

INTERNATIONAL MONETARY FUND

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

Prepared by the Office of Technical Assistance Management

(In consultation with the Fiscal Affairs Department)

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## I. INTRODUCTION

1. This paper provides a summary of the findings of three evaluations initiated in FY 2003 in the context of the Technical Assistance Evaluation Program (SM/03/141, 4/17/03) and an update of the Program covering the period FY 2004–06. The Evaluation Program was launched in FY 2003 as a formal program of evaluation of technical assistance (TA) (see Box 1). The Program is organized as a rolling work program which includes 3–4 evaluations each year, the results of which will be reported to the Board on an annual basis. This paper is the first of such reports.

2. The evaluations covered in this paper are two evaluations of the Fiscal Affairs Department's (FAD) TA in the area of public expenditure management (PEM) in selected countries in Sub-Saharan Anglophone and Francophone Africa and a mid-term review of the Caribbean Regional Technical Assistance Center (CARTAC). The two FAD evaluations are internal, conducted by staff with varying degrees of participation by external consultants. The summary of the Francophone evaluation includes findings of an external consultant. The mid-term review of CARTAC was conducted by an external team.

### **Box 1. The Technical Assistance Evaluation Program**

As part of the medium-term work program to strengthen the Fund's TA program, the Board at its review of TA on July 8, 2002, endorsed a staff proposal to introduce a formal program of evaluation for TA. The TA Evaluation Program seeks to accomplish a number of objectives, including: (i) increasing the frequency and coverage of evaluations of Fund TA; (ii) generating and disseminating lessons to make Fund TA more effective; (iii) strengthening TA integration with the Fund's surveillance and program work; and (iv) improving the accountability and transparency of Fund TA.

The findings of completed evaluations are expected to be used in defining operational responses to future TA requirements, as well as in making more effective the collaboration with other TA providers and initiatives. As the number of evaluations undertaken grows, generating lessons that are of wider relevance, the findings will also help inform the regular review of the Fund's TA policy and practices.

The Program includes a mixture of 3-4 topics each year (for example, comprehensive studies covering large country samples, evaluations of regional TA centers, country or sector case studies, and project evaluations) and employs different methodologies (both internally and externally-conducted evaluations, as well as a combination of these). The Program is organized as a rolling work program and is a tentative schedule of evaluation activities.

In selecting the initial set of topics to be evaluated, four areas of particular policy relevance have been given prominence: (i) the link between TA and the Fund's surveillance and policy work; (ii) TA delivered through regional arrangements; (iii) the role of Fund TA in HIPC- and PRGF-eligible countries; and (iv) TA activities that are designed to respond to new initiatives and calls for international assistance.

The findings of the evaluations will be provided to the Board once a year in the form of a summary note.

3. While very different in nature, the three evaluations have provided a number of important lessons, some of which point at broader issues cutting across the TA program. For example, all three evaluations suggest that it is important that TA be given a strategic direction. While there is a continuous need for one-off activities, and sufficient flexibility in resource allocation to meet the demand for this type of TA, all three evaluations indicate that the assistance is most successful when part of an overall strategy. The evaluations also affirm the importance of TA ownership by the national or regional authorities.

4. In the sections that follow, Section II summarizes the findings of the evaluations. Section III outlines the updated Evaluation Program for the period FY 2004–06 and provides a brief description of the evaluations which have been added to the Program.

## **II. EVALUATION FINDINGS**

### **A. Mid-term review of Caribbean Technical Assistance Center (CARTAC)**

#### **Background**

5. CARTAC is a regional TA center, which provides TA and training in economic and financial management for its member countries. The Center, located in Barbados, was inaugurated in November 2001. CARTAC is designed to help 19 Caribbean Community (CARICOM) members and the Dominican Republic strengthen economic and fiscal management; improve financial sector supervision and regulation; and compile more timely and useful economic, financial, and social statistics. Core areas of the Center's TA involve public expenditure management; tax/customs policy and administration; onshore and offshore financial sector regulation and supervision; and economic and financial statistics. The Center is managed by a Project Coordinator and provides TA through a team of six resident advisors, supplemented by short-term specialists. It also features a strong training component, offering in-country workshops, regional training courses, and hands-on professional attachments for mid-level government officials.

6. CARTAC operates as a UNDP regional project with the Fund as executing agency. The set-up of the Center is similar to those of the other regional TA centers; the Fund manages the Center's operations, provides its Project Coordinator, and recruits and technically supervises its resident advisors through the TA departments. The priorities of CARTAC are defined by a Steering Committee that meets every six months. The Center is funded by a "consortium" of donors with Canada currently contributing about 50 percent of the total. The participating countries also nominally contribute to the Center's cost, while the host country provides office space and facilities.

7. In mid 2003, after some 18 months of operations, an independent mid-term review of the Center's performance was commissioned by the Steering Committee. Consulting and

Audit Canada was selected to undertake the review.<sup>1</sup> The report of the review is available on CARTAC's website (<http://www.cartac.com.bb>).

8. The mid-term review was undertaken to help funding and implementing agencies foster a greater level of understanding concerning CARTAC's work and mandate and promote greater accountability for performance. As a second phase of CARTAC was being contemplated, it was considered important to look at achievements and lessons learned. The mid-term review was therefore designed to ascertain results and help the Steering Committee determine optimal strategies for the project's continuation.

### **Scope and methodology**

9. The mid-term review looked at a number of interrelated issues, including:

- The quality, timeliness and appropriateness of the inputs provided, activities undertaken, and outputs produced;
- The reasonability of the relationship between project costs and results;
- The responsiveness of the project in adapting to the region's changing needs;
- The quality and timeliness of project management, monitoring and backstopping at the Center itself and at the Fund, and the level of support and commitment of the region's governments to project activities; and
- The use being made of project outputs, the impact these are having on improved economic and financial performance in the region, and the likely sustainability of results.

10. The review was also asked to comment on the merits of the regional approach to providing this type of TA and the extent to which CARTAC's activities have helped to foster regional cooperation and coordination. The governance of the Center and the role of the different actors were also reviewed.

11. The methodology adopted by the review team consisted of review and analysis of key documents, including the periodic work plans and activity reports, interviews with representatives of participating countries, regional organizations and donors, and a study of the files and reporting of the resident advisors and correspondence between them and their backstopping TA departments.

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<sup>1</sup> Consulting and Audit Canada (CAC) is a Special Operating Agency of Public Works and Government Services Canada. Its services are available only to Canadian government organizations and, on request, to other public sector and international organizations.

## **Principal findings and recommendations**

12. The mid-term review concluded that the CARTAC project was well designed, and that its execution, management and governance is proceeding well. It considered that the Center strikes an appropriate balance between national and regional activities and between reactive and proactive modes of operation. Its outputs were described as prodigious, professional, and popular in the region. The Center is working well, nothing major needs fixing and the review recommended that the Center stay the course for the next 18 months. The reviewers concluded that CARTAC is a successful project. Because of the long-term nature of capacity building, the review recommended that the work of the Center should continue beyond the initial three year project, which expires in early 2005, and that all of the donors currently funding the Center should continue their funding.<sup>2</sup>

### ***CARTAC activities***

13. In the initial 18 months prior to the mid-term review, CARTAC staff have undertaken 143 capacity building missions and organized 50 and 31 short-term assignments with regionally and internationally based experts, respectively. In the same period, the Center has organized 49 training activities and seminars with more than 1,600 officials attending for a total of 4,600 person days. Moreover, 11 professional attachments have been organized. CARTAC's activities are primarily determined on the basis of a diagnostic review and the development of an overall work plan that is used in discussions among the national authorities and relevant TA providers, and on which basis CARTAC's activities are derived and coordinated with other providers. The *modus operandi* of CARTAC is to provide resources to assist countries that cannot be provided by the country or by another TA provider in a timely manner. In order to be successful, CARTAC must therefore respond quickly and with appropriate resources.

14. The review concluded that there was a clear need in the Caribbean region for TA in the area of economic and financial management and that CARTAC was well designed to meet that need. The report of the review team notes that all of the participating countries spoke very highly of the need for and *modus operandi* of CARTAC. The Center's openness to requests, the speediness of its response, the quality of its inputs and its key strategic support at crucial junctures was also highlighted. The approach taken by CARTAC in developing its program of interventions and activities has been both logical and methodical. The individual national and regional work programs thus developed are both coherent and comprehensive. The review also found that the way CARTAC does business is not intrusive which contributes to its success and acceptance. CARTAC has struck the right balance between regional and individual country activities.

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<sup>2</sup> CARTAC's Steering Committee has since agreed that work on the formulation of a successor three year project should be completed by the summer of 2004. The UNDP project document, which is currently being prepared by a regional team supported by a Fund staff member, will update information on country needs and address any possible rebalancing of CARTAC's sector emphasis and new areas of need.

15. CARTAC interventions appear to be most successful when they are fully integrated into a strategy and work plan that is developed and owned by the participating country. The review confirmed that ownership by the participating country or region should continue to be an overriding concern in the design of CARTAC's activities. Although not normally in a position to provide long-term resident experts, CARTAC remains actively engaged with implementation of programs and projects over an extended period of time, thereby ensuring continuity and constant support. The flexibility and speed with which the Center responds to requests, as well as the high quality of inputs has been critical to the Center's success. The review found that the combination of CARTAC's planned, strategic long-term activities and its short-term one-off, "fire fighting" assistance is balanced and appropriate. Its interventions have taken into full account the activities of the national and regional authorities and other TA providers.

### ***Regional collaboration***

16. Many of the countries in the region face common issues yet, for a variety of reasons, the skills and lessons learned in one country are not easily applied in others. CARTAC has been able to overcome this problem through the implementation of a number of projects that have wide regional interest and application, such as budget reform initiatives, VAT applications, etc. These initiatives, together with attachments, regional seminars and workshops, have resulted in significant networking benefits.

17. The review team also concluded that capacity building through the use of local expertise has been one of the Center's fortes. Besides the fact that regional experts are often more effective because they are conversant with the region and its issues, building up local expertise, knowledge, and skills in the region also contributes effectively to human-resources building.

### ***TA coordination***

18. The review concluded that CARTAC performs an important role in helping coordinate the TA of other longer term donor projects in the region and encouraged donors to coordinate even more of their efforts through CARTAC. There is considerable merit in using CARTAC as a channel for special-purpose contributions for specific projects or programs, provided they are fully funded and within CARTAC's core area of expertise. The review team suggested that such an approach would increase effectiveness, help foster donor and participating country coordination, and keep down donor and recipient overheads. In order to avoid duplication and overlap, the Center is providing inputs into a central list—to be maintained by the UNDP and the World Bank—of all TA projects in its membership and in its areas of expertise.

### ***Dissemination of information on activities and reports***

19. The review team highlighted the dilemma associated with effective reporting on the Center's activities. One particular purpose of reporting is to keep the Steering Committee abreast of the Center's activities so it fully understands the context and coherence of the

individual activities. Some members of the Committee have raised this as a challenge, since adding additional reporting requirements would cut into the time available to the Center's staff to deliver TA. The review team cautioned against adding additional reporting requirements. Another issue in terms of dissemination concerns the sharing of reports. The review recommended that where CARTAC produces reports as a result of its work in the region, such reports should be made widely available to relevant bodies and governments within the region. A wider dissemination of reports, where this would not intrude on the confidentiality concerns of the recipient authorities, would mean that more people would benefit from CARTAC's work.

### ***Governance***

20. The Steering Committee, which has responsibility for setting the strategic direction of the Center, reviewing progress, and ensuring that CARTAC stays on track to achieve its goals, was reviewed and found to be recognized by all players as the principal governance body of the Center, and effective. The review did, however, pose a number of questions to the Committee for its consideration: i) whether the format of reporting to the Committee needed to be changed to better portray the coherence of the individual activities; ii) whether the number and representation of the Committee in a new funding cycle should be revisited; and iii) whether the Committee should consider providing further guidance to the Project Coordinator on setting priorities for CARTAC's work program.

21. CARTAC is unique among the regional TA centers in the sense that it has established Technical Panels, one within each of its core areas of work, which serve as "sounding boards" on technical matters for the regional advisors and provide input to the work of the advisors. While a good concept, the reviewers concluded that the Panels have not performed the function originally envisaged for them. The review recommended that a further effort be made to improve the work of the Panels.<sup>3</sup>

### ***Cost effectiveness***

22. The review found that the outputs from CARTAC's activities in the first 18 months of its existence have been impressive and that the number and cost of these interventions have been appropriate. The value of the outputs derived from CARTAC interventions was considered positive as hundreds of people have received training; increases in productivity in the work place have been reported by these recipients; and numerous strategies and detailed action plans have been co-developed with participating countries in all four areas of CARTAC activities. In addition to the direct benefits from CARTAC's activities, many secondary benefits were reported, including meeting people with the equivalent position in

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<sup>3</sup> In considering the review's recommendations, CARTAC's Steering Committee felt that the need for the Technical Panels was no longer as important, since a number of formal and informal networks have been established in the meantime.

neighbouring countries, sharing problems, solutions and best practices, networking, and seconding staff to neighbouring countries to resolve specific issues.

23. The review concluded that the activities of CARTAC are timely and appropriate, are delivered with due regard to cost and are effective in resolving both immediate and longer term issues. The review team considered, for example, that the salaries of the resident advisors are commensurate with their qualifications, the salaries, level of effort and expenses of short-term experts match international and regional standards, and the expenses associated with training courses are monitored carefully. The Center's outputs have justified the cost of inputs, but ultimately the success of the Center, as with other TA, will be judged on outcomes, results and impact. The review pointed out, that the longer term and higher level results and impacts will take time to develop and will be a challenge to measure.<sup>4</sup>

### **Lessons learned**

24. The findings of the review provide a number of useful lessons for regional TA, and regional TA centers in particular, some of which are summarized below:

- ***Regional TA is most effective when designed within a country-owned strategic framework, yet a significant and highly valued part of the assistance is of a one-off, fire-fighting or "hotline" type.*** CARTAC has managed to strike a good balance between the two types of activities. While interventions appear to be most successful when fully integrated into a strategy and work plan owned by the authorities, there needs to be sufficient resources in order to flexibly meet the varied needs of the membership. The challenge for regional centers is therefore to balance the need for flexible resource allocations with the resource requirements of TA provided within a strategy or work plan over a sustained period of time.
- ***The success of regional TA depends on the receptiveness of the region and on strong support by the donors.*** The successful establishment of CARTAC is in large part due to the receptiveness of the region and the recognition that a technical center, devoid of bureaucratic infrastructure, could potentially become a very important source of assistance. The decision by Canada to provide 50 percent of the initial three-year budget, and the willingness of donors, in general, to pool their resources and refrain from being heavy-handed in their participation, have been equally important factors.
- ***It is important that there be a clear sense of ownership of a TA center within the region.*** CARTAC has been fortunate that it received a warm welcome by the authorities in the region and the local donor community, and has greatly benefited from a strong commitment by the members of the Steering Committee. It is in that

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<sup>4</sup> CARTAC is in the process of developing a number of indicators of change that will be used, inter alia, to measure change over time and which can be used to determine longer term results and impacts.



regard important that the Fund respect that the Steering Committee is responsible for setting the overall priorities and approving the work plan and that the Fund in its management of the center, including in the hiring of center staff and monitoring their work, is not heavy-handed.

- ***The effectiveness of regional TA is ultimately a product of the quality of the staff and experts hired and the backstopping and other support provided to them by Fund headquarters.*** CARTAC has been fortunate in having good experts, having the resources available to make use of the skills and talents that abound within the region and elsewhere, and making use of the region's cadre of highly professional and committed civil servants.
- ***Establishing efficient ways of reporting on the activities of a regional TA center and measuring change are important, but there are opportunity costs.*** There is a balance to be struck between dissemination of information about the operations of the center and monitoring of outcome and impact on the one hand, and the cost of doing so in the form of reduced time for actual delivery of TA, on the other.

## **B. Evaluations of FAD's TA on Public Expenditure Management in Sub-Saharan Africa**

### **Background**

25. FAD has recently carried out two evaluations of its TA on public expenditure management (PEM) in sub-Saharan African countries. They covered assistance to, respectively, a group of predominantly Anglophone countries and a group of predominantly Francophone countries.<sup>5</sup> These are the latest in a series of evaluations that FAD has conducted in recent years of topics that have been important in its TA work.<sup>6</sup>

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<sup>5</sup> The "Anglophone" group comprises Ethiopia, The Gambia, Ghana, Kenya, Malawi, Nigeria, Rwanda, Tanzania, Uganda, and Zambia. The "Francophone" group comprises Benin, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Comoros, Congo (Republic of), Cote d'Ivoire, Democratic Republic of the Congo, Gabon, Guinea, Madagascar, Mali, Niger, Senegal, Togo, plus Cape Verde and Guinea-Bissau. The latter two countries, although both Lusophone, were included because of their close economic links to the other countries included and the similarities between their PEM systems.

<sup>6</sup> Topics have included: advice on value added taxation, work on which was reflected in *The Modern VAT*, IMF, 2001; treasury management in former planned economies, work on which was reflected in *Setting Up Treasuries in the Baltics, Russia, and Other Countries of the Former Soviet Union: An Assessment of IMF Technical Assistance*, IMF Occasional Paper No. 198; experience with 'Large Taxpayer Units' reflected in *Improving Large Taxpayers' Compliance*, IMF Occasional Paper No. 215; and the organization and management of technical assistance on revenue administration, work on which was not reflected in any publication but which has had a significant impact on the department's approaches to TA delivery.

26. PEM is interpreted broadly here to cover the whole spectrum of activities involved in the public expenditure process, including treasury management, extending from initial planning and budgeting through to final audit.

27. TA on PEM in the African (AFR) region is, on several measures, an important part of FAD's work. In FY 2003, it accounted for about 43 percent of all TA provided on PEM (measured in person-years), and for 47 percent of FAD's total TA to the region. Moreover, TA on PEM (to all regions) represented over 37 percent of the department's total TA delivery.

28. The evaluations were primarily conceived as a response to a distinctly mixed record regarding the effectiveness of TA on PEM to the countries concerned. In some countries, significant progress has been achieved in strengthening PEM systems, but, in many others, such progress has at best been spasmodic.

29. In the first place, the evaluations were intended to provide information and a basis for a thorough discussion and assessment of past work, involving not only the staff of FAD but also other departments within the Fund, national authorities, and other TA providers. Looking forward, they will help to shape FAD's operational decisions on the allocation, subject matter, and delivery method of TA (including that delivered through the two AFRITACs). As discussed further below, close attention to relations with other providers is highly desirable since, in the PEM area, the amounts of assistance they can provide to a given country are often substantially greater than what FAD can provide, prompting questions about the appropriate division of labor.

30. The summary of the evaluations presented here should therefore be seen as part of an ongoing process—summarizing findings and thinking to date—rather than as a completed piece of analysis, or definitive statement of operational implications. Further consideration of the results within FAD is planned, following which it is envisaged that the evaluations (likely including supporting material on individual country experience) will be published.

### **Scope and methodology**

31. An “ideal” approach to the question of ultimate interest—how can TA make the most effective contribution to the Fund's overall goals?—might be to break it into a number of component questions concerning, for instance: the choice of countries and topics to focus on; the substance and technical quality of assistance given; the means through which assistance is delivered; the reactions of national authorities to advice and assistance received (essentially, what did they think about it and what did they do as a result?); and, the impact of the actions taken on policies, institutions, and, ultimately, economic performance.

32. Even with limitless resources, arriving at robust answers to questions of this sort would be extremely difficult, if not impossible, for many reasons. Most importantly, the information simply does not exist to answer with any confidence the essential counterfactual question—what would have happened in the absence of the given assistance? Moreover, with relatively small samples of country experience and considerable variation in exogenous

factors between countries, the construction of a serviceable ‘control’ based on cross-country comparisons is typically impossible.

33. For these reasons, the methodologies adopted were inevitably pragmatic and eclectic, with an emphasis on distilling lessons for ongoing operational decisions, rather than on more formal quantitative analysis of the relationship between TA provision and outcomes in terms of policies, institutions, and performance.

34. A considerable effort was needed to assemble the relevant information (primarily obtained from departmental files) and prepare initial analyses and assessments of country experiences. This work was done by staff, with care being taken to ensure that individuals did not prepare the information and initial assessments regarding work in which they personally had been involved. For both evaluations, outside consultants were involved in the process. For the Anglophone evaluation, a consultant was asked to comment on the preliminary desk assessments and overall conclusions prepared by staff. In the case of the Francophone evaluation, the consultant’s views were documented separately.

35. It is estimated that the two evaluations together absorbed about 18 months of staff time in FAD and about 60 days of consultants’ time.

### **Main features of PEM systems in the recipient countries**

36. PEM systems in the countries of the Anglophone and Francophone groups were, as regards their formal rules and procedures, typically based on the systems of the former colonial powers as they existed around the time of independence. Despite differences in the rules and procedures of the PEM systems of the two groups of countries, there has been considerable similarity in the problems that have arisen in their actual operation. Common issues have included:

- Budget plans are based on unrealistic assumptions, lack a medium term framework, calendars are tentative and give an incomplete and/or fragmented picture of budgetary operations.
- Systems governing budget execution are weak; attempts to patch them through ad hoc controls typically are ineffective and further complicate management structures and responsibilities. Recourse to exceptional spending procedures is common. Accounting—whether of commitments or cash payments—is neither timely nor accurate. Payment arrears are a common problem, even in Francophone countries and despite the explicit attention of their systems to controlling expenditure commitments.
- There has been an unhelpful fragmentation of responsibilities between and/or within the principal budgetary institutions.
- There has often been a broader institutional failure. Parliamentary oversight has been ineffective. Accountability and commitment on the part of high level officials has been questionable, and in a number of cases inconsistent with acceptable standards of

governance. Administrative capacity at lower levels of government has been weak, compounded by the demoralizing effects of low rates of remuneration, high turnover of staff in critical functions, and the impact of the HIV/AIDS pandemic. Internal and external audit capacity has been particularly weak, and in many cases the external audit function does not exist.

- Several of the countries in the sample have experienced some form of civil conflict in recent years, which has greatly exacerbated the challenges they face.

## **TA provided**

### ***Distribution by country and by delivery method***

37. TA to the Anglophone group has been higher in the aggregate and on a per country basis than to the Francophone group. Between FY 1998 and FY 2003 (the years covered by the Anglophone evaluation), assistance to the ten Anglophone countries amounted to some 39 person-years. All countries in the group received some assistance, with the largest amounts being received by Uganda, Zambia, and Rwanda, and the least by Ethiopia. Well over three quarters of the assistance provided was in the form of expert assignments (mostly long term but also including short term).

38. By contrast, over the longer period covered by the evaluation of assistance to Francophone countries (FY 1991 though FY 2003), assistance to these countries amounted only to some 29 person-years. In this group too, expert assignments were the most common delivery vehicle. The respective shares of missions and expert assignments have varied over time, with total delivery of TA rising in periods when greater use was made of resident experts. During the early and mid 1990s, experts played a minor role: only two resident experts were posted in the period up to 1997. This pattern changed thereafter and resident experts were assigned to several countries. However, the effectiveness of a number of these assignments proved questionable, and only two resident experts on PEM are currently assigned to Francophone countries, one of them through West AFRITAC.

### ***Distribution by topic***

39. Problems with PEM systems have affected all stages of the budgeting-expenditure-audit cycle, and as a result TA has been provided on broad range of topics. However, in both groups of countries there was a concentration on budget execution, accounting, and treasury management, with a view to improving expenditure control and fiscal reporting. In some cases, assistance on specific topics was preceded by broad reviews of PEM systems.

40. This focus partly reflects the fact that most countries in both groups had Fund-supported financial programs, and strengthening budget execution and reporting were often critical in the implementation of their fiscal elements. Moreover, many programs have incorporated improvements in expenditure management in their conditionality, most commonly as structural benchmarks but also sometimes as prior actions or performance criteria. In sum, the exigencies of Fund-supported programs have been a major influence on

the composition and distribution of Fund TA in the PEM area. This focus certainly does not preclude the assistance making a contribution to long term capacity building, but it is important to bear in mind that the original motivation for TA was in reality often of a short term, program-related nature.

41. Reflecting several factors—including resource constraints and the greater involvement of other institutions—relatively little assistance has been provided on ‘non-traditional’ topics, such as fiscal decentralization and debt management, although some national authorities have recently expressed strong interest in these topics.

### **The quality and effectiveness of TA**

42. Reaching hard and fast conclusions on the quality and effectiveness of TA is difficult for several reasons, including the limitations of information, and consequently methodology, referred to above. However, some broad impressions can be stated with a degree of confidence.

43. The professional quality of the assistance provided, and its relevance to the issues faced by recipient countries, has generally been high. This impression emerges from the staff’s own desk reviews but also, and more tellingly, from feedback obtained from national authorities and from the external consultants. Further support for this view is provided by the fact that the advice offered—basically geared to achieving realism, accuracy, clarity, and accountability—reflects widely accepted principles of financial management as well as actual practice in countries generally considered to have strong PEM systems.

44. At the same time, there is little doubt that the impact of TA in bringing about durable improvements has often—although by no means always—been disappointing. This is reflected in relatively low rates of implementation of recommendations and continuing systemic weaknesses as reflected in PEM assessments associated with the enhanced HIPC initiative. Moreover, in a number of instances, initial successes have not been sustained over time. Many factors, of course, underlie this generally disappointing record—some at least partly under the control of FAD, and others not.

45. Regarding factors that can be influenced by FAD, an important finding is that—often reflecting the short term motivation for a particular piece of TA—assistance has sometimes been provided within a less well articulated strategic framework than ideally desirable and without recognizing the likely capacity constraints faced by the authorities. When this happens, necessary interlinkages between reforms are neglected, with the effect that the benefits of progress in a given area are limited by the fact that needed complementary steps in other areas are not taken. This can be a particularly serious problem in reforming PEM systems since, to be effective, reforms often require a long sequence of activities to ‘go right’.

46. Another finding is that the impact of FAD’s advice may also sometimes have been impeded by relative neglect of issues likely to arise in the course of implementation. Staff have sometimes underestimated the obstacles to reform that national authorities would face,

even if fully committed to reform, and also underestimated the amount of time required for implementation. Moreover, such underestimation can also result in neglect of the need for follow up and monitoring after an initial delivery of assistance, although such an engagement can, of course, only take place with the active support of national authorities.

47. An adequate framework for assistance is particularly important for long term expert assignments: if initiated without a clear objective and terms of reference, such assignments can be ineffective and costly. However, in some circumstances, assignment of a long term expert does remain the most efficient way of tackling issues, especially when there are urgent challenges to be met and capacity is extremely limited.

48. The evaluations thus point to the importance of directing TA as precisely and concretely as possible to the, often difficult, circumstances faced by the recipient countries. At the same time, they provide support for the view—often expressed in other contexts—that no reform program can advance far in the absence of genuine and durable commitment on the part of national authorities. In a significant proportion of the countries covered, commitment appears to have been questionable, and this has been a critical factor limiting the impact of assistance.

49. In this connection, it is noteworthy that there is evidence relating to both groups of countries that the existence or prospect of a Fund program is a significant spur to the adoption of recommendations. However, the evidence also suggests that, absent a more lasting commitment to reform on the part of the authorities, the influence of Fund-supported programs is often, by itself, insufficient to preserve progress once the short term pressures that prompted the TA in the first place have abated.

## **Conclusions**

50. The findings summarized above suggest the need for attention to ensuring both that advice is well designed and that it is well used. More specific pointers as regards operational guidelines could be summarized as follows:

- ***It is important to give TA as clear a strategic orientation as possible.*** In many of the cases where the impact of TA has been limited, at least part of the problem can be traced back to an initial lack of clarity about its purpose and its relation to other activities, whether of the Fund, national authorities, or other TA providers. At the same time, it needs to be recognized that, though desirable, fully articulated strategies are not always feasible, especially where future prospects are uncertain and local capacity is weak, as is often the case in post-conflict countries.
- ***Strategies should be developed in consultation with national authorities,*** ideally, as part of an integrated approach to improving economic performance (as reflected, for example, in PRSPs). This fosters ownership and commitment, and makes it more likely that constraints and issues likely to arise in the course of implementation are realistically addressed, and that timeframes are established accordingly. As far as possible, strategies should also incorporate a clear definition of expected activities,

their pacing and sequencing (both on the part of the Fund and national authorities) and outputs (“deliverables”). This is the subject of an ongoing effort on the part of OTM and all TA-providing departments to improve the monitoring of TA activities and their results.

- ***The Fiscal Strategy Briefs (FSBs) now prepared in FAD can play an important role in ensuring that TA needs and options are considered in a strategic context.*** FSBs have been prepared over the last two years for over 40 countries with the aim of setting out comprehensively countries’ fiscal issues and options for assistance. They have been helpful in giving internal discussions (including regular review of new TA requests) a strategic orientation. If outstanding proposals regarding FSBs are adopted, they may also provide a platform for strategic discussion of TA needs with national authorities and other providers.<sup>7</sup>
- ***The immediate motivation for much TA on PEM has been, in various ways, to support the implementation of Fund-supported financial programs, and this is unlikely to change.*** Demands arising from this source will be a primary claim on limited resources, and a primary influence on the topics on which TA is given, partly because other providers of TA cannot typically be expected to devote the same attention to the interface between PEM and macroeconomic policy as the Fund. Program-related requirements are likely to mean that substantial amounts of assistance will continue to be given in the areas of budget execution and reporting. However, given the range of circumstances that countries face and the importance of other topics (such as budget preparation), this emphasis cannot be exclusive.
- ***Not all TA is, or should be, provided to support the implementation of Fund-supported financial programs.*** There is a balance to be struck between the allocation of TA resources for this purpose and to meet other capacity-building needs of members, including those that may be identified through the Fund’s surveillance activities.
- ***In general, alternative methods of delivery to assignments of long term experts should be considered.*** Such assignments carry an inbuilt risk of being inimical to local capacity building and/or of masking a lack of the necessary commitment on the part of national authorities. In some circumstances, however, long term assignments are the most suitable delivery mechanism, for instance, when local capacity is particularly weak, as may often be the case in post-conflict situations. Where long term experts are assigned, precautions need to be taken to maximize the chances of their being effective, and there is scope to strengthen arrangements in this regard. Particularly important are: careful attention to the realism of their terms of reference

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<sup>7</sup> Following an IEO recommendation, there is an outstanding proposal before the Executive Board that, at least on a selective basis, FSBs be made available to, and discussed with national authorities as part of the Article IV consultation process.

and clear agreement with national authorities regarding their principal features; thorough and regular backstopping by staff at headquarters; clear definition of deliverables and a timetable for their delivery; and regular inspections of progress (by staff other than the immediate backstopper) to ensure that progress is on track. FAD's policy is now to require that such inspections are made before expert assignments are extended.

- ***Any proposals for changes in procedures and policies need to take account of the fact that resources for TA are unlikely to increase.*** Some of the changes outlined here, that are already being implemented or being considered, would in themselves require more resources. For instance, closer consultation with national authorities or the preparation of Fiscal Strategy Briefs are time-consuming activities. Similarly, greater attention to follow-up will, other things equal, increase the amount of resources absorbed by a given TA intervention.
- ***Resource constraints will inevitably mean that any extension of the range of topics covered by TA would have to be very carefully considered.*** They will also mean that the amount of assistance that the Fund can provide on PEM in a given case will typically continue to be substantially less than that provided by other agencies.
- ***The most promising avenue for easing resource constraints is close coordination with other TA providers.*** This can be particularly helpful in providing assistance in areas complementary to those in which FAD is itself directly providing assistance, and thus in easing the dilemmas that may arise when, to be effective, assistance in one area needs to be supported by parallel assistance in other areas. Coordination will take different forms depending on the circumstances, can often be quite time-consuming, and cannot always be expected to yield results. Moreover, there are areas—notably, those closely related to overall macroeconomic management—in which the Fund is likely to have an expertise or interest that others may not share, and on which, as noted above, it is important for the Fund to preserve its own capacity to provide assistance. Nevertheless, as recent experience in a number of countries has shown, there is scope for an increased effort to coordinate with other providers.
- ***Authorities' commitment to reform is indispensable to the success of TA.*** Assessing the degree of commitment in a particular case is inherently somewhat judgmental. However, where commitment to a proposed course of action is not assured, the provision of TA should be phased accordingly in ways that avoid major deployments of resources until an adequate probability of success has been established. In some circumstances, it is entirely appropriate to give authorities the benefit of the doubt (such as when a new reform-minded administration has taken office). But this should not be allowed to shade into a systematic underestimation of the difficulties that authorities may face in mustering and sustaining the required commitment to reforms. Where it is clear that commitment is lacking and that the necessary remedial steps will not be taken, assistance should be withdrawn.



51. As indicated at various points above, several of these suggestions have already been incorporated in FAD's standard work practices as a result of changes made in the recent past.

### III. EVALUATION PROGRAM FOR FY 2004–06

#### A. Overview

52. The Evaluation Program has been updated to include a total of ten planned evaluations, the majority of which were described in SM/03/141. Three new evaluations have been added: TA to post-conflict countries, and two evaluations of revenue administration TA to Middle Eastern and South East Asian countries, respectively. Table 1 provides a summary

Table 1. Technical Assistance Evaluation Program—FY 2004–06

Department/ TA center	Topics	Report to the Board Fiscal Year
PFTAC	Pacific Financial Technical Assistance Centre (PFTAC) 1/	2005
LEG	TA related to strengthening the Commercial Court and the implementation of the Bankruptcy Law in Indonesia	
AFRITACs	Africa Regional Technical Assistance Centers (AFRITACs) 1/	
FAD	TA on tax policy to countries facing a loss of revenue as a result of trade and tariff reform 2/	2006
MFD	TA in Anti-Money Laundering and Combating the Financing of Terrorism	
MFD	TA to the Democratic Republic of the Congo	
Multi-departmental	TA to post-conflict countries	2007
FAD	Revenue administration—TA to Middle Eastern countries	
FAD	Revenue administration—TA to South East Asia	
STA	General Data Dissemination System (GDDS)— Regional TA projects	

1/ The reviews and evaluations of the regional TA centers are being carried out as part of a two tier monitoring and evaluation process employed by the centers in which the regular reviews of the centers' performance are the responsibility of the centers' respective governing committees, while the less frequent, but in-depth reviews and evaluations are usually undertaken by external consultants or parties on behalf of the committees.

2/ In SM/03/141, this evaluation was tentatively described to focus on TA in support of countries undergoing trade and tariff reform.

of the updated Evaluation Program covering the period FY 2004–06, with reporting to the Board of the respective findings in the period FY 2005–07. With these additions, the amount

of TA delivered in the areas covered by the Program is estimated to total some 290 person-years. Although the full cost of carrying out the three new evaluations is difficult to estimate at this time, it is expected that they in total will require 1 ¾ person years of staff time, equivalent to an estimated cost of \$275,000<sup>8</sup>, and \$250,000 for hiring external evaluators.

## **B. New evaluations being planned**

### **TA to post-conflict countries**

#### ***Background***

53. TA has played a critical part in the Fund's efforts to help countries or territories emerging from post-conflict situations restore macroeconomic stability as the basis for sustainable growth.<sup>9</sup> TA to post-conflict countries has typically sought to rebuild statistical and administrative capacity of key economic institutions responsible for making and implementing fiscal, monetary, exchange rate, and financial sector policies. Such assistance plays a critical role throughout the recovery process, but particularly during the early stages when adequate administrative capacity is essential to restore macroeconomic stability. Because the authorities will only gradually develop their own capacity to coordinate TA, significant resources are also usually devoted to ensure effective coordination among TA providers.

54. The Fund's post-conflict TA draws on diverse modes of delivery often combining frequent Fund missions with the assignment of short-term or peripatetic advisors to carry the mission's work forward in the field. Subsequently, when the security situation stabilizes, long-term advisors are typically placed. The collapse of administrative capacity often means that Fund advisors occupy line positions of authority, albeit temporarily, until a local capacity is recruited and developed to manage key positions. TA is typically also provided to train all levels of staff.

55. Over the period 1998-2003, TA delivered in the field to post-conflict countries totaled some 90 person-years, or an average of 13 person-years per year.

#### ***Scope and methodology***

56. This evaluation will cover the Fund's experience in delivering TA to post-conflict countries. It will encompass all areas of Fund TA, including macroeconomic, fiscal, monetary, financial, and related statistical fields, and activities that strengthen the legal and administrative framework in these core areas. The evaluation will cover TA provided in the

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<sup>8</sup> Based on standard costs (A9-A15 level).

<sup>9</sup> Since the early 1990s, the Fund has been involved in, among others, Cambodia 1991–95, Albania 1991–94, Rwanda 1994–99, Bosnia and Herzegovina since 1996, Sierra Leone since 1998, Kosovo and Timor Leste since 1999, Afghanistan since 2001, and Iraq since 2003.

initial stages of the recovery process where the assistance typically is focused on the development of the most basic administrative capacity, as well as assistance provided over the medium term. Through a combination of desk review and field visits to 2-4 post-conflict countries, the evaluation will cover: the primary issues addressed by the TA; the appropriateness of the advice and assistance given; the steps that national authorities undertook; the coordination role of the Fund and its collaboration with other TA providers; and the main factors that had an impact, both negatively and positively, on the effectiveness of the TA provided.

### ***Reporting***

57. It is expected that the findings of the evaluation will be reported to the Board in FY 2007.

## **Revenue administration—TA to Middle Eastern countries**

### ***Background***

58. Since the mid-1990s, FAD has provided substantial TA to countries in the Middle East to reform their tax and customs administrations. Except for Lebanon and the Francophone countries in North Africa, most Middle Eastern countries have implemented variants of the British tax administration system. Many of them have also undertaken significant customs reforms as their economies have become more open. Among these countries, the degree of dependence on oil revenue has a significant impact on the seriousness of countries to modernize their revenue administrations. In a few countries (e.g., Saudi Arabia and Yemen), FAD assigned long-term experts during the second half of the 1990s, however, the main trend in recent years has been to deliver TA through a combination of review-diagnostic and follow-up missions and short-term experts, in coordination with the long-term TA provided by other agencies (e.g., Egypt and Lebanon).<sup>10</sup>

59. Demand for TA in revenue administration is increasing in the region as more countries move towards market oriented economies. For many of these countries (e.g., Afghanistan and Iraq), the level of support required from the international community to assist in the reforms will be very significant.

### ***Scope and methodology***

60. The evaluation will cover FAD's experience in providing TA in tax and customs administration in the aforementioned 12 Middle Eastern countries, taking into account the mode of delivery (missions, short-term/peripatetic experts, and long-term expert assignments) and the substance of the advice provided. It will assess the impact of this advice

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<sup>10</sup> From 1998 to 2003, approximately 26 person-years of revenue administration TA were provided to 12 Middle Eastern countries (Afghanistan, Algeria, Egypt, Iran, Jordan, Lebanon, Morocco, Pakistan, Saudi Arabia, Sudan, West Bank and Gaza, and Yemen).

for the main “stakeholders”, beginning with the country authorities—including their reaction to FAD advice, the administrative and legal steps taken to implement this advice, and (as much as possible) the impact of FAD-recommended reforms on tax compliance. It will also assess the impact of FAD recommendations on the preparation and implementation of the IMF-supported program (if any), and the consequence of FAD TA for the development or adaptation of the TA program of other agencies. The ultimate objective of this evaluation is to improve the effectiveness and efficiency of the TA in revenue administration provided by FAD (from headquarters, and possibly through the Middle Eastern TA center being planned) to these countries.

61. It is proposed to recruit an independent consultant to conduct this evaluation. The work of the consultant will be facilitated by a study currently under preparation in FAD.

### ***Reporting***

62. It is expected that the findings of the evaluation will be reported to the Board in FY 2007.

## **Revenue administration—TA to South East Asia**

### ***Background***

63. Since the mid-1990s, FAD has provided substantial TA in tax and customs administration to four countries in Southeast Asia: Cambodia, Indonesia, Lao PDR and Vietnam. In Indonesia, the East Asian financial crisis during the mid-1990s and the subsequent IMF programs pointed to the need to substantially strengthen tax and customs administration. In tax administration, FAD has been coordinating a major reform program in cooperation with several donor agencies. In customs administration, FAD has also helped the Indonesian authorities formulate a medium-term modernization plan.

64. Cambodia, Lao PDR and Vietnam face similar problems in their move toward adopting market policies and more open political practices. With FAD assistance, they have recently undertaken significant domestic tax and customs reforms, adopted modern consumption taxes, and revamped their trade systems. Between 1996 and 2003, FAD assigned long-term experts in tax and customs administration to these three countries. Since 2002, FAD has developed a regional approach to TA delivery for these countries, based on review and follow-up missions, peripatetic expert assignments, and close coordination with donors.<sup>11</sup>

65. Demand for TA in revenue administration continues to be strong in the region, as Indonesia seeks to extend its reform program while the other countries aim to fully implement an initial set of measures required to manage their increasingly market-oriented

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<sup>11</sup> From 1996 to 2003, FAD provided some 28 person-years of revenue administration TA to these countries.

economies. In view of limitations in institutional capacity and the resistance to fundamental reforms from interest groups, the TA requirements will continue to be substantial.

***Scope and methodology***

66. The evaluation will cover FAD's experience in providing TA in tax and customs administration to four Southeast Asian countries during the period 1996-2003, taking into account the mode of delivery, the substance of the advice provided, and the main outputs expected and obtained. It will assess the impact of this advice for the main stakeholders, beginning with the country authorities—including their reaction to FAD advice, the administrative and legal steps taken to implement it, and, as much as possible, the impact of FAD-recommended reforms on tax compliance. It will also assess the impact of FAD recommendations on the preparation and implementation of IMF-supported programs, and on other donors' TA programs. The objective of this evaluation is to improve the effectiveness of FAD TA in revenue administration.<sup>12</sup>

67. It is expected that an independent consultant will be recruited to conduct this evaluation.

***Reporting***

68. It is expected that the findings of the evaluation will be reported to the Board in FY 2007.

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<sup>12</sup> Work done in relation to this evaluation will take into account other evaluations envisaged in the technical assistance work program for Indonesia.