IMF Response to Recommendations of the External Evaluation of AFRITAC South

We welcome the overall positive assessment of the Center by the external evaluation team and share the main objective of the evaluation’s recommendations: to strengthen AFRITAC South’s (AFS’) role as a key provider of TA in the Southern African region by further developing its focus on results and sustainability. In particular, we welcome the recommendations to strengthen the coordinating role of country representatives on the Steering Committee (SC), to expand peer-to-peer learning initiatives, to conduct a review of support for regional harmonization and integration, and to strengthen reporting of AFS’ activities. That said, a few recommendations are beyond the scope of AFS’ mandate or would be difficult to implement due to resource constraints, and several topical recommendations refer to practices already adopted by AFS. The attached note sets out the initial views of IMF departments on the potential for implementing the recommendations of the independent mid-term evaluation of AFS.

**Recommendation 1: AFS should review the allocation of resources between topical areas and the individual topical TA delivery strategies with the aim of further enhancing effectiveness. (Priority: High)**

- The allocations of resources are reviewed annually across and within topical areas in response to evolving needs, project life cycles, and observed traction. All reviews are endorsed by the Steering Committee as part of the work program discussions. The attached tables demonstrate that AFS has been adaptable to the circumstances. This process will continue during the next two years of the funding cycle. The next review will be completed in March 2016 as part of the preparations of the revised estimates for FY 2016 and plans for FY 2017.

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1/ AFS started providing TA as from July 2014.

Source: AFS staff estimates and projections
A. Topical recommendations relating to Public Finance Management (PFM)

1. **AFS should reassess the pace and intensity of TA delivery to countries with more emphasis on the absorptive capacity of the recipient institutions and more in-depth engagement with such institutions at the outset to define goals and timetables.**

   We are not comfortable with this formulation. The recommendation seems to imply that AFS does not permanently adapt its TA program to the countries’ specific constraints in terms of ownership and absorptive capacity. For example, TA delivery in countries like Mozambique, Madagascar, and Comoros demonstrates AFS’ ability to tailor its TA delivery to the unique circumstances of each country. The main issue seems to be countries’ ownership of TA in the context of changing priorities. In this context, the recommendation should put emphasis on the need to implement a mechanism to ensure a substantial involvement of countries in the definition of their medium-term needs and the monitoring of progress made. This mechanism could take the form of short standardized notes, expressing the country needs and, the results that TA should achieve.

2. **AFS should consider limiting the total number of missions to permit concentration on a smaller number of longer missions, especially in countries implementing multiple projects.**

   Our view is that resident advisors should not undertake longer missions. As Recommendation 3 indicates there is a need to beef up STX visits and, under some circumstances, for longer periods, the resident advisors should act more as project manager and reviewer of STX work. In this context, they should focus on designing work programs, initiating STX assignments, coordinating with the authorities and donors, and backstopping TA delivery. They should also lead critical missions and participate in HQ-led ones.

3. **AFS should explore the possibility of making more extensive use of STXs to provide mentoring support for the critical transition process from reform recommendations**

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<td>Comprehensive, timely and accurate accounting and financial reporting</td>
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<td>23%</td>
<td>8%</td>
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<td>Greater regional harmonization</td>
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<td>Improved internal control procedures</td>
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<td>Medium-term macro-fiscal and budget frameworks implemented</td>
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<td>PFM reform strategy and action plans developed</td>
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Source: AFS staff estimates and projections
to implementation processes and to provide more sustained and deeper training support.

We agree with this recommendation but as mentioned under recommendation 2, this approach would not be compatible with longer resident advisors assignments in the field.

4. AFS, in collaboration with the in-country IMF office where practicable, should engage more actively with other donors in attempting to identify additional TA and training support to supplement the adoption and implementation of agreed PFM reforms. TA providers represented in the AFS SC should more proactively support this effort, for example by sharing information about their work with the centre.

While the resident representatives’ offices could play an important role regarding the coordination with the authorities and the donors, the technical skills required to assess authorities’ requests and their consistency with the overall PFM TA strategy are within the domain of FAD’s expertise. This is reflected in the general division of work between the area departments and functional departments of the Fund. In addition, AFS could further improve the needs identification, but it is already doing substantial work in this area: informing the donors of their missions, meeting them in the field (when they are available), sharing the mission findings, and providing reactive, complementary TA when requested. The recommendation on donors being more proactive in the sharing of their own information is most relevant.

B. Topical recommendations relating to Financial Sector Supervision

1. AFS should reassess the focus areas of TA with the view of realigning them in light of TA needs of member countries, and ensure adequate resources are devoted to projects, where needed, to build capacity.

AFS has been following this approach from its inception. When defining focus areas and priorities, AFS considers key factors as requests from the authorities (including ad hoc demands), progress on implementation of past recommendations, which in turn helps in defining further TA and/or training needs, and absorption capacities of member countries. In light of these factors, plans are adapted annually.

2. Framing individual TA projects with explicitly targeted outcomes might enable AFS to more effectively identify risks and assumptions, thereby enabling projects to be designed that are better able to deliver such outcomes.

AFS has been following the recommended approach since FY 2013 and is already on track to address the underlying issues. The recommendation could be more explicit in explaining how this practice could be improved. Milestones in AFS’ topical logical
frameworks are defined for each activity under each outcome, which enables tracking progress toward meeting the outcomes. Progress on milestones and topic outcomes are reported in the annual reports (which also provides a mid-year review on the work program) and in the report to the Steering Committee on the proposed work program for the forthcoming year. AFS will be working with a new IMF logical framework from the next funding cycle.

C. Topical recommendations relating to Customs Administration

1. **AFS should review its current customs TA delivery strategy to ensure adequate resources are devoted to build capacity and realize outcomes in recipient institutions where needed, either by ensuring the level of commitment to the range of countries or projects is commensurate with the level of available resources, or increasing the allocation of resources, or a combination of these two approaches.**

AFS work in the customs area is, it is accepted, spread across a relative large number of countries, but the focus on a smaller number of projects and possibly countries is expected to emerge. This has been due to significant demand for TA, only a few TA providers in this area, the broad span of customs missions, and a desire by AFS to do ‘the best for the most’. AFS has sought to deliver useful, effective TA even with the need to limit interventions and has, we believe, been effective. A number of our projects are approaching maturity and we anticipate that no further interventions will be required in these areas after FY 2016: Namibia—excise (two weeks in FY 2016), Comoros—legal framework (two weeks in FY 2016), and Mauritius—legal framework (two weeks in FY 2016). The completion of these projects will make it possible to allocate more time to existing work elsewhere (e.g., two additional weeks each for PCA in Lesotho, Swaziland, and Zimbabwe). The track record of implementation of previous recommendations will help us to be more selective in responses to TA requests.

2. **The risk of being diverted into multiple short-term activities might be alleviated through more intensive and formalized engagement with the recipient at the project design stage to agree: the concrete outcomes being targeted; the AFS inputs planned and over what period; and the need to complete outcomes.**

This is already done to a large extent but certainly needs in the future to be better formalized, in writing, jointly with the authorities and/or customs management, and possible other parties.

3. **Especially with short-term interventions, more effort is needed to monitor implementation of advice. Lack of follow-through should be recorded and reported as part of the RBM reporting system.**

This will be done.
D. Topical recommendation relating to Tax Administration

1. AFS should review its current tax TA delivery strategy to ensure adequate resources are devoted to build capacity in recipient institutions where needed, either by narrowing its range of countries or projects, or increasing the allocation of resources, or a combination of these two approaches.

A number of labor-intensive diagnostic missions and one-off interventions have been completed. As a result, even with no overall increase in the resource pool, the resource allocation to multi-mission projects will increase. AFS plans to focus on a smaller number of projects.

E. Topical recommendations relating to Real Sector Statistics

1. AFS should design its work plan so that it does not have to rely on cancellation or postponement of projects to adequately meet the TA needs of its TA recipients.

While the RSS may face excess demand for TA and training on real sector statistics from AFS member countries, scarce resources must continue to be allocated within the programmed envelope to the highest priority needs and where the greatest impact could be expected. Mission postponements and cancellations allow the AFS to reallocate these resources in a flexible manner to the next highest priorities. An alternative that depends on donor financing and agreement by the AFS Steering Committee would be to consider expanding the resource envelope beyond the current work program. This type of review is done regularly at Steering Committee meetings and through AFS work program preparations.

2. The IMF and AFS should provide active support for current efforts by other donors to assist the government reform statistics in Zambia by updating the outdated 1964 Census and Statistics Act and by institutional reform to create a National Statistical System.

This recommendation focuses attention on the efforts in Zambia to create a National Statistical System. Many elements of such a system reach beyond the remit of the RSS and the normal scope of IMF capacity development activities. Nevertheless, the AFS, mainly through the RSS, will continue to support the National Strategy for Development of Statistics that was approved by the authorities in May 2014. The case study on Zambian national accounts (in Volume II of the Evaluation), highlights how the AFS has done so thus far, as well as the important roles played by other stakeholders (the authorities and other TA providers). This observation underlines the fact that the attribution of success and related challenges does not fully lie with the AFS.
3. The IMF and AFS should more intensively lobby where needed the relevant ministries of finance and statistical offices to resource adequately, as a matter of urgency, professional level positions in national accounts, prices and statistical business register.

The IMF (through the AFS, area department, and statistics department) will continue to lobby, as needed, with the relevant authorities, donors and statistics user community for adequate resources to develop real (and other) sector macroeconomic statistics.

**Recommendation 2:** For the next phase of the program, or if feasible earlier, AFS should evaluate whether there is a need and it has the capacity to provide more direct support to regional harmonization and integration objectives given the country specific demands for its resources. If this is considered desirable, a focused work program involving TA and workshops should be developed and implemented, in selected topical areas, with explicit targets related to the objectives of relevant regional initiatives. (Priority: Medium)

- The review of support for regional harmonization and integration will be conducted in FY 2016 and reflected in the work program for FY 2017 and the new program document.

**Recommendation 3:** Member country representatives at the Steering Committee should be more active in coordinating and representing views from all beneficiary institutions, and support action to increase sustainability of AFS TA in their countries. (Priority: High)

- The Fund, through the Area and TA departments, will do its best to encourage the national authorities to play an active role in coordinating donors and local TA providers. This includes enhancing the resident representatives’ participation to the donors’ coordination mechanisms. In the absence of institutional coordination, AFS will continue to take a proactive role in coordinating with other TA providers in the region. AFS will also continue to encourage SC representatives of member countries to make presentations on AFS’ activities in their countries.

**Recommendation 4:** After conducting a feasibility study, AFS should develop a costed strategy, with appropriate allocation of dedicated staff time, to proactively implement the peer-to-peer learning initiatives and recruitment of regional experts in the IMF roster. This should include a wider range of candidates than practicing officials. (Priority: Medium)

- AFS is already moving in this direction. AFS’s support for professional attachments will be more programmatic and less ad hoc. A costed program of secondments and
participation of AFS officials in missions as trainees has been elaborated. It will be implemented starting FY 2016. This program could potentially help increase the number of regional experts on the IMF roster. However, the decision to add regional experts to the IMF roster is made at the level of IMF headquarters and experts will be expected to meet the required standards in order to be added to the roster. Peer-to-peer learning are initiatives of learning rather than peers providing TA in the name of the IMF or AFS. The possibility of attachments will be more widely advertised, including on the RTAC website. The results of peer-to-peer activities will be reported annually.

**Recommendation 5:** For the next phase of the program, AFS (or ATI) should implement a strategy to develop regional and sub-regional training capacity to reach a wider audience more cost effectively, in order to complement and reinforce their own training programs. *(Priority: Medium)*

- The response will only be provided for AFS because the ATI is overseen by a different SC. Although developing a regional strategy for developing training capacity is beyond the scope of AFS’s mandate, the Center will increasingly contribute to peer-to-peer learning and publicize the IMF’s expanding online training offerings. AFS will continue to invite representatives of regional training organizations to its events and send AFS resident advisors to the training events organized by these organizations. These activities will be tracked, and a summary report will provided to the SC. However, AFS will not be in a position to contribute to curriculum development, management or oversight of regional training organizations owing to legal and resource constraints.

**Recommendation 6:** We recommend that the IMF design the proposed IT systems aimed at providing integrated financial and qualitative TA performance information after taking into account the information needs of all RTAC stakeholders, and especially ensure disaggregated data for countries as well as individual TA projects and workshops is available. *(Priority: High)*

- The IMF is in the process of standardizing its reporting requirements across the RTACs with a view to improving formats, quality, and timeliness of reports; removing information barriers; and reducing the reporting burden on RTAC staff. ICD is working on a project on a Capacity Development Information Management System (CDIMS), the aims of which are to standardize the processes related to the recording of financial information for donor-financed TA and to improve the quality and availability of information after taking into account the information needs of RTAC stakeholders. As part of this initiative, the IMF will introduce real-time system tools to monitor and analyze the fundraising, cash flows, budgets and expenditure related to donor-financed activities. The RBM system that the IMF is implementing
will be linked to CDIMS and will help aggregate results across topics, regions, and TA delivery modes. However, as the IMF’s TA budgets are formulated by TA area rather than by country, the provision of disaggregated data by country is not envisaged owing to resource constraints.

**Recommendation 7:** AFS should consider further strengthening its RBM framework by refining milestones, strengthening linkage between results of individual interventions and topical outcomes, updating topical indicators and developing targets in partnership with TA recipients (Priority: High).

It is proposed that the current RBM framework remain operational until the end of the current funding cycle. The IMF is expected to roll out a new institution-wide RBM framework and the related monitoring tools over the course of the coming year. The IMF-wide catalogue of harmonized outcomes and related indicators has been finalized by now; which could inform the review of milestones and the updating of topical indicators. Once it is fully operational, this new framework will be used by AFS for the new five-year funding cycle.

- A number of refinements to the current RBM framework were implemented in the context of the preparation of the Work Plan for FY 2016 (Annex IV):
  
  o Activities in Madagascar were added to the logical framework.
  
  o Additional activities were added to the logical framework in the area of monetary policy framework operations to reflect the completion of the diagnostic work.
  
  o The scope of medium-term indicators was narrowed in the area of financial sector supervision. Now the indicators focus on the areas where AFS provides TA rather than on a broader set of indicators covering progress that countries achieve without AFS TA.

- All milestones will be reviewed by November 2015 with a view to defining approaches for dealing with milestones that have been pending for at least two years. Following this review, some pending milestones may be classified as partially met, some pending milestones could be split into a series of intermediate steps, and some pending milestones could be classified as not met with projects being closed. Going forward, the AFS staff will seek to define more intermediate milestones (rather than one or two per project), while increasing the share of outcome-based milestones. In addition, executive summaries of TA reports will provide information on the status of milestones to increase their ownership by the country authorities. AFS will also make efforts to improve the quality of its topical logical frameworks, particularly in
defining clear and measurable performance indicators and targets, in order to facilitate a better monitoring of program implementation.

**Recommendation 8:** AFS should strengthen further its reporting by providing more financial analysis and key performance indicators, and preparing a completion report at the end of the current phase. *(Priority: Medium)*

- The IMF recognizes the need for providing more financial analysis and is currently developing a new IT infrastructure that will have centralized data in one system to facilitate financial analysis (See response to Recommendation 6 above). AFS will consider developing a set of indicators to support reporting on organizational performance (in terms of the Center’s activities and outputs).

- The new IT system will help aggregate results across topics, regions, and TA delivery modes, considerably improving the quality and availability of information for monitoring TA and training and of reporting on results to donors and SC members.

**Recommendation 9:** AFS should implement a more flexible approach to TA delivery where needed, especially for capacity building projects. This could involve extended or more frequent missions, remote mentoring and greater hands-on implementation coaching. *(Priority: High)*

- The share of the recommended CD delivery modalities is expected to increase. AFS will report on good practices in applying these modalities in the annual report for FY 2016.

**Recommendation 10:** IMF should implement a budgeting process at the commencement of RTAC operations, and for transitions between their phases, that minimizes the disruptive effects of delayed pledges. This might include allocating temporary shortfalls in commitments to the back of the program and developing rolling annual budgets. *(Priority: Medium)*

- In the case of AFS’ first funding cycle, we considered that this would be too risky as the Center was newly established. However, for AFS’ future funding cycles, the Fund could possibly consider allocating temporary shortfalls in commitments to the back of the program and developing rolling annual budgets. The Fund has started adopting this budget approach for new phases of RTACs for which additional funding is likely to materialize. Nonetheless, we continue to be very cautious and are likely to adopt this approach only on a case-by-case basis, while being realistic about expectations of additional donor funds.

June 26, 2015