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Institutional Development and Technical Assistance in Macroeconomic Policy Formulation

A Case Study of Togo

Sven B. Kjellstrom
Ayite-Fily d'Almeida

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ABSTRACT

1. This paper analyzes the contributions made by IDA-financed technical assistants to institutional development in macro-economic policy formulation in Togo during 1983-85. The Government's comprehensive policy response to a deteriorating economic and financial situation is presented with emphasis on the role of technical assistance. The performance of the resident technical assistants financed by IDA is reviewed. Institutional development has overall been limited because technical assistants have been absorbed by current operational tasks.

2. On the basis of the mixed experience so far, the paper goes on to make recommendations to improve the contribution of technical assistance to institutional development in macro-economic policy formulation. Clear objectives and a receptive framework are cited as key factors. Different instruments are needed depending on whether technical assistance is aimed at performance of tasks, facilitation of processes or promotion of institutional development.

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INSTITUTIONAL DEVELOPMENT AND TECHNICAL ASSISTANCE
IN MACRO-ECONOMIC POLICY FORMULATION:
A CASE STUDY OF TOGO

I. INTRODUCTION

1. The objective of this paper is to describe and analyze the experience gained in Togo in using technical assistance as an instrument to promote macro-economic policy formulation. In this particular case, the experience was gained in conjunction with a First Structural Adjustment Program. It is the position of this paper that, in addition to promoting policy formulation on specific issues, technical assistance is a potentially valuable instrument for enhancing over time the policy formulation process in general. In other words, technical assistance can aid the development of an institutional capacity to formulate and execute a series of macro-economic policies. The argument is that institutional development in the area of macro-economic policy formulation and management can, under propitious circumstances, foster an "internalization" of improved analytical capabilities and economic management techniques. Internalization denotes in this paper an increased national capability for analysis and economic management on a sustainable basis without recourse to outside technical assistance.

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2. Through the process of internalization, technical assistance can make a lasting and fundamental contribution to national capabilities, because the improvements realized in policy analysis and economic management will have become an integral part of the administrative structure of the country receiving this kind of technical assistance. The improvements in policy analysis and economic management will become sustainable due to internalization, and a lasting feature of the country's kit of tools in dealing with economic issues even after the withdrawal of technical assistance. If new skills have been durably imparted, then the technical assistance would indeed have led to a transfer of skills. It could thereby have rendered itself superfluous, and could be withdrawn without any weakening of country capabilities. Not only would the country be better equipped to deal with its current problems, but it would also be better equipped to deal with future problems and opportunities that will undoubtedly arise again and again. The country would be in a much stronger posture to pursue an accelerated development through a wide diversity of circumstances.

3. In the particular case of Togo, this paper examines the relevant issues in macro-economic institutional development and the various forms of technical assistance that were designed to deal with the critical issues. The lessons learned from the experience to date will be presented and assessed with a view to producing recommendations for improving the hitherto limited contribution of technical

assistance that were designed to deal with the critical issues. The lessons learned from the experience to date will be presented and assessed with a view to producing recommendations for improving the hitherto limited contribution of technical assistance to policy and institutional reform. The report is meant to be action oriented. It is intended to make a contribution, albeit a modest one, to the design of future Bank-financed technical assistance projects aimed at promoting macro-economic policy formulation and institutional development.

4. The focus of the paper is on Togo's experience with IDA - supported technical assistance and structural adjustment during 1983-85, though one must realize that the country's serious economic and financial problems originated at least as far back as 1974. The Bank lending instruments used were the First and Second Technical Assistance Projects (Credits 930-TO and 1270-TO) and the First Structural Adjustment Program (Credit 1365-TO).

5. The structure of the paper is: to present first the key background economic and financial developments during 1974-85 with an emphasis on the 1983-85 comprehensive reform package and the government of Togo's economic policy capabilities; second, the role of technical assistance in macro-economic policy formulation; third, an assessment of the impact of technical assistance on institutional development; fourth, recommendations for the future; and finally, some conclusions of broad applicability.

II. ECONOMIC PERFORMANCE AND MANAGEMENT ,1974-85

A. The 1974 Phosphate Boom and Its Consequences

6. Togo's economic development was steady and rapid between 1960 and 1973, but was jolted in 1974 by the sudden boom in world market prices of phosphate rock, Togo's largest single export commodity. Between 1960 and 1973, real GDP had grown at an annual average of 7 percent and had been accompanied by sustainable overall budget and balance of payments deficits. From 1974, growth became erratic and ultimately slowed markedly under the impact of widening budget and balance of payments deficits.

7. The temporary rise in phosphate prices from \$14 a ton to over \$60 a ton in 1974/75 led to nearly a doubling of government revenue in 1975. The Government had fortuitously and for political reasons nationalized the phosphate mine in early 1974, just before the start of the boom. The sudden and precipitous rise in revenue made the Government abandon its previously prudent policies. A decision was taken to enlarge the role of the state in the economy through the creation of numerous state enterprises in industry and services. Togo was to make a great leap forward toward a modern economy characterized by large capital intensive state enterprises. These were intended to serve as growth poles for the rest of the economy.

8. With the rush to invest in state enterprises, the investment to GDP ratio rose sharply to 46 percent in 1978. Growth in real GDP nevertheless slowed to an annual average of 4.3 percent during 1975-78, in large part because of drought induced sluggish growth in agriculture. The expansionary policies adopted by the Government in this period might have been successful had the financing of investment been sustainable and had viable projects been chosen and implemented. Neither was the case. Believing that the collapse in the phosphate boom in late 1975 was only temporary, the Government persisted with its expansionary investment program by borrowing extensively abroad, increasingly on commercial terms. In line with developments throughout Africa, there was in this period a substantial expansion in the Togolese public enterprise sector. Investments in this sector absorbed the bulk of the borrowed capital. The state enterprises thus financed (a steel mill, an oil refinery, luxury hotels etc.) soon turned out to be unable to cover their operating costs, let alone defray their debt service obligations. The Treasury consequently had to assume their debt service, because their foreign borrowing had been guaranteed by the state.

9. By late 1978 an impasse had been reached. The Treasury was unable to honor all debt service payments (equivalent to 34 percent of merchandise exports). The difficulty was compounded by the fact that current expenditure, especially for personnel, had also increased rapidly. The budget deficit had become unsustainable and arrears were

rising. A reversal in policy had become necessary: from excessive expansion to consolidation to cope with the burgeoning financial crisis.

B. Initial Government Policy Response to the Crisis, 1979-82.

10. The seriousness of the crisis confronting Togo dawned slowly on the Government. Its initial policy response was consequently half-hearted and piecemeal. The groping for ad hoc solutions (that were seldom no more than temporary palliatives) during 1979-82 resulted in lost time and ultimately aggravated the crisis. An illustration of this ad hoc approach was the large budget transfers the phosphate company had to make in 1980 to meet Treasury debt service obligations. The phosphate company could make these transfers only by incurring sizeable short-term bank debt, thereby imperilling its own financial situation. In 1981 the phosphate company decided to pay off its costly bank debt, but had thereby to reduce its budget transfers. As a result, the Treasury became starved for resources, arrears began to climb anew, and the financial stabilization program negotiated with the IMF foundered.

11. The Government remained blissfully convinced that the crisis was cyclical and not structural, and that with a bit of luck and perseverance most of the problems would go away without the adoption of painful and comprehensive adjustment measures.

12. The first government step toward adjusting the overheated economy was simply to let the investment spurt run out of steam. Few new projects were begun. As ongoing projects were completed, total investment slumped, first slowly in 1979, and then rapidly in 1980-82. The sharp drop in investment and the spreading retrenching in the public sector sapped any further GDP growth. This resulted in GDP stagnating between 1979 and 1982.

13. The forgoing of growth and development in those years was unfortunately not accompanied by a corresponding improvement in the financial situation. In part this was because of an adverse external environment, but in part because of the lack of any coherent financial strategy. An IMF standby in 1979-80, accompanied by debt reschedulings through the Paris and London Clubs, turned out to be little more than holding operations. A second IMF standby for 1981 foundered because of disagreements on fiscal policy and the financial management of the phosphate company in the context of the financial stabilization program accompanying the standby, which consequently was abandoned half-way through. Relations between the IMF and Togo became strained and prevented agreement on a standby for 1982. Consequently no debt rescheduling was obtained for 1982 and indeed not much debt was paid by Togo during that year.

14. By the end of 1982 the severity of the economic and financial crisis had become clear even to the most recalcitrant members of the Government. The economy was in a prolonged deep recession that no longer could be dismissed as cyclical. The financial situation had deteriorated to the point of becoming unmanageable. By the end of 1982 external arrears amounted to CFAF 58 billion (\$177 million), while debt service payments for 1983 (before any possible debt rescheduling) amounted to CFAF 53 billion (\$161 million). With government revenue projected to reach CFAF 82 billion (\$250 million), total debt payments formally due corresponded to 135 percent of government revenue. Something had to give and soon.

C. Strategic Government Policy Response to the Crisis, 1983-85 .

15. By late 1982, the Government had finally become convinced that it was faced with a structural crisis and that far-reaching adjustment measures were required as part of a coherent multi-pronged strategy. Action was sparked by a strong personal commitment from the Head of State, whose patience with the suppurating debt crisis had run out. Togolese authorities began to contemplate financial austerity measures to re-establish creditworthiness and economic adjustment measures to overcome the recession. However, willingness is one thing, ability another. The Government had never before attempted anything even remotely similar and its analytical and managerial capacities would be heavily taxed during the elaboration and

implementation of a comprehensive recovery program. It is likely that few within, or for that matter outside the Government, realized how extensive, if not radical, a process was about to be set in motion.

16. Following a resumption of better relations with the IMF, (partly out of sheer necessity, but also out of a genuine willingness to come to grips with the debt crisis), Togo negotiated in 1983 a standby with remarkably tough conditionality. The standby reopened the door to a debt rescheduling with the Paris Club. In parallel, and building on a gradually intensifying policy dialogue with the Bank, Togo negotiated a (first) Structural Adjustment Program with the Bank. The accompanying Structural Adjustment Credit of \$40 million was certainly a big inducement given Togo's dire financial straits, but there were also several encouraging signs that Togo was on its own volition committed to economic policy reforms and adjustment. About a quarter

of the measures in the Structural Adjustment Program were included at the request of the Government.

17. The programs with the IMF and the Bank were complementary and mutually reinforcing. The thrust of the programs toward budget austerity, a tight monetary policy, improved public investment programming and state enterprise rehabilitation (including liquidations) constituted a solid starting point for turning around the economic and financial situation and represented a vast

improvement over the previously pursued fragmented and half-hearted recovery measures. But the Government was to a large extent only on the receiving end of advice during the preparation of the IMF and Bank programs, and this despite increasing reliance on technical assistance (see section III below). The Government did not possess the technical, analytical and managerial capacities required to participate fully as an equal partner with the IMF and the Bank in the elaboration of these programs. The resulting programs were thus mainly Bank and Fund products.

18. In orthodox financial terms, the financial stabilization policies pursued under the auspices of three successive standbys with the IMF during 1983-85 have been a success. Public finances have improved significantly as witnessed by a decrease in the ratio of the consolidated government deficit (including grants) to GDP from 6.9 percent in 1982 to 2.2 percent in 1984. The ratio of consolidated government savings to GDP rose from 4.0 percent to 9.3 percent during the same period. The improved savings performance resulted from a modest increase in revenue in combination with a virtual freeze on current expenditure in nominal terms.

19. Most of the increase in public savings was used to pay external debt. Capital expenditure was barely maintained in real terms. Increased resources generated or freed up for debt service showed up

in a significant improvement in debt service performance. External payments arrears, which had amounted to CFAF 58 billion (\$177 million) at year-end 1982 were practically eliminated by year-end 1983, either through consolidation (CFAF 45 billion), or cash payments (CFA F 13 billion). The balance of payments strengthened as reflected in a decline in the ratio of the current account deficit (including grants) to GDP from 11.7 percent in 1982 to 4.9 percent in 1984.

20. The austerity measures adopted in the pursuit of these stabilization policies have however exacted an increasing toll in terms of belt-tightening and declining living standards. Social conditions are deteriorating, as witnessed by a drop in the primary school enrollment ratio. It is possible to argue that by the end of 1985 fiscal stringency will have run most of its course; one could argue further that less contractionary policies are now or soon will be called for.

21. The budget went through a wringer in 1983-85. Current expenditure on personnel and materials, as well as investment expenditure were all severely curtailed to free up resources for debt service. Efforts to increase revenue have produced meager results in light of the depressed state of the economy. Wages in both the public and private sectors were slashed by 5 percent in nominal terms at the end of 1982

through the imposition of a national solidarity tax (still in effect in 1985). A salary and recruitment freeze has effectively been maintained since 1982. During the following three years, salaries in the public sector have declined by at least 20 percent in real terms. Expenditure on materials and maintenance have been curtailed to the extent that the administration is hampered by a shortage of supplies with which to work, while its physical assets are deteriorating for want of adequate maintenance. The decline in investment expenditure might be justified since the pipeline of well prepared and productive projects was thin. The relative pause in public investment has also permitted time to be devoted to a major improvement in investment programming (see section IV below).

22. The comprehensive fiscal austerity policies pursued since 1983 have enabled Togo to come a long way toward a resolution of its foreign debt crisis. It would be premature to claim that the crisis is altogether resolved, but the worst is over. If Togo continues steadfastly its efforts to overcome its foreign debt problems, the crisis should be completely past by the late 1980s. Debt rescheduling was obtained through the Paris Club in each successive year from 1983 to 85. Rescheduled debt was paid on time (with insignificant exceptions), and Togo's creditworthiness has begun to recover. There is still a need for debt rescheduling in 1986, and possibly beyond, but the amount needed to be rescheduled to avoid a financing gap has come down from CFAF 33 billion in 1983 to CFAF 24 billion in 1984 and

CEAF 15 billion in 1985. It is worthwhile noting that during 1983-84 the Togolese Treasury also paid off more than CFAF 13 billion in external arrears as well as more than CFAF 12 billion in internal arrears. By early 1985 only a small amount of domestic arrears remained to be paid off. This impressive debt service performance was facilitated by financial assistance from the Bank, the IMF and the French Caisse Centrale de Coopération Economique, but would nonetheless not have been possible had Togo not resolutely pursued an austere fiscal policy during 1983-85.

23. The improvement in the financial situation has unfortunately not been accompanied by a corresponding improvement in the economic situation. In real terms GDP has continued to stagnate during 1983-85. The impact of bountiful harvests has been offset by a decline in external commerce following the closure by Nigeria of its borders. Manufacturing is stagnant, and public services are receding. The sanitization of the public enterprise sector is advancing, but has so far mainly been in the form of closure and liquidation of small unviable entities, rather than improved performance in the largest money-losers. Government policy makers are now (1985) confronted with the challenge of how to stimulate economic activity after a long and painful recession without endangering the still fragile financial situation.

D. The First Structural Adjustment Program, 1983-84

24. The Government's First Structural Adjustment Program negotiated with the Bank in early 1983 reflected the parlous state of public finances at that time. The program emphasized the adoption of procedures to improve public resource management while awaiting an improvement in the financial situation before economic activity could be rekindled. It was a program designed to lay the foundation for more rapid sustained growth compatible with balance-of-payments constraints, at a later stage rather than to opt immediately for such growth. The ensuing retrenchment period was to be temporary and to be used to create new strategies for key sectors, in particular rural development (where a large untapped growth potential existed), and state enterprises (where there was a patent need for improved performance).

25. The objectives of the First Structural Adjustment Program can be summarized as :

- i) Improving the management of public resources in general;
- ii) Redefining the respective roles of the public and private sectors;
- iii) Improving public investment programming;
- iv) Restructuring the public enterprise sector;
- v) Promoting rural development;

- vi) Promoting private investment through the development of SMEs; and
- vii) Promoting mining and energy production.

During the implementation of the program, significant progress was made toward the attainment of these rather general objectives.(1) A companion technical assistance project (discussed in section III below) was explicitly designed to facilitate program implementation in critical areas. Progress was assessed more in terms of concrete steps being taken in accordance with the program, than in terms of broader policies being elaborated and adopted. A new rural development strategy was indeed adopted, but was couched in such general terms that substantial additional work will be required to render the strategy operational. Progress in terms of institutional reform was even more limited.

26. Although the direction of change was consistently in line with what was sought under the program, the pace of change was much slower than expected. The program was far too optimistic regarding the Government's capacity to pursue adjustment measures and reform policies simultaneously and on several fronts. Because of serious capacity constraints, the Government tended instead to proceed linearly, switching its limited resources back and forth among various issues. This inevitably led to long delays.

(1) See the President's Report on the Second Structural Adjustment Program for Togo (Report N° P*4064 TO of May 01, 1985) for a more detailed assessment of the implementation of the first program, as well as a presentation of the objectives of the follow up second program.

27. The difficulties of gearing up a creaking administrative machinery to take on new and more demanding tasks, while real salaries were falling, were greatly underestimated. It is not certain that the momentum toward reform will persist without continuing external impulsion. The Togolese bureaucracy (or perhaps any bureaucracy) has an uncanny capacity for absorbing outside pressures, such as those provoked by a crisis, and then to bounce back to the status quo ex ante once the pressures have eased. This renders the bureaucracy not very permeable to the internalization of new ways of doing business. Recognizing the need for institutional development if the barely begun policy reform process is to continue, the Second Structural Adjustment Program assigns great importance to institutional reform.

E. Government Economic Policy Capabilities

28. The Togolese Government was presented with an unprecedented challenge when the financial and economic crisis erupted in 1978, and intensified through late 1982. Gone was the euphoria of the short-lived phosphate boom in 1974-75 when possibilities had appeared endless. Gone was the slow and steady pace of government operations during the halcyon years before 1974. In 1978 the Government was caught napping. It responded belatedly and ineffectively to the crisis. The Government delayed forceful remedial action until late 1982, when it had no other alternative course of action if bankruptcy

were to be averted. Apart from a perhaps understandable reluctance to face up to the harsh reality, the Government's handling of the crisis was greatly aggravated by its inherently weak capacity to formulate and execute remedial economic policies.

For instance, the financial situation of the whole state enterprise sector was allowed to deteriorate for years on row without remedial action being taken (in a sense the problem was neglected until it became too large to be kept hidden or wished away).

29. The availability of only fragmentary data were rarely up-to-date and even more rarely analyzed for policy implications, that made the Government slow to realize the scope and severity of the emerging crisis. There was no early warning system in place.

Compartmentalization and a great reluctance to pass bad news up the ladder in a highly centralized hierarchy further impeded the Government's recognition of the crisis and the adoption of corrective action. In sum, the Government machinery was simply not geared up to assume the new and demanding task of formulating and executing remedial economic policies. Routine administration was its long established relative forte, but traditional practices had little to do with economic policy formulation and implementation.

30. Relying on an early warning system and by analyzing data in a consistent fashion for policy implications (and without inhibitions about unpleasant implications), would have placed the Government in a much better position to deal with the crisis early on, before it had reached alarming proportions that necessitated drastic corrective actions. This would have enabled the Government to cope early with the spreading financial failures in the state enterprise sector and to anticipate the implications of these failures for budget and debt management policies. An earlier awareness of the problems looming ahead would probably also have induced the Government to seek assistance from the Bank and the IMF before the situation had gotten out of hand and Togo's creditworthiness had become badly tainted. For too long, the Government listened to the luring arguments of foreign suppliers and commercial bankers to the detriment of a policy dialogue with the Bank and the IMF.

31. A consistent and timely policy response to the deepening crisis was impeded by the fragmentation of information and decision-making, leading in turn to poor public sector resource management. All major decisions, be they political or economic, are concentrated at the political summit, but many other decisions are taken in an incoherent, haphazard manner throughout the administration. Furthermore, the information base on which top-level political decisions are made

appears (from indirect evidence) to be fragmented and not always consistent. Sudden and inconsistent decisions are not unheard of. The fragmentation of information makes it very difficult for any person in the Government to gain a complete overview of what is happening, of what the issues are, and how they can or should be dealt with. Add to this a sometimes fragmented and at other times excessively centralized decision-making process, and it is not hard to see why the Government has such difficulties to undertake comprehensive actions as a unified body.

32. A preoccupation with routine administrative matters such as tax collection, payroll preparation and perfunctory control of administrative expenditures, has not rendered the administration prone to planning and anticipatory action, much less the seizing of opportunities, which is the essence of economic management. What planning has taken place has largely been in a formal or abstract sense, and rarely linked to what has actually to be done to make what is planned materialize. Planning degenerated into a theoretical exercise devoid of operational content. Much operational work was done on a day-to-day routine basis. As a consequence, myopia was pervasive (as was compartmentalization). When the crisis hit, the established tendency to focus on daily or near-term matters was greatly reinforced. Such was the onslaught of burning daily matters, that very little time was available to think about the future.

33. Not only were the institutions responsible for economic and financial matters (such as ministries of planning, finance and rural development and the debt management office) uncoordinated, but they were also weak. Their capacity to analyze economic policy issues and to prescribe alternative and feasible policy responses was severely circumscribed, quite apart from any lack of practice in undertaking such work. Human resources were scarce or absent in key policy areas, such as development planning, macro economic management, project preparation and monitoring. Worse still was the poor use often made of existing human resources. Young, inexperienced staff but often with solid albeit somewhat theoretical training were rarely used in a manner that enabled these young turks to apply what they had learned during their formal education and to complement this education with practical experience. Instead, scarce skills acquired through long and costly education were often allowed to wither away for lack of application opportunities. The recourse to technical assistance to supplement and train national talents remained limited. The civil service expanded from 23,000 in 1975 to 38,000 in 1978, disproportionately at the higher levels. Unfortunately there was not a corresponding increase in the volume and quality of the output of the civil service. Despite the recruitment freeze since 1982, most ministries still have excess staff. Average productivity is low. So is motivation.

34. There is, finally, an eminently political factor that influences the Government's economic policy capabilities. The Head of State prefers to follow personally all major issues and to be responsible himself for major decisions. As a consequence, he is widely seen as being in charge and as being the source of state munificence dispensed conspicuously to various pivotal interest groups. Togo is a vivid illustration of personalized patronage politics. One consequence of this system is that economic considerations become a second priority; first priority is granted to short-term political considerations, often in what seems a disconcertingly erratic manner. In such circumstances, the incentives to enhance the Government's economic policy capabilities tend to be undermined, no matter what the prevailing economic situation calls for.

35. In many developing countries the trade-off between economic rationality and political imperatives is often acute. There is less margin of maneuver, in terms of availability of resources, to satisfy simultaneously divergent objectives. Short-term political survival is often an overriding concern in fragile, heterogeneous states with at best a short tradition of nationhood to fall back on. Political imperatives are pushed to the fore and economic rationality is sacrificed, sometimes even in reasonably full awareness of longer-term opportunities thereby foregone. To stay in power the state has to build visible support by all means at hand (and they are often not that numerous), because no government, no matter how repressive, can rely on force alone. This imperative can be labelled the "support imperative". But to meet the exigencies of the support

imperative, the state needs resources, and indeed most governments in developing countries are under pressure to raise more revenue; this phenomenon can be labelled the "revenue imperative". A government subject to the revenue and support imperatives will consistently try to allocate scarce resources in a manner that enhances its power base. Political mileage can effectively be gained by distributing conspicuously state munificence to pivotal interest groups. Supporters, actual or potential, are to be included, while opponents, actual or imaginary, are to be excluded. Reliance on impersonal market forces has very little to do with such an approach. The visible hand of state patronage is preferred to the invisible hand of market forces. (1)

(1) For a fuller discussion of these sensitive and often neglected issues in the grey zone between economics and politics, the reader is referred to an unpublished paper by Sven B. KJELLSTROM on : " Economic Rationality and Political Imperatives in Sub-Saharan Africa."

III. TECHNICAL ASSISTANCE IN MACRO-ECONOMIC POLICY FORMULATION

A. The Need

36. As in other Sub-Saharan African countries, after its independence in 1960, Togo was confronted with a series of new tasks.

Macro-economic policy formulation and general economic management were the major challenges. The legacy of the French colonial administration was poor in this area. Until 1960, Togo was perceived by the colonial power merely as a supplier of raw materials. Exports were essentially an enclave activity that were not integrated with overall economic policy. Hardly any macro-economic concepts were developed and applied. The institutions established by the former colonial power to deal with economic matters were essentially oriented toward administrative and fiscal matters rather than the development of human and material resources. Training of nationals was neglected and the domestic economy left in the doldrums.

37. Upon independence, Togo had to define its economic development policy. There were no guidelines readily available. Institutional structures and procedures were also largely lacking. Local skills in

economic policy matters were extremely scarce. Selective recourse was made to foreign technical assistance to lay the foundation of an economic policy capacity and to help create institutions to promote development and the gradual introduction of basic economic management tools.

38. For a newly independent country where economic policy institutions were originally weak or non-existent, economic management might seem to be a particularly difficult challenge. There is not only a need to define and introduce new policy mechanisms, but also need to devise the substance of macro-economic policy, taking into account the local and external environment, as well as economic prospects. The formulation of macro-economic policies is a complex task which requires analytical and operational work in many areas, such as public and private investment, fiscal and budgetary policies, prices, monetary and credit policy, and trade (exports and imports). In the area of macro-economic policy formulation, Togo was unable to master all these concepts and even less able to conceive a macro-economic policy relying exclusively on locally available skills. Technical assistance was doubtlessly needed for this purpose.

39. Technical assistance can be one of several critical elements in improving macro-economic policy formulation. In Togo, technical assistance has also been indispensable in implementing the First Structural Adjustment Program. The First Structural Adjustment

Program was designed to eliminate distortions in the economy and to promote growth after a period of financial and economic imbalance. The First Structural Adjustment Program required a constant involvement of several Government agencies to implement and monitor the numerous actions and measures contained in the program. A successful implementation of the program depended on the ability of the Government agencies to deal with the day-to-day tasks implied by the Structural Adjustment Program. The Government agencies involved had to maintain close coordination.

40. In this context, the objectives of technical assistance are in many respects far-reaching because technical assistance can help overcome a limited institutional capacity to elaborate and implement economic policies. Properly designed and implemented, technical assistance should be able to increase policy responsiveness to constantly changing circumstances. A major advantage of technical assistance is the competence and experience it brings to bear in a specific area. Technical assistance can make a major contribution to analytical work needed to define general economic policies or to elaborate sector strategies (agriculture, industry, energy, tourism, education, health and population etc). The contribution of technical assistance in different fields can naturally vary over time. In the short run, the support provided through technical assistance can permit meeting changing needs in the economy during a period of economic and financial recovery. Furthermore, in the long term, the work undertaken by technical assistants can lead to a lasting

improvement in the Government's institutional capacity to manage and plan economic affairs. Such a long-term strengthening of institutional capabilities is the main contribution expected from technical assistance by both African Governments and donors. However this objective can not be reached by technical assistance alone. Reaching this objective requires at the national level a reform in the existing institutions to create an appropriate framework in which technical assistants can disseminate their know-how to competent and well-trained national staff that should be able to replace technical assistants at an appropriate moment in the future.

41. The improvement in the Government's capacity to manage and plan economic affairs requires a careful selection of technical assistance : this is a crucial matter. In the past, many technical assistance projects failed to reach their objectives, because the experts chosen were not sufficiently qualified to reconcile their experience and know-how with the need for enhancing the capabilities of national staff and institutions in charge of macro-economic policy formulation and management. In this regard, the objectives of the Togolese Government and the World Bank are however fully congruent.

B. Selection of Technical Assistance instruments

42. The selection of technical assistance instruments to strengthen macro-economic policy formulation and management resulted from the

elaboration of the First Structural Adjustment Program and Government needs for program implementation as well as, although to a lesser degree, identification of longer term needs. In the case of the First Structural Adjustment Program, the Government and the Bank together determined areas of priority need. It became clear that macro-economic management as a whole, i.e. public investment programming, debt management and control, public enterprise sector rehabilitation, rural development planning and coordination of applied agronomic research were the areas where improvement was needed for economic consolidation and financial stabilization, but also in order to lay the foundation for rekindled sustained growth and development over the medium-term. Thus, technical assistance needs in the context of the First Structural Adjustment program were determined both in a short-term consolidation context and a long-term expansion context. The problems encountered by the Togolese economy from 1978 onward required a realistic policy in the mobilization and use of available resources, as well as the elaboration of a general medium-term macro-economic framework.

43. For meeting priority needs, the Government can rely on specific instruments and organizational settings. The Government can use long-term or short-term technical assistants to meet its needs. In order to achieve greater efficiency and better use of financial and human resources including technical assistants, the Government will first of all have to define the objectives of the technical

assistants and then clarify their status, determine their place in the administration, the forms of cooperation/integration with national staff and local consulting firms, the forms of training (on the job and outside), the material support to be provided, and establish coordination with other sources of technical assistance. These are preliminary steps to be completed by the Government prior to the arrival of the technical assistants, in order to prepare for coherent institution building especially in economic management. The coordination with other sources of technical assistance is necessary to avoid duplication of effort.

C. Specific Technical Assistance Positions Financed by the Bank

44. The areas of intervention identified as priorities by the Togolese Government and the Bank concerned macro-economic management, investment programming, debt management, public enterprise reform and rural development planning. (See table for listing of Bank-provided technical assistance).

45. In the macro-economic management area, one adviser was provided by the Bank, under the IDA Special Technical Assistance Program, to assist the Government in improving policy formulation and management of the economy as well as in devising a coherent and feasible macro-economic framework. The adviser arrived in Togo in September, 1983, for a three-year assignment. He is located within the Ministry

TOGO : WORLD BANK-SUPPLIED TECHNICAL ASSISTANCE

MINISTRY OR PUBLIC AGENCY	TYPE	SOURCE OF FINANCING	DURATION
1) - <u>Ministry of Planning and Industry</u>	-Senior Economic Adviser	IDA-TA Special Program	1983 - 1986
	-Investment Programmer	IDA-TA Project	1982 - 1987
	-Project Adviser	IDA - TA Project	1983 - 1987
2) - <u>Ministry of Rural Development</u>	- Rural Planning and Coordination Adviser	IDA - TA Project	1982 - 1987
	- Agricultural Research Adviser	IDA - TA Project	1982 - 1986
3) - <u>Ministry of State Enterprises</u>	- Economic and Finan- cial Analyst	IDA - TA Project	1982 - 1984
	- Contrat-Plan Adviser	IDA - TA Project	1982 - 1984
4) - <u>National Debt Office (SNI-FNADP)</u>	- Debt Adviser	IDA-TA Special Program	1983 - 1985

of Planning. As Senior Economic Adviser he has played a major role in monitoring the implementation of the First Structural Adjustment Program (see terms of reference, Annex I).

46. As previously noted, the lack of a solid investment programming system led Togo to pursue ambitious but unsound public investment projects between 1975 and 1980. Many of the projects carried out were financed through external non concessional borrowings, incurred large losses and were not able to meet their debt service obligations. The first and second IDA Technical Assistance Projects provided an Investment Coordinator and a Project Adviser during 1982-1985. The goal was to assist the Government in improving public investment programming by identifying and selecting productive projects within the context of available resources, present and prospective, as well as in accordance with adopted sectoral priorities (see terms of reference Annexes II and III).

47. Debt management became a crucial task for the Government after the numerous and uncoordinated borrowings made on the external markets to finance the unprofitable projects executed between 1975 and 1980. During the first and second Paris Club debt reschedulings for Togo in 1979 and 1981, the Government was unable to present coherent data on its debt situation, which greatly weakened its case. That inability revealed the need for technical assistance to improve debt recording and management. In the framework of its IDA Special

Technical Assistance Program, the Bank provided Togo with a debt recording and management expert to help the debt office, the Fonds National d'Amortissement de la Dette Publique (FNADP), improve recording and management of all public debt (this was decisive for better planning of public resource use and for elaboration of alternative debt rescheduling policies). The contract of this adviser which was originally for 18 months beginning in October 1983 has been extended for eight months through December 1985 to enable him to complete the debt management system adopted following his arrival. (See terms of reference Annex IV).

48. Another troubled area of the Togolese economy is the public enterprise sector. Few of the numerous state enterprises created between 1976 and 1980 are profitable and the Treasury has had to assume their debt service. The recovery of this sector is a major step toward improved public sector finances. A Contract-Plan Adviser and an Economic and Financial Analyst were provided under the Second IDA Technical Assistance Project to the Ministry of State Enterprises in 1983-1985, to contribute to a streamlining of the sector, to improve the efficiency of a lean slimmed-down portfolio of state enterprises and to privatize or liquidate enterprises where necessary (see terms of reference Annexes V and VI). The restructuring of the public enterprise sector is a time-consuming task which requires persistent supervision and external assistance, especially for audits, diagnostic studies and privatization (identification of private partners, negotiations of legal instruments, etc...)

49. Togolese rural development suffered in the past from a lack of a coherent development strategy as well as an absence of coordination among the technical services. Development of the sector was further hampered by poor incentives to producers, especially in the form of low producer prices. The sector was neglected although it presents many comparative advantages and has long been considered by the Government to be its top sectoral priority. In order to begin eliminating distortions, the First Structural Adjustment Program called for increased production and farmer incomes through stronger incentives, better extension services and supply of inputs, and coordination and application of agronomic research. For this purpose, the Second IDA Technical Assistance Project financed a Rural Planner and a Coordinator of Applied Agronomic Research (during 1983-85) in order to help conceive and implement new rural development policies. Their assistance should help the Government tap more fully the sizeable growth potential of the rural sector in Togo (see terms of reference Annexes VII and VIII) * The Government has become aware of this sector's potential. Consequently, the rural development strategy spelled out in the Second Structural Adjustment Program emphasizes increased agricultural production and exports. The advisers financed under the Second Technical Assistance Project are helping the Government improve the sector strategy, define appropriate methodologies for project identification, appraisal, monitoring and evaluation, and disseminate the results of agronomic research activities more extensively among farmers.

IV. ASSESSING THE IMPACT OF TECHNICAL ASSISTANCE
ON INSTITUTIONAL DEVELOPMENT

(in particular capacity to formulate and implement
macroeconomic policies)

A. Overall Impact

50. The impact of technical assistance on institutional development has to be assessed in light of the objectives set for the technical assistance provided. It is unrealistic to expect much institutional development to take place spontaneously. Formulating and implementing new economic policies is a specific, time-bound and monitorable activity, whereas institutional development is less tangible, more open-ended and harder to assess. Economic policies constitute essentially actions. Institutional development is made up of changes in processes. It is a relatively straightforward task to design technical assistance to strengthen the capacity to formulate and execute economic policies. Designing technical assistance to promote institutional development is a far more elusive task.

51. In the framework of this study, institutional development means a policy or process aiming at creating and enhancing the capacity of a country's institutions to perform their various tasks mainly with

national human and financial resources. Promoting institutional development will normally have to lead to the building of strong and competent local institutions, able to deal each in its area, with the various and complex challenges facing a country over time.

52. The objectives of the IDA-financed technical assistance to Togo during 1982-85 were manifold and to some extent mutually exclusive, at least from the vantage point of hindsight. From the Bank's point of view, the technical assistance provided was intended to help Togo devise and execute economic policies to overcome the current crisis, while also elaborating new medium-term growth strategies for key sectors that were to be implemented at a later stage when the crisis had been resolved. The medium- to long-term goal was to rekindle growth on a sustainable basis compatible with macro-economic constraints. Training of Togolese staff was also spelled out as an important objective. Thus, from the Bank's point of view, the objectives were mixed both with respect to time horizon and content. Contributing to the implementation of the Structural Adjustment Program loomed de facto large as a near-term objective. Whatever impact the technical assistants could have on the Government's modus operandi was circumscribed not only by the diversity of tasks assigned, but also by their length of assignment which was two to three years. Even three years is too short a period in which to learn the intricate ropes of the system and then promote substantive institutional development.

53. The Government's objectives for technical assistance were not necessarily the same as for the Bank. In a few instances the technical assistance might have been passively accepted as an adjunct to the Structural Adjustment Program, as something the Government had to accept in order to receive the funds. In most instances however, it was clear that the Government was actively seeking the technical assistance, but for what purpose? In the most general sense, the Government agreed that the purpose was to strengthen the technical and analytical capacity of the concerned ministry and to ensure a transfer of skills to its national staff. In a more precise operational sense, the Government wished to strengthen the ministry's capacity to implement its components of the Structural Adjustment Program. In a still more precise operational sense, the impetus to request technical assistance stemmed from a desire to strengthen the host ministry in its dealings with other ministries. At the ministerial level, the impetus could even stem from a desire of a particular minister to use technical assistance to strengthen his hand in dealing with his own staff, that is using technical assistance as a counterbalance to local staff in whom confidence is limited.

54. In a general sense, there is no doubt that the technical assistance provided by the Bank has contributed significantly to a greater awareness of economic and financial issues, and the implementation of a financial stabilization program supported by the IMF and a structural adjustment program supported by the Bank.

Technical assistance has also helped crystalize thinking on what might be required to solve these issues. Several instances of the beneficial impact of technical assistants in these directions are mentioned below, such as the creation of interministerial task forces and increased contacts at the working level between the Ministry of Planning and Technical Ministries. Fatalism has receded to be replaced by a growing inclination to examine actions and policies that might help resolve the constraining economic and financial circumstances. The greater awareness of economic and financial issues has also extended into a nascent tendency to view these issues not in isolation, but rather in the context of a present or prospective macro-economic framework. Even though the framework is still rudimentary, this nevertheless represents significant progress.

55. Implementation of IMF and Bank-supported programs has led Togolese staff to extend their work horizons and to focus more attention on medium-term issues. Technical assistance has been a key element in this process. Plotting a feasible and desirable course for the economy over the medium-term, while ensuring internal consistency among various components, has been an important educational experience. Tracing a sequence of implications throughout a simplified economic structure can lead to some startling conclusions and highlight the need to radically rethink initial premises. The rigid compartmentalization of the past is beginning to break down as inter-ministerial task forces become operational to deal with broader

economic and financial issues such as coordinating and monitoring the implementation of the Structural Adjustment Program. Technical assistance has been instrumental in rendering these task forces operational.

56. As a result of the greater awareness of and greater attention paid to economic and financial issues, in several instances under the propulsion of technical assistance, the Government is nowadays better prepared to participate in and to benefit from a policy dialogue with the Bank and other donors. The Togolese Government is largely comprised of young well-educated Ministers possessing considerable pride and a keen sense of national sovereignty (sometimes interpreted in a rather extended sense). These Ministers do not want to be, or be seen to be, losing ground to by the Bank when discussing structural adjustment issues for want of arguments, be they economic or political. Because of this pride, which is essentially constructive, the Bank 's and other donors' concerns present the Government with a formidable challenge to improve its capacity to formulate and execute economic reform policies (and conceivably over time to improve institutional capacities), if only to enable the Government to hold its own ground in discussing these issues. Creative tension can be a constructive force not only inside the Bank, but also in its dealings with borrowing member countries.

57. Bank-financed technical assistance in Togo has definitely been operationally relevant in most instances, maybe even too much so to the detriment of less tangible, more long-term tasks that ultimately are probably of even greater importance. Technical assistants have themselves carried out numerous operational tasks and acted as catalysts for the execution of many others. The sheer weight of daily chores and the tendency in some ministries to use technical assistants as handymen have however meant that the technical assistants have had a greater impact on narrow operational issues than on broader policy issues. Technical assistants have been used more as assistants in current operations and less as policy advisers. Time to reflect and prepare policy option papers has been very short. Nevertheless, most ministers are pleased with the operational role that has evolved onto the technical assistants. They have proven their direct and often daily usefulness to their chief and that might well have been what was uppermost in the Minister's mind all along. It was however only one of several objectives, although a very important one, in the mind of the Bank.

58. The Bank has to be careful to avoid situations where operational expediency (such as the pressure to ensure the successful implementation of a Structural Adjustment Program) take precedence over the longer-term objective of building up a national capability for the management of economic affairs. Substituting technical assistants for national staff in operational tasks is an insidious

way to demotivate the latter and leave a country more dependent on external assistance.

59. Since the impact of technical assistance on macro-economic policy formulation and implementation has been limited so far because of concentration on operational matters, it follows that the impact of technical assistance on institutional development has so far been even more limited. Up to now there has been relatively little internalization of policy reform capacity. That is however no reason for glumness. Institutional development is inevitably a long process. It is conceivable that technical assistance has first to prove its operational relevance before it can move on to become a major factor in policy formulation and implementation; only after it has proven its mettle in this second field can it proceed to the crowning heights of institutional development.

B. Impact by Area of Intervention

60. The tasks performed by the advisers financed under the IDA technical assistance projects has affected a broad range of issues but their impact on policy formulation and institutional development has on the whole been weak. The poor results with respect to institution building are due to a series of factors, of which the most important are structural (see Section IV, c below). In assessing

the impact of individual technical assistants, it should be kept in mind that their impact depends on factors extending beyond their professional and personal qualities and immediate work setting. The technical assistants are not operating in a vacuum, quite the contrary, they are part of an intricate and interdependent setting with wide ramifications. It should hardly come as a surprise when assessing the impact of each individual to note that the impact varies a lot, not only between settings but also between individuals.

61. In the area of macro-economic management the most significant work undertaken has been the elaboration of a medium-term macro-economic scenario to be used as a framework for investment programming. The Government has created a Commission Interministérielle de Stabilisation Financière comprising representatives of the Presidency, of various Economic and Technical Ministries (Planning, Economy and Finance, State Enterprises, Rural Development, Commerce and Transports), the Debt Office (SNI) and the National Office of Banque Centrale des Etats de l'Afrique de l'Ouest (HCEAO). Many technical assistants drawn from various sources throughout the administration have participated in the work of this crucial committee.

62. The creation of this committee is an effort by the Government to set up an institution in which technical assistants can contribute, together with Togolese staff, toward the formulation and adoption of

more coherent waysto deal with economic and financial matters. Unfortunately, this committee is only an informal entity; its members are Directors of Departments who discuss macro-economic prospects on the basis of figures and issues submitted by technical services. Sometimes the background work is done by the technical assistants alone without any Togolese staff involvement. The discussions in the Committee tend to be drawn out and tedious and deal mainly with general issues and policies instead of technical issues required for a solid macro-economic policy formulation. The macro-economic scenario elaborated under the guidance of the committee presented an opportunity for the Gouvernement to set up a permanent institution which would be exclusively in charge of macro-economic policy formulation and monitoring of economic and financial indicators. If that had been the case, the contribution of all the technical assistants involved in the work of the committee would have been more rationally exploited and would have served to strengthen the policy analysis and formulation skills of Togolese staff. At the moment the committee is not living up to its potential.

63. The elaboration of the medium term macro-economic scenario was not handled by the Senior Economic Adviser provided by the Bank under the IDA special T.A. Program. A main responsibility of the Senior Economic Adviser would normally have been to assist the Government in policy formulation and in improving its management of the economy. However, in this case, the lead role was played by the Investment

Programmer financed under the Second Technical Assistance Project. This was due to the fact that the senior Economic Adviser was placed within a Bureau des Conseillers Economiques at the Minister's cabinet level and has devoted most of this time to the management and administration of the two IDA-financed technical assistance projects, as well as to a broad range of activities which often involved technical ministries. He has also been regularly solicited by the Minister of Planning for time-consuming small tasks to the detriment of macro-economic work. The Senior Economic Adviser has been assisted by a Togolese counterpart, but he has not devoted much time to the training of this counterpart in macro-economic policy formulation. The numerous small tasks undertaken by the Senior Economic Adviser were in any case not an appropriate framework for training in macro-economic issues. The motivation of the Togolese counterpart to absorb such training was also open to doubt, because he felt that the training would not enhance in any significant way his poor career prospects (a perhaps understandable attitude in a setting where initiatives are rarely encouraged and where promotions are based on criteria that can have little to do with performance). The use to date of the Senior Economic Adviser shows that the impact of a technical assistant on policy formulation and institutional development depends partly on where the technical assistant is located in the national administration and partly on the extent to which their terms of reference are respected by government officials.

64. Improved investment programming was an important issue in the First Structural Adjustment Program. The main role of the Investment Programmer was to elaborate a three-year rolling investment programming system consistent with macro-economic prospects. The Investment Programmer arrived in Togo in October 1982, and was placed within the Bureau des Conseillers Economiques in the Ministry of Planning. He has worked with different departments in this ministry as well as in technical ministries in order to prepare the three-year investment program for 1984-1986, which was reviewed by the Bank in January 1984. The Government and the Bank arrived at an agreement on the content of the three-year investment program, which was a condition for the release of the second tranche of the First Structural Adjustment Credit.

65. The preparation of the three-year investment program was the first attempt to rationalize public investment programming in Togo. The Investment Programmer has done good work. He has attempted to reconcile various procedures of investment programming applied in the technical ministries, mainly by training Togolese staff and by coordinating the elaboration of the investment program at different levels. The Investment Programmer had no official counterpart and was perceived as a programming director by Togolese staff. This created some tension within the Ministry of Planning, and led to pressure to solve this problem and to facilitate the preparation of successive three-year investment programs. In May 1984, the Minister

of Planning assigned the responsibility for coordinating the preparation of 1985-1987 investment program to the Direction de la Coordination du Plan. The Minister took the decision to avoid conflicts between the Investment Programmer and the staff of the Ministry of Planning. It was also a way to strengthen the Direction de la Coordination du Plan. This directorate will henceforth be in a position to benefit directly from the know-how and experience of the Investment Programmer, and will be able to continue to prepare the three-year investment program after his departure.

66. The conceptual content of the three-year rolling investment programming system introduced by the Investment Programmer needs to be improved. The integration of the three-year programs with the macro-economic framework is weak and has to be developed further. A coherent macro-economic framework incorporating public investment programmed for the period 1985-90 has been established for the June 1985 Donors' Conference. Nevertheless further conceptual improvements are needed. The Investment Programmer could strengthen the capacity of the Direction de la Coordination du Plan by training its staff to enable it to understand more fully the underlying technical principles of investment programming.

67. Regarding project preparation and selection, there is need for improvement, especially in terms of internalizing more rational procedures. The first Project Adviser financed under the First

Technical Assistance Project spent more than two years in Togo in the Bureau des Conseillers Economiques within the Ministry of Planning. He was assisted by a counterpart and analyzed a variety of projects at the request of the Minister. However, the contribution of the Project Adviser to the capacity of the Ministry of Planning to pursue improved project evaluation techniques was very limited because he had no close collaboration with the technical staff of the Ministry. Relying on a single counterpart would not have been an appropriate solution in this context, because of the need to disseminate project analysis skills among many units within the Ministry of Planning. What is required is team work. It would have been better to place the Project Adviser within an operational department where he would have the possibility to teach Togolese staff new concepts and how to establish a link between concepts and practical analyses.

68. The first Project Adviser left Togo prematurely in the Fall of 1984 (for family reasons). The Ministry of Planning remained convinced that there was a continuing need for technical assistance to improve project evaluation and selection, but was initially a bit hesitant regarding the most appropriate form for such assistance (short-term consultants or a long-term resident adviser). In early 1985 the Ministry of Planning opted for the previously used formula of a long-term resident adviser. The second Project Adviser arrived in Togo in March 1985. To integrate him in the operational work of the Ministry and to provide better training opportunities for

Togolese staff, he was placed not in the cabinet-level Bureau des Conseillers Economiques, but rather at the "shop floor" level of the Direction de la Planification du Développement.

69. The Togolese debt recording and management system has improved substantially with the assistance of the adviser provided by the Bank under the IDA Special T.A. Program. The adviser is an experienced technician. He works with a team of four Togolese staff. They have together contributed to the completion of an inventory of the external public debt and have played a major role in preparing for Paris Club meetings by projecting alternative medium-term debt service scenarios. The work of the debt adviser is much appreciated and seems to be a significant step toward the institutional strengthening of the national debt office (FNADP), at least at the technical level. A reorganization of the debt office is underway to extend the institutional strengthening from the technical level to a managerial level.

70. In rural development, the technical assistants have played an active role in the elaboration of a new rural development strategy and in assembling an inventory of ongoing research programs. The Rural Planner and the Coordinator of Agronomic Research are both working with a small team of Togolese staff in a planning and research unit respectively. These units are located within the Direction Générale du Développement Rural. Both units have

contributed significantly to the preparation of the rural development projects that were submitted to the June 1985 Donors' Conference in Lomé. They also worked closely with other technical units to meet the various urgent requirements of the Government. Nevertheless, it is not certain that the close collaboration between two TAs and the small team of Togolese staff laid the foundation for institution building. The problem is that institution building requires a more coherent and permanent institutional setting, rather than relying on an ad hoc arrangement, as in this case.

71. The state enterprise sector is an area in which the contribution of technical assistance to policy formulation and institution building largely failed. The reasons were several. Shortly before the arrival of the Contract-Plan Adviser and the Economic and Financial Analyst, provided under the Second Technical Assistance Project, the Minister who prepared the state enterprise component in the First Structural Adjustment Program with the Bank left the Government following a ministerial reshuffle in September 1982. The new Minister behaved like a diffident outsider during the implementation of the First Structural Adjustment Program. He was not able to guide the work of the technical assistants in line with their terms of reference. Furthermore he was not willing and able to defend the actions foreseen in the Structural Adjustment Program for the reform of the state enterprise sector. The two technical assistants provided to the state enterprise sector unfortunately did not have the drive

and ingenuity to overcome the obstacles created by the changes in their working environment. They drifted with the flotsam. The Economic and Financial Analyst spent 17 months in Togo without undertaking a single significant economic and financial study. Rather he devoted nearly all of his time to day-to-day tasks at the direct request of the Minister as if his terms of reference had become irrelevant.

72. The Contract-Plan Adviser tried, during his 19 month assignment in Togo to introduce the contract-plan system in the state enterprises selected by the Government in consultation with the Bank. Since the necessary economic and financial studies on which to base the establishment of the contract-plan were not available, the adviser was obliged to carry out some such studies by himself to prepare at least the three contract-plans scheduled to be elaborated during the First Structural Adjustment Program.

73. The whole contract-plan concept was a transplant to Togo (primarily from France and Senegal). The concept was in a sense parachuted by the Bank into Togo . Unfortunately, the concept of a contract-plan was not well understood in the Togolese Government. After the Ministerial reshuffle of September 1982, the new Minister of Planning expressed strong reservations about the whole concept. He then froze the process begun by the adviser. The adviser was not supported by his own Minister. He left Togo at the end of his

contract without succeeding in having a single contract-plan adopted and implemented. The two Togolese counterparts who had spent 19 months with him returned to their former department; they are currently working on subjects without any relationship to the contract-plan concept.

74. The experience with the contract-plan concept in Togo has revealed that all the relevant government departments were not fully aware of the far-reaching implications of contract-plans, let alone wedded to the concept. Nevertheless, the Government agreed to implement such plans through its Ministry of Industry and State Enterprises. The failure to gain acceptance for the concept has also revealed that Ministers sometimes agree to policies that they do not have the political clout to execute. In addition, they do not always provide the political summit with sufficient information and explanations to provide institutional, and not just personal support, for policies agreed to. As a result, when a Minister leaves the Government, some of his key policies are liable to be discontinued.

75. To overcome this policy-disrupting institutional weakness, it is necessary for the Government to thrash out a common position on major policies before they are adopted. This should naturally be done in the greatest possible awareness of the implications of the policies debated, implications that can be more far-reaching than what appears at first glance. Given the centralized, yet compartmentalized

structure of the Togolese Government, it might be worthwhile to have the execution of the major new policies monitored by highly selective presidential task forces to make sure information circulates and commitment is sustained.

76. By mid-1984 IDA-financed technical assistance to promote state enterprise reform was effectively stalled and on the verge of being abandoned. Then the situation suddenly and by chance changed in a very favorable direction. In September 1984 a new Minister of State Enterprises was appointed. He is a hard-driving private businessman with a clear mandate from the Head of State to sanitize the sector, even if this requires radical measures that could be politically and socially sensitive. The new Minister has showed a very keen interest in seeking Bank assistance for sweeping state enterprise reform. The Minister is a fervent proponent of privatization and has received the strong support of the Head of State to move vigorously in this direction. Technical assistance in the area of State enterprise reform has thus been given a new lease on life. Its substance has, however, been modified to adapt the assistance to changing circumstances. By mid-1985, two technical assistants were serving in the Ministry of State Enterprises with financing under the Second IDA Technical Assistance Project. One is an Economic and Financial Analyst carrying out a detailed program of enterprise-specific studies to assess their performance and prospects and to elaborate

recommendations to overcome problems encountered. The other is a Management Information System Expert trying to introduce a much-needed monitoring of performance system. At the request of the Minister, the Bank (IFC) agreed to detach a staff member for a two year period, starting in Fall 1985, under the IDA Special TA program. This person will serve as a Cabinet-level adviser, dealing primarily with privatization matters. Finally, the Minister has asked for short-term technical assistance to help meet the Ministry's many training needs.

77. The various results achieved with IDA -supplied technical assistance reveal that the impact of technical assistance on policy formulation capacity and institutional development depends primarily on the Government's commitment to use the technical assistance effectively for its designated objectives. It is important that the Government consider technical assistance as an integral part of its overall efforts to accelerate the development of the country. Development is not only a matter of financial and human resources. It requires also lasting institutions with well-trained staff which are able to conduct harmoniously and efficiently the entire development process.

C. Impediments to the Attainment of Objectives of
Technical Assistance

78. The impact of technical assistants is critically dependent on the environment in which they are called to work. Often the technical assistants arrive with little or no knowledge of the country where they will work and even less knowledge of the institutional setting in which they are supposed to function. Being isolated or, at most, part of a small group of expatriate advisers, they can easily be swallowed up and paralyzed by the local bureaucracy. If that happens the technical assistance will be largely wasted. It is therefore important for the success of technical assistance that the receiving environment be receptive to what technical assistance has to offer. Receptivity transcends the attitudes of individuals in the receiving country. It depends in a more fundamental sense on the structure and operating habits of the administration in the receiving country.

79. The Togolese administration suffers from deep-rooted shortcomings both with respect to structure and operating habits that tend to limit the impact of technical assistance. These shortcomings relate to the orientation of work, allocation of responsibility, political constraints, staff use and so on. It can also be argued however that these shortcomings are part and parcel of the state of underdevelopment, and that if they did not exist, there would be no need for technical assistance in the first place. Be that as it may, the point is that technical assistants are called upon to work in a far from perfect environment that can seriously limit their usefulness. Constraints must be identified early on with a view to their gradual removal.

80. The Togolese administration is still in many ways a bloated and inert bureaucracy. It relishes in exercising administrative controls. Policy formulation and implementation are not part of its well-established repetitive operations. The economy is to be controlled through a bevy of regulations rather than managed by modulating incentives and impersonal market forces. Initiatives are rarely encouraged. Don't rock the boat seems to be the prevailing attitude. Inactivity is preferable to making a mistake. In such an encrusted, regulation-bent and torpor-filled setting, technical assistants and reform-minded government officials have a long, arduous up-hill struggle to develop first an inclination toward economic policy formulation and implementation and, second a capacity for implementation.

81. A rigid, fragmented and often haphazard division of labor between departments involved in economic and financial matters does not help either. The rural sector is for instance the target of both the Ministry of Rural Development and the Ministry of Rural Works. It was only in 1983 that the Ministry of Planning stopped considering unspent budget allocations at year-end as automatically carried over into the next year, whereas the Ministry of Finance automatically cancelled budget allocations unspent at year-end and prepared the next year's budget on that assumption.

82. The limited continuity in senior government positions is also an impediment to an efficient use of technical assistance. Since 1982, when the preparation of the First Structural Adjustment Program got under way in earnest, there have been three ministers of Planning. In the highly personalized political setting of Togo, changes in ministers are often accompanied by sharp reversals in policy, both in substance and form. Newly arrived ministers tend to be suspicious of the policies pursued by their predecessors and sometimes even of the staff inherited. They have showed a marked proclivity for wanting to leave their own personal imprint on policies to be pursued. The behavior generated by such attitudes is inevitably detrimental to the sustained pursuit of medium-term objectives.

83. An important political constraint on the usefulness of technical assistance is the degree of commitment by the political leadership to greater rationality in economic policy formulation and implementation. In the Togolese context top-level political decision-making resides in the Head of State. It is not clear to what extent he can be personally aware of the detail of the economic and financial issues facing Togo. What is clear however is that it is difficult for a single person, no matter how experienced and astute, to fathom the depths of all these issues. Going beyond policy formulation to the even more fundamental matter of institutional reform, it is not a foregone conclusion that the Head of State is today ready to contemplate sweeping institutional reform that would

contribute to more rational economic policies, especially since such a sweeping institutional reform might require a less centralized and politicized decision-making process.

84. At a number of points we have stressed that the Government's policy regarding the objectives to be sought by having recourse to technical assistance is not coherent. Nor has it remained consistent over time, given the limited continuity in senior governmental positions. Each Minister responsible for a technical department tries to use technical assistance according to his own objectives, which are often at variance with those pursued by his predecessor. This weakness and others stems from the lack of a precise general policy of the Government regarding the role of technical assistance in the administration. Apart from the IDA-financed technical assistants in the framework of the Structural Adjustment Program to help manage the economy, many of the other technical assistants are provided by various sources at the request of a minister without consulting his colleagues in the Government. Some technical assistants are located in the ministries without specific terms of reference and are occupied by day-to-day tasks depending de facto on the shifting whims of the Minister. The contribution of such technical assistance to policy formulation and institutional development is virtually nil. Such ad hoc technical assistance tends to disorganize existing structures and discourages national staff by the prominent role

played by such technical assistants in daily operational matters. In some instances, even technical assistants financed under IDA credits and with specific terms of reference are solicited for day-to-day duties and are thereby delayed in executing their work as spelled out in their contract.

85. The lack of coherence in government policy regarding the objectives of technical assistance and its place in the administration explains the often difficult integration of technical assistants in the operational structure of their respective ministries. As the technical assistants are solicited almost daily by their ministers, they gain a prominent stature which creates some tension with Togolese staff. Their position as advisers of ministers in key areas but outside their terms of reference does not facilitate a coherent monitoring of their performance. Their contribution to work such as studies, memos etc... is all too often read by only the Minister having requested the note. Technical assistants are conspicuously well paid and live in luxury compared to their Togolese colleagues; this is inevitably a source of resentment and annoyance. If technical assistants are not working themselves out of existence by filling a training role, Togolese staff see little justification for their irritating presence.

86. The use of the counterparts appointed to work with the technical assistants has not proven to be the most appropriate way to integrate

the technical assistants in the operational structure of their respective ministries. The notion of a counterpart was ambiguous, and sometimes meant that the technical assistants had only to deal with their counterparts to the exclusion of other local staff. Even so, the notion of a counterpart remained nebulous. What should be the proper relationship between the technical assistants and their counterparts? Who plays the lead role in guiding the work? Are one, two or three counterparts sufficient to create the appropriate conditions for the transfer of skills and for training? These questions were not fully addressed when the formula was adopted. The counterparts ultimately came to be considered as support staff for the technical assistants by undertaking routine tasks when the technical assistants were busy meeting the requirements of the Minister. This situation has led to limited training of counterparts and strained relations between technical assistants and Togolese staff.

87. Progressively, Togolese staff became less motivated and more frustrated vis-à-vis the technical assistants who are paid much more and correctly perceived to be more influential in decision-making. Consequently, some technical assistants have become isolated and reduced to the role of ministers' handy-men, preoccupied with administration and various daily duties. Because of the relatively limited reliance on technical assistance in Togo, there is (unlike some other African countries) little prestige to be gained by a

Minister by having a visible expatriate adviser. Visible exposure of this kind is more likely to provoke reproaches. Ministers are naturally aware of this prevailing attitude and rely on expatriate advisers only if they see a patent need therefor and then only for their technical expertise and perceived efficiency, despite the disgruntlement this is bound to create within the administration. A corollary of this approach to technical assistance is that in Togo, there are hardly any traces of a network of high-level technical assistants that have their own internal lines of communication outside of and parallel to regular government lines of communication.

88. There are nevertheless recurring disputes between technical assistants and Togolese operational department Directors, who feel relegated to second place by the technical assistants enjoying close and privileged access to the Minister. In extreme cases this can lead to the emergence of a kitchen cabinet comprised of technical assistants which monopolize the treatment of critical issues to the detriment of the operational departments and thereby the involvement of Togolese technical staff. Training of Togolese staff becomes a minor concern, the job gets done but with no lasting impact on local capabilities. The Togolese are not becoming prepared to replace the technical assistants and are not able even after two or three years of technical assistance to formulate and implement reform policies. Some senior government officials have therefore concluded that

technical assistance is not useful, forgetting however that the Government itself has often not created appropriate conditions for the use of technical assistance. It is therefore necessary that the Government undertake a deep reflexion on the role of technical assistance and subsequently adopt a coherent policy on how best to use technical assistance to strengthen durably its capacity for economic policy formulation and implementation.

V. RECOMMENDATIONS FOR ENHANCING THE CONTRIBUTION OF TECHNICAL ASSISTANCE PROJECTS TO POLICY FORMULATION CAPACITY AND INSTITUTIONAL DEVELOPMENT

A. Introduction

89. The experience with technical assistance in Togo reveals that technical assistance is a malleable instrument in reinforcing a limited national capacity to deal with economic and financial matters. Technical assistance can be molded into a form of immediate usefulness to the host Government. This is certainly an advantage, but it is also a disadvantage. Unless care is taken, technical assistance can be insidiously revamped to focus on short-term issues at the expense of long-term issues, the resolution of which constitutes the *raison d'être* of technical assistance.

90. This is exactly what happened in Togo with the IDA-financed technical assistance provided during 1982-85. The pressure to deal with short-term operational issues was so great that the intended multi-faceted role of technical assistance was usurped, almost inadvertently, into focusing just about exclusively on short-term operational issues. The fate that befell the Senior Economic Adviser in the Ministry of Planning is a case in point. Overflowing with a willingness to help out, he quickly became preoccupied with

monitoring the implementation of the First Structural Adjustment Program and with administering the two IDA-financed technical assistance projects. Both were time-consuming tasks. He filled a critical hole for the Government and his services were greatly appreciated, but they were delivered at the cost of squeezing out almost completely the time available for economic policy work.

91. More generally, out the window went most of the objectives to provide staff training and to promote policy formulation and implementation. Progress toward these latter two objectives should over time have permitted a slow but steady internalization of an enhanced capacity to formulate, execute and monitor macroeconomic policies in an evolving more propitious institutional setting.

B. Specific Recommendations Adopted to Improve the Third IDA-financed Technical Assistance Project.

92. Despite the various problems encountered, continuation of IDA-financed technical assistance to Togo is warranted; provided there is a change in form and substance to allow the assistance to contribute more effectively to an institutional strengthening of the capacity for macroeconomic policy formulation. The third IDA-financed technical assistance project in Togo was approved by the Board of Executive Directors on May 30, 1985, and reflects these concerns.

93. First, project administration and management is to be assumed by a recently appointed full-time Togolese project director. Technical assistants are far too expensive to handle these tasks and have rarely a comparative advantage in so doing. Furthermore, Togolese feelings might be bruised by having a foreigner assume such a visible managerial position.

94. Second, a full-time Togolese training director has been appointed to make sure training of Togolese staff is not given short shrift under the weight of pressing immediate operational matters. Training is such a laudable objective that everybody can agree on the importance of providing training, at least in abstract. In reality, work loads are often such that training is one of the first items to be sacrificed. The main responsibility of the training director will be to make sure that operational and monitorable training programs are prepared... and executed. The stage when good and anodyne intentions were sufficient should belong to the past.

95. Third, technical assistants are to be transferred from the cabinet level in ministries to the operational departments doing the actual work. Technical assistants are no longer to be placed as outside adjuncts to ministers, to whom they have privileged access (much to the resentment of local staff, who feel undermined and short-circuited by such an arrangement). By the same token, the

concept of a counterpart is abandoned. In the case of Togo, counterparts were left hanging in an awkward institutional limbo not knowing what would happen to them once the technical assistant with whom they had worked departed. Instead, technical assistants will henceforth work as advisers to incumbent line operators, that is, Togolese staff that already hold responsible positions, and positions that they would normally keep upon the departure of the technical assistants. The latter would generally work with several Togolese line operators simultaneously to promote team work and to permit Togo to benefit optimally from the various skills the technical assistant is charged with transferring.

96. The Togolese experience also shows that it is vitally important to distinguish between two inter-related but still separate types of technical assistance, i.e. technical assistance to help meet the needs of Bank and IMF programs (short-term tasks) and technical assistance designed to promote institutional development (long-term tasks). If no distinction is made, the former will squeeze out the latter. Separate instruments are probably required to meet these two types of technical assistance needs. In the case of Togo, the appointment of a Togolese technical assistance project director assuming responsibility for project management and the monitoring of the Second Structural Adjustment Program (1) should ultimately enable the Senior Economic Adviser in the Ministry of Planning to concentrate on economic policy issues and institutional development.

(1) * Approved by the Board of Executive Directors on May 30, 1985 together with the Third Technical Assistance Project.

C. A Receptive Framework

97. Over and above the specific recommendations adopted to improve the Third Technical Assistance Project in Togo, there are several general recommendations that can be heeded in designing technical assistance projects aimed at promoting macro-economic policy formulation and ultimately institutional development.

98. The receptivity of the framework into which the technical assistants are to be transplanted is a critical factor that needs to be carefully assessed. How firm and durable is the commitment in the host country, from the technical level to the top political level, to use technical assistance to promote macro-economic policy formulation? An unambiguous meeting of minds is needed in spelling out the objectives of the technical assistance. Terms of reference must be clearly spelled out, but should leave a carefully delineated margin of flexibility to avoid overspecification. There is no way technical assistants can be barred from serving as handymen for ministers, but such a practice should be occasional and not systematic.

99. Political constraints will doubtlessly continue to be present in the pursuit of improved macro-economic policy formulation, but

this is no reason for despondency. There will always be a trade-off between economic rationality and political imperatives. At stake is the degree of the trade-off, and here technical assistance, aimed at strengthening macro-economic policy formulation, can be very useful in helping tilt the balance toward greater economic rationality - even if the tilt, at least initially might be imperceptibly small. This is a long and painstaking learning experience for most developing countries, but few political leaders are so biased and blind to facts that they will not, if sometimes grudgingly, ultimately recognize the merits of macro-economic policies that produce results in terms of generation of additional resources.

100. Institutional development requires institutional reform. This might sound like a tautology, but it should be recognized that technical assistants are called upon to work in an interdependent setting where many reinforcing factors are needed for success. If obstacles which are often of an institutional nature are not removed (such as over-centralization and compartmentalization), the contribution of technical assistants to macro-economic policy formulation and ultimately to institutional development can be seriously circumscribed.

101. The contribution of technical assistants to macro-economic policy formulation would be enhanced if the host Government could proceed to define a more rational and clear role differentiation

between the public and private sectors. In the same vein, a modification in the modus operandi of the public sector would be helpful by putting more emphasis on policy formulation geared to incentives and market forces and by putting less emphasis on administrative controls and market interventions. Although markets in many developing countries are often less developed and more imperfect than in developed countries, there exists nevertheless an untapped potential for reliance on market forces in the short-term and an even greater potential over the long-term as markets are developed and imperfections removed. Such a progressive increase in the reliance on market forces (progressive if only to avoid abuses caused by market imperfections) would also permit economizing on administrative skills, skills that are often in critically short supply in developing countries. Furthermore, policy formulation would receive a boost if governments could be convinced of the merits (whenever feasible) of trying to modulate the behavior of economic agents instead of substituting for them (in other words, to have government focusing on activities best suited for the public sector).

102. Less centralization and more delegation are obvious targets for institutional reform. The same holds for less compartmentalization and a more rational division of labor around concrete monitorable tasks, including tasks assigned to technical assistants. There is finally a need to ensure a more complete overlap between responsibility and accountability, in combination with the provision of the means required to obtain specific objectives.

D. Staff policies

103. The development of a country depends first of all on the capacity of its managers to deal with recurring challenges, in a wide range of areas. Togo is confronted with serious financial constraints and a stagnating economy. These difficulties can be overcome only if economic management is in the hands of competent and motivated staff. The current economic and financial difficulties have led the Government to freeze salary increases in the civil service, and the motivation of the civil servants has sagged badly. They are on the whole discouraged and little prone to work hard. The Government can however change this trend by improving staff management and by developing career prospects according to objective criteria. Such staff policies require that primacy be given to competence over nepotism and that promotion to high-level positions be decided without subservience to political or ethnical considerations. Outstanding individual performances could be rewarded through pecuniary and other benefits. For instance, a new emphasis could be given to the annual performance evaluation system applied in the civil service. The evaluation forms could be reviewed by selective committees chaired by an official from the Ministry of Labor and Public Employment. The committees would specialize according to professional category. After reviewing the performance of staff

according to openly announced professional criteria, the committees would be authorized to grant selective promotions accompanied by salary increases. The Government could also adopt a training policy which would facilitate a reallocation of its best staff toward areas of critical managerial and policy shortcomings.

104. Because of financial constraints, the Government has been obliged to reduce current expenditures, which has led to diminished expenditures for materials and office equipment. The policy of severely restraining outlays on materials and supplies is detrimental to a proper functioning of the civil service. The lack of office supplies stifles motivation still further and creates ultimately a pervasive feeling of indifference. While continuing to monitor closely current expenditures, the Government will nonetheless have to find a more appropriate balance between competing expenditure claims within tight financial constraints in order to provide the materials and supplies needed for a proper functioning of the civil service, without which policy reform and institutional development would not get off the ground.

E. Aid Coordination

105. The Bank is not the only provider of technical assistance aimed at strengthening the local capacity to formulate and implement

macroeconomic policies. Even though most other providers of technical assistance probably focus less on policy issues (than does the Bank) and more on operational issues, there is clearly a need for aid coordination to avoid duplication and waste and to ensure a high degree of complementarity.

106. Furthermore technical assistance to promote economic policy formulation is a sensitive matter. It has far-reaching implications, often extending to all major donors no matter which specific types of projects they happen to finance in any given country. In addition, policy formulation inevitably contains an element of judgement (although the smaller the better), but this means that there can be room for genuine disagreement regarding which policy would be the most appropriate to pursue. Unless such disagreements are ironed out at an early stage, the Government will at best be confused and at worst inclined to exploit such disagreements among donors to its own short-term advantage. In the latter case the effort to strengthen the policy formulation process could suffer lasting damage.

107. The need for close coordination among donors extends from the policy-oriented technical assistance they finance to the policy advice they themselves proffer to the host country. This is most clearly the case when the country has concurrently ongoing Bank and Fund structural adjustment and financial stabilization programs, but is really a dictum of general applicability.

F. Redefining the Role Proper of Technical Assistance

108. Togo will still need technical assistance for a certain unspecified length of time to formulate and implement economic policy. Togolese staff are competent in many areas but not yet fully able to deal with macro-economic concepts and to handle macro-economic management. However, the past experience indicates a clear need for the Government to redefine clear and time-bound objectives for technical assistance. Until recently, the Government was not aware of this need, because it did not absorb the signals (some of which were admittedly rather muted) that called for a new approach in designing and managing technical assistance. The rather less than satisfactory results obtained with IDA-supplied technical assistance in institutional development show that it is crucial when specifying the objectives to determine whether technical assistance in a particular area is intended to promote and strengthen institutional development or essentially to help execute operational tasks or policies.

109. The definition of precise, consistent and appropriate objectives should always be a key element of technical assistance project design. Nowadays, almost any technical assistance project should include measures to foster institutional capacity as well as measures to monitor progress. There is a need to orient technical assistance

toward analytical thinking such as policy elaboration and implementation, economic and financial analysis and investment programming. The definition of coherent objectives related to the terms of reference and combined with a realistic timetable for the work expected to be carried out is a pre-condition for a better use of technical assistance.

110. Furthermore, it is necessary to create and promote a climate of partnership between technical assistants and local staff. It will be interesting to monitor the results of the Third Technical Assistance Project, which places technical assistants in advisory positions within operational departments where they will work under national managers in close contact with Togolese staff. This is a crucial issue. It presupposes that the technical assistants will be sufficiently perceptive to adapt to local conditions (political and social) and that they will possess skills required for training and team work. Technical assistants with outstanding technical credentials are however not always good trainers. Personality traits are critical in determining who is a good trainer and not, but personality traits can be difficult to assess in advance on the basis of written evidence. Given the overriding importance of training, a technically less sophisticated assistant would be preferable if he possesses superior training skills.

111. The ability of the technical assistants to train their Togolese colleagues and to transfer effectively and durably their skills to enhance the capability of local staff to formulate and implement economic policy after the departure of the technical assistants is absolutely fundamental. This will be the major criterion in evaluating the contribution made by technical assistance to the development of Togo.

VI. CONCLUSIONS

112. The experience of the IDA-financed technical assistance in Togo during 1982-85 in the context of the preparation and implementation of the First Structural Adjustment Program has revealed many shortcomings, but not enough to question the concept of technical assistance. In a receptive setting and if perceptively conceived and implemented, technical assistance can still be a valuable instrument to be used toward the attainment of crucial objectives during the development process. These objectives do however evolve with time, and technical assistance has therefore to adapt to prove its continuing usefulness. Task-oriented technical assistance will gradually give way to process-oriented technical assistance as national talents are developed and replace expatriate staff in operations. Continuing technical assistance is only warranted if it can move up the ladder of abstraction to promote policy formulation and implementation, and ultimately over the longer run to foster institutional development. This will enable the host country to internalize economic management and policy formulation capabilities in order to be in a position to deal successfully, on its own, with ceaselessly evolving economic challenges and opportunities. If and when that happens, technical assistance will have been crowned with ultimate and lasting success. By the same token, it will have run its course and can be withdrawn for good.

113. A receptive environment is crucial for the success of technical assistance. This is a major lesson from the Togolese experience. Unless the Government has defined a clear and consistent policy with respect to technical assistance, its usefulness will be limited and resources likely to be squandered. A clear and consistent policy could for instance comprise the following elements: global assessment of needs in an evolutionary context, objectives kept few and clear-cut with separate instruments used for their attainment, hands-on training for nationals closely monitored and assessed, and a tight yet realistic schedule for a gradual phasing out of technical assistants.

114. Beyond a clear policy, the receptivity of the government machinery is important. If the structure of government is such that technical assistants tend to be put into isolated cubicles, they will more likely than not be poorly used. Viewing the terms of reference as operationally relevant and worth the expenditure of time and effort, instead of as an administrative nuisance that can be discarded at whim, will enable the technical assistants to spend more time on fundamental issues rather than dissipating their attention among a multitude of daily chores. By resisting the temptation of burying the technical assistants under a mountain of daily tasks, their chances of having a lasting impact on government capabilities are improved. Receptivity is however a two-way street. No matter how

receptive the environment might be, the technical assistants will founder if they themselves are not receptive and able to adapt to local conditions. Finally, there is an unavoidable element of risk in the environment. Technical assistance often means personalized service. If the Minister or senior government official having requested the technical assistance is replaced, the prospect of success for that particular technical assistance could change markedly. The change could be in either direction but is often in an unfavorable direction given the personalized nature of technical assistance.

115. The objectives of technical assistance can be numerous, overlapping and conflicting and will therefore have to be carefully spelled out if optimal use is to be made of technical assistance. What might be useful in the short-run could be ephemeral and at the expense of lasting longer-term usefulness. Three basic types of technical assistance can be distinguished in this respect: first assistance in operations, second assistance in policy formulation and third assistance in institutional development, in rising order of abstraction and likely long-term impact. Without proper safeguards, assistance in operations is likely to crowd out the other two more fundamental types of assistance.

116. With considerable development of national talents already having taken place, the need for technical assistance in operations should

nowadays be largely a matter of the past. Technical assistants are too expensive to handle these nuts and bolts issues, and if they do their lasting impact can be indiscernible. Technical assistance in operations tends to frustrate local staff and to stifle needlessly the development of nascent local talents. Technical assistance in operations ought therefore to be highly selective.

117. Technical assistance in policy formulation is harder to conceive, because the subject matter is less tangible than for operations. Nonetheless Bank and IMF supported programs present major challenges to governments to improve policy formulation capabilities. This is a critical gap that can usefully be filled by technical assistance during the initial stages. Under an external support or impulsion greater discipline in policy formulation and implementation is achieved, minds are focused on critical issues and horizons are broadened. Given the origin of these improvements their sustainability beyond the completion of the Bank and IMF supported programs is however open to some doubt.

118. This is why technical assistance in institutional development is critical. Unless technical assistance has been furnished to internalize the enhanced policy formulation and implementation capabilities, they are likely to wither away with the completion of the Bank and IMF supported programs or after the withdrawal of the technical assistance. Rendering the improved capacity for

macro-economic policy formulation and implementation a permanent feature of the host government touches the very nerve center of government operations. It requires top flight technical assistance patiently and perceptively pursued over many years.

TERMS OF REFERENCE

SENIOR ECONOMIC ADVISER REPORTING TO THE MINISTER OF PLAN

- i) - assist the Ministry of Plan in the elaboration of short- and medium-term macro-economic policies, especially with respect to budgetary policy, debt management, role of state enterprises, promotion of agricultural and mineral production, and links between the Plan and the Budget;

- ii) - assist the Ministry of Plan in the elaboration of long-term investment planning, including investment strategies, their impact on the economy and financial implications;

- iii) - train two counterparts;

- iv) - assure overall coordination of the Project, including managing the consultants' budget.

TERMS OF REFERENCE

INVESTMENT PROGRAMMER REPORTING TO THE MINISTER OF PLAN

- i) - implement improved procedures for programming, budgeting and monitoring of all public investments;
- ii) - implement an improved system for monitoring public debt;
- iii) - coordinate activities to render a system of macro-economic indicators operational;
- iv) - train two counterparts.

TERMS OF REFERENCE

SENIOR PROJECT ADVISER REPORTING TO THE MINISTER OF PLAN

- i)-- advise the Minister of Plan on economic and financial aspects of large projects;

- ii) - review with the assistance of short-term consultants, the economic and financial viability of major new investments (including for the production of phosphoric acid) and the possibilities for improving the financial viability of existing large projects.

- iii) - provide on-the-job training to the Togolese analysts in the Bureau of Project Review.

TERMS OF REFERENCE

DEBT RECORDING AND MANAGEMENT ADVISER

- i) - conceive and implement a system of recording and managing individual loan files. This includes the elaboration of standard loan files as well as forms permitting the recording of all the terms and conditions of each loan. The statistical and accounting base will also include information on loan transactions and provide a profile of known future obligations as well as an assessment of the impact of future borrowings on budgetary resources;
- ii) - participate in making an exhaustive inventory of all existing loan contracts and register each loan on the individual loan files referred to under point i);
- iii) - participate in the elaboration of a procedure for systematic recording of all new loan commitments as well as loan disbursements;
- iv) - work with and train the staff of SNI/FNADP in the implementation of i, ii, iii, and prepare a manual for this purpose. If necessary, assist the Government to select and train qualified national staff to work in SNI/FNADP;
- v) - under the direction of the Ministry of Economy and Finance (Director of Economy), and in close cooperation with the Ministry of Planning, Administrative Reform and Industry (Director of Program Financing), participate with other technical assistants and appropriate staff in establishing a debt management procedure in light of budgetary and balance of payments constraints, and assist in training staff in its implementation;
- vi) - assess the need, if any, for further staff training, computerization or other infrastructure; and communicate these needs to the Togolese Government, the World Bank and the IMF.

TERMS OF REFERENCE

PROGRAM-CONTRACTS EXPERT REPORTING TO THE MINISTER OF INDUSTRY AND
STATE ENTERPRISES

- i) - prepare program - contracts for a sample of four state enterprises for 1983;
- ii) - monitor and analyze the implementation of program - contracts in 1983;
- iii) - prepare program - contracts for an enlarged sample for 1984;
- iv) - train four counterparts.

TERMS OF REFERENCE

ECONOMIC AND FINANCIAL ANALYST REPORTING TO THE MINISTER OF INDUSTRY
AND STATE ENTERPRISES

- i) - collect and analyze economic and financial data regarding state enterprises;
- ii)-- elaborate and follow the adoption of performance criteria for state enterprises;
- iii) - undertake analytical studies leading to measures to take with respect to state enterprises in order to improve their performance;
- iv) - train four counterparts.

TERMS OF REFERENCE

RURAL PLANNING EXPERT REPORTING TO THE DIRECTOR GENERAL OF RURAL DEVELOPMENT

- i) - assist in carrying out long-term rural development planning in cooperation with the Ministry of Plan and Administrative Reform;
- ii) - participate in the preparation of projects and review of projects under way;
- iii) - assume a major responsibility for monitoring and evaluation of projects in the rural sector;
- iv) - train three counterparts.

TERMS OF REFERENCE

COORDINATOR OF APPLIED AGRICULTURAL RESEARCH REPORTING TO THE DIRECTOR
GENERAL OF RURAL DEVELOPMENT

- i) - reinforce the coordination of all national and regional efforts concerning applied research, especially between various international organizations active in this area in Togo, regardless of supervising body (Ministry or agency);
- ii) - intensify contacts with international organizations working on technical problems similar to those of Togolese agriculture;
- iii) - train two counterparts.

