



**RE-364**

***Evaluation of the Bank's  
Processes for Managing  
Technical Cooperation***

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*Office of Evaluation and Oversight, OVE*

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## ACRONYMS

AUG	Office of the Executive Auditor
COF	Country Office
DEM	Development Effectiveness Matrix
DFID	Department for International Development (United Kingdom)
DTF	Donor Trust Fund
EA	Executing Agency
EBRD	European Bank for Reconstruction and Development
EC	European Commission
FSO	Fund for Special Operations
FTE	Full Time Equivalent
GCM	Grants and Co-financing Management Unit
IDB	Inter-American Development Bank
ILO	International Labor Organization
IMF	International Monetary Fund
JTF	Japanese Trust Fund
KCP	Knowledge and Capacity-Building Products
LEG	Legal Department
MIF	Multilateral Investment Fund
MOU	Memoranda of Understanding
OPC	Management's Operations Policy Committee
ORC	Ordinary Capital
ORP	Office of Outreach and Partnerships
OVE	Office of Evaluation and Oversight
PCR	Project Completion Report
PPMR	Project Performance Monitoring Review
PRODEV	Program to Implement the External Pillar of the Medium Term Action Plan for Development Effectiveness
QRR	Quality and Risk Review
RMAP	Mobilization Action Plan
SECCI	Sustainable Energy and Climate Change Initiative
TC	Technical Cooperation
TCPF	New policy and framework for technical cooperation
TL	Team Leader
VPC	Vice-Presidency for Countries
VPS	Vice-Presidency for Sectors and Knowledge

## EXECUTIVE SUMMARY

This “*Evaluation of the Bank’s Processes for Managing Technical Cooperation*” follows-up OVE’s prior work assessing several groups of non-reimbursable technical cooperation operations (TCs). Past evaluations focused on the results achieved by the specific TCs analyzed. In contrast, this evaluation focuses on the means – namely the processes – employed by the Bank in pursuit of these results. Process-related issues had been highlighted as critical in all prior evaluations, prompting the Board of Executive Directors to include the present assessment in OVE’s 2009 Workplan.

This evaluation is also more comprehensive than prior ones, by covering the processes utilized to manage virtually *all* non-reimbursable technical cooperation at the Bank. It only excludes administrative-budget-funded TCs, contingent recovery operations, scholarship programs and the Multilateral Investment Fund – which was fully evaluated several years ago. Thus, this evaluation assesses the current processes utilized by the Bank to manage about 500 TCs a year, involving over US\$150 million in TC resources.

Since 2005, TC funding has virtually doubled, driving increases in both the number and average size of operations. An additional US\$80 million a year were added via the opportunistic introduction of the net income of the Ordinary Capital as a significant source of TC funding; as well as a doubling of donor-funded TC approvals, mostly linked to large donations by recent Bank members (e.g., Korea and China) and thematic initiatives (e.g., Spain and Japan). These additional resources also increased the share of larger TCs (above US\$750,000); as well as the participation of A&B countries.

The Bank’s realignment sought to foster this growth by creating an Office of Outreach and Partnerships (ORP) as a single window for Donors; as well as a new Unit for Grants and Co-financing Management (GCM) to oversee TC operations. A new policy and framework for technical cooperation (TCPF) was adopted in April 2008. Yet, a June 2009 assessment by the Office of the Executive Auditor (AUG) asserted that despite considerable improvement, “*management of Grants, Technical Cooperation and Institutional arrangements at the Bank [was] still unsatisfactory.*”

In December 2009, a new “*Strategy for Knowledge and Capacity-Building Products [KCP] at the IDB*” was submitted to the Board. This strategy significantly advances the conceptualization and operational mechanisms for an important portion of (stand-alone) TCs. To better assess the effects of these on-going strategy and policy changes this evaluation was extended for several months; focusing less on assessing specific activities within the constantly evolving TC processes, than on identifying the required TC process functionality and the effects of underlying assumptions held by process participants.

The evaluation finds that Management has not set specific time, cost and quality performance targets; making most *TC management processes technically non-evaluable*. References in the recent TCPF to “quicker”, “improved”, or “reduced” set only generic expectations, compatible with a recurring theme found by the evaluation: when it comes to TC, expectations tend to be low, so “any improvement” appears to be enough. In contrast, the KCP strategy is still too recent to be evaluated in this, or any other area.

The evaluation also finds that the Bank's TC processes have so far been unable to fully support the provision of technical advice and assistance (TC) in the manner envisioned by the foundational mandates of the Bank. Over the years, TC has taken a multitude of forms and objectives, linked not only with knowledge creation and dissemination, but also with country capacity and relationship building. In practice, TCs have become more closely aligned with their source of funding, than with the specifics of the development objectives purportedly pursued.

Thus the Bank's clear mandate to utilize TC for developmental results has become secondary, subordinated to the short term need to secure access to concessional resources. This has led to a TC portfolio that emphasizes some level of *ex ante* documentation supporting requests for funding, but is still acutely non-evaluable. Furthermore, the achievement of developmental results during execution is jeopardized by a level of support from Bank's specialists that is clearly skewed towards the initial stage of the TC lifecycle; the one concerned with securing TC funding.

TC has become de-facto a financially-oriented arrangement to secure resources that end up being mostly transferred to external consulting providers (65% of total TC resources). Each TC generates an average of five contracts; 75% of which are signed with potentially pre-identifiable parties that have prior experience with the IDB or are one of the few recognized experts in the field. Yet, the Bank still lacks a system to assess the adequacy of contract cost estimates against standard costs or prior experience; also lacking systems to facilitate an operational interaction with potential longer term providers and partners.

This has led to a *highly transactional –short term– approach for the TC delivery processes*. Processes are still complex and focused on low-value-added, administrative activities, with a reduced emphasis on monitoring TC progress and results. About two thirds of TCs lack systematic monitoring during execution via Project Performance Monitoring Reviews. Also monitoring and evaluation activities rely mostly on self-reported information, lacking any significant third party quality control. As a result, the *time* performance of TC processes – measured by the achievement of administrative milestones - has been emphasized over other required *quality* or *cost* related objectives.

In summary, the evaluation finds that this diagnostic differs little from prior ones produced over past decades. This highlights the pervasiveness of underlying assumptions regarding TC at the Bank that seem to have endured despite repeated reform efforts. The evaluation confirms: (i) the *role of TC* continues being secondary; (ii) *expectations for TC success* continue being undefined; (iii) the potential *contribution of non-financial TC resources* continues being weakly managed by the Bank; and (iv) *incentives* remain aligned with a status-quo which, in spite of representing a low equilibrium regarding the Bank's potential use of TC, seems to accommodate the interests of most parties involved.

In this context, OVE formulates five recommendations. The first two seek to improve TC *evaluability* and refocus *incentives*. The other three support them by revamping TC *organizational accountability, funding and processes*. Recommendations are tailored to fit within the Bank's discussion of a general capital increase; by which the Bank's shareholders might consider endowing TC with the "seed capital" required to finally launch it as one of the three key businesses of the Bank.

## INTRODUCTION

This evaluation focuses on the functionality of processes utilized by the Bank to manage all of its non-reimbursable technical cooperation activities, funded by sources other than the administrative budget of the Bank – activities that are hereafter referred to as TC.<sup>1</sup> This focus on the means –or processes utilized– rather than on the results is somewhat atypical of evaluations conducted by OVE. Yet, OVE’s prior findings assessing specific groups TC point to a strong correlation between TC results and the capabilities of the process utilized to manage them.

OVE developed a customized evaluation methodology, seeking to ground all findings on observed process performance. Yet, OVE found that most TC processes lacked even basic indicators and targets. In order to be able to objectively assess them, OVE mapped each process and filled-in gaps by introducing proxy indicators related to their timeliness, cost and quality. Process performance was assessed either in the overall TC portfolio or in a representative sample, designed to provide a statistical error of less than 10% at a 95% confidence level.

Efforts were made to reflect the “before” and “after” situations regarding the numerous recent improvements introduced by the Grant and Co-financing Management Unit (GCM) and the Office of Outreach and Partnerships (ORP). In fact, the evaluation was extended for several months from its original delivery date, in order to observe the initial effects of these changes. It’s worth mentioning, however, that the evaluation is not meant to be an assessment of specific departments, but rather of the way the Bank as a whole values, operates, delivers; and evaluates the results of its TC work.

In this regard, the evaluation reviewed not only the TC processes, but also sought to factor in the prevailing, often tacit, assumptions underlying TC at the Bank. A whole chapter was introduced to systematically draw attention to the clear gap between the Bank’s declared expectations as to what TCs should be and do, and the reality of what they actually are. In drawing this contrast, the evaluation sought to tie all processes within a “systemic view” of TC at the Bank; while reporting on the actual and expected situations in terms as connected as possible to specific metrics and evidence.

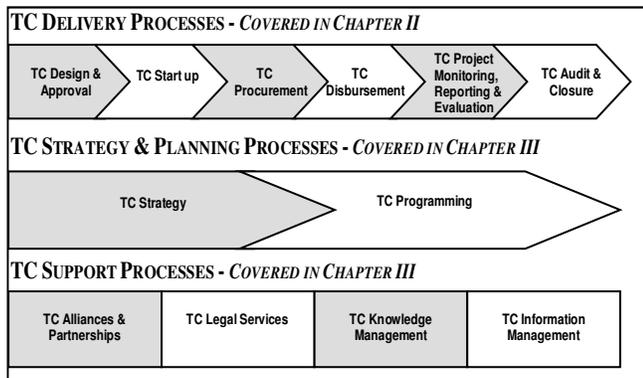
The evaluation consists of five chapters. Chapter I analyzes the context and evolution of non-reimbursable TC at the Bank. Chapter II assesses the performance of the TC design and execution processes. Chapter III analyzes the performance of the TC strategy, programming and support processes. Together, Chapter II and Chapter III reflect the current status of TC processes at the Bank, many of which consist of fragmented activities carried out by different groups within the Bank’s organization. Chapter IV attempts to unify this analysis into a systemic perspective, by assessing the main cross-cutting assumptions underlying TC activities at the Bank. Chapter V formulates conclusions from the evaluation and a menu of recommendations.

## I. CONTEXT OF THE EVALUATION

### A. Rationale, objective and scope of the evaluation

- 1.1 **This “Evaluation of the Bank’s Processes for Managing Technical Cooperation” was commissioned by the Board of Executive Directors.** As part of the 2009 Work Program of the Office of Evaluation and Oversight (OVE), the Board of Executive Directors requested “*a study of the IDB’s system for managing and monitoring technical cooperation activities.*” Subsequently OVE produced an “*Approach Paper – Evaluation of the Bank’s System to Manage Technical Cooperation Activities*”; which was discussed with Management and adopted as the basis for the current evaluation.
- 1.2 **Until now, OVE had approached the issue of technical cooperation (TC) only via partial evaluations aimed at assessing the results of TC projects.**<sup>2</sup> So far, OVE has produced case studies of several individual TC projects, evaluated selected TC operations within the context of its country program evaluations, produced a comprehensive evaluation of assistance provided by the Multilateral Investment Fund (MIF), and completed an evaluation of activities financed by the Japanese Trust Fund (JTF). In these partial reviews, OVE found positive results for individual projects – particularly regarding relevance and effectiveness.
- 1.3 **These evaluations uncovered shortcomings related not only to the projects reviewed at that time, but also to the processes used by the Bank to manage all TCs.** OVE found efficiency, sustainability and evaluability issues, whose causes could be traced back to the processes and systems utilized by the Bank to manage all TCs. For instance, the lack of result-oriented data in the Bank’s systems affected not only the projects evaluated –for which uncovering the generally positive results required costly data gathering– but also all other TCs which also utilize the same TC management processes.
- 1.4 **This evaluation focuses on the TC management processes themselves, rather than on the results of specific TC projects.**<sup>3</sup> The evaluation consisted of the following analytical modules:

- (i) Analysis of the current TC management processes;
- (ii) Metrics of current TC processes in terms of cost, quality and time indicators, identifying baselines whenever available;
- (iii) Identification of explicit (or implicit) process performance targets, as defined by Management; and
- (iv) Analysis of evidence regarding the *assumptions* underlying the existing, as well as the newly redesigned, TC processes and systems.



- 1.5 **The evaluation is based on factual evidence collected via a customized process-diagnostic methodology.** The evaluation draws on the following sources: (i) Desk review of IDB policies, procedures, manuals and prior TC evaluations; (ii) Process analysis validated via interviews and workshops with staff at both Headquarters and Country Offices; (iii) Benchmarks of selected processes at comparator entities; (iv) Process performance assessment based on statistically representative sample of 70 TC projects analyzed via a standardized template; (v) Survey of TC Team Leaders;<sup>4</sup> (vi) Surveys of TC Users, Project Specialists<sup>5</sup> and IDB Country Representatives;<sup>6</sup> (vii) TC cost analysis; and (viii) Statistical analysis of the overall TC portfolio.
- 1.6 **The evaluation applies to processes utilized by all non-reimbursable TCs funded from Donor Trust Funds (DTF), as well as net income from the Bank’s Ordinary Capital (ORC) and the Fund for Special Operations (FSO).**<sup>7</sup> In contrast, the evaluation does not cover processes for MIF<sup>8</sup> - which was evaluated before; reimbursable and contingent recovery TCs; special budget initiatives and scholarship programs. The period of analysis was extended in an attempt to capture the effects of recent changes in the Bank’s TC policy and framework (TCPF). In addition, longer-term TC trends were analyzed by comparing the situation pre and post-2005.

## **B. Technical Cooperation at the IDB**

- 1.7 **Technical assistance has always been central to the Bank’s mandate.** The Agreement Establishing the Inter-American Development Bank includes among the Bank’s functions the provision of “*technical assistance for the preparation, financing, and execution of development plans and projects, including the consideration of priorities and the formulation of loan proposals... and 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....*”<sup>9</sup> The mandate also provides that “*the Bank may arrange with member countries or firms receiving technical assistance, for reimbursement of the expenses of furnishing such assistance on terms which the Bank deems appropriate.*”<sup>10</sup>
- 1.8 **Yet, in practice TCs are still perceived as secondary to loans.** According to a recent proposal by the Working Group on Knowledge and Capacity-Building Products (KCP)<sup>11</sup> “*for a large portion of the Bank’s history, technical assistance was considered mostly as an input to the preparation or execution of loans,... and technical cooperation was seen as a financial product where the non-reimbursable transfer of resources mattered at least as much as its use for the generation of knowledge or the build-up of institutional capacity.*”<sup>12</sup> Staff interviewed by OVE confirmed TCs were perceived as less important than loans.
- 1.9 **A “Proposal for a New Bank Policy on Technical Cooperation”<sup>13</sup> and a “Proposal for a New Framework for Technical Cooperation”<sup>14</sup> (hereafter collectively referred to as TCPF) were approved in April 2008.** TCPF sought

to “shift the focus from technical cooperation as a type of financing toward the objectives of TC and the activities needed to support it. As the Bank moves to position itself as an institution contributing to knowledge creation and capacity building in the region - not just as a lender - technical cooperation activities will continue to grow in importance, and greater flexibility is needed”.<sup>15</sup>

- 1.10 **However, as of June 2009 the Office of the Executive Auditor (AUG), considered that “management of Grants, Technical Cooperation and Institutional arrangements at the Bank [was] still “unsatisfactory”.**<sup>16</sup> AUG reviewed “the design and operating effectiveness of selected key controls implemented by the Bank” for achieving, among others, the “delivery of timely high quality and strategic technical cooperation” and ensuring “alignment of TC operations with country strategy.” AUG concluded that “the Bank prepares and approves new TC operations without adequately considering the technical and fiduciary staffing and workload of the country offices. There are weak monitoring controls over the TC stock and flow” and “reporting of TC activity and cost is insufficient, lacking key management information.”
- 1.11 **Finally, in December 2009, a new strategy for knowledge and capacity-building products (KCP) was presented to the Board, seeking to clarify concepts and procedures for an important subset of TC.** In the meantime, VPC/GCM had been implementing various changes in the context of the realignment and the TCPF approved in April 2008.<sup>17</sup> Among them, new procedures for TC approval were brought to Management’s Operations Policy Committee (OPC), but still remain under revision. According to Management, they are awaiting full implementation of the related initiative for knowledge and capacity-building products (KCP) that will clarify concepts and procedures for a good portion of TCs (mainly those known as stand-alone TCs, not directly linked to a loan).

## C. TC Overview

- 1.12 **After 2005, TC funding more than doubled, supporting increases in both the number and average size of operations.** Until 2005, the resources allocated to TCs had remained mostly unchanged for twenty years, at around US\$70 million a year. After 2005, the number of TCs approved increased 7.9% per year, while the funding allocated to TCs grew even faster, at an average of 24.4% per year.<sup>18</sup> As a result, after 2005 the Bank averaged more than US\$150 million a year in non-reimbursable TC approvals. The average TC size also grew from US\$204,966 pre-2005 to US\$332,061 post-2005 (a 62% increase).
- 1.13 **This growth was driven by the introduction of ORC<sup>19</sup> to fund TC; as well as a doubling of DTF approvals.** Before 2005, most TCs were funded either through DTF (60.1%) or FSO (39.9%).<sup>20</sup> After 2005, out of the more than US\$80 million a year in additional TC resources, half were provided by the introduction of ORC; and half through a virtual doubling of DTF annual contributions. Most ORC resources were used to spearhead the Bank’s own

strategic initiatives. The increase in DTF was driven by a few large initiatives, most notably thematic contributions by Spain, Japan, and Korea.<sup>21</sup> In contrast, FSO funding remained fairly constant, under US\$30 million a year, with a growing emphasis in specific D countries.

1.14 **These additional TC resources increased the share of larger TCs (mainly of those above \$750,000).** After 2005, TCs larger than \$750,000 more than doubled their participation in total TC funding: from 19.5% before 2005 to 46.4% after 2005. In absolute terms, after 2005 TCs larger than US\$750,000 received an additional \$60 million in funding per year, while TCs between \$150,000 and US\$750,000 received about \$20 million more. In contrast, TCs smaller than US\$150,000 received almost none of the post-2005 increase in TC resources, resulting in a diminished share from about 30% to 18%.

1.15 **The share of A&B countries also increased, yet D countries continued being the main TC beneficiaries.**

After 2005, out of the additional US\$80 million a year, about US\$30 million were provided to A&B countries and \$30 million benefitted D countries. The balance was mostly allocated to regional TCs. Yet, due to the general increase in TC funding,

TCs APPROVED		Annual Average 2002-2004	2005	2006	2007	2008	Annual Average 2005-2008	
ALL TCs		#	339	412	441	431	513	462
		\$ million	69.4	86.3	101.7	151.4	206.8	153.3
BY SIZE	Less than \$150,000	#	233	293	306	279	248	102
		\$ million	21.3	30.0	29.5	28.7	24.8	27.7
	Between \$150,000 and \$750,000	#	98	108	109	118	201	36
		\$ million	34.6	36.3	40.0	45.1	78.3	54.5
Above \$750,000	#	7	11	26	34	64	9	
	\$ million	13.5	20.0	32.2	77.6	103.6	71.1	
BY COUNTRY GROUP	Country A	#	27	26	29	46	65	10
		\$ million	4.5	4.7	7.1	28.4	28.1	21.2
	Country B	#	22	33	51	52	62	17
		\$ million	5.1	6.3	17.7	13.4	23.1	18.1
Country C	#	29	34	45	44	44	15	
	\$ million	7.2	5.9	10.5	16.3	19.2	15.3	
Country D	#	124	142	174	133	157	58	
	\$ million	26.2	25.0	31.4	54.5	78.1	54.7	
BY SOURCE OF FUNDING	DTF	#	194	254	254	241	286	260
		\$ million	41.7	49.8	48.8	87.1	105.2	80.4
	FSO	#	145	145	141	131	133	135
	\$ million	27.7	26.0	21.1	28.7	35.5	28.4	
ORC	#	-	13	46	59	94	66	
	\$ million	-	10.5	31.8	35.6	66.1	44.5	
BY EXECUTING AGENCY	Bank-executed	#	204	249	217	227	234	226
		\$ million	28.2	40.6	29.9	50.1	57.9	46.0
Recipient-executed	#	135	163	224	204	279	236	
	\$ million	41.2	45.7	71.8	101.4	148.8	107.3	

net resources grew for all country groups after 2005: 370% for A Countries, 257% for B Countries, 112% for C Countries, and 109% for D Countries. After these changes, TC resources ended up divided about equally among: (i) D Countries, (ii) A, B & C Countries and (iii) Regional TCs.<sup>22</sup>

1.16 **Recipient-executed TCs grew 75% in number and 160% in terms of funds allocated; a much faster pace than Bank-executed TCs (11% and 63% respectively).** Recipient-executed TCs grew from 40% before 2005 to 51% after 2005. Recipient-executed TCs continued being, in average, larger (US\$455,461) than Bank-executed TCs (US\$230,383). The role of the Bank as executing agency grew only for A&B countries, a finding contrasting with a priori expectations regarding the countries' relative need for Bank execution support. After 2005, only 54% of A&B Countries' TCs were recipient-executed; versus 69% for C&D Countries.

## II. TC DELIVERY PROCESSES

### A. Introduction

2.1 **This chapter analyzes the Bank’s TC delivery processes.** It is organized around the following processes: (i) TC Design & Approval; (ii) TC Start-up; (iii) TC Procurement; (iv) TC Disbursement; (v) TC Monitoring, Reporting & Evaluation; and (vi) TC Audit & Closure. Each section presents a description of the process, its business objectives, and a performance assessment in terms of the time elapsed (*time indicators*), associated costs (*cost indicators*), and the quality of the outputs produced (*quality indicators*). OVE also attempted to differentiate process performance by type of TC, but found data to be generally insufficient.

2.2 **The analysis shows that despite recent changes TC delivery processes are still complex and focused on low-value-added, administrative activities.** OVE found that TC delivery took an average of 21 months, including five months for the design and approval stage. According to AUG, “operational costs ... continue to be an area of weakness.”<sup>23</sup> As in the past, most resources are still dedicated to administrative issues, limiting time to monitor TC progress and results.<sup>24</sup> In line with this, 100% of the Country Representatives surveyed indicated a need to simplify TC procedures and requirements.<sup>25</sup> According to Management, average execution times have been impacted by the relative growth of recipient-executed TCs; which tend to be slower than Bank-executed TCs, but provide countries an opportunity to build capacity and gain project management experience.<sup>26</sup>

### B. TC Design & Approval

2.3 **The TC Design & Approval process has now been standardized to depend more on TC size and duration, than on the specific objectives of the TC.**<sup>29</sup>

Since 2008, GCM has introduced changes to make the process independent of the source of funding; fitting documentation requirements and approval levels to predefined TC size and duration thresholds.<sup>30</sup> As in the past, the process remains fairly independent of the TC theme and expected results. Management has made efforts to integrate the TC approval process for loan-related TCs to the loan project cycle. Procedures to approve stand-alone TCs were prepared and presented to OPC by VPC/GCM in August 2008.

TC Design & Approval
<p><i>TC Design &amp; Approval</i> is the process of <b>preparing a TC proposal, reviewing it, certifying the availability of resources and committing them by means of a formal approval.</b> The business objective of this process is twofold: (i) ensuring that high quality projects are designed and approved in a timely fashion; and (ii) ensuring the availability of resources for a successful project delivery.<sup>27</sup></p> <p><b>At the Bank,</b> <i>TC Design &amp; Approval</i> starts with a project idea, and finalizes with approval by the relevant Bank authority. TC design is the responsibility of a project team led by a Team Leader (TL). The output of this process is a TC profile or plan of operations depending on whether the TC exceeds predefined size or duration thresholds.<sup>28</sup></p>

Yet, they are currently on hold awaiting full implementation of the KCP strategy.

- 2.4 **The expected performance of the *TC Design & Approval* process hasn't been defined by Management: the recent TCPF sets only generic expectations, e.g., regarding *time*, TCPF expects that the “*approval process [be] quicker.*”** Management provided no specific indicator, baseline or target associated with this expectation. However, related indicators on the “time to get a TC approved - divisible in stages from the time an operation enters pipeline” can be derived from the Bank's information systems. Data analyzed by OVE shows that the Design & Approval process has slowed, in spite of the simplifications introduced by the TCPF: during the last semester of 2008 and first semester of 2009, the process took an average of 5.8 months, versus 4.5 months during the first and second semesters of 2007. When analyzed by type of TC, approval of recipient-executed TCs became slower, taking almost twice as long as Bank-executed TCs. ORC-funded TCs also became slower, coinciding with an increase in their number.
- 2.5 **Regarding *cost*, TCPF proposes the creation of a “*Bank model of grant resource management for Technical Cooperation (TC) that would ... simplify and standardize approval procedures to remove barriers to access and reduce transaction costs.*”**<sup>31</sup> Yet, TCPF lacks specific indicators and targets, particularly in regards to the removal of barriers to access. Bank systems do track some related information on transaction costs at the design and approval stage: (i) Preparation cost as % of total TC amount, and (ii) Preparation cost per operation. Data shows that the Design & Approval process has become slightly more costly under the new TCPF: during the last semester of 2008 and first semester of 2009, the process cost an average of 3.4% of the TC amount, while during 2007 it cost an average of 3.1% of the TC amount. Similarly, there has been an increase in design and approval costs for TCs smaller than US\$150,000 – an increase equivalent to about 2% of the TC amount.
- 2.6 **Regarding *quality*, TCPF expects that “*the approval process [will lead to] improved project quality*”;**<sup>32</sup> **and TC shall “*contribute significant added value [and an] ability to respond effectively to client demand.*”**<sup>33</sup> Similarly to the other dimensions, Management has not proposed specific indicators, baselines, or targets to assess the quality of this process. In contrast with cost and time, quality-related indicators are not even available through the Bank's data warehouse. OVE utilized the sample of TCs analyzed for this evaluation to construct two proxy quality indicators: (i) *Evaluability Index*,<sup>34</sup> as a direct measure of the quality of the project proposal; (ii) *Degree of Participation in the QRR* as an indirect measure of an activity meant to improve design quality. These indicators point to a deteriorating project quality, particularly in regards to objective-setting and risk mitigation provisions. Regarding evaluability, no TC in the representative sample was fully evaluable. In fact, about 80% of projects failed to meet even basic evaluability criteria - missing three or more key evaluability dimensions. Furthermore in 2008, 80% of potential QRR reviewers ended up not providing any feedback during the TC approval process. According to Staff surveyed, the Legal Department (LEG) – which accounted for 43% of the QRR feedback received – provided mostly formal and repetitive comments.

2.7 **The *TC Design and Approval* process revolves around administrative compliance activities that lack a *demonstrable* impact on technical quality.** Most activities are administrative, often becoming formalities, but still adding to the process workload. Individual non-objections from Donors are required for most TCs funded with DTFs; yet an overwhelming majority of submissions to Donors end up being approved without modifications. The process also includes an environmental and social review, a systematized step that rarely produces major changes in the TC design. The process' main step for ensuring TC quality is the QRR; however, as previously discussed, evidence shows QRR participation is low, and its content has become formalistic. In contrast, staff interviewed indicates that the internal quality review at the submitting Department is more useful than the inter-departmental QRR to enhance the TC technical quality.

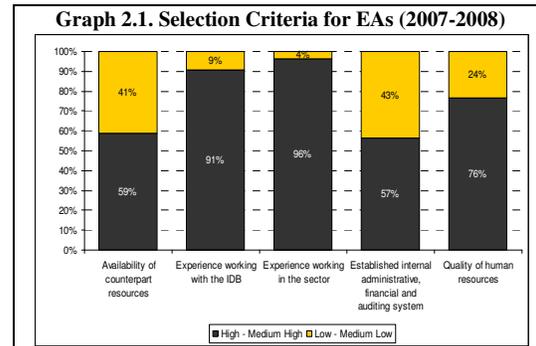
**C. TC Start-up**

2.8 **The *TC Start-up* process is also fairly standardized; revolving around the transfer of responsibilities to an Executing Agency (EA).** This process is most relevant for recipient-executed TCs, where there is an external EA. It includes the preparation and signature of contractual agreements, coordination activities, and compliance with conditions for first disbursement. Template contracts are widely applied. This has raised some questions among TC users, e.g., in connection with restrictive procedures for using revolving funds; requirements prior to signing the contract that result impractical for certain EAs, or excessive requests for audits.

TC Start up
<p><i>TC Start up</i> is usually a short phase of the project cycle consisting of the transition between project design and execution.<sup>35</sup> The business objective of this process is to ensure readiness for project execution.<sup>36</sup></p> <p><b>At the Bank</b> the Team Leader (TL) is responsible for this process, with the support of team members usually including representatives from Legal and the COFs.</p>

2.9 **The expected performance of the *TC Start-up* process has been defined in terms of *time*, but not regarding its *cost*.** The Bank has established maximum timeframes for various sub-activities of this process, such as the signature of the TC agreement, entry into force, and compliance with conditions prior to the first disbursement.<sup>37</sup> Data analyzed by OVE shows a significant improvement in the speed of this process: from an average of 6.5 months pre-TCPF, to an average of 3.1 months, post-TCPF. Despite such progress, the recent AUG Report states that in 54 cases out of the 497 approvals for 2008, more than 180 days have elapsed since approval and the projects were still not eligible for disbursements.<sup>38</sup> In terms of cost, the Bank does not set targets or collect information specific to this process.

2.10 **The expected quality performance of the TC Start-up process is also undefined; despite its potential effects on the rest of the TC downstream execution.** Management has not defined a comprehensive quality indicator. OVE assessed a related metric - *institutional capacity of the executing agency (EA)* - as a proxy of readiness for project execution. OVE found that *experience-working-in-the-sector* and *experience-working-with-the-IDB* were the two most important criteria for selecting an EA. Yet, only 50% of Sector Specialists indicated they have reviewed or participated in the review of the EA's institutional capacity.<sup>39</sup> Furthermore, only 36% indicated that TC supervision plans were based on these reviews.<sup>40</sup> In 21% of cases, EAs had been created specifically for managing the project.<sup>41</sup> Independently of institutional capacity, TC users report that complex processes and administrative requirements still pose burdens affecting the EA's ability to focus on results during execution. Regarding readiness for project execution, staff interviewed reported that modifications are often necessary and additional Bank resources are needed to provide supplementary support to EAs.



#### D. TC Procurement

2.11 **In practice, the TC procurement process is applied equally to all TCs, independently of their specific risks.**<sup>47</sup> For TCs, procurement involves mostly consulting services: the average TC allocates 53.4% of funding to consulting services, 11.6% to training, 10.8% to supplies, 1.3% to audit and 1.3% to evaluation.<sup>48</sup> Although both ex-ante and ex-post supervision are possible at the Bank, ex-ante supervision is the standard for TCs. This type of revision is applied by default independently of the institutional capacity of the EA, its past record and associated risks. For instance, in the case of procurement of consulting firms for recipient-executed TCs, the Bank requires up to four non-objections and three expert opinions.<sup>49</sup> Also, this mainly reflects EA's preference for ensuring the Bank's validation before moving the procurement process forward, as well as a generalized risk-averse-culture. Likewise, procurement requirements for contracting individual consultants and firms are independent of the challenges

TC Procurement
<p><i>TC procurement allows “purchasing or acquiring products, services or results, from outside parties.”<sup>42</sup> The process objective is defined by the Bank's procurement policies - which also apply to TCs - as the need for “high quality services ... economy and efficiency ... giv[ing] all consultants an opportunity to compete in providing services financed by the Bank and ... transparency in the selection process”<sup>43</sup> and “the Bank's interest in encouraging the development and use of national consultants in its borrowing member countries.”<sup>44</sup></i></p>
<p><b>At the Bank,</b> <i>TC procurement</i> includes the selection and contracting of consultants required for TC operations.<sup>45</sup> Both Bank-executed and Recipient-executed TCs must follow Bank procurement policies and procedures.<sup>46</sup> For recipient-executed TCs, executing agencies are responsible for selecting and contracting. At the request of the beneficiary, the Bank may also contract on behalf of the executor.</p>

and risks imposed by the TC’s particular theme. As a result, TC users spend most of their time on administrative tasks, potentially subtracting attention to ensuring that contracts produce high quality deliverables. Other institutions, such as the EC and DFID have the option of utilizing “framework agreements” for the rapid mobilization of experts,<sup>50</sup> enabling the sourcing of pre-qualified consultants in a variety of topics.<sup>51</sup>

2.12 **The expected time and cost performance of the TC Procurement process has not been defined by Management.** Although no indicators, baselines or targets have been defined, process performance could be assessed by measuring the speed and cost of procuring services. The Bank collects partial procurement information in different IT systems.<sup>52</sup> In addition, OVE surveyed TC users on the hiring of individual consultants and firms: 55% stated that procurement is one of the main causes of delays; and 88% of Country Representatives indicated procurement poses most problems to EAs. Furthermore, hiring is significantly slower for recipient-executed TCs (91 days vs. 51 days for Bank-executed TCs); as well as when it involves firms (90 days vs. 51 for individual consultants).

2.13 **Expected quality has been only generically defined in the Bank’s Procurement Policy, but no specific quality indicators have been identified.**

Process quality can be indirectly assessed via the performance and cost-effectiveness of the services contracted. The Bank has a system to log consultants’ performance records, but its use is limited due to irregular updating.<sup>53</sup> According to TC users, the main reason (58%) for awarding consulting contracts is prior recognition of the provider as a sector-expert. In fact, only 26% of assignments are contracted with previously unknown providers responding to requests for proposals (RFPs), and having no prior Bank experience. Cost effectiveness of the contracted services is not formally tracked against either standard costs, or prior procurement contracts with comparable deliverables.<sup>54</sup>

Reasons for awarding consulting service contracts	
Consultant is a well recognized as a sector expert	58%
Consultant had prior experience with the Bank in similar projects	11%
Consultant was not previously known, but responded to a request for proposal (RFP)	26%
Consultant has no prior experience with the Bank, but has been shortlisted for prior assignments	2%
Consultant has worked with a Bank staff member in current or prior capacities	2%

## E. TC Disbursement

2.14 **TCs follow regular Bank disbursement policies and procedures, with the Bank utilizing ex-ante review as a standard practice for TCs.** According to the Bank’s New Financial Management Policy,<sup>55</sup> the Project Team, with the concurrence of the appointed Fiduciary Specialist, is to determine the type and frequency of the disbursement review.<sup>56</sup> However, currently TCs utilize ex-ante review by default independently of the capacity, risk and the EA’s track record working with the Bank. This is expected to change under the ongoing Fiduciary Reform that would evaluate EAs based on their risk level, adapting disbursement (and audit) mechanisms accordingly.<sup>57</sup>

- 2.15 **Management has not defined the expected *time, cost and quality performance of the TC disbursement process, but proxy indicators are available.*** In terms of time, only 28% of TC users indicated that disbursements were one of the primary causes of delays. Regarding cost, no accurate information is available; but AUG reports that “*TC disbursement transactions generate a significant workload despite their small amounts.*”<sup>61</sup> According to AUG, TCs represent only 2% of the amounts disbursed by the Bank, but generate 70% of the Bank’s transactions. Furthermore, in 2008 “*the average number of disbursement transactions per TC [was] 6.7, [while for loans it was 2.4].*”<sup>62</sup> Thus, it is estimated that the Bank currently requires 30 full time equivalents (FTEs) just to process TC disbursements.<sup>63</sup> In terms of quality, Management has not identified indicators, but the ongoing fiduciary reform points to “*duplication in the revision of supporting documentation of expenses.*”<sup>64</sup>

TC Disbursement
<p><i>TC disbursement involves “payments by an agent ... on behalf of a principal.”</i><sup>58</sup> This includes the review of supporting documentation to authorize and make payments. Its business objective is to produce efficient reimbursements or payments, while ensuring accountability and transparency.<sup>59</sup></p> <p><b>At the Bank, TC disbursement</b> includes the review of expenses either ex-ante or ex-post.<sup>60</sup> The review is undertaken by a project officer supervised by a fiduciary specialist.</p>

**F. TC Project Monitoring, Reporting & Evaluation**

- 2.16 **TC Monitoring and Reporting occurs at the *portfolio level.*** GCM currently reports on TC approvals and portfolio through quarterly or annual reports on: (i) Donors Trust Fund Availability (Availability of Funds, Active Trust Fund), (ii) Briefing on Donors Trust Funds, (iii) Country Profiles - Orange Book (projects with prospect of co-financing); and (iv) Annual Business Review. These reports lack information on TC outputs and outcomes at an aggregate level.<sup>68</sup> In addition, some Bank units produce their own reporting on specific funds, e.g., PRODEV or Regional Public Goods.<sup>69</sup>

TC Project Monitoring, Reporting & Evaluation
<p><i>The process involves the “collection and sharing of project performance data with respect to a plan”; as well as a systematic and objective “assessment [...] of design, implementation and results.”</i><sup>65</sup> The business objective<sup>66</sup> is: (i) providing updated and relevant information for decision making and corrective action; and (ii) “<i>determin[ing] the relevance and fulfillment of objectives, developmental efficiency, effectiveness, impact and sustainability.</i>”<sup>67</sup></p> <p><b>At the Bank</b> there are several tools to monitor and report TC results (PPMR, PCR). Yet, this is still done on an ad-hoc basis, at a level of depth depending on the initiative of TLs. Evaluations are mostly undertaken ad-hoc at the DTF level, in coordination with Donors.</p>

- 2.17 **It also occurs at the *project level, where the Bank relies primarily on one tool: the Project Performance Monitoring Report (PPMR).***<sup>70</sup> PPMRs are required only “*for amounts of US\$150,000 and over, with execution periods greater than 12 months*”,<sup>71</sup> resulting in 62% of all TCs not being mandated to have a PPMR to track their implementation progress.<sup>72</sup> In practice, even fewer TCs have PPMRs, e.g., less than 7% of all TCs closed in 2007 & 2008 had a PPMR. According to AUG “*the Bank [...] failed to budget funds for the supervision of TCs under \$150,000. Furthermore, many sector specialists were unaware that VPS had*

*budgeted \$767,675 for TC supervision in 2009.”*<sup>73</sup> A new set of procedures designed by VPC/GCM, but not yet been approved, include a provision requiring all TCs to have a results matrix. The KCP proposal has also proposed a specific Development Effectiveness Matrix (DEM) for KCPs.

- 2.18 **However, information is mainly self-reported and there is no systematic validation to contrast data, especially at the project level.** PPMRs are prepared on the basis of semi-annual reports prepared by Executing Agencies (EAs) and inputted by Team Leaders (TLs). To address the lack of information caused by the low coverage of PPMRs, in early 2009 GCM started an ad-hoc effort to collect outputs, outcomes and lessons learned from all TLs. Under both of these mechanisms, EAs and TLs are required to self-report on results that are partially or totally a reflection of their own work performance. Such reports are not validated by third parties. In fact, OVE has found instances where reporting has proven drastically different from the reality in the field; or is of low quality, e.g., PPMRs are left blank, incomplete or outdated. Reporting focuses on procedural issues, rather than results; being perceived as a bureaucratic burden: 81% of Country Representatives identified this as a source of concern for EAs.
- 2.19 ***TC evaluation is based mostly on Project Completion Reports (PCRs) whose coverage is also low.***<sup>74</sup> In practice PCRs are required only for “*operations for which a ... PPMR is prepared.*”<sup>75</sup> Similar to PPMRs, compliance with the PCR requirement is low, and there is no tracking of their timely submittal. TCPF expects all TC projects to include Monitoring & Evaluation plans, yet by June 2009 this had not been implemented.<sup>76</sup> At the portfolio level, the Bank has undertaken ad-hoc evaluations of some donor and thematic funds, but this has not been done in a systematic manner. Despite recognizing its importance, the Bank still lacks an adequate mechanism to systematically track TC results. Project level monitoring has proven impractical given TC’s relatively small size, administrative workload, available expertise and execution capabilities.
- 2.20 **The expected performance of the TC monitoring, reporting and evaluation process has been defined by Management only in generic terms.** TCPF proposed the creation of “*a Bank model of grant resource management that would [among others] improve the monitoring, evaluation and reporting on the development outcomes and impacts achieved with TC.*”<sup>77</sup> TCPF’s expected “*monitoring and evaluation of TC [to] provid[ing] useful information on outputs and outcomes*” but identified no indicators, baselines, or targets.<sup>78</sup> Regarding the *time* and *cost* to execute this process, there is no centralized information. Yet, less than 3% of the TCs closed in 2007 & 2008 logged specific deadlines for the production of their PCRs in the Bank’s systems, and none reported whether deadlines were met.<sup>79</sup>
- 2.21 **Regarding quality, expected performance is also undefined, but data in different Bank systems points to weaknesses.** For example, 83% of TCs with no disbursement for more than 12 months were reported as “*satisfactory*” in their Implementation Progress, and as “*probable*” in their Achievement of

Development Objectives.<sup>80</sup> According to AUG, “*there is insufficient monitoring of TC operations to identify events affecting ... implementation or achievement of objectives ... GCM performs regular monitoring, but the content is insufficient.*” Availability of TC evaluation results is limited: access to data on PCRs is further jeopardized by their being stored as text documents on the IDBDOCS system, which has limited searching capabilities. In fact, evaluation is compromised early on at the design stage: in 2008 only 59% of TCs had planned M&E activities and 34% had logical frameworks (vs. 76% and 45% respectively in 2007).<sup>81</sup>

## G. TC Audit & Closure

### 2.22 **As implemented at the Bank, TC Audit is conducted prior to TC Closure.**<sup>85</sup>

TCPF set an expectation for audits to be “*specific, simplified and consistent with the amounts and assessed risk involved.*”<sup>86</sup> In practice, TC audits have become a bureaucratic requirement to be able to update information in OPUS and close a project. TLs must verify the financial status of their operations, compliance with financial contractual clauses, and external audit requirements.<sup>87</sup> Follow-up on external auditor's recommendations is expected, but not tracked in any centralized system.

TC Audit & Closure
<i>TC Audit &amp; Closure aims at “uncovering issues and challenges encountered in the execution”,<sup>82</sup> and “finalizing project activities.”<sup>83</sup> The process’ business objective is: (i) to obtain a timely third party opinion on key issues required for closure, (ii) to complete all project activities and (iii) to extract relevant lessons learnt.<sup>84</sup></i>

2.23 **Management has not defined the expected performance of the TC Audit & Closure process, but evidence indicates that it’s currently focused on administrative issues, rather than on lessons learned and sustainability.** Users report that *TC Audit* feedback arrives too late for corrective actions, decreasing its relevance. Audits are not functional; focusing on transactional fiduciary matters with limited impact on the TC’s developmental objectives. Regarding the *TC Closure* process, data shows that 31% of TC operations took between 6 and 12 months to close; and 8% of TCs took more than 1 year to close.<sup>88</sup> AUG reports that the Bank “*does not have defined criteria for cancellation or reformulation of TCs with serious delays in execution... as for December 31, 2008 ... 162 expired TCs with available balance had not been cancelled out of 1,287.*”<sup>89</sup> Similarly, Management has not identified cost and quality indicators for this process.

## III. TC STRATEGY, PROGRAMMING AND SUPPORT PROCESSES

### A. Introduction

3.1 **This chapter analyzes the Bank’s TC strategy, programming and support processes.** The analysis is organized around the following six processes: (i) TC Strategy; (ii) TC Programming; (iii) TC Alliances & Partnerships; (iv) TC Legal Services; (v) TC Knowledge Management, and (vi) TC Information Management. Each section presents a description of the process, its business objectives,

associated risks, main process components and an assessment of process performance in terms of the time elapsed (*time indicators*), associated costs (*cost indicators*), and the quality of the outputs produced (*quality indicators*).

- 3.2 **The analysis of these processes shows their fragmentation and lack of formalization.** The Bank has an implicit TC strategy, but lacks a definition of the Bank’s competitive advantage and strategic objectives regarding TC. Programming is mostly reactive, thus limiting the Bank’s ability to prioritize and optimize TC work. Finally, most TC support processes are not formally defined to enable a conception of TC that extends beyond the mere provision of financial resources. Therefore, TC information, knowledge, expert human resources and alliances are managed ad-hoc, without defined processes to support their delivery.

**B. TC Strategy**

- 3.3 **Although the Bank lacks a strategy development process specific to TC, different units at the Bank have attempted to address TC issues at a strategic level.**

The Bank has defined general priorities for TC via its institutional strategy,<sup>92</sup> country and sector strategies,<sup>93</sup> regional programming,<sup>94</sup> special programs and initiatives.<sup>95</sup> Yet, they only partially cover the elements that would be involved in the process of preparing a TC strategy; e.g., diagnostic, definition of objectives, strategic plan, assessment of resources and framework to monitor progress. Other elements are missing, such as an analysis of stakeholders’ needs, an assessment of the Bank’s non-financial delivery capabilities, periodic independent assessments of past TC results, and a definition of the Bank’s competitive advantages in the TC area.

TC Strategy
<p>The process defines "a long term direction and scope to achieve advantage in a changing environment, through a configuration of resources and competences, with the aim of fulfilling stakeholder's expectations."<sup>90</sup> Its business objective is to define strategic objectives and a plan to achieve them over time. The process involves an assessment of stakeholders’ needs and expectations, a diagnosis of business’ advantages versus the competition, and an assessment of the feasibility of securing necessary resources and capabilities.<sup>91</sup></p>

- 3.4 **TCPF was “meant to serve as a medium-term guide for the development and implementation of the Bank’s technical cooperation program”, but objectives were only broadly defined.** TCPF aimed at “increasing the supply of grant funding for the Bank’s borrowing countries while correspondingly facilitating demand for the use of such financial resources.” In order to do so TCPF sought “improvements in the quality of technical cooperation, together with better monitoring, evaluation and reporting of results and impacts obtained, [to] raise the profile and effectiveness of donors’ financial contributions, facilitating future resource mobilization and contributing to position the Bank as the pivotal knowledge-generating institution for the region.” TCPF further sought to establish “a strategic link between TC and the Bank’s lending portfolio,” as well as “a limited number of Strategic Thematic Funds (STFs) that support the key priorities of the Bank’s lending program, country strategies and regional programming.”

3.5 **As a result, Management has not defined the expected *time, cost and quality* performance of the *TC strategy process*. Thus, OVE had to assess the TC strategy process via proxy indicators, such as: (i) timing of the diagnosis, (ii) quality of the implicit TC strategy and (iii) cost of managing the TC program. OVE found that: (i) TC strategic needs were not effectively integrated because they were derived from different, often conflicting perspectives, e.g., countries and sectors; (ii) References to the Bank’s added value contributed by TCs were only broadly defined – TCPF purports to “*contribute significant added value to the Bank’s competitiveness*”<sup>96</sup>; and (iii) Management has emphasized efficiency as a pillar for the long term sustainability of the TC program; yet there is not even a good estimate of the cost of managing TCs –TCPF seeks to “*reduce transaction costs*”. Data collected by OVE - based on the Bank’s fairly unreliable costing systems– show that annual staff costs ranged from \$13,107 to \$16,035 per TC.<sup>97</sup> However, 70% of TC users report spending a significant portion (averaging 70%) of their time working on TCs, while 27% of TC users reporting spending upwards of 80% of their total time.**

**C. TC Programming**

3.6 ***TC programming of National-TCs is driven by the Country programming exercise, in a way that generally subordinates TC to the lending program. In contrast, TC Programming of Regional and Special Initiative TCs follows separate programming processes.*** Newly proposed National TCs are reflected in each organizational unit’s Business

TC Programming
The process involves forecasting demand, scheduling activities, and securing the timely availability of resources - TC programming is currently fragmented. The business objective of this process is to match delivery capacity with client demand over time. <sup>98</sup>

Plan, but this does not ensure approval. Resources are often reassigned given that TCs are generally perceived as difficult to forecast. In contrast, Regional TCs funded by FSO are prioritized via a competitive selection process managed by GCM. Once a Regional TC is selected, it reverts to the standard approval process. Similarly, special initiatives such as SECCI follow their own programming mechanisms, with TCs generally screened and selected by panels of experts.<sup>99</sup>

3.7 **Management has not defined the expected *time, cost and quality* performance of the *TC programming process*.** TCPF proposes “*as an expected outcome [that] TC operations [be] aligned with country, regional and corporate priorities,*” but does not identify associated indicators, baselines or targets. OVE collected proxy indicators based on the sample of TCs analyzed. In terms of timing, programming frequency varies across countries and regions. Such information is not registered in the Bank’s systems and indicators are unavailable. In terms of programming cost, no indicators or data are collected. Regarding programming quality, data shows that 98% of TCs approved in 2008 were aligned with a Bank institutional, sector or country strategy. However, such strategies tend to be very broad.

- 3.8 **TC Users report that success depends more on appropriate Management judgment, than on pre-identification of each TC in the country programming exercise.** Data shows that only about 40% of National TCs originated from country programming exercises.<sup>100</sup> Yet, TC users report that TC success is independent of their pre-identification in programming, pointing out that TCs address valid country needs of different urgency. Regarding Regional TCs, TCPF states that *“Technical Cooperation at the Regional level will be situated within the regional programming process, prioritizing the financing of TC that addresses regional development and integration objectives.”* Yet, despite efforts to prioritize Regional TCs, only 28% derived from programming. In fact, it is unclear how the Bank ensures that Regional TCs are aligned with Regional programming priorities, given that Regional Programming Papers are also outdated.<sup>101</sup>
- 3.9 **Yet, Management’s TC programming judgment remains unstructured, potentially compromising the Bank’s ability to deliver expected results.** AUG reported that *“the Bank prepares and approves new TC operations without adequately considering the country office technical and fiduciary staff capacity to supervise their existing portfolio plus the new operations. There is an absence of monitoring controls over the TC stock and flow.”* In addition, there is no established schedule to distribute the TC workload along the calendar year. For example, approvals tend to “bunch” in the last quarter of each year.<sup>102</sup> There is also no evidence that the TC backlog be actively managed, by seeking opportunities for substitution, resizing or combination of operations.

## **D. Support Processes**

### **1. TC Alliances & Partnerships**

- 3.10 **According to the Bank’s charter: “the Bank may enter into agreements on technical assistance with other national or international institutions, either public or private.”**<sup>103</sup> The process includes the identification, screening, engagement and monitoring of relationships with third parties cooperating with the Bank’s technical assistance program. The Realignment created an Office of Outreach and Partnerships (ORP) charged with *“developing strategic public and private partnerships and alliances that will help enhance the effectiveness of the Bank’s work.”*<sup>104</sup> Though not specifically focused on TC, ORP currently devotes part of its resources to TC, mostly in connection with resource mobilization.<sup>105</sup>
- 3.11 **TCPF proposed the creation of “a Bank model of grant resource management that would (among others) provide critical inputs for the mobilization of grant resources from the donor community, including philanthropic foundations and the private sector.”**<sup>106</sup> TCPF states that ORP *“will be responsible for resource mobilization and donor relationships.”*<sup>107</sup> In 2009, ORP prepared a Resource Mobilization Action Plan (RMAP) covering 2009 to 2012. The RMAP establishes specific targets along three strategic lines to enhance the IDB’s resource mobilization capacity. As of January 2010, the RMAP was still pending approval.<sup>108</sup>

- 3.12 **Management defined as expected outcome that “fund raising brings in more resources tailored to Bank/country program needs.”**<sup>109</sup> Yet this expected “outcome” had no documented indicator, baseline, milestone or target. By January 2010, thirty-two Memoranda of Understanding (MOUs) had been signed. These MOUs present several issues: (i) there is no evidence that the selection of the parties has been guided by a strategy or a specific demand linked to Bank operations; (ii) MOUs are based on “*best effort*” provisions, thus becoming potentially non-enforceable;<sup>110</sup> and (iii) there is no evidence that MOUs are followed-up by work programs executed with each one of the partners, nor that there exists a centralized repository of mutual commitments.<sup>111</sup>
- 3.13 **In contrast, specific fundraising efforts have produced important results, but the interaction with outside parties still presents organizational challenges.** Among others, in 2008 the Bank established the Spanish Water and Sanitation Fund which provided around US\$400 million in 2009.<sup>112</sup> This fund highlighted, however, a lack of clarity in regards to the division of responsibilities among organizational areas. Formally, there are three different contact points within the Bank for the Donor of the Water and Sanitation Fund. Reportedly, the need to accommodate Donor requirements of different nature - strategic, thematic and operational - has led to this multi-party arrangement, yet this contrasts with the single window approach conceived by the Bank’s realignment.<sup>113</sup>

## **2. TC Legal Services**

- 3.14 **TC Legal Services are provided in-house, by the Bank’s Legal Department (LEG).** During the TC design and approval process, LEG assigns a lawyer to provide legal advice to the team. One of the lawyer’s key tasks is the preparation of a Letter of Agreement and Resolution (when needed). When contractual modifications are necessary after approval<sup>114</sup> LEG also prepares a modification letter at the request of the relevant Bank authority.<sup>115</sup> LEG also participates in the formalization of donors’ contributions. In general, LEG services are perceived as a formal requirement, rather than a source of innovation.
- 3.15 **TC users report a timely response from LEG, but suggest few areas for improvement.**<sup>116</sup> According to a survey conducted by OVE, 66% of team members indicate that obtaining the non-objection from LEG does not cause delays during the approval process. This could be considered a proxy of client satisfaction, which in this case would be high. Based on several interviews, TC users also have expressed a need for improvement in two main areas: (i) review the applicability of standardized contracts, since some clauses are not relevant and create high transaction costs;<sup>117</sup> (ii) focus on providing legal advice, avoiding commenting on technical issues.

## **3. TC Knowledge Management**

- 3.16 **TC Knowledge Management is conducted ad-hoc, relying upon the personal initiative of team members or EAs involved.** A comprehensive knowledge

management process would include: (i) identifying best practices and innovations; (ii) storing intellectual capital; (iii) distilling and disseminating lessons learned; and (iv) mainstreaming lessons learned within the Bank's business and practices. During the Realignment, a Knowledge and Learning Department (KNL) was created with the purpose of "*promoting initiatives to translate the state-of-art knowledge and best practices, produced by the Bank and others, into improved development effectiveness in the Bank's operations.*"<sup>118</sup> KNL has several ongoing initiatives, but has not yet implemented a system tailored to TCs.

- 3.17 **TCPF defines as an expected outcome that "learning from TC operations is institutionalized", but specifies no indicator, baseline or target.** The Bank currently lacks an explicit strategy for managing TC knowledge and lessons learned. A KCP initiative was launched in 2009 defining knowledge and capacity building products. Implementation is still in progress and it is unclear how it would affect knowledge management for TCs other than KCP. According to the sample of TCs analyzed by OVE, most lessons learned are not disseminated: 56% of TCs used final reports to disseminate lessons learned; however, only 14% were readily accessible via the Bank's IT systems, 20% via websites or e-mail communications, and 26% via word of mouth.<sup>119</sup>

#### **4. TC Information Management**

- 3.18 **TC Information Management processes are supposed to facilitate evidence-based decision-making regarding TCs.** An IT support system for TCs would need to provide at least the following functionality: (i) record and back-up financial and non-financial transactions; (ii) facilitate client interactions; (iii) manage communications with partners; (iv) manage workflow, contractual compliance and authorizations; and (v) collect TC results, feedback and lessons learned. In practice, the Bank's IT processes lack this functionality: a vicious cycle is created where information is not used because of its poor quality and not-readily available; and poor quality data is entered in the systems because no one checks them, and it is a very time consuming task.
- 3.19 **The Bank's TC information management is fragmented: 17 different systems collect overlapping information along the TC cycle.**<sup>120</sup> TC systems have limitations in terms of relevance, usefulness, completeness and accuracy: (i) most systems have been originally designed for loans, and their application to TC does not consider TC's particular needs (e.g., focus on non-financial versus financial issues), (ii) the Bank does not currently have a single IT system tracking all relevant information on each stage of the TC cycle. As a result, overlaps among systems often occur (e.g., both TFAS and OPUS cover the TC design stage); (iii) information provided is often incomplete and difficult to aggregate at the portfolio level (e.g., the PPMR system provides limited information on project progress and results); (iv) similar information is collected through different systems (e.g., records on consulting services providers can be found on PeopleSoft in the case of individual consultants, PRISM for consulting firms of Recipient-executed TCs, and now on E-source for all consulting firms that have

worked directly or indirectly for the Bank); (v) quality control on data entry is almost non-existent (e.g., TMs are responsible for monitoring project performance and reporting; yet there is no quality control on data entered. Fields are often left blank or filled-in haphazardly. Thus, available data is often incomplete, outdated or inaccurate).

#### IV. ASSUMPTIONS UNDERLYING TC AT THE BANK

##### A. Scope of the Chapter

- 4.1 **TC performance is determined not only by the processes analyzed before, but also by a set of *underlying assumptions* held by process participants.** As seen in prior chapters, process analysis can explain part of the issues affecting TC at the Bank. However, TC performance is also driven by the rational behavior of TC process participants, who collectively hold *underlying assumptions* regarding TC's role, acceptable performance and need for resources. These –often implicit– underlying assumptions determine TC users' perceptions, efforts, abilities, incentives, and ultimately behavior, in a way that cannot be fully described by a static process analysis.
- 4.2 **The chapter discusses these key underlying assumptions regarding TC's role, expectations, resources, capabilities and incentives.** Each assumption is discussed in terms of the available –often incomplete– evidence regarding stated expectations and actual practice. In so doing, the evaluation finds a pattern of inconsistencies between statements of purpose –including those contained in the Bank's Establishing Agreement– and the actual role, expectations, resources, capabilities and incentives for TC at the Bank. It is also worth noticing that many of the assumptions identified in this chapter are embedded into the Bank's overall management system; therefore apply not only to TC, but also to loans.

##### B. Role of TC at the Bank

- 4.3 **The Bank's strategic documents always asserted a fundamental role for TC.** TCs were expected to fulfill an ambitious set of objectives, such as increasing the Bank's ability to “*respond effectively to client demand*”<sup>121</sup> and “*contribute significant added value to the Bank's competitiveness.*”<sup>122</sup> TCs were to have a critical role in supporting the Bank to “*fulfill its mission to reduce poverty and inequality, support the modernization of State and integration and contribute to environmental sustainability.*”<sup>123</sup> TCPF envisaged TC work would be “*focused on realizing outcomes and development impacts.*”<sup>124</sup>
- 4.4 **However, despite their stated importance, the Bank lacks an explicit TC strategy.** The Bank has identified several strategic TC objectives, but these are broadly defined.<sup>125</sup> Nevertheless, major limitations persist in the Bank's strategic approach to TC: (i) an incomplete diagnostic that is not built upon all relevant inputs;<sup>126</sup> (ii) a multitude of implicit objectives regarding TC not linked with a diagnostic; (iii) a fragmentation of initiatives to achieve similar objectives; (iv) a

- lack of clarity regarding the costs involved; and (v) an incomplete framework to monitor progress in achieving strategic objectives. In this context, it is unclear whether the changes observed after 2005 –more TC resources, larger operations, more A&B participation– respond to any documented strategic direction for TC.
- 4.5 **Partly, due to the lack of a clear identification of the Bank’s TC “clients”.** TCPF states that TC strengthen the Bank’s *“ability to respond effectively to client demand”*;<sup>127</sup> yet it does not specify whether “client” refers, for example, to current country authorities, civil society, local technical experts, private sector companies, donors or any other potential constituency. COF interviews point to Country Strategy and Programming exercises often reflecting TCs originated to satisfy the following three types of demand: (i) complement and subsidize loan related activities; (ii) respond to specific requests from, or build relationships with, well-connected individuals and organizations in the countries; and (iii) pursue specific interests from Bank Specialists and upper management.<sup>128</sup> In addition, OVE’s Survey shows that in the opinion of 67% of Bank staff, feedback reflecting the satisfaction of TC Donors, is not an important consideration for assessing TC success.<sup>129</sup>
- 4.6 **As well as a lack of definition of the Bank’s overall “competitive advantage” in the TC arena.** Strategic TC definitions would have to build not only on understanding external client needs, but also on internal assessments of what the Bank could do better than potential competitors. In the case of TCs, the absence of any competitive benchmark is remarkable. Except for casual mentions of the Bank’s “strong presence” in the countries, the argument as to why a potential Donor would prefer to invest in a TC managed by the Bank, as opposed to any other potential competitor, is not well developed. In fact, OVE was unable to find evidence of well structured competitive advantage statements addressed to potential donors or other potential stakeholders; finding only isolated arguments in thematic fund proposals.
- 4.7 ***“The lack of a comprehensive ... strategy has given prominence to what has been described as the informal programming process which operates on the basis of individual requests and depends fundamentally on the influence and operational capabilities of individual actors.”***<sup>130</sup> This diagnostic of the 1989 Bank reorganization task-force still applies today. At the Bank, only the competitive process to select regional TCs funded with FSO acts as a quasi-market mechanism, creating a perception of scarcity and “opportunity cost”. All other TCs are driven by a “first come-first serve” logic, depending on fund availability, instead of being systematically valued in terms of their relative costs and benefits.<sup>131</sup> Outside the Bank, DFID, ILO and others use “challenge fund” mechanisms to award grants –on a competitive basis– to projects that best meet the fund specific objectives.<sup>132</sup> Alternatively, entities such as the IMF and World Bank have well defined fee-based models, thus placing a clear cost on each TC.
- 4.8 **As a result, *“Technical Cooperation activities have been implemented without the benefit of long-term direction or strategy, which has led to dispersion.”***<sup>133</sup>

This issue, identified in the 1989 Revised Report of the Operations Task Force, is also still valid today. Defined priority areas at the Bank are still too broad to drive TC prioritization during programming exercises. This makes it difficult to establish which TCs would be more critical and developmental according to such priorities. This issue relates to the way the Bank reflects strategic priorities in general, thus affecting not only TCs, but also loans.

### C. Expectations for TC Success

- 4.9 **The Bank lacks an *objective* definition of TC success, thus affecting its ability to ultimately evaluate TC results.** Successful TCs are usually identified on a case-by-case basis, because the Bank lacks indicators and targets to objectively define TC success. TC evaluations are based on accounts of expected deliverables (outputs), with little emphasis on long term results, sustainability or impact. As a result, evidence of success is mostly anecdotal. This is further compounded by the concessional nature of most TC at the Bank. The lack of effective checks and balances from clients needing to “repay” TC resources determines an absence of “market signals” that could be able to direct resources to their best potential use.
- 4.10 **Perceptions of TC success vary among users; however, according to 70% of TC users, a TC is considered successful if it produces most of its expected deliverables (outputs).** In most cases TC deliverables are produced by EAs and consultants under contractual arrangements. Contracts specify minimum quality standards, but deliverables are generally not independently verified by parties other than those already involved in either executing or committing the work (according to 71% of TC users). Also, deliverables are not widely disseminated, so in most cases they are not subject to additional scrutiny regarding their quality.
- 4.11 **TC success is perceived as strongly linked to financial considerations, instead of developmental results.** TC results are not systematically tracked at the Bank. In fact, no TC in the representative sample was found to be completely evaluable at entry - only 11% identified expected outputs and outcomes, but still missed other evaluability dimensions. Furthermore, about two thirds of TCs were not tracked during implementation. However, the Bank did track the implementation of the larger TCs that accounted for about 81% of all TC resources – emphasizing its implicit objective to safeguard the use of funds. However, even from a financial standpoint, the cost side of TC management is not well defined. As a result, the Bank can’t accurately assess, for example, whether fees collected from Donors cover the cost of administering their funds and related TCs. Then, TC success is reported in financial terms via: (i) approvals and disbursements, and (ii) the absence of unresolved fiduciary issues in procurement and financial audits.
- 4.12 **In contrast, the need for an objective definition of TC success is critical to other members of the development community.** According to DFID “*given that TC is often criticized, it is important [to develop] a good evidence base on impact and apply lesson learning.*”<sup>134</sup> IMF has also undertaken a set of reforms to “*increase the impact of the Fund’s Technical Assistance ... [including the] Fund-*

*wide introduction of performance indicators [to] make TA more transparent and accountable.*"<sup>135</sup> This model includes a clear definition of objectives, assumptions, project activities, outputs and outcomes. It is worth noting that the IMF has also defined TA expected outcomes and outputs at the institutional level to which TA specific outputs must be aligned.

- 4.13 **Partially as a response to similar challenges with their TC activities.** A recent report on TA at the IMF indicates that *"TA is not sufficiently standardized to facilitate effective monitoring and evaluation. There is no common understanding of the parameters for performance measurement. For instance, some managers organize TA at a task or mission level; others see it as a continuum tied to the Fund' relationship with countries and having no fixed start or end dates. Thus, there are no common benchmarks for success... their differences inhibit systematic measurement of TA."* Similar issues are currently under discussion at the Bank.<sup>136</sup> For example, the KCP initiative proposes a hierarchical classification for stand-alone TCs: category, program and project. It also proposes lengthening the resource allocation time horizon, under a two-year budgetary envelope, to better support longer-term development objectives at the program level.<sup>137</sup>

#### **D. Resources Required for TC**

- 4.14 **The multiplicity of TC objectives demands both financial and non-financial resources.** According to TCPF, the objective of the Bank's TC is to *"facilitate the transfer of technical know-how and qualified experience with the purpose of complementing and strengthening national and regional technical capacities, thereby contributing to the primary purpose of the Bank: accelerating the process of economic and social development of the borrowing member countries, individually and collectively."* TCPF further specifies TC as the *"transfer, adaptation, mobilization, and utilization of services, skills, knowledge, technology, and engineering to build national capacity on a sustainable basis."*<sup>138</sup>
- 4.15 **Yet, TCs are more closely identified with their funding, rather than with their characteristics, objectives or expected impact.** This has led to a complex TC classification system tied to "buckets of financial resources." Four different types and 25 sub-types of TC attempt to categorize operations.<sup>139</sup> According to the diagnostic accompanying KCP, *"the outcome of this process is a constellation of programs, activities, products and funds that prevent the Governors, the Board and Management alike from having a thorough view on the extent, role, direction, quality and results of the Bank's activity in this area."*<sup>140</sup> Indeed, *"this is a system complex enough to generate confusion and frustration among borrowers and staff alike, as well as, unnecessary administration costs."*<sup>141</sup>
- 4.16 **Most TC users assert the importance of non-financial resources to improve TC impact.** Non-financial resources include technical expertise, facilitation roles, advisory services, technology transfers, among others. However there seems to be a deficit of such expertise. Indeed, about two thirds of TC users indicated a need for more advisory services, access to research studies and best practices, sharing

experience with other executing agencies and access to technology. In turn, 69% and 82% of TC users respectively indicated that better access to research studies and best practices could optimize the impact of TC.

- 4.17 **However, non-financial resources are generally not considered a limit to TC delivery capacity.** It is unclear whether workload is taken into account when programming or approving new TCs. In fact, unlike financial resources, which are certified and committed at the time of approval, the attachment of specific internal and external human resources for a particular TC is only loosely defined. According to AUG, *“in several countries, the Bank manages more than 100 operations. Due to the lack of resources in these environments, supervision becomes inadequate and project implementation is slow or non-existing ... only 33% of TC users indicated [they had] the necessary tools to monitor TC.”*<sup>142</sup>
- 4.18 **As a result, the allocation of Technical Specialists’ time is front-loaded towards TC Design & Approval activities.** As of December 2008, the Bank had 1,287 TC active operations (54% of them for amounts below \$150,000), totaling US\$560 million, plus 767 MIF and SPE operations. During 2008, the Bank approved 497 of these TC operations (excluding MIF and SPE projects). The Bank’s costing systems are unable to accurately account for staff time at the different stages of TC management. Yet, OVE estimated that approximately 71% of total Technical Specialists’ time is currently dedicated to the TC Design & Approval stage –which lasts in average five months; while the rest of the TC execution receives only 29% of the staff dedication, despite lasting an average of 16 months.
- 4.19 **This creates an unbalance, which is potentially detrimental to the Bank’s ability to focus on capacity building and knowledge generation during the execution phase.** After approval, the Bank makes two substantial commitments to TC, both of them of a transactional, instead of content-related nature: (i) staff to support disbursement processes (about 30 FTEs for the current TC workload), and (ii) staff to support procurement processes (about 10 FTEs for the current TC workload). In contrast, should the Bank maintain approval-like levels of engagement from its technical staff over the life of the TC, it would require at least 95 additional FTEs in the different areas of content.

## **E. Capabilities for TC**

- 4.20 **The Bank’s TC delivery capacity is currently determined by the availability of financial resources.** TCs are still conducted on the basis of securing a predetermined amount of funding. Recent efforts by GCM to ensure TC users have a “single window” directing them to the most adequate funding source serve to emphasize the importance placed on funding. In fact, the tradition of “doing a TC, only if funding can be secured” is still so strong that TLs continue to seek funding by their own initiative: 59% still first contacted the respective Fund Managers, and 18% contacted other Bank staff to facilitate approval. Only 4% of TLs of TCs approved in 2008, report having first contacted the “single window.”

- 4.21 **Turning the Bank’s capability to mobilize TC funding into the cornerstone of its TC system.** Since its establishment, the Bank has sought to secure funding for TC activities from different sources: Donor Trust Funds (DTFs), net income from the Fund for Special Operations (FSO), and more recently Ordinary Capital (ORC). To some degree, each one of these sources constrains the Bank’s ability to apply the resources to certain sectors, countries and mechanisms. In contrast, the KCP initiative proposes funding stand-alone TCs under a two-year budgetary envelope, thus seeking to decrease the influence of funding sources on TC activities, while also creating a clear “opportunity cost”.<sup>143</sup>
- 4.22 **But failing to adequately recognize the link between TC results achieved to date and the Bank’s ability to access external resources in the future.** OVE’s prior evaluations and Management’s analysis point to emerging trends in the profile of donors. While, some of the traditional donors might be agreeable to untying some of their aid, they place a renewed emphasis on demonstrable results and visibility of their contribution. Similarly, non-traditional donors tend to bring specific agendas, likely to impose even greater requirements on the Bank. In this context, the current pay-as-you-go TC funding system relies on the implicit assumption that the Bank’s future access to funding is fairly static. Yet, in the long-run access to donor funding is more likely to be dynamic; with the Bank’s competitive success determined by its responsiveness to donors, and its ability to maximize the intersection of its activities with donors’ interest and preferences.
- 4.23 **Even partnerships and alliances have been used mostly to access immediate funding; despite 78% of TC users recognizing their importance in optimizing overall TC impact.** The Bank focuses on third party partnerships connected to TC funding, but is less prepared to link partners to the TC *delivery* stage, e.g., for content-delivery or coordination services. In fact, quality problems with the most prevalent third party partners –consulting providers –have affected nearly 50% of TCs. The Bank lacks a roster of consulting providers that would allow their rapid identification. The Bank also has limited experience –with the exception of SECCI– in the utilization of framework agreements for the fast mobilization of highly specialized consultants.
- 4.24 **In contrast, other development actors work more collaboratively with long-term consulting providers and other types of partners.**<sup>144</sup> EBRD, World Bank and IMF maintain an updated roster of experts and a qualification system.<sup>145</sup> At the Bank, the average TC generates five consulting contracts for slightly less than \$200,000 each. Consulting providers report that they face high fixed costs in securing contracts of this size, forcing them to pass those costs onto their respective bids. In addition, they face high uncertainty as to the results of each bid, which is detrimental to their ability to efficiently schedule their scarce expert resources. This also applies to other support services. For example, at the current average of US\$4,000 per TC for audit & evaluation, attracting quality providers becomes challenging.<sup>146</sup>

- 4.25 **Others also tend to rely further on the countries' own executing capabilities.** At the Bank, the ongoing Fiduciary Reform points to the need for “*analysis of the institutional capacity of the Executing Agencies and support in Risk Management both at the country and the project level.*” However, currently only 50% of TC users indicate<sup>147</sup> having reviewed or participated in the review of executing agency’s institutional capacity.<sup>148</sup> Furthermore, only 36% indicated that TC supervision plans were based on results of those institutional capacity reviews.<sup>149</sup>

#### **F. Incentives Related to TC**

- 4.26 **Incentives are not aligned with the achievement of any predefined TC performance level.** Less than a third of TC users (27%) indicate that the Bank has the necessary incentives to promote adequate TC project design and supervision. More than 65% of TC users indicate that Supervisors measure the success of TCs by the percentage of budget executed and deliverables. Beneficiaries’ satisfaction is factored in, but not in a systematic manner. Finally, more than 75% of TC users indicate that their main incentives to work with TC were to maintain the Bank’s presence in the country and advance the Bank’s knowledge of the sector, but without further elaborating on the objectives of such presence or their fit with country needs.
- 4.27 **TC Quality is inherently self-reported, generating few incentives for open discussion and learning.** According to AUG, “*incentives for TC supervision are not always aligned with the Bank’s new framework for technical cooperation. TC supervision activities are not reflected in annual e-performance exercise. Lack of adequate incentives for the supervision of TC not associated with the preparation of new operations or with execution or a loan.*” Knowledge is not factored in to improve future TC performance. Studies and activities are often duplicated. To date, nobody truly “owns” TC knowledge or is charged with advancing it over time, optimizing returns on TC investment. Currently, there are few incentives to share knowledge –a fact that should be properly taken into account if the Bank were to pursue a “Knowledge Repository” initiative, as proposed by KNL.
- 4.28 **Incentives in place emphasize access to TC financial resources.** TC agents have rationally responded to financial incentives in place leading to: (i) maximization of TC resources availability, regardless of their future use; (ii) irrevocable allocation of predefined funding, either as budgets of individual TCs, or expenses to Donors; (iii) promotion of dialogue and relationships with the country at the expense of utilizing a certain amount of ‘walking-around-money’; (iv) development of knowledge and sector-presence relatively independently of specific country needs; (v) tolerance for “low-returns-on-investment” due to the perceived “free” nature of TC resources; (vi) laying fast claim to TC resources to secure access under a first-come, first-serve system; and (vii) emphasizing processes mainly designed to control financial resources. All of this has generated a sustainable, but low, equilibrium regarding the Bank’s use of TC.

- 4.29 **According to 76% of TC users, incentives also encourage giving priority to loans over TCs.**<sup>150</sup> Furthermore, when doing TC work, 79% of TC users indicated that one of their main motivations was to facilitate the preparation and execution of loans. Limited resources are allocated for TC preparation and execution, e.g., in 2008, no funding was budgeted for the supervision of TCs under \$150,000. TC processes still create a high transactional burden; despite representing 2% of the Bank's financial disbursements, TCs generate about 70% of the Bank's total financial transactions.<sup>151</sup> TC supervision activities are also not given a high weight in staff's annual performance evaluations.<sup>152</sup> Finally, TCs not related to loans are "*generally not included in Supervision Plans.*"<sup>153</sup>
- 4.30 **In this context, the distinction between loan-related and stand-alone TCs becomes less clear.**<sup>154</sup> There has been a recent increase in the share of loan-related TCs: from 33% in 2007 to 45% in 2008.<sup>155</sup> In parallel, an ongoing effort to systematize and fund stand-alone TCs is advanced under a Knowledge and Capacity Building Products (KCP) umbrella. In fact, although the KCP strategy recognizes the importance of both loan-related and stand-alone TCs, it proposes a division between them.<sup>156</sup> From an operational standpoint, this may facilitate resource allocation issues between VPC and VPS. Yet, from a strategic standpoint, it's not clear whether accentuating this division is optimal for Bank's clients, who might view TCs and loans as complementary tools in the context of long term relationships.

## V. CONCLUSIONS AND RECOMMENDATIONS

### A. Conclusions

- 5.1 **The main findings of this evaluation are remarkably similar to prior assessments conducted over the past decades.** The issues identified by this evaluation are hardly new.<sup>157</sup> The Bank's attempts to reform technical cooperation have been numerous over the years; however, the evaluation confirms that fundamental issues remain unresolved; and in fact have been aggravated by the more than fivefold increase in the number of TCs approved as compared to 20 years ago. Unresolved issues remain, not only at the procedural, but most importantly at the strategic and organizational levels.
- 5.2 **The evaluation finds that non-reimbursable TC has become *de facto* a financially-oriented arrangement.** Under such arrangement, financial resources are entrusted to the Bank by its shareholders, or other parties, genuinely interested in channeling them towards the development of the region. In exchange, the Bank's commitment consists mostly of ensuring a reasonable fiduciary oversight; for which the Bank is generally compensated under contractual terms unconnected with the results achieved by the TC activities themselves.
- 5.3 **The Bank's clear mandate to utilize TC for developmental results has become secondary, subordinated to the short term need to access**

- concessional resources.** Perceived as “free”, TCs are somehow not expected to meet any strong, pre-defined standard: obtaining “something” from the TC is generally viewed as positive; leading to “nobody” having true accountability for results. TCs were adapted to very different purposes, including activities that would otherwise have to be supported by the Bank’s budget. This status quo has endured for decades; a sign that all parties have so far seemed content with dividing up available TC resources.
- 5.4 **Over the years, the Bank has periodically revamped its TC this system, but always keeping a financial emphasis.** These changes have generally sped up TC financing, but at the same time created a growing gap between TC’s reality and the very different requirements imposed by the Bank’s developmental mandate. Periodic partial evaluations have served to highlight successful TC cases at the project level, but also to confirm that such successes were not systematically built into the Bank’s system to manage TC. Indeed, many successful instances resulted from the opportunistic confluence of situations and individuals.
- 5.5 **This has lead to an acutely non-evaluable TC program, not-built for results.** Evidence indicates that, despite expressions to the contrary, the Bank does not manage its TC activities for results. In the few cases when any results are reported –only for about one third of TCs– information provided is highly influenced by self-assessments conducted by participating parties, which have a vested interest in reporting “good” results. Even with this reduced coverage, the Bank still manages to report on over 80% of TC funding, confirming its financial emphasis.
- 5.6 **The achievement of developmental results during execution is further jeopardized by an allocation of Bank Specialists’ time, which is clearly skewed towards the initial stage of the TC lifecycle.** TC Design & Approval absorbs over 70% of the specialists’ time dedicated to TC. Bringing the same level of dedication to latter stages of the TC lifecycle would require about 100 additional full-time specialists. Yet, having that staff in-house could also create challenges regarding their scope of expertise, as well as their ability to adapt to changes on thematic foci over time. Indeed, the current allocation of staff time is driven by the fact that today the critical milestone of a TC is the time it secures its funding. Given the evidence that actual incentives are strongly tied to financing, this is likely to remain so, regardless of the quality of the preparation work; or well-intentioned efforts to keep up involvement over the TC life-cycle.
- 5.7 **In fact, TCs at the Bank have become mechanisms to channel most resources to third-party providers selected ad-hoc for each TC.** The average TC allocates 53.4% of its approved amount to consulting services, 11.6% to training, 10.8% to supplies, 1.3% to audit and 1.3% to evaluation, with the remainder going to general overhead (21.6%). Contracting procedures are conducted early during the execution of each individual TC; although in practice most contracts are awarded to parties that could have been pre-identified: 58% to recognized experts in the field, and 15% to parties with prior relationships with the Bank.

- 5.8 **Leading to a highly transactional –short term– approach, requiring about 40 full-time staff equivalents: 10 for TC procurement and 30 for TC disbursement.** Ex-ante controls and duplication of revisions characterize TC processes. For example, auditors are expected to be contracted for each TC individually. TC procurement follows Bank policies, regardless of the item procured, experiencing frequent delays and numerous individual procurement events – an average of five contracts per TC. Similarly, TCs generate about 70% of the Bank’s transactions, but account for only 2% of disbursed amounts.
- 5.9 **The Bank’s Mandate provides for the possibility of longer term engagements with strategic partners, to help the Bank carry out its developmental function.** The Office of Outreach and Partnerships (ORP) has been charged with “*developing strategic public and private partnerships and alliances that will help enhance the effectiveness of the Bank’s work,*” including TC work. In that role it has conducted successful fund raising efforts, but additional efforts are required to ensure that ORP’s approach to alliances is driven by a strategic prioritization determined by TC demand on the field (demand-driven).
- 5.10 **However, the Bank lacks a clear TC strategy to guide these engagements, as well as its TC program in general.** The diagnostic of a Bank’s study conducted 20 years ago still applies: “*Technical Cooperation activities [continue being] implemented without the benefit of long-term direction or strategy, which has led to dispersion in the Bank’s technical cooperation activities...[this] has given prominence to what has been described as the informal programming process which operates on the basis of individual requests and depends fundamentally on the influence and operational capabilities of individual actors.*”<sup>158</sup> Most striking is the lack of a clear definition of who are the real “clients” of the Bank’s TC. As well as a lack of definition of the overall “competitive advantage” of the Bank in the TC arena.
- 5.11 **This has weakened the Bank’s TC programming; affecting TC origination and linkages with the rest of the Bank’s work.** TC activities are programmed ad-hoc, as secondary elements, within the context of the programming of lending activities. TCs are programmed individually, and approved mostly on a first-come-first-serve basis, without effective processes to place them in the context of wider interventions, seeking opportunities for substitution, resizing or combination of operations. These processes are hardly facilitated by the Bank’s information systems: currently consisting of 17 different systems, collecting and providing bits of information throughout the TC cycle.
- 5.12 **And TC Management processes have become fragmented, revolving around one overarching objective: facilitating faster access to funds.** First, there is a weak relation between TCs approved and the programming exercise. Second, there is still a lack of continuity between TC design and execution.<sup>159</sup> Third, an emphasis on approval processes instead of execution. Reforms have concentrated on the approval process; while initiatives to improve execution have originated from the COFs, and focused mostly on fiduciary aspects.<sup>160</sup> A “one size fits all”

approach has been applied to ensure rapid approval and disbursement of funds, independently of the characteristics and objectives of the TC.<sup>161</sup> The KCP initiative advances in this area, by recognizing the need to have specific procedures depending on the KCP classification.

- 5.13 **Despite recent efforts, the expected performance of the TC management processes remains undefined.** References in the Bank's TC policy and framework to "*quicker*", "*improved*", or "*reduced*" set only generic expectations; which are compatible with the evaluation's recurring theme: when it comes to TC, expectations remain broadly defined, so "any improvement" appears to be enough. In fact, almost all the TC processes lack measurable baselines and targets. This includes even the most financially-oriented processes (such as TC approval or TC disbursements), which are more at least more formalized defined in terms of their activities.<sup>162</sup>
- 5.14 **This lack of indicators, baselines and targets has jeopardized the Bank's ability to manage TC processes; leading to some counterintuitive results.** In spite of recent efforts to streamline TC processing, data collected by OVE indicates that approval times have become slower (averaging 5.8 months) and processing costs have increased slightly as a percentage of amounts approved (averaging 3.4%). This is, incidentally, contrary to the general perception held by Management and other TC stakeholders; demonstrating that in the absence of information, perceptions often trump reality preventing an effective management.
- 5.15 **Creating also a bias towards time-related metrics; inherited from loans.** "Faster" is often equated with "better". Even though Management does not identify any specific time-related indicator or target for TCs, these can be readily obtained ex-post from the Bank's information systems. Most of these systems have been adapted from the ones used for loans, which customarily track time events. Under this perspective, the recently streamlined process has shown great success in halving the time required to meet conditions prior to the first disbursement for TCs –a traditional, administrative process step.
- 5.16 **And a lack of cost and quality-related indicators, essential to assess activities with the type of diversity of TC.** The lack of reliable cost information experienced by loans extends to TCs. As a result, the Bank is rendered unable to assess, for example, whether the amounts contractually charged to Donors for fund administration cover actual costs. Regarding quality, the lack of emphasis is evidenced by the absence of comprehensive and reliable data on results. Furthermore, once projects are financially closed, TC outputs are not disseminated in any systematic way, so they are rarely subject to independent quality reviews.
- 5.17 **In this context of indetermination, weakness and fragmentation of its TC processes, the Bank has nevertheless moved to more than double the amount of TC resources.** Concurring with this diagnostic, AUG reported in 2009 that "*management of Grants, Technical Cooperation and Institutional arrangements*

*at the Bank [were] still unsatisfactory.*” However, since 2005 non-reimbursable TC resources have more than doubled, with the addition of more than \$80 million a year. This was funded by the opportunistic introduction of resources from the Ordinary Capital; as well as large donations tied to new Bank entrants (e.g., Korea, and later China) and specific initiatives (e.g., with Spain and Japan).

- 5.18 **But the sustainability of the Bank’s TC funding sources will depend on its ability to demonstrate results valued by the Bank, as well as its existing and future partners.** Management has recognized in its new TC policy and framework that *“better monitoring, evaluation and reporting of results and impacts obtained, [are key to] raise the profile and effectiveness of donors’ financial contributions, facilitating future resource mobilization.”* Yet, its current processes are still not capable of systematically producing these inputs, essential for TC sustainability. This generates a potentially uncertain outlook for the future availability of internal and external TC resources, generating risks for the fulfillment of this important pillar of the Bank’s mandate.

## **B. Recommendations**

- 5.19 **Given the nature of the findings, it’s clear that the Bank has so far been unable to fully deliver on its foundational mandate regarding TC.** It has, instead, relied on a modus operandi that seeks concessional resources to conduct numerous separate activities. This status quo has endured for so many decades that the evaluation must highlight that any fundamental change would require the strong involvement of all parties, including the Bank’s shareholders. They would have to strategically reassess the role and added value of TC in the context of the countries and Bank’s priorities.<sup>163</sup> Only then, TC processes and incentives could be tailored to emphasize developmental results, instead of the short term goal of securing concessional funding.
- 5.20 **Yet several on-going TC initiatives at the Bank provide valuable building blocks that could be expanded and integrated into the context of the ongoing discussions for a General Capital Increase (GCI).** Initiatives such as KCP have already made headway in exploring result-oriented definitions that could be expanded to the rest of TC. In addition, thematic TC initiatives such as SECCI demonstrate that the Bank can pre-fund activities (in this case via ORC) and, as results become visible over time, donors are willing to help expand them. Finally, the Fiduciary Reform initiative has pointed out that the fragmentation of contracts (e.g., in their case, with third party audit providers) usually prevents the formation of the critical mass required for the procurement of high quality, timely provided third-party services. The initiative proposes to pool small groups of similar TCs and arrange for them to jointly bid for a common service provider, to be engaged early in the TCs life-cycle so it can accompany them during execution.
- 5.21 **In this context, OVE formulates five recommendations.** Recommendations 1 & 2 are aimed at strengthening TC quality and refocusing incentives. Recommendations 3, 4 & 5 seek to facilitate these improvements by redefining

organizational accountability for TC; as well as the management of TC financial and non-financial resources. OVE recommends the following:

- 5.22 **Recommendation 1: Ensure adherence to minimum evaluability requirements by extending the quality-at-entry standards developed for KCP to the rest of the Bank’s TC activities:** Building upon the intent of TCPF to require logical frameworks for all TC operations, KCP has proposed a practical approach to ensure that stand-alone TC operations are subject to stricter origination standards. Among other requirements, KCP operations must identify their connection with IDB’s institutional priorities and prior activities in the same area; clarify their objectives, deliverables and expected results; identify their activities and methodological framework; budget their need for financial and non-financial resources; as well as ensure the implementation of an appropriate strategy for disseminating their results. OVE recommends that these standards applicable to KCP, be extended to all other TCs at the Bank, including TCs related to operational inputs, corporate inputs and investment grants.
- 5.23 **Recommendation 2: Refocus incentives to foster the achievement of results during TC execution:** The Bank has traditionally operated TC by allocating available concessional funds to a set of documented promises. This has created negative incentives to overstate resource needs at the proposal stage, and understate challenges during implementation.<sup>164</sup> This approach is also *inflexible* (as the need for the promised deliverables is likely superseded by more pressing short-term needs when the TC is implemented two or more years later); *little conducive to institutional learning* (likely to derive not only from “good results”, but also from “so-called failures”); and *potentially wasteful* (as recipients strive to “put to good use” any excess resources). Thus, OVE recommends that the current decision point allocating a pre-defined amount of TC funding to specific promises (a predominantly administrative function now discharged by VPC/GCM) be converted into a support/advisory role accompanying executors over time. Key functions of this role would be to harmonize approaches among similar TCs in the portfolio, seek economies of scale; and facilitate TC executors’ access to additional resources. Organizationally, this new functional emphasis is more synergetic with the Bank’s strategic core –particularly with ORP– than with the current administrative functions of allocating and overseeing financial resources.
- 5.24 **Recommendation 3: Strengthen accountability by originating TC projects within pre-defined TC programs, placed under the responsibility of specific organizational areas, including those closely connected to country needs like VPC and VPP.** TC projects are currently the main “unit of account” –and accountability– for TC activities. As described before, individual projects may present adaptability issues. Thus, OVE recommends that TC activities be managed instead at a more aggregate program level, allowing for projects within each TC program to be readily modified – and resources redeployed – as needed. Each TC program is to be entrusted to a specific organizational area. Particular emphasis is to be placed on ensuring that not only VPS is able to deploy the portion of KCP programs under their control, but also that VPC and VPP can

operate TC programs as required by their business plans. For example, under this concept, VPC may decide to create TC programs to support each one of the borrowing countries; and place them under the management of the respective Country Representatives. Future resource allocations to TC programs are to be based on performance, as assessed by an independent third party, and on the basis of pre-defined program results frameworks. This also requires that TC programs meet minimum evaluability standards, similar to the ones required for TC projects (Recommendation 1). Finally, OVE points out that the way in which this recommendation is implemented is key: unless the Bank is capable of instituting a strong discipline of independently measuring results and aligning them with incentives, there is a clear risk that TC programs would become fragmented, turning into a sort of ineffective “entitlements” for each organizational area.

- 5.25 **Recommendation 4: Modify the Bank’s TC funding model, by combining the Bank’s prefunding a number of years of expected TC activity with reinforced donor partnerships based on demonstrable results.** OVE recommends that the Bank’s commitment to TC be extended beyond the utilization of opportunistically available funds provided by third parties. The Bank should recognize the different needs underlying TC by formally budgeting and funding them within an adequate resource-accountability-framework. Resource allocations could be built-up gradually; potentially in coordination with donors upon pre-agreed replenishment terms, based on results achieved and donor preferences. GCM and ORP are to play a key role in changing the mode of interaction with donors. Instead of approaching donors with written promises of future results, the Bank might defer requesting donors’ funding until TC activities have started showing promising results. Donors would then have a clearer view of how to extend the ongoing implementation; as well as to how to better fit their interests and expertise. Eventually, some TC programs could also accommodate areas of activity suitable for partial funding via fee-for-service arrangements. Thus, evolving from pure-cost into potential profit-and-loss business platforms for the Bank.
- 5.26 **Recommendation 5: In line with prior recommendations, redefine all TC processes, particularly those connected with the management of non-financial TC resources.** OVE recommends that, in line with the prior recommendations, the Bank set process performance expectations and redesign all TC management processes accordingly. Particularly, the Bank needs to develop processes to manage non-financial TC resources, such as experts, knowledge and information. Among other functions, the resulting TC system should be capable of scheduling experts for specific projects; recording their qualification from past assignments; reporting back to donors on results; and sharing the deliverables produced in a searchable manner. The complexity of such system could be greatly reduced if it were structured in hierarchical layers, under the responsibility of thematic and country owners, acting as coordinators for each topic. Third party experts and partners could also be involved to help coordinate each topic; for which the Bank would need to explore appropriate contracting mechanisms.

## Endnotes

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<sup>1</sup> This evaluation applies to the processes utilized to manage all non-reimbursable TC, including what is known as KCPs, operational inputs, corporate inputs and investment grants.

<sup>2</sup> In 2003, OVE produced a report to assess how selected national non-reimbursable TC in Guyana, Nicaragua and Bolivia have met the objectives of the Bank Technical Cooperation Policy (AT-80-10) and derive lessons learned to contribute to the design of future TC programs. In 2004, OVE also conducted an independent evaluation of the Multilateral Investment Fund (MIF), which reviewed all types of operations carried out by the Fund since its establishment in 1995, until 2005. The evaluation covered some 500 projects for a total of \$800 million. Finally, in 2007, OVE completed an evaluation of the Japan Trust Fund (JTF), which covered the entire portfolio of country and regional TCs completed between January 2000 and December 2005 - a total of 129 TCs receiving \$71.3 million.

<sup>3</sup> TC processes analyzed include: TC Strategy and Programming; TC Design & Approval; TC Start-up; TC Procurement Management; TC Project Disbursement; TC Monitoring & Evaluation; TC Audit & Closure.

<sup>4</sup> OVE received 88 responses.

<sup>5</sup> This survey was conducted by the Office of the Auditor General (AUG) around June 2009.

<sup>6</sup> 135, 124, and 16 responses, respectively.

<sup>7</sup> TCs under the scope of this evaluation include Stand Alone TCs and TCs related to loans that benefit a particular country (national) or several countries (regional) and CT/INTRA. It also includes Small Projects (the non reimbursable portion) and Special Operations (e.g., Ad Hoc Contributions, COFABs, FMM, Grants, CLF, among others.)

<sup>8</sup> The evaluation only covers MIF operations funded by TC funds different from those of the MIF.

<sup>9</sup> Agreement establishing the Inter-American Development Bank, OP-401, pp. 19.

<sup>10</sup> Agreement establishing the Inter-American Development Bank, OP-401, pp. 19.

<sup>11</sup> Initiative led by the Division of Institution Capacity and Finance, Vice-Presidency for Sectors and Knowledge (VPS/ICF).

<sup>12</sup> Meeting the Realignment Objectives –Towards a New Platform for Knowledge and Capacity-Building Products at the IDB, Working Group led by VPS/ICF, March 2009.

<sup>13</sup> Proposal for a New Bank Policy on Technical Cooperation, GN2470-2, March 2008.

<sup>14</sup> Proposal for a New Framework for Technical Cooperation, GN-2469-2, March 2008.

<sup>15</sup> Proposal for a New Bank Policy on Technical Cooperation, GN-2470-2, pp. 4. The policy also includes the transfer of technical know-how and qualified experience with the purpose of complementing and strengthening national and regional technical capacities.

<sup>16</sup> Audit Report: Functional Audit. Management of Grants, Technical Cooperation and Institutional Arrangements, May 2009.

<sup>17</sup> It's worth mentioning that TCPF implementation occurred in a context of the realignment that required a gradual adaptation to a new organizational structure, new ways of working and interacting at the Bank.

<sup>18</sup> After 2005, the number of TCs increased 36%, while the approved amounts grew faster (121%).

<sup>19</sup> Net Income.

<sup>20</sup> FSO and ORC refer more specifically to their respective “net income”.

<sup>21</sup> At the time this report, major contributions have been received from Japan (US\$ 273.06 million), Spain (US\$ 50.66 million) and Korea (US\$50.5 million).

<sup>22</sup> See Table 1 (Annex I)

<sup>23</sup> Audit Report: Functional Audit. Management of Technical Cooperation Grants and Institutional Arrangements, June 2009, p. 7.

<sup>24</sup> “Much staff time is dedicated to solving relatively minor administrative problems while important project issues are neglected.....processing focuses primarily on administrative controls and details which sometimes are over-specified...This time would be better applied obtaining greater specific knowledge regarding institutional weakness and to project design...and project supervision”. Revised Report of the Operations Task Force, 1989, pp. 60 & 61.

<sup>25</sup> Recognizing this challenge, the TCPF proposed “a reduction of the transactional workload” for the Bank and suggests focusing on “more analytical work, less transaction-based”. Propuesta Nuevo Marco de Supervisión Técnica y FOMIN, Colombia Country Office, 2009, pp. 7. This has also been the approach of the Fiduciary Reform. Additionally, according to VPC/GCM, a new table of authority related to TC execution was ready to be distributed; but it is currently under review in order to include operational procedures for KCPs.

<sup>26</sup> Please see Annex I.

<sup>27</sup> Key risks associated with this process are: approving poor quality projects, or generating design and approval related delays and cost over-runs.

<sup>28</sup> TCs under \$150,000, or with duration of less than 12 months, are required to have either a TC Brief (“For operations under the TC/Funds Program”, in Technical Cooperation Summary Chart of Processing, PR-502, October 2007) or a Plan of Operations (“For FSO net income financed operations, OC special programs/ grants and donors funds not included in the TC/Funds Program”, in Technical Cooperation Summary Chart of Processing, PR-502, October 2007), but are not subject to a formal Quality and Risk Review (QRR). In contrast, TCs above such thresholds are required to have a full Plan of Operations, a monitoring and evaluation framework and undergo a QRR (Appendix 2, “Outline for TC Plan of Operations”, PR-503, pp2).

<sup>29</sup> Summary of guidelines for processing non-reimbursable TCs, 2007. In the case of Regional TCs funded with the net income of FSO resources, there is a competitive selection process that periodically prioritizes operations, which are later processed individually.

<sup>30</sup> Changes in the approval process have been undertaken by GCM and include the creation of a Single Window, delegation of responsibilities for TC approval, and “improvements in IT systems and processes for TC registration and certification of resource availability”. (Source: Audit Report: Functional Audit. Management of Technical Cooperation Grants and Institutional Arrangements, June 2009, p.8. ). Only two major types of TC follow somewhat different procedures. CT/INTRA operations: “those whereby one or more institutions in an IDB borrowing country provide technical assistance to one or more institutions in another IDB borrowing country”. Its purpose is to contribute to the transfer of knowledge and technology and promote cooperation between borrowing countries. The Country Office in the beneficiary country is responsible for the project. CT/Intra operations are funded from the net income of the FSO and have an annual budget allocation of \$200,000<sup>30</sup>. The maximum amount allowable for each project is \$20,000. On average it took almost one month to get a CT/INTRA operation approved between 2007 and the first semester of 2009. Also, some donors have agreed to an administrative silence provision for individual project approvals, helping further speed up the approval process.

Process Unit	Owner
Formal application COF	Beneficiary country (institution)
Verification & Screening	COF in the beneficiary country
Consultation with country providing expertise	COF in the beneficiary country
Certification of FSO resources	GCM
Preparation and submission of Plan of Operations (Memorandum)	Specialist in COF in the beneficiary country
Approval	COF in the beneficiary country

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Emergency-related TCs: The Country Office is responsible for processing TC operations for emergencies derived from natural disasters. The maximum amount allowable for each operation is \$ 200,000. The COF submits a plan of operations to the President for approval. GCM certifies FSO resources availability for these operations. (TC Operations for Emergencies derived from Natural disasters, PR-507, September 2006). On average, it took less than a month to get these TCs approved between 2007 and the first semester of 2009. Since 2007, 27 emergency operations were approved and only 25 provided information to calculate the approval time (Source: OVEDA).

<sup>31</sup> Proposal for a New Framework for Technical Cooperation, GN-2469-2, March 2008, pp. 1.

<sup>32</sup> Proposal for a New Framework for Technical Cooperation, GN-2469-2, March 2008, Annex III.

<sup>33</sup> Proposal for a New Bank Policy on Technical Cooperation, GN-2470-2, March 2008, pp. 1, par. 1.4.

<sup>34</sup> OVE assessed whether projects included the required characteristics that would make them “evaluable”. The assessment established whether projects had a complete diagnosis, a supporting logic, a clear definition of objectives, a complete risk analysis and mitigation plan, a definition of expected products and outcomes, and a Monitoring and Evaluation Framework. OVE applied these criteria on a representative sample of projects, rating each dimension favorably if at least some indicia of each of the required elements were included in the projects.

<sup>35</sup> Adapted from “Project Management Methodology”; Copyright © 1999-2008 State of Kansas.

<sup>36</sup> Activities during this stage include, but are not limited to, contractually committing the required resources, determining how issues will be resolved during execution, setting and communicating expectations for the team and clients, specifying roles and responsibilities, agreeing on a detailed workplan, and facilitating project kick-off activities. Several risks are associated with this process: incurring unnecessary costs or delays in this stage and inadequate quality of the elements required for project implementation. This process is most relevant for recipient-executed TCs, since Bank-executed TCs pre-define many of the elements required for start-up.

<sup>37</sup> “Table of Authority for Non-Reimbursable and Contingent Recovery Technical Cooperation”, OA-421, March 2008.

<sup>38</sup> The number of approvals for 2008 computed by AUG (497) differs slightly from the one computed by OVE (513), which highlights the difficulties and potentially different assumptions involved in compiling TC information from the Bank’s databases. Likewise, 101 projects did not have disbursements during 12 consecutive months after being declared eligible for disbursements. Audit Report: Functional Audit. Management of Technical Cooperation Grants and Institutional Arrangements, June 2009, Annex II, p.9.

<sup>39</sup> According to a survey undertaken by the Office of the Auditor General, 35% somewhat agreed they have reviewed the executing agency’s institutional capacity for each of the TCs they worked on, 15% strongly agreed with such statements and 24% neither agreed nor disagreed. Audit Report: Functional Audit. Management of Technical Cooperation Grants and Institutional Arrangements, June 2009, Annex II, p. 11.

<sup>40</sup> According to a survey undertaken by the Office of the Auditor General, 25% “somewhat agreed” the supervision plans for the TCs which they supervise were based on the institutional capacity review results, 15% “strongly agreed” with such statements and 32% “neither agreed nor disagreed”.

<sup>41</sup> According to a survey undertaken by the Office of the Auditor General, 12% “somewhat agreed” that for the TCs they supervise executing agencies have been created specifically for project management, 9% “strongly agreed” with such statements and 16% “neither agreed nor disagreed”.

<sup>42</sup> Source: Project Management Body of Knowledge (PMBOK), IEEE Standard 1490-2003, Source Guide 4th edition.

<sup>43</sup> Policies for selection and contracting of consultants financed by the IDB. Final approved revised version, GN 2350-7, 2006

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<sup>44</sup> Policies for selection and contracting of consultants financed by the IDB. Final approved revised version, GN 2350-7, 2006. The risks associated with this process include: delays, cost over-runs, low quality of goods and services procured and potential damage to the Bank's reputation.

<sup>45</sup> TC operations may include a mix of expenditures for hiring of consultants and investments in goods and services. Investment expenditures financed by the Bank in TC projects will be determined by the requirements of each individual operation and, as a general rule, should not exceed 30% of total Bank-financed expenditures. Exceptions to the rule must thoroughly justify why such expenditures are reasonable and critical to obtain the TC objectives.

<sup>46</sup> Procurement Manuals: GS-401, GS-402, GS-403, GS-404, GS-405, GS-406; GS-501, GS-502, GS-503, GS- 601.

<sup>47</sup> There is a new risk-based methodology (GRP) which has been endorsed by VPC/VPS; and it is used for all loans and high risk TCs. Also, the fiduciary reform encourages the participation of Fiduciary Specialists on project teams. Since 2010, their participation is mandatory only for loans.

<sup>48</sup> Source: representative sample of 92 projects analyzed by OVE. The remaining 21.6% was allocated to other expenses, mostly consisting of TC administrative overhead and travel costs.

<sup>49</sup> On one hand, TC procurement is affected by donors' requirements such as the use of consultants from a specific nationality (tied aid). VPC/GCM has worked with donors such as Italy and Spain which have agreed to reduce the tied portion of their TC funding.

<sup>50</sup> OVE does not have evidence on the current performance of framework agreements at the Bank. However, those types of contracts have been widely utilized by other donors. In fact, in order to use "framework agreements" at the Bank, further analysis will be required.

<sup>51</sup> In fact, first, they allow to "rapidly mobilize experts at short notice to work in some of the most difficult locations ... (a key requirement of the agreement is for each supplier to be able to respond quickly to requests for services)"; second, "providers have already been selected through a rigorous open competition, so there is no need to go through time-consuming tendering procedures"; third they "deliberately cover a broad range of themes and types of work"; and "have been selected for their experience, procedures, pool of expertise". A critical issue though is to ensure that agreements would specifically be set up to respond to the Bank's needs to deliver high quality products in specific sectors and/or countries. <http://www.stabilisationunit.gov.uk/index.php/framework-providers> Yet, some EC Government partners have indicated that quality of the services might be low. In this regard, EC has taken measures to improve quality of TORs, ensure closer involvement of partner countries in the procurement process and careful ex-ante evaluation of experts. (Reforming Technical Cooperation and Project Implementation Units for External Aid provided by the European Commission, European Commission, 2008, pp21). In the case of the UK, framework agreements are widely used "*for the provision of consultancy services for the use of any UK Government Department in conflict-affected environments*". As standard practice two providers are selected and in case of large projects "*mini-competitions*" can be run *inviting both providers to tender for a piece of work and allowing departments to select a preferred provider and ensure value for money*". Providers form consortia with consortium of other consultancies in order to ensure that all expertise needed is available. [http://www.stabilisationunit.gov.uk/frameworkagreements.html#What are these and why might they be useful](http://www.stabilisationunit.gov.uk/frameworkagreements.html#What%20are%20these%20and%20why%20might%20they%20be%20useful)

<sup>52</sup> Information is collected in different systems depending on whether the TC is Bank or Recipient-executed, and whether services will be provided by individual consultants or consulting firms. PeopleSoft for individual consultants; OPERA for Consulting Firms contracted by EAs; PRISM for procurement plans; since 2009, e-sourcing is trying to collect information on all consulting firms, both contracted by the Bank or EAs.

<sup>53</sup> In the case of Recipient-executed TCs, the EA are expected to assess consultant's performance. However, these performance reports are not readily available to the Bank.

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<sup>54</sup> For individual consultants, there are standard rates associated to qualifications, but not to prior performance. For consulting firms, there are no established standards of cost per unit of output.

<sup>55</sup> OP-237

<sup>56</sup> This process involves three main mechanisms to ensure providers and executing agencies are paid: (i) Revolving Fund: Funds in advance to carry out the project; (ii) Reimbursement of Payments to the Beneficiary or EA, chargeable to the program; (iii) Direct Payment by the IDB, on behalf of the Beneficiary or EA, to suppliers or contractors to cover eligible expenses of the program.OA-310

<sup>57</sup> According to PDP, current disbursement problems are mainly related to errors in disbursement requests, insufficient planning, lack of TL in the TC or problems with the design. TC users also point to some problems connected with revolving funds –a mechanism utilized to facilitate execution, but whose final reconciliation often generates delays. Revolving funds– which are often used to pre-release resources - further complicate the disbursement process as mistakes are carried onto successive fund replenishment requests. As part of the Fiduciary Reform, Revolving Funds would be tailored to project needs on the basis of expected cash flows, instead of being fixed amounts.

<sup>58</sup> Adapted from <http://www.businessdictionary.com/definition/disbursement.html>

<sup>59</sup> The risks associated with this process are twofold: first, delays in payments which could negatively affect service providers or project execution; and second, the risk of disbursing against ineligible expenses.

<sup>60</sup> When *ex ante*, supporting documentation is reviewed prior to the Bank’s reimbursement to the EA. When *ex post*, reimbursements precede the review of documentation.

<sup>61</sup> Adapted from Audit Report: Functional Audit, Management of Technical Cooperation Grants and Institutional Arrangements, June 2009.

<sup>62</sup> Audit Report: Functional Audit. Management of Technical Cooperation Grants and Institutional Arrangements, June 2009, Annex II, pp. 1.

<sup>63</sup> Source: PDP on the basis of SPD’s Workload Analysis. According to SPD’s workload analysis, the Bank has enough financial specialists to manage current disbursements both for loans and TCs. Analysis of disbursement workload shows that the Bank would need 43.7 FTEs to manage current disbursements (for loans and TCs): 9.9 for CAN, 6.8 CCB, 13.9 CID and 13.1 CSC. Such estimates present limitations since they do not include the work of the operational analysts, the new profile for procurement specialists, and are based on the volume of operations for 2008.

<sup>64</sup> “A New Supervision Framework for Technical Cooperation and MIF, Colombia Country Office, 2008.

<sup>65</sup> Adapted from “DAC Principles for Evaluation of Development Assistance”, Development Assistance Committee (DAC), 1991, pp 6.

<sup>66</sup> Process risks include: delays and costs over-runs in monitoring, evaluation and reporting; unavailability of key information required for decision-making; and inability to show results, or to extract lessons learnt.

<sup>67</sup> “DAC Principles for Evaluation of Development Assistance”, Development Assistance Committee (DAC), 1991, pp. 6.

<sup>68</sup> For instance, the Briefings on Donors Trust Funds present a summary of the fund requirements (eligibility criteria), a list of recently approved TCs and median days elapsed for major execution milestones –days in execution, approved to effective, effective to eligible and eligible to first disbursement. Likewise, the 2008 Business Review presents information on TC approvals and TC disbursements compared with the previous year. Efforts have been made to report to donors based on TC outputs and lessons learnt on a project by project basis

<sup>69</sup> Audit Report: Functional Audit. Management, Grants, Technical Cooperation and Institutional Arrangements”, 2009, Annex II, pp. 5.

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<sup>70</sup> PPMRs aim at “*identifying issues affecting project implementation and project results in a timely manner to recommend the necessary corrective actions that can be adopted to enhance development impact*”. Source: “Project Performance Monitoring Report”, CO-303, July 2003.

<sup>71</sup> “Project Performance Monitoring Report”, CO-303, July 2003, pp. 3, Footnote 2.

<sup>72</sup> Operations, approved in 2007 and 2008, above \$ 150,000 or with original execution period greater than 12 months (Source: OVE Datawarehouse)

<sup>73</sup> Audit Report: Functional Audit. Management of Technical Cooperation Grants and Institutional Arrangements, June 2009, Annex II, pp3

<sup>74</sup> PCRs are to “assess the results achieved by the project, to foster its sustainability, and to extract lessons learned to improve the design and execution of future operations”.

<sup>75</sup> Source: Project Completion Report Manual- CO-309, May 2006.

<sup>76</sup> The “Technical Cooperation Policy”, OP 401, April 2008 states that “*In order to ensure that all TC operations are evaluable, all TC projects will include plans for monitoring and evaluation of outputs and outcomes. Bank staff may assist beneficiary organizations and executing agencies to establish the necessary reporting, monitoring and evaluation mechanisms. All STFs will have a results framework that will be the platform for improved monitoring, evaluation and reporting on the development outcomes of TC*”.

<sup>77</sup> Proposal for a new framework for technical cooperation, GN-2469-2, pp. 1.

<sup>78</sup> Proposal for a new framework for technical cooperation, GN-2469-2, Annex III.

<sup>79</sup> Source OVEDA: (i) The date when the PCR should be submitted to Headquarters, and (ii) the date when the Regional Departments should approve the PCR).

<sup>80</sup> TCs approved between the first semester of 2007 and the first semester of 2009. In addition, 67% of TCs with no disbursement over a year scored “low” in their Risk Classification.

<sup>81</sup> OVE analysis on the basis of representative sample utilized for this evaluation.

<sup>82</sup> Adapted from <http://www.bia.ca/systems-audit.htm>

<sup>83</sup> Adapted from PMBOK Source Guide, 4th edition.

<sup>84</sup> Risks associated with this process include, but are not limited to: late or no identification of key issues, delays or high costs on auditing or closing the project, irrelevance of issues uncovered, and activities inadequately closed.

<sup>85</sup> Not all TCs are audited individually: Bank-executed TCs are audited as a group, together with the audit of the Bank.

<sup>86</sup> “Technical Cooperation Policy”, OP 401, April 2008 & “Proposal for a new Bank policy on technical cooperation”, GN-2470-3, March 2008.

<sup>87</sup> In practice, Recipient-executed TCs over \$1,500,000 must be audited annually; while recipient-executed TCs under such threshold must have only a final audit –this requirement is included in the contractual agreement in compliance with Bank policies and procedures. Bank-executed TCs are audited together with the overall audit of the Bank.

<sup>88</sup> Based on all TC operations closed in 2007 and 2008.

<sup>89</sup> Audit Report: Functional Audit. Management of Technical Cooperation Grants and Institutional Arrangements, June 2009, pp. 10.

<sup>90</sup> Adapted from Gerry Johnson, Kevan Scholes and Richard Whittington, “Exploring Corporate Strategy”, 8<sup>th</sup> Edition, 2008.

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<sup>91</sup> Key risks include: (i) losing relevance for key stakeholders, (ii) not achieving a clear competitive advantage, and (iii) misjudging the amount and type of resources and execution capabilities required to deliver on the strategy.

<sup>92</sup> GN-2077-1 Renewing the Commitment to Development the Institutional Strategy, GN-2077-2 Action Plan for Implementing the Institutional Strategy, GN-2195-3 Integrated Strategy Implementation Plan, OP-1002 Poverty Reduction and Promotion of Social Equity Strategy, GN-1894-7 Strategy on Poverty Reduction and Promotion of Social Equity, OP-1001 Sustainable Economic Growth Strategy, OP-1007 Environment Strategy, OP-1003 Social Development Strategy, GN-2241-1 Strategy on Social Development, OP-1005 Competitiveness Strategy, OP-1004 Modernization of the State Strategy, OP-1006 Regional Integration Strategy, GN-2245-1 Regional Integration Strategy.

<sup>93</sup> Sector strategies: Institutional Strategy, Poverty Reduction and Promotion of Social Equity Strategy, Sustainable Economic Growth Strategy, Environmental Strategy, Social Development Strategy, Competitiveness Strategy, Modernization of the State Strategy, Regional Integration Strategy.

<sup>94</sup> Regional programming papers (RPP) aim at providing “a frame of reference for the country strategies, which can be taken into account in the programming of the Bank’s financial instruments;” no reference to RPP guidelines has been found and RPPs updates vary across regions. In addition, the most updated RPP for the Southern Cone is from 1997, Central America from 2001, Caribbean 2005 and the one for the Andean Group from 2007. According to the office of the Secretary’s website, CID is currently working on a Regional Strategy to be released later this year, but no information was included on the other three regions. There is a ten-year span between the RPP documents and lack of guidelines for preparing them. It is also not clear how operations and specifically TCs contribute to the regional priorities.

<sup>95</sup> Special ORC Programs and Initiatives. (i) Initiative for the Integration of Regional Infrastructure in South America (IIRSA), (ii) Plan Puebla Panama PPP, Proyecto de Integracion y Desarrollo para Mesoamerica (PM), (iii) Water and Sanitation Initiative (WSA), (iv) Sustainability Implementation Initiative, (v) Sustainable Energy and Climate Change (SECCI), (vi) Carbon Neutral Initiative.

<sup>96</sup> Proposal for a New Bank Policy on Technical Cooperation, GN-2470-2, pp. 1, par. 1.4.

<sup>97</sup> Using data from the Human Resource Department (HRD), OVE estimated the average time dedicated by staff to each TC, and staff salaries based on years of experience and education. These calculations do not include the time spent by consultants working on TCs and staff benefits. Results show that staff working on TC have on average 16.88 years of experience, have at least a masters diploma and spend close to 22.59 days on each TC they work on. Taking the net average (between the minimum and the maximum) daily fee rate for a consultant with more than 15 years of experience and a masters degree (\$710) we estimate a cost per TC of \$16,035 per year. The range presented corresponds to different estimates that reduce the number of hours dedicated to TC activities by ORP by 11, 40, 50 and 60 per cent (\$13,107, \$13,892, \$14,163 and \$14,434 correspondingly).

<sup>98</sup> Risks associated with this process include: (i) inability to forecast the portion of demand that can be anticipated, and (ii) failure to deliver against a predefined schedule.

<sup>99</sup> Quote from interviews regarding SECCI.

<sup>100</sup> The sample of TCs analyzed by OVE allows calculating the percentage of TCs deriving from a programming exercise for both regional and national TCs. Other origination methods for National TCs included, for example, informal communications among specialists (11%).

<sup>101</sup> NRTC Review process sequence, GCM, pp. 1.

<sup>102</sup> This is also the case for loans. In fact, the programming process aims at programming both loans and TCs; but in practice it is mainly focused on loan operations.

<sup>103</sup> Article VI, Section 2, Agreement Establishing the Inter-American Development Bank, Dec. 30, 1959.

<sup>104</sup> GA-232-12, 2007, Realignment Implementation Plan, pp. 11.

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<sup>105</sup> The Bank lacks a costing system capable of allocating those costs. Preliminary estimates based on the 2008 Budget Plan that adjudicated US\$7,809,000 to ORP consider that approximately US\$800,000 was spent on personnel working on TC related activities. It is important to note that ORP is not directly involved in TC preparation, selection of executing agencies or allocation of resources.

<sup>106</sup> Proposal for a New Framework for Technical Cooperation, GN-2469-2, March 2008, pp. 1.

<sup>107</sup> Proposal for a New Framework for Technical Cooperation, GN-2469-2, March 2008, pp. 20, 5.3

<sup>108</sup> ORP is currently working with SPD to develop customized performance indicators for ORPs activities and services. According to ORP, a customer relationship management tool (CRM) was developed in 2009 and is expected to start in 2010. The tool will enable tracking progress and evolution of ORPs relationship with clients.

<sup>109</sup> Proposal for a New Framework for Technical Cooperation, GN-2469-2, March 2008, Annex III.

<sup>110</sup> *"It is a fundamental principle of contract law that in order to create a binding contract which the law will recognize and enforce, there must be an exchange of consideration between the parties. Consideration is simply something of value received by a promisor from a promisee. It can take the form of a right, interest or benefit accruing to one party, or some forbearance, detriment, loss, or responsibility, given, suffered or undertaken by the other. If there is no consideration there is no contract; and if there is no contract, there is nothing upon or from which to found or create liability."* - Source: Terrafund Financial, Inc. v 569244 BC Ltd. In regards to MOUs at the Bank there are clauses like the following: *"[the partner] and the Bank will make their best effort to design, execute and promote at least one pilot project ..."* Furthermore *"this Agreement does not represent any commitment with regard to funding on the part of the Parties ... not represent any commitment on the part of either Party to give preferred treatment to the other in any matter contemplated under this Agreement or otherwise ... these and any other activities agreed to between the Parties shall be subject to the respective internal objectives, functions, policies and procedures of the Parties"*. According to ORP, MOUs are *"non-binding legal agreements that express an intention and are not enforceable"*. OVE disagrees with this contention. For an explanation of how MOUs can be binding, see for example:

[http://www.mallesons.com/publications/Asian\\_Projects\\_and\\_Construction\\_Update/Asian\\_Projects\\_and\\_Construction\\_Update\\_7\\_December\\_2002.pdf](http://www.mallesons.com/publications/Asian_Projects_and_Construction_Update/Asian_Projects_and_Construction_Update_7_December_2002.pdf)

<sup>111</sup> According to ORP, more recent MOUs contain three new clauses: (i) requirements of preparing joint action plans within three-months of the signature of the MOU, (ii) validity for three years, and (iii) the incorporation of monitoring and review mechanisms. Also according to ORP, to date there was one approved MIF project with Alibaba; and potential opportunities have also been identified: Projects underway with Swiss-Re, identification of co-financing opportunities with the Korean Exim-Bank, and a US\$ 500,000 opportunity on urban planning with International Enterprise of Singapore.

<sup>112</sup> Two other funds established in 2008 and 2009 were: (i) Mesoamerican Health Facility (approved by IDB on 9 September 2009). It is being financed by a 5 year US\$50 million contribution by the Bill and Melinda Gates Foundation (approved but confidential) and another 5 year US\$50 million commitment by Carlos Slim Foundation (pending approval). IDB is in early conversations with the Spanish Government for an additional contribution of US\$150 million. The Mesoamerican Health Initiative is a country-donor partnership that will focus on addressing four key health areas: maternal, newborn and child health, vaccination, basic nutrition, as well as improving surveillance and human resources. (ii) Institutional Capacity Strengthening Fund (ICSF): the Government of China to support a resource mobilization of US\$75 million to ICSF.

<sup>113</sup> On December 22, 2009, a memo titled "Clarification of procedures for resource mobilization and cooperation with other institutions." was sent by the Office of the President attempting to clarify responsibilities regarding resource mobilization and the relationship with donors.

<sup>114</sup> Some modifications such as extension for disbursements or extensions in the execution period are notified to the beneficiary via a letter prepared by the Bank. This letter constitutes a contractual amendment. Changes are approved by the relevant Bank authority as per OA-421.

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- <sup>115</sup> As per OA-421.
- <sup>116</sup> Staff or consultants working on TC design and/or delivery in 2008.
- <sup>117</sup> Standardization makes contract preparation faster, but it has been reported to affect other related processes (e.g., getting the first disbursement, when agencies are not set up to pre-commit resources on the basis of unsigned contracts; or requiring the utilization of a different currency). Changes in standard contracts would require modifications in Bank's policies and procedures.
- <sup>118</sup> Realignment Implementation Plan, GA-232-12, Annex I.
- <sup>119</sup> According to KNL, several methodologies and tools for the identification of lessons learned from operation processes have been tested. KNL's 2010 work plan includes developing a new strategy to identify, systematize and disseminate lessons learned. Moreover, an "Institutional Knowledge Repository" is expected to be finished during the first semester of 2010.
- <sup>120</sup> See Table 13, Annex I for a map identifying the different IT systems.
- <sup>121</sup> Proposal for a New Bank Policy on Technical Cooperation, GN-2470-2, pp 1, par. 1.4.
- <sup>122</sup> Proposal for a New Bank Policy on Technical Cooperation, GN-2470-2, pp 1, par. 1.4.
- <sup>123</sup> Proposal for a New Bank Policy on Technical Cooperation, GN-2470-2, pp 1, par. 1.4.
- <sup>124</sup> Proposal for a New Bank Policy on Technical Cooperation, GN-2470-2, pp. 1 and pp. 3.
- <sup>125</sup> As indicated in 4.3.
- <sup>126</sup> For example, there is a lack of assessment of needs regarding TC, and an incomplete understanding of the Bank's TC delivery capacity and past performance.
- <sup>127</sup> Proposal for a new Bank policy on technical cooperation, GN-2470-2, pp 1, 1.3
- <sup>128</sup> According a survey conducted by OVE, 84% of TC users indicated that advance the Bank's knowledge in the sector is one of their main motivations to work on TCs.
- <sup>129</sup> Based on Survey of TC Users conducted by OVE.
- <sup>130</sup> Revised report of the operations task force, 1989, pp. 58.
- <sup>131</sup> According to a survey by OVE, 88% of Country Representatives agreed that a good approach to optimize TC impact would be a better prioritization of TCs. The fact that TCs originated outside the scope of the programming exercise encourages TCs proliferation and the approval of supply driven TCs rather than demand driven.
- <sup>132</sup> ILO (<http://www.ilo.org/public/english/employment/ent/coop/africa/areas/challenge.htm>) ; DFID: (<http://www.frch.co.uk/html/challengefunds.html>) ; ([http://www.aecfafrica.org/index.php?option=com\\_content&task=view&id=12&Itemid=26](http://www.aecfafrica.org/index.php?option=com_content&task=view&id=12&Itemid=26))
- <sup>133</sup> Revised report of the Operations Task Force, 1989, pp. 57.
- <sup>134</sup> "How to Note", DFID, June 2006, pp. 12.
- <sup>135</sup> Enhancing the Impact of Fund Technical Assistance, April 2008, pp. 22, pp. 5 and Appendix 2.
- <sup>136</sup> The IMF would address those issues by applying a Framework for TA Performance Measurement based on Results-Focused Project Management. Projects are organized as "a set of one or more related activities that within a specified period generates measurable outputs and contributes to achieving a certain objective."
- <sup>137</sup> Proposal to Establish a New Platform for Knowledge and Capacity Building Products at the IDB, OP-243, 3.34, 3.37.
- <sup>138</sup> Proposal for a New Bank Policy on Technical Cooperation. Revised Version, GN-2470-2 2008, pp.3.

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<sup>139</sup> Please see Annex I. Types of operations are: Technical Cooperation (TCP), Social Entrepreneurship Program & Small Projects (SEP & SMP), and Special Operations (SPE). This incorporates only the non reimbursable component of the Small Projects. SPE include the following sub types: Ad Hoc Contributions (ADH), Local Contribution Fund (CLF), Cofinancing (COF), Cofinancing Administered by the Bank (COFAB), Global Environmental Fund (GEF), Fontagro (FTG) and Grants (GRT).

<sup>140</sup> Proposal to Establish a New Platform for Knowledge and Capacity Building Products at the IDB, OP-243

<sup>141</sup> Renewing Commitment to Development, 1999, GN-2077-1, pp. 43.

<sup>142</sup> Audit Report: Functional Audit. Management of Technical Cooperation Grants and Institutional Arrangements, June 2009, Annex II, pp. 9.

<sup>143</sup> Proposal to establish a New Platform for knowledge and Capacity Building Products at the IDB, OP-243, par. 3.31.

<sup>144</sup> Furthermore, the IMF undertakes certification procedures which “include, among others, strong performance records and proven familiarity with international best practice. The choice of and expert for a particular projects is reviewed by supervisors in TA departments to ensure an appropriate skills match.” Source: Enhancing the Impact of Fund Technical Assistance, April 2008, pp. 13.

<sup>145</sup> KNL has made a similar observation in regards to building an “Expert Locator System”. As of the date of this report, the project has not obtained financing.

<sup>146</sup> The fiduciary reform has been proposing the pooling of about ten similar, proximate TCs in order to support a better procurement of their supervision and audit services.

<sup>147</sup> According to a survey undertaken by the Office of the Auditor General, 35% somewhat agreed they have reviewed the executing agency’s institutional capacity for each of the TCs they worked on, 15% strongly agreed with such statements and 24% neither agreed nor disagreed.

<sup>148</sup> Audit Report: Functional Audit. Management of Technical Cooperation Grants and Institutional Arrangements, June 2009, Annex II, p.11.

<sup>149</sup> According to a survey undertaken by the Office of the Auditor General, 25% somewhat agreed the supervision plans for the TCs which they supervise are based on the institutional capacity review results, 15% strongly agreed with such statements and 32% neither agreed nor disagreed.

<sup>150</sup> Historically, TCs had amounted to somewhat less than 1% of the Bank’s total disbursements. After 2005 this proportion doubled to about 2%; while keeping pace with a rapidly rising loan approval rate. In contrast, TCs had always been predominant in terms of numbers of operations: annual TC approvals more than trebled the number of loans.

<sup>151</sup> In 2008, the Bank approved 513 TC operations totaling US\$206 million compared with 160 loan approvals for US\$11.718 million. Audit Report: Functional Audit. Management of Technical Cooperation Grants and Institutional Arrangements.

<sup>152</sup> As derived from the E-perform system –Audit Report, Annex III, pp. 3.

<sup>153</sup> These plans are prepared by Country Office sector specialists and then submitted to VPS. Audit Report, Annex III, pp. 3.

<sup>154</sup> Source: Agreement Establishing the Inter-American Development Bank, OP-401, pp. 5 –The Bank’s Establishing Agreement encourage the Bank to provide technical advice or assistance on “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” (Agreement Establishing the Inter-American Bank, OP-401, pp. 19) and to “promote the transfer of technology and knowledge; and (ii) support to the identification, preparation and implementation of pilot projects designed to test innovative ideas and to promote new responses to enduring development problems.” Proposal for a New Bank Policy on Technical Cooperation, GN-2470-2, pp 4 (TCPF)

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<sup>155</sup> Source: OVE Datawarehouse and Data collected through OVE's questionnaires. The Bank currently provides limited information on whether a TC is classified as stand-alone or loan-related: 357 (70%) out of 513 TCs approved in 2008 provided such information. According to AUG, stand-alone TCs "are generally not included in Supervision Plans prepared by Country Office sector specialists".

<sup>156</sup> Proposal to establish a New Platform for Knowledge and Capacity-Building Products at the IDB, OP-243-2, paragraph 4.5.

<sup>157</sup> See for example, Revised Report of the Operations Task Force, February 1989, p. 56; as well as OVE's prior evaluations on technical cooperation.

<sup>158</sup> Revised Report of the Operations Task Force, 1989.

<sup>159</sup> Formally, the TL is the same along the TC delivery processes. However, in practice, several tasks are delegated to the COFs. Also, only 36% of respondents of the Audit TC survey indicated that TLs performing the project design remain actively involved project supervision. (Audit report, p. 11).

<sup>160</sup> VPC/GCM points out that at the end of 2009, a table of authority regarding execution started to be revised, but has not yet been approved.

<sup>161</sup> First, there is a single approval process for most TCs. Second, the use of standardized ex-ante supervision for all EA independently of their capacity and risk. Third, the procurement process for NRTC operations process remains the same (long and complex) independently of the size of the contract.

<sup>162</sup> As of the date of this report, the KCP strategy also lacks metrics for its operational processes.

<sup>163</sup> Please note, that this does not necessarily mean that TC strategies need to be developed on a stand-alone basis. It'll be up to the different parts of the organization to decide what strategic planning and programming tools better fit the needs of their clients; as well as facilitate the integration of TC with other Bank's products.

<sup>164</sup> Neither TCPF, nor the KCP proposal, have fundamentally changed this set of incentives.