

TECHNICAL ASSISTANCE PROVIDED TO YEMEN, FY1999–2003⁷⁷

I. OUTLINE

1. Section 1 of this report describes the economic context in which IMF technical assistance (TA) was provided to Yemen and reviews the composition and characteristics of that TA. It also assesses Yemen's track record in implementing its economic reform agenda under IMF-supported programs and in making use of past IMF TA. This assessment is followed in Sections 2, 3, and 4, respectively, by a more in-depth analysis of the design, delivery, and stages of evaluation of IMF TA to Yemen. Section 5 concludes with a discussion of how TA to Yemen could have been more effective and puts forward a series of recommendations for consideration with respect to future TA.

II. BACKGROUND

A. Yemen's Economic Policy Challenges

2. After reunification in 1990, Yemen faced many challenges in establishing a modern public sector capable of effective economic and financial management. While there were strong advances in the middle of the 1990s, the pace of structural reform slowed markedly toward the end of the decade. The country also faced a significant negative shock as a result of the events of September 11, 2001 and the regional tensions leading up to the war in Iraq. The latter resulted in the temporary withdrawal of IMF long-term experts (LTEs) from the country. Throughout, efforts at reform were hampered by extremely weak implementation and administrative capacity and institutional and political impediments.

3. Yemen's longer-term economic reform agenda is dominated by the declining role of oil in the economy. Oil output currently accounts for approximately one-third of GDP. However, stocks are predicted to be depleted within 20 years and oil revenue is expected to decline steadily until then. As a result, fiscal issues have been high on the reform agenda, with efforts to reduce the non-oil budget deficit to a sustainable level figuring prominently. At the same time, widespread poverty⁷⁸ has made the mobilization of domestic resources to finance poverty-reducing spending and improvements in public expenditure management (PEM) important policy objectives. The importance of PEM has been further heightened by the Government's decision to move in the direction of fiscal decentralization and the very weak state of PEM at the local level.

⁷⁷ Based on interviews conducted by IEO with government officials and multilateral and bilateral TA providers in Sana'a, Yemen between January 18 and 26, 2004 and interviews with Bank and IMF staff in Washington, as well as internal IMF memoranda and communications and World Bank and IMF staff reports.

⁷⁸ In 1998, 42 percent of the population was estimated to be living below the poverty line. The 2003 UN Human Development Index ranks Yemen 148 out of 195 countries.

B. Priorities and the Strategic Framework for Technical Assistance from the IMF

4. Yemen was one of a handful of countries for which IMF TA was provided in the context of a Technical Cooperation and Action Plan (TCAP),⁷⁹ co-sponsored with the United Nations Development Program (UNDP) and the UK's Department for International Development (DFID). The Yemen TCAP was one of the largest of its kind and was—at least at its inception—the only one in which a bilateral donor had agreed to fully integrate its assistance with that of the multilateral organizations by providing bilateral experts to operate under multilateral supervision. Yemen's TCAP was launched in late 2000 for the period 2000 to 2002 (subsequently extended into 2003) and included TA in fiscal sector reform, external sector policy management, monetary and financial sector reform, and the production of statistics for economic policy making. It was executed by the Ministry of Finance, with the assistance of the IMF, which served as UN's executing agency for the plan.

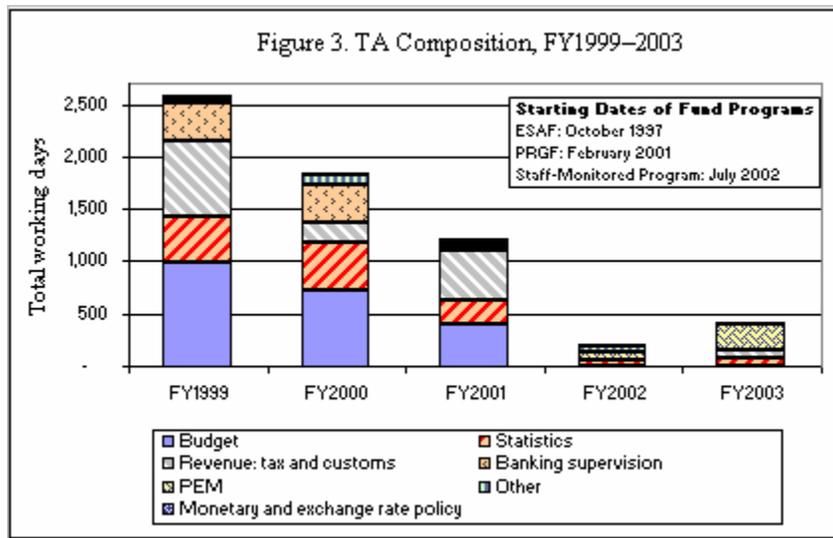
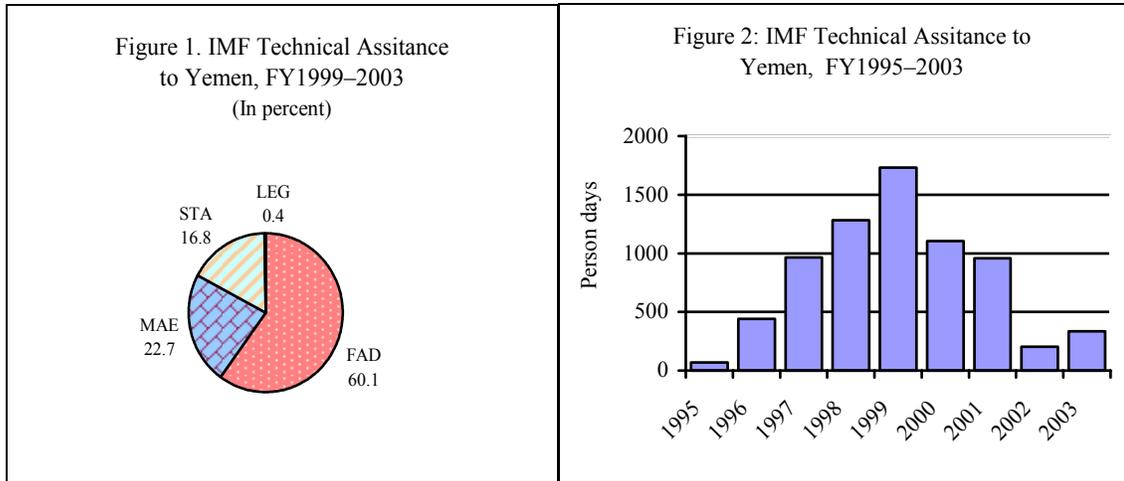
5. The TCAP was formulated around the pre-existing Strengthening Economic and Financial Management (SEFM) project which sought to enhance capacity in the areas of statistics and tax administration. SEFM was launched in 1995 as a tripartite exercise involving the IMF, the UNDP, and the UK/DFID. With large-scale funding from UNDP and DFID, the second stage of SEFM (SEFM II) was executed over 1998 and 1999 with more than three times the resources available for SEFM I. The current phase of SEFM (SEFM III) began in 2001 and, if it is not renewed, is expected to expire at the end of 2004.

6. Consistent with policy priorities, the majority of IMF TA came from the Fiscal Affairs Department (FAD), with two-fifths devoted to budget management, one-fifth to customs administration, and most of the remainder to tax administration (Figure 1). While there was some TA provided to improve PEM, this was an area in which the World Bank was more active. IMF TA in all areas except PEM and national accounts statistics fell off sharply in 2002 (Figure 2), owing to security concerns, a decline in external financing, and a widespread perception among IMF staff that the authorities had not made sufficient use of past TA.

7. Substantial TA resources were also allocated to banking supervision and regulation. This allocation was partly motivated by the perception that the banking sector would become critical to economic diversification by intermediating savings from oil into investment in other sectors. Macroeconomic concerns and systemic impact—while relevant—were, according to IMF staff, less important given the relatively small size of Yemen's banking sector. However, the sector as a whole was quite weak, particularly public-sector banks which accounted for about one-third of commercial bank assets. To assist the authorities to make more effective use of their significant foreign exchange reserves (accumulated in

⁷⁹ A TCAP is defined by the IMF to be “a medium-term...plan of action for TA involving at least two of the IMF's core TA departments and, in most cases, requiring significant medium-term external financing commitments to help cover the projected costs”.

anticipation of the decline in oil output), the IMF also provided TA in reserve management (Figure 3).



8. The emphasis on BOP statistics in TA provided by the IMF’s Statistics Department (STA) is striking (almost 70 percent of all TA from STA), particularly given the widely acknowledged weaknesses in national accounts and price data.⁸⁰ Despite this, no TA in national accounts was provided by the IMF until FY2002. This was partly explained by the involvement of other donors (DFID, in particular) in this area.

⁸⁰ The Staff Report for the 1998 Article IV Consultation expressed particular concern with weaknesses in national accounts and price data, with the Summing Up from the Board discussion calling for “early implementation of the program to upgrade national income and price data.”

9. Yemen's Poverty Reduction Strategy Paper (PRSP) was adopted in early 2002 but the link between the PRSP and the provision of TA from the IMF was weak. The PRSP identifies a number of capacity building needs in areas of IMF expertise including improving financial and budget management, continuing reform of tax and customs administration, accelerating banking reform, improving debt and reserve management, and improving procedures for budgetary control and transparency. However, around the same time as Yemen was adopting its PRSP, the IMF was—in response to a number of factors, including a poor track record of implementation—pulling back markedly from providing TA to Yemen in all areas but PEM.

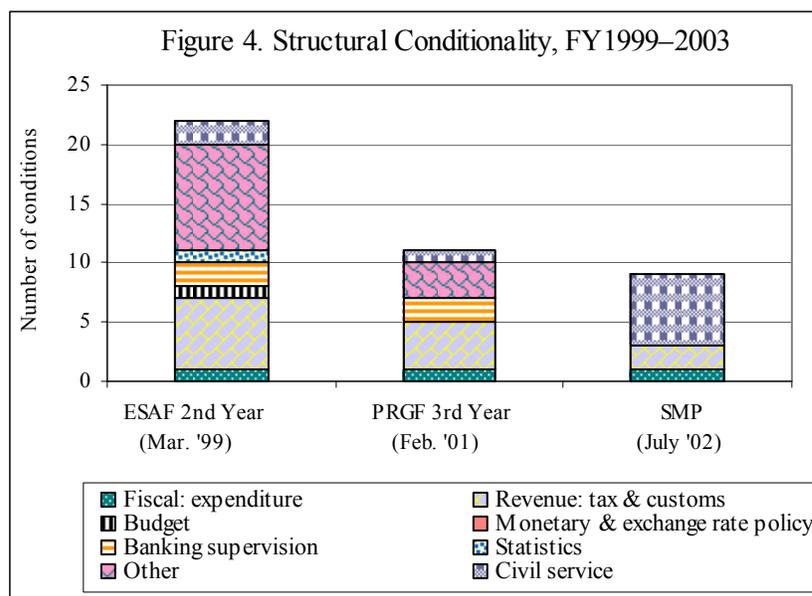
C. IMF-Supported Programs, Conditionality, and Technical Assistance

10. In October 1997, the IMF approved a program for Yemen supported by the Enhanced Structural Adjustment Facility (ESAF) and the Extended Fund Facility (EFF).⁸¹ According to IMF staff, performance under the program was “mixed” with “little progress... achieved in tax, civil service, pension, budget, and judicial reform, as well as privatization.” Performance was somewhat better with respect to price and trade liberalization and bank supervision.⁸² This was followed by a staff-monitored program (SMP), which expired at end 2002 and was intended to give the authorities the opportunity to complete the unfinished structural reform agenda and establish a track record toward a successor PRGF arrangement.

11. A significant share of conditionality in IMF-supported programs was outside the IMF's traditional areas of expertise (such as, civil service reform, SOE reform, and private-sector development) and the IMF would not therefore have been expected to provide TA to support implementation in these areas (Figure 4). About one-half of all conditions in the second year of the ESAF-supported program and a large majority of conditions associated with the July 2002 staff-monitored program (SMP) fell into this category. In areas within the IMF's expertise, and for which conditionality was applied (such as, tax and customs administration, budget and PEM, and banking supervision), the IMF provided significant amounts of TA. There were no major areas within the IMF's expertise in which conditionality was applied but for which no TA was provided. Despite this, IMF staff, in the 2002 Article IV consultation for Yemen, found that little progress had been made under the IMF-supported programs in most of the areas in which TA had been provided by the IMF.

⁸¹ The ESAF program was subsequently converted to an arrangement under the Poverty Reduction and Growth Facility (PRGF) which—along with the EFF program—expired in October 2001.

⁸² IMF, “Staff Report for the 2002 Article IV Consultation and Staff-Monitored Program” (2002).



D. Yemen’s Track Record with IMF-Supported Programs and for Using IMF TA

12. Reviews for the IMF-supported program required several waivers to be completed and, in late 2000, the authorities requested an extension of the program period to accommodate significant delays in implementation. The SMP approved in mid-2002 contained nine structural measures, but more than a year later, only two had been completed on time and a third measure had been completed six months late.

13. Indicative of a lack of progress in implementing reforms was the evolution of the non-oil fiscal balance, which was a major concern underlying IMF-supported programs for Yemen since the late 1990s. Figure 5 shows that, starting in 2000, there was a steady deterioration in the balance to below its level in 1997. It illustrates the virtual stagnation of non-oil revenue over the same period (Figure 6), despite large amounts of TA from the IMF, particularly in tax policy and administration and in customs administration.

14. The track record was similarly weak with respect to the implementation of recommendations of IMF TA. In statistics, for example, IMF staff concluded that institutional arrangements in Yemen “were not conducive to the compilation and dissemination of good- quality macroeconomic statistics” partly due to shortcomings in legislation, conflicts of interest, and inconsistencies in data release procedures. In February 2001, staff called for the authorities to “implement in a more timely manner agreed work plans on improving price statistics along STA advice”...and “to make efficient use of IMF technical assistance and to develop producer price and foreign trade data to derive more

meaningful national accounts at constant prices.”⁸³ More recently, STA has denied a request from the authorities to extend the tenure of a long-term expert in real sector statistics until the authorities make sufficient progress on, and allocate adequate resources to, implementing past recommendations.

Figure 5. Fiscal Balances
(Percent of non-oil GDP)

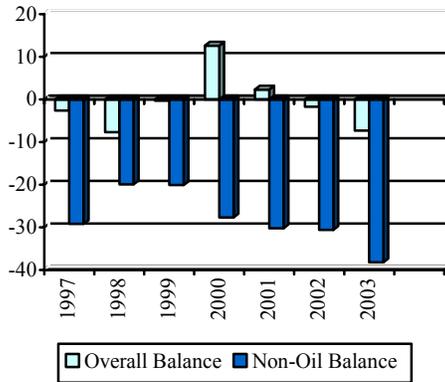
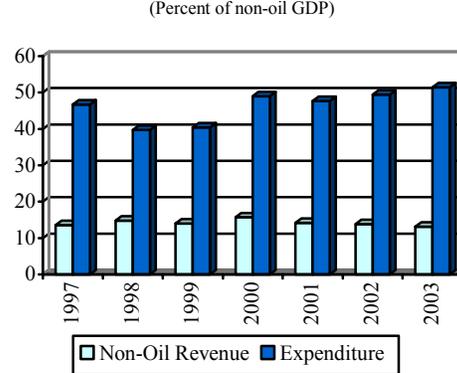


Figure 6. Expenditure and Non-Oil Revenue
(Percent of non-oil GDP)



Source: FAD.

15. The experience with TA in the BOP area is particularly noteworthy given the significant amount of TA provided by the IMF. According to STA, tasks associated with preparing BOP data were performed on an “ad hoc” basis, and mostly relied on poor-quality surveys with low response rates. These deficiencies persisted into 2003 despite more than 600 person-days of IMF TA since 1999.⁸⁴ There have been, however, marked improvements more recently, perhaps as a result of the adoption by STA of a policy that requires sufficient progress in the implementation of past TA recommendations for the provision of future TA.

16. There were exceptions to the poor track record. For example, TA in the area of banking supervision was seen by staff to have had some measurable impact, as suggested by improvement in compliance with Basel Core Principles, although shortcomings persisted in enforcing compliance in a number of important areas. Staff also indicated there has been considerable progress in implementing recommendations on foreign exchange management.

⁸³ IMF, “Staff Report for the 2000 Article IV Consultation, Request for Third Annual Arrangement Under the PRGF, and Fourth Review Under the EFF” (2001).

⁸⁴ The January 2003 STA mission found that little progress had been made in implementing the action plans recommended by the IMF resident advisor (1998–2000).

17. One of the more notable assessments of Yemen's track record in implementing TA was in the context of a July 2002 TA report on Yemen's budget process.⁸⁵ One of the primary objectives of this report was to review the status of reforms implemented under the second phase of the UNDP/IMF/DFID technical assistance SEFM II.⁸⁶ The Report endorsed the findings of earlier IMF and UNDP reviews, notably that—while there had been some progress in budget processes (and budget classification and supporting public accounting systems, in particular)—overall progress had been disappointing.⁸⁷

18. In both internal memoranda and staff reports, staff consistently acknowledged the weakness of the track record. For example, in December 2000, FAD flagged to the authorities that TA on tax reform issues would not be provided at the same level as in the past because of significant delays in implementing reforms. This resulted in a reduction of TA from FAD in FY2001 to under 900 person days from an all time high in FY1999 of over 1300 person days. More recently, a joint Bank-IMF mission reached a similarly negative conclusion, noting that while the government had made some limited progress toward budget management reform, overall progress had been disappointing. The mission concluded that there was no overall strategy for budget reform, little apparent ownership of reform initiatives, and a poor track record in implementing previous reforms.

19. According to the IMF's 2001 Policy Statement on TA (Annex I), the track record in implementing the recommendations of past IMF TA is one of the filters through which TA requests must pass when the IMF decides how to allocate scarce resources. The significant decline in TA in FY2002 suggests that this was applied to Yemen and likely explained the declining trend in TA starting in FY2002

⁸⁵ J. Craig, P. Desai, A. Macdonald, and M. Thabet, "Further Reform of the Budget Process," (2002).

⁸⁶ SEFM II, which ran from 1997 to 2000, was intended to create a unit within the Ministry of Finance (MOF) capable of preparing medium-term macro-fiscal projections and establish a modern system of budget formulation, cash management, and expenditure control, including through the establishment of a comprehensive computerized accounting and financial information system (AFMIS). The AFMIS project was sponsored by the World Bank.

⁸⁷ For example, the review noted that, while the macro-fiscal unit envisaged in the initial SEFM project had been established in 2000, the unit was producing targets rather than forecasts and that these were not formulated within a multi-sector economic framework. These indicators were not being used by the High Budget Council to formulate revenue or expenditure estimates. The Report also noted that much of the public services and social benefits continued to be provided outside the formal budget.

20. Inadequate support for reform (including opposition from within Parliament) was a major factor explaining the poor track record, despite the Government holding a majority of the seats in Parliament. This was compounded by a lack of emphasis in the design of TA activities on obtaining clear and upfront agreement from the authorities on their expectations for specific TA activities and the extent to which they were prepared to support capacity building efforts. An exception was the introduction of the VAT, which had the clear support of the Ministry of Finance, but again, the draft legislation, which was prepared with IMF TA, was severely amended by Parliament (despite the Government's majority) resulting in a framework that IMF staff considered could not be implemented (Box 1).

Box 1. TA and Political Economy—The GST in Yemen

Since the mid-1990s, the IMF has provided significant TA to assist the Yemeni authorities in the introduction of a value-added tax (or GST as it is called in Yemen), partly in an effort to reduce their dependence on diminishing oil revenue. Despite agreement between the Ministry of Finance (MOF) and the IMF on the structure and coverage of a GST, Parliament significantly weakened the proposed legislation prior to approving it in January 2001. Both the IMF and senior officials at the Ministry of Finance believed that the amended legislation, with its long list of exemptions and limited coverage of services, would lead to revenue losses. A revised law was passed in November 2001, again this was substantially weakened by Parliament.

Initially, the authorities indicated a preference to implement—with IMF TA—the law as passed, while seeking to introduce amendments at a later stage in accordance with the views of IMF staff. At the same time, the IMF asked for, and received, a delay in the implementation of the law until its shortcomings could be corrected. IMF staff also made it clear to the authorities that they would not be able to provide additional TA in this area until the law was amended. Internal communications suggest that the IMF's decision to withhold TA was largely strategic and was intended to increase pressure on the authorities to push the GST amendments through Parliament.

While a few officials with whom we met welcomed the additional leverage that this provided the MOF in dealing with Parliament, most resented the disruption of TA in GST administration since they considered this necessary regardless of the eventual form of the tax. Some donors were sympathetic to this view, suggesting that the IMF had unrealistic expectations about the political context in Yemen, with negative consequences for their relationship with the authorities. IMF staff, on the other hand, argued that the authorities had not yet made full use of previous TA on GST-related tax administration, particularly that related to the establishment of a large tax payers unit (LTU).

In the end, the authorities requested (and received) IMF TA for a comprehensive assessment of the entire indirect tax system to address some of the parliamentary concerns over the legislation. The IMF responded with a mission in the autumn of 2003, while indicating that the continuation of TA to Yemen would depend on the authorities' level of commitment to reform, including their adoption of an acceptable GST. As of mid-2004, the situation remained unresolved.

It is important to ensure that both TA providers and recipients have—up front—realistic expectations of what can be achieved with IMF TA and what are the risks associated with the commitment of TA resources. While TA recommendations do not constitute conditionality, it is important that the authorities also have a clear and early understanding of what can be expected in the event that reality falls short of expectations. On the part of IMF staff, regular assessments of political obstacles to the use of IMF TA need to be made, *particularly when substantial TA resources are being invested*. While this may have been done on an *ad hoc* basis in the case of Yemen, there was scope for greater frankness and clarity both in internal communications and in discussions with the authorities, including early consideration of how the risks associated with a significant investment of TA could have been reduced through efforts by the authorities to lay the ground work for successful adoption of the recommendations emerging from IMF TA.

21. The effectiveness of IMF TA was also undermined by a very poor flow of information between and within agencies and ministries. As a result, contact with one part of the MOF, for example, could not be relied upon to translate into effective communication with other parts of the ministry or the agencies under its control (for example, the Tax Authority).

III. THE DESIGN OF TA ACTIVITIES

A. TA Requests and Terms of Reference

22. Many of the officials and donors with whom we spoke saw merit in requiring the authorities to provide more detailed requests for IMF TA—including specifying their policy intentions and staffing commitments—and investing more of their own time up front to prepare the associated TORs. It was felt that this would result in fewer, but better targeted and more clearly owned, TA interventions. Passive approaches to preparing TA requests, such as having TA requests drafted by IMF staff for comment by the authorities, have frequently masked important differences in policy intention and expectations between the relevant parts of the government and IMF staff.

B. TA Requests

23. By and large, TA requests from the authorities have been in the form of short letters requesting assistance, with little detail on the scope of the issues to be addressed or an explanation of their importance. For example, the authorities' December 2000 request to MFD stated only that the authorities required an expert to help manage increasing reserves. A subsequent request to MFD in July 2001 indicated only that the authorities had need of an expert in the area of foreign reserve management to help train staff. At the same time, they made a very broad request for a mission to "initiate work on the Central Bank and Commercial Banking By-laws and other monetary policy issues."⁸⁸

24. Internal staff documents indicate that the validity of these requests was supported by a need for follow-up to implement the recommendations of previous TA. However, there is little in the requests (or in any other correspondence with the authorities) to indicate that the authorities shared the recommendations on which the requests for TA were based and were intending to implement them in a timely manner. Indeed, given the poor circulation of TA reports within the government, it cannot be assumed that the officials requesting the TA were fully aware of, or committed to, the relevant recommendations. In a number of cases, the officials' less-than-full agreement with the recommendations did not become apparent until after experts were in the field.

⁸⁸ In response, the IMF committed to sending an expert for three or four visits of about four weeks each over a period of six months and to field a mission to "initiate work on the Central Bank and Commercial Banking By-laws and other issues concerning monetary policy."

25. Greater clarity as to the nature and depth of the authorities' commitment to reform in the areas in which TA was being provided would have had their been in place a requirement that requests for TA from the IMF contain considerably more detailed explanations of what the authorities were asking for, why they were asking for it, and what their objectives were with respect to the TA. This higher "threshold of proof" in support of TA requests would have been likely to have contributed to the drafting of TORs that better reflected policy objectives that were more fully owned by the authorities and would have provided a benchmark against which to assess their willingness to make effective use of TA.

26. Similar problems were evident in a number of requests for term extensions of various LTEs. These requests also tended to be short, usually stating that the authorities were pleased with the work of the expert in question and would like the assignment extended. Little or no mention was made of the effectiveness of the expert in fulfilling the mutually-agreed TORs or in the specific nature of the tasks that justified an extension. The assignment for one particular expert was extended several times from 1998 to 2001 in response to very brief requests from the authorities (and indeed, it turned out that the expert had not been providing assistance sufficiently in line with his TORs). Internal IMF correspondence suggests that staff support for this extension was based—not on the effectiveness of the expert—but on the expectation under the TCAP program that the IMF would provide a resident advisor through 2001, that funding was available from DFID and the UNDP, and that the area department viewed the presence of an advisor as critical to the success of the PRGF-supported program. The request was approved despite an acknowledgement that the advisor in question had not been evaluated by headquarters for more than two years and that there had been a lack of continuity in oversight of his work from headquarters because of departmental reorganizations and staff movements. When the expert in question was no longer available, IMF staff facilitated his replacement by offering to provide the authorities with a draft text for use in their request, thereby removing the responsibility of the authorities to demonstrate why a new expert was needed.⁸⁹

27. Towards the end of the initial term of the replacement advisor, the IMF granted an extension on the basis of what was—at least in retrospect—an overly optimistic picture of the authorities' ownership of the reforms recommended by the IMF expert. However, in an improvement over previous processes, this decision was more transparently based on a systematic assessment of the pros and cons of acceding to the request in which the relevant IMF department made clear its increasing discomfort with the weak implementation track record.

⁸⁹ Perhaps reflecting lessons learned from this experience, an August 2003 FAD Strategy Brief on Backstopping for Yemen recommended that "requests from the authorities for extension of tenures for LTEs should be appraised more critically during inspection missions." The May 2002 evaluation of SEFM II argued that a resident advisor not be kept in a country for more than two years and that evaluations of performance be undertaken sufficiently early on so as to permit their incorporation into any decision to extend an LTE.

C. Terms of Reference

28. A number of officials—particularly those from the Tax and Customs Authorities and the Pension Corporation—expressed concern that they were not adequately involved in drafting TORs for IMF TA. They said that this had resulted in the provision of TA in areas in which advice was not needed or inadequate ownership of TA recommendations. The problem appeared to be that consultation on the drafting of the TORs was concentrated almost exclusively in the External Relations Department of the MOF, with—at times—only minimal (or no) involvement from the direct recipients of TA. As a result, officials within these agencies felt that the TORs did not adequately reflect their needs or priorities. A similar concern was expressed by the Central Statistics Office (CSO), although officials there indicated that they had been given an opportunity to provide some feedback on past TORs.

29. The record is mixed with respect to the respective roles of staff and the authorities in formulating TORs for specific TA activities. There are examples of both extensive consultation and discussion of the content of TORs and instances in which the authorities passively accepted draft TORs prepared by staff. It was suggested by one interlocutor that ownership of the outcome of TA activities could be enhanced if the authorities were required regularly to prepare the initial draft TORs on which IMF staff would comment (rather than the other way around). Given the level of detail required to draft credible TORs, this would have the added benefit of ensuring that the direct recipients of the TA were consulted. If this were seen as overly burdensome or beyond the technical capabilities of officials, the IMF could request the authorities to prepare a detailed “needs assessment” (or perhaps respond to a detailed questionnaire) with participation (where relevant) of officials from noncentral agencies. This would then form the basis of TORs drafted by IMF staff to be discussed with the authorities. There was, however, some concern among staff that this could delay the delivery of TA that might be necessary to complete various IMF-supported program reviews.

30. A number of IMF staff, donors, and government officials felt that TORs, rather than just indicating what the expert or mission was expected to accomplish, should more explicitly spell out the responsibilities of the authorities with respect to the specific TA activity. This might include, for example, greater specificity on commitments to ensure that relevant officials were available during TA missions (including for training exercises), ensuring sufficient access to key decision makers, ensuring that the area in which TA was being received were adequately staffed, and agreeing on a strategy to ensure that the results of TA would be made available to appropriate parties.

31. Another area in which there was scope for improvement was in the specificity of TORs for LTEs. For example, the lack of measurable benchmarks to guide at least one expert’s work contributed to a situation where—according to staff—most of the work fell outside the scope of the TORs, a conclusion that was reached only after the expert’s departure. This problem, according to IMF staff, did not permit backstoppers adequately to

monitor progress throughout much of the expert's three-year tenure.⁹⁰ The preparation of the TORs for the most recent resident budget advisor addressed some of these shortcomings. These TORs were more detailed and were discussed extensively with senior officials. More generally, and perhaps as a result of the experience with the previous LTE, IMF staff prepared in August 2003, a "Strategy Brief for Backstopping" in Yemen in which they recommended that TORs for resident advisors contain "at least some measurable deliverables by specified dates" and that the "TORs should contain at least some deliverables that require original work from the advisor."

32. There was also a perceived need to ensure that the TORs for IMF TA were better coordinated with the efforts of other TA providers. While this did not require the IMF necessarily to involve other providers in the preparation of its TORs, it did require more and better communication among TA providers on the details of specific IMF TA activities as well as longer-term TA plans. Few of the donors with whom we met were cognizant of the TORs for a number of IMF LTEs working in common areas, including within the framework of the TCAP.

D. Choice of Provider

33. While it was generally felt that IMF LTEs were *technically* qualified, the ability of a number of them to communicate effectively and work constructively with officials was questioned by a number of officials and some donor representatives. Part of the problem was attributed to language issues (see below) but much had to do with what might best be called "people skills." There was particular resentment of TA providers who behaved—according to some officials—as "task masters" or who did not appear to assign sufficient value to the systems put in place prior to their arrival. In contrast, the authorities were appreciative of IMF experts who conducted themselves more like "partners". It was also suggested by some other TA providers that the most successful TA experts were those with managerial experience (in addition to technical expertise) to be able to identify institutional and organizational problems that hampered the implementation of TA recommendations.

34. While communication skills—including a desire to teach—were widely seen as critical to effective TA, this meant different things to different people, suggesting that there was no single set of criteria that could be applied in choosing an appropriate expert. The Central Bank of Yemen (CBY), for example, where English-language skills were more widespread, was less concerned with the ability of experts to speak Arabic. The MOF, on the other hand was most desirous of Arabic speakers.⁹¹ Officials outside the CBY and MOF were

⁹⁰ During which his assignment was extended several times by the IMF on the basis of positive assessments of his reports to headquarters and the support of the authorities.

⁹¹ Some IMF staff questioned the significance given to language skills by some officials, arguing rather that it masked a basic reluctance to adopt the recommendations formulated by experts. That said, at least to some extent, the openness of the authorities to accept IMF

(continued)

particularly interested in experts familiar with the experience of similar countries in the region. It was suggested by a number of those with whom we met that many of these preferences could be accommodated were IMF staff to draw more actively on regional expertise, including from governments in the region and institutions like the Arab Monetary Fund (AMF).⁹²

IV. DELIVERY OF TA

A. Preparation for the Arrival of Missions

35. Some IMF staff expressed concern that government officials were sometimes unprepared for the arrival of TA missions or were not aware of previous work by the IMF in areas of relevance to the TA activity. To the extent that this continues to be a concern, staff should consider—prior to the arrival of IMF TA missions—providing counterparts with a list of past reports and related analyses with the expectation that this material would be reviewed before the mission arrived. When relevant reports cannot be located (a significant possibility given the alleged problems with the circulation of reports), replacements could be provided by the IMF before the arrival of the experts. The extent to which officials were adequately prepared for TA missions would be taken into account in deciding on future allocations of TA resources.

B. The Appropriateness of Models

36. Officials generally welcomed the opportunity to learn how other countries—particularly other developing countries—had dealt with many of the problems they were facing. At the same time, a number of those with whom we met emphasized that learning was most effective when the country studied had a system sufficiently similar to that of Yemen. This does not always appear to have been the case. Some officials in the Tax Authority argued that the choice of country experience was often more dependent on the background and professional experience of the IMF expert rather than the appropriateness of the country experience to the Yemeni experience.

37. A number of officials and some donor representatives argued that—in a country like Yemen with weak administrative and institutional capacity—IMF experts should make greater efforts to recommend simpler systems. They argued that more advanced systems were frequently not sustainable in a country where training was lacking and incentives for communication and coordination within the public sector were distorted. One example cited

advice is probably influenced—not just by the content of that advice—but by the manner in which it is presented. The possible benefit of engaging more Arabic-speaking experts should therefore not be dismissed entirely.

⁹² Several officials, donor representatives, and IMF staff suggested that the IMF could do more to develop a pool of qualified Arabic-speaking experts.

by the authorities was the proposed GST, which they considered to have been more appropriate model for an advanced economy than for Yemen. IMF staff disputed this assertion, arguing that the design of the proposed GST did take sufficiently into account the country's capacity constraints. Rather, they suggested that concern with the complexity of the proposed GST was overstated and masked underlying opposition to the GST.

38. There was general interest among government officials in having IMF experts provide more than a single option when making recommendations. Not only would this give the authorities a chance to adapt IMF advice better to country conditions, but it would help foster ownership of the approach taken and combat suspicions among some within Yemen that the IMF only promoted what a number of officials described as "Western" models.

C. Coordination with Other Providers

39. Coordination among TA providers was found to be weak, which was somewhat surprising given the existence of the tripartite TCAP (IMF, UNDP, and DFID) and the associated SEFM project. Virtually all of our interviews with individuals and agencies involved in SEFM suggested that the tripartite nature of the project existed more on paper than in reality and that there was little substantive contact or information sharing between partners. There was particular frustration with a perceived reluctance on the part of IMF experts to share information with other SEFM partners. IMF staff dispute this assessment, particularly with respect to DFID representatives (They noted that there had been several joint IMF-DFID missions). It is difficult for this evaluation to reconcile these views by assessing the adequacy of coordination and communication between IMF technical experts and SEFM partners, particularly given that effective communication has both a quantitative and qualitative dimension. That said, the obvious dissatisfaction of partners on the ground suggests a need for clarity concerning the expectations of partners in this area.

40. It was noteworthy that the World Bank—a major provider of TA to Yemen—was not part of the original SEFM project or subsequent TCAP, despite its extensive involvement in PEM and in the related Civil Service Reform program. Few if any people seemed to recall why this was the case and this raises questions about the extent of the commitment to coordination among the key TA providers. That said, while many of our interlocutors felt that the quality of collaboration between Bank and IMF TA efforts left room for improvement, they wondered whether or not better integration of the World Bank into SEFM/TCAP would have made a difference, given how little coordination had taken place between the existing partners.

41. More generally, other TA providers indicated that they were rarely aware if, and when, IMF TA missions were in the country, nor did they seem to have a clear sense of what the IMF's strategy was for TA.⁹³ On the one hand, this could partly be because of the

⁹³ In contrast, donors providing TA did meet regularly with Area Department missions which sometimes contained representatives of TA-providing departments.

absence of an IMF resident representative in Yemen, but may also indicate a lack of priority assigned to communication and coordination between IMF TA providers and other agencies. On the other hand, there is evidence in recent TA-mission briefing papers of IMF staff being encouraged to meet with TA providers on the ground working in IMF-relevant areas to discuss coordination.

42. Not surprisingly, the situation was better with respect to resident experts although, even here, there was room for improvement. The TORs for resident expert were not very explicit on the extent of, or modalities for, coordination or communication with other TA providers. TORs rarely exceeded short exhortations to “closely coordinate with other donors” but no explanation was given of what this entailed or for what aspects of TA coordination was particularly important. Since there were no clear expectations in this area, decisions on the extent of communication and coordination were left to individual experts. Resident experts’ regular reports back to headquarters contain little evidence of substantive discussion with or coordination among the IMF experts and other providers.

43. On the positive side, there does appear to have been an explicit effort to coordinate TA efforts with at least one donor representative. An August 1999 internal IMF memo advised against providing an LTE in the area of “institution building,” citing the ongoing work of Dutch TA providers in this area. Instead it advocated sending a mission during the year to take stock of how these experts were progressing in relation to the IMF’s efforts to improve the national accounts. The issue was also addressed in the UNDP proposal for the IMF/UNDP/DFID SEFM project, which characterizes SEFM efforts as “complementary” to the Dutch assistance and indicates that “arrangements will be made with the Dutch authorities to ensure coordination and effective cooperation in assisting the CSO.”

D. Reports and Recommendations

44. We asked a range of interlocutors for suggestions on how IMF TA reports could be made more useful to the authorities. Officials expressed a preference for shorter, more focused reports and a few suggested that some IMF reports (or parts thereof) were “too theoretical” to be of practical value. To the extent that experts wanted to provide more extensive analysis, officials recommended that such information be relegated to annexes to enhance readability.

45. For TA that recommended significant policy changes, the interlocutors suggested that experts provide nontechnical summaries in Arabic on their findings to enhance the likelihood that they would be read by key decision makers. There was considerable interest on the part of some government officials for TA providers to draft reports and recommendations while in the country. This would provide more opportunity for IMF experts to discuss more fully with the authorities the impact and practicality of the recommendations under consideration.

E. Dissemination

46. Dissemination of IMF TA reports appears to have been quite limited. Many interlocutors both within government and in partner agencies were unaware of the results of IMF TA activities in areas relevant to their work. There appears to have been no systematic effort on the part of the authorities to disseminate the lessons and recommendations from IMF TA. This was attributed by some outside government as being to the result of bureaucratic and institutional barriers to information-sharing between—and within—various ministries and agencies. These barriers were due to—among other factors—what one observer described as “competition between Deputy Ministers.” This was identified as a major factor undermining the value of IMF TA to the MOF, CBY, and CSO.

47. To date, IMF staff have played a relatively narrow role in disseminating the lessons and recommendations of TA reports within Government. Functional department staff generally send reports only to the MOF and, where appropriate, the Governor of the CBY. Decisions on further dissemination are left to these officials. Some IMF staff (particularly FAD, for which dissemination challenges appear to be particularly acute) consider themselves constrained from departing from this practice without explicit permission from the MOF. This is in order to maintain good relations with the authorities and because all TA requests originate from the MOF. Nevertheless, there is no *formal* barrier to providing TA reports directly to the recipient agency at the same time as to the MOF.⁹⁴ On the other hand, area department staff—given their more frequent and regular contact with officials—can (and have) played a role in fostering awareness of the output of TA.

48. When information flows freely in and across government agencies, it is less important to articulate an explicit dissemination strategy and the IMF can easily ensure that TA counterparts receive reports and recommendations. The situation is more problematic where the environment does not promote information sharing within government. To the extent that capacity building (and more specifically, the efficacy of IMF TA) requires good communication across agencies and individuals within government, a more proactive and deliberate effort by the IMF in this direction would be productive. IMF experts and missions could, for example, actively encourage senior officials within central agencies to permit TA missions routinely to conduct seminars with a broad range of officials working in the subject area (including from relevant agencies) to discuss their findings at the end of their missions.⁹⁵ Staff should also seek to provide TA reports directly to the beneficiaries of TA, not just to a centralized point within the MOF or CBY. The willingness of authorities to facilitate broad

⁹⁴ In contrast, STA has recently adopted a policy of sending TA reports directly to technical counterparts at the same time as they are presented to the relevant Minister to facilitate their dissemination and help build local capacity.

⁹⁵ It is general practice to hold a “wrap up” meeting at the end of missions, but attendance is often quite restricted.

dissemination within their administrations of the lessons from capacity-building TA should be considered positively when deciding on the allocation of IMF TA resources, since this would contribute to enhancing the effectiveness and sustainability of the TA.⁹⁶

49. With respect to other agencies that provide TA in the same areas as the IMF, there was mixed evidence that access to final reports had been granted.⁹⁷ On the one hand, the July 2002 FAD report was shared with the World Bank; indeed, the report concluded that there was a need to take into account the primary role now being played by the World Bank in areas in which the IMF retains an interest (such as the AFMIS). However, many other TA reports produced by the IMF were classified as either Confidential or Strictly Confidential, which restricted them from being available to some development partners even when the subject matter was of relevance to their work.

V. EVALUATION

50. There have been several efforts to evaluate IMF TA to Yemen by various departments, some systematic, others largely *ad hoc*.

51. Staff delivering TA in the area of statistics systematically prepared “end-of-mission” reports that assessed performance on measurable tasks and their perceived sustainability.⁹⁸ A review of these reports over the period 1999–2003 showed mixed results; progress was frequently hampered by an insufficient commitment of financial resources and a lack of priority among many government officials in implementing TA recommendations and attending training organized by IMF experts. These problems appeared to worsen over time. The August 2000 report of the multi-sector statistics mission was relatively positive, while that of the IMF expert assigned to undertake a series of missions on real sector statistics (August 2002) was less positive, particularly concerning institutional and staff impediments to progress in improving statistics.

⁹⁶ There will be times when the content of TA reports will be more sensitive (as when staff are proposing the closure of a particular financial institution). However, such sensitivity is likely to be the exception rather than the rule.

⁹⁷ Prior to December 2002, the IMF’s policy on the dissemination of TA reports was—regardless of whether or not the report contained sensitive information—to make it available only to the authorities, the country’s Executive Director, the relevant area department and, in some limited cases, to other international institutions (such as the World Bank). Thereafter, a somewhat more liberal policy was adopted, although provision of reports to major partners continued to require the explicit approval of the authorities.

⁹⁸ The Statistics Department has also indicated that it regularly took the opportunity to meet with the authorities during IMF Annual Meetings to discuss the effectiveness of past TA and priorities for the future.

52. In September 2004, as part of an effort to derive a country-specific development strategy, the Statistics Department updated a May 2004 stock-taking of problems and weaknesses in Yemen's statistical systems.⁹⁹ The review—which was shared with the authorities and area department staff—was relatively frank on impediments to effectively use IMF TA. It makes it clear that a condition for future TA allocations is to demonstrate sufficient ownership of a strategy to improve the quality of official statistics. However, it does not substantively address the root cause of why the situation has been so problematic (or indeed has worsened) despite the significant resources provided up to that point. This is an essential element of any forward-looking strategy that attempts to avoid repeating past failures.

53. As part of MFD's wider efforts to tailor TA reports to the needs of TA recipients, the CBY was presented with a questionnaire in January 2004 that solicited feedback on the methods used to convey previous lessons from TA by the IMF and their implications for effectiveness and sustainability. The authorities gave relatively high marks for most TA outputs. The lowest mark was assigned to the sustainability of efforts to improve coordination between government agencies, including the MOF and Customs Authority.

54. Some of those with whom we spoke had a sense that the authorities were not likely to be too critical of TA provided by the IMF out of fear that this could undermine future access (although in the case of at least one resident expert, the authorities took the initiative to express dissatisfaction, which resulted in an expert's eventual replacement). The extent to which this may have influenced the frankness of feedback from the authorities underlines the importance of putting in place monitorable benchmarks to assess progress in implementing TORs as well as to ensure effective and consistent backstopping of LTEs. It was suggested that more regular and less formal channels to provide feedback on the usefulness of IMF TA could help overcome this reluctance and improve the quality of TA evaluation.

55. The IMF evaluated its involvement in SEFM in the context of a 2001 inspection mission to assess the work of FAD resident experts. While the assessment was quite negative, more interesting was the conclusion that—four years into the SEFM project—there had been few results. The evaluators attributed this to a number of factors, including the complexity of the project, the involvement of several donors, changes to TORs, and too little supervision from headquarters.

56. Systematic external evaluation of SEFM was required as part of the project. In conducting the SEFM II evaluation, the reviewer met with national and international stakeholders between September 2001 and February 2002 to ascertain and document areas of success and of difficulty encountered in the project and to describe the impact of the project

⁹⁹ IMF, "Yemen—Statistical Development Strategy (SDS)," (2004).

on the development objectives of the Government.¹⁰⁰ At the outset, the reviewer indicated that the absence of measurable indicators on certain project objectives required the evaluation to be largely qualitative in nature. The evaluation concluded that, in general, a fair proportion of the principle reform objectives were attained, albeit with important delays in implementation. At the same time, a number of important reforms were not carried out fully or even partially.

57. This review was completed in May 2002, well after the approval of the SEFM III at end 2000 which precluded the systematic incorporation of lessons from SEFM II into the design of SEFM III. That said, some effort was made to draw informally on experience, and the SEFM III program proposal did contain a more general review of previous experience from which a series of “lessons learned” were derived. These included the importance of a well-trained civil service with access to reliable data and of “public understanding and support of the reform program.” It was envisaged that—among other things—SEFM III would respond to these lessons by placing enhanced emphasis on training and skill transfer, including a “requirement that trainees demonstrate that they have gained new knowledge, skills, and abilities”. However, it is not clear that this had much of an impact on the training provided by the IMF.

58. OTM conducted a review of the TCAP in June/July of 2003. This was partly in response to a realization that just under \$2 million of the TCAP budget for 2003 and 2004 was unlikely to be utilized (rather than in response to the amount of TA resources committed to Yemen). The outcome was a recommendation that—while progress had been slow and the results modest and unsatisfactory—the expected objectives of the TCAP remained valid and should form the basis for the remaining 18 months of the TCAP. The basis of this recommendation appears to have been a sense that, with the April 2003 elections past, the authorities would be able to implement the reform program more forcefully. The soundness of this conclusion is not obvious given that the lack of progress on implementation was heavily influenced by divisions within the MOF and a lack of communication within and among agencies—all factors that were unlikely to change on the basis of a parliamentary election in which the governing party was expected to retain control.

59. While these evaluations are steps in the right direction, there have been failures to undertake timely evaluation of major resource commitments. Perhaps the most striking example was with respect to the budget advisor in place for 3 years beginning in April 1998. The work of this advisor was not systematically monitored during his tenure. When an inspection mission was finally sent in the fall of 2001, it was found that much of the LTE’s work was outside the agreed TOR and important aspects of the TOR had not been addressed.

¹⁰⁰ “J. Baldet, “Evaluation/Assessment Report on the Implementation of the UNDP/IMF/DFID Project to Assist the Government of Yemen in Strengthening Economic and Financial Management”

VI. MAXIMIZING EFFECTIVENESS

A. Language

60. Problems associated with the inability of many of the IMF experts to speak Arabic were cited repeatedly during the mission by both officials and other TA providers. One exception was the Central Bank of Yemen (CBY) where capacity to work in English was better than elsewhere in the government. The problem was compounded by a scarcity of qualified interpreters sufficiently familiar with the technical terms and concepts with which the IMF worked. The effect of this, according to the authorities, was that a considerable portion of the experts' time was spent correcting for miscommunication.

61. There was a belief among those interviewed that the IMF was not making sufficient effort to engage experts with facility in Arabic. While there may not be a large number of such experts on current rosters, it was felt that the IMF could do more to develop better contacts with experts in the region, including those at regional institutions and in central banks. It was also suggested that the IMF should be more open to enlisting the services of qualified experts that—while fluent in Arabic—might not speak English. This would shift the burden of translation to the IMF, which might have better language resources at its disposal. At the same time, it was acknowledged that a qualified expert who spoke Arabic would not always be available at the required time. This made the quality of interpretation available in Yemen particularly important.

B. Role of an IMF Resident Representative

62. The Yemeni authorities have not been interested in having an IMF Resident Representative. At the same time, the absence of an on-the-ground IMF presence seems to have undermined the effectiveness of IMF TA, since it closes off a potentially valuable source of information for TA providers on the dynamics and incentives within government and the broader context into which TA is being provided. This may have contributed to what the authorities have described as a failure of the IMF to take sufficient account of local conditions in formulating its recommendations. Moreover, it means that the IMF has no coordinating point in the country for its various experts and the donor community. According to a number of the people with whom we met, this has undermined continuity among TA providers as well as the ability of the IMF to serve an effective executing agency for the TCAP.

63. Given a number of the problems that this evaluation has identified, there is clear potential value for all major stakeholders—the authorities, the IMF, and donors—in an enhanced on-the-ground presence for the IMF if significant TA resources are to be allocated to Yemen. Such a presence could contribute to building trust between the IMF and the authorities (which would lead to a better understanding of the country situation), improve

coordination with other TA providers, and explain the IMF's role more generally.¹⁰¹ The inability to place a traditional IMF Resident Representative in the field—were it to persist—suggests a “second-best” solution that may require consideration of more innovative alternatives to achieve many of the same objectives. Consideration could, for example, be given to increasing the frequency of missions, although this would have obvious costs in terms of resources and competing pressures on staff time. Looking ahead, it is possible that the planned establishment of a regional technical assistance centre (METAC) could serve at least part of this role. Alternatively, the IMF could consider establishing an arrangement with other multilateral agencies operating in Yemen to provide some of the logistical support and communication-related functions to support IMF TA activities.

C. TA and Training

64. The TORs for a number of resident experts included an expectation that the expert would provide training to government officials. However, in practice, training efforts were often undermined by a lack of interest or priority on the part of government officials in participating in training activities and by the length of time it sometimes took officials to approve particular training activities. At the same time, TORs were not clear on the relative importance of training activities (and by implication, the commitment the authorities had made to support these efforts), thereby leaving decisions on how to divide scarce TA time up to individual experts. According to some officials, some resident experts were more interested in giving advice than in teaching. This could explain the conclusion of the 2002 external evaluation of the SEFM project that recommended that foreign experts TORs should give prominent importance to training and, more generally, to an effective transfer of know-how, which remains a basic requirement for project sustainability. and that every expert should participate in this effort. While it was not possible for this evaluation to identify the ultimate reason that training by IMF experts was less effective than it could have been, it appears that expectations of the contribution of all relevant parties (both IMF experts and government authorities) were not sufficiently clear at the outset of a number of TA exercises.

65. With respect to more formal IMF training (for example., courses in Washington and in Abu Dhabi in conjunction with the AMF), there appears to have been little or no effort to coordinate training opportunities with IMF TA. A number of IMF staff and donor representatives considered that training opportunities outside the country were often used by the authorities to reward selected staff or to compensate for low salaries rather than to maximize capacity building. As such, a number of the individuals selected to participate in IMF courses and seminars were not the most appropriate and, indeed, may not even have worked in the relevant area. Only the CBY indicated that it had a deliberate policy to provide

¹⁰¹ Yemen is also a PRSP country. IEO's recent Evaluation of the PRSP and PRGF Initiatives, points out the valuable role that an IMF Resident Representative can play both in informing the IMF of the local context but in fostering a more collaborative and open relationship with the authorities.

designated counterparts to IMF experts with training in order to enhance their ability to absorb TA and disseminate it to others within the Bank.

66. Between 1999 and 2003, just under twenty Yemeni officials participated in IMF courses each year, three quarters of whom were sponsored by the joint IMF-AMF Regional Training Program (Box 2). A majority of these came from the Ministry of Finance, most of the remainder came from the CBY and 3 candidates came from the Office of the President and the Prime Minister's Office. Despite the fact that there were a number of participants in courses on national accounts and price statistics, no one from the Central Statistics Office had participated in an IMF course during the period under study.

Box 2. IMF-AMF Cooperation in Training and Technical Assistance

The Joint IMF-AMF Training Program began operation in May 1999. It is a medium-term program, initially approved for three years, and renewed in 2001 for a further four years in light of encouraging results. It is jointly managed and financed by the IMF Institute and the Economic Policy Institute (EPI) of the Arab Monetary Fund. The EPI was created to strengthen and improve the delivery of training and achieve greater efficiency in implementation. Courses cover such topics as macroeconomic management and policies, financial programming, financial sector and banking issues, public finance, and economic statistics. Seminars for high-level officials are also organized.

Prospective participants are first nominated by their sponsoring agency. The EPI sends letters to the governors of the AMF inviting nominations from their respective countries to attend courses. Applications are sent directly to the EPI through the offices of the governors for the AMF or their alternates. All applications are jointly renewed by the IMF Institute and EPI for final selection. Training programs cover participants' cost of travel, housing, and per diem allowance.

67. This suggests a need for a more explicit and forward-looking training strategy on the part of the IMF aimed at maximizing the impact of, and synergy between, TA and training. Such a strategy—which would require input from the authorities, the IMF Institute and other IMF Headquarters staff, and the Economic Policy Institute (EPI) of the Arab Monetary Fund—would attempt (where possible) to facilitate the provision of training to the direct beneficiaries of TA and official counterparts in advance of the arrival of TA experts.

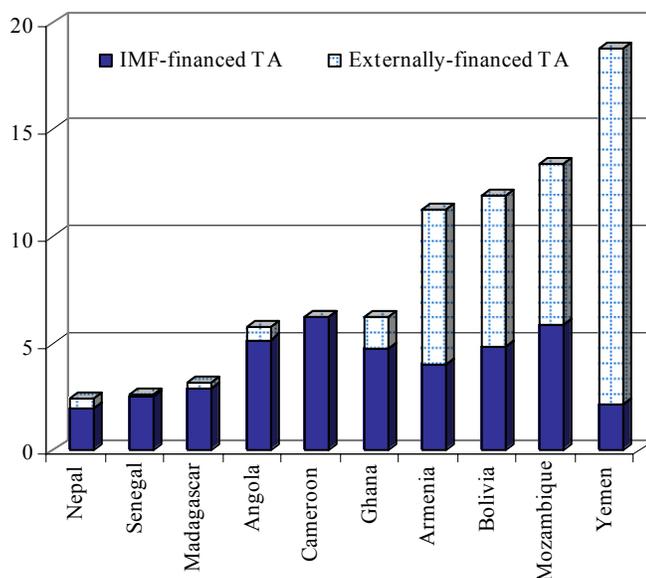
What the yemen experience says about improving the effectiveness of IMF TA

68. Between 1999 and 2003, Yemen received 4,304 person days of TA, making it the IMF's fifth largest recipient, an extraordinary amount given Yemen's population, economic size, and systemic importance. While it is beyond the scope of this evaluation to assess the validity of TA needs of Yemen relative to other countries, it is striking to compare the amount of TA received by Yemen with that received by other countries with similar characteristics.

69. The availability of significant external financing to support IMF TA in Yemen appears to have been a major reason for the sustained high level of TA to Yemen. This has

allowed IMF staff to avoid assessing whether or not TA to Yemen was effective (Figure 7).¹⁰² Commitments to provide significant amounts of TA under a joint UNDP/IMF/DFID project were made well in advance of a comprehensive evaluation of performance under earlier TA, the results of which could have significantly influenced the amount of TA resources allocated to Yemen by the IMF.

Figure 7. Person Years of IMF TA, FY1999–2003



70. Given the widely-held perception that Yemen’s track record in implementing recommendations from past IMF TA was poor, and the relatively large amount of TA provided by the IMF to Yemen, our evaluation concluded that Yemen probably received considerably more TA than it could absorb politically and institutionally. This reinforced a track record of weak implementation that generated skepticism. The net result was that the IMF is now reluctant to provide significant additional TA. Fewer, but better designed and supported, TA activities might have been more successful and represented a more effective and efficient use of scarce IMF resources.¹⁰³ This need not have implied an overall reduction

¹⁰² The IMF’s 2001 Policy Statement on Technical Assistance identifies the availability of external financing as a factor that “should be positively taken into account when appraising requests for technical assistance”. Between FY1999 and FY2001, external sources financed 16 person years of IMF TA to Yemen.

¹⁰³ At least one bilateral donor has attempted to respond to this problem and the need for a more selective approach to providing TA by shifting away from generating proposals *for* the authorities to supporting proposals originating *from* the authorities. The motivation has been to encourage the authorities to take the driver’s seat and “figure out what they wanted to do.”

(continued)

in TA resources committed to Yemen if more resources had been devoted to early dialogue with the authorities on TORs, including obtaining a clearer sense of the extent of the authorities' policy commitment; more systematic monitoring and evaluation of performance; and more determined efforts to disseminate the results of individual TA activities.

71. In addition, a lack of ownership of the underlying reform agenda undermined the impact of much of the TA that was delivered. This could have been more apparent at the outset if the authorities had been required to be more explicit about their motivation for requesting IMF TA and their expectations of it. The lack of ownership was reinforced by bureaucratic and institutional impediments to the flow of information, language difficulties, a lack of coordination between TA and training activities, inadequate dissemination of the lessons from TA efforts, insufficient appreciation by staff of political and administrative absorptive capacity and the associated risks to TA, inadequate coordination among key providers, and a lack of timely and systematic feedback from evaluation of TA activities to subsequent allocation decisions.

72. The limited circulation of TA reports is of particular concern given the importance of the IMF's leveraging of its scarce TA through coordination with other providers and the increased attention within the IMF to ensuring an efficient division of labor among TA providers. An essential condition for this is an adequate flow of information. Consideration should therefore be given to finding a way for the IMF to facilitate this communication, if not by providing reports directly to donors, then through outreach seminars as part of TA missions. To facilitate the dissemination of TA reports to major partners, the IMF could consider adopting a dissemination policy similar to that pertaining to regular staff reports, whereby certain agencies are provided with reports in confidence. A good example of this can be seen in a Bank TA report based on a joint mission with IMF staff in which the authors recommend that the MOF organize a workshop with representatives of the World Bank, the IMF, and development agencies at which the findings of the report would be reviewed.¹⁰⁴

73. Without question, many of the following recommendations imply a more labor-intensive approach to TA delivery which—given the scarcity of resources for TA—suggests the need for trade-offs. As suggested, the experience in Yemen suggests that fewer TA activities, with more resources devoted to each effort (both up stream and down stream), might have led to a more effective and sustainable outcome.

Since the adoption of this strategy, there were few clear proposals warranting support but those that had emerged were, over time, of better quality. It was argued that if donors really wanted to put Yemen in the driver's seat with respect to capacity building, they had to accept that this would (at least initially) occur at a slower pace and result in fewer projects.

¹⁰⁴ R. Allen, et al, "Moving Forward With Budget Reform and Fiscal Decentralization," World Bank. March 2004

- *Allocation of Resources*—Yemen does not present a good example of how the TCAP framework can contribute to more effective capacity building efforts. This is not necessarily a consequence of a failure of the TCAP as a model for organizing TA but rather because of the manner in which it was implemented in Yemen. If the IMF is to engage in coordinated efforts with other providers in the context of a TCAP, there needs to be a better flow of information between partners and a more structured framework for assessing performance and incorporating, in a timely manner, lessons from that experience into future TA resource allocation decisions.
- *Terms of Reference*—Sufficient time and effort need to be devoted upfront in the preparation of detailed TORs, especially for LTEs. The authorities should be proactively involved in their preparation, particularly by investing more of their own time and resources in the detailed identification of needs and strategies and making clear, upfront, commitments to support the implementation of TA. IMF staff should support these efforts but should by no means seek to replace active involvement by the authorities, even if this results in a delay in TA delivery. While this might result in fewer requests for IMF TA, it is likely that those requests will better reflect genuine needs and conform to more strongly owned policies.¹⁰⁵ A similar approach should be taken with respect to requests to extend the tenure of LTEs.
- *A More Interactive Approach to Formulating Recommendations*—IMF TA providers should spend more time interacting with officials in country as they formulate recommendations and draft reports. Currently, TA missions usually leave a draft aide memoire containing their preliminary assessment and recommendations with the authorities as they leave the country. Feedback from the authorities is solicited and the aide memoire then becomes the basis of a TA report which is drafted back at headquarters. A number of officials suggested that it would be valuable for experts to work collaboratively with designated official counterparts as recommendations were being formulated. This would provide the authorities with the opportunity to discuss and consider options with experts before recommendations are finalized (and experts feel the need to defend their recommendations) and therefore have greater ownership of the results. This would also enable the authorities to acquaint experts more fully with the local context.¹⁰⁶

¹⁰⁵ In Executive Board discussions, some Directors have argued that charging for the use of IMF TA would achieve a similar result. Requiring the authorities to invest greater time and effort in formulating TA requests and designing TORs has the potential to achieve a similar “pricing” role that would lead to a more efficient allocation of scarce TA resources.

¹⁰⁶ The CBY reported an improvement in the applicability of TA partly as a result of their decision to designate CBY “counterparts” to IMF experts. These counterparts were intended to facilitate continuity in the provision of TA, including by maintaining contact with IMF experts after the initial delivery period.

- *Flow of Information on IMF TA and Availability of TA Reports*—The IMF, in providing TA, should ensure that the lessons and recommendations of TA activities are routinely provided directly to the immediate recipients of TA. The current policy of treating TA reports as confidential and limiting their distribution, both within governments and among partner agencies providing assistance in similar areas, is antiquated and should be replaced. This does not mean that there need be a policy of presumed publication, but there should be upfront agreement with the authorities that direct beneficiaries of TA and major partners should be provided with TA reports upon completion, unless there is a compelling reason to maintain strict confidentiality (for example, financial sector assessments that identify individuals' institutions).
- *Importance of Good Translation and Interpretation Services*—There is a tendency to take translation and interpretation services for granted. However, with communication an essential part of capacity building, weaknesses in interpretation or translation can severely limit the effectiveness of even the best technical expert. The IMF may need to re-evaluate the adequacy of the resources it allocates to these functions, at least with respect to TA activities. However, even within existing resource envelopes, there are a number of things that IMF staff can do to maximize the effectiveness of TA when there are language constraints.
- *Language Issues*: Greater efforts should be made to cultivate a network of Arabic—speaking experts, particularly where (as in Yemen) translation and interpretation skills are limited. In such cases, and when technically qualified candidates are identified, facility in Arabic should be considered more important than facility in English.
- *With respect to interpretation*:
 - Ensure interpreters are provided with relevant materials (including suitably edited TORs or mission briefs) sufficiently in advance of missions to enable them to familiarize themselves with technical terms and the issues being discussed and they should be encouraged to seek clarification where there are ambiguities;
 - Ensure that interpreters are aware of, and have access to, the IMF multi-lingual glossary of terms. BLS is planning to make the full glossary available free of charge on the IMF's external website.¹⁰⁷
 - Prepare internal guidelines for IMF staff on how to make most effective use of interpretation services.

¹⁰⁷ An abridged version of the glossary can be found on line at http://www.imf.org/external/np/term/index.asp?index=eng&index_langid=1.

- *With respect to translation of documents:*
 - Where language constraints are seen as an impediment for communication with key policy makers, efforts should be made to ensure that the IMF provides timely translations of summaries of conclusions of TA efforts.
 - Where the audience for full reports is considered to have limited capacity in English, translations of documents should be provided in a timely manner. This need not be done by the IMF, but could rely on the authorities' translation services. Where this is the case, the IMF should have some mechanism to ensure quality control through a systematic review of documents. Failure to invest the necessary resources at this stage can undermine the effectiveness of considerably more expensive work by technical experts.
 - Where possible, TA experts should be encouraged to assist the authorities in the preparation of more focused “country-specific” glossaries of terms most relevant to country policy priorities.
- *Coordination and Communication with Other TA Providers on the Ground*—There should be emphasis on promoting effective *two-way* communication between IMF TA providers and donors working in related areas (either as TA providers or sources of financing). Donors should be routinely and promptly informed of upcoming visits of IMF experts and informed of the mandate of specific missions. The potential benefits from greater openness on the part of the IMF are significant, regardless of whether they are matched by similar openness on the part of other partners. For countries such as Yemen in which the IMF has had a particularly intensive relationship but where no Resident Representative is in place, IMF staff members need to cultivate alternative channels of communication and coordination.
- *Training and TA*—There are potential synergies between IMF TA and training opportunities that are not being exploited. Efforts should be made to seek agreement between the authorities, IMF staff, the INS, and the EPI on a forward-looking training strategy that targets training opportunities to enhance more broadly the effectiveness of IMF TA and capacity building. This should involve a review of the selection process for attendance at IMF-sponsored courses.

THE APPLICATION OF IMF TA FILTERS IN YEMEN

1. The July 2001 “Policy Statement on IMF Technical Assistance” identified nine “filters” that are to serve as guidelines in setting priorities for TA resource allocation.¹ We assessed the relevance of the filters to the allocation of IMF TA resources to Yemen. Without commenting on the appropriateness of the filters themselves (which is addressed in the full evaluation), the link between the allocation of TA resources in Yemen with the filters appears weak and the relative weight of individual filters is distorted.

- **Core Specialization of the IMF**—All IMF TA was in the areas of the IMF’s core competency, with particular emphasis on revenue issues and BOP statistics.
- **Main Program Areas**—The Policy Statement identifies five main program areas to which IMF TA *must* be clearly directed: 1) containing or preventing crises; 2) implementing debt relief and poverty reduction programs; 3) fostering macroeconomic and financial stability in countries not currently using IMF resources; 4) promoting regional capacity building initiatives; and 5) rehabilitating economic and financial institutions in post-conflict countries. Only the second program area, and—to a lesser extent—the fifth area, appear of clear relevance to Yemen. However, with respect to the second, links between the PRSP and IMF TA are not obvious.
- **Key Policy initiatives**—The Statement indicates that TA should support the IMF’s key policy priorities and initiatives. Among the areas listed, TA to Yemen was concentrated in the general category of “policy reform/institutional capacity building in support of achieving macroeconomic viability.” TA also followed up on issues identified during the March 2001 FSAP and three ROSCs.
- **Impact and Commitment**—Filter #4 calls for a country’s track record and its degree of ownership and commitment to receive a large weight in appraising requests for TA. On this basis, and given the persistence of institutional impediments to the effective use of IMF TA, the level of TA provided to Yemen was excessive.
- **Regional Diversity**—The provision of TA to Yemen should be seen in the context of broader regional allocations of TA resources. That said, Yemen has received a significant share of TA resources relative to other countries of similar size and income level as well as within the Middle East region
- **Availability of External Financing**—According to the Statement, the availability of external financing “should normally not be a decisive factor” in allocating IMF TA resources although it should be “positively taken into account”. It is the evaluation’s

¹ A detailed explanation of the filters can be found at <http://www.imf.org/external/pubs/ft/psta/indext.htm>

assessment that the significant funding from the UNDP and DFID was the dominant factor in explaining the level of TA from the IMF to Yemen between 1999 and 2003, with some IMF staff suggesting that there was pressure to draw on Trust Fund money. Particularly noteworthy was the significant drop off in IMF TA to Yemen in 2002 and 2003, the same time as external financing from UNDP was reduced.

- **Nature of the Request**—This filter argues that requests for policy or diagnostic missions or short-term experts are less costly to the IMF and could therefore be considered favorably without placing an excessive burden on TA resources. Yemen received a significant amount of both short- and long-term TA. The relevance of this filter to Yemen is therefore limited.
- **Regional Approach**—Filter #8 encourages the use of regional mechanisms to deliver TA, particularly to smaller countries. While some training activities were coordinated with the Arab Monetary Fund, there does not appear to have been much use of regional mechanisms in the delivery of IMF TA. Rather, a number of interlocutors suggested that the IMF should expend greater effort to mobilize regional expertise, both in an effort to enlist more Arabic-speaking experts, but also to ensure familiarity with local culture and practices.
- **Presence of Other TA Providers**—A number of other providers were active in Yemen, most notably UK/DFID, World Bank, UNDP, and the Netherlands. There were few areas of obvious duplication of effort. With respect to collaboration, while a framework existed for collaboration (the TCAP), coordination and communication were weak on the ground.

LIST OF PEOPLE INTERVIEWED

Name	Title	Organization
Mr. Ahmed Ghaleb	Deputy Minister for External Financial Relations	Ministry of Finance
Mr. Alawi Al-Salami,	Deputy Prime Minister and Minister of Finance	Ministry of Finance
Mr. Saleh Shaaban	Deputy Minister of Planning	Ministry of Finance
Mr. Mohammed Al-Sayyaghi	Deputy Minister for Organization and Governmental Accounts	Ministry of Finance
Mr. Fuad Mhamed Al-Kumaim	Deputy Minister of Finance for the Budget	Ministry of Finance
Mr. Asif Bajwa	IMF Resident Budget Advisor	Ministry of Finance
Mr. Mohamed Atiek Saleh	Project Coordinator, AFMIS	Ministry of Finance
Mr. Abdulhakim Nasher Khaled	Technical Advisor, AFMIS	Ministry of Finance
Mr. Abdulla H. Al-Olofi	Sub Governor, Banking Supervision Sector	Central Bank of Yemen
Mr. Omar Salim Bazara	Payments System Director	Central Bank of Yemen
Mr. Mohamoud Qaid M. Naji	General Manager, Loans & Grants Department	Central Bank of Yemen
Mr. Hussein Izzy	Research Department	Central Bank of Yemen
Mr. Mohammed Luqman	Vice Governor	Central Bank of Yemen
Mr. Hussein H. Qu'atabi	Assistant Sub Governor for Research and Statistics	Central Bank of Yemen
Mr. Omar Salim Bazara	Payments System Director	Central Bank of Yemen
Mr. D. Amin M. Mohie Al Din	Chairman	Central Statistics Office
Dr. Ahmed Uthman Dawlat	Chairman	Tax Authority
Mr. Nu'uman Tahir Al-Subhi	Deputy Chairman	Tax Authority
Mr. Mahfouz Umar Bin	Assistant Deputy Chairman	Tax Authority
Mr. Faisel Awadh	Director General of Planning	Tax Authority
Mr. Tariq Al-Barraq	Director General of Production	Tax Authority
Mr. Nuseir Abdul-Jabbar	Director General of Large Taxpayers Unit	Tax Authority
Mr. Thabit Al-Mureisani	Coordinator of Technical Team	Tax Authority
Mr. Ahmed Abdul-Malik	Director General, Chairman's Office	Tax Authority
Dr. Ali A.S. Al-Zobaidi	Chairman	Custom Authority

Name	Title	Organization
Mr. Ahmed Gabir Al-Sanabani	Deputy Chairman	Custom Authority
Mr. Hussain Yahya Al-Radmi	General Director and Training Coordinator	Custom Authority
Dr. A. Al-Marani,	Administrative Consultant	Custom Authority
Mr. Abbas Mohd Al-Hadi,	NPD/ASYCUDA Project	Custom Authority
Mr. Hafedh F. Mayad	Former Chairman of the Customs Authority (current Chairman of the Cooperative and Agricultural Credit Bank)	Custom Authority
Dr. Abdulmalek I. Hajar	Chairman and Partner for Deloitte Touche (M.E.)	Pension Authority
Dr. Abdulhamid A. Al Syeh	Vice Chairman	Pension Authority
H.E. Ahmed Soufan	Deputy Prime Minister	Ministry of Planning and International Cooperation
Mr. Mohammed M. Al-Sabbry	Deputy Minister for Economic Studies and Forecasts	Ministry of Planning and International Cooperation
Mr. Yahya Y. al-Mutawakel	Advisor and Head, Poverty Reduction Strategy Follow-Up and Monitoring Unit	Ministry of Planning and International Cooperation
Mr. Fred Mostoller	SEFM3 Project Manager, WSP International Management Consultants	DFID
Mr. Patrick Gleeson	Management Systems Advisor	DFID
Mr. Mahmoud A. Baled	Deputy Chairperson	General Corporation for Social Security
Mr. Arif F. M. Alawadi	Deputy Chairman for Pension Affairs	General Authority for Insurance and Pensions
Mr. Mohammed Al-Bohi	National SEFM Programme Director	SEFM
Mr. Abdul-Malik M. Alama	Chairman	Private Pension & Insurance Corporation
Mr. Mohammed S. Al-Hendi	General Manager	Head Centre of Information
Professor Pandeli Glavanis	International Senior Advisor	Civil Service Modernization Project
Mr. Mohammed Ali Saeed	Training Coordinator	Civil Service Modernization Project
Mr. Aish A. Al-Nassiry	IT Expert	Civil Service Modernization Project
Mr. James W. Rawley,	Resident Representative	UNDP

Name	Title	Organization
Mr. Abdo Seif	Programme Officer, Poverty Alleviation Team	UNDP
Mr. Martin de la Bey	Counselor and Deputy Head of Mission, Head of Development Cooperation	Netherlands Embassy
H.M. Frances Guy	Ambassador	UK Embassy
Mr. Robert Hindle	Resident Representative	World Bank
Ms. Catherine Laurent	Task Manager	World Bank
Mr. Richard Allen	Lead Public Sector Economist, MENA Group	World Bank
Mr. John Macgregor	Former Country Coordinator, Country Management Unit	World Bank
Mr. Saade Chami	Mission Chief	IMF
Mr. Jon Craig	Former Mission Chief	IMF
Mr. Edward Gardner	Former Mission Chief	IMF
Ms. Darya Zakharova	Senior Economist, FAD	IMF
Mr. Tony Pellechio	Deputy Division Chief, STA	IMF
Mr. Khanjar W. Abdallah	Senior Economist, STA	IMF
Ms. Davina Jacobs	Economist, FAD	IMF
Mr. Paulo Medas	Economist, FAD	IMF
Mr. Nabil Ben Ltaifa	Senior Economist, MCD	IMF
Mr. Philippe de Rougemont	Economist, STA	IMF
Mr. Etisham Ahmad	Advisor, FAD	IMF
Mr. Brian Christensen	Technical Assistance Officer, OTM	IMF
Mr. Dimitri Radev	Technical Assistance Advisor, FAD	IMF