

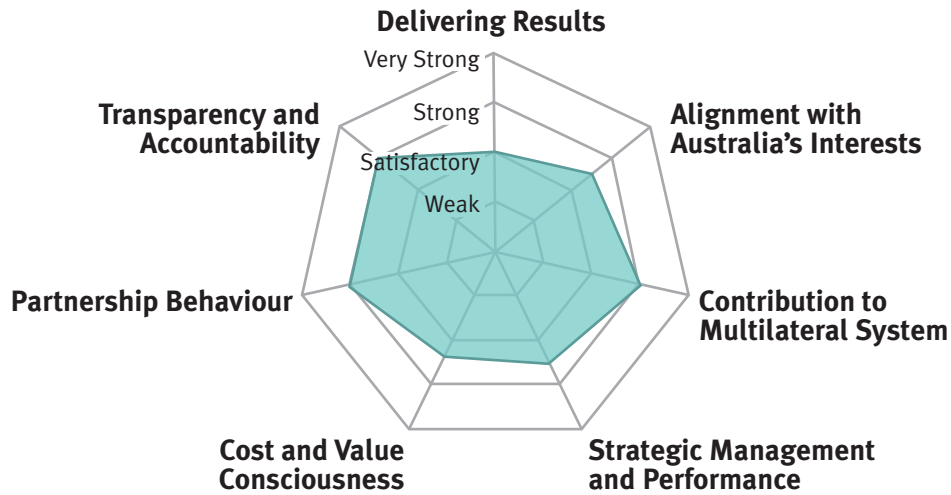


Australian Multilateral Assessment March 2012

# International Monetary Fund (IMF)



## OVERVIEW OF ORGANISATION RATINGS



## ORGANISATION OVERVIEW

The International Monetary Fund (IMF), set up in 1946, promotes international monetary cooperation, exchange rate stability and the balanced growth of international trade. It provides member countries with policy advice, lending to support economic adjustment, and technical assistance. IMF technical assistance and training assist mainly low and lower middle-income countries to build human and institutional capacity for effective economic policymaking. It focuses on areas such as monetary and fiscal policy, the exchange rate system, expenditure management, tax policy and administration, financial sector stability and statistics. Typically, this means that its poverty impacts are indirect.

The Australian Multilateral Assessment focuses on IMF-administered technical assistance trust funds for eight regional centres and special purpose trust funds such as those dealing with anti-money laundering, combating the financing of terrorism, tax policy and administration, and managing natural resource wealth. There is a particular focus on the IMF regional centre in the Pacific and its topical trust fund

dealing with the management of natural resource wealth. IMF spends US\$250 million of its operating budget of US\$1 billion on technical assistance, which includes funding for the technical assistance trust funds.

Australia provided \$16.9 million in 2010–11 in non-core funding to IMF Trust Funds. This included Australian support to regional technical advisory centres in Africa, the Caribbean and the Pacific, and IMF regional training institutes in Singapore and India. Australia has also agreed to contribute \$5 million to the Topical Trust Fund for Managing Natural Resource Wealth.

## RESULTS AND RELEVANCE

**1. Delivering results on poverty and sustainable development in line with mandate**

**SATISFACTORY**

IMF has a good record of producing results from its technical assistance and training activities. For example, a 2009 evaluation found the Pacific Financial Technical Assistance Centre had improved outcomes in one or more Pacific Island countries in the areas of medium-term budgeting, fiscal reporting, revenue collection, value-added tax implementation and financial sector supervision and statistics.

A tracer study of the India Training Program conducted in mid-2011 showed that participants were highly positive about the impact of the training, with 90 per cent reporting that the training had improved their job performance, 94 per cent reporting it had created additional career opportunities and 81 per cent reporting it led to greater responsibilities.

IMF reporting on results has been hampered by inadequate results frameworks. Until recently IMF has relied on its Technical Assistance Information Management System (TAIMS). IMF and donors have recognised this system does not adequately track progress and results at activity or program level.

IMF recognises that it must be more rigorous in its objectives for technical assistance and measurement of technical assistance results. It has established a working group on implementing results-based management which is overseeing a new framework offering a systematic approach to the strategic planning and monitoring of technical assistance that emphasises results. If adopted, the new framework will improve IMF’s ability to monitor and evaluate results.

The mandate and operations of the IMF’s technical assistance and training activities do not lend themselves to a direct focus on the poorest.

**a) Demonstrates development or humanitarian results consistent with mandate**

**STRONG**

IMF has a good record of delivering high impact development results across most of its technical assistance and training activities, although given issues with aggregate results-reporting (see 1(b)) it is not possible to make an assessment of overall value for money.

For example, a 2009 independent evaluation found that IMF’s Pacific Financial Technical Assistance Center (PFTAC) is delivering ‘high quality, effective and efficient services’,

particularly in the areas of medium-term budgeting, fiscal reporting, revenue collection, value-added tax implementation and financial sector supervision and statistics.

Approximately 80 per cent of respondents to that evaluation from ministries of finance and revenue regulation rated the effectiveness of PFTAC in achieving results as ‘good’ or ‘excellent’, and 90 per cent of all respondents stated that PFTAC played a role in helping Pacific Island countries to define their technical assistance priorities. Specific examples of country-level results from PFTAC include a PFM reform plan for Tonga (with ADB) and the initial development of quarterly National Accounts in Fiji.

Evidence of development results is clear across other IMF technical assistance and training activities as well. A 2009 review of the Joint India–IMF Regional Economic Training Program, for example, noted that the program had now trained over 500 individuals since 2006, and enjoyed a 94 per cent approval rate for the course among participants. A 2011 study, which focussed on the program’s longer term impacts, found that a majority of individuals who participated in the training program reported the program had improved their job performance (90 per cent), created additional career opportunities (94 per cent) and led to greater responsibilities (81 per cent).

**b) Plays critical role in improving aid effectiveness through results monitoring**

**WEAK**

IMF reporting on results has been hampered by inadequate results frameworks. Until recently, IMF has relied on its TAIMS. IMF and donors have recognised that this system does not adequately track progress and results at activity or program level.

IMF trust funds are subject to regular independent evaluations which consider their effectiveness, cost efficiency, and areas for improvement. These evaluations do not form part of an integrated results monitoring framework, however.

IMF recognises that it must be more rigorous in its objectives for technical assistance and measurement of technical assistance results. It has established a working group on implementing results-based management which is overseeing a new framework offering a systematic approach to the strategic planning and monitoring of technical assistance that emphasises results. If adopted, the new framework will most likely improve IMF’s ability to monitor and evaluate results.

**c) Where relevant, targets the poorest people and in areas where progress against the MDGs is lagging**

**N/A**

IMF’s mandate and operations insofar as they relate to technical assistance trust funds do not lend themselves to a direct focus on the poorest. This criterion is therefore not applicable to this assessment.

<b>2. Alignment with Australia’s aid priorities and national interests</b>	<b>STRONG</b>
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IMF’s technical assistance activities are well aligned with the Australian aid program’s strategic goals of sustainable economic development and effective governance. Its work promoting the economic development of low income countries also supports Australia’s broader interests in promoting improved economic management in developing countries, particularly in the Asia-Pacific region.

IMF has generally been responsive to issues raised by Australia, particularly relating to the Pacific Financial Technical Assistance Centre (PFTAC).

IMF technical assistance and training programs are designed primarily to support the IMF’s mandate which means they focus on macroeconomic and macrofinancial issues. This limits the applicability of crosscutting issues such as environmental sustainability in its operations. Gender balanced participation in its training activities, however, is an important issue for consideration.

IMF has adapted its training to give greater weight to gender equity of its participants but there is scope to do more as gender balance remains weighed towards men in a number of activities including the AusAID supported India training centre program. Disability-inclusive development is somewhat relevant to the IMF’s training institutes, but the Australian Multilateral Assessment did not find evidence of disability-inclusive policies being integrated into these programs.

Feedback from Australian overseas missions in the Pacific suggests PFTAC programs have adequately adjusted to the differing operating environments of small and fragile states. In many fragile states the IMF (in coordination with other donors) provides technical assistance in areas critical for stabilisation, such as assisting central banks or finance ministries with macroeconomic advice.

<b>a) Allocates resources and delivers results in support of, and responsive to, Australia’s development objectives</b>	<b>SATISFACTORY</b>
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IMF’s technical assistance activities generally align with Australia’s interests in promoting improved economic management in developing countries. IMF training centres focus on improving capacity to design and implement macroeconomic policies, promoting macroeconomic stability, and improving the use of budgets. Furthermore, its training centres are primarily based in developing regions, including East Africa, Central America, the Caribbean and the Pacific.

In the Pacific, PFTAC aims to improve capacity to design and implement sound macroeconomic policies, macroeconomic stability and financial governance in the Asia-Pacific region.

IMF has generally been responsive to issues raised by Australia, particularly relating to the PFTAC. For example, PFTAC has been responsive to Australian efforts to implement and improve the effectiveness of its monitoring and evaluation framework. Not all IMF training programs have been similarly responsive: it has taken significant

time for the IMF to take concrete action in responding to concerns from Australia regarding the lack of gender balance in the India training centre program.

**b) Effectively targets development concerns and promotes issues consistent with Australian priorities**

**STRONG**

IMF's technical assistance activities are well aligned with the Australian aid program's strategic goals of promoting sustainable economic development and effective governance. Its training programs focus on fiscal management, public finance administration, and related capacity building.

**c) Focuses on crosscutting issues, particularly gender, environment and people with disabilities**

**SATISFACTORY**

Gender mainstreaming issues are of particular relevance to IMF's training activities, as it is important to ensure that both men and women are able to participate in, and directly benefit from the training provided. There is scope to do more in ensuring an appropriate gender balance in its training programs, although some progress is being made. For example, the female participation rate increased from 16 per cent to 29 per cent between 2009 and 2010 at the Joint India-IMF Training Program (although Australia is concerned that this figure remains far too low), and from 38 per cent to 42 per cent between 2006 and 2009 at the Singapore Training Institute. The low proportion of female participation may be attributed in part to the gender balance of workforces in some areas where IMF operates training centres.

Although disability-inclusive development is similarly relevant to the IMF's training institutes, the Australian Multilateral Assessment did not find evidence of disability inclusive policies being integrated into these programs.

**d) Performs effectively in fragile states**

**STRONG**

Feedback from Australian overseas missions in the Pacific suggests PFTAC programs have adequately adjusted to the differing operating environments of small and fragile states, including taking account of capacity constraints in some countries.

IMF's technical assistance is demand driven, with the technical assistance type and modality of delivery under IMF's control and adjusted to country needs. Fragile states usually receive intensive technical assistance in areas considered critical for stabilisation, such as assisting central banks or finance ministries with macroeconomic advice, typically over a long period. For example, a trust fund was established to support technical assistance in Iraq, and a trust fund is being established to support technical assistance in South Sudan.

<b>3. Contribution to the wider multilateral development system</b>	<b>STRONG</b>
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IMF's regional technical assistance centres play an important role in coordinating development efforts of donors (bilateral and other such as the World Bank and the regional development banks) in their areas of focus.

IMF plays a lead role in setting norms and standards on macroeconomic stability and financial sector surveillance. Its technical assistance helps partner countries understand and apply these norms and standards, and identify and implement economic policies which promote economic stability.

IMF is not a development organisation, but it continues to make substantial contributions to development knowledge through its statistics (for example, its international financial statistics) research (for example, on the world economy as well as on financial and monetary issues) and experience in helping countries restore economic stability and prevent instability. IMF shares this knowledge and experience well with others through its publications, on its website and through its participation in meetings and dialogues.

<b>a) Plays a critical role at global or national-level in coordinating development or humanitarian efforts</b>	<b>STRONG</b>
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IMF's regional technical assistance centres play an important role in coordinating development efforts of donors (bilateral and others such as the World Bank and the regional development banks) in their areas of focus. A 2009 independent review of PFTAC found that it was generally effective in coordinating technical assistance efforts of bilateral and multilateral donors.

<b>b) Plays a leading role in developing norms and standards or in providing large-scale finance or specialist expertise</b>	<b>STRONG</b>
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The role that IMF plays in setting norms and standards on macroeconomic stability, financial sector surveillance, and statistics is well recognised. The Fund is typically not a standards setter, but assesses standards established by the international community and endorsed by the relevant international bodies through its Financial Sector Assessment Program (FSAP) and Reports on the Observance of Standards and Codes (ROSC) program.

Its technical assistance helps partner countries understand and apply these norms and standards, and identify and implement economic policies which promote economic stability. The transfer of skills and capacity regarding these economic skills and policies is a central goal of the IMF's training institutes.

<b>c) Fills a policy or knowledge gap or develops innovative approaches</b>	<b>STRONG</b>
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IMF is not a development organisation, but it continues to make substantial contributions to development knowledge through its statistics (for example, its international financial statistics), research (for example, on the world economy as well as on financial and

monetary issues), and considerable experience in helping countries restore economic stability and prevent instability. Its regional centres also produce useful reports to assist in the application of this knowledge to regional contexts. For example, PFTAC recently drafted papers on the ‘macroeconomic impacts of energy prices’ and ‘revenue policy and reform’ in the Asia-Pacific for the 2010 Forum of Energy Ministers.

IMF shares this knowledge and experience well with others through its publications (for example, *Regional Economic Outlook Reports* and the *World Economic Outlook*), on its website, through its participation in meetings and dialogues, and through its regional training institutes.

## ORGANISATIONAL BEHAVIOUR

### 4. Strategic management and performance

**STRONG**

IMF’s overall policy and planning framework for technical assistance is adequate. Technical assistance priorities are currently determined through bottom up process based on demands from countries. This process will be considerably strengthened through a new strategy that is under preparation. This will provide a clear overarching institutional strategic framework to better steer demand-based assistance.

IMF’s governing bodies have been effective in guiding management, as evidenced by improvements in the quality of its technical assistance and training and by the increasing interest of donors in its programs. The Board regularly discusses matter relating to technical assistance policy matters, including a November 2011 technical assistance strategy following a report prepared by a high level working group.

IMF is in the process of improving its monitoring and evaluation systems through phasing in results-based management. This will enable more systematic tracking of progress of objectives against outcomes and indicators. The IMF currently undertakes periodic evaluations and the performance of all technical assistance activities is assessed semi-annually or annually and at completion.

IMF has a strong record on leadership and human resource management as evidenced in the performance of the Regional Technical Assistance Centres. Evaluations and other feedback have attributed this success to the quality of the IMF experts in the centres and the way they are managed.

#### a) Has clear mandate, strategy and plans effectively implemented

**SATISFACTORY**

The mandate of IMF’s technical assistance programs is clear: to support the development of the productive resources of member countries by helping them to effectively manage their economic policy and financial affairs.

IMF’s technical assistance framework ensures that it provides specialised technical assistance which is integrated with IMF’s broader operations. IMF provides technical assistance only in its core areas of expertise: macroeconomic policy, tax policy and revenue administration, public financial management, monetary policy, the exchange rate system, financial sector sustainability, and macroeconomic and financial statistics.

Reforms in 2008 improved the integration of this technical assistance with IMF’s surveillance, lending and recipient country reform agendas.

Its technical assistance framework is expected to be further strengthened through a new strategy, currently under preparation. This will provide a clearer institutional framework for the strategy, policy and planning documents that already exist at program level.

<b>b) Governing body is effective in guiding management</b>	<b>STRONG</b>
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IMF’s governing bodies have been effective in guiding management, as evidenced by improvements in the quality of its technical assistance and training and by the increasing interest of donors in its programs. The Board has regularly reviewed technical assistance policy matters, including strategic issues on technical assistance in the context of the IMF medium-term strategy recommendations by the Independent Evaluation Office, and each time a new donor subaccount is established. More recently, in November 2011 the Board discussed the Fun’s technical assistance strategy following a report prepared by a high-level working group, which envisages regular future reviews.

Donor steering committees have been effective in guiding management at the program level. Independent evaluations of PFTAC have consistently found that the centre’s principle governing body, the Tripartite Review Committee (TPRC), is effective in its role. Most recently, 71 per cent of survey respondents to the 2009 independent evaluation of PFTAC rated TPRC’s provision of oversight and guidance as ‘good’ or ‘excellent’. This was attributed in part to the body’s effective facilitation of a wide range of stakeholder views, including those of local governments.

<b>c) Has a sound framework for monitoring and evaluation, and acts promptly to realign or amend programs not delivering results</b>	<b>SATISFACTORY</b>
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Until recently, IMF has not had a comprehensive system of monitoring and evaluation, although the performance of all technical assistance has been assessed semi-annually or annually and at completion through progress reports, where results are evaluated against logframes set out in project proposals. Currently, it is phasing in results-based management which will enable tracking of progress of objectives against outcomes and indicators. For example, AFRITAC-South, which was opened in 2011, has prepared a first draft of a results-based management framework, and other centres are moving in this direction as well. In addition, technical assistance departments are monitoring results through TAIMS, as well as other department-specific mechanisms.

Monitoring and evaluation practices at activity-level have been mixed. Until recently, PFTAC lacked an adequate results framework. However, a 2011 AusAID appraisal for a topical trust fund proposal found that the IMF’s Results Focused Management System, together with the logical framework, ‘provides a well structured and clear approach to monitoring and evaluation’.



<b>d) Leadership is effective and human resources are well managed</b>	<b>STRONG</b>
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IMF human resources are well managed and guided by clear and effective policies. Evaluations have suggested that the effectiveness of IMF’s regional technical assistance centres is due in part to the high quality of leadership and the high level skills and experience of staff.

<b>5. Cost and value consciousness</b>	<b>SATISFACTORY</b>
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IMF’s executive board looks at value for money when it examines IMF’s operational and administrative budget each year. This budget (roughly US\$1 billion) has been subject to a ‘no real increase’ constraint for the past three years, following sharp resources in the previous year.

With regional and topical technical assistance, the lack of direct evidence as well as shortcomings in results frameworks make it hard to gauge value for money. Donors scrutinise costs at IMF steering committee meetings.

IMF remains committed to improving the costing of technical assistance. A recent AusAID quality report on the Pacific Financial Technical Assistance Centre concluded that it is a cost effective mechanism for providing technical assistance compared to others, such as the Asian Development Bank and the World Bank.

IMF’s technical assistance and training promotes more efficient approaches by partner governments to budgeting and disbursement.

<b>a) Governing body and management regularly scrutinise costs and assess value for money</b>	<b>SATISFACTORY</b>
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IMF’s executive board regularly examines value for money when it examines IMF’s operational and administrative budget each year. This budget (approximately US\$1 billion) has been subject to a ‘no real increase’ constraint for the past three years, following a sharp reduction in resources in the previous year.

However, costs related to technical assistance and training activities have not been a major focus of the executive board to date.

<b>b) Rates of return and cost effectiveness are important factors in decision making</b>	<b>SATISFACTORY</b>
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Donors scrutinise costs at IMF steering committee meetings, and IMF remains committed to improving the costing of technical assistance. The lack of direct evidence, as well as shortcomings in results frameworks, make it challenging to accurately gauge value for money of IMF’s technical assistance activities. Even with a results-framework, it may sometimes be difficult to determine the monetary value added of capacity building. Recipient countries appear to view the programs as cost effective, however, as demand for the programs (which are not free) continues to exceed supply.

A recent AusAID quality report on PFTAC concluded that it is a cost effective mechanism for providing technical assistance compared to others, such as the Asian Development Bank and the World Bank. Furthermore, the regional technical assistance and training centres have been found to be more cost effective than providing training from or in IMF's headquarters in Washington DC.

<b>c) Challenges and supports partners to think about value for money</b>	<b>STRONG</b>
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The nature of IMF's technical assistance and training in the areas of fiscal and budget management support partner governments to consider value for money. IMF's work promotes more efficient approaches by partner governments to budgeting and disbursement. For example, building capacity in 'efficient, effective, transparent and sustainable budget formulation and presentation; budget execution and control; reporting and audit' is an explicit goal of PFTAC.

<b>6. Partnership behaviour</b>	<b>STRONG</b>
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IMF works effectively with partners on technical assistance and training programs. According to the evaluation of the Pacific Financial Technical Assistance Centre and AusAID's recent quality report, IMF is working very effectively with other partners in the Pacific, including Pacific Island countries, the World Bank and key donors.

Pacific Island partners see IMF's technical assistance as highly responsive to their priorities and well adapted to individual country circumstances. For example, the Central Bank in Honiara, Solomon Islands, stated that IMF has been useful in training staff in the institutes located in Washington and Singapore. Staff that had completed courses gained valuable skills and were rapidly promoted.

IMF supports the Paris Declaration on Aid Effectiveness and Accra Agenda for Action. Its performance in aligning with partner country priorities through the Pacific Financial Technical Assistance Centre has been strong.

Feedback from Australian overseas missions suggests staff at the centre have a good reputation for consulting partners on project design and implementation.

<b>a) Works effectively in partnership with others</b>	<b>STRONG</b>
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IMF works effectively with partners on technical assistance and training programs. According to the 2009 evaluation of the PFTAC and AusAID's recent quality report, IMF is working very effectively with other partners in the Pacific, including Pacific Island countries, the World Bank and key donors. Pacific Island partners see IMF's technical assistance as highly responsive to their priorities and well adapted to individual country circumstances. For example, the Central Bank in Honiara, Solomon Islands, stated that IMF has been useful in training staff in the institutes located in Washington DC. and Singapore. Staff that had completed courses gained valuable skills and were quickly promoted.

<b>b) Places value on alignment with partner countries' priorities and systems</b>	<b>STRONG</b>
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IMF supports the Paris Principles, and its performance in aligning with partner country priorities through its technical assistance centres has been strong. For example, the PFTAC governance structure provides an explicit voice to Pacific Island Countries in establishing priorities of the program. Furthermore, a 2009 independent review concluded that delivery of technical assistance through this programs 'is consistent with the calls in the 2003 Rome Declaration on Harmonisation, the 2005 Paris Declaration on Aid Effectiveness and the 2008 Accra Agenda for Action for increased country ownership, greater donor harmonisation and coordination and building institutional capacity'.

<b>c) Provides voice for partners and other stakeholders in decision making</b>	<b>STRONG</b>
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Feedback from Australian posts suggests that IMF has a good reputation for consulting partners regarding project design and implementation. This is supported by its policies and structures. For example, PFTAC's governance structure provides an explicit voice to Pacific Island Countries and contributors of technical assistance in establishing the priorities of the work program, as well as in monitoring its effectiveness.

<b>7. Transparency and accountability</b>	<b>STRONG</b>
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IMF has a transparency and disclosure policy. It strives to disclose documents and information on a timely basis unless there are strong and specific reasons to argue against this.

IMF's website and publications are comprehensive on its normal lending operations, but information on regional and topical technical assistance operations, and the regional training centres, is limited.

IMF's technical assistance and training budgets are primarily allocated to where the need is greatest against the overall objectives of these programs. In the Pacific Financial Technical Assistance Centre, for example, resource allocation, budget management and operational planning are strong and transparent for its stakeholders.

IMF applies very high standards to its overall financial management, including its management of its technical assistance trust funds. Its administrative budget is prepared in accordance with international financial reporting standards. Auditing is thorough and includes work by an external audit firm, internal audit and its independent external audit committee.

IMF's transparency and disclosure policy encourages its member countries to be as open as possible about their economies, budgets and economic and financial policies.

<b>a) Routinely publishes comprehensive operational information, subject to justifiable confidentiality</b>	<b>SATISFACTORY</b>
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Although IMF is not a signatory to IATI, it does have a transparency and disclosure policy. This policy presumes disclosure for a majority of documents, including board documents, subject to appropriate confidentiality requirements. Accordingly, IMF’s website and publications contain comprehensive information regarding a majority of its normal lending operations. In addition, the average ‘publication lag’ for a majority of IMF document is less than one month, ensuring its published documents are relevant and timely.

However, with the exception of evaluation documents, information regarding IMF’s regional and topical technical assistance operations and its regional training centres is limited. Still, some information regarding IMF’s Regional Technical Assistance Centers (RTACs) and topical technical assistance operations are made publicly available on each RTAC website. For example, PFTAC published information on the FY12 Work Plan, FY11 Annual Report, and 2011 Project Document.

<b>b) Is transparent in resource allocation, budget management and operational planning</b>	<b>STRONG</b>
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Budget allocations are determined by the Resource Allocation Plan (RAP), which is prepared annually following the preparation of Regional Strategy Notes, prioritisation of technical assistance needs by country, and an evaluation of countries’ track record of implementation. This process ensures that all technical assistance is demand driven, as the RAP is based on needs identified by country teams in consultation with member countries. Allocations generally occur at program-level. For example, in the PFTAC, resource allocation, budget management and operational planning are strong and transparent for its stakeholders.

<b>c) Adheres to high standards of financial management, audit, risk management and fraud prevention</b>	<b>VERY STRONG</b>
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IMF adheres to high standards regarding its overall financial management, including its management of its technical assistance trust funds.

Its administrative budget and financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS), and it publishes these statements regularly on its website. As part of this process, its statements are audited by both external firms and an independent audit committee.

It has adopted a range of policies to deter internal corruption, including its ‘code of conduct for staff’, which includes financial certification and disclosure requirements and sanctions. Other measures include its ‘code of conduct for members of the executive board’, an integrity hotline offering protection to whistleblowers, and an Ethics Office tasked with investigating alleged violations of internal rules and regulations.

<b>d) Promotes transparency and accountability in partners and recipients</b>
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<b>STRONG</b>
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IMF's technical assistance and training institutes encourage transparency and accountability of partner governments by the nature of its operations. A key focus of these institutes is the promotion of transparent budget and financial processes among local government institutions, thereby encouraging recipients to be accountable.