

## **IMF Response to CARTAC Mid-term Independent Evaluation**

November 2015

Overall, we welcome and share the objectives of the evaluation's recommendations: to strengthen CARTAC's role as a key provider of TA in the Caribbean by enhancing its focus on results and taking greater advantage of the inter-disciplinary synergies that the RTAC model provides. In particular, we welcome the recommendations to adopt a more program-based approach in CARTAC's core areas; the need for more diverse and sustainable financing; the need for improvements in knowledge management to ensure continuity, and the opportunities for the Center to engage in inter-disciplinary and thematic work.

That said, some recommendations are not compatible with the IMF governance and management model for RTACs. The attached note sets out the views of IMF departments on the potential for implementing the recommendations of the independent mid-term evaluation of CARTAC.

As IMF offices, RTACs are an integral part of the IMF's overall capacity development (CD)<sup>1</sup> function and follow IMF policies and procedures. At the same time, RTACs represent an explicit partnership amongst the Fund (the CD provider), the member countries (beneficiaries of the TA), and donor partners. As such, the RTAC governance structure is designed to promote the participating countries' ownership, donor partner involvement, and the Center's accountability.

RTACs are strategically guided by their respective Steering Committees (SCs), which are advisory bodies that contribute to setting the Center's priorities, including through the endorsement of the Center's work plans. SC members ensure that work plans reflect the needs of member countries (or their representatives); are well coordinated with TA provided by other development partners and TA providers (country and partner representatives); and are well integrated with the CD, surveillance, and lending activities of IMF headquarters (IMF representatives).

The operational oversight of RTACs remains the responsibility of the relevant IMF departments. In close consultation with member countries, area (regional) departments define the strategic priorities for Fund CD. In consultation with an area department, CD departments deliver CD using various modalities including through RTACs. Working in conjunction with the Resident Advisors (RAs) and country authorities, CD departments design, approve and direct the implementation of CD programs delivered by RTAC RAs and short-term experts (STX), and provide overall quality control, monitoring and supervision ("backstopping") to ensure consistency with IMF policies, standards, and international best practices.

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<sup>1</sup> Technical assistance and training.

**Recommendation 1: Fund CARTAC Phase 5 at about \$60 million to \$65 million in total and commit to doing so early enough to avoid a severe downturn in the level of activities during the first year of Phase 5.**

Both need and performance justify CARTAC activities in Phase 5 continuing at the projected level of annual expenditures reached in FY 2015 and the projections for FY 2016 - that is, approximately \$12 million per annum. Donors and the IMF should act vigorously to ensure that the level of Centre activity does not contract sharply and inefficiently during the transition from Phase 4 to Phase 5 due to temporary cash flow constraints. CARTAC's administrative framework has shown that it can support approximately \$12 million of TA per year. Therefore it is inefficient to allow the level of activities to fall well below this during Phase transitions.

It is beyond the scope of this evaluation to assess whether donors have been wise to fund projects in the Caribbean that overlap with CARTAC but in the absence of clear evidence to the contrary one assumes that such fragmentation is administratively inefficient and burdensome to the client compared with an integrated approach through a single instrument. In the 2015 CARTAC Annual Meeting there were calls for a long-term vision for CARTAC in the Caribbean. We think that the Program Document for Phase 5 should start to address this question.

***Response from IMF staff***

- The IMF agrees that the level of operations at about US\$12 million per annum would be broadly appropriate for the next phase. The Center has been scaling up and is now operating at its full strength with 10 RAs in place and an RBM advisor. The total FY16 budget is expected to reach more than US\$12 million.
- To facilitate a smooth transition between phases, CARTAC is engaging in early consultations with stakeholders aimed at the timely production of the Phase 5 Program Document, which will set out the Center's strategy for the next five years and will be the basis for the fundraising effort. The IMF has initiated the development of the Phase 5 Program Document (PD) following discussions at the June 1, 2015 CARTAC Steering Committee meeting and the June 2 "Stakeholder Strategy" conference. A first draft of the PD will be available by early 2016, and the aim is to finalize it in the fall of 2016.
- The endorsed extension of Phase IV through December 2016 will allow full utilization of available resources and provide sufficient time to avoid a disruption of CD planning and delivery, particularly as it would fit better with the budget timing of CARTAC's main donor partners.

**Recommendation 2: Improve CARTAC’s financial sustainability by diversifying its donors, strengthening its cooperation with other IMF trust funds, starting a complementary RTACs Trust Fund, and increasing the suggested contributions from CARTAC member governments.**

We suggest that beneficiary member governments contribute voluntarily<sup>2</sup> a somewhat larger, although still small, part of the Centre’s budget, perhaps amounting to 15% of the Phase 5 budget. In terms of “burden sharing” we favour assessing each member government a fixed amount plus an incremental amount based on each country’s GDP. However a simple standard contribution has advantages as well because we think that the suggested contributions are small enough that ability to pay would not be a serious issue.

***Response from IMF staff***

- The issue of CARTAC’s financial sustainability is crucial and the IMF (through the Global Partnerships Division of the Institute for Capacity Development (ICDGP)) is actively exploring cooperation with new donor partners to CARTAC and the network of RTACs as a whole. ICDGP has been in close talks with several existing and potential donor partners to ensure financing for the next phase.
- The Fund is exploring contribution agreements that allow for flexible allocation of funds across RTACs, which would help to smooth out lumpy financing across different RTACs and their cycles. This depends however on sufficient interest from donor partners, which has not yet been demonstrated.
- With regard to the specific recommendation that member countries contribute 15% of CARTAC’s Phase 5 budget plus an incremental amount based on GDP, the evaluators appropriately note that members have contributed a total of US\$350,000 to the current phase, gradually increasing their contributions over time to US\$100,000 per country/per annum. Member country contributions for Phase V are expected to account for 16%-17% of the Center’s budget envelope.
- Assessing member country contributions based on GDP could deserve further consideration not just with CARTAC members, but also within the Fund more broadly.

**Recommendation 3: Strengthen results-based management in Phase 5 by piloting the new RBM systems being developed by the IMF, by investing in the measurement of baselines and increments in each functional area and by specifying measurable objectives and targets for each of its Programs within a program-based approach to TA and training.**

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<sup>2</sup> [Ref. page 6 of the evaluation report]

This will be supported by the intensive effort the IMF is making to strengthen RBM throughout the organization and by the selection of CARTAC to pilot the new systems. Systems are less important than investing in the measurement of results. Measurement can be complex and expensive if one takes the view, as we do, that the primary role of CARTAC is to focus on institutional capacity building not serial supplementation.<sup>3</sup> Therefore results measurement requires baseline studies of institutional capacity with later follow-up to measure incremental improvement. Expanded use of diagnostic missions from IMF HQ has a part to play in baseline studies.

### *Response from IMF staff*

- The IMF continues to strengthen the Results-based Management (RBM) effort. The CD departments have been developing catalogs of indicators and outcomes which can be fine tuned to specific results that IMF CD seeks to help countries achieve.
- The piloting of an IMF-wide RBM IT system starting in 2015 (called ‘CD-PORT’) will greatly assist further development of this approach. CARTAC has volunteered to pilot the new RBM IT management system, with the ultimate aim of enhancing reporting to Steering Committee members and to IMF management. The new IT system will help aggregate results across topics, regions, and TA delivery modes, considerably improving the quality and availability of information for monitoring TA and training and of reporting on results to donor partners and SC members.
- Progress over the past year on RBM includes:
  - CD-PORT is undergoing final development and will be tested, end-to-end across the Fund, in early 2016.
  - Change management initiatives are under way to ensure that those working on TA internalize a more results-oriented focus and are ready to use the new system.
  - Starting mid-May 2015, CARTAC hired a full-time RBM Advisor that will assist the Center with RBM implementation and will guide the pilot phase.
  - CARTAC has been nominated to pilot CD-Port in the fall.

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<sup>3</sup> The Centre should mainly target results that are defined as the development of self-reliant capabilities in member governments. Such capabilities do not lend themselves to easy measurement nor to aggregation across countries but they are the true results sought. The indicators would at the highest level be indicators of institutional development. For example, in regard to the statistical unit in a particular government: Is there an adequate number of qualified statisticians? Is the head of the unit a qualified statistician? Does the unit have a multi-year work plan that is a plausible plan for the outputs that need to be produced? Has the government appropriated sufficient funds for data collection? Is the quality of current professional work at a sufficiently high standard? Is there a training plan for staff? Etc. Where capacity supplementation is essential it should be under the aegis of a regional service provider, other than CARTAC, wherever possible, or governments should be encouraged to outsource their requirements to private professional services companies. (See Section 2.7 Results-Based Management)

- CARTAC’s existing results framework will remain in place for the remainder of Phase IV, but it will continue to be refined, including by benefiting from developments at the IMF HQ level (e.g., by drawing on the harmonized structure of outcomes and indicators mentioned above). With the start of Phase 5, it will be integrated in the IMF-wide RBM framework. CARTAC will make further efforts to improve the quality of its strategic logical frameworks, particularly in defining clear and measurable performance indicators and targets, in order to facilitate a better monitoring of program implementation. The IMF will also consult with donor partners on the parameters of the new system and will use this new system in the formulation of CARTAC programs under Phase 5.
- With regard to ‘supplemental TA’, this has not been part of CARTAC’s modus operandi for the reasons listed in the report itself, in particular the potential conflict of interest with the IMF’s surveillance activities.

**Recommendation 4: Adopt a program-based approach to TA and training.**

While remaining responsive to members’ demands for technical assistance and training CARTAC should move towards a program-based approach to delivering technical assistance that is less linked to the tenure of a particular LTX and somewhat more structured and less ad hoc. It should deliver strategically important multi-country multi-year programs of technical assistance and training that are carried through to completion independently of the tenures of individual advisors. The normal tools of a program-based approach should be used including outcome-focused terms of reference, entry workshops, progress reports and completion reports. (See Section 2.3.1, Organization).<sup>4</sup> We envisage there being more than one Program in each functional area of the IMF’s work at any time and that Programs would not start or end at Phase transitions.

***Response from IMF staff***

- We agree with this recommendation. Clearly articulated objectives and outcomes should be an integral part of the next cycle’s work plans. CARTAC (like most RTACs) has already been increasingly focused on strategically important multi-country, multi-year programs of technical assistance. The work program recognizes that capacity building can take years. In particular, the work program is guided by a

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<sup>4</sup> By way of comparison with another RTAC, on the same topic, we note that the March 2015 meeting of the Steering Committee of PFTAC the Discussion Group on Program-Based Approaches agreed with the concept of “programs” but cautioned that the Centre should leave room for ad hoc requests and should not make Programs so complex that they are difficult for an LTX to administer. There was also a concern that Programs not become another way in which funds are earmarked and subsequently under-utilized. Nevertheless most stakeholders were strongly supportive of the program-based approach. The transition from an activities-based approach (mainly) to a program-based approach would require more resources in the short term but should not be more expensive in the long term.

strategic logframe for the Center as a whole, as well as ‘topical’ logframes which provide a framework for multi-annual planning and reporting.

- We agree that training activities should be strengthened in Phase V. However, rather than seeing this as a standalone program, training will largely continue to be integrated with TA delivery. Other modalities to enhance training opportunities will also be explored, for example, working with existing institutions in the region, especially the University of the West Indies and encouraging increased use of on-line training programs from the IMF and other providers.
- CARTAC will also consider developing a set of standard indicators to support reporting on organizational performance (in terms of the Center’s activities and outputs).
- CARTAC is actively strengthening the medium-term context for its annual plans, in discussion with country authorities, and already include a number of regional activities that cover multiple countries and are delivered on a regular basis. This should strengthen the sustainability of capacity building efforts.

**Recommendation 5: Strengthen the role of the Steering Committee in providing oversight and strategic direction.**

CARTAC’s governance structure could be rebalanced to strengthen the role of the Steering Committee if members are willing to take on heavier commitments and workload. Among other things, (voting and non-voting) membership of the Steering Committee could be more formalized and the voting occasions and procedures should be clarified. An agenda of points on which the Steering Committee will be asked to advise could be circulated before the Steering Committee meets to enable thoughtful consideration. As well the role of the Steering Committee in providing strategic advice could be strengthened through its consideration of proposals for individual Programs of the type recommended in this evaluation. Each proposal for a Program in any functional area should be brought to the Committee for review and comment in the design stage. Committee members could participate in an Entry Workshop for every new Program and the Committee could receive and consider a Completion Report for each Program after about three years. Whether this is feasible depends on the willingness of Committee members to be more proactive and to assume a heavier workload than in the past.

***Response from IMF staff***

- The Steering Committee has a crucial role in ensuring that CARTAC work plans reflect the needs of member countries, are well coordinated among CD beneficiary agencies<sup>5</sup>, with TA provided by development partners and other TA providers, and

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<sup>5</sup> Including national statistical offices.

well integrated with the CD, surveillance and lending activities of IMF headquarters. The IMF welcomes the report's desire to ensure that the role of the SC is clear and note that many of the proposed strengthening actions are already in place: the SC endorses the Program Document for the entire phase, as well as strategic and topical logframes (which, in effect, set out the framework of the 'core programs'), including reviewing early drafts; it also endorses the six-month work plans, discusses progress in work plan implementation, discusses financial contributions, as well as potential extension of membership.

- The IMF recognizes the need to move towards a more strategic dialogue at Steering Committee level, including more discussion of results at the program level, rather than activities and outputs. Progress in RBM implementation will greatly facilitate this move. Other actions to enhance governance will include more opportunities for consultation on substantive issues with the Steering Committee. Options that could be considered to enhance the level of engagement at the Steering Committee meetings include: moving to a more results-focused annual Steering Committee, complemented by an update (results reporting) Steering Committee at yearly mid-point, perhaps focusing on a particular sector or topic, use of endorsement tables to sign and record SC feedback. In this context, SC members should be fully aware of the CARTAC CD work program covering all sectors and should act as advocacy agents to enhance the effective use of CD activities.
- The IMF will engage in extensive consultations with the SC members during the preparation of the Phase V Program Document, and seek their guidance on the formulation of CD strategies and priorities for the Center in the next phase.

**Recommendation 6: In addition to sector programs, fund a program that is interdisciplinary to fund thematic, cross-disciplinary and cross-sectoral work.**

In addition to one or more Programs in each functional sector, CARTAC should have one Program that would focus on thematic, multi-disciplinary or cross-sector topics. We suggest that that the IMF area department (Western Hemisphere Department) should manage that Interdisciplinary Program, with the CARTAC coordinator in the lead. (See Section 2.3 Organization)

***Response from IMF staff***

- Strengthening the multi-disciplinary approach in CARTAC is a worthwhile recommendation and the Center Coordinator is well placed to identify opportunities for this. Currently, CARTAC has been leveraging the co-location of Resident Advisors to identify and address themes that cut across sectors, for example between customs and statistics (with respect to data collection). The macroeconomic advisor also serves an important 'horizontal' function and works closely with other advisors

to ensure that issues of macro criticality are appropriately integrated into their work. Going forward, CARTAC will continue to seek opportunities to leverage its skill set.

- Analysis of critical macro and policy challenges posed by long-term global challenges, such as inclusiveness and sustainability, are expected to be progressively integrated in the work of the Fund, if needed in collaboration with outside experts. While being realistic about the scope of TA delivery and the region needs, key policy challenges will be mainstreamed to the extent feasible, in a targeted way, and within the Fund’s expertise into existing programs.

**Recommendation 7: Devolve more responsibility and authority to the Coordinator.**

As recommended by the IMF Internal Working Group on Governance (2012) the CARTAC coordinator should have increased financial authorities including the authority to approve STX missions that have been approved in principle by the IMF Functional Department during the design of each Program. Administrative authority for some first stage financial and operating systems (IM/IT, for instance) should be devolved to the CARTAC office in Barbados. By “first stage” we mean that primary data entry should be at the CARTAC Office in Barbados.

***Response from IMF staff***

- The Coordinator is responsible for the day-to-day management of the regional center, in close coordination with and monitored by TA and area departments.
- On administrative issues, such as contract administration, security, human resources and IT support, these are centralized IMF functions and cannot be delegated.

**Recommendation 8: Improve CARTAC’s corporate memory and use of information technologies.**

CARTAC’s corporate memory and information management need to be improved to achieve (1) better continuity through better management of substantive files, by overlapping advisors’ tenures, and by program-based approaches and entry workshops and program completion reports; (2) better member access to information through improved country portals and sector portals on the website; and (3) more use of modern Internet-based programmed training technologies. (See Section 2.3 Organization)

***Response from IMF staff***

- The IMF is at present devoting increased attention to knowledge management—a senior inter-departmental working group recently completed its work and the recommendations will soon be implemented, with expected benefits to the Fund and

its operations. Improving knowledge management in RTACs will similarly be important and the measures proposed by the evaluators will help in this regard, subject to resource constraints.

- CARTAC is already working to strengthen and streamline internal information management processes, to ensure that the full complement of documentation related to individual programs are available, and ensuring where possible overlap between experts.
- In particular, CARTAC will focus on enhancing the range and timeliness of information available through its website. CARTAC will start notifying key stakeholders, when information is uploaded on its website. It will also review the scope of the password-protected, restricted areas of its website for sharing information, including TA reports, with the members of the SC. In addition, CARTAC will work in tandem with the online training division of the Institute for Capacity Development to ensure that information on new IMF online courses is disseminated through the CARTAC website, as well as to explore options for complementarities and more targeted training.
- As part of the RTAC Handbook, ICD has developed guidelines for communications and outreach strategies for RTACs, including use of RTAC websites, to foster communication with donors, member countries, other TA providers, and other RTAC stakeholders.

**Recommendation 9: Improve the synergies between CARTAC and the wider network of RTACs.**

Various actions are suggested in this Report including Centre Peer Reviews and an evaluation of the RTAC network as a whole. (See 2.7, Results-Based Management and Evaluation)

***Response from IMF staff***

- The IMF recognizes that there is scope to take advantage of RTAC network synergies to identify and mainstream best practices. The IMF is already taking some actions to this end, including the finalized RTAC Handbook, which establishes a set of best practices and standard operating guidelines for RTACs and for IMF's functional and area departments, which will ensure that policies and procedures are applied in a more consistent manner across the RTAC network. This should be considered work in progress and the evaluator's suggestions remain useful in this regard.
- At a substantive level, the IMF organizes a periodic retreat for Center Coordinators, as well as annual retreats for RAs in order to share experiences. The issue of conducting Peer Reviews is interesting, but the financial implications of such an

exercise would need to be carefully balanced against potential added value and impact on TA delivery.

- With regard to evaluation, ICD’s Strategy and Evaluation Division is developing a unified evaluation framework that will include not only RTACs but all CD activities. This unified approach to evaluation will provide a framework to distill lessons and address outstanding issues and enable comparisons across countries and subject areas so that lessons can be drawn to strengthen future activities.
- One component of a unified approach to evaluation would be the RBM framework, which is being adopted within the Fund. The RBM system, when implemented Fund-wide, will capture information on whether outcomes are being achieved and is expected to lay the foundation for evaluation. Another component of a unified approach would be a mechanism to monitor the implementation of recommendations from past country or topical evaluations.<sup>6</sup>

**Recommendation 10: Pay more attention to cross-cutting, interdisciplinary and thematic issues.**

In Phase 5 CARTAC should give more visibility in its Program Document and Logical Frameworks to interdisciplinary work, including institutional development, inclusiveness (gender, race, class and disability in the economy) and to ecological sustainability issues that have important economic implications including implications for governments’ fiscal sustainability.

Some possible implementation actions include:

- CARTAC should pay more attention to systemic institutional development issues that are common across different Ministries and agencies in a member government. Other cross-cutting issues that may be influential in the political economy of member states include issues of inclusiveness, including gender equality, and ecological vulnerability and sustainability and their possible implications for macroeconomic management.
- CARTAC should “mainstream” gender and other inclusiveness issues particularly in certain areas, such as sex-disaggregated national statistics and the regulation and supervision of institutions that tend to serve poor women such as microfinance institutions. Mainstreaming does not imply that CARTAC must have a dedicated LTX in each cross-cutting thematic area. It requires, rather, that every LTX should be sufficiently sensitized and knowledgeable to be able to recognize relevant cross-cutting issues in every Program in all sectors and there should be funding for

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<sup>6</sup> For example, the IMF Statistics Department has introduced RBM elements in its CD evaluations in recent years.

specialized STX assistance with cross-cutting issues, when needed. Whether dedicated backstopping on cross-cutting thematic activities would be needed is a question that requires a feasibility study beyond the scope of this evaluation. We are inclined to think that each geographical department of the IMF should have at least one advisor in each of the following - institutional development, inclusiveness/gender and sustainability. The primary roles of these advisors at HQ would be sensitization training within the IMF and the RTACs and specialized backstopping.

- CARTAC should “mainstream” ecological vulnerability issues and take them particularly into account in certain countries where ecological challenges pose severe risks economically (the comments on “mainstreaming” immediately above apply).

***Response from IMF staff***

- We recognize that inclusiveness and sustainability are key to economic growth in the Caribbean and form a central part of the surveillance advice of the Western Hemisphere Department. IMF’s highly-specialized capacity development programs will try to integrate advice on long-term global challenges, balancing the current scope of IMF TA delivery and core mandate, and in collaboration with outside experts on these issues.

**Recommendation 11: Intensify efforts to build regional expert capacity in the Caribbean.**

This could be done in several ways including the following:

- Make a special effort to have a reasonable proportion of Caribbean-based experts in the IMF’s central rosters.
- Use qualified but junior STX who are based in the Caribbean, at universities or in professional services firms, not as stand-alone experts but as supervised members of CARTAC teams on missions and studies.
- Continue and strengthen internships and attachments, making them more regular and programmatic. In particular we think that attachments are an important tool for assisting member states when they are attempting change and reform and for building regional expertise. They could be improved in the following ways:
  - Attachments should cover both visits to more experienced governments and central banks to those that are less experienced in a particular area.
  - CARTAC’s support for professional attachments should be more programmatic and less ad hoc. The possibility of attachments should be more widely advertised including being more visible on CARTAC’s website.

- Attachments should be better integrated into the IMF/CARTAC resource allocation plan and better balanced across areas of CARTAC's work.
- CARTAC should have the flexibility to accommodate attachments of longer duration.
- Attachments should be more structured and more demanding of the beneficiary and of the sponsoring government or central bank. Each attachment should have a written Terms of Reference with objectives and there should be a requirement that the "attached" group/person should file a report detailing what was learned during the attachment and noting what follow-up decisions or actions resulted from the attachment. This is sometimes done<sup>7</sup> but there is no formal requirement and it seems frequently not to be done. We think that this is sufficiently important for CARTAC to withhold a small percentage of attachment expenses (say 10 per cent) to be paid upon receipt of the Attachment Report.

*Response from IMF staff*

- The attachment and internship program is an important part of CARTAC's capacity development agenda for the region. CARTAC has plans to expand the range of opportunities available through the program, including for example using an 'enhanced attachment' program to further expand the skills of regional actors, and as a precursor to STX and LTX engagements with CARTAC (and perhaps with the IMF more broadly).
- CARTAC will also look at other opportunities to build regional capacity, including for example a young professional program within the Center.
- Following feedback from the June 2 stakeholders' meeting, CARTAC will present an Action Plan for an enhanced regional capacity building program, including appropriate visibility measures at the 2016 annual Steering Committee meeting.

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<sup>7</sup> See, for example, Grenada Authority for the Regulation of Financial Institutions (GARFIN) report of an attachment to the Financial Services Commission of Jamaica.

**Recommendation 12: To promote the efficient use of their resources donors should consolidate their aid to technical assistance in the Caribbean in the IMF core areas as much as possible under the CARTAC umbrella. To facilitate this CARTAC should produce a survey of donor activity in each of the sectors in which it operates.**

*Response from IMF staff*

- CARTAC will continue to coordinate its TA and training with that of other TA providers in the region. Where possible donor partners will be encouraged to program their assistance in areas which are additional and complementary to CARTAC's work, in order to optimize synergies.
- CARTAC Phase V Program Document will include a review of development partners and their activity in the Caribbean in each of the sectors in which the Center operates.