

## Special Theme

# From Project Financier to Broad-Based Development Institution

## EFFECTING CHANGE THROUGH TECHNICAL ASSISTANCE

**T**ECHNICAL ASSISTANCE is a vital element of the Bank's development strategy. Through its technical assistance operations, the Bank assists its developing member countries (DMCs) in identifying, formulating, and implementing projects; improving their institutional capabilities; formulating development strategies; promoting technology transfer; and fostering regional cooperation — elements which are essential to economic growth.

As a major provider of technical assistance in the Asian and Pacific region, in 1997 the Bank provided \$162.5 million in grants to finance 298 technical assistance projects, and provided a further \$353.6 million of technical assistance components in its loan-financed projects. During the year, 384 individual consultants and 169 teams from consulting firms were fielded to the Bank's DMCs through technical assistance grants to provide advice; help formulate policies, programs, and projects; carry out studies; and provide training. In addition, a number of regional conferences and workshops were organized with the aid of technical assistance.

The Bank's technical assistance projects address a wide range of development issues and challenges. For example, in 1997 technical assistance helped promote energy-saving construction materials in the People's Republic of China, promote public finance reforms at the state government level in India, promote pension reforms in Kazakstan, improve fisheries management in the Federated States of Micronesia, establish a tender support bureau in Sri Lanka, and strengthen the Securities and Exchange Commission's information disclosure and compliance requirements in Thailand.

### Historical perspective

During the past 31 years of the Bank's existence, there has been a shift in the focus of technical assistance. When the Bank was first established, the founders agreed that technical assistance should be an integral part of the Bank's operations (*Box 1*), but the emphasis was on the preparation of projects suitable for Bank financing. Most notably, technical assistance financed feasibility studies and other project preparation work. It also financed project implementation through the provision of supervision services and institutional strengthening of project executing agencies. In



### Box 1: The Early Years

THE BANK'S first operational undertaking, approved on 24 May 1967, was a \$155,000 technical assistance grant to survey Asian agriculture. This technical assistance was a harbinger of much of the emphasis of the Bank's early operations.

The objectives of this first technical assistance were to survey the needs, problems, and opportunities confronting the agriculture sector in Asia and to inform the world, including donor countries, of both the urgency and the promise of agricultural development in Asia. What followed were bilateral discussions to encourage the development of policies that promoted agricultural growth and a concentrated investment program to support those policies with the resources and expertise required to deliver that growth.

By 1978, the Bank had invested \$1,385 million in the agriculture sector in Asia. This accounted for about 26 percent of total Bank lending during the period, and reflected the strong emphasis the Bank placed on development of the sector. The growth in agricultural production and productivity in the region has been spectacular, some of it a direct result of the seminal directions established in this first Bank technical assistance.

The next operational undertaking of the Bank was also a technical assistance, this one an advisory technical assistance to the Government of Indonesia. In 1967, food distribution and food sufficiency had become a serious issue for Indonesia. Much of the country's infrastructure was old and deteriorating and milling storage capacity was limited. The Bank's technical assistance focused on technical, administrative, and economic constraints inhibiting the production of food crops and their distribution. It resulted in the formulation of government policies on the pricing of rice, progressive decentralization of rice mills, improvements in the availability of credit to farmers, and pricing policies on the distribution of rice in urban centers.

These two projects were a powerful beginning to the Bank's technical assistance program.

other words, technical assistance was regarded primarily as a modality for supporting the project financing function of the Bank, which was perceived as its core function.

The emphasis changed in the 1980s and the 1990s. Experiences in the 1970s and the early 1980s had taught the Bank and its DMCs that effective development required much more than close attention to projects. More often than not, the success or failure of a project was decided not by the technical and financial quality of the project but by the economic environment both at the macro and sector levels. Technical and financial design and close supervision continued to be essential factors for the success of projects, but these were not enough: a project's success required the right economic environment. The Bank responded to this finding by intensifying policy dialogue with DMC governments, introducing a policy-based lending modality, i.e., the program loan, and, last but not least, using technical assistance to address key policy issues.

In the late 1980s and the 1990s, the emphasis on policy and broader institutional capacity was further intensified, and the role of technical assistance acquired new dimensions. Many DMCs embraced market-oriented, outward-looking economic management strategies and began to undertake various policy and regulatory reforms to move in that direction. Also, many of the region's centrally planned economies began the process of transiting to a market economy. These changes, combined with various factors in the industrial countries, resulted in the sudden surge of private capital flows to the DMCs. In 1986, the level of both private and official flows stood at about \$14 billion. By 1996, private flows had reached \$136 billion.

These private capital flows, however, were not shared equally by all DMCs. About 90 percent of such flows to Asia were concentrated in just five countries. There was a need to help other DMCs attract private capital through technical assistance for reforms in policy and regulatory frameworks. In the case of countries in transition, technical assistance was needed to help create and develop a set of institutions for a market economy. In many DMCs, rapid economic growth entailed infrastructure development needs which far exceeded the capacity of public sector financing. Hence, there was a need for a public-private partnership in the provision of infrastructure, and technical assistance had an important role to play in promoting this partnership. The region also faced persisting poverty, social exclusion of certain groups, especially women, and degradation of the environment. Technical assistance was an important tool in addressing these problems.

At the same time, as a result of the end of the Cold War, opportunities increased for regional and subregional cooperation. One aspect of this is cooperation and coordination in trade and investment. The other is cross-border development of infrastructure and management of natural resources. The Bank is uniquely positioned to act as broker, promoter, and financier for such cooperation, providing its knowledge, experience, and network to help its DMCs, especially through technical assistance.

Finally, to meet the increasingly complex needs of its DMCs effectively, the Bank has been redefining its role from that of a project financing institution to that of a broad-based development institution that provides

integrated services of financing, policy support, and capacity building. In this context, technical assistance has become a key strategic tool for development assistance. Reflecting this change, the number and amount of technical assistance grants approved annually have increased dramatically in the past ten years, from 135 projects totaling \$41.9 million in 1987 to 298 projects totaling \$162.5 million in 1997.

### Nature and structure of the Bank's technical assistance

Technical assistance is normally defined as activities aimed at strengthening the capacity of the recipient country by developing and improving human resources, institutional framework, and organization through the transfer of knowledge, skills, technology, and other nonphysical inputs. The term can sometimes refer to activities aimed at filling gaps in the recipient country in terms of knowledge, skills, technology, and organization to carry out specific development activities. Often, these two aspects are combined.

Technical assistance is distinguished from the Bank's project financing in that the former essentially provides nonphysical inputs. Usually the outputs are also nonphysical, in the form of improved skills and policies. By contrast, project lending activities usually result in physical facilities, such as an irrigation system, replanted forest, highway, telecommunications facility, or power station. Both technical assistance and project lending are considered essential tools for development assistance: physical facilities support development while improved skills and know-how help countries to manage and eventually initiate new projects and services in the continuation of the development cycle. Most bilateral donors provide both modalities, sometimes in combination but often in two distinct institutions each specialized in one or more fields.

Technical assistance is in essence the provision of expert services. In this sense, the first source of the Bank's technical assistance is the Bank's staff members. Through studies and research, preparation of country and sector operational strategies, processing and administration of projects, and policy dialogue and technical exchange carried out in these processes, the Bank's staff provide expert views, advice, and other inputs to their counterparts in DMCs. However, when the term "technical assistance" is used in the operational context, it usually refers to Bank financing of external expert services to be made available to DMC governments and agencies. These services are often provided by a team of experts from an engineering or management consulting company. In other cases, individual experts in specific areas of expertise are engaged.

Project identification, formulation, and implementation constituted the main focus of the Bank's technical assistance in its early years of operations, and these areas remain an important focus today. While DMCs have built their own capacity to carry out these tasks, as witnessed by an increased proportion of experts from DMCs in the total consultant resources engaged under the Bank's technical assistance, international expertise is still needed because the projects the Bank finances are mostly at the frontier of development efforts, both from technical and managerial points of view. Also, because of heightened awareness about the

Distribution of Technical Assistance Grants, 1980-1997



Average Value of Technical Assistance Grants, 1980-1997



environmental and social impacts of projects, today's project preparation often involves extensive and sophisticated study of these aspects. International and domestic experts complement each other, with state-of-the-art technical and methodological know-how and wide experience of the former and the familiarity with the local situation of the latter.

Depending on the circumstances, the Bank uses grants or loans for the financing of project preparation. For a feasibility study of relatively limited size (not more than \$1 million), the Bank can provide project preparatory technical assistance (PPTA), mostly on a grant basis. If the size of the study is large and requires more than \$1 million of Bank financing, the Bank usually provides a technical assistance loan. Project preparation at the detailed engineering stage can be financed by an engineering loan. Consulting services for project implementation supervision are treated as a component of the project and costs are covered by the loan for the project itself.

The number and amount of PPTA approvals have increased from 45 projects for \$10.5 million in 1987 to 78 projects for \$43.7 million in 1997. The number of annual PPTA approvals is primarily determined by

## Box 2: Sources of Funds for Technical Assistance

THE BANK'S technical assistance grants are financed by the Japan Special Fund (JSF), Technical Assistance Special Fund (TASF), and other sources. In recent years, financing from JSF has accounted for about 50 percent of all technical assistance financing, TASF for about 35 percent, and other sources for 15 percent.

The JSF was established in 1988 when the Government of Japan made an untied (consultants not necessarily from the contributing country and DMCs) contribution to the Fund. JSF quickly became a major financing source of the Bank's technical assistance. Priority areas set by the Government of Japan for the use of JSF include restructuring of economies, broadening the scope of new investment opportunities, and project preparation to assist in recycling funds to DMCs. The Government of Japan has emphasized protection of the environment, promotion of the private sector, and improvement of the status of women, by making supplementary contributions to JSF to address these concerns.

The TASF was established in 1967 with voluntary contributions from individual member countries. These contributions were, for the most part, tied to consultants from the contributing country, limiting the choice of experts and making administration of the funds cumbersome. As a result, the Bank has been encouraging donors to make their contributions either "partially tied" or "untied." In 1981, the Bank adopted the policy of not accepting contributions tied to the donor country starting in 1983. In 1986, at the time of the fourth replenishment of the Asian Development Fund (ADF), it was agreed to transfer an appropriate amount of ADF to

TASF to secure adequate funds for steady technical assistance operations. A similar arrangement continued under the fifth ADF replenishment. As a result, all member countries contributing to ADF ceased to make voluntary contributions to TASF. Further, in 1992 the Bank started to transfer a part of the net income from its ordinary capital resources to TASF. This was a marked departure from the past, where OCR net income was used to supplement TASF only in a very limited way so that the maximum amount of OCR net income could be allocated to Bank reserves. The change in approach from relying on contributions of member countries to TASF, either voluntarily or through the earmarking of ADF replenishment, to funding the TASF with Bank resources was completed in 1997 at the time of the sixth replenishment of ADF. The donors decided that no funds from the sixth replenishment would be allocated to TASF and TASF requirements would be fully met by transfers of OCR net income. In 1997, the voluntary contributions to TASF amounted to only \$1.3 million, all from DMCs. *For more details on JSF and TASF, see the Bank Resources and Financial Management chapter, page 161.*

In addition to TASF and JSF, the Bank has arrangements with several bilateral donors for financing/cofinancing of technical assistance with untied grants. These bilateral donors include, among others, the governments of Australia, Belgium, Denmark, Finland, France, Netherlands, Norway, Sweden, and Switzerland. Once a project to be financed is agreed upon, the Bank acts as the administrator of the funds. These bilateral funds are often used to finance a soft component, such as capacity building, in a project financed by the Bank's loan.

the level of the Bank's lending program in the coming years. Not all Bank loan projects are prepared with PPTA. Of the 73 loan public sector projects approved in 1997, 32 projects, or 44 percent, were preceded by PPTAs. For more details, see Table 35 in the Statistical Annex.

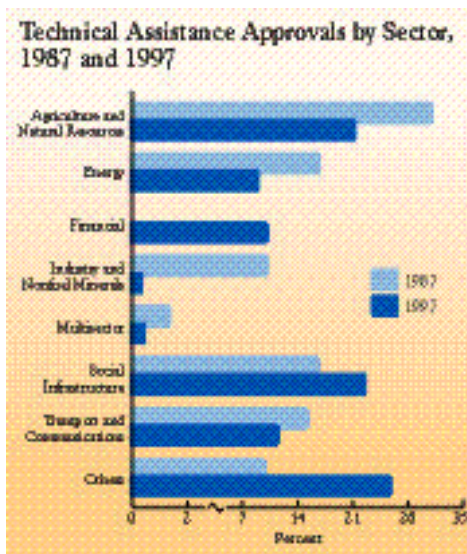
Technical assistance for transfer of technology, institutional strengthening, preparation of plans and programs, and conduct of studies is called advisory technical assistance (ADTA). With the increased emphasis on the Bank's policy support and capacity-building functions, ADTA has increasingly become a crucial tool for Bank operations. The annual approval of ADTAs, which are financed by grants, surged from 53 projects for \$23.9 million in 1987 to 165 projects for \$91.3 million in 1997. Major themes for ADTA are described in the following section.

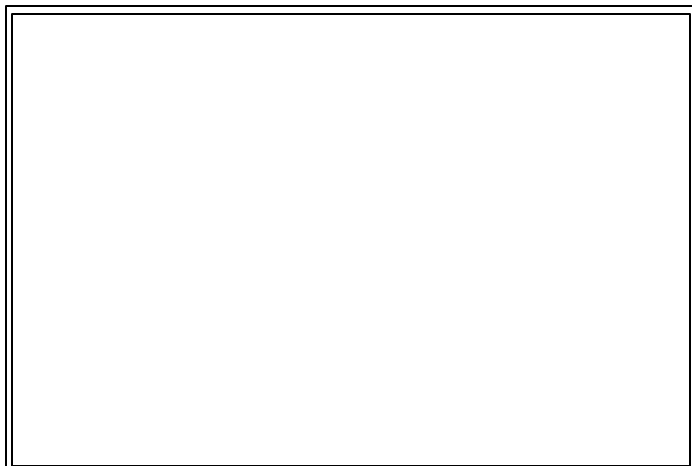
In some cases, technical assistance is provided for the benefit of an entire region or for more than one DMC. For example, a conference or study on a subject of common interest in the region, such as urban infrastructure financing and regional health policy priorities, or a study or training provided to a group of DMCs sharing the same concerns or facing similar problems, or project preparation and advisory activities for subregional cooperation, might warrant a regional technical assistance (RETA). The number and amount of annual RETA approvals increased from 37 projects for \$7.5 million in 1987 to 55 projects for \$27.5 million in 1997.

### Themes of the Bank's technical assistance

The Bank's technical assistance grants cover a multitude of sectors and subsectors. Over the years, there has been a shift in the focal areas for assistance. In 1987, assistance in the agriculture and natural resource sector accounted for 31 percent of all technical assistance grants, followed by energy (17 percent), social infrastructure (16 percent), transport and communications (15 percent), and industry and nonfuel minerals (10 percent). In 1997, social infrastructure received the bulk of assistance (22 percent), followed by agriculture and natural resources (21 percent), and transport and communications (11 percent). While the share of the energy and industry and nonfuel minerals sectors dropped to 9 percent and 0.3 percent, respectively, the financial sector, which did not appear in the 1987 breakdown, now accounts for 10 percent. Similarly, various cross-sectoral technical assistance which accounted for 11 percent in 1987, has increased to 26 percent in 1997, addressing cross-sectoral public administration reform/improvements (9 percent), environmental protection and management (5 percent), pension reform and social safety net issues (2 percent), and strengthening of development-related legal systems and training of legal officers (2 percent).

These changes reflect the changing needs of the Bank's DMCs, which in turn reflect their different stages of development and changes in the global environment. For example, agriculture remains one of the most important sectors needing public sector intervention for development. By contrast, in a number of DMCs, industry and the exploitation of nonfuel minerals are increasingly left to the private sector. Reflecting still insufficient levels of social services, demand for technical assistance for this





*The Bank's first operational undertaking was a technical assistance grant to survey Asian agriculture. The scope of technical assistance has since expanded.*

sector has been increasing. The requirements for assistance in the energy sector and the transport and communications sector remain high, reflecting the greater needs for infrastructure development to sustain a high level of economic growth. Many of the Bank's technical assistance projects in these sectors today are for the development of a conducive policy and regulatory environment for private sector provision of infrastructure. As many DMC governments embrace the private sector-led development approach, technical assistance for strengthening the financial sector and developing capital markets has increased. In this context, the need for improved public sector management has begun to be felt more acutely, including a new partnership with the private sector. What

follows is a look at how the Bank has been responding to these changing needs of DMCs through its technical assistance grants and loans.

### ***Encouraging public sector management and public-private partnerships***

The main thrusts of the Bank's assistance for public sector management are provided in the policy paper "Governance: Sound Development Management" approved by the Board in October 1995.

The Bank's concept of good governance focuses on four elements of effective development management: (i) accountability, (ii) participation, (iii) predictability, and (iv) transparency. Priority issues of public sector management and governance to be addressed by the Bank's technical assistance include the following:

- at the central level, policy coordination, civil service reform, fiscal management, and the supreme audit function;
- at the line ministry and agency levels, effectiveness and efficiency of service delivery and strategic management of resources;
- at the subnational level, the breakdown of responsibilities between central, provincial, and local governments, local-level revenue raising, and local-level service delivery;
- public/private interface issues, including commercialization, privatization, and regulation and regulatory independence;
- law and development issues with particular reference to appropriate legislation in dealing with market-based requirements; and
- strengthening civil society with emphases on disclosure of information, participation, and NGO involvement in the delivery of development assistance.

**Reforming the public sector at the central level:** In the past, the Bank has assisted DMCs' public sector management reforms mostly at the line ministry and agency levels. Today, the need for Bank assistance at the central and subnational levels is increasing. At the national level, Mongolia

and Sri Lanka have requested Bank assistance for public sector management reforms. In the case of Mongolia, the Government requested the Bank's technical assistance to help implement public service reforms based on the New Zealand model. Tailoring the New Zealand model to the quite different circumstances of Mongolia was an important element of the assistance, especially as the changes in New Zealand had been implemented over more than a decade and had required considerable resources to implement effectively. The Bank began this assistance to Mongolia by taking a delegation of Mongolian parliamentarians and senior officials to New Zealand to witness firsthand how the model worked, and then to the State of Victoria in Australia to see how the New Zealand model was adapted to a different set of circumstances. This initial work was followed by the provision of substantial technical assistance to provide expert advice to help design and implement a broad series of public sector management reforms.

In the case of Sri Lanka, the Bank's technical assistance catalyzed a reform program aimed at creating a results-oriented public service. The report of the Bank's technical assistance consultants helped the Government to establish institutional arrangements to guide and drive the reform program.

At the subnational level, the Bank provided technical assistance to the State Government of Gujarat in India for comprehensive public sector restructuring, including fiscal consolidation, public enterprise reforms, and public utility reforms. There are also cases of Bank technical assistance on specific functions at the central level, such as economic management, fiscal management, procurement, and audit (*Box 3*).

**Reforming municipal management:** In the area of municipal management, the most important role of the Bank will be to help DMCs develop a vision for the future, anticipate the scale and structure of their cities, and prepare well-framed investment programs and action plans to mobilize the resources required (*Box 4*). DMCs need not only develop their local governments, but also create new metropolitan institutions with well-defined functions and funding well suited to these functions. In addition, they need to encourage municipalities to tap the experience and funding of the private sector. In this endeavor, the Bank can liaise closely with other international development agencies and the private sector.

**Encouraging privatization:** An important agenda for public sector management reforms is restructuring of state-owned enterprises (SOEs). In many DMCs, SOEs are in trouble, causing a drain on public funds, and becoming a heavy burden in fiscal management. The restructuring of the SOEs and their privatization form an important agenda for fiscal reform in many DMCs (*Box 5*). The Bank assists these DMCs through technical assistance and loans. For example, a succession of technical assistance to Samoa in the period 1989-1992 resulted in the sale of two loss-making enterprises to the private sector as going concerns, liquidation of five enterprises, and contracting out the government transport pool to the private sector.

**Developing the policy and regulatory framework for the private sector provision of infrastructure:** The Bank's assistance in public-private

### Box 3: Institutional Strengthening of Asia's Supreme Audit Institutions

**S**OUND ACCOUNTING and auditing practices are a precondition for transparent, efficient, and effective public financial management and good governance. Effective public auditing is essential to ensure uniform accounting standards, to prevent and detect deviations from good accounting practices in public resource management, and to induce improvements in both administrative reporting and internal control systems. In 1995, in recognition of this strong link between effective audit and sound development management, the Bank decided to fund a regional technical assistance to train regional auditors in "performance" audit. The program had as beneficiaries the Supreme Audit Institutions (SAIs) belonging to the Asian Organization of Supreme Audit Institutions (ASOSAI).

The training program consisted of a two-week workshop on fundamental principles, concepts, and methods of performance auditing. It was to serve the twofold purpose of (i) providing the participants — 25 were from the Bank's DMCs — with the basic knowledge and practical skills needed to carry out performance audits, and (ii) developing the trainees' ability to pass on the acquired skills to other staff in their institutions through a "train the trainers" component. To maximize impact, the program was targeted at senior auditors with audit supervisory and/or public sector managerial experience.

The success of this technical assistance led to another Bank technical assistance to ASOSAI, this time for a regional long-term training program designed to (i) assist ASOSAI to assume increasing responsibility for designing and organizing the regional training programs and information exchange facilities, and (ii) upgrade both the training and technical audit skills of individual SAIs. The program, approved in 1996, is ongoing with completion of the program expected in 1998.

#### Box 4: Municipal Management Reform in Lahore, Pakistan

WHEN THE Bank wanted to examine what effect citizens' involvement in municipal affairs might have on city management and urban governance, it looked to Lahore, Pakistan. Lahore's Chief Minister had indicated that he wanted some dramatic improvements in service delivery in the capital city of Punjab. A small-scale technical assistance was provided to test the approach of developing and implementing an action plan for municipal management reform through the participatory process as a means of starting a process that would lead to more accountable and effective city government.

A cross-section of the citizens of Lahore including representatives of business, NGOs, market committees, and the media were contacted and meetings involving both citizens and service providers were organized. Two workshops were held in which major issues relevant to effective city management were raised and discussed. The workshops led to a proposed action plan which targeted

- institutional restructuring with an emphasis on eliminating overlapping functional responsibilities between organizations, and devolution of service delivery responsibilities within the city to the zonal level;
- introduction of professional managers and staffing policies aimed at creating an effective work force;
- privatization where the need for an appropriate regulatory framework and transparency in the process was stressed;
- budgeting and finance, under which the use of budget as a planning and management tool and ways of increasing municipal revenues were recommended; and
- need for community involvement, particularly in setting investment priorities, establishing and monitoring performance indicators in service delivery, and solid waste collection.

Those involved in the process of formulating the action plan formed a concerned citizens' group to promote community involvement in managing Lahore. City managers and other professionals attending the seminar set up a South Asia Cities Association with the Secretariat to be based initially at the Calcutta Municipal Corporation.

partnership focuses on the private provision of infrastructure. Facing the enormous needs for developing and upgrading infrastructure, many of the Bank's DMCs are now tapping private funds and expertise, especially from industrial countries, for the provision of infrastructure through build-own-operate (BOO) or build-operate-transfer (BOT) schemes. The Bank has been encouraging such moves, as this helps governments meet infrastructure needs that cannot be met otherwise, allows the release of public funds for much-needed social services, and increases efficiency and quality of services through competition. Private sector provision of infrastructure requires appropriate arrangements for risk-sharing and the policy and regulatory framework to meet these requirements, and the wherewithal to develop appropriate institutional mechanisms to implement the framework. In some cases, technical assistance has been given to help develop national policy or sectoral frameworks for BOO/BOT schemes. In another case, the Bank has assisted a government in preparing and implementing a model BOO/BOT project which can be replicated. Also, a RETA has been provided to disseminate the collective experience and expertise on this issue and for capacity building of DMCs in the economic analysis of BOO/BOT projects.

**Promoting the development of the financial sector and capital markets:** In many of the Bank's DMCs, the domestic savings rate is relatively high. What is lacking is a mechanism to channel these savings to productive investments. A well-functioning financial sector and a capital market constitute such a mechanism. The Bank has been pursuing this in many DMCs through its program loan (policy-based lending) and technical assistance modalities (*Box 6*). A typical reform agenda promoted by the Bank in the financial sector and capital markets includes (i) limiting the scope of direct credit; (ii) deregulating and/or rationalizing interest rates; (iii) reducing public sector preemption of financial sector resources; (iv) increasing the autonomy of state-owned financial institutions; (v) promoting private financial intermediation; (vi) enhancing competition within the financial sector by removing barriers to entry and market segmentation; (vii) improving the ability of the central bank to conduct monetary policy through open market operations; (viii) promoting development of a debt securities market by establishing interest rate benchmarks and enhancing liquidity; (ix) easing regulatory and infrastructure bottlenecks to capital market development, such as administrative controls over share issue prices, inadequate disclosure and investor protection rules, and outdated trading and clearance and settlement systems; and (x) strengthening the regulatory and supervisory framework for the financial system, including capital adequacy ratios, portfolio classification and loan-loss provisioning standards, and exposure guidelines. Technical assistance is often provided to

accompany a program loan to help implement these reforms and strengthen required institutional capacity.

### ***Assisting in the social sectors***

The purpose of development is to improve the quality of life of people. In the Asian and Pacific region, impressive economic growth in the past few decades has contributed to dramatic improvements in the quality of life. However, there are countries, regions within the countries, and particular segments of population that have been left behind. There is a need to encourage governments to pay an increased level of attention to the quality-of-life aspect and strengthen their social services, especially those for disadvantaged regions and groups. At the same time, many DMC governments are operating under tight resource situations, facing trade-offs among competing development needs. There is a need to explore innovative approaches for the delivery of quality social services in cost-effective ways. The Bank's technical assistance can, and does, play an important role in this area.

In the health sector, for example, technical assistance is helping DMCs to decentralize health services, encouraging an increased level of community participation and public-private partnership, such as contracting out of health services. In the education sector, technical assistance is helping countries in transition to restructure their educational systems within the parameters of a market economy. This involves more market-oriented course development for higher education and an increased level of community participation for primary and secondary education, both in

#### **Box 5: Privatization in the Kyrgyz Republic**

**A**N IMPORTANT question about privatization is when to do it. Where there is not a reasonably developed market, financial institutions, capital base, or an effective private sector, any attempt at privatization risks failure or the need for further public support. In the Kyrgyz Republic, for example, early attempts at privatization sometimes resulted in a structure and dispersion of ownership which was detrimental to good corporate governance. The relative absence of proper legal conventions and arrangements resulted in an absence of protection for owners and incentives for management to operate the businesses as efficiently as possible. Ownership was either too dispersed among too many small outside shareholders, or concentrated in the hands of insiders who lacked incentive for restructuring and who ran the businesses for themselves rather than for the shareholders. Financial discipline was not exercised in a responsible way. Not only was it difficult for minority owners to exercise their rights; but also, by and large, they did not know what their rights were.

The Bank's technical assistance set about developing a capacity on the part of government officials to develop the

diagnostic skills to review existing corporate governance practices in the Kyrgyz Republic, compare these with practices elsewhere in the world, and understand how these practices needed to be monitored to make them effective. The efforts of the working group set up under the technical assistance were closely paralleled in the Cabinet which openly debated the merits of the alternatives examined in the technical assistance. The principal outputs were a Company Charter which has been made mandatory for all medium- and large-scale enterprises, and an accompanying handbook on best practice in corporate governance. The Charter ensures that medium- and large-scale enterprises in the Kyrgyz Republic implement sound and effective systems of corporate governance. In addition, the technical assistance helped in the finalization of a new Bankruptcy Law which was enacted shortly after the Charter was promulgated. The Charter and the associated measures to implement and enforce its provisions form the core of the Corporate Governance and Enterprise Reform Program. The Bank is maintaining the impetus for reform through an associated loan.

### Box 6: Financial Sector Development in Mongolia

IT WAS evident that the banking sector would play a key strategic role in Mongolia's transition to a market economy, especially after the 1990 promulgation of the Banking Law which separated the Central Bank from commercial banks. It was equally evident that the Mongolian commercial banking system needed to be strengthened. A combination of measures at the macroeconomic, sector policy, and individual institutional levels was needed. Complementary measures were also needed to address structural constraints to efficient commercial banking operations such as stabilization policies and a liberalized foreign exchange regime. Proper accounting standards and adequate banking supervision systems also were needed at the Central Bank level. Mongolia neither had the resources nor the expertise to address these issues.

The Bank designed a series of technical assistance and one loan to assist the Mongolian Government to address the financial sector. This assistance resulted in

- a new Securities Law and regulations;
- the establishment of the Securities Exchange Commission to oversee the securities market and its institutions;
- automation of the stock exchange trading operations;
- a review of loan portfolios;
- passage of a new central banking law and commercial banking law
- a strengthened commercial banking system and supporting accounting system, able to produce meaningful financial reports; and
- a general action program which is being implemented in the Financial Sector Program Loan.



*A series of technical assistance to transitional economies has assisted the development of the financial sector.*

curriculum development and financing. The Bank's technical assistance has also addressed the issue of education for disadvantaged segments of the population, in particular women and the poor. A RETA examined the impact of education on the status of women, and led to the formulation of a women's education project in the Lao PDR. In the water supply sector, Bank technical assistance has helped DMCs to improve the management of water supply utilities and restructure water tariffs. In some instances, the Bank's technical assistance has helped in the commercialization of water supply services and introduction of BOO/BOT schemes for water supply.

#### ***Improving the status of women***

Interventions that benefit women are widely recognized as crucial to development, in that poor health, low levels of education and training, and limited access to resources constrain the quality of life, economic efficiency and growth, and the overall sustainability of development. Technical assistance grants have been used to

- help DMCs develop appropriate mechanisms to address equal opportunity issues at the policy level;

- assist DMC governments develop and improve their statistical databases to enable the collection and collation of gender-disaggregated data;
- strengthen the institutional capacity of government focal points on women;
- cosponsor activities with other development agencies;
- enhance the institutional capacity of nongovernment women's organizations; and
- conduct research and dialogue on regional gender issues.

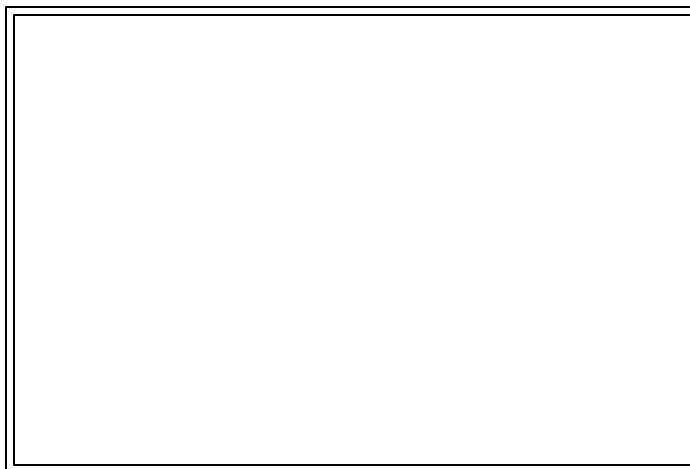
The Bank has been active at the regional level to encourage a common approach to addressing the concerns of women throughout the region. For example, regional concerns such as the Asia-Pacific's preparatory activities for the 1995 Beijing World Conference, including the Ministerial and Senior Government Officials Meetings, were cosponsored by the Bank with the United Nations Economic and Social Commission for Asia and the Pacific. Similarly, in 1997 the Bank sponsored the participation of 15 women leaders from Asian and Pacific nongovernment organizations (NGOs) in the Global Summit on Women's Economic Empowerment to ensure that the region was represented at this important conference.

Addressing the question of poverty through the marketplace, a RETA has promoted women's microfinance institutions through capacity building in women's organizations in six of the Bank's DMCs that are primarily involved in delivering microfinance to poor women. The idea of continuous improvement is being introduced through encouraging these organizations to establish a network to share experiences and best practices and to support exchanges of successful women entrepreneurs to explain how they have succeeded and to encourage others to develop their own business ideas.

Country-specific technical assistance grants have enabled the Bank to place gender concerns on the mainstream development agenda of interested DMCs. For example, in Cambodia, technical assistance has led to the adoption of a National Policy on Women and the establishment of a Ministry of Women's Affairs.

### ***Protecting the environment***

The Bank has been increasing its technical assistance in the environmental field for a number of years (*Box 7*). During 1991–1997, the Bank provided a total of \$132 million for 208 technical assistance projects to address environmental issues. Some of this assistance has been used to try to get environmental cells established in ministries and departments whose activities can have major impacts on the environment. For example, a succession of technical assistance established environmental cells in



*Improving the status of women through greater access to education is integral to achieving other strategic development objectives.*

Indonesia's Public Works Department, essentially to provide it with a capacity to produce environmental impact assessments of planned public works projects. Environmental subdirectorates have been established in each of the Directorates General comprising the Ministry of Public Works. In other cases, technical assistance was aimed at capacity building of institutions for conducting environmental impact assessments and for monitoring. For example, in the People's Republic of China, the Bank provided a series of technical assistance to train officials at the national and provincial levels on environmental impact assessment, develop an environmental management information system, and strengthen environmental legislation and enforcement.

There are also a number of RETA projects addressing environmental issues. For example, the teaching of environmental law is being strengthened through a RETA jointly financed by the Bank, the International Union for Conservation of Nature, the National University of Singapore, the United Nations Environment Programme, and the United Nations University.

### ***Promoting regional and subregional cooperation***

In the past decade, a number of forces have emerged in favor of closer regional and subregional cooperation, such as the end of the cold war, liberalization of economic policy in many DMCs, and increased levels of regional trade and investments. Regional and subregional cooperation is

### **Box 7: Environmental Management of Chao Lake, People's Republic of China**

CHAO LAKE in the People's Republic of China is the main water source for the municipal, industrial, agricultural, and recreational uses of almost eight million residents living within its basin. But Chao Lake is polluted. The water quality in the lake has been deteriorating at an alarming rate, with the level of key nutrients having tripled during the past 15 years. Poor water quality has led to interruptions of supply in the summer months, leaving the 1.5 million urban residents who depend on the lake for their water with only partial water service for several weeks at a time. The seriousness of the environmental degradation of the lake was recognized by local authorities and the National Environmental Protection Agency alike. Restoration of water quality was given high priority by the national Government. The Bank was asked to assist with the formulation of an environmental program to reduce the major point source discharges from municipal and industrial sources and to tackle all sources of pollution, including nonpoint agricultural runoff in the longer term.

The main objective of the investment programs is to eliminate the major point sources of pollution into Chao Lake. The resulting \$336 million investment program, supported by a \$140 million finance package from the Bank, has already produced significant changes.

- Following a concerted policy dialogue by the Bank, wastewater tariffs were introduced in Hefei and Chaohu cities. The tariff, which is based on 85 percent of the monthly water bills, is paid by all water users, including industries which have their own water sources. From Hefei alone, the revenue is generating an annual \$4 million, which is being used to finance \$16 million of the construction cost during the four-year implementation period of the project.
- Both the Hefei and Chaohu wastewater treatment utilities have been corporatized. Their debt has been restructured so that they can operate without further subsidies. The wastewater tariffs and a connection fee which has also been introduced will ensure that they will be able to generate a minimum return on assets of 7 percent.
- Key discharges of organics, suspended solids, nitrogen, phosphates, and toxics such as cyanide and phenol into Chao Lake will be reduced significantly and reverse the current degradation of the water quality in the lake.

now considered an important means for accelerating economic growth and social development. The Bank is well positioned to promote regional and subregional cooperation and has four complementary functions for this purpose. First, through its research and regional technical assistance, the Bank provides information to increase its DMCs' understanding of the importance of cooperation. It applies its experience to identify possible bottlenecks to cooperation and suggests how these could be overcome. Second, because of its nonpartisan character, the Bank is in a position to act as an "honest broker." While cooperation depends on the individual and collective political will of the DMCs concerned, the Bank plays an important supportive role by encouraging dialogue, suggesting approaches, and identifying possible projects. Third, the Bank can finance investments in the subregion in such areas as transportation, communications, energy, forestry and other environmental management, poverty reduction, and human development. Fourth, the Bank can catalyze the mobilization of funds from other sources, such as bilateral and multilateral agencies and the private sector.

While the best known example of the Bank's involvement in subregional cooperation is that of the Greater Mekong Subregion (*Box 8*), there are a number of other subregional cooperation initiatives that the Bank has assisted. Some of these initiatives are based on the growth triangle concept, involving three or more countries sharing some geographical contiguity. Starting with the Southern China Growth Triangle in 1979, which was predominantly market- and private sector-driven, the growth triangle concept now includes those involving Singapore, the Malaysian state of Johore, and the Indonesian province of Riau; the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT); and the Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA). Bank technical assistance helped finance the study of the area's potential and the development of a comprehensive set of policies and projects to achieve the area's overall growth objectives. The Bank is also assisting subregional cooperation initiatives in South Asia, in Central Asian republics, and between the Central Asian republics and the People's Republic of China.

Yet another example of Bank technical assistance for regional cooperation is that for the development of new initiatives on infrastructure financing and capital market development in Asia-Pacific Economic Cooperation (APEC). The objective was to assist emerging market economies in the APEC region to mobilize more effectively their high savings through greater and more efficient capital market intermediation. The technical assistance resulted in a Voluntary Principles and Collaborative Initiatives paper which was adopted by the APEC Finance Ministers at their meeting in Cebu, Philippines in April 1997. This initiative has promoted greater understanding of the benefits of capital market integration and best practice in capital market development at a time when these markets have become subject to increased uncertainty and instability regionally.

#### Regional Technical Assistance Approvals, 1997

Activity	\$ Thousand	%
Policy and Other Studies	10,930	39.8
Research	6,345	23.1
Training	5,555	20.2
Other Activities	2,625	9.6
Conferences	1,997	7.3
<b>Total</b>	<b>27,452</b>	<b>100.0</b>

### Box 8: Technical Assistance for the Greater Mekong Subregion

**S**UBREGIONAL ECONOMIC cooperation in the Greater Mekong Subregion (GMS), with a combined population of nearly 240 million, was initiated by the Bank in 1992 through a regional technical assistance (RETA). There is good rationale for subregional cooperation among countries with close geographical, cultural, and historical links, and which share important natural resources. The onset of peace among the countries as well as the opening up and liberalization of centrally planned economies in the subregion offered the Bank a good opportunity to initiate a program of cooperation among the GMS countries. For a subregion with a long history of conflict, launching such a program was a very challenging task. Accordingly, when the GMS Program of Economic Cooperation was initiated in 1992, the Bank took a pragmatic, building-block approach, emphasizing action- and results-oriented initiatives. From the beginning, the Bank clearly defined its role in the Program as that of a facilitator, catalyst, and honest broker — promoting and encouraging dialogue, providing a forum for such dialogue, and assisting in project identification and development.

Following a building-block approach, the Bank's strategy for promoting economic cooperation in the GMS has been implemented in three phases. Phase I, which was funded by a RETA of \$270,000, was the preparatory phase designed to reach consensus on the need for subregional cooperation and identify potential areas for such cooperation. During Phase I, the GMS countries agreed on an institutional framework for cooperation and identified seven sectors/areas under this framework: transport, energy, telecommunications, environment, human resource development, trade and investment, and tourism. A second RETA of \$5.26 million was approved for Phase II, which carried the Program through its planning phase, involving the conduct of subregional sector studies and project identification for each of these sectors/areas. A third RETA of \$3 million was granted in 1996 to carry the Program through its implementation phase, strengthen institutional arrangements, build intersectoral linkages to address broader development concerns, and develop consistency between subregional cooperation and domestic policies and programs.

After six years, the time, effort, and resources devoted to the Program appear to have paid off. A framework of cooperation in the seven priority sectors has been established. The process of subregional cooperation has been institutionalized, with the GMS countries adopting arrangements for coordinating and sustaining subregional cooperation activities at both the national and subregional levels. Seven ministerial-level

conferences have been held so far, and various sector working groups and forums have met to discuss subregional activities. About 100 subregional projects have been identified and prioritized, and a number of these projects are already being implemented or entering the implementation stage. Increasing attention is also being given to the "soft" aspects of cooperation such as the liberalization and harmonization of rules and procedures governing the cross-border movement of people and goods. Social and environmental concerns are carefully considered in the planning, design, and implementation of all subregional projects.

The Bank's technical assistance has played a key role in supporting these activities. Since the Program started in 1992, the Bank has approved 22 technical assistance projects for the GMS with a total cost of \$33.2 million. Less than 10 percent of the amount is from the Bank's Technical Assistance Special Fund; one-half have come from the Bank-administered Japan Special Fund; one-fourth was contributed by cofinancing sources, namely: Australia, Canada, Finland, France, Japan, Norway, Sweden, Switzerland, the UN Economic and Social Commission for Asia and the Pacific, and the UN Environment Programme; and the remainder was contributed by the recipient governments. Some of the technical assistance projects were for the preparation of investment projects, which so far have resulted in about \$370 million of Bank lending. By leveraging these funds, the Bank was able to mobilize an additional amount of about \$700 million from other donors and the recipient countries.

Used effectively, technical assistance is a potent instrument for supporting a sectoral or regional strategy and paves the way for loan assistance to address specific development needs. The technical assistance to the GMS, however, went beyond its pragmatic results. A notable achievement of the Program has been the friendship, mutual trust, and respect that now pervade the countries once beleaguered by conflict and strife. Through its technical assistance to the GMS, the Bank also contributed to fostering a conducive environment for private sector investments in the subregion. Partly as a result of the achievements under the GMS Program, there is now a growing demand for Bank assistance for promoting subregional cooperation in other parts of Asia, e.g., Central Asian republics and South Asia. In the context of shrinking availability of overseas development assistance and private capital, technical assistance for regional cooperation efforts, such as those exemplified in the GMS, provides the Bank with an effective mechanism to contribute to the economic growth of the DMCs in the region.

## **Key features of the Bank's technical assistance**

Technical assistance comes in many forms. It is assistance in carrying out policy studies, providing advice, supporting project preparation and implementation, and enhancing capabilities of a country. Many bilateral and multilateral donors provide technical assistance for these same purposes. What then differentiates the Bank's technical assistance from that provided by other donors?

### ***Close integration with lending and policy dialogue***

One important aspect of the Bank's technical assistance is its integration into the broad-based development assistance functions of the Bank. The Bank's technical assistance is often a result of intensive policy dialogue with the recipient government. Also, technical assistance provides valuable expert advice and inputs for the further advancement of policy dialogue. Further, the policy dialogue is backed by the Bank's lending, which would help the government to implement reform measures that have emerged from the policy dialogue and technical assistance. In the area of project preparation, the Bank has the advantage of being at the same time the provider of technical assistance and the future financier of the project to be prepared. The Bank knows key issues to be addressed during the feasibility study from the financier's viewpoint. The experience gained and lessons learned from the implementation of previous projects help the Bank design and implement PPTA.

### ***Large pool of experts***

When compared with bilaterally funded technical assistance, the Bank's technical assistance differs largely on the pool of consultancy assistance accessed to do the work. While bilateral donors generally restrict their pool of consultants to their nationals, the Bank's pool is limited only by its membership. More than 2,500 firms from 43 member countries, and more than 6,300 individual consultants from 48 member countries are registered in the Bank's database on consultants, covering a wide range of expertise. In addition, in recent years, the Bank's technical assistance is drawing on resources and expertise from NGOs through various cooperation programs (*Box 9*).

### ***Being free of a political agenda***

An important aspect of all Bank technical assistance is that they are perceived as being free of any political agenda. Hence, the Bank is called in to conduct studies and present alternatives, enabling governments to choose among them, depending on their own political preferences. Any new policy, if it is to be implemented effectively, must be politically marketable. Its political neutrality enables the Bank to influence policy in a number of sensitive areas, particularly in the economic and social fields, policy areas to which other donors might find it more difficult to

### **Box 9: Technical Assistance and Nongovernment Organizations**

COOPERATION WITH nongovernment organizations (NGOs) is an important part of the Bank's overall operations, including its technical assistance activities. An increasing number of technical assistance projects are being implemented in cooperation or in partnership with NGOs. At the same time, a range of technical assistance projects addressing NGO issues are being undertaken to strengthen the role that NGOs play in national development efforts. Greater involvement of NGOs in technical assistance activities is consistent with the Bank's initiatives in developing stronger ties with NGOs in all aspects of its operations.

The overall objective of cooperation with NGOs in advisory and project-related technical assistance activities is to strengthen the effectiveness, sustainability, and quality of the technical assistance the Bank offers. NGOs often are aware of specific local development needs and circumstances and can identify innovative approaches toward meeting the objectives that technical assistance addresses. NGOs frequently are consulted in the development of technical assistance and, in a number of cases, are involved directly in the preparation and implementation of technical assistance projects. In an increasing number of projects, NGOs are being engaged as consultants to undertake necessary studies or to implement specific project components. In several cases, NGOs have been engaged as implementing agencies for entire projects. In Lao PDR, for example, technical assistance for the preparation of an education project for women engaged a local NGO as a resident coordinator, to serve as the functional link between the consultant team, the Bank, and the Ministry of Education. In Cambodia and Pakistan, technical assistance projects in the health sector are being designed with specific components to be implemented by NGOs. In Bhutan and the Philippines, NGOs will participate in technical assistance projects aimed at strengthening local capacities for environmental impact assessment and preparation of environmental guidelines and for the evaluation of environmental standards for

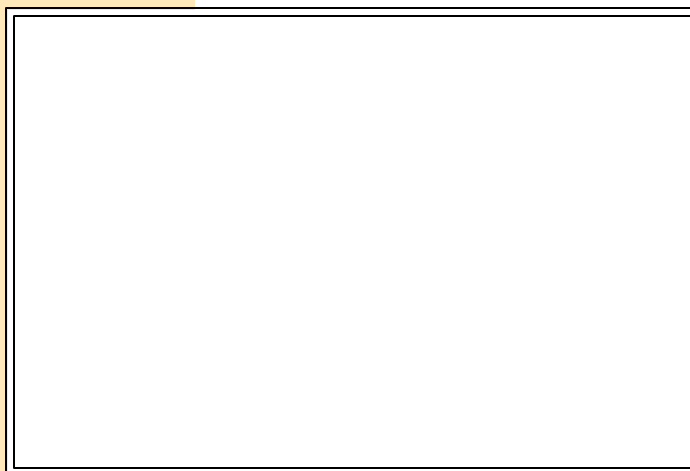
gain access. It also allows the Bank to play the role of "honest broker" and promoter for regional and subregional cooperation initiatives.

#### ***Promoting South-South cooperation and the use of DMC consultants***

A trend in development assistance has been for donor agencies to provide expert advice to developing nations. Bilateral aid by its very nature tends to be locked into such a model. The Bank's technical assistance, by contrast, emphasizes a "South-South cooperation" — in other words, advice based on equivalent and recent experience. The model has been followed by the Bank in a number of areas, most notably in training. For example, certain kinds of training provided from a center in Bangkok, Kuala Lumpur, or Singapore are more effective than equivalent courses from a nation outside the region because trainers and trainees share similar experiences and problems. The model is being expanded by the

selected industries. In a project preparatory technical assistance in Indonesia for an integrated area development project, NGOs have been engaged to undertake environmental and social assessment studies. In Nepal, NGOs have been engaged as implementing agencies for technical assistance projects, focused on environmental protection and microcredit for women.

In addition to technical assistance addressing project development, the Bank also provides technical assistance that addresses capacity building for NGOs and the policy environments in which NGOs work. Where possible and appropriate, the Bank uses technical assistance to promote an enabling environment for partnerships that involve the Bank, NGOs, and governments. In a regional technical assistance project to strengthen the capacity of women's NGOs, training and capacity building are being provided for some 180 women's NGOs in seven of the Bank's DMCs. In Bangladesh, the Bank recently approved the third of a series of technical assistance projects to strengthen government-NGO cooperation, and the capacity of NGOs to participate in development projects supported by the Bank and other donor agencies. Nearing completion is a regional technical assistance project studying NGOs in nine DMCs, to establish an accurate profile of national NGO communities and identify specific approaches how the Bank, NGOs, and governments can together work more effectively and productively. The role of NGOs is a major focus in technical assistance, supporting implementation of the Agenda for Action on Social Development in Asia and the Pacific that emerged from the World Summit for Social Development held in Copenhagen. Recognizing their expertise and technical capacity, NGOs are invited often to participate in conferences and seminars supported by technical assistance.

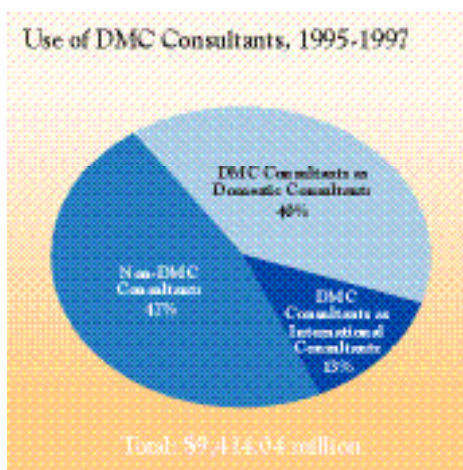


*Participatory development involving beneficiaries and NGOs helps lessen possible adverse impacts of projects on people and the environment.*

Bank into other areas. For example, a proposed technical assistance in municipal government has an objective of establishing a network of municipal governments in Asia to benchmark their services and share information about continuous improvement.

Another area in which the Bank is able to use its regional presence effectively to build up alliances through technical assistance is in the more specific one-to-one relationships which can be established between agencies operating in the same field.

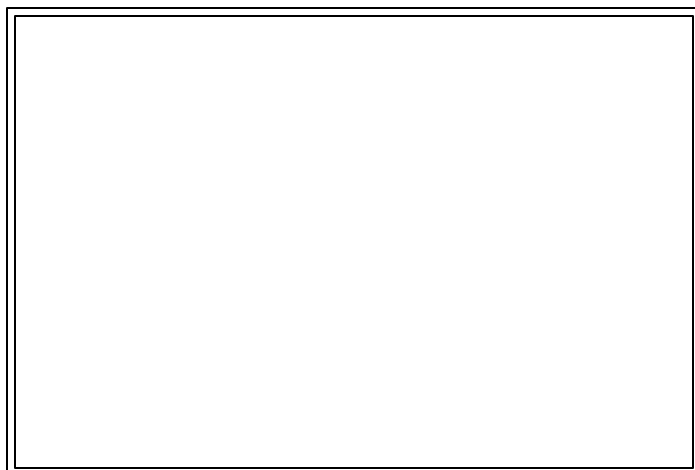
The Bank's technical assistance has had a profound impact on the establishment of viable, local consultancy industries in most of the large DMCs, leading to a reduction of a DMC's dependence on external expert assistance. During 1995–1997, consultants from DMCs accounted for 53 percent of persondays of consulting services contracted under the Bank's technical assistance grants, 40 percent as domestic consultants, and 13 percent as international consultants.



## Ensuring more effective assistance

**Recent review of technical assistance operations:** The Bank's technical assistance interventions have had varied results. A recent review of Bank technical assistance found that, while 68 percent of the advisory technical assistance examined produced sustainable technical improvements, only 37 percent produced sustainable capacity-building results. Shortcomings noted by the review included (i) inadequate prior sector and institutional analysis; (ii) ad hoc, one-shot approach with relatively small technical assistance lacking long-term perspective and commitment; (iii) lack of measurable and monitorable indicators of success; (iv) overemphasis on production of reports and hardware supply and inadequate attention to strengthening of management ability; (v) limited recipient ownership and participation, reflected among others in the lack of active participation of higher management of the institutions concerned; (vi) inadequate attention during consultant selection to the special skills needed for delivering adult training and capacity-building services; and (vii) insufficient follow-up of technical assistance recommendations and follow-on assistance from the Bank.

These findings led to a major review of the Bank's technical assistance policies, which was discussed by the Board of Directors in July 1997. This review has resulted in a number of changes to the way in which assistance is to be delivered. A number of principles to guide the identification of technical assistance has also been adopted. The most important of these is the emphasis on a longer-term perspective and continuing partnership with the agencies working in a sector, noting that capacity building is essentially a long-term process. The move in this direction will require heightened attention to technical assistance in the formulation of the Bank's country operational strategies and country programs. A higher level of selectivity and focus will be needed



*Technical assistance supports a farmer-driven approach, encouraging users to specify their needs.*

### Box 10: Participatory Approach in Livestock Development in Nepal

**T**HERE ARE many ways to elicit effective community participation. One promising approach is the so-called "systems learning approach" which was first introduced to the Bank and DMCs in a workshop in 1986 on Livestock Development. This, in turn, led to two-day workshops on the approach to enable Bank staff to use it when developing terms of reference for project design.

The approach was pilot-tested in a technical assistance to develop a master plan for the livestock sector in Nepal. The process was effective at the government level, receiving strong support from the Ministry of Agriculture and Livestock and resulting in a master plan not only adopted formally but also enthusiastically implemented. The process was extended to the Third Livestock Development Project in Nepal which became the first "farmer-driven" project whereby conventional roles were reversed. Farmers specified what they wanted;

in choosing technical assistance projects. Ad hoc, one-shot technical assistance in a sector which is not central to the Bank's country strategy will no longer occur except in the most pressing circumstances. This will allow the Bank to provide adequate levels of technical assistance resources over an extended period for a limited number of strategically selected sectors, and at the same time facilitate follow-up of recommendations and identification of necessary follow-on assistance. The selectivity and focus of technical assistance should be based on ownership and commitment on the part of the recipient of the assistance, which will be demonstrated through the formation of a dedicated team from within the executing agency to produce the designated outputs with the assistance of the consultancy team, rather than consultants carrying out tasks on their behalf.

The design and implementation of technical assistance will be improved by focusing more clearly on outputs and impacts rather than inputs (*Box 10*). To facilitate this move, the new policy has made it mandatory to use the logical framework in design, implementation, and evaluation of technical assistance. The use of a logical framework will also encourage the Bank and the recipient to examine better the project proposal in the strategic perspective for the sector concerned.

One cause for the unsatisfactory result of the Bank's advisory technical assistance in capacity building is that, in the past, such technical assistance focused on specific technical skills. Often, training was done by the technically well-qualified consultants responsible for the technical aspects of the project but who did not have enough experience in training. Such training rarely achieved the desired results. The Bank's Governance and Capacity Building Resource Group, established in February 1997, provides internal expert support to Bank staff in project design to ensure that the technical challenges aspired to by a project are balanced with the delivery systems which are required to support the technical innovation.

public servants facilitated their achieving these objectives. The process has formally linked District Livestock Officers with farmers' associations in action teams which are able to co-opt other specialists whenever required. One of the roles of the District Livestock Officer is to facilitate participatory planning so that members of a farmers' association are able to decide what their needs are, what resources and support they need to achieve their goals, and the set of actions they need to implement to achieve these ends. The facilitation team assists the farmers by organizing and coordinating technical inputs, training, and credit as may be required. A local monitoring system has also been introduced which enables impact to be monitored at the farmer level so that a feedback loop exists from the farmers' associations to the central level. This qualitative system of checks and balances augments the conventional monitoring system conducted by the executing agency.

The Bank's Post-Evaluation Office is currently reviewing project preparatory technical assistance. In the meantime, the review conducted in conjunction with the technical assistance policy review indicates that PPTA has been generally successful in the technical preparation of the

### **Box 11: Technical Assistance for Countries Affected by the Current Financial Crisis**

THE RECENT Bank assistance packages to Thailand and the Republic of Korea, which were provided as part of the IMF-led assistance packages, illustrate the role of technical assistance in the Bank's support. In both cases, the Bank's assistance took the form of a program loan (policy-based lending) aimed both at providing quick liquidity to help the countries overcome the immediate liquidity crunch and help them carry out reforms to address the structural weaknesses in the financial sector underlying the crisis. Technical assistance constituted essential components for the latter objective.

In the case of Thailand, three technical assistance grants totaling \$2.39 million were provided, accompanying a loan of \$300 million for the Financial Markets Reform Program. The Reform Program supported by the loan was aimed to (i) strengthen market regulation and supervision; (ii) improve risk management; (iii) diversify the means of intermediating funds within the economy, and develop the securities markets to facilitate investor and issuer access to investment vehicles and instruments that more appropriately match their requirements; and (iv) develop long-term institutional sources of funds by promoting the development of pension and provident funds. The three technical assistance grants were to (i) assist reforms in pension and provident funds through studies on the integration of social security and pension and provident funds into a single system, and measures to support greater investment of pension and provident funds in the capital markets; (ii) study disclosure and compliance requirements of the Securities and Exchange Commission; and (iii) assist in operationalizing the Government's decree on securitization through drafting legislation on trusts, preparing a strategic and operational plan for the Secondary Mortgage Corporation, and undertaking a study on measures for credit enhancement of securitized assets and a study on pricing and tax structure.

In the case of the Republic of Korea, a technical assistance loan of \$15 million accompanied a loan of \$4 billion for the Financial Sector Program. The Program was designed to support financial sector reform through increased reliance on market forces and independent regulatory oversight. It addresses four major areas: (i) commercial banks; (ii) nonbank financial institutions; (iii) financial markets; and (iv) corporate accounting and disclosure standards. The accompanying technical assistance will (i) strengthen the Financial Supervisory Agency in establishing a basic institutional framework, policies regarding the entry and exit of financial institutions, operational regulation procedures, and supervisory measures and practices; (ii) strengthen the Korea Asset Management Corporation through estimating the amount required for the fund which is being established for troubled financial institutions, review its financial plan and operational strategy, and examine the lessons from similar experiences in other countries; (iii) upgrade the credit information and rating systems; and (iv) review institutional and other aspects of the introduction of mortgage-backed securities.

project. In the past, weaknesses were found in the attention to the organization and human resources aspects of the projects as well as the environmental and social impacts. In recent years, however, the Bank has strengthened the treatment of environmental and social impacts substantially by issuing new policies and guidelines and providing staff training. The Bank has also promoted the adoption of a participatory approach in project design and implementation to directly involve project beneficiaries and other stakeholders. At one level, the thrust in participation has been to encourage a greater partnership between the Bank and the project executing agency with higher levels of participation of the executing agency staff in design work. At another level, the Bank has promoted participation at the community level to ensure relevance and to generate an appropriate degree of community ownership of a project.

### **Continuing challenges**

The Bank has been providing development assistance to DMCs for over 31 years. Technical assistance has played a key strategic role in the Bank's operations. The efforts have been amply rewarded. As was noted in the Bank's study on *Emerging Asia: Changes and Challenges*, most Asians have had their incomes increased and become healthier, better fed, and more educated, supported by impressive economic growth. However, the challenges that lie ahead are still enormous. Issues of poverty and environmental degradation will require more comprehensive and better-coordinated programs, linking policies at the macro level to targeted interventions. There are still some DMCs making the transition from centrally planned to market economies. Further, as DMCs climb the ladder of development, they face challenges of a different nature and magnitude, as demonstrated in the recent financial turmoil in some of the DMCs. Globalization of economy and development of information technology are making these challenges extremely complex, although they are benefiting DMCs in many ways. To assist DMCs effectively in this changing environment, the Bank cannot help but make its services more broad-based. The importance of the role played by technical assistance will continue to grow.