance assignment is being well conducted.

Management has been considering the possibilities of a more overt and systematic evaluation of these services. The present Annual Report to the Executive Board on Technical Assistance contains valuable information but does not provide an evaluation. On balance, a pragmatic approach appears to be called for and, initially perhaps, it would be realistic to build up internal processes of evaluation of particular projects or services. A starting point for a common, systematic presentation of the results of technical assistance would be to measure them against the initial objectives.

Table 1. IMF Program for Special Services to Member Countries:  
Total Costs, FY 1985-1989

(In millions of U.S. dollars)

| Program/Organ. Unit  | Financial Year |             |                    |                    |                    |
|--|----------------|-------------|--------------------|--------------------|--------------------|
|  | 85             | 86          | 87                 | 88<br>est.         | 89<br>est.         |
| <b>1. <u>Technical Assistance Experts</u></b>  |                |             |                    |                    |                    |
| a. CBD   | 9.0            | 9.3         | 8.5                | 7.7                | 8.7                |
| b. FAD   | 3.6            | 3.8         | 3.1                | 3.2                | 3.9                |
| c. Other (including ADM)   | 0.9            | 0.9         | 0.8                | 0.8                | 0.9                |
| d. Country Contributions   | <u>1.7</u>     | <u>1.6</u>  | <u>1.5</u>         | <u>1.6</u>         | <u>1.8</u>         |
| Subtotal   | 15.3           | 15.6        | 13.9               | 13.3               | 15.3               |
| <b>2. <u>Staff Technical Assistance Missions</u></b>                                   |                |             |                    |                    |                    |
| a. CBD   | 0.7            | 0.7         | 1.0                | 1.2                | 1.3                |
| b. FAD   | 1.7            | 2.5         | 2.1                | 1.8                | 1.9                |
| c. LEG   | 0.4            | 0.5         | 0.6                | 0.6                | 0.6                |
| d. STA   | 1.9            | 2.5         | 1.8                | 1.9                | 1.9                |
| e. Area Dep  | 0.7            | 0.9         | 1.1                | 1.0                | 1.0                |
| f. Other   | <u>0.7</u>     | <u>0.8</u>  | <u>0.7</u>         | <u>0.6</u>         | <u>0.6</u>         |
| Subtotal   | 6.1            | 7.9         | 7.3                | 7.1                | 7.3                |
| <b>3. <u>IMF Institute Program</u></b>   |                |             |                    |                    |                    |
| a. IMFI  | 8.3            | 13.5        | <sup>1/</sup> 10.4 | <sup>1/</sup> 10.3 | 11.2               |
| b. BLS   | 1.4            | 1.0         | 1.5                | 1.4                | 1.4                |
| c. Other   | <u>1.0</u>     | <u>0.9</u>  | <u>1.2</u>         | <u>1.2</u>         | <u>1.2</u>         |
| Subtotal   | 10.7           | 15.4        | 13.1               | 12.9               | 13.8               |
| <b>4. <u>Total for Special Services</u></b>  | 32.1           | 38.9        | 34.3               | 33.3               | 36.4               |
| <b><u>Reconciliation with Budget Document</u></b>                                      |                |             |                    |                    |                    |
| a. Add Half Cost of Res. Reprs.  | 2.0            | 2.5         | 2.6                | 2.7                | 2.8                |
| b. Subtract Country Contributions  | -1.7           | -1.6        | -1.5               | -1.5               | -1.8               |
| c. Subtract Cost of Renovating<br>Concordia Apartments and Lecture Rooms               | -              | -           | -                  | 0.4 <sup>2/</sup>  | -0.7 <sup>2/</sup> |
| Subtotal   | 0.3            | +0.9        | +1.1               | +0.8               | +0.3               |
| <b>5. <u>Total for Special Services in<br/>Administrative Budget <sup>3/</sup></u></b> | 32.4           | 39.8        | 35.4               | 34.0               | 36.6               |
| <b>6. <u>Administrative Budget</u></b>   | 226.4          | 245.8       | 247.1              | 246.8              | 247.2              |
| <b>7. <u>Percentages of the Administrative Budget</u></b>                              |                |             |                    |                    |                    |
| a. Technical Assistance<br>Experts   | 6.8            | 6.4         | 5.6                | 5.4                | 6.2                |
| b. Staff Technical<br>Assistance   | 2.7            | 3.2         | 3.0                | 2.9                | 3.0                |
| c. IMF Institute   | <u>4.7</u>     | <u>6.2</u>  | <u>5.3</u>         | <u>5.2</u>         | <u>5.6</u>         |
| d. Total Expenditure   | <u>14.2</u>    | <u>15.8</u> | <u>13.9</u>        | <u>13.5</u>        | <u>14.8</u>        |
| e. Total as Reconciled with<br>Administrative Budget                                   | 14.3           | 16.2        | 14.3               | 13.8               | 14.8               |

<sup>1/</sup> Includes cost of renovation of Concordia apartments and a new lecture room. These expenses are not shown for FY 1988 and FY 1989 because they have been transferred to the capital budget.

<sup>2/</sup> In FY 1988 these costs have been excluded from the administrative budget and charged to a new capital budget.

<sup>3/</sup> As shown in the administrative budget documents for FY 1982-88.

Table 2. IMF Program for Special Services to Member Countries:

Program of the IMF Institute, CY 1984-1988

| Calendar<br>Year | Number of |                     |                      | Participants at Headquarters |                      |
|------------------|-----------|---------------------|----------------------|------------------------------|----------------------|
|                  | Courses   | Seminars<br>at H.Q. | Seminars<br>Overseas | Number of<br>Participants    | Participant<br>Weeks |
| 1984             | 11        | 3                   | 3                    | 446                          | 4,168                |
| 1985             | 12        | 2                   | 4                    | 424                          | 4,223                |
| 1986             | 13        | 2                   | 5                    | 481                          | 4,894                |
| 1987             | 14        | 2                   | 2                    | 490                          | 5,026                |
| 1988             | 14        | 3                   | 7                    | 522                          | 4,841                |

Source: Administrative Budget documents for FY 1986-1989.

Table 3. IMF Program for Special Services to Member Countries:  
Technical Assistance Experts and Staff Technical Assistance Missions,  
CY 1984-1988

| Calendar<br>Year | Technical Asst. Experts (M-Yrs) |     |       | Staff Tech. Asst. Missions (Number) |     |     |       |
|------------------|---------------------------------|-----|-------|-------------------------------------|-----|-----|-------|
|                  | CBD                             | FAD | Total | CBD                                 | FAD | STA | Total |
| 1984             | 98                              | 29  | 127   | 11                                  | 26  | 82  | 119   |
| 1985             | 93                              | 28  | 121   | 15                                  | 38  | 88  | 141   |
| 1986             | 92                              | 23  | 115   | 19                                  | 48  | 69  | 136   |
| 1987             | 71                              | 20  | 91    | 18                                  | 34  | 64  | 116   |
| 1988 <u>1/</u>   | 83                              | 26  | 109   | 21                                  | 44  | 50  | 115   |

1/ FY 1989.

Source: Administrative Budget documents for FY 1987-1989.

Table 4. World Bank Technical Assistance:  
Costs, FY 1984-1988

(In millions of U.S. dollars)

|   | FY84           | FY85           | FY86           | FY87           | FY88          |
|---|----------------|----------------|----------------|----------------|---------------|
| 1. Financed through<br>Administrative Budget<br>(of which EDI)  | 21<br>(14)     | 24<br>(15)     | 26<br>(16)     | 28<br>(15)     | 29<br>(16)    |
| 2. Project-financed<br>Technical Assistance<br>(of which "free<br>standing" loans)                                  | 1,260<br>(135) | 1,289<br>(110) | 1,303<br>(138) | 1,173<br>(104) | 1,251<br>(96) |
| 3. Bank-administered<br>technical assistance<br>financed by others<br>(of which as<br>executing agency for<br>UNDP) | 25<br>(12)     | 26<br>(10)     | 60<br>(48)     | 49<br>(37)     | 117<br>(48)   |
| Total   | <u>1,307</u>   | <u>1,340</u>   | <u>1,389</u>   | <u>1,250</u>   | <u>1,397</u>  |

Source: World Bank document DCD 88/22 dated 10/26/88.

Notes on World Bank Technical Assistance  
(extracts from World Bank document DCD 88/22)

1. Financed through the Administrative Budget

As a development agency, the World Bank provides a considerable amount to its borrowers for technical assistance which is supported through its administrative budget. Such assistance has two principal components: direct and visible components which have an easily identifiable dollar value, e.g., the training of staff from developing countries by the Bank's Economic Development Institute and grants to such activities as the Consultative Group for International Agricultural Research (CGIAR), the Onchocerciasis program for the eradication of river

blindness and the like. The other component--which from a technical assistance point of view is indirect, less visible, and not readily quantifiable--is provided as part of the Bank's economic and sector work, and as part of the normal project cycle work, especially during supervision, which may have a profound influence on borrowers and their economies, and on investment decisions.

## 2. Project Financed

Most technical assistance that the Bank finances is directly related to the implementation requirements of the investments it helps finance, and it accounts for 83.5 percent of this category. This is done through two types of services: engineering-related technical assistance and institution-related technical assistance. Engineering services relate directly to the preparation and implementation of the physical infrastructure of investments, whereas institution-related technical assistance provides diagnostic or prescriptive assistance on institutional or policy matters as well as assistance in issues of national economic planning, improvement in managing the public sector or the operation of a specific entity. There has been a shift during recent years in the composition of technical assistance between engineering support and broader economic advice. The latter now accounts for a little over half the total. This shift is largely due to increased recognition by the Bank and borrowers that the lack of appropriate institutions and the shortage of qualified managers and technicians are the causes of significant absorptive capacity constraints. However, technical assistance components of loans/credits appear to be declining due to the growth of structural adjustment lending, whose technical assistance components are either proportionately small (by contrast with traditional project lending) or are treated under separate "free-standing" technical assistance loans. These loans have become prevalent in the 1980s as companion loans to structural adjustment, and are to support designed policy and institution-oriented activities.

Also included under this category are the Project Preparation Facility (PPF) and the Special Project Preparation Facility (SPPF). The former is used to help finance small, discrete tasks related to project preparation for appraisal, and to help launch project implementation. The latter is used to prepare projects to be financed primarily by agencies other than the World Bank; most of it is provided on a grant basis.

Free-standing technical loans cover a wide range of activities at both the macro and the micro level. While the main thrust of the loans is to strengthen public sector management performance in the broadest possible sense, almost each free-standing technical assistance loan is designed to address specific country problems.

3. Administered by the Bank but Financed by Others

This category is dominated by the role of the Bank as executing agency for the United Nations Development Programme (UNDP). According to UNDP, the Bank's share of UNDP disbursements rose from 4 percent (\$118.4 million) in the second (CY77-81) and 6.3 percent (\$190.0 million) in the third cycle (CY82-86). Its share in the fourth cycle (CY87-91) continues to show an upward trend. The increase is mainly due to (a) growing cooperation between the UNDP and the World Bank on a wide range of policy and technical assistance matters, (b) borrowers' preference for grant technical assistance (in contrast with Bank loans/credits), and (c) the expressed desire of the donors for greater collaboration between the two institutions.

Another important form of collaboration between the World Bank and the UNDP is "cost-sharing". Increasingly, non-UNDP funds are added to a UNDP project to complement its funding. A common arrangement between the UNDP and the Bank permits borrowers to channel Bank loan proceeds intended for technical assistance into UNDP project.

There is also a growing number of Consultant Trust Funds made available by several donor countries nonreimbursable grants to support the Bank's operational work or to finance technical assistance activities through the Bank. The use of funds provided under many of these trust funds is tied to consultants and equipment from the donor countries and the funds are intended principally to defray the cost of consultants hired from the donor country.

Table 5. Development Assistance Committee Technical Corporation

A. Net Bilateral Disbursements by Donors on  
Technical Corporation 1980, 1985, 1986  
(In millions of U.S. Dollars) 1/

| CY   | France | U.S.  | Germany | Japan | U.K. | Other | Total<br>DAC |
|------|--------|-------|---------|-------|------|-------|--------------|
| 1980 | 1,825  | 734   | 991     | 278   | 507  | 1,148 | 5,483        |
| 1985 | 1,521  | 1,464 | 876     | 422   | 333  | 1,419 | 6,035        |
| 1986 | 1,975  | 1,511 | 1,230   | 599   | 404  | 1,706 | 7,425        |

B. No of Experts and Volunteers 1980, 1985, 1986 1/

|      |        |        |       |        |       |        |        |
|------|--------|--------|-------|--------|-------|--------|--------|
| 1980 | 23,130 | 11,447 | 5,850 | 8,215  | 7,614 | 15,323 | 71,579 |
| 1985 | 15,877 | 19,887 | 5,514 | 14,380 | 5,544 | 19,968 | 81,170 |
| 1986 | 15,000 | 21,093 | 6,365 | 15,491 | 5,318 | 19,850 | 83,117 |

C. No. of Experts Only 1980, 1985, 1986 2/

|      |        |        |       |       |       |        |        |
|------|--------|--------|-------|-------|-------|--------|--------|
| 1980 | 15,000 | 6,253  | 4,200 | 7,139 | 6,511 | 10,409 | 49,512 |
| 1985 | 13,777 | 15,338 | 3,917 | 5,362 | 3,808 | 12,884 | 55,086 |
| 1986 | 12,100 | 15,961 | 4,640 | 5,658 | 3,573 | 12,635 | 54,567 |

D. Sectoral Distribution of Dollar Cost (percent) in 1986 3/

|   |              |
|---|--------------|
| Planning and public administration        | 10.9         |
| Development of public utilities           | 9.5          |
| Agricultural and rural development        | 15.0         |
| Industry, mining and construction         | 7.0          |
| Trade, banking, tourism, export promotion | 0.8          |
| Education                                 | 30.1         |
| Health                                    | 8.2          |
| Other or unspecified                      | 18.5         |
|   | <u>100.0</u> |

1/ Source DAC (87)29.

2/ Source DAC (88)38 Statistical Annex, drafted 11/10/88.

3/ Same source as "B". Data based on a survey of countries. Countries not responding and, therefore, not included in the table, are Belgium, Canada, Germany, Switzerland and the United States.

Table 6. U.N. Development Program--1982-1987

A. Expenditures

(In millions of U.S. dollars)

| CY   | Field Program |                  |       | Agency Support | UNDP Administration and Support | Total |
|------|---------------|------------------|-------|----------------|---------------------------------|-------|
|      | Activities    | Sectoral Support | Other |                |                                 |       |
| 1982 | 660.2         | 5.5              | 1.2   | 85.1           | 107.1                           | 859.1 |
| 1983 | 560.1         | 4.2              | 0.4   | 73.1           | 113.2                           | 751.0 |
| 1984 | 532.6         | 3.3              | (3.0) | 70.1           | 114.7                           | 717.7 |
| 1985 | 571.7         | 3.0              | 2.9   | 73.0           | 127.7                           | 778.1 |
| 1986 | 689.2         | 3.0              | 3.0   | 83.6           | 132.2                           | 911.0 |
| 1987 | 702.1         | 3.8              | 0.1   | 79.9           | 150.5                           | 936.4 |

Source: UNDP 1987 Annual Report.

B. Numbers of Experts

| CY   | International Experts<br>(from recipients countries) | National Experts | UN Volunteers | Total  |
|------|--|------------------|---------------|--------|
| 1982 | 9,081 (3,515)  | -                | -             | 9,081  |
| 1983 | 8,400 (3,125)  | 1,412            | 792           | 10,604 |
| 1984 | 7,813 (2,771)  | 2,097            | 942           | 10,852 |
| 1985 | 8,208 (2,892)  | 2,759            | 1,219         | 12,186 |
| 1986 | 8,969 (3,515)  | 3,481            | 1,277         | 13,727 |
| 1987 | 8,417 (3,512)  | 4,893            | 1,388         | 14,698 |

Source: UNDP 1987 Annual Report and DP/1988/19/ADD.1 dated 3/15/88.

Table 6. U.N. Development Program (Continued)

C. Sectoral Distribution of Dollar Costs (percent) in 1987

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|  |       |
|--|-------|
| Development issues, policy and planning            | 17.7  |
| Agriculture  | 20.8  |
| Industry   | 12.7  |
| Transport and Communications                       | 10.6  |
| Natural Resources                                  | 10.5  |
| Science and Technology                             | 5.8   |
| Health   | 4.9   |
| Population, human settlements, humanitarianism aid | 4.7   |
| Education  | 4.6   |
| Employment   | 4.5   |
| Other  | 3.2   |
|  | <hr/> |
|  | 100.0 |

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Source: UNDP World Development Annual Report 1987.

Table 6. United Nations Development Program (continued)

D. Expenditures by Executive Agency

(In millions of U.S. Dollars)

| Agency  | 1982         | 1983         | 1984         | 1985         | 1986         | 1987         |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| United Nations  | 85.1         | 78.7         | 76.2         | 86.3         | 101.3        | 85.0         |
| International Labor Organization (ILO)                                    | 51.1         | 43.1         | 37.2         | 38.0         | 45.7         | 48.6         |
| Food and Agriculture Organization (FAO)                                   | 141.4        | 116.5        | 109.3        | 115.9        | 128.8        | 128.4        |
| United Nations Educational, Scientific and Cultural Organization (UNESCO) | 44.5         | 41.8         | 36.4         | 33.6         | 35.1         | 27.4         |
| World Health Organization (WHO)   | 20.0         | 15.4         | 13.2         | 12.0         | 14.8         | 18.6         |
| International Civil Aviation Organization (ICAO)                          | 35.3         | 27.6         | 23.5         | 31.5         | 35.5         | 29.4         |
| World Meteorological Organization (WMO)                                   | 11.8         | 11.3         | 11.8         | 13.5         | 12.6         | 10.1         |
| International Atomic Energy Agency (IAEA)                                 | 4.3          | 3.7          | 2.3          | 1.7          | 2.5          | 2.2          |
| International Maritime Organization (IMO)                                 | 6.8          | 6.0          | 6.5          | 3.5          | 5.3          | 5.2          |
| International Telecommunication Union (ITU)                               | 25.1         | 21.6         | 18.5         | 22.0         | 22.6         | 22.4         |
| United Nations Development Program (UNDP)                                 | 46.8         | 37.8         | 35.7         | 41.9         | 57.4         | 63.7         |
| United Nations Industrial Development Organization (UNIDO)                | 67.6         | 50.2         | 56.2         | 61.2         | 71.6         | 69.4         |
| United Nations Conference on Trade and Development (UNCTAD)               | 14.4         | 13.0         | 7.2          | 5.3          | 7.9          | 8.2          |
| Universal Postal Union (UPU)  | 2.0          | 1.6          | 1.6          | 1.6          | 1.7          | 1.6          |
| World Bank (WB)   | 38.8         | 35.2         | 33.7         | 31.4         | 43.8         | 49.2         |
| Inter-American Development Bank (IDB)                                     | --           | --           | --           | --           | --           | --           |
| African Development Bank (ADB)  | --           | --           | --           | --           | --           | 0.5          |
| Asian Development Bank (AsDB)   | 4.1          | 2.9          | 4.7          | 4.6          | 5.2          | 7.3          |
| Arab Fund for Economic and Social Development (AFESD)                     | 0.2          | 0.3          | 0.1          | --           | 0.2          | --           |
| Economic Commission for Africa (ECA)                                      | 8.7          | 4.2          | 5.9          | 3.6          | 4.7          | 6.4          |
| Economic and Social Commission for Western Asia (ESCWA)                   | 0.3          | 0.5          | 0.6          | 0.4          | 0.5          | 0.6          |
| Economic and Social Commission for Asia and the Pacific (ESCAP)           | 5.0          | 6.6          | 5.5          | 5.7          | 7.7          | 5.5          |
| Economic Commission for Latin America and the Caribbean (ECLAC)           | 1.8          | 1.7          | 1.3          | 1.2          | 1.4          | 1.6          |
| United Nations Volunteers (UNV)   | 5.1          | 4.5          | 3.3          | 5.1          | 7.0          | 8.0          |
| Governments   | 16.4         | 14.6         | 18.3         | 24.3         | 41.1         | 66.9         |
| United Nations Centre for Human Settlements (HABITAT)                     | 12.7         | 12.3         | 10.5         | 11.0         | 12.7         | 13.1         |
| World Intellectual Property Organization (WIPO)                           | 0.7          | 1.2          | 1.2          | 1.7          | 2.1          | 2.3          |
| World Tourism Organization (WTO)  | 0.8          | 0.8          | 0.5          | 1.2          | 1.8          | 1.6          |
| Economic Commission for Europe (ECE)                                      | 0.8          | 0.7          | 0.6          | 0.3          | 0.3          | 0.2          |
| International Trade Centre (ITC)  | --           | --           | 5.7          | 5.9          | 10.4         | 9.2          |
| Subtotal <sup>2/</sup>  | <u>651.6</u> | <u>553.8</u> | <u>527.5</u> | <u>564.4</u> | <u>681.7</u> | <u>692.6</u> |
| Government cash counterpart expenditures                                  | <u>8.6</u>   | <u>6.3</u>   | <u>5.1</u>   | <u>7.3</u>   | <u>7.5</u>   | <u>9.5</u>   |
| Total   | <u>660.2</u> | <u>560.1</u> | <u>532.6</u> | <u>571.7</u> | <u>689.2</u> | <u>702.1</u> |

Source: UNDP 1987 Annual Report.

<sup>1/</sup> Provisional.

<sup>2/</sup> Data cover expenditures financed under indicative planning figures, Special Program Resources, Special Measure Fund for the Least Developed Countries, Special Industrial Services and cost-sharing.