



Arab Monetary Fund The Technical Assistance

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Arab Monetary Fund The Technical Assistance

Preface

The Fund's technical assistance figures among the means prescribed by the Agreement on which the Fund relies for the realization of its objectives. In this regard, Article Five, section (j) stipulates that the Fund shall, inter-alia, engage in "providing technical assistance to banking and monetary institutions in member states". It is further prescribed in Article Eight that "the Fund shall provide technical assistance and services in the financial and monetary spheres to member states which conclude economic agreements aimed at attaining a monetary union between them as one of the stages leading to the realization of the goals of the Fund".

The Fund started its technical assistance to member countries since its inception. As the economies of those countries evolved, the scope of that assistance widened, moving from simply providing some aspects of training to cover broader areas and take various forms. There was concomitantly an extension in the range of member countries benefiting from the said assistance with the addition of non-users of Fund loan alongside borrowing members.

Fund Program for Technical Assistance

From the onset of its operations, the Fund came to the realization that technical assistance is an essential instrument for developing policies, designing program, enhancing skills, strengthening implementation capabilities and capacity building in general. Based on this rationale, the Fund accorded the matter due attention and proceeded in 1979 to drawing up a framework for its actions in that area. This framework was endorsed by decision N°(14) of 1979 taken by the Board of Executive Directors. Accordingly, the Fund elaborated in 1980 its first technical assistance program which was approved by the Board by virtue of its decision N°3 of that year. In designing the said program, the Fund took into consideration the following:

- a) The synchronization and consistency with other Fund's activities.
- b) Satisfying the Fund's pressing requirements for compilation of statistics on member countries.
- c) The necessity of gradualism in developing the technical assistance function, so that it becomes regular and increasingly evolving.
- d) Availability of advanced forms of technical assistance at other international and regional institutions that could serve the Fund's purposes and for the access to which it could cooperate with those institutions.
- e) Need to accord due attention to field studies in view of their importance in communicating to the authorities of concerned member countries the experiences of other regions and due to their direct relevance to the development of Fund's activities.
- f) Compilation and study of observations reached by the technical staff as a result of their contacts with member countries.

g) The Fund's limited capabilities and the difficulty of expanding available expertise within a short time span.

Evolution in the forms of Fund's Technical Assistance to Member Countries

The scope of the Fund's technical assistance widened and its forms became more diversified as the economies of member countries developed and their technical requirements increased and grew in complexity. In recent years, the economic transformations which emerged at the international level and were witnessed by the Arab countries have resulted in greater requirements of those countries for technical assistance, much like other developing nations. Those needs derive essentially from the inevitability of adaptation to international developments which gave rise to the standardization of principles, criteria and best practices governing all aspects of economic activities. Not only the adoption of the latter became mandatory for all countries but these have also to pre-announce their intent to do so. Added to this was the strong need to enhance the effectiveness of economic policies and improve economic management in order to raise the level of competitiveness of the economy and attain adequate growth to ameliorate the living standards of the population in an open international environment.

The Fund's practical experience has demonstrated, in general, the crucial importance of technical assistance, but more particularly in respect of the realization of some of the Fund's main objectives. That assistance plays an increasingly important key role which at times becomes central in the attainment of those goals. For instance and with regard to the first objective set forth in Article Four of the Agreement concerning Fund's lending activity, the issue goes well

beyond simply providing the necessary facilities to finance the overall deficits of member countries. Indeed, the achievement of that objective also involves the Fund's advice to assist member countries in the design and formulation of the necessary structural policies in the proper direction for reaching the desired growth.

The same also applies to the Fund's other objectives. Here too, experience has shown that assisting member countries in developing their capital markets, for instance, or in dealing with international economic developments requiring the adoption of the appropriate structural reforms allowing for this adaptation to such developments, or coordinating members' positions towards them or adopting internationally recognized standards arising there from, are all matters which in the first place call for the provision of advice and specialized technical services.

Over the past two years, member countries' needs for that assistance increased in terms of size and value in view of the considerable widening of the range of areas where it is called for and in terms of the objectives which it is supposed to help achieve. Perhaps one significant indicator of growth of those needs arises from their requirements for additional assistance to identify and implement the structural reforms associated with the exigencies of their membership in the World Trade Organization, together with the adoption and application of the above mentioned various standards.

Since the aforesaid requirements are expected to continue their growth in the period ahead, the Board of Executive Directors endorsed on December 2002 a set of rules and regulations organizing the administration of technical assistance. The Board's purpose is to enable the Fund to optimize its efficiency and to expand its activity

in this area in line with the expected evolution of the said requirements in the period ahead.

In general, the Fund offers eight principal inter-related forms of technical assistance, namely training, technical advice through Fund loan missions to member countries, technical assistance attached to the Structural Adjustment Facility, advice provided through technical assistance visits, support extended to capital markets of Arab countries, assistance for purchases of equipment, assistance through the secondment of outside specialists and experts and finally assistance offered jointly with other outside parties.

Training

From the outset, the Fund has focused its efforts within its technical assistance to member countries on training. It considered that the provision of specialized training to Arab staff is an important mean to contribute to improving the effectiveness of the financial and monetary institutions in Arab countries which they serve. Providing these staff with qualifications to and training in the analysis of economic situations and developments, in the compilation, classification and processing of financial and monetary statistics in accordance with internationally recognized standards, contributes to improvement in the design and implementation of economic policies and economic adjustment programs, thereby helping the Fund to carry out its business. In this area, the Fund went through two periods, with one preceding the establishment of the Economic Policy Institute (EPI) and the other following it.

During the first period, extending from the start of the first technical assistance program in 1980 to 1988, the Fund offered training

through various channels. The main one of the latter were training courses organized at its headquarter, specialized seminars held either at headquarters or in a member country, and training arranged for beneficiaries from some Arab countries at counterpart agencies in other Arab countries

Training Courses

During that period, training courses were organized on subjects determined in light of demands received by the Fund from its members. Until mid-1988, twelve such courses were conducted by the Fund. They covered the following topics: the preparation of balance of payments, reserves management, credit risk management, financial analysis, banking supervision, public finance, money and banking statistics and techniques of economic analysis. Two hundred and sixty seven trainees from Arab countries attended these courses. It is worth noting that the Fund organized these activities on an experimental basis so as to gauge the requirements of member countries in various training subject matters. They were not scheduled in a regular pattern due to the lack of in –house staff in a position to prepare, conduct and administer such courses.

In addition to the above activities held at headquarters, the Fund used also to organize specialized seminars either independently or in cooperation with a member country and other institutions whether at headquarters or outside. The objective thus pursued was to increase awareness about topical issues and their implications for the Arab economies.

Training Scholarships

A final form of training which the Fund used to offer in the above first period was through arrangements enabling beneficiaries among staff of certain financial and monetary agencies of member countries to receive training at peer or counterpart agencies or specialized institutes in other member countries. It is worth mentioning here that besides the provision of financial assistance, the objective pursued by the Fund through these training arrangements was to enhance the technical and administrative capacities of staff of monetary and banking institutions and public finance departments, to strengthen their inter-relationships and to channel some of the expertise available to certain members towards the benefit of trainees from other member countries.

The number of countries, which applied for training scholarships, increased from four in 1984 to eleven in 1987. This jump made coordination with hosting institutions offering the requisite training a daunting task. During the period 1981-1984, the Fund arranged and financed the training of one hundred and twelve beneficiaries who were mostly middle level staff members of monetary and banking agencies in eight member countries. By end 1987, that number grew to 209 trainees.

The Economic Policy Institute

The second period referred to above started with the establishment of the Economic Policy Institute (EPI), created to strengthen and improve the delivery of training and achieve greater efficiency in implementation. The EPI became the Fund's arm to bolster national technical capacity in the design and follow-up of economic policies in member states. For the attainment of this, the EPI uses several instruments. The main ones among these is the organization, preparation and conduct of specialized training courses in a number of economic, financial and statistical areas. Such activities are mostly directed to middle level staff of monetary and financial

agencies in member countries. They seek to upgrade and boost the technical capacity of those agencies in the formulation and implementation of economic policies, the analysis of their impacts and deriving their results. Another EPI instrument is the organization and conduct of scientific seminars on important specialized topics of relevance to the design of economic policies; they are addressed to the benefit of upper staff and senior officials of member states. Still another EPI instrument is the conduct of studies and research projects aimed at deepening knowledge on issues pertaining to economic policies in these states.

Besides training courses, the EPI organized a number of seminars and workshops on subjects associated with its purposes and those of the Fund. These include, for example, adjustment policies and development strategies in Arab countries, management of their exchange rates and coordination of financial policies in GCC states.

Technical Advice by the Fund Missions under the Lending Activity

The assistance provided by the Fund in support of member countries' efforts in economic reforms and structural adjustment comprises two components. The first relates to financing in the form of one of the loans, which it makes available to members and the other component pertains to technical assistance, it provides in the preparation of the elements of the adjustment and reform programs being implemented and which it supports with its loans.

In fact, the design and formulation of the said programs are carried out in agreement with and coordination between the Fund and the borrowing member in the context of the Fund's consultations missions and their discussions with the concerned authorities of those countries. These missions are composed of Fund's experts. The programs' elements are prepared once the Fund's missions have reviewed the economic situation in the said countries and held talks with their relevant authorities with a view to agreeing on the policies and measures which need to be put in place under the circumstances. The programs comprise a broad framework for the overall objectives and orientations to be pursued over the agreed time horizon and annual sub-programs containing specific objectives in various sectors and the policies and measures necessary for their attainment. In order to ensure that programs are proceeding as scheduled, the two sides hold periodic consultations to prevent the emergence of implementation delays which could occasion costly repercussions.

With the creation of the Structural Adjustment Facility (SAF), the scope of the Fund's technical advice channeled through it missions expanded. In view of the nature of the SAF which the Fund has devised to assist member countries in implementing needed structural reforms in the financial and banking sector at this stage (and the government finance sector in a later phase), the Fund decided to add to its missions dealing with the SAF outside experts specialized in specific areas of that sector. The specialties of such experts and their numbers in each mission vary depending upon the number and nature of areas on which the authorities of borrowing members place special priority in the reform process. Since the SAF entered into effect in late 1998, the Fund missions to countries seeking to benefit from the facility incorporated experts in monetary policy, payments systems, banking supervision, inter-bank markets, management of public debt, data management and processing, reserves management, central bank independence, insurance, capital markets and markets for government bonds.

Overall, since the commencement of its lending activity, the Fund supported the formulation of 41 financial stabilization and structural macroeconomic adjustment programs and reforms of the financial and banking sector in thirteen member countries.

Fund's Missions for Technical Assistance

The Fund started last year to send missions to member countries for technical assistance purposes. This was effected in the cases of those countries which have requested such assistance in conjunction with their adoption of needed structural reforms in order to adapt their economies in line with the requirements of their membership in the World Trade Organization (WTO). Those requests were elicited by statements by the Fund expressing its readiness to provide such assistance to them and highlighting its endeavors to obtain the status of observer at the WTO fourth ministerial meeting held in Doha in November 2001.

It is worth recalling in this regard that most WTO Arab members are in need of technical assistance to identify those structural reforms necessitated by their membership. As to those other member countries seeking to accede to the WTO membership, they need technical advice in order to put in place the measures required for that purpose in addition to the aforesaid reforms.

The scope of this type of Fund missions was not confined to the WTO-related technical assistance requests; it expanded to cover other areas pertaining to the wider macroeconomic framework.

In responding to member's requests, the Fund followed the same approach which it applied in conjunction with the Structural Adjustment Facility. The latter approach consists in sending in a first stage an exploratory team of Fund experts to identify the member's priorities in terms of reforms, for the implementation of which it seeks assistance. In later stages, expanded Fund missions which include outside experts specialized in the areas agreed in the previous stage, are then sent to the said member country.

Technical Assistance Grant in the Structural Adjustment Facility

Along with the establishment of the Structural Adjustment Facility (SAF), the Fund introduced a technical assistance grant element as part of the loan provided to member countries under the SAF. This has given this facility a distinctive feature differentiating it from other Fund loans. This is due to the fact that the nature of the structural reforms supported by the SAF requires the availability of the technical assistance component for the purpose of either directly implementing some of those reforms or indirectly through the adoption of preparatory measures prior to that implementation. Thus, the SAF contains a supplementary assistance element in the form of a financial grant representing a certain portion of the loan's amount. This element is in addition to the technical assistance, per-se, which the Fund provides to member countries using the SAF trough, the expanded missions incorporating external experts charged with the task of helping in the preparation of structural reform programs supported by the facility.

The inclusion of this technical assistance grant aims at enhancing the capacities of relevant authorities in the borrowing member state in the execution of reforms and in coping with the rapid and successive developments in the financial and banking sector and in the

technologies, instruments and innovations applied to its operations. In order to ensure that the grant fulfils its intended purposes, the rules governing the use of the SAF have proscribed access to it separately and have tied its availability to that of the financing offered by the Fund under this facility and as part of a comprehensive package. The rules have also specified that the structural reforms to be supported and financed by the technical assistance grant should be either complementing or preparatory to those being targeted by the direct financing.

The technical assistance grant has been used by borrowing member countries in conjunction with the adoption of a number of important measures, which aimed at enhancing, developing technical capacities and improving administrative skills in the areas covered by the reforms. It was also used for the purpose of conducting necessary studies of issues such as payment systems, monetary policy, interbank markets as well as to recruit outside consultants in addition to purchasing necessary instruments and softwares.

It is to be recalled that in the context of the review of the structure of interest rates charged by the Fund on its loans which was effected in March 2003, the Board of Executive Directors took a decision to shift the said structure from the fixed interest rate system to the one of variable floating rate. Accordingly, the Board cancelled the setting aside of 2 percent of the amount of a SAF loan for technical assistance and prescribed that the technical assistance requirements of member countries using the SAF be met within the general framework of the Fund's technical assistance to members.

Technical Assistance to Arab Capital Markets

The Fund extends to its member countries technical assistance to support the establishment and developments of capital markets in their respective jurisdictions. This assistance comprises three main aspects. The first of these relates to the provision of specialized training to the staff of some of those markets in the markets of other Arab markets which have had longer experience. The duration of such training ranged from one week to three months. The second aspect pertained to the preparation of diagnostic studies of these markets in order to assist their supervisors in developing them.

The third of the above aspects concerns the Fund's approach to dealing with the scarcity of statistics and unavailability of adequate information on those markets both domestically and at the international level. In order to do so, the Fund established the Arab Capital Markets Database (AMDB) through which it collects and compiles official and reliable data on the situation and activities of those markets; these data are processed in a consistent and scientific manner and serve to prepare performance indices by using a unified standard methodology. They are then regularly published on a periodic basis. Although several institutions involved in the administration of those markets issue valuable periodical bulletins, some of the latter have a limited distribution and the data they contain cannot be compared either with those emanating from other Arab markets or with their counterparts published in emerging or developed capital markets.

In light of this, the Fund created the AMDB with a view to achieve a set of objectives. The main ones among these are: to assist in heightening Arab investment awareness, to disseminate information on the activities of Arab markets for financial papers, and to highlight their role as a source for financing productive projects, as an opportunity for placing savings and as an effective mechanism for the privatization of governmental enterprises and public sector

institutions. Another targeted objective is to ensure continuity in the regular publishing and flow of standard information on the situations and activities of the said markets on periodic basis so as to facilitate comparability in the conduct of necessary financial analysis and calculation of indices indicating trade and price trends in each market.

AMDB's work relies on close cooperation between the Fund, where it is located, and participating Arab capital markets. Due to this, the Fund had been keen on extending support to those markets; it has equipped them with computers and necessary modern softwares in order to interconnect them, in addition to training their relevant staff, who later became the AMDB's correspondents, on the scientific methodology and technology of the database. With a view to continuously develop its business with participating members through adaptation to emerging technologies, the Fund seeks to modernize the equipments and softwares which it offers to those markets and to constantly train correspondents to enhance their efficiency in the use of such equipments and brief them on the latest developments in their work areas. So far, the Fund has organized four specialized courses for these correspondents.

Technical Assistance for Acquisition of Equipments and Materials

In order to contribute to the enhancement of in-house capacities and bolstering the efficiency of monetary and financial institutions in member countries, the Fund extended to some of these a technical assistance whereby it shouldered part or all of the costs of purchasing certain equipments and materials needed by those agencies. The Fund inaugurated its activity in this area by providing

technical assistance to develop and expand libraries of central banks in some Arab member countries. The scope of such type of assistance later widened to cover other areas including the acquisition of computers, softwares and related accessories. The aim in this connection is to foster the capacities of authorities in some member countries in handling data in general and more, particularly, those associated with the functioning of central banks.

Secondment of Outside Experts

The Fund extends to its member countries technical assistance to secure the services of outside experts specialized in specific areas. In this regard, such experts are assigned to work in the assistance recipient countries for periods of varying durations depending on the nature of the required expertise and the stage of development and sophistication of the concerned economies. The missions of these experts include the drafting of studies, reports, manuals and guides, the design of programs and practical training in several areas of relevance to the Fund's work and purview.

Joint Technical Assistance

To optimize the benefits to Arab countries, the Fund has keenly sought to coordinate with certain Arab and international organizations arrangements for joint delivery of technical assistance in areas of relevance to their respective purviews. In so far as the Arab parties were concerned, the Fund organizes jointly with the Arab Fund for Economic and Social Development an annual seminar held on a rotation basis at the headquarters of each. Each seminar in this series discusses a subject of topical issues. Their proceedings are published in books, with one Arabic and one English editions. The

International Monetary Fund and the World Bank, while they are not involved in cost sharing, participate technically in these seminars.

As to the international parties, the Fund cooperates with the International Monetary Fund in the area of training. In March 1999, the two sides signed, as noted earlier, an agreement for a period of three years by virtue of which they deliver joint training courses within the framework of the EPI and as an addition to the latter's own activities. The costs of such courses are shared equally between the two sides. In light of the encouraging results achieved in this cooperation framework, the agreement was renewed in 2001 for another period of four years.

Likewise, in the wake of the ministerial meeting of the World Trade Organization (WTO) held in Doha in November 2001, where the Fund obtained the status of observer, an agreement for two years was signed in May 2002 with this organization, aimed at coordinating and offering joint technical assistance to the Arab members of the WTO and those seeking accession to it. This assistance, which is related to the WTO work, takes varying forms. These include training courses, specialized seminars organized in one of the member countries, or technical consultancy provided either by assigning outside experts or within the context of joint missions.

Regulations and Rules Governing Technical Assistance

In order to optimize the Fund's effectiveness and to enable it to expand the scope of its technical assistance in line with the expected growth in the requirements of member countries in this area in the period ahead, the Board of Executives Directors approved in December 2002 the guidelines of rules and regulations organizing its direct technical assistance.

These rules are based on a number of considerations. These include the necessity of according adequate attention to monitoring the implementation of the technical assistance programs and assessing their results. Experience has demonstrated that surveillance and evaluation are important factors ensuring adequate accountability and transparency in technical assistance activities. These two factors are relevant in the determination of the extent to which such assistance continues to be needed and its effectiveness as well as to the process of deriving lessons which contribute to strengthening ongoing and expected operations. A thorough surveillance requires the participation of the experts and local authorities in the assistancerecipient institutions of the relevant country so as to ensure that the said assistance is directed to its intended agreed purposes and are leading to the expected results. Another consideration involved is the importance of holding regular and periodic consultations with officials in charge in member countries regarding their technical assistance requirements and issuing periodic reports on the Fund's technical assistance activity.

Still another consideration underlying the said rules is the importance of endeavors to cooperate with all technical assistance donor institutions and organizations dealing with recipients in Arab countries. Such cooperation is instrumental for precluding the emergence of duplication in technical assistance programs, or inconsistencies in the advice given simultaneously through the Fund's technical assistance and that from other donors. A second rationale for this stems from the realization that given the Fund's limited resources and capabilities, such cooperation enables it to

offer its technical assistance as a supplement to those extended to member countries by other sources, thereby optimizing the member's benefit from the combined assistance thus obtained. A final rationale is that practical experience has shown that requirements for purposes of developing internal capacities are often substantial and exceed the resources available to a single institution taken individually. Such requirements may involve a multiplicity of inputs such as the design of systems, the provision of equipments and the continuous intensive training.

Copies of publications issued by the Arab Monetary Fund may be requested from:

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The Arab Monetary Fund has published the following information pamphlets:

- Arab Monetary Fund Establishment, Objectives and Activities.
- The Arab Monetary Fund The Lending Activity.
- Contribution of the Arab Monetary Fund to the Development of Arab Capital Markets.
- Economic Policy Institute Objectives and Activities.
- The Arab Committee on Banking Supervision Origin and Purposes.