

May 22, 1996

**Summing Up by the Acting Chairman
External Evaluation of Technical Assistance Provided
by the Monetary and Exchange Affairs Department (MAE)
Report of Independent Panel
Executive Board Meeting 96/47
May 17, 1996**

Directors welcomed the opportunity to discuss the external evaluation of MAE technical assistance activities. It was noted that this was the first evaluation conducted by a panel of outside experts to be discussed by the Board since the report on Mexico by Sir Alan Whittome last year. Noting that the Panel had full independence in its evaluation, and had drawn up its own terms of reference, several Directors stressed that in future evaluations the Executive Board should play a larger role in defining the objective, scope, and terms of reference of the evaluation exercise. We have noted carefully the views of speakers on procedural aspects on which we should reflect further in the context of the development of the evaluation function in the Fund, perhaps during the discussion of the work program of the Executive Board tentatively scheduled for May 22, 1996. In the following remarks I will, therefore, focus on the substantive aspects of the Panel's report.

Most Directors commended the high quality of the work of the External Evaluation Panel, and expressed broad agreement with the report's overall conclusion that the delivery of technical assistance by MAE had been of high quality and had been helpful to recipient institutions. In particular, in the transition economies, the MAE-coordinated technical assistance program, delivered with the assistance of the cooperating central banks, had made an essential contribution to the process of transition to a market economy. There was also broad agreement among Executive Directors that certain areas of delivery should be strengthened further. In that context, some Directors thought the report could have been more precise in its critical comments, and observed that an in-depth study of a smaller sample of MAE technical assistance over a longer period might well have given a different picture from the one that emerged from the broad sample chosen by the Panel members. However, most speakers believed that the report was well balanced in its findings and that the Panel had not hesitated to point to, albeit politely, areas for improvement in MAE technical assistance, such as the nexus of exchange rate policy and monetary policy, on which some Directors commented.

While there was broad agreement with the view that specific technical assistance activities should in principle be self-liquidating, Directors generally recognized that over the next several years demand would continue to strain available resources. They observed that there would remain a continuing demand for technical assistance as many member central banks would have a revolving need for advice to continue to adapt their policy instruments and structures to the evolving needs of the market. However, it was noted that as demand from the transition economies for basic institution-building tapered off, resources could be redirected to other geographical regions, which had experienced a decline in technical assistance in recent years, or to other Fund activities.

A number of Directors believed that MAE, in its technical assistance activities, should function to a large extent as a coordinator and organizer of outside experts rather than attempt to build up comprehensive in-house expertise. Directors therefore agreed with the need identified in the Panel's report to carefully review the scope of technical assistance in order to ensure that it pertained to areas of core interest to the Fund. They agreed that continued technical assistance in such areas as banking supervision and restructuring, accounting, and the payments system, in which the Fund would play largely a coordinating role, would be appropriate. They observed that progress in those areas would contribute to the effective implementation of macroeconomic policy, particularly by enhancing the efficiency of monetary policy and by limiting the fiscal impact of banking problems. Directors underlined the need to avoid duplication with efforts of other institutions in those areas, such as the Basle Committee in the case of banking supervision, and the World Bank in the case of banking system restructuring, and urged the staff to strengthen coordination with these and other institutions.

Directors agreed with the recommendation of the Panel that the monitoring and evaluation of technical assistance should be improved, and urged the staff to enhance its practices of self-evaluation. Directors stressed that it was important for individual expert advice to be integrated into well-formulated technical assistance programs, and that enhanced briefing and backstopping were therefore necessary. They endorsed the staff's plans to ensure that experts were appropriately matched with identified needs.

Directors gave considerable attention to the proposals outlined in the report on how to ration the excess demand for technical assistance resources, including through the introduction of Letters of Intent, and of a certain measure of conditionality. Many Directors initially took a negative view with regard to conditionality for technical assistance. Others, however, believed that the subject merited further consideration while agreeing that this was an area where great caution should be exercised. The two Panel members present provided further clarification of the nature of their proposal, which could be described more accurately as a broad understanding between the Fund and the recipient member on the nature and goals of the technical assistance. The Panel also saw it as desirable to set "markers" or benchmarks for progress with technical assistance that would make possible interim evaluations of the effectiveness of the effort, and an evaluation of the advisability of proceeding or amending the chosen course of action.

A number of Directors stressed that further consideration should be given to the issue of the pricing of technical assistance. Others recalled that technical assistance was recognized as one of the core activities of the Fund alongside surveillance, to which no charge was applied. It was further pointed out that it was precisely those countries which could least afford to pay that needed technical assistance the most. They recalled that recipient institutions already made a contribution to the cost of long-term experts, which they viewed as adequate to ensure that only truly needed assistance was requested. A few Directors noted the recently-instituted system of charges for technical assistance delivered by long-term resident advisors, and requested further consideration of the pricing issue.

There was broad agreement on the importance of carefully assessing a member's track record in acting on the recommendations of past technical assistance before agreeing to additional requests. That assessment could be an important indication of a country's commitment to reform, which Directors agreed was crucial in ensuring the effectiveness of

technical assistance delivery. Lack of implementation or non-observance should be clearly taken into consideration, and technical assistance should become more results-oriented. To that effect, it was thought to be important to associate the area departments and resident representatives more closely with follow-up activities.

Action plans should be developed to provide a basis against which progress could be measured. While action plans were already being used by the staff in the context of technical assistance in support of comprehensive programs of structural reforms, their use could be broadened. Use of such action plans would be beneficial not only in monitoring the effectiveness of technical assistance, but would be an important tool in setting priorities and in clarifying interrelationships between reforms in various areas. A few Directors stressed the importance of ex-post self-evaluation of technical assistance, both as a valuable discipline in itself, and to more generally serve as the basis for evaluation of the overall effectiveness of a particular technical assistance exercise.

Directors agreed with the importance that the Panel attached to training staff of the institutions receiving technical assistance. They thought that the current framework of courses in the context of activities of the IMF Institute and the Joint Vienna Institute, MAE workshops, and MAE-coordinated training projects executed by cooperating central banks--typically with European Community financing--all provided a solid basis on which to build and adapt to changing needs.

Finally, Directors expressed their gratitude to all three members of the Panel for their important contribution, and management and staff seconded that view.

