



**Office of Evaluation and Oversight, OVE  
Inter-American Development Bank**

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***RE-283***

***A Review of Selected Non-  
Reimbursable Technical  
Cooperation: Guyana,  
Nicaragua and Bolivia***

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## ANNEXES

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## ACRONYMS

CP:	Country Paper
CPE:	Country Program Evaluation
EN/MOS:	Energy/Modernization of the State
ENV/MOS:	Environment/Modernization of the State
EPA:	Environmental Protection Agency
FONTEC:	Technical Cooperation Fund Account
FSO:	Fund for Special Operations
HIPC:	Heavily Indebted Poor Countries
IDB-8:	Eight General Increase in the Resources of the Bank
MIF:	Multilateral Investment Fund
MOS:	Modernization of the State
NGO:	Non-Governmental Organization
ODD:	Original Date of Disbursement
OVE:	Office of Evaluation and Oversight
PCR:	Project Completion Report
PPMR:	Project Performance Monitoring Report
PPRUS:	Project Progress Update System
SO:	Social Sector
TA:	Technical Assistance
TC:	Non-Reimbursable National Technical Cooperation
TC:	Non-reimbursable National Technical Cooperation
TF:	Trust Funds

## EXECUTIVE SUMMARY

The Bank's Charter mandates the Bank to provide technical assistance as a primary function to carry out its development mission. The Bank's technical cooperation policy guidelines (AT-80-10) establish that the purpose of the Bank's technical cooperation is to contribute to the transfer of such know-how and expertise as may be relevant to the economic and social development of member countries. In its Institutional Strategy (2000), the Bank's governors highlighted the importance of non-reimbursable technical assistance, in particular, to the Bank's mandate. Thus, the Bank considers non-reimbursable technical cooperation a key instrument in promoting the development of member countries. At the same time, the Bank's technical cooperation policy established that the Bank should evaluate the results of its technical cooperation activities. Moreover, with the IDB-8 Agreement, the Bank was charged increasingly with integrating a focus on development results into its operations and evaluation systems.

The purpose of this report is to assess how selected national non-reimbursable technical cooperation operations (TC) in Guyana, Nicaragua and Bolivia have met the objectives of Bank's technical cooperation policy guidelines (AT-80-10). Given this purpose, the report examines these TC operations within the context of the Bank's Charter and Technical Cooperation Policy (AT-80-10), which provide a framework for considering the development effectiveness of TC operations. The report also seeks to derive lessons learned from the analysis to contribute to the design of future Bank TC operations, but does not aim to draw definitive conclusions that can be universally applied to the entire TC program. Rather, it seeks to reach findings that can serve as guideposts for Bank consideration and action.

OVE approached this evaluation by reviewing the Bank's technical cooperation policy guidelines and identifying recurring issues related to TC programming and implementation also identified by past Bank studies. After a review of the Bank's TC portfolio, OVE analyzed country programming, financing and disbursement trends of the TC portfolio in Guyana, Nicaragua and Bolivia, three countries that were also the subject of OVE Country Program Evaluations. In order to provide an overview of how the TC portfolio over the decade related to the Bank's strategic objectives, OVE developed Country Matrices establishing relationships among the Bank's country strategy objectives, TC projects and loans for the three countries studied. Still, the limited availability of baseline information and the absence of systematic monitoring mechanisms of the Bank's TC projects presented a challenge since non-reimbursable TCs are not currently included in the Bank's Project Performance Monitoring Report System (PPMR) and Project Completion Report (PCR) system. OVE's approach was to complement this country programming analysis with case studies of nine TC projects in Guyana, Nicaragua and Bolivia to examine their performance within the context of the Bank's technical cooperation policy.

### **A. Findings**

Four of the nine TCs reviewed fully met the Bank's policy objective of transferring technical expertise resulting in strengthened local capacity. Such TC operations

responded effectively to the severe institutional weakness of the public sector in these countries. Those operations that adopted innovative approaches to overcome human resource constraints and deliver expertise in a sustained fashion performed better. Financing advisors, who temporarily assumed core functions, often built the foundation for the emergence of viable local institutions. In contrast, TCs that delivered technical assistance through long-term consultants supporting national counterpart teams had more difficulties transferring know-how to local institutions, often due to weak executing agencies and scarcity of qualified staff. TC operations that delivered short-term technical assistance in conjunction with sector loans tended to be efficient in transferring expertise, but were less conducive to long-term capacity building.

All of the TC projects reviewed underestimated the time required to achieve their development objectives. The lack of appropriate and consistent local counterparts often delayed the achievement of objectives. Thus, the TCs did not adequately respond to the stipulation in the Bank's TC policy guidelines (AT-80-10) that technical cooperation projects be "defined, implemented and evaluated as transfer of technical and not financial resources" and that "as such, technical cooperation activities are held to be of transitory nature, and in each case the specific objectives are to be defined and the time period in which it is believed possible to achieve the proposed objectives is to be determined".

Bank policy also aims to broaden the development reach of technical cooperation by stipulating that requests for technical cooperation be "linked in the most direct possible way with the Bank's financing activities." It was difficult to establish a strong relationship between the non-reimbursable TC operations reviewed and the linkages to the Bank's lending program. The Bank Country Papers and TC project documents did not consistently identify linkages of the reviewed TC operations to country borrowing operations. Three operations did not identify any linkage to Bank financing. The review found that the TC operations that were more effective in incorporating technical assistance into borrowing country operations were those that supported central components of the government's national agenda for a sustained period.

The Bank's technical cooperation policy guidelines also stipulate that the government's request for technical assistance, including its priority within the national, regional or sub-regional development plans, and the absorption capacity for the proposed technical assistance be adequately documented<sup>1</sup>. However, the review of the project documents for the case studies found that these do not consistently document or provide details about the government's interest as requested by AT-80-10. Similarly, four project documents make no mention of the TC's priority within the country's development plans. Notably, TC project documents that lacked complete information about the government's commitment tended to have more difficulty in execution and did not lead to bank borrowing. Most TCs described the counterpart financial resources, but were less specific about the actual counterpart human resources. In addition, most TCs presented the institutional arrangement to achieve the objectives, but far fewer TCs included an assessment of the executing agency's institutional capacity, as required by the Bank policy.

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<sup>1</sup> Technical cooperation Policy Guidelines, AT-80-10, Section II, item B; pages 5-6

The evaluation of the results of technical cooperation is an integral requirement of the Bank's policy. A review of the Results Frameworks for the selected TCs reveals that eight operations did not identify indicators that would permit evaluation of project outcomes and that only two established indicators to assess achievement of the project goal. However, it seems that TC operations were more consistent in establishing indicators for the objectives of project components. With regard to evaluation, not all the TCs reviewed incorporated a final evaluation, as anticipated in the Bank policy, and few TCs completed a final evaluation. Those final evaluations completed did cover the principal elements of the Bank's TC policy, identifying criteria for evaluation of the results, reporting on the performance of the executing agencies, the quality of the products, and the participation of beneficiaries in the execution of the operation. Still, only three evaluations identified lessons learned for similar projects. Moreover, while most TCs included reporting requirements, the projects did not use a common reporting format to track achievement of objectives.

In sum, most TCs reviewed for this study did not consistently adhere to key elements of the Bank's Technical Cooperation Policy.

## **B. Lessons Learned and Recommended Actions**

These findings identify several lessons learned about technical cooperation that warrant Bank consideration and action.

First, the Bank's technical cooperation policy proved to be a useful instrument to consider the development effectiveness of TC operations. Bank management should ensure that future TC projects adhere to the Bank's policy as stipulated in the Board-approved technical cooperation policy guidelines (AT-80-10) and synthesized in OP-401.

Second, the TC approach to delivering technical assistance matters. In the cases reviewed, some approaches appeared to work better than others in managing delivery of expertise and strengthening local capacity. The Bank should systematically identify and incorporate into its lessons learned data base best practices in the design and implementation of TC projects, specifically in the area of institutional strengthening.

Third, government commitment to technical cooperation contributes to its effective integration into the Bank's country program. Future Bank programming efforts should pay increased attention to the country's technical cooperation priorities and strengthen ongoing efforts to integrate TC into the country strategy and programming. This systematic integration of TC into country programming would improve borrowing country operations and increase the effectiveness of institutional strengthening efforts.<sup>2</sup> Moreover, if the Bank's technical cooperation is to be linked in the most direct way to its financing activities, the Bank should report—in its Country Strategy and Portfolio Review documents—on the performance of TC resources and on the ability of TC operations to support the development and execution of the loan portfolio.

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<sup>2</sup> OVE found that the development of matrices of bank action were helpful to identify, clarify and establish the relationships between the Bank's strategic objectives, and the objectives of approved loans and technical cooperation operations (see annex IV: [http://OVE/\(Topics/Oversight/Others\)](http://OVE/(Topics/Oversight/Others))).

Fourth, consistent underestimation of the time required to achieve TC objectives suggests the need for a more rigorous review of the anticipated execution time of technical cooperation. Bank management should develop TC strategies that support specific country objectives, including long-term, phased approaches for sequencing technical cooperation. The Bank should present and review these strategies explicitly in technical cooperation project documents, country papers and portfolio review documents. In addition, Bank management should institute a more rigorous review of the anticipated completion date of proposed TC operations consistent with these strategies.

Fifth, ensuring effective ownership and management of technical cooperation is central to achieving results. To this end, Bank reviews of proposed TC requests should determine if they provide a fully satisfactory description of the executing agency's institutional conditions, a realistic assessment of the anticipated counterpart financial and human resources, and the level of participation of local counterparts in the project design.

Sixth, a continuing challenge for the Bank is the lack of an enforceable, consistent performance monitoring system for non-reimbursable technical cooperation. Management should ensure that proposed TC projects include measurable outcome and output indicators, and require completion of a final evaluation. Also, as previously recommend by OVE in RE-247, Management should institute and implement a standardized performance reporting system for non-reimbursable technical cooperation, consistent with the PPMR and PCR systems. To ensure effective implementation of this system by the Country Office, the Bank should undertake a review of the actual staff costs of monitoring the execution of technical cooperation as a basis to allocate resources specifically for this purpose.

Such measures would increase the Bank's capacity to report on development results.

## I. INTRODUCTION

*The Bank may, at the request of any member or members, or of private firms that may obtain loans from it, provide technical advice and assistance in its field of activity, particularly on:*

- (i) the preparation, financing, and execution of development plans and projects, including the consideration of priorities, and the formulation of loan proposals on specific national or regional development projects; and*
- (ii) the development and advanced training, through seminars and other forms of instruction, of personnel specializing in the formulation and implementation of development plans and projects.*

*Article VI of the Agreement Establishing the Inter-American Development Bank*

- 1.1 The Bank's Charter explicitly mandates the Bank to provide technical assistance as a primary function for carrying out its development mission. The Bank's Charter affirms that, "the purpose of the Bank shall be to contribute to the economic and social development of the regional developing member countries, individually and collectively." The Agreement Establishing the Bank (hereinafter referred to as the Agreement) also authorizes the use of its Fund for Special Operations, the net income of ordinary capital, as well as funds derived from bilateral agreements establishing trust funds (TF) administered by the Bank, for technical cooperation.<sup>3</sup>
- 1.2 To accomplish this mandate, the Bank approved a technical cooperation policy, documented in "Technical Cooperation Activities. General Policies and Regulations" (AT-80-10) approved on March 4, 1974, and reaffirmed this policy in the Operational Policy (OP-401) in 1994. These remain the Bank's principal policy framework for technical cooperation. According to this policy, "the purpose of the Bank's technical cooperation activities is to contribute to the transfer of such know-how and expertise as may be relevant to the economic and social development of developing member countries."
- 1.3 In 2000, the Board of Governors highlighted the role of non-reimbursable technical cooperation, in particular, in achieving the Bank's mandate. The Bank's Institutional Strategy affirmed that "non-reimbursable technical cooperation has been crucial to support the role of the Bank as a development agency and to promote development priorities agreed by the Governors." In this strategy, the Governors recommended that the Bank strengthen the management of its technical cooperation program.
- 1.4 At the same time, the Bank is also mandated to focus on the results of its development efforts. The IDB-8 Agreement increasingly charged the Bank with integrating a focus on development results into its operations and evaluation

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<sup>3</sup> Agreement Establishing the Inter-American Development Bank, Articles IV and VI

systems. For its part, the IDB Technical Cooperation Policy had already made evaluation of technical assistance an integral component of Bank policy. The policy (AT-80-10) requires that TC proposals include the criteria for evaluating the results of technical assistance and identifying prerequisites for final evaluation of technical cooperation activities.

- 1.5 To consider the development effectiveness of the Bank's non-reimbursable technical cooperation, a logical starting point is the Bank's Technical Cooperation policy. The boxes below highlight references drawn from the Bank's principal policy documents relating to technical cooperation. The first box contains definitions and objectives. The second box presents the basic requirements for a technical cooperation request. The third box highlights the evaluation references for technical cooperation activities.

#### **Box 1.1: Technical Cooperation Policy: Definition and Objectives**

*The Bank may, at the request of any member or members, or of private firms that may obtain loans from it, provide technical advice and assistance in its field of activity, particularly on: (i) the preparation, financing, and execution of development plans and projects, including the consideration of priorities, and the formulation of loan proposals on specific national or regional development projects; and (ii) the development and advanced training, through seminars and other forms of instruction, of personnel specializing in the formulation and implementation of development plans and projects. ARTICLE VI OF THE AGREEMENT ESTABLISHING THE IDB.*

*The purpose of the Bank's technical cooperation activities is to contribute to the transfer of such know-how and expertise as may be relevant to the economic and social development of the developing member countries. OP-401.*

*The technical cooperation granted by the Bank facilitates the transfer of technical knowledge and qualified experience with the purpose of complementing and strengthening local technical capacity in the fields of activity, thus accelerating the member countries social and economic development. Technical Cooperation projects are defined, implemented and evaluated as a transfer of technical and not financial resources. As such, technical cooperation activities are held to be of a transitory nature, and in each case the specific objectives are to be defined and the time period in which is believed possible to achieve the proposed objectives. AT-80-10.*

#### **Box 1.2: Basic Requirements of a Request**

In order for the Bank to consider a technical cooperation request or to process an internal initiative, they must fulfill the following requirements:

1. Adjust to eligibility requirements, set forth [which state]. The following institutions of borrowing member countries of the Bank are eligible to receive technical assistance: national governments and their political subdivisions; the rest of the public sector, nongovernmental organizations; and private the public sector, nongovernmental organizations and private entities with the legal authority to borrow funds and receive technical assistance. (OP 401)
2. Correspond to a project within fields in which bank operates and be linked in the most direct possible way with the Bank's financing activities.
3. Be based on a project which includes the following basic elements:
  - Acknowledgement by the applicants of the desire to receive this cooperation in a field in which they do not possess sufficient available technical capacity.
  - Determination by competent authorities of priority within national, regional or subregional development plans.
  - Complete description of the project including objectives, terms of reference, budget, schedule of execution and bases for the economic justification, and
  - Description of the counterpart financial and human resources and of the beneficiary's or borrower's institutional conditions, AT-80-10

### Box 1.3: Evaluation of Technical Cooperation Activities

... the criteria for evaluating the final result [is] contained in a document called the “Plan of Operations.”

The final evaluation of a technical cooperation operation entails:

- The evaluation of the work of the executors, including technical and administrative aspects of the performance of their duties.
- The determination of the manner in which the beneficiary (beneficiaries) or borrower(s) has (have) participated technically in the execution of the operation, attempting to determine if the purpose of transferring technical know-how has been achieved, and if this transfer is being used to benefit institutions of member countries of the Bank, and
- The analysis of the quality of the reports, studies, investment projects, manuals, etc. produced during execution of the operation.
- The identification of the obstacles of a technical or administrative nature encountered during the execution of the operation;
- The pertinent recommendations to ensure that these obstacles are avoided or their effects diminished in similar operations,
- The identification of those aspects in programming and execution, which have led to the fulfillment of its objectives, so that they may be kept in mind for similar cases, recommendations for action by the Bank, the beneficiary, or the borrower, setting forth the activities which must be carried out as an immediate result of the technical cooperation operations (AT-80-10).

1.6 Another reference source that provides a historical perspective on the Bank’s national technical cooperation was completed Bank evaluations. Reports, such as “Technical Cooperation for Institutional Strengthening: An Evaluation of the Bank’s Experience,” (1988), “Evaluation Report on the Identification of Bottlenecks in the IDB’s National Technical Cooperation Program,” (1992), “Technical Cooperation in Support of Public Sector Reform,” (1995), “Performance Monitoring Reporting for Non-Reimbursable Technical Cooperation: Current Practices and Future Directions,” (1999), as well as evaluation reports on non-reimbursable TC in Bolivia (1999) and Argentina (1999),<sup>4</sup> raised several common issues that required Bank action. One was the Bank’s insufficient attention to institutional development and analysis in its technical cooperation. A second was the lack of Bank technical cooperation strategies for member countries and weak integration of technical cooperation into Bank programming. A third was weak management of the technical cooperation operations. A fourth was the dispersion of accountability for technical cooperation and the lack of performance reporting system. Evaluation studies of technical cooperation by the World Bank and the United Nations Development Program highlighted similar challenges: governance problems; insufficient

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<sup>4</sup> “La Cooperación Técnica No Reembolsable en Bolivia: Lecciones Aprendidas,” WP-3/99. Diciembre de 1999; “La Cooperación Técnica No Reembolsable: El Caso de Bolivia,” WP-2/99; “La Cooperación Técnica No Reembolsable: El Caso de Argentina,” WP-1/99.

attention to delivery systems, inadequate ownership by host countries, and lack of focus on institutional development.<sup>5</sup>

## A. Purpose and Objective

- 1.7 One purpose of this report is to assess how selected national non-reimbursable technical cooperation operations (TCs) in Guyana, Nicaragua and Bolivia have met Bank technical cooperation objectives, as stated in the Bank's Technical Cooperation Policy. With this purpose in mind, this report examines the TC operations within the context of criteria established by the Bank's Charter and Technical Cooperation Policy. A secondary purpose is to derive lessons learned from the case studies to contribute to the design of future Bank TC operations. The study does not aim to draw definitive conclusions that can be universally applied to the entire TC program. Rather, it seeks to reach findings that can serve as guideposts for Bank consideration and action. The study also represents the first phase of an ongoing review of the Bank's national non-reimbursable TC portfolio beginning in 1990 that the Office of Evaluation and Oversight (OVE) is undertaking in parallel to planned Country Program Evaluations (CPEs).
- 1.8 This report draws on elements of the policy and relevant evaluation studies to assess the extent to which:
- Knowledge was transferred and local capacity strengthened. The policy states, "technical cooperation granted by the Bank facilitates the transfer of technical knowledge and qualified experience with the purpose of complementing and strengthening local technical capacity."
  - Project Objectives were achieved within the proposed period of execution. Bank policy establishes that technical cooperation activities are of a "transitory nature" and "in each case the specific objectives are to be defined and the time period in which it is believed possible to achieve the proposed objectives is to be determined."
  - Borrowing countries incorporated technical assistance into Bank-financed activities. A basic requirement of a TC request is that it "corresponds to a project within fields in which the Bank operates and be linked in the most direct possible way with the Bank's financing activities."
  - Proposed operations were relevant to government priorities and the existing capacity of its institutions. The Bank's TC policy requires that a government request for a Bank-funded TC operation include acknowledgement of the desire for the operation and of need for the cooperation in a field in which they do not possess sufficient available technical capacity. It also requires determination by competent authorities of the TC operation's priority within national, regional or sub regional

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<sup>5</sup> World Bank, Operations Evaluation Department, "Technical Assistance," Lessons and Practices, Number 7, 05/-1/96; United Nations Development Program, "Rethinking Technical Cooperations."

development plans, and description of the counterpart financial and human resources, and of the beneficiary or borrower's institutional conditions.<sup>6</sup>

- A Final evaluation of the results was carried out. Bank policy establishes that TCs incorporate an evaluation report with the criteria for evaluating the final result and it also identifies several areas to be assessed in a final evaluation.<sup>7</sup>

## **B. Evaluation Approach**

- 1.9 OVE approached this study by reviewing Bank technical cooperation policy documents and data on the TC portfolio region wide, as well as by drawing from Bank evaluations of its national technical cooperation program and interviewing Bank staff. OVE decided to concentrate this study on technical cooperation in Guyana, Nicaragua and Bolivia, a subset of countries that had priority access to non-reimbursable TC. One rationale for the selection of these countries was that the Bank's technical cooperation policy targeted lower income countries offering them preferential access to non-reimbursable TC.<sup>8</sup> Another reason for the country selection was to contribute to OVE Country Program evaluations underway in these countries.
- 1.10 The study analyzed country programming documents principally Bank Country Papers in the three countries, since these were the Bank's principal instruments for programming technical cooperation. The study used this data, as well as information drawn from the Bank's projects database, to develop Country Matrices establishing relationships between the Bank's country-strategy objectives, TC projects and loans for the three countries. The objective was to provide an overview of how the TC portfolio developed over the decade related to the Bank's strategic objectives.
- 1.11 Still, the limited availability of baseline information and the absence of systematic monitoring mechanisms of the Bank's Technical Cooperation portfolio presented a challenge. Non-reimbursable TCs are not currently included in the Bank's Project Performance Monitoring Report System (PPMR) and Project Completion Report (PCR) system. The Bank discontinued a previous TC performance reporting system (PRUS).<sup>9</sup>
- 1.12 OVE's approach was to complement this country programming analysis with case studies of nine TC projects in Guyana, Nicaragua and Bolivia, to examine their performance within the context of the Bank's technical cooperation policy. OVE used several criteria to select the TC projects for the case studies. The first was to limit the selection to TCs approved since 1990 that were completed, or are

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<sup>6</sup> Op. cit. pg. 6.

<sup>7</sup> Op. cit. pg. 7, 29-30.

<sup>8</sup> IDB-8 established that those countries with income per capita of \$1,600 would have priority access to the non-reimbursable FSO convertible currency for national technical cooperation.

<sup>9</sup> "Oversight review of the IDB's Project Performance and Monitoring Report (PPMR), the Mid-term Evaluation, and the Project Completion Report", RE-247. April, 2001

nearing completion, and were of relatively sizable amounts.<sup>10</sup> Given the data limitations, the aim was to provide greater assurance of the evaluability of the cases. The second was the selection targeted TCs financed from multiple funding sources, including the Fund for Special Operations (FSO), Donor Trust Funds, and the Multilateral Investment Fund (MIF). While the MIF and Bilateral Trust Funds have different objectives, programming and monitoring procedures from the FSO, the intent was to reflect the growing diversity of non-reimbursable TC funding that support the Bank's country program. The Bank is to incorporate all technical cooperation instruments, including MIF and Trust Funds, into its Country Papers. The third was the selection focused on those TC operations supporting key priorities of IDB-7 and IDB-8, principally those in the social sector (SO) and Modernization of the State (MOS), which predominate in each of the three countries reviewed. Finally, in concert with Bank Country Coordinators and pertinent staff, OVE sought to identify TC projects that would reflect key thrusts of the Bank's country strategy and different TC approaches in these countries.

- 1.13 The information used in the preparation of the case studies is derived from the Bank's TC project database, a review of project and related documents, interviews with Bank staff and field evaluation missions to Guyana, Nicaragua, and Bolivia. In addition, OVE prepared Result Frameworks for each of the projects studied. These Result Frameworks are based in the original project document to record the stated project goals, objectives, and related performance indicators.

### **C. Structure of the Report**

- 1.14 The first part of the report, Chapter 2, provides an overview of Bank's technical cooperation policy, TC financing and distribution trends, focusing on operations approved through the period of analysis: January 1, 1990 to December 31, 2001. It analyzes programming trends in national technical cooperation, highlighting those in Guyana, Nicaragua and Bolivia. Chapter 3 presents a brief overview of the TC case studies in Guyana, Nicaragua and Bolivia. Chapter 4 presents an assessment of selected TC operations' adherence to elements of the Bank's policy. Chapter 5 closes with lessons learned and recommendations.
- 1.15 Annexes include: (1) Technical Cooperation Policies and Relevant Agreements; (2) Trends in Technical Cooperation Funding, (3) National Technical Cooperation Case Studies in Guyana, Nicaragua and Bolivia, (4) Country Matrixes presenting relationships between the Bank country strategy objectives, technical cooperation projects and loans for Guyana, Nicaragua and Bolivia; (4) Result Frameworks for the TC projects and (6) Bibliography.

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<sup>10</sup> Most were close to \$1 million. One exception was the two smaller TCs reviews in Bolivia that represented innovative pilot approaches. Also, the projects selected in Bolivia excluded those which had been evaluated by OVE in 1999.

## II. THE BANK’S TECHNICAL COOPERATION POLICY AND TRENDS IN FINANCING TC OPERATIONS

### A. Bank Technical Cooperation Policy

#### 1. Background

- 2.1 Since the Bank’s inception, technical assistance has been closely tied to the Bank’s operational program. The Agreement<sup>11</sup> identifies the provision of technical cooperation as one of its main functions. It states that the Bank should provide technical assistance, at the request of a member country for “the preparation, financing, and execution of development plans and projects, including the consideration of priorities and the formulation of loan proposals on specific national or regional development projects.”
- 2.2 Moreover, technical cooperation, as defined by the Agreement (Article I, Section 2, item v), is at the core of other functions assigned to the Bank for the preparation and execution of loans. The Agreement empowers the Bank to provide technical assistance for institutional strengthening, project preparation, and project execution, as well as training of member country personnel specializing in formulating or implementing development plans and projects.
- 2.3 The Bank transmitted this purpose through its policy document, “Technical Cooperation Activities. General Policy and Regulations, “ (AT-80-10), approved in 1974 and updated in the 1994 Operational Policy for Technical Cooperation (OP-401). The Bank has revised this policy various times to reflect different Replenishment mandates and amendments made to Agreement, such as the 1995 amendment relating to IDB-8. However, documents AT-80-10 and OP-401 remain the principal policy framework for technical cooperation and a basis to consider the development effectiveness of Bank-funded technical assistance. This policy is also consistent with principles on technical cooperation endorsed by Donors in the OECD/DAC Principles for New Orientation in Technical Cooperation in 1991.

#### Box 2.1: Agreement Establishing the Bank

##### Article I

##### Section 2. *Functions*

Item (v) “to provide technical assistance for the preparation, financing, and implementation of development plans and projects, including the study of and the formulation of specific project proposals”.

<sup>11</sup> The Agreement Establishing the Inter-American Development Bank became effective December 30, 1959 and has been amended on several occasions. The latest amendments were those that took effect on July 31, 1995, relating to the Eighth General Increase in the Resources of the Bank.

**Box 2.2: Concepts Underlying the Technical Cooperation Policy Guidelines**

- ❖ **Capacity building** over the mere transfer of technical expertise. A principal objective is strengthening local technical capacity.
- ❖ **Ownership.** The policy affirms the importance of ownership of technical assistance. In TC requests, governments are to affirm their desire for support, to define the TC as a “priority” within their country’s development plans and to describe counterpart resources and beneficiaries’ institutional conditions.
- ❖ TC policy highlights the need for **accountability.** Evaluation is an integral component of Bank policy, requiring criteria and establishing expectations for evaluating the final result.
- ❖ **Management** establishes that the TCs are of a “transitory nature,” with objectives to be achieved in the proposed time frame.

**Box 2.3: OECD/DAC Principles for a New Orientation in Technical Cooperation**

- Emphasize long-term capacity building and institution-building as strategic objectives.
- Emphasize the central role of recipient countries in planning, designing and managing TA; encourage ownership;
- Use a Program (rather than a project) approach and recognize the private-sector needs for TA.
- Encourage greater use of local expertise and structures.
- Define goals in terms of outputs, not inputs.
- Pay greater attention to costs and cost-effectiveness.

2.4 During the period of analysis, which has been under the mandates of the Seventh and Eighth General Increases of Resources (IDB-7; IDB-8), the Bank’s technical cooperation portfolio was closely tied to the Bank’s operations with a special focus on supporting sector policies and programs in order to strengthen public institutions and thus “further future loan operations of the Bank”.<sup>12</sup> As part of the IDB-8, the Board of Governors expanded the scope of the Bank’s TC program to cover the new mandates, including social sectors, modernization of the state, human resources and the environment.<sup>13</sup>

2.5 The policy guidelines<sup>14</sup> also grant lower income member countries preferential access to non-reimbursable technical cooperation. In 1994, IDB-8 designated those countries with *per capita* incomes of less than US\$1,600 as having priority access to non-reimbursable Fund for Special Operations (FSO) convertible-currency resources for TC.<sup>15</sup> Other sources of non-reimbursable financing, such as donor trust funds and the Multilateral Investment Fund (MIF), have benefited these low-income countries but they do not explicitly make programming distinctions based on income levels in recipient countries.

2.6 Moreover, in 1999, the Board of Directors approved a Bank Institutional Strategy that identifies non-reimbursable technical assistance as one of the most crucial

<sup>12</sup> Seventh Increase in the Resources of the Bank, AB-1378, p.19.

<sup>13</sup> Report on the Eight General Increase in the Resources of the Inter-American Bank, AB-1704.

<sup>14</sup> Exceptions include regional technical cooperation, smaller (<US\$30,000) TC operations, and CT/INTRA activities.

<sup>15</sup> Subsequently, the amount of income per capita as a criteria for eligibility for use of FSO resources in convertible currency for non-reimbursables TCs is now US \$1,973. (Refer to document FN-263-24)

instruments to support the Bank's role "*as a development agency and to promote development priorities agreed by Governors, but not fully internalized into borrowing requests of developing member countries.*" (Para. 4.8). Thus, it reaffirmed the crucial role of TC operations in the achievement of the Bank's purpose and goals.

## **2. Towards a Program-Oriented Technical Cooperation Policy<sup>16</sup>**

- 2.7 Country Programming. Over the last decade, the Bank has taken actions that increasingly seek to integrate technical cooperation into the Bank's country programming process. In 1990, the Operations Department, principally through its country teams, assumed responsibility for the programming and management of national technical cooperation. The Bank's Operational Policy on the Country and Subregional Programming Process (OP-201) established that, "the CP is the main instrument used by the Bank to define the financial assistance and technical cooperation it will be providing to its borrowing member countries to contribute to their socioeconomic development." Also, the Board amended its Criteria and Norms for Board/Management Relations requesting that program papers include "the upcoming (about 12 months) pipeline of loans, small projects and technical cooperation operations for the particular country, which is to include a concise description of each operation showing the logical links between the operation and the Bank's policies and country strategy."<sup>17</sup>
- 2.8 Still, Bank policy on Project Performance Reporting System (PPMR) and Project Completion Reports (PCR) approved in 1997 did not subject non-reimbursable TCs to performance reporting requirements. Data on the contribution of the TC operations to the country strategy is not available. OVE recommended in its Review of Project Performance Monitoring (RE-247) that management develop criteria for including non-reimbursable TCs in its PPMR system.<sup>18</sup> Bank management recently developed a draft PPMR reporting form for non-reimbursable technical cooperation, and is revising the criteria and the procedures for approvals of TC profiles and plan of operations.<sup>19</sup>
- 2.9 Delegation of Authority. Bank management also gained increased authority over approvals of non-reimbursable national technical cooperation financed by the Fund for Special Operations. In 1994, the Board delegated to the President the approval of non-reimbursable TC funding for amounts up to US\$750,000 if the operation is part of a Board-reviewed Country Paper or is in the program for technical cooperation approved by the Board.<sup>20</sup> In 1995, Department Managers were delegated the authority to approve non-reimbursable TCs for up to

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<sup>16</sup> Refer to Annex 1 for Chart of Technical Cooperation Policies and Relevant Agreements.

<sup>17</sup> IDB, Criteria and Norms for Board/Management Relations, GN-1838-1, July 1, 1994.

<sup>18</sup> RE-247, Para. 3.11

<sup>19</sup> Refer to CO-303, Appendix 3, "Project Performance Reporting System (PPMR) Report for Non-Reimbursable Technical Cooperation," July 2003.

<sup>20</sup> Criteria and norms for Board/Management relations, GN-1838-1, July 1, 1994

US\$150,000<sup>21</sup> and to simplify the procedures for processing non-reimbursable TC operations up to this amount. The trend toward a large number of small-scale TC approvals evident in Guyana, Nicaragua and Bolivia<sup>22</sup> suggests that management has made considerable use of this delegation of authority.

- 2.10 In 1998, Bank policy gave the Country Office Representative greater authority to verify contract compliance and approve TC amendments regarding compliance with conditions, contracting of services, and extension of disbursements. Extensions of the final disbursement date of non-reimbursable technical cooperation beyond 24 months still require the approval of Regional Operations Managers. Our analysis indicates that TCs in Guyana, Nicaragua and Bolivia have had difficulty meeting these disbursement dates.<sup>23</sup> Recently, several regional Operations Managers have reassessed the oversight of their TC approval and supervision process.
- 2.11 Efforts to Consolidate the Technical Cooperation Program. While the sources of funding for non-reimbursable TC have diversified during this period, Bank policy and the Board of Governors have sought to consolidate technical assistance into a coordinated program. In the Seventh Replenishment, the Bank's Board of Governors increased FSO resources available for national technical cooperation. Additional resources were forthcoming with untied grant funding for TC from the Japan Special Fund (1988) and the creation of the TC/Funds program (1991) that provided a mechanism for the Bank to accept donor trust funds. In 1993, an agreement establishing the Multilateral Investment Fund created the opportunity for additional grant resources to be available for TC operations supporting private-sector development.
- 2.12 In 1996, a Bank policy created a Technical Cooperation Fund, (FONTEC) to make effective use of TC funds from a variety of sources and to consolidate TC policies, resources and procedures with the aim of creating greater institutional efficiency. Implementation of this Fund has not proceeded for multiple reasons, one of which was the loss of an important source of funding for the TC program, following the 1998 decision by the Board of Governors on the use of FSO local currency. Still, the Bank's Institutional Strategy recommended a) consolidating technical assistance into a unified, decentralized program; and b) mobilizing resources for technical cooperation, which has been the subject of several reports to the Board of Executive Directors.

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<sup>21</sup> In its session of August 2, 1995, the Coordination Committee considered Document CC-5290 regarding the simplification of procedures and delegation of authority to approve non-reimbursable TC where commitments will not exceed US\$150,000.00.

<sup>22</sup> Refer to Graphic 2.4: TCs with approved amounts between 140 and 150 thousands, as a percentage of all TC approvals, and Annex 2 for the country-specific data tables.

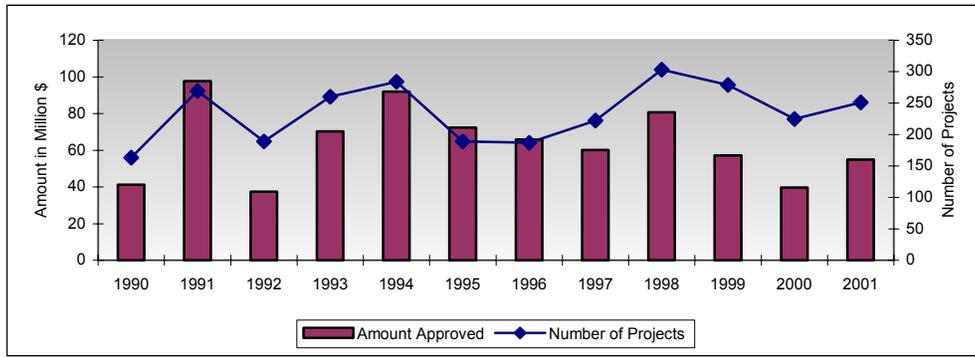
<sup>23</sup> See Table 2.3 Non-Reimbursable Disbursement Trends (1990-2001).

**B. Overview of TC Portfolio**

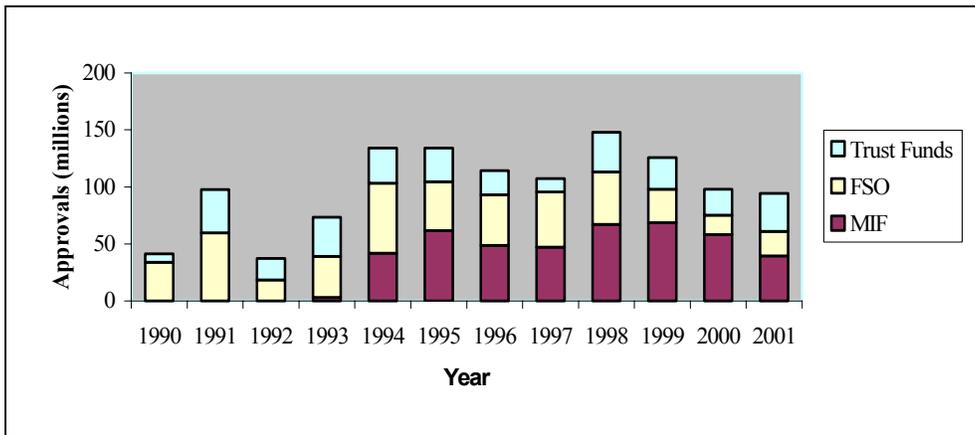
**1. The TC Portfolio: Approvals and Financing**

2.13 Between January 1, 1990 and December 31, 2001, the Bank approved 3,245 TC operations for a total of US\$1,205 billion, including 424 MIF operations totaling US\$436 million. Of the remaining 2,822 grants totaling US\$769 million, 1,817 received US\$460 million from FSO funds and 1,004 operations received US\$309 million from Trust Funds (see Graphic 2.2 below). Since 1999, there has been an increasing gap in the volume of TC projects approved relative to the resources financing the TC portfolio.

**Graphic 2.1: Total Amount and Number of Non-Reimbursable National Technical Cooperation (1990-2001)**



**Graphic 2.2: TC Financing Trends by Funding Source**

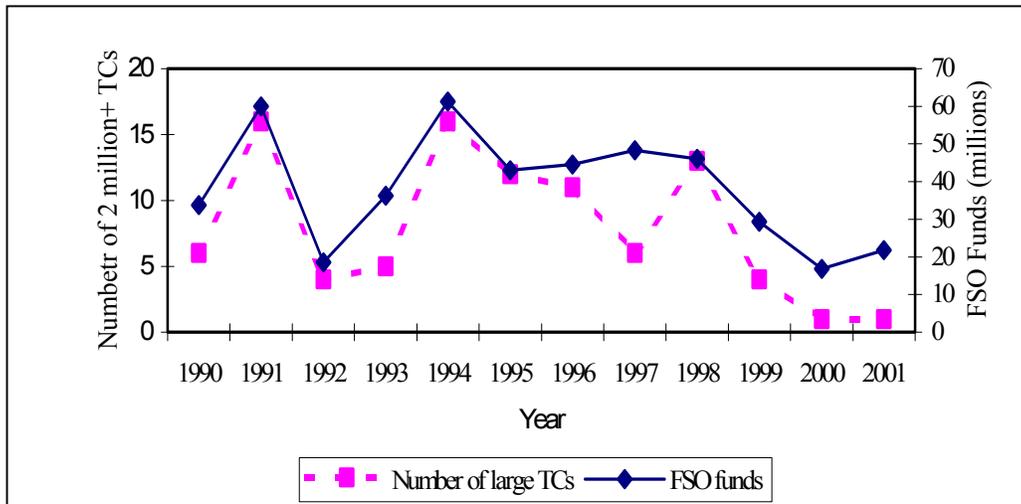


2.14 During this period (1990-2001), the net income of the FSO and bilateral trust funds were the primary sources of funding for non-reimbursable TC operations. However, the approval levels of such resources fell significantly during this period. Following a record US\$97,580,673 million in 1991, approvals fell to US\$37,318,017 million in 1992 and recovered somewhat in 1993 at US\$70,305,278, due to increased use of TFs and local currency resources. In 1993, the Multilateral Investment Fund (MIF) gradually started granting national

non-reimbursable technical cooperation operations totaling 424 operations for US\$436 million for the period under analysis. Annex II includes table detailing the amounts of TC Approvals by Source of Financing.

- 2.15 In this period, the composition of financing for non-reimbursable TCs changed significantly. From 1990 to 1994, the Fund for Special Operations (FSO) was the principal source of funding for non-reimbursable TC operations, followed by Donor Trust Funds and the Multilateral Investment Fund. Of the total funding, 54 percent, or US\$212 million, came from the FSO, while 34 percent, or US\$131 million came from Donor Trust Funds, and 12 percent, or US\$45 million, came from MIF. In contrast, from 1995 to 2001, the MIF accounted for 49 percent, or US\$355 million, while the FSO represented 32 percent, or US\$231 million, and Donor Trust Funds financed 19 percent of the total, or US\$141 million.<sup>24</sup>

**Graphic 2.3: Large Scale TCs Approvals Relative to FSO Funding (>US\$2 million)**

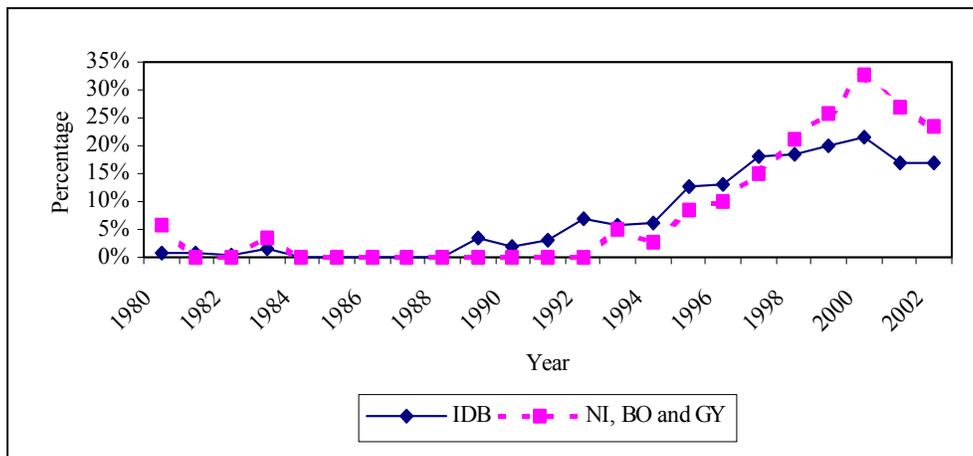


- 2.16 The reduced availability of FSO funding since 1995 has also affected the values of approved TCs. The 1995-2002 period has seen a concentration of operations approved for amounts that fall within the US\$140,000 and US\$150,000 range. This trend can be attributed not only to the decline in the approved levels for FSO funding, but also to the simplification of procedures and delegation of authority for TCs that do not exceed the threshold of US\$150,000 approved by the Coordination Committee on August 2, 1995 (Document CC-5290). The correlation between these two events and the amounts of TC approvals for the Bank and for the three countries targeted for this study is illustrated in Graphics 2.3 to 2.5.

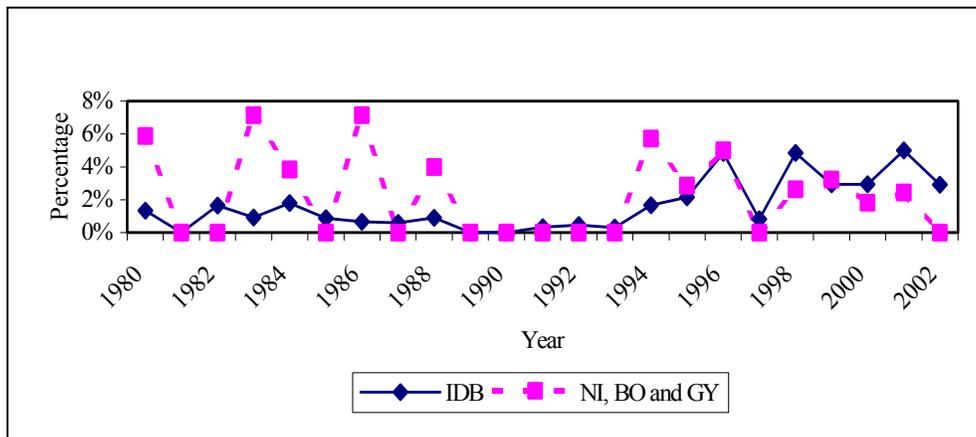
<sup>24</sup> Leaving out MIF as a source of financing, donor trust funds have grown as a source of financing from 23 percent to 49 percent of all TCs approved by the Bank since 1995. A recent report on a “Resource Mobilization Strategy for Technical Cooperation” concluded that donors tend to prefer funding poorer countries. In 1998-2000, C and D countries were allocated 49 percent of total trust funds resources, while A and B countries received only 25 percent of that total.

2.17 The first illustration, Graphic 2.3, shows how the decline in the availability of FSO funding has a direct effect on the number of large TCs approved for over US\$2 million. Then Graphic 2.4 further depicts this trend by showing a substantial increase in the percentage of TCs approved for values greater than US\$140,000 and lesser than US\$150,000 during the 1995-2002 period as a result of the simplification of the approval process for TCs within this range and of the reduced levels of FSO funding available. Finally Graphic 2.5 demonstrates that since 1995 the approval rate of TC operations that fall within the US\$700,000 and US\$750,000 range represent a much more moderate rate relative to all approvals, highlighting a preference for less restrictive approval process.

**Graphic 2.4: TCs with approved amounts between 140 and 150 thousand, as percentage of all TC approvals**



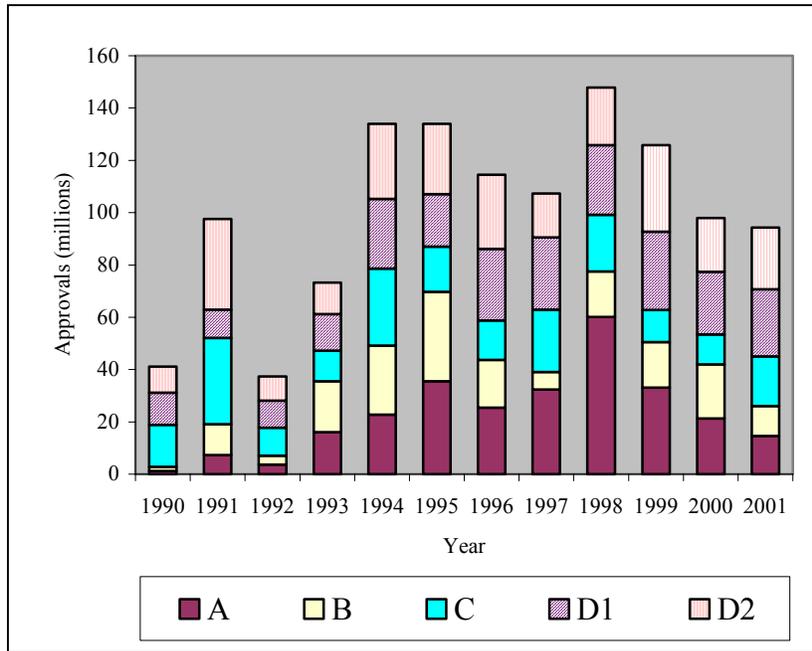
**Graphic 2.5: TCs with approved amounts between 700 and 750 thousand as percentage of all TC approvals**



2.18 Overall, the TC grants approved during this period were designed based on Bank guidelines and directives that aimed at increasing the relevance of the Bank’s operational program by providing support to the countries, preinvestment activities, institutional strengthening, including personnel training and, in some cases, to the implementation of Bank-financed projects. As stated previously, total

financing for national non-reimbursable technical cooperation was equivalent to US\$1.25 billion.

**Graphic 2.6: FSO Distribution by Country Group**



- 2.19 The Seventh and Eighth General Increases in the Resources of the Bank take into account the modalities and forms of financing TC operations according to the Bank's TC policy.<sup>25</sup> The policy grants preferential access to countries based on the parameters for capital increase approved in IDB-8<sup>26</sup>, on specific economic indicators and determined the distribution of SF funding by country and country-group. The results of this distribution analysis are in Annex II.
- 2.20 For the period 1990 through 2001, Group D countries<sup>27</sup> received FSO funding for 896 operations, for a total of US\$228 million, constituting fifty percent of FSO funding for TC region wide. FSO funding distribution among the 11 countries of this country-group was rather inequitable. Bolivia, Nicaragua and Paraguay were granted equal amounts of FSO funds for a total of US\$100 million or 45% of the total FSO funding for this group. Ecuador and El Salvador also received equal amounts that added to US\$44 million or 20% of the total FSO funding allocated to Group D. The remaining 35% or US\$84 million are distributed among the six other countries in this category. Guyana accounted for 8% of the Group D countries. As can be seen in Graphic 2.6, the Group D countries have assumed a

<sup>25</sup> <http://manuals.iadb.org/Ope/OP-402E.htm>

<sup>26</sup> see paragraph 4.9, page 73, AB-1704:

[http://webimaging/cf/weitms/docsummary.cfm?exact\\_docnbr=AB-1704](http://webimaging/cf/weitms/docsummary.cfm?exact_docnbr=AB-1704)

<sup>27</sup> D1: Belize, Dominican Republic, Ecuador, El Salvador, Guatemala, Paraguay; D2: Bolivia, Haiti, Honduras, Nicaragua

growing proportion of the total TC approval, given recent decline facing the Group A countries.

## **2. Overview of TC Portfolio in Guyana, Nicaragua and Bolivia**

- 2.21 In Guyana, Nicaragua and Bolivia, the Bank (excluding MIF) approved 355 national non-reimbursable technical cooperation operations (TCs) for a total of US\$141 million during the 1990 to 2001 period. TCs in these countries accounted for 12 percent of total TC approvals and 18 percent of total TC funding. Adding in the MIF, the TCs approved reach 414 grants for US\$189 million. Annex II contains tables and graphics for the three countries.
- 2.22 In Guyana, the Bank launched a major TC program in the early 1990s. The TC portfolio increased dramatically from three projects for US\$196,000 in 1990 to nine projects for US\$10.7 million in 1991. By 1995, the Bank had doubled its TC portfolio from six projects for US\$1.4 million in 1994 to 12 projects for US\$3.9 million. However, TC project approvals leveled off thereafter averaging six projects a year between 1996 and 2000, while funding for TCs dropped from US\$10 million in the 1995 to 1997 period to US\$7.6 million in the 1998-2001 period.
- 2.23 Similarly, in Nicaragua, the Bank initiated a sizeable TC program in the early 1990s, approving sixty TC operations reaching nearly US\$39 million between 1990 and 1994 alone. However, between 1995 and 1997, the decrease in FSO availability<sup>28</sup> contributed to a significant decline in the number of TCs approved. Still, TC approvals increased dramatically, with 91 TC grants approved for US\$22 million between 1998 and 2001 while the average size of TC decreased markedly during the same period. The number of TCs approved of US\$150,000 or less went from five operations between 1995 and 1997 to 66 during the 1998-2001 period.
- 2.24 Again, in Bolivia, the sharp rise in TC approvals in 1991 reflected the Bank's commitment to an active TC program throughout the early 1990s. Between 1990 and 1995, the Bank approved 72 TC operations for a total of US\$37.7 million. Bolivia sustained a large and growing TC portfolio from 1996 to 2001, which includes 88 operations approved for US\$40 million. Again, as in Nicaragua, small-scale TCs constitute the majority of the approvals. From 1990 to 2001, 54 grants, for US\$3 million, were equal to or less than US\$150,000.
- 2.25 In Guyana, Nicaragua and Bolivia, FSO declined significantly as a source of financing for non-reimbursable TC over the decade. Moreover, as Table 2.1 illustrates, MIF resources have become an increasingly important financing source for TCs, particularly in Nicaragua and Bolivia. In addition, in Nicaragua and Guyana, donor trust funds have constituted a sizeable source for TCs in the 1990 to 2001 period. For example, bilateral donor Trust Funds from the U.K.,

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<sup>28</sup> IDB, Nicaragua. Country Paper. 17 October 1996, pg.17

Sweden and Norway, among others, targeted Nicaragua as a beneficiary especially following the Consultative Group for Central America Reconstruction.

**Table 2.1: Sources of Financing for Non-Reimbursable TCs: 1990-2001**

Country	FSO %	Trust Funds %	MIF %	Total US\$
<b>Bolivia</b>				
Subtotal 1990-1994	63.8	20.6	15.5	34,304,177
Subtotal 1995-2001	32.9	13.8	53.3	35,262,915
Total	48.2	17.2	34.7	69,567,092
<b>Guyana</b>				
Subtotal 1990-1994	46.1	53.9	-	14,094,348
Subtotal 1995-2001	49.3	24.5	26.2	18,888,651
Total	47.9	37.1	15.0	32,982,999
<b>Nicaragua</b>				
Subtotal 1990-1994	61.6	38.4	-	37,437,711
Subtotal 1995-2001	29.0	19.3	51.7	31,968,806
Total	46.6	29.6	23.8	69,406,517

2.26 TC operations supporting social sector and modernization-of-the-state objectives of the eighth Replenishment predominate in Bolivia, Nicaragua and Guyana in the 1990-2001 period. However, in Bolivia, TCs in modernization of the state were more significant, while in Nicaragua and Guyana, TCs in the social sector accounted for the greater proportion. Refer to Annex II for table with sector breakdown by country.

2.27 Non-reimbursable TC operations have been slow to execute. In the 1990 to 2001 period, 37 percent of all TCs approved region wide extended their original disbursement date (ODD). The nine operations reviewed in Guyana, Nicaragua and Bolivia had difficulty meeting their original disbursement dates. Extensions of more than two years after the ODD were more common in the early 1990s in Bolivia and Guyana, when both countries experienced a rapid increase in the number of TCs approved.

**Table 2.2: Non-Reimbursable TC Disbursement Trends (1990 – 2001)**

National Technical Cooperation	Guyana	Nicaragua	Bolivia	Region
Fully Disbursed on Original Disbursement Date	40%	52%	46%	50%
Cumulative Extension of Disbursement Date	38%	40%	44%	37%
Two years or Less after ODD	- 22%	- 32%	- 29%	- 29%
More than two years after ODD	- 16%	- 8%	- 14%	- 8%
No Data	22%	8%	10%	13%

2.28 Still, many small scale TCs, those under US\$150,000, have relatively short disbursement periods, from six months to a year. In Nicaragua and Bolivia, a large number of TCs of less than US\$150,000 were approved in the late 1990s. A two-year delay in the final disbursement date for small TCs with a six-month execution period is quite different from a similar delay of larger TCs with a three-

year execution period. Nonetheless, the management burden of approving extensions is the same.

### 3. Trends in TC Programming in Guyana, Nicaragua and Bolivia

- 2.29 Reviewing the programming of national technical cooperation in Guyana, Nicaragua and Bolivia over the decade presents a challenge, given the sporadic and often incomplete reporting about TC operations at the country level. One source is the Bank's Country Papers (CPs), which Bank policy (OP-201) designated in 1994 as the "main instruments used by the Bank to define the financial and technical cooperation it will be providing to member countries."<sup>29</sup>
- 2.30 A review of the Bank's CPs for these three countries in the 1990-2000 period indicate that these papers provide limited information about how the technical cooperation operations are to be used to further Bank country strategies. These Country Papers typically include little or no information about the past performance of the TC portfolio, and seldom relate the proposed TCs to the achievement of specific country objectives.<sup>30</sup>
- 2.31 In the absence of such reporting, OVE constructed draft country matrices for Guyana, Nicaragua and Bolivia that seek to graphically depict the relationships between Bank strategy, approved technical cooperation projects, and loans between 1990 and 2001(Annex IV).
- 2.32 In Guyana, the Bank's Country Papers for 1991 and 1995 proposed a sizeable TC program. This program was to expand the Bank's sector knowledge base, support its lending program, strengthen institutions, and overcome constraints to economic recovery. It stressed "a *sine qua non* for the Bank-proposed strategy is a commitment and emphasis by the Bank to technical assistance programs for project preparation, execution, and evaluation for all projects in the pipeline and timely execution in the existing portfolio."<sup>31</sup> In its 1998 CP<sup>32</sup>, the Bank proposed using technical cooperation selectively to support public sector reform, health, environment and microenterprise.
- 2.33 In Nicaragua, the Bank's 1991 CP also advocated a large-scale TC program as a major component of its strategy to cope with serious institutional and informational weaknesses and—as noted in the 1996 CP-- as one of several instruments to achieving the Bank's strategic priorities.<sup>33</sup> After an absence of more than ten years, it was determined that a greater than usual pre-investment effort would be needed to replenish the Bank's knowledge, identify institutional

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<sup>29</sup> OP-201 Bank Operational Policy.

<sup>30</sup> A notable exception was the Bolivia Country Paper in 1999 (GN-2036-2) that included a Matrix of Bank Action that defined the relationships between the Bank's strategic objectives, loans and TC projects, including performance indicators. It also classified TC operations by country objectives, and rated TC achievement of the development objectives and performance.

<sup>31</sup> Guyana. Country Paper. 1995, GN-1888-1, p. 20.

<sup>32</sup> Guyana. Country Paper. GN-2014.

<sup>33</sup> Executive Summary, pg. IV. IDB, Nicaragua. Country Paper, 1996, Table 7.

weaknesses, and determine how they could be overcome. In addition, the CP identified the “pressing need for assistance in many government departments suffering from severe shortage of skills.”<sup>34</sup>

- 2.34 Again, in Bolivia, the Bank’s 1992 and 1996 CPs proposed an active TC program to complement its growing lending program which focused on public-sector reform, in private-sector development, poverty reduction, human capital improvement and environmental protection. The 1996 CP sought to use TCs to support the “backing second-generation reforms” and financing “pilot operations that identify the timing and relevance of alternative routes to economic and social development for the needier groups and promote greater civil society involvement.”<sup>35</sup> The CP identified the MIF as an important financing source for microenterprise. With the change of administration and Bolivia’s entry into the HIPC debt reduction program, the 1999 CP shifted the focus of the TC program to supporting the national poverty reduction strategy.<sup>36</sup>

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<sup>34</sup> Country Programming Paper for Nicaragua, 1991.

<sup>35</sup> GN-1904-1, p. 45.

<sup>36</sup> GN-2306-2

### III. NATIONAL TECHNICAL COOPERATION: OVERVIEW OF CASE STUDIES IN GUYANA, NICARAGUA AND BOLIVIA

- 3.1 This chapter provides a brief overview of the nine case studies of national technical cooperation projects (TCs) in Guyana, Nicaragua and Bolivia. These nine projects include a total of twelve operations, two of these operations have parallel operations, and one has a second phase operation (see table 3.1). These cases, presented in Annex 3, aim to help fill the information vacuum about the development results of TC operations. Each case reviews the objectives of the operation, the approach to technical assistance delivery, the results, and issues in light of the Bank's policy on technical cooperation. Several elements of the Bank's Technical Cooperation Policy frame the analysis in the cases. The first is the transfer of technical knowledge and expertise to strengthen local technical capacity, a principal objective of the Bank's TC program. The second relates to time frame. Bank policy establishes that technical cooperation activities are of a transitory nature with objectives to be achieved in the proposed period. The third is the incorporation of the technical assistance into the borrowing countries' operations with the Bank.
- 3.2 The projects reviewed focus on TC operations supporting priorities of the Bank's seventh and eighth Replenishment Mandates, principally those in the social sector (SO) and modernization of the state (MOS). The case studies were limited to TCs approved since 1990 that were completed or are nearing completion and were of relatively sizeable amounts.<sup>37</sup> The selection includes TC operations that received financing from the Multilateral Investment Fund (MIF) and donor trust funds, as well as the FSO. The study identified, in concert with Bank country coordinators and pertinent staff, TC projects that would reflect key thrusts of the Bank's country strategy and different TC approaches in these countries.
- 3.3 The data and information used in the analysis of these cases studies are derived from the Bank's database on TC funding and execution, the review of project documents, interviews with Bank staff, and evaluation missions to Guyana, Nicaragua and Bolivia.<sup>38</sup> The documents reviewed include: (a) Bank reports on the TC and related Bank operations, such as plans of operations, inspection reports, aide-memoirs, (b) project reporting by the executing agency, and (c) project evaluation and audit reports as available in the country office. Furthermore, project site visits and interviews with representatives of the executing agencies, government officials, donor agencies, beneficiaries and other key stakeholders provided additional input.

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<sup>37</sup> Most were close to \$1 million. Two exceptions were the two smaller TCs reviewed in Bolivia that represented an innovative pilot approach worthy of review. Also, the projects selected in Bolivia excluded those that had been evaluated by OVE in 1999.

<sup>38</sup> Site visits were carried out in 2001 and early 2002.

**Table 3.1: Case Studies: National Technical Cooperation Operations**

TC Number	TC Name	Sector	Approved Amount (US\$)	Source of Financing	Date of Approval
ATN/SF5432-GY	1) ENVIRONMENTAL MANAGEMENT PROGRAM	ENV/MOS	1,500,000	FSO	4-Dec-96
ATN/MT-5429-GY	2) IMPLEMENTATION OF ELECTRICITY SECTOR	EN/MOS	990,000	MIF	20-Nov-96
ATN/SF-5834-GY	3) HEALTH SECTOR POLICY & INSTITUTIONAL DEVELOPMENT	SOCIAL	2,500,000	FSO	7-Jan-98
ATN/SF-4127-NI	4) INSTITUTIONAL STRENGTHENING OF THE HEALTH SECTOR	SOCIAL	3,500,000	FSO	13-Jan-93
ATN/SC-4127-NI	(Parallel TC to above)	SOCIAL	1,500,000	Trust Funds Co-financed	13-Jan-93
ATN/SF-3885-NI	5) INSTITUTIONAL STRENGTHENING OF THE CENTRAL BANK	MOS	3,000,000	FSO	18-Dec-91
ATN/MT-4961-NI	6) LEGAL AND REGULATORY FRAMEWORK FOR EXPANSION OF PRIVATE INVESTMENT IN INFRASTRUCTURE	EN/MOS	1,991,220	MIF	19-Jul-95
ATN/SF-5131-BO	7) NATIONAL SYSTEM OF SOCIAL INDICATORS	SOCIAL	1,000,000	FSO	24-Jan-96
ATN/C1-5348-BOI	(Parallel TC to above)	SOCIAL	500,000	Trust Funds Co-financed	06-May-96
ATN/SF-5143-BO	8) SCHOOLING PROGRAM FOR WORKING MINORS	SOCIAL	2,650,000	FSO	07-Feb-96
ATN/SF-5730-BO	9) BOLIVIA AGENDA FOR THE XXI CENTURY	MOS	130,000	FSO	23-Oct-97
ATN/SF-6253-BO	10) NATIONAL DIALOGUE PROFUNDIZATION (Phase II of #9)	MOS	350,000	FSO	19-Nov-98

*Note: It was not possible to identify a TC operation in Guyana that supported MOS that was sizeable (over US\$500,000) and nearing completion. Therefore, the study included a government institution-building TC in the environment sector. The two MIF operations selected were linked to public sector modernization objectives in Nicaragua and in Guyana. Also, several case studies were financed as more than one TC, such as Nicaragua: Institutional Strengthening of the Health Sector and Bolivia: National System of Social Indicators given different sources of financing, and the National Dialogues financed as Phase I and Phase II.*

3.4 In **Guyana**, the Bank's technical cooperation program aimed to strengthen institutions and overcome the lack of qualified human resource and other constraints to economic recovery, to expand its sector knowledge and to support project preparation and execution. In view of the absence of any sizeable TCs supporting MOS in Guyana, the study identified two TCs that supported public sector modernization objectives. They included: the Environment Management Program, an innovative government institution-building project, and the Implementation of the Electricity Sector Program, a MIF TC project that supported the privatization of the state electricity company and execution of a Bank electricity reform-sector loan. The third case, Institutional Strengthening of the Health Sector, while not fully disbursed, reflected the Bank's social sector reform objectives in Guyana, as well as providing the institutional and policy foundation for project preparation and future Bank lending.

3.5 In **Nicaragua**, after an absence of more than ten years, the Bank looked to its technical cooperation program to rebuild institutional capacity, to replenish its knowledge base, and overcome sectoral and human-resource limitations. The TC Institutional Reform and Restructuring of the Central Bank exemplified an institution building TC in the financial sector, a sector central to the country's state modernization strategy over the past decade. The MIF-financed TC Legal

and Regulatory Framework for Expansion of Private Investment in Infrastructure illustrated a TC operation supporting loan execution in a sector central to the reform of the state and public utilities. The Institutional Strengthening of the Health Sector illustrated a TC approach that financed sector and feasibility studies in conjunction with institution strengthening, to support project development in the social sectors, which is a priority in Nicaragua's country strategy.

- 3.6 In **Bolivia**, the selection of the TC operations for the case studies aimed to reflect the evolution of the Bank's approach to technical cooperation over the decade. In the early 1990s, technical cooperation supported public-sector reform, private sector development, human-capital improvement and environmental protection. Studies by the Bank's Evaluation Office concluded that many TCs in Bolivia were effective and played important roles in supporting public-sector reform "by providing critical inputs for policy design and execution, and strengthening the institutions responsible for carrying them out."<sup>39</sup> Rather than reassessing these TCs once again, the intent was to identify cases to reflect the changing thrust of the Bank's TC program in Bolivia.
- 3.7 The 1996 CP presented TCs as tools "to back second generation reforms and finance pilot operations that identify the timing and relevance of alternative routes to economic and social development for the needier groups and promote greater civil-society involvement."<sup>40</sup> Two TCs, Bolivia Agenda for the XXI Century (1997) and National Dialogue Deepening (1998), were selected as a case study to reflect an innovative TC approach to public-sector capacity building; these pilot programs sought to expand the government's dialogue with civil society to set the country's national agenda. A stand-alone TC for the Schooling Program for Working Children (1996) was included to explore an innovative TC supporting project execution in the social sectors that relied on NGOs to deliver services to poor children. The TC National System of Social Indicators (1995) was a pilot operation that aimed to build government capacity to assess the impact of country policies on poverty, which became a central focus of the government's strategy.

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<sup>39</sup> EVO, (1995) "Technical Cooperation in Support of Public Sector Reform: the IDB Experience," RE-197.

<sup>40</sup> Bolivia. Country Paper, GN1904-1, p. 45.

#### **IV. CONSISTENCY WITH BANK POLICY ON TECHNICAL COOPERATION: AN ASSESSMENT BASED ON SELECTED TC OPERATIONS**

4.1 This chapter draws on the technical cooperation projects and case studies to review their performance within the context of the Bank’s technical cooperation policy (for policy references, see Boxes 1.1, 1.2, 1.3 in Chapter I). Criteria drawn from the policy provides a framework for reflecting on the development effectiveness of the technical cooperation operations. The elements of Bank policy that are examined in this chapter include: a) the transfer of knowledge and expertise to strengthen local technical capacity, b) the time frame for achieving TC objectives, c) the incorporation of technical assistance into borrowing country operations with the Bank; d) the priority of TC to the government and institutional capacity; and e) evaluation of technical cooperation activities. The assessment of these measures drew on evaluations conducted by the Bank or other donor agencies, the Bank’s database and performance reports, and interviews with Bank and other officials.

##### **A. Transfer of knowledge and expertise to strengthen local technical capacity**

4.2 A key objective of technical cooperation established in the Bank policy is to “facilitate the transfer of technical knowledge with the purpose of complementing and strengthening local technical capacity.” To assess the extent of knowledge transferred and local capacity strengthened, the study reviewed three elements of the TC project performance. The first was the reported performance of the technical assistance (TA). The second was the reported commitment to and engagement of local counterparts in the technical assistance. The third was the reported internalization of technical assistance by local institutions, through new systems, policies, practices, legislation, or investment.

**Table 4.1: Transfer of Knowledge and Expertise to Strengthen Local Technical Capacity**

Nine case studies	Performance of TC Delivery	Commitment of and Engagement of Local Counterparts	TA internalized into local institutions (e.g. systems, legislation)
Guyana: Environmental Management Program	4	3	4
Guyana: Electricity Sector Program	4	3	3
Guyana: Health Policy & Institutional Development	2	2	2
Nicaragua: Central Bank	3	3	4
Nicaragua: Legal & Regulatory Framework	3	2	2
Nicaragua: Strengthening of Health Services	3	2	2
Bolivia: Agenda XXI	4	3	4
Bolivia: Social Indicators and Analysis System	3	2	2
Bolivia: Schooling Program for Working Minors	2	3	2

- 4.3 Table 4.1 ranks the TCs on a scale of four to one. A ranking of 4 constitutes a highly satisfactory performance; a ranking of 3 constitutes a satisfactory performance; a 2 constitutes a less than satisfactory performance; and a ranking of 1 constitutes an unsatisfactory performance.
- 4.4 As can be seen in Table 4.1, only four of the nine TC programs delivered technical assistance that reportedly strengthened local technical capacity, as stipulated in the Bank policy. In each of these cases, technical expertise was delivered efficiently and was able to sustain the engagement of local counterparts. For example, Bank-financed expertise was instrumental in implementing environmental legislation and creating systems for environmental quality control and management in Guyana. The provision of technical assistance in Nicaragua contributed to rebuilding the institutional foundation for the Central Bank and developing viable financial accounting systems. In Bolivia, technical advisors contributed to strengthening the government's capacity to involve civil society and municipalities in the national agenda setting process, and ultimately to institutionalizing this dialogue into the national budget through legislation. Other TC operations had more difficulty strengthening local technical capacity.
- 4.5 The approaches to delivering services and the capacity of the executing agencies adopted by the various TCs appear closely related to their performance in delivering expertise and strengthening local institutions.
- 4.6 Several TCs reviewed sought to reduce the government's burden for managing technical assistance by opting for execution units that included long-term consultants and national counterpart teams. These TCs (Nicaragua Health, Guyana Health, Bolivia Social Indicators) had difficulty managing the delivery of TA, ensuring participation by local counterparts and incorporating TA into local institutions. In these cases, weak government agencies were still primarily responsible for overseeing a wide range of consulting services leading to difficulties in delivery. Moreover, the scarcity of qualified staff in the executing agencies tended to increase the likelihood of overloaded work plans or diversion of staff resources from one project to another. In Bolivia, for example, an evaluation of the National Social Indicator TC concluded that the staff in the executing agency, the national statistics institute, dedicated insufficient time to work with other agencies on a social-indicator system to meet the national poverty strategy requirements, due to competing demands from other donor projects. Similarly, in Nicaragua, the Strengthening of Health Services TC had problems building technical capacity in the Ministry of Health and sustaining the involvement of local counterparts, again given the scarcity of qualified staff and competing demands from other donor projects. In Guyana, the government's difficulty in providing technical direction and managing the Health Services TC appears not to have significantly improved the government's capacity to allocate resources, and develop an investment program and a basis for new lending.
- 4.7 Technical Cooperation programs that delivered short-term technical assistance in conjunction with sector loans tended to be efficient, but were less conducive to

long-term capacity building. In Guyana's Electricity Program, the Ministry of Finance was the executing agency for the sector loan and the parallel MIF TC. In Nicaragua's Infrastructure Program, the Ministry of Transportation and Infrastructure executed the Public Utilities Reform loan and the parallel MIF TC. The virtue of these short-term TCs was the efficiency of the MIF-financed international consultants in delivering relevant expertise to develop the legal and regulatory framework supporting execution of these sector loans. Still, the "catalytic" approach of MIF's short-term TA appeared less conducive to transferring skills that would build and strengthen local capacity over a sustained period. For example, evaluations of the Guyana and Nicaragua loans, linked to short-term TCs, concluded that more attention was needed to support the human resource development and institution building necessary to effectively implement privatization and defend the new regulatory structures.<sup>41</sup> MIF projects, such as these, face an inherent tension between efficient short-term delivery of specialized expertise and longer-term strategies for building local capacity.

- 4.8 Those TCs that tended to be more effective in building local capacity adopted innovative approaches to providing technical assistance that overcame the severe human-resource constraints. Approaches drawn from case studies illustrate the potential relevance of "gap filling without shame,"<sup>42</sup> a term coined by Eliot Berg, in improving management of technical assistance and local counterpart resources. For example, Guyana's technical cooperation "Environmental Program" filled a critical expertise-gap by subsidizing an internationally recruited director that helped build the institutional and legal foundation for the Environmental Protection Agency (EPA). Similarly, in Nicaragua's Central Bank program, the TC used the IMF as the executing agency since it had the specialized technical skills to begin to rebuild the Central Bank's administrative systems and to initiate the bank's institutional restructuring. In Bolivia's Deepening of the National Dialogue TC, the consultants accompanied the top government leadership in a major process of national consultation with municipalities countrywide in setting Bolivia's national agenda and investment priorities.
- 4.9 In light of this discussion, it is important to recall the conclusions of a 1988 Bank report, "Technical Cooperation for Institutional Strengthening: An Evaluation of the Bank's Experience," (PPR-37-88), which parallel the findings of the current study: *"the Bank's performance vis-à-vis support for institutional development continues to be uneven, its efforts marked by partial and discontinuous achievements and that the overall outcome of its actions is mixed and rather short lived."*

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<sup>41</sup> 49 IDB, Guyana Electricity Sector Program, 986/SF-GY, Project Completion Report (PCR), 2002, op. cit.

<sup>42</sup> Elliot Berg, Rethinking Technical Cooperation-Reforms for Capacity Building in Africa," Development Alternatives, 1993.

4.10 Moreover, the evaluation “*found, in the several dozen operations reviewed that the Bank, by and large, has used a conventional, rigid approach to the selection of delivery mechanism.*”<sup>43</sup>

4.11 The Bank’s uneven performance with building local capacity appears to be long standing, and that the Bank still faces considerable challenges in identifying appropriate delivery mechanisms.

## B. Time frame for achieving TC objectives

4.12 Another criterion established by the Bank policy is achieving the project’s objectives in the anticipated period; technical cooperation is a “transitory” instrument. Still, each of the TC operations reviewed for this study consistently underestimated the period to achieve their objectives. As can be seen in Table 4.2 below, all twelve TC operations that are included in the nine case studies have been slow to execute. None of these TC operations completed execution by their original disbursement date (ODD). Six completed execution in two years or less from the established ODD, while six others took more than two years from the original disbursement date. This trend parallels the slow disbursement of TCs over the past decade for Guyana, Nicaragua and Bolivia.

**Table 4.2: Disbursement Trends for Case Study TC Operations**

TC Name	Date of Approval	Eligible to Disburse	Delays from Approval to	Original Final Disbursement	Original Time Frame	Current Final Disbursement	Actual Time Frame	Delays in Execution
Guyana: Health Sector	07-Jan-98	23-Nov-98	0.9	18-Mar-01	3.2	18-Sep-04	6.7	3.5
Guyana: Electricity Sector	20-Nov-96	19-Dec-96	0.1	18-Dec-99	3.1	18-Dec-01	5.1	2.0
Guyana: Environment Management	04-Dec-96	28-Aug-98	1.7	28-Aug-01	4.7	30-Apr-02	5.4	0.7
Nicaragua: Health Sector *	13-Jan-93	06-Dec-93	0.9	27-Jan-96	3.0	27-Feb-00	7.1	4.1
Nicaragua: Health Sector *	13-Jan-93	06-Dec-93	0.9	27-Jan-96	3.0	27-Oct-98	5.8	2.8
Nicaragua: Central Bank	18-Dec-91	16-Jan-92	0.1	16-May-95	3.4	15-Jan-97	5.1	1.7
Nicaragua: Regulatory Agencies	19-Jul-95	09-Jul-96	1	09-Jul-98	3.0	07-Sep-00	5.1	2.2
Bolivia: Social Indicators*	06-May-96	06-May-96	0	30-Nov-98	2.6	30-Jun-01	5.2	2.6
Bolivia: Social Indicators*	24-Jan-96	23-Mar-96	0.2	23-Sep-99	3.7	23-Feb-02	6.1	2.4
Bolivia: Schooling Programs	07-Feb-96	08-Mar-96	0.1	08-Sep-99	3.6	08-Sep-01	5.6	2.0
Bolivia: Agenda for XXI Century*	23-Oct-97	01-Apr-98	0.4	09-Oct-98	1.0	09-Oct-99	2.0	1.0
Bolivia National Dialogue*	19-Nov-98	19-Jul-99	0.7	01-Feb-01	2.2	01-Oct-01	2.9	0.7

Source: Bank TC Operations database and project documents.

\* Financing for these TCs was either from two separate funding sources, such as FSO and Trust Funds (e.g. Nicaragua Health Sector and Bolivia Social Indicators), or sequentially in multiple phases (e.g. National Dialogues).

<sup>43</sup> IDB, Office of the Controller, “Technical Cooperation for Institutional Strengthening: An Evaluation of the Bank’s Experience,” November 1988, pg. 30, 42.

- 4.13 The ranking for the period required for execution places is based on a scale of four to one. TCs with a (4) ranking achieved their objectives in the original time frame, thus had no time overruns. TCs receiving a ranking of (3) achieved objectives within two years. Those with a (2) ranking achieved most objectives within three years. Finally, those with a (1) ranking did not achieve their objectives within three years. Table 4.3 below illustrated the ranking of the nine case studies including the second phase operation for Bolivia’s “Agenda XXI and excluding the two parallel operations in Nicaragua.

**Table 4.3: Time Frame for Achieving TC Objectives**

TCs	Ranking
Guyana: Environmental Management Program	3
Guyana: Electricity Sector Program	3
Guyana: Strengthening of Health Services & Institutions	2
Nicaragua: Institutional Reform & Restructuring of Central Bank	3
Nicaragua: Legal & Regulatory Framework for Infrastructure	2
Nicaragua: Health Sector Policy & Institutional Development	2
Bolivia: Agenda XXI	3
Bolivia: Deepening of National Dialogue	3
Bolivia: Social Indicators and Social Policy Analysis System	2
Bolivia: Schooling Program for Working Minors	3

*Rankings:*

*4- TC objectives achieved in anticipated period, and had no time overruns.*

*3- TC objectives achieved within two years of anticipated time frame.*

*2--Most TC objectives achieved within three years of anticipated time frame.*

*1-TC objectives not achieved within three years of anticipated period.*

- 4.14 In nearly all the cases reviewed, the stated objectives of the TCs were not accomplished in the two to three year period set by the original project document. For example, developing a national social-indicator system in Bolivia given severe data limitations, completely rebuilding the Central Bank in Nicaragua, creating an Environmental Protection Agency (EPA) in Guyana from scratch, and building technical capacity in the weak health ministries of Guyana and Nicaragua were very long-term propositions.
- 4.15 These TCs and others suggest that achieving project objectives in an environment of scarce human resources often takes an extended investment of time. However, long-term strategies for technical assistance were seldom explicit in TC project documents. Bank follow-up project extensions and approvals, as well as reporting, indicated that in multiple cases, the Bank approved a series of phased technical cooperation projects to complete the original TC objectives. For example, follow-up TCs were approved to support a second phase for the Central Bank Program in Nicaragua, the Environmental Management Program in Guyana, and the National Dialogue TC in Bolivia. Similarly, in Nicaragua, the Bank’s

Hospital Modernization loan incorporated many of the institution strengthening and strategy development objectives from the original TC. In Bolivia, the Bank approved several TCs financing additional data gathering and training to fill gaps in the social-indicator system developed by the original TC.

- 4.16 While not directly related to these cases, Bank staff identified another factor reportedly influencing the extension of TC completion dates; the alleged desire not to cancel approved TC projects financed with non-reimbursable resources. While this study did not systematically examine the reasons for TC extensions, the weak performance suggests that the basis for this trend should be better understood. This seems to be a recurrent issue since it was previously addressed in RE-182 “Evaluation Report on the Identification of Bottlenecks in the IDB’s National Technical Cooperation Program,” which was approved by the Board of Executive Directors in 1992.
- 4.17 Moreover, the multiple extensions of these TC completion dates pose challenges to donors and Bank management. Donors co-financing TC operations, such as Nicaragua’s Health Sector Policy and Bolivia’s Social Indicator System, consistently reported concern about the repeated extensions and the lack of timely reporting on project performance. Interviews with donor agency representatives and Bank reporting on these TCs suggested that the Bank’s process of disseminating project results to donors was often ad-hoc or non-existent. Similarly, Bank Regional managers, not just Country Office Representatives, face an oversight burden, often having to approve extensions of the multiple TCs that have exceeded the 24-month extension following the initial completion date.

### **C. TA incorporated into Borrowing Country Operations with IDB**

- 4.18 Another criteria relevant to the effectiveness of technical cooperation is the incorporation of TC operations into the borrowing operations of the Bank and whether they were “linked in the most direct possible way with the Bank’s financing activities,” which is a stated requirement of a TC request.
- 4.19 The approach adopted was to look *ex-ante* and *ex-post* at the relationship of the TC case studies with loans operations. First, the study reviewed Country Papers to identify *ex-ante* the inclusion of the proposed TC and its anticipated linkages to current or future borrowing. Second, the TC documents were reviewed to determine whether the TC established *ex-ante* the anticipated relationship with future Bank lending operations. Third, the Bank portfolio was examined over the decade to identify *ex-post* linkages of TCs with Bank lending operations. This step drew on the country matrices prepared for the three countries included in Annex IV. These matrices provide an overview of approved TC operations since 1990 in the context of the Bank’s country strategic objectives.

**Table 4.4: Technical Assistance Related to Borrowing Country Operations with IDB**

TCs	Ex-Ante Bank Country Paper Lists Proposed TC	TC Project Document Establishes Ex Ante Linkage to Borrowing Operations	Ex-Post Linkage to Borrowing Operations in Bank Portfolio
Guyana: Environmental Management Program	Yes	No	Yes
Guyana: Electricity Sector Program	No	Yes	Yes
Guyana: Health Policy & Institutional Development	Yes	Yes	No
Nicaragua: Central Bank	Yes	Yes	Yes
Nicaragua: Legal & Regulatory Framework	No	Yes	Yes
Nicaragua: Strengthening of Health Services	Yes	No	Yes
Bolivia: Agenda XXI (1)	No	Yes	Yes
Bolivia: Deepening of National Dialogue (2)	No	Yes	Yes
Bolivia: Social Indicators and Analysis System	Yes	No	No
Bolivia: Schooling Program for Working Minors	Yes	Yes	No

4.20 The Bank’s Country Papers identified the majority of the proposed TC operations, often in an annex listing anticipated TCs. Four TCs that were not incorporated into Country Papers prior to approval included Guyana’s Electricity Sector TC , Nicaragua’s Legal and Regulatory Framework and two TCs supporting the Bolivia’s National Dialogues. The Bank later incorporated these, as TCs under execution, in subsequent Country Papers.

4.21 However, the Country Papers tended to be inconsistent in defining the linkages of the TCs to the Bank’s borrowing operations. In four cases, the CPs did not identify the linkage between the specific TC operations and the Bank’s financing. For example, in Bolivia, the 1996 CP presented the TCs, such as the Social Indicators and the Schooling Program operations, in an annex of prospective TCs, but the CP did not describe how these TCs would relate to the Bank’s lending program. In addition, the CP overview Table on the Bank’s Operating Program in Bolivia limited its focus to the relation of the proposed loans to the strategy, and did not include TCs.<sup>44</sup> In Nicaragua, the Country Paper (1996) presented a table identifying the relationship between the Bank’s Strategy, the Portfolio under Execution, and Proposed projects. However, the CP omitted an instrument of its strategy, the Health Services TC still under execution, as did the CP discussion of strategy instruments. In Guyana, the CP (1995) established that a proposed health TC would “lay the groundwork for the subsequent health care modernization program (scheduled for 1997).” But the CP was not specific about the linkages of the proposed Environment TC, to the operating program. The Guyana CP did not anticipate the TC supporting regulatory reform in electricity.

4.22 Independent of the Bank’s TC policy, the Bank Country Programming guidance established that CPs identify “the upcoming pipeline of loans, small projects and

<sup>44</sup> In contrast, the 1999 Bolivia CP (GN-2036-2) included a Matrix of Bank Action that defined the relationships between the Bank’s strategic objectives, loans and TC projects, including performance indicators.

technical cooperation operations for the particular country, which is to include a concise description of each operation showing the logical links between the operation and the Bank's policies and country strategy." Moreover, program proposals for technical cooperation should "provide the logical links to the achievement of the Replenishment Objectives and country strategies."<sup>45</sup> From this perspective, the Country Papers reviewed did not consistently describe the logical links between specific TC operations and the Bank's policies and country strategy. The Guyana CP (1996) described the linkages of TC operations supporting Environmental Management and Health Services to specific strategic objectives. The Bolivia CP (1996) described the overall strategic objectives of the TC program as a whole, but the description of the individual TC operations (Social Indicators and the Schooling Program) was less specific about the logical link to specific country strategies and Bank policies. In Nicaragua, the CP (1991), which predated the Bank country program amendments, presented a general overview of proposed TC operations to support reconstruction, (including TCs for Central Bank, Health Services) and their links to specific country objectives.

- 4.23 In four cases, the CPs did not anticipate the proposed TC and did not describe the "logical links between the [proposed TC] operation and the Bank's policies and country strategy." They include: Guyana: Electricity Sector; Nicaragua: Legal and Regulatory Framework; Bolivia: Agenda for the XXI Century and Bolivia: Deepening of the National Dialogue. The Bank did follow up with programming missions that described the links of two of these operations to the Bank's country strategy. In Guyana, the 1996 Programming Mission Memorandum established that the MIF funded technical cooperation was linked to the Bank's action plan supporting the electricity sector program. In the case of Bolivia, the Bank's 1998 Programming Mission Report described the country strategy's emphasis on dialogue with civil society to define national priorities, including the proposed the TC Agenda for the XXI Century which was to support the government's dialogue with civil society. The second phase of this TC was Bolivia: Deepening of the National Dialogue. With regard to Nicaragua, Region II department identified no country programming document relating to the Legal and Regulatory Framework TC, stating in an email that "documentation pertaining to Programming matters during 1995 and previous years, should have been destroyed by now, according to REC policy."<sup>46</sup>
- 4.24 The TC project documents tended to be inconsistent in defining the linkage of the technical assistance to the Bank's financing activities. Some TCs, such as those supporting execution of sector loans, clearly established their ties to Bank lending operations. The TC for the Central Bank in Nicaragua also established that this operation would "enable the government to meet policy requirements under structural adjustment loans." Other project documents defined less direct linkages to on-going lending operations. The Schooling Program for Working Minors

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<sup>45</sup> Criteria and Norms for Board/Management Relations, GN-1838-1, July 1, 1994.

<sup>46</sup> E-mail response by Luis Ruben Zavaleta to Cressida McKean on October 02, 2003 (5:08p.m.) and copied to Lionel Yves Nicol and Renato L. Puch.

- identified how this pilot TC supported the Bank's objective in developing human capital complementing several lending operations.<sup>47</sup> The National Dialogue TC cited its complementarity to Bank lending operations supporting civil society participation.
- 4.25 Several TCs were cautious in defining explicit linkages to the Bank's operating program, often because the Bank conceived of the TCs as interim means to support government efforts to clarify its strategy and build the institutions required for an effective lending program. For example, the Guyana Health Services TC concluded, "once progress is made on strengthening institutional capacity and the implementation of key policy changes, then larger investment programs will become feasible."<sup>48</sup> Similarly, the Nicaragua Health Services TC sought to strengthen the Ministry's policy capacity supporting the "drawing up an investment program consistent with the policies and strategies adopted for the sector."<sup>49</sup>
- 4.26 Finally, some TCs did not identify any linkage to borrowing operations. For example, the TC for Guyana Environment Management did not define its relationship to Bank lending operations; this TC will "overcome some of the major obstacles to Guyana's sustained environmental management" and there is "general consensus among government agencies, donors/lenders, and the private sector on the need for an effective environmental regulatory body."<sup>50</sup> As well, the Social Indicators TC also did not identify its relationship to Bank lending operations.<sup>51</sup>
- 4.27 Three of the TCs reviewed did not result in technical assistance being incorporated into borrowing operations. For example, the Bolivian government incoming in 1997 did not integrate the pilot Schooling Program for Working Minors into its investment plan. The shift in government leadership, management turnover and weak project execution may have discouraged its integration into the Bank's lending program. The Social Indicators and Analysis System TC did not lead to follow-on bank lending operations. While the TC did result in the approval of complementary TCs to fill information gaps in the social indicator system,<sup>52</sup> the TC did not feed into government investment decisions and Bank lending operations. Donors' growing demand for indicators to track the national poverty strategy's performance under HIPC belatedly stimulated government interest, but

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<sup>47</sup> IDB, "Bolivia. Non-reimbursable technical cooperation funding for a program to provide schooling for working children between the ages of 7 and 12," AT-1072, p. 5.

<sup>48</sup> IDB, (1997), Guyana: Non-reimbursable technical cooperation funding for a health-sector policy and institutional development program. AT-1138, pg. 2 of executive summary. The 1998 CP follows up, "Sufficient progress under the technical cooperation would set the stage for and help identified a Health Sector Investment Loan, whose timing is likely in 2001 or later."

<sup>49</sup> IDB. "Nicaragua. Non-reimbursable funding for the strengthening of health services and institutions." AT-928, p. 8.

<sup>50</sup> P. 4., 16

<sup>51</sup> Op. cit. p. 2 of Executive Summary

<sup>52</sup> They include: Surveys and Measurement of Living Conditions ATN/SC-6559-BO, and Improvement of Living Conditions ATN/SF-6936-BO.

the technical assistance was not a priority integrated into its lending program. The Guyana Health Sector TC has also not led to a borrowing operation. The lack of consensus over the TC objectives during execution and the weak technical quality of the consulting services may have slowed the government's investment planning.

- 4.28 A common feature of TCs that were unable to incorporate technical assistance into a borrowing operation was their difficulty in sustaining the commitment of the government to the TC objectives. Without engagement of government leadership in the technical assistance, developing a follow-on lending program was not possible.
- 4.29 TCs that were more effective in incorporating technical assistance into borrowing country operations were those that supported central components of the government's national agenda for a sustained period. For example, in Bolivia, the technical assistance supporting the National Dialogues contributed directly to the government's national poverty reduction strategy, which has become the centerpiece of the Bank's country strategy for Bolivia, with three related loans approved in 2001 alone. Similarly, in Nicaragua, the TC for rebuilding the Central Bank was an anchor for follow-on financial sector loans. In Guyana, government commitment to the Bank TC and sector loan led to a follow-on Bank electricity operation for underserved areas.

#### **D. Ownership: Priority of TCs to the Government and Institutional Capacity**

- 4.30 The Bank's Technical Cooperation policy established several criteria for technical assistance requests that relate member country demand for and absorption of technical cooperation. For example, the TC request needs to ensure "acknowledgement by the applicants of the desire to receive this cooperation in a field in which they do not possess sufficient available technical capacity."
- 4.31 Bank TC project documents and official files did not consistently report on the government's desire to receive technical cooperation from the Bank. Three of the TC project documents do not cite a government request for technical assistance and provide few details about the government's desire for technical cooperation. For example, the Schooling Program for Working Minors TC cites relevant legislation and organizations, but the project document does not provide details on the government's interest in the technical assistance. Similarly, the project document on Social Indicators and Analysis System TC describes seminars involving government officials as leading to the TC program. Still, the project document does not establish the government's specific desire for the technical assistance. Similarly, the Agenda for the XXI century TC document does not mention the government's desire for technical cooperation. In other cases, such as in the TC for Nicaragua Legal and Regulatory Framework, the government's desire for the technical cooperation is implicit rather than explicit in the project document.

**Table 4.5: Requesting Government Desire for Technical Cooperation and Priority in Country Development Plans as Stated in Project Documents**

TCs	Government acknowledges desire for TC in field where they have insufficient technical capacity.	Authorities determine that TC has priority in country's development plans.
Guyana: Environmental Management Program	Yes	Yes
Guyana: Electricity Sector Program	Yes	Yes
Guyana: Health Policy & Institutional Development	Yes	Yes
Nicaragua: Central Bank	Yes	Yes
Nicaragua: Legal & Regulatory Framework	Yes	Yes
Nicaragua: Strengthening of Health Services	Yes	Yes
Bolivia: Agenda XXI	N/A	Yes
Bolivia: Deepening of Dialogue	Yes	Yes
Bolivia: Social Indicators and Analysis System	N/A	N/A
Bolivia: Schooling Program for Working Minors	N/A	N/A

- 4.32 Moreover, TC project documents did not consistently identify the government's "insufficient technical capacity in the proposed area of assistance." In a few cases, such as the Central Bank, Environmental Management, Guyana Health and Nicaragua Health, the TCs were explicit about the limitations of the government's expertise. The others were silent on the subject.
- 4.33 Another criterion established by Bank policy was the inclusion in TC requests of a "determination by competent authorities of priority within national, regional or subregional development plans." Most TC operations documented the priority of proposed technical assistance to government's development plans, though some are more systematic than others. Some TCs, such as Nicaragua: Health Services explicitly discuss the TC as a "Priority of the Government." Others, such as the TCs financed by the MIF, refer to the government's commitment to the sector loan as the means to establish the priority of the technical assistance, citing policy letters. Still, project documents for two TCs (Social Indicators and Schooling Program) do not establish the priority in the government's development plans.
- 4.34 TC requests were also to provide a "description of the counterpart financial and human resources, and of the beneficiary's or borrower's institutional conditions."<sup>53</sup> Table 4.6 below ranks the TCs based on the level of the extent of description of the counterpart and institutional conditions, a (4) ranking constitutes a systematic description; a (3) ranking constitutes an adequate description, a (2) ranking constitutes a less than sufficient description, and a (1) ranking constitutes little to no description.
- 4.35 Most TC project documents report on counterpart financial resources, typically in amounts constituting ten percent or less of the total cost.<sup>54</sup> Two TC project documents report counterpart resources provided "in kind." However, only two

<sup>53</sup> Op. cit. p. 6

<sup>54</sup> The two exceptions are Bolivia: Agenda for the XXI Century and Deepening of the National Dialogue, which had sizeable counterpart contributions from other donor agencies.

provide a systematic description of the counterpart human resources that would support the project. For example, the Nicaragua Central Bank TC identifies secretarial and administrative support as coming from the Central Bank for the consultants, but is less specific about the actual availability of the technical staff that might serve as counterparts. Similarly, the Guyana Electricity Program and the Nicaragua Legal and Regulatory Framework TCs identify local counterparts as either “logistical support” or “salaries and general support” for subprograms, even though the involvement of counterparts has proved quite central to effective internalization of the technical assistance. The Bank’s financial reporting system does not track the actual level of counterpart financial resources of TCs. Still, evaluations and project reporting indicated that seven of the TCs reported difficulty sustaining professional staff that could serve as counterparts over the life of the project.

**Table 4.6: Counterpart Resources and Beneficiary’s Institutional Conditions described in proposed Technical Cooperation**

TCs	Counterpart Resources Described		Beneficiary’s Institutional Conditions Described	
	Financial Resources	Human Resources	Analysis of Capacity	Institutional Arrangement
Guyana: Environmental Management Program	4	4	4	4
Guyana: Electricity Sector Program	4	2	1	3
Guyana: Health Policy & Institutional Development	4	3	4	4
Nicaragua: Central Bank	In-kind	2	3	4
Nicaragua: Legal & Regulatory Framework	4	2	1	4
Nicaragua: Strengthening of Health Services	4	4	4	4
Bolivia: Agenda XXI	4	3	1	4
Bolivia: Deepening of Dialogue	4	3	2	4
Bolivia: Social Indicators and Analysis System	In-kind	3	1	4
Bolivia: Schooling Program for Working Minors	4*	3	3/1**	4

\*The Bank will recognize a contribution representative of local effort in services and kind (rental, communications, auxiliary personnel) for the equivalent of US\$250,000, which would be the responsibility of the city coordinating agencies and executing agencies. Given the nature of the local contribution, no financial auditing would be required.

\*\*The project team assessed the capacity of the coordinating city agencies, but did not analyze the capacity of the government executing agency and the local executing agencies. P 13.

4.36 Nine of the TCs reviewed describe the proposed institutional arrangements for project execution in considerable detail. Far fewer of the TC project documents assess the institutional capacity of the beneficiary agencies. Only three TCs systematically analyze the capacity of the member country institutions to execute the project, two others provide an adequate analysis, and another assesses only a small subset of the beneficiary institutions. Four TCs include little to no institutional analysis of the beneficiary institutions.

- 4.37 Government support substantiated in the project document appeared to have a bearing on TC performance. For example, the TC projects whose documents did not affirm the government's desire for the technical assistance and the TCs' priority in the country's development plans had more trouble establishing linkages to the Bank's lending program, evident in the Social Indicators and the Schooling Program technical cooperation operations. Still, TCs that reported that government commitment to the TC and its importance to their country strategy had stronger linkages to the lending program. Also, TCs that provided limited description of counterpart human resources and beneficiary institution's capacity tended to have less success in strengthening local technical capacity. For example, the Guyana Electricity, the Nicaragua Legal and Regulatory Framework, Social Indicators and Analysis System, and the Schooling Program for Working Minors TC tended to have more difficulty building local capacity. Still, in some cases, the project approach to TA delivery compensated for this constraint, such as in the Central Bank and Environmental Management TCs.
- 4.38 The Country Papers for these countries over the decade, as well as Bank evaluations of technical cooperation, further confirm these findings. In Guyana, the Bank Country Paper concluded, "the major lesson to be derived from the Bank's past strategy and portfolio performance is that the weakness of the public-sector institutions and its human-resource base represent a major constraint to development... As a result, even technical assistance support is often ineffective due to the lack of counterpart personnel to carry out the work, which in turn reduces ownership".<sup>55</sup> Similarly, for Nicaragua, the Bank cited the institutional weaknesses in the public sector as affecting the delivery of technical assistance. In its 1996 CP, the Bank concluded that technical assistance supporting execution of Bank operations enabled a normal execution of the loan portfolio, but cited delays owing to the institutional weakness of the agencies executing the TCs.
- 4.39 For Bolivia, the Bank concluded in the 1996 CP that the TC portfolio had been fundamental in supporting capitalization of public enterprises, the privatization process, and the national public-investment system. TC operations have also been instrumental in the strengthening of the Customs Directorate, the development of productive sectors and promotion of foreign trade, and the improvement of tax administration.<sup>56</sup> However, by 1999, the Bank found a worsening of the performance of its loan portfolio in 1998 relative to the previous year, which the CP attributed to institutional weakness of the public sector and lack of timely counterpart funding.
- 4.40 The Country Program documents over the span of the decade, highlight several important challenges:

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<sup>55</sup> Op. Cit. p. 4

<sup>56</sup> Bolivia Country Paper. GN-1904-1: 34; OVE Working Paper, "La Cooperación Técnica No Reembolsable en Bolivia: Lecciones Aprendidas," rated five of seven TC operations as either highly satisfactory or satisfactory in effectiveness. P. 32-33.

- The lack of counterpart personnel resulting in reduced ownership of the operation has undermined the effectiveness of the technical assistance to attain its objectives.
  - The lack of experience and expertise of the executing agencies contributed to delays in the execution of TCs as well as in the execution of loans supported by TCs.
  - The institutional weaknesses of the public sector and the lack of timely counterpart funding affected the performance of the Bank’s loan portfolio.
- 4.41 Bank evaluations of national technical cooperation programs in Bolivia and Argentina also reaffirmed the importance of host country “ownership” to effective execution.<sup>57</sup> Similarly, an OVE report on performance monitoring for non-reimbursable technical cooperation concluded that project ownership by TC recipients can be critical to achievement of development results, and that “institutional capacity should be carefully assessed from the outset in order to appropriately scale activities, meeting execution training needs, and to identify potential risks.”<sup>58</sup>

#### **E. Monitoring and Evaluation of Technical Cooperation Activities**

- 4.42 Another element of development effectiveness involves documenting results. The Bank TC policy establishes the importance of the “evaluability” of technical cooperation by requiring that proposed Plan of Operations include the criteria for evaluating the result of the technical assistance. Reviewed TCs that required a final evaluation identified criteria to evaluate the results. Still, the evaluation criteria were often insufficiently specific to be measurable. For example, one TC proposed that the assessment “will be designed to evaluate progress to date, as well as identify future areas for potential support.” Still others, such as the Bolivia Schooling Program for Working Minors TCs, provided specific performance indicators for evaluation.
- 4.43 Evaluating TC results is dependent on identifying appropriate performance indicators, the anticipated risks and relevant mitigation measures. Results Frameworks developed for this study<sup>59</sup> drew on the original TC project documents to record the stated project goals, objectives, baseline, milestones, targets, the identified risks and proposed mitigation. A review of these Results Frameworks suggests that most project documents had not defined indicators that would evaluate the outcomes of technical cooperation. As Table 4.7 below illustrates, only three of the nine TC project documents established indicators to assess achievement of the project goal.

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<sup>57</sup> IDB, EVO, 1997, 1998, 1999a.

<sup>58</sup> IDB, EVO, Performance Monitoring Reporting for Non-Reimbursable Technical Cooperation: Current Practices and Future Directions,” pg. ii, 27-31.

<sup>59</sup> See Annex 4: Results Frameworks

- 4.44 The Results Frameworks were more consistent in establishing indicators for the objectives of project components. Seven of the nine TC projects identified indicators for individual objectives that provided for evaluation of inputs or outputs rather than outcomes. Examples of indicators range from studies completed, training programs carried out, and laws drafted. Still, several TCs identified outcome indicators, such as number of street children remaining in school. However, the TC project documents reviewed rarely established baselines, milestones or targets, which can be useful instruments to track performance.
- 4.45 TC project documents were relatively systematic in identifying project risks and risk mitigation measures, as eight of the nine TCs included these factors.

**Table 4.7: Result Frameworks for Nine TC Projects Reviewed**

ATNs	Indicators					Risks	
	Goal	Objective	Baseline	Milestone	Target	Identified	Mitigated
GU: Environmental Management	Yes	Yes	N/A	N/A	N/A	Yes	Yes
GU: Electricity Sector	N/A	Yes	N/A	N/A	N/A	N/A	N/A
GU: Health Sector Policy	Yes	Yes	Yes	N/A	N/A	Yes	Yes
NI: Central Bank	N/A	N/A	N/A	N/A	Yes	Yes	Yes
NI: Health Service Strengthening	N/A	Yes	N/A	N/A	N/A	Yes	Yes
NI: Legal Framework for Infrastructure	N/A	Yes	Yes	N/A	N/A	Yes	Yes
NI: Health Services	N/A	Yes	N/A	N/A	N/A	Yes	Yes
BO: Agenda XXI Dialogue	N/A	Yes	N/A	N/A	N/A	N/A	N/A
BO: Deepening of National Dialogue	N/A	Yes	N/A	N/A	N/A	N/A	N/A
BO: Schooling Program for Minors	Yes	Yes	N/A	N/A	Yes	Yes	Yes
BO: Social Indicators	N/A	Yes	N/A	N/A	N/A	Yes	Yes

Key: Yes – Included in the project document. N/A – Not available.

- 4.46 The TC project documents included reporting requirements, such as progress and final reports, and the Bank used multiple instruments to monitor on performance, such as inspection reports, aide memoirs, mid-term assessments, audits and evaluations. However, the Bank’s lack of a common reporting format to track achievement of objectives makes a systematic progress reporting by Bank Country Office staff complex. Although Management has drafted criteria and guidelines for the inclusion of non-reimbursable TCs in the PPMR system, as recommended by OVE in its report on the Bank’s monitoring and PCR system (RE-247), none of the projects reviewed used the same instrument to report on the

performance of technical cooperation projects.<sup>60</sup> In reporting to donors who had provided co-financing trust funds, the Bank had considerable difficulty delivering regular progress reports on two TCs<sup>61</sup> to co-financing donors. For example, in Bolivia, the Dutch government approved extensions of co-financing for the Social Indicators System TC, but its lack of satisfaction with the Bank's reporting on project performance led it to contract an independent evaluation of the project on which to base their funding decisions.

- 4.47 The project documents reviewed did not define indicators and a performance reporting system that would permit evaluation of project outcomes for most of the TCs. Only two of the evaluations completed attempted to undertake assessment of project outcomes.
- 4.48 Evaluation is an integral component of the Bank's technical cooperation policy. Of the TCs reviewed, the project documents did not consistently require a final evaluation as anticipated in the Bank policy.
- 4.49 As can be seen in Table 4.8 below, just over half of the TC projects established a final evaluation as a reporting requirement. Of the five project documents requiring a final evaluation, three TCs completed a final evaluation report. Of those lacking a final evaluation, one TC had not fully disbursed and its evaluation was pending project completion. In another case, the Bank did not have an evaluation report in its files. Of the TCs that did not require a final evaluation, three projects proposed that progress reports and a final report record completion of project objectives, and a fourth had no specific performance reporting requirements beyond on-going technical oversight by the Bank's staff.

**Table 4.8: Final Evaluation**

TCs	Required	Completed	Evaluation Reports Produced
GY Environmental Management	Yes	Yes	Farnsworth, E.G. "Review of a Technical Cooperation Program for Environmental Management (ATN/SF-5432-GY), Draft Final Report of Consultant's Review," 28 March 2000.
Bolivia 1. Agenda XXI 2. <i>Profundización del Dialogo</i>	Yes Yes	Yes Yes	1. "Diálogo Nacional: Evaluación de la Primera Etapa," Anexo 1 al "Bolivia: Plan de Operaciones para un programa de apoyo a la profundización del Dialogo Nacional." TC-98-01037-6-BO, 1998. 2. Vivian Arteaga y Christopher, Inc. "Evaluación Dialogo Nacional 2000: Lecciones Aprendidas y Recomendaciones para el Futuro," 2000
BO: Schooling Program for Minors	Yes	Yes	1. Berthin Amengual & Asociados, "Programa de Escolarización de Niños y Niñas Trabajadores de Siete a Doce Años," PENT, Informe Evaluación Operativa, 1998. 2. Vice-Ministerio de Asuntos de Género, Generacionales y Familia, "Programa de Escolarización de Niños y Niñas Trabajadores de Siete a

<sup>60</sup> Management reported in its 2002 Annual Report on Projects in Execution (ARPE) that the incorporation of selected TCs into the PPMR system is to proceed gradually in 2003, in pace with systems capacity and logframe development for new non-reimbursable TCs.

<sup>61</sup> Bolivia: Social Indicators and Social Policy Analysis System (SISAPS) TC benefited from \$500,000 from the Netherlands complementing \$1 million in FSO resources. Nicaragua: Strengthening of Health Services and Institutions TC financed the Pre-investment Component with \$1.5 million from the Swedish Trust Funds, complementing the \$3.5 million from FSO resources.

TCs	Required	Completed	Evaluation Reports Produced
			Doce Años, Informe Final de Consultoría, Coordinación Nacional del Programa PENNT,” abril de 2001.
GY: Health Sector Policy	Yes	N/A	This TC’s original final disbursement date expired on March 18, 2001, an it received and extension to September 18, 2004. As of June of 2003, sixty-five months after approval, its had disbursed 72%. Progress Reports by the executing agency and technical reports by Bank staff have recorded achievement of project activities. A final evaluation is pending project completion.
NI: Health Service Strengthening	Yes	N/A	The Project document established that the project would complete a mid-term and final evaluation, but the Bank could not locate these evaluation reports in their project files.
GY: Electricity Sector	No	N/A	The Bank completed a PCR on the Guyana Electricity loan associated with this TC, IDB, “Guyana Electricity Sector Program, 986/SF-GY, Project Completion Report,” 2002, which provides a brief assessment of the technical assistance.
NI: Central Bank	No	N/A	The project final report. Gobierno de Nicaragua, Banco Interamericano de Desarrollo, Fondo Monetario, Internacional, “Informe Final. Reformas Institucionales del Banco Central,” diciembre 1996, became the basis for the negotiation of Phase II. The Bank contracted an evaluation of Phase II, Diz, Adolfo. “Nicaragua: Programa de Fortalecimiento Institucional del Banco Central: Evaluación de su Ejecución,” 1998, which includes an analysis of the TC ATN/SF-4121.
NI: Legal Framework for Infrastructure	No	N/A	The project document establishes that the semi-annual reports and a project completion report will evaluate the extent to which the TC meets the benchmarks listed in the Annex. The Bank completed the progress reports and PCR for the associated sector loan. IDB, “Información de Terminación de Proyecto (PCR) Programa de Reforma de Empresas de Servicios Públicos.” CNEI-2329-M/99 (1) 1999. The MIF produced a MPPMR (August 17, 200) highlighting achievement of project implementation and development objectives. EVO completed an evaluation of the associated sector loan, IDB/EVO, “Evaluación del Préstamo para la Reforma de Servicios Públicos a Nicaragua,” PPR-13-97, 1997.
BO: Social Indicators	No	N/A	The project document establishes that progress reports will document the degree of fulfillment of scheduled activities, which have been completed by the executing agency. The Dutch government independently contacted its own evaluation based on the IDB Plan of Operations, De Jong, Niek, “Informe de la Evaluación Final del Proyecto Sistema de Indicadores y Análisis de Políticas Sociales.” SISAPS, 2000.

4.50 The Bank policy established multiple criteria for the final evaluation of technical cooperation activities. One, the final evaluation should assess the technical and administrative performance of the executors. Two, the evaluation should determine how the beneficiary has participated technically in the execution of the operation, so as to find out if the purpose of transferring technical know-how has been achieved, and if this transfer is being used to benefit member country institutions. Three, the evaluation should analyze the quality of the reports, studies, etc. produced during execution. Four, the evaluation should identify the

obstacles of a technical or administrative nature encountered during the execution, and make recommendations to ensure that these obstacles may be avoided or their effect diminished in similar subsequent operations. Five, the evaluation should identify “aspects in programming and execution, which have led to the fulfillment of its objectives, so that they may be kept in mind for similar cases.” Six, the evaluation must lead to a recommendation for action by the Bank, the beneficiary or the borrower.<sup>62</sup>

4.51 As can be seen in Table 4.9, Bank-financed final evaluations did report on the performance of the executing agencies, the quality of the reports or products, and, to a lesser extent, the technical participation of beneficiaries in the execution of the operation. Still, a remaining concern is potential bias when the executing agency is directly responsible for reporting the final evaluation results. For example, the evaluation of the Schooling Program for Working Minors presented by the government reaches conclusions about the performance of the executing agency that appear inconsistent with a previous evaluation and project audit findings.<sup>63</sup> In the other cases, the Bank directly financed the evaluation consultant, such as in Guyana Environmental Management, or the executing agency contracted independent consultants to conduct public opinion survey for an evaluation report, such as in the Bolivia National Dialogue TCs. In these cases, the evaluations systematically documented findings from multiple sources.

**Table 4.9: TC Final Evaluations and Adherence to Bank TC Policy**

TCs	Criteria for Final Evaluation Identified	Executors' Performance Assessed	Beneficiary Participation Evaluated	Report Quality Analyzed	Obstacles Identified with Recommendations for Similar Operations	Factors Contributing to Objectives Achieved Identified for Future Operations	Action Recommendation Presented
Guyana: Health Policy & Institutional Development	Yes	N/A	N/A	N/A	N/A	N/A	N/A
Guyana: Environmental Management Program	Yes	Yes	Yes	Yes	Partial	Partial	Yes
Nicaragua: Strengthening of Health Services	Yes	N/A	N/A	N/A	N/A	N/A	N/A
Bolivia: Schooling Program for Working Minors	Yes	Partial	Partial	Partial	Partial	Partial	Partial

<sup>62</sup> AT-80-10, p. 6-7, p. 29-30

<sup>63</sup> The Final Project Report which presents the final evaluation results concludes that the executing agencies have been efficient in delivering services, while an earlier operational evaluation and a subsequent audit raise serious concerns about the unsatisfactory performance of the government executing agency.

TCs	Criteria for Final Evaluation Identified	Executors' Performance Assessed	Beneficiary Participation Evaluated	Report Quality Analyzed	Obstacles Identified with Recommendations for Similar Operations	Factors Contributing to Objectives Achieved Identified for Future Operations	Action Recommendation Presented
Bolivia: 1. Agenda XXI 2. Profundización del Dialogo	Yes Yes	Yes Yes	Yes Yes	Yes Yes	Yes Yes	Yes Yes	Yes Yes

- 4.52 The evaluations completed did not contribute significantly to identifying lessons learned for similar projects. Only the evaluations of the Bolivia National Dialogue TCs attempted to identify obstacles and factors contributing to success that would inform similar future operations. The other two evaluations limited themselves to the analysis of the specific TC with no expectation of presenting lessons learned that might help the Bank with similar programs. Each of the final evaluations included action recommendations to the Bank and to the executing agency.
- 4.53 Evaluations carried out on the TCs proved to be useful accountability and management tools for the Bank. The pilot TC supporting Bolivia's 1997 National Dialogue used the Bank-financed evaluation to test the validity of its methodology for the subsequent national dialogue. Similarly, a Bank-financed evaluation of Guyana's Environmental Management Program provided a strong empirical basis for a second phase of Bank financing.
- 4.54 An important outstanding issue raised by this discussion is the Bank costs associated with performance monitoring of technical cooperation. In this study, OVE attempted to use available Bank data to calculate the actual staff costs to the Bank of (i) developing a TC project document from inception to approval, and (ii) of overseeing its execution to final disbursement. However, data from the staff time recording systems was not sufficiently complete to provide a reliable basis for analysis. Still, Bank staff, interviewed both in Headquarters and in the Country Offices, reported that the existing allocation of administrative resources provided insufficient incentive to dedicate staff time required to effectively oversee the preparation and execution of technical cooperation operations, much less the achievement of project goals. Country Office staff interviewed estimated that the portion of staff time dedicated to oversight of TCs ranged from 20 to 30 percent. Only the Multilateral Investment Fund had staff resources dedicated specifically for oversight of TC project execution.

## V. LESSONS LEARNED AND RECOMMENDATIONS

- 5.1 This chapter presents lessons learned and recommendations based on the findings of this review, which aimed to assess how well select TC operations have met the Bank's technical cooperation policy objectives. A secondary purpose was to derive lessons learned so that they might be applied to future Bank operations. Still, the study does not aim to draw definitive conclusions that can be universally applied to the entire TC program. Rather, it seeks to reach findings that can serve as guideposts for Bank consideration and action.
- 5.2 The Bank's technical cooperation policy documents (AT-80-10 and OP-401) remain the principal policy framework for technical cooperation. The Bank has taken some actions to integrate TC operations into the Bank's country programming process. Still, the declining availability of FSO has increased the need to strengthen the programming and management of these grant- resources. In addition, the emergence of the MIF as a new source of financing and the proliferation of bilateral trust funds make a coordinated TC program increasingly imperative.
- 5.3 In Guyana, Nicaragua and Bolivia over the last decade, the Bank has relied heavily on national technical cooperation operations to build institutional capacity and support the lending programs. However, the Bank through its Country Papers also recognized some of the difficulties.
- Ineffective technical assistance due to the lack of counterpart personnel, resulting in reduced ownership of the operation.
  - Delays in execution of the loans due to weakness of the executing agencies for technical cooperation.
  - Worsening of loan portfolio performance due to institutional weaknesses of the public sector and the lack of timely counterpart funding.
- 5.4 The lessons learned and recommendations from this assessment follow below.
- A. Consistency with the Bank Technical Cooperation Policy**
- 5.5 The TC operations reviewed did not consistently adhere to the Bank's technical cooperation policy (AT-80-10), yet the evaluation found no element of disagreement with the principles of the policy itself. In order to ensure that future technical cooperation operations adhere to the Board-approved technical cooperation policy guidelines (AT-80-10), the Bank's operational guidelines and procedures should reflect the principles of AT-80-10 so that policy is clearly articulated to Bank staff for the design and execution of future technical cooperation operations.

## **B. Transfer of Knowledge to Strengthen Local Technical Capacity**

- 5.6 Non-Reimbursable TC operations have been a source of value added. Of the TCs reviewed, several fully met the Bank's policy objective of transferring technical expertise resulting in strengthened local capacity. Such TCs responded effectively to the severe institutional weakness of the public sector in these countries. TCs reviewed that adopted innovative approaches to overcome human resource constraints and deliver expertise in a sustained fashion tended to perform better. Financing advisors, who temporarily assumed core functions, often built the foundation for the emergence of viable local institutions. In contrast, TCs reviewed that delivered technical assistance through long-term consultant and national counterpart teams appeared to have more difficulty incorporating TA into local institutions, often due to weak executing agencies and scarcity of qualified staff. In addition, TCs that delivered short-term technical assistance in conjunction with sector loans tended to be efficient in transferring expertise, but appeared less conducive to long-term capacity building.
- 5.7 One implication of these findings is that the TC approach to delivering technical assistance matters. In the cases reviewed, some approaches appear to work better than others do in managing delivery of expertise and strengthening local capacity.
- 5.8 The Bank should systematically identify and incorporate into its lessons-learned database best practices in the design and implementation of TC projects so that these can be taken into account in the design of future TC operations, particularly in the area of institutional strengthening.

## **C. Technical Cooperation Incorporated into Borrowing Country Operations with the IDB**

- 5.9 Bank policy establishes that programming of TC operations be integrated into the borrowing operations of the Bank and that requests for technical cooperation be "linked in the most direct possible way with the Bank's financing activities." It was difficult to establish a strong relationship between the TCs reviewed and the linkages to the Bank's lending program. Most Bank Country Papers and TC project documents did not consistently identify linkages of the TCs reviewed to country borrowing operations. Several TCs did not identify any linkage to borrowing operations. A common feature of TCs that were unable to incorporate technical assistance into a borrowing operation was their difficulty sustaining the commitment of the government to the TC objectives. TCs that were more effective in incorporating technical assistance into borrowing country operations were those that supported central components of the government's national agenda for a sustained period.
- 5.10 Ownership of technical assistance by government leadership contributes to its inclusion in borrowing country operations with the Bank. Systematic integration of TCs into country programming should strengthen borrowing country operations.

- 5.11 Bank management should present “matrices of bank action” (see Annex IV) that report over time on the relationships between the Bank’s strategic objectives, the contribution of past and proposed loans and technical cooperation operations in Bank Country Strategies. If the Bank is to link technical cooperation in the most direct way to its financing activities, the Bank should report systematically on allocation and the performance of TC resources to support the development and execution of the loan portfolio, in its Country Strategy and Portfolio Review Documents.
- 5.12 Management also should institutionalize the use of these matrices with borrowing country governments in allocating and reviewing the performance of TC resources to support the development and execution of the loan portfolio.

**D. Time Frame for Achieving TC Objectives**

- 5.13 The Bank’s policy guidelines establish that “technical cooperation activities are of a transitory nature.” All of the TC projects reviewed consistently underestimated the time required to achieve their objectives. They were unable to meet the stipulation of Bank policy that calls for the achievement of objectives within the anticipated execution period.
- 5.14 The TC case studies suggest that the proposed objectives and outputs may have exceeded the management capacity of the executing agencies. Many of the TCs reported difficulty retaining an adequate level of professional counterpart staff over the life of the project.
- 5.15 Bank management should institute more rigorous review of the anticipated completion date of proposed operations, and should conduct a brief study of the time frames for completion of non-reimbursable technical cooperation with recommendations for Bank action.
- 5.16 Bank management should develop strategies for technical cooperation supporting specific country objectives, including long-term, phased approaches for sequencing technical cooperation. The Bank should present these strategies explicitly in its technical cooperation project documents, country papers, and portfolio review documents.

**E. Ownership: Priority of Technical Cooperation and Institutional Capacity**

- 5.17 The Bank’s TC policy aimed to ensure effective member country demand for and absorption of technical cooperation. The policy established that TC requests include “the applicants’ desire to receive this cooperation in a field in which they do not possess sufficient available technical capacity,” and a “determination by competent authorities of priority within national, regional or sub regional development plans.”
- 5.18 Some, three of the nine TC project documents, provided few details about the government’s interest in technical cooperation. Most of the TC project

documents reviewed indicated the priority assigned to the TC operation within the government's development plans. TCs that did not include specific information about the government's commitment tended to have more difficulty in execution and did not lead to future bank borrowing.

- 5.19 Bank policy also established that TC requests include a "description of the counterpart financial and human resources, and of the beneficiary's or borrower's institutional conditions." Most TCs reviewed described the counterpart financial resources, but were less specific about the actual counterpart human resources. In addition, most TCs presented the institutional arrangement to achieve the objectives, but far fewer TCs documents included an assessment of the executing agency's institutional capacity, as anticipated in the policy.
- 5.20 If the Bank is to ensure effective ownership and management of technical cooperation, Bank management should determine in its reviews of proposed TC requests that they provide a fully satisfactory description of the executing agency's institutional conditions, a realistic assessment of the proposed counterpart financial and human resources, and that local counterparts actively participated in the project design. Bank reporting on TC performance should also document the performance of the TC executing agencies, the level of participation of local counterpart staff, and remedial action taken.

#### **F. Evaluation of Technical Cooperation Activities**

- 5.21 Evaluation is an integral component of the Bank's technical cooperation policy. Evaluating results is dependent on identifying appropriate performance indicators, the anticipated risks and relevant mitigation measures. A review of the Results Frameworks suggests that most project documents had not defined indicators that would evaluate the outcomes of technical cooperation. The TC was more consistent in establishing output indicators for the objectives of project components.
- 5.22 The TC projects reviewed also did not consistently require a final evaluation. Few TCs completed a final evaluation. Those TCs that completed a final evaluation covered the principal elements of the Bank's TC policy related to evaluation.
- 5.23 While TCs reviewed included reporting and supervision requirements, the projects lacked a common reporting format to track achievement of objectives and performance indicators, such as the Project Performance Monitoring Reports (PPMRs) and Project Completion Reports (PCRs) as previously recommended by OVE in RE-247.
- 5.24 If the Bank is to be able to report on the performance of its technical cooperation program, Management should ensure that proposed TC project documents include measurable outcome and output indicators, and require a completion of a final evaluation that reflects the Bank's technical cooperation policy.

- 5.25 Management should present to the Board of Directors a standardized performance reporting system for non-reimbursable technical cooperation, consistent with the established PPMR and PCR systems. This system should encompass at all non-reimbursable TCs with approvals of \$150,000 or more, and be harmonized the extent feasible with reporting systems for the Multilateral Investment Fund and bilateral trust funds. To ensure the effective implementation of this system by the Country Office, the Bank should undertake a review of the actual staff costs of monitoring the execution of technical cooperation as a basis to allocate resources specifically for this purpose.
- 5.26 These improvements would allow the Bank as a whole to learn from its experience and to report on development results of technical cooperation to the Board of Directors, to donors and to borrowing member countries. A matrix summarizing these findings and recommendations and linking them to the relevant policy issues is provided in annex VI.