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The Governance of IMF Technical Assistance

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Abstract

Technical assistance plays a vital role in supporting the Fund's strategic objectives and furthering the Fund's relationship with member countries; it absorbs about a fifth of the Fund's gross expenditures, and carries important reputational risks. Corporate practices governing Fund TA have changed significantly over the last two decades, with the elaboration of a Fund-wide policy on TA, a shift in the locus of decision making from functional to area departments, and the adoption of stronger accountability practices. This paper reviews the evolution of these practices, focusing on relationships among the key organs of Fund governance.

The views expressed in this Background Paper are those of the author(s) and do not necessarily represent those of the IEO, the IMF or IMF policy. Background Papers report analyses related to the work of the IEO and are published to elicit comments and to further debate.

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ABBREVIATIONS

AML	Anti-Money Laundering
CBD	Central Banking Department
CFT	Combating the Financing of Terrorism
CSU	Chairman's summing up
FAD	Fiscal Affairs Department
FSAP	Financial Sector Assessment Program
GDDS	General Data Dissemination Standard
GN	Guidance note
HIPC	Heavily Indebted Poor Country
LICs	Low-income country
MAE	Monetary and Exchange Affairs Department
MCM	Monetary and Capital Markets Department
MDBs	Multilateral development banks
MTS	Medium-Term Strategy
OIA	Office of Internal Audit
OTM	Office of Technical Assistance Management
PRGF	Poverty Reduction and Growth Facility
PS	Policy Statement
RAP	Regional Allocation Plan
ROSC	Review of standards and codes
SDDS	Special Data Dissemination Standard
TA	Technical assistance
TAC	Technical Assistance Committee
UFR	Use of Fund resources

EXECUTIVE SUMMARY

Corporate practices governing the Fund's technical assistance (TA) have changed significantly over the last two decades, with the elaboration of a Fund-wide policy on TA, a shift in the locus of decision making from functional to area departments, and the adoption of stronger accountability practices, but tensions remain about the criteria for allocating TA resources. The Fund's experience with TA offers interesting insights into the delineation of Board and management responsibilities for conducting "the normal business of the Fund."

This study reviews the evolution of the IMF's corporate governance practices affecting technical assistance, focusing on relationships among the International Monetary and Financial Committee, the IMF Executive Board, Management, and staff.

Until 1999, there was no explicit Fund-wide objective for TA. The various TA-providing departments had articulated objectives for their own activities, with a focus on supporting countries under Fund-supported programs. In late 1999, the Fund began to develop an institutional policy on TA, motivated by the results of external and internal evaluations, more active engagement of the Executive Board, the response to various financial crises, and a shift towards increased transparency in Fund operations.

TA was recognized as an important tool to further the Fund's strategic objectives, but the criteria for prioritizing the allocation of resources have been controversial, particularly in an increasingly resource-constrained environment. The TA policy has been repeatedly revised, and Executive Board discussions have reflected the latent tensions between the demands for TA to support crisis prevention and other surveillance-related responsibilities vis-à-vis the more traditional demands from countries under programs supported by Fund resources. TA policy as initially endorsed by the Board ranked the criteria for allocating resources for TA, but subsequent formulations allowed more room for discretion to Management and staff. In 2005, an IEO evaluation found significant shortcomings in TA policies and practices, and recommended that responsibility for setting priorities be shifted from functional to area departments, which were seen to be better placed to balance country needs with demands arising from institutional initiatives.

Important initiatives have been adopted to improve the accountability to the Executive Board for TA. These include the introduction of rolling programs of evaluation and the enhancement of practices for tracking and monitoring TA. These new programs and practices are a direct response to concerns raised by the Executive Board.

I. INTRODUCTION

1. The Fund's technical assistance is important to an evaluation of IMF corporate governance: TA plays a vital role in supporting the Fund's strategic objectives and furthering its relationship with member countries; it absorbs about a fifth of the Fund's gross expenditures; and it carries important reputational risks. Corporate practices governing the Fund's TA have changed significantly over the last two decades, with the elaboration of a Fund-wide policy on TA, a shift in the locus of decision making from functional to area departments, and the adoption of stronger accountability practices, but tensions remain with respect to the criteria for allocating the resources for TA.

2. This study reviews the governance practices affecting technical assistance over the last two decades, focusing on the relationships among the International Monetary and Financial Committee (IMFC), the Executive Board, Management, and staff, and also covering aspects of the governance of TA within and across IMF departments. It addresses the following broad questions:

- Who sets the goals for Fund TA and the strategy for meeting those goals?
- Who decides on resource allocation and on what basis?
- What oversight is there of the achievement of goals and the use of resources, including through evaluation?

Evidence for the study comes from a systematic review of IMF reports, communiqués of the IMFC (previously the Interim Committee), the 2005 IEO Evaluation of IMF Technical Assistance and internal memoranda.

3. The study is organized as follows: Section II looks at the legal underpinnings of Fund TA and briefly describes the resources allocated to this activity in recent years. Section III describes governance practices and their evolution in three consecutive periods: from the late-1980s to the early-1990s, from the mid- to the late 1990s, and from the early- to the mid-2000s. Section IV concludes.

II. LEGAL STATUS AND RESOURCES ALLOCATED TO TA

4. The IMF's provision of technical assistance is anchored in the Articles of Agreement and is seen as one of the benefits and rights of membership. Article V, Section 2(b) states that "if requested, the Fund may decide to perform financial and technical services...that are consistent with the purposes of the Fund" and that "services under this subsection shall not impose any obligation on a member without its consent." In late 1999, following a comprehensive review of the Fund's TA, the Board issued an explicit policy statement to bring greater specificity to the objectives of this activity. The policy statement has since been

refined on the basis of evaluation findings, evolving institutional priorities, and accumulated experience.

5. Unlike Article IV surveillance, which is mandatory, TA may be provided only if requested by a member. This has important consequences, for example, with regard to transparency and the publication of TA reports. Up until late 2002, the dissemination of TA reports was quite restricted—which reduced the scope for sharing lessons.¹ Responding to a call from the Board on the occasion of a review of TA in 2002, management increased the internal availability of TA reports (except those classified as strictly confidential) by posting them on the Fund’s Institutional Repository data base.²

6. The provision of technical assistance has major organizational implications. In the 1960s, the growth in TA demand from newly independent nations in Africa and Asia motivated the Fund to create specialized departments, starting with the Fiscal Affairs Department and the Central Banking Services Office (now the Monetary and Capital Markets Department (MCM)) in 1964³, and following with the Bureau of Statistics (now the Statistics Department) in 1969.

7. Currently, TA is the Fund’s third largest activity, after surveillance and country programs and financial-support activities⁴, and accounting for about one-fifth of gross expenditures.⁵ In individual departments that are heavily involved in TA provision, the resources allocated to this activity account for a major share of the budget.⁶

¹ At that time, the practice was that the authoring department would make the report available only to the authorities, the country’s executive director, the relevant area department, and in some limited cases, to other international organizations including the World Bank. See “Internal Availability of Technical Assistance Reports” (SM/02/378), December 2002.

² According to internal regulations (GAO 35), documents are classified into a three-tier system (For Official Use Only, Confidential, and Strictly Confidential) with access based on an increasingly restrictive need-to-know criterion. All Fund staff are granted access to TA reports classified “For Official Use Only”, with access limited to a restricted group for those classified “Confidential.” Board members, upon receipt of a no-objection communication from the TA recipient country authorities, can also be granted access to both types of reports.

³ “Review of Fund Technical Assistance” (EBAP/93/78), December 1, 1993.

⁴ There is no TA budget per se, but resources are allocated through the administrative budget to functional departments which decide on the allocation to various TA activities. There are unresolved issues of classification. The 2005 IEO evaluation found that activities classified as TA could also be considered as surveillance or program-related work (e.g., fact finding and diagnostic work) and some TA-like activities (e.g., ROSCs and FSAPs) are not considered to be TA.

⁵ “FY 2007 Administrative and Capital Expenditure” (EB/CB/07/3), July 23, 2007.

⁶ The share is about 60 percent in FAD, and about 40-50 percent in MCM.

III. EVOLUTION OF CORPORATE GOVERNANCE OF TA

A. Late 1980s to Early 1990s: Demand-Driven TA; Decentralized Decision Making

8. Interim Committee communiqués in the early 1990s almost invariably called for the Fund and the international community to provide financial and technical assistance to Eastern European and FSU countries undertaking economic transformation programs (Appendix 1). Simultaneously, the Committee called upon the Fund to provide TA to countries affected by regional crises and to developing countries adopting Fund-supported adjustment programs. However, neither the Interim Committee nor the Executive Board gave guidance on the priorities for allocating increasingly scarce TA resources across competing demands.

9. Initially during this period, staff and Management informed the Board of each request for TA and sought the Board's approval on a lapse-of-time basis. This practice of seeking approval was later discontinued in favor of monthly information reports⁷ and annual reports.⁸ Reflecting the lack of a comprehensive, Fund-wide approach to TA, these reports were a compilation of chapters prepared by each of the TA-providing departments. The chapters provided overviews of each department's activities, including internal TA management arrangements, evolving delivery strategies, the areas of TA, the numbers of missions and experts in the field, and brief summaries of the TA provided. The reports articulated the objectives for TA and the criteria for resource allocation from the perspective of individual TA departments, though they drew broad links to the purposes of the Fund.⁹

10. An important change in this decentralized approach took place in March 1991, when Management established the Technical Assistance Committee (TAC) of senior Fund staff to consider, on a Fund-wide basis, ways to evaluate TA, to coordinate reports to the Board, and to provide a forum for discussing TA policies, practices, and a medium-term strategy.¹⁰ In

⁷ For example, "Report on Technical Assistance—Requests Accepted by Fund Management in January 1994" (EBD/94/40), March 1994.

⁸ "Technical Assistance Programs—Annual Reports" (EBD/88/178; EBD/89/252; and EBD/90/140).

⁹ For example, the Central Banking Department (CBD) noted in 1988 that "[t]he basic objective of both forms of technical assistance, advisory and longer-term, is to assist member countries improve their financial systems by strengthening policy formulation and implementation", and added that when "...successful, the capacity of countries to pursue appropriate adjustment policies for sustainable balance of payments positions and stable growth in their economies is enhanced." CBD went on to note that in the face of increasing resource constraints, it had tightened the resource allocation criteria both in relation to which areas to cover (i.e., "those areas of specialization deemed of crucial importance to macroeconomic management") and to the particular country situation (i.e., an assessment of the contribution TA is likely to make to the success of a current or potential program, based in part on the track record of implementation). "Technical Assistance Programs—Annual Report" (EBD/88/178), pages 2 and 3.

¹⁰ Memorandum from the Deputy Managing Director, Richard Erb to Heads of Departments, Bureaus, and Offices (March 19, 1991) and Boxes 1 and 2 in "Review of Fund Technical Assistance" (EBAP/99/59), Supplement 1, May 1999.

early 1994 the Board discussed a comprehensive report prepared by the TAC on Fund-wide TA activities and prospects. That report¹¹ described the criteria for allocating TA resources. Operationally, the criteria were reflected in the annual regional allocation plan (RAP) that was prepared through an iterative, bottom-up, country-by-country, and project-by-project process that identified and prioritized TA needs.¹² The RAP, first prepared for FY1993, was a major departure from previous practice, whereby “the allocation of TA resources among countries and functional areas was largely demand-determined, i.e. driven by the nature of request from membership” with “TA departments enjoying wide discretion in the allocation of budgeted TA resources across regions and countries, although they had routinely consulted the relevant area department ...”.¹³

11. The 1994 TAC report raised questions related to the governance of technical assistance. It noted the lack of consensus on the relative importance of individual allocation criteria in the face of a growing gap between demand and supply. Second, it noted that “no procedures [were in place] for independent assessment and evaluation of Fund technical assistance,” though arrangements were in place to assure quality control and consistency of advice through internal peer review and the careful selection and close supervision of experts. Third, it drew attention to the increased role of external financing in funding TA; external funding had been virtually nil prior to 1990 but by 1994 it accounted for one-fourth of TA expenditures.

12. In the context of the TAC report, Management sought Board guidance on a series of issues:¹⁴ whether the Fund should be more or less involved in the identified subject areas or regions, whether additional criteria should be used to guide resource allocation, and whether staff should mobilize additional external resources to finance TA. Regarding prioritization, the Chair concluded that Fund TA should be focused in the areas where the Fund has a comparative advantage. Those who saw a catalytic role for TA encouraged staff to be adequately involved “because technical assistance can give an important impulse to ‘jump start’ the reform process and strengthen the authorities’ commitment to adjustment and reform.” There was widespread support for staff’s attempts to mobilize external resources, albeit no discussion of the potential governance issues associated with such a strategy. The Board did not provide clear guidance on an accountability framework for TA. Directors

¹¹ “Review of the Fund Technical Assistance” (EBAP/93/78), December 1993. Prior to this review, the Executive Board had last discussed TA in 1989.

¹² The RAP process was driven by TA departments in consultation with area departments under the guidance of the Technical Assistance Committee, with review and approval by Management at the final planning stage. “Review of the Fund Technical Assistance” (EBAP/93/78), December 1993, page 21.

¹³ “Review of the Fund Technical Assistance” (EBAP/93/78), December 1993, pages 7 and 19.

¹⁴ “Statement by Management on the Review of Fund Technical Assistance—Suggested Issues for Discussion, Executive Board Meeting 94/10, February 9, 1994” (Buff/94/7), February 1994.

stressed the need to devote sufficient resources to follow-up, including through periodic reviews of TA, but “...made no reference to specific follow-up of the recommendations made in the review, or to the timing of a subsequent review of technical assistance.”¹⁵

B. Mid-to Late 1990s: High Growth in Demand; Recognition of Need for a Fund-wide Policy

13. Between 1994 and 1999 crises shook the foundations of the international monetary system and brought to light latent vulnerabilities in the international financial architecture and in many economies. The crises in Mexico in 1994–95, and later in East Asia, Russia, and Brazil, triggered a series of major policy initiatives aimed at strengthening various aspects of the international financial architecture and the Fund’s surveillance of member countries’ policies. The Interim Committee issued calls for a thorough upgrade of data provision to the Fund (the General Data Dissemination Standard and the Special Data Dissemination Standard) and for helping countries to put in place measures to buttress their financial systems and supervisory frameworks when opening their capital accounts. Fund TA was expected to play an important role in helping countries upgrade their practices and institutions (see Appendix 1).

14. In 1999, the Board undertook a comprehensive review of TA based on a report prepared by the Fund’s Office of Internal Audit (OIA). The OIA report pointed out that the bulk of TA had been directed to countries that were implementing, or considering, Fund-supported programs, while “relatively little [had] gone to the emerging-market or surveillance-only economies.” OIA concluded that “there is only a weak link between Fund surveillance and Fund technical assistance, the orientation of which [was] generally reactive rather than proactive.” The report also revealed major gaps in the accountability framework for TA. In particular, it found that “...there [was] little evaluation, little reporting on the results to management and the Executive Board, and little dissemination of the lessons learned.” These findings brought to light shortcomings in the work of the Technical Assistance Committee, whose responsibilities included evaluation and reporting to the Board.

15. OIA attributed these deficiencies, in part, to the lack of an explicit overarching policy framework for the Fund’s TA; this **“ha[d] caused a strategic weakness in Fund technical assistance and weaknesses in governance and management”** (emphasis in the original) and called on the Executive Board and Management to adopt and publish “an explicit policy framework” while refocusing the provision of TA towards “those subject areas for which the Fund has a comparative advantage.” While supporting the use of regional allocation plans, OIA warned against fostering a perception of regional entitlements and called for more weight to be placed on those TA requests “that are related most closely to the core objectives of the Fund (including those that facilitate progress towards the implementation of codes and

¹⁵ “Review of Fund Technical Assistance” (EBAP/99/59) and Supplement 1, May 1999.

standards), and on those which demonstrate the strongest commitment on the part of the authorities to implement the advice they will receive.” They also called for an adjustment in the work practices of TA departments to increase the transparency of their operations, for the publication of TA reports (after deletion of sensitive, country-specific information and unless the recipient country objected), and for the introduction of self-evaluation—covering all completed projects using a common rating system to facilitate Fund-wide evaluation—and occasional independent evaluation.¹⁶ It called on the TAC to prepare annual reports to Management and the Board, including evaluation results. Finally, it called for a review in two years’ time to assess progress, with periodic reviews thereafter at three-year intervals.

16. The Board supported most of OIA’s recommendations. Directors endorsed proposals to better integrate TA with surveillance and program activities. Several directors noted that “in the context of adjustment and reform programs, potential benefits may sometimes justify proceeding with technical assistance even if the authorities’ commitment (or capacity) to implement changes is not fully assured.”¹⁷ Directors generally considered that Fund TA “should be confined to the subjects that are within the organization’s core responsibilities and for which the staff has significant specialized expertise,” while agreeing with the need to enhance the dissemination of those results and lessons. On accountability, directors stressed the need for comprehensive and rigorous evaluation, including through independent assessments, and favored a resumption of comprehensive reporting to the Board on TA activities. Management committed to preparing and discussing with the Board “a policy statement presenting specific proposals on the objectives, operational framework, and evaluation methodologies of technical assistance ...” by the end of 1999.

C. Early-to Mid-2000s: An Evolving Fund-wide Policy, with Tensions About How to Allocate TA Resources

17. This period saw major changes in the governance of Fund TA spurred by the recommendations of the 1999 OIA evaluation, the 2005 IEO review of TA, efforts to refocus the work of the Fund, and tighter budget constraints, all of which called for a clearer alignment of TA with the Fund’s strategic objectives and better integration with surveillance.

18. As recommended by the OIA, the Fund developed a Policy Statement for its TA work, issued November 1999. The Board was actively involved in developing the policy, which was to “be updated...in keeping with the changing role of the IMF itself and the global economic policy environment.” The Statement listed the various criteria that would guide resource allocation— country commitment to implementation, whether TA would help

¹⁶ Until then, TA departments had some self-evaluation arrangements in place, but these were not systematic nor were results reported to Management or the Board.

¹⁷ “Summing Up by the Acting Chairman on the Review of Fund Technical Assistance—Executive Board Meeting 99/61, June 8, 1999” (Buff/99/67), June 1999.

address weaknesses in institutional capacity that impinged on the implementation of macroeconomic policy or of Fund-supported programs, and whether TA supported the country's efforts to comply with agreed international standards and codes. The Statement emphasized that these considerations were listed in "...[i]n order of their relative importance..." Two additional elements were listed, namely the systemic or regional importance of the requesting country, and post-conflict situations.

19. In early 2001, the Board substantially revised these prioritization criteria. The revision took place in the context of a TA review and of discussions to improve the alignment of TA with the Fund's policy priorities.¹⁸ According to the report on "Ensuring Alignment", the new approach to prioritization introduced "a supply-driven element into what had traditionally been a demand-driven process," specifying "the **core priority areas** in which the Fund would provide TA ... and a conceptual framework... for characterizing the main program areas and/or key policy initiatives and concerns to which TA on policy reform and capacity building should be principally directed" (emphasis in the original).

20. The revised policy provided for a resource allocation mechanism based on a set of nine "filters." This mechanism effectively increased the discretion of management and staff vis-à-vis the previous formulation: "...the weight given to each of these factors would shift depending on management's perception of the Fund's changing priorities."¹⁹ As well as approving the revised policy, the Board also expressed support for an expanded use of regional TA centers as a cost effective and ownership-enhancing mode of TA delivery.²⁰

21. In its regular review of TA in 2002, the Executive Board took stock of the early results of the resource allocation "filters".²¹ Although the mechanism had some good features—it did not micro-manage allocation and helped the Fund explain its decisions to country authorities when requests were deferred or rejected, and TA departments were satisfied with it—directors noted that it was too early to pass judgment. Many of them cautioned that "...the allocation process first and foremost must take into account the needs

¹⁸ "Ensuring Alignment of Technical Assistance with the IMF's Policy Priorities" (SM/00/284), December 2000.

¹⁹ "Ensuring Alignment of Technical Assistance with the IMF's Policy Priorities" (SM/00/284), December 2000: Annex II.

²⁰ "Summing Up by the Acting Chairman—Review of the FY2000 Annual Technical Report and Discussion on Alignment of Technical Assistance with the IMF's Policy Priorities, Executive Board Meeting 01/2—January 5, 2001" (Buff/01/2), January 2001.

²¹ See "Review of Technical Assistance Policy and Experience" (SM/02/180, June 2002).

of TA recipients” while a few others “emphasized that any prioritization ...must take into account the systemic or regional importance of ...recipients.”²²

22. These observations could be seen as a pushback to the rising prominence of supply-side considerations and a more explicit (and re-ordered) ranking of priorities. The range of directors’ views also reflected latent tensions between the demand for TA in support of crisis prevention and other surveillance-related initiatives vis-à-vis the demand for more traditional uses of TA, in an increasingly resource-constrained environment. As discussed further below, at the same meeting the Board endorsed the introduction of a formal three-year rolling program of evaluations, while calling for more information on TA programs, so as to be in a better position “...to form judgment about the effectiveness of TA.”

23. The 2004 review of TA judged that the resource allocation “filters” were a useful tool in allocating TA resources more effectively, while noting that TA was increasingly being delivered in the context of country- and sector-specific strategies rather than on an *ad hoc* basis. Discussing the review, Directors noted that the TA program would need to remain flexible to strike an appropriate balance between institutional initiatives (e.g., FSAPs and ROSCs) and members’ evolving needs.²³ Directors welcomed the growing evidence in support of regional technical assistance committees (RTACs) as effective delivery vehicles, but they stressed that TA strategies in low-income countries should pursue institution building over a longer horizon. While noting the challenges posed by the growing importance of external financing for TA, directors called for prioritizing the use of external resources as rigorously as for the Fund’s own resources. Finally, directors welcomed the enhanced dissemination of TA reports, with many calling for increased accountability for, and transparency in, TA outcomes in the context of Article IV consultation reports.

24. In February 2005, the Board discussed the IEO’s evaluation of IMF Technical Assistance and broadly endorsed its recommendations.²⁴ This evaluation found that TA resource allocation was being driven primarily by the needs of IMF-supported programs and Fund-wide initiatives such as ROSCs and FSAPs, rather than by country-based medium-term policy frameworks. The evaluation concluded that the resource allocation filters were “...a poor vehicle to provide a meaningful and strategic basis for TA prioritization within and among countries” and judged the short-term focus of budget practices to be a hindrance to medium-term planning. Monitoring and reporting practices were found to be deficient,

²² “Summing Up by the Acting Chair—Review of Technical Assistance Policy and Experience, Executive Board Meeting 02/73, July 8, 2002” (Buff/02/107), July 2002.

²³ “Review of Technical Assistance” (SM/04/41), February 2004, and “The Acting Chair’s Summing Up—Review of the Fund’s Technical Assistance Program, Executive Board Meeting 04/23, March 5, 2004” (Buff/04/45), March 2005.

²⁴ “The Acting Chair’s Summing Up—Independent Evaluation Office—Evaluation of the Technical Assistance Provided by the Fund, Executive Board Meeting 05/16, February 18, 2005” (Buff/05/37), March 2005.

reflecting shortcomings in project design and lack of candor on sensitive issues. It called for TA priorities to be guided by medium-term country-specific policy frameworks giving a strengthened role to area departments. It advocated either discontinuing or replacing the “filters.” Finally, it called for the development of more systematic approaches to track progress on major TA activities and for a wider program of ex-post evaluations, with systematic application of the resulting lessons.

25. The Board broadly endorsed most of Management’s proposals to implement the IEO recommendations, but tensions emerged on how to prioritize the allocation of TA resources.²⁵ Directors agreed to drop the “filters,” in pursuit of a more strategic country-specific approach. They agreed to the use of the TA Information Management System (TAIMS), as a platform for the systematic monitoring of TA progress and results and for gathering information on the costs of individual projects, to inform medium-term budget decisions. They also agreed to strengthen the Technical Assistance Evaluation Program. However, directors differed on how to manage the tensions between implementing the proposed changes and maintaining the volume of TA activities, as the cost of implementing the proposed changes would have reduced the number of TA activities.

26. In July 2005, the Board reviewed the record of the regional TA centers.²⁶ Directors agreed that these centers had proven to be a useful addition to the Fund’s TA program, providing significant benefits to the countries served, but they also noted a need to consolidate achievements, to ensure quality control and accountability for TA activities delivered through the centers, and to address the financial risk embedded in the centers’ funding structure.²⁷ Further, directors acknowledged that the RTACs embodied a three-way tension, among Fund control over TA priorities and delivery modalities, country ownership, and donor interests. They concurred that the Fund would need to develop a clear and comprehensive strategy for the use of RTACs in the context of the Medium-Term Strategy, while sounding a cautionary note about further replication of the model elsewhere.

27. In the discussions on the Medium-Term Strategy, directors in March 2005 reaffirmed the importance of TA as a vehicle for achieving the Fund’s purposes, and called for a sharper focus on capacity building. They argued that TA should focus on economic institutions that are important for the implementation of policies to promote macroeconomic and financial stability “...on which the Fund has built considerable knowledge and expertise” but

²⁵ “Conclusions of the Task Force on IMF Technical Assistance” (SM/05/269, July 2005), and “The Acting Chair’s Summing Up Conclusions of the Task Force on IMF Technical Assistance, Executive Board Meeting 05/67, July 27, 2005” (Buff/05/130).

²⁶ “Review of the Fund’s Regional Technical Assistance Centers”(SM/05/239), June 2005.

²⁷ “The Acting Chair’s Summing Up—Review of the Fund’s Regional Technical Assistance Centers, Executive Board Meeting 05/67, July 27, 2005” (Buff/05/129), August 2005.

cautioned that “...developing broad institutions is beyond the Fund’s core expertise.”²⁸ Finally, directors reaffirmed the centrality of area departments in determining the appropriate focus of operational work, with Article IV consultations providing the framework to plan, prioritize, coordinate, and integrate TA with other aspects of the Fund’s work.

28. A working group on Standards and Codes and Capacity Building developed a set of proposals for implementing the Board-endorsed Medium-Term Strategy.²⁹ These proposals sought to improve the alignment of resources allocated to capacity building and standards and codes with the Fund’s evolving priorities and members’ needs, and to improve the effectiveness of TA through strengthened monitoring and evaluation and the mobilization of additional external financial resources. Central to the proposals was a greater role for area departments, along with increased participation of country authorities, to ensure that TA priorities were aligned. Area departments, with input from the TA-providing departments, would prepare country strategy notes on TA for discussion with country authorities.

29. To strengthen accountability and transparency for TA, in 2003 the Fund introduced a three-year rolling program of evaluations—implementing the proposal that was endorsed by the Board at the time of the 2002 review.³⁰ By the end of 2006, three reports had been submitted to the Board for information.³¹

IV. FINAL OBSERVATIONS

30. Over the last two decades, practices governing the Fund’s policy on TA have been transformed. Various factors seem to have moved the process forward, including external and internal evaluations, more active engagement of the Board, the response to financial crises, and a movement towards increased transparency in Fund operations.

31. At the start of the period under review, there was a significant hole at the apex of the TA governance structure. Though the Fund had been providing TA since the mid-1960s, for many years there was no explicit Fund-wide objective for TA. The various TA-providing departments had articulated objectives for their activities, with a focus on supporting countries engaged in Fund programs. It was only after the 1999 OIA review that the Board began to engage actively in developing a Fund-wide policy on TA. During this process, TA

²⁸ “The Chairman’s Summing Up—The Fund’s Medium-Term Strategy—Framework and Initial Reflections, Executive Board Meeting 05/30, March 28, 2005” (Buff/05/60), April 2005.

²⁹ “Implementing the Fund’s Medium-Term Strategy—Working Group Reports” (SM/06/114), March 2006, and “The Managing Director’s Report on Implementing the Fund’s Medium-Term Strategy” (SM/06/112), March 2006.

³⁰ See “Review of Technical Assistance Policy and Experience” (SM/02/180), June 2002.

³¹ See “Technical Assistance Evaluation Programs—Findings of Evaluations and Update Program” (SM/06/257), July 2006.

started to be seen as an important tool to further the strategic objectives of the organization, but the Board had difficulty providing clear guidance on how to prioritize the use of TA resources reflecting tensions between the demands for TA resources in support of crisis prevention and other surveillance-related initiatives vis-à-vis the demands for more traditional uses of TA in a resource-constrained environment.

32. After the 2005 IEO evaluation of TA found significant shortcomings in policies and practices, the responsibility for setting priorities in the provision of TA at the country level shifted from TA-providing to area departments (with more involvement of the authorities as well). Area departments were seen as better placed to balance country needs with the demands of institutional initiatives.

33. Important initiatives have been adopted to improve the accountability and transparency of TA vis-à-vis the Board. Previous systematic stock takings of TA activities and policies had long lags between them, and reporting and evaluation at the project and country level were scant at best. The process of developing the criteria for allocating TA resources provides an example of the difficulty of defining exactly the purview of IMF Management—that is, “the ordinary business of the Fund,” as per Article XII, Section 2, of the Articles of Agreement—as distinct from that of the Board. The original formulation of Technical Assistance Policy Statement endorsed by the Board provided a ranked set of criteria for use in allocating TA resources, but subsequent formulations of the policy devolved room for discretion to Management and staff.

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APPENDIX 1. THE INTERIM COMMITTEE AND THE INTERNATIONAL MONETARY AND FINANCIAL COMMITTEES COMMUNIQUÉS, 1991–2006: REFERENCES TO FUND TECHNICAL ASSISTANCE³²

Date	References to technical assistance
Spring Meetings 1991	The Fund was called to mobilize inter-alia technical assistance for the countries affected by the crisis in the Middle East. While noting the provision of technical support by international institutions to Eastern European countries as essential, the IC notes that foreign capital is expected to play a decisive role in meeting the financial and technical assistance requirements of these countries in the future.
Spring Meetings 1992	Welcoming the states of the former Soviet Union membership in the Fund and World Bank, the IC called the international community to provide adequate technical assistance to them in support of their programs with the Fund.
Annual Meetings 1992	Noting that the task of building wholly new economic system in the central and eastern European countries remains challenging, the IC called for external financial and technical assistance.
Spring Meetings 1993	The IC noted that the intensified adjustment and reform programs that developing countries should continue to carry forward must be supported by the international community with financial and technical assistance. Likewise such assistance is crucial for the continued decisive progress in the formerly centrally planned economies.
Annual Meetings 1995	In the context of endorsing an initiative to improve the regular and timely provision of comprehensive and quality data to the Fund by members for surveillance purposes, the IC stressed the importance of providing technical assistance to interested member countries.
Spring Meetings 1998	In the context of initiatives to strengthen the architecture of the international monetary system, the IC noted the importance of encouraging more members to subscribe to the SDDS, supported by technical assistance from the Fund and other agencies. In a similar vein, it called on the Fund, in cooperation with other international organizations, to provide technical assistance to members wanting to improve their fiscal management practices to improve the transparency of their fiscal operations.
Annual Meetings 1998	The IC called on the Fund, in collaboration with the World Bank, to provide technical assistance to countries to help them put in place adequate measures to buttress their financial systems and supervisory frameworks as preconditions for capital account opening.
Annual Meetings 1999	The IC called on the Fund to provide support, including through technical assistance, to the countries affected by tragic events in Kosovo. With the backdrop of proposed launch of new round of multilateral trade negotiations, the IC also called on the Fund to work with the World Bank and the WTO to coordinate their work including targeted technical assistance, in support of developing countries. In the context of data improvement initiatives (SDDS and GDDS), it called the Fund once again to provide technical assistance support.
Spring Meetings 2000	In context of the initiation of WTO negotiations in agriculture and services, the IMCF called on the Fund to continue to work with the World Bank, the WTO, and other interested parties to improve the effectiveness of trade-related technical assistance and to build institutional capacity. It called on the Executive Board to work further on how to incorporate into technical assistance the work underway on the policy on official reserves. Finally, the IMFC recognized the possible need for technical assistance to help countries meet relevant standards and codes.
Annual Meetings 2000	In the context of the continued efforts to reduce vulnerabilities and avoid crises, the IMFC called on the Fund in particular to provide enhanced technical assistance support for the implementation of internationally agreed codes and standards. Likewise, it called for increased technical assistance in support of HIPC Initiative countries and their PRSPs.
Spring Meetings 2001	The IMFC welcomes the work underway to better align Fund TA with its key policy priorities and to better coordinate its assistance with that of the World Bank and other providers. It also called on the Fund, in collaboration with the World Bank, to provide more technical assistance to countries implementing the AML standards.
Annual Meetings 2001	The IMFC called on the Fund to increase technical assistance to support members' implementation of AML/CFT standards, including for the establishment of financial intelligence units.

³² Spring and Annual Meetings whose communiqués do not include references to either technical assistance, or more broadly capacity building, are not listed.

APPENDIX 1. THE INTERIM COMMITTEE AND THE INTERNATIONAL MONETARY AND FINANCIAL COMMITTEES COMMUNIQUÉS, 1991–2006: REFERENCES TO FUND TECHNICAL ASSISTANCE (CONCLUDED)

Date	References to technical assistance
Spring Meetings 2002	The IMFC continued to call for adequate access of countries to TA in support of the Fund work on standards and codes. In discussing the Fund's role in low-income countries, it noted the importance of capacity building as a vehicle to build ownership and the effective implementation of PRSs and looked forward to the review of TA. It welcomed the opening of AFRITACs, and continued to call for the enhanced delivery of TA in the AML/CFT area.
Annual Meetings 2002	While stressing the critical importance of TA for the effective implementation of the New Partnership for Africa's Development, the IMFC looked forward to the contributions of the AFRITACs to that end. In underscoring the importance of substantial trade liberalization in the Doha round, it noted the importance of trade-related TA to support capacity building in developing countries. It called on the Fund and the World Bank, to strengthen TA in support of FSAPs and the standards and codes initiative, singling out the AML/CFT area in particular. The IMFC stressed the importance of capacity building in a range of areas in poor countries implementing PRSPs.
Spring Meetings 2003	The IMFC reiterated the importance of TA, including from the AFRITACs, in support of low-income countries. While welcoming the progress in the standards and codes initiatives and with the FSAP, it called on the Fund to implement agreed measures to strengthen TA follow-up. It called on donors to prioritize and coordinate assistance, including for capacity building in support of members PRSP's implementation. Finally on AML/CFT matters, it called for enhancing the delivery of critically needed TA.
Annual Meetings 2003	It calls on the IMF to provide assistance to countries to deal with the transitional impact of trade reforms, and to remain engaged with low-income countries over the longer term including through well-targeted technical assistance and capacity building. It continued to support the delivery of critically needed TA in the AML/CFT area.
Spring Meetings 2004	The IMFC called on the IMF, in partnership with MDBs and donors, to provide additional and coordinated assistance, including TA, to low income countries. It highlighted the importance of IMF TA in building institutional capacity and sound policy implementation in member countries. Once again, it called for close cooperation in the delivery of critically needed TA in the AML/CFT area.
Annual Meetings 2004	The IMFC called on the international community to support the efforts of low-income countries, particularly in Africa, with inter-alia increased and better-coordinated TA. In the context of expressing support for the work to clarify and strengthen the Fund's role in low-income countries, it noted that the Fund had an important role to play in those countries, including through TA provision.
Spring Meetings 2005	The IMFC called on the Fund, working with other partners, to explore further ways of easing the adjustment to trade liberalization, including through building capacity in low-income countries. It reiterated the critical supporting role the Fund has to play in low-income countries, including through capacity building.
Annual Meetings 2005	The IMFC took note that one broad priority of the Managing Director's Report on the Fund's Medium-Term Strategy was to help build institutions and capacity. It reiterated that the IMF has a critical role to play in LICs, including through capacity building. It noted the importance of supporting countries' efforts in the AML/CFT area with well targeted and coordinated TA.
Spring Meetings 2006	The IMFC called for the full use of enhanced mechanisms for trade-related TA for poor countries. It considered critical for the effectiveness of the Fund work in LICs, including on capacity building, to be closely aligned to countries evolving needs and PRSs and focused on macroeconomic issues.

**APPENDIX 2. REFERENCES TO TECHNICAL ASSISTANCE IN SELECTED CHAIRMAN'S SUMMINGS UP, DECISIONS,
AND OTHER DOCUMENTS OF THE IMF**

Date	Executive Board Meeting	Technical Assistance References
April 2002	CSU—Biennial Review of the Implementation of the Fund's Surveillance	The strengthening of national economic management capabilities through TA is also a key element for enhancing the impact of Fund surveillance.
March 2004	CSU—Review of Data Provision to the Fund for Surveillance Purposes	For countries where severe and long-standing data deficiencies hamper policy analysis and Fund surveillance, Directors stressed the importance of TA to strengthen their statistical system. Generally, Directors were of the view that TA priorities in the area of statistics should continue to be guided by the identified deficiencies in data provision to the Fund.
July 1997	GN—The Role of the Fund in Governance Issues	Directors strongly supported the role the Fund had played in the area, including through its TA. The contribution that the Fund can make to good governance arises primarily through improving the management of public resources and supporting the development and maintenance of stable and transparent regulatory environment, and hence it is within these areas that the Fund should focus its TA consistent with its traditional purview and expertise.
December 2000 March 2005	CSU—FSAP—A Review—Lessons from the Pilots and Issues Going Forward CSU—FSAP—Review, Issues, and Lessons Going Forward	Underscoring that a key objective of the FSAP is to encourage national authorities to implement measures to redress identified vulnerabilities and developmental needs, Directors believed that the Fund (as well as the World Bank) should provide appropriate TA to countries that request it. Directors urged staff to continue to make TA follow-up more systematic, while providing sufficient flexibility in how that is accomplished to improve country ownership.
November 2003	CSU—Offshore Financial Centers—The Assessment Program—A Progress Report and the Future of the Program	While emphasizing that the Fund's role in the program should continue to be guided by the Fund's mandate and expertise in this area, Directors agreed that TA should continue to be extended to those OFCs that have the resources and commitment to benefit from TA or that experience the greatest shortcomings in complying with international standards.
November 2001 July 2002 March 2004	CSU—Intensified Fund Involvement in AML/CFT CSU—AML/CFT—Proposals to Assess a Global Standard and to Prepare ROSCs CSU—Twelve-Month Pilot Program of AML/CFT Assessments—Joint Report on the Review of Pilot Program	Directors called for the circulation of a voluntary questionnaire to members in the context of Article IV consultations and using the findings to help set TA priorities. Directors noted the call for action on AML/CFT matters in the April 2002 IMFC Communiqué, including enhancing TA delivery. In this context, they emphasized that one of four principles in moving forward the Fund's work in AML/CFT assessments and accompanying ROSCs should be the appropriate TA follow up to help countries build their institutional capacity and financial sectors. While noting the importance of allocating additional resources to that end, it was stressed that such TA should not come at the expense of more traditional core TA. Directors commended the Fund/Bank staff for the overall success of the program and the achievement of its initial objectives, and noted the substantial provision of TA. In this vein, Directors emphasized that a key element of raising global compliance with the AML/CFT standards is the delivery of TA welcoming the significant and increased contribution by the Fund in legislative drafting, support of supervisory bodies, establishment of financial intelligence units, and training. While noting that the Fund was one of many TA providers and calling for close work with them, Directors agreed that TA delivery was a cost-effective way of strengthening the global efforts on AML/CFT. In considering options for advancing the Fund's work in AML/CFT, the majority of Directors agreed to support the Fund becoming fully accountable for the standards' assessment and for providing TA. Directors emphasized that the extension of this work should not crowd out other essential activities, including ongoing TA, and the redeployment and addition of resources for the expanded work would be taken up as part of the FY2005 budget discussions.
March 2002	CSU—Review of the PRGF—Issues and Options	Noting the need for further capacity building to inter-alia develop and assess macroeconomic frameworks, analyze the profile of poverty and conduct social impact analysis, Directors emphasized the importance of ongoing efforts by the Fund and others to increase TA to PRGF countries, including through the proposed AFRITACs.

**APPENDIX 2. REFERENCES TO TECHNICAL ASSISTANCE IN SELECTED CHAIRMAN’S SUMMINGS UP, DECISIONS,
AND OTHER DOCUMENTS OF THE IMF (CONCLUDED)**

Date	Executive Board Meeting	Technical Assistance References
September 2005	CSU—HIPC Initiative—Status of Implementation	Directors recommended targeted TA to improve debt management systems.
September 2002	Guidelines on Conditionality	The provision of TA is one of various other means by which the Fund encourages members to adopt sound economic and financial policies as a precaution against the emergence of balance of payments difficulties, or to take corrective measures at an early stage of the development of difficulties.
March 2000	CSU—Strengthening Safeguards on the Use of Fund Resources and Misreporting of Information to the Fund—Policies, Procedures, and Remedies—Preliminary Considerations	Reliable information is essential to every aspect of the Fund’s work, including TA. Directors stressed the importance of TA in the implementation of recommendations arising from the safeguards assessment.
March 2002	CSU—Safeguards Assessments—Review of Experiences and Next Steps	Moving forward, Directors supported a shift in focus of the safeguards policy towards the monitoring of past commitments, and in this context welcomed the closer coordination between corrective actions and TA.