

February 11, 2005

**Statement by the Managing Director  
on the Independent Evaluation Office Evaluation of  
the Technical Assistance Provided by the Fund  
Executive Board Meeting  
February 18, 2005**

1. The Independent Evaluation Office (IEO) is to be congratulated for a thorough and insightful report into technical assistance (TA) provided by the IMF. This evaluation has effectively combined careful cross-country analysis with informative in-depth country case studies. In the process, it has shed greater light on factors underlying the allocation of technical assistance. As the report rightly emphasizes, this study faced special analytical challenges owing to the broad objectives of the IMF's TA, which encompass a very diverse range of activities. Nonetheless, this report brings increased clarity to the subject by unbundling the TA process into three stages: prioritization, the delivery process, and monitoring progress and evaluation.
2. We consider that the report provides a balanced assessment of the strengths and weaknesses of the Fund's TA and welcome the constructive main recommendations coupled with some thoughtful final observations. Amongst the strengths cited by the IEO is the Fund's ability to respond quickly, to tailor advice to member's circumstances, and to produce high quality analysis based on effective quality control. As to areas for improvement, we endorse the proposals made to: (i) introduce a more medium-term perspective for setting TA strategy and priorities; (ii) strengthen the tracking and evaluation of TA results; (iii) enhance country ownership of TA; and (iv) revisit TA prioritization filters. Indeed, as recognized in the report and discussed in the March 2004 TA review, the Fund has been taking steps in these areas, for instance with the introduction of departmental TA strategy papers, the planned pilot to provide TA summaries in Article IV reports, the launch of the TA evaluation program, and the ongoing development of the Fund-wide Technical Assistance Information Management System (TAIMS).
3. Against this general background, it is appropriate to consider each of the IEO's six main recommendations in turn.

**Recommendation 1: The IMF should develop a medium-term country policy framework for setting TA priorities, incorporating country-specific strategic directions and linked to more systematic assessments of factors underlying past performance.**

4. We endorse this recommendation and welcome the six suggested managerial approaches to carrying it forward. It is desirable that low-income country authorities, together with the Fund and other technical assistance providers, should be encouraged to use the PRSP as a vehicle for identifying medium-term technical assistance needs in general terms and improving coordination of technical assistance amongst various agencies. This

recommendation is in line with the conclusions reached in our discussion of the IEO's report on the Fund's Role in PRSPs and PRGFs. For other members, a country-centered framework for identifying TA needs is also important, although a variety of approaches may be appropriate as the report acknowledges. Where present, resident representatives should play a greater role in this process.

5. We see value in the annual resource allocation plan (RAP) evolving toward a multi-year framework consistent with the IMF's general move to a 3-year budget framework. For this process to work, each area department would need to spell out their proposed TA country priorities, based on a country policy framework discussed with their country authorities, benefiting from inputs from resident representatives, and drawing on the expertise of TA-providing departments. This approach is intended to allow a more transparent comparison between TA demands from the countries—as prioritized by the area departments—and supply from the TA-providing departments, identifying emerging pressure points that would call for a reallocation over time of resources across TA-providing departments. As the report emphasizes, we will need to reflect further on the resource implications for area departments and for other departments. TA-providing departments would remain responsible for devising the most effective delivery of TA, including its phasing and coordination and development of detailed TA projects to build capacity. The proposed framework should continue close contact between functional departments and the country authorities. A multi-year framework should also have the flexibility to satisfy unexpected technical assistance needs that arise from unforeseen country developments or other operational needs such as specific policy design and from strategic initiatives decided by the Board. It should continue to allow the Fund to respond to a member's request for one-off TA where appropriate that is outside an agreed medium-term framework. The Fund's ability to respond quickly and flexibly is an asset that must be preserved.

**Recommendation 2: The IMF should develop more systematic approaches to track progress on major TA activities and to identify reasons behind major shortfalls.**

6. We concur that at the outset of major TA activities, staff and the authorities should agree on indicators of progress, reflecting the unbundling of the results of TA through various stages. A greater ability to track and monitor progress and explain shortfalls is desirable. The TAIMS is directed at making more explicit at the planning stage the definition of objectives and indicators of success for each project. Candid reporting by the staff of obstacles to progress is obviously desirable, as is the use of comparable and transparent monitoring practices across countries to guide future TA allocations. For some types of technical assistance, the measurement of progress, and even more so outcomes, might be difficult.

**Recommendations 3 and 4: Greater involvement by the authorities and counterparts in the design of TA activities and arrangements for follow-up should be emphasized as a signal of ownership and commitment. Stronger efforts should be made by TA experts to identify options and discuss alternatives with local officials prior to drafting TA recommendations.**

7. Greater involvement and ownership by the recipient authorities and discussion of options is clearly desirable. We welcome the proposals for more participation by country authorities in drawing up terms of reference (TORs) building on the discussions that already take place and to specify clearly progress milestones, resource commitments, and critical policy steps. More informal discussions with authorities, including identifying options and discussing possible alternatives, is also desirable in order to enhance implementation, although the quality of TA advice should be maintained. At the design stage, tangible commitments to the contemplated technical assistance strategy or advice should be systematically sought from the authorities.

**Recommendation 5: The program of ex post evaluations of TA should be widened and more systematic procedures of disseminating lessons put in place.**

8. We agree that the recent trends in favor of more ex post evaluations should be strengthened and made more systematic, and that the findings should be widely disseminated within the IMF through periodic stocktaking exercises and regular reviews. To enhance effectiveness, the extent of the evaluations and the selection of topics need to be considered carefully and to be integrated fully into a broader strategy aimed at more effective and focused TA delivery. And, as discussed below, the trade-off between TA evaluations and TA delivery needs to be weighed. We concur that external evaluations are desirable as they enhance accountability and provide a fresh perspective. The Office of Technical Assistance Management (OTM), in collaboration with other departments, should continue to prepare and update its program of ex post evaluations and to assess shifts in TA demands across subject areas. There is also a continuing role for self-assessments by TA-providing departments.

**Recommendation 6: The prioritization filters should be discontinued or replaced by ones that would more effectively guide TA allocation. Either course of action involves strategic decisions on tradeoffs that need to be taken explicitly.**

9. We agree that the case for discontinuing the current filters is strong. As the IEO report recognizes, a strategic decision needs to be taken on how decentralized an approach should be pursued. A decentralized approach led by area departments could allow TA to be closely aligned with specific country needs and circumstances and better integrated into our surveillance and UFR activities, where the area departments have primary responsibility. However, as the IEO rightly notes, this approach risks spreading expertise too thinly or reducing the ability to respond quickly and effectively and would have implications for staffing in functional departments. As the report recognizes, more centralized guidance could help build a critical mass of expertise, but it may do so at the expense of adaptability to country circumstances. Prioritization of TA resources should flow on from our medium-term objectives, while at the same time retaining the flexibility to respond to the urgent needs of members.

## **Final observations**

10. The IEO report emphasizes that its recommendations entail more staff-intensive approaches to providing TA, including greater collaboration with country authorities and other TA providers. These resource implications will need to be carefully considered and quantified. Absent an increase in resources, as the report acknowledges, the proposals will result in a lower volume of TA delivered by the Fund, although that TA should be more effective. This is an inescapable trade-off in a constrained budget environment and striking the proper balance is an important policy decision. In addition, as the report notes, further thought is required on both the internal mechanisms needed to reinforce a greater area department role in TA prioritization, planning, and monitoring, and the external mechanisms for strengthening country ownership, where the report suggests various possibilities for consideration. Changes in the Fund's own budgetary procedures may need to be considered and there may also be a need to revisit the issue of charging for TA or other commitment devices as suggested by the IEO.

11. There are also wider issues which require addressing in the context of the current strategic review. These include (i) the strategic role to be played by the Fund's TA, in particular in low-income countries, where institution building requires significantly greater resources than Fund TA can provide; (ii) the broad objectives of TA which encompasses a diverse range of activities; (iii) the link between TA and surveillance and UFR operations; (iv) the role of regional TA centers (where a Board paper is envisaged); and (v) the appropriate role for Fund TA relative to that of other providers, particularly in cases where country authorities' ability to coordinate TA is lacking.

12. Finally, the IEO has not provided—intentionally and appropriately—a ready blueprint for implementing their recommendations or assessed their budgetary implications. In particular, the possible adverse impact on the volume of TA delivery requires thorough examination. Therefore, management intends to task staff to make concrete proposals on how to implement these recommendations, taking into account the views expressed by Executive Directors, to estimate their budgetary costs, and to assess their implications for work practices and TA delivery.