
AFRITAC South

Independent Mid-Term Evaluation
Phase I: June 2011 to April 2014

Volume I: Final Report
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This Report contains two volumes, of which this is the first part. Volume II contains Appendices.

This Report has been produced in English, French and Portuguese. In case of conflicts or inconsistencies between the versions, the English version prevails.

ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
AFRITAC	Africa Regional Technical Assistance Centre
AFS	AFRITAC South
ATI	Africa Training Institute
AusAid	Australian Agency for International Development
BCP	Basel Core Principles for Banking Supervision
BdM	Bank of Mozambique
BEQ	Basic Evaluation Questions for the evaluation
BOM	Bank of Mauritius
BOS	Lesotho Bureau of Statistics
CC	Centre Coordinator
Centre	AFS
COA	Chart of Accounts
COMESA	Common Market for Eastern and Southern Africa
CPI	Consumer price index
CSO	Central Statistics Office, Zambia
DAC Criteria	OECD DAC Criteria for Evaluating Development Assistance
DfID	UK Department for International Development
EAC	East African Community
EIB	European Investment Bank
EU	European Union
FAD	IMF Fiscal Affairs Department
FSAP	Financial Sector Assessment Program
FSS	Financial sector supervision
FY	Fiscal year ending April
ICD	IMF Institute for Capacity Development
IMF	International Monetary Fund
IMF HQ	IMF headquarters
KPI	Key performance indicator
LIC	Low Income Country
LMIC	Lower Middle-Income Country
LTU	Large taxpayer unit
MCM	IMF Monetary and Capital Markets Department
MFI	Microfinance institutions
MIC	Middle Income Country
MNRW	Managing Natural Resource Wealth TTF
MOU	Memorandum of understanding
MPFO	Monetary policy framework operations
MRA	Mauritius Revenue Authority
MTEF	Medium-term expenditure framework
MTFF	Medium-term fiscal framework
NA	National accounts
PBB	Program based budgeting
PCA	Post clearance audits
PEFA	Public Expenditure and Financial Accountability

PFM	Public financial management
RA	AFS Resident Advisor
RAP	Resource Allocation Plan
RBM	Results Based Management
RBS	Risk based supervision
RES	IMF Research Department
RSN	IMF Regional Strategy Note
RSS	Real sector statistics
RTAC	Regional Technical Assistance Centres
SACU	Southern African Customs Union
SC	Steering Committee
SOE	State owned enterprise
SRA	Swaziland Revenue Authority
SSA	Sub Saharan Africa
STA	IMF Statistics Department
STU	small taxpayer units
STX	Short-term experts
TA	Technical assistance
TGS	IMF Technology and General Services Group
TOR	Terms of reference
TPA TTF	Tax Policy and Administration TTF
TTF	IMF Topical Trust Fund
UMIC	Upper Middle-Income Country
VAT	Value added tax
WCO	World Customs Organization

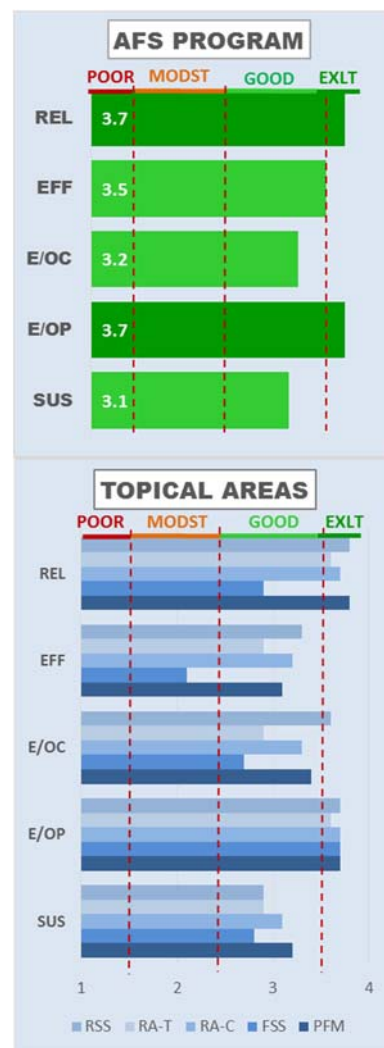
EXECUTIVE SUMMARY

Our independent interim evaluation of the first phase of the AFRITAC South (AFS) program indicates that it has made a very strong start. It has developed and has been implementing an integrated technical assistance (TA) and training program that is meeting a critical need of member countries in important areas for their economic development. In a very short time, AFS has positioned itself as a key provider of high quality technical advice, sought after by TA recipients and other TA providers. The program is very well managed and has developed a robust system of monitoring and reporting, the latter both internally as well as to external stakeholders. AFS has also been making effective use of the results based management (RBM) framework. Although relatively early in its program, AFS has achieved a number of important outcomes and is progressing well on realizing others. Our evaluation ratings for the program and for the topical areas reflect these successes.

The AFS program's relevance is rated as Excellent¹, confirming its consistency with the program document and alignment with members' needs. The allocation of resources between the topical areas may require attention. AFS is also coordinating well with other TA providers and IMF headquarters. The program's efficiency is rated as a very strong Good, at a premium over the individual topical areas taken separately. This reflects the robust management and control over the program at the Centre level. The program's subscale operation in its first year affected its efficiency. RBM could be strengthened further. In addition, the TA delivery approach in some of the topical areas present scope for refinement. We rated the program Good for outcomes, and Excellent for outputs. Overall, AFS has already realized some notable outcomes, and made good progress on other targets, although achievements have varied between topical areas. TA reports and workshops have been consistently of very high quality, as are the reports and bulletins produced by the Centre. Sustainability is rated Good although it is too early to judge the criterion for a significant proportion of projects that are still being implemented. We believe that project design, delivery and wider IMF and Steering Committee engagement could be further tailored to achieve sustainability in institutions with low capacity. Nevertheless, significant factors that are likely to affect sustainability are beyond AFS control.

With respect to topical areas:

- PFM, which has accounted for almost half of AFS budget allocation, has made a strong start. It has developed a coordinated and well sequenced approach to TA delivery, and we believe is likely to achieve a significant proportion of its outcomes. Considerable progress has been made in securing approvals and the passing of enabling legislation. The more challenging implementation and capacity building phase is gathering momentum. Our case studies and field trips have indicated some reservations about the fast pace and high intensity of TA being delivered in some countries, testing the absorptive capacity of some recipients.
- The AFS financial sector supervision work started a few months later than most of the other topical areas, and has been slow to achieve traction. Members in some target areas have been either already receiving TA, or have been implementing reforms without AFS support. Some outcomes have been achieved. Efficiency has been limited by a number of factors.
- Both customs and tax have achieved important outcomes. Customs has a very high rate of output and has strengthened the work of its client institutions in a number of aspects. Tax has also strengthened counterpart institutions, although some of its outcomes have been partial and need further TA. Both areas have experienced projects that have not been implemented, although mostly for reasons have been outside AFS control. Nevertheless, we believe that in the absence of increased resources the areas being targeted by both topical areas could be narrowed down so that more concentrated TA would further enhance the prospects of achieving outcomes and sustainability. IMF has pointed out that narrowing down the scope of the program risks not meeting members' critical needs.



¹ Excellent: All or substantially all objectives met; Good: Majority of objectives met; Modest: Few/minority of objectives met; Poor: Very few objectives met.

- Statistics has benefited from a tight focus, on national accounts and price. It has concentrated principally on the former area in the program's early phase, and has achieved a number of important results in rebasing GDP estimates and producing national accounts compliant with international standards. Its regional seminars program is very well integrated with TA. Statistics has also been able to capitalize on a relatively high rate of cancellations and postponements by providing more hands-on support to a narrow set of countries.
- The monetary policy framework operations (MPFO) TA delivery work has started in FY 2015 after having undertaken a number of diagnostics. It is planning to implement a methodical approach to capacity building. In FY 2015 this topic has been allocated resources that exceed those of customs and tax combined. This high allocation presents risk to the AFS TA portfolio as well as challenges in achieving cost effectiveness.

Recommendations

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)
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)
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)
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)
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)
6. We recommend that IMF should design the proposed HQ 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 that disaggregated data for countries as well as individual TA projects and workshops is available. (Priority: High)
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)
8. AFS should strengthen further its reporting by emphasizing results, providing more financial analysis and key performance indicators, and preparing a completion report at the end of the current phase. (Priority: High)
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)
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 end of the program and developing rolling annual budgets. (Priority: Medium)

1. EVALUATION RESULTS FOR THE AFS PROGRAM

1.1 INTRODUCTION



Our overall conclusion is that AFRITAC South (AFS) is meeting a critical need for technical assistance (TA) among member countries. The underlying logic for AFS establishment, and the various strengths of the International Monetary Fund (IMF) Regional Technical Assistance Centres (RTAC) model it has successfully drawn on for its work, is pertinent to the region. AFS has, in a very short time, established a strong position in various critical areas relevant for member countries' macroeconomic development. Despite lacking the resources of some other TA providers, AFS is seen as an important provider of high quality technical advice. There are a number of instances where other donors have leveraged on AFS work to develop more comprehensive programs of their own. The combination of IMF headquarters (IMF HQ) led diagnostics with AFS follow-up in implementation in target areas, along with generally effective

use of the Centre's Results Based Management (RBM) framework, has enabled AFS to provide relatively targeted TA. AFS serves areas where there are important needs among its member countries and the current size of its operations provides it with appropriate scale. The program document, which set out AFS objectives and range of activities, was of high quality and has been usefully refined.

1.2 BACKGROUND TO THE EVALUATION

AFS was established in June 2011 to provide TA to strengthen the institutional and human capacities of governments to manage public finances effectively, maintain robust financial systems, and produce reliable macroeconomic statistics in 13 countries in southern Africa.² The centre was established, and its initial work program defined, based on diagnostic exercises conducted by IMF staff. It had an initial target budget of US\$59 million for a five-year period. The centre started with a budget of US\$40 million, which has gradually increased to US\$58 million. AFS organization and operations are based on the IMF RTAC model³. AFS is funded by a combination of donors⁴ and member countries, along with in-kind contribution from IMF.

The mid-term evaluation, which is provided for in the terms and conditions establishing AFS, aims to *inter alia* assess the effectiveness and sustainability of AFS TA; the extent to which AFS TA has led to tangible results and is achieving its objectives efficiently and effectively; the degree to which AFS is achieving the advantages associated with the RTAC model; and formulate recommendations for improvement. The terms of reference (TORS) of the evaluation, included in Appendix 1 of Volume II of this report, envisage that the findings of the evaluation will inform discussions of AFS future operations.

The principal audience of the evaluation is AFS donors and member countries. In addition, AFS and IMF management are likely to be interested parties, particularly in respect of its findings and recommendations. The evaluation is also likely to be of interest to a wider readership engaged in the provision of TA and implementation of reforms in areas covered by it.

² Angola, Botswana, Comoros, Lesotho, Madagascar, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Zambia and Zimbabwe.

³ See <https://www.imf.org/external/np/exr/facts/afritac.htm>

⁴ Donors include the African Development Bank, Australia, Brazil, Canada, UK Department for International Development (DFID), European Union (EU)-ACP, EU-COMESA, EU-SADC, European Investment Bank (EIB), Germany (German Agency for International Cooperation), Swiss Economic Cooperation (SECO), and the host country, Mauritius.

1.3 EVALUATION AND RATING APPROACH

Our rating of the program, on the basis of the OECD DAC Criteria for Evaluating Development Assistance (DAC Criteria), draws on our findings and assessments for the different topical areas as well as findings at the program level. These findings were guided by the Basic Evaluation Questions (BEQ) outlined in the evaluation's terms of reference. The rating system⁵, which was agreed during the evaluation's inception phase, is provided in Appendix 2 in Volume II of this report, which also outlines the activities we have undertaken.

Given the nature of AFS activities and the scope of the evaluation, a qualitative rather than a quantitative approach has been taken. Our evaluation has been carried out at different levels: a) the program's overall strategy and operating systems and processes at the Centre; b) topical strategies and TA delivery approaches; and c) a selection of individual TA interventions and workshops. In carrying out our review, we have relied on a combination of sources of information, including documentation, interviews and surveys. We have used more than one source of information to assess each BEQ wherever possible, to ensure that the evaluation's conclusions are not biased. We have placed the most weight on documented information, augmented by our analysis of data. Interviews and surveys have been used principally to support the former, or to assess BEQ where documented information is not relevant (such as opinions), or where there are gaps in data. Interviews have included TA recipients, as well as a range of other TA providers active in areas and countries of AFS operation. Where we have found inconsistencies, these have been investigated. Surveys have been relied upon, but given their small sample sizes (especially when responses are broken down into particular topics and countries), not exclusively. In reviewing the survey responses, we have also taken into account the relative strength of responses, for example, the proportions agreeing or strongly agreeing to a statement. Finally, the report has been peer reviewed by an evaluation expert independent of the AFS evaluation team.

The rating system adopted follows that for the recent evaluations of East and West AFRITAC and CAPTAC-DR. The 2009 evaluation of AFRITACs weighted the different scores for DAC Criteria within and across topics to arrive at consolidated scores for each topical area and the RTACs. We have highlighted our reservations about applying such weights in our inception report and also in Appendix 2. We have nevertheless presented in Appendix 6 the weighted scores and ratings for each topical area and the AFS program so that the results of this evaluation may be compared with those of the 2009 evaluations.

In arriving at the rating of the AFS program as a whole, we have taken into account the performance of the individual topical areas. At the same time, a number of BEQs relate specifically to the Centre, including the design and implementation of management and operational systems; RBM; Steering Committee (SC) and AFS governance; and allocation of TA resources between topical areas to achieve program level objectives. Although indirectly affecting the performance and therefore ratings of the topical areas, we believe that the Centre has a key role in establishing the framework for TA activities and therefore our rating for the program as a whole differs from the sum of that of the topical areas.

The AFS program document incorporated outline logframes for the program and individual topical areas. These were superseded in FY 2013 by more refined logframes incorporating topical outcomes and verifiable indicators, taking into account experience gained in the early stages of the program, and a new IMF RBM template for RTACs. The principal outcomes and indicators of the revised logframe are summarized in Appendix 5 in Volume II of this report. The logframe in the program document has therefore not been utilized for this evaluation. Similarly, for the shortcomings outlined in Section 4.2, we have not drawn on the FY 2013 logframe indicators. Instead, for the case studies, we have created *ex post* results chains for individual projects to assess performance against. For desktop reviews of TA reports, we have assessed implementation against imputed outcomes.

The fact that AFS is in its first phase is reflected in our ratings. As the program progresses through the cycle, we would expect its performance to improve further as lessons are incorporated into project and program design and more emphasis is placed on matters such as building sustainable capacity among member countries.

⁵ Excellent (EXLT): All or substantially all objectives met. >3.5 to 4.0; Good: Majority of objectives met. >2.4-3.5; Modest (MODST): Few/minority of objectives met. 1.5-2.4; Poor: Very few objectives met: 1.0-<1.5.

1.4 RELEVANCE

The AFS program's relevance is rated as **Excellent, with a score of 3.7**. AFS is guided by the program document and its annual work plans, and the AFS RBM has generally enabled targeting of selected areas within the Centre's remit. Our assessment of projects and feedback from stakeholders confirm that the program is meeting member priority needs. We feel that the allocation of resources between the topical areas could be reviewed to further tailor the program to relative needs. Regional integration needs are addressed mainly indirectly through country level interventions and regional workshops, and there is potentially scope for more direct engagement with regional bodies in selected areas. AFS is relatively unique in its ability to draw on practicing experts and officials to deliver TA, and it can do so for clients requiring a range of sophistication, both in middle-income (MIC) and low-income countries (LIC). We feel that the mission based TA delivery model is better suited to more MIC institutions, who often have greater capacity to implement advice without support. AFS makes considerable efforts to inform other TA providers of its activities and has been implementing initiatives to become more proactive in coordination, such as gathering information about other donor activity. There is limited IMF Topical Trust Fund (TTF) activity among AFS member countries, but where there are opportunities complementary work takes place, usually coordinated by IMF HQ. Many of the AFS interventions in topics covered by IMF Fiscal Affairs Department (FAD) and Monetary and Capital Markets Department (MCM) are guided by diagnostics; there are instances of HQ TA being funded by AFS; and also wider cooperation. Most recipients consider AFS to be an integrated TA delivery arm of IMF, but this has not to our knowledge raised any accountability related problems. The SC is generally effective, although several member country SC participants are not yet adequately engaged. Country representatives could play an enhanced role in supporting AFS TA objectives. It is clear that AFS is seen as a unique, high quality TA provider, especially when recipients need reliable and up-to-date technical advice.

Overall, our high rating of relevance reflects the fact that in a relatively short period AFS has successfully positioned itself as an important TA partner for member countries in its areas of focus. Its interventions are considered to be of very high quality by counterparts. AFS has been taking proactive and systematic steps in coordinating its work with those of other donors. The IMF relationship, and close coordination with HQ TA and African departments' (AFR) work, adds further strengths to AFS advice. The SC is amongst the most engaged compared with our experience of other RTACs and we have seen evidence of considerable ownership of the centre among member countries, further reinforcing the view that AFS is playing a valuable role in their countries. Although there remain areas of improvement as highlighted in this report, we believe that given the realities of providing TA in the region, they do not significantly detract from the program's relevance.

1.5 EFFICIENCY

We have rated the program's overall efficiency at the **very high end of Good, just short of Excellent, with a score of 3.5**. This reflects the very strong management of the Centre and the robust systems and processes that have been implemented. Delivery of the program has been broadly on track and resources from cancelled or postponed missions are reallocated where possible. Generally follow-up is good, although in a number of topical areas the scarce availability of resources have in our opinion prevented this to be carried out adequately or in a timely manner. The lack of scale and low execution to plan in the first year will have also affected efficiency. Monitoring and reporting at the Centre level is strong, with a robust document management system in place. There have been a number of examples of AFS leveraging its assistance with other donors and IMF. Backstopping is a critical foundation for AFS maintaining its reputation for high quality, and this has worked effectively. We believe that the Africa Training Institute (ATI) and AFS shared management model is working well. AFS RBM is in our experience one of the strongest among RTACs. We have made recommendations for improving its effectiveness at the individual project level and reporting. We feel that AFS manages well the issue of diverse languages among members, balancing needs and ensuring cost effectiveness.

Efficiency is rated lower than relevance and as achieving only a majority of objectives primarily due to matters beyond AFS management control. These factors principally revolve around the interface with IMF systems and processes, which do not allow meaningful monitoring and reporting of project-level costs and therefore the assessment of cost effectiveness, and the fact that in the start-up phase the program's capacity was being utilized sub-optimally. We believe these issues are more than offset by the significant accomplishments in developing and implementing strong systems and processes and proactive management of the centre aimed at maximizing effectiveness. Our assessment also takes into account the fact that these achievements have been realized during the first cycle of the program and we would expect a natural process of evolution and strengthening in future phases as practices are fine-tuned and improved further in light of experience.

1.6 EFFECTIVENESS

We have rated the program as Good at the outcome level, with a score of 3.2 and Outputs as Excellent, with a score of 3.7, the latter reflecting the very high quality of reports and workshops. With respect to outcomes, it is too early for the program to realize ones that would make a significant contribution to impact. Nevertheless in all areas, outcomes have been realized and these are highlighted in the report. Progress in public financial management (PFM) has been good, with a number of countries having PFM strategies, updated legal frameworks and guidelines in place. In statistics, a number of countries have rebased their national accounts and are issuing ones compliant with current international standards. Customs has improved processes in a number of administrations. Tax has contributed to the implementation of VAT in two countries and the establishment of large taxpayer units (LTUs) in others. FSS has advised on the issuance on new guidelines and supervisory processes. The achievement of outcomes, and their robustness, however, has varied between the topical areas and these variations are reflected in our topical assessments. Progress is being made toward achieving targets in the topical logframes, but our assessment is hampered by the fact that in our opinion the targets in a number of the topical areas are not directly related to the full topical program (e.g., in customs and tax), or recipients are meeting them significantly without any AFS support (as in FSS). The integrated training between ATI and AFS has started and whilst we feel most elements of the program will undoubtedly have a positive impact on AFS performance, some such as in-country delivery of ATI training should be monitored to ensure that they do make a positive contribution on balance compared with alternative approaches. Peer-to-peer learning initiatives have taken place, but in a very limited way, and their practicality need to be established. The five-year funding plan has indeed helped long-term planning, although the shortfall in the early years, followed by the overshooting of the initial annual targets, has contributed to inefficiencies.

1.7 SUSTAINABILITY

We have rated AFS sustainability as Good, with a score of 3.1. Our case studies and survey feedback confirm that AFS TA and training has helped a significant proportion of recipients improve their work practices already. There is clear evidence that AFS monitors TA risks. Although some risks such as weak institutions and political uncertainty affect all the topical areas, their impact differs between them. Our rating reflects these risks in the region and also our view that in a number of topical areas, the magnitude of TA resources being devoted and the maximum two-week mission based approach may not be optimum for long-term capacity building. The approach taken by the monetary policy framework operations (MPFO) projects, with a well-defined program for on-site and offsite support and different modes of training is more conducive to building capacity, although the high level of resources being allocated within a short period poses significant risks. Whilst AFS does not have resources to implement this approach widely, and partners with other TA providers where possible, there should be scope for reviewing the current approach to delivering TA to enhance its sustainability.

With a score of 3.1, sustainability has been rated the lowest among all DAC criteria. This partly reflects factors in member countries and recipient institutions that impede the achievement of sustainability, and also our views on the drawbacks of AFS TA delivery approach. Nevertheless, the fact that the centre significantly relies on the TA recipients to implement advice has the effect that to the extent that results are achieved, they tend to be sustained unless there are major institutional or personnel disruptions. This is in contrast to projects implemented by many other TA providers where external consultants play a substantial role in implementing TA, where there are higher risks that the recipient is unable to carry on implementation after project completion.

1.8 IMPACT

It is too early to assess impact of the program, or the likelihood of its contribution, at this stage. Therefore we have not rated this criterion. We have, however, provided our qualitative views on impact-related matters in the topical reviews. Our overall conclusion is that the program will make a significant contribution to impact. We have not noted any significant unintended consequences of AFS TA in course of our work.

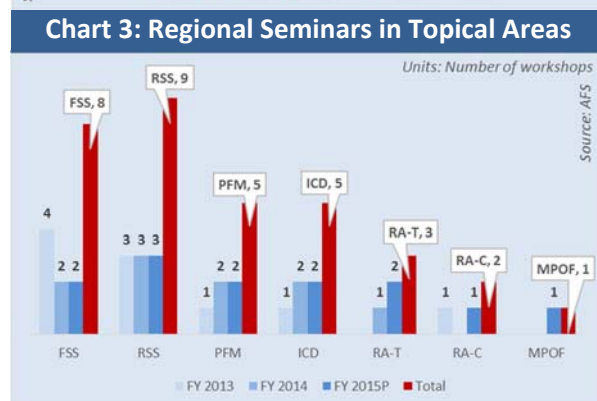
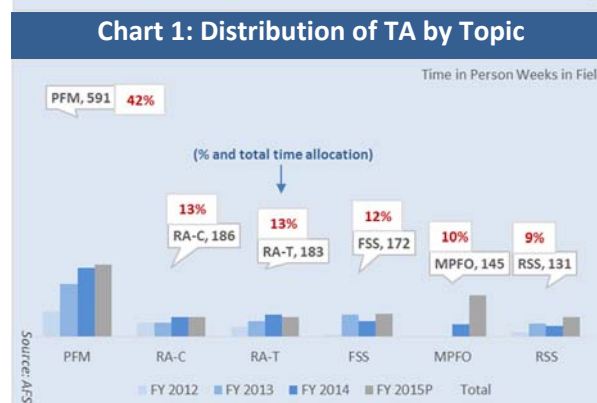
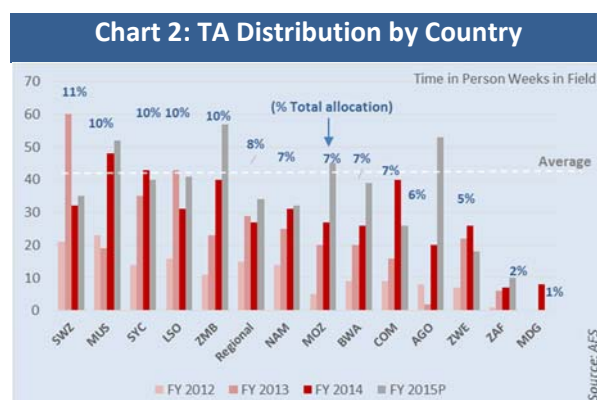
2. ASSESSMENT OF AFS STRATEGY AND GOVERNANCE

2.1 OVERVIEW OF AFS TA AND REGIONAL SEMINARS

Charts 1 and 2⁶ opposite show the distribution of AFS TA by topical area and country. The topical allocation at the program's outset was based on the findings of diagnostics carried out by IMF HQ staff. The program was launched in the aftermath of the global financial crisis and countries that were perceived to be particularly vulnerable, such as Swaziland that was facing fiscal challenges and Mauritius that was seen as particularly exposed internationally, were prioritized. Since the inception, TA allocation has been broadly consistent, although resources have been reallocated between countries or topical areas to ensure TA effectiveness. Resource constraints at the program's outset and delays in recruiting Resident Advisors (RA) meant that certain areas such as MPFO and FSS had lower allocations initially.

With respect to topical areas, PFM accounted for 42% of TA until fiscal year ending April (FY) 2014. This share will drop in FY 2015 as increased resources are allocated to other areas such as MPFO and real sector statistics (RSS). Also, the share of LIC members has been increased. On country allocation, AFS TA activity in Madagascar started only in April 2014 when its political environment stabilized, and a significant allocation has been reserved for the country in the FY 2015 work plan. South Africa needs very limited TA. Political uncertainties in Zimbabwe has affected its TA allocation.

The topical allocation of regional seminars is illustrated in Chart 3. For customs and tax, the RAs focus on country workshops, and this is reflected in smaller numbers of regional seminars. This is also the case for PFM, and TA recipients in this area have also attended relevant courses delivered by the IMF Institute for Capacity Development (ICD) and ATI, for example on macro-fiscal modelling. AFS regional seminars were initially run for three days and are now carried out mostly over five days. ICD courses, which in addition to macro-fiscal modelling have focused on macroeconomic subject areas, are delivered over two weeks.



⁶ IMF country codes and regional groupings have been used in charts. See

<https://www.imf.org/external/np/sta/cdis/pdf/060508g.pdf>. For sectors, Public Financial Management: PFM; Real Sector Statistics: RSS; Financial Sector Supervision: FSS; Revenue Administration Customs: RA-C; Tax: RA-T.

2.2 COMMENTS ON AFS PORTFOLIO STRATEGY AND TOPICAL APPROACHES

AFS has been implementing a proactive, results focused strategy within its remit. The RBM framework has been integrated into the work planning and delivery process. In particular, the framework has enabled the program to generally focus its efforts in a relatively small number of priority areas, thereby potentially enhancing TA effectiveness. It is evident that both the Centre Coordinator (CC) and RAs are sensitive to implementation risks and usually missions are postponed or resources reallocated if TA is unlikely to yield results. The availability of five-year funding has enabled strategic objectives to be set for the medium-term.

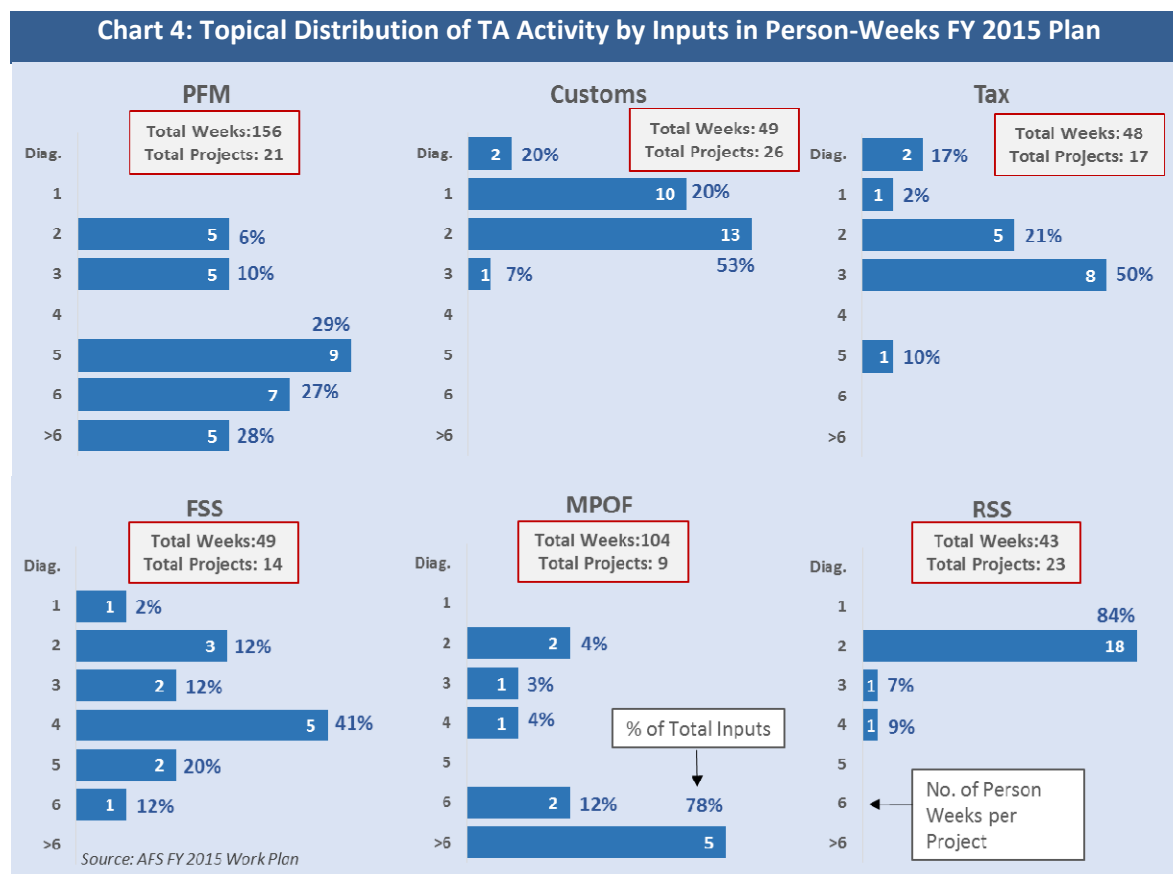


Chart 4 highlights a wide divergence of TA intensity between topics. For example, in PFM, 68% of projects have planned inputs of five weeks or more in the current year. In contrast, for customs, 42% of non-diagnostic projects are planned to receive TA of only one week, and all but one have been allocated two weeks or less. In contrast two MPFO projects have been allocated 24 weeks each. It is not clear, for example, the inputs needed in one year to build capacity in a monetary policy forecasting team (albeit in the first year) should require 24 times the resources than for building capacity in, say, risk management in a customs administration. The FY 2015 allocation for MPFO is more than that for customs and tax combined. The general issue of budget allocation between the topical areas, and how resources are deployed within them, have had a major impact on our findings:

- In PFM, the six focus work areas have enabled targeting of TA to subjects where AFS has a comparative advantage. The average inputs per project, of five person weeks, is broadly right. Nevertheless, our review suggests that the significant upscaling of the PFM budget, from 128 person weeks in FY 2013 to 205 weeks in FY 2014 (to be reduced to 194 in FY 2015) and the need to deploy the resources within the timescale available is contributing to an implementation timetable that a number of countries are finding difficult to meet given their absorptive capacity and other priorities. In a number of countries, multiple projects are being undertaken, for example Lesotho is planned to receive 20 weeks of TA; Swaziland 21; and Zambia 22. Our case studies also suggest that the level of intensity may be stretching AFS ability to deliver TA effectively in PFM, even with three RAs, although AFS is not in agreement with this view. AFS has pointed out that the IMF Legal Department provides significant TA on PFM legislation, reducing the demands on time on PFM RAs.

- Customs and tax are focused on three broad target areas each, although within each there is a multitude of TA needs, not always related to each other in the short-term. In tax, most missions are carried out jointly by the RA and short-term experts (STX), whereas in customs they are usually separate. Most countries are planned to receive only one mission on a project in FY 2015 in both these areas. Given the complex, institution building nature of many of these projects, this is in our view inadequate. Our reviews suggest that achievements have been made despite limited inputs. Nevertheless, in a number of cases availability of follow-up or implementation support could have delivered more rapid and complete results.
- TA work on FSS started later than other TA areas, and progressed slowly in the initial stages. The proportion of actual TA delivered to date (in comparison with TA assessment and work plan missions) has been relatively low. Also, in a number of target areas, such as macroprudential supervision and risk based supervision (RBS), central banks are already receiving TA or are implementing reforms by themselves. With a new RA joining, this topical area may benefit from a reassessment of its focus areas. Greater concentration of inputs are planned with a smaller number of projects. Nevertheless, some projects, such as the implementation of RBS in Comoros, may require more than the five person weeks of planned TA in one year.
- MPFO TA started in FY 2014, and the FY 2015 allocation appears to have aimed at catching up with other topics. As highlighted earlier, the resources allocated to the topic are more than that of customs and tax combined. Moreover, two countries have been allocated 54 weeks of TA between them, i.e., more than the annual budgets of all other topical areas other than PFM. In addition to the disproportionality, TA absorption and outcome risks as well as relative cost effectiveness need to be considered. It is likely that follow-on TA will be needed in these countries in future years, albeit at a lower level, which will add to the cost of these projects.
- The RSS work plan also highlights similar issues to customs and tax, with almost all projects planned to receive two weeks of TA. In practice, in past years a high proportion of cancellations has enabled the RA to provide follow-up TA to achieve results. Cancellations have also contributed to inefficiencies, with an execution rate of only 75% against plan. RSS benefits in focusing on only two areas.
- We believe that the outcomes from both TA and workshops are enhanced when they are closely linked. Generally AFS TA and regional seminars have been well coordinated. Nevertheless, the contrasting approaches to regional seminars between the two topical areas with the largest number of workshops, FSS and RSS, are worth highlighting. RSS has focused, in a sequenced manner, all its eight workshops on different aspects of NA and price statistics to broadly mirror the progression of its TA program. In contrast, a significant proportion of FSS seminars, albeit relevant at the margins, has been on areas outside its core TA program, including supervision of microfinance institutions (MFIs), mobile banking supervision and problem bank resolution. AFS has pointed out that TA has been provided in the latter area to Mauritius and more requests are being received, highlighting the seminars' role in catalyzing demand. Whilst all topical areas may not lend themselves to a sequenced approach such as that adopted by RSS, we believe that close integration between the TA and workshop programs is to be preferred if outcomes are targeted. AFS and MCM have pointed out that these latter areas are still within the scope of their logframe and that they feel that in these areas capacity is better built through delivering workshops, and that few countries in the region have the need for a full TA mission on any of these topics.
- At times there may be a gap between the ambitions of senior officials and ministers, who negotiate and agree TA programs and timetables with IMF, and the resources available at the implementing teams and capability of staff to deliver on the agenda that has been agreed. Although occasionally this might stretch teams to deliver superior results, in our experience TA not tailored to staff capacity more often impairs the achievement of outcomes and has limited sustainability.

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

In practice, AFS works proactively to reallocate resources released from postponements or cancellations to projects within the topical area when resources are needed. Nevertheless, the work plan should not significantly rely on cancellations or postponements at some clients to be able to meet the full TA needs of others. IMF has pointed out, and we agree, that reallocation of resources to reflect emerging needs and priorities is efficiency enhancing. IMF has also highlighted that It makes sense to recognise that cancellations will and do occur and to over-program to ensure the resources are used particularly given the level of demand. The question is how much over programming is feasible, and that this is really a question of judgement.

2.3 LEVERAGING ATI TRAINING CAPACITY

The establishment of ATI presents an excellent opportunity for the AFRITACs in general and AFS in particular given its close proximity, to enhance the effectiveness of their TA programs.

Currently, the integration of TA and training is envisaged at three levels:

- By complementing existing ICD training funded by AFS.
- More tailored ATI training program and selection of participants to support TA.
- Through customized training to AFRITAC TA recipients to complement their TA programs.

Significant ATI activity has already taken place to support these objectives. ATI staff has taught at an ICD monetary policy frameworks seminar; ATI provided input in an AFS regional seminar on problem bank resolution; and ATI staff has developed additional materials tailored to AFS needs for an existing ICD course. The ATI core training program is also being developed to be more responsive to the needs of AFRITAC beneficiary institutions. More targeted participant selection in consultation with AFRITACs is likely to improve effectiveness of both the training course as well as TA outcomes. One of the important components of the ATI and AFRITACs partnership is the delivery of tailored courses to AFRITAC TA beneficiaries in their own countries. Two such courses took place in FY 2014 and eight further are planned for FY 2015 to support different AFRITACs.

There is clearly merit in AFS and ATI developing and delivering more tailored regional courses. We believe, however, that the cost vs benefit of the tailored in-country training courses delivered to a relatively small number of participants should be monitored. A trained presenter, drawing on well tested material and applying proven high quality training methodology, clearly offers important benefits. The alternative of an STX who has deeper knowledge of the beneficiary institution and can also provide follow-up hands-on support to implement training lessons can be more effective in many situations. Additionally the cost of developing the bespoke training material, including the engagement of the relevant RA, needs to be taken into account. Finally, although the AFRITACs would only be charged the ATI trainer's travel expenses, the total cost to ATI, including overheads is likely to be significantly higher.

2.4 OTHER STRATEGIC ISSUES

Consistency with Program Document

The AFS program document from December 2010 provides the overall strategic objectives for the Centre's first phase. As indicated previously, the program's logframe was subsequently refined in FY 2013, and the first phase was extended to FY 2017 to accommodate delays in receiving funding. Generally all AFS activities reviewed have been consistent with the program document, its subsequent updates and annual work plans, albeit actual projects undertaken within the different topical areas and countries have not always been the same as those originally envisaged. Material revisions to work plans during the year are approved by SC.

We believe that the program document for the next phase of AFS could be made more useful if it presented a strategy covering the key parameters and outcomes of its anticipated work program for the different topical areas and individual countries, and incorporating appropriate flexibility for *ad hoc* TA needs and to meet unforeseen events. The RBM outcome targets and indicators could then be aligned to the strategic objectives for the next cycle. In addition, the financial budget could be linked to the resources needed to implement the strategy. The annual work plans could then focus on implementation of the strategy and highlight any variations therefrom. An agreed proportion of the annual budget could be reserved to meet *ad hoc* TA needs.

Meeting Member Country Priorities

The AFS work plan development process places considerable emphasis on member institution needs. In our TA recipients' survey, 91% of respondents agreed or strongly agreed with the statement that *'Our request for TA from AFS was to help us implement one or more priorities in our sector / institutional strategy'*. However, 34% of respondents agreed or strongly agreed that the TA received was initially proposed by AFS or IMF, rather than themselves. The AFS work plan development process ensures a balance between the needs and views of: a) the TA recipient; b) the AFS RA; c) the relevant IMF TA department; and d) AFR, with the requirements of the TA recipients usually given the greatest weight. TA departments' diagnostics, AFR surveillance exercises, and IMF Regional Strategy Notes (RSNs), seek to ensure consistency of the program with country priorities. Nevertheless, recipient institution priorities may change within a short period and may not always be consistent with delivering long-term sectoral goals, or the achievement of TA results most effectively. Taking the portfolio as a whole, though, we believe that AFS TA and workshops meet country priorities.

We understand that *ad hoc* requests for TA from member countries account for between 10% and 15% of activity. AFS maintains reserves for contingencies. In addition, resources released from cancelled or postponed missions are reallocated for this purpose.

Meeting Regional Integration Objectives

The AFS program document referred to the Centre supporting various aims at a country as well as regional level. The revised logframe has no explicit regional-level objectives for the program as a whole, but for individual topics.

The participation of regional officials and presenters in seminars; meeting and exchanging information with regional bodies (e.g., the customs RA attends World Customs Organization (WCO) regional meetings); and delivering TA that is consistent across the region does indirectly contribute to regional harmonization and integration. 84% of TA recipients surveyed agreed or strongly agreed that AFS TA has contributed to the regional development agenda in their area. In addition, some TA has been provided, for example to Comoros on tax legislation, where COMESA related provisions have been addressed as part of the advice.

AFS has highlighted that the program logframe contains topic outcomes for specific countries that are consistent with the priorities set by regional blocs for their member countries: i.e., AFS helps its member countries to meet their commitments to regional blocs through country-specific TA. For example, COMESA targets improvements in the PEFA ratings in the areas covered by AFS; SADC mandates sound medium-term fiscal frameworks for all its member countries; and SADC also expects countries to comply with Basel II capital adequacy framework. These regional priorities are systematically reflected in the AFS logframe. In addition, there are objectives at the regional level across all TA areas, but these objectives are more modest because of slow progress in regional cooperation and collaboration. In FSS, AFS has pointed out that there are good examples of discussions on cross-border cooperation among supervisors, cross-border aspects of bank resolution frameworks, and experiences in implementing Basel II and Basel III. Also, a regional seminar on central bank legislation is planned. In the

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

area of statistics, TA is provided on COMESA/SADC HCPI and the harmonization of national accounts in the SACU region. AFS regional strategy is contained in the FY 2013 Annual Report.

Nevertheless, there has been no AFS seminar to date that explicitly deals with regional harmonization issues, although ATI conducted one on economic issues in regional integration in June 2013. There has been no TA to regional institutions, or directly related to regional objectives. Part of the issue may be that unlike say the East African Community (EAC), the regional initiatives in the AFS region are less advanced in many areas.

We believe that to meet the regional harmonization and integration objectives fully, a more explicit TA and workshop program needs to be developed and delivered, after identifying needs that AFS can meet in different topical areas. This would involve TA and workshops being delivered to, or in close strategic partnership (rather than one off) with selected regional institutions. In some areas, such as PFM, there may not be any need for deeper AFS TA focused specifically on regional integration, whereas in some others, such as customs, there might be. SC should consider whether this is desirable, and any impact that might have on the AFS country focused work program. If regional work is not considered a priority, related objectives should be dropped from the topical logframes, or at least redefined in a manner that reflects AFS activities.

Meeting the Needs of Low and Middle Income Member Countries

Following a strategic decision in FY 2013, the share of TA to LICs has increased from 20% to 27%. The share of UMIC members has also risen, by 9%. These increases have been offset by a reduction in TA for lower middle-income countries (LMICs). Although TA to Lesotho and Swaziland, both LMICs, fell in absolute terms, most of the increased share of LICs and UMICs was accounted for by a larger share of increased TA.

In our TA recipients' survey, to the statement: 'The advice received was clear, practical and easily implementable, *given the realities within our country and organization*', 83% agreed or strongly agreed; 9% disagreed or strongly disagreed; and 7% didn't know.

AFS and IMF are relatively unique among TA providers in being able to call on practicing and recently retired regulators and officials from a range of countries. This enables AFS to meet the needs of a diverse range of TA recipients. More developed countries such as Mauritius receive more targeted, specialized TA. At the same time, AFS can provide effective TA to LICs, for example be drawing on regulators from the region or STX with strong regional experience. The IMF backstopping function provides critical value in this area, drawing on more diverse experience from HQ. At the same time, we believe that the AFS mission-based TA delivery modality is perhaps generally better suited to more developed member countries or institutions, as they tend to generally have greater capacity to implement advice by themselves.

Coordination with and Leveraging of Work of Development Partners

Our review suggests that AFS makes significant efforts to coordinate its work with others active in their TA area. At a minimum, RAs methodically debrief interested partners at the end of their missions, although this is usually not the case with STXs. Where they are present, RAs exchange information with donor groups, especially in areas such as PFM. AFS has recently circulated a form for SC development partners requesting information about their activities in AFS member countries to further improve coordination. In the TA recipients' survey only 68% of respondents indicated awareness of other TA providers active in their technical area or organization; 71% agreed or strongly agreed that AFS work was coordinated with other TA providers; but a significant minority of 26% indicated a lack of coordination. On balance, we believe that AFS has been taking sufficient proactive steps to ensure coordination.

These include: a) in PFM, the World Bank is upgrading the payroll system (GISE) in Comoros using the recommendations and terms of reference developed by the AFS team. The latter will audit the upgraded system; b) in Swaziland, the World Bank PFM resident advisor will develop and implement the new IFMIS using the COA and conceptual design developed by AFS; c) in Seychelles an EU funded resident VAT Advisor, backstopped at IMF HQ, is collaborating with AFS on planned inputs; d) in customs, AFS proposals have been largely adopted by DfID who are currently preparing project(s) (likely to be initially in the region of £5 million) to provide TA to Zambia, Malawi and Mozambique to facilitate trade and strengthen compliance along the main trade corridor to and from the port of Beira; and e) in RSS AfDB and COMESA have been providing complementary TA in a number of countries that have contributed to AFS NA work. Although positive examples exist, there is scope for more proactive leveraging efforts in certain areas where downstream support may be required from other donors in implementing AFS TA advice.

Complementarity and Leveraging of AFS TA with IMF Core TA and TA from other IMF Programs

The IMF RSN and Resource Allocation Plan (RAP) process is intended to ensure coordination and complementarity between the institution's different TA delivery vehicles. The RSN sets the Fund's broad objectives in the different topical areas in each country, whereas the RAP, developed by each TA department, operationalizes the RSN objectives and produces a list of TA missions to be carried out by HQ (core and sub-account funded), TTFs and RTACs. The work plan submitted by AFS often needs fine tuning to ensure coherence between the different TA delivery mechanisms as well as with the IMF strategy for the country.

In practice, TA recipients do not materially distinguish between IMF and AFS TA. They see AFS as a local component of their overall relationship with IMF, with additional advantages in terms of local presence, greater responsiveness and more practical technical advice orientation. Respondents to our TA recipients' survey equally agreed and disagreed with the statement that AFS is a distinct entity from IMF, with its own strategy and approach to TA. 93% agreed (of which almost half strongly agreed) that AFS TA was closely coordinated with IMF TA.

The traditional divide between AFS and IMF HQ TA is that the latter provides strategic and policy advice, often based on diagnostics that it carries out, and AFS (as with other RTACs) is responsible for implementation. This division of responsibilities works most of the time. Indeed, a large proportion of AFS TA is based on the findings of HQ led diagnostics and assessments. At times RAs may participate in such HQ-led missions, at least for part of them. The separation between HQ and AFS TA is blurred when HQ staff deliver TA funded by AFS as part of the Centre's work plan. Sometimes diagnostics might extend to providing advice and joint missions might be useful for example when HQ staff can bring specific skills or broader experience than the RA can do on her own. Rarely, the TA department may organize a mission on a subject that overlaps with the AFS work plan, in which case AFS usually amends its program.

AFS has coordinated with other non-IMF HQ programs. A joint seminar was organized with East AFRITAC and Comoros TA recipients attended an ICD regional seminar organized by Central AFRITAC. A joint FAD and AFS mission to the Swaziland Revenue Authority (SRA) assisted SRA in developing a plan for introducing self-assessment. Pursuant to the plan, the Tax Policy and Administration (TPA) TTF is providing TA on self-assessments, tax administration reorganization and integration of domestic taxes, whereas AFS TA has been focusing on VAT and compliance risk model. A number of AFS member countries are eligible for TA under the Managing Natural Resource Wealth TTF (MNRW TTF), although the main member country to benefit so far is Mozambique, which has been receiving TA on fiscal regimes, revenue administration and macro-fiscal issues related to natural resources, as well as on RSS. AFS focus has been on general taxpayer compliance.

Examples of leveraging core IMF work include: Various joint FAD and AFS missions in countries such as Comoros, Seychelles and Zimbabwe to develop action plans, PFM Act and financial regulations, respectively. Similar joint missions have taken place in other topical areas. Also, in FSS, AFS has funded an IMF HQ staff specialising on crisis management frameworks to provide TA to Bank of Mauritius.

AFS Comparative Advantage

Feedback from TA beneficiaries and development partners consistently highlight the high quality of technical advice that the Centre reliably delivers. The SC survey (Chart 5) indicates a significant majority agreeing that AFS has effectively realized the RTAC associated advantages of quicker response; stronger country ownership; linkage with IMF surveillance and TA; TA better tailored to country needs; and more flexibility. However, only a minority agreed that AFS TA is more sustainable than other donors or that AFS engages in better donor coordination. When asked to list how AFS TA differs from those of other providers, TA recipients responding to the survey highlighted comments such as: *'AFRITAC South provides unique and specialised training and technical assistance not comparable'; 'They make follow up on the recommendations that have been made by previous missions (for PFM)'; 'Highly experienced technical assistance providers'; 'The TA provides practical solutions to challenges in the topical area'; 'AFS technical assistance has program follow-ups and respects other providers of TA'; and 'They are concentrating their assistance in technical work such as risk assessment, PCA etc.'*

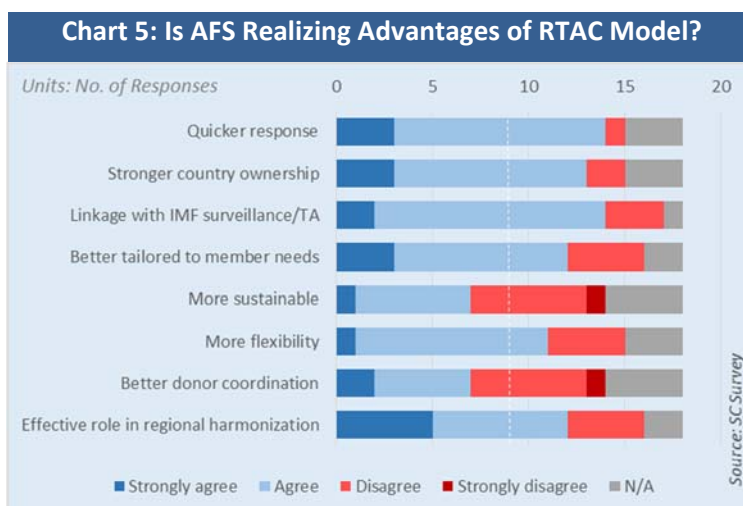
At the same time, a number of TA recipients have highlighted the fact that they see AFS as being strong in giving technical advice, but not as a partner for capacity building: *'We go to AFS for technical advice and World Bank for capacity building'.*

AFS and Donor Visibility

AFS has a systematic approach to communicating events. At the end of each SC meeting and most regional seminars, a press release is produced and posted in the IMF website. Local TV and media is invited to cover seminars, which are usually opened by a prominent high level local official or minister, or a donor representative. In addition, the CC gives interviews to local TV, radio and print media on some of his member country visits. Donors are publicised through the press releases, workshop presentations and in printed material meant for public distribution. Donor logos are not included in AFS TA reports, although the AFS logo is. Our surveys of AFS TA recipients and workshop participants and member country SC representatives found reasonable but not widespread coverage of AFS in local media.

Our surveys similarly found reasonable but not extensive penetration of awareness. With respect to seeing coverage of AFS in their local media in the past year, 8% of TA recipients and 12% of seminar participants recall seeing it once; 32% and 31% respectively more than once; and 60% and 57% not at all. With respect to awareness of who AFS donors are, 35% and 29% from the TA and seminars surveys were not aware of any; 60% and 65% of some; and 5% and 7% respectively of all the donors.

Clearly more can be done to further improve visibility of AFS and its donors, but more financial and human resources would need to be devoted to implement a more proactive, targeted strategy to achieve pre-defined objectives, should this be considered a priority.



IMPROVING DONOR VISIBILITY

High visibility is an important consideration for at least some of the AFS donors. In order to further improve on this objective, AFS should consider developing an action plan with clearly defined objectives and outcomes, in partnership with interested SC donor members. The EU Donor Visibility Guidelines could be used as a starting point for this exercise, with any gaps between current practice and the guidelines identified.

2.5 GOVERNANCE AND STEERING COMMITTEE ISSUES

The SC survey highlights broad agreement between both donor and member country representatives about AFS strategic objectives. With respect to the role of the SC, both groups agreed its main objective is to guide AFS strategy. Monitoring results was ranked second by donors (members ranked this third) and approve work plan was ranked second by member countries (donors ranked this third).

Our review of the minutes from SC meetings; discussions with SC members during our field visits; and feedback from the SC participants' survey suggests that the committee is generally effective in providing strategic direction and oversight of the Centre. The SC minutes indicate that discussions and queries are conducted at a strategic level, with participants making pertinent queries and relevant suggestions. AFS contributes to this effectiveness by providing reasonably focused reports and responding quickly to SC requests. All seven donor SC members responding agreed (although none strongly agreed) that the SC was effectively discharging its roles. Among member country representatives, eight agreed, one strongly agreed and one disagreed. We believe that the SC's effectiveness could be further enhanced by making the progress reports more focused on results achieved and barriers to implementation of TA at the intervention level. Our suggestions in this regard are provided in Section 4.4.

RECOMMENDATION 3

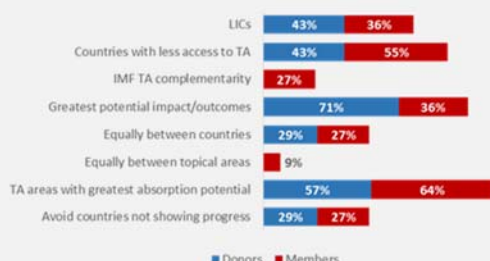
Member country representatives at the Steering Committee should be more active in coordinating and representing views from all beneficiary institutions, and support action to increase sustainability of AFS TA in their countries.

PRIORITY: high

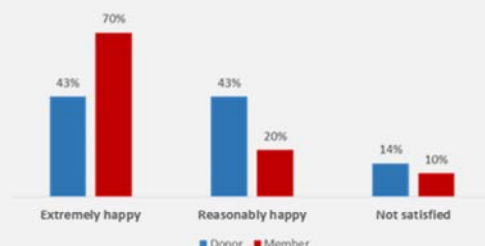
Among member country representatives, acting as a focal point between AFS and TA recipients in their country was only ranked fourth in terms of priority of roles. None of the member respondents had a formal mechanism to collate views from recipient institutions for SC representation. Our discussions during field visits suggests that other than in exceptional circumstances, informal mechanisms are not very effective, or comprehensive in coverage. When asked about whether RSS in particular is underrepresented, five out of nine member country representatives either agreed (one) or partially agreed (four). We believe that the effectiveness of SC will be further enhanced if member country representatives were more proactive in this area. AFS could facilitate this by, for example, providing in the SC agenda for each country SC member to make a five minute presentation covering highlights from each of the TA topical area within their country. In addition, consideration should be given to SC members taking steps and reporting on action to strengthen sustainability of TA across institutions in their countries. Furthermore, increased consistency of attendance at SC meetings will improve continuity and quality of discussions.

Box 1: Highlights from Steering Committee Participants' Survey

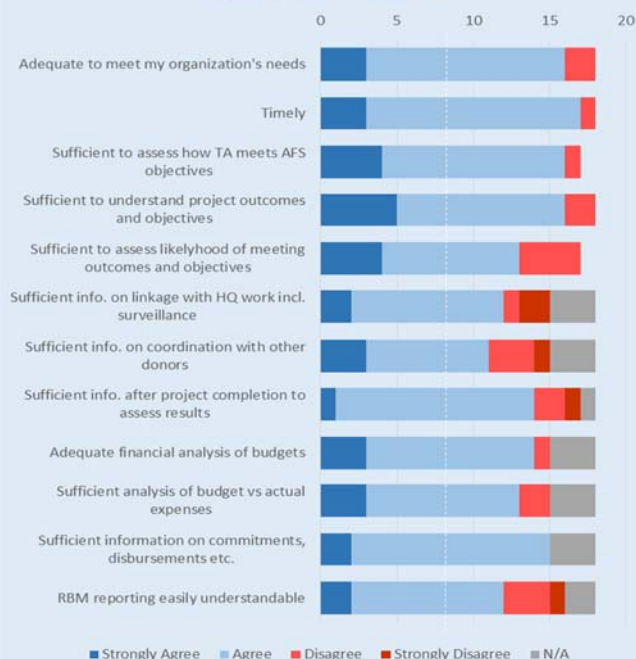
What Should be the Focus of AFS TA?



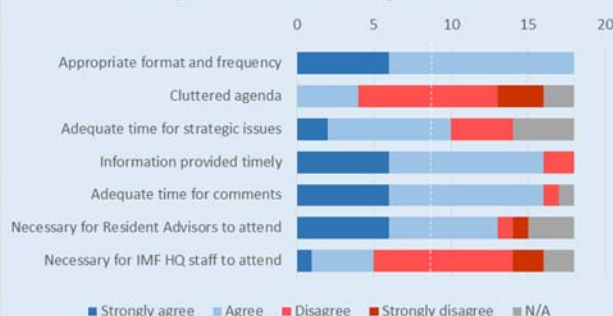
Pace of RBM Implementation



Views on AFS Reporting



Steering Committee Meeting Effectiveness



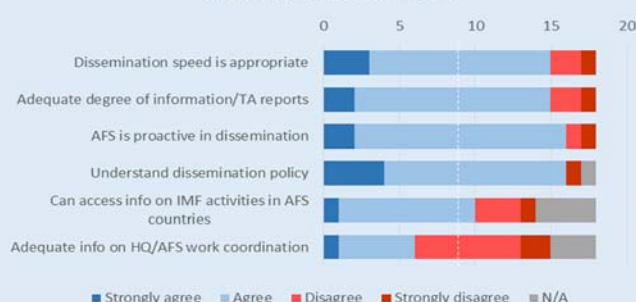
Other Findings

1. All respondents agree (14) or strongly agree (4) that AFS objectives are being realized or are likely to be realized.
2. At the same time, 7 out of the 18 respondents disagree that AFS has sufficient resources to realize its objectives.
3. All 7 donor respondents agreed (no strong agreement) and 8 member respondents agreed and one strongly agreed that the SC is effective.
4. None of the member respondents had a formal mechanism to collate views from recipient institutions for SC representation. 7 had informal ones, 2 did not have any.
5. Monitoring results of AFS work plan implementation was ranked 4 as an objective by donors and 5 by member country representatives.

Participation: 11 members, representing 9 countries; 7 donors/institutions; 74 invited

Units: Number of respondents

Views on Dissemination



3. TA SUSTAINABILITY

3.1 MANAGING RISKS RELATED TO TA OUTCOMES AND SUSTAINABILITY

Chart 6: Principal Barriers to Implementing Institutional Reform

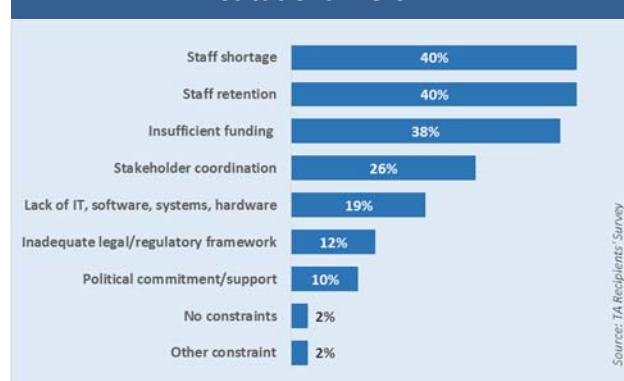


Chart 6 highlights the main barriers to implementing sustainable institutional reforms as highlighted by respondents to the TA recipients' survey. Availability and retention of staff are seen as the main constraints. This is generally the case across all topical areas, although most central banks have less problems in this regard, whilst it is particularly pronounced in institutions that are integrated into government departments. Weak institutional management is a related factor. This is often reflected in ineffective organizational structures, human resource management and coordination and planning, directly affecting sustainability of results.

Absorptive capacity of staff is often an issue, especially in less developed country environments. The problems are exacerbated when the volume of TA delivered is very intensive. Such situations also require more hands-on implementation support, which the AFS TA delivery model is not generally suited to, unless particular efforts are made in delivering more assistance through workshops and mentoring, or partnering with TA providers offering longer-term capacity building support.

Political changes, uncertainty, lack of political commitment, or inertia can also affect the sustainability of TA, in addition to impeding the achievement of outcomes. For example, training delivered may be out-of-date or staff move on if there are undue delays in passing legislation or implementing regulations. Different topical areas are additionally susceptible to particular risks to sustainability. For example RSS works with statistical agencies that are typically under-resourced. PFM is highly susceptible to political risks. Tax and customs TA often rely on making significant changes to institutions and are open to management related risks.

A number of external factors in member countries have affected AFS TA delivery during the review period. Political uncertainty in Madagascar has led to almost no TA delivery until FY 2015, and in Zimbabwe has slowed activity considerably. The 2013 elections in the latter country caused further delays in implementing projects. The attempted coup in Lesotho in August 2014 curtailed TA missions for a number of months and also negatively affected implementation. Uncertainty during the period leading up to the December 2014 elections in Mauritius slowed down progress in areas such as PFM, where legislative amendments were required. Similar issues affected Mozambique, which held elections in October 2014. AFS was able to manage its work program around the elections in Botswana and Namibia, in October and November 2014, which did not have a significant impact on TA delivery. The new Resident Representative in Zimbabwe is expected to provide additional support to AFS, especially in coordinating PFM donors.

AFS takes considerable efforts to anticipate and manage the risks faced in delivering TA, within the constraints of its remit. At the portfolio level, AFS manages risk by reducing its exposure to countries where TA results are more difficult to achieve, or anticipates events such as elections that might adversely affect TA delivery. At the project level, the diagnostics on which TA programs are based usually identify the main risks. In addition, when TA is being delivered, constraints faced such as lack of adequate staff are escalated wherever possible. In the event of legislation or regulation being delayed, efforts are often made to address bottlenecks, for example in PFM by holding sensitization workshops or escalating matters, although this is not always the case. Nevertheless, we feel that more could be done to manage the risks of non-implementation of advice in some topical areas. In some instances, in our view, more proactive involvement of IMF HQ staff in escalating matters (for example to highlight in meetings with ministers or other senior officials the implications of lack of human resources in a TA recipient institution, or delays in passing legislation or issuing regulations) might increase the prospects of achieving results, and quicker.

In addition, there is a need for AFS and IMF HQ, in partnership with SC members, to more proactively promote institutional reform, in addition to implementing technical advice, in member countries.

On regional seminars, AFS starts methodical planning and implementation a number of months in advance of the event itself to anticipate and address challenges early. Participants are also vetted. However, other than linkages to the AFS TA program, no follow-up or post seminar mentoring is explicitly incorporated in seminar designs. In our survey, 30% of seminar participants felt there was no follow-up when they might have benefited (23% indicated they were satisfied with follow-up). In addition, typically seminars are not designed to be outcome oriented and no specific results with respect to changes in participant institutions are explicitly targeted by them. 67% of respondents from the regional seminars were able to only implement less than 50% of lessons learnt during the regional seminars. We believe that the effectiveness of regional seminars, which are generally very highly regarded with respect to quality of presentations, presenters, logistics, and quality of discussions, could be further enhanced if they are designed and structured to deliver particular outcomes. This is also the case for training workshops organized by the centre, to the extent that they are not directly linked with TA projects. AFS carry out 'before' and 'after' knowledge tests of seminar participants.

More systematic compilation of lessons learnt from TA projects and regional seminars, and disseminating them internally, will also contribute to more robust TA and seminar design going forward.

3.2 BUILDING REGIONAL CAPACITY

AFS objectives include a number of initiatives to develop regional capacity in its areas of focus. These include:

- Peer to peer learning, through attachments and participation of officials in AFS missions as trainees.
- Use of local and regional consultants.

To date, peer to peer learning has taken place primarily through sharing experiences in regional seminars. The principal achievement in this area has been in customs and statistics. A Mauritius Revenue Authority (MRA) official has joined an AFS TA mission to Comoros; two officials from Comoros have been attached to MRA, with funding from Australian Agency for International Development (AusAid); AFS catalysed peer-to-peer learning between Mauritius and South Africa on fiscal risks related to SOE operations; an expert from Statistics Mauritius participated in a mission as a trainee under the AFS capacity building program; staff from the Central Statistics Office (CSO) Zambia visited the Lesotho Bureau of Statistics (BOS) to study conduct of the economic census; and Lesotho prices staff visited Swaziland to observe use of new software they were installing for the consumer price index (CPI). At the outset of the program, AFS attempted to recruit regional officials to participate in missions as trainees. However, a lack of funding and their unavailability for missions have proven to be barriers. The RAs seek out suitable candidates, but they are of an opinion that the pool of qualified candidates is very small, and are not readily available for missions. Mauritius and South African STXs are occasionally used for delivering TA. There is no explicit tracking of usage of local or SSA consultants. A number of RAs are or have been from the region, including Uganda, Zambia, Malawi and Mozambique.

TA recipients see the peer to peer initiative as being highly beneficial. However, its limited results to date has been partly a result of the lack of dedicated funding. We understand that US\$150,000 has recently been secured toward this objective. We also understand that some countries have expressed reservations about their capacity to facilitate peer learning and confidentiality of information. Such initiatives also require a combination of RA and support staff resources to proactively identify opportunities, arrange logistics develop work programs, and monitor progress and outcomes. We believe a feasibility study is needed to identify the potential non-financial barriers to candidate availability, and whether they can be overcome. Also, there is scope for recruiting

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 initiative and recruitment of regional experts in the IMF roster. This should include a wider range of candidates than practicing officials.

PRIORITY: MEDIUM

recently retired officials as experts, who are more available, and regional consultants who have experience of working with other donors. East AFRITAC's experience in this area could be drawn upon.

Support for regional training institutions have been limited to date. Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI) participants do attend AFS seminars, and in some topical areas such as FSS there is coordination between the institutions. However, there has been no concerted effort to develop capacity in national or regional training institutions. To build long-term local capacity, it is critical for AFS or ATI to develop partnerships with regional and national institutions to develop and deliver training programs. Online training delivery mechanisms could be considered to supplement face-to-face training. AFS or ATI can only reach a relatively limited number of potential trainees directly in macroeconomic and other areas of specialization.

Moreover, the training delivered by AFS is expensive, once total costs including overheads are taken into account (the cost to AFS for a typical ICD seminar is around US\$500,000). It would be impractical and not cost effective to directly reach more junior staff in ministries and public and private institutions that need high quality and practically oriented training. We believe that for the next phase AFS or ATI should develop and implement a strategy to partner with targeted regional and national institutions that can cater to a sub-region, to develop channels for indirect delivery of training in their core specialisms. Central AFRITAC has plans for partnering with a national university that caters for some of its member countries to develop a curriculum in public finance.

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.

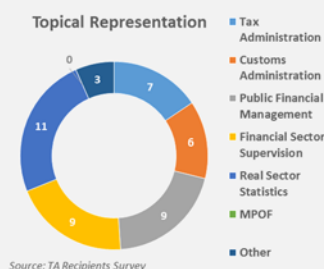
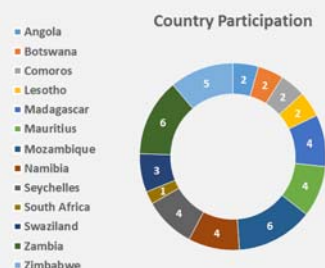
PRIORITY: MEDIUM

3.3 BUILDING SUSTAINABLE INSTITUTIONAL CAPACITY AT TA RECIPIENTS

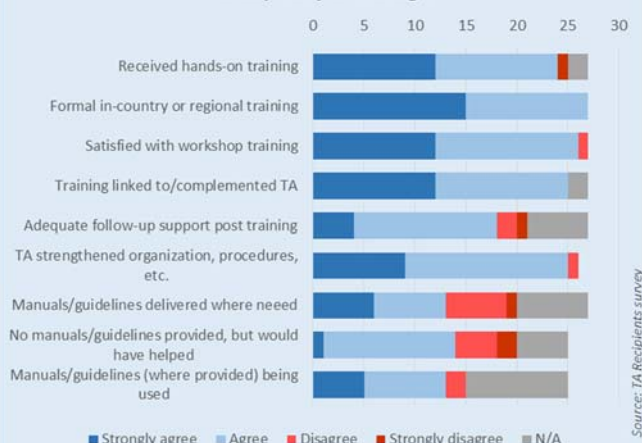
It is too early in the program's cycle to assess the degree to which AFS is developing capacity in TA recipient institutions on a sustainable basis. The PFM program has generally been at the stage of passing legislation and regulations in most countries, and the training focus has been on building capacity among staff in understanding the provisions and issues relating to implementation. Although some institution-focused work has been undertaken, the main thrust of this activity is expected to build up in the second half of the current cycle and be continued in the next phases. FSS has provided limited capacity building TA in some target areas, for example on implementing Basel II in Zambia, but long-term institutional capacity building work, such as on implementing risk based supervision in Comoros, is likely to take a number of years. We understand that changes in practices have taken place in some customs administration areas, but the limited resources devoted to each project presents risks in this area. In tax, our review suggests that limited capacity building has taken place in a number of projects we reviewed, including those relating to the establishment of large taxpayer units and on compliance management. In RSS, although outcomes have been achieved, it has at times required significant hands-on AFS support and the general under-resourcing of statistics units presents risks to the achievements being sustained.

We have highlighted in various sections of this report the need to complement the very high quality of technical advice provided by AFS with increased emphasis on proactive steps to increase sustainability of results, including: using a combination of coordinated TA delivery modalities; engaging with recipient government and institution management at different levels, in partnership with IMF HQ and other donors, to ensure allocation of appropriate resources; greater and more defined role for SC representatives from member countries in this area; more proactive engagement with donors with the capacity to provide sustained capacity building support; and taking into account the absorptive capacity of staff in host institutions when designing and implementing TA programs.

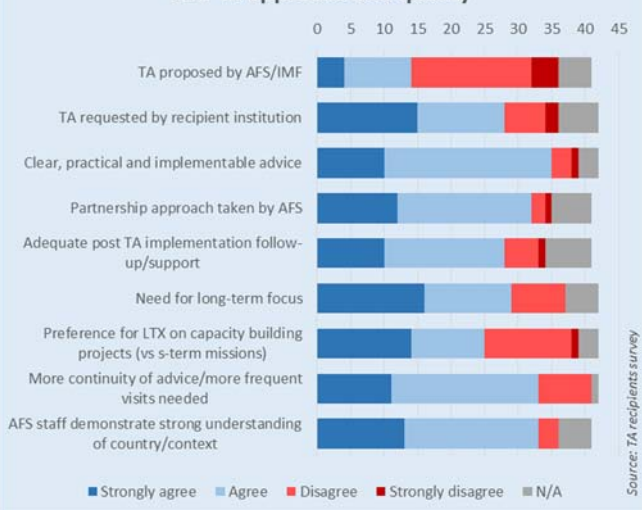
Box 2: Highlights from TA Recipients Survey



AFS Capacity Building TA



AFS TA approach and quality



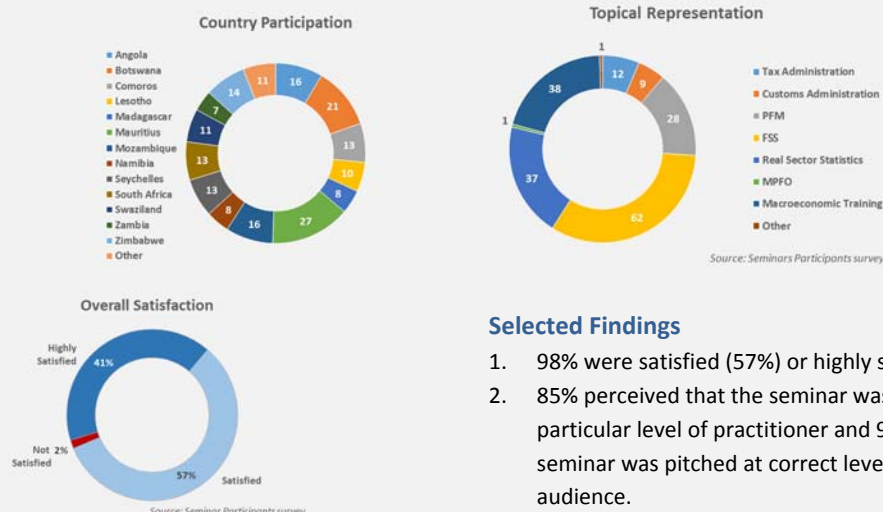
Selected Findings

- 90% strongly agree/agree AFS TA being delivered in context of wider strategy and addressing priority.
- 68% of respondents receiving TA from IMF. 93% agree/strongly agree AFS/IMF TA is well coordinated.
- 72% receiving TA from other donor(s). All agree that AFS has taken steps to ensure complementarity (3% N/A). Nevertheless, 36% say there are other donors in their topical area and no coordination with AFS work. 12% did not feel that AFS proactively sought out other donors.
- 10% disagreed that AFS RA was actively monitoring implementation of advice.
- Generally strong positive views on quality/appropriateness of TA for diagnostics/strategy, legal/regulatory and capacity building TA. However, c35% of respondents felt they should have been given manuals/guidelines. 25% felt there was insufficient training to support TA.
- 71% of respondents receive TA from IMF as well. 93% strongly agreed (40%) or agreed (53%) that AFS/IMF TA was well coordinated.
- 13% of those opining felt that there was no post mission monitoring of TA implementation. 29% did not know.
- 21% indicate no collaboration with AFS on RBM and 39% have had no involvement in setting RBM targets.
- 88% have improved working practices and 80% have increased efficiency since receiving AFS TA. 71% indicate improvements are measurable, but only 43% indicate improvements have been verified.
- 60% have not seen coverage of AFS activities in local press/media in past year and 35% can't name any AFS donor.

Units: Numbers of respondents, except where stated as %

Response Rate: 45/147 (31%)

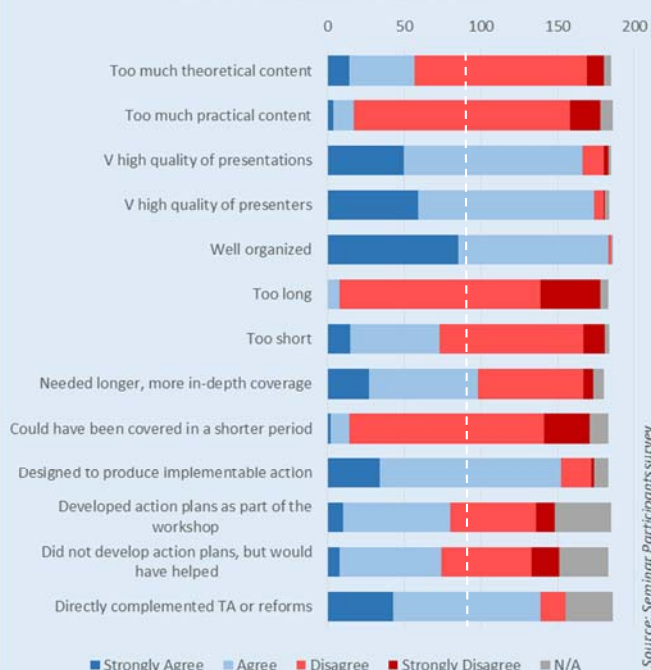
Box 3: Highlights of Regional Seminars Participants Survey



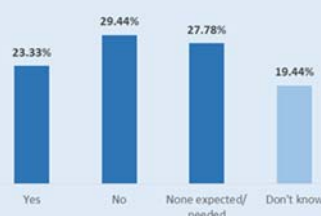
Selected Findings

- 98% were satisfied (57%) or highly satisfied (41%).
- 85% perceived that the seminar was focused at a particular level of practitioner and 96% felt that seminar was pitched at correct level given target audience.
- 76% receiving TA from IMF/AFS or another donor in same topical area.
- Top 3 benefits of seminar:
 - Theoretical/practical knowledge (72%)
 - Learning things I can apply (67%)
 - International best practice awareness (66%).
- 91% strongly agreed (31%) or agreed that the seminar helped them better perform at their work. 4% disagreed or strongly disagreed (5% didn't know).
- 67% of respondents have implemented less than 50% of lessons learned in the seminars. Main barriers to implementation:
 - Dependence on others to take decisions (47%)
 - Lack of budget/financial resources (35%)
 - Not relevant for organization (17%).
68% thought lessons might be implementable sometime in the future.
- 57% have not seen any AFS media coverage in their country the past year and 29% can't name any of AFS donors.

Overall Feedback on Seminars



Post-Seminar AFS Follow-up on Implementation



% of Seminar Lessons Implemented



Units: Numbers of respondents, except where stated as %

Response Rate: 188/578 (33%)

4. ASSESSMENT OF AFS OPERATIONS AND FINANCES

4.1 OVERVIEW OF AFS OPERATIONS

AFS is managed highly effectively and efficiently at the Centre level. The team of seven local office, administration and support staff is of high quality and provides considerable support to the CC and RAs in logistical and administration matters, leaving them to focus on strategy, coordination and TA and workshop delivery. The QuickBooks accounting system provides sufficiently tailored information to effectively track local expenses. The planning and implementation process for TA missions and regional seminars is extensive, methodical, robust and very effectively implemented. Internal management reporting is well designed and the operations of the Centre are well monitored and managed.

Impact of IMF HQ Systems and Processes

The integration of AFS systems and processes with those of IMF HQ nevertheless contribute to weaknesses in the Centre's operations. IMF IT systems are fragmented, and are presently not suitable for establishing and monitoring of budgets at the individual project level. Additionally, the Centre controls only a small proportion of budget, mainly related to local expenses and regional seminars, with AFR, TA Departments and ICD directly responsible for different expenditure lines. The CC does monitor the overall AFS budget and charges, and makes enquiries and request appropriate action to address any problems. The accounts are compiled on a mixture of cash and accrual basis, thereby making it difficult to ascertain the correct expense levels during the year. The lack of integration between the AFS accounting system and that of HQ results in duplication of effort. The systems related shortcomings are exacerbated by process related inefficiencies. For example, the different TA departments have often divergent processes and rules for hiring RAs and STXs; travel authorization, clearance and documentation; approval of documents; circulation lists; documentation and knowledge management; etc. Finally, there are major financial reporting IT projects being implemented at HQ at present, which will take priority over the next 18 months.

Various efforts are being made by HQ departments to standardize processes. For example, in January 2015 MCM simplified approval processes for *pro forma* travel requests and briefing documents. Nevertheless, numerous other inconsistencies remain. We understand that a number of HQ IT projects are currently being undertaken aimed addressing the shortcomings of the current systems.

A key constraint in securing sufficiently detailed information is that at present, each of the RTACs is seen as a 'project' from the IMF perspective, and HQ systems have limited capacity to analyse sub-RTAC level information. For example, one HQ IT initiative, Clarity, is particularly relevant. One of its aims is integrating the qualitative TA related information, as will be contained in the New Fund-wide RBM system, with TA related expenditure Fund-wide, including the RTACs. Its design is currently being finalized. However, there is a debate on whether for each RTAC, the financial information should be disaggregated to country-level TA expenditure and whether the details captured should go beyond aggregation at a topical level, i.e., not capture financial information related to individual TA projects and workshops within each RTAC. We believe both items of information are critical to effectively monitor TA cost effectiveness and resource allocation to individual AFS member countries.

RECOMMENDATION 6

We recommend that IMF should design the proposed HQ 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 that disaggregated data for countries as well as individual TA projects and workshops is available.

PRIORITY: HIGH

4.2 COMMENTS ON THE RESULTS BASED MANAGEMENT SYSTEM AT AFS

Out of the seven donor respondents in the SC participants' survey, six indicated they were reasonably or extremely happy with the pace of RBM implementation. Seven out of ten member country respondents were extremely happy and two reasonably happy in this regard. There was also a strong positive response with respect to RBM-related reporting generally, with member country respondents being more positive than donors. Nevertheless, the following survey feedback is notable: a) two out of seven (29%) donor respondents disagreed with the statement that they get sufficient information to assess what the outcomes and objectives of individual projects are; and b) three out of six donor respondents (50%) did not feel they could assess the likelihood of achieving the objectives and outcomes of a project.

Our review of the AFS RBM system suggests that it is one of the more developed among the RTACs. We believe that the effectiveness of TA management and reporting under RBM could be further enhanced by addressing the areas highlighted below:

Refining Milestones

Table 1: Analysis of Reported Milestone Status FY 2013 and FY 2014									
	Met (MT)	Good Progress (GP)	Postponed (PP)	No Progress (NP)	Cancelled (CA)	Total	Activity/ Outputs	Approvals/ Adoptions	Implement- action
PFM	29	34	16	-	3	82	45	33	4
RA-T	25	12	4	4	4	49	30	3	16
RA-C	17	23	4	1	-	45	13	1	31
FSS	30	1	7	-	3	41	33	7	1
RSS	19	14	10	-	-	43	17	-	26
MPFO	7	-	-	-	-	7	6	-	1
	127	84	41	5	10	267	144	44	79
Activity/ Outputs	84	32	21	2	5	144	Source: AFS Annual Reports		
Approvals/ Adoptions	18	15	8	-	3	44			
Implementation	25	37	12	3	2	79			

Milestones are a relatively unique construct to IMF and have been defined by the IMF RBM Working Group as *time-bound steps toward achieving an outcome*. Table 1 above highlights the following:

- Milestones are attached to a mix of activities (e.g. advice given on improving performance), outputs (e.g., developing a guideline), approval-related outcomes (e.g., cabinet approval of guidelines), or are implementation-related (authorities undertake pilot supervision). A significant proportion of FSS milestones were related to agreeing TA work plans. Also, of the 41 FSS milestones, 33 related to activities or outputs. Whereas for RSS, of the 43 milestones, 17 related to outputs, and 26 were implementation related. Clearly some milestones (for example, activity based) are easier to achieve than say the implementation related ones. The table suggests that while 58% of output or activity related milestones had been met, 41% were approval related and only 32% were implementation oriented. When reporting on milestones, it would be helpful to distinguish between output and activity related ones from those that associated with outcomes. Additionally, more consistent definition of milestones between topical areas would improve comparability.
- A significant number of milestones (31%) are categorized as showing good progress. The definition of good progress could be subjective. More importantly, a milestone could be defined as showing good progress because it is on track and was not expected to be met in the current year, or it was expected to be met in the current year, but has been delayed. For example, of the 31 milestones set for FY 2015 and FY 2016, for PFM 17 have been brought forward from previous years.

Some of the latter were expected to be met in an earlier period, whereas others are progressing in line with expectations. This makes it difficult to assess progress against expectations. Ideally all projects should have at least one milestone, preferably two, which are expected to be met in any year to provide meaningful indicators of progress. Project level TA implementation plans would be a good source for setting such milestones.

- Although (subject to the issues highlighted above) milestones provide an indication of progress against expectations to date, it is difficult to assess what other milestones are required to be met in the future, and whether it is feasible for them to be met within a given timescale and available resources, in order for final outcomes to be achieved. This issue is made more complicated by the fact that some milestones have been established at a level of achievement beyond a targeted outcome (e.g., a change in Public Expenditure and Financial Accountability (PEFA) score). We believe that for multi-year projects, a simplified results chain should be developed that provide all key milestones and their expected achievement dates in future periods until the targeted outcome is realized.

Strengthening Linkage between Individual TA Interventions and Topical Outcome Targets

At present, the linkage between specific TA interventions and achievement of outcomes at the topical logframe level is not always clear. The linkage is more apparent in areas such as PFM, where in most countries there are coordinated multi-year programs targeting specific PEFA scores. However, for some other topical areas, such as FSS and tax, where the TA portfolio includes a large proportion of one or two mission TA interventions, the linkage is weaker. In most cases small scale TA interventions, if successful, will only contribute at the margin to achievement of topical logframe outcomes. For example, in FSS, the passing of a specific regulation or legislation is unlikely to improve compliance with Basel Core Principles for Banking Supervision (BCPs) without the necessary capacity to implement them. We believe that in such cases lower level outcomes should be defined, either by way of milestones or otherwise, and their achievement monitored. A country may achieve a topical area target outcome despite not implementing AFS TA. Establishing outcomes at intervention levels will better enable AFS to report on the level and nature of its contribution to that outcome based on results, rather than activity.

Operationalizing the RBM

At present, RBM is used primarily as a reporting tool, and for monitoring progress of projects at a relatively high level. Setting milestones based on targets for individual TA interventions, and developing outcomes tailored to them will enable RAs to use the framework for more day to day monitoring of TA and as a tool to take project-related decisions. A critical element of this is ownership of milestones and outcomes by recipient institutions. Ultimately they will need to implement action within the timescales envisaged to deliver the targeted results. It is important, therefore, that TA recipients are engaged more actively in setting RBM targets. 14 out of 18 respondents in our TA recipients' survey disagreed or strongly disagreed with the statement that they had been asked by AFS to collaborate on setting RBM targets for their institutions.

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

Improving Definition of Indicators in Topical Logframes

A review of the topical logframes suggest that in a number of instances the definition of indicators for outcomes could be made more relevant, complete or more measurable. For example, AFS is already reconsidering the relevance of tax to GDP ratio as an indicator for AFS tax and customs performance given the many other factors that can have a more pronounced impact on the indicator, at least in the short-term. Example of some other similar cases are: a) seminars listed as indicators of outcomes in a number of cases; b) for customs, an indicator for 'more effective and efficient organizational structures' is given as 'increased number of countries where customs relies on post-clearance'. This indicator does not capture all the targeted areas of intervention within this outcome, which includes improving training capacity, risk management, excise, etc.; and c) consideration should be given to establishing results oriented outcomes (perhaps as a supplement to feedback score targets)

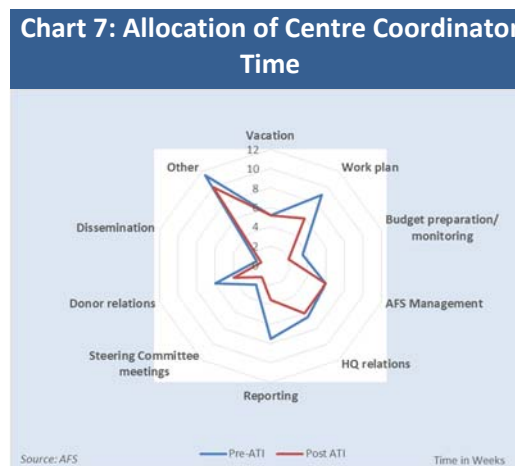
for regional seminars, e.g., x% of participants implement y% of lessons within 1 year. AFS has highlighted that their 'before' and 'after' knowledge tests of seminar participants provide some objective indication of success.

IMF has indicated that any revision of the AFS RBM framework should be coordinated with and be consistent with the RBM framework being developed at the IMF.

4.3 IMPLICATIONS OF SHARED MANAGEMENT WITH ATI

The agreement between ATI and AFS provides for the CC to spend up to one-third of his time on ATI management. The latter compensates AFS for the CC time by funding a local assistant economist to undertake some of the work the CC would have undertaken were he to exclusively focus on AFS. In addition, AFS and ATI share premises and training facilities, providing savings in cost for both programs.

Chart 7 shows the allocation of CC time before and after the implementation of the shared management arrangement. It is evident that he is now less engaged in more administrative issues, such as reporting, development of the work plan and budget preparation and monitoring. Around 20% of the economist's time was spent on supporting the CC in developing the 2015 work program, and an additional 20% on the 2014 annual report. In areas such as the IMF extranet, issues such as security are considered important, and the economist has taken on a bulk of the tasks relating to designing and testing of protocols under the supervision of the CC, activities that could not have been delegated to an assistant.



We have not encountered any evidence of the program's effectiveness or efficiency being impaired since the arrangement started in 2013. The cost savings arising from sharing facilities and closer integration of TA and training are clearly positive outcomes. Nevertheless, it is difficult to establish whether the CC might have been able to develop and support more proactive strategic initiatives were he focused full time on AFS. We believe that the activities currently delegated to the economist should not have been undertaken by the CC in the first instance.

4.4 OTHER OPERATIONAL ISSUES

Reporting

AFS annual reports are of very high quality, and have been improving over the last three years. The recent addition of country based reporting is an important development. Subject to our earlier comments in Section 4.2, the use of milestones provide readers a good understanding of progress being made in AFS activities. The narratives relating to impact, progress toward topical outcomes and generally focused presentation of important issues all contribute to the reports' effectiveness. We believe that if the matters relating to RBM highlighted above are addressed, then readers would get a more complete picture of the key issues facing the program. In particular, for both the topical objectives and shorter term interventions, further focused explanations for the gap between outcomes and achievements, and their underlying reasons, could enhance the report. Substantiation of comments such as 'good progress' with the basis of those judgements (for example actual progress vs expectations at that point) would provide more clarity. AFS could provide more analysis of the annual financial budgets vs actuals of the program, and the principal reasons for variances in cost categories. Finally, AFS might develop some program level Key Performance Indicators (KPIs), for example, ratios of RA: STX usage, cancellation of mission rates, backstopping ratios and outputs vs effort that would complement milestones and enable comparison between the performance of topical areas, and of topics and the program over time. These KPIs would provide some indications of the

RECOMMENDATION 8

AFS should strengthen further its reporting by emphasizing results, providing more financial analysis, key performance indicators and preparing a completion report at the end of the current phase.

PRIORITY: HIGH

program's efficiency until fully integrated financial and qualitative project information is available. AFS believe these indicators should be implemented for all RTACs and IT systems should generate them automatically.

AFS should also consider producing a program completion report at the end of the current phase, *inter alia* highlighting achievements compared with original and revised objectives. The completion report would serve two key objectives: a) as an accountability document for AFS stakeholders that sets out the results achieved during the phase and the resources invested; and b) as an internal knowledge tool that documents the lessons learnt.

TA Delivery Modality

In our view, the AFS maximum two week per mission TA delivery mode is not always effective, especially for interventions aimed at building capacity. A combination of technical advice, workshops, hands-on coaching with practical cases and remote mentoring is sometime needed to ensure the client institution can effectively implement the advice provided. The short-term mission focused approach does suit some institutions, which appreciate the advantages of being able to implement advice themselves, thereby ensuring more self-dependence. However, a larger proportion of TA recipients, especially those with lower capacity, have indicated that a more flexible TA approach would benefit them. In our TA recipients' survey, 79% of respondents expressed a preference for more frequent TA and 59% preferred longer duration missions for capacity building projects.

Whilst the current AFS approach of partnering with other donors for long-term capacity building is effective, we believe that there is considerable scope for deploying a flexible approach in cases that may not need a long-term resident advisor, or where one may not be immediately available. This could be done for example by extending missions, or implementing TA through a mixture of more frequent missions and remote mentoring. The current MPFO Forecasting and Monetary Policy Analysis (FPAS) project in Mozambique presents a relevant alternative approach (although we have reservations about the magnitude of resources being deployed in that project).

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

Backstopping

Backstopping is considered a critical component of IMF and AFS TA delivery, and underpins their reputation for quality. The usually rigorous quality control process ensures that the final advice delivered is consistent with IMF policy, draws on relevant experience from other countries and is technically robust. This is particularly pertinent where RAs have limited previous IMF experience. In the period FY 2012 to FY 2014 backstopping was budgeted at 16% of RA and STX salary costs. The outturn has been significantly lower, at 6.8%. For FAD topical areas, this has averaged 5.4%; for STA it has been 6.8%; and for MCM it was 13.4%. A number of factors including underreporting of actual budgeted costs, and lower than anticipated need for backstopping, are contributors. For example, the presence of an experienced member of IMF staff as the senior PFM RA, who has mentored others, has reduced the need for HQ backstopping in that topical area.

Our overall assessment of backstopping is that it does contribute to high quality of TA and consistency of technical advice across countries. Given the very limited direct interaction and knowledge sharing among RTACs, perhaps backstoppers can play a more proactive role in ensuring that knowledge of TA and workshop delivery approaches in different RTACs are drawn upon for more effective project design and approach.

Document Management

AFS maintains an archival system for TA reports, mission documents and workshop material, based on TAIMS. The document tracking system is kept up to date and its status reported on monthly. The system is easy to use, works effectively, and the CC, RAs and office staff use it as needed. RAs also keep documentation for their areas in their hard drives. At the moment, given the relatively fragmented nature of systems in IMF and therefore RTACs, the archive is not integrated with the AFS project management system. The low turnover of RAs, and the relatively long continuity of HQ backstoppers also facilitates retention of institutional memory.

Dissemination

The IMF now has an established dissemination policy of sharing TA reports with persons with legitimate interest on the basis of no objection from TA beneficiary after 60 days of the report being finalized, or positive consent before that. At times finalization of reports can take a number of weeks after a mission, and a further 60 days after that can be seen as taking too long, especially by donors active in the relevant topical area. RAs typically brief interested local representatives of donor SC members and other TA providers active in the area at the end of their mission.

Our SC participants' survey suggests that although there was overall satisfaction with the speed of dissemination (15 out of 18 respondents were happy), among the donor SC members surveyed half disagreed or strongly disagreed that the dissemination speed was appropriate. There were similar levels of dissatisfaction among them in respect of the number of TA reports made available, although less so on AFS proactivity in dissemination. A majority of donors felt they had inadequate information about IMF HQ and AFS coordination. All donors indicated that they understood the current rules, so the dissatisfaction is with the dissemination policy rather than its implementation. The survey findings are consistent with those gathered during our field trips.

We believe that AFS can do little more in this area than it does already. It can perhaps request positive approval for dissemination before the 60 day period where possible (we understand that it does so already in case of pressing need). In addition, it can explore options for being more proactive with information on availability of reports to interested parties. For example, users could be prompted to use the document alert function in the extranet, which emails prompts when documents in a topical area are uploaded. Major changes to policy will require negotiation between IMF and donors.

Impact of Heterogeneous Languages

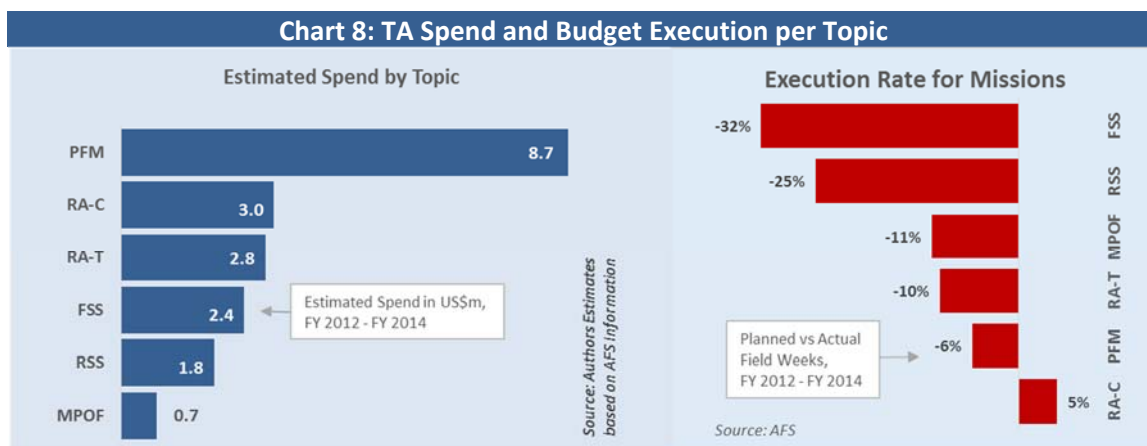
AFS is unique among RTACs in that it caters to member countries with three languages. The Centre disseminates translated versions of mission reports to beneficiary authorities. AFS relies on the IMF Technology and General Services Group (TGS) to contract equipment and interpreters/translators. AFS regional seminars provide for simultaneous interpretation in Portuguese and French, although ICD-run seminars, which extend to two weeks, are delivered in English only for cost reasons. AFS has also recently purchased simultaneous interpretation equipment, in partnership with ATI, to save on rental costs. Organizers aim to disseminate translated seminar materials in advance to enable interpreters to familiarize themselves with terminology but this is not always done due to time pressures.

AFS typically engages experts with relevant language ability when delivering TA to non-English speaking members. In some instances, this may have caused delays in missions. In particular cases, as for statistics in Angola, interpreters are engaged. For some missions to Mozambique (e.g. in RSS and MPFO) interpreters are not considered necessary. SC reports are translated into French and Portuguese, and in some cases, this may lead to some non-English speaking SC members being disadvantaged because they have less time to review materials. AFS also facilitated the participation of two individuals from Comoros in a French ICD seminar organized by Central AFRITAC.

We consider that AFS manages language related issues effectively, with an approach that provides a reasonable balance between cost and need.

Review of Selected Efficiency-Related Indicators

Given the lack of integration between TA and workshop activities and financial records, it is not possible to determine cost of projects accurately. The relatively unique RTAC TA delivery model, whereby TA management and delivery is not clearly delineated, also presents challenges in separating TA delivery from overhead costs. Other accounting practices, for example not separating STX fees and travel costs and only reporting their in-mission time, additionally makes analysis difficult.



Based on available financial information, including travel, we determined that the average costs were: For RAs: US\$19,600 per week of field TA delivery; STXs: US\$11,800; and HQ staff US\$12,900. Once all costs (other than direct seminar costs) are allocated, the equivalent figures are US\$27,000, US\$19,200 and US\$20,300. These are not equivalent to, say, cost of TA or workshop per week, as time is spent outside the field in preparation and report writing. Nevertheless the effect of AFS' subscale operation in the first year, and in particular the general impact of lower than budgeted execution are highlighted by the AFS average cost per field week⁷: The average for FY 2012 to FY 2014 was US\$22,000; for FY 2012 the equivalent was US\$25,600; for FY 2013 this fell to US\$18,800 (partly because utilization rate was 98%); and in FY 2014 this rose to US\$23,100. As indicated in Recommendation 8, we believe KPIs such as these should be monitored and reported upon, and variations explained, to provide a fuller picture of AFS performance. Providing more information in the ICD budget monitoring reports, which we believe should be possible with the Fund's current accounting systems, will enable such reporting to be done more effectively. The actual costs for RAs and average costs per week of STX and HQ staff were used to estimate the cost of TA delivery per topic, excluding direct workshop costs, as shown in Chart 8.

Chart 8 also highlights the gap between actual and budgeted allocation of RA, STX and HQ resources by topical area for FY 2012 – FY 2014. Over the period actual TA delivered in the field was 32% lower than budgeted for FSS and 25% for RSS. The gap is a result of a combination of mission cancellations and postponements. A proportion of the missions in the gap, i.e., that were attributable to postponements will be undertaken in future periods. In FSS, some cancellations reflected the re-prioritization by the authorities (e.g., Mauritius). Some continued postponements occurred for Angola and Botswana. Based on previous HQ work (Botswana) and Financial Sector Assessment Program (FSAP) (Angola), AFS has been pro-actively discussing possible avenues for engagement. In RSS, postponements were mainly explained by delays in implementing advice of previous missions, or the non-availability of critical data to start the mission. The majority of the postponed missions were subsequently implemented, and are therefore included in the gap between actual and budget.

⁷ Total actual cost for year, less direct seminar costs, divided by total person weeks of TA and workshop delivery.

Online Survey Facility

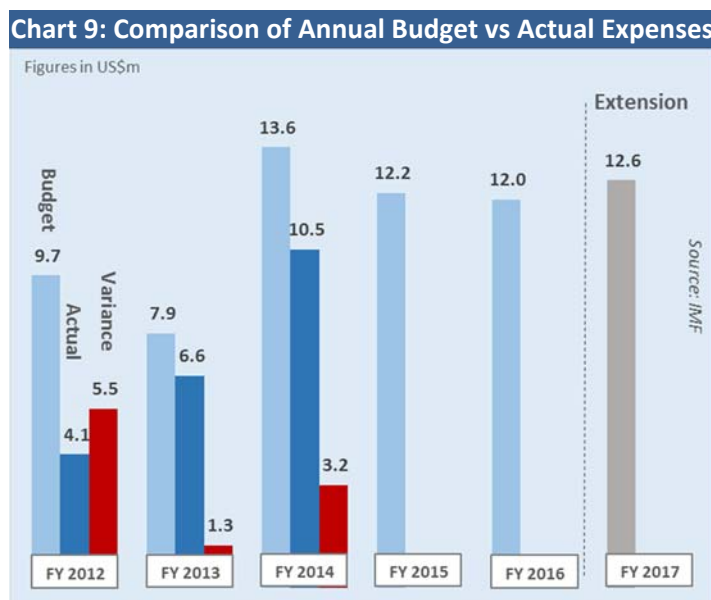
IMF requires independent evaluators to use the online survey services of a particular company, which has been security vetted. The cost of using this survey software, at US\$4,000, is significantly higher than the services available from other companies that we have used for previous evaluations (US\$150). The license fees charged for this evaluation were also higher than that charged to other customers (we had separately received a quote of US\$2,500). In addition, the service malfunctioned during the course of this evaluation, leading to delays and additional costs. The response rate for the surveys also suffered. Support received was poor. We strongly suggest IMF vets and approves alternative online survey providers and enables more cost effective and reliable evaluations to be undertaken by at least providing a choice.

4.5 REVIEW OF FINANCIAL ISSUES

Program Budget Management

Between the commencement of the program and the end of FY 2014, AFS had spent US\$21.2 million against a budget of US\$31.2 million, i.e., 68% of its budget.

The first phase of the AFS program started with a five-year budget of US\$59 million. By October 2011, it had received pledges of US\$38 million, and started with a working budget of US\$40 million. Six instead of eight RAs were hired, and the allocations for STXs and regional seminars were lower than that had been envisaged. By November 2012, the total pledged had increased to US\$46 million, and IMF was in advanced discussion with the EU for another €5 million of funding. The amount pledged increased to US\$48 million by February, and the revised target of US\$58 million had been reached by April 2014. Chart 9 highlights that during this period, reflecting IMF policy of budgeting based on pledges already received, the annual budget of US\$9.6 million in FY 2012 (incorporating US\$1.7 million of set up costs); reduced to US\$7.9 million in FY 2013; increased to US\$13.6 million in FY 2014; and has fallen to US\$12.2 million in FY 2015, reflecting actual spending experience; and is expected to stay at a similar level, increasing marginally to US\$12.7 million in FY 2017, an extended year of the program.



The need for such a rapid scaling up and the extension of the program by an additional year have been contributed to by two factors:

- The practice at the onset of a program of setting annual budgets for the entire program based on pledges received and on the assumption that no further funds will be raised. This inevitably leads to programs starting sub-scale. An approach to address this problem, whilst preventing over-commitment, might be to assume that the program that has raised lower than anticipated funds at the cycle's outset will run for a shorter time, say for a minimum of four years, and extending the program's planning horizon to the full five years once the outstanding funds are committed. Essentially this implies allocating shortfalls in commitments to the end of the program, rather than throughout its life.

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 includes allocating temporary shortfalls in commitments to the back end of the program and developing rolling annual budgets.

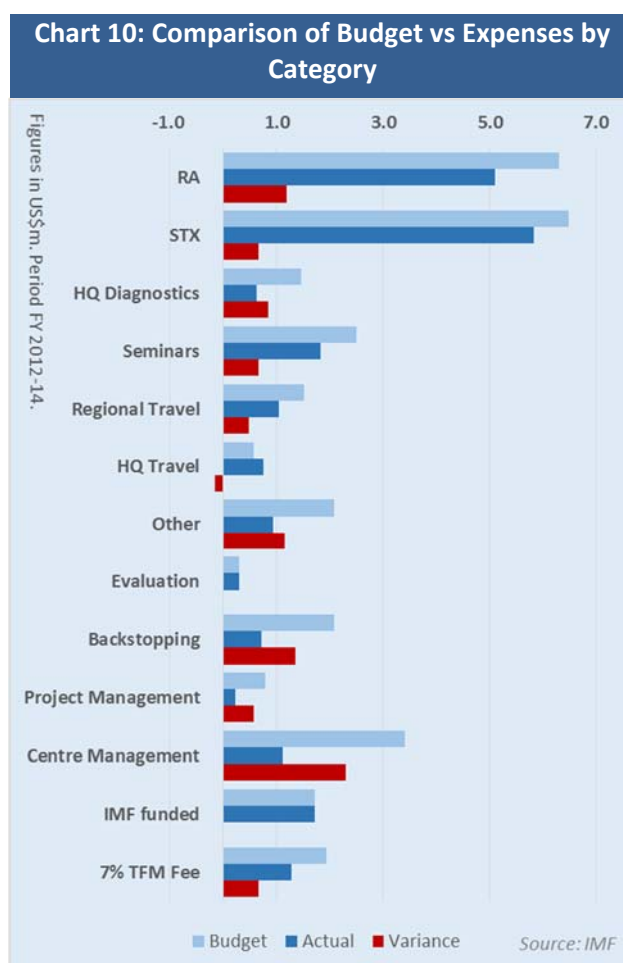
PRIORITY: MEDIUM

- No account appears to have been taken of the significant underspends on budgets in the first two years of almost US\$7 million (underspend in the first three years amounted to US\$10 million, i.e., equivalent to one year of the original budget). If they had been considered, the target for fundraising could have been lowered and the program scaled up gradually to the originally targeted level of capacity.

AFS will be operating in its final three years with annual budgets that are between 20% and 25% above that anticipated in the program document, the disadvantages are that: a) it was operating at a suboptimal scale in the first two years, incurring disproportionate overheads; b) the rapid scaling up of operations poses risks, for example in potentially testing absorptive capacity of some TA recipients; c) the extension of TA by one year also means that higher than originally envisaged overheads will need to be absorbed; and d) the fact that AFS will be operating at an annual budget level of US\$12-12.5 million in the last three years would mean that unless 20-25% more funds that were targeted during Phase I are raised for the second phase, the program will have to cut back operations significantly in that period, potentially disrupting TA operations.

Expenses by Category and Comparison with Budget

RA and STX related expenses account for the two largest categories of spend. Together with HQ diagnostics, these are considered field TA provider costs and in FY 2014 accounted for 55% of the annual budget. Travel, seminars and backstopping, also classified as TA delivery costs, accounted for a further 24%. Backstopping can be considered as a mixture of TA delivery and related HQ support costs as it provides direct input to TA advice (such as technical comments on TA reports, legislation, etc.), as well as support activities such as identification, vetting and hiring of experts; preparation of terms of reference; preparing or reviewing other project related documentation including back to office reports; briefing of experts; discussions with area departments on TA priorities for experts; and evaluation of TA and experts. IMF does not consider these support activities included in backstopping as being part of project management. For other donors, where project management and TA delivery activities are more clearly delineated, such TA support activities would be classified as project overheads. IMF has a separate definition of project management, which relates to activities that: a) provide general oversight of RTAC TA; and b) facilitate the work of the experts so that they can focus on their technical work (e.g. activities concerned with administrative support, contract administration, security clearances, visas, etc.).



Centre related costs including local staff, facilities and CC (whose costs are contributed to AFS by IMF) amounted to 12%, IMF Trust Fund Fee 7% and the balance, mainly project management related 2%. Overheads therefore account for 21% of program costs, including activities classified by IMF as project management, which is reasonable. If a broader definition of overheads comparable with the approach adopted by other donors is applied, this ratio would be higher. Moreover, as highlighted before, costs such as those for RAs are fixed and underutilization of their time, for example due to mission cancellations and postponements to a subsequent period, can increase the proportion of overheads compared with total program costs.

Chart 10 highlights the above expense categories and compares budget and actual expenses between the start of the AFS program and the end of FY 2014. Other than HQ travel, all budget lines show underspends. Of the total US\$10 million underspent over the period, centre management accounted for the largest, with an underspend of US\$2.3 million. US\$1 million of this related to variances on local staff costs and US\$1.3 million on lower than expected facilities costs. RA costs accounted for the next largest category of underspend, amounting to US\$1.2 million. This principally related to unfilled positions. IMF HQ costs recharged to AFS related to project management, backstopping and HQ diagnostics together accounted for underspends of US\$2.8 million. It is not possible to ascertain the extent to which these underspends related to lower than expected activities, or under-recording of activities. As highlighted before, the change in budgeting from FY 2015 onwards, which will see revision of budgets based on actual spends of previous periods, should reduce the gap between budget and actual expenses.

Cost-Effectiveness

In the absence of project and total workshop-related breakdown of costs, including appropriate allocation of overheads, it is not possible to accurately determine the cost effectiveness of the program. Moreover, the relatively unique RTAC model of TA delivery makes it difficult to compare AFS performance with those of other programs, especially in relation to overhead and management costs.

Nevertheless, our assessment of the TA delivered suggests that AFS RAs and STXs achieve significantly more in a given time period compared to other donors, especially in delivering technical advice in the field. Additionally, the IMF relationship and brand association brings to AFS TA a number of advantages not necessarily available to other donor programs, including:

- Access to the latest know-how on technical issues in the topical areas, based on high quality research and analysis of developments across the world.
- Ability to attract high quality practitioners who would not be readily available for other donor projects.
- Ability to engage with senior decision-makers.
- Direct linkage of TA with IMF programs in selected countries.
- The added weight that AFS advice carries through its association with the IMF brand, increasing the likelihood of implementation.
- Although it is not necessarily being exploited to its full potential as highlighted in the report, the ability of other donors to leverage AFS technical advice for their often much larger programs.

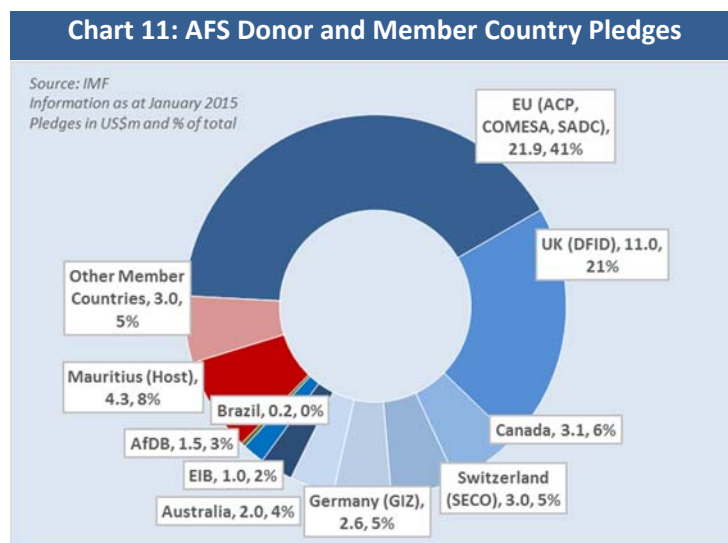
A 2012 evaluation of the cost effectiveness of the Caribbean Regional Technical Assistance Centre (CARTAC)⁸ concluded that *'CARTAC's overhead costs and its unit costs were reasonable and comparable to other international financial institutions'*, although it also found that its overheads had been negatively affected by subscale operations and funding uncertainties. This finding appears to at least support the cost-effectiveness of the RTAC model, although no necessarily individual RTACs.

Our conclusion is therefore that although it is not possible to arrive at a definitive view on AFS cost-effectiveness, strict comparison of unit costs of TA delivery with other donor and IFI programs do not provide the full picture and many of the relatively unique advantages offered by the AFS model need to be taken into account in any assessment.

⁸ Evaluation of the Cost Effectiveness of CARTAC in the First Year of Phase IV (FY2011). Draft Report. Draft Report Dr. Kenneth Watson, Ms Joan Barclay, Dr. Anne Perkins. May 2012

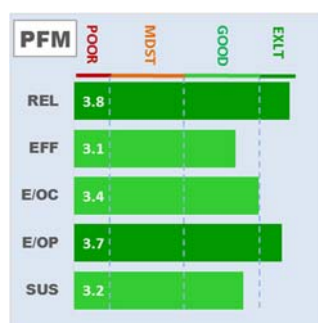
Donor and Member Country Contributions

Chart 11 shows the breakdown of total donor and member country pledges of US\$53.6 million as at 31 January 2015. The EU, through contributions from various facilities, is the largest contributor, accounting for 41% of the pledges. DFID accounts for 21% of pledges. The IFI and international donors together account for 87% of pledges; Mauritius, as the host country, has pledged US\$4.3 million, or 8%; and each other member country has pledged US\$250,000, making a total of US\$3 million, or 5% of pledges.



5. REVIEW OF TOPICAL AREAS

5.1 PUBLIC FINANCIAL MANAGEMENT



Targeted PFM outcomes relate to: development of PFM reform strategies; updated PFM legal and regulatory frameworks; implementation of medium-term macro-fiscal and budget frameworks; more effective commitment, cash and expenditure management; strengthened internal controls; implementation of accounting and financial reporting; and greater regional harmonization. PFM has formed the core of AFS operations, providing 42% of total in-country TA from FY 2012 to FY 2014. This ratio is scheduled to fall as TA for MPFO and RSS increase during FY 2015, but PFM will continue to be a very important component of the overall portfolio (38%). We estimate that US\$8.7 million of AFS resources have been allocated to this topic between FY2012 and FY 2014. Between FY 2013 and FY 2015 (planned), PFM is expected to

have delivered five regional seminars, on: PBB, accounting and fiscal reporting (FY 2013); medium-term budget frameworks and improving cash management (FY 2014); and fiscal risk management frameworks (planned for FY 2015). In addition, ICD and ATI courses attended by AFS TA recipients have also covered PFM topics.

Relevance

From a planning perspective PFM has posed a challenge for TA delivery, given the extensive needs of the member countries and their very different situations. AFS has developed a strong but flexible strategy to address this challenge. Six selected areas have been identified, covering the target areas (see Table in Appendix 4.1). There is, in general, a good relationship between the focal areas of support at the country level and their plausible requirements based on the levels of economic development and maturity of PFM systems. In addition, close coordination has taken place between AFS support and PFM reform recommendations arising from IMF HQ missions.

Although all 11 (active) countries are receiving support under the PFM topic “Medium term macro-fiscal and budgetary framework”, the specific focus of support to the different countries varies very significantly. The focus under this topic includes: development of medium-term fiscal framework (MTFF) and capacity building for macro-fiscal analysis, fiscal risks arising from state owned enterprises (SOEs), development of program based budgeting (PBB) and development of medium-term expenditure framework (MTEF). Within sub-topic areas, such as macro-fiscal, AFS has been responsive to the different stages of development of individual countries. For example, the initial support for macro-fiscal in Angola in 2013 was oriented to establishing a basic framework for a subsequent sequenced set of activities, with a follow-up (August 2013) mission on this topic advancing the agenda on the basis of the progress made to date, including the creation of a legal framework for macro-fiscal.

A high level of complementarity has been achieved with other donors. In Seychelles this was achieved by a policy decision by the country authorities to concentrate on reliance on AFS for support on PFM. However, less attention has been paid to ensuring that adequate support from other donors will be available on a timely basis to follow-up on the technical support provided by AFS TA missions, leaving the possibility that the impact of TA and training activities will be diluted through delays in the implementation of agreed reforms. In Zimbabwe the newly established IMF Office is closely involved with the main PFM donor partners in developing the framework of collaboration for the next round of PFM support.

Our rating for relevance is Excellent, with a score of 3.8.

Efficiency

TA delivery has been broadly in line with the AFS planned program. This has created a high degree of coherence for the PFM topic area as a whole in spite of the diversity of the sub-topic project areas. This should also, at least in principle, permit an effective system for the monitoring of progress against milestones and outcomes both for individual areas of support and by country. We have commented on the use of milestones and tracking of progress in Section 4.2 of our report. In a minority of cases there has been only partial completion of the activities planned to be undertaken during TA missions. This has arisen both in the drafting of regulatory instruments and in the incompleteness or rushing of the agenda in training seminars delivered during TA missions. The authorities in both the Seychelles and Zimbabwe complained of two-week macro-fiscal training sessions being squeezed in a single week or ten days with detrimental effect on the quality of training. It is understood that these compressed timetables resulted from AFS scheduling problems. AFS has pointed out that it can slow down the pace of delivery of TA during missions with the same number of advisors.

With a total of 38 country and sub-topic areas of support⁹, the question must be raised as to whether AFS, with its limited professional staffing, actually has the in-house TA resources to provide or effectively manage sustained support across so many sub-topic areas in so many countries. There is also evidence that the high volume of TA is testing the absorptive capacity of recipients. This has a bearing on the results emerging from the two country PFM case studies (Seychelles and Zimbabwe) in each of which there were signs of too many initiatives leading to an inadequate ability of AFS to provide the required level of post-mission follow-up and support for implementation, or recipients being challenged to implement the TA. The perception was encountered in the country case studies that an excessively "packed" agenda was being pursued by AFS that was too rapid for the implementation capacity of the country authorities, especially given existing workloads of their staff. AFS have indicated that delays usually result from delays in the authorities taking politically difficult decisions, especially in Zimbabwe. PFM TA delivery in Swaziland, the largest recipient, has also suffered from a pace and range of delivery that the recipient has found difficult to absorb. Given the significant resources being devoted to PFM TA, we believe that this issue could detract from the efficiency of the AFS program. **We rate efficiency of PFM TA as Good, with a score of 3.1.**

Effectiveness

PFM achievements as set out in the FY 2014 AFS Annual Report have been borne out by this evaluation. These include the development of PFM strategies and progression to operational action plans, important strengthening of legal and regulatory frameworks, support for new COAs and strengthening of the underpinnings of future macro-fiscal management systems. Nevertheless, it's worth noting that considerable slippage has also taken place in the anticipated pace of TA delivery, owing to the demand factors mentioned above. Despite the challenges noted above the overall picture is that the AFS is playing an extremely positive and useful role in assisting the member countries to advance along a path of deepening PFM reforms, tailored to the specific situations of each member country. While an overall common agenda has been defined, flexibility in the level of support and adoption of a sequenced approach has allowed the specifics of the member states to be addressed.

KEY FINDINGS IN PFM	
Topical	
1.	Within the topical area, TA is well focused and closely tailored to countries' needs and capacities.
2.	AFS has established an excellent process for the systematic planning and delivery of TA and training based on RBM principles, which has worked effectively in PFM.
3.	Cooperation and coordination with development partners are effective in achieving complementarity, but less so in ensuring a smooth transition from AFS TA to more sustained support to underwrite effective implementation and sustainability of reforms.
Case Study	
1.	AFS support is highly valued in both countries and has provided a consistently high level of technical support
2.	The major issue in provision of AFS support is the difficulty in implementing recommendations. The position has been more favorable in Seychelles than in the more difficult circumstances of Zimbabwe
3.	AFS support is necessarily thin in terms of the duration of missions, and this combined with the magnitude of RA commitments has in our view been reflected in some missions failing to complete their objectives or delivering end-of-mission training, which are too short.
4.	More extensive use of STXs to carry on the support function into implementation mentoring could assist in realization of better and timelier results of outcomes.
5.	There has been a good degree of complementarity between AFS support and that provided by other donors.

⁹ See table of AFS PFM activities in member countries in Appendix 4.1, Volume II.

The FY 2014 Annual Report indicates that all planned outcomes are on track, and the accounting and financial reporting outcome is broadly on track. Our assessment is that significant delays have already occurred to plan on the outcomes early in the cycle, such as for approval of laws and regulations. With slightly more than two years left to the end of FY 2017, the more time consuming, TA resource intensive and absorptive capacity dependent phase of implementation still remains. It is difficult to make an accurate assessment of the work that needs to be done to achieve the outcomes without a full results chain. Our assessment is that even if the project outcomes are met, a large proportion of them could take beyond the end of the current phase to achieve. AFS have pointed out that the topical logframe aims at only marginal improvements in PEFA scores, well below the targets set by the projects, and that the former goals should be achieved.

TA related outputs are generally considered to be of very high quality, although feedback from participants suggest that some workshops may benefit from longer duration. The quality of formal training courses is evaluated to have been excellent, with very strong and positive feedback noted both by the evaluation survey of PFM regional training and by the country case studies. In one case encountered, however, the agenda for a macro-fiscal training course was perceived as too rushed and crowded, leading to recipient dissatisfaction.

We rate outcome at the high end of Good, at 3.4 and outputs as Excellent, with a score of 3.8.

Sustainability

PFM TA implementation is generally still at an early stage of the implementation cycle, with the more difficult, time consuming and complex work of implementing and embedding reform initiatives still to come in most countries. It is too early in most cases to judge the actual degree to which supported reforms have been sustained. The TA provided by AFS in PFM to date should be seen as having provided a major initial impetus to an acceleration of necessary reforms which in most countries can be expected to continue to gather momentum. An example is Zimbabwe, where many former PFM systems including the system for macro-fiscal management fell into abeyance during the period of economic collapse. AFS support has contributed to stimulating the re-establishment of these systems, and given the increasing interest of the wider group of donors to now step in and provide more substantial and sustained support, there is a high probability that the initiatives supported by AFS will indeed prove sustainable. At the same time, there is a strong risk that the current pace of TA delivery in some countries is too fast given their absorptive capacity and could detract from achieving sustainability.

We rate sustainability as Good, with a score of 3.2.

Impact

The assessment of impact at this early stage of AFS support must be largely speculative. However, there are sound reasons for arguing that the impact could be substantial if implementation of TA is followed through: the development of sound PFM systems is fundamental to the future growth and stability of the AFS member states, several of which are only now emerging from period of significant or severe economic and fiscal instability. Specifically the establishment of core PFM systems including the medium-term macro-fiscal management tools, budget accounting and fiscal reporting system, and cash management are key elements of building the foundations for sustained growth and stability, and AFS has been instrumental in providing a significant impetus to these core developments.

Recommendations relating to 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 TA recipients at the outset to define goals and timetables.
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.
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 to implementation processes and to provide more sustained and deeper training support.

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.

Box 4: PFM Case Studies – MFF and Cash-Based IPSAS in the Seychelles and Zimbabwe¹⁰

Background																									
The Seychelles	Zimbabwe																								
In Seychelles AFS has provided a very full program of support since 2011 spread across five of the six components of the PFM area. This has included support for redrafting of the Financial Instructions and Financial Regulations, modernizing the COA, strengthening cash management, implementation of cash-based IPSAS and, latterly, macro-fiscal framework.	Since 2011, AFS has provided TA mainly on the PFM legal and regulatory framework, and MTFF. In particular, draft financial regulations and revisions to the PFM Act were developed with FAD/AFS assistance. The financial regulations were adopted by the Government in 2012. MTFF tools and skills have been substantially rebuilt and are in use. Support for moving to adoption and implementation of compliance with cash-based IPSAS accounting and reporting is at an early stage and has to date taken the form of a training workshop.																								
Simplified Results Chains																									
<div>Implementing Macro-Fiscal Framework</div> <table><tr><th>Inputs/Activities</th><th>Outputs</th><th>Outcomes</th><th>Impact</th></tr><tr><td>Seychelles: 1 mission and 1 training course Zimbabwe: 6 missions including 2 training courses.</td><td><ul style="list-style-type: none">TA reports on regulations, legislation and guidelines.Manuals.Workshop presentations.</td><td>A reliable and institutionalised system for establishing medium term macro-fiscal strategy.</td><td>Improved budget predictability, and sustainability leads to enhanced public service delivery.</td></tr><tr><td colspan="4"><div>Risks/Assumptions</div><ul style="list-style-type: none">Political support for putting budget process on a sound technical footing.Ability to recruit, train and retain professional staff in the macro-fiscal unit in the ministry of finance.IT systems, reforms in complementary PFM areas.</td></tr></table>	Inputs/Activities	Outputs	Outcomes	Impact	Seychelles: 1 mission and 1 training course Zimbabwe: 6 missions including 2 training courses.	<ul style="list-style-type: none">TA reports on regulations, legislation and guidelines.Manuals.Workshop presentations.	A reliable and institutionalised system for establishing medium term macro-fiscal strategy.	Improved budget predictability, and sustainability leads to enhanced public service delivery.	<div>Risks/Assumptions</div> <ul style="list-style-type: none">Political support for putting budget process on a sound technical footing.Ability to recruit, train and retain professional staff in the macro-fiscal unit in the ministry of finance.IT systems, reforms in complementary PFM areas.				<div>Implementing Cash-Based IPSAS Reporting</div> <table><tr><th>Inputs/Activities</th><th>Outputs</th><th>Outcomes</th><th>Impact</th></tr><tr><td>Seychelles: 2 missions including a training course. Zimbabwe: 2 missions including a training course.</td><td><ul style="list-style-type: none">Gap analysis vs IPSAS.Compliance implementation plan.</td><td>Cash-based IPSAS compliant public accounting and reporting system implemented.</td><td>Reliable accounting and financial reporting leads to improved sovereign credit rating and increased investment.</td></tr><tr><td colspan="4"><div>Risks/Assumptions</div><ul style="list-style-type: none">Political support for increased transparency in public accounting.Government agencies able to fully implement the IPSAS compliance plan.IT systems, reforms in complementary PFM areas.</td></tr></table>	Inputs/Activities	Outputs	Outcomes	Impact	Seychelles: 2 missions including a training course. Zimbabwe: 2 missions including a training course.	<ul style="list-style-type: none">Gap analysis vs IPSAS.Compliance implementation plan.	Cash-based IPSAS compliant public accounting and reporting system implemented.	Reliable accounting and financial reporting leads to improved sovereign credit rating and increased investment.	<div>Risks/Assumptions</div> <ul style="list-style-type: none">Political support for increased transparency in public accounting.Government agencies able to fully implement the IPSAS compliance plan.IT systems, reforms in complementary PFM areas.			
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Principal AFS Activities																									
Seychelles	Zimbabwe																								
Principal Activities <ul style="list-style-type: none">MTFF: Two AFS missions were undertaken in 2014, that introduced customized MTFF tools, improved skills and methodologies, and provided hand-on guidance in their use in the preparation of the MTFFCash-based IPSAS: Gap analysis to identify divergences from existing accounting practice from IPSAS, and recommendations on the formation of an IPSAS Implementation Working Group, including its scope of work. WG is now meeting regularly.	Principal Activities <ul style="list-style-type: none">MFF: AFS support has built on April 2012 FAD recommendations and has successfully supported the FPAS to develop a MTFF tool and a macro-fiscal consistency framework. The staff of the FPAS and the members of the Macroeconomics WG have been exposed to both orientation and more technical training in forecasting techniques (especially for revenue).Cash-based IPSAS: Relevant staff have been familiarized with principles of cash-based IPSAS accounting and reporting and have been exposed to a rigorous (and highly regarded) technical training course on moving from legacy accounting and reporting systems to full cash-based IPSAS. This has not yet resulted in a clear policy directive to adopt cash-based IPSAS and the proposed IPSAS Implementation Committee has not yet been formed.																								
Assessment Based on DAC Criteria																									
Relevance																									
<ul style="list-style-type: none">TA in both countries consistent with Program Document and country priorities in respective PFM strategies.However, timing of the reform processes and the appropriateness of milestones may be too fast, potentially undermining quality of implementation or creating conflicts with other reform initiatives.																									

¹⁰ This box contains a summary of the case study. See Appendix 4.1 in Volume II of this report for more details.

- Good complementarity with other donors in both countries. However, in Seychelles achieved by almost exclusive reliance on IMF/AFS, with explicit purpose of ending previous conflicts between the advice of different donors. In Zimbabwe complementarity largely resulted from different types of support provided by main donors, with little GoZ coordination.
- Very strong ownership of the AFS-supported reforms in Seychelles led directly by the minister of finance and the Principal Secretary. In Zimbabwe commitment is also strong but weakened by continuing poor communication within and between PFM institutions.
- AFS has a strong comparative advantage in the areas reviewed, and is able to support TA and in-country training with dedicated external high-quality training opportunities.

Effectiveness

Outcomes

- Given short period of AFS operation, it's too early to reach firm overall judgments on the results at the outcome level, though in the case of Seychelles important outcome-level results have already been achieved in areas such as the legal and regulatory framework, COA and progress on IPSAS. Nevertheless, we believe AFS TA will be strongly supportive of the achievement of the stated outcomes in both countries in both sub-topic areas. However timeline for delivery on outcomes is likely to be more extended than planned. This is especially true for Zimbabwe, where continuing political and institutional uncertainties and the lack of an overall PFM strategy are likely to lead to delays.
- There has been only limited success by AFS to garner much-needed supplementary more extended TA and training from other donors. This is an area where greater efforts could lead to marked improvements in the achievements of timely outcomes. In Seychelles this partly reflects the conscious decision of the authorities to concentrate in PFM on the IMF/AFS to the exclusion of other donors. In Zimbabwe this reflects the delay in achieving full normalization of the IMF-GoZ relationship. The recent arrival of an IMF Resident Representative is likely to lead to improvement in this area, building on the earlier efforts of coordination.

Outputs

- In general delivery of outputs of AFS TA and training has been in line with mission Briefing Documents. However, in a number of cases the TORs for missions have been over-ambitious, leading to only partial fulfilment of planned outputs. Examples include incomplete work on the Seychelles financial regulations, which only managed to cover selected chapters, and on training in macro-fiscal in both Seychelles and Zimbabwe, where due to time constraints it has not been possible to complete over-ambitious programs satisfactorily. Nevertheless, the evaluators have received feedback that comprehensive financial regulations were completed in June 2014 and the authorities progressively adopted and implemented regulations in 2014.

Efficiency

- The Case Study did not, in general, attempt to assess BEQ relating to efficiency. However, questions arise from the difficulties faced in realizing a smooth transition from TA advice to implementation by the government authorities. Where there are delays in reform implementation, especially following intense training sessions, the full benefits of the training are unlikely to be realized, as the content of the training is forgotten or trained staff are transferred to other functions. This risk is present with respect to the training on IPSAS in Zimbabwe, which may be adversely affected by delays in achieving policy confirmation of IPSAS objective and establishing the required IPSAS Implementation WG.

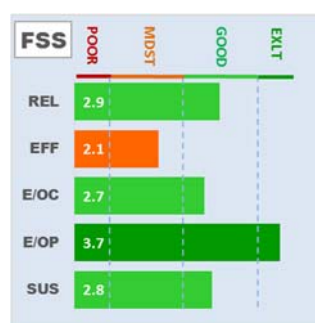
Sustainability

In general too early to assess sustainability of reforms supported by AFS and reviewed in the case study. Final results likely to be heavily influenced by the ability and commitment of respective governments to implement agreed reforms. In Seychelles outlook for such commitment is currently very good with high expectation that sustainable reform processes will be implemented. In Zimbabwe continued political and institutional uncertainty could lead to delays and even back-sliding in some reform areas.

Impact

- In Seychelles it is reasonable to assert that the improvements that have been achieved in macro management in the period since 2011 (declining debt/GDP ratio, reduced fiscal imbalance) have been positively influenced by the extremely active AFS TA program. In assessing impact, however, it is necessary to look across the full range of areas of AFS support (not only the specific topics covered in this case study). Under PFM the improvements in fiscal reporting are believed to be contributing to greater public confidence in the reliability and transparency of GoS accounts with positive implications for investment climate and national development.
- In Zimbabwe, the AFS program is providing support to fundamental aspects of sound public financial management, including the macro-fiscal framework, accounting and financial reporting systems. AFS support has contributed to restarting a system of macro-fiscal analysis that is a prerequisite for future stabilization of the budgetary process and the national economy. It's too early for the results of AFS TA to have fed through at the impact level.

5.2 FINANCIAL SECTOR SUPERVISION



The topical outcome targets for FSS relate to compliance with BCPs; Basel I; elements of Basel II and III; risk based supervision; macroprudential supervision; and greater cross border cooperation among supervisors. FSS represents an average of 12% of total AFS TA, ranging from less than 4% in FY 2012 (due to the RA starting in January 2012) to almost one-fifth a year later. In FY 2015, this TA is expected to converge to the average value in percentage terms. We estimate that FSS accounted for US\$2.4 million of the total AFS budget between FY 2012 and FY 2014. With eight regional seminars delivered or planned in FY 2012-15, FSS will have run the second largest number after RSS. The range of topics has been diverse: risk based supervision, integration and alignment of supervisory processes, macroprudential

supervision and cross border supervision in FY 2013; mobile banking and problem banks resolution in FY 2014; and regulation and supervision of MFIs, mobile financial services providers and agency networks, and Basel II/III and macroprudential supervision planned for FY 2015.

Relevance

The majority of FSS TA has been provided in Basel II/III and RBS. BCP compliance, cross border supervision has produced one TA report each, and macro-prudential supervision none. In nine target areas only one TA mission has taken place in a particular country. Donor coordination has been reasonable. Two examples are the joint capacity building work with Bank of France in Comoros and the organization of a regional seminars in partnership with Southern African Development Community (SADC), the South African Reserve Bank College and East AFRITAC.

FSS has found it difficult to develop traction. This has been partly because other providers of TA, in particular MEFMI and the FIRST Initiative, have an established presence in some of AFS focus area, especially in implementing and strengthening risk based supervision. As a result, a significant proportion of activities in the first two years have been directed at agreeing work plans, assessing current positions and developing road maps. The delivery of substantive TA is at an early stage in most targeted countries, and IMF has pointed out that developing road maps and Basel II/III implementation is substantive TA, and requires training on concepts and analysis. In a significant proportion of TA areas, such as cross-border supervision, macroprudential regulation and regulations on market risk capital charge member countries have been achieving FSS RBM targets without any AFS TA. The high proportion of cancellations and postponements of FSS missions could also potentially indicate a lack of priority. 50% of regional seminars have been on subjects not directly related to FSS TA projects, although AFS have pointed out that these are linked to topic areas of the FSS logframes and they feel that certain outcomes are better achieved through workshops.

On the basis of the information available, we are uncertain how well geared the FSS TA program is to member country priority needs. **We rate relevance as Good, with a score of 2.9.**

Efficiency

FSS TA delivery has suffered from the delay in launching activities and a sharp drop in FY 2014. TA inputs amounted to only six person-weeks in FY 2012, vs a planned 28. Overall, between FY 2012 and 2014, FSS had the lowest execution rate of all topical areas, not being able to deliver over 30% of planned missions due to postponements or cancellations. IMF has pointed out that the handover process to a new RA has been effective and the new RA has quickly begun to deliver missions. Between FY 2013 and FY 2014, FSS met 30 of its 41 milestones, seven were postponed and three cancelled. However, of the 30 that were met, 21 related to agreeing TA or roadmaps with authorities, rather than substantive implementation of TA.

TA delivery has at times been *ad hoc*, often without necessary follow-up. Our case study on Mauritius suggests that follow-up support on Supervisory Review and Evaluation Process (SREP) TA implementation would have facilitated outcomes. Our desktop reviews indicate similar issues. For example, a Swaziland mission in May 2013 left guidance on conducting self-assessments on BCPs. There appear to have been no follow-ups to this advice. Comoros, on the other hand, appears to be receiving focused and extended advice on implementing risk based supervision. AFS has indicated that targeted interventions on specialized topics is the preferred mode of engagement in many countries (except Comoros, Lesotho, Zambia and Namibia). In the latter three countries, there have been follow-up missions. Even where there has been extended engagement, results have not always been achieved as expected. For example, in Botswana AFS has been working since FY 2012 on revision of legislation and missions have been sent each year. In addition, clearing of TA reports has been particularly slow in FSS: as of mid-October 2014, 20 of the 25 TA reports issued, some dating back to early 2012, had not been finalized.

Clearly, a large proportion of the issues highlighted above are consequences of issues outside AFS control. Nevertheless, they impact on the program's efficiency. **We rate efficiency for FSS at Modest, with a score of 2.1.** IMF strongly feels this rating is not a reflection of the outcomes of FSS TA. It has pointed out that there were a large number of missions and workshops delivered. While several TA draft reports are not complete, they have nonetheless been left with authorities and fully completed reports (in the bureaucratic sense) should not be the dominant measure. We have pointed out that our assessment has been based on all the relevant BEQ related to efficiency.

Effectiveness

The prospects for achieving outcomes from FSS TA have been adversely affected by a relatively late start, but this has been in our opinion exacerbated by a slow gathering of momentum on TA delivery. As highlighted, a large number of topical logframe outcomes are being achieved by AFS member countries on their own, without FSS TA.

The seminar on cross border supervision will have contributed to meeting the regional cooperation related outcome. AFS has indicated that it played an important catalytic role in intensifying contacts among senior regulators. In addition, ATI offered two courses on banking supervision with significant emphasis on cross-border and consolidated supervision from which many AFS countries benefitted. Nevertheless, so far only Mauritius has received TA in this area. Mauritius also issued updated SREP Guidelines incorporating AFS comments. FSS work has also included various areas of targeted TA to the Bank of Mauritius (BOM); Zambia is benefiting from AFS TA on SREP; and, we understand, Namibia is benefiting from Basel II TA. AFS is definitely contributing to achieving outcomes in some countries, in targeted areas.

Our review of selected TA reports identified the following: Work has started on the implementation of RBS in Comoros, but outcomes are likely to take longer than the envisaged 4-5 years given capacity constraints; implementation pace to date given target; and in our opinion the relatively limited resources of five weeks allocated to that project to date and in the FY 2015 work plan. A March 2013 AFS mission identified various capacity building needs for implementing RBS in Lesotho and recommended an action plan. The two weeks of TA delivered in FY 2014 and one week planned in FY 2015 does not appear consistent with that recommendation. There appears

KEY FINDINGS IN FSS	
Topical	
1.	Good coordination with HQ work.
2.	Limited substantive TA delivered to date.
3.	TA has been of high quality, although it could be structured more effectively to deliver outcomes.
4.	There have been inefficiencies, including poor clearance rate of TA reports.
5.	FSS TA and workshops have been of high quality, although linkage of some with FSS TA program has been weak.
6.	Continued capacity building is critical to long-term success.
7.	Cooperation has added value to member countries. Partners have included: IMF HQ (e.g., MCM), other RTACs (e.g. AFE), institutions outside of the region (e.g. Bank of France), regional organizations (such as SADC), and local institutions such as South African Reserve Bank College.
Case Study	
1.	AFS TA well received by Bank of Mauritius. Seen as part of wider relationship.
2.	Comments on SREP guidelines seen as relevant and of high quality.
3.	BOM sees value in AFS ability to draw on high quality international expertise.
4.	BOM would have liked more extended support, for example more hands-on TA to implement guideline.
5.	Stakeholders consider BOM and some banks' capacity needs further enhancement to effectively implement guidelines.

to have been no follow-up to a May 2013 TA to Swaziland on conducting BCP assessment. We are not in full agreement with AFS that it can make a meaningful contribution to achieving substantive outcomes in strengthening areas such as supervision of mobile banking, problem bank resolution and supervision of MFIs only, or primarily, through seminars.

Box 5: FSS Case Study – SREP/ICAAP in Mauritius ¹¹									
Background	DAC Criteria Assessment, Continued								
Mauritius has one of the more developed banking systems in the region. The banking sector is large compared to the domestic economy and it has a large presence of foreign-owned banks. The authorities have been upgrading the sector’s regulatory and supervisory framework consistently as part of the country’s objective to be a leading regional and international financial sector. AFS TA engagement has been <i>ad hoc</i> , covering supervisory colleges/ crisis management framework; review and comments on implementing Basel III framework and Basel II Pillar 2, in the form of review/recommendations on the SREP/ICAAP (Internal Capital Adequacy Assessment Process).	Effectiveness <i>Outcomes</i> <ul style="list-style-type: none">Revised SREP/ICAAP guidelines incorporating significant proportion of AFS suggestions have been issued.Supervisory handbook is in the process of being updated.Although awareness of issues among supervisors has improved, no implementation capacity building of supervisors or bankers has taken place. The yet unmet need for BOM supervisors to strengthen their ability to effectively assess ICAAP reports, and the weak capacity of especially the smaller local banks to implement the guidelines effectively was highlighted by stakeholders. <i>Outputs</i> <ul style="list-style-type: none">Participants in the workshop rated it highly.Suggestions on improving guidelines were relevant, albeit generic. BOM were generally happy with quality of advice.Limited focus on capacity building needs at BOM and banks in the recommendations.								
Simplified Results Chain <div><p>Strengthening SREP/ICAAP Process</p><table><tr><th>Inputs/Activities</th><th>Outputs</th><th>Outcomes</th><th>Impact</th></tr><tr><td>1 one-week mission, RA + STX.</td><td>Report with recommendations on BOM Guideline and SREP. Workshop for bankers and supervisors.</td><td>Strengthened risk management and capital adequacy at banks; strengthened supervision of banking sector.</td><td>Banking sector and economy more resilient to financial shocks and improved economic performance.</td></tr></table><div><p>Risks/Assumptions</p><ul style="list-style-type: none">Banks’ capacity to implement ICAAP and access to resources to meet any additional capital needs.Bank supervisors’ capacity to understand ICAAP and engage effectively with banks.</div></div>	Inputs/Activities	Outputs	Outcomes	Impact	1 one-week mission, RA + STX.	Report with recommendations on BOM Guideline and SREP. Workshop for bankers and supervisors.	Strengthened risk management and capital adequacy at banks; strengthened supervision of banking sector.	Banking sector and economy more resilient to financial shocks and improved economic performance.	Efficiency <ul style="list-style-type: none">The TA was delivered in one mission – a lot was achieved during this time. However, we believe (and the TA recipients concur) that further TA was warranted to provide hands-on support to supervisors in this area. E.g., this was done for the ICAAP/SREP TA in Zambia. Sustainability <ul style="list-style-type: none">Given the relatively high level of core skills among BOM supervisors and the resources available to the institution, results of the TA is likely to be sustained. Impact <ul style="list-style-type: none">Likely to be achieved, although with AFS implementation support it could be quicker and more efficient.
Inputs/Activities	Outputs	Outcomes	Impact						
1 one-week mission, RA + STX.	Report with recommendations on BOM Guideline and SREP. Workshop for bankers and supervisors.	Strengthened risk management and capital adequacy at banks; strengthened supervision of banking sector.	Banking sector and economy more resilient to financial shocks and improved economic performance.						
Principal AFS Activities <p>One one-week mission in March 2014, with RA and 1 STX. Activities included a review of ICAAP/SREP guideline for banks, BOM supervisory processes, sample ICAAP/SREP reports, meetings with bankers and a workshop for supervisors (latter initially planned to include bankers as well).</p>									
Assessment Based on DAC Criteria <p>Relevance</p> <ul style="list-style-type: none">TA was a targeted activity in response to BOM request. Consistent with priority on improving risk management and strengthening bank capital.Reasonably timely – six months between request and delivery.TA from ex Bank of England/FSA staff – of relevance to Mauritius’ level of development.									

Whilst AFS has achieved some results in FSS to date, and contributed to others, we feel that the pace and approach of TA delivery taken to date has limited the achievement of outcomes. We rate outcome on projects undertaken to date as Good, with a score of 2.7, and outputs as Excellent, with a score of 3.7, reflecting the quality of TA reports and presentations reviewed.

¹¹ This box contains a summary of the case study. See Appendix 4.4 in Volume II of this report for more details.

Sustainability

To date, limited progress has been made in FSS capacity building efforts. Our concern is that the limited resources being devoted to objectives such as implementing RBS, in countries such as Comoros and Lesotho with weak capacity, will delay outcomes and impair sustainability. On the other hand, TA given to countries such as Mauritius is likely to be more sustainable as that country has more inherent capacity to implement TA recommendations. On balance, **we rate sustainability as Good, with a score of 2.8.**

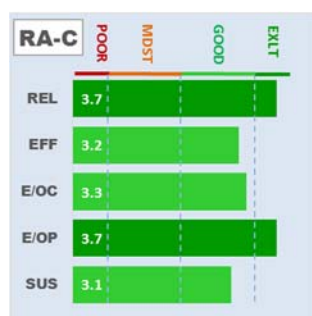
Impact

In order to significantly contribute to impact, FSS TA needs to become more strategic and sustained over a long period with selected institutions to achieve results. This would involve, for example, agreeing outcomes with TA recipients, systematically following up on work plans with appropriate intensity of TA and required levels of resources, and designing TA interventions that address all needs within AFS remit to achieve outcomes.

Topical recommendations relating to FSS

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.
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.

5.3 CUSTOMS ADMINISTRATION



Topical outcome targets for AFS customs TA relate to: enhancing customs collections from improved and cost effective administrations and strengthened compliance; increasing efficiency and effectiveness of customs organizations; reducing barriers to trade; and increasing regional harmonization to achieve international standards. TA recommendations address practical issues affecting aspects of customs performance. They include helping reducing cargo clearance times; increasing trade facilitation through risk management and post clearance audits (PCA); and increasingly excise. Including FY 2015 allocation, customs would account for 13% of AFS TA delivery, in line with tax and marginally more than FSS. We estimate around US\$3 million has been spent on customs activity, including overhead allocation, until FY 2014.

Only two customs regional seminars have been undertaken or planned: On information generated by tax streams in FY 2014; and on trade facilitation in FY 2015.

Relevance

The majority of customs TA has been in risk management, with excise taking on increasing importance since FY 2014. Most countries had diagnostic or TA assessment reviews at early stages. Nine topical areas/countries have had only one TA related mission each. We consider the subject areas being addressed by the customs TA program to be highly relevant to the region. In particular, the focus on trade facilitation, and the associated risk management and control related capacity building, are priority for most member countries. Addressing these effectively will have a significant positive impact on regional trade. The increasing TA resources devoted to excise are also addressing an important need that is being prioritized by authorities. Customs TA also reacts quickly to important needs of recipients, although, as we highlight in respect of efficiency below, this can be sometimes at the detriment of achieving sustainable outcomes.

Customs activities are closely integrated with FAD diagnostic work. An important partnership is being developed with UK Department for International Development (DfID) to leverage AFS customs activities in Zambia, Malawi¹² and Mozambique. The peer-to-peer partnership between Mauritius and Comoros, with Australian funding, is another example. A number of regional agencies and regional donor projects participated in the trade facilitation seminar. On the other hand, in Swaziland, there seems to have been limited coordination with World Bank. Customs supports regional harmonization through ensuring its country-focused work in risk management, PCA and excise meet the regional requirements. This is also the case when drafting legislation and regulation for member countries. The RA also attends meetings of regional agencies. Nevertheless, we feel there is potential for AFS customs to get more directly involved in shaping and strengthening the regional customs infrastructure. Also, the topical area is more suitable for regional seminars than most others in AFS. **Our rating for customs on relevance is Excellent, with a score of 3.7.**

Efficiency

Delivery of AFS TA in customs is efficient as indicated by a low input-TA output ratio. 132 person-weeks of TA has been delivered until FY 2014, the highest after PFM. Out of 45 milestones, 17 have been met and 28 have shown good to limited progress. Significantly, a large proportion of customs milestones (31 out of 45) are defined as implementation oriented. Nevertheless, of the 26 milestones set for FY 2015, 15 are from previous years. Utilization rate has in fact been negative (i.e., more TA has been delivered than planned).

The case study from Swaziland and some of the TA report reviews highlight the need for strengthening the monitoring of implementation of TA advice. The costs and complexity of this are likely to be high, given the relatively wide coverage of customs TA in some countries. Moreover, our case study and reviews show that there are risks in not delivering outcomes by being diverted into a number of different areas within an institution, albeit at the client's request. The case study also highlights a lack of implementation after TA on PCA was suspended after two missions. Swaziland has seen customs TA in five different areas. AFS has indicated that this was undertaken to meet urgent needs, and the short-term focus was deliberate. Zambia has seen coverage of four subjects in five missions. In contrast, Namibia has benefited from seven missions related to excise and three on risk management, out of 10 missions. We feel that there is a risk that customs resources are spread too thinly. For example, the FY 2015 work plan suggests that of the 24 projects¹³ being envisaged, almost all involve only one mission per year and 10 only one week of input each. With such limited inputs, it is also difficult to assess the degree of AFS contribution to outcomes even when they are achieved. On balance, **we rate efficiency of customs as Good, with a score of 3.2.**

Effectiveness

Customs has to date achieved a number of results from its TA. We understand that in risk management (RM), for example, in Namibia, Seychelles, Botswana, Lesotho, Madagascar and Swaziland RM teams have been established or re-energised that either did not exist at all or existed but were more or less dormant. Over a series of inputs structures, systems, procedures and rules have been put in place together with training. Progress has been at varying pace, fully active RM teams are now in place, and in some cases have helped enforcement teams make significant detections of revenue fraud and smuggling. AFS has also taken a systematic approach in developing regulations and capacity in excise in a Namibia, Comoros, Seychelles, Zambia and

KEY FINDINGS IN CUSTOMS	
Topical	
1.	TA advice and training in customs have been delivered to a high standard.
2.	Although significant results are being achieved, the portfolio of TA projects is probably too wide to develop sustained outcomes in some countries.
3.	There is potential for AFS to more directly support the shaping and strengthening of the regional customs infrastructure.
4.	Implementation monitoring requires strengthening.
5.	Good cooperation with partner institutions.
Case Study	
1.	Strengthening PCA at Swaziland Revenue Authority core objective for AFS and priority for SRA.
2.	Important intervention at a critical nascent stage of SRA and PCA development.
3.	PCA staff credit AFS for raising awareness of function and scope of PCA activities.
4.	Very limited implementation of recommendations to date. Many shortcomings identified in first and follow-up missions over two years ago still persist.
5.	Challenge of balancing the need to be demand driven vs achieving results.

¹² No AFS member country

¹³ Defined as activity to meet a particular TA outcome in a country.

Zimbabwe, including targeting specialist areas such as brewing in Namibia, petroleum in Comoros and Seychelles and airtime and alcohol production in Zambia. Work is not yet complete and we understand outcomes are expected. We understand that AFS TA in a number of countries have also helped create or reenergised various elements of trade facilitation.

Our reviews of PCA TA in Swaziland, Lesotho and Mozambique nevertheless suggest very limited progress in that area in all three countries. In Swaziland very few of the recommendations were implemented; in Lesotho all the original TA beneficiaries left the department and the PCA function was not active; and in Mozambique a follow-up mission found that none of the TA recommendations had been implemented. We feel that organizational structure reform needs to be based on a coherent strategy and be appropriately sequenced. It takes a long time to achieve and client agreement to deliver on its commitments to meet outcomes should be obtained at the outset as part of the agreed strategy. Currently the areas targeted by AFS customs TA are relatively diverse and although they may contribute to strengthening customs organizations, it is unclear that the current TA approach is optimum for achieving this objective. Ultimately, there will always remain a risk that agreed reforms will not be fully implemented. Nevertheless, if AFS agrees outcomes and TA strategy with the recipients at the outset, and follows it with close monitoring and takes quick action in response to adverse events, it will minimize the negative impact of risk events materializing.

On balance and based on the available information, **we rate outcome of AFS customs activities at the high end of Good, with a score of 3.3.** The generally high quality of reports reviewed leads use to rate **outputs as Excellent, with a score of 3.7.**

Sustainability

Organizational capacity remains constrained in many member countries. A key to delivering sustainable results will be extended engagements with customs institutions on focused areas. The current portfolio will need to be narrowed in some countries, or resources available increased. If properly harnessed, TA seeking to build staff capacity and to bring about increase in customs revenues can help mitigate resource constraints. More generally, as AFS customs-related TA matures a sustainability strategy should be explicitly formulated, even if counterpart funding was not originally identified as a risk/assumption in the customs logframe. The proposed partnership with DfID is a good model. Nevertheless the risks to sustainability in this area remain high in a number of countries and **we rate sustainability as Good, with a score of 3.1.**

Impact

We believe that although relatively focused, customs strategy needs to be more concentrated and delivered over an extended period to build capacity in most AFS member countries, and to make a significant contribution to impact across the portfolio. Nevertheless some quick wins can also contribute to impact.

Topical recommendations relating to customs

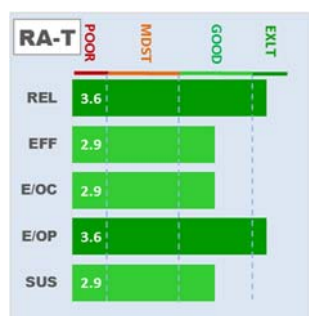
1. AFS should review its current customs TA delivery strategy to ensure adequate resources are devoted to build capacity and realize outcomes in recipient institutions where needed, either by ensuring the level of commitment to the range of countries or projects is commensurate with the level of available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

Box 6: Customs Case Study – Post Clearance Audit in Swaziland¹⁴

Background	DAC Criteria Assessment, Continued								
<p>SRA (Swaziland Revenue Authority) is a semi-autonomous agency that is responsible for all revenue collection on behalf of the Swaziland Government. It started operations in January 2011, taking over responsibilities from the relevant government departments. It operates through two divisions: Domestic Taxes and Customs. As a young institution, SRA has wide-ranging needs. It is engaged with a number of donors. AFS has been providing TA in both tax and customs, the former also in coordination with the IMF Tax Policy Administration Topical Trust Fund. In customs, SRA has received 19 weeks of TA until FY 2014, in wide ranging areas, including Post Clearance Audit, process mapping, developing training function, risk management and ASYCUDA.</p>	<p>Effectiveness</p> <p><i>Outcomes</i></p> <ul style="list-style-type: none">▪ The main benefit from AFS TA, according to PCA staff, has been to develop an awareness of the appropriate role and activities of a PCA. Some of the recommendations, such as a standardized approach to audits, have been implemented, but mainly partially.▪ The majority of recommendations for a Two Year PCA Improvement Plan, however, are yet to be implemented (most of these implementation gaps were identified in the November 2012 follow-up mission). The full complement of staff has not yet been recruited, staff are diverted to other activities, there is no risk-based approach, a recommended Verification and Enforcement Committee never met and has been superseded by another committee with a different mandate, audit plans, though produced, are not met, etc.								
<p>Simplified Results Chain</p> <p>Developing Post-Clearance Audit Function</p> <table><tr><th>Inputs/Activities</th><th>Outputs</th><th>Outcomes</th><th>Impact</th></tr><tr><td>2 2-week missions by STX.</td><td><ul style="list-style-type: none">▪ Action plan to develop key PCA activities.▪ Selected templates for forms.▪ Review of progress and further action.</td><td><ul style="list-style-type: none">▪ Implementation of action plan.▪ An effective PCA function that conducts effective, risk based audits.</td><td>Reduced cargo times and increased compliance facilitates trade and contributes to economic growth,</td></tr></table> <p>Risks/Assumptions</p> <ul style="list-style-type: none">▪ Management commitment/strategic priority▪ Availability of staff.▪ Cooperation of other functions.	Inputs/Activities	Outputs	Outcomes	Impact	2 2-week missions by STX.	<ul style="list-style-type: none">▪ Action plan to develop key PCA activities.▪ Selected templates for forms.▪ Review of progress and further action.	<ul style="list-style-type: none">▪ Implementation of action plan.▪ An effective PCA function that conducts effective, risk based audits.	Reduced cargo times and increased compliance facilitates trade and contributes to economic growth,	<p><i>Outputs</i></p> <ul style="list-style-type: none">▪ The TA report and its recommendations were of high quality and tailored to a young institution such as SRA.▪ There were no workshops but they would have been meaningful only as part of a medium/long-term capacity building effort in PCA. <p>Efficiency</p> <ul style="list-style-type: none">▪ There is a need to monitor implementation of TA advice and take corrective action in case it is delayed or doesn't take place. <p>Sustainability</p> <ul style="list-style-type: none">▪ Very limited results from AFS TA to date. Sustainability is not a relevant factor. <p>Impact</p> <ul style="list-style-type: none">▪ Given the very limited implementation of AFS advice, the TA delivered on PCA to date is likely to make limited contribution to impact.
Inputs/Activities	Outputs	Outcomes	Impact						
2 2-week missions by STX.	<ul style="list-style-type: none">▪ Action plan to develop key PCA activities.▪ Selected templates for forms.▪ Review of progress and further action.	<ul style="list-style-type: none">▪ Implementation of action plan.▪ An effective PCA function that conducts effective, risk based audits.	Reduced cargo times and increased compliance facilitates trade and contributes to economic growth,						
<p>Principal AFS Activities</p> <p>During a two-week mission in April/May 2012, AFS STX reviewed the emergent PCA department and provided a detailed action plan to develop it into an effective function. In a follow-up two-week mission in November 2012 the STX reviewed progress made (which was limited) and suggested further course of action. Subsequently SRA management requested the STX be engaged in a different activity (process mapping).</p>									
<p>Assessment Based on DAC Criteria</p> <p>Relevance</p> <ul style="list-style-type: none">▪ The TA arose from an August 2011 TA needs assessment mission conducted by the RA, which identified a number of areas where AFS could assist.▪ Subsequent SRA management action and the limited outcomes to date suggest that this is not considered a priority area (or at least SRA management have changed their mind).▪ SRA is engaged with other donors, including the World Bank that has subsequently provided TA to PCA. There is limited evidence in the documentation that AFS is actively coordinating with other donors at SRA.									

¹⁴ This box contains a summary of the case study. See Appendix 4.3 in Volume II of this report for more details.

5.4 TAX ADMINISTRATION



AFS TA in tax aims to achieve outcomes related to enhancing tax collections, cost-effective administrations and strengthened compliance; increasing the number of countries with LTUs and simplified small business regimes; and reducing regional barriers to trade. Specific TA has been focused on the simplification of filing procedures, development of information tools and information sharing (e.g. with customs), improvement of risk-based compliance approaches, and process automation. Tax administration represents 13% of the total AFS portfolio (including FY 2015 work plan). We estimate that US\$2.8 million of AFS funds would have been allocated to this topic, marginally lower than for customs. Tax administration has held two workshops: tax gap analysis; tax legal frameworks for extractive industries, which was led by the IMF Legal Department; and taxpayer compliance management.

Relevance

The majority of tax TA has been provided in organization reform. Most countries had diagnostic or TA assessment reviews at early stages. 17 topical areas/countries have had only one TA mission each.

There is still considerable scope in a number of member countries for increasing the effectiveness and efficiency of tax collection through restructuring tax administration, better segmenting and targeting of taxpayers and increasing their compliance. VAT is an important emerging issue. Consideration should be given to appropriately define the objectives of this program. Currently, success indicators for tax are: increasing tax/GDP ratio (extremely remote from AFS TA); running regional seminars (activity, rather than an outcome); and increasing the number of LTUs and small taxpayer units (STUs). The latter is not considered a priority by most member countries. Ten of the 13 member countries already have LTUs and efforts in Namibia have been deferred. Coordination with other TA providers has been reasonable, including with the Swedish Tax Agency in Botswana; with the South Africa Revenue Service in Lesotho; and the EU and World Bank in Namibia. AFS has also funded FAD TA missions. We rate the **relevance of tax TA to be Excellent, with a score of 3.6.**

Efficiency

Tax achieved a high execution rates in FY 2013 and FY 2014, at 100% and 97% respectively. Of the 49 milestones set, 20 showed good, limited or no progress. Nevertheless, 30 of the milestones are activity or output (rather than implementation) related, potentially indicating fewer results are being targeted at this stage, or are being achieved.

In countries such as Botswana and Namibia a strategic approach has been taken involving a revenue modernization program. Nevertheless, as with customs, there is a risk of targeting a diverse range of topics in a country, albeit reacting to country requests, jeopardising the scope for sustained engagement to achieve quality outcomes and develop sustainable capacity. For example, in Seychelles, four different areas of tax administration were targeted in four missions. In Mauritius, three different areas were covered in three missions.

A significant share of the tax portfolio is now aimed at building or reorganizing institutions and building staff capacity. In our experience, this requires significant TA engagement on a continued basis. We believe some of the shortcomings in achieving outcomes discussed in the next section may have been avoided with more hands-on engagement with the beneficiaries. The FY 2015 work plan shows that of the 19 projects envisaged, only one mission per project is being envisaged in 16 cases. Moreover, a significant proportion are joint RA and STX missions, potentially limiting the benefits of leverage. In addition, we believe implementation monitoring could have been more effective in Zimbabwe, where the compliance management STX on his third mission found that no implementation of the previous two phases had taken place, and the counterpart team had been disbanded.

On balance, and given the potential impact the TA approach has had on delivering outcomes, **we rate efficiency as Good, with a score of 3.0.**

Effectiveness

The AFS FY 2014 annual report highlights a number of cases where tax TA has achieved positive results. These include the implementation of VAT in Seychelles and Swaziland, organizational improvements in Botswana, Comoros, and Namibia, and progress toward the development of compliance management and audit capacity in Comoros, Seychelles, and Swaziland. Additionally, LTUs have been established in Lesotho and Namibia.

KEY FINDINGS IN TAX	
Topical	
1.	Mixture of strategic, extended TA and <i>ad hoc</i> interventions. Need to increase share of former.
2.	More effective monitoring of implementation needed.
3.	Many of the findings related to customs apply.

The desktop reviews nevertheless highlighted some of the limitations in achieving outcomes. For example, an April 2013 Botswana LTU business processes mission found that although a LTU had been set up, it suffered from significant critical structural deficiencies and unfilled positions. We understand that now resources have been allocated to recruit staff. December 2013 recommendations to improve taxpayers' compliance in Mozambique have not been followed-up as scheduled as the authorities have not been ready. LTUs established in Namibia and Lesotho still suffer from various deficiencies. Although a number of factors would have been outside AFS control, we believe that more hands-on support from AFS might have avoided delays and facilitated more effective and efficient implementation. TA outputs reviewed have been generally of high quality, although we found the TA reports produced by an STX in the Zimbabwe compliance management not to be as focused and practical in meeting IMF/AFS standards, albeit technically sound.

AFS tax is addressing some important areas of reform that require difficult decisions from authorities and capacity building among staff. Despite the setbacks highlighted, we feel that reasonable progress has been made in a number of areas, although the TA approach may have limited the achievement of completed results to date. **We rate outcomes as Good, with a score of 2.9 and outputs as Excellent, with a score of 3.5.**

Sustainability

This is a high risk area and as some of the projects such as Zimbabwe compliance management have demonstrated, subject to many factors beyond AFS control. The difficulties still being faced at the LTUs reinforce this issue. We also believe that the current TA approach of limited inputs per project might detract from achieving sustainability. **We rate sustainability as Good, with a score of 2.9.**

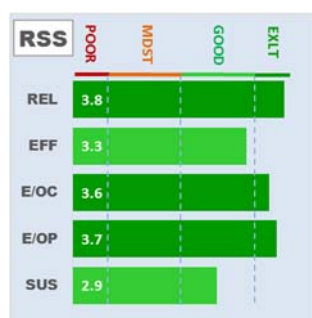
Impact

Successful and complete implementation of a number of projects, across the TA portfolio, including establishment of LTUs, STUs, implementation of VAT (for example in Swaziland and Seychelles with varying degrees of AFS contribution) and increased taxpayer compliance will all have significant and demonstrable positive impact on government revenues.

Topical recommendation relating to tax

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.

5.5 REAL SECTOR STATISTICS



This program has two clear and focused aims: a) for countries to compile annual and quarterly NA according to international standards; and b) to improve the scope and accuracy of price statistics. When the AFS program was initiated, the baseline study showed that in terms of their statistical practice rank, the region (excluding Mauritius and South Africa) was well below the average for low and middle income countries with a rank of 38 compared to an average 56 for all low and middle-income countries.¹⁵ Weaknesses with respect to NA and prices were a major factor in this poor ranking. AFS TA delivery has been flexible addressing both country-specific and regional issues. For the period FY 2012-FY 2015 there were 57 missions; 46 RSS TA missions involving 10 countries, 2 multi-sector missions and 7 regional workshops. There

were 33 NA and 13 prices TA missions. Rescheduling in response to capacity issues resulted in Lesotho receiving nearly 30% of the TA. Six workshops have been conducted: four were in respect of NA and two in respect of prices, all involving both producers and users of statistics. Three further workshops are planned for early 2015, two in NA (including one in regional harmonization in SACU) and one in prices. In November 2014 HQ staff contributed to one of the RSS seminars.

Relevance

The majority of RSS TA has been provided in NA Statistics. Almost every country has had a diagnostic. RSS is the only topical area that has had no HQ missions.

AFS NA and prices TA is relevant and well-focused and addresses an urgent need. At the commencement of the AFS work program, some countries still used System of National Accounts (SNA) 1968, a superseded international standard. The use of obsolete base periods further compromised the reliability of the data for most countries in the region by failing to reflect major changes in both economic structures and relative prices. In four countries the base was more than 16 years old. Usefulness was further compromised by poor quality and out-of-date source data. A serious problem for many countries was the limited scope of price statistics. Every country had a CPI but few had a producer price index or export and import price indexes. Many CPIs were using obsolete base periods. These issues limited capacity for informed price analysis but also directly affected the quality of the NA, which require reliable and comprehensive price information in order to provide reliable current and constant price descriptions of an economy.

Following diagnostic missions, TA was tailored to each country's needs. When essential pre-requisite conditions were not met, the TA first focused on helping the country address those needs before moving on to the primary objective. AFS assists with regional issues such as the treatment of taxes on trade for Southern African Customs Union (SACU) countries. It co-moderated a seminar of national accountants and customs officials to discuss the issue.

Coordination with other donors has been very good and AFS real sector statistics work is contributing directly to the realisation of both the NA and CPI regional programs. For example, in Lesotho where the EU is supporting the statistical system with funding of €1 million, possible areas of statistical collaboration have been discussed by the RSS RA and the EU delegation. AFS work in Lesotho has benefited from earlier EU TA in NA. AFS is contributing to AfDB and World Bank efforts to achieve greater regional harmonization of NA and CPI.

RSS has contributed to AFS regional coordination. Following a seminar jointly organised by AFS and IMF STA a study group involving customs and NA experts from SACU countries has been established on the harmonization of the treatment of taxes on exports and imports. The SADC harmonized CPI (HCPI) was covered in an AFS CPI seminar and discussed during RSS missions to Botswana, Lesotho, Namibia, and Mozambique.

¹⁵ AFS Program Document December 2010, Appendix Table A1.1

The RSS TA program ranks very highly on consistency with program documents and government priorities, consistency with IMF HQ and coordination with development partners. Given the needs of its TA recipients, it could be more proactive in securing donor support. **We rate relevance Excellent with a score of 3.8.**

Efficiency

In FY 2013 and FY 2014 RSS met 19 of its 43 milestones, 14 showed good progress and 10 were postponed. Workshops have been delivered as planned. Variations in TA delivery against work plans have been a consequence of country requests for TA deferral. Nevertheless, between FY 2012 and FY 2014, the execution rate of missions was only 75%, reducing efficiency. The quality of TA reports was very high but sometimes at the cost of timeliness. At an estimated US\$1.2 million, the RSS program has used significantly lower resources than the other topic areas except MPFO, which started recently.

To be effective RSS TA requires a long-term approach. NA and prices projects require sequenced actions such as construction or updating of a business register or survey frame, survey and questionnaire design, survey conduct and processing and integration of survey data in a NA or prices framework. Countries frequently require assistance with a number of the steps and the actions take several years to complete, some of it from non-AFS TA providers. The AFS RSS program has needed and implemented a multi-year approach to TA planning within its remit.

The backstopping arrangement is important. English is a second language for both RSS RAs and the backstopping process helps ensure a high quality for the final TA reports and consistency across reports from different regions. It also assists IMF STA to ensure consistency of advice across regions.

We rate efficiency at Good, with a score of 3.3.

Effectiveness

Two topical outcomes on NA and price statistics have been defined; both are clear, verifiable and realistic. Six time bound verifiable indicators have been defined (to be achieved by FY 2017). Reflecting heterogeneous baselines, some indicators also distinguish outcomes by groups of countries. There has been significant progress towards the defined objectives and it is likely that the overall outcomes will be largely achieved. Also reflecting the heterogeneity of the region, the RSS work program differs widely across countries. To consider more fully what has and is likely to be achieved it is necessary to take a disaggregated view of the program. The fact that RSS focuses on just two topics has in our opinion helped it achieve significant results, by carrying out multiple missions on the same topic.

Substantial progress has been made on revision and rebasing of GDP time series. Revised series have been prepared for Namibia, Zambia, and Swaziland (December 2014 for 2015 publication) and preparatory work for rebasing and revision of Lesotho's NA is complete with publication in 2015. Technical assistance towards NA improvement has been postponed in Angola, Mozambique and Zimbabwe. Postponements are attributed to lack of resources but language issues may be a factor in

KEY FINDINGS IN RSS	
Topical	
1.	Within the topical area, TA is well focused and closely tailored to countries' needs and capacities.
2.	Cooperation and coordination with development partners and other topical areas effective and efficient.
3.	Significant improvement in real sector statistics across region have resolved some long-standing issues.
4.	Improvements in NA benchmarking, use of source data and compliance with international standards.
5.	Progress in availability of short-term indicators for policy and developing QNA.
6.	Improvements in prices through CPI rebasing using latest weighting data.
7.	Statistics remains low status in the region, resulting in understaffing and under performance of some statistics offices. This has resulted in relatively high TA postponement rate distorting planned priorities.
Case Study	
1.	Revised NA estimates for the period 1994 to 2013 were published by the CSO in March 2014, in part based on the 2011-12 Economic Census
2.	AFS NA and prices TA is relevant, responsive, provides continuity and is highly interactive.
3.	AFS workshops seminars and peer-to-peer training were rated highly by participants.
4.	Currently approximately 25% of professional level positions in the CSO are vacant and recruitment is frozen.
5.	A new statistics law has been drafted and is due to go before parliament in early 2015 as the basis of a new National Statistical System.

the case of Angola and Mozambique. There has also been good progress improving price statistics. Mauritius and South Africa already meet international standards for the CPI and PPI. Namibia rebased and updated its CPI in 2013, and there has been good progress in Lesotho. Other donors are supporting CPI work in Comoros, Seychelles, Swaziland and Zimbabwe. Work is progressing on developing a PPI for Seychelles and Zambia.

TA reports are of a very high standard. They are practical, implementable and provide a clear record of the issues discussed, agreed action plans and detailed recommendations. TA and training have been closely linked. Prices training focused on PPIs (both conceptual and practical aspects) as few countries had expertise in this area. The four NA workshops progressed from international standards and best practice, and two approaches to estimating GDP to quarterly NA and high frequency indicators, mirroring the progress with RSS TA.

TA outcomes have been rated as Excellent, with a score of 3.5, and outputs also as Excellent, with a score of 3.7.

Sustainability

The CPI program is relatively low risk as there are few interdependencies, compilation is relatively simple, and generally no new resources are required. Risk is higher but still low for PPI and other price indexes programs because generally they require new resources. The NA program is higher risk because it is more exposed to systemic issues. Strong planning, coordination, data analysis and time series data management capabilities are required for ongoing compilation of annual and quarterly national accounts. Any failure in the statistical system is reflected in the accounts and mitigation cannot be limited to the program.

Sustainability of the NA needs to be considered more broadly than the AFS program. The support of other donors and the active support of recipient governments is vital. Appropriate support of the statistical function by AFS, IMF HQ and SC members will maximize the chances of needed institutional reform and the sustainability of national accounts work in the AFS region.

The 'low status' of statistics affects government willingness to adequately fund statistical organisations and the ability of statistical organisations to attract and retain suitable staff. As statistics offices produce rebased NA and establish regular annual updates they are seen to be producing current, reliable and relevant data. By involving central banks and finance ministries in the workshop and seminar program, AFS is helping to change perceptions and giving policy staff in other agencies a better understanding of how the newly updated data can assist in policy development and implementation. Especially as key data users, it is important for the government to better recognize the importance of good quality data and provide adequate resources for its production.

We rate sustainability as Good, with a score of 2.9, reflecting the risks associated with this topical area.

Impact

There has been good progress on conducting new economic censuses and revising and updating NA and CPI benchmarks. By end FY 2015 all AFS countries (except Madagascar and Zimbabwe) will have significantly improved NA. In particular, AFS has pointed out that Zambia, Namibia, and Seychelles have achieved significant, measurable improvements in real sector statistics, and that their implementation record augurs well for sustainability. Policy formulation and implementation by fiscal and monetary authorities has benefitted from these data improvements.

Topical recommendations relating to RSS

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.
2. IMF and AFS 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.
3. 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.

Box 7: RSS Case Study – National Accounts in Zambia¹⁶

Background	DAC Criteria Assessment, Continued								
<p>When the AFS real sector statistics work was initiated in 2011, southern Africa’s statistical ranking was very low for low and middle income countries and the demand for IMF TA missions on NA was high. A 2005 IMF ROSC for Zambia found that ‘resources for the compilation of NA (had) reached a risky and critical level’. Concurrently a DQAF described the NA as based on ‘outdated data and benchmarks’. An AFS real sector statistics diagnostic mission to Zambia in November 2011 found that, six years on, the accounts still relied on 1994 data and benchmarks and found major deficiencies in compliance with international standards. A program of TA to address these issues was agreed with the authorities covering the period 2014 to 2016.</p>	<p>Effectiveness</p> <p><i>Outcomes</i></p> <ul style="list-style-type: none">▪ In March 2014 CSO published revised NA estimates benchmarked to 2010 and covering the period 1994 to 2014, compiled according to the current international standard (SNA 2008) and current structural information.▪ AFS assisted finalization of the 2011-12 Economic Census and significantly enhance the reliability of Census results. <p><i>Outputs</i></p> <ul style="list-style-type: none">▪ Participants in AFS workshops and seminars rated them highly. Counterparts suggested practice sessions and longer courses might be useful.▪ Favorable comments were made about the use of peer-to-peer training by AFS and a study tour to Lesotho was considered timely and instructive.▪ CSO staff said two factors contributed to the success of the AFS TA: the quality and responsiveness of the advice provided by the RA, and the regional focus of AFS.								
<p>Simplified Results Chain</p> <p>Compilation and Dissemination of National Accounts</p> <table><tr><th>Inputs/Activities</th><th>Outputs</th><th>Outcomes</th><th>Impact</th></tr><tr><td>7 missions planned between Oct 2011 and April 2015 (10 RA weeks). 5 delivered, additional due in early 2015.</td><td>Detailed TA reports and technical materials. Workshop presentations.</td><td>Revised NA benchmarked to 2010 and covering 1994-2013 compliant with SNA 2008. Other work in progress.</td><td>Better macro-economic policy resulting in improved economic growth and poverty reduction.</td></tr></table> <p>Risks/Assumptions</p> <ul style="list-style-type: none">▪ Availability of: trained staff; current and reliable economic activity data; current, comprehensive and reliable quarterly price data; specialized support within CSO.▪ Further development of short-term business indicators.	Inputs/Activities	Outputs	Outcomes	Impact	7 missions planned between Oct 2011 and April 2015 (10 RA weeks). 5 delivered, additional due in early 2015.	Detailed TA reports and technical materials. Workshop presentations.	Revised NA benchmarked to 2010 and covering 1994-2013 compliant with SNA 2008. Other work in progress.	Better macro-economic policy resulting in improved economic growth and poverty reduction.	<p>Efficiency</p> <ul style="list-style-type: none">▪ TA reporting has been comprehensive, thorough and of good quality. Quality of the written advice and the responsive access to email follow-up from the RA important to success of work.▪ Apart from 2013 when there were three backstoppers in a short period, backstopping arrangement has worked well. <p>Sustainability</p> <ul style="list-style-type: none">▪ By helping the CSO produce substantially better and more useful NA, AFS TA is helping CSO break from the viscous cycle trap of low-performance/low-status/low-resources.▪ The long-term sustainability of AFS NA TA will depend on the level of government funding/support for CSO and for statistical function in other agencies. Current political changes pose some risks. Approximately 25% of professional level positions in the CSO are vacant from a recruitment freeze.
Inputs/Activities	Outputs	Outcomes	Impact						
7 missions planned between Oct 2011 and April 2015 (10 RA weeks). 5 delivered, additional due in early 2015.	Detailed TA reports and technical materials. Workshop presentations.	Revised NA benchmarked to 2010 and covering 1994-2013 compliant with SNA 2008. Other work in progress.	Better macro-economic policy resulting in improved economic growth and poverty reduction.						
<p>Principal AFS Activities</p> <p>Seven missions were planned for the TA delivery period examined, October 2011 to April 2015. One was postponed at the request of the authorities, five were delivered involving 10 LTX mission weeks, and the final mission is scheduled for early 2015. A visit to BOS Lesotho studied economic census data validation; 2 NA staff participated. In addition Zambia received 32 person days of formal seminars and workshops.</p>									
<p>Assessment Based on DAC Criteria</p> <p>Relevance</p> <ul style="list-style-type: none">▪ AFS TA is relevant and well-focused and addresses an urgent need.▪ Zambia’s PRSP highlights need as important for improved monitoring and policymaking.▪ Resource constraints within the CSO have resulted in requests for TA deferral in both the NA and prices projects.▪ AFS considered to have a clear comparative advantage in its focus area. Other donors have comparative advantage in institutional reform and infrastructure, where progress has been slow, but essential for the long-term sustainability of the RSS program.	<p>Impact</p> <ul style="list-style-type: none">▪ More reliable re-benchmarked NA estimates and their timely availability going forward should lead to better macro-economic policy thereby contributing to improved economic growth and a reduction in poverty.								

¹⁶ This box contains a summary of the case study. See Appendix 4.2 in Volume II of this report for more details.

5.6 MONETARY POLICY FRAMEWORK OPERATIONS

As AFS MPFO work has started recently, this assessment does not constitute an evaluation and no ratings have been provided. Nevertheless, our review follows, to the extent possible, the methodology set forth in the inception note.

AFS MPFO TA began with diagnostics and has been recently shifting into supporting central banks in areas such as the development of monetary policy instruments, inflation targeting frameworks, modelling and forecasting, exchange rate policy, as well as on development of primary and secondary money markets. MPFO TA benefitted six countries in FY 2014, with the addition of at least one more (Lesotho) expected in the current year. In FY 2015 Mauritius and Mozambique are expected to receive 26 and 28 weeks' TA respectively. A regional seminar on inflation modelling and forecasting is planned for March 2015.

With respect to **relevance**, MPFO is very pertinent to member countries, including for the three member states who peg their currency to the South African Rand. So far, many countries have not taken a proactive stance in managing monetary policy. AFS TA is fully integrated into the work of IMF HQ (MCM). In addition, AFS plans to collaborate with external partners, such as Norway (in Zambia) or the Bank of Brazil (in Angola). On **efficiency**, the proposed approach on the Mozambique TA on inflation forecasting and modelling presents an interesting approach to capacity building TA. The IMF Research Department (RES) is leading the project. A specialist consulting firm familiar to the IMF is being engaged for a period of 12 months, providing for four two week field missions to train BdM staff as well as four weeks of remote support via videoconferencing, online collaboration and email. This concentrated effort to build capacity is very welcome, and should be drawn on selectively by other topical areas. Nevertheless, devoting 28, 26 and 18 weeks of TA in one year to three countries, some with weak implementation capacity, poses significant concentration risk to the TA portfolio, and could potentially test the absorptive capacity of recipient teams. The situation requires close monitoring and taking of prompt corrective action if needed.

We found the quality of technical analysis and recommendations of **output** to be of a very high standard in the TA report reviewed. Nevertheless, our review of the Mozambique and Angola needs assessment reports indicate that a more explicit analysis of the institutional absorptive capacity and outcome related risks would have been merited, especially in light of the intensive TA proposed. Dependencies such as strengthened banking sector supervision and improved cash flow management are indicated and there needs to be explicit monitoring of these activities. Finally, we believe that the broad actions set out should be developed into a more concrete action plan when implementing the project, with periodic (say quarterly) milestones to monitor progress.

We understand that MCM and RES are accountable for the TA assessment while AFS, with limited involvement of IMF HQ, decides on the follow-up TA implementation activities.