

INTERNATIONAL MONETARY FUND

**Technical Assistance Evaluation Program  
Findings of Evaluations and Updated Program**

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(In consultation with other departments)

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## I. INTRODUCTION

1. This paper summarizes the findings of evaluations of technical assistance (TA) projects conducted since the last Board paper on the Technical Assistance Evaluation Program in 2006.<sup>1</sup> Updates to the Evaluation Program are also provided for FY2009–2011. The Evaluation Program was launched in July 2002, and is organized as a rolling work plan of three to four evaluations per year. Evaluation results are reported to the Board for information on a regular basis. Since the Program’s initiation, 14 evaluations have been completed and their results presented to the Board (Table 1).<sup>2</sup>

2. The evaluations featured in this paper are geared to provide background information for Executive Directors’ discussion of the paper on *Enhancing the Impact of Fund Technical Assistance*.<sup>3</sup> In particular, given the increasing emphasis on planning and delivering TA on a regional basis, and the consideration to use multi-donor topical trust funds to attract new TA financing, it is timely that this paper studies evaluations of two Fund regional TA centers (RTACs) and one multi-donor subaccount, as follows: (a) the mid-term evaluation of the Middle East Regional Technical Assistance Center (METAC); (b) the second mid-term review of the Caribbean Regional Technical Assistance Center (CARTAC); and (c) the evaluation of the TA subaccount for Iraq.

## II. KEY FINDINGS AND RECOMMENDATIONS OF EVALUATIONS

3. The detailed findings and recommendations for each of the three evaluations are presented in the individual evaluation reports issued as Supplements to this paper. Although the nature of the TA covered by the evaluations are different, a number of general findings and lessons may be highlighted:

- The evaluations confirmed RTACs as effective vehicles for TA delivery. Particular RTAC strengths noted include the proximity of RTAC advisors to TA recipient countries, a factor which has led to better understanding of recipient country needs and circumstances. Physical proximity of RTACs to recipient countries has also improved communication between all parties and resulted in more regular and continuous TA support.
- All three projects evaluated are funded through multi-donor subaccounts. It was noted that such “pooled arrangements” helped promote donor coordination, in line with the Paris Declaration on Aid Effectiveness.<sup>4</sup> The establishment and use of Steering Committees—in which Subaccount donors are represented—enabled all interested parties

<sup>1</sup> <http://www.imf.org/external/np/pp/eng/2006/071206.htm>.

<sup>2</sup> The completed evaluations, or summaries of their content, are published on the Fund’s external website ([www.imf.org](http://www.imf.org)).

<sup>3</sup> Available on the Fund’s external website ([www.imf.org](http://www.imf.org)).

<sup>4</sup> See <http://www.oecd.org/dataoecd/11/41/34428351.pdf>.

and stakeholders to keep abreast of developments in the respective RTACs and TA recipient countries.

- While noting the above positive aspects of the projects, all three evaluations also repeated the call for stronger monitoring of the outputs and results of TA provided by the Fund, as compared to the current emphasis placed by Fund staff on tracking the inputs of TA (e.g., number of missions or days of TA provided). The Iraq evaluation, in particular, argued unequivocally that the TA Information Management System (TAIMS) should be strengthened and used consistently for all TA projects, in order to make it an effective management tool for tracking Fund TA outputs and results.
- The sustainability of Fund TA results was also noted as an issue which merits serious and systematic study, including through a regular process of follow-up and reporting on the longer-term results of TA interventions. This could be addressed through increased and more systematic *ex post* assessments of TA interventions.
- In the spirit of fostering strong ownership of Fund TA, the process for selecting resident advisors in RTACs—and for Fund TA experts more generally—could be improved. First, there should be regular and advance consultation with RTAC Steering Committees on advisor vacancies and proposed candidates. Second, the Fund should, whenever possible, make greater efforts to use regional and local consultants in its TA activities, as a means to enhance human capacity in economic policymaking in the relevant region/countries.

4. Some of the steps which staff have taken in response to the above recommendations include:

- Expanding the RTAC model—In line with the positive conclusions made on the RTAC model of TA delivery, staff have begun to explore establishing new RTACs, which would permit the Fund to further leverage on the move towards regional TA planning and delivery.
- Proposals for topical trust funds are being explored, in line with donors' development strategies and the Fund's institutional priorities. Such pooling arrangements, which could cover regions or broad TA subjects,<sup>5</sup> should allow the Fund to further capitalize on the multi-donor subaccount model to raise external TA finance.
- Concerning the monitoring of TA outcomes and results, a review of TAIMS was undertaken in 2007 by the Fund's Chief Information Officer, to determine improvements which would make the system more user-friendly and effective as a TA management tool. The recommendations of that review are being implemented. It is intended that, from May 1, 2008 onwards, all Fund TA (whether financed internally or externally) will be designed and monitored through TAIMS. Outputs and results will be specified as part of project information stored in the system, to facilitate *ex post* tracking. In parallel, connectivity issues which have prevented RTACs from making full use of TAIMS

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<sup>5</sup> For example, a trust fund to finance TA to fragile states or in anti-money laundering/combating the financing of terrorism (AML/CFT).

are being addressed, although this aspect may require effort and time beyond May 1, 2008. Over the longer term, the creation of a central TAIMS repository of TA project information will serve as the basis for a robust assessment framework to determine the sustainability of Fund TA.

- With respect to enhancing the use of local/regional experts and consultation with RTAC Steering Committees on the selection of RTAC advisors, progress is being achieved on two fronts. First, feedback suggests that, thus far, TA managers sometimes did not see strong cost incentives to using local/regional experts in missions because all externally financed TA is managed on a standard-cost basis, i.e., the cost per mission is fixed, regardless of where an expert may be traveling from/to. The proposed implementation of actual costing in managing external TA funding should provide an incentive for TA managers to use more local/regional experts where appropriate and without compromising quality, given the potential savings from lower travel costs. Second, on the selection of RTAC resident advisors, RTAC steering committees are now regularly consulted on advisor vacancies and potential candidates.
5. More information on the evaluations' other findings/recommendations, and the actions taken to address them, are summarized in Table 2.

### **III. EVALUATION PROGRAM FOR FY 2009–2011**

6. The Program has been updated to include a total of 14 planned evaluations over the period FY 2009–2011 (Table 3). The planned evaluations of the AFRITACs, CARTAC, METAC, and PFTAC will follow the usual format for such RTAC reviews. Brief descriptions of the other (non-RTAC) evaluations have been provided by the applicable departments in the Appendix.

Table 1. Technical Assistance Evaluation Program—Completed Evaluations

Department/ TA Center	Topic	Initiated (FY)	Board Paper
FAD	Public Expenditure Management— TA to Anglophone African Countries	2003	March 2004; <a href="http://www.imf.org/external/np/ta/2004/eng/030104.htm">http://www.imf.org/external/np/ta/2004/eng/030104.htm</a>
FAD	Public Expenditure Management— TA to Francophone African Countries	2003	March 2004; <a href="http://www.imf.org/external/np/ta/2004/eng/030104.htm">http://www.imf.org/external/np/ta/2004/eng/030104.htm</a>
OTM/CARTAC	Caribbean Regional Technical Assistance Center (CARTAC)— Mid-term Review	2003	March 2004; <a href="http://www.imf.org/external/np/ta/2004/eng/030104.htm">http://www.imf.org/external/np/ta/2004/eng/030104.htm</a>
TM/PFTAC	Pacific Financial Technical Assistance Center (PFTAC)	2004	June 2005; <a href="http://www.imf.org/external/np/pp/eng/2004/093004.htm">http://www.imf.org/external/np/pp/eng/2004/093004.htm</a>
OTM/AFRITACs	Africa Regional Technical Assistance Centers (AFRITACs)	2004	June 2005; <a href="http://www.imf.org/external/np/pp/eng/2005/040105d.htm">http://www.imf.org/external/np/pp/eng/2005/040105d.htm</a>
LEG	TA Related to Strengthening the Commercial Court and the Implementation of the Bankruptcy Law in Indonesia	2005	July 2006; <a href="http://www.imf.org/external/np/pp/eng/2005/011605.pdf">http://www.imf.org/external/np/pp/eng/2005/011605.pdf</a>
MFD	TA to Sierra Leone	2005	July 2006; <a href="http://www.imf.org/external/np/pp/eng/2006/071706.pdf">http://www.imf.org/external/np/pp/eng/2006/071706.pdf</a>
MFD	TA to the Democratic Republic of the Congo	2005	July 2006; <a href="http://www.imf.org/external/np/pp/eng/2006/030206.pdf">http://www.imf.org/external/np/pp/eng/2006/030206.pdf</a>
MFD	TA to Bosnia and Herzegovina	2006	July 2006; <a href="http://www.imf.org/external/np/pp/eng/2006/071206.htm">http://www.imf.org/external/np/pp/eng/2006/071206.htm</a>
MFD	TA to Kosovo	2006	July 2006; <a href="http://www.imf.org/external/np/pp/eng/2006/071206.htm">http://www.imf.org/external/np/pp/eng/2006/071206.htm</a>
STA	UK DFID-Financed GDDS Project for Selected Anglophone African Countries (2001-2006)	2007	March 2008; <a href="http://www.imf.org/external/np/pp/eng/2008/032108a.pdf">http://www.imf.org/external/np/pp/eng/2008/032108a.pdf</a>
OTM/CARTAC	Second Mid-Term Review of the Caribbean Regional Technical Assistance Center (CARTAC)	2007	Available on the IMF external website; <a href="http://www.imf.org">http://www.imf.org</a>
OTM/METAC	Mid-Term Evaluation of the Middle East Regional Technical Assistance Center (METAC)	2007	Available on the IMF external website
OTM/Iraq Subaccount	Evaluation of the Technical Assistance Subaccount for Iraq	2008	Available on the IMF external website

Table 2. Summary of Evaluation Findings/Recommendations and Implementing Actions

CARTAC Evaluation Recommendations	Implementing Actions
CARTAC should be extended into a new three-year phase.	New phase agreed and extended.
Financing in new phase should be invited from donors on the basis of the principles of the Paris Declaration on Aid Effectiveness.	Financing secured for new phase.
The sources of CARTAC financing should be diversified.	Ongoing.
Country performance in implementing past TA advice should be a criterion for allocating scarce CARTAC resources.	This is an ongoing consideration in CARTAC.
“Poverty reduction” should be an overarching goal in CARTAC’s logical framework, and CARTAC’s performance management should reflect that.	Included in the Phase III CARTAC Program Document.
There is a strong case for switching more CARTAC resources to public finance TA, embracing revenue, expenditure, investment programming and debt management functions.	Efforts have been stepped up in this regard in Suriname, Haiti, and the Dominican Republic.
CARTAC should become proactive in forging relationships outside the English-speaking Caribbean.	Best efforts are underway to expand activities in non-English speaking countries, e.g., Suriname, Haiti, and Dominican Republic.
CARTAC should not become a legal entity.	There are no plans to convert CARTAC into a separate legal entity.

Table 2. Summary of Evaluation Findings/Recommendations and Implementing Actions (...continued)

METAC Evaluation Recommendations	Implementing Actions
<p>Continued attention to be given to the simplification and streamlining of administrative procedures, to enable the full potential benefits of METAC's activities to be realized.</p>	<p>METAC is bound by Fund administrative procedures on proper accounting, contracting and quality control. Where appropriate, METAC will simplify and streamline these procedures so as to respond quickly and effectively to the demands of country members.</p>
<p>The role and responsibility of Steering Committee members should be clarified. SC members from METAC countries should be encouraged to play a more active role in the sharing of information between beneficiary organizations, the determination and communication of priorities, and the development of effective ways to assess and monitor performance.</p>	<p>METAC has enhanced the role of SC members, including by: sharing all relevant information with them; making SC members the primary METAC contacts in their countries for liaising with other government agencies on METAC-related issues; involving SC members in setting the work program ahead of SC meetings; keeping SC members informed of all METAC activities in their respective countries; and engaging them in identifying qualified people from the region to act either as short-term experts or long-term advisors.</p>
<p>Terms of reference (TOR) and other key information for missions should be seen by and agreed with beneficiary organization. Beneficiary organizations should be encouraged to circulate and discuss these TORs more widely as appropriate.</p>	<p>This is being done consistently. All TORs are shared and discussed with the beneficiary organizations prior to the mission's date. These organizations are being encouraged to circulate these TORs widely to other relevant agencies.</p>
<p>METAC's website should be used much more actively as a way of sharing information and experience.</p>	<p>METAC's website has been updated and can be accessed more easily now. Further improvements on the website are ongoing.</p>
<p>METAC should develop (in close consultation with beneficiaries) a strategy to guide its activities in networking and experience sharing.</p>	<p>This is being done. METAC is encouraging experience sharing through hiring short-term experts from one member country to help other members. Also, organizing regional workshops on issues that are common to most countries and asking participants to make presentations is enhancing experience sharing. These workshops have also helped in a networking among member countries.</p>

Table 2. Summary of Evaluation Findings/Recommendations and Implementing Actions (...continued)

METAC Evaluation Recommendations	Implementing Actions
<p>A full office procedures manual should be developed, to include procedures related to staff/HR terms and conditions, health and safety requirements, all general office procedures and operations, and travel arrangements (for instance guidance on travel costs). METAC's internet communication should be upgraded.</p>	<p>This is being done to the extent possible. Matters related to staff/HR and health safety requirements are usually governed by Fund rules and procedures, and there is no need for separate procedures. Upgrades to the internet communication should be completed in a few weeks.</p>
Iraq Subaccount Evaluation Recommendations	Implementing Actions
<p>Place a higher priority on pro-active coordination between the Fund and donors/regional institutions, and within the Fund.</p>	<p>Implementing action being formulated.</p>
<p>Strengthen the evaluation system for TA generally, by building a self evaluation system for TA and developing guidelines for the <i>ex post</i> evaluation of TA.</p>	<p>Implementing action being formulated.</p>
<p>Reporting to donors should be improved. The reports should focus more outputs, outcomes and results achieved.</p>	<p>Implementation action being formulated.</p>



Table 3. Technical Assistance Evaluation Program—Planned Evaluations  
(FY2009—FY2011)

Department/ TA center	Topic	Expected Completion (FY)
FAD	Experience with the implementation of the “upstream” approach for delivery of TA in revenue administration.	2009
FAD	Tax policy TA on revenue aspects of trade reform.	2009
FAD	Revenue policy and administration reform in Mozambique	2009
FAD	The role and modalities of public financial management TA in an environment where other TA providers are intensely involved: the Cambodia and Mozambique examples.	2009
OTM/AFRITACs	Mid-term evaluation of the Central, East and West AFRITACs	2009
OTM/PFTAC	Mid-term evaluation of PFTAC	2009
MCM	Post-FSAP TA in Guatemala	2009
STA	Statistical capacity building in selected post-conflict countries	2009
FAD	VAT-implementation TA in Caribbean countries	2010
OTM/CARTAC	Mid-term evaluation of CARTAC	2010
MCM	Development of inflation targeting and monetary modeling in emerging market Europe	2010
MCM	Program of technical cooperation to Mozambique	2010
OTM/METAC	Mid-term evaluation of METAC	2011
MCM	Program of technical cooperation on public debt management in AFR countries	2011

**APPENDIX**  
**DESCRIPTION OF NEW PLANNED EVALUATIONS**  
**(PROVIDED BY RESPECTIVE TA DEPARTMENTS)**

**1. Experience with the implementation of the “upstream” approach for delivery of TA in revenue administration.**

The objective of the “upstream,” or strategic, approach to TA delivery is both to better prioritize and optimize use of TA resources, and to utilize FAD’s comparative advantages to achieve the best results. This involves developing an agreed strategy for reform with country authorities, through in-depth diagnostic assessments, coupled with strengthened coordination with the World Bank and other TA providers and funding agencies, which are then largely responsible for support of the implementation. FAD retains an advisory role throughout. The evaluation, undertaken by two consultants, reviews through a variety of methods FAD’s revenue administration TA over the years 2004–2006. Key issues addressed include:

- (a) a description, assessment, and evaluation of FAD’s current revenue administration TA relative to the situation when the last external revenue administration evaluation took place in 2000, focusing on methodology and quality;
- (b) evaluation of the impact of the upstream approach on the effectiveness of FAD’s revenue administration TA;
- (c) impact on FAD’s use of resources;
- (d) impact on country authorities’ ownership of and commitment to implementation of revenue administration reforms;
- (e) evolution of FAD’s coordination with the World Bank and other providers; and
- (f) impact on FAD’s collaboration with Fund area departments.

The consultants have undertaken several country visits and two trips to headquarters for meetings with FAD, area departments, and other providers, including the World Bank. The report is nearly complete.

**2. Tax policy TA on revenue aspects of trade reform**

The purpose of the evaluation is to assess the substance of FAD’s TA in helping countries deal with the revenue effects of trade liberalization. The focus of the evaluation, which is nearing completion, is on tax policy aspects (customs administration issues are not addressed), and includes in particular FAD advice on both the design of trade tax reforms themselves (tempering revenue considerations and the efficiency gains from reform), and

accompanying changes in domestic taxation. The evaluation is conducted by two external consultants, supported by FAD staff.

### **3. Revenue policy and administration reform in Mozambique**

The Fund has provided extensive TA to Mozambique in tax and customs policy and administration, and many of FAD's recommendations have been implemented in the context of various Fund-supported programs. Since 1995, in the post-conflict period, FAD has provided specific advice for a comprehensive overhaul of the Mozambican tax system and its administration, through a series of donor-funded projects under a phased strategy. The first phase focused on customs and started in 1996. The second phase supported the introduction of a value added tax in mid-1999. The third and current phase of the reform aims at the reform of the income tax and at strengthening the revenue administration with a view to increasing the tax-to-GDP ratio and reducing Mozambique's reliance on donor budget support.

The main objective of the evaluation will be to assess the impact of the reforms undertaken both in tax policy and revenue administration over the past 12 years, and FAD's TA in support thereof. This will include:

- (a) an analysis of the impact of the tax reforms on revenue performance;
- (b) an assessment of the impact of the major administrative reforms and FAD's TA on tax compliance and revenue performance; and
- (c) to the extent possible, an analysis of the impact of both revenue policy and administration reforms on trade facilitation, the investment climate and business environment, tax compliance facilitation, governance, employment, and economic growth.

The first phase of the evaluation focusing on data gathering and developing a methodology for the quantitative aspects of the evaluation is ongoing and conducted by an external evaluator. The second phase focusing on the qualitative aspects of the evaluation, including the effectiveness of FAD TA, will take place during FY 2009 and will include discussions with the authorities and donors.

#### **4. Evaluation of the role and modalities of public financial management TA in an environment where other TA providers are intensely involved: the Cambodia and Mozambique examples**

FAD has been heavily involved in providing public financial management (PFM) TA to Cambodia and Mozambique during 2000–2006. Both cases have many elements in common: (i) an intense donor involvement with well-defined monitoring and donor coordination mechanisms, and sustained donor funding (through multi-donor trust funds); (ii) FAD has been actively involved in the design of the PFM strategy and the core aspects of the reforms, and its assistance has been largely externally financed; and (iii) FAD undertook several diagnostic, follow-up, and inspection missions, and recruited and backstopped several long-term resident and peripatetic experts. While PFM reforms in Mozambique have advanced well and TA is seen as a success story, progress on PFM in Cambodia has been mixed. Against the background of a shift in Fund TA towards closer relation with donors and increased resort to external financing, the Mozambican and Cambodian cases provide two examples of FAD's engagement in high profile, multi-donor environments.

The evaluation will include a comparative assessment of both cases with the view to draw lessons on how to effectively coordinate with donors and attract new TA financing to foster PFM reform efforts, while using FAD's own resources in a cost-effective way. Key areas to be covered will include:

- (a) an analysis of Mozambique's and Cambodia's experiences with PFM reforms, including a description of the key features of the two cases, an outline of areas of significant improvements and limited success, the main setbacks encountered and how they were overcome, donors' opinion, and other related issues. This analysis could help in the design and implementation of future strategies for PFM reforms in similar country situations; and
- (b) the effectiveness of FAD's involvement in both cases, including an assessment of the modalities and effectiveness of coordination and relations with donors, the relevance of the inputs provided, activities undertaken, and outputs produced. This analysis could help identify ways to support countries' PFM reform strategies with a cost-effective use of Fund resources in a similar environment with intensive multi-donor involvement.

The evaluation is expected to be conducted through a desk study by staff, and subsequently a review by an external consultant, including a short visit to each country. The evaluation will be undertaken in FY 2009.

## **5. Evaluation of Post-FSAP TA in Guatemala**

MCM has provided significant TA to Guatemala following the FSAP Update in December 2006. This TA has involved both bilateral and multilateral components. The bilateral component of this TA has focused on the resolution of two banks in difficulties, strengthening of the crisis resolution framework and development of the secondary markets for the public debt. The multilateral component of this TA has involved the development of cross-border, consolidated supervision, development of the local capital markets and the implication of the increased presence of foreign banks.

The evaluation will assess the effectiveness of the TA delivered to Guatemala. In particular, the evaluation will assess the extent to which the Guatemalan authorities have advanced on the TA recommendations and the benefits brought about by the implementation of the TA. Emphasis will be given to the barriers that may have prevented the effective implementation of the TA recommendations. The evaluation will look into the involvement of the authorities and other interested parties in both the design and implementation of the TA.

The evaluation will involve mainly assessments prepared by Fund staff. To this end, the evaluation will include discussions with Fund staff, outside experts and country authorities, and an examination of the documents associated with the delivery of the TA (TOR, BTO and mission reports). A field mission of one week will be included to interview country officials and other interested parties in Guatemala. The evaluation will be carried out in FY 2009.

## **6. Statistical capacity building in selected post-conflict countries**

The statistical infrastructure in post-conflict countries tends to be extremely weak, with most relevant institutions needing to re-establish themselves often from a zero base. Successful TA to such countries requires modalities quite distinct from those applicable to other countries. TA to post-conflict countries also need to be on a more sustained and intensive basis. In recent years, STA has provided such TA in the form of resident advisors, peripatetic expert missions, and short-term missions, responding to the most urgent needs of the relevant authorities.

The evaluation will assess the effectiveness of TA delivered to selected post-conflict countries in four macroeconomic statistical areas and allied topics (e.g. institutional framework). Particular emphasis will be directed at the unique features of TA delivery necessary to build capacity for the compilation and dissemination of macroeconomic statistics in post-conflict situations. The evaluation will also consider the role played by the country authorities benefiting from the TA, the constraints posed by resource inadequacies, and the extent of commitment and ownership by the beneficiaries.

It is proposed that the evaluation be undertaken mainly using assessments by Fund staff, supplemented by a field mission of some two to three weeks to review TA delivered in

selected countries. Feedback from country authorities will be a particularly important component of the evaluation. The exercise will entail an examination of documents associated with TA delivery, including project assessments, back-to-office and mission reports, responses to questionnaires, and interviews with representatives of country authorities and with Fund staff. A review of the report by an independent expert, prior to its finalization, may also be included.

## **7. Evaluation of VAT-implementation TA in Caribbean countries**

The Fund has in the last four-five years been assisting Caribbean countries with the introduction of a broad-based, value added tax (VAT) to replace inefficient consumption taxes in an effort to strengthen revenues to ensure macroeconomic stability and to modernize their tax systems to facilitate a resumption of economic growth.

The support has been delivered through FAD HQ TA missions and backstopping of TA delivered by the Caribbean Regional Technical Assistance Center (CARTAC). The latter comprises direct advice from revenue administration advisors based at the Center and short-term expert assignments. In all, a very significant volume of TA has gone into the VAT programs and, while the countries have appreciated the effort, they are in need of additional assistance to strengthen their operations and integrate the VAT into their mainstream domestic tax operations. The purpose of the evaluation is to draw lessons from the experience so far in order to assist other countries introducing a VAT, and to deliver post VAT-implementation TA in a more cost-effective manner.

The evaluation will have the following main objectives:

- (a) assess the status of VAT implementation in Caribbean countries;
- (b) assess the impact of VAT introduction in Caribbean countries; and
- (c) evaluate the impact of FAD and CARTAC TA to Caribbean countries in implementing the VAT.

The evaluation will be conducted in two phases to be carried out in FY2009–2010. The first phase, to be carried out during FY2009, is a research phase, which results are expected to be summarized in a working paper assessing the VAT introduction in the Caribbean. The second phase, which will include external evaluators and be conducted in FY2010, will focus on the effectiveness the TA provided in support of VAT implementation.

## **8. Development of Inflation Targeting and Monetary Modeling in Emerging Market Europe**

Several European emerging market countries have moved towards inflation targeting, and their central banks have been actively developing the concomitant monetary modeling capacity. This trend reflects a general recognition that inflation targeting provides a practical framework for monetary policy in a wide variety of settings, and the progress these countries have made macroeconomic stabilization and the development of central banking operations in the context of a more sophisticated financial sector; a recent Board paper on inflation targeting addressed these issues in depth. The Fund has provided technical assistance in this area to many of European countries, including Croatia, Moldova, Romania, Russia, Serbia, Turkey, and Ukraine.

The evaluation, to be conducted in FY2010, would cover a cross-section of these countries. Issues to be addressed may include: linkages between progress in this area and that in other areas, such as de facto central bank independence and financial market development; how the design of inflation targeting and monetary models depends on the exchange rate regime; the importance of pre-existing local capacity; and the effectiveness of different modes of delivery (e.g., resident experts versus periodic visits). The results of the evaluation would be of relevance to other emerging market countries in Europe and elsewhere.

## **9. MCM program of technical cooperation with Mozambique**

Mozambique's medium-term strategy seeks to consolidate macroeconomic stability, sustain broad-based growth, and achieve the Millennium Development Goals (MDGs). This strategy is reflected in Mozambique's PSI-supported program, which covers the period 2007–10.<sup>6</sup> Central to this strategy in the monetary and financial sector areas will be a prudent monetary framework and a deepening of financial markets to consolidate macroeconomic stability and widen access to financial services in a dollarized and thinly monetized economy prone to exogenous shocks.

In that context, MCM TA priorities are:

- (a) making monetary policy more effective;
- (b) further strengthening the supervisory and regulatory framework to foster the sound expansion of the financial sector and achieve full compliance with international standards in accounting, anti-money laundering, and banking supervision; and

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<sup>6</sup> The three-year PSI was approved in December 2007 (<http://www.imf.org/external/pubs/ft/scr/2008/cr0815.pdf>).

- (c) developing interbank foreign exchange market to support financial deepening and smooth monetary policy transmission.

This is to be achieved by: (i) annual multi-topic TA missions to follow-up on financial sector reforms with targeted peripatetic expert visits in priority areas including bank supervision, monetary operations and monetary policy research and analysis; and (ii) a FSAP update in FY2008 to take stock of reforms to date and map out future reform priorities with regard to access, cost of finance, and financial stability.

The evaluation will assess the effectiveness of TA delivered by MCM, focusing on a TA program aimed at: (i) establishing the building blocks to pave the way for a potential gradual transition to an inflation targeting arrangement as well as for its implementation; (ii) continuation of TA to strengthen the supervisory capacity of the Bank of Mozambique; and (iii) post-FSAP update TA.

## **10. Program of technical cooperation on public debt management in AFR countries**

While there have been some improvement relative to the 1990s, the debt management frameworks in many countries remain weak – either in broad terms, or, in some instances, in very specific areas. For example, many low-income countries (LICs) face an increasing range of financing options but the lack of a coherent framework to adequately evaluate the associated cost-risk trade-off. This raises the prospect that, for the HIPC/MDRI countries in particular, debt might become unsustainable once more. Similarly, some middle-income countries lack effective frameworks to manage their debt, with risks adequately recognized and mitigated. For both, there is often the associated objective to develop domestic debt markets. Other middle-income countries have established sound institutional frameworks and have made good progress in developing their domestic debt markets and formulating effective debt management strategies. However, they are seeking assistance in enhancing their technical capacity for risk management, recognizing that, in spite of progress, debt remains a significant source of vulnerability.

In response to these needs, a number of capacity building approaches are being adopted. For the LICs, the joint Bank-Fund MTDS program has been developed. The expectation is that TA on this framework will be provided through a range of models including direct Bank and Fund missions; resident advisers at TACs, with backstopping support from HQ; training through regional training organizations; TA from other providers or consultants using the MTDS framework, and possibly backstopped from HQ. For those middle-income countries facing a need to strengthen their overall debt management framework, a similar approach, tailored to their economic context, can be adopted. Here delivery is likely to be in the form of bilateral TA missions and regional training initiatives; although in some regions (e.g., Central America or the MCD region), a more formal series of assessments may be undertaken in cooperation with regional monetary councils and within the context of an umbrella project. Finally, where middle-income countries have a specific need/desire to enhance their risk management systems, bilateral technical consultation missions will be used.



The evaluation will assess the effectiveness of these capacity building activities by considering how countries have strengthened their frameworks in these areas, in light of the assistance provided. The evaluation will consider the role played by the country authorities benefiting from the TA, the constraints posed by resource inadequacies, and the extent of commitment and ownership by the beneficiaries. It will also consider the role that Fund surveillance and program conditionality or discussions have played in encouraging and emphasizing the importance of developing capacity in this area, and helping keep debt management issues at the core of the policy debate in these countries.

It is proposed that the evaluation be undertaken mainly using assessments by Fund staff, supplemented by a field mission of some two to three weeks to review TA delivered in selected countries. Feedback from country authorities will be a particularly important component of the evaluation. Feedback from other external partners may also be sought. The exercise will entail an examination of documents associated with TA delivery, including project assessments, back-to-office and mission reports, responses to questionnaires, and interviews with representatives of country authorities and with Fund staff. In addition, where possible, the evaluation will consider other objective indicators of improvements in these areas, where they exist. These could include the production of an explicit and formal debt management strategy documents have been produced, whether new initiatives—institutional or market—have been announced and implemented; etc. A review of the report by an independent expert, prior to its finalization, may also be included.