

INTERNATIONAL MONETARY FUND
FY 2000 Annual Report on Technical Assistance

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GLOSSARY

Fund TA-providing departments

BTS	Bureau of Information Technology Services
FAD	Fiscal Affairs Department
INS	IMF Institute
LEG	Legal Department
MAE	Monetary and Exchange Affairs Department
PDR	Policy and Development Review Department
STA	Statistics Department
TAC	Technical Assistance Committee
TAS	Technical Assistance Secretariat

Fund area departments

AFR	African Department
APD	Asia and Pacific Department
EU1	European I Department
EU2	European II Department
MED	Middle Eastern Department
WHD	Western Hemisphere Department

Other acronyms

BCP	Basel Core Principles
BRO	Baltic countries, Russia, and other countries of the Former Soviet Union
CARTAC	Caribbean Regional Technical Assistance Centre
CGPFT	Code of Good Practices on Fiscal Transparency
CMFP	Code of Monetary and Financial Policies
DSBB	Data Dissemination Bulletin Board
FSAP	Financial Sector Assessment Program
FSSA	Financial System Stability Assessment
GDDS	General Data Dissemination System
HIPC	Heavily Indebted Poor Country
IACC	Inter-agency Coordinating Committee (for TA to Russia)
PEM	Public Expenditure Management
PFTAC	Pacific Financial Technical Assistance Centre
PRGF	Poverty Reduction and Growth Facility
ROSC	Report on the Observance of Standards and Codes
SDDS	Special Data Dissemination Standard
TC	Technical Consultation
TCAP	Technical Cooperation Action Plan
VAT	Value-added tax

EXECUTIVE SUMMARY

1. This Annual Report on Technical Assistance (TA) was requested by the Executive Board in June 1999, at the conclusion of its review of the Fund's TA program. FY 2000 was not a typical year for the TA departments, as new pressures were added to traditional activities. These included the agenda for strengthening the TA program laid out at the Board's review; recent policy initiatives relating to, inter alia, HIPC and poverty reduction, financial sector architecture, and standards and codes, all of which have had important implications for TA; and heavy TA involvement in post-conflict cases. The recent efforts of the Managing Director to achieve greater focus in the Fund's work program have also led to new thinking on the role and priorities that should guide the TA program.

2. The Fund devoted about 290 person-years of headquarters and field time to technical assistance work in FY 2000. Over 85 percent of TA is supplied by the three major functional departments—the Fiscal Affairs, Monetary and Exchange Affairs, and Statistics departments (FAD, MAE and STA). As in past years, 60 percent of TA went to members with Fund-supported programs. Although the total level of resources devoted to TA has remained largely unchanged over the last five years, FY 2000 saw the continuation of a regional shift in the allocation of these resources, away from the transition countries (BRO)¹ back towards Africa. In FY 2000, intensive assistance was also provided, often at short notice, to post-conflict cases (absorbing some 11 percent of field-delivered TA). On the human resource development front, the INS trained over 3,100 officials from member states during FY 2000, a 23 percent increase over the previous year, with headquarters' training rising by 15 percent and overseas training by 26 percent.

3. **TA has focused on the traditional core areas of the Fund's operational expertise. Recent Fund policy initiatives have further formalized and expanded the links to surveillance-related work, in addition to the close links already established with program operations.** Pilot programs have been introduced for carrying out Technical Consultations (TCs) in the context of Article IV consultations as well as the selective, but more ambitious effort to develop medium-term Technical Cooperation Action Plans (TCAPs).

4. **The last few years have seen a significant evolution in the Fund's approach to surveillance and program work.** Initiatives have been undertaken to: strengthen financial systems; develop standards and codes in the Fund's core areas of expertise, and to more closely link the Fund's work on debt relief and concessional lending to poverty reduction strategies. **Each of these initiatives has already begun to draw on the technical expertise of the principal TA departments as well as to generate requests for TA, as countries**

¹ The Baltic countries, Russia, and other countries of the former Soviet Union where capacity building has either been completed or assumed by national authorities and other TA-providing agencies.

seek to remedy perceived weaknesses in their institutional and policy environment. Potential demand for TA to address these weaknesses could be significant.

5. **Another important facet of the TA work program has been an outgrowth of the Executive Board's review of the Fund's TA program in June 1999.** At that time, the Board catalyzed efforts to: strengthen the delivery of TA; improve the planning, monitoring, and evaluation of TA; intensify its linkages with surveillance- and program-related work (as reflected in the TC and TCAP initiatives mentioned above); and foster greater ownership and commitment of the recipient countries. In March 2000, the **Fund's first Policy Statement on TA** was issued, which sought to clarify the objectives, scope, and modalities of the Fund TA program for both the membership and public at large.

6. **Concerns expressed by the Board at the time of the June 1999 review have led to a number of actions to enhance the effectiveness of TA in FY 2000. FAD, MAE, and STA have strengthened the processes by which TA is delivered, monitored and evaluated.** Efforts have been made to revisit operational modes of delivery; make more extensive use of follow-up and inspection visits; calibrate better the balance between short- and long-term TA; combine TA with other—particularly surveillance—work; and at times to handle requests directly and informally from headquarters. Fund departments are also making efforts to maximize effective regional TA and to coordinate with other providers. To promote transparency, procedures are being instituted to request recipient authorities' approval for the publication of summaries of TA reports.

7. **Proposals for monitoring and evaluation of TA are already being implemented, taking account of a recent review of experience in other TA providing agencies.**² Three principles have guided this work: to enhance the participation and ownership of recipient authorities at all stages; to improve performance management by strengthening and systematizing best practices of monitoring and evaluation, and to plan explicitly for these in TA design; and to facilitate feedback from TA activities to other operations. Each department is now seeking to track and review performance closely and conduct regular self-evaluation with inputs from area departments and recipient authorities. They will also do periodic internal thematic and country evaluation assessments, sometimes with external participation. Full ex post external evaluation work is to be left to the newly created Independent Evaluation Office. (Two internal evaluations—of TA to establish treasury systems in the BRO and of work with the value-added tax (VAT)—were completed by FAD in FY 2000.)

8. **Prioritization among competing demands for TA in a situation of tight resource constraints has become a dominant concern for the Fund in general, and for TA managers in particular.** With the expansion of potential demand for their technical resources, and constraints on supply (as Fund staff are increasingly under pressure from other activities), TA managers confront difficult choices. Issues relating to the prioritization of TA are addressed in Section VI. The INS has sought cost-effective ways of expanding training

² "The Evaluation of TA by Other Providers," SM/00/68, March 2000.

by increasing its activities at its overseas centers and, in FY 2000, by launching a distance learning program. Recently, it has also begun to provide shorter, more focused courses for senior officials.

9. **The Fund's TA program is already partially financed externally, and there may be significant potential to maintain and even increase this.** The advantage of external financing includes maximizing synergies in TA provision—for example, other TA agencies provide a wide array of inputs such as equipment, project-related training, software, and local support services which can usefully complement the Fund's diagnostic and advisory TA work—and avoiding the provision of conflicting or overlapping advice. Nevertheless, external financing is far from costless since its management requires a high level of professional and administrative staff time.

I. INTRODUCTION

10. **This Annual Report on Technical Assistance (TA) was requested by the Executive Board in June 1999** at the conclusion of its review of the Fund's TA program, both as the start of a more regular reporting to the Executive Board on TA developments and as a possible vehicle for greater transparency to the public on this aspect of the Fund's activities. This report seeks to provide an overview of the various important developments that have significantly influenced the Fund's TA program in the last year. FY 2000 was not a typical year for the TA program, as several new pressures overlay and supplemented the normal activities of the different Fund TA departments.

11. **First, the Executive Board meeting of June 1999 laid out an agenda for strengthening the efficiency, effectiveness, and impact of the TA program, for increasing its transparency, and for intensifying the linkage between TA and the Fund's other principal activities—surveillance and Fund-supported program work.**

12. **Second, new developments in the Fund's work program—notably, the work on standards, codes, and financial sector assessments, the refocusing of the initiative for heavily indebted poor countries (HIPC) and the poverty reduction and growth facility (PRGF), and the increased attention to issues of safeguarding the Fund's resources and addressing data quality in reporting to the Fund have begun to have important ripple effects on the TA program. In the short term, some of the resources of the TA departments have been diverted to these initiatives (temporarily, in the case of MAE), reducing their capacity to respond to requests for traditional types of Fund TA. At the same time, these developments have begun to influence the demand for the Fund's TA services requiring intensified prioritization in allocating TA department resources, both between surveillance and TA, and in the response to individual requests for TA. The need for such prioritization will be further intensified in the future as TA supports the Managing Director's effort to direct the Fund's work program toward crisis prevention, crisis management, poverty reduction, and macroeconomic and fiscal sustainability.**

13. **Third, several new post-conflict situations emerged** (particularly in East Timor and Kosovo) which required a strong and resource-intensive response from the Fund.

14. **Fourth, FY 2000 marked a year when special efforts were launched to widen the range and scope of the Fund's collaboration with other TA providers**, including broadening the sources of external financing. Although the outlook remains uncertain, enhanced collaboration with other providers of TA will have an important influence on the development of the Fund's TA program in coming years.

15. **This report seeks to pull together these various elements.** Section II provides a brief overview of the TA program during FY 2000. (The Appendix provides further information on the distinctive elements of each department's TA activities.) Section III describes how the TA program is being affected by recent Fund initiatives. Section IV describes the Fund's TA involvement in post-conflict situations. Section V reviews efforts to strengthen the operational modalities of the TA program. Section VI picks out important

policy themes, focusing principally on issues of TA prioritization, external financing, and the blurring of TA and surveillance work. This section highlights recent initiatives to ensure that the allocation of TA resources is more closely aligned with management's vision on the priorities for the Fund's overall work program.

16. The Supplement to this report (SM/00/227, Sup. 1) and its appendices cover the activities of the individual TA departments in more depth, and provide information on the guidelines used for the delivery, monitoring, and evaluation of TA by the main TA-providing departments. The Supplement also describes the outcome of two recent FAD self-evaluations, lists recent seminars on General Data Dissemination System (GDDS) issues, and provides a table of the Fund's regional groupings.

II. GENERAL OVERVIEW OF TA DELIVERED AND LESSONS LEARNED

A. Broad developments

Functional and regional distribution

17. The Fund provided about 290 person years of TA in FY 2000.³ The following table provides a breakdown of TA by broad functional area and country groupings. **Program countries** (which are not identified as a separate grouping in the table) **accounted for over 60 percent of TA, with HIPC/PRGF countries alone accounting for almost 40 percent.** The fact that regionally-delivered TA is the next highest group, at 15 percent, is due to the large share of the IMF Institute's training program, which is delivered on a regional basis. Countries listed under "Other" (13 percent) include a number of low-income countries such as Lesotho, Botswana, Costa Rica, and Samoa; it also includes countries such as Saudi Arabia which reimburse the IMF for the full cost of the TA provided. The shares of TA delivered under the post-conflict, emerging markets, and transition categories were about the same, at around 8-10 percent each.⁴

³ Recent developments suggest that this is an understatement of the actual magnitude of assistance for two reasons. First, some TA-type activities, especially those relating to codes and standards, may be classified in the Fund's budget reporting system as general surveillance or program support work, even though they are more akin to TA. Second, TA advice and support may be provided directly from headquarters, often informally by e-mail or telephone, but not be recorded as TA work.

⁴ This discussion draws on both "total" and "field time" TA data. Total TA includes both work in the field and time spent at headquarters; field-time data captures only the time spent on TA in the field, excluding time spent on travel.

Fund TA by department and type of assignment in FY 2000

(in Person Years)

FAD	Fiscal Affairs	Advanced economies	HIPC PRGF	In Transition *	Other Prg.	Post Conflict	Emerging markets	China	Russia	Other	Regional	TOTAL	% Dept.	% Fund
	Tax Policy	0.00	5.81	0.37	1.20	0.82	1.98	0.00	0.00	0.60	0.54	11.31	12%	4%
	Tax & Customs Administration	0.22	21.65	2.77	0.59	0.69	4.22	0.34	0.57	4.59	1.70	37.33	38%	13%
	Budget/Treasury/Fiscal management	0.23	22.44	5.36	2.08	1.91	3.64	0.50	2.13	0.36	2.01	40.65	41%	14%
	Other	0.14	3.94	2.63	0.19	0.77	1.04	0.13	0.00	0.07	0.13	9.04	9%	3%
	Total FAD	0.59	53.84	11.12	4.05	4.20	10.87	0.97	2.70	5.61	4.37	98.33	100%	34%
	% Dept	1%	55%	11%	4%	4%	11%	1%	3%	6%	4%	100%		
	% Fund	0%	19%	4%	1%	1%	4%	0%	1%	2%	2%	34%		
MAE	Monetary & Exchange Affairs	Advanced economies	HIPC PRGF	In Transition *	Other Prg.	Post Conflict	Emerging markets	China	Russia	Other	Regional	TOTAL	% Dept.	% Fund
	Banking Supervision / Regulation	0.20	13.34	3.44	1.58	1.42	3.13	0.00	0.20	7.33	5.77	36.39	34%	13%
	Monetary Policy	0.12	15.40	0.93	0.00	3.40	0.27	0.00	0.00	9.22	3.60	32.94	31%	11%
	Payments & Acctng	0.00	4.17	0.89	0.95	3.61	1.45	0.13	0.09	0.42	2.97	14.68	14%	5%
	Forex & Ext Debt	0.00	0.79	0.60	0.47	0.13	0.06	0.18	0.13	0.09	0.33	2.79	3%	1%
	Multi & Other	0.00	5.49	1.81	0.85	4.45	1.09	0.02	0.23	4.47	1.18	19.61	18%	7%
	Total MAE	0.32	39.18	7.66	3.84	13.01	6.00	0.34	0.65	21.54	13.86	106.41	100%	37%
	% Dept	0%	37%	7%	4%	12%	6%	0%	1%	20%	13%	100%		
	% Fund	0%	14%	3%	1%	5%	2%	0%	0%	7%	5%	37%		
STA	Statistics	Advanced economies	HIPC PRGF	In Transition *	Other Prg.	Post Conflict	Emerging markets	China	Russia	Other	Regional	TOTAL	% Dept.	% Fund
	Balance of Payments Statistics	0.16	5.92	0.32	0.46	0.10	1.41	0.07	0.25	2.65	2.06	13.40	33%	5%
	Multisector Statistics	0.07	1.15	4.29	1.10	1.77	1.33	0.00	1.85	0.29	1.95	13.80	34%	5%
	National Accounts Statistics	0.00	2.26	0.72	0.36	0.10	0.52	0.04	0.07	1.59	0.73	6.39	16%	2%
	Money and Banking Statistics	0.14	0.94	0.31	0.12	0.25	0.96	0.00	0.09	0.48	1.69	4.98	12%	2%
	Government Finance Statistics	0.00	0.23	0.28	0.07	0.00	0.21	0.04	0.06	0.31	0.29	1.50	4%	1%
	Other	0.03	0.00	0.00	0.39	0.00	0.04	0.00	0.06	0.00	0.00	0.53	1%	0%
	Briefing / Debriefing / Evaluation / Ins	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0%	0%
	Total STA	0.40	10.51	5.92	2.50	2.22	4.47	0.14	2.39	5.33	6.72	40.60	100%	14%
	% Dept	1%	26%	15%	6%	5%	11%	0%	6%	13%	17%	100%		
	% Fund	0%	4%	2%	1%	1%	2%	0%	1%	2%	2%	14%		
INS	Institute	Advanced economies	HIPC PRGF	In Transition *	Other Prg.	Post Conflict	Emerging markets	China	Russia	Other	Regional	TOTAL	% Dept.	% Fund
	Institute	0.75	1.20	0.51	0.00	0.00	1.59	0.63	0.49	0.44	18.53	24.13	99%	8%
	Other	0.05	0.07	0.00	0.04	0.00	0.11	0.00	0.00	0.07	0.00	0.34	1%	0%
	Total INS	0.80	1.27	0.51	0.04	0.00	1.70	0.63	0.49	0.51	18.53	24.47	100%	8%
	% Dept	3%	5%	2%	0%	0%	7%	3%	2%	2%	76%	100%		
	% Fund	0%	0%	0%	0%	0%	1%	0%	0%	0%	6%	8%		

Note * : Includes some program countries

Fund TA by department and type of assignment in FY 2000

(in Person Years)

LEG	Legal	Advanced economies	HIPC PRGF	In Transition *	Other Prg.	Post Conflict	Emerging markets	China	Russia	Other	Regional	TOTAL	% Dept.	% Fund
	Law Reform	0.12	0.14	0.12	0.07	0.00	3.32	0.09	0.00	0.13	0.00	3.99	50%	1%
	Banking & Fiscal	0.07	1.74	0.22	0.00	0.62	0.13	0.00	0.00	0.67	0.00	3.44	43%	1%
	Others	0.23	0.10	0.00	0.00	0.16	0.09	0.00	0.00	0.00	0.00	0.57	7%	0%
	Total LEG	0.42	1.98	0.33	0.07	0.77	3.53	0.09	0.00	0.80	0.00	8.00	100%	3%
	% Dept	5%	25%	4%	1%	10%	44%	1%	0%	10%	0%	100%		
	% Fund	0%	1%	0%	0%	0%	1%	0%	0%	0%	0%	3%		
OTH	Other	Advanced economies	HIPC PRGF	In Transition *	Other Prg.	Post Conflict	Emerging markets	China	Russia	Other	Regional	TOTAL	% Dept.	% Fund
	Other	0.45	3.16	0.12	0.00	0.06	3.02	0.42	0.00	3.24	0.12	10.60	100%	4%
	Total OTH	0.45	3.16	0.12	0.00	0.06	3.02	0.42	0.00	3.24	0.12	10.60	100%	4%
	% Dept	4%	30%	1%	0%	1%	29%	4%	0%	31%	1%	100%		
	% Fund	0%	1%	0%	0%	0%	1%	0%	0%	1%	0%	4%		
Grand total		2.98	109.93	25.67	10.50	20.26	29.60	2.60	6.23	37.02	43.60	288.40	100%	
	% Fund	1%	38%	9%	4%	7%	10%	1%	2%	13%	15%	100%		

Note * : Includes some program countries

18. Within FAD, about 50 percent of TA was directed to tax policy and tax and customs administration, and 40 percent to public expenditure management. The remainder included areas such as fiscal federalism, social safety nets, etc. Within MAE the same amount, about one third of its total TA, went to banking supervision/regulation as to monetary policy and operations. An increasing share of STA's TA was devoted to supporting standards and codes, as well as to the support of program- and surveillance-related statistical needs.

19. **Differences in the allocation of resources by TA departments across country groupings are marked, with a higher proportion of FAD's TA directed towards HIPC/PRGF countries than is the case for the other departments.** This is perhaps not surprising since it is these countries, with relatively weak fiscal systems combined with the need for improvements associated with large aid program flows and the tracking of debt relief, where the capacity-building requirements of ministries of finance are the greatest. MAE has a relatively heavy involvement in providing TA on a regional basis, reflecting the existence of regional banking arrangements, principally in Africa.

20. The higher proportion of MAE's assistance to the "post-conflict" category reflects the fact that it is often easier for the Fund to place experts in a central bank following a crisis period, than in a ministry of finance or a statistical agency, where political factors and other donor involvement can complicate the process of reaching agreement, even after a request for assistance is made. MAE still provides a number of long-term experts to several central banks in smaller countries who serve as advisors to the governor or, in some cases, even holding operational positions (including the governor's position itself), which accounts for the rather high percentage of its resources in the "Other" category.

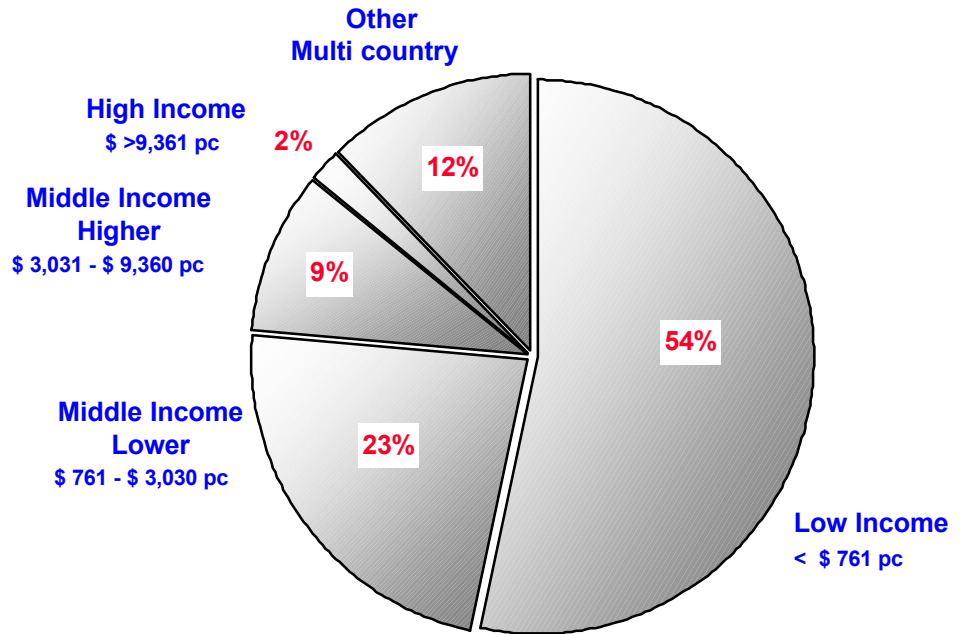
21. The proportion of LEG TA to the emerging market category reflects its large financial legal reform program for Indonesia.

22. In terms of regional balance, countries from the African (AFR), Asia and Pacific (APD), and the European II (EU2) regions together absorb almost 70 percent of TA resources applied in the field. However, the regional concentration is gradually shifting away from transition countries, as capacity-building is either completed or taken over by national authorities and other agencies. The main beneficiary of the shift—particularly in FAD and MAE—is Africa, which accounted for 33 percent of the field total in FY 2000.

23. The following two charts summarize the distribution of TA by country groupings (by region and per capita income) and by functional area.

Chart 1. Distribution of TA by Country Groupings in FY 2000

By income level



By region

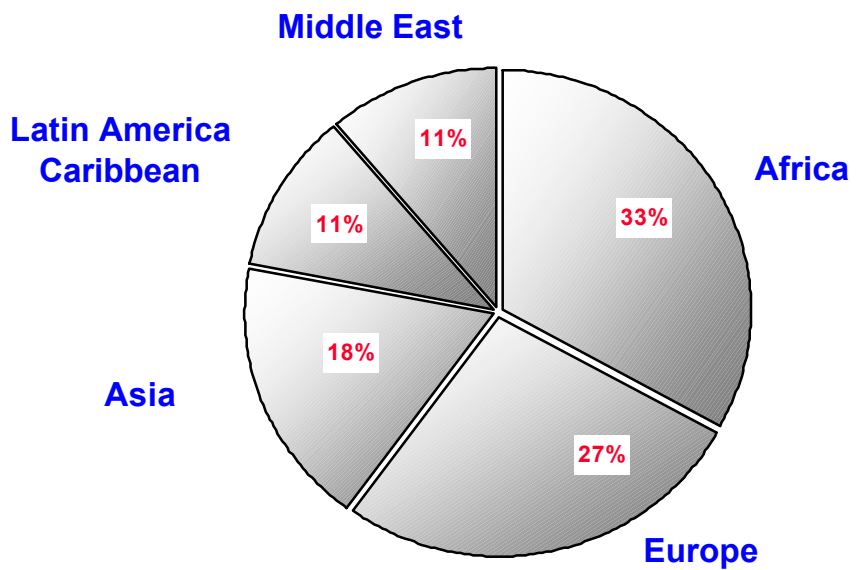
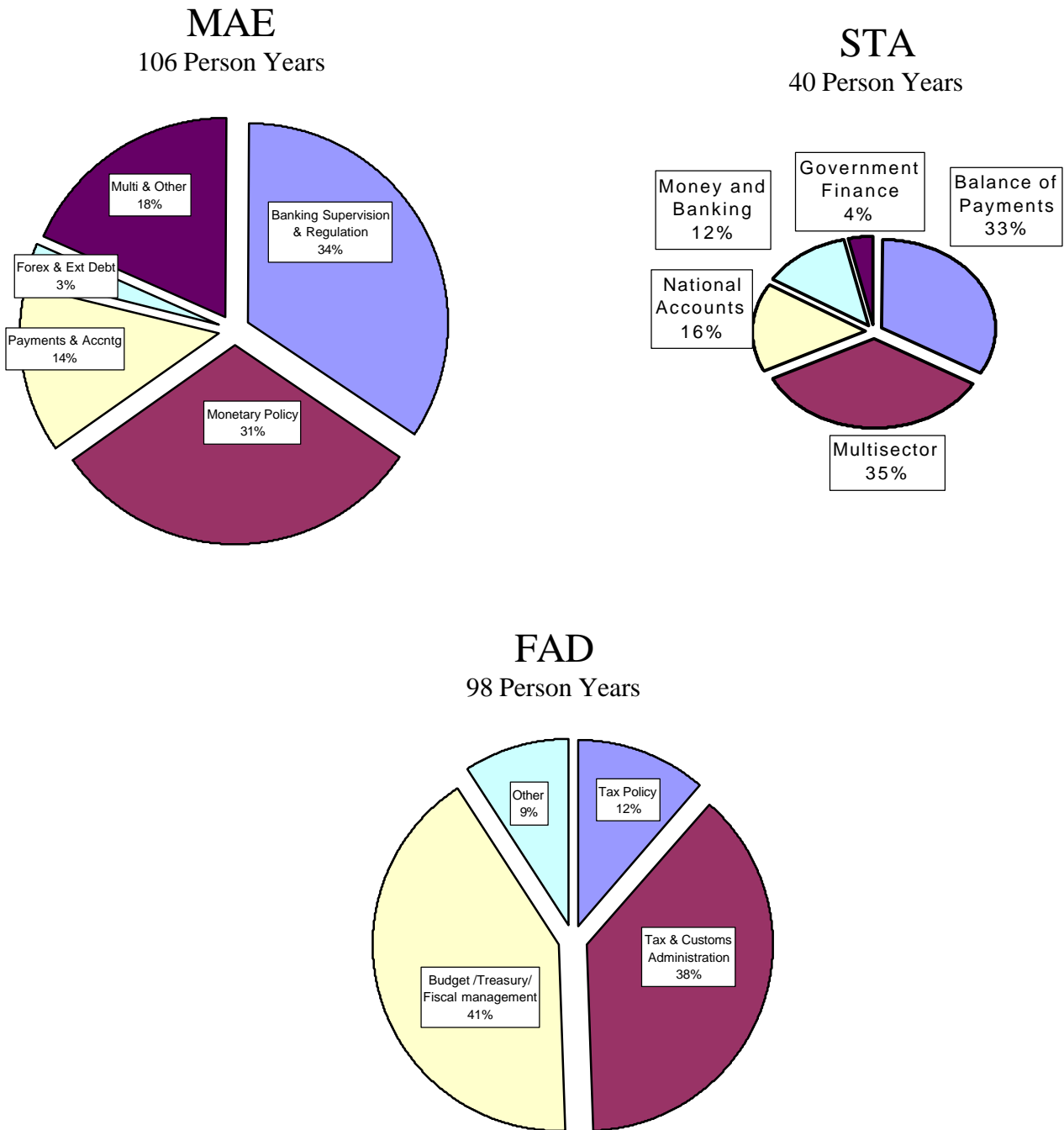


Chart 2. TA Functional Distribution in FY 2000



Modes of delivery and organization of the TA program

24. **In organizational terms, the TA program is largely managed by the individual TA departments**, which discuss requests directly with country authorities, design and deliver the assistance, and monitor, backstop, and evaluate/assess TA in progress. **Fund-wide TA policies are handled by a senior-level Technical Assistance Committee (TAC)**. The TAC reports directly to the Deputy Managing Director responsible for TA, and coordinates and establishes policies and procedures regarding the financing, planning, allocation, monitoring and evaluation of TA resources. The TAC is supported by the Technical Assistance Secretariat (TAS), attached to the Office of Budget and Planning in the Office of the Managing Director. The TAS also assists in negotiating and administering TA agreements with other agencies and donors.

25. With the increased demand for the Fund's specialized technical resources (both for TA and to respond to recent Fund policy initiatives), **there have been efforts to leverage more effectively the Fund's TA resources** by: expanding regional assistance; emphasizing coordination with other TA providers; combining TA with other—particularly surveillance—work; and responding to requests informally from headquarters by phone and email rather than through missions. FAD, MAE, and STA have also strengthened the delivery, monitoring, and evaluation of TA, increasing recipient involvement at every stage. The INS has increased its reliance on overseas training and, in FY 2000, launched a distance learning program.

26. **Long-term experts⁵ accounted for more than half the TA provided in the field by the Fund in FY 2000, with FAD and MAE using this mode of delivery the most often.** Such experts are used particularly for public expenditure management, customs and tax administration, banking supervision and restructuring, and general advisory work, largely, as noted above, in Africa and in the transition economies. Often, long-term experts are used in combination with staff missions from headquarters in order to deepen and maintain the momentum for reforms, especially for institutional capacity-building.

Sources of financing

27. **The Fund's TA is financed both from internal and external sources. External financing has accounted for about 35 percent of total TA and about 50 percent of field TA** in recent years, although due to the budgetary constraints of the two largest contributing partners, this share has declined since 1997 and may continue to fall in FY 2001.

⁵ Long-term experts are defined as those in situ for 6 months or more.

B. Lessons learned from recent experience with TA

28. In the context of their regular monitoring as well as more recent in-depth evaluation exercises, Fund TA departments have drawn several lessons which are of value in considering how to strengthen the effectiveness of the Fund's TA program.

- **Country commitment to the reforms supported by TA is essential.** Country ownership underlies the effectiveness of TA, whether program-linked or not. In part, commitment is generally translated into ensuring that local capacity and skills are developed through the interaction of local counterparts with Fund TA staff. Recent Fund TA evaluations underscore the importance of authorities providing enough staff with the necessary experience, skills, and authority to ensure that reforms can be carried forward once the TA is completed. The Fund's experience in Bulgaria is particularly instructive (see Box 1). Sustained political and bureaucratic commitment is also critical, as political and institutional instability can seriously impede TA efforts. Weak public service structures and poor conditions of service can undermine capacity-building efforts.
- **A two-way interrelationship appears to exist between Fund-supported programs and effective TA.** Just as effective TA helps to underpin the success of a Fund-supported program, Fund-supported programs appear to facilitate the effective implementation of TA. The recent FAD internal evaluation of its TA on Treasury systems in the BRO, for instance, showed that linking steps in institutional reform to the sequencing of program reforms was instrumental to success. This underscores the importance of concentrating TA on those areas which are critical to improving macroeconomic performance.
- **TA needs to be adapted to the local situation.** Recent internal TA evaluations reinforce the not-surprising-message that a single model for TA does not apply, and that successful reforms need to be geared to local administrative capacity. Careful assessment is needed of capacity constraints, conditions for sustainability, and TA sequencing.
- **It is often critical that TA have a medium-term focus.** For the reforms supported by TA to be effective and sustainable, TA may need to continue *after* a policy reform has been put in place. This is a clear lesson from the internal evaluation of TA on the VAT, which found that some of the problems that emerged once the VAT was operational—such as weak audit capacity and credit refund systems—could undermine the credibility of the tax itself. Similarly, most TA from STA is associated with a medium-term action plan developed with the authorities during multi-sectoral missions.
- **Efficiency in the use of TA resources is being increased, but excess demand will continue.** All TA departments mention pressure on TA resources. Using regional arrangements and coordinating with other TA providers may help alleviate this to a certain extent. Strengthened procedures for delivering, monitoring, and evaluating TA

should increase its cost-effectiveness. But there are limits to supply, given that the Fund's TA principally involves the provision of human capital.

- **Combining modes of TA delivery has proven to be important for achieving effective TA.** MAE has observed that in the transition economies, judicious combinations of long-term advisors and advisory missions have proven important for capacity-building. The result has been that market-oriented institutions and instruments can now be sustained with less TA from MAE. This flexible approach to TA delivery has also proven of value to STA and FAD in their work on institutional reform, especially at an early stage.
- **Interagency coordination, particularly in extensive TA programs, is key.** Other TA providers can play an essential role in such cases as the transition economies and post-conflict cases, where reform needs are large and there are many potential TA providers. Such coordination can avoid duplication and conflicting advice, save on scarce resources—particularly the scarce resource of officials' time—and lead to more effective Fund TA by obtaining complementary forms of assistance (equipment, supplies, training, etc.). It is recognized that coordination, whether internal or external, is not a costless activity; it can delay action and consume staff resources. However, on balance, it is beneficial to all concerned in the long run, even though the short-term costs may appear high (see Section VI).
- **Establishing mechanisms for feedback between TA and Fund operational work is important.** TA experience can enrich and inform other TA work—in the same country or, on the same topic, in other countries; review work on program or consultation issues by the TA-providing department; research work by the TA-providing department; and operational work in the area departments. Lessons from the two FAD internal evaluations of TA have already had an impact, putting more focus on the need for follow-up, changing technical advice in some areas, and making it more flexible in others. Circulating TA papers within the Fund for comment and information is one way of disseminating findings. Strengthening monitoring and evaluation systems (see Section V) will provide mechanisms for disseminating information more quickly and systematically in the future. Staff will be able to draw on TA experience directly from departmental data bases, and ongoing TA work will be better reflected in TA departments' comments on operational papers from other departments. Feedback from participating institutions in the INS's training—particularly its regional training—has been crucial to improving its relevance and impact.
- **Successful TA phases itself out.** With the capacity-building in the fiscal and statistical areas in the BRO, and the development of monetary institutions and policy tools in developing countries, TA in these areas is beginning to phase out.
- **Finally, post-conflict and incipient crisis cases will continue to need significant TA at short notice and for extended periods.** However, TA departments have emphasized that such TA carries high risks of ineffectiveness as a result of the prevailing political and economic uncertainty. There is the added risk in such

Box 1. TA for capacity-building in Bulgaria

In conjunction with other TA-providers, the Fund has given Bulgaria considerable TA over the past few years, supporting its shift toward market-oriented economic structures and administration. The assessments of standards and codes demonstrate how far this transition economy, which suffered a major financial and economic crisis in 1996-97, has been able to adapt and strengthen its institutions and policymaking capacity over three years. Particularly dramatic progress was made in the **financial sector**. The Fund's assessment of financial transparency and vulnerabilities showed good to high standards of transparency in the monetary, banking supervision areas and in adhering to Basel Core Principles (BCP). This strong showing resulted from effective strengthening in earlier years. The currency board arrangement in the central bank (the BNB) was established successfully in mid-1997, after intensive collaboration with Fund TA missions on the preparation for and timing of the event, and on its institutional and operational implications, including the restructuring of the BNB. Having a currency board has meant that the central bank cannot use traditional instruments to support weak banks, and the fragility of the banking system required strong measures to improve the legal and regulatory banking framework, the regulatory and supervisory capacity of the BNB, and banking standards and operations. With the support of a combination of Fund missions and expert TA, the banking supervision system was effectively improved—as is evident in Bulgaria's current strong compliance with international banking standards; in the greatly improved soundness of its banking system; and its strong performance during the shocks of 1998-99, which included the Kosovo crisis.

Fiscal reforms since 1997 supported the financial reforms and underlie Bulgaria's strong showing on fiscal management and transparency. The Fiscal Reserve Account set up in the central bank in 1997 was key to the credibility of the currency board, giving confidence that the authorities had a firm hold on the public accounts when the CBA was established. The development of the Treasury system, begun in 1997 and now well advanced, has already improved budget execution. The Fund gave Bulgaria significant TA on the design of the Fiscal Reserve Account in 1997 and on the Treasury system over the following two years. The prudent fiscal stance also reflected reforms aiming at medium-term fiscal sustainability in the areas of tax policy and administrative reform, designed with TA from the Fund. This covered streamlining the existing VAT (established in April 1994), and establishing large taxpayer offices and measures to improve taxpayer control to consolidate and enhance the tax base. The establishment of large taxpayer offices in major centers led to more stable revenues and a reduction in arrears. The streamlining of the VAT substantially increased collections. The Government's recent work toward creating a unified collection agency to ensure the stability of social insurance contributions and improve the efficiency and effectiveness of tax administration has been facilitated by Fund TA as well as significant coordinated TA from the World Bank and other bilateral donors.

Bulgaria has also made good progress on improving its **data dissemination** practices. The scope, timeliness, and quality of its data reporting system, and the production and dissemination process have been upgraded to improve data integrity and expand public access to official data. These advances have largely been due to the authorities' own initiatives, and their effective use of TA from the Fund and other international agencies. The Fund has provided assistance in balance of payments, money and banking, national accounts, and price statistics, following a comprehensive multi-sector review in 1995. The authorities' recent decisions to participate as a pilot country for the General Data Dissemination System (GDDS) and in the ROSC were important steps in improving overall statistical compilation and dissemination.

As a result of sustained commitment by the authorities and TA geared towards capacity-building, Bulgaria now has strong performance on international codes and standards in the monetary, fiscal, and data areas, and the Fund is considering scaling back its TA involvement. ROSC modules (on, inter alia, data, fiscal and monetary transparency and banking supervision) were prepared for Bulgaria in September 1999.

countries that there may be uncertainty relating to the availability of other agency financing to complement and support (for equipment, training, etc.) the Fund's TA. The absence of such funding may weaken the effectiveness of Fund TA.

III. IMPACT ON THE TA PROGRAM OF RECENT POLICY INITIATIVES

29. **Recent years have seen a significant evolution in the Fund's approach to surveillance and program work.** One important strand has been the work associated with the reform of the international financial architecture; in particular, the introduction of the Financial Sector Assessment Program (FSAP) and the development of various standards and codes in the Fund's core areas of expertise (the codes of fiscal and of monetary and financial sector transparency and the Special Data Dissemination Standard [SDDS] as well as the GDDS). Fund staff, in the context of surveillance missions, are now increasingly making assessments of how countries' practices fare against these codes and standards (as manifested in Fund Reports on the Observance of Standards and Codes (ROSCs)). Equally important has been the Fund's efforts, with its development partners, to intensify work on extending debt relief in the context of the HIPC initiative, and to refocus its concessional lending program, the PRGF, to ensure a primary focus on poverty reduction. Other important initiatives that have recently emerged include the effort to safeguard better the use of Fund resources by improving the quality of the data reported to the Fund, to improve debt and external reserve management, and to undertake assessments of offshore financial centers.

30. **Each of these initiatives has begun to draw on the specialized technical expertise of the principal TA departments of the Fund.** In some cases, such as with respect to the HIPC initiative and PRGF work, the consequence has been an intensification of demands for certain types of Fund TA (such as efforts to strengthen budget classification systems or develop medium-term expenditure frameworks), which had not been the dominant areas of TA demand. In other cases, given limited budget resources, the new work, particularly with respect to the assessment of countries' adherence to standards and codes and FSAPs, has initially had adverse implications for the resources available for Fund TA activities. **But the interplay between these initiatives and TA is complicated.** Much of the work on FSAPs, standards and codes, now being provided in the context of the Fund's surveillance missions, also has a TA character. While assessing the performance of a financial sector or performance against a standard or code, advice may also be provided on how to remedy deficiencies directly or subsequently in the context of an action plan for the medium term. This leads to a blurring of TA with the policy advice provided during surveillance work. **And as with the HIPC example, there is typically a direct TA follow-on, as countries request TA in response to assessed weaknesses, thus adding to the demands for the Fund's TA services.**

31. The following discussion lays out in more detail some of the ramifications of recent Fund policy initiatives for the TA program.

A. Work on the Financial Sector Assessment Program, Standards, and Codes

TA and recent initiatives in the monetary and financial sectors

32. The FSAP is a joint World Bank-Fund initiative aimed at reducing the likelihood and severity of financial crises and thus enhancing prospects for stronger and more stable financial systems. It involves comprehensive assessments of countries' financial systems by joint Bank and Fund teams and generates the ROSC modules on the financial sector. **The FSAP is expected to be a major source of TA requests in the future.** The financial sector strategy designed by the authorities to offset the risks and vulnerabilities identified by an FSAP team will give rise to TA needs—whether provided by the Fund, the Bank, or other agencies. Various possible mechanisms are being used to coordinate this assistance.⁶

33. Although only a limited number of assessments under the FSAP have been fully completed, **the program has already helped some authorities recognize and prioritize TA needs.** For instance, during the FSAP mission to Colombia, the need for assistance to strengthen the payments system became apparent, and an additional expert joined the mission to assess TA needs in this area. Subsequently, the authorities requested and received TA to improve the design of the deposit insurance system. After the FSAP assessment, Lebanon requested and received follow-up TA in the areas of insurance and pension system reform (provided by the World Bank), and debt management and the development of securities markets (jointly provided by the Fund and the Bank). Similarly, South Africa has received follow-up TA to implement the stress-testing simulation model used by the FSAP mission.

34. **The FSAP is also expected to generate TA requests as a result of assessments of the extent of countries' observance of financial sector standards and codes of good practices, especially the (BCPs) and the Fund's *Code of Good Practices on Transparency in Monetary and Financial Policies* (CMFP).** In the past such assessments have been carried out by Fund staff under several modalities; in the future they will be carried out principally in the context of the FSAP. A clear tendency in TA generated as a result of Fund and World Bank BCP assessments to date has been to give priority to those areas that are notably deficient from a macroeconomic and macro-prudential perspective. In other cases, priority has been given to measures that yield major benefits and are relatively easy to implement.

⁶ This may include a TCAP (formulated by countries with the assistance of the Fund, see Section V). Alternatively, in the absence of a TC or a TCAP, the joint Fund-World Bank Financial Sector Liaison Committee (FSLC), which has the objective of enhancing financial sector collaboration with the World Bank and consistency in financial sector policy advice, will work to ensure that adequate mechanisms are in place to coordinate TA delivery.

TA and work on standards and codes in statistics and fiscal transparency

35. **Supporting members' adoption of international standards and codes of good practice is becoming an integral part of the Fund's statistical and fiscal work.** Its focus has principally been in improving macroeconomic statistics (through its data dissemination systems and standards) and in promoting fiscal transparency (through its Code of Good Practices on Fiscal Transparency [CGPFT]). The Fund also collaborates with other standard-setting institutions to cover areas that affect macroeconomic stability outside its core operational areas—such as in auditing and accounting. **These exercises also have significant potential to generate demand for TA from the Fund and have already begun to do so.**

36. **Statistics.** STA's work on developing standards in the data area has aimed at helping countries to produce and disseminate timely, accurate, and comprehensive economic and financial statistics. The SDDS is a demanding standard for countries whose macroeconomic data are of relatively high quality and timeliness—about 47 countries presently subscribe. The GDDS, which is a general system rather than a standard like the SDDS, provides a framework for countries to develop statistical systems and improve data quality and dissemination practices. It covers statistical methodology for five sectors—the real, fiscal, financial, external, and socio-demographic sectors—and includes phased plans for improvements. The first phase of the GDDS, covering FY 1999 and FY 2000, consisted mainly of training and the development of metadata⁷ in 13 pilot countries.⁸ **The principal generator of TA demand from work on data standards emerges from countries still seeking to participate in, and attain the recommendations of, the GDDS.**

37. In the ongoing second phase of the GDDS, countries wishing to participate are expected to use the pilot metadata to draft their own and to develop comprehensive plans of action. Experience with the pilot countries suggests they will need TA to do this. Thus, in order to use its resources most effectively, STA is integrating its GDDS activities more fully into its other activities and in particular its TA program. Initiatives have focused on experimental regional approaches, such as the workshops conducted in St. Kitts and Nevis in collaboration with the Eastern Caribbean Central Bank to develop GDDS metadata jointly for

⁷ Metadata are descriptions of current statistical practices in participating member countries and, for GDDS participants, include their plans for making improvements in these practices. Metadata of participating countries are posted on the Fund's Dissemination Standards Bulletin Board (DSBB).

⁸ Pilot countries in the GDDS included (TA mission dates in parentheses): Albania (December 1999); Bangladesh (May 1999); Barbados (January/February 1999); Bulgaria (July 1999); Cameroon (April 2000); Cote d'Ivoire (October/November 1998); Fiji (October 1999); The Gambia (November 1999); Kazakhstan (July 1999); Kuwait (February 2000); Panama (May/June 1999); St Lucia (January/February 1999); Uganda (November 1999). In addition TA was provided on the GDDS to Jordan (February 1999), Mauritius (March 2000), and Sri Lanka (February 2000).

all its member countries. GDDS components are also being included in sectoral TA missions, as in the balance of payments and real sector missions to Mauritius.

38. **At the same time, TA work on the GDDS is supporting other TA efforts: sectoral and multi-sector TA missions have started using the GDDS as a framework to identify shortcomings and to structure comprehensive plans for improvement**, as occurred in the multi-sector mission to Romania. Furthermore, the Pacific Financial Technical Assistance Centre (PFTAC—see Box 2) has adopted the GDDS as a framework in providing TA in statistics in the countries serviced by the Centre.

39. For countries that have moved to adopt the SDDS, STA has sent missions, often quite short (2-4 days), dedicated to SDDS country assessments. There are about 5-10 of these a year (compared with a total of about 200 STA missions fielded annually). Such missions work with the authorities to resolve outstanding issues and to review draft metadata. STA also held a number of regional seminars to introduce the SDDS—there were five of these in FY 1997 and three in FY 2000; three are scheduled for FY 2001.

40. **The most direct link of TA from STA with work on standards and codes arises from the data modules in ROSCs, which review the institutional framework of a country's statistical system, assess current data dissemination practices against the SDDS or GDDS, and appraise data quality.** During FY 2000, seven such reports were prepared, most in conjunction with SDDS or GDDS missions.⁹ These reports aim to improve the availability of information to the public, enhance the credibility of those national authorities following sound practices, and identify areas where further progress is needed. In the course of working with officials to learn how actual procedures compare with prescribed standards (SDDS) or with recommended practices (GDDS), STA economists generally enter into an exchange about how to meet the standards or effect the desired improvements. A complete remedy often requires development of a country program, including an action plan for subsequent TA missions.

41. **Although SDDS missions have been limited, this significantly understates the TA work that goes into the SDDS.** Because upgrading statistics to meet standards is a general aim for most member countries, much SDDS work flows directly from traditional STA TA missions focused on specific topics, i.e., balance of payments and the external asset/liability position, government finance statistics, money and banking statistics, or national accounts and price statistics. Assistance with meeting data standards is also provided from headquarters in the course of responding to queries from national compilers, backstopping resident experts, or in following up on the implementation of mission recommendations. Initiatives like the Foreign Exchange Reserves Template invariably prompt comments and questions from officials on how to comply.

⁹ Albania, Bangladesh, Bulgaria, Czech Republic, Hong Kong SAR, Tunisia, and Uganda.

42. **Fiscal transparency.** Much of the early work involved in assessing a country's fiscal management systems against the requirements of the Fund's CGPFT was done using TA resident advisors (e.g., in Uganda, Ukraine, Cameroon, and Bulgaria) to help countries complete self-assessment questionnaires as a basis for the preparation of the fiscal transparency modules of ROSCs. In a few cases, such help was also provided in the context of Article IV missions (for example in Tunisia and Greece). As the work has progressed, however, TA missions from headquarters (for example, to Azerbaijan, India, and Turkey), and in one case from the PFTAC (to Papua New Guinea), have become the norm.

43. **ROSCs have in turn led to follow-up fiscal TA.** For example, in Bulgaria (Box 1), a mission and the resident advisor helped the authorities develop an improved accounting framework and work toward publication of fiscal risk and sustainability statements. And in Ukraine, a mission advised the authorities on procedures for establishing realistic budget estimates. **Moreover, as fiscal transparency problems, such as unreliable fiscal data and weaknesses in accounting and fiscal reporting, have been increasingly emphasized in the context of Fund-supported programs, TA is being provided to address these specific problems** and so increase the authorities' capacity to formulate and implement fiscal policy.

B. TA, HIPC and PRGF

44. One important imperative of the HIPC initiative is to ensure "additionality" in the effort to reduce poverty in the concerned countries, i.e., to ensure that the additional fiscal resources freed by debt relief are directed toward policy measures—specific expenditure programs or tax reductions—that contribute to poverty alleviation. **For almost all the concerned countries, this will require improvements across the full range of budgetary and financial management practices, including budget formulation, classification of budgetary outlays, development of medium-term expenditure plans, budget monitoring, and evaluation, and auditing.** Additional TA may also be needed to strengthen the capacity of countries to **mobilize domestic resources** for poverty reduction efforts through taxation. These improvements need to extend more broadly to other low-income countries currently developing Poverty Reduction Strategy Papers (PRSPs). As noted in the recent PRSP progress report, the "underlying objective is to ensure that countries have the capacity to manage and use public expenditures effectively and to prevent their misuse." Achieving this objective will be a long-term process and will place considerable demands on the TA resources of FAD (even with an effort to collaborate with the World Bank and others). **There will also be ramifications for STA, as TA is needed to strengthen real sector statistics and indicators used to monitor developments in poverty, income distribution, and social targets** (although much of this work will be carried out by, or in collaboration with, the World Bank and other organizations).

C. TA and other initiatives

45. **The Fund has recently undertaken other initiatives that have a potential to make demands on its TA resources.** In recent months, the Fund has emphasized the importance of ensuring that the financial resources provided to countries in the context of Fund-supported programs are subject to adequate **safeguards**. Equally, recent incidents have highlighted the

need to help strengthen their data reporting and monitoring systems, with respect to the accuracy, coverage, and timeliness of their fiscal and monetary data in order to ensure that Executive Board decisions on disbursements are well grounded. Fiscal data issues have arisen primarily with respect to coverage, timeliness of reporting, mode of accounting, and treatment of quasi-fiscal activities. Monetary data issues have largely pertained to foreign exchange reserves and external debt. Recent decisions by the Board to carry out assessments of **offshore financial centers** and to provide assistance on **debt and foreign reserve management practices** will also give rise to additional demands for Fund TA.

46. **TA on statistical issues is likely to arise out of the “Paris21” initiative.** The Partnership in Statistics for Development in the 21st Century Consortium was set up by the UN, OECD, the World Bank, and the Fund in November 1999. Its long-term objectives are to develop: (i) an evidence-based culture for setting and monitoring policy; and (ii) well-managed statistical systems, utilizing available resources effectively. Initially the focus has been on statistical capacity-building in HIPC countries. STA is ready to work with Paris21 participants on statistical capacity-building in the context of poverty reduction strategies of members.

IV. TA AND POST-CONFLICT CASES

47. **A special source of demand for TA from the Fund has emerged in recent years, as the Fund has sought to support countries or territories emerging from periods of conflict. In such cases, Fund TA is usually given at a fairly early stage,** even before emergency financial assistance (in those cases where assistance can be given). Fund TA, coordinated with that from other providers, can help a country or territory’s initial efforts to rehabilitate essential macroeconomic institutions, restore key services, and lay the basis for a macroeconomic program worthy of external support, whether from the Fund or other sources.

48. Most post-conflict assistance goes to members eligible for TA, and is generally associated with financial assistance under a mechanism approved in 1995 as an expanded version of emergency assistance. Since 1995, seven countries have received post-conflict assistance, comprising TA, policy advice, and financing. But in addition, the Fund has been able, upon the request of the United Nations and with the approval of the Executive Board, to give TA to post-conflict provinces and territories that were not members of the Fund—such as Kosovo and East Timor.¹⁰ It has also provided TA to members ineligible to receive TA without Board approval owing to long-term arrears to the Fund that were still uncleared—partly due to conflict situations—such as Liberia and Sudan. TA is seen as one measure for the prevention of new arrears emerging in such countries.

¹⁰ There has been a long tradition in the Board for approving such requests from the United Nations.

Issues in providing post-conflict TA

49. **The complexities of providing TA in a post-conflict situation are typically far greater than under normal circumstances.**¹¹ **First**, not unexpectedly, economic conditions are often extremely weak when the Fund begins its support. Output and foreign trade are typically well below pre-conflict levels, the banking and payments systems have collapsed with often complete loss of confidence in the local currency, official foreign exchange reserves are minimal, and physical and institutional infrastructures have been severely damaged, if not destroyed. In some cases, basic government services and economic institutions are virtually nonexistent; in others, there has been a massive displacement of the population, extensive human suffering, widespread poverty, and an urgent need to disarm and rehabilitate large numbers of military personnel.

50. **Second**, because of the enormity of the task of restoring urgently needed public administration and activity as soon as possible, **these situations have necessarily required far more effort than usual in coordinating with other TA-providing agencies.** Typically, the Fund has taken the lead in the fiscal, monetary and statistical areas, often supported by other agencies. The latter have covered humanitarian aid and assistance needs for reconstruction and rehabilitation.

51. **Third, the Fund's assistance to these cases is more comprehensive than is standard.** The agenda of restoring macroeconomic stability and building, often *de novo*, a capacity to make and implement macroeconomic policy may begin with each of the basic fiscal, monetary, exchange and statistical areas and then move on to more specialized tasks. It may also involve finding providers of TA and/or sources of funding for TA.

52. **Fourth, such assistance uses diverse modes of delivery more intensively**, 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 may be placed. In Liberia, missions were initially sent; only in the second year, 1998, were 5 MAE and 3 FAD long-term advisors posted to Monrovia.

53. **Fifth, the collapse of administrative capacity means that Fund advisors may occupy *line* positions of authority, albeit temporarily**, until a local capacity is recruited and developed to manage key positions. TA will also be needed to train all levels of staff.

54. **Sixth, once the initial stage is over**, and (where applicable) a post-conflict assistance or staff-monitored program is in place, **TA is typically more closely integrated with the Fund's program than under normal circumstances.**

¹¹ There are limits as to what can be done. For example, the Fund has been unable to provide TA to "Somaliland" in the absence of either a request from Somalia for such assistance or international recognition of "Somaliland" as a territory independent of Somalia.

55. **Seventh, the risks of the assistance being ineffective are much higher.** Usually there is both a significant systemic risk, since security is still fluid and the political environment uncertain, and there may be an implementation risk as well, since local administrations are less stable and counterparts less well trained.

56. **Finally, the focus of TA in post-conflict situations needs to be tailored closely to local capacity and priorities. In the first stages** following a conflict, fiscal TA missions may initially focus on revenues since a priority is to jump-start basic government services. In Sierra Leone and Sudan, for example, the first fiscal TA mission reviewed the tax system. Yet in other situations, the key issue may be to ensure that institutions exist to manage effectively the resources provided by external donors. For MAE and STA, the initial TA tends to be diagnostic or institutional. For MAE, the priority is to establish some sort of payments system on the basis of an assessment of the existing banking and payments situation. It would then advise on financial system reform. STA tends to send multi-sector missions with a view to assessing the strategy for rebuilding the entire statistical system.

57. **In subsequent stages**, the focus of the TA effort is likely to shift. Fiscal advice may focus on the gamut of revenue, expenditure and administrative reforms, emphasizing the effectiveness, transparency and accountability of budget systems that—as a first priority—will give donors the confidence to transfer resources to finance rehabilitation and social sector programs. MAE stresses the establishment of a workable payments system and central bank, creating a credible currency, and developing foreign exchange markets. Statistical advice will emphasize the development of databases in money and banking, balance of payments and national accounts. In many cases, basic fiscal or banking legislation will need to be drafted or revised, and TA from LEG will then be linked with that from FAD or MAE—as it was, for example, in Bosnia and Herzegovina in 1996 to draft the tax administration and central banking laws and the tax codes, banking, and budget laws in Kosovo and East Timor in 1999 and 2000. Very often, when there is a Fund program, the substance and sequencing of the TA advice will be geared to the need for developing the basis and benchmarks for the macroeconomic program.

Experience to date with post-conflict countries

58. **Experience shows that where a post-conflict situation does not revert to crisis, relatively early TA support can help to speed up stabilization and begin the process of more comprehensive reform.** It can also facilitate the reintroduction of transparent processes, helping to rebuild trust in and cooperation with and within the administration. **However, the extent to which post-conflict TA has proven effective is variable. In some cases, the Fund's efforts have been quite positive and the success demonstrable.**

59. **For example, in Kosovo, the Fund was asked by the United Nations to provide immediate TA to help establish a basic institutional capacity in the fiscal and monetary areas.** FAD provided advice on how to establish essential fiscal institutions virtually from scratch, and also provided a comprehensive set of fiscal policy recommendations to guide the work of these institutions; LEG gave advice on draft tax regulations. Most of these recommendations have been implemented. Following the passage of enabling legislation in

Kosovo, the Central Fiscal Authority is now operating as a fledgling ministry of finance and the fiscal institutions follow closely many of the practices recommended in the CGPFT. FAD played a critical role in coordinating this effort with the World Bank and the European Union, and other bilateral donors, especially the United States. It orchestrated the provision of the required TA from different donor sources, supervising and continuously monitoring and guiding the work of bilaterally provided experts.

60. MAE was asked to provide advice on how to establish essential money and payment services quickly and on developing the institutional structure for modern, market economy-based money and banking services. Most of MAE's recommendations have also been implemented by the local UN administration and MAE has played a critical role in coordinating efforts in these areas with other donors. MAE prepared four draft laws (on permissible use of currencies, banking, the establishment of the Banking and Payments Authority of Kosovo [BPK], and payment transactions). The first three of these were adopted in late 1999. The law on payment transactions is still under discussion due to complications arising from existing operations under the former Yugoslav payment arrangements. MAE is financing the Managing Director of the BPK, and USAID is financing four resident senior executives. Both have been providing many short-term experts visits as well. The official opening of the BPK was May 19, 2000. It has already licensed four banks and is providing payment services in German marks. Aside from cash safekeeping, BPK payment services took longer to develop than initially estimated because existing computer equipment and accounting systems could not be used as initially planned. The training of Kosovars in the entirely new procedures of operation is under way. In connection with the above initiatives, LEG has also provided sustained assistance to Kosovo, including in the drafting of the banking, central bank and payments system laws, as well as related regulations.

61. **The Fund has played a similar role in East Timor.** At the request of the UN Transitional Administration in East Timor (UNTAET), the Fund fielded a large number of economic and technical assistance missions during the aftermath of the August 1999 referendum to assess immediate needs, provide advice, and prepare the ground for longer term assistance. MAE helped prepare financial legislation, and regulations to establish a Central Payments Office (CPO), to designate the U.S. dollar as the official currency, to license currency exchange bureaus, and to oversee the banking system. Similarly, FAD missions helped to establish a Central Fiscal Authority (CFA) and a Tax Administration Authority (TAA). Under a joint financing arrangement with the United Nations and Japan, the Fund has now agreed to recruit and backstop the heads of the Heads of the CPO, CFA and TAA as well as three staff positions in the CPO. In view of the lack of qualified Timorese ready to assume these executive positions, **this level of technical support from the Fund is likely to be required for several years.**

62. **In contrast, Liberia's experience has been more mixed,** in part reflecting that it has received only limited donor support outside the Fund's TA. Assistance to the Banking Commission in 1998 supported the drafting of a restructuring strategy for the banking system, including revisions to banking legislation. Support to the central bank set in train structural reforms in the commercial banks, although these have been slow to materialize due to capacity and financial constraints. TA in the monetary area has also supported the

introduction of a new currency to stabilize financial transactions and support macroeconomic stabilization.

63. Meanwhile, assistance in the budget area is expected to help streamline budget execution, updating it and making it more current and operational by introducing a cash management system. Assistance on the revenue side has helped to develop new tax codes, and has supported some increase in badly needed revenues. Assistance to rehabilitate government statistics has supported the development of the basic macroeconomic data series needed for the staff-monitored program. **But longer-term improvements in the underlying surveys and data methodologies have been delayed by a lack of resources for equipment, a reliable power supply, and limited training opportunities.**

64. Moreover, the Liberian example demonstrates the difficulty of implementing TA in these post-conflict cases. **Difficult working conditions, an often insecure environment, and weak financial incentives for civil servants have made it hard for local counterparts to make the best use of TA, particularly where equipment, such as computers, and other resources are unavailable.** An uncertain political environment can also complicate the implementation of longer-term fundamental reforms, which are often delayed, if not reversed. Despite strong efforts by the Fund in 1998 to develop a TA strategy that could be supported by other TA providers, other aid agencies were reluctant to strongly support Liberia, in part because of political concerns. Greater involvement by other donors might have relieved gaps in the Fund's TA, such as the lack of logistical and equipment support.

V. RECENT STRENGTHENING OF THE TA PROGRAM¹²

65. In its review of the Fund's TA program in June 1999, the Board recommended a number of steps to: improve the planning, monitoring, and evaluation of TA; intensify the linkages of TA with surveillance; and foster greater involvement, ownership, and commitment of the recipient countries. This section reviews how the TA departments have responded to these Board initiatives. It describes the substance of the Fund's first Policy Statement on TA, issued in March 2000. It goes on to review how the links between TA and surveillance and program work are being enhanced. It then summarizes recent changes in TA delivery by the main TA-providing departments to make their programs more responsive and cost effective. Finally, it reviews recent departmental initiatives to enhance the monitoring and evaluation of TA.

A. The TA Policy Statement

66. **The TA Policy Statement identifies the objectives, scope, and nature of the Fund's TA program, clarifying the broad role of TA in helping the Fund to achieve its mandate.** It emphasizes that the Fund provides TA in areas within this mandate and, in this sense, TA is carried out for the same basic purposes as surveillance and program work. The

¹² See "Policy Statement on Fund TA," SM/99/275, Rev. 2.

Statement notes that monitoring and evaluation are seen as essential to ensure the effectiveness, continued relevance, and sustainability of the TA program. **It also clarifies the broad policy principles for the provision of information on TA work.** General information on the Fund's TA advice will be published—in the Annual Report on TA, for example, in occasional papers, or on the Fund's website—while publication of more sensitive country-specific material will still require the approval of the relevant authorities. The Statement emphasizes that the Fund's TA program has benefited from financing from external sources; as demand for TA grows, such financing will become increasingly necessary. Finally, it is understood that **the Policy Statement is meant to summarize current thinking on TA; thus, it is an evolving document which will need to be revisited as the TA program itself changes.**

B. Strengthening the links with surveillance and Fund-supported programs

67. **TA is closely linked with Fund program and surveillance work.** Much of the substance and scheduling of TA is discussed during consultation or program missions or at the Fund's Annual or Spring Meetings, with the authorities and Fund staff reviewing a country's reform strategies and identifying the need for outside support. Traditionally, links have been closer with program work. In such cases, the requests for TA originated out of a need to pursue policy as well as institutional reforms. The experience from TA also informs the Fund's policy dialogue with a country, improving the staff's knowledge and understanding of a member's circumstances. Staff from TA-providing departments use TA experience in reviewing program and surveillance papers, while area departments take account of this expertise in their work with countries on program design and implementation. As noted earlier, the Fund's recent initiatives on standards, codes, and financial sector assessments have also begun to generate demand for TA.

68. At its June 1999 meeting, the Board recommended that the Fund do more to integrate the planning and delivery of its TA with program and surveillance work. Two formal approaches were proposed for this purpose, viz., **Technical Consultations (TC)** and **Technical Cooperation Action Plans (TCAP)**. The concept of a TC was that the Article IV surveillance discussions would provide a valuable opportunity for the Fund and country authorities to review together the effectiveness of past TA and to assess future TA needs. Thus, in preparing for the Article IV discussions, Fund staff would seek to briefly review the Fund's TA efforts with a country, including a short appraisal of their view on the effectiveness and impact of past TA. During the consultation mission, the authorities and staff would both review this assessment and discuss, at a very broad level, the principal priorities in the future for Fund TA. Such a review could then inform the Executive Board in the context of its Article IV consultation discussions with the country.

69. The **TCAP** was conceived as a more proactive approach to the planning and coordination of TA, being a medium-term TA program covering, as comprehensively as possible, policy development and capacity-building needs in economic and financial management. Ideally, a TCAP would be prepared when a country or a region is expected to require substantial TA support to undertake essential macroeconomic reforms or to rehabilitate basic economic and financial institutions following periods of disruption. There

were precedents for TCAPs. Past TCAP-like exercises have been undertaken in close cooperation with the UNDP, which has provided both the financial and administrative underpinnings for their implementation—for instance in Angola (1990-95); Namibia (1990-95), Vietnam (1991-99); Cambodia (1994-97); Haiti (1996-99); Yemen (1994-1999); and the Pacific region (1993-2001).

70. At the time of the June 1999 meeting, the Executive Board decided that the TC and TCAP initiatives would be implemented on a pilot basis in FY 2000-2001, following which a decision would be made as to whether to continue the initiatives. Policy and procedural guidelines for TCs and TCAPs were thus drawn up during July-September, and November, 1999, respectively. A number of countries were chosen as pilots to test the usefulness of the mechanism (although TCAPs for Nigeria and Yemen had already been initiated earlier in the year). By the end of FY 2000, 10 TCs had been completed¹³ and a summary of their findings included in the respective Article IV Staff Reports to the Board. Five TCAPs have been, or are being, prepared.¹⁴ Some preliminary observations on experience with TCs and TCAPs are worth noting, although a fuller evaluation will be provided to the Board in early 2001.

71. Based on interviews with Article IV mission leaders as TCs were completed, **the usefulness of TCs to the authorities and to the area department has been seen as generally positive. However, the effectiveness of the Staff Report as a mechanism to report to and elicit feedback from the Board on the role of TA in a particular country has proven disappointing**, as few Directors have referenced the TA in their comments. It is too early to assess the impact of TCs on future demand for TA, although in roughly half the cases, the area departments thought that they would lead to an increase. TC discussions also served to strengthen the integration of TA with surveillance, especially when, for instance, technical issues relating to fiscal and statistical reforms were raised. The resource costs of this first group of TCs varied considerably, ranging from a few hours to a few weeks, largely depending upon the magnitude of TA already being provided or likely to be required.

72. Since January 2000, TCAP exercises have begun for Cambodia, the Caribbean region, and West Bank/Gaza. Two early observations can be made on the limited experience to date with **TCAPs**. First, they **call for a collaborative effort with other donors**, since typically the resources required to finance the TA outlined in a TCAP greatly exceed those available from the Fund. Also, in some cases, the required TA lay outside the Fund's technical and administrative competence. Identifying other partners willing to help finance and participate in such complex exercises is not always straightforward, but will presumably improve over time as other aid agencies, and Fund staff, become familiar with the process.

¹³ For Angola, Bulgaria, Bolivia, Cameroon, Croatia, The Gambia, Georgia, Mongolia, Nepal, and Slovenia.

¹⁴ These have covered Cambodia, the Caribbean, Nigeria, West Bank and Gaza, and Yemen.

73. **Second, the costs of undertaking and managing the financing of TCAPs are not negligible.** TCAPs depend on substantial support from the Fund. Estimates suggest the preparation of new TCAPs requires 12-18 months of staff time drawn from the area department, TA departments, and the TAS. Bilateral donors have policies and procedures for their development aid, country and sector preferences, and approaches to TA delivery that may be very different from those of the Fund and these have to be taken into account. Most multilateral agencies do not generally have the untied, grant sources of TA that are a feature of UNDP's cooperation. Understandably, donors will not commit themselves until they have seen what they consider to be a detailed project proposal, and many wish to take an active part in designing such projects. Thus, the preparatory stages of TCAPs involve complex coordination and consultation among many different parties within the recipient government, donors, and the Fund. At the same time, in helping to prepare a comprehensive TCAP, the Fund has to be cautious about raising hopes and expectations of governments, since there is a risk that the TCAP may be unfunded and unimplemented.

74. **The complexity of managing external financing under a TCAP can be illustrated by the cases of Yemen and Nigeria.** Yemen's TA program with the Fund started in 1995 and was originally co-financed by the UNDP. As the UNDP's financing was cut back because of its resource constraints, the UK's Department for International Development (DFID) indicated its willingness to provide full funding, if necessary, for the new program. This has meant that the TCAP has had to be coordinated with the authorities, the UNDP, and DFID, and has involved, in its preparatory stages, diagnostic missions from the Fund's functional departments as well as coordinating missions from the area departments, TAS, DFID and UNDP.

75. In the case of the **Nigeria**, the preparation of a TCAP program was substantially completed in mid-1999 following a series of diagnostic and assessment missions by the TA-providing departments. However, difficulties in securing financing for TA efforts led to long delays in obtaining final approval of the TCAP. Funding is via a three-way arrangement between UNDP, Japan, and the Fund; but only financing for the first year has been secured so far. This case illustrates the obstacles that can prolong the process and increase the resource costs of a TA effort that involves detailed coordination work with other partners, at least in the initial stages. Now that the TCAP has been launched, at least one other major donor has expressed interest in helping with its financing.

76. Notwithstanding these concerns, it is evident that TCAPs have significant advantages in certain situations. They provide a medium-term framework within which future TA can be planned in a strategic fashion, and allow departments to step back and assess past and ongoing TA, and adjust as necessary, especially in light of what other donors may be willing to do.

C. Strengthening the modalities for delivery of TA

77. In light of the Executive Board's discussion of TA in June and December 1999, **a number of initiatives have been undertaken to strengthen the impact and cost effectiveness of the Fund's TA program.** FAD, MAE and STA have developed proposals

and initiated procedural changes to ensure that requests for TA are prioritized more effectively; that clearer ownership of TA by country authorities is fostered; and that the management of the TA program is strengthened in terms of the design, preparation, delivery, and follow-up.

78. Three concerns have guided this work: first, to involve recipient authorities closely at all major stages, since their commitment, particularly to the implementation of recommendations, is key to the ultimate effectiveness of the Fund's TA work; second, to plan explicitly for the subsequent monitoring and evaluation in the initial design, since effective monitoring and evaluation requires appropriate design, *ex ante*, to generate the necessary information; and, third, to maintain systematic procedures, with the major elements recorded electronically, to facilitate accessibility. (See Appendix I in the Supplementary Paper for details on the revised operational procedures for the TA programs of FAD, MAE and STA).

Enhancing prioritization

79. **One outcome of the process of preparing the *TA Policy Statement* was an initial clarification of the priorities for the allocation of TA resources.** The Executive Board's views on priorities for allocating TA resources were discussed in its December 1999 meeting, at which it reviewed the draft of the TA policy statement. The statement approved by the Board indicates that the Fund should concentrate its limited TA resources on its core areas of operational expertise, aimed at strengthening capacity (human and institutional) and at supporting the design of appropriate macroeconomic and structural policy reforms.

80. The Statement notes that the **first** consideration for the Fund in responding to a request for TA is to assess whether a country demonstrates a commitment to seriously consider recommendations and effectively implement the accepted recommendations. A good past track record of effective implementation is considered to be the strongest assurance. **Second**, the requested assistance should strengthen a country's capacity in one of the Fund's core areas: macro policy implementation; the design and implementation of a Fund program; or compliance with international standards and codes of transparency.

81. **Third**, a request should be within the Fund's comparative advantage, rather than being more appropriate for other donors. **Fourth**, given the resource constraints that limit the Fund's available TA should, when possible, be provided in collaboration with other donors, benefiting members by exploiting synergies, avoiding duplication, and reducing costs. **Fifth**, in assessing a request for TA, it is important to recognize that countries see TA as an important benefit of membership.

82. Beyond these considerations in prioritizing TA requests, the Statement noted two further factors which may "influence" a decision. TA might be given if the requesting country is systemically or regionally important. TA in the latter case is likely to have spin-off benefits beyond those to the country it is supporting. Also, the need for TA in a crisis/post crisis situation is recognized. The Fund generally responds immediately to TA requests in such situations, often concentrating considerable resources at very short notice.

83. Although the approach to prioritization provided by the statement has proven a useful set of guidelines for Fund TA departments, the intensifying pace of demand for Fund TA and the efforts of management to better focus the Fund's work program has led to further consideration of how to prioritize the use of the Fund's TA resources. Section VI proposes further ideas on this subject.

Stronger participation by the authorities

84. **Recipient authorities** have always been closely involved in the provision of TA from the Fund, from making the required formal request to providing feedback, but **their participation is now being more actively and systematically promoted and sought**. Once a member's request for assistance is accepted, and it is decided to send a mission or field an expert, the TA departments seek to reach agreement with the authorities on their respective roles and responsibilities and the essential elements of the assistance to be delivered.

85. The **authorities are expected to review all experts' terms of reference**, signing off on objectives, activities, and expected outputs of the TA. They are also expected to indicate clearly the kind of TA sought, although there might not always be time for them to review TA mission briefs. **Feedback will be systematically sought from recipient authorities** on the delivery of assistance by experts and on impact, effectiveness, and sustainability, once an expert or mission assignment has been completed (see Section V.E. below).

86. Early involvement of the authorities should help to ensure that TA is compatible with a country's reform strategy and/or other agency support, and that the inputs required, such as counterpart support, will be available. Their ongoing and post-hoc participation will help the Fund tailor its assistance more closely to the country's needs by identifying, *inter alia*, emerging issues and changing priorities as well as operational issues.

Strengthening the integration of the work of TA experts with that of the Fund

87. The work of some experts may be closely tied with the work of the area department in a country; however some experts may also have a narrow technical assignment (for instance in tax administration or statistical work) and thus a less close relationship with the Fund beyond the TA-providing department.

88. **TA-providing departments are developing procedures to strengthen the links between the Fund and its experts**. Beyond being briefed on issues relating to their assignment, they are to be kept up to date as necessary on relevant developments in the Fund that affect their discipline or their country of assignment. Initial briefings on their assignment will be given by the TA-providing department and often also by the area and other departments. While in the field, experts will normally remain in close contact with the resident representative and be kept up to date on developments with Fund surveillance and they will also normally meet visiting Fund missions. Technical backstoppers in TA-providing departments will keep experts informed of the thinking in the Fund on relevant issues—such as best practices in their areas, or relevant policy material—by sending technical notes and other papers. For example, STA now sends its experts a twice-yearly newsletter with

Box 2. Pacific Financial TA Centre—an example of effective regional TA delivery

The Pacific Financial TA Centre (PFTAC) was set up by UNDP and the Fund in 1993 as the “Fiscal and Monetary Management Reform and Statistical Improvement Project.” The Centre is located in Suva, Fiji and serves as a regional provider of advisory services and training to 15 Pacific island countries. The Centre is financed by the Fund, the UNDP, the AsDB, Australia, New Zealand, and Japan. The Centre’s principal services consist of TA by four international experts in the areas of public sector financial management, tax administration and policy, banking regulation and supervision, and economic and financial statistics. The Centre’s objectives are to support countries’ efforts to develop capacities for the effective design and implementation of broad economic reforms that can be sustained at the national level. The activities focus on building critical skills and technical and institutional capacity as well as policy advice. Particular attention is given to ensuring that reforms meet international standards and are compatible with international policy agreements and initiatives. In addition to TA to individual countries, these objectives are also being pursued at the regional level in the context of the Forum Economic Ministers Meeting process which frequently defines policies and policy commitments for all of the member countries of the Pacific Forum.

Because of its extensive expertise and critical international role in the four TA areas covered by the Centre, the Fund serves as the executing agency for the project. In that role, it provides the Project Coordinator from among its staff and recruits and oversees the work of the four experts based at the Centre. These arrangements have been critical for maintaining high standards of technical quality and consistency in advice. The work of the four experts is supplemented by short-term consultants. Other important components of PFTAC’s activities are regional and in-country training seminars and workshops as well as professional on-the-job training in the form of “attachments” of country officials to sister institutions in the region, all of which have strengthened regional cohesion and understanding.

Given the close relationship with its donor institutions and other TA providers in the region, the Centre has been particularly successful in strengthening cooperation and coordination of TA activities on the basis of comparative advantage. TA from the Centre therefore not only expands and complements existing TA but frequently also provides an analytical and conceptual framework for a coordinated TA strategy that addresses local needs and constraints and meets international norms and requirements.

Reviews of PFTAC’s work find it to be effective. The benefits of the regional approach to assistance include: flexibility to respond rapidly to emerging needs; ability to field frequent and consistent follow-up site visits, which keeps up the momentum of reforms and solidifies relationships; and continued access to high-quality technical expertise that might otherwise be difficult to obtain for small island states like the ones served by the Centre. In addition, the Centre’s format and role has permitted it to shape and advance regional policy initiatives and strengthen cooperation and coordination.

attachments on developments in relevant topics—papers on dissemination standards, for example—and pointers as to the availability of new electronic material of interest. Experts now have access to all Fund publications.

89. In their use of experts, the TA departments continue to observe that combining different modes of TA delivery can be more effective than using just one type. As with

coordination (see above), this is particularly relevant where extensive TA is needed, as in the post-conflict or transition cases, which may require support for the restoration of institutions and basic procedures. FAD notes that almost all TA provided in the customs and tax administration and public expenditure management areas needs a mix of experts and missions, where the experts are intensively involved in the implementation of new procedures. Such TA sometimes requires significant training, IT systems support, and software and hardware, much of which has to be supplied by the TA recipient or other donors. An important component of TA from STA is to complement short missions with long-term advisors, a combination particularly appropriate for the transition countries.

Use of regional approaches to the delivery of TA

90. **In recent years, the Fund has begun to experiment with using regional assistance in its TA work. The INS actively uses regional centers in its training programs to maximize its outreach and efficiency.** At PFTAC (see Box 2), which is a multi-donor financed TA institution, a small number of TA advisors are based in Suva, Fiji, and deliver TA throughout the region on a peripatetic basis. The UNDP and the Fund have proposed the establishment of a regional TA center for the countries in the Caribbean (CARTAC), similar to PFTAC, which is expected to start operations by early 2001. Similar approaches have been attempted at a more modest level, by basing an expert in one country to provide TA services to other countries in the region. This has been done by STA in its regional work on the GDDS and is being initiated by FAD in pilot schemes for regional customs/tax advisors in Africa and regional treasury advisors in the BRO.

D. Dissemination of TA work

91. **External dissemination of information on the Fund's TA work is important, both for transparency reasons and for keeping the public informed on key economic policy issues. Thus, general information on the Fund's assistance has been and will continue to be published either in dedicated studies or as part of the Fund's work in relevant areas.** For example, this Annual Report on TA, which summarizes recent TA policy developments and activities as well as the outcome of evaluations, will be made public. Other recent specific publications include: the two FAD internal evaluations of TA work on treasury systems in the BRO countries and the VAT, noted in Appendix II of the Supplementary Paper, and publications drawing on TA work, including recent papers on financial sector issues and insolvency¹⁵ and Fund Working Papers, available on the Web.¹⁶

¹⁵ Such publications by MAE include: *Sequencing Financial Sector Reforms: Country Experiences and Issues*, Johnston, B. and Sundararajan, V., eds. (Washington: Fund 1999); *Financial Sector Crisis and Restructuring: Lessons from Asia*, Lindgren, Carl-Johan et al (Washington: Fund, Occasional Paper No.188, 1999); *Country Experiences with the Use and Liberalization of Capital Controls*, ed., by Ariyoshi, Akira et. al. (Washington: Fund, Occasional Paper No. 190, 2000). LEG has also published *Orderly and Effective Insolvency Procedures* (Washington: IMF, 1999). WEFS publications on reforms to exchange rate arrangements and moves to currency convertibility also draw on TA activities.

Other publications that facilitate TA work and support countries' own efforts include handbooks and manuals,¹⁷ which give a wide range of best practices and standards, and data dissemination websites (for the SDDS and the GDDS), which include information on TA related to data dissemination standards. TA from STA contributes to the coverage and quality of the various statistical publications (*International Financial Statistics*, *Government Financial Statistics Yearbook*, *Balance of Payments Statistics Yearbook*, and *Direction of Trade Statistics*), which represent the only published internationally comparable statistics in these formats. INS publishes a biennial report on training, case studies, as well as papers prepared for high-level seminars.

92. **TA experience also contributes to Fund presentations at international workshops, seminars, and conferences**, where it is disseminated to a wide range of participants. For example, a paper on “Technical Cooperation in Economic Statistics to Help Countries to Meet National and International Requirements” was presented at the International Statistical Institute’s Meeting in Helsinki last year. STA has plans to distribute such information more widely to the general public through its websites and publications. TA from MAE has been used in workshops on a wide range of issues, including accounting, banking regulation, supervision, and restructuring; exchange system reform and capital account liberalization; inflation targeting; monetary operations; and payments systems. FAD is planning a number of regional seminars to disseminate and obtain feedback on its recent evaluation of TA in relation to the VAT (see Appendix II of the Supplementary Paper).

93. **Information on country-specific TA advice is less widely available, since members seek the Fund’s TA on a confidential basis and have the right to decide whether to allow publication, subject to management approval.** TA reports on country work therefore circulate on a restricted basis within the Fund, the World Bank, and other cooperating agencies. Procedures are being developed to request recipient authorities for permission to disseminate summaries of TA reports on the Fund website in order to make

¹⁶ Including *Report on the Survey of Implementation of Methodological Standards for Direct Investment, March 2000*, Fund Statistics Department and OECD Directorate for Financial, Fiscal, and Enterprise Affairs; *A Framework for Price Statistics*, Fund Working Paper (WP/00/24), February 2000; *Deposit Insurance and Crisis Management*, by Gillian Garcia, WP/00/57, March 2000; *Deposit Insurance—a Survey of Actual and Best Practices*, by Gillian Garcia, WP/99/54, April 1999; *A Simple Model of an International Lender of Last Resort*, by Charles Goodhart and Haizhou Huang, WP/00/75, April 2000; and *A Model of an International Lender of Last Resort*, by Charles Goodhart and Haizhou Huang, WP/99/39, March 1999.

¹⁷ *Tax Policy Handbook* and *Public Expenditure Handbook*, FAD. *Balance of Payments Manual* (5th ed.), 1993; *Balance of Payments Compilation Guide*, 1993; *Balance of Payments Textbook*, 1996; *System of National Accounts*, 1993 (co-authored); *Manual on Monetary and Financial Statistics* (forthcoming); *Manual on Government Finance Statistics* (forthcoming); *Manual on Producer Price Indices* (forthcoming); *Guide on External Debt Statistics* (forthcoming); *Handbook for Quarterly National Accounts* (forthcoming)—all published by STA.

them available to a wider audience as a matter of routine. In addition, where confidentiality is not an issue, member countries may increasingly seek full publication of TA reports.

E. Strengthening the monitoring and evaluation of TA

94. **In recent years, the Fund has recognized the importance of strengthening the monitoring and evaluation of its TA activities.** This was given emphasis in the June 1999 Executive Board meeting on TA. The Board requested the staff to conduct an assessment of the approaches to evaluation followed by other bilateral and multilateral providers of TA and to take account of this assessment in the development of a program of monitoring and evaluation for the Fund's TA program. The assessment of other providers was completed in early 2000 ("The Evaluation of TA by Other Providers," SM/00/68, March 2000). FAD, MAE, and STA then developed proposals and initiated procedural changes to plan explicitly for the subsequent monitoring and evaluation of their TA efforts. This followed on earlier efforts by INS to introduce a scheme for evaluation of INS-supported courses.

95. **The new procedures for monitoring and evaluation are described below. They are differentiated according to the modality by which the TA was delivered**—through advisory missions; through the use of experts (which may be long or short-term or peripatetic experts); or through training programs and seminars. While the approaches of the three departments are similar, there are some differences among them in the specific modalities and formats for evaluation. These differences reflect the specific characteristics of their TA, the modalities of their delivery, and the ways in which TA is integrated with other departmental operations. (Appendix I of the Supplementary Paper provides more details on these and other operational procedures applied to TA.) All three Departments have instituted (or, in MAE's case, extended) a data base containing the major documentation for all their TA to support country work by staff and TA policy work by senior departmental management (Boxes 3 and 4 provide a description of the "logical framework" approach adopted by STA and the monitoring and evaluation practices followed by INS).¹⁸

96. It is worth emphasizing that in the following discussion, there is no discrete hard and fast divide between what is described as monitoring as opposed to evaluation. In essence, it is recognized that there is a continuum of appraisal; thus, the final step in monitoring, at the conclusion of an assignment, may have as much of an evaluative aspect as does an evaluation which takes place 6 months after an assignment is concluded.

¹⁸ STA is using a structured matrix format for monitoring and evaluation; this is associated with "the logical framework" approach that has been applied by other TA-providing agencies. FAD and MAE are essentially addressing similar issues as STA (in terms of the specification of the objectives, inputs, activities, and expected output) but in a report-based format. Experience with these two variations of the same approach will be reviewed in due course to determine whether adjustments need to be made.

Box 3. The logical framework approach used by STA

STA's "Project Management System" for monitoring and evaluation uses a matrix format that follows the "logical framework" approach for defining activities with clear linkages between activities and expected outcomes. The logical framework is used as a tool for project monitoring and evaluation in many bilateral and multilateral agencies. (See "The Evaluation of TA by Other Providers," SM/00/68). It is a methodology for designing and managing projects (including TA) that facilitates performance monitoring as well as ex post evaluation. Under the approach, project objectives are related to inputs and outputs, and these, in turn, are related to a timetable, measurable indicators, and assumptions. At any stage during the project, therefore, one can track progress towards achieving a given objective by identifying what should have been achieved, given certain assumptions, and then what has been achieved, including the reasons for these results.

Practitioners believe that the value of the approach is in its requirement that factors essential for good performance management have to be explicitly stated. Objectives have to be specific and detailed, causality links between inputs and outputs have to be specified, and the assumptions underlying the expected causality have to be spelled out. Moreover, there is an explicit accounting for risks that inputs might not have the expected effects. The logical framework facilitates later evaluation because it records the logical steps needed to analyze performance and identify the lessons learned from a given exercise.

The logical framework methodology works best for projects with detailed objectives, few inputs and outputs, and unmistakable causality links, compared with activities where assumptions and risks dominate, and where objectives are general and indicators intangible. For example, a TA policy advisor assigned to improve institutional capacity for policymaking would be harder to monitor under the logical framework than a statistics specialist helping to design and operate a CPI.

Box 4. Monitoring and evaluation of training at the IMF Institute

Monitoring and evaluation have long been integral to the INS's approach to training. At the close of each course, participants complete an evaluation questionnaire and discuss the strengths and weaknesses of the course during a closing session. These evaluations form one basis on which the department makes decisions about changes in courses. On occasion, the Institute has also sent questionnaire surveys to the heads of over 1,750 member country agencies that sponsor officials for INS training, to assess current and future training needs and the impact of Institute training.

A particularly important source of feedback on the INS's training, and an essential input into decisions about the training program, is regular contacts between the Institute's senior staff and the authorities of member countries. Primarily as a result of these relatively informal but effective channels of communication, the Institute has begun to provide shorter, more focused courses suitable to more senior officials, and to increase emphasis on topics of current interest such as financial sector issues. The INS's training will continue to evolve in this fashion as a result of ongoing feedback from the member countries and in response to their changing needs.

Monitoring

97. **Monitoring TA missions and short-term experts.** The TA departments have introduced a number of changes to enhance their capacity to monitor and evaluate the work of TA missions and short-term experts. Specifically, the terms of reference (TOR) and briefs for missions and experts now involve a more detailed specification of objectives, outputs, and activities, as well as verifiable indicators of performance. They explicitly address the risks that might prevent objectives from being achieved. There is to be more consultation with the authorities at the preparation stage, including in the formulation of the terms of reference for missions and short-term experts. Where appropriate, final reports will include a work plan for the authorities to act on a mission's recommendations. These changes should facilitate strengthened management of the TA program in terms of decisions on the allocation of resources and on the need for follow-up work by experts or missions. They should also allow for enhanced feedback to departments, which will help in improving the nature of the advice provided to countries in the future.

98. **Monitoring long-term experts.** Such monitoring has always existed as a shared responsibility of the expert, the recipient government, and the backstopping division or area managers in the TA-providing department. For experts, the more detailed TOR (as described above for missions) allows both the expert, in regular reports, and the backstopping division to monitor progress, or the lack of it, and the reasons for this, against the objectives, activities, and outputs identified in the TOR. Emerging issues and questions are handled as in the past via continuous contact by e-mail, telephone, and fax, in addition to experts' regular reports. Experts now regularly receive relevant technical papers to maximize their exposure to the Fund's thinking on recent developments, as well as Fund publications on request to EXR.

99. More emphasis is being given to **periodic field reviews** to appraise and discuss ongoing assignments with experts, country authorities, resident representatives, and others, with a view to adjusting the content, focus, and direction of expert assignments to keep them relevant and maximize their effectiveness. Where monitoring reveals weak implementation, a decision is made on whether additional resources are needed or whether there are grounds to withdraw the expert, either completely or temporarily, until the situation changes.

100. **End-of-assignment reports** by long-term experts systematically cover the extent of implementation of activities and outputs identified in the terms of reference; the reasons for achievement of specified objectives as well as non-achievement; and how the work will be carried forward. These reports also review, as far as possible, the implementation and impact of recommendations and their likely sustainability. Backstoppers comment on these reports, providing an overall review of performance of the project or activities and of its sustainability, and make recommendations for follow-up.¹⁹

¹⁹ In STA, backstoppers' comments are incorporated into experts' final reports.

Evaluation

101. Consistent with the experience of other TA-providing agencies, departments' work in this area has two components. The first and predominant component is the **internal evaluation of the individual TA activities and projects**, either on a comprehensive or random sample basis. Such evaluations involve a heavy element of self-assessment, reflecting the need to take account of the expertise and institutional knowledge of those involved in the original activity. However, as described below, this is combined with inputs from other participants in the process (the backstopper, other internal staff, country authorities). The second component is **cross-cutting thematic or country-based evaluations** soon after the end of an activity (experience has shown that such work is often most useful for operational work if it is done on fairly recent TA work). **Although these are expected to be done internally within the Fund, an independent perspective is sought that may involve external participation.** Both types of exercises have been part of TA departmental management systems, but each is to be strengthened. **A third component, a full-fledged ex post external evaluation, would fall under the aegis of the new Evaluation Office.**

102. **Evaluation of advisory missions.** The policy advice provided by all advisory mission reports is already extensively discussed with authorities at the time the report is presented to them, and in most cases is expected to take account of their comments as well as those of the area department and relevant counterparts in other agencies, such as the World Bank. In the future, TA departments will make greater efforts to obtain more independent evaluative assessments from both the area departments and country authorities, including, inter alia, through the use of questionnaires, follow-up visits, resident representatives, and the TC process. (See Appendix I of the Supplement for more detail on the operational guidelines for this evaluation). The TCs constitute an opportunity for both an independent perspective on past missions by the TA department and the soliciting of feedback from authorities in the context of the Article IV consultation process.

103. In MAE, missions will discuss with the authorities the effectiveness of past assistance, and will identify the results expected from current assistance, specifying the risks involved, and the reasons for going forward, in a standard format. All mission reports are to include an annex on the evaluation of earlier TA, including the implementation of recommendations. This will provide a track record for the authorities and the staff to use as a background for discussions and decisions on future assistance. FAD will focus particularly on ensuring a high-quality response from the authorities. Evaluation questions (that would also be answered by area departments for all TA missions) would be posed to country authorities on a random sample basis (for 25 percent of missions, classified on a functional basis), with the information to be obtained by interviews (mostly to be carried out by resident representatives). In some cases, missions may be sent out to systematically review with authorities the implementation of previous TA recommendations, including the reasons for non-implementation, and discuss follow-up. In STA, following the completion of each project and as part of its "Project Management System" based on the logical framework approach, an "End of Project Evaluation Report" is prepared by STA staff. Between six and 12 months later, an evaluation questionnaire is sent to the authorities in order to evaluate the

impact of the project. The area department is also asked to comment on the same questionnaire.

104. **Evaluation of expert assignments.** The TA-providing departments are to strengthen their evaluation of expert assignments. Within at most a year—and normally 3 months—after the end of an expert’s assignment, FAD, MAE, and STA will review the performance, effectiveness, and impact of all expert assignments, using inputs from the authorities and the department as well as the area departments. FAD will evaluate the quality, effectiveness, and lessons learned from all expert assignments in an annual issues paper for senior departmental management, drawing on the views of Fund sources. It will seek the views of the authorities on a random sample of 25 percent of completed assignments, given the resource-intensive nature of obtaining this advice on a meaningful basis. To ensure a high-quality response, Resident Representatives or other Fund staff will interview the authorities, based on background information and a questionnaire to be supplied by FAD. The analysis of and lessons from TA monitoring and evaluation will be discussed annually by FAD senior staff and used to establish priorities for selecting TA work in the following year.

105. **Annual evaluations.** TA-providing departments currently prepare summary evaluations of TA work as background for Annual Meeting reviews with country authorities. To facilitate operational decision-making that needs an up-to-date and comprehensive picture of the status of TA, each department will systematically evaluate its TA program on a country basis for departmental senior management at least annually, and six-monthly in FAD.

106. **Thematic and country evaluations.** Cross-cutting thematic or country evaluations are a **useful mechanism for identifying whether assistance given in a particular topical area or country/region has been sound and consistent, whether it has been effective, and whether it provides lessons that are relevant for future TA advice** as well as other work in the same field. These types of thematic evaluations are also of a broader public interest, and thus are obvious candidates for outside publication. Such evaluations have been prepared occasionally in the past and will now be more frequent and more closely integrated with departmental or Fund-wide policy priorities. FAD has recently carried out two major evaluation studies on the operational lessons learned from TA on the VAT and TA on treasury systems in BRO countries. An external expert provided an outsider’s perspective and comments on one of these studies, and both have been circulated to relevant authorities for comment and discussion. Both are in the process of being published.

107. MAE and FAD intend to do at least one thematic evaluation a year and could perhaps do more. STA plans to do periodic country project evaluations by senior staff not involved in projects themselves, and may undertake occasionally topical or country evaluations (possibly by external consultants or with external participation). In general, such studies lend themselves well to involving outside experts (or at least Fund staff that have not been involved in previous TA work in a given area). Such experts can carry out such evaluations either independently of the TA department (e.g., by the newly-established Evaluation Office) or as part of the internal departmental team carrying out the evaluation.

VI. POLICY ISSUES

A. Pressures in prioritizing TA resources

108. **Perhaps the most pressing issue confronting the Fund in the management of its TA program relates to prioritization.** The fundamental question is how to achieve the greatest effectiveness and impact from the skilled resources that the Fund has allocated to its TA departments.

Demand pressures

109. **Recent years have seen an expansion in the potential demands on the Fund's technical resources.** Section III described the demands for surveillance-related assessments and noted that such assessments will increasingly give rise to demands for Fund TA to remedy diagnosed weaknesses. Other recent policy initiatives—to help countries to strengthen their capacity to access private sector capital markets; the HIPC and PRGF efforts; data quality assessments; reserves management; management of external debt; the safeguarding of Fund resources; and assessments of offshore financial centers—will either place further demands on these technical resources or give rise to requests for TA.^{20 21} Much of this additional TA demand (particularly in FAD and STA) will be for TA traditionally provided by the Fund in areas of institutional capacity-building.²²

²⁰ Directors are aware of the potential tradeoff issue. At their discussions of the BCPs, they stated that TA to address weaknesses in banking supervision should be provided without neglecting other key areas, but that resources should be carefully reviewed and increased as needed. In discussing data standards, Directors welcomed the TA provided by other organizations during the preparatory phase of the GDDS, but expressed concern that the gap between the demand and availability of TA may increase as GDDS participants work to strengthen their financial systems. At the discussion of data provided for surveillance, many Directors stressed that TA to help countries strengthen data systems should not come at the expense of cutting TA in other areas.

²¹ The demand for the TA is already running around 25-50 percent above budgetary resources—and explicit demand is understated because many requests are discouraged before they are officially formulated. Additional demand, as it arises, may be met partly if the need for traditional TA declines, as countries develop capacity. But given the significant resources devoted to post-conflict and program work, and the likelihood that this will remain sizeable, if unpredictable, the possibility of having to cut some of the TA that would heretofore have been provided, in order to meet new demands, is real. Yet experience in FY 2000 shows that both types of TA are likely to continue to be needed, because TA in the new areas will, in most countries, benefit from previous TA supporting capacity building.

²² There are also some new areas of TA, particularly as relates to remedial work on standards and best practices in the financial sector.

110. **Yet, there appears to be no diminution in the requests for TA that would normally flow to the Fund in the absence of these new initiatives.** Recent Board initiatives to enhance the effectiveness and impact of the Fund's TA program—through greater follow-up, strengthened monitoring and evaluation, and enhanced transparency—will have a positive impact on the quality and impact of the delivered TA, but these initiatives may also increase the costs of individual TA interventions.

Supply constraints

111. **The most obvious constraint on providing technical assistance is the level of Fund resources budgeted for this activity.** In its most recent calculations, which seek to apportion certain common costs across main Fund programs, OBP estimates that TA work now accounts for around 15 percent of annual Fund administrative expenditures. Approximately \$50 million is spent on TA delivered in the field on missions or through expert assignments, and around \$20 million is spent on direct TA-related work at headquarters. It should be borne in mind that there is not a clear cut **“TA budget”** per se. Resources are allocated through the administrative budget to the functional departments (MAE, FAD, STA, and LEG), but these departments have other demands on their resources, from participation in program and surveillance missions, to responding to the new initiatives, and to undertaking research and staff training to keep abreast of latest developments.

112. **While resort to external financing may increase the resources available for direct field delivery of TA,** as has been mentioned, the overhead costs to the Fund exceed the amount which external financing agencies are able to reimburse. Some joint programs with donors commit Fund TA resources to the implementation and backstopping of medium-term TA programs (especially following the preparation of TCAPs) and involve a high degree of coordination. **Maintaining an appropriate balance between commitments to medium-term, capacity-building projects in collaboration with other donors, and the Fund's ability to independently respond quickly to members' requests for immediate assistance, is as difficult a management challenge as keeping the right balance between TA and non-TA work.**

113. An additional resource constraint of growing importance is the availability of personnel with the right mix of skills and experience to respond to the various types of TA demands on the Fund. TA departments have had difficulty in finding the time for the type of sustained search, interview and testing of potential candidates which is needed to keep rosters of experts up-to-date. It can also prove difficult to obtain the release of potential candidates from their current employment in ministries of finance, tax and customs departments, statistical agencies or central banks, either for frequent short-term assignment or for longer-term posts. People with the relevant qualifications are in great demand and, if they are good, employers are reluctant to let them go.

Approaches to prioritization

114. **There are no obvious or easy answers to the tensions arising from the excess demand pressures that confront TA departmental managers.** Current efforts at streamlining the role of the Fund and ensuring an appropriate focus on core activities may

offer some guidance on the relative weight for different activities, but only at the margin. **However, the choices faced in considering TA for individual countries**—which may involve important program linkages, issues of the systemic importance of a country, a clear crisis of the short-term moment, the urgency of post-conflict needs, and the underlying structural importance of addressing critical deficiencies in the financial sector or shortcomings in relation to standards and codes—**are not easily weighed and prioritizing will always raise difficult issues.**

115. **Prioritization is complicated by the need to take account of the different interests of multiple principals—country authorities, Executive Directors, management, the TA department, the area departments (and in particular, the mission chiefs working with the individual countries) and any external financing source which may be involved.** Management may have views on the priority to be attached to a country. TA departments are necessarily concerned with ownership, efficiency, effectiveness, and impact, but are less well-placed to judge either the relative priority of a given measure for a country program, its criticality (e.g., in facilitating access to private sector capital markets), or the relative importance to attach to particular countries in a region. Area departments, particularly country managers, are inevitably prone to seek the best and most for their client countries; the multiple objectives of the Fund allow for strong views on the importance of most TA requests. TA departments also need to leave spare capacity to be able to respond to sudden TA needs; given excess demand pressures, this may complicate their efforts at rational forward planning.

116. **The choices are particularly difficult for those departments where there is a significant blend of both TA for longer-term institutional capacity-building, and TA addressed to immediate capacity bottlenecks or policy deficiencies.** Thus, the approach of STA, which largely involves a proactive medium-term budgeting focus based on TA mainly for capacity-building (at the expense of a reduced capacity to respond to new and unanticipated TA requests) may be less appropriate for MAE or FAD. Even STA's approach has been problematic, because its strategy of providing capacity-building TA in a medium-term framework is increasingly being squeezed by demands from unanticipated requests to address short-term, program-related statistical problems.

117. **Guidelines which assist in TA prioritization are given below in the form of “filters” used in considering requests. These are an elaboration of the prioritization principles contained in the *Policy Statement on IMF Technical Assistance*, shortly to be reissued to reflect the changes which were endorsed by the Board in its discussion on January 5, 2001:**

118. **Filter 1—Core specialization of the Fund.** The assistance provided must fall within the substantive areas of TA recognized as being within the Fund's core areas of specialization listed in the Appendix to this report. The Fund provides TA that supports policy reform and builds institutional capacity.

119. **Filter 2—Main program areas.** Technical assistance must be clearly directed towards supporting one of five main program areas. These are:

- **preventing or containing crises and their contagion effects** in non-program countries (principally systemically important non-industrial countries and emerging market economies);
- **implementing sustainable debt relief and poverty reduction programs for low income countries** (encompassing the full range of TA in support of both poverty reduction initiatives and policies to restore macroeconomic stability);
- **fostering and maintaining macroeconomic and financial sector stability in non-PRGF, UFR countries** (largely middle income and transition economies);
- **promoting regional capacity building initiatives, including training** and, in some cases, regional integration efforts; and
- **rehabilitating basic economic and financial institutions in post-conflict situations.**

120. **Filter 3—Key policy initiatives.** TA should be focused on supporting the Fund’s key policy priorities and initiatives. While these will vary over time, at present they are as follows:

- **Standards and codes:** *follow-up* TA to help countries bring their fiscal, financial, and statistical practices (including legal instruments) in compliance with the standards and codes that are under the auspices of the Fund. This would include TA to help countries undertake assessments of their compliance with such standards;
- **Financial Sector Assessment Program (FSAP):** *follow-up* TA to help countries address weaknesses identified in an FSAP;
- **HIPC programs:** TA for strengthened PEM systems to track the use of debt relief for poverty reduction outlays as well as basic economic and financial statistics improvement;
- **Safeguarding Fund resources:** TA in support of strengthened PEM or central bank accounting and reserve management practices (and associated legal instruments) as well as addressing data misreporting issues;
- **Offshore financial centers:** assessments and introduction of best practices; and
- **Policy reforms/institutional capacity building in support of achieving macroeconomic viability:** For instance, revenue mobilization efforts; strengthening sound monetary policy; developing macroprudential and other statistical indicators.

121. **Filter 4—Impact and commitment.** A country’s past track record, and its degree of ownership and commitment, should receive a large weight in appraising a TA request. These factors could be offset by other considerations only in limited set of cases, such as dealing with systemic countries or crisis situations. At times, a change in government may result in stronger ownership and better prospects for successful TA, even where a poor track record exists.

122. **Filter 5—Regional diversity.** The principle of uniformity of treatment of members requires that some diversity in TA resource allocation be maintained, and that small countries’ needs, where TA can often have high impact and where other sources of assistance may be unavailable, are not ignored.

123. **Filter 6—Availability of external financing.** Although availability of external financing should normally not be a decisive factor, cooperation with other donors providing funding for Fund TA and/or to support other elements of assistance which the Fund cannot easily provide (e.g. equipment, in-country training, systems development, local expertise, etc.) should be positively taken into account when appraising TA requests.

124. **Filter 7—Nature of the request.** Requests for a policy or diagnostic mission, or short-term expert, are obviously less costly than requests for a resident expert. Some of these requests can be met without significantly impinging on the Fund’s overall TA program resources, irrespective of their priority, unless they are likely to have implications for longer-term follow-up assistance.

125. **Filter 8—Regional approach.** Given the high cost of providing TA to small member countries, and in the light of common problems even among some of the larger countries, the Fund should actively seek opportunities for using regionally-based approaches to providing TA. In some situations, regional TA centers may be an efficient solution (e.g., PFTAC) and will be pursued.

126. **Filter 9—Presence of other TA providers.** In deciding whether to provide TA, the Fund should consider whether other TA providers are actively engaged in similar efforts. Duplication should be avoided, and where requests are made in such situations, all efforts at coordination should be made.

B. The overlap of TA with recent initiatives

127. **There can be substantial overlap between activities labeled as “TA” and policy advice related to recent initiatives to strengthen the international financial architecture**—especially the work on standards and codes, and financial sector assessments. These activities frequently include highly specialized technical work, sometimes by an outside expert, that in the past would have been called TA but are now classified as surveillance-related for budget purposes—this is noted particularly by MAE and STA in relation to FSAP and standards work. The factors distinguishing the two sets of activities in part relate to whether the technical effort is formally related to the surveillance exercise (the link to the Article IV consultation) and whether the activity is formally requested by

authorities (as is the norm for TA). However, these distinctions are much less clear cut in actual practice. Much technical advice is imparted by technical experts carrying out FSAPs or ROSC assessments. Conversely, Fund TA experts may inevitably be drawn into helping with FSAP or ROSC-type assessment.

128. **The net impact of this blurring between the two activities appears to be that there is an understatement of the amount of TA being provided.** TA may also be understated because increasingly requests are dealt with directly from headquarters, often informally by e-mail or telephone, as is much of the work associated with supporting countries' efforts in meeting data standards. This informal assistance is often not classified as TA.

129. **How important is this issue? First, in principle, what should matter is whether the technical advice is supplied, whatever the label.** Yet in institutional terms, the understatement could be important, particularly where budgets are concerned. Judgments on the amount of resources devoted to one activity or another should thus be treated with considerable caution. Second, it is important to ensure that the work on surveillance-related issues is "owned" by authorities; for TA, one of the merits of the Fund's approach has always been that it is said to have a high ownership content—since it is only provided on request.

130. **From a practical point of view, it may be sensible to continue to work with the existing fluid definitions until the scope of recent initiatives has stabilized, bearing in mind that TA, however classified, has to meet national needs.** Recent efforts to strengthen recipient authorities' involvement in TA delivery and implementation should increase ownership.

C. Issues in seeking financial support and coordination with other donors

131. **In the last decade, a significant share of the funding for the Fund's TA program has been derived from a few important external sources. The principal source of external support for TA has been Japan.** Through its subaccount with the Fund, the *Administered Account for Selected Fund Activities—Japan* (JSA), in FY 2001 Japan provided financing of approximately \$16 million for TA and training, including a grant for the Joint Vienna Institute. Almost 60 percent of the Fund's long-term experts engaged in capacity-building are now financed through the JSA. In addition, Japan supports two scholarship programs at an annual cost of around \$2 million. In the past, the UNDP was also a particularly significant TA partner (with support reaching up to \$8 million annually in the mid-1990s), but financial difficulties have reduced its contribution substantially in recent years. Australia, Denmark, France, the Netherlands, Switzerland and Rwanda (the latter with proceeds from a World Bank loan) have also opened TA subaccounts with the Fund. The United Kingdom, through its Department for International Development (DFID), currently provides financing for Fund/UNDP projects in Yemen and China and has indicated interest in exploring other possibilities for closer cooperation. The Asian Development Bank, Australia and New Zealand assist in financing the UNDP/IMF regional program in the Pacific (PFTAC).

132. There are cost-sharing agreements that support the training activities of the INS, notably with the Government of Singapore, with the Arab Monetary Fund, with the African Development Bank, with the World Bank and with other partners at the JVI. The INS is exploring opportunities to extend its regional training activities and is seeking other sources of external financing.

133. **During the last year, Fund staff have intensified their efforts to collaborate with other TA providers, and have explored opportunities where external financial support could be mobilized for TA work of mutual interest.** Increasingly, some of the Fund's principal foci of attention—the promotion of sound economic and financial management with poverty reduction and improved governance—are also the shared interest of many bilateral donors.

134. Senior staff from the TA departments and the TAS have met with the headquarters staff of aid agencies in the UK, Sweden, Finland, Norway, Denmark, the EU, the Netherlands, Italy, and Japan on the Fund's TA program. There have also been meetings in Washington with representatives of aid agencies from Canada, Germany, and Norway. The emphasis has been twofold: to explore whether there is an obvious intersection of interests in terms of topical, sectoral, and country interest; and to assess the type of collaboration which is feasible. In some cases, an aid agency's modalities of delivery of foreign assistance or its project clearance procedures may only allow collaboration in the form of parallel technical assistance efforts in countries of mutual concern (but without any direct financing to the Fund). In other cases, an aid agency may find that it has an interest in providing financial support for Fund TA, but through an intermediate agency (such as the UNDP). But there are some cases where direct financial support through the opening of a subaccount is proving to be the donor's preference.

135. **The prospects for greater burden-sharing of the Fund's TA program—broadening the base of external financial support beyond the present narrow range of donors—has become more promising,** as economic growth, in Europe in particular, has meant that aid budgets are beginning to grow again. Since the growth in aid budgets is not always accompanied by increased staffing—in fact most governments are still engaged in downsizing, limiting their capacity to program and deliver more TA—many aid agencies are searching for partners, like the Fund, who do have the requisite technical capacity.

136. **There are mutual advantages to both the Fund and donors of financial collaboration.** Besides allowing the Fund's TA program to address critical needs, the additional resources permit the Fund to extend its TA program over a longer time period (needed for capacity-building) and sometimes to furnish the complementary inputs of training, equipment, national staff, etc., which the Fund cannot provide under its own financing. For aid agencies, using the Fund as an executing agent enables them to take advantage of the Fund's diagnostic work, ensures that the TA they support is provided within the overall macroeconomic framework, addresses areas of their priority concerns, and is relatively inexpensive compared to working with a consulting firm.

137. **Abstracting from financial support, there is also obvious value in coordinating with other donors in the provision of TA.** The Fund is a small player in global TA, and much of the support for institutional capacity-building, even in the Fund's core interests, can only realistically be provided by others. Efforts to minimize duplication and redundancy are thus critical in economizing on the use of the Fund's scarce resources. It is important for Fund TA departments to coordinate with other bilateral and multilateral agencies providing TA to a given country in order to avoid the potential for conflicting priorities and advice. Area departments and resident representatives, with their more frequent contacts with the donor community of a country, are well-placed to facilitate linkages with Fund TA departments. In countries with Fund-supported programs, the links between TA and the policy framework is critical and the Fund is well placed to develop a strategic approach and sequencing plan with country authorities and TA providers.

138. **In seeking new external financing, it is important to also recognize that not all potential external financing is in the interests of the Fund or sufficiently cost-effective to warrant its usage.** For example, there may be significant operational costs to obtaining external financing of Fund TA. The administration of most aid agencies is heavily decentralized. For a centrally-managed organization such as the Fund, this decentralized approach poses some challenges in coordination. The reporting requirements of external agencies can involve the Fund's TA departments in considerable extra work while coordination itself absorbs resources. External funding also increases the demand on Fund backstopping of TA by headquarters staff. If the quality of backstopping is to be maintained, more external funding would require more Fund budget resources to be provided (over and above the normal overhead allowed by the donor). Also, by its nature, availability of external financing is unpredictable. This suggests the importance of weighing the costs, benefits, and policy importance of externally financed projects that do not fully cover the full costs to the Fund of administration, reporting, and backstopping;

139. **There are also limits to the role that the Fund can play as a *central* coordinator of the TA provided by multiple agencies to a country in the Fund's core areas of expertise.** Such coordination can be very time consuming and resource intensive. Thus, with the exception of some MAE and FAD efforts (in coordinating financial sector TA and fiscal TA in post-conflict situations, respectively), the Fund has generally avoided taking on a TA coordination role. This raises the difficult question of whether the Fund, despite the costs, should experiment with taking on a more active coordination role. The TCAP initiative in particular may give rise to pressures for just such a role—having helped design a medium-term action plan calling for far more TA resources than the Fund can provide, countries may look to the Fund to play a central coordinating role. The risks that this could preempt the Fund's capacity to respond to urgent TA requests from the broader membership should be an important consideration in limiting the number of instances where it plays such a key coordinating role.

Departmental Developments

The Monetary and Exchange Affairs Department (MAE)

140. MAE's mission is to assist member countries promote sound and efficient banking and financial systems and effective monetary and exchange rate policies, in order to achieve financial and macroeconomic stability as a foundation for economic growth. The department also supports the resolution of banking crises and corporate restructuring. TA is aimed at strengthening institutional capabilities in monetary and exchange market infrastructure and operations; exchange and capital account regulations; payment systems design and operations; bank supervision; and monitoring the health of the financial system.

141. TA continued to be the main activity in MAE during FY 2000, accounting for some 106 person-years (roughly three quarters being field time). It was provided to 97 countries and more than seven regional organizations. About 15 person years of total TA had to be temporarily redeployed to undertake the pilots for the FSAPs in 12 member countries. To cushion the impact of this, there was a decrease in long-term experts, a reduction in the number and size of TA advisory missions, and fewer training workshops and seminars. As recruitment of new staff approved by the Board for FSAP work in the FY 2001 budget proceeds, MAE expects to be able to partly reverse this redeployment.

142. All regions except MED and WHD experienced absolute reductions in field-delivered TA in FY 2000, but AFR and APD together continued to absorb about half of MAE's field TA, reflecting close TA support for Fund programs. The increase in TA to Middle Eastern (MED) countries was directed towards the modernization of central banking operations, financial markets, and bank supervision. For EU2, TA declined and continued to shift toward strengthening domestic financial systems. Long-term experts continued to account for two-thirds of all MAE's field TA in person-year terms, of which some 40 percent focused on bank supervision/restructuring and 30 percent were general policy advisors.

143. TA in MAE began to shift in FY 1999 away from the traditional areas of focus—central banking, foreign exchange system, and payment issues—and towards financial system strengthening and compliance with codes, standards, and internationally accepted good practices. This shift accelerated in FY 2000. With the globalization of transactions in the financial and trade areas, and the financial crises in Asia, Latin America and Russia, MAE's TA is increasingly focusing on the appropriate sequencing of financial reforms in an environment of increasing liberalization of the current account and, for some countries, the capital account.

144. While for many countries in AFR, MED and APD, the demand for traditional TA continues to be substantial (especially for those seeking closer integration with international markets), there is an emerging consensus that in the transition countries of Central Europe, the Baltic countries, Russia and other BRO countries, as well as in Asia, reforms establishing

market-oriented monetary and financial policy and instruments as well as the associated institutional capacity can be sustained with less TA from MAE. Similarly, in some more developed AFR and WHD countries, requests for TA to modernize financial systems and the legal framework in which they operate have fallen.

145. The link between MAE assistance and Fund-supported program and surveillance activities has, in FY 2000, led to stronger connections between TA and program and surveillance work. MAE's initiative in the FSAPs is likely to fortify this connection. In addition, there is increasing likelihood in the future that national authorities will request MAE's TA to address vulnerabilities identified in association with the FSAP exercise, and the related assessment of monetary and financial standards, further reinforcing the link between TA and surveillance.

146. The continued strong demand for TA is likely to put great pressure on MAE's limited resources. To serve the needs of member countries better, MAE is putting considerable effort into exploring synergies in TA delivery and increasing the efficiency of its TA program. In FY 2000, MAE expanded its use of regional long-term advisors, with five long-term regional advisors posted in Africa, and one in the Caribbean. The Department is also exploring potential new external funding to help leverage its own resources to coordinate TA delivery. Better coordination with other TA providers is particularly useful for meeting members' needs for traditional TA. MAE is strengthening the internal monitoring and evaluation of the effectiveness of its TA efforts.

147. For MAE, a key issue is to ensure that there is an appropriate balance in its allocation of TA resources between traditional TA and support for needs arising from FSAPs and work on standards and codes. These two types of TA are clearly mutually supportive; the modernization of central bank operations, improvements in monetary policy implementation, and better management of the foreign exchange system have a large impact on the soundness and vulnerability of the financial sector. Similarly, inconsistencies in efforts to liberalize the financial system and the capital account can expose a financial sector to systemic risk or trigger contagion effects.

The Fiscal Affairs Department (FAD)

148. FAD's TA supports member countries' efforts to strengthen their fiscal policies and institutions. It not only focuses on the fiscal improvement which is critical to the macroeconomic adjustment sought under Fund programs, but increasingly emphasizes improved governance and transparency in budgets, tax policy, and revenue administration. It supports both Fund program design and monitoring and the formulation of Article IV advice. FAD stresses the importance of synergy between its TA work on government policies and fiscal institutional capacity-building and its staff's participation in program/surveillance missions, program reviews, and policy development work.

149. FAD provided TA on fiscal policy and administration to about 100 countries in FY 2000. The focus was principally on the Fund's traditional core public finance areas, viz., tax policy, and tax and customs administration; budgeting and public expenditure

management and policy; macrofiscal management, and fiscal federalism. In a limited number of cases (and usually in coordination with the World Bank), TA was also provided in assessing how to rationalize public expenditure budgets, reform public pension systems, and design social safety nets (in countries where problems in these areas threatened to undermine the fiscal adjustment sought under Fund-supported programs). Some TA was delivered in relatively new areas relating to poverty reduction, fiscal transparency, and data quality. In addition, substantial resources were devoted to post-crisis situations, for example, to East Timor, Kosovo, and Liberia. As in earlier years, this TA was integrated closely with the Fund's program and surveillance work, with at least 60 percent spent on countries with Fund-supported programs.

150. As in FY 1999, about 100 person years in total (including headquarters' time) were spent on TA, with some 70 percent of this delivered in the field, about 60 person years of which was provided by resident experts; 75 TA reports were produced. Across regions, Africa received the most TA, both in the form of mission and expert TA; EU2 transition countries also continue to receive a significant amount. Several developments in FAD's TA program in FY 2000 are worth particular note.

151. First, in the tax policy area, an increasing amount of TA is now being provided on an informal basis, typically from headquarters. In contrast to the more normal missions or posting of experts, countries are approaching FAD requesting informal reviews of draft legislation and the provision of policy notes and background material on international experiences and approaches in different policy areas. Such "distance learning" type TA is possible because of significant improvements in communications technology. Area department missions are also seeking such guidance in preparation for discussions on both surveillance and program missions, again implying a more informal type of TA delivery.

152. Second, there is continued strong demand for advice on issues related to the value added tax (VAT), both in terms of its design and administrative issues in implementation (particularly with respect to the capacity of administrators to control VAT refund claims). FAD's recent internal evaluation study on the VAT has proven valuable in fine-tuning advice on VAT policy design and implementation. Also, in the tax policy sphere, compliance issues have become particularly important for central and eastern European countries seeking to collect income taxes and social security liabilities on wages.

153. Third, TA on public expenditure management and budgeting, which has focused on the introduction of treasury systems, is now also increasingly addressing issues of commitment control, arrears management, fiscal data quality assessments, and transparency. These issues are expected to become an increasing source of demand, both in the context of the HIPC/PRGF initiative, but also in countries seeking to strengthen the transparency of their fiscal systems and to improve the quality of the fiscal data provided in the context of Fund-supported programs. In this regard, the increasing magnitude of ROSCs fiscal transparency modules have proved to be a valid diagnostic instrument. In the BRO, the focus on treasury systems is also gradually shifting toward TA aimed at strengthening budget preparation systems and improving fiscal transparency. With the increased emphasis on fiscal transparency, TA in FY 2000 has also focused on improving macro-fiscal analysis and

management by strengthening the institutional capacity to formulate and implement fiscal policy.

154. Fourth, regional integration initiatives (such as in the West African Economic and Monetary Union [WAEMU], Southern African Development Community [SADC], and the Common Market for Eastern and Southern Africa [COMESA]) continue to be an important source of demand for TA, with a view both toward harmonization of policy approaches (in tax and tariff policy, budget systems, tax and customs administration) and toward addressing the fiscal consequences of such harmonization (as tax and tariff rates are adjusted). FAD has sought in some cases to achieve economies of scale in the delivery of advice by posting an advisor to service a number of countries on common policy issues.

155. Fifth, FAD, like MAE, has continued to play a “fire-fighting” role, with sudden and urgent requests in sensitive program situations. Examples have included TA missions to provide guidance on fiscal decentralization and energy price reform in Indonesia; expenditure control issues in Nigeria; tax policy and expenditure reform in Russia; fiscal data quality assessments in Egypt and Pakistan; and social safety net design in Ecuador and some other Latin American countries.

The Statistics Department (STA)

156. TA in statistics plays a crucial role in the Fund’s work. It is designed to: help national authorities develop and maintain high-quality macroeconomic databases suitable for publication and analysis and for formulating, implementing, and monitoring national economic policy; to help national authorities subscribe to the SDDS or participate in the GDDS; and to facilitate the development and maintenance of STA databases of internationally comparable macroeconomic data and the dissemination of those data in the Fund’s statistical publications.

157. Following sharp growth in the 1990s when its volume more than tripled, total TA in STA grew by 8 percent in FY 2000 to reach a new peak at 42 person years, delivered to 99 countries (most of which are program countries). About 60 percent was in field time, of which about 40-50 percent was delivered by short term experts/missions. The regional allocation of STA’s TA delivered in the field has remained broadly stable, given a general trend over the past five years for the high levels of assistance to EU2 countries to be reduced in favor of TA to Africa. Transition countries in the BRO countries, among the top ten users of STA’s mission time and days in the field in FY 2000, nevertheless still outnumber African countries as TA recipients. APD was the third largest recipient in the last two fiscal years, partly owing to increasing demand for TA related to the Asia crisis. Indonesia, Korea, and Thailand received assistance in all areas of macroeconomic statistics.

158. Several years ago STA adopted a “country project” focus for its TA program in an effort to move away from one-off, fire-fighting-type missions to a more sustained involvement to ensure lasting improvements. As a result, TA is now in large part of the capacity- or institution-building type, particularly in program countries. Extended courses at

headquarters, shorter regional seminars, and on-the-job training are designed to transfer knowledge and skills to compilers.

159. TA in statistics has become increasingly linked to surveillance, most recently with the sharp increase in demand for TA related to standards and codes, including data dissemination standards. TA requests also frequently originate from the need for accurate and timely statistics in the design and monitoring of Fund-supported programs and in surveillance activities. Key elements of statistical action plans developed with STA TA are increasingly incorporated into the structural benchmarks of Fund-supported programs. A notable example is the effort to help countries develop quarterly national accounts, reflecting the inadequacy of annual GDP data for financial programming.

160. An important component of the department's TA program has been to complement its short-term missions with long-term statistical advisors. This approach has proven particularly appropriate for the transition countries. Regional statistical advisors have occasionally proven an efficient way to channel TA to groups of countries.

161. Fundamental to TA and training in statistics are the internationally recognized methodologies which STA has been instrumental in developing. During FY 2000, particular effort has been devoted to the forthcoming manuals on *Monetary and Financial Statistics*, *Government Finance Statistics*, and *External Debt Statistics*.

162. As with the other TA departments, STA is faced with increasingly difficult pressures to balance the demand between traditional bilateral TA and work responding to increased demands, viz., in relation to the GDDS and SDDS, and the more detailed reporting requirements on reserves. Exacerbating the resource constraint is the significant decline in external financing for TA that is forcing reductions in STA's use of experts and capacity for training. This may necessitate delays in accommodating requests that previously would have been satisfied.

The IMF Institute (INS)

163. The INS provides training for member country officials on a range of topics relating to macroeconomic, financial, and fiscal policies. It takes the form of seminars and short courses offered at Fund headquarters and at various locations overseas. In FY 2000, the INS's 21 courses and seminars at headquarters provided 3,555 participant-weeks of training to 749 country officials, while 77 overseas courses and seminars provided 4,242 participant-weeks of training to 2,386 officials. The number of officials trained at headquarters was 15 percent higher than in FY 1999, and for those trained overseas the number was 26 percent higher. In addition to its own staff, the INS relies on the other TA departments to deliver a significant amount of the training in INS-sponsored courses.

164. Demand for training far exceeds the amount the INS can supply with the staff and financial resources available. It has therefore sought cost-effective methods of expanding its training--by increasing its activities at overseas training centers, and through the recently-launched distance learning program. The expansion in overseas training has been made

possible by establishing new regional institutes and regional training programs in collaboration with partners, which has reduced participant costs and increased cost-sharing. Following the success of the Joint Vienna Institute (JVI), new regional training centers were established in Singapore in 1998 (with the Singapore Government) and in the Ivory Coast in 1999 (with the African Development Bank and the World Bank), and a new regional program was initiated in Abu Dhabi in 1999 (with the Arab Monetary Fund). Earlier this year, the Joint China-IMF Training Program was launched in collaboration with the People's Bank of China. Reflecting these developments, overseas training exceeded, in terms of participant weeks, the training offered at headquarters for the first time in FY 2000.

165. FY 2000 also saw the launch of a new program of distance learning using on-line communications in conjunction with multi-media and printed materials provided to the users. The first such course was on Financial Programming and Policies. If participants successfully complete the distance learning part of the course, they are invited to a two-week residential program in Washington. A second distance learning course in basic macroeconomics (to be given in CY 2001) is also being developed by the University of London under contract to the INS. This course will help to strengthen the preparation of INS participants by ensuring a minimum background in macroeconomics.

166. To respond better to the current needs of member countries, and in light of specific feedback from the members, the INS has also been restructuring its training. Shorter more specialized courses on current topics are now offered for relatively senior officials. The INS has also piloted several new courses at the STI and other overseas locations on financial sector issues, and is now incorporating more of these topics in its courses at headquarters. An important part of many courses has been hands-on country case study workshops to help participants understand how the many aspects of macroeconomic and financial policies fit together to form a coherent and consistent economic adjustment program. The INS regularly publishes the workshop materials so that they can be used by other trainers. The INS has also published three self-learning CD-ROMs which, like the workshops and conference volumes, are available as Fund publications.

The Legal Department (LEG)

167. LEG provides TA in the design and implementation of laws, regulations, and international agreements on monetary, financial and economic matters. TA provided by LEG is often designed to support Fund programs, particularly those components that strengthen the financial sector. More generally, assistance is typically provided in the areas of payments and transfers (including exchange controls and payments systems), central and general banking, budget and taxation, bank and corporate insolvency and restructuring, secured transactions, and enforcement of contractual claims. In the banking and tax areas, TA provided by LEG is normally delivered in collaboration with TA from other Fund departments, such as MAE and FAD.

168. A significant proportion of the TA provided by LEG over FY 1999 and FY 2000 (some 11 and 8 person years, respectively) was to support the recovery of the financial sector in Asia, and this trend is expected to continue. In all, LEG delivered TA to 34 countries

during FY 2000, almost 75 percent of it (based on field-time data) in the context of Fund-supported programs. This linkage to programs has resulted in an expansion of TA, most notably for corporate insolvency, secured lending, and the enforcement of contractual claims. Reform in these areas has been critical to financial sector strengthening, inter alia, because the establishment of a predictable system which allows creditors to enforce their rights also enables financial institutions to assess risk and maximize the value of their assets.

169. In the banking area, TA design has also been affected by the Fund's growing recognition that the prevention and resolution of financial crises requires measures to ensure financial stability. Accordingly, LEG's TA has increasingly emphasized governance issues (as in the work on creditor rights), including the role of directors and management, the effective implementation of prudential rules, and supporting audit requirements.

170. In the tax area, LEG's work has started to shift toward assistance in the drafting of more detailed and sophisticated legislation, and in the preparation of regulations to implement the laws passed.

The Bureau of Information Technology Services (BTS)

171. TA by the BTS is principally associated with the TA of other Fund departments. Thus, it provides TA related to financial and economic time series data systems, especially when linked with STA TA projects; systems for central banking operations, including government debt, in connection with TA from MAE; and financial, budget and expenditure control systems for ministries of finance, particularly to support FAD TA. BTS also sometimes provides assessments of strategic plans in information technology, if these are directly associated with the objectives of other Fund TA activities. During FY 2000, BTS managed TA to four member countries: Costa Rica, Malaysia, the Philippines, and China.

Core Areas of Technical Assistance Activity

	MAE	FAD	STA	INS
High Priority*	<ul style="list-style-type: none"> • Design of structural reforms for the effective conduct of monetary and exchange policy formulation and implementation, including improving monetary and exchange operations, foreign reserves management, systemic liquidity arrangements and related issues in public debt management • Promote sound and efficient banking and financial systems as necessary for financial and economic stability, including through strengthening bank supervision policies and regulation, bank restructuring/ resolution, cross-border supervision issues, and payments system issues • Contributing to capacity-building within central banks and financial supervisory agencies for effective ongoing implementation of monetary, exchange and financial sector policies, including legal framework and institutional improvements, and priority aspects of central bank accounting and auditing systems 	<ul style="list-style-type: none"> • Creation and enhancement of institutional capacity in macro-fiscal policy management • Design of structural policy reforms, and related institutional reforms, for sustainable revenue mobilization, including macro-significant interjurisdictional issues (e.g., fiscal federalism, tariff reform) • Budget preparation and public expenditure management, including reform of treasury and government accounting and reporting systems • Short-term expenditure rationalization, <i>incorporation</i> of social safety nets in Fund program design, and analyses of macro-fiscal sustainability of social security systems 	<ul style="list-style-type: none"> • Monetary and financial statistics • Balance of payments and international trade statistics, including international investment positions • Reserves and foreign currency liquidity/external debt statistics • Government finance statistics • National accounts and price statistics • Statistical organization 	<p>Training events focusing on:</p> <ul style="list-style-type: none"> • Macroeconomic management and financial programming • Financial sector issues • Fiscal issues • External sector issues

* This classification does not represent a value judgment by the IMF of the intrinsic importance of these areas. Its purpose is to distinguish between areas where the IMF considers that it has the primary responsibility, mandate, and competence to act, and areas where other agencies may be better placed and resourced to act.

Core Areas of Technical Assistance Activity

	MAE	FAD	STA	INS
Secondary Priority* (resources permitting)	<ul style="list-style-type: none"> • Banking system-related issues in corporate restructuring and bankruptcy • Capital market development and oversight • Nonbank financial sector supervision; coordination and consolidation of supervisory bodies • Development of credit bureaus • Workshops/seminars on central banking and financial sector supervision issues 	<ul style="list-style-type: none"> • Advice on how to utilize information technology in tax/customs administration and public expenditure management • Design of central government transfer systems to lower levels of government • <i>Design</i> of social safety nets and social security systems, but only when relevant to macroeconomic adjustment and in the absence of timely assistance from other agencies • Conduct of courses, seminars and workshops on various fiscal issues • Tax aspects of financial abuse 	<ul style="list-style-type: none"> • Employment statistics (refer to ILO) • Social and demographic data (refer to World Bank) • Development and implementation of census and household or industry surveys • Advice on computerization, database and information technology development • Training courses/seminars for individual countries • Development of source statistics. 	<p>Training events focusing on:</p> <ul style="list-style-type: none"> • Poverty reduction strategies • Structural reform • Governance • Economic issues for NGO representatives

* This classification does not represent a value judgment by the IMF of the intrinsic importance of these areas. Its purpose is to distinguish between areas where the IMF considers that it has the primary responsibility, mandate, and competence to act, and areas where other agencies may be better placed and resourced to act.

