

IMF Publication

Supplement to the Review  
of Technical Assistance

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INTERNATIONAL MONETARY FUND

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**Supplement to the Review of Technical Assistance**

Prepared by the Office of Technical Assistance Management

(In consultation with the Fiscal Affairs, Legal, Monetary and Financial Systems, Statistics,  
and Technology and General Services Departments, and the IMF Institute)

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### Selected List of Acronyms

AfDB	African Development Bank
AsDB	Asian Development Bank
AFRISTAT	Economic and Statistical Observatory of Sub-Saharan Africa
AFRITAC	Africa Regional Technical Assistance Center
AML	Anti-Money Laundering
BCEAO	Banque Centrale des Etats de l’Afrique de l’Ouest
BEAC	Banque des Etats de l’Afrique Centrale
CARTAC	Caribbean Regional Technical Assistance Center
CFT	Combating the Financing of Terrorism
DQAF	Data Quality Assessment Framework
FAA	Framework Administered Account for Technical Assistance Activities
FATF	Financial Action Task Force
FIRST	Financial Sector Reform and Strengthening Initiative
FSAP	Financial Sector Assessment Program
GDDS	General Data Dissemination System
HIPC	Heavily Indebted Poor Country
IT	Information Technology
JAI	Joint Africa Institute
JSA	Japan Administered Account for Selected Fund Activities
JVI	Joint Vienna Institute
KPIC	Key Policy Initiatives and Concerns
MATTS	MFD Technical Assistance Tracking System
MPA	Main Program Area
NEPAD	New Partnership for African Development
OFC	Offshore Financial Center
PACT	Partnership for Capacity Building in Africa
PEM	Public Expenditure Management
PFTAC	Pacific Financial Technical Assistance Center
PRSP	Poverty Reduction Strategy Paper
RAP	Resource Allocation Plan
ROSC	Report on the Observance of Standards and Codes
SDDS	Special Data Dissemination Standard
STI	Singapore Training Institute
TA	Technical Assistance
TAIMS	Technical Assistance Information Management System
TCAP	Technical Cooperation Action Plan
TIMS	Travel Information Management System
TPR	Tripartite Review
WAEMU	West Africa Economic and Monetary Union

## I. OVERVIEW OF TECHNICAL ASSISTANCE DEVELOPMENTS

1. This *Supplement* to the report on the *Review of Technical Assistance* (TA) covers TA developments since the last review in July 2002, and provides background information to the main Report. After this Overview Section, the paper presents TA developments on a departmental basis.

### A. Main trends in technical assistance delivery <sup>1</sup>

2. Recent years were characterized by a modest expansion of the volume of TA delivered by the Fund on the one hand, yet significant adaptations in the Fund's approaches to a rapidly changing TA environment, on the other hand. The Fund's TA program increased by 2.6 percent during FY 2003 over the previous fiscal year and was about 40 percent larger than a decade earlier (Table 1).

Table 1. Technical Assistance Delivery, FY 1999–FY 2003 1/					
(In person-years)					
	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
	Actual	Actual	Actual	Actual	Actual
Monetary and Financial Systems Department	127.3	113.0	101.2	115.5	120.0
Fiscal Affairs Department	108.8	106.6	111.9	97.5	94.3
Statistics Department	48.9	49.1	48.2	49.2	55.7
IMF Institute	54.5	54.6	54.4	56.0	55.4
Legal Department	12.7	8.6	15.4	15.5	19.6
Other departments	14.7	11.3	12.2	12.9	10.7
<b>Total</b>	<b>366.9</b>	<b>343.2</b>	<b>343.3</b>	<b>346.6</b>	<b>355.7</b>

Source: Office of Technical Assistance Management.

1/ Total TA delivery, including headquarters and field time. From FY 2001, the data include all time spent on TA activities by support staff. The person-year (260 effective days) unit of delivery is the only consistent measure of TA output available at present.

3. Taking a five-year perspective, over FY 1999–FY 2003, the volume of TA dipped significantly in FY 2000, reflecting the reallocation of staff resources from TA to other outputs, notably work on international standards and codes and Financial Sector Assessment

<sup>1</sup> Departments providing TA are FAD, INS, LEG, MFD, and STA, and to a very limited extent PDR, and TGS. Training provided by INS is considered as TA and is included in the concept of, and tables on, TA.

Programs (FSAPs). Since then, TA delivery, including time spent on supervision and management, has risen steadily, but still remains lower than its level in FY 1999.

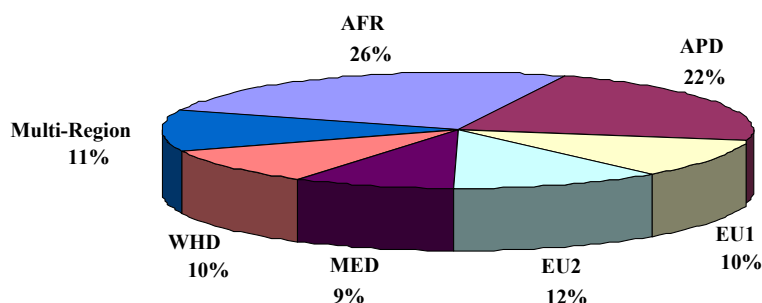
4. TA to a number of post-conflict countries and TA delivered through regional arrangements were among the top ten recipients of TA in FY 2003 (Table 2). The regional distribution of TA in FY 2003 has remained broadly similar to that of previous years, with sub-Saharan Africa receiving the highest volume of assistance, followed by Asia (Chart 1). Their combined share currently is nearing one-half of the Fund's total TA delivery. As in previous years, close to two-thirds of TA was provided by the two largest TA departments, namely MFD and FAD (Table 1).

Country/Institution	FY 2001	Country/Institution	FY 2002	Country/Institution	FY 2003
Indonesia	8.2	Timor-Leste	7.0	Cambodia	7.8
Timor-Leste	6.6	Indonesia	7.0	Timor-Leste	7.0
Ukraine	5.1	Cambodia	5.5	CARTAC	6.8
Azerbaijan	4.3	PFTAC	4.6	Indonesia	6.1
PFTAC	4.2	Rwanda	4.2	Congo, Dem. Rep. of	5.3
Bosnia and Herzegovina	4.0	Ukraine	4.0	Afghanistan	4.9
Liberia	3.9	Uganda	4.0	Africa Regional 2/	4.5
Rwanda	3.9	Banque des Etats de l'Afrique Centrale	3.4	PFTAC	4.4
Yemen	3.8	Azerbaijan	3.3	Mozambique	3.9
Russian Federation	3.6	Eritrea	3.2	Russian Federation	3.6

Source: Office of Technical Assistance Management.  
1/ Field delivery only.  
2/ Includes the East AFRITAC.

5. The dual objective of the Fund's TA program is to assist member countries in devising and implementing sound macroeconomic policies (*policy advice* and *program/near-program support*) and in strengthening their institutions and developing their officials' skills in effective economic and financial management (*capacity building*). Since that last review, the Fund's TA program has continued to expand in both areas and to be increasingly integrated with the Fund's other outputs. The two TA objectives are often complementary.

Chart 1. Regional Distribution of Technical Assistance Delivery, Average of FY 2001–FY 2003  
(In percent of total) 1/



Source: Office of Technical Assistance Management.

1/ Field delivery only.

6. The evolution of the Fund's TA program has mirrored the changing focus of the Fund's work in general.<sup>2</sup> The functional departments' work expanded into new areas, such as FSAPs, Reports on the Observance of Standards and Codes (ROSCs), as well as the need to deal with the aftermath of the international financial crises of the late 1990s. Reflecting new needs, TA in FY 2003 increased for post-conflict/isolation cases, regional initiatives, and crisis prevention. TA on anti-money laundering and combating the financing of terrorism (AML/CFT) and to offshore financial centers (OFCs) more than doubled (Table 3). TA also rose as a follow up to ROSCs and FSAPs.

7. TA Departments have reexamined their approaches to TA management, with a higher proportion of their staff time being devoted to backstopping and managing TA, rather than to direct delivery. A separate Wing was created in MFD, with a view to strengthening that department's management and overview of TA. There has been a conscious change in FAD in favor of more strategic TA delivery where appropriate, leaving implementation to other providers. STA expanded and enhanced its regional approach to TA delivery, especially in the General Data Dissemination System (GDDS) framework. In LEG, TA has been placed under the direct supervision of a senior staff member, with added resources for managerial and administrative requirements.

<sup>2</sup> See Box 1 in the main Report.

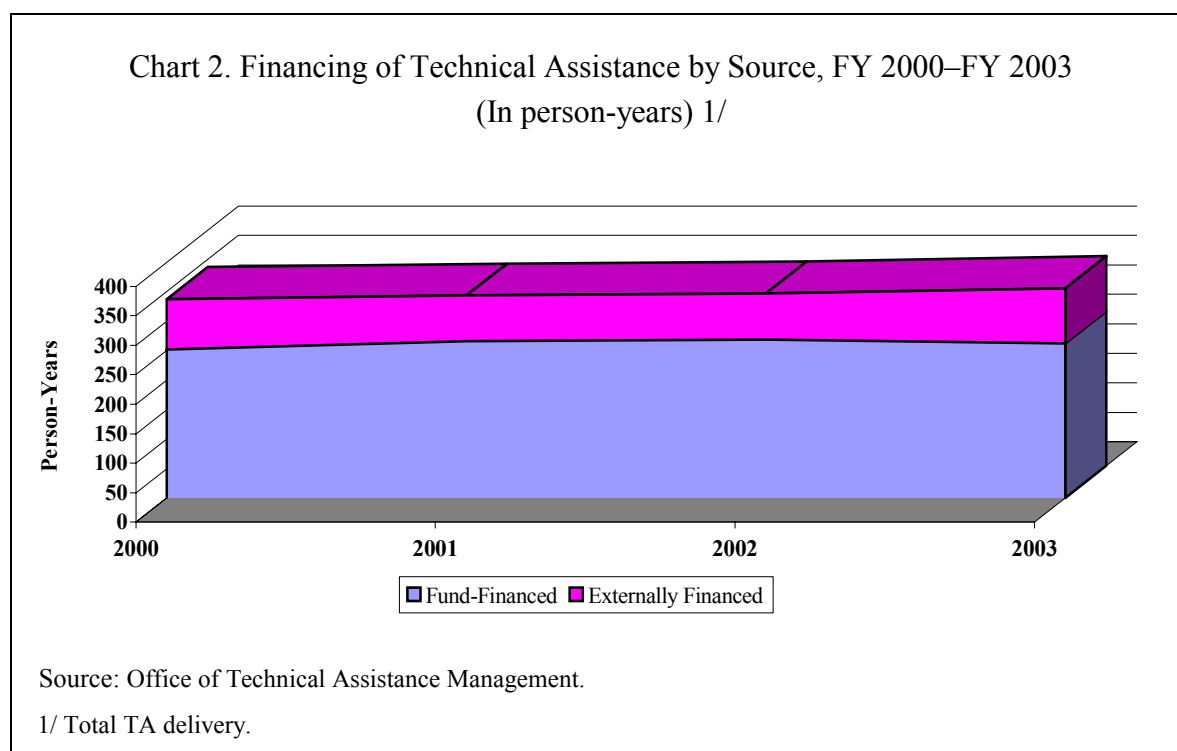
Table 3. Technical Assistance Delivery by Main Program Area and Key Policy Initiative, FY 2002–FY 2003 (In person-years) 1/		
	FY 2002	FY 2003
<b>Main Program Areas</b>	<b>188.6</b>	<b>194.0</b>
Crisis prevention	32.6	35.0
Poverty reduction	69.6	60.7
Crisis resolution and management	29.1	26.4
Post-conflict/isolation	23.3	30.5
Regional	34.0	41.4
<b>Key Policy Initiatives</b>	<b>188.6</b>	<b>194.0</b>
Follow up TA for standards and codes	13.6	18.1
Follow up TA for FSAPs	3.5	6.0
HIPC associated	21.4	16.8
Safeguarding Fund resources	0.6	0.5
Offshore financial centers; AML/CFT	5.2	10.4
Policy reform/capacity building	144.4	142.3
Source: Office of Technical Assistance Management.		
1/ Field delivery only.		

8. The TA program has continued to be integrated into other Fund activities, in particular in the use of Fund resources, the setting and assessment of international standards and codes, crisis prevention and management, and AML/CFT. The Fund's TA departments have continued to participate in surveillance and use of Fund resources activities and actively contributed to a growing number of global initiatives, thereby effectively combining their policy expertise with their TA experience. The regional TA delivery mode also progressed notably since the last review with the opening of two new regional TA Centers and the continued active use of the existing six regional training programs sponsored by INS.

### B. Developments in financing technical assistance

9. Fund TA is financed from internal and external sources. While the Fund finances direct TA delivery, supervision, administrative, and other overhead costs through the administrative budget, about one-third of the cost of the direct delivery of Fund TA is financed by external donors (Chart 2).





### Fund financing of technical assistance

10. In FY 2003, capacity-building services represented about one-fifth of the Fund’s total net administrative budget. Capacity-building services provided by area and functional departments amounted to roughly US\$90 million in FY 2003. About three-quarters of those costs represented personnel and travel costs directly related to TA and its management. Around two-thirds of the identified personnel costs relate to direct provision of TA, with the remainder allocated to administrative and support activities.

### External financing of technical assistance

11. External financing has supported a growing share of Fund TA since 1990. Cumulatively, contributions for Fund TA from external sources have been in excess of US\$300 million. Japan continues to be the Fund’s largest contributor, accounting for around 60 percent of all externally financed TA. Since 1990 Japan has made annual contributions totaling some US\$214 million for Fund TA and scholarship programs. Contributions of other donors have, however, become increasingly important during recent years (Table 4).<sup>3</sup>

<sup>3</sup> In addition to Japan, bilateral donors currently supporting Fund TA are Australia, Austria, Brazil, Canada, China, Denmark, Finland, France, Germany, India, Ireland, Italy, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Russia, Singapore, Sweden, Switzerland, the United  
(continued...)

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Japan	71	79	78	74	66
Framework Administered Account (FAA)	5	6	4	9	18
<i>Single-donor subaccounts</i>	5	6	4	9	13
<i>Multi-donor subaccounts</i>	...	...	...	...	5
UNDP	16	11	11	12	11
Other	8	4	7	5	5
Total	100	100	100	100	100

Source: Office of Technical Assistance Management.  
1/ Field delivery only.

12. This external support has been critical to allow the Fund to expand the volume of TA and training provided to the membership, and to respond quickly to new initiatives. Fund TA in support of longer-term institution building and for regional approaches to TA and training has been particularly dependent on external financing. Assistance provided by long-term experts is, for instance, mainly derived from external sources (Table 5).

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual
Long-term experts	66	64	69	74	86
Regional delivery	41	40	38	37	61

Source: Office of Technical Assistance Management.  
1/ Field delivery only.

Kingdom, and the United States—of which China, Finland, Germany, Luxembourg, Norway, Russia, and Sweden, have become new donors since the last review. Current multilateral donors include the African Development Bank, the Arab Monetary Fund, the Asian Development Bank, the European Commission, the Inter-American Development Bank, the United Nations, the United Nations Development Programme, and the World Bank.

13. Availability of external funding has also greatly enhanced the ability of the TA program to respond to new initiatives. For example, TA to help countries identify and remedy gaps in their AML/CFT regimes and address vulnerabilities identified in the context of OFC assessments has to a large extent benefited from the availability of external financing. Similarly, assistance provided to countries preparing and implementing GDDS metadata has been largely externally funded (Table 6).

Table 6. External Financing of Selected Initiatives, FY 1999–FY 2003					
(In percent of total) 1/					
	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
	Actual	Actual	Actual	Actual	Actual
Anti-money laundering	...	...	...	65	23
Offshore financial centers	...	...	...	4	17
GDDS	47	62	77	72	88

Source: Office of Technical Assistance Management.  
1/ Field delivery only.

## II. TECHNICAL ASSISTANCE DEVELOPMENTS IN MFD

### A. Overview

14. MFD's mission is twofold—to assist member countries in promoting sound and efficient monetary and financial systems, and in achieving financial and macroeconomic stability through developing effective monetary and exchange policies. MFD's TA covers monetary and exchange market operations; financial infrastructure and framework; exchange and capital account issues; payment systems design and operations; banking regulation and supervision; bank restructuring; and the monitoring of the health of financial systems. To meet these expanded needs, MFD was recently reorganized (Box 1). TA is provided through a combination of advisory missions and short- and long-term expert assignments in the field. Training workshops and seminars are also organized to support the TA delivered.

### **Box 1. MFD's Reorganization**

In FY 2003, the *Monetary and Exchange Affairs Department* (MAE) underwent a major reorganization, which transformed it into the *Monetary and Financial Systems Department* (MFD). The reorganization was prompted by the need to take better account of the Department's enhanced responsibilities, which have been expanding rapidly in recent years, and the desire to align TA delivery more fully with the Fund's Main Program Areas (MPAs) and Key Policy Initiatives and Concerns (KPICs), particularly crisis prevention and resolution. Also in the foreground was the intent to strengthen the backstopping, management, and evaluation of TA, and the leveraging of its external financing. To facilitate these goals, the new structure, which became effective in September 2003, is organized around four operational Wings:

- The *Financial Systems Surveillance Wing* monitors financial and monetary sectors and financial soundness and stability through FSAPs and an array of other surveillance tools.
- The *Technical Assistance Wing* manages, oversees, and participates in the delivery of TA; prioritizes TA; backstops TA; liaises with other TA providers and financiers; and ensures quality control and integration of TA with other activities.
- The *Financial Supervision and Crisis Management Wing* deals with regulatory, supervisory, and market-integrity issues (e.g., AML/CFT) and provides dedicated support to crisis management in close collaboration with area departments.
- The *Central Banking and Market Infrastructure Wing* is responsible for monetary and foreign exchange operations, payments systems, capital account liberalization, exchange and capital controls, and public debt and reserve operations; it is also responsible for post-conflict cases.

The Technical Assistance Wing is headed by a Deputy Director and is staffed by seven senior area chiefs with regional responsibilities, supported by small headquarters-based teams of two to three persons each.

### **B. Technical assistance delivery**

15. MFD's TA delivery dropped after FY 1999 (Table 7), owing to the fact that the pilot phase of the FSAP had been started with no increase in departmental resources and to a policy shift from long-term advisors to short-term experts. However, TA delivery rose in FY 2003, in part in response to a surge in demand for follow-up TA on the Fund's recent financial sector initiatives, including FSAPs, and the associated ROSCs,<sup>4</sup> assessments of OFCs, as well as AML/CFT (Box 2). Assistance to post-conflict countries also increased. Despite constraints related to the Severe Acute Respiratory Syndrome (SARS) outbreak and the Iraq war, TA delivery in FY 2003 reached 120 person-years, 70 percent of which was delivered in the field, MFD's highest level of activity since FY 2000.

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<sup>4</sup> In MFD, virtually all ROSCs are now conducted in association with FSAPs.

Table 7. MFD's Technical Assistance Delivery, FY 1999–FY 2003

(In person-years) 1/

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
<b>A. Resources available</b>					
<b>Fund financed</b>	<b>95.6</b>	<b>79.1</b>	<b>71.6</b>	<b>82.6</b>	<b>84.2</b>
Staff	36.4	29.5	34.1	39.9	41.3
Headquarters-based consultants	6.5	4.0	5.2	4.1	3.6
Experts	52.7	45.5	32.3	38.6	39.3
<b>Externally financed</b>	<b>31.7</b>	<b>33.9</b>	<b>29.6</b>	<b>32.9</b>	<b>35.8</b>
UNDP-approved projects	2.3	2.1	1.2	1.8	2.4
Japan administered account	25.0	29.5	25.8	28.2	28.7
Other external resources	4.4	2.4	2.6	2.9	4.7
<b>Total resources</b>	<b>127.3</b>	<b>113.0</b>	<b>101.2</b>	<b>115.5</b>	<b>120.0</b>
All headquarters-based staff	42.9	33.5	39.3	44.0	44.9
All field experts	84.4	79.5	61.9	71.5	75.1
<b>B. Resources used</b>					
<b>Direct delivery</b>	<b>117.9</b>	<b>104.3</b>	<b>87.5</b>	<b>101.4</b>	<b>106.3</b>
African	30.2	29.8	23.1	25.4	22.3
Asia and Pacific	25.0	18.2	21.3	25.0	27.7
European 1	12.5	12.1	11.8	14.7	13.8
European 2	19.1	14.4	10.9	10.5	8.6
Middle Eastern	11.8	11.8	7.4	8.0	11.7
Western Hemisphere	14.1	13.2	9.6	11.4	13.8
Multiregional	5.2	4.8	3.4	6.4	8.4
<b>TA policy, supervision and administration</b>	<b>9.4</b>	<b>8.7</b>	<b>13.7</b>	<b>14.1</b>	<b>13.7</b>
TA policy, management and evaluation	3.2	2.4	3.7	5.1	5.3
TA administrative support	6.2	6.3	10.0	9.0	8.4
<b>Total use</b>	<b>127.3</b>	<b>113.0</b>	<b>101.2</b>	<b>115.5</b>	<b>120.0</b>

Source: Monetary and Financial Systems Department.

1/ Total TA delivery. An effective person-year of TA is 260 days.

## **Box 2. Anti-Money Laundering and Combating the Financing of Terrorism**

In 2000, following the issuing of a report on OFCs by the Financial Stability Forum (FSF) that highlighted prudential and market-integrity concerns, the Fund's Executive Board concluded that the Fund should begin a new program of identifying strengths and weaknesses in OFC systems through voluntary assessments, and by offering TA to requesting countries to improve those systems. With the adoption of the AML/CFT pilot program (see below), an important component of OFC assessments and follow-up TA has been in the area of AML/CFT. Since the inception of the OFC program, 40 of the 44 identified OFC jurisdictions have undergone assessments, with over 20 follow-up TA missions.

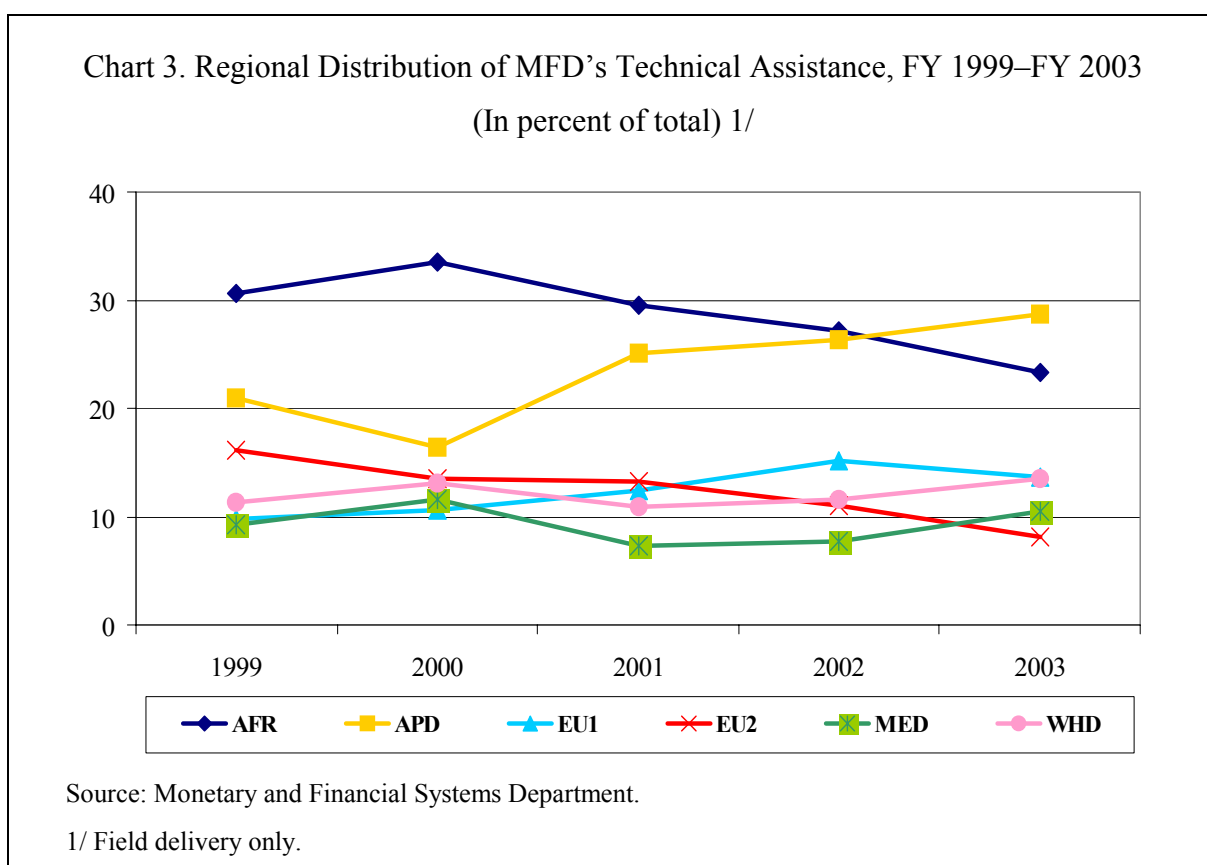
In April 2001 the Executive Board concluded that money laundering posed a threat to financial system integrity, and that the Fund should provide TA to requesting countries in those AML matters that relate to financial sector supervision. After the events of September 11, 2001, the Board decided that the provision of TA in that area should be substantially increased and extended to CFT and to assisting the legal and institutional framework for AML/CFT. A key to identifying TA needs has been the pilot program of voluntary AML/CFT assessments and accompanying ROSCs that is currently being undertaken by the Fund, the World Bank, the Financial Action Task Force (FATF), and regional AML organizations. These are now included as part of all FSAPs and OFC assessments. The Fund, in cooperation with these organizations and with national authorities, has been providing extensive AML/CFT TA, focused primarily on the drafting of legislation and regulations, on improving the supervision of financial institutions, and on the building of capacity among regional AML organizations. Currently, approximately 40 TA projects are either underway or planned in this area, and they will benefit about 115 different jurisdictions.

16. Regarding the outlook for FY 2004, MFD TA delivery is expected to reach approximately the same level as in FY 2003, with demand for TA continuing to be strong. FSAPs will continue to generate additional TA needs, as will the recent work on the OFC assessment program, which has covered some of the largest offshore jurisdictions. In Africa, TA delivery is expected to pick up with the coming on stream of the AFRITACs and the reinvigoration of TA programs in some large beneficiary countries (such as the Democratic Republic of the Congo). However, there are some uncertainties, notably with respect to the restoration of political stability in some currently unstable regions and post-conflict areas. In addition, MFD's role in AML/CFT is evolving as the World Bank, the FATF, and the regional AML bodies take on a larger role in financial assessments.

### **Distribution by region**

17. Regional TA delivery by MFD in FY 2003 is presented in Table 7 and illustrated in Chart 3. Until FY 2002, AFR absorbed a larger share of TA (around one-fourth) than any other region, reflecting support for efforts to reduce poverty in low-income countries. In FY 2003, however, that share declined, mainly because of continuing instability in some of the largest potential beneficiaries and slow reform progress in others—although a rebound is expected in FY 2004. APD, now the largest beneficiary of MFD's TA, has seen its share rising sharply, reflecting partly the Fund's emphasis on capacity building in post-crisis Asian

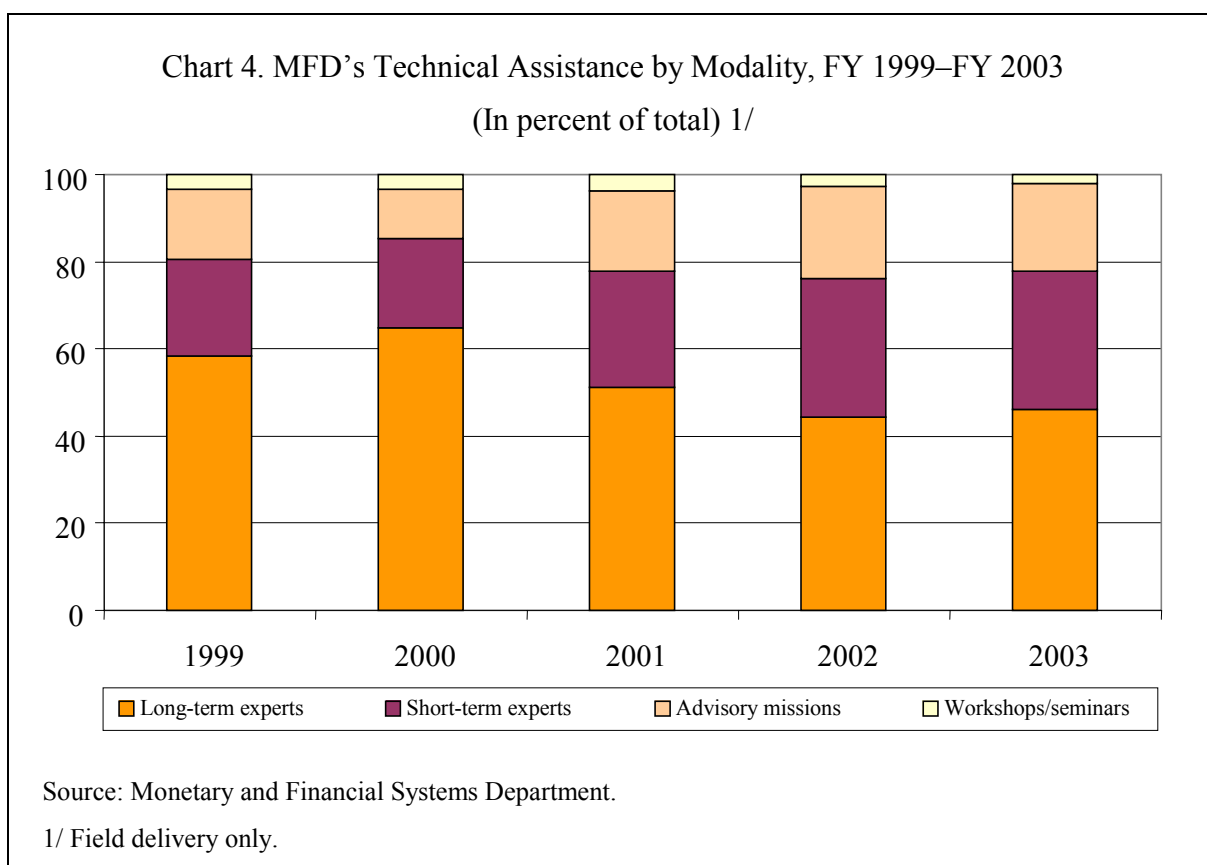
countries, the overall increase in TA to follow up on financial sector initiatives, and increased access to external financing. The Middle East’s share has also grown steadily since FY 2001, mainly as a result of intensified assistance for post-conflict capacity and institution building—although this increase is likely to be reversed in the current financial year—as has the share of TA to the Western Hemisphere, where a considerable amount of work is being undertaken in the context of large use of Fund resources and potential program countries, and OFC and AML/CFT assessment follow-up. TA to transition economies has continued its steady, long-term decline, both in relative and absolute terms. Importantly, these trends reflect the ongoing shift away from broad-based general support for market-oriented policy reforms and capacity building toward more focused assistance on strengthening domestic financial systems, achieving systemic stability, and addressing various country-specific issues.



### Distribution by modality

18. Long-term experts have continued to account for the largest share of MFD’s TA by delivery modality, but this category’s share has declined sharply against the rising proportion of short-term assignments (Chart 4). The share of advisory missions has remained relatively

constant over the last six years. The share of MFD resources devoted to workshops and seminars has been reduced in recent years in order to free up resources for other types of TA, and this trend is expected to continue in FY 2004. In FY 2003, MFD delivered 26 training workshops and seminars, one-quarter of which were held overseas. Nearly one-fourth of them were on banking supervision and financial sector issues, with inflation targeting seminars growing in importance relative to more traditional topics, such as monetary operations and policy, foreign exchange, accounting, and payment systems.



### Distribution by topic

19. The topics covered by MFD TA have been evolving constantly since the late 1980s and early 1990s to keep up with the evolving nature of the Fund's work itself. In the early 1990s, the Department experienced a substantial increase in demand for assistance to transition countries, together with a shift toward assistance for the modernization of central banks and payment systems. An increased focus on market-oriented monetary policy instruments and financial sector liberalization has also occurred. With the globalization of transactions in the financial and trade areas, MFD's TA moved toward advice on the



appropriate sequencing of financial reforms in an environment of increasing current and capital account liberalization. In the late 1990s, the crises in Asia, Latin America, and Russia have led to an intensification of TA for crisis prevention and resolution. More recently, there has been some shift from some of the traditional MFD areas (central banking, foreign exchange system, and payment issues) toward financial system strengthening and compliance with standards, codes, and internationally accepted good practices.

20. MFD has sought to ensure that its TA priorities are aligned with those set by the Executive Board. A central aspect of this effort has involved limiting TA to MFD's core priorities, as defined by the Board in January 2001.<sup>5</sup> The Department has also sought to provide TA only in areas in which there is a perceived comparative advantage relative to other TA providers. Accordingly, in FY 2003, TA in banking supervision and bank restructuring accounted for 52 percent of MFD TA, monetary operations for 18 percent, and foreign exchange and debt management for 3 percent. In the selection of priority countries, MFD takes full account of MPAs. In that context, MFD's TA assists in the context of use of Fund resources, helping in the design and monitoring of program prior actions, structural benchmarks, and quantitative performance criteria in the monetary and financial sectors. In FY 2003, MFD provided assistance to 122 countries, of which about two-thirds had financial programs or were in intensive program discussions with the Fund. MFD also gives priority to activities related to KPICs, including: FSAP follow-up, the Heavily Indebted Poor Countries (HIPC) Initiative, OFC and AML/CFT assessments, and safeguards assessments.

21. While the demand for traditional TA remains strong, there has also been an increase in requests for assistance on crisis prevention and resolution. In this connection, it is expected that the demand for TA will remain strong both to assist in post-conflict cases—as in Afghanistan, Bosnia and Herzegovina, Iraq, Kosovo, Liberia, Sierra Leone, and Timor-Leste—and to assist in crisis management and resolution—as in Argentina, the Dominican Republic, Ecuador, Turkey, and Uruguay.

### **C. Regional approach to technical assistance delivery**

22. MFD actively uses regional TA centers to facilitate the provision of TA to member countries; approximately 5 percent of its TA is currently delivered through them. MFD's experience with the regional centers has confirmed some of the expected benefits of this approach, including flexibility to respond rapidly to emerging needs, and the ability to field frequent and consistent follow-up site visits, which helps to maintain the momentum of reforms and solidifies relationships.

23. MFD also continues to maintain good working relationships with regional agencies or beneficiary country groupings to facilitate the delivery of TA, as illustrated in Table 8.

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<sup>5</sup> *Ensuring Alignment of Technical Assistance with the IMF's Policy Priorities* (SM/00/284, 12/20/00), Table 1. The Board subsequently added TA on OFC and AML/CFT to MFD's core priorities.

Cooperation and coordination with the FATF and the AML regional bodies and their members have also progressed. A web-based database for the sharing of information on TA requests and responses is being used actively by the AML regional bodies, the World Bank, and the Fund.

Table 8. Cooperation between MFD and Regional Organizations		
Region	Agencies	Areas of cooperation
<b>Africa</b>	African Capacity Building Foundation, African Development Bank, Banque des Etats de l’Afrique Centrale, Banque Centrale des Etats de l’Afrique de l’Ouest, Macroeconomic and Financial Management Institute of Eastern and Southern Africa, and Southern African Development Community.	Financial TA matters across the board.
<b>Asia and the Pacific</b>	Asian Development Bank, and South East Asian Central Banks.	Regional cooperation on financial sector regulation and supervision.
<b>Europe</b>	European Central Bank, G-10 central banks, and selected Commonwealth of Independent States countries.	Financial TA and training to Central and Eastern Europe and the Baltic countries, in particular on European Union accession issues.
<b>Middle East</b>	Arab Monetary Fund (AMF), and Joint IMF–AMF Regional Training Institute.	Financial TA, including on Islamic banking issues.
<b>Western Hemisphere</b>	Inter-American Development Bank, Centre for Monetary Studies, and Latin American Grouping of Supervisors.	Financial TA, including for strengthening the supervision of the Organization of Eastern Caribbean States’ financial system.
Source: Monetary and Financial Systems Department.		

#### D. Cooperation with technical assistance donors and providers

24. Pressures associated with the increased demands on MFD’s TA resources have led the department, in cooperation with OTM, to intensify efforts to access additional external funding resources. The Japan Administered Account for Selected Fund Activities (JSA) continued to be the largest source of external financing of MFD’s TA in FY 2003. In addition, MFD accessed financing for Afghanistan under the recently established Swedish TA subaccount, and for AML/CFT work in Albania under the Italian subaccount, while the Swiss subaccount was used to fund a Central Asian regional project on debt management. MFD has also focused attention on identifying AML/CFT activities for financing under the

Netherlands subaccount. Overall, about 30 percent of MFD's expert resources were funded through external sources, with 80 percent of that provided through the JSA.

25. Important steps have also been taken to intensify coordination with other TA providers. In particular, MFD's collaboration with the World Bank on FSAP follow-up has been developed further in the context of the Financial Sector Reform and Strengthening Initiative (FIRST). FIRST, which began operations in FY 2003, is a recent \$53 million multidonor effort designed to develop robust and diverse financial sector in low- and middle-income countries. It provides TA grants for capacity building and policy development in the financial sector and is leading the development of information exchange on the delivery of financial sector TA. Detailed information on the Initiative can be found at its website at: [www.firstinitiative.org](http://www.firstinitiative.org).

### **E. Technical assistance monitoring and evaluation**

26. MFD has devoted considerable effort to improving the monitoring and evaluation of its TA, both to enhance its effectiveness and to ensure that it is consistent with Fund priorities. Such efforts have included: (i) the use of MFD's TA Tracking System (MATTS), which provides a framework for defining and tracking TA projects through their lifetime and provides basic information for audit, evaluation, and reference purposes;<sup>6</sup> and (ii) field evaluations of both long-term experts and selected TA activities on a regular basis. These assessments are supported by questionnaires completed by the country authorities, the expert, the area department concerned, as well as the MFD staff overseeing the project. In FY 2003, 15 such assessments were conducted.

## **III. TECHNICAL ASSISTANCE DEVELOPMENTS IN FAD**

### **A. Overview**

27. FAD provides TA on fiscal policy and administration, concentrating on supporting the design of appropriate fiscal policies and the institutional and human capacity to implement them. The principal features of FAD's TA activities in FY 2003 were as follows. TA with a regional, rather than single-country, orientation increased, and now approaches 10 percent of total delivery. The majority of this was provided through the four regional TA centers, but some was provided by experts assigned to cover several countries in the same region, generally on a peripatetic basis. About 56 percent of TA was to countries which found themselves in a use of Fund resources context during part or all of FY 2003, while 14 percent was to post-conflict countries.

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<sup>6</sup> Once the *Technical Assistance Information Management System* (TAIMS) is operational (see main Report), it is expected that it will replace existing departmental TA management systems.

28. The existence, or prospect, of a Fund-supported program influences the demand for TA in a number of ways. The motivation for TA may be to explore measures for possible inclusion in a program, or to facilitate implementation of measures that are agreed as part of a program (e.g. assistance in carrying through a tax reform). Equally, TA may be intended to facilitate the conduct of fiscal policy and the monitoring of fiscal developments during a program—for instance, assistance in government accounting may be needed to create the basis for setting and monitoring compliance with quantitative fiscal performance criteria. Common concerns in program countries have been the need to avoid (or reduce the stock of) arrears, and to introduce a two-pronged approach to expenditure control. This approach entails monitoring commitments made by spending agencies while introducing (or strengthening) a system of cash limits on spending that is ultimately guided by revenue developments.

### **B. Technical assistance delivery**

29. In FY 2003, FAD's total resource commitment to TA was about 94 person-years (Table 9). Of this, 14 person-years represented resources devoted to overall management of the TA program, mainly at headquarters, while the remainder was delivered in the field. TA was provided to 93 countries. Post-conflict countries have received considerable TA in recent years. In FY 2003, their share in total TA was 14 percent, compared with 6 percent in FY 2000. The major recipients in FY 2003 were Afghanistan, the Democratic Republic of the Congo, and Timor-Leste. About 42 percent of FAD's TA was externally financed, over half of it from the JSA. External financing accounted for two-thirds of all expert assignments in FY 2003.

30. FAD's field delivery of TA, after rapid expansion over the 1990s, peaked in FY 2001 (at 97 person-years) and has declined in the two subsequent years—to 80 person-years in FY 2003. This decline represents a combination of factors, some of which can be expected to be long-lasting while others are likely to diminish in importance or even be reversed. The level of FAD TA provision has been affected in the last two years by the aftermath of the events of September 11, 2001, and by the war in Iraq. Similarly, travel, especially to Asia, has been impeded by the SARS outbreak, although the effects of this were mainly felt in the first half of FY 2004.

31. Two temporary factors specific to FAD have also played a role. First, because of unexpectedly large staff turnover and separations, the department confronted an unusually high stock of vacancies in FY 2003. In the first half of FY 2004, vacancies have returned to a more normal level. A second factor was that TA delivery to some African countries fell because the terms of some long-term advisors were not extended in view of prospective changes in methods of delivery (see below).

Table 9. FAD's Technical Assistance Delivery, FY 1999–FY 2003

(In person-years) 1/

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
<b>Total resources committed to technical assistance</b>	<b>108.8</b>	<b>106.6</b>	<b>111.9</b>	<b>97.5</b>	<b>94.3</b>
<b>Resources devoted to management of overall technical assistance</b>	<b>14.9</b>	<b>14.4</b>	<b>15.1</b>	<b>12.5</b>	<b>14.4</b>
<b>Resources devoted to field delivery of technical assistance</b>	<b>93.9</b>	<b>92.2</b>	<b>96.9</b>	<b>84.9</b>	<b>80.0</b>
<b>Distribution of field delivery by region</b>	<b>93.9</b>	<b>92.1</b>	<b>96.9</b>	<b>84.9</b>	<b>80.0</b>
African	29.3	30.9	33.2	29.9	27.8
Asia and Pacific	17.0	14.9	16.0	16.6	17.2
European 1	6.8	8.8	10.0	7.5	5.7
European 2	15.3	17.6	15.8	12.3	8.3
Middle Eastern	14.9	9.9	14.2	8.7	9.4
Western Hemisphere	9.8	7.4	5.4	7.8	10.0
Multiple regions 2/	0.8	2.7	2.4	2.2	1.6
<b>Distribution of field delivery by topic</b>	<b>93.9</b>	<b>92.1</b>	<b>96.9</b>	<b>84.9</b>	<b>80.0</b>
Public expenditure management 3/	35.9	37.2	37.4	33.9	29.8
Revenue mobilization	49.1	44.7	46.7	40.1	41.8
Other	8.9	10.2	12.8	10.9	8.5
<b>Distribution of field delivery by input</b>	<b>93.9</b>	<b>92.1</b>	<b>96.9</b>	<b>84.9</b>	<b>80.0</b>
Staff	30.6	31.7	36.8	33.6	29.1
Experts	63.3	60.4	60.1	51.3	50.9
Short-term	20.3	18.0	18.6	17.6	17.1
Long-term	43.0	42.4	41.5	33.7	33.8
<b>Memorandum items (in percent):</b>					
Proportion of expert assignments externally financed	68.7	58.2	54.2	53.0	66.3
Proportion of total country delivery externally financed	46.3	37.6	33.7	32.4	42.3

Source: Fiscal Affairs Department.

1/ Total TA delivery

2/ TA (principally in the form of training) delivered to recipients from more than one region.

3/ Including budget and treasury management.

32. With regard to factors likely to be long-lasting, the most striking is the decline in TA to transition economies, between FY 2000 and FY 2003—from 29 percent of TA in the earlier year to below 18 percent in the latter. For countries in Central and Eastern Europe awaiting accession to the European Union, this development reflects both a decline in underlying needs for FAD assistance but also the fact that the European Union is taking a

greater role in providing assistance. However, despite these general trends, TA continues to be provided to some countries that are well advanced in their transition to market economies. In some cases, e.g., assistance on public expenditure management (PEM) in Azerbaijan and Russia, the authorities have found this useful as a source of advice on overall aspects of their fiscal reform efforts even when TA on specific issues is predominantly, or even entirely, provided by other agencies.

### **Distribution by region**

33. In FY 2003, Africa received about 35 percent of FAD's TA in the field, considerably more than any other region (Table 10). This was spread across a total of 33 countries, of which the largest recipients were the Democratic Republic of the Congo, Mozambique, and Niger.

34. The Asia/Pacific region was the next largest absorber of TA, accounting for 22 percent of the total. Unlike in Africa, the country-wise distribution of TA was quite concentrated: 12 countries received assistance, of which the three largest users (Cambodia, China, and Indonesia) accounted for well over half of the total for the region.

35. Two other regions—Middle East and Western Hemisphere—each received around 12 percent of TA. In the Middle East, 14 countries received assistance, of which the largest recipients were Afghanistan, Kuwait, and Yemen. In the Western Hemisphere, 15 countries received assistance, of which the largest recipients were Argentina, Bolivia, and Honduras.

### **Distribution by modality**

36. Although of declining importance, assistance provided through experts on long-term assignments (typically to single countries) accounts for a greater share of delivery than any other delivery means (42 percent), when measured on a person-year basis. Staff time accounted for 36 percent of TA delivered, and short-term experts for the remaining 22 percent. However, judged by other indicators—such as share in the total number of missions and assignments or number of countries covered—missions and short-term expert assignments are the more important means of delivery.

37. Almost half of the use of long-term advisors took place in Africa, where it accounted for 54 percent of assistance provided. In all other regions, long-term advisors accounted for less than half of the assistance provided, with their shares both in Central/Eastern Europe and the Middle East being around 20 percent. Long-term advisors were used more extensively in work on PEM (65 percent) than on revenue mobilization (33 percent). Measured in other ways, the relative importance of long-term advisors looks smaller. For instance, long-term advisors were assigned to only one-third of the countries to which TA, in any form, was provided. Similarly, the number of long-term advisor assignments accounted for only about one-fifth of the total number of expert assignments (short and long) and missions.

Table 10. Distribution of FAD's Technical Assistance, FY 2003

(In person-years) 1/

	Revenue Mobilization			Subtotal 1=(1a+1b+1c)	Public Expenditure Management 2/ (2)	Expenditure Policy/ Poverty Reduction (3)	Fiscal Federalism (4)	Other (5)	Total (1+2+3+4+5)
	Tax Policy (1a)	Tax Admin. (1b)	Customs Admin. (1c)						
<b>African</b>	<b>0.8</b>	<b>8.9</b>	<b>3.1</b>	<b>12.8</b>	<b>13.0</b>	-	<b>0.9</b>	<b>1.1</b>	<b>27.8</b>
Staff	0.5	1.2	1.4	3.1	3.2	-	0.8	0.6	7.7
Expert: Short-term	0.3	2.6	0.7	3.5	0.9	-	0.1	0.5	5.1
Long-term	0.05	5.1	1.0	6.1	8.8	-	-	-	15.0
Funding: Fund	0.3	1.8	0.6	2.6	2.2	-	0.1	0.3	5.2
External	0.05	5.9	1.0	7.0	7.5	-	-	0.2	14.7
<b>Asia and Pacific</b>	<b>3.6</b>	<b>4.1</b>	<b>2.7</b>	<b>10.4</b>	<b>5.1</b>	<b>0.01</b>	<b>0.7</b>	<b>0.9</b>	<b>17.2</b>
Staff	1.8	1.0	1.1	3.9	1.1	-	0.6	0.5	6.1
Expert: Short-term	0.8	1.3	0.8	2.9	0.4	0.01	0.2	0.4	4.0
Long-term	1.0	1.8	0.8	3.6	3.6	-	-	-	7.2
Funding: Fund	0.4	0.6	1.0	2.0	0.3	0.01	-	0.4	2.7
External	1.4	2.5	0.6	4.5	3.8	-	0.2	0.1	8.5
<b>European 1</b>	<b>1.0</b>	<b>1.8</b>	-	<b>2.7</b>	<b>2.5</b>	<b>0.5</b>	-	-	<b>5.7</b>
Staff	0.6	0.6	-	1.2	0.5	0.4	-	-	2.2
Expert: Short-term	0.3	1.2	-	1.5	0.4	0.1	-	-	1.9
Long-term	-	-	-	-	1.6	-	-	-	1.6
Funding: Fund	0.3	1.2	-	1.5	0.2	0.1	-	-	1.8
External	-	-	-	0.0	1.7	-	-	-	1.7
<b>European 2</b>	<b>1.6</b>	<b>0.7</b>	<b>0.6</b>	<b>2.8</b>	<b>5.0</b>	<b>0.1</b>	-	<b>0.4</b>	<b>8.3</b>
Staff	0.9	-	0.5	1.4	1.0	0.1	-	0.4	2.9
Expert: Short-term	0.7	0.1	0.1	0.8	0.8	-	-	-	1.6
Long-term	-	0.6	-	0.6	3.2	-	-	-	3.8
Funding: Fund	0.6	0.1	0.1	0.7	0.6	-	-	-	1.3
External	0.1	0.6	-	0.7	3.4	-	-	-	4.1
<b>Middle Eastern</b>	<b>1.5</b>	<b>2.2</b>	<b>2.3</b>	<b>5.9</b>	<b>2.4</b>	<b>0.04</b>	-	<b>1.1</b>	<b>9.4</b>
Staff	0.9	0.6	1.7	3.1	0.7	0.04	-	0.6	4.5
Expert: Short-term	0.6	1.1	0.6	2.3	0.5	-	-	0.5	3.2
Long-term	-	0.5	-	0.5	1.2	-	-	-	1.7
Funding: Fund	0.5	1.1	0.6	2.1	0.4	-	-	0.5	3.1
External	0.1	0.5	0.03	0.6	1.3	-	-	-	1.9
<b>Western Hemisphere</b>	<b>2.7</b>	<b>2.7</b>	<b>1.8</b>	<b>7.2</b>	<b>1.8</b>	<b>0.1</b>	-	<b>1.0</b>	<b>10.0</b>
Staff	1.6	0.9	0.5	3.0	0.7	0.1	-	0.9	4.6
Expert: Short-term	0.8	0.1	0.3	1.2	0.1	-	-	0.1	1.4
Long-term	0.4	1.6	1.0	3.0	1.0	-	-	-	4.0
Funding: Fund	1.1	0.8	0.3	2.2	0.1	-	-	0.1	2.4
External	-	1.0	1.0	2.0	1.0	-	-	-	3.0
<b>Multiple regions</b>	-	-	-	-	<b>0.1</b>	-	-	<b>1.6</b>	<b>1.6</b>
Staff	-	-	-	-	-	-	-	1.2	1.2
Expert: Short-term	-	-	-	-	-	-	-	0.4	0.4
Long-term	-	-	-	-	-	-	-	-	-
Funding: Fund	-	-	-	-	-	-	-	0.1	0.1
External	-	-	-	-	-	-	-	-	-
<b>Total field delivery</b>	<b>11.1</b>	<b>20.2</b>	<b>10.5</b>	<b>41.8</b>	<b>29.8</b>	<b>0.7</b>	<b>1.7</b>	<b>6.1</b>	<b>80.0</b>
Staff	6.3	4.2	5.2	15.7	7.2	0.6	1.4	4.2	29.2
Expert: Short-term	3.4	6.4	2.5	12.2	3.1	0.1	0.3	1.9	17.6
Long-term	1.4	9.6	2.8	13.8	19.4	-	-	-	33.2
Funding: Fund	3.2	5.5	2.5	11.2	3.9	0.1	0.1	1.3	16.6
External	1.6	10.5	2.7	14.8	18.6	-	0.2	0.2	33.8

Source: Fiscal Affairs Department.

1/ Field delivery only.

2/ Including budget and treasury management.

### **Distribution by topic**

38. In FY 2003, about 90 percent of the TA provided fell in two broad categories. The larger category—revenue mobilization—accounted for 42 percent of total TA delivery, about half of it on domestic revenue administration and the remainder divided approximately equally between tax policy and customs administration. The other major area of TA was public expenditure, budget, and treasury management. Apart from the two categories above, small amounts of TA were provided in the form of courses and seminars, on fiscal federalism (intra-governmental fiscal relations), and on expenditure policy, notably on issues arising in the context of the reform of pension systems.

39. There were some differences in the topic-wise distribution of TA across regions. Revenue mobilization had a significantly higher-than-average share in Asia, the Middle East, and—most pronounced—the Western Hemisphere. The share of PEM work was somewhat above average in Africa and Central and Eastern Europe, and significantly so in countries of the former Soviet Union.

40. While the subject matter of TA has not changed dramatically from year to year, a few incremental shifts in emphasis may however be noted:

- In many countries to which TA is provided on tax and customs administration, the most pressing need continues to be to strengthen basic institutions or to increase their ability to function effectively in a market economy. In several cases (notably in Anglophone Africa), a main challenge is to move administrations from an organization based on tax type to one based on function, both at headquarters and in field offices. Developing proper use of self-assessment and audit procedures is another common TA issue. An increasingly common background to Fund TA on PEM is the introduction of integrated and computerized government financial management systems.
- The ongoing shift toward more open trade regimes is leading to generally lower import tariffs and lesser reliance on foreign trade as a tax base. A focus of TA in a number of cases—including in the Middle East and in small island economies—has been to help develop other sources of revenue, both through changes in tax policy (often involving implementation of a value-added or similar tax) and through improvements in revenue administration.

41. In several ways, the electronic sharing of information is becoming a more important part of TA. One illustration is the recent establishment of the *International Tax Dialogue*, a joint venture between the Organization for Economic Cooperation and Development (OECD), the World Bank, and the Fund to facilitate information- and experience-sharing on tax policy and administration among officials around the world. One aspect is the creation of a web-based database on tax-related TA with the intention of minimizing duplication and



taking advantage of synergies. The Fund also contributes to a database on trade-related TA that is maintained by the World Trade Organization.

### **C. Regional approach to technical assistance delivery**

42. The share of FAD regional TA has been increasing. In FY 2003, 7 percent of FAD's TA was provided through one of the four regional TA centers now in operation. Approximately, two and three person-years of assistance were provided through PFTAC and CARTAC, respectively. TA provided in FY 2003 through the two AFRITACs amounted to somewhat over one person-year, and is set to increase, as the two centers come fully on stream.

43. TA with a regional orientation has also been provided through assignment of advisors to groups of countries facing similar issues. Detailed arrangements can vary: for example, advisors may cover all countries peripatetically or they may have a base in one of the countries served and travel regularly to the others. In FY 2003, about three person-years of TA were provided in this way on topics including tax administration reform in Southern Africa and Central America, and PEM in South-East Europe.

44. Other work—whether at headquarters or in the field—has also been consciously designed to address regional issues. For instance, staff has undertaken several pieces of work at headquarters to compare experiences and pool knowledge drawn from work on countries facing similar issues, e.g. treasury and public expenditure management in transition economies. Similarly, work for the two internal evaluations completed this year—on PEM in Anglophone and Francophone Africa—started as an effort by staff to draw the lessons of regional experience. Another recent example of work with a regional orientation has been done in response to requests from regional bodies—the Organization of Eastern Caribbean States and the East African Community—for TA on tax policy issues with significant cross-country spillover aspects, such as competition with regard to tax incentives for investment.

### **D. Technical assistance issues**

#### **The balance between upstream and downstream approaches**

45. An issue that has emerged as particularly important to FAD is the extent to which assistance should be strategic (or “upstream”) as opposed to practical (or “downstream” or “hands-on”). FAD, recognizing that the question is inevitably one of striking a balance between competing needs, has placed somewhat greater emphasis than previously on ensuring that assistance is delivered within a clear strategic framework. The advantages that this approach can bring include: (i) a clear orientation of TA towards macroeconomic objectives; (ii) the emphasis on the need for an agreed strategy which fosters commitment and ownership; and (iii) a good basis for collaboration among different TA providers and for allocating tasks in line with their respective comparative advantages. The importance of the latter consideration is underlined by the fact that effective implementation of reforms often depends on a number of “downstream” efforts being well coordinated and directed to a

common goal—an area in which the Fund can sometimes play an important role even though the volume of TA it can provide is often less than that extended by other providers.

46. What is the upstream approach in practice? A typical sequence of events could be as follows. Following a request for assistance, the first substantive step is the fielding of a review/diagnostic mission to assist the authorities in identifying key issues. Assistance may then be provided to help the authorities arrange and coordinate TA from all available sources. In addition, the Fund may provide direct support to the implementation of reforms by assigning experts—typically short-term or peripatetic experts but sometimes also long-term advisors, depending on the needs. Implementation of reforms is monitored and emerging issues are discussed with the authorities through periodic follow-up missions and visits, typically staffed from headquarters.

47. This general approach has been applied—naturally adapted to varying circumstances—in FAD’s work on both revenue mobilization and PEM. It fits well, for instance, with the needs of countries undertaking a major reform of their tax system that is necessarily a long-term process, in which TA is being provided by several agencies, and in which strategic choices need first to be carefully weighed and then assistance thoroughly designed and coordinated.

### **Resident advisors**

48. A related issue concerns the role of long-term resident advisors. A theme of the reviews of TA in the Fund in recent years has been a questioning of their usefulness, especially because their presence in a country may compromise the development of local capacity. Partly in response to such observations, FAD has been careful in assigning long-term advisors, and—as noted above—has made somewhat less use of them than previously. It has also been making additional efforts to ensure that, when assigned, advisors are governed by terms of reference that ensure that their function is to advise and foster the development of local capacity rather than to assume line responsibilities.

49. Notwithstanding these adjustments in approach, long-term advisors do in some circumstances have an indispensable role to play, often enthusiastically sought by national authorities. Examples of such situations include cases in which human capacity is extremely weak or the issue to be dealt with is one which, at least initially, calls for attention on a daily basis. Post-conflict situations often require long-term advisors, at least in the initial stages of reconstruction and administration building.

### **Decisions on allocation of TA resources**

50. The principle that the provision of TA needs to be demand driven is well established, yet FAD has found it useful to do its own thinking on possible areas that would benefit from TA. Accordingly, for selected countries, and in addition to documentation routinely produced for reviewing requests, FAD prepares internal discussion briefs (“Fiscal Strategy Briefs”), which draw together all relevant information on fiscal policies and institutions and areas in

need of strengthening. The purpose is not to change the traditional request-driven nature of existing arrangements, but rather to create a frame of reference within which actual requests can be examined and within which a dialogue with national authorities and area departments can be conducted in a way that focuses attention on the most urgent needs and the most effective ways of addressing them. The partial overlap between areas covered by TA and by fiscal ROSCs has added to the operational importance of these questions, since the completion of a ROSC often provides a good opportunity for a discussion of future TA needs with national authorities.

#### **IV. TECHNICAL ASSISTANCE DEVELOPMENTS IN STA**

##### **A. Overview**

51. TA in statistics to member countries provided by STA is a crucial aspect of the Fund's work. It is geared principally towards capacity building, supporting the Fund's surveillance activities and use of Fund resources. Statistical capacity building covers both human and institutional elements through knowledge and skills transfers, and through organizational and institutional advice. STA's program of TA aims to bring about lasting improvements in national statistical systems, that will support the formulation, implementation, and monitoring of national economic policies.

52. There are three main features that characterize STA's current TA program: (i) STA has focused on providing TA in the context of internationally accepted data standards frameworks; (ii) TA now has a greater regional focus, through the development of regional projects, by working with regional institutions, and by staging a large proportion of TA through peripatetic missions; and (iii) the volume of TA delivered by STA in recent years has increased substantially through greater external funding (provided by Japan and the United Kingdom) allowing the use of short-term experts and regional advisors to undertake capacity-building TA missions in a regional context.

53. STA's approach supports the Fund's data needs. The focus of assistance in statistics is to help statistical agencies develop and maintain high quality national systems that follow internationally accepted standards. These objectives provide direct support for the Fund's mission as they incorporate the traditional approach to TA, namely to assist countries to build and maintain databases that are analytically useful and internationally comparable, and therefore able to support the Fund's surveillance activities. STA also responds to requests by area departments for short-term help in resolving data issues, but this represents a small portion of the TA program.

54. A shift in emphasis in recent years has seen the focus of TA address system-wide issues of data quality and dissemination in addition to improving countries' abilities to produce the required statistical series on an ongoing basis. TA also deals with basic

organizational prerequisites that focus on institutional, legal, and other structural features to support sustainable improvements in national statistics operations.

55. TA in statistics is provided in the context of the Fund's Data Quality Program (DPQ), which is built around the Special Data Dissemination Standard (SDDS), the General Data Dissemination System (GDDS), the Data Quality Assessment Framework (DQAF), and the application of all these in ROSCs. The DQAF allows a comprehensive assessment to be undertaken of national authorities' policies and practices against internationally accepted benchmarks, concepts, and definitions (including for example, the United Nations' Fundamental Principles of Official Statistics). The DQAF is gaining wider acceptance (both by member countries and TA providers) as a tool that may be used generally to identify areas where improvements are needed, and thus as a tool for identifying TA needs and priorities.

56. The introduction of data module ROSCs has broadened the manner in which TA is programmed and delivered, and quickened the rate at which countries have made improvements in their statistical systems. Data module ROSCs thus provide important information to country authorities to help them direct their own efforts to areas of greatest impact and to articulate specific TA requests where further expert advice is needed. Through raising awareness of best practices and catalyzing well-targeted TA, data module ROSCs contribute importantly to improvements in statistical systems.

57. STA provides TA that aims at improving statistical agencies' governance (including transparency) policies and practices. Gains in these areas in turn build confidence in the integrity and quality of statistical outputs. Gains in transparency have been achieved by making TA reports more widely available both within the Fund's Institutional Repository, and among staff members of recipient countries (at the practitioner level).

## **B. Technical assistance delivery**

58. The volume of TA delivered in the field in FY 2003 was 29 person-years, an increase of 39 percent over FY 2002, mostly associated with additional funding from external sources (Table 11). TA delivery would have been higher in FY 2003 were it not for the effect of the conflicts in Afghanistan and Iraq, and the SARS outbreaks. In addition, STA's program of data module ROSCs has necessitated important resource commitments, constraining STA's ability to deliver TA.

59. Reflecting the increasing focus on system-wide capacity building, some 49 percent of STA's TA delivered in the field in FY 2003 was provided through multitopic statistical advisors and missions (compared with 47 percent in FY 2002). The advisors were mostly resident, serving one or more countries, and they represented a major resource commitment to those countries. This trend has been facilitated by increased contributions from donors—all resident multisector statistical advisors were externally financed.

Table 11. STA's Technical Assistance Delivery, FY 1999–FY 2003  
(In person-years) 1/

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
<b>Technical Assistance by Subject Area</b>					
National accounts and prices	4.3	4.7	2.8	4.8	5.2
Balance of payments and external debt	8.3	8.7	7.4	3.1	4.7
Government finance	0.3	1.1	1.1	0.9	2.9
Monetary and financial	3.3	2.8	3.1	2.2	1.7
Multitopic	9.3	10.9	11.7	9.8	14.0
<b>Total field time</b>	<b>25.5</b>	<b>28.2</b>	<b>26.1</b>	<b>20.8</b>	<b>28.6</b>
Field time percent of total technical assistance	52.1	57.4	54.2	42.3	51.3
<b>Technical Assistance by Region</b>					
African	7.0	6.6	5.2	5.7	11.5
Asia and Pacific	3.7	5.0	5.7	5.4	6.8
European 1	2.4	3.9	4.0	2.2	2.6
European 2	6.7	6.0	4.2	2.2	1.0
Middle Eastern	2.7	2.9	2.8	2.4	2.9
Western Hemisphere	3.0	3.8	3.2	2.3	3.0
Multiregional	0.1	0.0	1.1	0.6	0.7
<b>Total field time</b>	<b>25.5</b>	<b>28.2</b>	<b>26.1</b>	<b>20.8</b>	<b>28.6</b>
<i>Of which:</i> externally financed	12.4	11.4	9.0	11.8	17.7
<b>Technical Assistance by Main Policy Area</b>					
Crisis prevention	6.5	5.4	4.4	3.6	3.2
Poverty reduction	7.0	8.8	9.7	7.0	9.9
Crisis resolution and management	7.0	7.9	5.1	2.3	1.7
Post-conflict/isolation	0.8	1.6	1.4	1.9	4.7
Regional	4.1	4.5	5.6	6.0	9.1
<b>Total field time</b>	<b>25.5</b>	<b>28.2</b>	<b>26.1</b>	<b>20.8</b>	<b>28.6</b>
<b>Technical Assistance by Key Policy Initiatives and Concerns</b>					
Follow-up technical assistance for standards and codes	16.8	8.5	15.4	12.4	16.5
HIPC associated	1.2	2.6	2.6	2.1	1.2
Policy reform/capacity building	7.5	17.0	8.0	6.2	10.7
Other	0.0	0.0	0.1	0.1	0.1
<b>Total field time</b>	<b>25.5</b>	<b>28.2</b>	<b>26.1</b>	<b>20.8</b>	<b>28.6</b>
<b>Technical Assistance by Mode of Delivery</b>					
Fund-financed staff and headquarters-based consultants	6.9	7.7	9.4	5.5	5.1
Short-term experts	7.6	10.3	9.4	7.0	12.5
Long-term experts	11.0	10.1	7.4	8.3	10.9
<b>Total field time</b>	<b>25.5</b>	<b>28.2</b>	<b>26.1</b>	<b>20.8</b>	<b>28.6</b>

Source: Statistics Department.

1/ Field delivery only.

### Distribution by region

60. Ninety-five countries received TA from STA in FY 2003, a small increase compared with the year before. The regional allocation of STA's TA delivery in the field has shifted toward greater emphasis on sub-Saharan Africa. The volume of assistance to sub-Saharan Africa (11.5 person-years in FY 2003) increased substantially in the past three years, owing to the impact of GDDS projects.

### Distribution by modality

61. Efforts to achieve sustained improvements in countries' statistical systems and operations have put more emphasis on a regional approach, the placement of resident advisors, and the use of peripatetic missions. In recent years STA has programmed TA projects that feature peripatetic short-term experts, when the statistical deficiencies could not be remedied with one or two missions, and the prospects of successful implementation were considerably enhanced by a sustained effort. In general, the expert's follow-up visits are contingent on evidence that most of the previous recommendations have been implemented. Peripatetic experts are also effective as an alternative to long-term resident advisors.

62. Recourse to long-term advisors is a significant component of STA's TA (Table 12). The number of countries to which long-term advisors have been assigned has ranged from seven to nine in the past five years, while that of advisors assigned to serve regional country groups has steadily increased from two in FY 2000 to six in FY 2003. This latter trend reflects the establishment of regional TA centers, and GDDS regional projects.

Table 12. Number of Long-Term and Multisector Statistics Advisors, FY 2000–FY 2003				
	FY 2000	FY 2001	FY 2002	FY 2003
Country specific	8	9	9	7
Regional	2	2	3	6
<b>Total</b>	<b>10</b>	<b>11</b>	<b>12</b>	<b>13</b>
Source: Statistics Department.				

63. In the past three years, GDDS regional projects have become a prominent feature of STA's TA. They feature long-term resident regional advisors with responsibilities for project implementation, overseen by project managers based at Fund headquarters. The regional advisors provide advice on statistical systems within their own area of expertise, but also liaise with countries to maintain the reform momentum between visits by short-term experts.

The advisors have worked with other donors and providers to ensure more effective coordination on a country and regional level.

### **Distribution by topic**

64. STA places considerable emphasis on forming an assessment of current systems and practices and making recommendations for countries to follow to work towards meeting best practice in compiling and disseminating official statistics. The TA provided is consistent with these assessments, with the aim of achieving sustainable improvements in the capacity of national statistical agencies to meet accepted standards (including statistical methodologies) and to produce data for policy making (including Fund surveillance). The assessments may be made via ROSC or multisector missions, or through countries becoming GDDS participants or SDDS subscribers.

65. GDDS participation requires countries to describe their current practices, and lay out their plans for improvement to meet the recommended standards of coverage, timeliness, and periodicity in the principal macroeconomic, financial, and socio-demographic statistics. Participants are also committed to work towards meeting recommendations for data quality, integrity and access. GDDS participants also commit to provide annual updates to their metadata, including notes on progress in implementation and updates for new plans. TA needs are also outlined, allowing providers (including the Fund) to gauge countries' priorities. For many participants, the various GDDS projects fund short-term experts to assist in implementing plans for improvement. STA has made considerable efforts (with notable external funding) to help GDDS countries along this path.

66. Similarly, the ROSC program, which assesses countries' systems and practices against the DQAF, sets out recommendations for countries to follow to meet best practices reflected in the GDDS or SDDS as appropriate. TA may be considered against these recommendations which address data coverage, timeliness, periodicity, and quality and aspects of data access and integrity at the agency level.

67. STA's priorities are focused on the Fund's MPAs, with the principal areas being regional arrangements and post-conflict/isolation assistance. Viewed by KPICs, STA's TA delivery was concentrated in standards and codes and capacity building.

68. During FY 2003 and the first half of FY 2004, the volume of TA in connection with the GDDS remained significant and increased further from FY 2002, owing partly to more TA missions under regional GDDS projects. By December 2003, 67 countries had become GDDS participants (of which three, Armenia, Bulgaria, and Kazakhstan, graduated to become SDDS participants).

69. STA is also providing TA to increase SDDS subscription through the *25/50 Program*. This program identifies countries capable of meeting the SDDS prescriptions within two to three years—approximately 25 countries—and a larger group of about 50 countries that could

meet the requirements within five years. The program is conducted, in part, through outreach seminars and, in part, through staff work at headquarters with designated SDDS coordinators.

### C. Regional approach to technical assistance delivery

70. Regional training initiatives have been a feature of STA's TA for some time, but in recent years there has been an expansion through greater cooperation with regional institutions and the introduction of GDDS project components featuring regional workshops, dedicated project managers, resident regional advisors, and short-term TA experts for selected regions in sub-Saharan Africa and Asia. A resident statistics advisor has been placed in each of the regional TA centers.

71. The regional approach to TA delivery has been effective in allowing countries with common practices, and frequently, common needs for assistance, to take advantage of topic-specific expertise (e.g., the assignment of a government finance statistic experts to assist the WAEMU countries). The approach also allows close collaboration with regional institutions (e.g., AFRISTAT, WAEMU Secretariat, and the Eastern Caribbean Central Bank) that are able to provide ongoing support for improved practices.

72. The lessons learned to date in implementing various regional projects indicate that the regional approach and the programming of peripatetic missions are likely to feature prominently in future TA programs. As countries move towards implementation of international standards and guidelines, TA programs will focus on training needs, and practical problems of implementation.

### D. Cooperation with technical assistance donors and providers

73. An increasing amount of TA is being provided by STA with the support of other donors (Table 13). In particular, donors have seen the GDDS as an effective means of

	FY 2001	FY 2002	FY 2003
Fund-financed staff and headquarters-based consultants	35.3	33.3	33.2
Fund-financed experts	4.1	3.8	5.6
<b>Total Fund-financed</b>	<b>39.4</b>	<b>37.1</b>	<b>38.8</b>
UNDP	1.4	2.9	1.9
Japan	7.2	8.1	10.2
United Kingdom DFID and other external donors	0.1	1.2	4.8
<b>Total externally financed</b>	<b>8.7</b>	<b>12.2</b>	<b>16.9</b>
<b>Total</b>	<b>48.2</b>	<b>49.2</b>	<b>55.7</b>

Source: Statistics Department.  
1/ Total TA delivery



assisting countries to strengthen their statistical capacity. Contributions from Japan and the United Kingdom have been instrumental in helping countries to lay out their plans and needs to work towards meeting recommendations of the GDDS framework, and have also enabled STA to mount programs to assist countries in the implementation of those plans. Similarly, STA has been working with the World Bank to help countries to work within the GDDS framework to strengthen their socio-demographic statistics systems (Box 3).

### **Box 3. GDDS: Mobilizing Technical Assistance**

The GDDS has provided an important framework for mobilizing TA in statistics. Key examples of projects involving donor cooperation include: Anglophone Africa (funded by the United Kingdom), the Pacific Islands and Lusophone Africa (both funded by Japan).

In Zambia, through the GDDS framework, the United Kingdom provided TA to help the Central Statistical Office to develop a strategic plan. In Namibia, the GDDS Regional Advisor helped to arrange a national workshop that brought together officials from disseminating agencies with high-profile data users and donors. The agencies' plans for improvement were presented at the workshop, allowing users and donors to appreciate the work being undertaken, and to provide input on priorities and the provision of TA.

In the Pacific Islands, the project manager coordinated TA programs with other donors, including Australia and New Zealand. The TA provided through the GDDS project is being complemented by the placement of Pacific Islands officials in statistical agencies in Australia and New Zealand to gain hands-on experience.

In Lusophone Africa, the project brought closer cooperation among all partners providing technical or financial assistance in the statistical areas to participating countries. Some initial results have been seen in Mozambique through aligning donor priorities with result-oriented actions, e.g., to harmonize concepts, definitions, and classifications of public sector units across macroeconomic statistics. This work is to be undertaken in Mozambique with World Bank assistance, and is likely to be extended to all participating countries. The Regional GDDS Advisor is also actively supporting the preparation by the Mozambique National Institute for Statistics of a national accounts compilation guide to be used by Lusophone African countries. This pilot project was initiated with assistance from the UNDP, UNSD, and the Portuguese National Institute of Statistics, with further support from the European Union.

74. STA has worked with several agencies over the past five years to enable compilers to improve national source data for statistics on external debt and international reserve assets (Box 4). The collaborative inter-agency effort involved not only the drafting of an external debt guide, but also the active participation in various training seminars hosted by the involved agencies. The culmination of these efforts was the publication of *External Debt Statistics: Guide for Compilers and Users*, the dissemination of internationally comparable data, and 52 of 53 SDDS subscribers meeting the September 2003 target for dissemination of external debt data under the SDDS framework.

#### **Box 4. The Inter-Agency Task Force on Financial Statistics**

The Inter-Agency Task Force on Financial Statistics (TFFS) was set up in 1992 under the aegis of the UN Statistical Commission and the Administrative Committee on Coordination. It was reconvened in 1998 to coordinate work on improving the methodological soundness, transparency, timeliness, and availability of data on external debt and international reserve assets. The TFFS is chaired by the Fund and groups a host of international agencies sharing an interest in external debt issues.

The TFFS launched two important initiatives to improve access to, and understanding of, data on external debt. First, beginning in March 1999, a new series of quarterly releases of statistics on external debt for 176 developing and transition countries were jointly disseminated by the Bank for International Settlements (BIS), IMF, OECD, and the World Bank. These statistics brought together for the first time the best and most timely internationally comparable data available on external debt from creditors and market sources. In addition to assisting users of statistics, these data are also useful to national compilers to close gaps in their balance of payments and external debt statistics.

Second, to assist compilers in improving national-source data on external debt, the TFFS began work on *External Debt Statistics: Guide for Compilers and Users (the Guide)*. The *Guide*, published in 2003, provides guidance on the concepts, definitions, and classifications of external debt data, the sources and techniques for compiling these data, and the analytical uses of these data.

In conjunction with work on the *Guide*, and with funding from the government of Japan, the Fund organized a series of short regional seminars to raise awareness of SDDS requirements, which called for dissemination of quarterly external debt data by end-September 2003. The first seminar, a collaborative effort involving the Fund, the Australian Bureau of Statistics, and the Singapore Department of Statistics, was held at the IMF-Singapore Regional Training Institute in March 2000, and established a model for future seminars. Seven more seminars were organized by the Fund, but all of them were leveraged by including other agencies participating in the TFFS. By the end-September 2003 deadline, 52 of the 53 SDDS-subscribing countries had disseminated the required quarterly external debt statistics.

75. Over the past decade, one of the largest country programs mounted by STA has been with China, along with support from a number of bilateral and international providers (Box 5). A prominent feature of this program has been the way in which providers have shared information about their activities, especially when they and the Chinese agencies have met to take stock of the assistance delivered and the way in which future assistance can be strengthened. The process has seen the various Chinese agencies become more confident in sharing their experiences with the international community and in demonstrating their commitment for future development of their statistical systems.

### **Box 5. Donor Cooperation in China**

Over the past decade, China has made considerable progress in developing and reforming its statistical system. In particular, China moved to participate in the GDDS in 2002. In this process, technical cooperation between China and a number of bilateral and international donors has played an important role in providing expertise, training, and equipment. STA has been actively involved in providing assistance for macroeconomic statistics; in fact, its program with China is one of its largest programs.

By the later part of the 1990s, some TA providers wanted to ensure that resources devoted to TA to China were used efficiently and achieved their intended results. STA's 1998 multisector mission to China conducted a comprehensive review of TA programs in statistics and discussed with the authorities the possible modalities and directions for future assistance, especially coordination among TA providers. Based on its findings and in consultation with various agencies, STA suggested to organize an international meeting on TA in statistics to China.

In May 2002, the National Bureau of Statistics of China (NBS) and STA co-sponsored the *International Meeting on Technical Cooperation: Looking to the Future for Chinese Statistics* in Beijing. The meeting brought together for the first time senior officials of seven Chinese agencies, which produce most of the macroeconomic statistics in China, and representatives of twelve national agencies and eight international organizations which are actively involved in TA in statistics to China. The Chinese agencies reviewed their progress in implementing TA programs and listed areas that needed further work and assistance. The providers reviewed past programs, drew lessons that could be helpful to other providers, and highlighted areas that could help strengthen future assistance.

76. STA's TA is now delivered in a context that allows donors and other TA providers to develop assistance that addresses, in a coordinated way, the high priority needs for individual countries and for regional bodies. STA maximizes the benefits of collaboration by taking into account the related activities of other providers to avoid duplication of efforts. STA's TA has country-based formal collaborative arrangements with other TA providers, including AFRISTAT, the Asian Development Bank, Italy, the Netherlands, the United Kingdom, the United Nations Development Program, and the World Bank. STA has also collaborated with PARIS21 (Partnership in Statistics for Development in the 21st Century) on national statistical workshops.

#### **E. Technical assistance evaluation**

77. STA uses a number of processes to evaluate TA, including a Project Management System (PMS); inspection visits to review the work of long-term advisors; formal reviews of special TA programs; and effectiveness studies.

78. STA has developed a PMS that requires the objectives of projects (i.e., a series of missions) and individual missions to be specified, together with measurable indicators of the success of each of the activities to be undertaken. On completion of missions, a report is provided on achievements versus objectives. STA management uses the PMS matrix approach actively to guide the TA program, and in particular, STA staff and experts

undertaking TA assignments. For TA that is planned to be delivered over a series of missions, conditions are usually set for the achievement of specific milestones before a successive mission is undertaken. The PMS also calls for the country authorities to provide a report on TA received.

79. Allied to this system is the evaluation of short-term experts—the backstopping staff member rates the expert against five criteria that in summary point to the strengths and weaknesses of the expert, and indicates whether the expert should be employed in the future.

80. For long-term advisors, inspection visits are normally undertaken by STA staff, and assessments are made of the expert's effectiveness, the support given by the host country, and the value in continuing to support the placement of a long-term advisor. During FY 2003, inspection visits were made to review the work of the long-term advisors stationed in Bosnia and Herzegovina, Cambodia, and Timor-Leste. During the first half of FY 2004, inspection visits examined the work of the long-term advisors in PFTAC, and the Lusophone African GDDS project.

81. The contributions of recipient authorities to evaluations are also made through inspection visits, GDDS project reviews, and special studies. As part of its efforts to gauge the effectiveness of its TA, STA recently sought feedback from users on the usefulness of its reports. Overall, the exercise showed that STA's reports were popular with users, and that there was strong sentiment that the provision of such reports should be continued. However, users also wanted a number of changes and improvements which were subsequently adopted (Box 6).

82. The GDDS Anglophone Africa project was reviewed in FY 2003 jointly by the United Kingdom (donor), and the World Bank and the Fund (implementing agencies). As a result, significant adjustments were made to the initial design of the project to improve its effectiveness. A second three-agency review, with inspection visits to Namibia and Kenya, took place in December 2003. The second review found that project management had responded favorably to earlier recommendations and the project's effectiveness had increased consequently. The review team recommended that the project be extended for up to two years—a possibility contemplated from the outset.

83. In 2003, STA undertook an in-depth evaluation of TA using a case-study technique. The analysis looked at case studies in three countries (Box 7) and distilled several lessons learned in shaping TA to be effective in bringing about sustained improvements in statistical capacity.

### **Box 6. Making Technical Assistance Reports More Effective**

During FY 2003 STA introduced a number of measures to improve the effectiveness of its TA reports. The following procedural changes address a number of “communication” weaknesses that had impeded the usefulness of the assistance provided:

- Undertake greater pre-mission contact with technical counterparts (via e-mail or by telephone) to discuss mission objectives, and with area department mission chiefs and resident representatives to gain first-hand knowledge of the area department’s priorities.
- Undertake greater communication with senior management of statistical agencies either before or during mission to explain that the TA reports include practical advice for the technical staff and should therefore be distributed to such staff; encourage the distribution of TA reports to other compilers of macroeconomic statistics, whenever the reports cover coordination issues or subjects that other statistical agencies should be aware of; and highlight recommendations that involve decisions beyond the technical counterparts’ authority requiring management involvement and decision-making.
- Ensure that TA reports reach the intended users by sending the authorities a sufficient number of hard or electronic copies, as deemed appropriate by the mission chief, and by having STA staff follow up with their main counterparts to verify that they have received the TA reports.
- Enhance the readability and user-friendliness of TA reports by producing shorter, and more timely reports and executive summaries, and recommendations and action plans with emphasis on “plain English.”
- Increase the collaboration with resident representatives and with other donors.
- Encourage national authorities to allow TA reports to be made available through the Fund’s Institutional Repository, thus widening the audience that may benefit from access to the reports.

## **V. TECHNICAL ASSISTANCE DEVELOPMENTS IN LEG**

### **A. Overview**

84. The Legal Department (LEG) provides TA in the design and implementation of laws, regulations and related legislation, primarily on monetary, financial, and economic matters. The principal subject areas of LEG TA are banking, tax and AML/CFT, with the last being an area of importance that emerged in the last two years. TA is also provided in some other legal subjects, mainly in areas which have direct significance to macroeconomic stability and the strength of financial systems.

85. LEG’s TA is frequently delivered in collaboration with FAD (for tax matters) and MFD (for banking matters). For that reason, a significant portion of LEG’s TA is incorporated into aide-mémoires or other TA outputs of those departments. This collaborative approach has worked well in helping to ensure coherence between the legal and policy aspects of Fund TA to members.

### **Box 7. Statistical Capacity Building—Case Studies and Lessons Learned**

*Statistical Capacity Building: Case Studies and Lessons Learned*, prepared by STA staff, presents case studies of Fund TA in statistical capacity building (in Bosnia and Herzegovina, Cambodia, and Ukraine), with an analysis of the effectiveness of the assistance delivered and identification of lessons learned. The study looked for common threads among institutional constraints, strategies and planning, and implementation and outcomes. It concluded that many of the lessons learned were common across most or all of the studies. Lessons learned were grouped into four general categories:

Lessons for country authorities:

- High-level and unified leadership in the government is needed to achieve statistical capacity building;
- Authorities need to take ownership of statistical capacity building and reforms;
- Internal coordination within government must be effective;
- Donor coordination should be the responsibility of a single government institution; and
- User consultation has an important role in reinforcing the role of statistics, and ensuring that demand is recognized and outputs are relevant.

Lessons for TA donors:

- Donors should allocate project resources in accordance with the country's priority needs;
- Attention must be paid to the phasing of project inputs;
- Hands-on assistance is an essential component of assistance, especially in projects with data production objectives;
- Experts must be chosen carefully ensuring that they are adequately qualified;
- The mode of delivery has to match the needs of the country;
- Sustainable improvements should lead to self-reliant national systems and to viable exit strategies; and
- Donors' programs must have specific objectives with explicit plans for achieving them.

Lessons concerning prerequisites:

- Statistical legislation is important to establish adequate authority for statistical operations; clear designation of responsibilities; professional autonomy; and coordination; and
- Staff and budgetary resources must be adequate, and should foreshadow eventual withdrawal of donor assistance.

Lessons for transition and post-conflict countries:

- The scale of assistance may need to be significantly larger than normal, because the building/rebuilding of statistical systems is frequently substantial;
- Donors must adopt a flexible approach to suit difficult circumstances and low absorptive capacity;
- Donors and authorities must be prepared for sustained efforts over several years; and
- Institutional and organizational issues are critical where fundamental reforms are required.

### **B. Technical assistance delivery**

86. A review of LEG TA over the last five years (FY 1999 to FY 2003) shows an increase of around 54 percent in the annual amount of TA delivered (Table 14). The majority of this increase may be attributed to work in newer areas such as AML and creditor rights reforms

(corporate insolvency, secured transactions, judicial reform, etc.). There were also increases in the amount of banking TA provided, although these tended to be more gradual and moderate. The annual amount of fiscal/tax TA provided remained more or less constant, at an average of 3.3 person-years.

Table 14. LEG's Technical Assistance by Core Areas, FY 1999–FY 2003 (In person-years) 1/					
	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
<b>Regional Technical Assistance</b>	<b>10.1</b>	<b>6.4</b>	<b>11.2</b>	<b>12.1</b>	<b>14.3</b>
Fiscal	2.9	3.9	3.4	2.8	3.3
OLIAFS 2/	3.8	0.7	5.0	2.6	2.0
Banking	3.4	1.8	2.5	2.4	2.9
Offshore financial centers	0.0	0.0	0.3	0.9	0.0
Anti-money laundering	0.0	0.0	0.0	1.9	4.7
Other	0.0	0.0	0.0	1.5	1.4
<b>Non-regional Technical Assistance</b>	<b>2.6</b>	<b>2.2</b>	<b>4.2</b>	<b>3.4</b>	<b>5.3</b>
<b>Total</b>	<b>12.7</b>	<b>8.6</b>	<b>15.4</b>	<b>15.5</b>	<b>19.6</b>
Source: Legal Department.					
1/ Total TA delivery.					
2/ OLIAFS stands for Other Legal Issues Affecting the Financial Sector (e.g., corporate insolvency, secured transactions, governance, etc.)					

87. Demand for TA has consistently exceeded the resources available to LEG (both human and financial), and this is expected to continue in the future. In that regard, the availability of external sources of funding has been crucial to LEG's ability to respond to the most important and urgent TA needs of members. Between FY 1999 and FY 2003, annual external funding of LEG TA more than doubled to reach 3.2 person-years.

### **Distribution by topic and by region**

#### ***Banking sector***

88. LEG's TA in the banking area continues to be focused on central banking and commercial banking. TA is also provided in the design of legislation related to non-bank credit institutions, and deposit protection and payments systems. As in the past, collaboration with MFD has been a regular feature in this area, with a considerable part of banking TA being delivered in a program context.

- A significant amount of banking TA was provided to post-conflict members, in particular Afghanistan and Iraq. Assistance was given in the design and implementation of emergency/interim banking legislation, as well as the development of more permanent legal and administrative frameworks to support banking activities. In the case of Afghanistan, training was also offered to senior officials on the new banking legislation and frameworks and to facilitate the legislation's enactment.
- One factor that has shaped LEG's banking TA work in the last two years has been the growing recognition of the role of appropriate legal frameworks in the prevention and resolution of financial crises. In this connection, much TA has been provided in the design of the legal frameworks to deal with banks in distress.<sup>7</sup> Concurrently, LEG is also a major contributor to the Global Bank Insolvency Initiative (GBII), a joint World Bank/Fund project to prepare a report discussing the legal, institutional, and regulatory framework for dealing with insolvent banks. The geographical spread of banking TA has continued to be relatively evenly distributed.

89. Looking ahead, the demand for banking TA is expected to increase. First, as progress is made towards the finalization and implementation of *Basel II Principles*, members will likely need assistance to update their banking legislation in response to the new regulatory requirements. Second, with the increase in FSAP and ROSC participation, the demand for follow-up TA (e.g., amendments to banking legislation to address identified weaknesses) is also likely to rise.

### ***Fiscal matters and taxation***

90. From January 1, 2002 to September 30, 2003, LEG provided tax TA to 21 members, with a total of 44 missions. There has been a shift in TA recipients from Central and Eastern European members (including the former Soviet Republics) towards sub-Saharan African countries. This trend may be attributed partly to the availability of new external experts with experience and knowledge suitable for sub-Saharan African countries, and partly to a decrease in TA demand from European transition economies. Increasingly, LEG's tax TA is, where appropriate, incorporated into program conditionality.

91. Within specific regions, the following observations may be made:

- TA to sub-Saharan African and Asian/Pacific countries typically involved the drafting of legislation for major tax reforms (income tax, tax administration, and value-added tax laws). LEG has also assisted in the drafting of implementing regulations (i.e., secondary legislation) for these reforms, and continues to do so.

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<sup>7</sup> Members receiving TA in this area include Azerbaijan, the Dominican Republic, Honduras, and the Kyrgyz Republic.



- With respect to other regions, the majority of LEG tax TA has focused on the amendment and improvement of existing tax legislation. Much of this legislation was previously drafted with LEG TA. For example, in members of the Commonwealth of Independent States (CIS), comprehensive tax codes were previously introduced with TA from the Fund. Follow-up TA in these countries is increasingly provided on a smaller scale—mainly via e-mail or written assessments/comments of proposed amendments—which typically does not involve travel.

92. Tax TA is also provided “indirectly” through LEG’s participation in the *International Tax Dialogue* (for details see the website at [www.itdweb.org](http://www.itdweb.org)). Lastly, LEG is also currently assisting members to draft tax law research guides (that contain information about their tax systems and links to relevant websites) and tax law notes covering various practical tax issues (conceptual explanations and possible solutions to common problems).<sup>8</sup>

### ***Anti-Money Laundering/Combating the Financing of Terrorism***

93. The main reference point for AML/CFT TA is the recommendations of the FATF, along with relevant conventions and UN resolutions. In that regard, from January 1, 2002 through September 30, 2003, LEG provided TA to some 33 countries, in a number of different areas. A key part of AML/CFT TA took the form of assistance in reviewing and drafting applicable legislation. LEG reviewed and commented on the proposed AML/CFT legislation of ten members. Legislative drafting missions were undertaken to a further six members/territories.

94. Apart from reviewing, commenting and advising on AML/CFT legislation, significant TA in this area is also delivered within the following contexts and activities:

#### *FSAP/OFC assessments*

95. Assessments of observance of FATF recommendations have become an important feature of LEG’s work. LEG’s participation in FSAP and OFC assessments, using the Fund’s AML/CFT methodology, has been substantial in the last two years, with 34 assessments having been performed using various versions of the AML/CFT methodology.

#### *Diagnostic and legislative advice missions*

96. These are stand-alone assessment missions where the AML/CFT methodology is used as a diagnostic tool to determine weaknesses in a member’s legal and institutional frameworks for AML/CFT. From January 1, 2002 through September 30, 2003, LEG conducted diagnostic assessments in seven member countries, resulting in recommendations that these members make appropriate adjustments to their AML/CFT regimes, in line with

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<sup>8</sup> For example, on fringe benefits, thin capitalization, taxation of reinsurance premiums, etc.

international standards and best practices. In addition, four TA missions were undertaken for the purposes of providing advice on strengthening AML/CFT legal frameworks in Belarus, Fiji, Madagascar, and Tunisia.

### *Financial Intelligence Units*

97. Financial intelligence units (FIUs) are a key component of a country's overall AML/CFT strategy, and LEG has been actively assisting members to establish and strengthen their FIUs. TA in this respect involves examining the underlying FIU legislation, as well as assistance with respect to the structure, governance, and internal operations of an FIU. Members and territories that have received TA in the FIU area include Bolivia, the Cook Islands, Fiji, the Federated States of Micronesia, and Samoa.

### *Pacific Islands Project*

98. In collaboration with the *Pacific Islands Forum Secretariat* and the *Secretariat of the Asia/Pacific Group on Money Laundering*, LEG initiated a project on "Creation of a Legal and Institutional Framework to Combat Financial Sector Crime and Money Laundering" in August 2001. A key focus of this project is the promotion of regional cooperation in AML/CFT activities for 13 members of the Pacific Islands Forum.<sup>9</sup> The project has been successful in promoting strengthened AML/CFT legislation and the establishment of FIUs among participants. Building on the initial phases of the project and the momentum for reform in the region, LEG installed a resident advisor in Suva, Fiji, in September 2003. Based at PFTAC, the resident advisor will be able to respond more quickly to the TA needs of the project participants.

### *Regional workshops*

99. Legislative drafting workshops are a cost-effective and useful vehicle for delivering advice and transferring expertise on the preparation of AML/CFT legislation. The first of these was held in Suva, Fiji, for members of the Project. In addition, LEG has also embarked on a series of CFT workshops, in collaboration with the UN Office on Drugs and Crime, the first of which was held at the Joint Vienna Institute (JVI) in August 2003 for seven countries in the CIS and Central Asia.

## **Enhancing rights and improving governance**

100. Partly as a result of lessons learned and work arising from the Asian crisis, increasing focus continues to be paid by the international community to the strength of countries' regimes governing commercial and property rights. From the Fund's perspective, particular

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<sup>9</sup> Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Marshall Islands, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, and Vanuatu.

attention is directed to those areas of creditor rights that are critical to the integrity and functioning of the financial system, e.g., corporate insolvency and secured lending laws and judicial enforcement. In that regard, Indonesia continues to be the country with the most significant TA in this area. Building upon work done since 1998, LEG continues to provide TA in improving the judicial implementation of Indonesia's bankruptcy law and, more generally, the operation of the new commercial court. Separately, in early 2003, LEG also completed a project to assist Cambodia to prepare a new insolvency law.

101. Improving governance is key to macroeconomic stability and reform in many member countries. In support of this objective, LEG also provides TA to assist members in fighting corruption. The most significant ongoing project in this area is TA to Gabon in the preparation of a regulatory framework for wealth declaration by public officials and in assisting to make the newly established, independent anti-corruption commission operational, including by conducting a training seminar for the new commission in October 2003.

## **VI. TECHNICAL ASSISTANCE DEVELOPMENTS IN INS**

### **A. Overview**

102. The IMF Institute (INS) provides training courses and seminars for member-country officials in four main areas—macroeconomic management, financial sector policy, fiscal policy, and external sector policy. Training is delivered at Fund headquarters in Washington, D.C., and at various overseas locations by Institute staff or by staff from other Fund departments, occasionally assisted by academics and other experts.

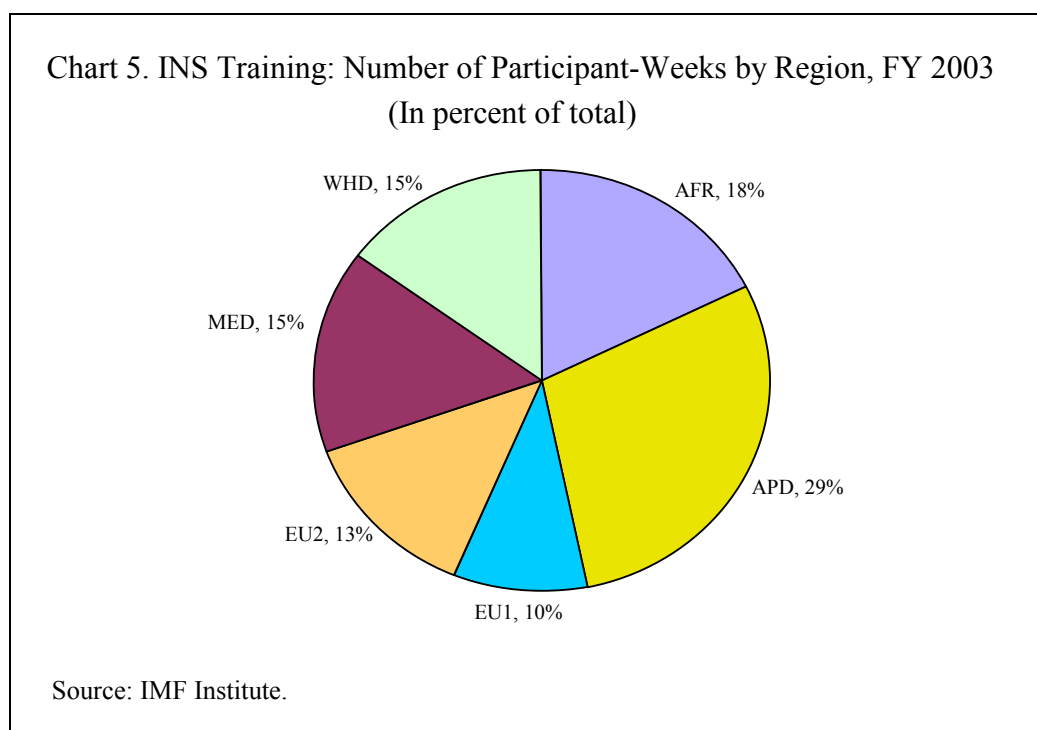
### **B. Training delivery**

103. In FY 2003, a total of 119 courses were delivered, attended by over 3,800 participants (Table 15). All regions benefited considerably from this training (Chart 5). The overall level of training changed little from the previous year, after a number of years of expansion.

104. In FY 2003, INS was unable to make further progress in addressing the excess demand for training, with the overall level of training activity remaining at about the same level as in FY 2002. This reflected in part that a number of training activities were cancelled in FY 2003, as a result of the security situation in Côte d'Ivoire (the location of the Joint Africa Institute—JAI), the war in Iraq, and the outbreak of SARS.

Table 15. IMF Institute Training Programs, FY 1999–FY 2003

Program	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
<b>Headquarters training</b>					
Number of courses and seminars	20	22	22	21	23
Number of participants	676	776	798	759	808
Number of participant-weeks	3,837	3,623	3,671	2,900	3224
<b>Regional training institutes and programs 1/</b>					
Number of courses and seminars	38	57	67	81	79
Number of participants	1,095	1,632	2,102	2,632	2,549
Number of participant-weeks	2,325	3,185	3,760	4,612	4,220
<b>Other overseas training</b>					
Number of courses and seminars	20	24	19	16	17
Number of participants	605	775	564	438	496
Number of participant-weeks	1,120	1,364	1,048	834	899
<b>Distance learning</b>					
Number of courses 2/	...	1	1	3	3
Number of participants 3/	...	50	50	134	114
Number of participant weeks 4/	...	100	100	313	276
<b>Total courses and seminars</b>	<b>78</b>	<b>103</b>	<b>108</b>	<b>118</b>	<b>119</b>
<b>Total participants</b>	<b>2,376</b>	<b>3,183</b>	<b>3,464</b>	<b>3,829</b>	<b>3,853</b>
<b>Total participant weeks</b>	<b>7,282</b>	<b>8,272</b>	<b>8,579</b>	<b>8,659</b>	<b>8,619</b>
Source: IMF Institute.					
1/ Includes JVI (established in 1992), IMF—Singapore Regional Training Institute (1998), IMF—AMF Regional Training Program in the United Arab Emirates (1999), JAI in Côte d'Ivoire (1999), Joint China—IMF Training Program (2000), and Joint Regional Training Center for Latin America in Brazil (2001). Data for JAI include courses delivered by the African Development Bank and the World Bank. Data for STI include courses for STI delivered by the World Bank in FY 2002 and FY 2003.					
2/ These are not included in the total course count below as the residential segment is already reflected in the headquarters training activity.					
3/ Those participants who were invited to the residential part of the courses are included both here and under headquarters training.					
4/ Includes only participant-weeks for the distance part of the course. Participant-weeks for the residential part are included in headquarters training.					



### Distribution by modality

105. Over the past five years, the IMF has broadened considerably the training options for country officials. The IMF Institute has established five new regional programs in collaboration with regional cosponsors (Table 16) and in the process has doubled the number of courses it delivers and increased the number of participant weeks by one-third. The regional programs now provide about two-thirds of the courses and seminars offered by the Institute and about half of the participant-weeks of training. Training in Washington continues, nevertheless, to play an important role, providing longer courses and accounting for about 40 percent of participant-weeks. The remainder of the training is at overseas locations outside of the IMF regional network, typically as part of ongoing collaboration between the IMF Institute and regional training organizations.

106. Since FY 2000, the Institute's distance-learning course in financial programming and policies, which is currently delivered in English, has also enhanced the training options for country officials. In particular, by combining a ten-week distance-learning module with a two-week residential module, this course has allowed officials who are unable to spend a long period of time away from their countries to take intensive training in this subject. In late FY 2003, the Institute began development of a similar French-language distance-learning course, which is expected to be ready in FY 2005.

107. Since FY 2001, the range of training options for country officials has been further expanded by making spaces available to them in some of the courses in the internal

economics training program for IMF staff. In FY 2003, about 80 country officials attended such courses.

Table 16. IMF Institute Regional Training Programs				
Regional Program	Date Established	Location	Cosponsors	Intended Participant Countries
Joint Vienna Institute	1992	Austria	Austrian authorities, as primary cosponsor. Other cosponsors are Bank for International Settlements, European Bank for Reconstruction and Development, Organization for Economic Cooperation and Development, World Bank, and World Trade Organization. 1/	Transition countries in Europe and Asia.
IMF—Singapore Regional Training Institute	1998	Singapore	Government of Singapore.	Developing and transition countries in Asia and the Pacific.
IMF—AMF Regional Training Program	1999	United Arab Emirates	Arab Monetary Fund.	Member countries of the Arab Monetary Fund.
Joint Africa Institute	1999	Côte d'Ivoire 2/	African Development Bank, World Bank.	African countries.
Joint China—IMF Training Program	2000	China	Peoples' Bank of China.	China.
Joint Regional Training Center for Latin America	2001	Brazil	Government of Brazil.	Latin American countries.
Source: IMF Institute.				
1/ A number of other European countries and the European Union, although not formal sponsors of the JVI, provide financial support.				
2/ In early 2003, in view of the security situation in Côte d'Ivoire, the JAI was moved temporarily to Tunisia.				

### **Distribution by topic**

108. A key feature of the Institute's strategy in recent years has been the increased emphasis on shorter, more specialized courses. This strategy has allowed the Institute to introduce new courses more easily and adapt existing ones to the evolving training needs of member countries. In FY 2003, for example, the Institute delivered new courses on topics such as AML, assessing financial system stability, fiscal sustainability and transparency, macroeconomic forecasting, and safeguards assessments for central banks. The Institute has also continued to provide, both in Washington and through the regional programs, short seminars on key current issues that are tailored to the needs of high-level officials. In FY 2003, the seminars covered topics such as current developments in monetary and financial law, exchange rate regimes and policies, financial market globalization, globalization in historical perspective, and the New Economic Partnership for Africa's Development (NEPAD).

### **C. Regional approach to training**

109. The regional programs have played a central part in the restructuring of the Institute's training program that has taken place since 1997. They enabled the Fund to leverage the additional resources that it was devoting to training with resources committed by the cosponsors of the regional programs. Moreover, given the relatively high cost of one- and two-week courses in Washington, the regional programs have been particularly well suited to deliver shorter, more specialized courses that the Institute has been developing. The regional programs have also enabled the Institute to adapt the mix of courses and course material more closely to regional needs. For example, the Institute's course on Inflation Targeting delivered at the STI is particularly appropriate for many countries in the region, whereas such a course is not particularly relevant at present for most countries covered by the JAI. Conversely, at the JAI, a higher share of Fund training is focused on areas such as financial programming, various aspects of fiscal management, and statistical issues.

110. While delivery through the regional programs provides important advantages in terms of costs and additional flexibility in program design, training courses in Washington continue to play a key role in the Institute's program. The Institute's core course on Financial Programming and Policies (typically delivered five times a year, in four languages) and many courses in economic statistics last between 4 and 8 weeks. These courses account for over 80 percent of the participant-weeks of training delivered at headquarters. One of the particular strengths of these courses is that they are able to draw on a wide range of staff expertise. It would be very difficult from a practical point of view to organize such comprehensive courses in overseas locations, as well as very expensive in staff travel costs. Headquarters are also very well suited as a venue for seminars and courses on issues of global importance directed at senior officials, as it enables officials from around the world to share experiences.

## **D. Evaluation**

111. In FY 2003, as part of its ongoing efforts to assess the effectiveness of its training and the demand for different types of courses, the Institute commissioned an independent market research firm to undertake a feedback survey of agencies that regularly sponsor participants in Institute courses and seminars, following up on similar surveys in 1995 and 1998. The response rate of over 50 percent was quite high for a survey of this type and the results provided strong support for the strategy that the Institute has been following.

- About 90 percent of the respondents were satisfied overall with the Institute's training and indicated that the training had increased the participants' understanding of the Fund, had helped them do their jobs better, and had improved the way they formulate policy.
- Demand for training at headquarters has increased further and remains far in excess of capacity, with about two-thirds of respondents expecting their demand for headquarters training to increase over the next five years.
- Demand for training at the regional programs is also expected to be substantially higher than capacity in the coming years, with about three-quarters of respondents indicating that their demand would increase over the next five years.
- With regard to course composition, core offerings in the areas of macroeconomic management and economic statistics continue to be in very high demand. Sponsors, however, also expressed strong interest in the newer, more specialized, additions to the menu of courses, notably financial market courses, as well as the distance-learning course on financial programming.

## **VII. TECHNICAL ASSISTANCE DEVELOPMENTS IN TGS**

### **A. Overview**

112. In collaboration with other Fund departments, TGS provides TA to member countries in implementing information technology (IT) systems for economic and financial data management. TGS's collaboration with TA departments and area departments has increased in the provision of IT TA since the last TA review. Accordingly, TGS provides TA in: (i) implementing systems for time series data management and compilation in conjunction with STA TA directed at improving members' statistical capabilities; (ii) improving systems for central banking operations, including government debt, in conjunction with MFD TA; (iii) implementing systems for financial data access and management in conjunction with FAD TA; and (iv) improving members' provision of economic data to the Fund in conjunction with the work program of area departments. In addition, TGS provides occasional regional seminars with INS on advanced economic data management techniques and tools.



## B. Technical assistance delivery

113. During FY 2003 and the first half of FY 2004, TGS provided TA to three member countries: Lebanon, Rwanda, and Tanzania.

- For Lebanon, headquarters-based training and assistance was provided to two staff from the *Bank of Lebanon* to address operational issues and further development of the IT systems for managing and disseminating economic data within the Bank. This training was a follow-up to earlier TA missions, which had helped in implementing these systems. Together with INS, TGS also participated in a regional seminar hosted by the *Bank of Lebanon* on time series data management and tools.
- For Rwanda, TGS participated in a STA multisector mission. TGS provided assistance to the *Ministry of Economics and Finance* and the *National Bank of Rwanda* in the installation, adaptation, and training on the use of a Consumer Price Index (CPI) compilation system TGS had developed as part of a STA-sponsored IT project. The CPI compilation system embodies many of the best practices and standards for CPI compilation that STA recommends to member countries.
- For Tanzania, a follow-up mission provided assistance in establishing a data management environment for the *Policy Analysis Department (PAD)* within the *Ministry of Finance*, as part of a larger capacity-building TA effort managed by FAD and funded by the *Swiss State Secretariat for Economic Affairs*. The mission assisted in implementing a time series data management system, which provides PAD staff with access to data needed to conduct timely fiscal management and policy analysis work. Together with STA, TGS also provided assistance via videoconference to the *National Bureau of Statistics* in installing and adapting the same CPI compilation system as deployed by Rwanda.

114. In the period ahead, TGS plans to work more closely with other departments to support and complement other Fund-provided TA and operational work. Specifically, TGS expect to continue to collaborate with STA in the implementation of CPI compilation systems in member countries and will shortly begin to work with STA to adapt this approach to compilation of Producer Price Indices. Furthermore, TGS will continue to use a variety of TA delivery methods, including country missions, regional seminars, videoconferencing, and headquarters-based training to ensure that TA is provided in a cost-effective manner.