



Monetary and Capital Markets Department



Technical Assistance Strategy Update 2014-17

I N T E R N A T I O N A L M O N E T A R Y F U N D

“MCM TA aims to support financial stability and economic growth by promoting sound and efficient financial systems and effective monetary and exchange rate policy frameworks.”

The preparation of the Monetary and Capital Markets Department (MCM) Technical Assistance (TA) Strategy Update has benefitted from extensive consultation with key stakeholders.¹ This involved early discussions with MCM staff involved in the management and delivery of TA, followed by questionnaires and brainstorming sessions.

Discussions were also held with staff of the Institute for Capacity Development (ICD), which plays a key role in the Fund's broader TA strategy, with a particular focus on how to even better coordinate and integrate MCM TA into the Fund's work; with the Fiscal Affairs Department (FAD), as another key provider of Fund TA, to better understand their model of TA delivery; and with the African Department (AFR), as the key recipient of MCM TA, to discuss how MCM can even better meet the TA needs of the countries in the region looking ahead.

Lastly, as the draft TA strategy update took shape, it was refined based on further extensive consultation within MCM, through presentations to and review by MCM divisions and senior management.

¹ The 2014 MCM TA Strategy Update was prepared by a staff team in MCM's Technical Assistance Division (TAD) under the guidance and supervision of Carlos Medeiros. The team was led by Ann-Margret Westin and comprised of Dilek Goncalves, Patrick Imam, and Jahanara Zaman. Viktoriya Zotova and administrative assistants in TAD, in particular Young Kim, provided support. Staff from MCM's Resource Management (RM) Division, in particular Dhanu Ponnampereuma and Ava Ayrton, also contributed to the Strategy Update. The views expressed herein are those of the authors and should not be attributed to the IMF, its Executive Board, or its management.

Glossary

AFD	Agence Française de Développement
AFR	African Department
CAP	Capacity Assessment Program
CCB	Committee on Capacity Building
CD	Capacity Development
COIs	Cooperating Official Institutions
DAC	Development Assistance Committee
DFID	Department for International Development
EFSS	Enhancing Financial Sector Surveillance
EP	Evaluation Program
FAD	Fiscal Affairs Department
FIRST	Financial Sector Reform and Strengthening Initiative
FSAP	Financial Sector Assessment Program
FSLC	Bank-Fund Financial Sector Liaison Committee
HQ	Headquarters
ICD	Institute for Capacity Development
IEO	Independent Evaluation Office
KE	Knowledge Exchange
LIC	Low-income Country
LTX	Long-term Expert
MCM	Monetary and Capital Markets Department
MTDS	Medium-term Debt Management Strategy
MTS	Medium-term TA Strategy
OECD	Organization for Economic Cooperation and Development
RAP	Resource Allocation Program
RBM	Results-based Management
RM	Resource Management Division
RSN	Regional Strategy Notes
RTAC	Regional Technical Assistance Center
SECO	State Secretariat for Economic Affairs
STX	Short-term Expert
TA	Technical Assistance
TAD	Technical Assistance Division
TADT	TA Document Tracker
TTF	Topical Trust Fund
WB	World Bank

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Executive Summary

In the context of the Fund's accountability framework for FY2014, MCM has updated the 2011 TA Strategy. Recent formal evaluations conducted by the department and others have confirmed that MCM's TA has been both impactful and much appreciated by the wide range of Fund members that have been recipients of the department's assistance. The objective of this update is to build on these successes and set a course for helping ensure that the department's efforts in promoting financial stability are even more effective.

MCM has made noteworthy strides in implementing the 2011 Medium-term TA Strategy (MTS), while adapting to changing conditions. As part of the implementation of the MTS, MCM has strengthened partnerships with external stakeholders in TA provision and taken steps to improve its effectiveness. MCM has also adapted to the 2012 departmental realignment that saw the creation of a new division with sole responsibility for departmental TA management while at the same time assigning a greater role to the functional divisions in TA delivery. In addition, the department accommodated a sharp increase in the demand for long-term TA projects, including by increasing the use of external financing and long-term experts (LTXs). The department also responded to growing requests for assistance by advanced countries, to assist in meeting new global regulatory and supervisory standards and the fallout from the euro area crisis.

MCM succeeded in meeting these new demands and significantly boosted its provision of TA. In terms of field time, the volume of TA increased from 58½ person years in FY2011 to 70 person years in FY2014. This increase was achieved largely through the placement of a large number of LTXs, principally in Africa, focusing on financial regulations and supervision, monetary operations and crisis management.

This new TA Strategy takes stock of the recent experience and the evolving TA needs of member countries,

setting a course for the coming three years. Looking ahead, there is little doubt that MCM will continue to provide assistance in its traditional areas of expertise—financial sector supervision and central banking—but demands and the likely focus for MCM's TA work are evolving. The level of sophistication of the department's advice will need to keep pace with the new international standards for regulation and supervision; new standards for resolution and deposit insurance; the continued need for help in the repair of financial institution balance sheets; and the development of new approaches to systemic risk identification and macroprudential policy responses.

The TA Strategy Update also demonstrates MCM's commitment to ensuring a high level of TA effectiveness. To ensure that the provision of TA provides significant added value to countries' efforts to promote financial stability, TA effectiveness will benefit from implementing results-based management (RBM), enhancing the TA delivery modalities, better integrating TA with other Fund activities, and strengthening external partnerships (Table 1). TA effectiveness will also be boosted by strengthening knowledge management and enhancing TA evaluations. The pace of implementation of these areas for improvement would depend on Fund priorities and the availability of staffing resources.

Success in meeting these strategic goals will require meeting important challenges. The increase in TA volumes achieved in recent years has already strained existing staff resources, and skills shortages have become increasingly acute. To meet the anticipated demands in coming years, therefore, MCM will need to place a particular emphasis on leveraging more effectively donor funds to relieve bottlenecks, prioritizing its assistance to maximize impact, and exploring new and possibly more cost effective modalities for delivering its assistance. And, there may be aspects of MCM's internal management and administration of TA that could be adjusted to promote efficiency and effectiveness.

TABLE 1. SUMMARY OF THE 2014–17 TECHNICAL ASSISTANCE STRATEGY RECOMMENDATIONS

ACTIONS	TIMELINE
Results-Based TA Management	
Enhance MCM's RBM implementation with the development of standard results indicators for various topical areas of TA and plan for a programmatic approach with well-defined logical frameworks	Short-term
TA Delivery Modalities and Processes	
Emphasize programmatic, multi-year TA projects, where appropriate, to build institutional capacity and support sustainability	Ongoing
Emphasize regional approaches to TA, to maximize cross-country synergies and improve efficiency. Regional TA can be structured as programmatic	Ongoing
Utilize TA to assist countries in identifying and addressing weaknesses in financial stability frameworks, to help fill needs that are not currently being served by FSAPs or other diagnostic tools	Medium to long-term
In partnership with ICD, build training modules as components of TA programs	Short to medium-term
Finalize the current round of expert roster improvements, and continue to undertake periodic updates to recertify experts every three years	Short-term
Allocate a training budget for some of the key TA delivering functional divisions to conduct periodic headquarter (HQ) seminars for select groups of experts	Short-term
Further increase the level of joint work and coordination between Regional Technical Assistance Centers (RTACs) and HQ through joint staff missions with RTAC advisors, as well as regional and international workshops and seminars. Systematically incorporate RTAC advisors' feedback into Regional Strategy Notes (RSNs) and Resource Allocation Program (RAP) development	Short to medium-term
Knowledge Management	
Set up an inter-divisional knowledge management working group under the leadership of senior management in MCM to draw up and initiate implementation of a knowledge management program	Short-term
Capture key TA lessons and replicable methodologies through "Thematic Papers/Notes" on TA best practices that extract cross-country lessons on key TA topics	Medium to long-term
Organize regional workshops and training on relevant TA topics as cost-effective ways to reach a number of countries on new topics and/or cross-country experiences	Medium-term
TA Evaluation Program	
Implement the evaluation program in FY2015-17	Ongoing
Undertake recipient and provider surveys in the FY2016-17 timeframe	Medium to long-term
Prioritization, Organization, and Leveraging of External Funding	
Provide explicit prioritization among ongoing and relevant topics in line with Fund-wide and MCM work program and priorities	Short-term
All MCM divisions involved with TA delivery should take part in the development of the RAP, taking into account specific expertise and capacity constraints and with the expected TA delivery and backstopping built into their annual work programs	Ongoing
Enhanced usage of externally-funded TA to appoint dedicated project managers and backstoppers for key areas of TA	Ongoing

MCM made noteworthy strides in implementing its 2011–14 TA strategy. Key successes included: strengthened partnerships with donors, which facilitated a significant increase in TA volumes; steps to improve TA effectiveness through an increase in backstopping of external experts and investments in quality control; increasing support for long-term TA projects, including as a result of the opening of new RTACs; and responding to growing demands for assistance from European crisis countries and other advanced countries for advice on issues related to crisis management and global initiatives for regulatory and supervisory standards. Meeting these goals was facilitated by the 2012 MCM realignment that led to the creation of a dedicated TA Division and efforts to better integrate MCM's functional divisions into TA activities (see Box 1 for MCM TA mandate summary).

The earlier strategy helped launch a significant increase in the volume of MCM technical assistance. In FTE terms, MCM TA increased by nearly 13 percent from FY2011 to FY2013, and by another 7 percent to 70 person years in FY2014. This increase in the volume of TA has mostly reflected an increase in the delivery of TA by LTXs, mainly benefiting Africa and to a lesser extent the Western Hemisphere. The areas of TA that have been particularly high in demand include financial regulation and supervision, crisis management frameworks, and monetary operations.

This document updates MCM's TA Strategy for 2014–17, with the objectives of:

- **Meeting new needs.** These stem from the desire of member countries to adopt new international standards on regulations and supervision, better measure and manage risks, and strengthen crisis management frameworks.
- **Improving effectiveness.** In light of limited Fund and donor resources, it is imperative that MCM adopt practices that maximize the impact of its TA, including implementing RBM, enhancing delivery modalities, and more effectively integrating TA into other Fund activities.

The remainder of this update is organized as follows. The next two sections review recent developments in the provision of TA, and assess member countries' evolving TA needs and priorities. The following section discusses ways to improve TA effectiveness, noting the need for implementing RBM, enhancing TA delivery modalities, better integrating TA into other Fund activities, enhancing external partnerships, strengthening knowledge management, and improving TA evaluations. The last section discusses some key issues for a sustainable model of TA delivery looking ahead.

BOX 1. TECHNICAL ASSISTANCE MANDATE

MCM's TA mandate is rooted in the Fund's mission to ensure the stability of the international monetary and financial systems. To this end, TA aims at promoting financial stability through sound and efficient financial systems and effective monetary and exchange rate policy frameworks.

The 2014–17 TA Strategy builds on previous strategic reviews:

- The 2011–14 MCM TA Strategy emphasized: (i) increasing synergies with other Fund/MCM priorities and activities; (ii) strengthening modalities of TA delivery; (iii) enhancing partnerships with multiple stakeholders; and (iv) improving TA quality control mechanisms.
- The Report of the Task Force on the Fund's Technical Assistance Strategy established a TA model—FINE—that defines the overarching framework for Fund departments providing TA.¹This model strives for a provision of TA that is: 'focused'

on the Fund's core macro mandate; 'integrated' with other Fund activities; 'nimble' in its implementation to prevent crises and resolve problems; and 'effective' in responding to evolving TA needs.

- The Fund's 2013 Capacity Development (CD) Strategy provided an overarching strategic framework for Fund TA and training, and emphasized the synergies between TA and training and the need to enhance Fund-wide CD governance, prioritization, funding, monitoring and evaluation in the delivery of TA.²

¹ The Fund's FINE model is introduced in the Report of the Task Force on the Fund's Technical Assistance Strategy, 2011.

² The Fund's Capacity Development Strategy—Better Policies through Stronger Institutions, (Washington), 2013.

Recent Technical Assistance Provision

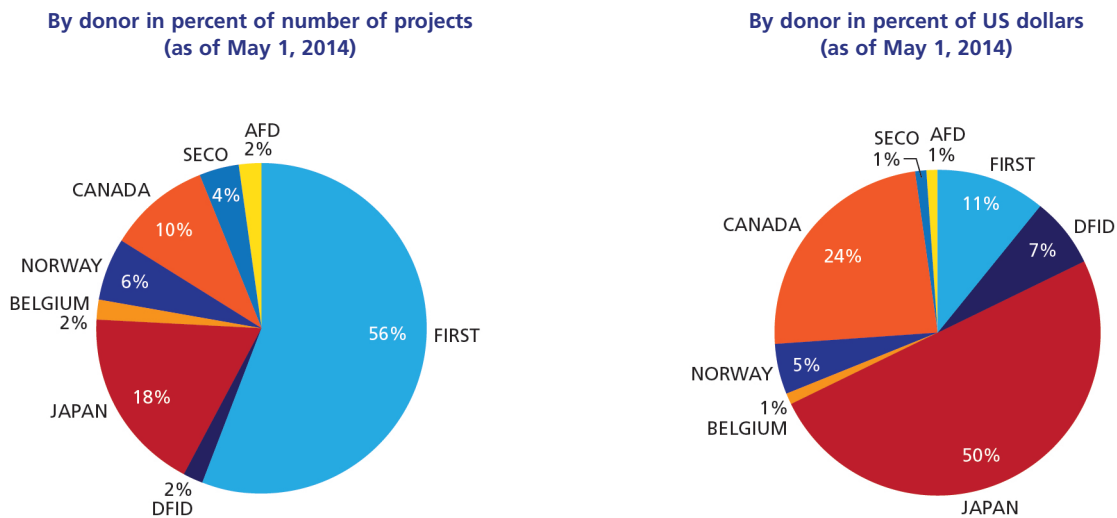
MCM TA delivery has been shaped in the last few years by a strengthened strategic approach. Notably the 2011–14 MTS, which focused on an increase in the provision of TA through the increased reliance on donor financing; and the 2012 realignment of MCM that resulted in the creation of TAD and efforts to better integrate MCM’s functional divisions into TA activities.

External forces have also been at play. The Department witnessed a sharp increase in the demand by Fund member countries for long-term TA projects. These included multi-year (and sometimes regional) projects, as well as the opening of new RTACs. This has led to a significant increase in the reliance on LTXs for TA delivery and made it necessary to increase fundraising efforts (MCM has more than 30 LTXs to countries across all regions).² In addition, there has been an increase in demand for MCM TA by “nontraditional” clients—partly from crisis-hit European countries, as well as others that

have been interested in Fund advice on the new global initiatives for reforms in international regulatory and supervisory standards (e.g., introduction of Basel III).

Partnerships with donors facilitated higher volumes of TA delivery. MCM established bilateral TA partnerships with many of the donors that also finance RTACs, as well as topical trust funds (TTFs) covering MCM TA such as the South Sudan, the Debt Management Facility and the Managing Natural Resource Wealth TTFs. Key donors that have funded MCM’s TA projects include: Belgium, Canada, Financial Sector Reform and Strengthening Initiative (FIRST), France (Agence Française de Développement—AFD), the Islamic Development Bank, Japan, Norway, Switzerland (State Secretariat for Economic Affairs—SECO), and the United Kingdom (Department for International Development—DFID). Figure 1 shows the share of MCM’s externally-funded active TA projects by donor as of end FY2014.

FIGURE 1. EXTERNALLY-FUNDED ACTIVE TA PROJECTS



Source: MCM Externally-financed TA Database.

² IMF has established, with the support of external donors, regional technical assistance centers to provide TA in several macroeconomic and financial issues to member countries. With the first RTAC established in 1993, there are now nine RTACs spread across Africa, the Caribbean, Central America, Middle East, and Pacific. The most recently opened RTACs are Afritac South, which opened in October 2011, and Afritac West 2, which opened in December 2013.

Recent Technical Assistance Provision

In response to these demands and MCM’s strategic focus, its TA has increasingly emphasized monetary and financial system stability (see Figure 2). MCM’s assistance in the area of financial regulation and supervision, including on risk-based banking and cross-border supervision, remained at the core of the TA provided by MCM. However, the growth in this area has moderated in recent years in favor of increased demand for support in the areas of financial stability and crisis management. Similarly, TA on central banking operations

and monetary policy, including international reserve management, as well as sovereign debt management in the context of Medium-term Debt Management Strategies (MTDS), have taken on increased importance.

The geographical distribution of MCM TA also has evolved in response to the needs of the membership and the availability of donor funding (see Figures 3 and 4). In this context:

FIGURE 2. MCM TECHNICAL ASSISTANCE AREAS

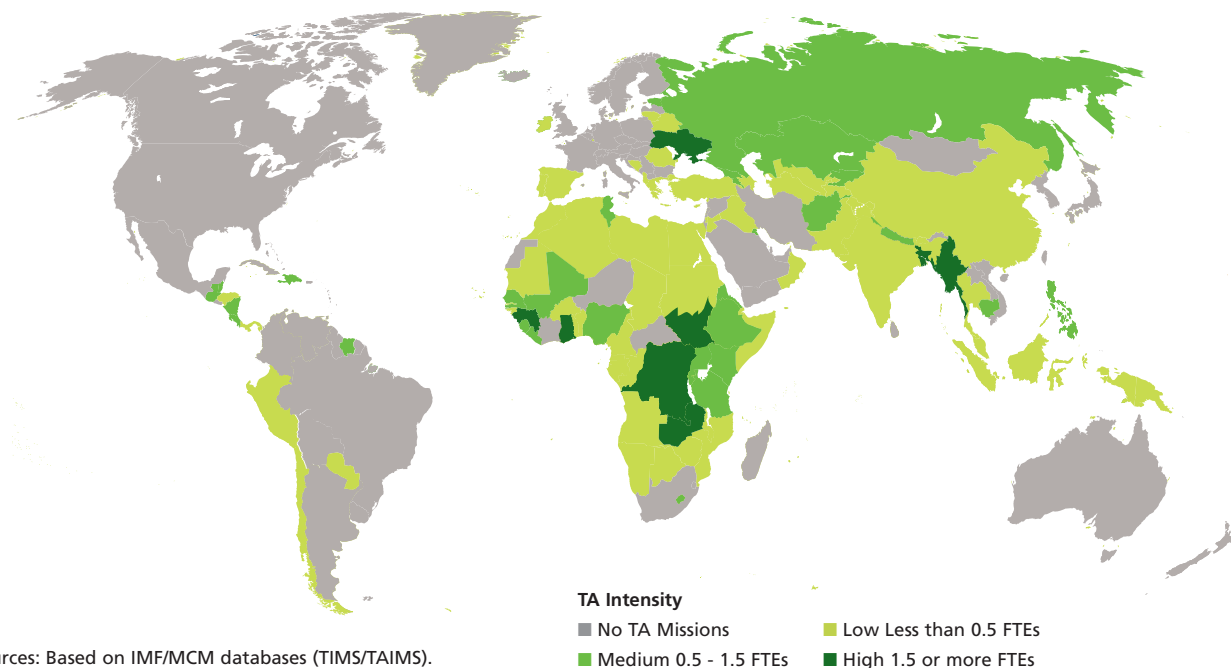


Recent Technical Assistance Provision

- Africa has continued to receive the largest share of MCM TA. This is expected to continue given the region's pressing institutional capacity building needs. Africa is increasingly making use of programmatic TA as part of an ongoing effort to improve the workings of the financial sector.
- The Western Hemisphere is the second largest recipient of TA. Within this region, countries in Central America and the Caribbean have been the main beneficiaries of TA. In the Caribbean, MCM, with financing from Canada, has launched a multi-year TA program to strengthen the financial sector in countries that belong to the Eastern Caribbean Currency Union.
- Asia and the Pacific are the third largest recipients of TA. This region has benefited from significant TA volumes to strengthen the financial sector. MCM has also launched multi-year TA programs, more recently for Myanmar and Indonesia, to address financial sector and central bank needs. Japan has financed a large part of MCM TA to this region.
- Europe is becoming a major beneficiary of TA in the context of the new global initiatives on regulatory and supervisory reforms and the euro area debt crisis. The crisis countries in the region, including Greece and Portugal, as well as countries in Eastern Europe have made use of TA to safeguard their financial systems.
- In the Middle East and Central Asia, TA has remained virtually unchanged in recent years. Security concerns in a number of countries, including Egypt, Syria and Yemen, have made it necessary to put TA on hold. The Central Asia region has not been a large recipient of TA, but some countries in this region, most notably Turkmenistan and Kyrgyz Republic, have recently requested programmatic TA.

While TA delivery has emphasized low- and middle-income countries, TA is also benefiting emerging market economies. Since the global financial crisis, both emerging and advanced market economies have requested MCM TA. More recently, major emerging market economies—China, Russia, and India—have requested MCM assistance, and the challenge going forward will be assisting such countries without crowding out TA to low- and middle-income countries.

FIGURE 3. GLOBAL INTENSITY OF MCM TA DELIVERY, FY2014 (IN PERSON YEARS)



Sources: Based on IMF/MCM databases (TIMS/TAIMS).

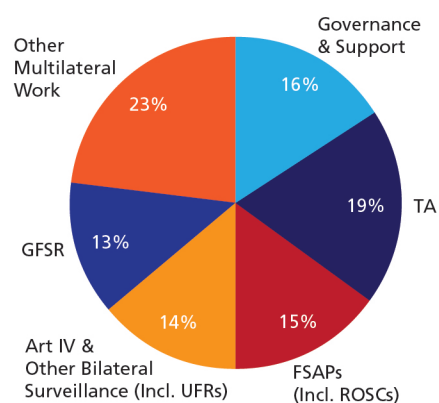
Recent Technical Assistance Provision

FIGURE 4. EVOLUTION OF MCM TECHNICAL ASSISTANCE

MCM Mission Activity by Region and Core Functions, FY 2014
(In person years)

Areas	AFR	APD	EUR	IMF	MCD	WHD	Total
Art IV	0.1	0.3	0.6		0.1	0.4	1.5
FSAP	0.4	2.3	2.0	0.1	1.3	1.8	8.0
Other	0.1	0.1	0.2	2.8	0.3		3.4
Other Surveillance	0.1	0.3	0.8	0.4	0.1	0.1	1.7
TA	30.6	11.1	6.3	0.5	6.5	15.0	70.0
Expert	28.9	9.9	5.2	0.2	6.1	13.9	64.2
Staff	1.6	1.2	1.2	0.2	0.5	1.1	5.8
UFR	0.1		1.6		0.2	0.1	1.9
Grand Total	31.3	14.0	11.4	3.7	8.5	17.4	86.4

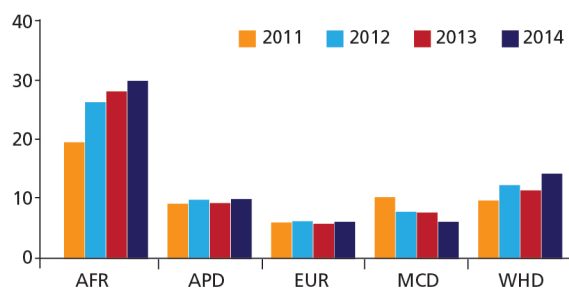
MCM Core Functions, FY 2014
(In percentage of total staff FTEs)



Trends in TA Delivery by Region (In person years)

Regions	2009	2010	2011	2012	2013	2014
AFR	25.3	22.4	20.7	25.9	26.7	30.6
APD	15.0	10.6	9.7	11.2	10.9	11.1
EUR	6.7	8.5	6.5	6.1	5.7	6.3
IMF	0.0	0.1	0.1	0.1	0.4	0.5
MCD	9.8	10.2	11.3	9.3	9.3	6.5
WHD	9.1	9.5	10.1	13.2	12.7	15.0
Grand Total	65.9	61.3	58.4	65.9	65.7	70.0

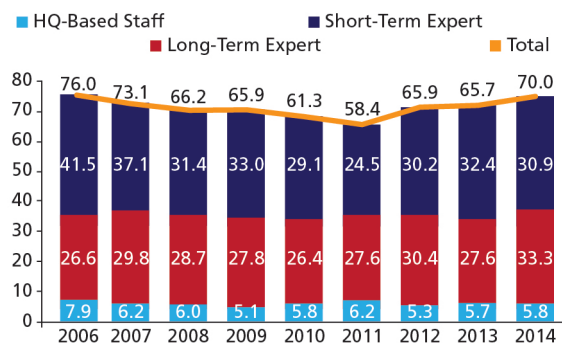
TA Operations by Region (In person years)



Mode of Delivery by Region, FY 2014 (In person years)

Modes	AFR	APD	EUR	IMF	MCD	WHD	Total
HQ Staff	1.6	1.2	1.2	0.2	0.5	1.1	5.8
Short-term experts	7.2	4.1	3.4	0.2	2.4	3.5	20.6
Long-term experts	16.8	5.7	1.8		3.0	6.0	33.3
RTACs	5.2	0.1	0.0		0.7	4.3	10.3
Grand Total	30.7	11.2	6.4	0.4	6.6	14.9	70.0

Trends in MCM TA Delivery by Modalities (In person years)



Sources: Based on IMF/MCM databases (TIMS/TAIMS).

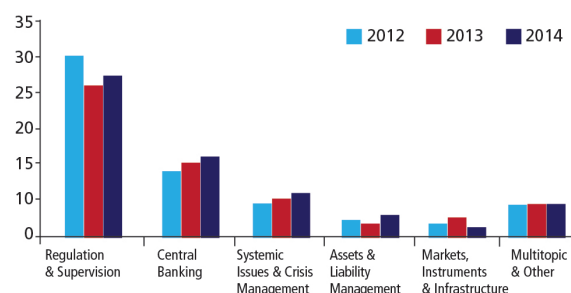
Recent Technical Assistance Provision

FIGURE 4. EVOLUTION OF MCM TECHNICAL ASSISTANCE (CONCLUDED)

Evolution of TA Delivery by Core Topic (In person years)

TA Topic	2010	2011	2012	2013	2014
Regulation & Supervision	34.4	26.8	32.4	28.9	31.0
Central Banking	13.8	13.0	14.8	16.5	17.6
Systemic Issues & Crisis Management	1.7	5.3	6.5	7.6	8.6
Assets & Liability Management	4.9	6.0	4.6	4.1	5.8
Markets, Instruments & Infrastructure	1.9	2.1	2.7	3.5	2.0
Multitopic and Other	4.6	5.1	4.9	5.0	4.9
Grand Total	61.3	58.4	65.9	65.7	70.0

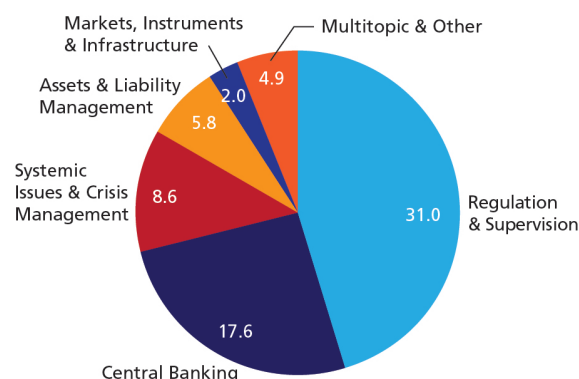
Evolution in the Areas of TA Coverage (In person years)



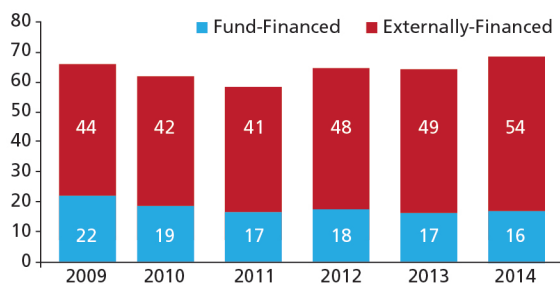
MCM TA by Resource Type (In person years)

Personnel Type	2010	2011	2012	2013	2014
Headquarter-based staff	5.8	6.2	5.3	5.7	5.8
Fund-financed	5.4	5.1	4.0	4.0	3.8
Externally-financed	0.4	1.1	1.3	1.6	2.0
Field Experts	55.5	52.1	60.6	60.0	64.2
Fund-financed	13.7	12.2	13.7	12.9	12.6
Externally-financed	41.7	39.9	46.9	47.1	51.5
By assignment Type	55.5	52.1	60.6	60.0	64.2
Short-term experts	29.1	24.5	30.2	32.4	30.9
Long-term experts	26.4	27.6	30.4	27.6	33.3
Total Field RAP	61.3	58.4	65.9	65.7	70.0

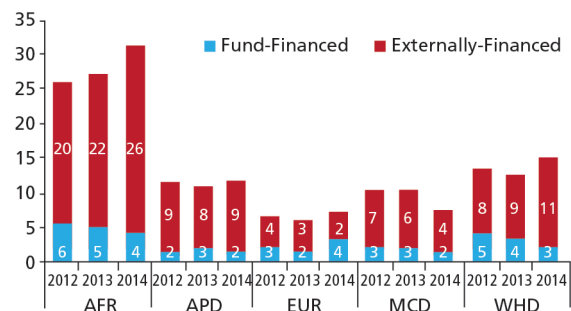
MCM TA Areas, FY 2014 (In percentage of total FTEs)



TA by Funding Type (In person years)



Trends in TA Funding by Region (In person years)



Sources: Based on IMF/MCM databases (TIMS/TAIMS).

Recent Technical Assistance Provision

Member countries value the quality, agility, and practical nature of MCM TA (Box 2). In particular, authorities in TA recipient countries have consistently expressed appreciation for MCM advice and hands-on capacity building assistance in strengthening their banking

system regulation and supervision, as well as financial stability frameworks. They have also commended MCM not only for the quality of its advice, but also for its responsiveness to demand, flexibility of delivery modalities, and efficiency of TA provision.

BOX 2. EFFECTIVENESS OF MCM TA—SAMPLE TESTIMONIALS

“The Central Bank of Liberia (CBL) appreciates highly the positive engagement with the IMF, especially in the areas of policy advice and technical assistance. It is important to note the CBL, upon the request of the Ministry of Finance, commenced the issuance of Government of Liberia (GoL) Treasury bills (T-bills) on Thursday, May 2, 2013. The technical ability of staff of the CBL in handling and understanding an efficient and robust liquidity forecasting framework is key to successful T-bills market operations.” **Boima S. Kamara, Deputy Governor for Economic Policy, Central Bank of Liberia, May 13, 2013**

“We are very grateful for the Technical Assistance received on Payment Systems. We consider that the recommendations are relevant and will help us to improve efficiency in these systems.” **Renzo Rossini, General Manager, Central Reserve Bank of Peru, February 12, 2014**

“I would like to take the opportunity to reiterate my thanks to the International Monetary Fund for the ongoing technical assistance it has been providing to the Central Bank of the Comoros. Thanks to this support, significant progress has been made. I refer, in particular, to the preparation and entry into force in August last year of the new banking law,

which in Article 29 provides for the establishment of a harmonized banking chart of accounts for the banking system.” **Mzé Abdou Mohamed Chanfiou, Governor, Central Bank of the Comoros, January 28, 2014**

“I would like to use this opportunity to express my gratitude for the help provided by the IMF technical assistance program between 2007 and 2014 in developing a macroeconomic modeling and forecasting framework in the National Bank of Republic of Macedonia. The TA was a key factor in developing and putting into use the Macedonian Policy Analysis Model.” **Anita Angelovska-Bezowska, Vice Governor, National Bank of Republic of Macedonia, March 25, 2014**

“I would like to express my sincere gratitude again, in particular for the technical assistance on stress testing. The workshop conducted by the IMF experts in November was very productive and beneficial for the Bank of Slovenia.” **Boštjan Jazbec, Governor, Bank of Slovenia, December 17, 2013**

Sources: Quotations from recent letters sent by relevant country authorities to MCM.

Evolving Technical Assistance Needs

The direction of MCM TA will continue to respond to the needs of the membership as it recovers from the global financial crisis. This shift in direction will reflect the importance of responding to the

lessons of the global financial crisis and be consistent with the Fund-wide priorities that were recently endorsed by the Executive Board and the Committee on Capacity Building (CCB) (Box 3):

BOX 3. FUND-WIDE CAPACITY DEVELOPMENT PRIORITIES, FY2015–17

In November 2013, the Committee on Capacity Building, which sets the strategic direction for the Fund's CD efforts, identified the Fund's TA priorities for the period FY2015–17. With global economic and financial stability in sight, the CCB indicated that Fund TA needs to address pressure points in the world economy and strengthen financial sector supervision. In this context, it noted that Fund TA needs to focus on: (i) crisis countries in Europe; (ii) Arab countries in transition and fragile states; (iii) low-income countries (LICs) and smaller states; and (iv) financial sector oversight.

ICD's 2013 paper on capacity development identified ways to set Fund-wide TA priorities. The paper argued that prioritization is essential to maintain the right balance between growing TA demand and available resources. To this end, it proposed a two-level system of prioritization—first, account for the Fund's key objectives, and second, focus on country-level demand—for endorsement from the Fund's Executive Board. It also recommended other measures to strengthen TA prioritization process:

- Frequent discussion between area and functional departments and follow-up with the country authorities on TA needs;
 - Proactive use of the Fund's cross-country analysis and new surveillance tools (e.g., vulnerability exercise, Risk Assessment Matrix and Article IVs for TA prioritization);
 - More attention to TA to strengthen crisis prevention efforts;
 - Concentration on core areas;
 - Using the Capacity Assessment Program (CAP) as another potential tool to prioritize developmental TA for selected countries; and
 - Development of a guidance note for RSNs.
- **Regulation and supervision:** TA in this areas is expanding further to strengthen risk-based, cross-border and consolidated supervision of financial institutions as well as assisting countries to adopt new international regulatory standards (e.g., Basel II/III); supervision of non-bank financial institutions, particularly insurance companies, is another emerging topic.
 - **Central banking and monetary policy operations:** TA in these areas is expanding, particularly to support efforts by many countries to strengthen central bank balance sheets and use of international accounting standards. There is also an increasing demand from advanced countries for TA on inflation targeting models. More importantly, there is increasing demand for macroprudential TA (e.g., Morocco and Kuwait), mostly focused on the operational aspects of macroprudential policies, i.e., monitoring systemic risk and implementation of instruments.
 - **Financial stability:** This is a growing TA area that aims at assessing systemic risks to financial systems and identifying measures to mitigate these risks. This topic is increasingly appealing to low- and middle-income countries that are seeking to promote financial stability or prepare for a Financial Sector Assessment Program (FSAP). In this context, TA on stress testing, systemic risk analysis and institutional frameworks for financial stability analysis and reporting is also growing as countries seek to enhance and build their institutional capacity to withstand large and diverse shocks to financial systems. For example, advanced emerging market countries are showing growing interest in more sophisticated stress testing TA (e.g., India, South Africa) to keep up their supervisory framework to the level of the new regulatory requirements for banks.³

³ For example, Basel III requirements (e.g., liquidity coverage ratio and net stable funding ratio for assessing liquidity risks).

- **Financial crisis management:** TA in this area is expanding to help countries establish effective crisis management and contingency planning frameworks, strengthen financial safety net arrangements, and undertake asset quality review exercises for banks.
- **Public debt management:** In light of the weaker capacity of LICs to implement effective debt management policies, MCM has established a joint donor-funded trust fund with the World Bank (WB)—the Debt Management Facility—to finance TA to address these countries’ debt management needs during FY2014–17. In addition to ongoing TA on MTDS and establishment and management of Sovereign Wealth Funds, more TA needs are emerging from countries on a number of new topics such as first time issuance in international capital markets, debt portfolio risk management,⁴ and Islamic banking instruments (launching and integrating into public debt programs).

At the same time, MCM aims to further improve the prioritization of its TA, in order to maximize effectiveness. As highlighted by the Independent Evaluation Office (IEO),⁵ a careful balance needs to be struck between country needs and the strategic priorities of both the Fund and donors. Although experience has shown the importance of aligning TA delivery with country needs,⁶ the Fund-wide CD strategy has made the case for prioritizing TA in a manner that provides support for the Fund’s surveillance mandate. In this light, MCM will focus on its TA delivery according to the following criteria:

- significant capacity constraints or emerging vulnerabilities that require TA;
- strong ownership of reforms and demonstrated TA implementation record;
- presence of a Fund lending program; and
- systemic or regional importance.

⁴ For countries that want to take the MTDS a step further with additional risk modeling.

⁵ IEO, 2014, “Revisiting Past IEO Evaluations: IMF Technical Assistance” (Washington DC: IMF).

⁶ IEO, 2005, “Evaluation of the Technical Assistance Provided by the International Monetary Fund” (Washington DC: IMF).

Improving effectiveness was a central plan of the 2011–14 MCM TA Strategy, and considerable progress was made. A dedicated TA Division was established to manage externally funded projects, strengthen work processes, including through the allocation of specialized TA project staff, develop new TA guidelines, and create new expert and document tracker systems. Moreover, increased delegation of responsibility for TA delivery to MCM functional divisions combined with better leveraging of donor funding for backstopping have helped encourage a marked improvement in quality and quantity of support for missions and LTXs. In addition, the initiation of a TA evaluation program has further strengthened TA effectiveness by identifying areas where delivery modalities could be improved, or where pre-conditions for success need to be established.

A key strategic goal for FY2014–17 will be to further enhance MCM TA effectiveness. The focus will be on: (i) implementing results-based TA management; (ii) enhancing TA delivery modalities and processes; (iii) enhancing external partnerships; (iv) strengthening knowledge management; and (v) improving TA evaluations.

A. Implementing Results-Based Management

MCM remains committed to the delivery of its TA in the context of a results-based approach. This approach was introduced Fund-wide in June 2011, reflecting the fact

that RBM is an international best practice, and the importance that is attached to this approach by donors. RBM aims at increasing effectiveness by: (i) focusing on results throughout the process of planning and delivery; (ii) implementing performance measurement, learning, and adapting; and (iii) generating and using performance information for accountability reporting.

The Fund's RBM framework is being introduced gradually (Box 4). The goal is a management tool that offers a systematic approach to the strategic planning and monitoring of TA with an emphasis on results. It would also be used to strengthen the formulation of the RSNs, and support more rigorous evaluation of Fund TA. The framework is intended to encompass all Fund TA, but at least initially it would focus on project-based externally-funded TA, including topical trust funds and RTACs.

MCM is helping spearhead the implementation of RBM. A high-level interdepartmental working group is looking to establish systems and processes to facilitate the integration of RBM principles and report TA results at both the managerial and operational levels. MCM is beginning to incorporate the RBM principles in the provision of TA, while ensuring that these principles are increasingly part of project design, delivery and evaluation, particularly for externally-funded projects. A key strategic objective will be to establish a catalogue of standardized results and verifiable result indicators, to enable reliable and consistent TA design, monitoring, and evaluation.

BOX 4. WHY RESULTS-BASED TECHNICAL ASSISTANCE MANAGEMENT?

RBM is a tool intended to inform management decisions, as well as identify and communicate results achieved to internal and external stakeholders. While RBM is not an end in itself, it helps to: (i) monitor and evaluate the successes and failures of TA; and (ii) set priorities for resource allocation by firmly focusing TA on results. RBM may also help to identify and disseminate information on results (or lack thereof) to member countries.

Following the adoption of the Fund's RBM Framework in 2011, an RBM Implementation Working Group was set up to roll out the RBM framework. The framework retains existing practices as far as practicable and seeks to optimize the need for additional resources (staff time, tools, etc.).

Comprehensive and consistent implementation of the RBM framework will require changes to the planning, monitoring, and reporting of Fund TA, as well as investment in IT and training. Given the considerable resources required, a gradual implementation is being executed so as to provide scope for adjustments as lessons are learned. Upgrading the IT system to support RBM and training staff will take time. It will be challenging to quantify Fund-wide TA results before the fully-fledged implementation of the IT system.

Implementing the RBM framework will require considerable investment. The Fund has allocated a capital budget for putting in place the systemic requirements, and the work of the interdepartmental working group is anticipated to extend through FY15. However, addressing training needs and actual departmental assimilation of RBM will continue to require resources beyond this date.

MCM's increased emphasis on programmatic TA will strengthen the focus on results. Programmatic TA is a sustained medium-term (1–3 years) TA engagement that is built on diagnostic underpinnings and moni-

tored and evaluated by time-bound result frameworks. This approach, which often relies on LTXs as an integral part of the TA delivery, would ensure that technical advice is provided in the context of a broad and strategic perspective of the countries' TA needs, while requiring a strong focus on results (see Box 5). Programmatic TA also responds well to the medium- to long-term strategic perspectives that area departments need to provide in the RSNs going forward. Moving towards a programmatic TA approach may however imply a reduction in the number of countries that receive TA in order to ensure that sufficient resources are dedicated to quality control of the delivery.

BOX 5. LONG-TERM EXPERTS AS INTEGRAL COMPONENTS OF A PROGRAMMATIC APPROACH

TA delivery by LTXs has been an integral component of the programmatic approach. LTX modality has been particularly successful in addressing the TA needs of recipient countries that have significant capacity constraints and require hands-on training and advice over extended periods of time. This has especially been the case in low-income countries that have a severe lack of capacity or framework to conduct central bank operations. LTXs have also been effective in resolving banks and initiating crisis pre-

vention measures. LTX TA delivery is usually complemented with periodic short-term expert (STX) visits to cover areas of specialized expertise. This approach facilitates periodic stock taking by staff-led missions to assess interim TA outcomes and, if necessary, to make adjustments to delivery to ensure the achievement of the intended TA results. Such an approach, when planned with built-in periodic (say, annual) staff missions, also enables close and continued contact with authorities.

B. Enhancing Technical Assistance Delivery Modalities and Processes

MCM is responding to evolving TA needs by adapting TA delivery modalities and processes. In light of resource constraints and strong demand, MCM aims to improve its capacity to quickly and flexibly reallocate resources.

Effective delivery of TA requires appropriate allocation of human and financial resources. A number of factors are taken into account in the utilization of long-term versus short-term experts and/or the intensity of staff missions, including: required level of assistance; authorities' absorption capacity; available funding and staff resources; and the technical expertise at hand (Figure 5). In particular, in order to ensure that MCM has access to top-quality experts, it will be important that their financial compensation remains competitive.

MCM also needs to better integrate TA with surveillance and Fund lending programs to maximize traction

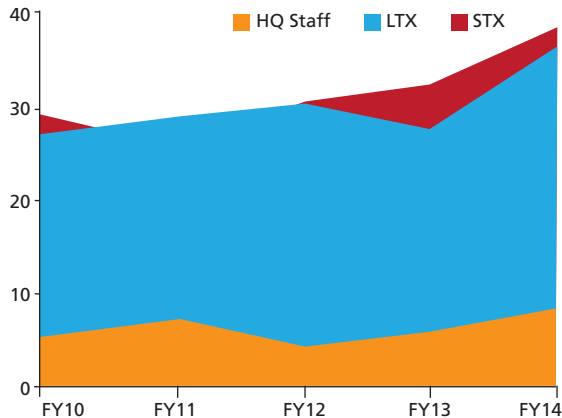
and impact. Fund TA advice often forms the basis for surveillance policy recommendations, while surveillance helps pave the way for the implementation of TA recommendations. Multitopic TA missions help improve the quality and sequencing of structural reforms in the context of Fund lending programs, taking account of the importance for financial sector TA of interactive and iterative advice.

New initiatives

As noted, MCM is committed to better integrating its TA into Fund surveillance. This was an important element of the 2012 Financial Surveillance Strategy, and seven country pilot studies have been launched as part of the Enhancing Financial Sector Surveillance (EFSS) program to discern how sustainable financial deepening can enhance macroeconomic policy effectiveness.⁷ The pilots focus on identifying the constraints that fi-

⁷ Benin, Bhutan, Ghana, Haiti, Senegal, Sudan, and the West African Economic and Monetary Union.

FIGURE 5. DISTRIBUTION OF DELIVERY MODALITIES, FY2010–14 (IN PERSON YEARS)



Sources: Based on IMF/MCM databases (TIMS/TAIMS).

financial shallowness impose on macro policy tools in LICs, leveraging MCM TA advice to design policy advice that may alleviate the constraints to financial development, enhancing the effectiveness of macroeconomic policy implementation, and contributing to macro-stability. Authorities have welcomed these initiatives, given their focus on policy, while emphasizing the need to address data gaps to facilitate stress testing; broaden the scope of supervision to include insurance and microfinance companies; and pursue institutional reforms to address, among others, systemic risks. A lesson has been that synergies between TA and policy necessitate a deeply ingrained product that better integrates TA on financial sector issues into the regular bilateral surveillance context, a key strategic goal of the Fund.

Another TA initiative that integrates multi-departmental work is the Capacity Assessment Program. CAP brings together MCM, FAD and ICD expertise to assess the ability of countries to effectively formulate and implement sound monetary and fiscal policies. The CAP, which was launched in 2013 with two pilot cases,⁸ assists country authorities to identify priority areas for capacity development across the key macroeconomic policy institutions, including through institutional and

organizational reforms. Using a high-level assessment process, the program aims at evaluating the extent to which the core policy making institutions, including the finance ministry and central bank, are able to fulfill their mandates, deliver on their objectives, and respond to the most pressing policy challenges. The identified shortcomings in turn provide an agenda for future TA.

MCM relies on many diagnostic tools to define the analytical underpinnings to TA. In particular, Article IV consultations, staff visits, TA and FSAPs all serve as diagnostic tools to establish well-informed and guided TA agendas. The joint IMF-WB MTDS Toolkit is also helpful for debt management TA. However, the increasing focus of FSAPs on mid- and high-income countries could reduce their importance as diagnostic tools and create a void in the determination of TA agendas for some countries, including LICs. The EFSS program in LICs and the CAP help fill this void by providing policy prescriptions to address the institutional framework and capacity deficiencies for these countries.

MCM has conducted a number of diagnostic TA assessments focusing on financial system stability.⁹ There appears to be a role for additional diagnostic tools, as evidenced by the increasing demand for TA on strategies for financial system stability or diagnostic TA assessments. These assessments have identified common institutional challenges such as legal and regulatory frameworks, data gaps, cooperation within and among institutions, contingency planning, institutional frameworks and capacity, and state of payment systems. At the same time, the assessments have outlined measures to address these challenges in the context of actionable and time-bound plans that could benefit from cross-functional TA.

Regional focus to technical assistance

Regional TA is likely to take on increasing importance. Many countries form part of regional financial markets and have financial institutions that operate across national borders. These countries tend to be interested in developing a regional framework to safeguard financial stability, including through cross-border oversight of financial sectors, early warning indicators, remedial actions, and resolution of financial institutions.

⁸ Libya and Tunisia.

⁹ Over the last three years MCM has undertaken assessments of financial stability frameworks in Bhutan, Botswana, Cambodia, El Salvador, Lesotho, Namibia, Nigeria, Sierra Leone, Suriname, and Swaziland.

Furthermore, these countries often strive to have regionally harmonized financial sector laws and regulations and supervisory practices, as well as share information, including on policies and processes, with other countries in the region. MCM is increasingly providing regional TA with a view to developing regional approaches to mitigating financial sector risks and vulnerabilities. The ongoing project on pan-African banking groups, which aims to understand their activities and vulnerabilities and advise the relevant supervisory authorities on the challenges in overseeing these groups, represents a new regional approach to integrating surveillance and TA. The project will inform IMF regional and bilateral surveillance, while at the same time forming the basis for a TA program to be offered to the respective authorities.

As part of the efforts to enhance the regional focus of TA, MCM is committed to improving the coordination of TA delivery from headquarters and the RTACs. Participation by RTAC LTXs in HQ TA missions, or MCM staff participating in RTAC TA missions, would assist in improving knowledge exchange. Joint workshops and seminars that focus on both regional and global perspectives would serve the same purpose. There is also greater scope for greater involvement of the LTXs' into the RSNs and RAP process. At the same time, LTXs would benefit from being kept abreast of emerging issues and feedback from the authorities during the Annual and Spring Bank-Fund meetings.

Training

Training is an integral part of TA delivery that benefits from multi-departmental collaboration. Virtually all TA contains some training components as part of institutional capacity building. More formalized training, however, has distinct features—using classrooms and having students undertake substantive and illustrative exercises. Much of this training has been conducted by MCM in collaboration with ICD and/or regional multi-country training institutes like the Joint Vienna Institute, Singapore Training Institute and Kuwait Training Center as specialized programs.¹⁰

In the coming three-year period, training through the regional institutes is expected to help convey MCM advice broadly to multi-country audiences. At the same time, such training provides a venue for participants to

share cross-country experiences, and establish peer-to-peer communication channels that can enhance the foundation to consider issues of common interest and develop regional policy approaches.

In addition, the strategy going forward will be to imbed more consistently training components into MCM's bilateral TA. This reflects both increased demand for establishing and/or conducting training programs designed for individual countries and the results of recent evaluations that have suggested that training can improve traction and follow up of more traditional technical assistance. As demand for this type of MCM training grows, such bilateral programs should be part of TA programs and country-specific strategic visions. This will require MCM to better take into consideration training in the annual TA planning and offer more formalized training programs, including in conjunction with ICD, that are complementary to other programmatic TA activities.

Backstopping and expert selection

Rigorous backstopping of external experts is an important and unique characteristic of Fund TA delivery and a key feature of TA effectiveness. Backstopping centers on a review of TA documents by MCM and other Fund departments, and plays an essential role in defining work objectives and processes, ensuring the quality and effectiveness of MCM advice. Strengthening of backstopping represents a key strategic objective for MCM. In the coming three-year period, MCM intends to further invest resources in ensuring that: (i) the technical advice provided by LTXs closely follows Fund policies; (ii) TA delivery by LTXs is tightly aligned with the countries' TA needs and priorities; and (iii) the dialogue with experts and authorities assures effective TA implementation and reporting.

Selection of the appropriate experts and TA modality is key to effective delivery. More than 90 percent of MCM's TA is delivered by experts hired on a consultancy basis. To have easy referral and access to high-quality expertise, MCM maintains an expert roster and an enhanced and automated expert evaluation.

An MCM working group is looking to improve the expert roster. The working group has set out a phased approach to enhance MCM practices, including to: (i)

¹⁰ A new training institute, the African Training Institute, located in Mauritius, will be inaugurated in June 2014.

better categorize areas of expertise within MCM and revise the existing roster categories accordingly; (ii) assign experts to revised categories and identify skills gaps; (iii) weed out experts who are underperforming; (iv) ensure that experts' assessments are available to project managers; and (v) make the system interface more user friendly. This work is expected to continue through FY2015, and will involve designing frameworks to ensure clearer and more effective responsibilities for indentifying experts.

Another goal will be to improve the transfer of knowledge between external experts and MCM¹¹ staff and vice versa. For experts to become familiar with the Fund's policy lines, something that is especially important for MCM as it entrusts a substantial portion of its TA delivery to experts, they will need to receive ongoing training. Likewise, MCM staff would benefit from greater interaction with experts. To achieve these synergies, MCM will allocate resources for bringing LTXs and STXs to headquarters periodically to enable a mutual exchange of information and knowledge and facilitate experts' training. E-learning tools—currently in the process of being introduced—will complement existing TA, and can help strengthen effectiveness by promoting expert training.

C. Improving External Partnerships

Building strong partnerships is essential for the success of TA. As documented in the 2011 MTS, external partnerships with multiple stakeholders—in addition to internal coordination—are critical for ensuring quality and diversity of TA, as well as achieving greater leverage and impact. The main MCM external partners include the authorities of TA recipient countries, multiple donor agencies, cooperating official institutions (COIs), and other major TA providing institutions such as the World Bank.

MCM has increasingly established multiple external partnerships for the provision of TA. MCM maintains close communications with the member countries through TA planning, delivery, evaluation and feedback mechanisms. MCM has also developed close cooperation with external donors, reflecting the increased reli-

ance on external financing of its TA. At the same time, MCM has collaborated with other international TA providers, particularly the WB, with a view to enhancing complementarities and reducing overlaps. Examples of IMF-WB collaboration include various MTDS projects and the jointly developed financial sector development TA action plans in Lesotho and Myanmar. Also, the Bank-Fund Financial Sector Liaison Committee (FSLC)¹² has served as a useful vehicle to coordinate on financial sector issues. In addition, with increasing reliance on external experts for TA delivery, MCM has a heightened interaction with the COIs to draw on their expertise.

Going forward, MCM aims to further strengthen these external partnerships. For example, the collaboration with the WB could be enhanced by greater leveraging the FSLC to gain more synergies for TA on financial sector issues. There is scope for MCM to proactively strengthen coordination with TA recipients and donors by holding regional seminars on cross-country challenges (e.g., cross-border consolidated supervision), seeking feedback on recent TA, and engaging them more closely in TA assessment processes. In parallel, partnerships with the COIs will need to be enhanced in light of newly emerging TA priorities (e.g., macroprudential policies) and the need to draw on qualified experts in these areas. Lastly, MCM will continue to enhance coordination with major donors on TA funding issues.

D. Strengthening Knowledge Management

Knowledge management is a significant operational component of TA that catalyses institutional memory. Most TA providing institutions have for long built work streams that are dedicated to capturing institutional knowledge in a systematic fashion that enables learning from and internalizing TA lessons to enhance the provision of TA. When undertaken in a systematic and thematic manner, knowledge management, which centers on retention and dissemination, facilitates learning from experience and identifying best practices. Building on MCM's existing wealth of TA practice is not only important for leveraging institutional knowledge for new

¹¹ See the 2011 MCM Medium-Term TA Strategy, Section VI.

¹² Established in September 1998, the FSLC is comprised of senior staff from both the Fund and the Bank and has the objective to enhance the two institutions' operational coordination on financial sector issues.

BOX 6. SUMMARY OF MCM TA EVALUATION RESULTS

In line with the IMF Executive Board request and MCM's TA evaluation program, two evaluations of MCM TA were recently conducted to draw lessons on how to render TA more effectively. The evaluations covered TA to Nigeria (June 2011) and Costa Rica, Panama, and Belize (April/May 2012).

In Nigeria, the evaluation focused on three projects that took place FY2004–2011: (i) bank consolidation; (ii) banking supervision; and (iii) bank restructuring and resolution. These projects were chosen based on the extensive support on supervision that the country had obtained over the years. In the regional evaluation, two recent TA projects were studied in each country: stress testing and banking resolution in Belize; risk-based supervision and inflation targeting in Costa Rica; and stress testing and banking supervision in Panama. These countries had received TA on these topics consistently through FY2008–2012.

The conclusions from the evaluations confirmed that TA was of high quality, but some adjustments could make it even more effective. In particular, it was found that:

- (i) Projects seem to have led to improvements in capacity, but in some cases, would have benefited from clearer end points;
- (ii) The mode of TA delivery had typically been suitably customized to meet the specifics of the countries' needs,

and generally involved a combination of TA from headquarters and from an RTAC, as applicable. This appeared to work well, although consideration should be given to establishing clearer guidelines on the responsibilities between MCM HQ and RTACs. Similarly, shifting from LTXs to more topic-focused STXs could have been beneficial in the case of Nigeria as the authorities effectively absorbed the TA;

(iii) The "programmatic approach" looks to be clearly appropriate in most cases, and should be included in the medium-term strategic priorities in Fund programs and surveillance;

(iv) The need for complementary training of TA-recipient staff to ensure full knowledge transfer should be recognized at the outset of projects, while exposure to cross-country studies was also viewed as being essential;

(v) There are important linkages between TA and FSAPs, both in preparation for an FSAP and in addressing its recommendations, while Area Departments can support TA implementation via dialogue with authorities during surveillance and program missions;

(vi) The extent of coordination between providers varied across projects, and there did not appear to be any significant overlaps or inconsistencies across agencies; and

(vii) Capacity constraints are an important consideration in program design, timing, and sequencing.

TA, but is also a key step in widely disseminating lessons learned both to feed into outreach efforts and to recognize results internally and externally.

In recent years, MCM has made efforts to enhance TA document management and knowledge sharing. These include the ongoing initiatives undertaken by the RM Division to enhance TA document filing/management system by establishing new IT platforms, e.g., the TA Document Tracker (TADT)¹³ and Knowledge Exchange (KE),¹⁴ and the MCM TA Forum series,¹⁵ launched by TAD in June 2013. The TA Forum is an important initiative for Fund-wide knowledge sharing on TA projects that are replicable and have lessons that help improve

TA. Other MCM initiatives in this regard include the development of divisional extranets to post relevant papers and information and a regular seminar for LTXs to ensure external experts are kept up to date on new policies. In addition, MCM produces a regular TA Report documenting TA operations and key achievements in the preceding fiscal years.

Defining the parameters of MCM's knowledge management, formalizing it in work programs, and initiating its implementation are part of MCM's strategic vision. Despite efforts, there are important opportunities to enhance knowledge management within the department. Knowledge should be systematically captured,

¹³ The TADT, launched in 2012, is an online database (available at MCM's internal web page) to allow easy storage and retrieval of all TA related documents (e.g., reports, briefing paper, and back-to-office reports).

¹⁴ KE is a Fund-wide database that contains all country related documents, including the TA reports.

¹⁵ MCM TA Forum is a quarterly event that showcases key TA projects.

stored and disseminated at the institutional level, including enabling MCM staff and experts to easily access information on past TA. Knowledge management will need to be formalized around a work program and will require a multi-divisional effort involving: (i) distilling periodically the lessons and knowledge from diverse TA projects to enhance future TA; (ii) building a web portal to facilitate internal sharing of this information; and (iii) disseminating relevant information to internal and external stakeholders. This process will be kick started with one pilot covering initially one topical area, and will gradually be rolled out to others.

E. Improving Technical Assistance Evaluation

Evaluation is a pillar in the overall TA quality that focuses on a systematic and objective assessment of TA design, implementation and results. To this end, the Fund follows the Organization for Economic Cooperation and Development (OECD) Development Assistance Committee's (DAC) evaluation criteria, assessing programs for relevance, development efficiency, effectiveness, impact and sustainability.¹⁶ Although evaluations can be undertaken for ongoing programs, most evaluations are ex-post, providing information on outcomes and drawing out lessons learned to inform the decision-making process.

Measuring results and the level of impact of TA can be a challenge. Impact is often difficult to define, can be affected by unforeseen circumstances, and can take many years to be achieved. Nonetheless, experience has shown that ex-post evaluations can provide an objective view of the effectiveness of TA and the likelihood of sustainability. These evaluations can be important in defining, prioritizing, and in some cases canceling, future engagements.

In 2011, MCM instituted a TA Evaluation Program (EP) with the purpose of providing a holistic assessment of TA activities. The EP, which is executed in three-year cycles, assesses MCM TA results while incorporating: (i) independent ex-post TA evaluations; (ii) beneficiary country surveys for feedback on outcomes and overall TA quality; and (iii) systematic reviews of project assessments to distill cross-cutting themes and to report on outcomes. MCM has so far undertaken two ex-post evaluations, with promising results (see Box 6). The TA Forum launched in 2013 has provided a good venue for dissemination of TA evaluation results. Efforts will be made to conduct more frequent evaluations, and to establish a mechanism for the discussion of these evaluations and implications for future TA.

¹⁶ Bilateral donors and multilateral development agencies, including the IMF, have come together under the Network on Development Evaluation, a subsidiary body of the OECD DAC, to promote increased effectiveness in development programs through robust, informed and independent evaluation.

Key Enabling Requirements For Success

The strategy above is ambitious, and success will require the department to respond to growing challenges in several key areas.

- **Nimbleness/skills matching:** The core priority areas for TA delivery remain as before, namely: (i) financial stability; (ii) supervision and regulation; (iii) financial crisis management; (iv) monetary policy; (v) central bank operations; and (v) public debt management. Nevertheless, within these broad categories, some topics are taking on increasing importance such as consolidated, cross-border supervision; macroprudential policies; and bank asset quality reviews. MCM will need to be nimble in re-deploying its existing resources and ensuring the availability of the necessary expertise.
- **Quality management:** Several initiatives to enhance TA effectiveness are already in train, including the implementation of RBM and efforts to

enhance TA delivery modalities and processes. The additional resources (and management commitment) will need to be provided to ensure that these new systems are effectively integrated into the day-to-day work of the department.

- **Resources:** Fund-wide budget constraints mean that donor resources will likely be the only avenue for meeting additional TA demands. Obtaining additional external funding in a world in which most donor governments are facing fiscal pressures will be a challenge and increases the onus on MCM to provide assurances that its TA is both well targeted and effective. More concretely, MCM could make greater efforts to increase the level of cost sharing with country authorities, as has been the case more recently in Libya and Russia (see further Box 7 on the Fund's recent experience with charging for TA).

BOX 7. CHARGING FOR TECHNICAL ASSISTANCE

As part of the previous Managing Director's refocusing exercise, the Fund in 2008 engaged in reforms to enhance the impact of its TA by introducing the concept of charging and costing TA to ensure a more efficient allocation of resources. One way to ration demand for a free good and to enhance incentives for ownership by TA recipients was for them to bear part of the costs. The charging was not to be applied to countries under an IMF program, and would be differentiated according to level of income. Charging for TA was not meant as a revenue-generating activity, but rather as a market-based tool to provide transparency and raise awareness among stakeholders of the actual costs.

However, in 2011, Fund management decided not to use TA charges as a prioritization tool, having come to the conclusion that charging would complicate TA management without necessarily directing resources in the best interest of the international community. In April 2011, Management repealed the charging policy in light of the success in attracting greater donor support (IMF, 2011).

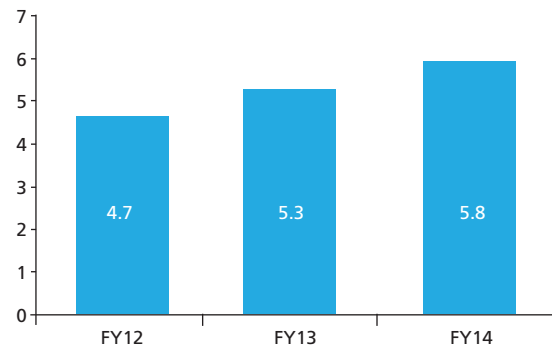
Nonetheless, the recent examples of Russia and Libya provide a possible way forward to collaborate with richer members. In the case of Russia, its graduation to upper-middle-income country in 2013 precluded it from receiving TA financing from FIRST. The solution found was for the remainder of the ongoing project to be financed equally by the Russian authorities and the IMF. The sweeping changes following the Arab Spring led to a change in government in Libya, a country rich with natural resources and significant TA needs. Hence, a sub-account was created to finance IMF TA to Libya. While these are only two recent examples, they provide an important roadmap for the financing of IMF TA to middle- and high-income countries looking ahead.

Source: IMF, 2011 "Staff Note on the 2008 Technical Assistance Reform and Charging—Status and Next Steps," (Washington: International Monetary Fund).

Key Enabling Requirements For Success

- **Cost recovery and the employment model:** MCM has made great strides in improving the recovery of costs associated with backstopping and administering donor funded projects. However, the processes involved are burdensome and do not easily permit MCM staff to fully account for the time spent on such projects. Moreover, the considerable resource costs associated with preparing project proposals are not recoverable. Looking ahead, and consistent with the goal of improving the quality and volume of backstopping, consideration may need to be given to better leveraging donor funds for the use of HQ-based experts, in addition to those based in the field. Such HQ-based experts could be employed as project managers and could provide ongoing support for field based staff, including those at RTACs.
- **Operational challenges:** MCM's recent restructuring has provided a more robust operational platform for its TA, including by delegating responsibilities more clearly to the relevant functional divisions. However, there remain continued pressures on HQ-based staff, leading to exceptional levels of overtime and travel (Figure 6). This suggests that there remains a need to assess whether the organization and staffing of TA delivery is adequate to meet the TA priorities. In this vein, there appears room for further steps to ensure incentive compatibility and ownership among the staff that provide TA.

FIGURE 6. REPORTED OVERTIME OF MCM (IN FTEs)



Source: IMF Monthly Reporting System.



