

**The Acting Chair's Summing Up
Independent Evaluation Office—Evaluation of the
Technical Assistance Provided by the Fund
Executive Board Meeting 05/16
February 18, 2005**

Executive Directors commended the Independent Evaluation Office (IEO) for a thorough and insightful evaluation of technical assistance (TA) provided by the IMF. They highlighted the increasingly important role that Fund TA is called upon to play in responding to the diverse needs of member countries, particularly in the areas of policy design and implementation, as well as in capacity building. Directors saw the discussion of the IEO report as a welcome opportunity to explore how the effectiveness of TA could be further enhanced. They recognized the special analytical challenge faced by this IEO evaluation owing to the broad objectives and very diverse modalities of Fund TA. Several Directors referred, in this context, to the IEO's observation that the broad objectives of Fund TA have been used to define a wide set of TA activities—including short term policy advice that is closely linked to the Fund's core surveillance and program work—and suggested that it would be useful to revisit the output classifications for TA. Directors noted that the combination of cross-country analysis with in-depth country case studies and interviews with key stakeholders lent robustness to the report's findings, and welcomed the light shed by the report on factors underlying the allocation of TA. However, several Directors would have liked to see a discussion of regional technical assistance centers (RTACs). Directors appreciated the report also for bringing greater clarity to the subject by unbundling the TA process into three stages: prioritization, the delivery process, and monitoring progress and evaluation.

Directors considered that the report provides a balanced assessment of the strengths and weaknesses of the Fund's TA. They welcomed the constructive recommendations and observations, which, together with today's discussion, will provide timely and valuable inputs into the ongoing strategic review of the Fund. Directors concurred that key strengths of the Fund in providing TA are its ability to respond quickly, to tailor advice to members' circumstances, and to produce high quality analysis based on effective quality control. As to areas for improvement, Directors agreed that there is a need to: (i) introduce a more medium-term perspective for setting TA strategy and priorities; (ii) strengthen the tracking and evaluation of TA implementation and results; (iii) enhance country ownership of TA; and (iv) revisit the need for TA prioritization filters. As recognized in the IEO 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 selected Article IV reports, the launch of the TA evaluation program, and the ongoing development of the Fund-wide Technical Assistance Information Management System (TAIMS). At the same time, however, improving the effectiveness of TA remains an ongoing challenge, and Directors considered how the IEO's six major recommendations could help advance this effort.

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. Directors endorsed this recommendation and generally supported the managerial approaches suggested for carrying it forward. In particular, most Directors agreed that in low-income countries, the PRSP should increasingly serve as a vehicle for identifying medium-term TA needs and improving coordination of TA among various agencies. It was recognized, however, that, in a number of cases, the focus of PRSPs will need to be sharpened to carry out this role effectively. In other countries, Directors stressed the importance of developing country-centered frameworks for identifying TA needs, but noted that a variety of approaches—possibly including greater use of Article IV consultations to assess needs—may be appropriate. They emphasized the importance of ensuring that these frameworks reflect the institutional, organizational and managerial characteristics of recipient countries, including their capacity constraints.

Directors saw value in the annual resource allocation plan (RAP) evolving toward a multi-year framework, consistent with the IMF's move to a 3-year budget framework, with area departments taking a central role in developing country frameworks, and resident representatives, where present, also contributing to identifying and monitoring TA. This approach would allow a comprehensive comparison across sectors and countries between TA needs—as prioritized by the area departments—and supply from the TA-providing departments. It would also provide means of identifying emerging pressure points that might call for a reallocation of resources across TA-providing departments. Directors considered that TA-providing departments should remain responsible for assuring the quality of TA and for devising TA strategies in their sectors, as well as for the most effective delivery of TA, including its phasing and coordination, with continuous, close contact between those departments, area departments, country authorities, and donor agencies. In this context, Directors generally supported the view that country authorities should be ultimately responsible for coordinating TA, although the Fund might need to work more closely with other agencies and donors in cases of weak capacity in member countries. Stressing that the Fund's ability to respond quickly and flexibly is an asset that must be preserved, Directors emphasized that a multi-year framework should retain the flexibility to satisfy unexpected TA needs where appropriate. They encouraged management to put in place incentives for area departments to play the central role described above. Going forward, the likely resource implications of this role for area departments will also need to be carefully considered.

Directors noted the report's finding that the evidence on charging for TA was inconclusive, and many shared the report's skepticism on whether this issue should be pursued. These Directors pointed out that most of the recipients of TA were low-income countries for whom charges would represent an additional fiscal burden. Other Directors, however, saw merit in revisiting the issue of charges, noting that charges could contribute toward promoting greater ownership and commitment, and that the burden could be eased through cost-sharing.

Recommendation 2: the IMF should develop more systematic approaches to track progress on major TA activities and to identify reasons behind major shortfalls. Directors supported the recommendation that at the outset of major TA activities, staff and the authorities should agree on measurable indicators of progress covering all the major stages of the activity. They noted that the TAIMS could become the vehicle through which enhanced, transparent, and standardized monitoring practices are implemented across the institution. Directors saw a need for better tracking progress by unbundling the different stages of the TA project life cycle, careful explanation of the shortfalls in project execution, and candid reporting by the staff on obstacles to progress. The wider dissemination of TA reports could also contribute to improve tracking of progress. However, it was pointed out that, in tracking progress, care should be taken to avoid imposing conditions on members without their consent. While Directors generally supported the view that a country's record of implementation should be an important guide in weighing requests for TA, a number of Directors cautioned against using tracking indicators mechanistically for making decisions on future TA allocations.

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. Directors concurred that greater involvement and ownership by the recipient authorities and discussion of options are crucial to greater TA effectiveness. They welcomed the proposals for more participation by country authorities in drawing up terms of reference (TORs) building on the discussions that already take place. This will require systematic dialogue by all parties to specify clearly progress milestones, resource commitments, and critical policy steps required for the final success of TA. The need to develop local capacity by allowing country authorities to participate effectively in this process was also emphasized. Directors recommended that tangible commitments to the contemplated TA strategy or advice be systematically sought from the authorities at the design stage. At the same time, a number of Directors cautioned that these indications of commitment should not be treated as conditionality for access to TA. As regards TA recommendations, Directors were of the view that more informal discussions with the authorities, including on identifying possible alternatives, would help enhance implementation, while emphasizing that the quality of TA advice should be maintained.

Recommendation 5: The program of ex post evaluations of TA should be widened and more systematic procedures of disseminating lessons put in place, thereby strengthening recent trends, including through periodic stocktaking exercises and regular reviews. Directors highlighted the importance, in this context, of ensuring that the scope of the ex-post evaluations is considered carefully and integrated fully into a broader strategy aimed at more effective TA delivery. They concurred that external evaluations are a useful tool to 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. While recognizing the importance of ongoing evaluations and reviews, Directors stressed that the trade-off between TA evaluations and TA delivery needs to be carefully weighed.

Recommendation 6: The prioritization filters should be discontinued or replaced by ones that would more effectively guide TA allocation. Directors concurred that the case for discontinuing the current filters was strong, although several Directors observed that some elements of this approach might usefully be preserved. Directors considered that prioritization of TA resources should flow from a shared vision of the Fund's overall medium-term objectives—reflecting its core competencies—while at the same time retaining the flexibility to respond to the urgent needs of members. In discussing the challenges that the implementation of this principle would involve, Directors generally were of the view that an approach led by area departments could allow TA to be closely aligned with specific country needs and circumstances, and better integrated into the Fund's surveillance and program activities. At the same time, however, the discussion also highlighted that this approach might risk spreading expertise too thinly. Several Directors stressed that some centralized guidance on broad policy priorities for Fund TA could help build a critical mass of expertise, but recognized that this could be at the expense of adaptability to country circumstances. In this context, some concern was expressed over the volume of TA that is being driven by Fund-wide initiatives.

Directors agreed that the IEO's recommendations would entail more staff-intensive approaches to providing TA, including greater collaboration with country authorities and other TA providers. They called for a careful consideration and quantification of these resource implications. A number of Directors noted that, absent an increase in resources, the report's proposals would result in fewer but more effective TA activities. At the same time, however, it was also stressed that given the pressing needs for low-income country TA in the context of meeting the MDGs, implementation of the report's recommendations should not involve any reduction in the volume of TA delivered to these members.

Going forward, Directors welcomed management's proposal to task staff to make concrete proposals on how to implement the IEO recommendations, taking into account budgetary costs, and implications for work practices and TA delivery, and looked forward to future discussion of these proposals, including on prioritization, before their implementation. In developing these proposals, the staff will, of course, fully take into account Directors' views expressed today, including the many operational as well as financing issues which Directors highlighted as deserving careful assessment in moving toward implementation of the IEO recommendations. Many Directors felt that these issues should include a thorough review of the performance of RTACs, and their role going forward. It was also suggested that the issues include the training of country officials provided by the IMF Institute. Directors also noted that the IEO report raises a range of broad issues which they looked forward to discussing in the context of the ongoing strategic review of the Fund.