IEO
Independent Evaluation Office
of the International Monetary Fund

BACKGROUND PAPER

BP/22-02/01

The IMF and Capacity Development—Case Studies for Africa

Christopher Legg and Daouda Sembene

 BP/22-02/01

IEO Background Paper
Independent Evaluation Office
of the International Monetary Fund

The IMF and Capacity Development—Case Studies for Africa

Prepared by Christopher Legg* and Daouda Sembene†

July 27, 2022

* Consultant, Independent Evaluation Office of the IMF.

† Consultant, Independent Evaluation Office of the IMF.

Contents Page

Figures

Annexes

ABBREVIATIONS

AFC	AFRITAC Central
AfDB	African Development Bank
AFE	African Regional Technical Assistance Center East
AFR	African Department (IMF)
AFRITAC	African Regional Technical Assistance Center
AFW	African Regional Technical Assistance Center West
AFW2	African Regional Technical Assistance Center West 2
AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
ATI	Africa Training Institute
BCC	Banque centrale du Congo
BCEAO	*Banque Centrale des États de l'Afrique de l'Ouest* (Central Bank of West African States)
BOP	Balance of Payments
BoU	Bank of Uganda
CBF	Capacity Building Framework
CBL	Central Bank of Liberia
CBN	Central Bank of Nigeria
CD	Capacity Development
CDD	Capacity Development Department
CSN	Country Strategy Note
DFID	Department for International Development
DRM	Domestic Revenue Mobilization
EAC	East African Community
ECF	Extended Credit Facility
ECOWAS	Economic Community of West African States
EAMU	East African Monetary Union
e-GDDS	Enhanced General Data Dissemination System
EITI	Extractive Industry Transparency Initiative
ERGP	Economic Recovery and Growth Plan
EU	European Union
FAD	Fiscal Affairs Department (IMF)
FARI	Fiscal Analysis of Resource Industries
FCDO	Foreign and Commonwealth Development Office
FIRS	Federal Internal Revenue Service
FPAS	Forecasting and Policy Analysis Systems
FSAP	Financial Sector Assessment Program
FSSF	Financial System Stability Fund
FSSR	Financial Sector Stability Review
GEMAP	Governance and Economic Management Assistance Program (Liberia)
HIPC	Heavily Indebted Poor Countries

HQ	IMF Headquarters (IMF)
ICD	Institute for Capacity Development (IMF)
IFC	International Finance Corporation
LEG	Legal Department (IMF)
LRA	Liberia Revenue Authority
LTO	Large Taxpayer Office
LTX	Long-Term Expert
MCM	Monetary and Capital Markets Department (IMF)
MoF	Ministry of Finance
MONOPS	Monetary Operations and Payment System
MTO	Medium Taxpayer Office
MTRS	Medium-Term Revenue Strategy
NBS	National Bureau of Statistics (Nigeria)
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PIM	Public Investment Management
PIMA	Public Investment Management Assessment
PPP	Public-Private Partnership
PSE	*Plan Sénégal Emergent* (Emerging Senegal Plan)
PSI	Policy Support Instrument
RA	Resident Advisor
RCDC	Regional Capacity Development Center
RBM	Results-Based Management
RCF	Rapid Credit Facility
RFI	Rapid Financing Instrument
RM-TF	Revenue Mobilization Thematic Fund
RSN	Regional Strategy Note
RTAC	Regional Technical Assistance Center
SDDS	Special Data Dissemination Standard
SOE	State-Owned Enterprise
SSA	Sub-Saharan Africa
STA	Statistics Department (IMF)
STX	Short-Term Expert
TA	Technical Assistance
TADAT	Tax Administration Diagnostic Assessment Tool
TPA-TF	Tax Policy and Administration Trust Fund
TTF	Topical Trust Fund
TSA	Treasury Single Account
URA	Ugandan Revenue Authority
USAID	United States Agency for International Development
VAT	Value-Added Tax

OVERVIEW

This paper presents the main findings of case studies of five African countries for the IEO's evaluation of IMF capacity development (CD) during the period 2012–2020.[1] The five countries—Democratic Republic of the Congo (DRC), Liberia, Nigeria, Senegal, and Uganda—constitute a reasonably representative sample of the countries covered by the IMF's African Department (AFR). They differ significantly in size, population, GDP per capita and quality of institutions, but all have been heavy users of Fund CD (Table 1).

DRC and Liberia are both fragile states that are currently implementing Extended Credit Facility (ECF)-supported programs, though experiencing significant differences in the quality and intensity of IMF engagement during the review period. In contrast to Liberia, DRC experienced relatively long periods of disruption in surveillance and program activities. Senegal and Uganda have relatively strong institutional capacities, sustained economic and political stability, and both have had program engagements with the Fund (both non-financial, signaling arrangements and emergency financing programs following the pandemic) during the evaluation period. Nigeria is the largest economy in Sub-Saharan Africa, with a systemic regional presence. It is the world's eleventh largest oil producer, yet it remains a lower-middle-income country. Nigeria had not drawn on Fund resources for some two decades prior to its recent RFI drawing.

Table 1. DRC, Liberia, Nigeria, Senegal, and Uganda: Overview Indicators

	DRC	Liberia	Nigeria	Senegal	Uganda
CD Missions (Total, 2012–2020, TIMS)	289	424	287	331	392
CD in FTE/Year (FY2012–2021, TIMS)	4.2	4.7	4.0	4.3	4.1
CD FTE (percentage of AFR FTEs, FY2012–2021, TIMS)	3.3	3.7	3.1	3.3	3.3
CD intensity rank (compared to other AFR, FY2012–2021, ACES)	10	3	8	9	4
CD intensity rank (compared to all recipients, FY2012–2021, ACES)	15	6	13	14	7
Training participant weeks/year (FY2012–2021, PATS)	109.9	115.6	253.5	85.5	281.3
GDP per capita PPP (USD, 2019, WEO)	1,129.7	1,625.6	5,352.7	3,503.6	2,689.1
Rank GDP per capita PPP (2019, WEO)	189	186	141	160	170
Population (million, 2019, WEO)	87.9	4.6	201.0	16.3	39.8
UN Human Development Index (rank, 2020, UN)	175	175	161	168	159
Government Effectiveness Indicator (rank, 2019, WB)	199	191	181	103	144

Source: IEO staff calculations.

Each case study provides an overview of the country context and basic facts about IMF CD during the period under review. They review the approaches to CD strategy and prioritization; experience with CD delivery; partnerships with donors and other CD providers, and dissemination of CD outputs; and

[1] The analysis is based on interviews with Fund staff, senior country officials, and representatives of major development partners. It also draws on various IMF data relevant to CD, and an examination of relevant IMF documents, including surveillance reports, regional and country strategy documents, technical assistance (TA) reports, back-to-office reports, work plans and materials concerning the activities of the relevant Regional Capacity Development Centers (RCDCs).

attempt to assess the effectiveness and impact of CD in specific areas. Each concludes with an overall assessment of the relevance, coherence, and effectiveness, impact and sustainability of IMF CD in the selected country.

Strategy and Prioritization

Strategy and prioritization benefitted from AFR's preparation of Regional Strategy Notes (RSNs) and Country Strategy Notes (CSNs) for all AFR countries, not just its heavy CD users, on a regular basis. In each case, Fund CD has been both responsive to country demand and broadly aligned with the focus of Fund surveillance and program engagement where applicable. There was a strong focus of CD on fiscal issues, where all five countries had extensive capacity needs.

In the case of Uganda, Fund CD has targeted a broad and complex range of challenges, anchored by successive non-financial IMF programs and the authorities' commitment to East African Community (EAC) harmonization. The authorities indicated that they consider Fund CD to have been appropriately demand-driven.

In Liberia and Senegal, Fund area and CD departments (CDDs) made conscious efforts to align CD activities to the objectives of the governments' development strategies. This proved more challenging in DRC during the period of disengagement with the IMF from both program and surveillance. Indeed, IMF experience in DRC highlights the limitations associated with the sole reliance on CD to address perceived corruption and governance weaknesses in a country in a fragile situation. The lack of program engagement and the extensive delays in the conclusion of Article IV consultations limited the progress made toward the macro-critical objectives pursued by CD. This suggests the need for the IMF to develop effective re-engagement strategies in fragile states following disruptions to surveillance and program activities.

In Nigeria, the Fund has had to navigate a complex and often challenging environment without program engagement. Despite fundamental differences of view on some issues between the Fund and the authorities, the size and systemic importance of the country appear to have been a dominant consideration behind sustained significant CD resource commitments during the evaluation period. Nonetheless, prioritization appears to have reflected sometimes difficult judgements regarding the level of ownership, which varied between CD areas. Support for the development of much needed bank resolution tools, for example, was put on hold pending a clearer signal from the authorities of their readiness, while IMF staff judged domestic revenue mobilization too important an issue to contemplate disengaging, notwithstanding little evidence of genuine prospects for traction on revenue policy and only limited progress on revenue administration over much of the review period.

Prioritization necessarily involves judgement, including the potential for tactical flexibility around some longer-term strategic anchor. It requires an assessment of likely future traction and benefits. In this context, Nigeria's size and importance in the region appear to have been given significant weight in resource considerations. While arguably the right call, the implicit trade-off for other members' CD access has not been as clear as it should be.

Delivery

The technical quality of Fund CD was widely acknowledged by the authorities in all five countries. A broad range of delivery modes were employed, with resident advisors (RAs), Regional Capacity Development Centers (RCDCs) and peer-to-peer learning ranking high among the authorities' preferred modalities. In all cases, the pattern of delivery was broadly consistent with the overarching principle that CDDs take the lead on high level strategic engagement and diagnostic work, while the RCDC provides more practically focused and targeted follow up. Other factors influencing practical delivery options have included Nigeria's initial reluctance to engage with the Ghana-based African Regional Technical Assistance Center West 2 (AFW2), and the availability of relevant expertise in the RCDCs relative to IMF headquarters (HQ). Indeed, across all five countries, access to skills and staff has been the main operational constraint, more so than financial resources. Within these constraints, the Fund has demonstrated flexibility in response to unexpected demands and emerging issues, seeking to tailor delivery to the circumstances and nature of the task.

That notwithstanding, in the cases of DRC, Liberia, Nigeria, and Uganda there are indications of unmet demand for in-country presence and a view among the authorities that the RCDCs, while offering some advantages of proximity, are of less value. Development partners have also stressed the benefits of local presence—one putting the case in terms of the benefits of shortening the inevitable learning curve between initial best practice advice and the eventual adaptations needed to make CD work.

The pandemic has necessarily required significant adaptations in the delivery of CD in all five countries. The adaptations appear to have been well considered, with the RCDCs' relative strengths in delivery and coordination being appropriately utilized. The move to virtual delivery has broadened the participation of IMF and domestic stakeholders in CD activities. However, despite good efforts to innovate, there is no doubt the current restrictions on in-person engagement have greatly complicated delivery, especially where effectiveness is dependent on two-way dialogue and hands-on training and assistance. Virtual delivery was undermined by connectivity challenges and COVID-19 restrictions and failed to be a fully effective substitute for physical presence of CD experts, especially in DRC and Liberia. As a result, the quality and intensity of CD engagement weakened, making virtual CD delivery increasingly less effective amid a growing sense of remote work fatigue and longer duration of CD missions. Going forward, the use of hybrid modes of CD delivery, with initial in-person engagement being supported by virtual follow-ups, should be considered for non-fragile countries.

Partnerships, Coordination, and Dissemination

In some areas, such as monetary operations, payment systems, and banking supervision, the Fund is the sole (or at least primary) provider, while in some others coordination arrangements reflect standing agreements such as those with the World Bank on Financial Sector Stability Review (FSSR) activities. In other cases, bespoke arrangements have been developed, such as an MoU with the World Bank regarding work on revenue mobilization in Nigeria; a Domestic Revenue Mobilization (DRM) Council led by the authorities (and encouraged by the Fund) in Uganda, which has helped forge an integrated and holistic approach with development partners; and in Liberia various government-led coordination mechanisms for the numerous multilateral, regional, and bilateral partners.

Coordination between CD partners remains challenging in all five countries. The case studies found that a central role has been played by the resident representatives in each country, and reasonable practices appear to be largely adopted by HQ and RCDC missions to support them. Resident Advisors (RAs) have also played a positive role in coordination but are constrained by their position of trust with the authorities. Nonetheless, shortcomings in coordination persist. In both Nigeria and Uganda, the authorities have noted that the bunching of missions and lack of notice remains a problem. Partners expressed concerns that information sharing is not always adequate.

Underlying this is the reality that incentives may not always align, both between and within the various players: authorities may see merit in a degree of competition between CD providers and funders; donors and providers want to optimize both collective effectiveness and individual brand recognition; and the Fund needs to balance the benefits of information sharing with preservation of its relationship of trust with the authorities. These considerations underscore the need for realistic expectations about coordination.

In all five cases, external financing proved important in sustaining intensive IMF CD engagement consistent with the countries' CD needs and preferences over delivery modes. However, some of the cases also demonstrate how the sensitivity of donor funding to political developments may threaten the adequacy, timeliness, predictability and effectiveness of CD delivery. For instance, the volatile political situation experienced by DRC from 2016 contributed to the reduction of external financing available for IMF CD activities, including the gradual decline in the use of long-term expert (LTX)-delivered CD and its discontinuation after 2018. The heavy reliance on external financing also weakened the IMF's ability to take into account the recipients' track-record of implementation, while introducing inconsistencies in the use of RAs across countries.

Publication of IMF CD reports was the exception rather than the rule in all five countries. The track record on publication in Uganda provides an interesting case. A concerted campaign by Fund staff successfully obtained publication approval for a large backlog of CD reports, suggesting that the constraints on publication are as much, if not more, associated with inertia and limited bandwidth for seeking Ministerial approval than with the underlying sensitivity of the material.

Effectiveness and Impact

Some of the case studies illustrated the challenges of defining success. The Fund's CD engagement with fragile states such as DRC and Liberia, and with systemically important but complex countries like Nigeria, will necessarily require patience and relatively high risk appetite. But the implications of this for the balance of success and failure which would be considered acceptable was largely implicit. Objective ratings on completion of CD projects also have their limitations. For example, in the Fund's performance lexicon, "partially effective" refers to achievement of 25 percent to 75 percent of agreed milestones/outputs. Outside of relatively narrowly focused technical and/or non-contentious areas, "partially effective" is likely to constitute a realistic aspiration for success. Progress on complex issues touching on institutional and/or political economy sensitivities, that is those more likely to offer significant long-term benefits, inevitably involve a higher risk of delays and reversals along the way.

Moreover, such a broad descriptor also provides little useful insight, as it could be applied to all five country cases considered for this paper. Thus, "partially effective" would be an accurate description of much of the Fund's CD to Uganda. The Fund's sustained CD can clearly claim some significant successes, such as inflation targeting which also helped sharpen the focus on needed complementary reforms, as well as progress on aspects of Public Financial Management (PFM) and the central challenge of DRM. But with strong ownership and relatively high levels of absorptive capacity, progress in some important areas (most notably, PFM capacity) has been somewhat disappointing.

Similarly, while CD engagement in Liberia and Senegal was typically correlated with sustained improvements in policymaking and economic outcomes, progress toward these achievements was affected by chronic delays and occasional setbacks. During periods of weak ownership, CD engagement proved ineffective in addressing political economy constraints in a sustainable manner. In DRC, CD engagement helped further strengthen the supervisory and regulatory framework of the central bank. But it had a mixed impact on transparency and governance in the management of natural resources even though it contributed to advancing critical reforms that were implemented in this area, including the adoption of the new mining code. The track record of CD to Nigeria, despite some notable successes (e.g., adoption of a Treasury Single Account, engaging the states on extending such arrangements, and progress on risk-based banking supervision) has overall been disappointing.

The case studies provide some lessons about the drivers of effectiveness.

- While technical quality of Fund CD is essential, it is not sufficient to ensure influence and traction. Other factors are clearly relevant: in particular, levels of government ownership and absorptive capacity as well as sensitivity to domestic institutional tensions and political economy constraints and, more generally, cultural awareness. There is clearly significant value in the Fund investing in continuity of staffing and local knowledge.

- Synergies with surveillance and program engagements matter for CD. In the absence of program engagement with DRC, CD proved ineffective in overcoming political economy constraints to reform implementation although it provided useful support for efforts to improve transparency and governance in extractive industries. Conversely, there is evidence that systematic integration of CD and other IMF activities helped boost the traction of CD in

Liberia and Senegal. At the same time, IMF programs at times complicated the efforts to build domestic ownership for CD. In the case of Senegal, for example, some officials expressed the view that the inclusion of CD recommendations in program conditionality ran the risk of undermining domestic ownership and the role of CD experts as trusted advisors. The Fund therefore needs to balance carefully the benefits of using CD recommendations in program conditionality, against the potential risks of undermining domestic ownership, compromising the role of CD experts as trusted advisors, and taking the focus of CD experts away from medium-term work plans and long-term CD objectives.

- CD in Liberia and Senegal delivered through peer-to-peer learning was particularly helpful in catalyzing reforms and improving compliance with best practices.
- The pandemic-associated constraints pose a risk to key determinants of effectiveness, namely continuity in relationships, local knowledge and trust.
- Improving the traction of Fund CD will likely depend more on greater clarity within the Fund on the skills and behaviors needed to enhance influence, and how to develop these, rather than on specific new CD management tools or delivery systems.

DEMOCRATIC REPUBLIC OF THE CONGO

DAOUDA SEMBENE*

* Consultant, Independent Evaluation Office of the IMF.

I. Introduction and Country Overview

1. Democratic Republic of the Congo (DRC) is a low-income country with weak poverty and governance indicators and a history of political instability. The country ranks 175 out of 189 in the 2020 United Nations Human Development Index. It has continuously been included in the list of countries in fragile situations since the World Bank began releasing it in 2010.[1] Various episodes of political instability took place during the period under review, disrupting surveillance and capacity development (CD) activities, including through travel restrictions. The period under evaluation was immediately preceded by the 2009 banking crisis and marked by destabilizing episodes of macroeconomic and political instability in DRC (Figure 1). At the same time, DRC continued to face major challenges in terms of governance and transparency even though the International Budget Partnership's Open Budget Index documented evidence of significant improvement from a zero rating in 2006 to a rating comparable to the regional average in 2015. DRC still underperforms its regional peers in terms of governance and political stability, as measured by the 2020 World Bank's Worldwide Governance Indicators.[2]

2. Both IMF program and CD engagement were overshadowed by these challenges, notably the lack of transparency in the management of natural resources. This contributed to the expiration of the Extended Credit Facility (ECF) arrangement in December 2012 following the non-completion of the last three reviews largely due to staff's concerns over governance and transparency in extractive industries.[3] Subsequently, the authorities were reluctant to conclude a new IMF-supported program, and no Article IV consultations were completed between 2015 and mid-2019—which affected the effectiveness and impact of CD. It was only in October 2019 that under the Rapid Credit Facility (RCF) the country secured emergency financing from the Fund.[4] In April 2020, the IMF Executive Board approved the authorities' request for a further financial disbursement under the RCF to help DRC meet the urgent balance of payment needs arising from the outbreak of the COVID-19 pandemic.

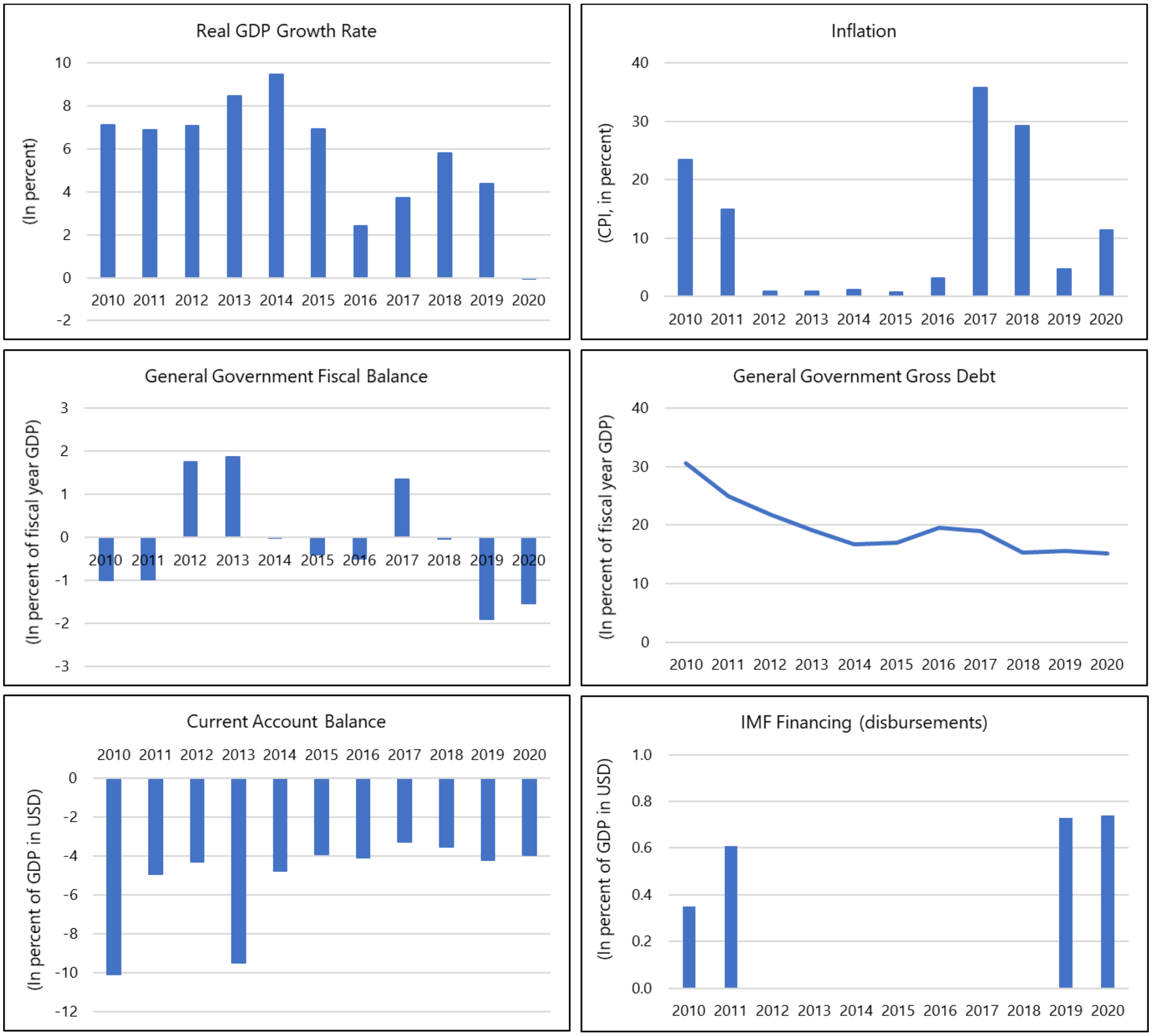
[1] As noted in Takagi and others (2018), the IMF maintains no formal list of fragile states, and it has relied broadly on the approach taken by the World Bank.

[2] http://info.worldbank.org/governance/wgi/.

[3] Noticeably, the IMF-supported program went off-track only a few years after DRC benefited from debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative.

[4] According to the IMF, disbursement under the RCF was intended to help DRC address balance of payments needs arising from the decline in commodity prices, new government initiatives, and looser spending oversight during the recent political transition period. In addition, a staff-monitored program (SMP) was approved by the Managing Director to support policy and reform implementation.

Figure 1. Selected Indicators for DRC, 2010–2020



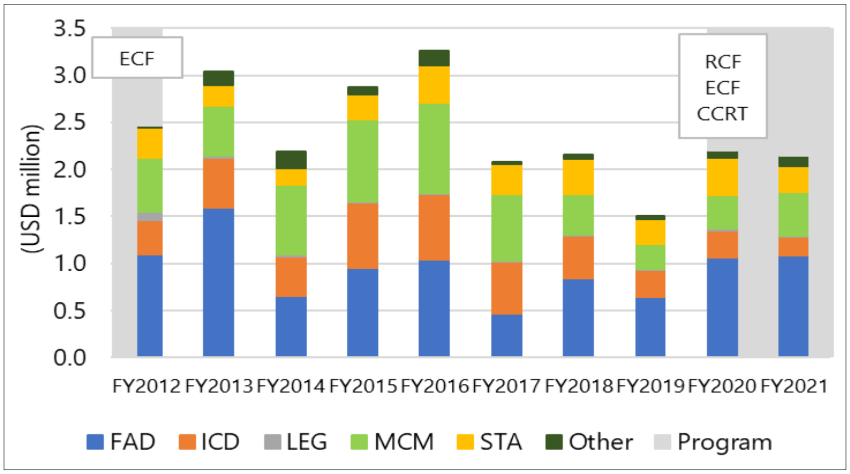
Sources: IMF, WEO database; World Bank database; IEO staff calculations.

3. Notwithstanding the absence of an IMF-supported program, the IMF continued to provide DRC with significant levels of CD from 2012 to 2016 (Figure 2). Noticeably, the largest annual dollar value of CD was allocated to the country in 2013 following the expiration of the 2010–2012 ECF arrangement and one year before the IMF decided to designate fragile states as an institutional priority for CD. This reflected the substantial availability of external funding following the launch of the Belgium Capacity Building project and the large increase in activities supported by the natural resources Topical Trust Fund (TTF) (Figure 3). As a result, the country was one of the six fragile countries in the top 20 CD recipients over FY2014–2018,[5] and in 2016 ranked among the top five technical assistance (TA) recipient countries in Sub-Saharan Africa (SSA). However, the

[5] See IMF (2018).

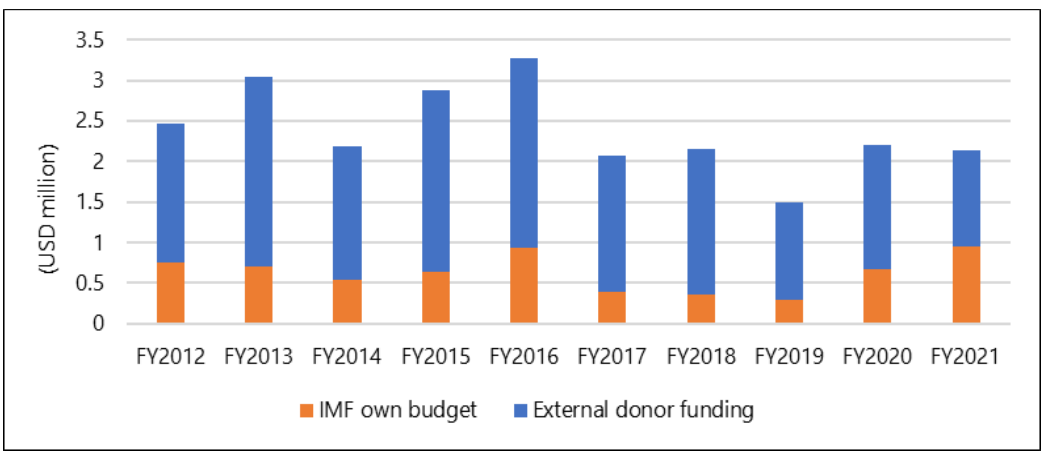
provision of CD followed a broadly declining trend from 2016 until 2019, coinciding with a protracted period of political instability triggered by delayed presidential elections.[6]

Figure 2. DRC—IMF CD Spending by Department and IMF Programs, 2012–2021



Sources: IMF, ACES data; IEO staff calculations.
Note: IMF program: ECF (2009–2012; 2021–2024). RCF (2019–2020), CCRT (2020).

Figure 3. DRC—IMF Spending on CD by Funding Source, FY2012–2021



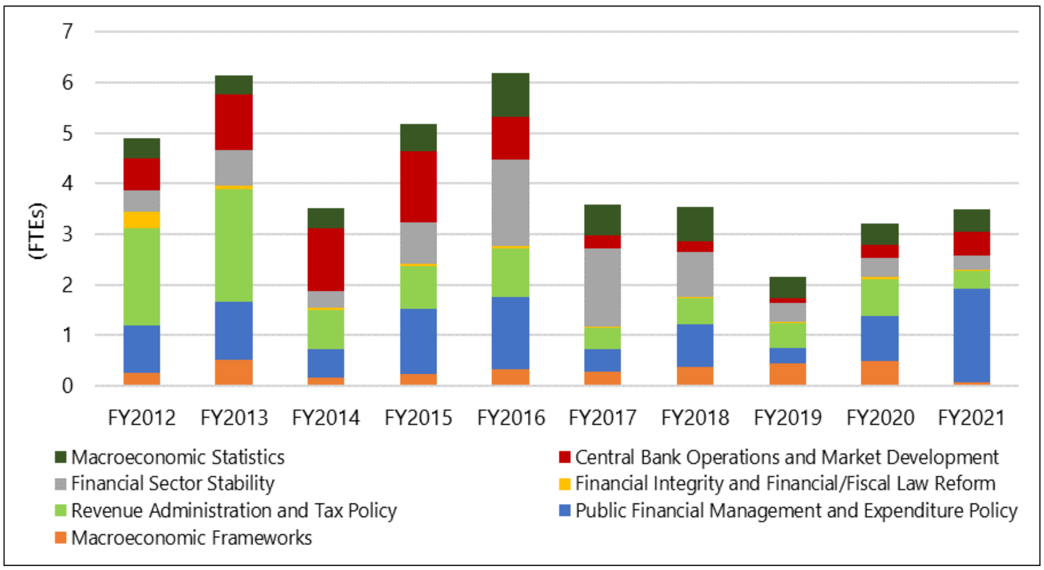
Sources: IMF, ACES data; IEO staff calculations.

4. Over the period 2012–2020, Fiscal Affairs Department (FAD) and Monetary and Capital Markets Department (MCM) were the largest CD providers among IMF departments followed by Statistics Department (STA). FAD CD was delivered in several areas, including tax and customs administration, public financial management (PFM), tax policy, macro-fiscal, fiscal governance, tax

[6] Elections which were originally scheduled to be held on November 27, 2016 were finally held two years later, on December 30, 2018.

administration and diagnostic assessment tool (TADAT), and natural resource taxation. After exceeding two full-time equivalents (FTEs) in 2012 and 2013, the volume of FAD CD was halved, with the focus put primarily on revenue mobilization and PFM. MCM CD encompassed bank supervision and regulations, monetary and foreign exchange policy, liability management, central Bank governance, money and foreign exchange markets and instruments, monetary and forex operations, accounting and auditing, and bank restructuring. From 2012, the volume of MCM CD has steadily grown to reach two FTEs in 2016. It has since continued to decrease, amounting to less than half an FTE in 2020. STA CD focused on balance of payments (BOP) statistics, external debt statistics, financial soundness indicators, enhanced General Data Dissemination System (e-GDDS),[7] government finance statistics, and national accounts statistics. Limited CD on bank regulation and evaluation was provided by LEG, while Institute for Capacity Development (ICD) delivered courses on macro-econometric forecasting and analysis (Figures 2 and 4).

Figure 4. DRC—IMF CD by Workstream, FY2012–2021



Sources: IMF, TIMS data; IEO staff calculations.

II. CD ENGAGEMENT

5. Against a background of macroeconomic and political instability, CD was at times delivered by the IMF in the absence of a program and surveillance relationship with the country. This section explores issues and challenges related to the prioritization, allocation, delivery of CD. It also provides an assessment of the effectiveness and impact of CD in tax policy and revenue administration, and banking supervision.

[7] The IMF's e-GDDS was introduced in 2015 with the aims of encouraging member countries to improve data quality; providing a framework for evaluating needs for data improvement and setting priorities in this respect; and guiding member countries in the dissemination to the public of comprehensive, timely, accessible, and reliable economic, financial, and socio-demographic statistics.

A. Strategy, Prioritization, and Allocation

6. During the initial years of the evaluation period, the IMF CD strategy in DRC was broadly consistent with the regional strategic approach set forth in the Regional Strategy Notes (RSNs) of the African Department (AFR). As reflected in the first RSN produced in FY2013, PFM and revenue administration were considered as medium-term priorities for IMF CD to SSA and the share of CD in these areas was anticipated to increase, reflecting strong demand for CD in the region, notably in the area of managing natural resource wealth. Other key priorities included strengthening financial sector oversight, modernizing monetary policy frameworks, enhancing the quality and transparency of public spending, and improving the frequency, timeliness, and quality of macroeconomic data. In parallel, the establishment of a regional training center in SSA was deemed critical. In line with existing IMF policies, the regional strategy emphasized the importance for CD to support reform implementation in program countries and boost institutional capacity to reduce vulnerabilities in surveillance countries. The amount and composition of CD was intended to reflect, inter alia, income levels, fragility, development status, openness, political stability, and natural resource endowments.[8] In this context, fragile and low-income countries like DRC were intended to be allocated a significant share of CD resources.

7. Besides the RSN, CD to DRC was guided by country strategy notes (CSNs) prepared in 2016 and 2020. The former document listed medium-term CD priorities that were broadly similar to those identified in the regional strategy note, while sustaining the focus on addressing governance challenges in the extractive industry. The CSN produced in 2016 discussed the country's track record of policy implementation and identified forward-looking needs and priorities related to key surveillance priorities. However, it did not offer a full analysis of potential strategic trade-offs. Contrary to existing guidance, the CSN did not reflect the authorities' views either. By contrast, the CSN produced in 2020 defined an explicit goal for the CD strategy which consisted in strengthening institutions, training a core base of skilled civil servants, and reinforcing institutional memory and collaboration. It also formulated a strategy of engagement with the authorities and outside partners. It reflected the authorities' views on the focus areas for IMF CD support. Still, the outline of the CD strategy in the 2020 CSN was limited to identifying the focus and priorities of CD.

8. In DRC, the IMF put a predominant focus of CD on PFM and revenue administration in line with the strategic objectives set forth in the AFR RSN and the CSN. CD in revenue mobilization and PFM was also articulated around a medium-term strategy (which was reflected in the CSNs). IMF technical support for the central bank and the preparation of the mining code reflected demand from the authorities, with the focus put on program and surveillance requirements when these were relevant. However, it is unclear how the prioritization of CD requests took account of the country's implementation record and absorption capacity. DRC benefited from significant allocation of CD resources at a time when political commitment to

[8] The African Department (AFR) used a composite indicator which assigns broadly equal weights for institutional, departmental, and country priorities, while attaching high priority to program countries, fragile states, and underserved countries.

implement CD recommendations was generally weak or lacking. Some interviewees among staff suggested that CD was delivered to maintain IMF engagement in the country. In the absence of a program and surveillance relationship with DRC, and given the significant risks to implementation of CD, IMF staff was keen on maintaining IMF presence through CD delivery at a technical level and below the radar screen of the political leadership.

9. The high intensity of IMF CD to DRC during the evaluation period was also largely driven by external funding and by DRC's status as a fragile state. From 2012, IMF CD activities in DRC intensified following the boost in European Union (EU) funding and the launch of AFRITAC Central (AFC) operations in 2012 and the Belgium Capacity Building project in 2013. At the same time, CD intended to improve governance was prioritized to reflect the objectives of the multi-donor TTFs on Managing Natural Resource Wealth (MNRW). After declining significantly in 2014 when the EU funding was scaled down, the volume of CD was maintained at high level until 2018 largely thanks to growing AFC engagement and IMF internal financing. During this period, the country benefited from the decision taken since 2014 to make fragile states an institutional priority for IMF CD. It was one of the six fragile countries featuring in the top 20 CD recipients over FY2014–2018 although the provision of CD followed a declining trend from 2016 due to political instability. During 2019–2020, DRC received less than 2 FTEs of CD per year which mainly reflected AFC activities.

10. CD priorities pre-2015 were more driven by the Fund than the authorities. As a result, there was consistency between CD country needs and the priorities of surveillance, at least during years when Article IV consultations took place. Country officials indicated that they were generally involved in the identification of CD priorities, including during Annual and Spring meetings and through the Resident Representative. Nonetheless, some CD experts suggested that ownership of CD strengthened from 2015 onwards even though surveillance activities could not be completed, and no IMF-supported program was in place.[9] In their view, this was because discussions about CD prioritization did not have to focus on the need to achieve specific program or surveillance priorities. However, ownership was most likely to be mainly felt at the technical level, as political leaders continued to disregard IMF CD recommendations. It also appeared that ownership of some CD activities such as training was stronger among officials at the central bank than those working in ministries. This was sometimes the case with training activities involving foreign trips in which political appointees working in ministries had limited incentives to participate.

11. As program and surveillance activities were absent in DRC during much of the period under review, their integration with CD was not an issue. In this context, the IMF had to explore ways to get adequate traction for CD without using the leverage of program conditionality and

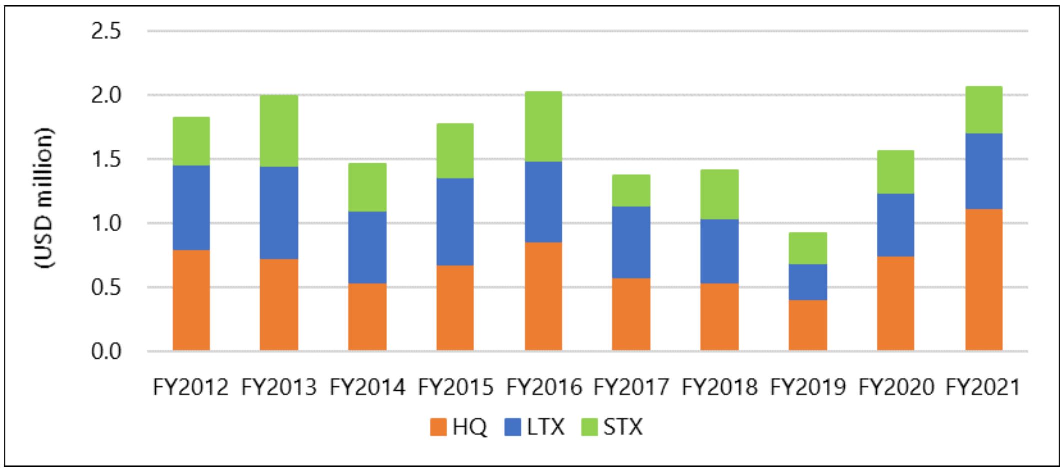
[9] No Article IV consultations were completed with DRC between 2015 and 2019.

Article IV consultations. This proved challenging, specifically in areas such as natural resource management and banking supervision and regulations where vested interests were prevalent.

B. Delivery

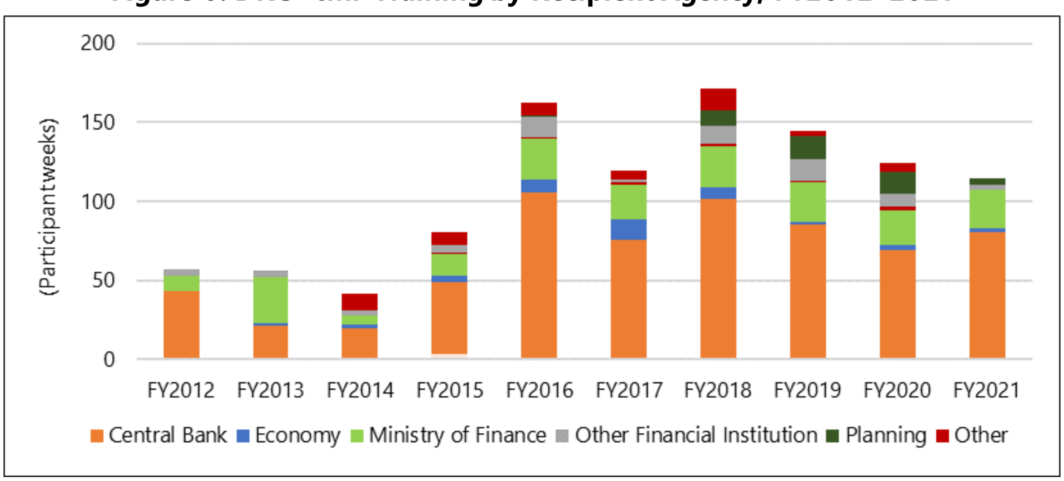
12. Modalities for CD delivery to DRC included primarily the use of short-term (STXs) and long-term experts (LTXs), including from AFRITAC Central (Figure 5). HQ missions also provided CD throughout the evaluation period and there were a number of resident advisors (RAs) working in the Ministry of Finance and Central Bank between 2021 and 2017 (Annex I). Since then, LTX resources (and some STXs) have been provided through AFC. The Africa Training Institute (ATI) has provided classroom-type training to country officials from a range of institutions (Figure 6).

Figure 5. DRC—IMF CD by Type of Delivery, FY2012–2021



Sources: IMF, ACES data; IEO staff calculations.
Note: Spending data excludes non-personnel (NP) costs, which include, among others, travel expenses.

Figure 6. DRC—IMF Training by Recipient Agency, FY2012–2021



Sources: IMF, PATS data; IEO staff calculations.

13. Interviewees indicated that the choice of delivery modalities was guided by a programmatic approach that was generally discussed between CD departments (CDDs) and AFC experts. Typically, since 2017, CD activities have been carried out by AFC advisors and CDDs as part of a medium-term plan agreed with the DRC authorities. Outside of this work plan, additional CD needs deemed critical were generally accommodated by HQ experts and STXs, particularly when AFC lacked necessary expertise or budgetary resources. According to IMF staff, the authorities were consulted in the process of finalizing the scope and timing of CD activities.

14. The 2013 AFR regional strategy note predicted that a programmatic approach, such as that pioneered by Liberia, would become increasingly relevant for countries with a protracted need for CD support. Implementing such an approach might have proven challenging in DRC given the volatility of externally financed CD. From 2016 until 2019, disruptions to external financing triggered by political instability (Figure 3) contributed to significant reductions in the volume of IMF CD.[10]

15. The 2017 CSN for DRC did not include discussions of strategic choices for CD delivery and follow-up. The FY17 CSN noted that staff would discuss at the time of the country consultation meeting about whether there was a consensus on the proposed modes of CD delivery. However, the 2020 CSN foresaw the need to enhance coordination, particularly with HQ counterparts, to ensure a smooth delivery of CD activities following the potential increase in CD support to DRC under an ECF. It also stressed the eventual need to explore setting up RAS in key areas such as revenue administration and to strengthen cooperation with the WB on CD delivery.

COVID-19 Impact

16. The COVID-19 crisis disrupted CD delivery. As IMF engagement with the authorities moved to a virtual mode at the onset of the crisis, CD delivery was undermined by connectivity challenges and containment measures. For instance, there were important challenges in the delivery of CD on banking supervision, as central bank staff members were compelled to work from home in response to COVID infections within the institution. This had an adverse impact on the quality and intensity of CD engagement since many did not have internet access from home. Some country officials were of the view that virtual delivery limited interactions with CD experts, notably in the context of training. However, the effectiveness of remote delivery started improving from mid-2020 following an initial learning curve on both sides, as people became more comfortable working with virtual technology and lockdown measures were gradually lifted. The delivery of CD missions improved even further once officials were able to return to their offices which offered better connectivity.

17. Although virtual delivery of CD became more effective over time, notwithstanding the growing sense of remote work fatigue reported by both staff and official interviewees, many stakeholders still felt there was no substitute for physical presence of CD experts in countries in

[10] For instance, the number of CD missions dropped from about 40 in 2016 to around 20 in 2019—see Annex I.

fragile situations such as DRC. According to many observers, personal contacts pay more dividends in these countries than virtual CD engagement. Given the critical role played by the Resident Representative in the CD prioritization, allocation, and delivery processes, IMF CD engagement during the COVID-19 crisis was dealt a blow when the former Resident Representative completed his assignment in 2020, with his successor taking office only a year later.

C. Partnerships, Coordination, and Dissemination

18. Before the country entered a period of political instability, several CD providers were involved in areas related to Fund competence. These included multilateral institutions such as the World Bank, International Finance Corporation (IFC) and the EU. Among bilateral CD actors, United States Agency for International Development (USAID), the French development agency (AFD), and United Kingdom's Department for International Development (DFID) were quite active. As political turmoil shook the country from 2016, CD providers sought to intensify their activities, notwithstanding the reduction in donor funding channeled through the IMF. According to some observers who were interviewed, this was motivated by the fear that the country would fall into civil war. In recent years, additional CD providers included the Common Market for Eastern and Southern Africa (COMESA), German development agency (GIZ), and Southern African Development Community (SADC).

19. The IMF engaged with other CD providers in different ways. This included donor briefings which were organized by IMF experts at the beginning and end of CD missions. The IMF resident representative played a key role in facilitating these meetings and in coordination with other CD actors. There was also information-sharing between the IMF and these entities, including the EU, the World Bank, and DFID. Other CD providers informed the IMF staff about their activities, even consulting with them on some technical issues. IMF staff confirmed that close engagement was maintained with the World Bank in the context of CD delivery. Even though the World Bank experts did not necessarily consult with their IMF counterparts when putting together their CD work program, they would typically share their reports with the IMF once finalized. These resources which were found to be particularly helpful in the context of CD and program activities relating to areas in which the World Bank had a comparative advantage, including reforms of state-owned enterprises and the mining sector. In addition, collaboration with the World Bank was facilitated by the fact that its representatives sat on the steering committee of AFC.

20. Donor coordination mechanisms were in place, involving meetings of thematic groups and donor groups. Thematic groups chaired by a government minister were aimed at coordinating CD provision. But these meetings were held irregularly and publicly, with a very large number of participants including CSO representatives. By contrast, donor group meetings which were chaired by a donor representative took place on a more regular basis. At the same time, IMF CD experts were allowed to take the lead in areas of IMF expertise. According to some interviewees, key obstacles to effective coordination included the authorities' own lack of internal management and their reluctance to deal with development partners as a coordinated group.

21. During the evaluation period, no IMF CD reports on DRC were published (Annex I). According to interviewees, this was due to a lack of incentives on the part of CDDs and the authorities. While IMF officials who were interviewed generally expressed their preference for the publication of CD reports with a view to promoting transparency, their views appeared to differ according to whether they were affiliated with CD or area departments. CD department staff were quick to point out that there are complications in practice, including the high translation costs, the challenge of describing technical issues which forces back-stoppers to do extra work, and the reluctance of country authorities to publish. Some area department staff felt that CDDs were reluctant to be scrutinized, in part because of concerns about the quality of CD reports.

22. For their part, the authorities were concerned about revealing politically sensitive and confidential information by publishing these reports. As noted by some interviewees, some CD reports may contain dangerous and incendiary information that could provoke a public relations nightmare for the authorities if ever made available to the public. However, some third-party observers suggested that these concerns were overstated, as CD reports would not typically contain damaging information except for specific issues related to extractive industries and the banking sector.

23. CD issues were generally reflected in Article IV reports and program documents issued during the first half of the evaluation period, including through systematic listing of previous and ongoing CD activities in the annexes. However, many staff reports produced afterward did not appear to follow this practice. Moreover, some reports made regular references to the focus and priorities of CD, while giving occasional updates on implementation challenges and risks. But few details, if any, were provided about progress toward implementing CD recommendations as well as the impact of CD.[11]

D. Effectiveness and Impact

24. This sub-section assesses the extent to which IMF CD has been effective in achieving its objectives, and its impact on economic outcomes and policy frameworks. Available Results-Based Management (RBM) data was reviewed, but the focus is put on specific areas in which significant CD was delivered to DRC, including tax policy and revenue administration and banking supervision. It is noteworthy that IMF CD in fiscal areas was also designed to play a critical role in helping enhance governance and transparency in extractive industries, which claim a substantial part of the country's economic output.

[11] See IMF (2013, 2014b, 2015a, 2019a, and 2020a).

CD in Tax Policy and Revenue Mobilization

25. As previously noted, the ECF arrangement which expired in December 2012 made limited progress in enhancing governance and transparency in extractive industries.[12] Looking ahead, the IMF made it clear that further reform measures in this direction needed to be taken in the mining sector prior to the approval of a successor arrangement. This was especially important given the large contribution of the sector to the Congolese economy.[13] In the absence of an IMF-supported program, IMF staff attempted to address concerns about transparency and governance in the natural resource sector through CD activities. A three-year CD program covering various aspects of the management of the natural resource sector was launched in 2012 to support the authorities' efforts to improve macro-fiscal management and modeling, including through tax policy and revenue administration reforms.[14] As part of this CD program, IMF CD experts initiated Congolese officials into the use FAD's Fiscal Analysis of Resource Industries (FARI) tool to improve fiscal projections and assess the fiscal implications of tax policies in the mining sector.[15] IMF CD also supported the preparation of a mining code to strengthen tax policy and administration.[16]

26. The experience of DRC with FARI was mixed. Clearly, the authorities were keen on using the FARI model to help forecast tax revenues from extractive industries given world prices of different commodities. This also had some implications for macroeconomic planning, budget negotiations with Parliament and various other considerations relevant to senior government officials, including negotiations with mining companies about amortization of profits and taxes. IMF staff members who were interviewed held the view that IMF-recommended use of the FARI tool was effective in helping overcome the limited communication and important silos that existed between different ministries and public entities. This contributed to bridging the

[12] This three-year arrangement was approved in 2009 under the PRGF (now ECF) and satisfactory completion of the first review of the government's PRGF-supported economic program was a key requirement for the DRC to reach the completion point under the enhanced HIPC Initiative and to benefit from the Multilateral Debt Relief Initiative (MDRI).

[13] By 2015, the mining sector generated around one fifth of GDP, accounting for one third of the growth recorded since 2004. It also accounted for 10 percent of total employment in 2014. In 2018, the mining sector represented about 29 percent of GDP and 20 percent of total revenue, while mining exports were about 99 percent of total exports. See IMF (2015), IMF (2019a) and IMF (2019b).

[14] This IMF CD program was supported by the MNRW topical trust fund which financed several missions to DRC in the areas of tax policy and PFM.

[15] The FARI model adopts a project-level modeling approach designed to estimate the government's share of a resource project's total pre-tax net cash flows.

[16] Along with their World Bank counterparts, IMF staff urged the authorities from 2012 to adopt a new mining code aligned with international best practices, while fully complying with the Extractive Industry Transparency Initiative (EITI). It was the IMF's view that the previous mining code which was originally adopted in 2002 provided overly generous tax incentives for companies operating in the industry, thereby limiting government revenues from the sector. A new code in line with international best practices was therefore expected to boost the contribution of the mining sector to government revenue.

informational divide between the ministries in charge of finance and mining issues by encouraging information-sharing for modelling purposes and helping maintain a mutually beneficial flow of information.

27. However, some IMF staff and CD experts felt that while implementation of the FARI model was successful during the early stages of CD delivery, it was not ultimately effective as the authorities did not make use of the full potential of FARI for revenue forecasting. They argued that such implementation was undermined by politically motivated concerns about enhanced transparency in collection of revenues from extractive industries that could result from full implementation of FARI. At the same time, capacity weaknesses and poor coordination between government entities undermined the impact of IMF CD. IMF staff acknowledged that revenue agencies did not possess the skilled human and informational resources needed to monitor the activities of mining companies. Unlike multinational corporations active in the sector, these entities were unable to keep up with the complexities of natural resource taxation. Poor coordination between government entities was also seen as an impediment to forecasting of mineral revenue.

28. IMF support for the preparation of a mining code was provided at a time of poor communication between government entities and weak political commitment. As a result, the implementation of CD recommendations proceeded at a slow pace. Ultimately, the new code was approved in 2018 after several years of CD delivery. Notwithstanding this delayed implementation, IMF CD in this area was deemed effective from the IMF staff perspective since a new code was ultimately enacted and introduced in June 2018. FAD had a major impact on this critical reform, sharing international experience on issues raised by the mining code. DRC also became Extractive Industry Transparency Initiative (EITI) compliant in 2014, and started to make progress in implementing the recommendations of the initiative, including through the disclosure of beneficial ownership of extractive companies.

29. Prior to the introduction of the new mining code, IMF CD had limited success in strengthening governance and transparency in extractive industries. It was ineffective in addressing the limited integration of mining revenue into the treasury which remained a concern that the IMF continued to raise in the latest Article IV consultations.[17] EITI compliance contributed to enhanced transparency in the mining sector, but failed to enable full disclosure of beneficial ownership of extractive companies. According to some observers, efforts to further enhance transparency and accountability in this sector were stalled largely because of vested political interests. As a result, there was no evidence before 2017 of sustained progress toward one of the key objectives of IMF CD which was to boost revenue from the mining sector. According to IMF estimates, revenue-to-GDP ratio declined from about 14 percent in 2012 to about 10 percent in 2017, with revenue from natural resources estimated at less than half a percentage point of GDP, even though the sector accounts for about one-fourth of GDP.

[17] See IMF (2019a).

30. However, the introduction of the new mining code seems to have been a game changer in terms of revenue mobilization. Preliminary IMF staff estimates suggest that it helped increase mining revenue in a significant manner.[18] Compared to its level in 2017, mining revenue as a share of total revenue is estimated to have doubled in 2018, the year when the new code was introduced, reaching 20.3 percent. In particular, mining royalties alone jumped from 0.1 percent to 0.5 percent of GDP during this period. Nevertheless, the IMF's assessment was that governance and transparency in the management of natural resources remained poor. This view, underscored in the staff report under the 2019 Article IV consultation, was notably corroborated by the non-publication of all mining contracts, the lack of disclosure of true ownership of contractual parties, and the lack of publication of audited financial statements of state enterprises.

CD in Banking Supervision and Regulation

31. The bulk of IMF CD received by the central bank of DRC (Banque Centrale du Congo (BCC)) was delivered in the first half of the evaluation period. During this period, central banking CD was second only to revenue mobilization (Figure 4). CD delivery to the BCC was mainly focused on banking supervision and regulations and monetary and foreign exchange policy. This focus was motivated by the BCC's efforts to strengthen its supervisory and regulatory framework in the aftermath of the serious banking crisis that hit DRC in 2009. At that time, commodity price shocks resulted in a significant loss of international reserves, which quickly affected bank balance sheets and deteriorated the macroeconomic outlook.

32. The authorities requested an FSAP which was carried out in 2014 at a time when the financial sector remained shallow, highly dollarized, and exposed to balance sheet fragilities. The FSAP revealed a number of vulnerabilities arising notably from the lack of risk-based supervision, a weak regulatory and regulatory framework, low profitability, strong reliance on sight deposits, and high credit concentration.[19] Against this background, FSAP recommendations underscored the importance of building capacities within the BCC and highlighted a number of medium-term priorities, including the need to establish a legal framework and operational mechanism for crisis prevention, preparation, and management; strengthen the legal and regulatory framework for bank intervention and liquidation; and introduce effective risk-based supervision.

33. IMF CD was subsequently provided to support reforms undertaken in these areas. As a result, capacity building initiatives were initiated at the BCC with IMF CD support. Continuous progress was made with AFC's assistance toward strengthening the regulatory framework and implementing a risk-based supervision system. But implementation of FSAP recommendations remains incomplete, notably with regard to compliance with the minimum capital requirement and the establishment of a legal supervisory framework. In the absence of an IMF-supported program, CD had limited traction, especially since the volume of CD delivered in this area was

---

[18] See IMF (2019a).

[19] See IMF (2014a).

significantly curtailed after 2016. According to some observers, enforcement of banking regulations remained challenging, notably in the face of connected actors in the banking sector and political economy considerations. In this context, the impact of IMF CD on banking supervision and regulations was limited and was also undermined by staffing issues, including a high rate of turnover and a low skillset. Recent IMF staff reports indicate that the financial system remains highly vulnerable to shocks.[20]

RBM Data Coverage

34. The Fund's RBM database includes 22 CD projects implemented in DRC over the review period, including 8 projects that were completed (Figure A1; Annex I). Of the 22 projects, 18 had at least one objective defined, but only 4 had at least one rated objective. Overall, a total of 55 outcomes were defined for these projects, with 47 being rated.

III. OVERALL ASSESSMENT

Relevance

35. Between 2012 and 2020, CD delivered by the IMF in DRC was predominantly focused on fiscal areas. It primarily aimed at boosting revenue mobilization and strengthening PFM that were areas in which the country faced critical capacity constraints. In line with existing guidelines, the large volume of IMF CD that was delivered to DRC in these areas reflected the country's fragility and political instability. But it also appropriately sought to help address transparency and governance challenges in extractive industries which contributed to the untimely expiration of the ECF arrangement. However, the absence of a program relationship made it challenging for the IMF staff to conduct timely and effective monitoring and assessments of the country's evolving circumstances and situation. This hampered the IMF's ability to assess the country's specific CD needs and tailor delivery to them. While the resident representative still provided critical support for CD, program conditionality could not be used to leverage the effective planning, design, and traction of CD activities.

36. In the absence of a program and surveillance relationship with DRC, staff attempted to maintain some form of IMF engagement in the country. In this context, CD was not only focused on some areas in which the authorities had expressed clear interest such as banking supervision and regulations, and monetary and foreign exchange policy, but also on issues deemed of high priority by staff and limited interest from the authorities' perspective, notably natural resource management.

[20] See IMF (2019a).

Coherence

37. For much of the review period, CD was the only mode of IMF engagement with DRC. In this context, CD alignment with surveillance and program work was not an issue. Still, CD was deliberately used to make headway toward the objective of improving governance and transparency in the extractive industries which IMF-supported programs failed to fully achieve. In some sense this strategy produced positive outcomes, as CD through the deployment of FARI was useful in building technical capacities in forecasting revenues. But it was clear that CD would have at best limited traction given the lack of political ownership.

38. Despite the absence of surveillance and program relationship, the IMF engaged with the donor community in DRC and played a leading role in coordinating the activities of CD providers. The Resident Representative and the mission chiefs remained in close contact with their counterparts, while CD experts met regularly with other providers during their field missions. But coordination between the IMF and other CD providers would have been stronger and more impactful had the country implemented an IMF-supported program. In particular, it could have helped generate more traction through the catalytic role of the IMF and the leverage of program conditionality. Furthermore, the political situation impacted IMF collaboration with other donors by causing the reduction of external financing available for CD activities. This appears to have led to the decline in the use of RAs (replaced to some extent by LTXs operating from the Regional Capacity Development Center (RCDC). Less extensive reliance on external financing would have made CD delivery more resilient, while strengthening the ability of the IMF to sustain adequate delivery of CD through RAs which has proven to be very effective in a fragile setting.

Effectiveness, Impact, and Sustainability

39. CD delivery in DRC produced mixed results in terms of effectiveness and impact. On the one hand, some progress was made toward building technical capacities in forecasting and raising revenue from extractive industries. CD also facilitated communication between various ministries and agencies involved in this process. On the other hand, the effectiveness of CD was limited because delivery was kept at the technical level with senior government officials uninterested in spending the political capital needed for the full implementation of CD recommendations.

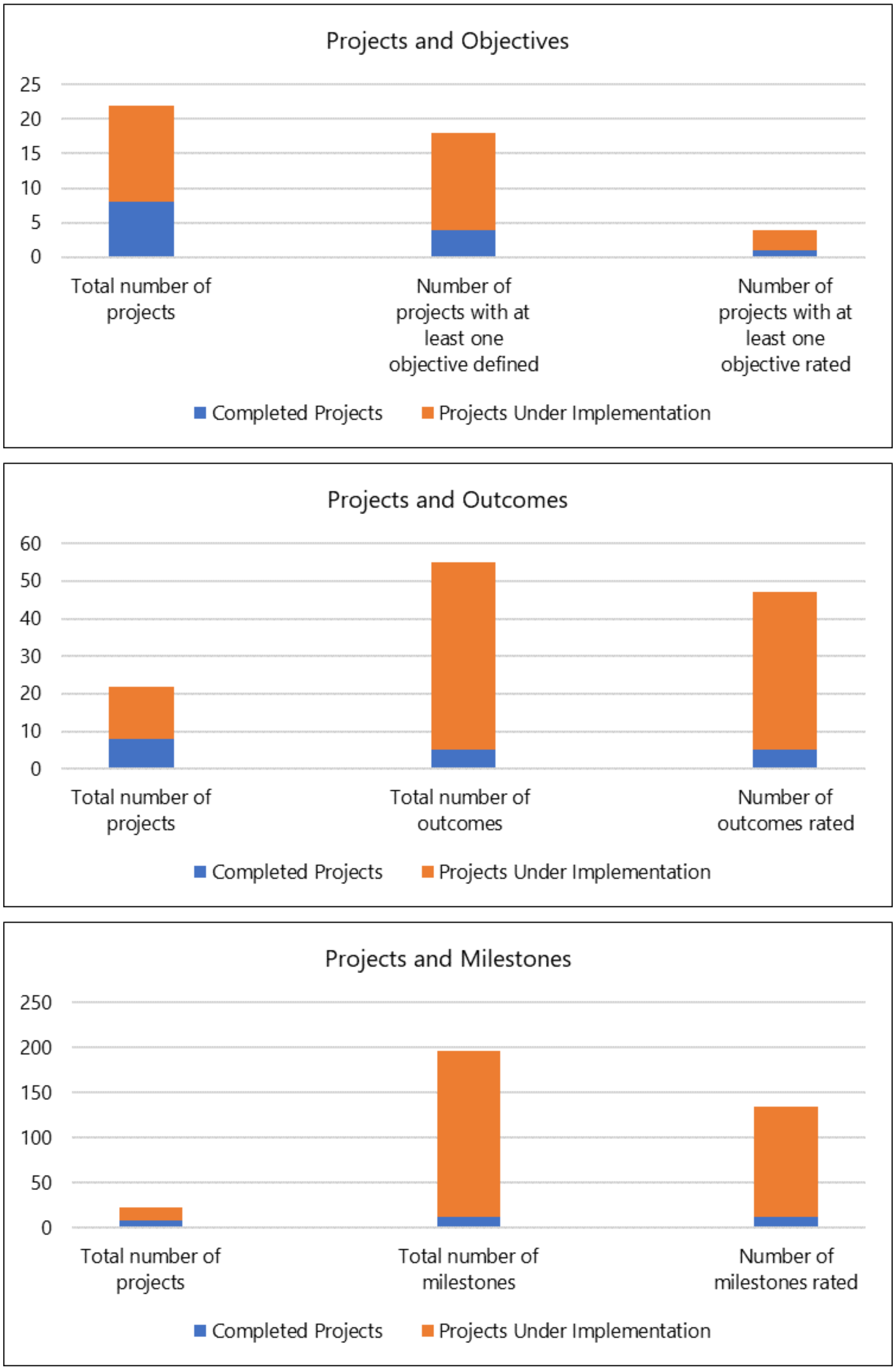
40. IMF CD had a mixed impact on transparency and governance, particularly in extractive industries. Despite the progress made in this area following the adoption of a new mining code and the country's accession to the EITI, governance and transparency in the management of natural resources remained poor in IMF staff's own assessment. Weak government ownership stood in the way of CD-sponsored reform efforts. However, IMF CD was not fully effective in helping overcome reform disincentives triggered by vested interests. CD engagement proved ineffective in addressing political economy constraints in a sustainable manner. The lack of program engagement and the extensive delays in the conclusion of Article IV conclusion left the IMF with no practical way to help secure progress toward the macro-critical objectives pursued

by CD. This laid bare the limitations associated with the sole reliance on CD to address perceived corruption and governance weaknesses in a country in fragile situation.

41. Evidence of the impact of IMF CD on revenue performance was at best anecdotal until recent years. Following the recent introduction of the new mining code, which was a key IMF CD recommendation, there were indications of improved revenue mobilization in the mining sector. However, whether this improvement will be sustained over time remains to be seen.

Annex I. CD Activities for DRC

Figure AI.1. DRC—Results-Based Management Data on Projects, Objectives, Outcomes, and Milestones



Sources: IMF, RBM data; IEO staff calculations.

Table AI.1. DRC—Number of Missions, 2012–2020

Year	FAD	ICD	LEG	MCM	RES	STA	Others	Total
2012	19	0	4	6	0	2	0	31
2013	21	0	0	14	0	3	1	39
2014	16	0	1	9	0	3	0	29
2015	22	0	0	13	0	4	1	40
2016	18	0	0	26	0	10	1	55
2017	8	0	0	8	0	6	0	22
2018	8	0	0	9	0	5	1	23
2019	9	0	0	7	0	3	0	19
2020	18	0	1	8	0	4	0	31
Total	139	0	6	100	0	40	4	289

Sources: IMF, TIMS data; IEO staff calculations.

Table AI.2. DRC—Resident Advisors, 2011–2017

Host institution	CDD	CD topic/workstream	Start date	End date
Ministry of Finance	FAD	Resident VAT advisor	2/23/2011	2/22/2012
Ministry of Finance	FAD	Extension of Resident VAT advisor	2/23/2012	2/22/2013
Central Bank	MCM	General Advisor to the Governor of the Central Bank (Year 1)	4/14/2012	3/13/2013
Ministry of Finance	FAD	Extension of Resident Tax Admin Advisor	2/23/2013	4/30/2013
Central Bank	MCM	Central Banking	3/14/2013	3/13/2014
Ministry of Finance	FAD	Extension of Tax Admin Advisor	5/1/2013	6/14/2013
Central Bank	MCM	General Advisor to the Governor of the Central Bank (3rd Year Extension)	3/14/2014	4/30/2014
Central Bank	MCM	General Advisor to the Governor of the Central Bank (3rd Year Extension)	5/1/2014	3/13/2015
Central Bank	MCM	General Advisor to the Governor of the Central Bank (2-month extension-Year4)	3/14/2015	5/31/2015
Central Bank	MCM	Monetary Policy Design and Implementation Advisor (Year 1)	10/5/2015	10/4/2016
Central Bank	MCM	Monetary Policy Design and Implementation Advisor (2nd Year Extension)	10/5/2016	10/4/2017

Sources: IMF, Fiscal Affairs Department and Monetary and Capital Markets Department.

Table AI.3. DRC—List of TA Reports, 2012–2020

	FAD	MCM	STA	LEG	Total	Of which: Available within IMF	Of which: Available but confidential	Of which: Published
2012	4	0	3	0	7	4	0	0
2013	3	0	0	0	3	3	0	0
2014	2	0	2	0	4	2	0	0
2015	1	4	3	0	8	2	1	0
2016	1	4	5	0	10	4	0	0
2017	2	0	2	0	4	4	0	0
2018	2	1	2	0	5	1	0	0
2019	1	0	2	0	3	0	0	0
2020	2	0	2	0	4	3	0	0
Total	18	9	21	0	48	23	1	0

Source: IMF, Institutional Repository.

LIBERIA

DAOUDA SEMBENE*

* Consultant, Independent Evaluation Office of the IMF.

I. Introduction and Country Overview

1. Liberia is a low-income country facing daunting poverty, fragility and capacity challenges that were exacerbated by two civil wars which ended in 1997 and 2003 respectively. Although the country has since made significant progress toward political stability and social cohesion, it continues to be considered a fragile state by the IMF and World Bank due to institutional and capacity weaknesses. Liberia appears close to the bottom of the 2020 United Nations' Human Development Index, ranking 175 out of 189 countries. Governance indicators remain weak in Liberia which still lags other SSA countries in terms of government effectiveness and regulatory quality.[1] After emerging from its second civil war in 2003, Liberia enjoyed a decade of rapid growth and benefited from significant debt relief under the Heavily Indebted Poor Countries (HIPC) initiative in 2010. However, this strong growth performance came abruptly to an end when an Ebola virus epidemic erupted in the country from 2013 to 2015 and international commodity prices collapsed (Figure 1).

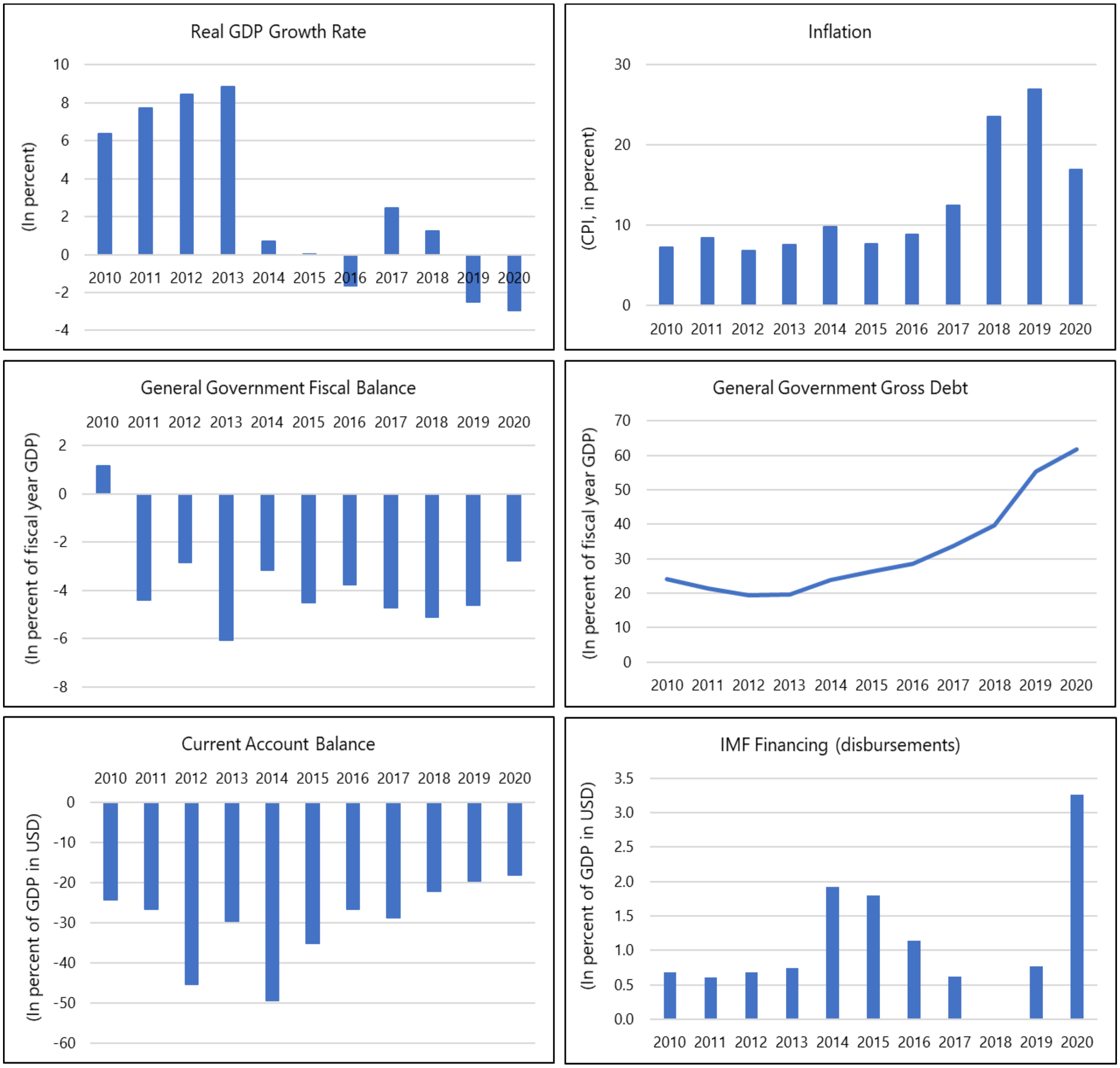
2. During the evaluation period, the IMF maintained strong program and CD engagement with Liberia (Figure 2). In November 2012, the country began implementing an ECF-supported program that expired five years later. CD to Liberia increased significantly compared to 2011, as the country embarked on this new program relationship with the IMF. This pick-up in the level of CD was broadly sustained with the overwhelming focus of CD being on fiscal issues. But MCM and STA also provided CD in their area of expertise. Over the evaluation period, Liberia has been a high-intensity CD country, ranking first among CD recipient countries in SSA, and third highest across the IMF membership (see Table 1 in Summary). After the expiry of the 2012–2017 ECF arrangement, CD activities remained intense until the approval of the new ECF arrangement in December 2019, before falling the following year when field missions were suspended due to the COVID-19 pandemic. In June 2020, Liberia also requested an RCF arrangement in support of the government's response to the COVID-19 pandemic.

3. As is the case in many fragile states, IMF CD was predominantly delivered in fiscal areas (Figure 3). The focus of FAD CD was primarily on PFM until 2014 before shifting toward revenue mobilization thereafter. MCM delivered CD primarily on monetary operations, bank supervision and regulations, reserve management, and payment systems development. STA CD benefited mainly the Liberia Institute of Statistics and Geo-Information Services and covered various areas, including national accounts statistics, BOP statistics, government finance statistics. LEG also delivered CD to the country, focusing notably on anti-money laundering issues during 2017–2020. Liberian officials participated in a number of ICD training activities (Figure 4).

---

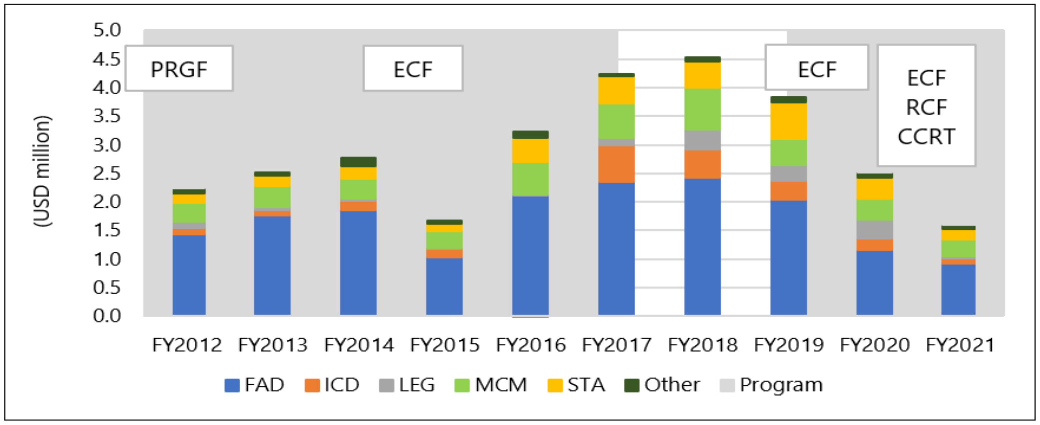
[1] http://info.worldbank.org/governance/wgi/.

Figure 1. Selected Indicators for Liberia, 2010–2020



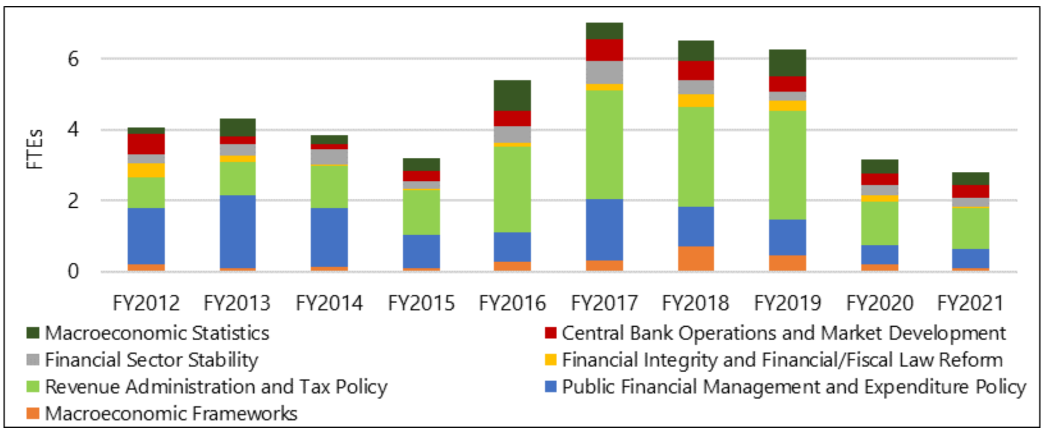
Sources: IMF, WEO database; World Bank database; IEO staff calculations.

Figure 2. Liberia—IMF CD Spending by Department and IMF Programs, 2012–2021



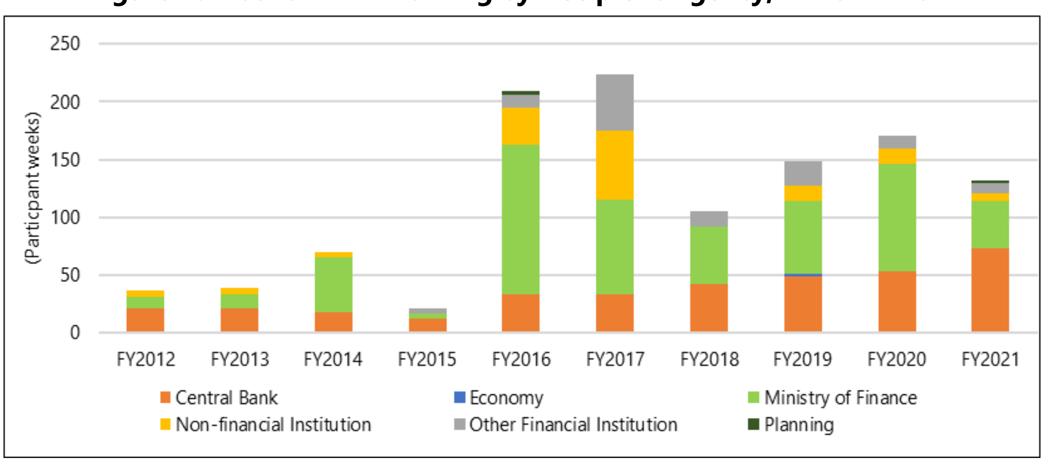
Sources: IMF, ACES data; IEO staff calculations.
Note: IMF programs: PRGF (2008–2012), ECF (2012–2017, 2019–2023), CCRT (2020), RCF (2020).

Figure 3. Liberia—IMF CD by Workstream, FY2012–2021



Sources: IMF, TIMS data; IEO staff calculations.

Figure 4. Liberia—IMF Training by Recipient Agency, FY2012–2021



Sources: IMF, PATS data; IEO staff calculations.

II. CD ENGAGEMENT

4. As Liberia emerged from the second civil war, the IMF and other development partners stepped up CD delivery to strengthen the country's governance system. The Governance and Economic Management Assistance Program (GEMAP) was launched in 2005 by the donor community in collaboration with the Liberian government (Box 1). Although this initiative predates the review period for this evaluation, it had lasting adverse effects on the relations between CD experts and their domestic counterparts, by providing external advisors with a decision-making role, creating a source of mistrust that thereby impacted CD outcomes for years.

Box 1. Governance and Economic Management Assistance Program (GEMAP)

In September 2005, the Liberian government and the donor community launched the Governance and Economic Management Assistance Program (GEMAP) which was an effort to take remedial actions needed to strengthen the country's governance system. It consisted in the assignment of external advisors with co-signatory authority to selected Liberian institutions. GEMAP had six components, including budgeting and expenditure management, improving procurement and granting of concessions, financial management and accountability, establishing processes to control corruption, and supporting key institutions. Implementation of the program was supported by partners including the IMF, the World Bank, US government, the European Commission and to some extent the United Nations.

Under GEMAP, a new position for Chief Administrator of the Central Bank of Liberia (CBL) was created. The terms of reference of the holder of the position, which were prepared by the IMF, indicated that the Chief Administrator had "co-signing authority with the Executive Governor for operational and financial matters with special emphasis on banking operations and ensuring that internal controls and audits are carried out according to established principles." The expert was selected by the IMF subject to the approval of the Board of Governors of the CBL. The IMF also retained the authority to terminate, at any time, the appointment of the expert on its own initiative or at the request of the Board.

Under these circumstances, the relationship between the central bank governor and the GEMAP advisor was difficult, which made it challenging for the GEMAP advisor to be effective in CD activities. In any case, the duties and responsibilities of the Chief Administrator as indicated in the IMF-drafted TORs, did not explicitly require him to play any direct role in building capacities within the CBL. Although the GEMAP advisor was not replaced upon his departure, this experience nurtured a sense of mistrust between the authorities and advisors who were subsequently posted in the central bank.

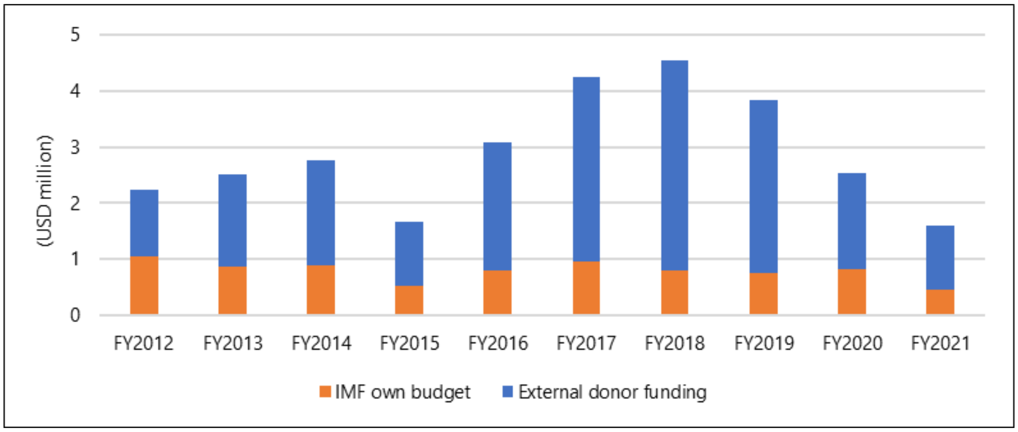
Source: IMF and https://web.archive.org/.

A. Strategy, Prioritization, and Allocation

5. Consistent with AFR's Regional Strategy Notes (RSNs), IMF CD to Liberia was predominantly focused on PFM and revenue administration during the evaluation period.[2] From 2012, this approach was facilitated by the increasing availability of external financing which supported over 90 percent of CD operations undertaken by the IMF during this period (Figure 5).

[2] As previously noted, AFR used a composite which assigns broadly equal weights for institutional, departmental, and country priorities. The index also prioritized program countries, fragile states, and underserved countries.

Figure 5. Liberia—IMF Spending on CD by Funding Source, FY2012–2021



Sources: IMF, ACES data; IEO staff calculations.

6. Liberia was among the four SSA countries that were supported by the Tax Policy and Administration Trust Fund (TPA-TF) which was launched in FY 2012 by the IMF in partnership with Belgium, the European Commission, Germany, the Republic of Korea, Kuwait, Luxembourg, the Netherlands, Norway, and Switzerland (Box 2). In support of the design, transition, and implementation of the Liberia Revenue Authority (LRA), FAD launched in 2011 a multi-year CD program financed by the TPA-TF. The specific objectives of the program were to strengthen the revenue administration organization, define the organizational structure, administrative and operational frameworks, develop a comprehensive risk strategy for large taxpayers, and build the capacity of the LRA to service taxpayers. Along with the Liberia Multi-donor Sub-Account, the TPA-TF supported most CD activities undertaken in the country until 2015.

Box 2. The Tax Policy and Administration and the Revenue Mobilization Thematic Funds

In partnership with Belgium, the European Commission, Germany, the Republic of Korea, Kuwait, Luxembourg, the Netherlands, Norway, and Switzerland, the IMF launched the Tax Policy and Administration (TPA-TTF) in April 2011 to help low-income and lower middle-income countries establish well-designed and administered tax systems that generate sustainable revenue to provide funding for essential public services. The TPA TF work program is guided by a Steering Committee (SC) composed of donor representatives and IMF staff. The SC was chaired by a donor representative and the IMF served as the Secretariat.

The selection and delivery of TPA-TF-funded CD was expected to be demand-driven based on the identified needs and country requests. The estimated total cost of the tax policy and administration CD provided under the TTF for the initial five-year phase was $30 million. Most programs supported by the TPA-TFF were implemented in Sub-Saharan Africa, including Liberia and Senegal.

In June 2016, the Revenue Mobilization Thematic Fund (RM-TF) was launched by the IMF in partnership with several donor agencies as a successor to the TPA-TF. It was viewed as a key tool for the IMF and participating partners to support the implementation of the Addis Ababa Action Agenda and the 2030 Sustainable Development Goals.

____

Source: IMF.

7. From 2016, the Regional Capacity Development Center (RCDC) African Regional Technical Assistance Center West 2 (AFW2) stepped up its activities in the country, thus helping to further increase the volume of CD until 2019. Even though the Liberia Multi-donor Sub-Account expired in 2018, the IMF was still able to deliver CD equivalent to over four FTEs thanks to AFW2, the RM-TF the successor of the TPA-TF, and the Japan Subaccount.[3]

8. CSNs prepared in 2016 and 2020 have played a key role in helping identify the focus of the CD program developed by CDDs and AFW2. The 2016 CD Strategy Note for Liberia selected PFM and domestic revenue mobilization as the top two CD priorities for the following three years. Other priority areas included the compilation and dissemination of national accounts statistics, financial crisis management and preparedness, and central bank operations. Interviews with IMF staff indicted that they felt the focus put by the CD strategy on these priorities was adequate, amid the twin shocks of commodity prices and Ebola, and extensive PFM weaknesses. The 2020 CD Strategy Note for Liberia introduced no major change relative to the previous 2016 CSN, adding to priorities the need to build capacities in monetary policy operations and improve the quality of government finance statistics (GFS) and monetary and financial statistics. Unlike the CSN produced in 2016, the one produced in 2020 did not elaborate on the country's implementation track record. However, it reflected the authorities' views on the need for CD to be more hands-on and incorporate more on-site training to boost absorptive capacity, while proposing an engagement strategy with respect to the authorities and external partners. Both CSNs identified forward-looking needs and priorities related to key program and surveillance priorities. However, the documents followed a rather descriptive mode in the identification of the focus and forward-looking priorities of CD, providing limited information on available strategic trade-offs.

9. Like DRC, fragility appeared to have been a key determinant of CD to Liberia in line with the IMF's decision in 2014 to make fragile states an institutional priority for CD. The country was one of the six fragile countries that featured the top 20 CD recipients over FY2014–2018. At some point it even became the largest recipient of IMF CD to countries served by AFW2 before dropping off due, according to staff, to limited absorptive capacity. Reflecting this renewed emphasis, the 2014 AFR RSN on CD underscored that over one-third of TA in SSA would be directed toward fragile countries in the medium term. In 2015, Liberia was selected along with a few other Sub-Saharan African countries to pilot the capacity building framework (CBF), which was an IMF Board-endorsed initiative to provide enhanced support to fragile and post-conflict countries (Box 3).

[3] The Japan subaccount moved to a programmatic approach in FY2011. It supports IMF CD to Sub-Saharan Africa in various areas, including PFM, revenue administration, and statistics. It also helps provide assistance to regional CEMAC authorities.

Box 3. Capacity Building Framework

The Capacity Building Framework (CBF) was adopted in 2015 to enhance IMF CD engagement in countries in post-conflict and fragile situations by adopting a programmatic approach to CD, setting targets for institution building, identifying immediate and planned CD from the IMF and other development partners, and refining support based on their evolving needs. The CBF also aimed at improving integration of CD with surveillance and lending. It was supposed to build on the results-based management (RBM) framework which was also launched at around this time, which would strengthen monitoring and reviewing of outcomes of the CBF. Upon successful implementation, the pilot approach was intended to be considered for application in other fragile states and other low-income countries where capacity building is critical. In Sub-Saharan Africa (SSA), five countries were selected as pilots, notably Central African Republic, Guinea, Liberia, Mali, and Sierra Leone.

The implementation of the CBF began in 2017. In Liberia, IMF staff reached understandings that same year with the authorities on the CD strategy and expected objectives that would support their macroeconomic policy priorities for 2017–2019. CD needs and priorities covered several areas, including public expenditure management, revenue mobilization, central bank governance, liquidity management and monetary policy analysis, financial sector reform, and statistics. The resulting memorandum of understanding set a variety of milestones and outcomes related to the CD program, while identifying actions to be undertaken by the authorities to achieve the agreed goals. It described donor involvement and the risks to the CD strategy along with remedial measures.

Although the CBF MoU made no explicit reference to the CSN produced 2016, the priorities identified by the two documents were broadly aligned, focusing notably on PFM, revenue mobilization, CBL governance and operations, and national accounts statistics. According to IMF staff, the CBF helped secure progress toward building capacities and achieving policy goals in revenue administration and financial monitoring in Liberia. However, insufficient political support slowed down implementation of reforms related to the central bank act and national accounts statistics.

The implementation of the CBF resulted in an overall doubling of CD resources deployed to the five pilot countries. In Liberia, the level of IMF CD increased considerably following the Executive Board's endorsement of the CBF in 2015, reaching over 5 FTEs in 2017 when implementation of the CBF began. Mobilized with significant donor contributions, these additional resources translated into more CD missions from IMF headquarters, more and longer visits from AFW2 experts, and one additional long-term advisor in tax administration. This contributed to the significant pick-up in the number of missions during the second half of the evaluation period, as noted in the previous section. FAD accounted largely for this pick-up, fielding on average twice as many field missions per year during the period 2016–2019 than it did in 2015.

In 2019, staff drew a number of preliminary lessons from the CBF experience, including the need to identify a more focused set of priorities for technical support aligned with countries' macroeconomic priorities; secure the authorities' involvement and commitment to the capacity building process; and tailor technical assistance recommendations to countries' capacity constraints, follow up on training needs, and better integrate training into TA activities. The authorities' commitment to implement recommendations was also deemed critical for the success of long-term advisors.

____

Source: IMF.

10. Most interviewees confirmed that Liberian authorities were actively involved in identifying CD priorities either at the staff's request or at their own initiative. Beyond the interactions between IMF staff and the authorities in the context of the CBF, this generally took place during discussions held in the margins of the Spring and Annual meetings of the IMF and World Bank. As members of the RTAC's Steering Committee, government officials also played a role in guiding the design and implementation of AFW2's strategy and program of activities. According to some members of

the IMF country team, a collaborative and interactive process was also in place under which the Liberian authorities communicated their priority CD needs to IMF staff. However, the authorities' involvement was always not systematic when part of the prioritization process was conducted in writing between the authorities and staff. For instance, this was sometimes the case with needs-assessments surveys that were regularly sent out by CD providers to the authorities. Liberian officials were at times not responsive to such surveys from AFW2, thus forcing the latter to move ahead unilaterally toward identifying priority areas for CD delivery.

11. According to some Liberian officials, IMF CD engagement appropriately accounted for the country's circumstances and absorptive capacity. In their opinion this was inevitably the case since the authorities identified their own needs which they submitted to the IMF. However, there is tension between the very heavy volume of TA being provided, particularly after the CBF became operational in 2017, and the country's weak implementation capacity.[4] As corroborated by some staff reports, the same handful of recipient agencies with limited capacities were asked to implement a plethora of CD recommendations that were submitted to them by IMF CD experts—not to mention those formulated by other CD providers.[5]

12. Thus, while Liberia clearly had extensive needs, and a high priority accorded by the institution as a fragile states, the level of CD delivered substantially exceeded to account for the country's absorption capacity, as previously noted and acknowledged by IMF staff.[6] There are indications that pressures to deliver on the CBF led CDDs, notably FAD, to increase significantly the intensity of CD delivery even though it was at odds with existing capacity constraints (Box 3).

13. AFR staff considered the integration of CD into programs and surveillance to be very important. Until 2014, efforts made by the department in this direction appeared to have been guided by the 2001 Policy Statement on IMF Technical Assistance which identified surveillance and program activities among the key determinants of TA priorities. Building on the 2013 CD strategic review (IMF, 2013f), the 2014 Statement on Policies and Practices on Capacity Development (IMF, 2014d) adopted a similar guidance. In this context, subsequent AFR regional CD strategy notes continued to underscore the importance of aligning CD work with other IMF activities. More recently, the integration of CD into programs and surveillance was featured in AFR's accountability framework.

14. In the case of Liberia, most interviewees felt that integration of IMF CD and program work was a reality, with CD informing the design of IMF-supported program and the latter helping implement CD recommendations.

[4] See Annex I.

[5] See IMF (2019d).

[6] IMF (2019c), Liberia—Request for a Four-Year Arrangement under the Extended Credit Facility, Country Report No. 19/381, December 2019.

- From the perspective of country officials, such integration was welcomed to the extent that Liberia would have otherwise found it difficult to meet program requirements. During interviews, some officials confirmed that CD was intentionally delivered to help policy makers achieve quantitative criteria and structural benchmarks set forth in IMF-supported programs.

- IMF staff members insisted that significant efforts were made by area departments to align CD with program and surveillance priorities. CD was generally deployed to support the ECF-supported program implemented by Liberia. For instance, it facilitated the implementation of structural benchmarks related to the establishment of a mining tax assessment in the Large Taxpayer Unit and the preparation by the Central Bank of Liberia (CBL) of a roadmap and interim regulations for capital market development. There were also steps taken to integrate CD with surveillance work. On the part of CDDs and RCDCs, this included discussions with the authorities on potential tradeoffs in policy space, information-sharing with other actors, and a compilation of relevant country-specific information, including news feed for the benefit of the IMF country team.

- Overall, the main areas of CD support for the country broadly matched key surveillance and program priorities identified in CSNs and staff reports. But there were occasional changes in the specific focus of CD priorities and objectives. For instance, compilation and dissemination of national accounts featured the list of priority CD areas listed in the 2016 CSN, but was dropped from the list of CD priorities identified in the 2020 CSN even though this remains a key surveillance and program priority.

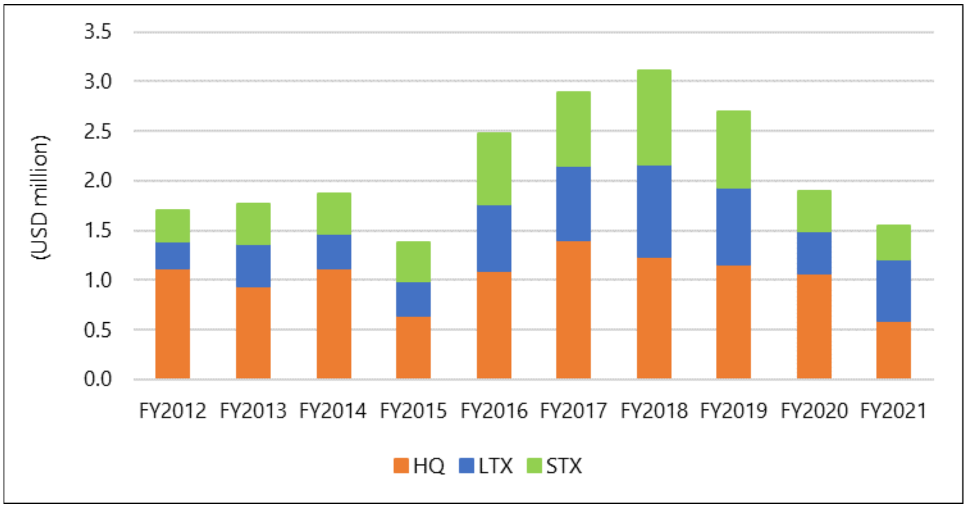
B. Delivery

15. During the review period, modes of CD delivery to Liberia included missions from IMF HQ, STX visits, LTXs based both in Liberia and the RCDC, training in HQ, RCDCs and in-country, and peer-to-peer learning from officials in the region (Ghana, Nigeria) (Figure 6, and Annex I). IMF CDDs shifted to virtual modes of CD delivery during the Ebola epidemic during 2013–2016 and at the onset of the COVID-19 pandemic.[7]

16. The country is covered by Ghana-based AFW2 which opened in 2013 and delivers CD in the areas of revenue administration and taxation, PFM, macroeconomic statistics, monetary operations and payments system, and banking supervision. CD delivery by AFW2 generally takes the form of field missions, national and regional workshops, and professional attachments with professionals from other neighboring countries acting as trainers of trainers.

[7] Liberia is served by the Accra-based AFRITAC West 2 (AFW2) and receives training from Africa Training Institute (ATI).

Figure 6. Liberia—IMF CD by Type of Delivery, FY2012–2021



Sources: IMF, ACES data; IEO staff calculations.
Note: Spending data excludes non-personnel (NP) costs, which include, among others, travel expenses.

17. Professional attachments, involving short term visits by officials from peer countries, play a significant role in CD delivery in Liberia. In terms of capacity building, this delivery mode was viewed by staff and the authorities as being better value for money than regional workshops, which have been the other main means of peer-to-peer learning. Increased recourse to professional attachments was deemed consistent with the CBF under which it was decided that CD delivery in fragile states such as Liberia would shift in part from diagnostic missions to hands-on CD, such as training and workshop.

18. Given that the effectiveness of IMF CD delivery is constrained by Liberia's limited absorptive and implementation capacity, the CSN produced in 2020 identified a variety of mitigation measures to overcome this challenge, including enhanced follow-ups, information-sharing, and coordination across experts in the field, HQ back-stoppers, other CD providers, and the authorities.

19. Like in many countries in fragile situations, RAs top the list of the authorities' preferred CD delivery modalities in Liberia, while RCDC-based experts represent a distant second-best option. According to Liberian authorities who were interviewed, LTXs enjoy a good ranking because they have a better understanding of the country's needs. A former official at the Liberian finance ministry felt that, in the years following the civil war, it was critical to have someone on the ground who would follow day-to-day work and provide the authorities with useful feedback. By contrast, visiting the country only for a few weeks as typically done by STXs and producing a final report would usually not lead to significant results. The report would simply be put on the shelves due to lack of capacity to implement the suggested proposals. Under these circumstances, this type of CD modality could be most effective and impactful when involving additional follow-up to support implementation.

20. Officials considered RTACs as a second-best delivery modality, arguing that AFW2 advisors understood well their country's needs. While STX was found to be the least preferred delivery mode, it was still judged to be valuable to the authorities despite its perceived limitations.

COVID-19 Impact

21. The COVID-19 pandemic impacted CD delivery in Liberia significantly. First, it delayed the arrival of the new IMF resident representative who traditionally played a supportive role during CD activities. Second, the ensuing suspension of field visits by CD experts eliminated the possibility of hands-on interactions with domestic counterparts. Due to practical reasons, such interactions were viewed by the authorities as having more benefits than those conducted through virtual means.[8] Although AFW2 shifted to a virtual delivery mode at the onset of the pandemic, this move was complicated by connectivity challenges facing the country. Officials who were interviewed felt that the delayed assignment of the IMF Resident Representative had an adverse impact on the effectiveness of CD. It was also their view that virtual missions further complicated CD follow-ups, as it became more challenging for CD experts to monitor progress remotely.

22. The COVID-19 pandemic was not the first health crisis that hit IMF CD activities in Liberia. When the country was hit by the Ebola epidemic in 2013, the IMF halted in-country CD until the country was finally declared Ebola-free by the World Health Organization (WHO) in 2016. During this time, CDDs like FAD continued to deliver CD to the country using videoconferences and electronic messaging until the resumption of in-person expert assignments. But it is unclear to what extent the IMF CD experience during Ebola times helped provide lessons for the institutional response to the current health crisis.

C. Partnerships, Coordination, and Dissemination

23. In addition to the IMF, several regional and multilateral actors were active CD providers in Liberia during the review period. These included the World Bank, AfDB, and the EU. Like other peers in the region, Liberia also received technical support from West African Institute for Financial Economic Management (WAIFEM) which is based in Nigeria.[9] Several bilateral partners delivered CD to the country, notably United Kingdom's DFID, USAID, German development agency (GIZ), Denmark's Development Corporation (DANIDA), the Central Bank of Nigeria, and the Swedish International Development Cooperation Agency (SIDA).

---

[8] The central bank's efforts to recruit a resident advisor with the support of another CD provider stalled at the onset of the COVID-19.

[9] WAIFEM is a collaborative sub-regional capacity building organization established in 1996 by the central banks of five Anglophone West African countries, including Liberia. The mission of WAIFEM is to develop human and institutional expertise in the areas of macroeconomic, fiscal, debt and financial management for central banks, ministries of finance and economic planning, and other public sector institutions with macroeconomic management responsibilities.

24. IMF engaged with the donor community in the context of existing government-led coordination mechanisms. This provided an opportunity for all involved parties to address CD issues. For instance, the IMF and other development partners were invited to attend regular meetings of the PFM steering committee as observers. At the same time, the IMF was also involved in donor groups which regularly met to coordinate their respective actions in specific areas. These were typically attended by the resident representative and CD experts, with area department staff participating on an occasional basis. Moreover, there was an established practice by IMF CD experts to brief donors before and after their missions to Liberia. But some IMF interviewees felt that information-sharing appeared to be largely one-way, with other CD providers providing the IMF staff with limited information about their own CD activities. According to country officials, the CBL also coordinated activities undertaken by CD providers in its core areas of competence to optimize the outcome and avoid replication. However, only a limited number of providers delivered CD on central banking issues, with the IMF being the only provider in monetary policy operations and reserve management, according to CBL officials.

25. Like in DRC, publication of CD reports is not customary in Liberia (Annex 1). Yet some officials who were interviewed indicated that they took no issue with it. While some among staff argued that this was due to the sensitiveness of these reports, others explained this outcome by the fact that necessary process needed for publication was not systematically followed by both CDDs and the authorities through their IMF board representative. Under existing guidelines, the authorities' consent had to be secured prior to publication of CD reports. But this was subjected to cumbersome processes and procedures requiring the involvement of the IMF Executive Director representing Liberia. As CDDs and AFW2 dealt with hundreds of reports, observers suggested that there were no incentives for going through the entire publication process.

26. Many Article IV reports and program documents reported the pipeline of ongoing and previous IMF CD projects.[10] While discussions of CD issues were generally limited to identifying the areas in which CD was delivered, some staff reports provided more detailed information about the focus and objectives of CD as well as the challenges facing IMF capacity building initiatives. For instance, the staff report on the 2019 Article IV consultation included an informative annex on capacity building which discussed Liberia's participation in the Capacity Building Framework and the mismatch between the level of CD and the country's absorptive capacity, while providing an update on the implementation of CD projects in key areas.

D. Effectiveness and Impact

27. This sub-section explores how effective IMF CD has been in achieving its objectives. It also assesses the impact of CD on economic performance and policy frameworks. The discussion focuses on specific areas in which IMF CD was expected to make a key difference in fragile

[10] See IMF (2019a, 2019b, 2017c, 2015c, 2014c, 2013c, 2012a, and 2011).

situations and the country's capacity building needs were significant. These include monetary policy operation and banking supervision, PFM, and revenue administration.

CD in Monetary Policy and Banking Supervision

28. Liberia benefited from significant IMF CD in monetary policy and banking supervision. The central bank received technical support to strengthen liquidity forecasting and crisis preparedness and management framework. However, CD activities were adversely affected by the 2014–2016 Ebola epidemic which led to the suspension of in-person CD travel to the country. As of FY17, the effectiveness of past IMF CD in monetary policy and banking supervision was mixed according to IMF staff's own assessment reported in the country strategy note. All outcomes were deemed to have been somewhat—albeit not fully—achieved in line with CD objectives. The objectives of CD in liquidity and crisis management were assessed to be largely achieved even though some gains were reversed by weak coordination between the CBL and the Ministry of Finance and Development Planning and the Ebola outbreak.[11] Staff considered outcomes were only partially achieved in the area of financial supervision and regulation due to the Ebola outbreak and delayed reforms, including those related to the adoption of amendments to the Financial Institutions Act and safety nets architecture.[12]

29. In recent years, CD was largely delivered in monetary policy operations as Liberia moved towards a more interest-rate-based operational framework amid sharply deteriorating macro fundamentals. In this context, IMF CD aimed to strengthen the capacity of the CBL to implement monetary policy effectively and foreign exchange operations efficiently, while improving the economic analysis and forecasting capabilities at the central bank and developing and reforming the national payment system. According to the authorities, CD in this area was broadly effective and impactful. It provided effective support to the transition from exchange rate targeting to interest rate-based monetary policy, including by helping to inform monetary policy decisions, account for domestic developments, and facilitate liquidity forecasts. Furthermore, officials suggest that IMF CD and program implementation were partly to be credited for the country's positive inflation and exchange rate dynamics.

30. With the support of several AFW2 missions since 2017, the CBL made progress toward strengthening its monetary policy implementation capacity notably by developing an operational strategy, a liquidity forecasting framework, an interest rate corridor, liquidity management tools, and enhancing operations in the interbank market. However, most of the objectives, outcomes and milestones identified by IMD CD experts were at best partially achieved at the time of their targeted completion dates. Failure to fully complete these reforms on a timely basis was often attributable to coordination failures, including with the finance ministry, data shortcomings,

[11] Liquidity management was complicated by the limited coordination between the CBL and MFDP and a 2014 amendment to the CBL Act which subjected the issuance of currency to approval of the legislature.

[12] Amendments to the Financial Institutions Act were not yet adopted by the legislature as of 2020.

organizational and operational challenges. The CBL also made inroads in improving its economic analysis and forecasting capabilities and enhancing the monetary policy decision-making process. For instance, CBL set up a modeling unit and overhauled its decision-making process with the introduction of the pre-Monetary Policy Advisory Committee in 2019. But here again outcomes set forth for IMF CD were only partially achieved during the review period.

CD in PFM and Revenue Administration

31. CD proved critical to help reach the authorities' reform objectives in the areas of revenue and expenditure. Traction was facilitated by integration of CD with program work which the authorities were very supportive of. Former country officials who were interviewed felt that the progress made by Liberia since the civil war reflected the overall effectiveness and impact of CD. With respect to PFM, there had been many different layers of improvement. There was evidence of improvement in PFM outcomes as measured by PEFA scores. Two core PFM indicators related to accounts and reporting and transparency improved between the 2009 and 2016 PEFA assessments.[13] However, the country's PEFA scores on budget credibility lowered during the same period, while those on cash management remained unchanged.

32. In the area of revenue administration, IMF CD played a key role in setting up the LRA which became operational on July 1, 2014, at a time when in-person expert assignments were suspended amid the Ebola crisis. After the country was declared Ebola-free on June 9, 2016, in-person expert assignments resumed, and a LTX was assigned to the LRA to support reforms on the ground.[14] In line with IMF's advice, the LRA's institutional organization broadly complies with international best practices. The implementation of CD recommendations which was facilitated by IMF program conditionality correlated with improved revenue performance. IMF staff estimates that revenue collections have increased by approximately 4 percentage points of GDP in the last ten years.[15]

RBM Data Coverage

33. The RBM database includes 36 CD projects for Liberia during the evaluation period, of which half are completed (Figure A1; Annex I). Of the 36 projects, 28 had at least one objective defined, with more than half of those objectives rated. A total of 136 outcomes were defined for these projects, with 41 being rated for completed projects.

---

[13] See IMF (2017b).

[14] The WHO declared Liberia Ebola-free on several occasions: first in May 2015, then in September 2015, and finally January 2016 after the recurrence of small-scale infections.

[15] Establishing a Modern Tax Administration in Liberia: https://www.imf.org/external/np/ins/english/capacity_countries_pf_liberia.htm.

III. Overall Assessment

Relevance

34. During the review period, IMF CD engagement broadly focused on issues of high relevance to Liberia. Consistent with institutional guidance in countries in fragile situations, CD was primarily delivered in fiscal areas where significant capacity weaknesses were identified in the context of program and surveillance activities. While these include PFM and tax administration and policy, IMF CDDs provided other public agencies with critical capacity building assistance, notably the Central Bank of Liberia.

35. Given its extensive needs stemming from its fragile status, Liberia was appropriately treated by the IMF as a high-intensity CD country, becoming one of the top recipients of IMF CD in SSA. However, the IMF should have gone further towards taking account of the country's specific circumstances in determining both the volume and sequencing and modalities of CD delivery and follow-up, particularly in fiscal areas which accounted for a dominant share of CD. As acknowledged in internal reviews, the high level of CD provided was inconsistent with the limited absorptive capacity and implementation capacity. It is unclear how the institution as a whole—and not CDDs taken individually—adjusted the intensity and pace of CD to better tailor it with the country's specific circumstances. While the authorities expressed the need for more hands-on CD to strengthen absorptive capacity, the volume and share of CD delivered by RAs plateaued in 2017 and gradually declined in subsequent years.

Coherence

36. CD engagement played an instrumental role in supporting IMF program implementation and surveillance work in Liberia. From the authorities' perspective, the supportive role of CD in program design and implementation was positive. It contributed to keeping IMF-supported programs on-track, notably by facilitating compliance with program conditionality. When CD integration with program work was secured with the authorities' consent, ownership of CD was not subsequently weakened.

37. IMF CD strategy developed in the CSN underscored the importance of ensuring effective coordination across experts in the field, HQ back-stoppers, and the authorities to mitigate the risks to CD activities arising from Liberia's weak absorptive and implementation capacity. But as previously noted, the IMF should have paid more attention to addressing this weak capacity, thus limiting the benefits of effective coordination.

38. This evaluation found no evidence of IMF engagement with other CD providers in central banking issues such as monetary policy operations and reserve management. This is largely because the IMF was one of the few—if not the sole—CD providers in these areas. As such, interactions with other donors were mainly conducted for informational purposes before and after field missions rather than for coordination purposes. As a result, external contribution to

CD-supported reforms in these areas tended to be limited. By contrast, there was close collaboration between the IMF and CD providers in fiscal areas, facilitated by government-led coordination mechanisms and external initiatives such as TADAT (Tax Administration Diagnostic Assessment Tool).

39. While in principle IMF CD in fragile states aims to encourage synchronization between revenue and expenditure reforms, practice in Liberia fell short of this ambition. Between 2012 and 2014, IMF CD was predominantly delivered in the area PFM, which claimed over half of FTEs allocated to the country. From 2015, revenue mobilization overtook PFM, becoming the area which attracted most CD resources. According to IMF staff, this followed the establishment of the LRA and reflected the authorities' priority objective of recovering from revenue shortfalls due to the Ebola crisis. But this change in priority came at the cost of weaker CD engagement in PFM. Since CD in this area peaked in 2013, it broadly followed a downward trend until 2020. Yet Liberia's needs in PFM remained significant during the review period, not least because of the importance of strengthening expenditure management processes amid improvements in revenue mobilization.

Effectiveness and Impact

40. Available evidence suggests that IMF CD in Liberia was broadly effective in achieving some of its objectives. It served as a critical anchor to reforms undertaken by the authorities in fiscal, monetary, and structural sectors. With IMF CD support, sustained progress was made in rebuilding Liberia's institutional capacities which were significantly damaged by the civil war. During the decade under review, there were indications of improvement in PFM, revenue mobilization, monetary policy and operations, and other areas supported by IMF CD. While these achievements cemented further compliance by government entities with international best practices, the country continued to face critical capacity challenges that are yet to be overcome despite intensive delivery of CD.

41. At the same time, IMF CD was positively correlated with sustained—albeit at times slow—improvements in the country's policies and economic outcomes. With IMF CD support, the Liberian government made inroads toward macroeconomic stabilization during the review period, notably by strengthening its policy toolkit and learning from peers.

42. However, the effectiveness and impact of CD was undermined by weak coordination between government entities, high turnover among country officials, data shortcomings, as well as organizational and operational challenges. While the authorities' commitment to CD-supported reforms was generally strong, these impediments tended to have adverse implications for the timeliness and pace of reform implementation.

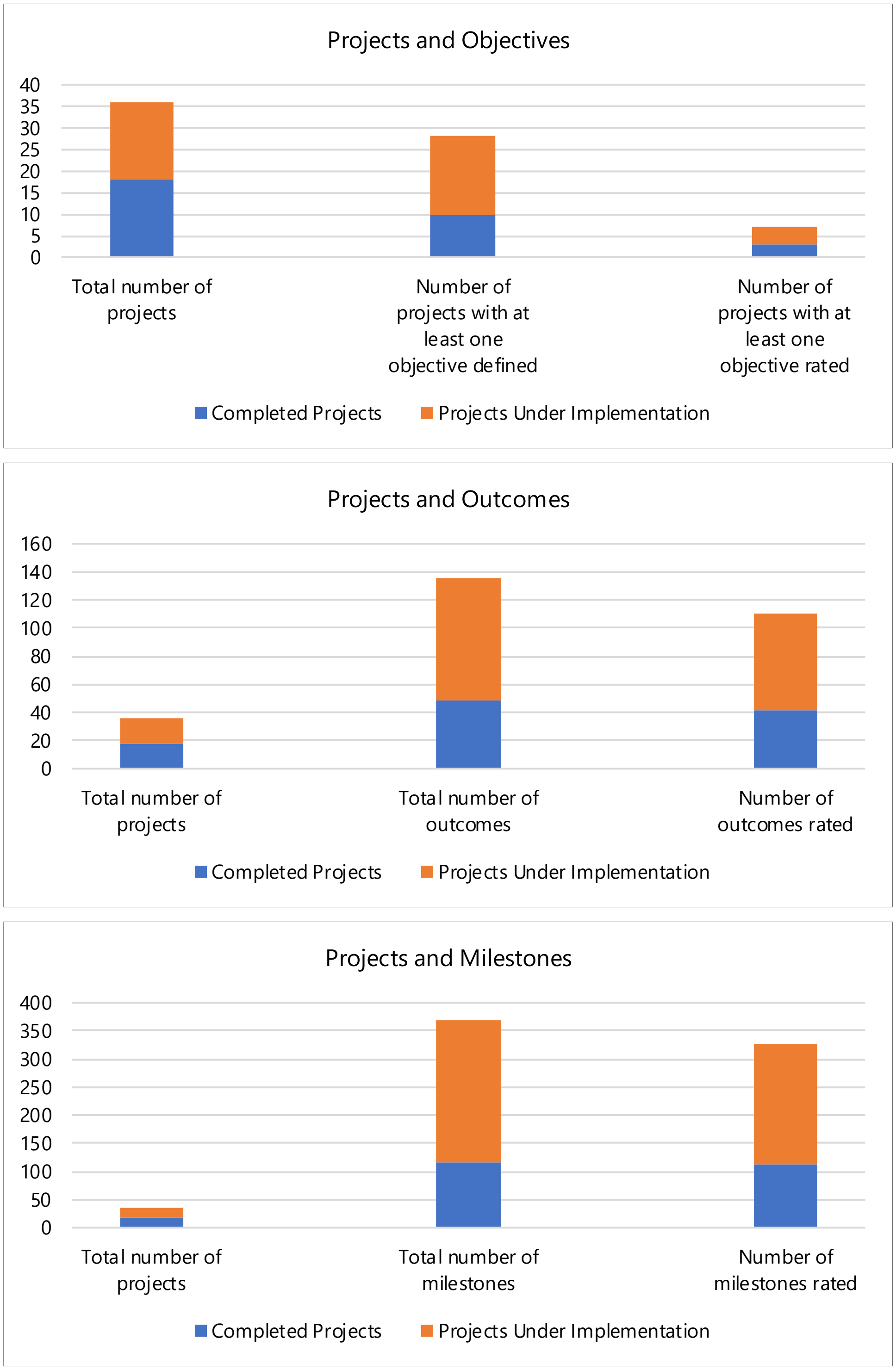
43. The effectiveness and impact of CD were also undermined by both Ebola and COVID-19 health crises, notably by causing delays in CD delivery and the implementation of CD recommendations. The Ebola crisis caused in-person CD delivery to stall. While FAD CD

continued during the crisis through videoconferencing and emails, full resumption was achieved only once travel restrictions were lifted. The weaker impact of CD during the COVID-19 pandemic resulted from the suspension of in-person country visits by CD experts and the field absence of the IMF resident representative. Because of the subsequent suspension of mission travel, both public health crises took away—at least temporarily—the ability of CD experts to interact physically with their counterparts, thereby removing a critical aspect of CD delivery in a fragile setting.

44. CD could have been more effective if there had been less of a mismatch between the intensity of CD delivery and Liberia's implementation capacity. This sub-optimal outcome may have been exacerbated by the implementation of the CBF which led to more than a doubling of CD resources allocated to the country over a very short period. While intensive CD delivery was warranted in Liberia given its critical capacity gaps, the IMF should have ensured that it was more tailored to the country's limited absorption capacity. Although the memorandum of understanding concluded with Liberia under the CBF rightly underscored the importance of training officials for enhancing the country's capacity to implement CD recommendations, additional steps needed to be taken to better accommodate the expected increase in CD resources. To this end, there was scope for better aligning the rate of increase in CD resources under the CBF to the country's reform priorities and specific circumstances. In this process, the overall pace of delivery should have been adjusted more deliberately, with the resident representative playing an active role, in collaboration with CDDs, to ensure that CD was consistent with the authorities' administrative and human resource capacity.

ANNEX I. CD ACTIVITIES FOR LIBERIA

Figure AI.1. Liberia—Results Based Management Data on Projects, Objectives, Outcomes, and Milestones



Sources: IMF, RBM data; IEO staff calculations.

Table AI.1. Liberia—Number of Missions, 2012–2020

Year	FAD	ICD	LEG	MCM	RES	STA	Others	Total
2012	19	0	4	9	0	2	1	35
2013	24	0	1	5	0	4	0	34
2014	29	0	0	6	0	2	0	37
2015	16	0	0	2	0	4	0	22
2016	34	0	1	9	0	8	1	53
2017	46	0	2	10	0	9	0	67
2018	41	2	9	8	0	8	0	68
2019	42	0	7	7	0	12	1	69
2020	21	0	5	8	0	5	0	39
Total	272	2	29	64	0	54	3	424

Sources: IMF, TIMS data; IEO staff calculations.

Table AI.2. Liberia—Resident Advisors, 2011–2020

Host institution	CDD	CD topic/workstream	Start date	End date
Ministry of Finance	FAD	PFM Resident Advisor	5/9/2011	5/8/2012
Ministry of Finance	FAD	Extension of PFM resident advisor	5/9/2012	5/8/2013
Ministry of Finance	FAD	Extension of PFM resident advisor	5/9/2013	5/8/2014
Ministry of Finance	FAD	Extension of PFM resident advisor	5/9/2014	4/30/2015
Ministry of Finance	FAD	Resident Tax Administration Advisor	1/17/2016	1/16/2017
Ministry of Finance	FAD	Resident Tax Administration Advisor Extension	1/17/2017	1/16/2018
Ministry of Finance	FAD	Extension Strengthen large taxpayers management advisor	1/17/2018	1/16/2019

Source: IMF, Fiscal Affairs Department.

Table AI.3. Liberia—List of TA Reports, 2012–2020

	FAD	MCM	STA	LEG	Total	Of which		
						Available within IMF	Available but confidential	Published
2012	4	2	1	0	7	6	0	0
2013	4	2	4	0	10	2	1	0
2014	5	3	3	0	11	6	1	0
2015	2	1	2	0	5	3	1	0
2016	4	3	8	0	15	9	0	0
2017	4	2	3	1	10	8	0	0
2018	3	2	7	3	15	2	0	0
2019	6	0	9	2	17	5	0	0
2020	0	2	4	0	6	4	0	0
Total	32	17	41	6	96	45	3	0

Source: IMF, Institutional Repository.

NIGERIA

CHRISTOPHER LEGG *

* Consultant, Independent Evaluation Office of the IMF.

I. INTRODUCTION AND COUNTRY OVERVIEW

1. Nigeria is the largest and most populous economy in SSA, with a systemic regional presence. It is the world's eleventh largest oil producer with the sector contributing around 10 percent of GDP and 90 percent of exports, yet it remains a lower middle-income country. Already high poverty levels (around 40 percent of the population) are forecast to deteriorate further due to the pandemic.[1]

2. It is a young, multi-cultural democracy[2] with a complex federal system confronted by extensive regional political instability, institutional weaknesses, and a history of corruption.[3] Moreover, over recent years the economy has suffered protracted low growth and declining real per capita GDP, as entrenched structural vulnerabilities have increasingly constrained macroeconomic policy options, first in response to the 2014 oil price shock and more recently in response to COVID-19. Structural challenges include demographic pressures,[4] excessive dependence on oil, and chronically low levels of domestic revenue mobilization[5] (Figure 1).

3. In the first half of the review period, expectations of sustained strong and stable growth (6 percent to 7 percent per annum) saw the Fund's policy dialogue focus on the need for steady efforts to improve budget systems and frameworks, enhance non-oil revenue mobilization, address gaps in financial sector regulatory arrangements (identified in Nigeria's 2013 FSAP), and strengthen efforts to combat corruption, while addressing structural impediments to reducing reliance on oil. However, in the aftermath of the 2014 oil price shock and associated sharp deterioration in growth prospects, the Fund's policy advice has focused more sharply on near term risks, and on weaknesses and internal tensions in policy frameworks, in particular the need to move away from the authorities' system of multiple exchange rates, allow for greater (orderly) exchange rate adjustment, and refocus monetary policy operations on price stability. Staff has highlighted the need to improve domestic revenue mobilization, both to ease budget financing pressure on the Central Bank of Nigeria (CBN) and to deliver enhanced public services (including in response to the pandemic) and needed infrastructure investment while preserving debt sustainability. Fundamental differences between the authorities and staff—in particular, on the efficacy of import substitution policies and the appropriate role of the monetary and exchange rate policy—have become more sharply etched.

---

[1] Irwin, Iain and Vishiwanath, 2021.

[2] The election of President Buhari's All Progressives Congress Party in 2015 marked the first peaceful transfer of power between political parties in the country's history.

[3] The World Bank's Governance Indicators rate Nigeria in the lowest 10 percent of countries in terms of political stability, and in the second decile for government effectiveness, rule of law, regulatory quality, and control of corruption.

[4] According to UN estimates, 63 percent of Nigeria's population is under 25 years old, and the country's population is expected to reach 400 million by 2050, making Nigeria the world's third largest country.

[5] Nigeria's domestic revenue as a share of GDP has been persistently around the lowest in the world at around 6–7 percent, of which non-oil revenue is less than 5 percentage points, well below the SSA average of 17 percent.

Figure 1. Selected Indicators for Nigeria, 2010–2020

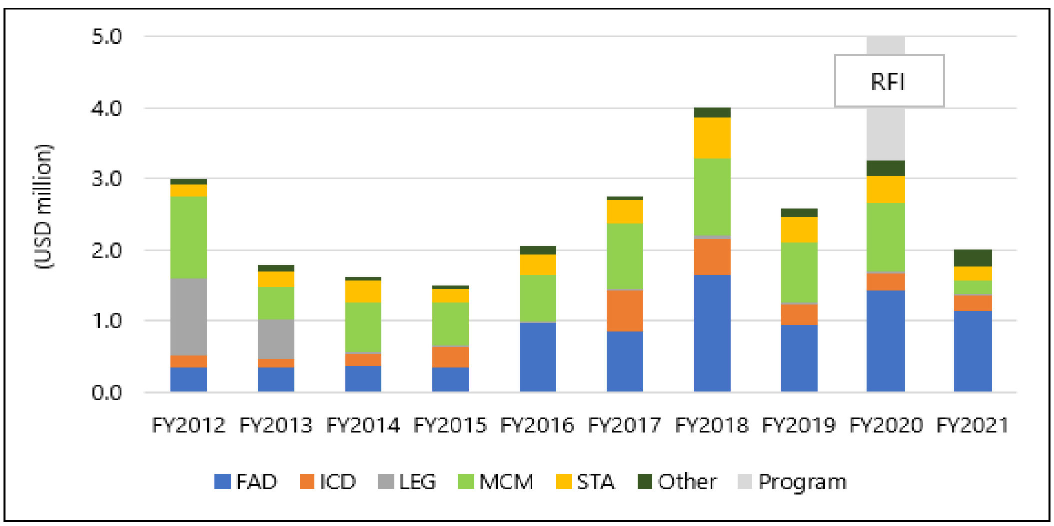
Sources: IMF, WEO database; World Bank database; IEO staff calculations.

4. While Nigeria had not drawn on Fund resources for some two decades prior to its recent RFI disbursement, it has been a high intensity user of Fund CD, consistently ranking in the top ten of CD recipients from AFR. CD activity has focused on (Figures 2 and 3):

- PFM, building on early assistance for the establishment of a federal level TSA—to reinforce budget discipline and improve the strategic allocation of expenditure—with a subsequent piloting approach at the provincial level and a broadened focus on other aspects of cash and debt management;

- Assistance to formulate the 2015 budget and design the subsequent Economic Recovery and Growth Plan (ERGP) in response to the oil price shock;
- Engagement from around 2018 on public investment management;
- Domestic revenue mobilization, through both tax administration and policy reform, including efforts on the regional customs dimensions of the issue through ECOWAS, a grouping in which Nigeria has significant weight;
- Support for enhanced banking supervision including the placement of successive long-term RAs in the CBN, funded by the then DFID;[6]
- Efforts to engage the authorities on monetary policy and operations, increasingly delivered via AFW2; and
- A well-established workstream to assist improvements in statistics, including the national accounts, Consumer Price Index (CPI), monetary and financial statistics and financial soundness indicators, with an increasing role for AFW2 in delivery.

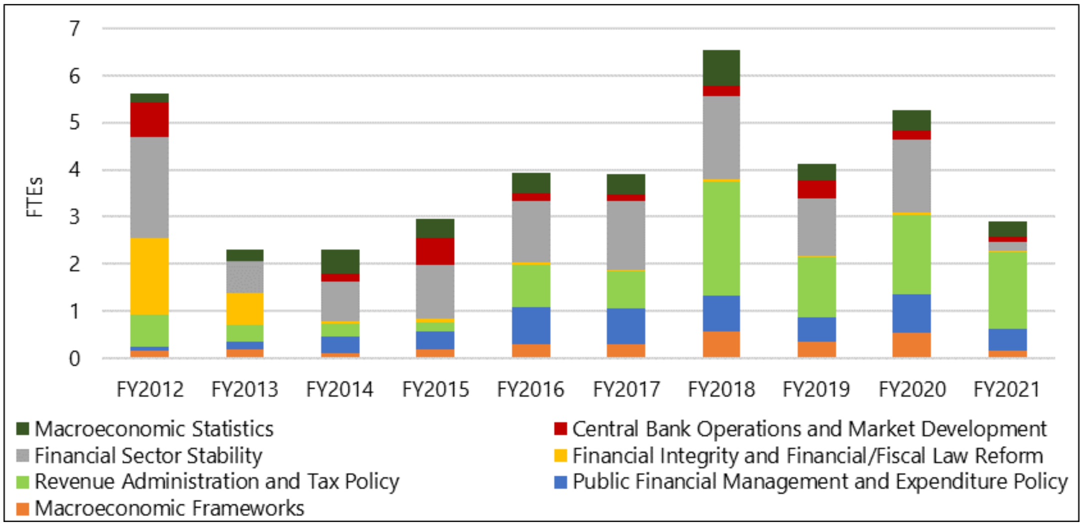
Figure 2. Nigeria—IMF CD Spending by Department and IMF Programs, 2012–2021



Sources: IMF, ACES data; IEO staff calculations.
Note: IMF program: RFI (2020).

[6] In June 2020, DFID was merged with the Foreign Office to create the FCDO.

Figure 3. Nigeria—IMF CD by Workstream, FY2012–2021



Sources: IMF, TIMS data; IEO staff calculations.

5. Initially, Nigerian involvement with the AFW2 was limited by the authorities' reluctance to engage following the decision not to locate the new RCDC in Abuja. However, AFW2 activity has notably deepened since 2017 and Nigeria's disbursement of its membership contribution in 2018.[7] Notable areas of focus include statistics, provincial level engagement on PFM, customs administration and Monetary Operations and Payment System (MONOPS) related training.

II. CD ENGAGEMENT

6. CD provision to Nigeria over 2012–2020 has therefore unfolded against the backdrop of deteriorating macroeconomic conditions, a significantly more challenging policy environment and questions regarding the sustainability of key policy frameworks and settings. The Fund has had to navigate Nigeria's strong commitment to independence and self-sufficiency, underpinned by its size and oil endowments, in a complex political environment involving election cycles in 2015 and 2019, and with counterparty agencies with significantly varying capacity.

A. Strategy, Prioritization, and Allocation

7. There is clearly alignment between the four priority areas of CD consistently highlighted in the Fund's internal strategy documents over this period—PFM, domestic revenue mobilization, banking supervision and statistics—and the wider surveillance relationship. The challenge for the Fund has been effectively operationalizing these priorities, striking the right balance between need and ownership.

[7] For the two-year period commencing March 2014, AFW2 fielded only 13 missions to Nigeria. However, for the similar period commencing February 2017, this number had increased to 55.

8. All interlocutors confirm that AFR has had broadly effective, albeit evolving, internal processes for engaging with CDDs and AFW2 on identified client needs and prioritizing response in line with the intent of the Fund's 2019 Policies and Practices on Capacity Development. Successive Resident Representatives in Nigeria appear to have played a central role as the primary contact point with the authorities and conduit to both the Mission Chief and CDDs, no doubt aided by the fact that for a significant part of this period, the Resident Representative and Mission Chief positions were combined in Abuja. And AFW2's prioritization processes appear to have been well integrated into the HQ arrangements. Some officials opined that surveillance priorities shaped the availability of Fund CD more so than country demand.

9. The Fund's FY2018 CSN for Nigeria—one of the first prepared—clearly relates proposed CD to surveillance while providing a reasonably candid assessment of a mixed record on traction to date. And successive AFR RSNs from 2015 onwards have implicitly underscored the difficult balancing act involved in operationalizing the strategy. Singling out Nigeria in 2015 as one of two countries requiring 'tailored CD' in the context of identified gaps and their role in regional integration,[8] subsequent RSNs skirted the trade-off between need and traction, indicating that CD "…will be channeled to countries with good prospects for implementation…. and [those] where domestic revenue mobilization, expenditure rationalization, and financial sector stability and deepening are critical." Only later have RSNs highlighted the challenge of shifting CD resources, at the margin, to program and fragile states.[9]

10. In practice, Nigeria's size and systemic importance appear to have been a dominant consideration behind sustained significant resourcing commitments through the review period, including a notable pick up in AFW2 engagement mid-decade (see Figure 5 below). Funding sources have involved a mix of internal IMF (01), thematic Trust Fund and third-party donor resources (Figure 4). Resource constraints do not appear in general to have materially affected capacity to respond to authorities' requests, although withdrawal of UK funding appears to have been significant in deciding not to continue the latest CBN RA placement. The binding constraint is more likely the availability of staff. And the Fund has been able to respond quickly to emerging demands when needed, e.g., the provision of urgent support on budgetary matters following the oil price shock.

11. Nonetheless, prioritization appears to have reflected sometimes difficult judgements regarding the level of ownership.

12. On statistics and PFM, a solid track record of implementation has encouraged sustained engagement by STA and FAD, respectively. Absorptive capacity constraints have primarily set the pace on the former, with a focus on real sector statistics. FAD has looked to build on early success

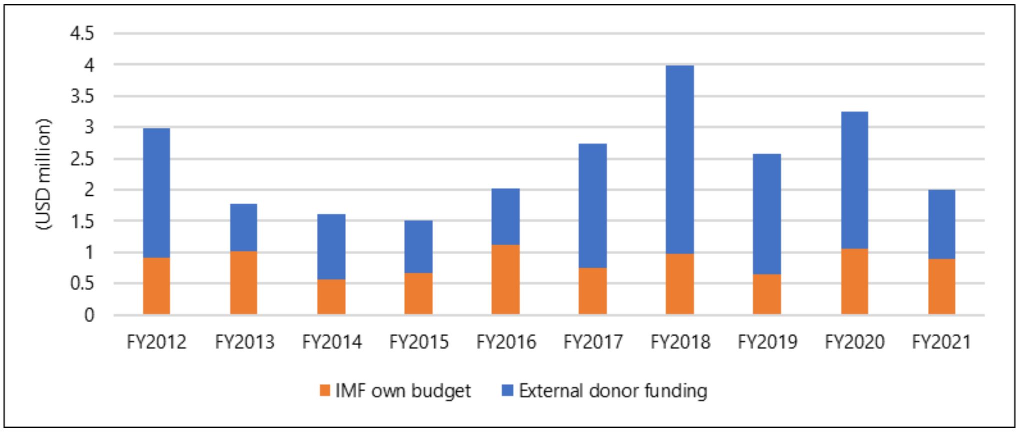
---

[8] The other country so identified is South Africa.

[9] Although included in the World Bank's 2021 list of Fragile and Conflict Affected States as medium intensity conflict affected, Nigeria has generally not been so classified over the review period.

in establishing a federal level TSA with efforts to broaden its coverage and strengthen cash and debt management—areas which are reportedly proving more difficult—while scaling back work in the even more challenging area of medium-term spending frameworks. AFW2 has led work to pilot the TSA and related reforms in response to interest from Kaduna province, consistent with objectives set out in the CSN. The depth of ownership underpinning recent engagement following the 2018 Public Investment Management Assessment (PIMA) and a more recent ministerial request on gender-based budgeting remains harder to judge, although strengthening infrastructure investment is a government priority.

Figure 4. Nigeria—IMF Spending on CD by Funding Source, FY2012–2021



Sources: IMF, ACES data; IEO staff calculations.

13. On banking supervision, there has been sustained commitment to successive MCM backstopped RAs working on strengthening risk-based supervisory tools and frameworks and building capacity in the Banking Supervision Department. This was underpinned by access to DFID/UK funding, the clear buy-in of senior CBN management and the nature of the task—technically focused, institutionally challenging but not politically contentious. But on other aspects of the 2013 FSAP findings, there has been less active engagement. Support for the development of much needed bank resolution tools appears to have been put on hold pending a clearer signal from the authorities of their readiness.

14. In contrast, staff have judged Domestic Revenue Mobilization (DRM) too important an issue to contemplate disengaging, notwithstanding little evidence of genuine prospects for significant traction on revenue policy and only limited progress on revenue administration over much of the review period. Rather, the Fund has sought to maintain the dialogue on multiple fronts, through diagnostic tools such as TADAT (in 2018 and 2020) and through targeted assistance wherever an opportunity presents.[10] Despite the authorities' longstanding commitment to Improving DRM and the catalyst of sharply lower oil prices, segmented political and

[10] This has included regular engagement from AFW2 on Customs admin reform and strengthening auditing capacity, through training, as well as support for making better use of data matching to identify VAT shortcomings. The ECOWAS integrity framework has also provided a hook for Customs reform.

institutional ownership of the agenda, the complexities of Nigeria's federal system and the distractions of the election cycle have all compounded the challenges regarding an issue which is inherently both technically and politically difficult. Nonetheless, staff consider that the Government's 2018 commitment[11] to lift revenue as a share of GDP by 7 percentage points by 2020 has provided an opportunity to engage more strategically and are encouraged by more recent signs of political buy-in from the current minister and of modest movement on the policy front. The CSN's objective of extending DRM work to the provinces has only recently been manifested in work on a sub-national TADAT.

15. The significant differences of view on MONOPS and exchange rate arrangements have constrained the CD relationship on this issue. A planned 2017 placement of a RA in the CBN was aborted by the authorities.[12] The latest summary CD strategy[13] implies a significant winding back of efforts in this area. Nevertheless, there remains a willingness on the part of some in the Fund to be flexible to keep the door open, such as responding positively to recent interest from the CBN's Research Department in assistance in improving monetary forecasting models. While there appear to have been differing views on the merits of this,[14] it seems desirable to preserve the scope for such 'tactical flexibility' within the evolving efforts to bring more science to prioritization.

B. Delivery

16. Delivery has been guided by the overarching principle that high level diagnostic and strategic engagement should be led by HQ, supported by follow up from AFW2 on implementation (Figure 5). However, the slow start to AFW2's operations in Nigeria has also been a factor, along with AFW2's LTX skill mix which reflects priorities identified in the initial funding phase.[15] Delivery choices have also been shaped by the varying levels of ownership and the challenge of fostering relationships and traction.

17. On PFM, and in particular on a TSA, a flexible and phased approach was adopted to address resistance and harness champions, customizing the proposed design and looking to show early benefits. TSA engagement was HQ-led (predating AFW2's establishment) with active engagement from the Mission Chief/Resident Representative. AFW2 engagement has since grown selectively, targeting TSA implementation, budget integration of balance sheet issues and risks,

[11] The Strategic Revenue Growth Initiative.

[12] MCM had previously placed a MONOPS advisor with CBN in 2011 and 2014. The resignation of the latter at the outbreak of the Ebola epidemic reportedly had contributed further to the strained relationship.

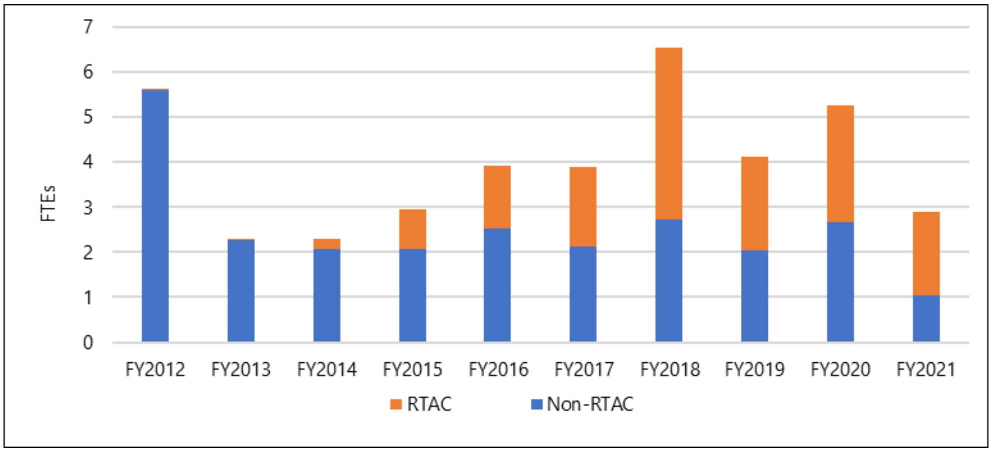
[13] Released as an Annex to the 2020 Article IV Report in February 2021.

[14] Interviews with Fund interlocutors suggest some differences of view between a skeptical country team and more optimistic MCM on the merits of using this request to keep the 'door open' on the MONOPs front, alongside the benefits of helping CBN recognize the need to revise its policies on monetary and foreign exchange operations.

[15] For example, AFW2 has LTXs with experience in non-oil revenue administration and customs, but not in the extractive industries, and its statistics capabilities have been focused on the real sector. However, The AFW2 coordinator expressed a high degree of comfort in the Center's current mix and quality of skills.

and performance based and zero-based budgeting. Notably, the RCDC has leveraged its proximity to lead engagement on TSA issues at the provincial level. Little momentum for follow-up CD has yet been generated by the HQ led 2018 PIMA or a subsequent mission requested by the Ministry of Finance (MoF) on state-owned enterprise (SOE) related issues, beyond follow up AFW2 missions regarding, respectively, PPP arrangements and public investment evaluation, However, the Debt Management Office indicated strong interest in obtaining embedded support to address the management of contingent and off-budget liabilities.

Figure 5. Nigeria—IMF CD Delivery by RTAC vs. non-RTAC, FY2012–2021



Sources: IMF, TIMS data; IEO staff calculations.
Note: Main RTACs-AFW2, ATI and JAI.

18. An integrated approach on DRM has been complicated by segmented domestic institutional arrangements but the Fund has sought to respond to evolving opportunities to broaden and deepen engagement. Largely focused on non-oil revenue administration for much of the period, activities were piecemeal prior to the 2014 oil price shock. The latter opened the door for HQ missions in 2015 and 2016 addressing both customs and non-oil tax administration. The customs dimension has subsequently been largely pursued by AFW2 under a Japanese funded regionally focused program.[16] The authorities' commitment to raise revenue by 7 percentage points of GDP, and a change of senior Federal Internal Revenue Service (FIRS) leadership, laid the foundation for a TADAT assessment in 2018, and follow up on both short-term priorities and the foundations for longer term administrative reform. AFW2 activity also increased, focused on issues with more immediate potential payoffs (e.g., treatment of the telecom sector) and training. Following the 2019 election hiatus, FAD recently responded to the re-appointed Finance Minister's request for a stock take of requirements across all three areas of revenue administration—the non-oil sector, extractive industries and customs—producing an agreed set

[16] AFW2 indicated that a core part of the engagement with Nigeria's Customs Agency has been to help develop a regional community of peers to broaden understanding and help reform momentum.

of priorities. The appointment of a RA is under consideration, in parallel with a significant ramp up in the World Bank's in country activity on DRM.

19. On the tax policy front, notwithstanding the potential for relatively larger gains, engagement has been reportedly constrained by capacity limitations in the MoF's Tax Policy Unit, complex federal arrangements and by the need to build engagement with the petroleum authorities. Instead, the focus has been on reform of the central government's value-added tax (VAT).[17] Efforts through 2017–2018, to deepen contact on the petroleum fiscal regime, including on improving revenue forecasting techniques and associated training, built upon a longer-term sustained recruitment strategy to bolster relevant HQ-based expertise.

20. Consistent with STA's preferred approach, it has increasingly looked to AFW2 to support foundational statistical systems, drawing on the advantages of proximity to assist the capacity challenged national statistics office. HQ has provided the backstopping and focused on one-off requests. The focus has largely been on the real sector.

21. Following the withdrawal of a CBN request for a RA to work on MONOPS, the task of keeping the door open has fallen to AFW2, involving a mix of regionally focused training courses and workshops, occasional diagnostic/stocktaking missions and a response to the recent request regarding monetary policy forecasting tools and systems. Officials have valued this engagement although, to date, substantive reform momentum in this area remains elusive.

22. In contrast, DFID funding has facilitated the placement of two successive RAs[18] on banking supervision in CBN. This project has witnessed commendable innovation in the design of in-house training to effect cultural change, alongside targeted attachments.[19] Traditional classroom approaches have been eschewed in favor of a more targeted and iterative strategy with selected champions in each of the six areas targeted by the project actively involved in designing and continuously refining hands-on training for others.

23. Indeed, the RA appears to have been influential in encouraging more CBN recourse to Fund training generally, liaising with AFW2 on the development of courses for CBN's International Training Institute,[20] which now delivers the bulk of AFW2 training for Nigeria, and more generally for the region on financial issues, harnessing Nigerian experience where relevant. The RA has also

[17] However, advice was also provided on corporate income tax, excises and international tax issues. Nigeria's personal income taxes are the responsibility of the provinces.

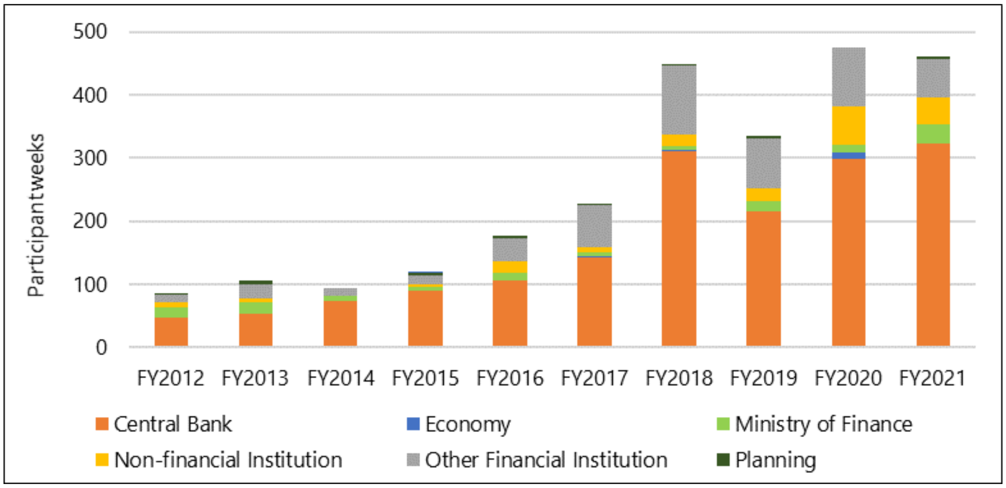
[18] The first of these appointees is now AFW2's banking supervision LTX which has helped to maintain continuity in relationships.

[19] For example, attachments have been facilitated with the Bank of Ireland which has experience of addressing similar gaps in supervision.

[20] The Institute was partly established on the (unfulfilled) expectation of AFW2 being located in Nigeria and its active use by AFW2 appears to have proven a useful strategy in helping to overcome the authorities' initial disappointment at it being located elsewhere.

encouraged the CBN to require officials to complete the relevant online courses before nominating for on-site Fund courses, and CBN demand appears to have underpinned Nigeria's active use of these resources, ranking in the top ten of users in terms of participant weeks through 2016–2020 (Figure 6).

Figure 6. Nigeria—IMF Training by Recipient Agency, FY2012–2020



Sources: IMF, PATS data; IEO staff calculations.

24. Staff consider Nigeria a well-informed consumer of the Fund's 'off the shelf' training courses and look to the authorities' to indicate needs for more practically focused training to be addressed by either AFW2 or HQ led interventions. For example, AFW2 recently delivered training on gender-based budgeting at the request of the finance minister. Officials confirmed a strong appreciation of the full spectrum of Fund training, from HQ delivered courses, through online options, regional training offered by AFW2 and the ATI, to in-country hands-on delivery, but stressed the particular value of the latter. There is evidence of hands-on training being incorporated more regularly into both HQ and AFW2 missions, and of the Fund supplementing its traditional classroom training courses with some that are more practically focused. Nonetheless, there do not appear to be any formal structures in place to optimize the strategic payoff from the full range of the Fund's training products.

25. The pandemic has inevitably been disruptive, notwithstanding reasonable efforts to adapt. . The logistics of virtual delivery has had to contend with working from home arrangements, limited windows of overlapping time zones and connectivity issues. Coming on the heels of the 2019 election, and compounded by the initial uncertainty around its duration, the pandemic has necessarily interrupted the dialogue on some issues. It has likely contributed to delays in the authorities' response to the 2018 PIMA and subsequent SOE missions, while progress on responding to the finance minister's interest in DRM was no doubt delayed. Delivery of AFW2's FY2021 agreed work plan has been significantly affected; only four virtual bilateral missions had proceeded as of the midyear report.

26. Much of this reflects an understandable re-assessment of priorities. AFW2's relative strengths have been sensibly redirected to the delivery of HQ COVID policy notes through regional webinars. And the ability to quickly forge a community of good practice with other RCDCs has facilitated an alignment of priorities and key messages. This has included a focus on financial system and fiscal sustainability risks, while identifying key priorities in specific sectors (e.g., for revenue administration, the need to prioritize business continuity, safeguarding revenue, and the health and wellbeing of workers). On a number of issues, Nigerian officials have reportedly been active contributors, sharing experience and insights.

C. Partnerships, Coordination, and Dissemination

27. Notwithstanding Nigeria's systemic importance, potential CD development partners have been discouraged by the challenge of working with independently minded authorities and associated difficulties getting traction. Moreover, the authorities generally do not appear to take an active approach to coordination. Primary responsibility for coordinating on the ground with both the authorities and partners has therefore fallen to the Fund's Resident Representative. This has involved navigating domestic institutional rivalries and conflicted incentives both for the authorities (who may see merit in competition between partners) and for partners trying to optimize both effectiveness and brand recognition.

28. Coordination has worked relatively well on central banking CD, reflecting a range of factors. The CBN has a dedicated donor coordination unit. Moreover, Fund CD has focused on areas where it is clearly the sole provider (MONOPS) or involves the provision of highly technical hands-on support with few others involved (banking supervision). On the latter, coordination with the primary partner, UK DFID/FCDO, has been embedded in the funding arrangements. Potential overlap with a proposed World Bank project was resolved by agreeing a narrower and complementary focus for the latter. Day to day coordination has been left to the RA, who maintains regular contact with the Resident Representative (including formal meetings 3–4 times a year), as well as with relevant AFW2 missions and the HQ-based financial sector economist assigned to Nigeria. Nonetheless, the RA's role is necessarily constrained by the need to preserve the integrity of their relationship as a trusted internal adviser to the CBN, which controlled access to the materials produced for it by the RA.

29. The Fund has coordinated well with the World Bank on CD in Nigeria. The World's Bank's recent launch of a multiyear project on DRM has warranted efforts to formalize coordination through an MoU agreed between FAD and the Bank, including commitments to cross-mission participation, and most recently, joint tracking of progress (involving relevant domestic agencies) on the recently agreed priorities. While officials did not appear aware of any formal coordination arrangements, the Bank characterized the relationship as 'very smooth'. The approach appears to have been to leverage the Bank's significantly increased local presence and optimize potential complementarities.

30. More generally, AFR/AFW2 staff have recognized the Bank as the key CD partner in Nigeria on a number of issues, noting its strengths in implementation relative to the Fund's (especially HQ's) strengths in diagnostics. This constructive relationship has extended to areas traditionally considered the IMF's preserve, such as payments system reform. On the ground, the Resident Representative meets with Bank counterparts once or twice a month. Regular information sharing meetings with other locally based donors (the UK, Germany and the EU) also occur, while avoiding the optics of presenting a "joined-up approach" to the authorities. HQ staff consider AFW2 has the comparative advantage in coordinating with the World Bank on the ground on PFM and related activities, through regular Mission-led interactions, debriefings etc. For its part, AFW2 sees its comparative advantage in being the "finger on the local pulse".

31. However, the AFW2's Steering Committee, while no doubt central to governance and ownership, does not appear to be an effective coordination mechanism. An annual one-day meeting involving over 40 participants (including observers) is not well suited to this challenge, other than as the foundation for more effective informal communication out of session.

32. Regarding dissemination, partners' access to CD reports has not been highlighted as an issue affecting donor coordination and established dissemination arrangements appear to work—perhaps aided by the limited number of partners. However, the authorities approve the public release of very few CD reports, notwithstanding the fact that many do not appear to contain especially sensitive material (Annex I). A number of interlocuters noted the bureaucratic processes involved in obtaining the necessary Ministerial approval for publication and the limited bandwidth, and political capital, available to the Fund and supportive officials. It was clear that many judged there to be higher priority issues on which to press the authorities.

D. Effectiveness and Impact

33. Judging effectiveness of CD, and even more so, impact, is difficult. In Nigeria's challenging environment, the Fund's approach—being responsive where opportunities arise while preserving the necessary relationships on more difficult issues—is especially unlikely to lend itself to definitive assessment against objective metrics.[21]

34. There have been tangible achievements over recent years on statistics. CD has been valued by the National Bureau of Statistics (NBS). It has contributed to the adequacy of Nigeria's statistical systems for surveillance purposes, supported participation in the e-GDDS in March 2016, produced steady improvements in the NBS's national accounts despite its capacity challenges, and helped improve the CBN's reporting on cross border financial flows and financial sector institutions. Nonetheless, challenges remain, especially regarding government finance statistics (on which responsibility within the Nigerian federal system is unclear).

[21] RBM data is available for 34 projects during the evaluation period (Figure AI.1, Annex I). Of these projects, 31 had at least one objective rated, and 120 outcomes in total are rated.

35. The contribution of the successive CBN RAs in the establishment of risk-based supervision systems and building the necessary human capacity has been widely valued, with the authorities emphasizing the advantages of in country presence. The Fund's assessment of the 2018–2020 placement found that all but one of the milestones and targeted outcomes were either partially or largely achieved, while the UK's project completion report highlighted the "…real progress made in increasing financial stability and reducing systemic risk."[22] However, the latter stressed the challenge of sustainability in the context of pandemic related financial sector risks, while the Fund assessment characterized many of the achievements as "work in progress." The decision to transition to peripatetic support reflected the loss of DFID/FCDO funding and, despite the authorities' optimism that the progress made is well embedded, the proposed follow up support by AFW2 LTX missions will be crucial.[23]

36. Progress on PFM has been concentrated on outcomes which are primarily technical and narrowly targeted, e.g., the establishment of the federal level TSA (reflecting the advantages of both a proactive and committed high level counterpart and skillful delivery tactics). A subsequent invitation to present on the benefits to Nigeria's Federal Economic Council and then to extend the concept to the subnational level, is testimony to this success.[24] Officials at both federal and state level emphasised the positive benefits. However, progress on strengthening implementation of the TSA, or on the related but more systemic issues of cash and debt management, has been more problematic. Nor has there yet been any significant uptake by the authorities on the 2018 PIMA or SOE work although this may in part reflect the disruption caused by the pandemic.

37. Overall, the track record in more politically sensitive areas has been less encouraging. Staff made a significant and well received contribution to the 2015 budget and ERGP, but the Plan's subsequent implementation is seen as having fallen short on a number of fronts. CD on MONOPs has been constrained and it remains to be seen if the support to the CBN's Monetary Policy Department and Research Department on forecasting—valued by the authorities—proves an effective means of maintaining the dialogue.

38. It remains too soon to judge the effectiveness of FAD's sustained CD engagement on DRM over this period—arguably the biggest test of the "long game" strategy on a fundamental but inherently complex and contentious issue in a challenging political-economy environment. The Fund responded quickly to the 2015 oil price shock and subsequent recession with a significant increase in CD activity, but with at best a piecemeal uptake on some aspects of revenue

[22] FCDO, 2020 "Project Completion Report on Financial Sector Deepening Programme, Code 104187" at devtracker.fcdo.gov.uk/projects/GB-1-104187/documents

[23] There is a history of misplaced optimism regarding such projects. An independent evaluation of an earlier 2008–2011 RA placement to work on these issues in CBN noted that the projects had been successful and "…it may soon be appropriate to shift to narrower, more focused TA projects that can be carried out more efficiently through short-term staff and expert visits and MCM missions." Independent Evaluation of MCM Technical Assistance Cooperation Reform in Nigeria, June 2011.

[24] AFW2 has led the response to interest shown by Kaduna State.

administration through to the 2019 election. An HQ-led mission in 2019 noted the failure to initiate many of the previous recommendations for modernization of the FIRS. On the policy front, repeated recommendations regarding the need to increase the VAT rate to between 10 percent to 15 percent, alongside other reforms to enhance its integrity and effectiveness, were not acted upon.

39. However, subsequent more promising developments have underscored the potential benefits of remaining engaged. The reappointment of a Minister for Finance for whom DRM is a high priority has been accompanied by senior management changes at the FIRS and important albeit selective, steps, including reinvigorated FIRS governance arrangements, re-establishment and strengthening of FIRS' audit function and targeted tax compliance arrangements. On the policy front, the targeted 7 percentage point increase in revenue as a share of GDP has since been supported by legislation introducing a VAT threshold and raising the rate to 7.5 percent. Customs has been more open to cultural and institutional reforms to complement enhanced IT systems and officials claim tangible benefits. And a recent request from the authorities for Fund comments on the long overdue Petroleum Industry Bill has been seen as an endorsement of earlier efforts to build trust with petroleum officials, including through hands-on training to improve forecasting skills. Staff judged that an effort had been made to take earlier Fund views into account into the subsequent Act.

40. While the bulk of the challenge is still to be addressed, staff confidence that the Fund can be influential in shaping what remains a significant and broad reform agenda requiring sustained commitment from the authorities has been re-affirmed.

41. In addition to the implicit commitment to staying engaged, the FY2018 CSN summarizes the approach to improving traction in terms of "…more communication, outreach and persuasion through surveillance". But specific, targeted stratagems are not detailed and it is unclear that this offers anything beyond more of the same, although the possible appointment of a RA on DRM suggests willingness to innovate and could be a circuit breaker. In this context, while interlocutors always speak highly of the technical quality of Fund CD, some partners have speculated that the Fund may be able to leverage its technical expertise in ways that more effectively catalyze reform, although without offering concrete suggestions.

III. Overall Assessment

42. To paraphrase one interlocutor, the Fund's CD experience in Nigeria might best be characterized as a case of "making progress here and there" in a difficult setting. CD activities have clearly focused on issues that are central to Nigeria's policy challenges, and staff have consistently communicated a coherent set of messages. However, differences of view with the authorities on some issues and difficulties associated with a complex institutional and political environment have resulted in largely piecemeal engagement. This notwithstanding, Nigeria's size and regional significance have justified sustained efforts despite at best a mixed track record of tangible progress.

Relevance

43. Fund CD provided to Nigeria has been broadly aligned with the focus of the Fund's policy dialogue, targeting weaknesses in statistics, follow up to the 2013 FSAP, structural weaknesses in budget tools and systems and chronic shortcomings in revenue mobilization. The latter, in particular, is central to the challenge of improving public services and funding the needed infrastructure investment to address demographic challenges and support economic diversification. Enhanced revenue and better expenditure management would also ease competing demands on the CBN.

44. The recent AFW2 delivered workshop on gender-based budgeting, in response to a request from the authorities, offers a potential opportunity to be influential on an issue of fundamental relevance to Nigeria's longer-term productivity and economic performance—should the authorities' interest be sustained.

Coherence

45. The authorities' strong policy views and selective approach to Fund CD, together with the Fund's efforts under some workstreams to concentrate resources where there may be the best chance of progress, has resulted in a less than holistically integrated pattern of activity.

46. Staff have invested significant effort in laying the foundations for a holistic approach on DRM, encouraged by the authorities' declared interest in addressing revenue shortfalls, and reflecting the centrality of this issue to so many of Nigeria's policy challenges. Recent state level engagement on revenue administration is a welcome extension of this work.

47. In contrast, staff have been more opportunistic and selective on other fronts. On PFM, efforts have been focused largely on downstream elements of good practice budget architecture and systems, and building on those. Efforts to engage on PIM, if successful, would address an important missing element on the expenditure side. The limited focus on upstream issues, such as medium-term expenditure frameworks, appears to reflect both lack of interest from the authorities and understandable staff judgments regarding optimizing the return on the CD dollar. This is nevertheless a gap that reflects the broader challenge of engaging on macro policy frameworks. This is most strikingly evident in the authorities' relative lack of interest in engaging fully on MONOPS, a necessary element in any efforts to forge a more integrated CD relationship.

48. Donor coordination efforts appear to have been selectively helpful. The partnership with DFID/FCDO on banking supervision has worked well as has the well-established relationship with the World Bank. The MoU agreed with Bank on DRM is a notable example of a bespoke arrangement targeted at optimizing effectiveness in a key area of potential overlap. However, the sensitivities expressed regarding the risks in appearing to present a "joined-up" approach to the authorities more generally underscores the challenges involved in ensuring a coherent approach among donors.

Effectiveness, Impact, Sustainability

49. Notwithstanding tangible achievements in specific areas and encouraging signs on others, the overall return on the Fund's significant CD commitment has too date been disappointing, in particular on those issues which are intrinsically more complex and/or politically contentious—and hence more likely to be central to longer term impact.

50. The potential impact of the positive contribution on banking supervision made by successive CBN RAs is arguably a notable exception, although overall progress on other findings of the 2013 FSAP is more mixed. Moreover, sustainability will depend on the success of the planned transition to peripatetic AFW2 support, including the need to carefully manage potential pandemic related disruptions.

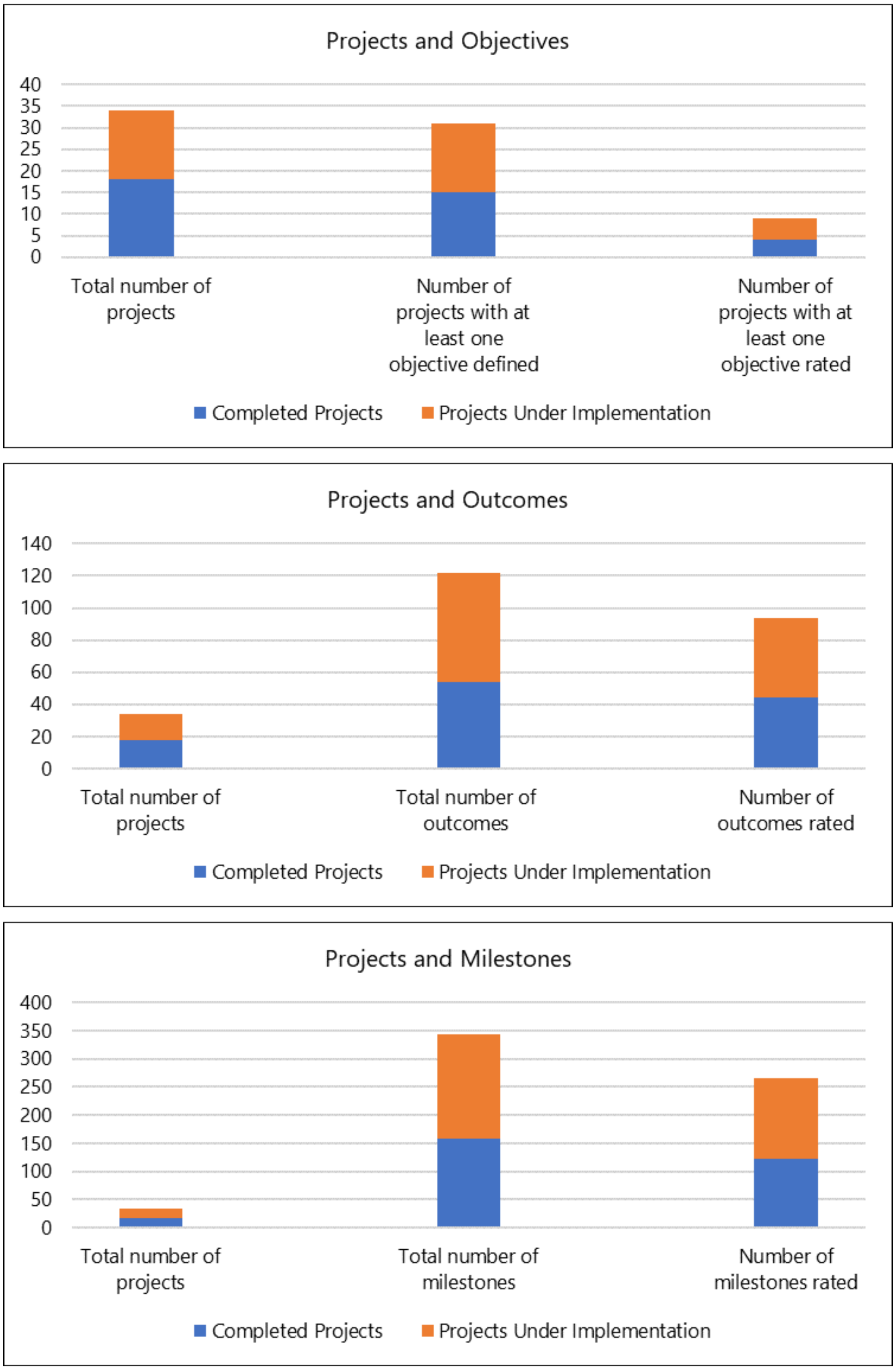
51. Kaduna State's interest in working with AFW2 on piloting PFM reforms, in particular a TSA, at the provincial level is also encouraging in terms of the Fund's strategic objective of extending outreach on such issues beyond the central government. However, experience at the federal level suggests that fully capturing the potential benefits will be more challenging.

52. The admirable persistence demonstrated on DRM may be beginning to gain traction and has certainly been warranted by the broader importance of this issue to Nigeria's policy flexibility.

53. More generally, it is reasonable for the Fund to consider not just the track record to date but also the potential future benefits—for Nigeria and the region—in justifying sustaining a relatively broadly focused CD relationship. However, that comes with the risk that, rather than demonstrating the value of patience, the outcome will instead represent a triumph for (unfulfilled) hope over experience. It is difficult to weigh that risk without explicitly considering the opportunity cost for other potential users of scarce CD resources, their needs and prospects for traction. Reported efforts by AFR to capture such considerations in a unified "prioritization metric" are welcome, although the efficacy of such a metric, including in making explicit what will often be subjective judgements, needs to be assessed at a more holistic level than is possible at the level of a country case study.

ANNEX I. CD ACTIVITIES FOR NIGERIA

Figure AI.1. Nigeria—Results Based Management Data on Projects, Objectives, Outcomes, and Milestones



Sources: IMF, RBM data; IEO staff calculations.

Table AI.1. Nigeria—Number of Missions, 2012–2020

Year	FAD	ICD	LEG	MCM	RES	STA	Others	Total
2012	8	0	12	3	0	2	0	25
2013	4	1	5	4	0	4	0	18
2014	6	0	1	5	0	6	0	18
2015	5	0	1	2	0	3	1	12
2016	20	0	0	4	0	4	3	31
2017	18	0	0	10	0	6	0	34
2018	38	0	1	12	0	9	1	61
2019	20	0	0	10	0	3	2	35
2020	34	0	0	13	0	5	1	53
Total	153	1	20	63	0	42	8	287

Sources: IMF, TIMS data; IEO staff calculations.

Table AI.2. Nigeria—Resident Advisors, 2011–2020

Host institution	CDD	CD topic/workstream	Start date	End date
Central Bank	MCM	Bank Supervision and Regulation Advisor (Year 1)	1/19/2011	1/18/2012
Central Bank	MCM	Bank Restructuring Advisor (Year 1)	7/23/2011	7/22/2012
Central Bank	MCM	Monetary Operations Advisor (Year 1)	7/24/2011	1/23/2012
Central Bank	MCM	Bank Supervision and Regulation Advisor (2nd Year Extension)	1/19/2012	6/3/2012
Central Bank	MCM	Bank Supervision Advisor (Year 1)	1/12/2014	1/11/2015
Central Bank	MCM	Monetary Operations Advisor (Year 1)	3/5/2014	9/19/2014
Central Bank	MCM	Bank Supervision Advisor (2nd Year Extension)	1/12/2015	1/11/2016
Central Bank	MCM	Bank Supervision Advisor (3rd Year Extension)	1/12/2016	1/11/2017
Central Bank	MCM	Bank Supervision Advisor (30 day extension-Year 4)	1/12/2017	1/25/2017
Central Bank	MCM	Bank Supervision and Regulation LTX (Year 1)	3/6/2017	3/5/2018
Central Bank	MCM	Bank Supervision and Regulation LTX (2nd Year Extension)	3/6/2018	11/5/2018
Central Bank	MCM	Bank Supervision and Regulation LTX (3rd Year Extension)	11/6/2018	3/5/2020

Sources: IMF, Fiscal Affairs Department and Monetary and Capital Markets Department.

Table AI.3. Nigeria—List of TA Reports, 2012–2020

	FAD	MCM	STA	LEG	Total	Of which		
						Available within IMF	Available but confidential	Published
2012	1	1	2	0	4	1	1	0
2013	2	0	3	0	5	2	0	0
2014	1	0	6	0	7	2	0	0
2015	2	0	1	0	3	2	0	0
2016	4	2	1	0	7	6	0	0
2017	4	0	8	0	12	7	0	0
2018	4	1	3	0	8	0	0	0
2019	1	1	4	0	6	0	0	0
2020	4	3	2	0	9	6	1	1
Total	**23**	**8**	**30**	**0**	**61**	**26**	**2**	**1**

Source: IMF, Institutional Repository.

ANNEX II. KEY FINDINGS OF RELEVANT EVALUATIONS

Independent Evaluation of MCM Technical Assistance Cooperation in Banking Sector Reform in Nigeria, June 2011

This evaluation of three MCM programs from 2004 through 2011—namely, a Bank Consolidation Program through 2005–2007, a Bank Supervision Program (BSP) commencing 2005 and a bank Restructuring and Resolution Program (BRRP) commencing in 2009—judged overall relevance/effectiveness to be "good to excellent," coordination to be "good" and impact/sustainability to be "very good to excellent." It considered there to have been a high level of consistency with government objectives.

The Bank Consolidation Program had two elements, a homegrown consolidation program and a focus on strengthening risk management. While the former was judged successful, shortcomings on the latter were judged to have contributed to the subsequent financial sector difficulties in 2009. The BRRP was considered to be progressing successfully.

The BSP was delivered in two phases: a series of missions through 2005–2006, and the subsequent 2008 appointment of a RA to the CBN. Uncertainties regarding the strength of the authorities' ownership had contributed to the two year hiatus before changes in senior CBN management and a reorganization of its banking supervision department facilitated a successful RA placement. The evaluation questioned the continuing need for the in country appointment, suggesting that "it may soon be appropriate to shift to narrower, more focused TA projects that can be carried out more efficiently through short-term staff and expert visits and MCM missions."

External Mid-term Evaluation of the Regional Technical Assistance Center in West Africa (AFRITAC West 2), Final Report June 2018 – including a Case Study on PFM CD to Nigeria's Kaduna State.

Prepared by ECORYS, the evaluation assessed the overall relevance of AFW2 CD to its members to be "good to excellent," Effectiveness was considered "modest to good" and judged to be improving in terms of the achievement of stated objectives, although remained weakest on PFM where the objectives were expressed in outcome rather than output terms. It was judged too early in most cases to assess impact, although the success in supporting Kaduna State's establishment of a TSA, and the subsequent revelation of the existence of a number of unrecorded bank accounts and associated cost savings and increased returns totaling around $US3.3 million was highlighted.

The case study notes AFW2's flexibility in moving quickly in response to the Kaduna State Government's interest in PFM, and in particular the potential for this engagement to be a pilot for similar interventions elsewhere in Nigeria at the sub-national level. A high level of commitment from the state authorities and good public communication underpinned the progress on establishing a TSA and complementary work on transiting to zero-based budgeting.

Commencing with a broadly targeted workshop and four subsequent missions through 2015–2016, the engagement saw the closure of 470 bank accounts, a significantly narrowed role for commercial banks, a substantial consolidation of funds in the TSA, training provided to over 100 State Treasury officials, enhanced cash flow forecasting capacity and the development of a TSA operational manual. The evaluation rated relevance as excellent, effectiveness as good, sustainability as modest to good and impact as good.

The FCDO's Programme Completion Review of Financial Deepening Programme (FSDP), September 2020

The FCDO's FSDP included a number of elements focused on enhancing financial inclusion, strengthening the operations of the Development Bank (with the World Bank), and funding the IMF's appointment of successive RAs to CBN to improve banking supervision systems and capacity.

The Review judged the Fund's intervention to have been successful and the quality of activities to have been "strong." Real progress was judged to have been made in increasing financial sector stability and reducing systemic risks. However, while sustainability was judged to be high, the review also noted the continuing challenge of helping CBN transition fully to international standards which it considers has been complicated by "political interests" at a time of heightened financial risks associated with the pandemic. The review also noted the continuing reluctance to enforce timely compliance with capital requirements.

SENEGAL

DAOUDA SEMBENE*

* Consultant, Independent Evaluation Office of the IMF.

I. INTRODUCTION AND COUNTRY OVERVIEW

1. Senegal is a lower-middle income country that has traditionally enjoyed political stability, as reflected in various peaceful transitions of civilian power that have taken place since 2000. The country's governance indicators remain strong by regional standards. During the period under review, Senegal performed better than its SSA peers, notably in terms of political stability, government effectiveness, and regulatory quality.[1]

2. The country also registered strong growth performance until the pandemic crisis hit its economy in 2020, with GDP growth averaging about 5 percent (Figure 1). At the same time, inflation remained broadly subdued. The country's fiscal position improved gradually until 2017, but has since continued to weaken, sharply deteriorating at the onset the COVID-19 pandemic. Public debt as a share of GDP almost doubled during the period. Despite its positive growth outcomes, the country continues to be confronted with significant poverty issues, as it ranked 168 in the 2020 United Nations' Human Development Index.

3. For the last decade, Senegal has had an almost uninterrupted program relationship with the IMF using signaling as opposed to financing instruments (Figure 2). From 2010 until 2019, the country implemented two PSI arrangements, from December 2010 to December 2014 and from June 2015 to June 2019. In early 2019, the authorities cancelled the 2015–2019 PSI with one review left and requested one year later a new Policy Coordination instrument (PCI) to support implementation of their development plan (PSE II) covering the period 2019–2023.[2]

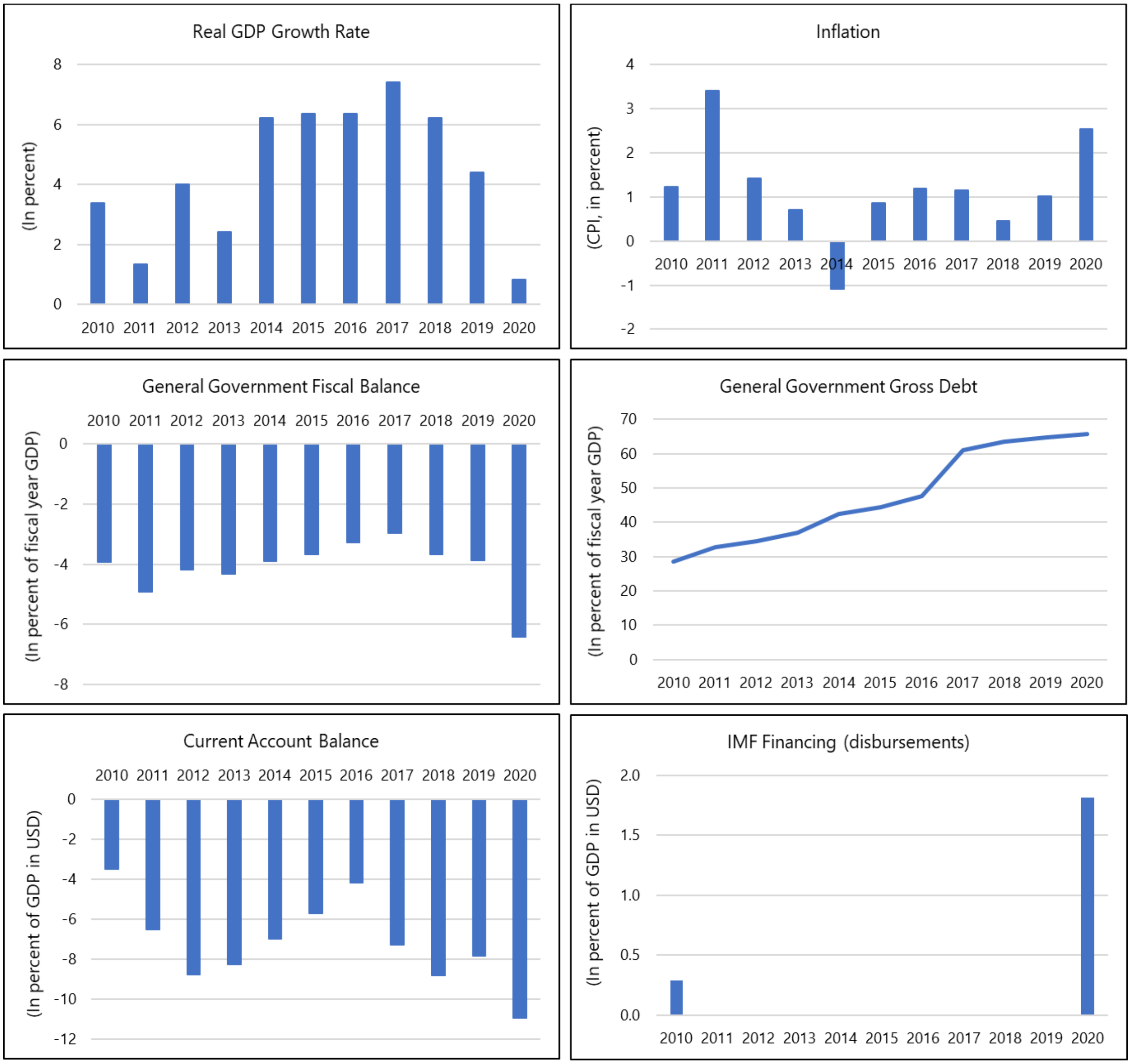
4. During the implementation of the 2010–2014 PSI arrangement, Senegal enjoyed growing levels of IMF CD, peaking in the last year of program implementation (Figure 2). Similar volume of CD were also delivered during the 2015–2019 PSI, with FAD providing the bulk of it. Focused mainly on PFM and tax administration and policy, FAD CD increased from 2010 except in 2015 when the 2010–2014 PSI came to an end and the successor PSI was still to be launched (Figure 3 and Annex I). As a distant second largest CD provider, STA delivered CD mainly on government finance statistics, national accounts statistics, and BOP statistics. While STA CD provision encompassed the evaluation period, it was more intensive from 2015 onward, coinciding with the beginning of the 2015–2019 PSI. As of FY16, Senegal was a high-intensity CD country, ranking among the top six TA recipient countries in SSA.

---

[1] http://info.worldbank.org/governance/wgi/

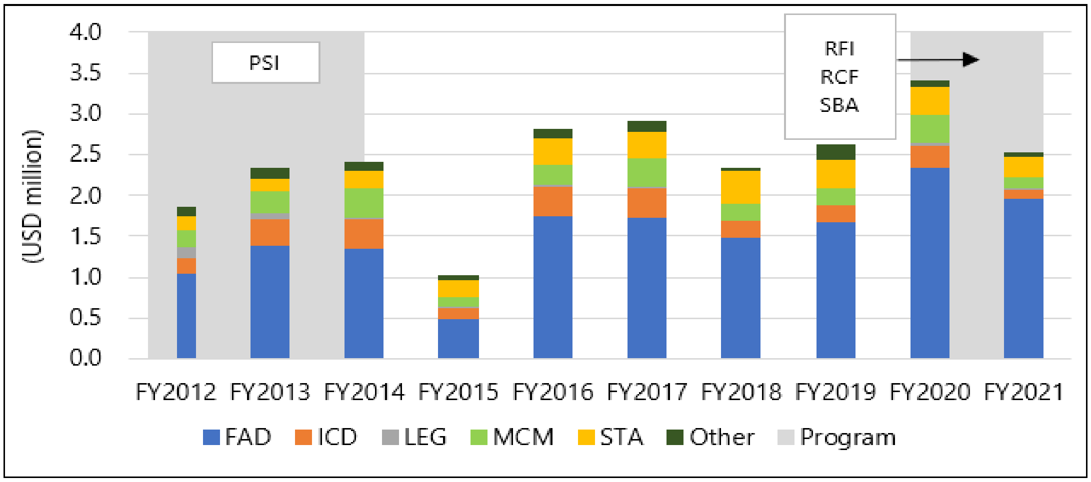
[2] The *Plan Sénégal Emergent* (PSE) is the policy framework of the Senegalese government which aims to achieve economic emergence by 2035. The first phase was implemented from 2014–2018, while the second phase covers the period 2019–2023. See: https://www.economie.gouv.sn/fr/dossiers-publications/publications/pse

Figure 1. Selected Indicators for Senegal, 2010–2020



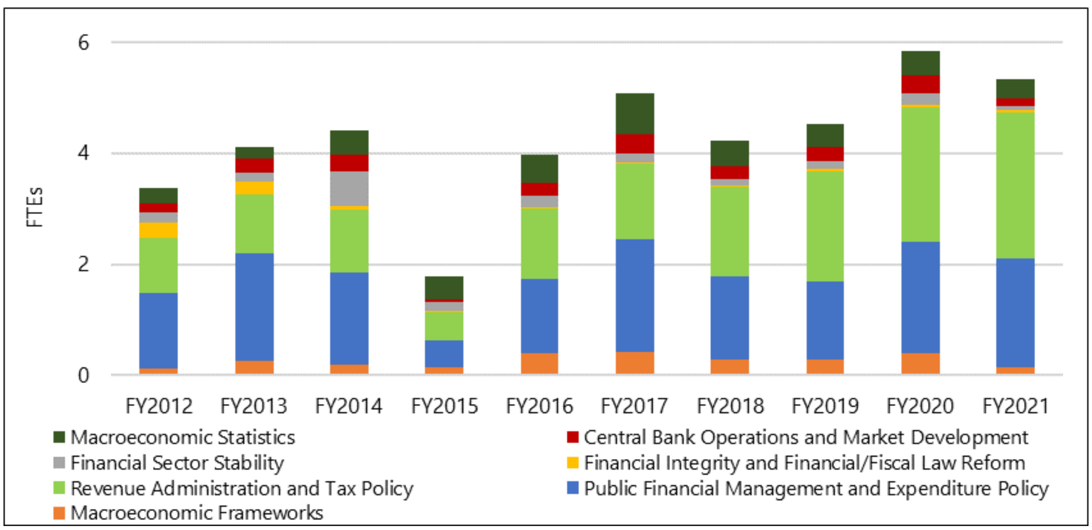
Sources: IMF, WEO database; World Bank database; IEO staff calculations.

Figure 2. Senegal—IMF CD Spending by Department and IMF Programs, 2012–2021



Sources: IMF, ACES data; IEO staff calculations.
Note: IMF program: PSI (2007–2014), RFI (2020), RCF (2020), SBA (2021), SCF (2021).

Figure 3. Senegal—IMF CD by Workstream, FY2012–2021



Sources: IMF, TIMS data; IEO staff calculations.

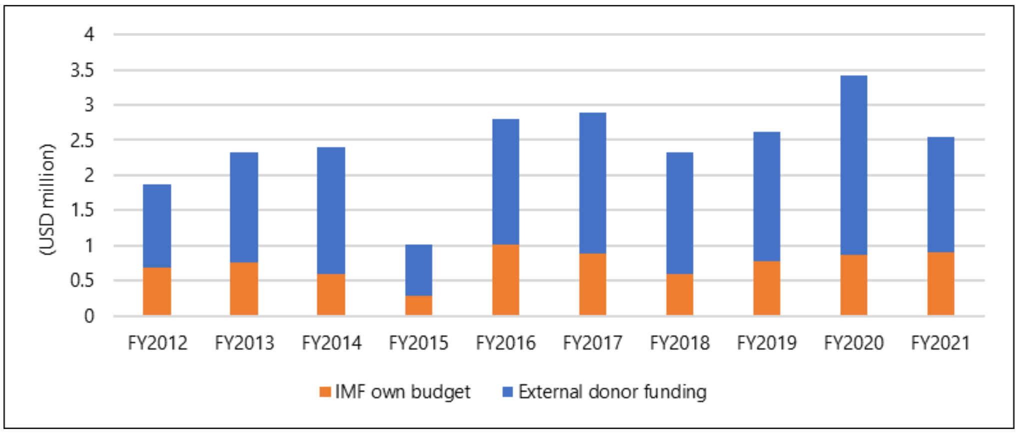
II. CD Engagement

5. Senegal has long benefited from continued IMF financial and technical support. Once a prolonged user of IMF resources, the country has until recently mainly relied on signalling under the PSI. At the same, the IMF has maintained intensive CD activity in this currency union member, particularly in fiscal areas. This section explores issues and challenges related to the prioritization, allocation, and delivery of CD, while also offering an assessment of the effectiveness and impact of CD in tax policy and administration, public expenditure and financial management, and external sector statistics.

A. Strategy, Prioritization, and Allocation

6. Prioritization and allocation of IMF CD to Senegal reflected the authorities and donors' priorities. External financing helped to maintain strong CD engagement, particularly in fiscal areas. During the evaluation period, over 90 percent of CD activities were externally funded, supported mainly by the TPA-TF, the EU, and AFW (Figure 4). Like Liberia, Senegal was among the few SSA countries that benefited from TPA-TF-supported CD in fiscal areas from 2012. IMF CD engagement under the TPA-TF and its successor RM-TF was maintained throughout the period. Similarly, the EU supported the posting of resident PFM and tax advisors at the finance ministry for almost the entire period except in 2015. In the second half of the period, STA intensified its CD activities in the country and the region following the launch of the Japan-IMF partnership on CD (JSA-AFR).

Figure 4. Senegal—IMF Spending on CD by Funding Source, FY2012–2021



Sources: IMF, ACES data; IEO staff calculations.

7. There were conscious efforts from the IMF staff and the Senegalese authorities to align CD delivery with achieving the objectives of the government's development strategy and supporting its implementation. This was reflected in the FY17 Country Strategy Note (CSN) which identified the following key areas of CD support for the country in order of priority over the medium-term: (i) PFM and expenditure policy; (ii) tax administration; (iii) tax policy, (iv) meeting the Special Data Dissemination Standard (SDDS), and rebasing of National Accounts and balance of payments statistics, and (v) natural resource management. More specifically, FAD CD priorities included enhancing budget execution and control, improving core functions at the Tax Directorate, and managing fiscal risks from PPPs, while statistics CD focused on maintaining the country's SDDS status, assisting the country's subscription to the SDDS, rebasing national accounts, and improving BOP, government finance, and monetary and financial statistics. According to IMF staff, the authorities agreed with all the CD priorities identified in the CSN. The CSN produced in 2020 retained most medium-term priorities for CD that were previously identified although it put a greater focus on debt management and reoriented statistics CD toward improving the quality of public sector GFS data.

8. The CSN produced in FY2017 (and updated in FY2018) was relatively brief (about 4 pages). It only included two sections that underscored CD medium-term priorities for each IMF department and reported the authorities' broad agreement with the focus and priorities of CD. Compared to DRC and Liberia, the CSNs produced for Senegal included a more detailed coverage of the authorities' views. The CSN made no mention of the country's track record of policy implementation and was limited to a mere description of the reform efforts needed to support implementation of the PSE along with the priority areas of CD. While the CSN produced in 2020 included a clear strategy of engagement with the authorities and other external stakeholders, little if anything was added to the document in terms of potential strategic trade-offs.

9. The annual process for identifying priority CD projects is iterative. Typically, possible CD projects are discussed in meetings between IMF staff and the authorities in the margins of Annual and Spring meetings in Washington; discussions also occur in the field when the IMF Resident Representative meet with the heads of public entities that receive IMF support to identify their CD priorities. Based on these interactions, the mission chief for Senegal puts together a list of CD priorities that is discussed with the finance minister before being sent to the AFR front office. As mentioned in the previous case studies, the front office then ranks potential CD projects across all countries using a simple weighted formula reflecting institutional, departmental and country-specific priority factors. This gives high priority to program countries, fragile states, and underserved countries. The process then involves a lot of back and forth with the authorities, the area department, and the CDDs.

10. Interviewees at the IMF suggested that staff demonstrated a lot of flexibility to accommodate new requests. IMF staff who were interviewed also confirmed that area and CDDs teams worked very closely, with consultations taking place ahead of the drafting of the terms of reference for the CD projects that had been prioritized. In recent years, the IMF area departments have taken a more active role in prioritizing CD. CD experts indicated that the AFR had to sign off on all their missions headed to Senegal.

11. Although the prioritization process followed well-defined institutional and departmental guidelines, some IMF staff suggested that the country also received a lot of attention from CDDs partly because it was considered as a "nice place" to conduct a mission. It was felt that this contributed to the proliferation of CD recommendations in all priority reform areas, thus creating implementation challenges for the authorities. To some extent, there was also a risk of diverting resources to Senegal from FCS countries. Other staff interviewees disagreed with this view, adding that the CDDs had an obligation to serve the whole membership, including countries that needed CD most and those where the CD could make the most difference. In any case, area departments could halt CD operations in non-fragile countries like Senegal if it deemed CD activities to be irrelevant. Some of these interviewees also pointed out instances when IMF CD delivered by HQ and STXs was purposefully scaled down when IMF staff felt that domestic ownership and the traction of CD recommendations was weakening. This was notably the case in the run-up to the February 2019 presidential elections,

12. In Senegal, both IMF staff and the authorities indicated that CD activities were closely aligned with program work during the evaluation period. As previously noted, this alignment was intended to support the implementation of the PSE reform agenda from 2014 onwards. According to some IMF staff, integration of CD and program activities was facilitated by the good communication between the area and CDDs that was partly attributable to the presence of an economist from the FAD in the country team. A senior IMF staff member who led the country mission team felt that the FAD economist played a helpful role in this regard.

13. However, some IMF CD experts expressed concerns about the inclusion of CD recommendations in program conditionality, underscoring the potential for this approach to undermine domestic ownership and the role of CD experts as trusted advisor. While the integration of CD into program work could be suitable when the CD is macro-critical, it could be an issue if it primarily aims at achieving program targets, taking the focus of CD experts away from the execution of their medium-term work plan. In this connection, there were calls from some CD experts to work more independently of IMF-supported programs.

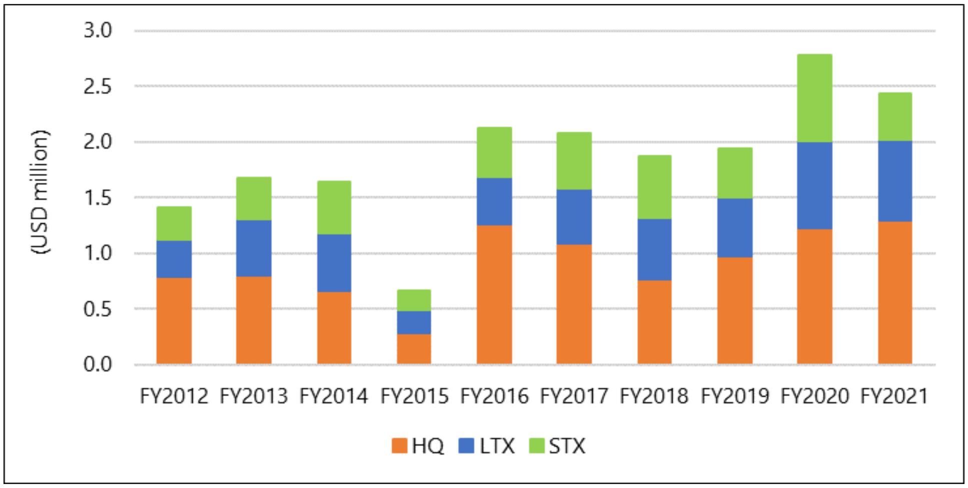
B. Delivery

14. Modalities for CD delivery to Senegal covered the full range, including RCDCs, RAs in the Ministry of Finance, classroom-type training and peer-to-peer learning activities (Figures 5 and 6, and Annex I). Senegal benefited from CD delivered by AFW and the Africa Training Institute (ATI). AFW maintained a strong presence in Senegal since it was established in 2002, delivering CD in tax and customs administration, PFM, debt management, statistics, banking supervision and restructuring, and macroeconomic forecasting and analysis. More intensive peer-to-peer learning activities were carried out by FAD and STA from 2015 onwards (Box 1). This was consistent with the authorities' expression of interest in IMF CD focusing on the "how to" aspect of reform implementation, including through the use of peer-to-peer learning and hands-on training.[3]

15. According to IMF staff, the choice of CD modalities in Senegal was guided by the nature of CD activity and resource availability. Generally, diagnostic missions were typically conducted by HQ experts, while STXs and AFW provided hand-holding CD but to some extent an increasing number of more strategic missions. The posting of RAs was reliant on availability of external funding which, as previously noted, Senegal was able to secure on a protracted basis thanks to EU funding which supported the use of LTX in the expenditure and revenue departments at the finance ministry. The first instinct of IMF departments such as STA was to deliver CD using RCDC experts, but if they were not available, CDDs considered sending an expert from HQ although necessary resources were quite limited. This was the case, for instance, with STA experts in RCDCs covering national accounts and BOP statistics.

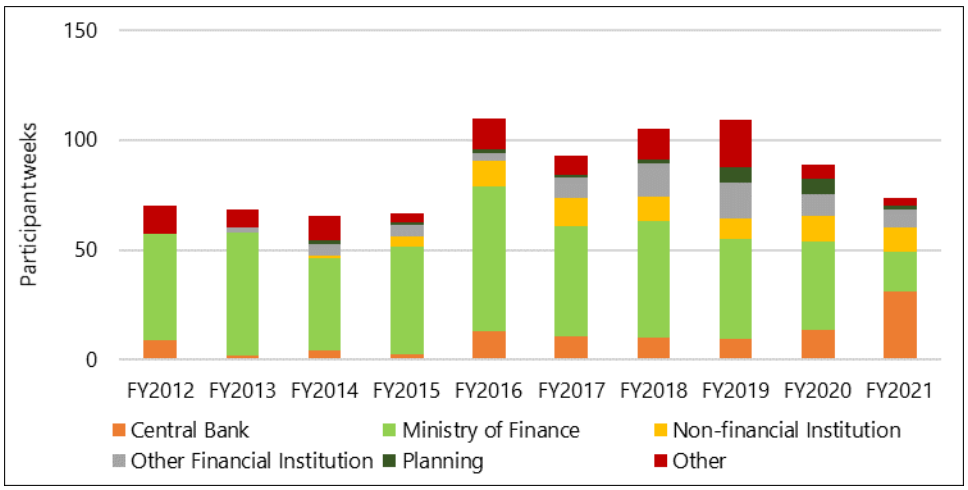
[3] This call was also reflected in the 2020 PCI document (IMF, 2020e).

Figure 5. Senegal—IMF CD by Type of Delivery, FY2012–2021



Sources: IMF, ACES data; IEO staff calculations.
Note: Spending data excludes non-personnel (NP) costs, which include, among others, travel expenses.

Figure 6. Senegal—IMF Training by Recipient Agency, FY2012–2021



Sources: IMF, PATS data; IEO staff calculations.

16. Available evidence suggests that the effectiveness of CD delivery in Senegal could be improved through more active involvement of the authorities in the planning phase as well as improved coordination between CD missions. As reported by IMF (2020e), the Senegalese authorities saw scope for their staff to be more involved in the selection of CD experts and the planning of CD activities, including in the drafting of terms of reference and funding requests. In addition, coordination between CD missions in fiscal areas conducted by various providers (RTACs, HQ, and STX) was perceived to be limited until late during the evaluation period. In this context, CD was likely to fall short of its potential in terms of effectiveness and impact, while inefficiently stretching available capacities and resources in recipient agencies.

Box 1. Senegal—Peer-to-Peer Learning in the Context of IMF CD

A number of peer-to-peer learning initiatives undertaken in the context of CD played a key role in helping shape a package of reforms that were subsequently implemented with support from peers and experts from the IMF. The main initiative was launched in December 2014 ahead of negotiations on a new three-year PSI.

From 2015, the authorities and AFR began putting more emphasis on the need for increased use of peer-to-peer learning as a CD delivery modality. Initially, this move was meant to guide the setup of special economic zones and help better navigate the political economy of reforms, including through a greater focus on the "how to" aspect of implementation.[1] The initial series of peer-to-peer learning activities included various meetings between Senegalese officials and peers from Mauritius, Seychelles, and Morocco that were held in the IMF HQ. These meetings, facilitated by IMF staff from the area department and supported by the EU, were intended to provide an opportunity for Senegalese officials to learn from their peers with a successful experience on how to overcome political economy constraints in specific areas of relevance to Senegal. Based on these exchanges, key recommendations were identified and presented by IMF staff and participants during a debriefing meeting with the Prime Minister of Senegal.[2] This peer-to-peer learning initiative culminated with the publication of a book compiling the contribution of workshop participants, including officials and academics from Senegal and staff members from the IMF and the World Bank.[3]

Other innovative peer-to-peer learning activities were subsequently conducted by IMF CDDs. These included FAD's Hackathon in November 2016 and STA's support leading up to Senegal's graduation from e-GDDS to SDDS in November 2017. More recently, regional seminars with a peer-to-peer learning component were more routinely organized by CDDs.

[1] A special economic zone (SEZ) is a geographically delineated area with differentiated regulation and administration that are designed with the aim of attracting foreign direct investment.
[2] See IMF (2017d).
[3] See Mansoor, Issoufou, and Sembene (2018).

COVID-19 Impact

17. Some CD experts felt that the CD response to COVID-19 was initially "successful and smooth." The volume of CD delivered to Senegal increased in 2020. But this masks the fact that there was a sharp decline in terms of CD delivery in the weeks following reports of the first COVID-19 cases. Several positive features of face-to-face CD delivery were largely lost because of the pandemic. First, some CD experts felt that it was harder to engage with the authorities because officials had to focus on negotiating financial support from the Fund. It took up to three months in most countries to get back to the work program. While IMF experts were able to continue implementing existing projects, they found it difficult to start new engagements remotely. CD Missions took longer than usual when these were not simply postponed due to the crisis, although delivery of CD on statistics continued in part because the AFW advisor was from the country.

18. Second, it was practically impossible to achieve the same level of engagement as during the pre-pandemic times. The human link with people high in the chain of command was lost, and it was not possible to replicate it in a virtual setting. Yet CD delivery in Senegal was facilitated by the fact that some experts were already well introduced among the authorities. It was also made

more effective by the partial overlap between program and surveillance missions and field visits by CD experts.

19. Third, some experts were of the view that CD entails at times giving hard messages to the authorities, and this was most effectively done face-to-face. Finally, a sense of "remote work fatigue" started to kick in on the authorities' side after months into the crisis. The feedback received by staff and confirmed by officials interviewed was that the authorities wanted CD experts to resume face-to-face CD missions as soon as possible. However, the crisis helped improve the coordination of CD activities. Some interviewees confirmed that more joint HQ/AFW missions were initiated amid the COVID crisis to reduce the burden on the authorities. Moreover, the virtual mode of CD delivery provides more flexibility and allow to bring more experts from various CDDs on the table even though the pandemic made it harder to get attention from recipients.

C. Partnerships, Coordination, and Dissemination

20. Several multilateral CD players were involved in Senegal during the evaluation period, including the World Bank, the EU, and AfDB along with bilateral partners such as Germany, France, and Canada. At the end of their missions IMF CD experts usually held debriefing meetings with key CD players. AFW played a key role in IMF coordination with other CD providers. It shared a quarterly update on its work program and worked closely with other CD providers. In some areas, AFW advisors conducted several joint missions with their donor counterparts, as was the case with AFRISTAT in statistics.[4] IMF engagement with the World Bank was active in some common areas of interest. In recent years, AFW advisors worked with their World Bank counterparts in the context of CD on the macro-fiscal framework. IMF experts consulted with the World Bank in the context of CD on the MTRS that was developed by the authorities. There were also productive relations with the EU which provided funding for IMF CD in fiscal areas. As detailed in the next section, close collaboration took place between the IMF and AfDB in statistics CD.

21. A government-led donor coordination mechanism was in place, enabling the IMF and other participants to conduct regular reviews of their activities, including CD. This helped bring all players together and get acquainted with the authorities' reform efforts. Smaller groups of donors were organized around specific topics and met either on a more regular basis (e.g., PFM) or an as-needed basis (e.g., revenue administration). The government-led gathering and the formal and informal thematic meetings were an opportunity to access relevant information for CD activities. But these did not necessarily lead to more effective coordination among the IMF and other providers, notably in terms of information-sharing and integration of work programs. This was due to several factors, including the IMF staff's limited ability to share CD reports with other CD providers and the lack of visibility of IMF CD experts over CD missions conducted by other key institutions such as the World Bank and the AfDB.

[4] The Economic and Statistical Observatory of Sub-Saharan Africa (AFRISTAT) provides statistics CD to its 22 member countries in SSA. The IMF is among its various technical and financial partners.

22. With respect to information sharing, some interviewees felt that other CD providers, unlike the IMF, made limited information available to the public in terms of planned CD missions. This lack of visibility was deemed to contrast with the transparency in the conduct of IMF CD missions notably from AFW, which included announcements of IMF CD activities on its website. However, while the planning of IMF CD missions was made publicly available, publication of IMF CD reports was itself subjected to internal procedures that restricted their formal dissemination.[5] Moreover, some officials who were interviewed revealed that publication of CD reports was not necessarily a natural instinct for them when these were shared by IMF staff. From their perspective, it was not always clear to them they were asked to consent to publication of these documents.

23. Coordination between CD providers worked well in the context of joint initiatives like FSAP and TADAT. In the case of the TPA-TF, one of its key goals was to ensure better coordination of technical and financial assistance in tax administration made available to Senegal by the IMF and other partners, notably the IFC and the World Bank, the EU, France. This was meant to be achieved through integration of work programs and sharing of CD findings and reports. Interviews for this evaluation confirmed that sharing of CD findings took place mainly on an informal basis, but was nonetheless was constrained by institutional procedures. The evaluation did not find evidence of systematic integration of work programs among the IMF and other CD providers outside joint initiatives. Yet, interviewees felt that IMF CD was often very technical and hence rarely in competition with that of other providers. Duplication and overlap were therefore not generally viewed as an issue apart from a few exceptions, notably in the case of diagnostic missions conducted by various CD providers. Still, anecdotal evidence suggests that stronger collaboration remains warranted to preserve the effectiveness of CD. For instance, concerns were recently expressed about the World Bank's CD work on the macro-fiscal aspects of oil and gas production had infringed the IMF mandate, leading to different advice to the authorities from the two institutions.

D. Effectiveness and Impact

24. This sub-section assesses the degree to which IMF CD has been effective and impactful in Senegal. It focuses on three specific areas in which large volume of CD was deployed to address the country's large needs, namely tax policy and administration, PFM, and external sector statistics.

[5] Informally, external stakeholders there were ways for non-governmental stakeholders to access these reports. For instance, donor representatives were alerted by IMF staff when relevant CD reports were released by the IMF and advised to request copies directly from the authorities.

CD in Tax Policy and Administration

25. Senegal was among the few SSA countries supported by the TPA-TF when it started its operations in FY 2012. The first diagnostic mission under the TPA-TF was conducted in September 2011 and proposed a reform strategy centered around the following key objectives:

- Reorganizing the tax department along functional lines and the taxpayer segmentation with the reinforcement of the large taxpayer office (LTO) operations and the establishment of a medium taxpayer office (MTO) in Dakar;

- Enhancing taxpayer registration and establishing an efficient and reliable system for tax payments;

- Reducing tax arrears and establishing effective risk-based audit programs; and

- Simplifying and making more equitable the personal income tax, reforming the VAT, and reducing tax expenditures.

26. Following the implementation of the first phase of the CD program (2012–14), significant progress was made—albeit slow at times—toward these objectives, including through taxpayer segmentation, introduction of electronic procedures for tax filing and payment, adoption of risk-based audit approaches and implementation of an action plan to control tax arrears. Revenue performance also remained strong by regional standards. Between 2012 and 2013, the IMF estimated that the number of taxpayers subject to VAT increased by 26 percent increase, the revenue collected from medium-sized enterprises grew by 74 percent.[6] IMF staff estimated that the 2011 stock of arrears was cut by 21 percent by end-2014 in line with CD recommendations. In addition to the abovementioned achievements, IMF support for the authorities' efforts to strengthen tax policy facilitated significant amendments to the tax code, which were adopted in 2013, introducing encompassing changes in tax legislation.

27. CD follow-up involving HQ-led and STX missions was planned and conducted during the second phase (2015–2017), with the aim of supporting and monitoring implementation. After 2017, CD on revenue administration continued to focus on similar areas of work, notably strengthening revenue administration, management, and governance arrangements as well as core tax administration functions. More specifically, these sought to improve support tax functions, taxpayer services, and tax compliance. CD integration with program work played an instrumental role in securing several achievements that were made during the review period. These include the reorganization of the tax department, digitalization of tax procedures, reform of the tax code, and the reduction of tax arrears.

---

[6] See Partnerships brochure: https://www.imf.org/en/Capacity-Development/strategy-policies.

28. Interviews conducted with IMF staff and CD experts confirmed that during the first years of implementation of the TPA-supported program, there was strong domestic ownership of IMF CD which was requested by the authorities in support of their own reform agenda. But after the introduction of the new tax code, some observers noted that domestic ownership of CD on tax policy weakened. Inter-agency coordination failures and inefficient resource allocation also contributed to decelerating the pace of reforms in some areas, including with respect to taxpayer registration and segmentation, and the establishment of risk-based audit. More specifically, a key reform challenge was related to the insufficient number of staff assigned to audit and intelligence tasks. At the same time, coordination of IMF CD activities conducted in fiscal areas by various providers (RTACs, HQ, and STX) was reported to be limited until recently. For instance, some interviewees observed that real coordination between tax policy and administration CD teams began only with the design of Senegal's MTRS which was launched in 2018. Before then, coordination was sporadic, notably in the context of TPA-TF-funded CD activities.

29. Many observers suggest that the effectiveness and impact of IMF CD were more limited in the second half of the review period, due to the authorities' lack of interest in the proposed CD agenda formulated by IMF experts. This coincided with the run-up to the February 2019 presidential elections. Under these circumstances, staff's efforts to revitalize CD in tax policy and help align Senegal's tax system with that of emerging markets gained limited traction. In addition, IMF staff suggested that the traction of CD in revenue administration and PFM was also mixed.[7]

CD on Public Expenditure and Financial Management

30. During the evaluation period, Senegal received only one mission in public expenditure policy which was conducted by FAD Expenditure Policy Division in 2014. [8] The mission consisted of a review of public expenditure with the aim of rationalizing various types of expenditure. Based on the recommendations of the mission, staff encouraged the authorities to reallocate spending viewed as low priority, including electricity subsidies, untargeted scholarships, and administrative overhead to investment in human capital and public infrastructure. According to IMF officials, the CD on expenditure policy, which focused on providing technical assistance during a two week-long mission, had generally less impact on building capacities in finance ministries compared with models that apply medium-term programmatic approach.. Country ownership of this CD was also limited since formal requests for it would usually come from area departments. In this context, implementation of CD recommendations proceeded at a slow pace over the following years. In the 2017 Article IV consultations, for example, staff welcomed the

[7] See IMF (2020e).

[8] This type of CD on expenditure policy was typically delivered by experts from IMF headquarters through one-off missions concluding with the transmission of an aide-mémoire to the authorities which constitute the basis of a report to be finalized within 45 days. Unlike PFM, CD on expenditure policy typically does not have a long-term focus with a programmatic approach of multiple follow up engagements.

steps taken to rationalize public spending, but encouraged the authorities to pursue efforts to develop a more transparent and fairer public sector wage remuneration system.[9]

31. By contrast, Senegal welcomed several PFM missions and was assigned an RA on a continuous basis with EU financial support. Interviewees among IMF and country officials confirmed IMF CD in PFM was effective and impactful. The authorities found the overall experience with IMF CD to have been very positive, helping them align PFM reforms with best practices and supporting Senegal's efforts to comply with regional guidelines in PFM. According to country officials, the IMF did a great job in supporting the reforms undertaken by Senegal in program budgeting and fiscal transparency. STX missions and the work of the long-term advisor at the finance ministry was also deemed instrumental in helping understand inefficiencies in the expenditure chain, including the over-reliance in budget execution on simplified procedures. In this context, CD experts played a critical role in identifying problems and proposing solutions that were picked up in IMF-supported programs. As a result, the authorities took steps to address this issue, implementing concrete reform measures in the program context which exerted a clear impact on budget execution. IMF officials also lauded the progress made by the authorities in the identification of risks arising during the budget execution process.

32. However, some officials felt that the link between AFW and the country team operating from Washington DC appeared to be weak and ongoing CD activities were inadequately reflected in program documents and staff reports. It was their view that stronger synergies between AFW and the IMF HQ would be desirable. For their part, IMF staff identified various ways through which coordination takes place between AFW and HQ, For FAD, these include notably the review of selected AFW documents, sharing of HQ mission documents with AFW advisors, conduct of joint activities, and participation of AFW staff in divisional meetings.

33. They further suggested that ownership and effectiveness of IMF CD could be improved in two ways. First, reform measures recommended by CD experts should be owned first by the authorities and to the extent possible only implemented for new projects and activities. For instance, staff and the authorities were unable to reach a consensus for several months after a CD mission on the reclassification of certain public expenditures had insisted on the application of their proposed methodology to a road project that was already at an advanced stage of execution. It was felt that the time lost because of this disagreement could have been avoided, simply by applying the proposed reclassification only to future projects. Second, there is scope for clarifying the rationale for CD-related advice. According to the authorities, IMF staff routinely use CD recommendations to advise them to cut specific priority investments planned in the context of the Plan Senegal Emergent, but the Fund had failed to provide the analytical underpinnings for this advice. Indeed, officials interviewed felt that PIM issues—which episodically featured in program conditionality (e.g., the establishment of an integrated project

[9] See IMF (2017d).

bank and a public investment selection committee)—should be handled by the World Bank which has more expertise than the IMF.

CD in External Sector Statistics

34. Between 2012 and 2014, the IMF provided Senegal with relatively limited amount of statistics CD in general, and none in external sector statistics. From 2015, STA overtook MCM in Senegal to become the second largest CD provider among IMF departments. This was primarily due to the large increase in STA CD missions in government finance statistics which doubled compared to the previous year, reaching six missions. The following year, STA began delivering CD in external sector statistics supported by Japan which helped the IMF launch in May 2016 a three-year CD project (JSA-AFR) to improve the external sector statistics in Central and West Africa.[10] More specifically, the project aimed to support countries' efforts to improve the accuracy, timeliness, comparability, and reliability of external sector statistics. As part of this project, four CD missions and follow-up missions on external sector statistics were carried out by IMF experts from 2016. Substantial training on BOP and external sector statistics and open data platforms was also delivered by the IMF, with about thirty officials benefiting from it since 2011.

35. In November 2017, Senegal subscribed to the IMF's SDDS, becoming the fourth country in SSA to reach this goal and the first country to graduate from the e-GDDS to SDDS using an SDMX technology. To achieve this performance, the country secured several outcomes with IMF technical support, including by building capacities and improving the timeliness, consistency, frequency, collection, compilation, and dissemination of data. This includes meeting specific SDDS coverage, periodicity, and timeliness requirements for the BOP, international investment position (IIP), EDS, the reserves template, and merchandise trade. In light of Senegal's strong performance, STA assistance to the country on data standards and external sector statistics was effective according to IMF staff who hailed Senegal as the most successful case under the JSA-AFR project, with all of its outcomes being fully achieved. Both IMF-financed and JSA-supported CD activities contributed to the country's important achievements in these areas. They also continue to play a supportive role in helping Senegal enhance the quality of its statistics.

36. Senegal exemplifies the point that the effectiveness of CD is not necessarily determined by the intensity of delivery. Out of the 40 STA CD missions that took place in the country during 2012–20, only 4 covered external sector statistics and one was delivered in the area of data standards. By contrast, half of the total number of CD missions was in government finance statistics. In addition, integration of CD with program work did not appear to have been a key contributing factor to the major achievement which was Senegal's SDDS graduation. Even though the timing and focus of statistics CD missions were discussed in staff reports, related recommendations of CD experts did not typically make it to the list of program conditions. Structural benchmarks in the area of statistics were relatively rare and tended to be focused on

[10] See IMF (2020e).

government finance statistics but not on external sector statistics in which CD impact was strong.[11]

37. One of the positive implications of the graduation to SDDS was also to have incentivized close collaboration between the Senegalese authorities and the regional central bank, BCEAO. Although the BCEAO was aware of the potential benefits of SDDS graduation, it did not actively seek to be actively involved in Senegal's efforts. But ultimately, BCEAO provided full support, thus helping meet SDDS requirements for the BOP, the international investment position, and the reserve template. IMF-AfDB joint work on e-GDDS was also hailed as a good example of collaboration. AfDB made its online platform available to the IMF in this process. as occurred with other IMF projects on data dissemination standards in the region,

38. During interviews, staff and the authorities recalled meetings between STA management and Senegalese senior officials that preceded the launch of IMF's activities in support of the country's efforts to graduate from e-GDDS to SDDS. These interactions helped STA staff to sense strong political commitment from the authorities who were driven by the understanding that SDDS graduation would help enhance the country's investment profile, improve transparency and dissemination standards, and reduce borrowing costs. Building on Senegal's ownership, staff took steps to boost the volume of statistics CD delivered to Senegal from 2016 under the JSA-AFR. IMF CD support also included peer-to-peer learning activities, as experts from Mauritius which already graduated to the SDDS were called upon to share their experience. Afterward, the Senegalese authorities made the strategic decision to mainly rely on local expertise throughout the graduation process. In 2016, they took the decisive step to establish by decree a Steering Committee tasked with coordinating the activities leading to SDDS subscription.

39. However, graduation to SDDS did not fully resolve issues related to data coverage and quality. As acknowledged by staff, there are still remaining coverage issues especially on services and revenues. Inconsistencies between monetary statistics and the external sector statistics persisted beyond SDDS graduation, prompting the IMF to continue delivering CD to further improve the quality of quarterly external accounts data and ensure compliance with the data dissemination standards. Senegal graduated to the SDDS after being in the GDDS for 16 years (despite the authorities expressing their interest in SDDS subscription during this time, even appointing a national coordinator in September 2006). In addition to performing regular desk assessments, the IMF responded by sending out missions to the country to assess what it would take for SDDS requirements to be met.[12] But these missions failed to build the momentum toward in the face of prevailing business-as-usual attitude, the absence of strong commitment, and limited exchange on statistics CD issues between IMF management and senior staff and the Senegalese authorities.

[11] See IMF (2017d).

[12] One of these missions took place in November 2008, with the aim to assess dissemination practices relative to SDDS requirements.

40. According to some country officials, the IMF should help to raise awareness of country authorities about the importance of statistics. This is an area which tends to get limited attention on the part of many senior officials in Africa due to a lack of understanding of its criticality for effective policymaking and analysis. As a result, some heads of statistical agencies have limited access to finance ministers and other senior officials, which undermines traction of IMF CD activities and recommendations.

RBM Data Coverage

41. The RBM database contained 22 CD projects for Senegal, of which 7 have been completed during the review period (Figure A1; Annex I). Of these projects, 18 were assigned at least one objective rating. In total, 70 outcomes across the 22 projects were rated.

III. OVERALL ASSESSMENT

Relevance

42. During the evaluation period, Senegal benefited from significant levels of highly relevant IMF CD. As is the case with many currency union members, CD was largely delivered in support of the authorities' fiscal reforms. While the country enjoyed strong institutional capacity by regional standards, it was nonetheless confronted with daunting challenges in PFM and revenue mobilization, as identified by surveillance and program work. From 2014, CD strategy was designed to closely align delivery with achieving the objectives of the government's development strategy (Plan Senegal Emergent) and supporting its implementation. However, the delivery through HQ and STX experts of CD in some areas such as tax policy was dialed back when IMF staff suspected weakening domestic ownership and traction of CD recommendations, notably in the run-up to the February 2019 presidential elections.

43. The relatively large volume of IMF CD delivered to Senegal during the review period in part reflected the posting of two externally funded RAs to support the authorities' reform efforts in PFM and digitalization (see Annex I). Interviews with the authorities and IMF staff suggest that the technical work carried out by these CD experts was highly valued and effective. But while the reliance on this CD delivery mode for an extended period would to be legitimate in a fragile setting, it potentially raises some issues in this specific context. First, its relevance to a country like Senegal with a relatively strong skillset available in the Senegalese civil service could be questioned. Second, there are indications that beyond CD needs the availability of donor funding for these resident experts was a key factor behind their deployment. Although the country's needs were real and significant in these areas, the protracted use of resident experts in this non-fragile country might have raised issues of relevance and evenhandedness of CD delivery if it was funded with internal IMF resources.

44. At times, it could be questioned whether Senegal's country circumstances fully justified the high and sustained level of attention it received from CD experts. Out of all 19 country case studies selected for this evaluation only Liberia received more FAD missions than Senegal during the review period (Annex I). Yet it is unclear to what extent the country's fiscal CD needs warranted a relatively more intensive delivery of FAD CD compared to other countries.

Coherence

45. The integration of CD with program activities helped boost the traction of CD recommendations and contributed to many achievements during the review period, notably through the leverage of conditionality. It worked best when collaboration between area and CD department teams was strong, as illustrated by the experience of some FAD economists in the country team. At the same time, the benefits of CD alignment with program work must be carefully balanced against the potential risk to domestic ownership and the role of CD experts as trusted advisors associated with the inclusion of CD recommendations in conditionality. While the use of CD recommendations should be considered in the design of program conditionality especially when macro-critical, it may prove counter-productive if it takes the focus of CD experts away from the execution of their medium-term work plan and long-term CD objectives. In addition, some interviewees from IMF CDDs expressed the feeling that the authorities' views were downgraded or even lost in recent years because of efforts to integrate CD with program activities. In this context, it may prove useful for the IMF to define appropriate internal guidance on the modalities and circumstances under which CD should be supportive of IMF program activities.

46. The formal government-led coordination mechanism provided an opportunity to bring the IMF and other partners together and discuss issues of relevance to the government. But since it was not a forum specifically meant to focus on CD matters, its potential for facilitating coordination between CD providers was limited. More progress in this direction was achieved in the context of the thematic working groups formed around PFM and revenue mobilization. Still, collaboration between CD providers was not systematically institutionalized and was often undermined by limitations on information sharing and integration of CD work programs across different CD providers. Under these circumstances, the potential benefits of coordination across the IMF and other CD providers, including the World Bank could not be fully reaped in the absence of a formal collaboration framework guiding information-sharing.

47. As discussed in section 2, there is scope for the country officials to be more involved in the selection of CD experts and the planning of CD activities, including in the drafting of terms of reference and funding requests.

Effectiveness, Impact, and Sustainability

48. IMF CD was broadly effective in securing steady progress toward its key objectives. Significant progress was made—albeit at times at a slow pace—in fiscal areas which were the key

focus of CD, notably with the modernization of tax administration, the overhaul tax legislation, and the reduction of tax arrears. Revenue performance remained relatively strong. IMF CD also helped align PFM reforms with best practice, supporting Senegal's efforts to enhance fiscal transparency and comply with regional guidelines in public finances. Overall, PFM capabilities continued to improve though with occasional setbacks. The effectiveness of CD was also proven in other areas. One of the major achievements was made in the area of statistics and consisted in the decisive contribution of IMF CD to Senegal's subscription to the IMF's SDDS. More generally, delivery and implementation of IMF CD coincided with improved policymaking and economic outcomes during the period under review. Senegal registered its strongest growth performance on record over a 5-year period between 2014 and 2019, with CD playing a central role in IMF engagement with the country.

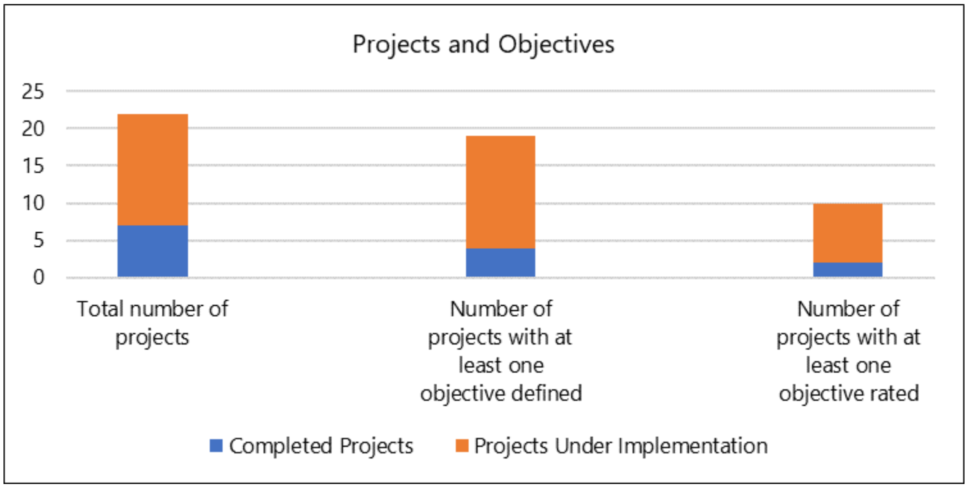
49. Integration of CD with program work played a critical role in increasing the effectiveness of CD even though it came occasionally at the cost of domestic ownership. However, the positive correlation between the provision of CD and improved policymaking and economic outcomes was more pronounced during times of strong domestic ownership. For instance, the successful CD delivery in data standards and external sector statistics took place at a time of high-level political commitment. By contrast, IMF CD appeared to have had less traction in the run-up to the February 2019 presidential elections. In addition to weak ownership, inter-agency coordination failures and inadequate human resource allocation contributed to decelerating the pace of reform implementation in some areas.

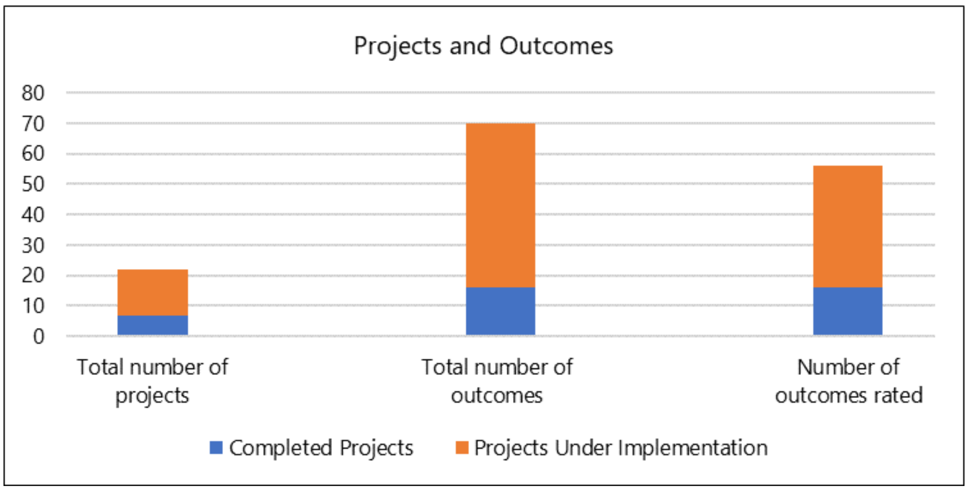
50. Senegal benefited from various peer-to-peer learning exercises that were much appreciated by the authorities. Peer-to-peer learning was a CD delivery mode that was methodically used by staff in the country but not in other countries. For instance, the FY2017 CSN recommended that BTORs include an analysis on key obstacles to reform which would lay the foundation for mobilizing peer support to help address political economy constraints.

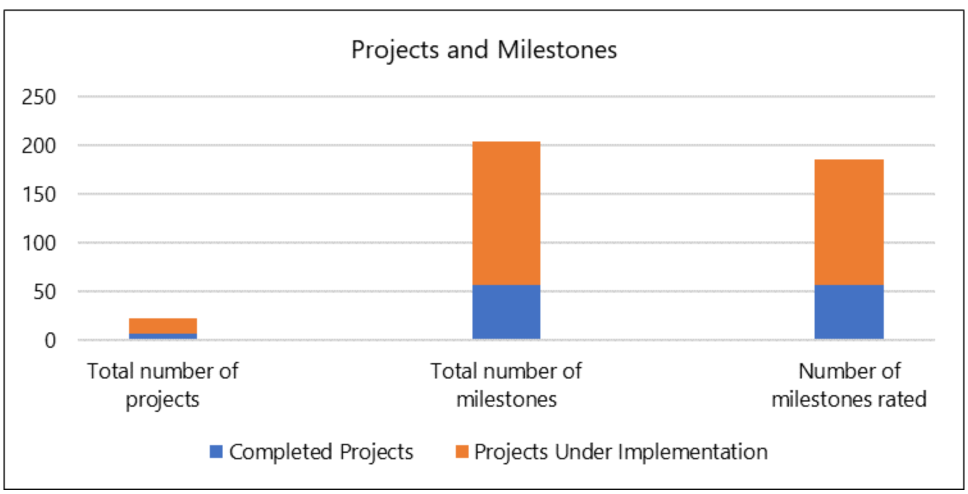
51. A welcome attribute of IMF CD relates to its ability to catalyze collaborative actions between country and regional authorities, notably the central bank. In the delivery of statistics CD, this proved to have increased and sustained its impact, while necessitating relatively limited CD resources. But going forward, better coordination and synchronization of CD in fiscal areas would be beneficial, such as between HQ and AFW in PFM. There is also scope for clarifying the rationale for CD recommendations to help build domestic ownership of CD.

ANNEX I. CD ACTIVITIES FOR SENEGAL

Figure AI.1. Senegal—Results Based Management Data on Projects, Objectives, Outcomes, and Milestones







Sources: IMF, RBM data; IEO staff calculations.

Table AI.1. Senegal—Number of Missions, 2012–2020

Year	FAD	ICD	LEG	MCM	RES	STA	Others	Total
2012	15	0	2	5	0	2	1	25
2013	28	1	2	8	0	1	2	42
2014	28	0	0	14	0	3	4	49
2015	14	0	0	2	0	7	2	25
2016	30	0	0	4	0	3	7	44
2017	29	0	0	4	0	9	4	46
2018	21	0	0	2	0	6	0	29
2019	27	0	0	4	0	4	2	37
2020	27	0	0	3	0	4	0	34
Total	219	1	4	46	0	39	22	331

Sources: IMF, TIMS data; IEO staff calculations.

Table AI.2. Senegal—Resident Advisors, 2011–2021

Host institution	CDD	CD topic/workstream	Start date	End date
Host institution	CDD	CD topic/ workstream	Start date	End date
Ministry of Finance	FAD	Long-term Treasury Advisor	1/18/2011	1/17/2012
Ministry of Finance	FAD	Extension of Long-term Treasury Advisor	1/18/2012	1/17/2013
Ministry of Finance	FAD	Extension of Long-term Treasury Advisor	1/18/2012	1/17/2013
Ministry of Finance	FAD	Extension of PFM resident advisor	1/18/2013	9/17/2013
Ministry of Finance	FAD	PFM Advisor	11/21/2015	11/20/2016
Ministry of Finance	FAD	Extension PFM Advisor	11/21/2016	7/16/2017
Ministry of Finance	FAD	Resident Tax admin & IT Advisor	7/2/2017	7/1/2018
Ministry of Finance	FAD	PFM Advisor	9/1/2017	8/31/2018
Ministry of Finance	FAD	Extension Resident Tax admin & IT Advisor	7/2/2018	7/1/2019
Ministry of Finance	FAD	PFM Resident Advisor	7/1/2019	6/30/2020
Ministry of Finance	FAD	Resident Tax admin & IT Advisor Extension	7/2/2019	10/30/2019
Ministry of Finance	FAD	Resident Tax admin & IT Advisor Extension	10/31/2019	7/1/2020
Ministry of Finance	FAD	Extension of Resident Tax Administration Advisor	7/2/2020	7/1/2021
Ministry of Finance	FAD	New PFM Resident Advisor	8/31/2020	11/30/2021

Sources: IMF, Fiscal Affairs Department and Monetary and Capital Markets Department.

Table AI.3. Senegal—List of TA Reports, 2012–2020

						Of which		
	FAD	MCM	STA	LEG	Total	Available within IMF	Available but confidential	Published
2012	4	0	0	0	4	4	0	0
2013	5	0	2	0	7	5	0	0
2014	2	0	0	0	2	2	0	0
2015	5	0	1	0	6	5	0	0
2016	6	0	3	0	9	8	0	0
2017	1	1	5	0	7	3	0	0
2018	5	0	4	0	9	0	0	1
2019	4	0	1	0	5	1	0	0
2020	2	1	1	0	4	3	0	0
Total	**34**	**2**	**17**	**0**	**53**	**31**	**0**	**1**

Source: IMF, Institutional Repository.

UGANDA

CHRISTOPHER LEGG *

* Consultant, Independent Evaluation Office of the IMF.

I. INTRODUCTION AND COUNTRY OVERVIEW

1. Despite a history of strong economic growth, Uganda remains a low-income country (GDP per capita $US970), confronting significant demographic pressures. Population growth is around 3.3 percent p.a. with almost 70 percent of the population under 24.[1] Progress on poverty alleviation and the SDGs has stalled. The economy remains heavily dependent on agriculture and undermined by low productivity and a propensity to corruption. Shallow and distorted financial markets have limited access to credit. These challenges have been compounded by political instability in the surrounding region and associated refugee inflows (imposing both fiscal costs and economic spillovers), alongside vulnerability to exogenous shocks such as droughts and, most recently, COVID-19.

2. A sustained program of investment in both infrastructure and human capital is needed, as well as a deepened and more inclusive financial sector, and the establishment of policy frameworks to optimize the benefits from the development of significant oil reserves.

3. The Fund's CD relationship over much of the last decade has been framed by an extended period of program engagement, alongside the harmonization requirements under the 2013 East African Monetary Union (EAMU) Protocol. A series of Fund PSI[2] arrangements anchored the authorities' commitment to agreed macro-policy settings and structural reforms up until 2017, when difficulties in maintaining fiscal discipline[3] undermined efforts to agree a further arrangement (Figure 1). However, the authorities have recently drawn on the RCF and subsequently agreed a three-year SDR 722 million arrangement ECF.

4. The EAMU agenda encouraged the authorities' adoption of inflation targeting from 2011, lending impetus to the need to address other policy challenges in order to realize the full benefits. In particular, attention has focused more sharply on the imperative of expenditure control and the associated challenges of persistent arrears and financial integrity issues,[4] as well as efforts to tackle the persistently low ratio of revenue to GDP, the lowest in the region at around 10 percent prior to 2012.[5] The emergence in 2016 of liquidity challenges for a major domestic bank, Crane Bank, highlighted the need to tackle financial sector vulnerabilities.

---

[1] CIA World Factbook online, last updated May 21, 2021.

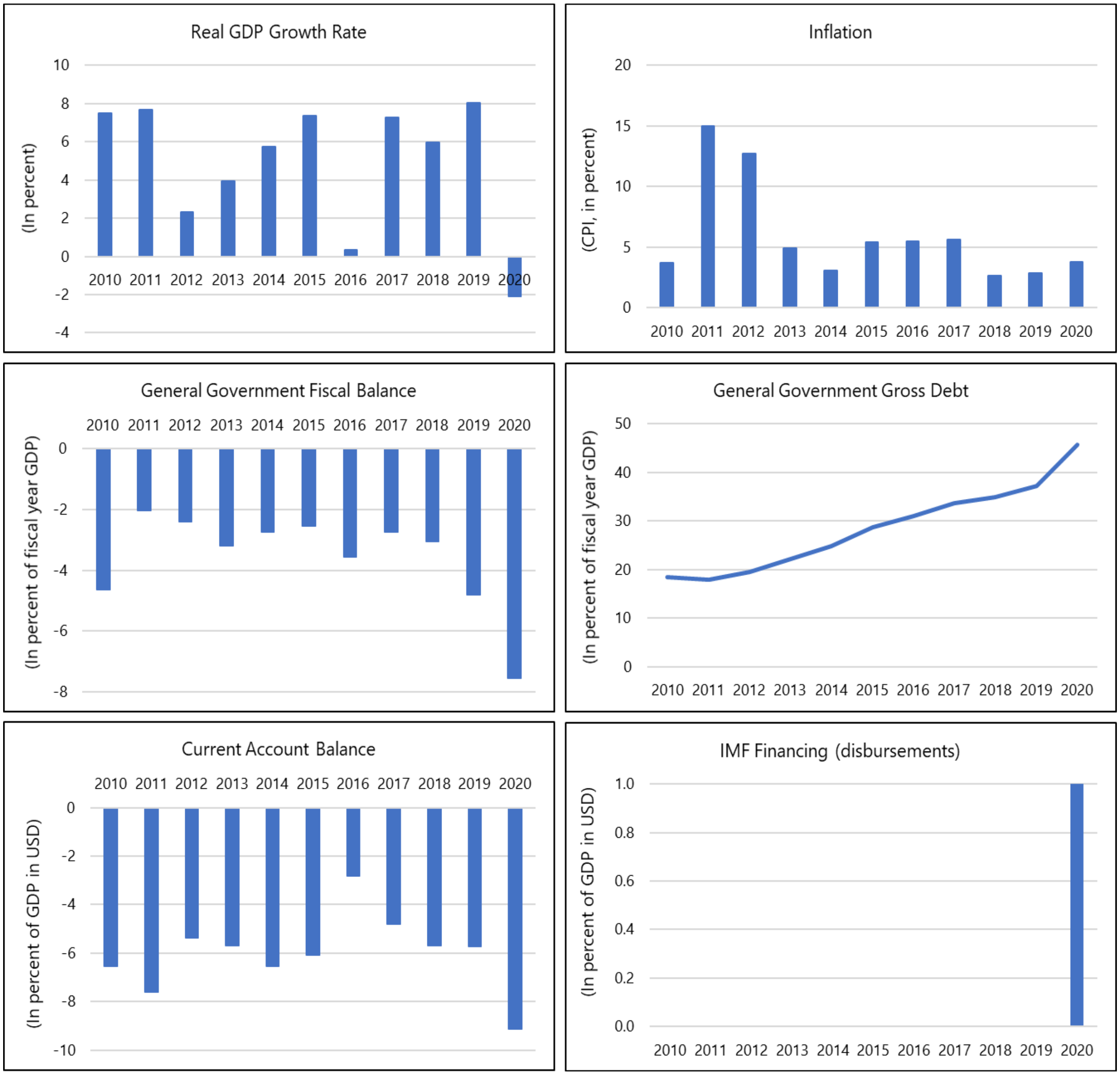
[2] A PSI is a non-financial instrument which provides policy endorsement for agreed economic programs with low-income Fund members who are not seeking to draw on Fund resources.

[3] The fiscal anchor established under the Charter for Fiscal Responsibility—a cap on both the fiscal deficit (3 percent) and the level of public debt as a share of GDP in NPV terms (50 percent), consistent with the EAC convergence criteria—was consistently being breached through this period.

[4] For example, see the references to Uganda in IMF, 2016.

[5] See Box 5—Enhancing Tax Revenue—in IMF (2015e)

Figure 1. Selected Indicators for Uganda, 2010–2020



Sources: IMF, WEO database; World Bank database; IEO staff calculations.

5. AFR has classified Uganda as a high intensity user of Fund CD in all years but one since 2015 with activity focused on the following (Figures 2 and 3):

- Assistance to improve Uganda's AML/CFT policy framework and address shortcomings against international standards;
- On PFM, the establishment of a TSA and efforts to broaden its coverage and progress associated reforms in cash management and budget execution, as well as support for

development of the 2015 PFM Act and associated regulations, including the Charter for Fiscal Responsibility;

- Sustained efforts to support Domestic Revenue Mobilization (DRM), alongside support for the authorities' efforts to establish appropriate tax arrangements for the oil sector;

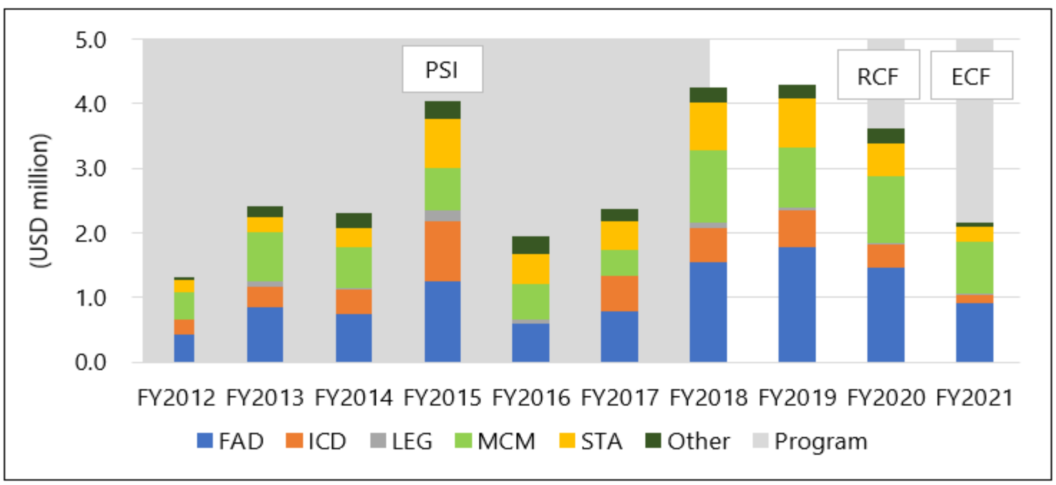
- Finalization of a Fiscal Transparency Evaluation and work on improving public investment management;

- Strengthening of the inflation targeting framework including deployment of the Fund's Forecasting and Policy Analysis model and associated training, and input buttressing the BoU's balance sheet and independence;

- A 2018 Financial System Stability Review (FSSR) and subsequent CD work on lender of last resort arrangements and banking supervision; and

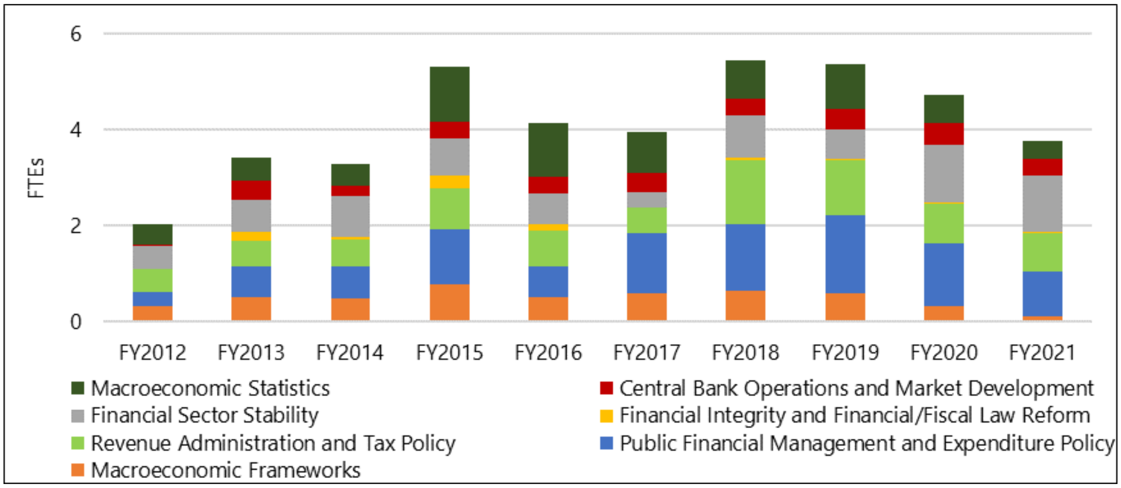
- Sustained support in the statistics area, focused on real sector statistics and the requirements of East African Community (EAC) convergence.

Figure 2. Uganda—IMF CD Spending by Department and IMF Programs, 2012–2021



Sources: IMF, ACES data; IEO staff calculations.
Note: IMF program: PSI (2006–16), RCF (2020), ECF (2021).

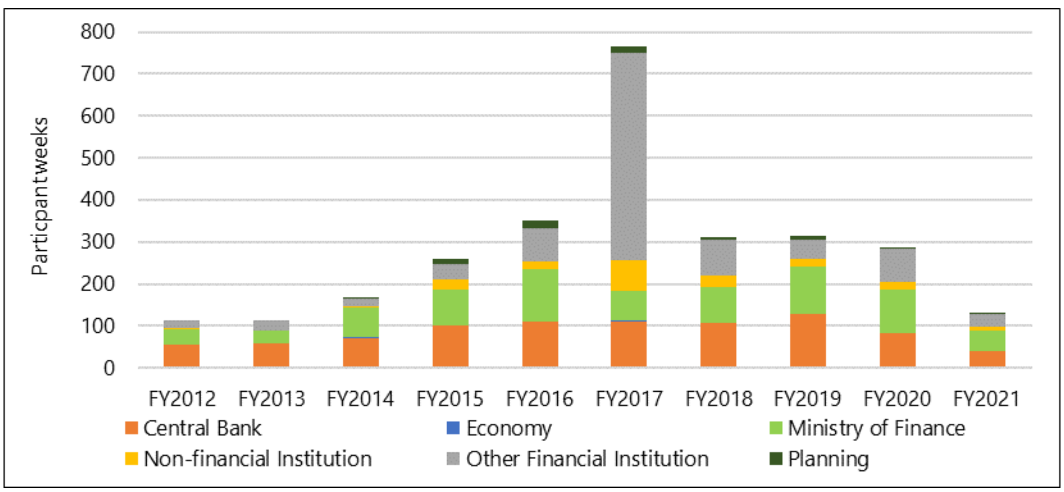
Figure 3. Uganda—IMF CD by Workstream, FY2012–2021



Sources: IMF, TIMS data; IEO staff calculations.

6. Uganda's strong appetite for CD is also reflected in it being the third highest user of the Fund's online training courses and the highest in SSA, in terms of participant hours, over the period 2016–2020 (Figure 4).

Figure 4. Uganda—IMF Training by Recipient Agency, FY2012–2021



Sources: IMF, PATS data; IEO staff calculations.

7. The CD operating environment is characterized by a relatively large number of active development partners, attracted by the authorities' willingness to engage and relatively high absorptive capacity and government effectiveness, underpinned by an extended period of political continuity.[6] Partners include the World Bank and DFID/FCDO (both active across the board), USAID/US Treasury, the Netherlands and Norway (on PFM and/or revenue issues), the Islamic Bank (on Islamic banking), and GIZ (on financial sector issues).

[6] President Museveni came to power in 1986 and has since been re-elected six times.

II. CD ENGAGEMENT

8. The Fund's provision of CD has therefore been an integral part of a long-standing and constructive relationship with Uganda. Nonetheless, it has evolved against the backdrop of a deteriorating policy environment posing a complex set of challenges. And the Fund has had to navigate a relatively crowded space of engaged CD partners.

A. Strategy, Prioritization, and Allocation

9. Fund CD has targeted a broad and complex range of challenges, anchored for much of the last decade by successive non-financial IMF programs and the authorities' commitment to EAC harmonization. In particular, a series of PSI arrangements through to 2017 helped frame Fund CD, focusing on key areas of the agreed policy agenda. This included support for a number of the specific program structural conditions, all of which identified milestones/actions relevant to the Fund's focus on AML/CFT, PFM, PIM, debt mobilization, the inflation targeting regime, and financial regulation.[7]

10. While the post-2017 hiatus in the program relationship threatened to weaken this anchor, broadly effective CD processes appear to have been sufficient to give effect to the intent of the Fund's 2019 Policies and Practices on Capacity Development. The 2018 CSN[8] provided a comprehensive summary of policy and surveillance challenges, progress to date, future CD priorities and risks. All staff interlocutors expressed clarity regarding the relative responsibilities of the Mission Chief (alignment) and Resident Representative (coordination and implementation)—roles which have been combined in one person for some of the review period. Notably, the authorities indicate that they consider Fund CD to have been appropriately demand-driven.

11. Moreover, AFE is actively and effectively engaged in these processes.[9] This involves reflecting members' expressed needs in the five yearly resourcing agreements and—within the medium-term staffing constraints that imposed—filtering and ranking responses to an annual survey of member needs to be fed into the AFR's prioritization of CD requests.[10] Earlier concerns

---

[7] The Structural Conditions attached to Uganda's PSIs do not appear to have included any focused more broadly on directly addressing constraints on growth, on which the IEO's recent Evaluation of Growth and the Use of Fund Resources identified shortcomings regarding the alignment of TA (IEO, 2021).

[8] Uganda was among the second group of AFR members for which CSN was developed, as identified in AFR's 2016 RSN.

[9] Questions have been raised about the extent of active engagement by member countries in the Steering Committee (see. Devtech Systems, 2019), but discussions with Ugandan authorities suggest they are relatively well engaged. Moreover, the survey and coordination process does not appear to rely on the formal Steering Committee processes.

[10] One partner suggested that AFE may be "too proactive" in shaping authorities' demands in this process, but this was not a view echoed by others.

that AFE was not sufficiently involved in the process of prioritization[11] would appear to have been addressed.

12. Nonetheless, on some issues it has still been difficult to forge a holistic and integrated approach. For example, an earlier finding that engagement on PFM lacked a clear strategic approach from the authorities resulting in uneven progress, stronger on discrete technical issues, less so on more systemic issues[12]—appears to remain relevant. Early AFE-led success in establishing a TSA has established a foundation for broadening the engagement, although to areas such as the intersection of cash and debt management have proven more difficult. The development by the authorities of a new five-year reform strategy foreshadowed in the 2018 CSN has yet to materialize, and the key underlying problem of domestic arrears persists.

13. In other areas, the authorities' ownership has been particularly significant in driving effective engagement. The Bank of Uganda (BoU) reported initial resistance from Fund staff to adoption of inflation targeting a decade ago. It persevered and appreciated the subsequent shift in the Fund's approach, in particular the willingness of ICD to work with them on a shared journey of learning in the application of Forecasting and Policy Analysis Systems (FPAS). On PIM, a high priority area for the government, the authorities responded to the 2015 Fiscal Transparency Assessment by producing their own action plan to frame a relatively targeted program of subsequent assistance. The 2018 FSSR responded to a request from the BoU for an independent assessment of its supervisory systems and capacities following gaps revealed by the failure of Crane Bank.

14. The Fund's work on DRM stands out as an example of strategic partnership with the authorities. A well-established history of engagement and relationships, together with the existence of a reasonably effective semi-autonomous Ugandan Revenue Authority (URA) combining both tax and customs, has provided the foundation for attempts to build a coherent and integrated approach. The result has been a proposed MTRS built on four pillars—leadership, a multi-year plan, building public consensus, and active donor coordination.

15. Demand for Fund CD has been high but there are no indications that the Fund has been unable to respond constructively and flexibly to requests within its core areas of expertise.[13] The Fund has tapped a wide range of funding sources—the 01 budget, development partners (Japan on PIM), multi-country trust funds and AFE—to respond (Figure 5). There has inevitably been a budget constraint[14] and efforts to manage expectations and phase activities over time appear to

[11] Gupta and others (2013).

[12] Gupta and others (2013).

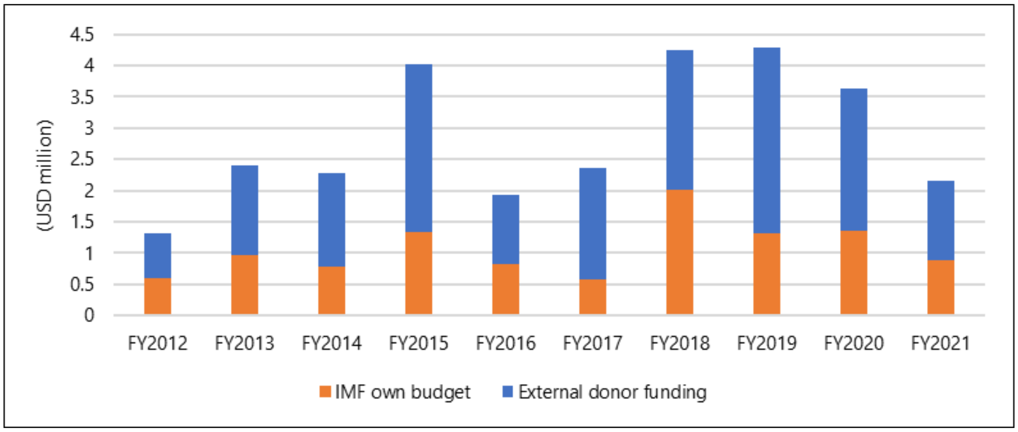
[13] Staff reported that it has had to resist requests to assist in negotiating oil contracts.

[14] Managing AFE's agreed five yearly work plans has been complicated by both delays in disbursement of donor funds as well as last minute cancellations/deferrals of requests, necessitating the adoption, since FY18, of an explicit combination of baseline and contingent work plan budgeting, including a deliberate degree of overplanning.

have been successful.[15] Moreover, tools such as the Financial System Stability Fund (FSSF) have afforded the flexibility to respond to evolving and unexpected needs.

16. AFE reported a sharp rise in the overall intensity of its involvement through its Phase IV funding cycle, as annual field person weeks doubled between 2013 and 2015–2018,[16] although activity levels have since declined with some donors speculating that absorptive capacity on some issues may have peaked.

Figure 5. Uganda—IMF Spending on CD by Funding Source, FY2012–2021



Sources: IMF, ACES data; IEO staff calculations.

B. Delivery

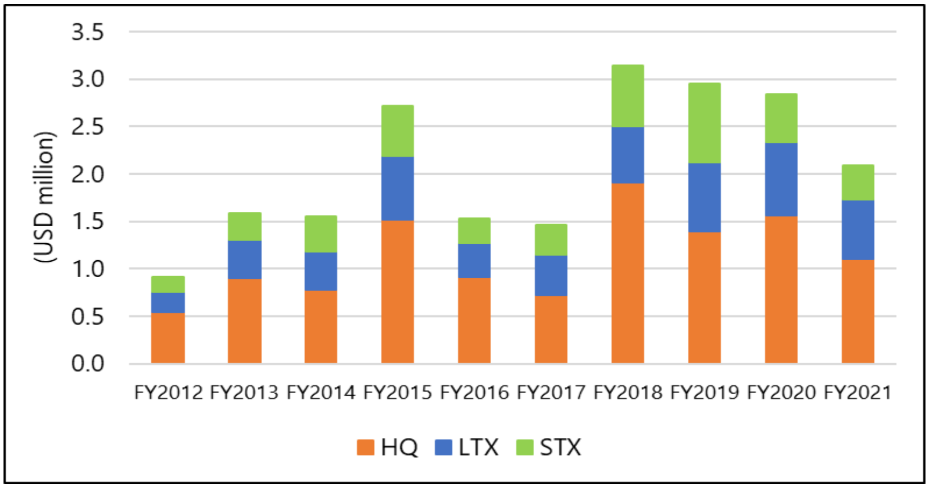
17. The overarching operational principle, consistent with the comparative advantage of HQ vs. AFE, has been that the former leads on high level strategic and diagnostic work while the latter, drawing on the strengths of regional proximity—local knowledge, the ability to respond quickly and visit regularly—focuses on more practically focused follow up and the response to ad hoc country requests. In practice, however, this model has been applied flexibly, with the quantity of HQ resources being adjusted from year to year (Figure 6).

18. MCM's engagement illustrates this model. The 2018 HQ-led FSSR identified agreed priorities for future work. HQ subsequently supported (and backstopped) the placement of an FSSF-funded RA on bank supervision in the BoU, supporting the development of new frameworks with hands-on training. Other follow up, on financial market infrastructure and payments reforms, and on financial sector regulation, has been led by AFE LTXs. AFE has also provided support on monetary policy operations, including the development of tools and related training to assist inflation targeting.

[15] Interlocutors have expressed the view that the Ugandan authorities are relatively realistic in shaping their requests.

[16] Devtech Systems, 2019.

Figure 6. Uganda—IMF CD by Type of Delivery, FY2012–2021



Sources: IMF, ACES data; IEO staff calculations.
Note: Spending data excludes non-personnel costs, which include, among others, travel expenses.

19. In contrast, the significant investment of CD resources on DRM, and in particular the development and implementation of a medium-term strategic approach combining both policy and administration and explicitly linked to expenditure needs, has been increasingly led by FAD. AFE's role has involved provided training on the TADAT and compliance issues, and a relatively small number of missions targeted at specific tax and customs administration issues, including filing and payment processes and application of IT.

20. On PFM, AFE has played a significant role. It delivered much of the early work on the TSA and subsequent cash and debt management CD. However, HQ responded to requests to assist on strengthening the 2015 PFM Act and on the authorities' PIMA plan. Plans for a possible PIMA have been deferred by the pandemic.

21. STA has looked to AFE to lead much of the work on 'foundational' statistics systems requiring regular contact. AFE has undertaken some 80 percent of all statistics focused missions since 2011, with a strong focus on the real sector. This has allowed HQ to focus on "add-on" requests more suitable for STX delivery and/or the use of other trust funds, such as the development of high frequency data, funded through the Data for Decision making (D4D) Trust Fund.

22. Factors shaping this balance appear to have included the legacy of established relationships (TSA), the complexity of relationship management involved and the integrated nature of the workstream (DRM), varying levels of strategic ownership by the authorities (PFM and PIM) and the availability of required skills and capacities (for example, some partners noted the relatively shallow pool of available expertise on revenue mobilization). On the other hand,

earlier excessive AFE staff turnover identified as a problem by a number of interlocutors and earlier evaluations,[17] appears to have eased.

23. AFE has also demonstrated flexibility in managing significant annual variability in activity levels.[18] While activity on MONOPS was persistently below plan (attributed by staff to lower BOU interest in the EAMU agenda than initially signaled), activity on PFM picked up sharply relative to planned levels from FY17 (as concern about arrears intensified). Annual activity on macro-financial analysis swung sharply, both above and below plan, over this period. That on DRM was almost 80 percent above plan in FY18, but significantly under plan the other three years. In contrast activity levels on statistics were the most stable.

24. The authorities spoke positively about the quality of technical expertise the Fund could quickly deploy. There was a clear preference for a "hands on" approach which could combine technical expertise with local knowledge to produce implementable solutions, and work on FPAS and with the Ministry of Finance on quarterly GDP forecasting was highlighted. The efforts to address misconceptions, build support and accommodate local needs was seen as central to success on the TSA. Skepticism was expressed about the ability of HQ-led missions understand local circumstances and political economy constraints. The AFE's relative advantages in this regard were acknowledged although the ability to realize these depended on its available skill mix.[19] Moreover, the authorities considered AFE an imperfect substitute for in-country presence. BoU's experience with the Resident Adviser (RA) was valued, and interest was expressed in similar support on DRM as this moved into implementation.

25. The preference for hands-on, practically focused CD is consistent with Uganda's strong demand for training more generally. There is a natural complementarity between the Fund's 'off the shelf' courses and the more focused and tailored training offered by AFE,[20] increasingly integrated into both AFE and HQ-led CD missions, and embedded in the growing use of short-term third party attachments.[21] And there are examples of the development of more practically focused class-room courses aligned with specific CD workstreams—such as inflation targeting and PFM.

26. However, while the FY2018 CSN indicated that increased recourse to training, including online, would be used to address CD related risks, what this has meant in practice is unclear.

---

[17] For example, Devtech Systems (2019).

[18] See Section II of Regional Technical Assistance Center for East Africa, 2020, "Program Document: Phase V, May 2020–April 2025.

[19] For example, BoU, emphasized the better range of quality skills available directly from MCM.

[20] Though officials cautioned that AFE's regional workshops did not always hit the mark as they were not well calibrated to the needs, and level of prior knowledge of participants.

[21] For example, the attachment of URA officials to the Netherlands Tax and Customs Administration—see Regional Technical Assistance Center for East Africa, Annual Report 2020.

More generally, there is no evidence of structured systems to ensure the two broadly separate streams of training are effectively integrated and learn from one another. Staff indicated that they consider Uganda to be a well-informed consumer of the Fund's available classroom training and that, therefore, requests for more targeted hands-on training missions could be taken at face value as indicating genuine gaps.

27. The pandemic has inevitably disrupted delivery, notwithstanding good efforts by the Fund and the authorities to adapt. The shift to virtual delivery faced practical difficulties—connectivity issues, time zone differences and a local curfew—while the adaptation challenge was compounded by initial uncertainty regarding the likely duration of the pandemic. The travel of a new Resident Representative was delayed and the banking supervision RA temporarily recalled. With reduced in-country presence, and building on what appears to have been a quickly established 'community of good practice' among AFRITACs, AFE sought to step up on coordination. It was also well placed as the delivery mechanism for HQ's series of COVID-19 policy note webinars, Both practical challenges and shifting priorities—to financial and fiscal sector risks, including assistance in tracking COVID-19 related expenditures—necessitated a significant rescheduling and deferral of planned AFE activities, in particular on MONOPs and statistics along with selected activities on PFM.[22] An HQ-led virtual mission on implementation of the Medium Term Revenue Strategy went ahead in FY20, and HQ led activity on selected issues, e.g., a STA mission on real time GDP data, appears to have recommenced more recently. Nonetheless, the HQ focus appears to have been on using the limited bandwidth for negotiations on, first, Uganda's RCF access and more recently, the ECF.

28. The authorities expressed acceptance of the necessary disruptions and adaptations, but were largely focused on the limitations of virtual operations, both technical and in terms of the quality of substantive interaction possible. Nonetheless, there was a willingness to explore potential benefits from more use of selective virtual engagement, for example on implementation issues between scheduled missions.

C. Partnerships, Coordination, and Dissemination

29. Effective donor coordination can be an elusive goal, in part because stakeholders can be focused on differing levels of ambition, and in part because interests are not always aligned. The test of effectiveness may range from logistical efficiency, e.g., minimizing absorptive capacity pressures and costs on the authorities, through information sharing and avoiding overlap, to fully aligning advice and integrating activities. And incentives are often conflicted, for both the authorities who may see merit in a degree of competition between providers, and for partners focused on both optimizing effectiveness and promoting their presence and ownership of deliverables. High expectations of coordination are therefore hard to fulfil.

[22] COVID-19 has also created uncertainties about the disbursement of agreed AFE funding.

30. In Uganda, the range of the CD agenda and the large number of active partners makes for a particularly complex coordination challenge.

31. In terms of "logistical efficiency," there is a history of concern that coordination and communication could be improved. For example, the authorities have previously drawn attention to the relative merits of the AFE's planning processes compared to HQ's shorter time horizon for scheduling missions and notifying the authorities,[23] and similar views concerns were expressed by the authorities in feedback for this evaluation.

32. Nonetheless, the authorities have historically acknowledged their primary responsibility for coordination[24] and continue to take an active role. Also, all interlocuters noted the central contribution of the Resident Representative, including their monthly meetings with development partners and the maintenance of communication links with CDDs. The latter appears to have improved internal information flows, notwithstanding occasional glitches (e.g., initial communication lapses on the planned piloting of a Medium-Term Revenue Mobilization Strategy). The Resident Representative participates in the DRM coordination processes on the ground for FAD, while MCM valued their proactive engagement on issues such as fintech and the payments system.

33. An examination of individual workstreams gives a better understanding of the range of experience.

- Coordination of the significant number of active partners involved on DRM is one of the MTRS's four pillars. Adapting existing arrangements,[25] the authorities established a high-level DRM Committee including relevant agencies, partners and local civil society. Component workstreams have been identified and allocated to individual partners. On the donor side, the Fund has taken the lead, in close consultation until recently with DFID/FCDO.[26] Interlocutors consider these arrangements to have been effective and evidence of strong official level ownership, notwithstanding challenges navigating domestic institutional tensions[27] and the views of some that there remain shortcomings in the timely exchange of information.

---

[23] DevTech Systems (2019).

[24] DevTech Systems (2019).

[25] There is a history of effective donor coordination on revenue administration, as noted in Gupta and others (2013).

[26] The UK FCDO has recently decided to cease its involvement in the MTRS, in part because of changing priorities (including in response to COVID) as well as doubts regarding likely traction.

[27] Relations between the URA and MoF have historically been difficult. The URA was reportedly the driving force behind the initial coordination arrangements, but became less engaged as the MoF, and policy issues, took a more central position, notwithstanding the relative lack of capacity in its Tax Policy Unit. A separate 'Technical Working Group' has been established, led by the URA.

- The Fund appears to have been less actively engaged in coordination on PFM, an area with a problematic history[28] and on which the Fund has been a less dominant player.[29] Partners observed that Fund participation in established PFM coordination processes is sporadic.[30] One notable example of the challenge of donor coordination in the PFM area is the continuing reluctance of partners (including the World Bank) to utilize the TSA for the disbursement of funds.

- The CSN identified the need for close alignment with the World Bank on public infrastructure management, given the latter's planned extensive support in this area. This has not prevented perceived communication shortcomings, for example the claimed failure of the Fund to consult with the Bank before commenting on the terms of reference for a proposed World Bank/UK led Data Bank.[31] FCDO noted that contact with the Fund had recently been minimal, reflecting limited overlap in their activities.

- The BoU noted that coordination between the Fund and World Bank on the follow up to the FSSR is embedded in the established institutional arrangements. Nonetheless, MCM was conscious of the need for effective coordination with the Bank on Financial Market Infrastructure such as crisis management and payments system issues. Coordination between the BoU RA and relevant AFE LTXs, delivering complimentary but more general and less technically intensive CD on financial regulation and supervision, has reportedly worked smoothly.

- STA's reliance on AFE to deliver the bulk of statistics CD appears to have assisted coordination on the ground with partners such as the World Bank and AfDB, including effectively harnessing complementary technical skills, e.g., input by Bank agricultural consultants to the development of agricultural price indices.

34. Other donors focused on the scope for further improvement in exchanging information. It was argued, in particular, that earlier sharing of information would have facilitated more effective use of others' local presence. Perhaps the most insightful comment was that, irrespective of formal mechanisms, the effectiveness of coordination invariably depended more on the quality of informal personal relationships and operational contacts. This is clearly the case regarding the AFE; the Steering Committee is not well suited to operational coordination. Many noted that COVID, and the reduced opportunities for informal contact, was making coordination more difficult.

---

[28] Gupta and others (2013).

[29] IMF (2016).

[30] The Fund and Bank are regularly invited to attend, as observers, meetings convened once or twice a month by the authorities focused on the allocation of funds from an EU-led "basket fund" on PFM, a mechanism seen by others as an effective forum for information exchange more generally on this issue.

[31] The Fund's concerns were reportedly that the Data Bank Terms of Reference were "too ambitious."

35. The issue of early access to information goes to the challenge of balancing coordination with preserving the Fund's trusted relationship with the authorities. CD reports are disseminated to partners only once finalized with the authorities. Partners implied that other multilaterals, in particular the World Bank, were not as constrained.

36. Regarding broader public dissemination, the authorities have been notably open to the benefits, such as on the MTRS, on which public buy-in is seen as central to its success (see Annex I for details). Indeed, the Uganda experience suggests that the limited bandwidth to obtain the necessary approvals is a more substantive impediment than concerns about the sensitivity of the material. A concerted campaign by AFR to resulted in approval through 2017–2018 to release a significant backlog of CD reports. Interviews with Fund staff highlighted only one report which the authorities had explicitly chosen not to make public.

D. Effectiveness and Impact

37. Definitive conclusions regarding the effectiveness of CD (the achievement of identified milestones and direct outputs) and, even more so, impact (broader outcomes) are difficult to reach. Judgements regarding the potential value of building relationships on activities where traction is elusive, the contribution of individual players and extraneous factors, and the appropriate counterfactual, all involve a degree of subjectivity. These challenges are compounded by the breadth and complexity of the CD relationship with Uganda.

38. In terms of the coverage of RBM data for Uganda, the database included 27 projects; of these, 25 had at least one objective rated and there were 112 rated outcomes (Figure AI.1, Annex I). AFE's reported achievement of agreed milestones draws on a longer history of structured RBM engagement, although systematic reporting on specific country performance, beyond descriptive assessments, is hard to find. Capacity limitations and concerns about quasi-conditionality have reportedly tended to undermine buy-in from national authorities. While Uganda is considered relatively engaged, officials did not suggest a high level of awareness of the RBM framework.

39. For much of the review period, the focus has instead been on program conditionality. Structural conditions supported by CD were broadly met, although sometimes with delays, and with more patchy performance where legislation was required.

40. Nonetheless, one can identify tangible achievements clearly linked to CD. Statistics CD appears to have been consistently effective in terms of surveillance requirements and the EAC convergence agenda, with a focus on "fit for purpose" solutions, given the capacity limitations of the Uganda Bureau of Statistics (UBS). Dissemination standards are generally met, coverage and accuracy of external sector data are considered very good, and Uganda is a regional leader on national accounts data. Some areas of weakness in government finance statistics continue to be identified.

41. CD support for the BoU has had positive impacts, but not uniformly. Support for inflation targeting has helped underpin an important pillar of Uganda's macro policy framework, benefiting from strong ownership. Nor should one understate its importance in highlighting other issues, in particular PFM and associated challenges for the BoU's balance sheet and its independence[32] even if progress on these has proven more difficult. Traction on adequate BoU recapitalizations and enhanced legislative protections for its independence has been challenging.

42. Good progress has been made in follow up on the 2011 FSAP update and subsequent 2018 FSSR. The BoU is building up relevant skills through recruitment and training, amendments to the BoU Act to introduce emergency lending arrangements have been prepared as has a draft National Payments System Act, and the proposed Financial Stability Review Committee is operational. As of March 2021, the RA on banking supervision could report 75 percent of the agreed Action Plan achieved. Interestingly, the RA indicated that he had found the RBM system very helpful in helping shape the necessary work-program. The focus is now shifting to the proposed handover to AFE to support implementation and underpin sustainability.

43. Fund CD supported successful efforts to remove Uganda from the Financial Action Task Force (FATF) grey list in 2017, only for it to be relisted in 2020, reflecting persistent challenges in enhancing its AML/CFT regime.

44. Echoing earlier evaluations, the picture on PFM is especially mixed. Efforts to build on the success of an effective, well-designed TSA in support of improved cash and debt management have faced internal bureaucratic resistance and competition for control. An enduring solution to the persistent, and fundamental, problem of budget arrears has proven elusive despite sustained CD in support of earlier PSI conditionality. The success of CD support for the PFM Act 2015, associated regulations and Charter for Fiscal Responsibility, failed to provide the fiscal anchor hoped for in the face political distractions leading up to this year's elections. In many ways, this merely underscores the limitations of CD—and of well-designed policy frameworks more generally—without adequate political commitment.

45. The Fund's work on public infrastructure management, with strong government ownership, could potentially contribute positively to both infrastructure investment and budget quality. The stocktake of the existing project pipeline, supported by Fund CD as part of the authorities' action plan, cleaned out a large number of "projects" involving recurrent expenditures masquerading as capital spending, and there are now more robust processes and enhanced transparency around project selection. However, project preparation capacity remains weak and the risk of politization remains.

[32] The 2013 proposal to cancel the then existing PSI arrangement at its sixth review and replace it with a new arrangement reflected a judgment that a new PSI could better focus on the interrelated implications of inflation targeting.

46. There is objective evidence suggesting the Fund's support for DRM has contributed positively to outcomes, with steady, albeit modest, improvement in the revenue to GDP metric.[33] The 2019 TADAT update documented notable improvements on revenue administration.[34] Progress on tax policy has been more piecemeal, but has nonetheless produced useful first steps in reforming tax exemptions and increasing targeted levies (e.g., for infrastructure). Both the authorities and partners emphasize the importance of the Fund driven MTRS, adopted last year.[35] The concept has harnessed government ownership, linking revenue performance to expenditure aspirations and aligning development partners, and key agencies, and in support of an ambitious but achievable goal of lifting the tax to GDP ratio to 16–18 percent by 2023–2024. While too soon to judge success, the process to date has been a positive one.

47. The contribution to an appropriate fiscal regime for Uganda's nascent petroleum industry—which will significantly influence Uganda's economy and governance for years to come—is harder to judge. The development of Uganda's oil resources has suffered significant delays with production now not expected until 2025. Fund CD has focused on both appropriate tax arrangements and broader fiscal policy frameworks. Staff judge the take-up of Fund recommendations in recent legislation to be mixed.

48. Both the authorities and partners emphasize the technical quality of Fund CD, and the depth and breadth of international expertise the Fund can quickly muster. Nevertheless, they also both stressed the benefits of enhanced local presence to effectively promote and support implementation. Some partners speculated that the Fund may be able to do more to leverage its technical expertise to enhance its influence with domestic policy makers, although offered no concrete proposals.

III. OVERALL ASSESSMENT

49. The Fund's CD to Uganda over 2012–2020 has been anchored by a sustained non-financial program relationship, evidence of relatively strong ownership underpinned by political stability, and underpinned by comparatively high levels of absorptive capacity. The complexity of the agenda and large number of active partners attracted by the authorities' welcoming posture has placed pressure on coordination to support the coherence of CD. Moreover, despite Uganda's relative advantages, complex political economy challenges still need to be navigated.

---

[33] Revenue to GDP has risen over the period by around 2 percentage points, although the pandemic response has seen some recent reversal.

[34] "Significant improvement was assessed in registration integrity and risk management, some aspects of payment of obligations, accuracy of reporting and transparency and accountability. However, a notable exception was the lack of progress on operational efficiency and effectiveness IMF (2019h). "

[35] Ministry of Finance, Planning and Economic Development, 2019.

Relevance

50. Three pillars have supported the relevance of Fund CD to Uganda's policy challenges and alignment with the surveillance dialogue: the program relationship through to 2017 and recently re-established; the authorities' commitment to the EAC harmonization agenda; and the 2018 FSSR, building on earlier FSAPs.

51. In this context, CD has targeted activities in support of efforts to address key policy issues. The work on statistics has addressed key needs associated with both surveillance requirements and EAC commitments. Support for the authorities' early commitment to inflation targeting, in line with the EAC agenda, helped strengthen the awareness of the importance of progress on complementary fronts, in particular buttressing BoU independence and strengthening budget systems and discipline, if the benefits of the reformed monetary policy framework were to be optimized. A focus on budget improvements and DRM also reflects the fundamental need to rectify inadequate public service provision and infrastructure investment. The authorities' buy-in to the findings of the FSSR have helped ensure that associated CD addresses shortcomings in financial regulation and supervision revealed by the 2016 Crane Bank failure.

Coherence

52. Overall coherence of Fund CD provision is high. The three pillars described above, supported by broadly effective processes within the Fund, have not only served to ensure consistency between the Fund's objectives and those of the authorities in a demand-driven model; they have also underscored the need to tackle the interrelated nature of many of Uganda's challenges. The importance of inflation targeting in highlighting other issues has been mentioned, as has the centrality of DRM to efforts to improve access to public services and enhanced infrastructure, as well as to easing budget funding pressures on the central bank. The persistent problem of arrears undermines efforts to expand access to credit, as do weaknesses in financial regulation and supervision which cut across efforts to deepen and improve the inclusiveness of the financial system.

53. In Uganda's relatively crowded CD operating environment, there is pressure on coordination arrangements to reinforce coherence across partners. The authorities are relatively active in seeking to establish and manage effective coordination mechanisms and processes. The Fund's contribution has been generally positive if somewhat mixed. It has played a leadership role on donor coordination through the DRM Committee, a notable exemplar in terms of fostering an integrated and holistic reform agenda. On other coordination fronts, for example, PFM, the Fund appears to have been less active, and there is scope for further investment in relationships and arrangements to minimize lapses in communication, even with well-established partners such as the World bank. In some cases, identified shortcomings reflect inherent tensions which invariably require the management of trade-offs and competing interests.

Effectiveness, Impact, Sustainability

54. The Fund's CD to Uganda is valued by the authorities and partners, has supported progress towards important milestones and goals and has arguably contributed to broader impact. Support for inflation targeting has helped shape agreement on a broader reform agenda. The assistance provided on public infrastructure management has helped improve project selection processes and transparency, casting light on hidden recurrent expenditures. The work on DRM can claim to have assisted the modest improvements to date in revenue as a share of GDP and, arguably more importantly, has helped foster political buy-in to an integrated understanding of the issue and its broader implications. And tangible progress has been made on banking supervision and related issues.

55. However, notwithstanding a relatively favorable and receptive environment, traction remains challenging and, in the parlance of the Fund's RBM lexicon, "partially effective" is a fair characterization of the overall outcome.[36] Indeed, it is arguable that this constitutes a reasonable pass mark for any CD dealing with other than largely non-contentious, technical activities. Progress on complex issues touching on institutional and/or political economy sensitivities, that is those more likely to offer significant long-term benefits, inevitably involve a higher risk of delays and reversals along the way.

56. On sustainability, the recently re-established program relationship is likely to be a helpful fillip. Sustaining the progress made on banking supervision will depend in part on the success of the transition to proposed AFE support. More generally, it is unclear how the Fund has sought to make more use of training, including on-line training, as a tool to manage longer term risks to CD effectiveness, as flagged in the CSN. Overall, the Fund has relatively limited tools available to it to directly influence sustainability which is ultimately a function of sustained domestic institutional and political ownership.

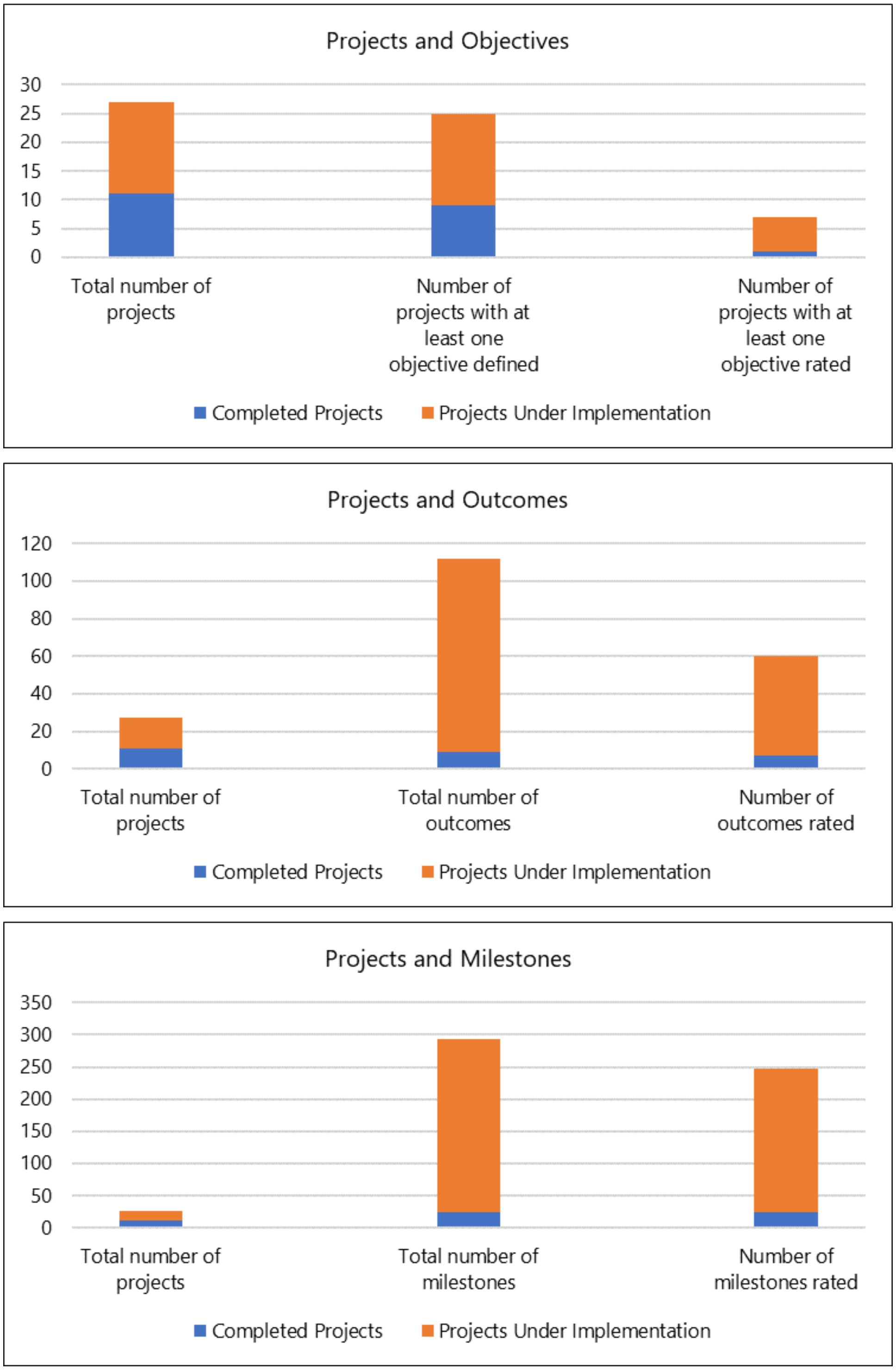
57. There is thus an argument for an enhanced focus on the political economy awareness and skills needed for Fund CD to have more sustained impact. Successful reform invariably requires a consensus around a long-term vision and a judicious mix of patience, political savvy and opportunism. The Fund's advocacy of the proposed MTRS offers an example of a commendably sophisticated approach to engaging the authorities, partners and others to help manage the inherent risks, but it too has faced delays and its efficacy in delivering will provide interesting grist for a future case study.

---

[36] In the Fund's lexicon, "partially effective" refers to the achievement of 25 percent to 75 percent of agreed milestones/outputs. The usefulness of such a wide range as a management tool is unclear.

Annex I. CD Activities for Uganda

Figure AI.1. Uganda—Results Based Management Data on Projects, Objectives, Outcomes, and Milestones



Sources: IMF, RBM data; IEO staff calculations.

Table AI.1. Uganda—Number of Missions, 2012–2020

Year	FAD	ICD	LEG	MCM	RES	STA	Others	Total
2012	12	0	0	9	0	5	0	26
2013	21	0	2	14	0	5	1	43
2014	15	1	2	10	0	7	2	37
2015	30	0	3	12	3	10	1	60
2016	17	0	4	12	2	12	0	47
2017	26	1	0	7	0	7	1	42
2018	27	1	1	10	0	8	1	48
2019	32	1	0	10	0	11	1	55
2020	18	0	0	10	0	5	1	34
Total	198	4	12	94	5	71	8	392

Sources: IMF, TIMS data; IEO staff calculations.

Table AI.2. Uganda—Resident Advisors, 2020–21

Host institution	**CDD**	**CD topic/workstream**	**Start date**	**End date**
Central Bank	MCM	Banking Supervision and Regulation Resident Advisor (Year 1)	8/27/2019	8/26/2020
Central Bank	MCM	Banking Supervision and Regulation Resident Advisor (2nd Year Extension)	8/27/2020	8/26/2021

Source: IMF, Monetary and Capital Markets Department.

Table AI.3. Uganda—List of TA Reports, 2012–20

	FAD	MCM	STA	LEG	Total	Of which: Available within IMF	Of which: Available but confidential	Of which: Published
2012	0	0	1	0	1	0	0	0
2013	2	4	2	0	8	3	1	0
2014	3	0	6	0	9	4	0	0
2015	4	1	5	0	10	7	1	8
2016	0	3	6	0	9	3	0	2
2017	4	1	0	0	5	2	0	1
2018	2	2	11	0	15	5	0	0
2019	6	2	8	0	16	6	0	1
2020	1	0	0	0	1	1	0	0
Total	**22**	**13**	**39**	**0**	**74**	**31**	**2**	**12**

Source: IMF, Institutional Repository.

ANNEX II. KEY FINDINGS OF RELEVANT EVALUATIONS

Review of FAD Technical Assistance to Three East African Countries, March 2013

FAD undertook this review of its CD on PFM and revenue administration to Tanzania, Kenya and Uganda in February-March 2013. The Review found that the authorities in all three countries valued the TA and understood the recommendations that had been made. They also valued the AFE's provision of practical hands-on support, which was considered more useful than that available from other donors. With regard to coordination with other donors, the Review found that this worked relatively well in all three countries on revenue administration issues but was more challenging on PFM which at that time was characterized as being a more crowded space.

PFM support to Uganda was described as presenting a mixed picture. There had been success on discrete issues, such as assisting preparation of a PFM Bill, providing training for improved macro-fiscal analysis, and drafting accounting policies. There had been less traction on more systemic issues, including at that time establishment of a TSA, as well as addressing the arears issue and improving cash planning and management.

The Review noted that in all three countries, earlier success in establishing medium term expenditure frameworks by 2005 had since begun to unravel under the pressure of new ad hoc demands and lack of commitment.

CD on revenue administration to Uganda had been guided by an agreed 2004 strategic framework. A mission to the URA in 2010 had focused on organizational reform issues, in particular the integration of direct and indirect tax administration and strengthening of HQ capacity; however, at the time of the Review the 2010 recommendations had not been fully implemented. The Review highlighted particular challenges with Uganda's administration of taxation of large entities. It also noted that URA's administrative weaknesses in dealing with small enterprises were compounded by too low a VAT threshold. Most notably, it found that the authorities were too accepting of Uganda's persistently low revenue to GDP ratio, underscoring the need to address the accepted narrative on this.

The recommendations highlighted the need for a more strategic approach to PFM, enhanced involvement of AFE in planning and prioritization and the desirability of strengthening the strategic underpinnings for revenue administration work. On implementation, the Review noted the need to strengthen systematic monitoring, with closer links between FAD and AFR, enhance AFE's involvement, make more use of benchmarking (e.g., for URA) and more explicitly assess the authorities' capacity to undertake reform.

The Independent Interim Evaluation of East AFRITAC, November 2013

Undertaken by Consulting Base, this evaluation rated the relevance of AFE's interventions as excellent, efficiency as good, effectiveness in achieving outputs as excellent, effectiveness in achieving outcomes as good, and sustainability as good. AFE workshops were especially highly rated, although it was considered too early to be able to assess sustainability.

AFE was on average realizing approximately 70 percent of its work plan, and the Evaluation noted the potential for funding issues to undermine the center's long-term sustainability. Concerns were also raised regarding the turnover of LTXs. The average tenure was estimated to be 2.6 years, which it considered the equivalent of 5 missions per country per LTX.

Moreover, it noted that the reporting of results had not improved sufficiently to allow a robust assessment of outcomes, and more generally observed the lack of an adequate monitoring system, notwithstanding a general commitment to a results-based approach. It drew attention to the lack of any attempt to link results to AFE's financial reporting.

Recommendations focused on strengthening monitoring and reporting systems, and the results focus, (standardizing across African RCDCs) while streamlining operations and tailoring activity better to the recipient's absorptive capacity. There were also recommendations regarding AFE governance, in particular the role of the Center Coordinator.

Strengthening Government Financial Integrity in Africa, January 2016

FAD and AFR conducted a joint evaluation of CD to six African countries which had experienced financial integrity failures, including Uganda which had seen $15 million earmarked for budget support for peace rehabilitation and development fraudulently diverted to dormant bank accounts held by the office of the PM.

The sophisticated nature of the fraud was noted, although the amount was relatively minor (0.1 percent of GDP).

Specific PFM weaknesses were identified: the lack of timely and regular reconciliation of funds; poor management; the ability to circumvent expenditure controls; and the failure of MoFPED to consistently issue receipts for funds. It was noted that the Fund was a small, but still influential CD provider in this area. The event had subsequently informed the Fund's decision to encourage the establishment of a TSA, including through surveillance and program conditionality.

The review recommended that FAD and AFR to periodically jointly review their strategic engagement on countries deemed at high risk of such failures, and more consistently integrate integrity issues into conditionality where relevant. Both departments were encouraged to work closely with others, including efforts to reinvigorate donor coordination arrangements on PFM. AFR was encouraged to strengthen its political economy focus, while FAD developed 'how to' notes to assist implementation.

AFRITAC East Phase IV Midterm Evaluation, February 2019

This evaluation, undertaken by Devtech, covers AFE's operations from July 2015 to January 2018 and includes a case study on CD to Uganda.

It found AFE's execution against the work plan to average around 70 percent, which it considered a good performance. Coordination with the authorities, in the context of a demand driven model, was considered good, while that with development partners was rated excellent. Relevance, effectiveness and impact were all rated highly, either very good or excellent.

Concerns expressed in earlier evaluations regarding the effectiveness of the governance structure were repeated, although the participatory process for developing the AFE's workplan was judged to have been effective. Staff turnover was again highlighted as an issue, as the average tenure of AFE LTXs had declined to 2.3 years.

It was judged that the roll out of RBM in 2017 could have been done better. Senior officials seemed unclear regarding the existence of the RBM or its intent, and engagement on log frames, and Fund feedback on monitoring was patchy. Nonetheless, communication with AFE on this appeared to have been better than with HQ. The clunkiness of CDPort was identified as a problem.

In the case of Uganda, the authorities appreciated AFE's demand driven model and judged effectiveness and impact of AFE activities highly, in part because of AFE's relative advantages of local knowledge. However, the evaluation reported concerns from the authorities regarding the adequacy of coordination, noting that the authorities had acknowledged their role in addressing this. The DRM Committee was highlighted as a positive development and there were potential gains from ensuring that the right partner was matched to specific tasks. The revenue authorities had also highlighted concerns regarding the lack of adequate notice of missions, albeit more regarding HQ than AFE Finally, Ugandan officials were reportedly relatively positive about RBM, noting that despite its upfront costs it should be useful "over time" and that the authorities involvement in the processes was itself a form of CD.

References

Abrams, R., 2011, "Independent Evaluation of MCM Technical Assistance Cooperation in Banking Sector Reform in Nigeria" (Washington: International Monetary Fund).

FCDO, 2021 "Project Completion Report on Financial Sector Deepening Programme, Code 104187," available at devtracker.fcdo.gov.uk/projects/GB-1-104187/documents.

Chami, R, E. Darkey, and O. Williams, 2021, "A Time to Build: Does Technical Assistance Matter for Revenue Mobilization," IMF Working Paper WP/21/35 (Washington: International Monetary Fund).

Chatterji, S., and others, 2013, "East AFRITAC – Independent Mid-Term Evaluation Phase III: October 2009 to Date," Consulting Base (London).

Devtech Systems, 2019, "AFRITAC East: Phase IV Midterm Evaluation," Devtech Systems Inc. (Arlington, VA).

ECORYS, 2018, "External Mid-Term Evaluation of the Regional Technical Assistance Center in West Africa (AFRITAC West 2)" (Rotterdam).

Gupta, S., and others, 2013, "Review of FAD Technical Assistance Across Three East African Countries" (Washington: International Monetary Fund).

Independent Evaluation Office of the International Monetary Fund (IEO), 2021, *Growth and Adjustment in IMF-Supported Programs* (Washington: International Monetary Fund).

International Monetary Fund, 2011, "Liberia—Seventh Review Under the Extended Credit Facility Arrangement," IMF Country Report No. 11/345, December (Washington).

_____________, 2012a, "Liberia—Eighth Review Under the Three-Year Arrangement Under the Extended Credit Facility," IMF Country Report No. 12/121, May (Washington).

_____________, 2012b, "Senegal—Staff Report for the 2012 Article IV Consultation, Fourth Review Under the Policy Support Instrument, and Request for Modification of an Assessment Criterion," IMF Country Report No. 12/337, November (Washington).

_____________, 2013a, "Democratic Republic of the Congo: 2012 Article IV Consultation," IMF Country Report No. 13/94, April (Washington).

_____________, 2013b, "AFR Regional Strategy Note on Capacity Development," (Washington).

_____________, 2013c, "Liberia—First Review Under the Three-Year Arrangement," Country Report No. 13/216, July (Washington).

_____________, 2013d, "Uganda: 2013 Staff Report for the 2013 Article IV Consultation, Sixth Review under the Policy Support Instrument, Request for a Three-Year Policy Support Instrument and Cancelation of Current Policy Support Instrument," July (Washington).

_____________, 2013e, "Nigeria: Financial Sector Stability Assessment," IMF Country Report No. 13/140, May (Washington).

_________, 2013f, "The Fund's Capacity Development Strategy—Better Policies through Stronger Institutions" (Washington).

_____________, 2014a, "Democratic Republic of the Congo: Financial Sector Stability Assessment," IMF Country Report No. 14/315, October (Washington).

_____________, 2014b, "Democratic Republic of the Congo: 2014 Article IV Consultation," IMF Country Report No. 14/301, September (Washington).

_____________, 2014c, "Liberia—Third Review Under the Three-Year Arrangement," IMF Country Report No. 14/197, July (Washington).

_____________, 2014d, "Policies and Practices on Capacity Development" (Washington).

_____________, 2014e, "Senegal— Seventh Review under the Policy Coordination Instrument," IMF Country Report No 14/177, July (Washington).

_____________, 2015a, "Democratic Republic of the Congo: 2015 Article IV Consultation," IMF Country Report No. 15/280, October (Washington).

_____________, 2015b, "IMF Engagement with Countries in Post-Conflict and Fragile Situations – Stocktaking," May (Washington).

_____________, 2015c, "Liberia—Request for a Disbursement under the Rapid Credit Facility," IMF Country Report No. 15/49, February (Washington).

_____________, 2015d, "Senegal—2014 Article IV Consultation and Eighth Review Under the Policy Support Instrument," IMF Country Report No. 15/2, January (Washington).

_____________, 2015e, "Uganda: Staff Report for the 2015 Article IV Consultation and Fourth Review under the Policy Support Instrument," IMF Country Report No. 15/175, July (Washington).

_____________, 2016a, "Strengthening Government Financial Integrity in Africa," (Washington).

_____________, 2016b "Democratic Republic of the Congo–Country Strategy Note, FY2017" (Washington).

_____________, 2017a, "Building Fiscal Capacity in Fragile States—Case Studies," June (Washington).

_____________, 2017b, "Building Fiscal Capacity in Fragile State," IMF Policy Paper, June (Washington).

_____________, 2017c, "Liberia—Seventh and Eighth Review Under the Three-Year Arrangement," IMF Country Report No. 17/348, November (Washington).

_____________, 2017d, "Senegal— Staff Report for the Article IV Consultation and Third Review Under the Policy Support Instrument," IMF Country Report No. 17/1, January (Washington).

_____________, 2017e, "Uganda: Staff Report for the 2017 Article IV Consultation and Eight Review under the Policy Support Instrument" (Washington).

_____________, 2017f, "Uganda—Fiscal Transparency Evaluation," Country Report No. 17/130, May (Washington).

_____________, 2018a, "2018 Review of the Fund's Capacity Development Strategy—Overview Paper," November (Washington).

_____________, 2018b, "Uganda—Financial Sector Stability Review" (Washington).

_____________, 2018c, "Nigeria: TADAT Performance Assessment Report" (Washington).

_____________, 2018d, "Nigeria: Technical Assistance Report—Public Investment Management Assessment (PIMA)" (Washington).

_____________, 2018e, "Nigeria–Country Strategy Note, FY2017 (Updated in FY2018)" (Washington).

_____________, 2018f, "Senegal–Country Strategy Note, FY2017 (Updated in FY2018)", IMF (Washington).

_____________, 2019a, "Democratic Republic of the Congo: 2019 Article IV Consultation," IMF Country Report No. 19/285, September (Washington).

_____________, 2019b, "Democratic Republic of the Congo: Selected Issues," IMF Country Report No. 19/286, September (Washington).

_____________, 2019c, "Liberia—Request for a Four-Year Arrangement under the Extended Credit Facility," IMF Country Report No. 19/381, December (Washington).

_____________, 2019d," Liberia—2019 Article IV Consultation," IMF Country Report No. 19/169, June (Washington).

_____________, 2019e, "Monetary and Capital Markets: Technical Assistance Annual Report" (Washington).

_____________, 2019f, "Senegal— Staff Report for the 2018 Article IV Consultation and Seventh Review Under the Policy Support Instrument," IMF Country Report No. 19/27, January (Washington).

_____________, 2019g, "Uganda: Staff Report for the 2019 Article IV Consultation," IMF Country Report No. 19/125, April (Washington).

_____________, 2019h, Uganda: TADAT Performance Assessment Report" (Washington).

_____________, 2020a, "Democratic Republic of the Congo: Request for Disbursement under the Rapid Credit Facility," IMF Country Report No. 20/146, May (Washington).

_____________, 2020b, "Monetary and Capital Markets: Capacity Development Annual Report" (Washington).

_____________, 2020c, "Nigeria-Request for Purchase under the Rapid Financing Instrument" (Washington).

_____________, 2020d, "Project Assessment – Nigeria: Resident Adviser in Banking Supervision and Regulation – Final Report" (Washington).

_____________, 2020e, "Senegal—Request for a Three-Year Policy Coordination Instrument," IMF Country Report No 20/11, January (Washington).

_____________, 2020f, "Uganda: Request for Disbursement Under Rapid Credit Facility", IMF (Washington).

_____________, 2021, "Uganda: Request for a Three Year Arrangement Under the Extended Credit Facility" (Washington).

_____________, various years, "Nigeria-Article IV Consultation Staff Report, IMF Country Reports (Washington).

_____________, various years, "AFR Regional Strategy Note" (Washington).

_____________, various years, "Monetary and Capital Markets: Technical Assistance Annual Report" (Washington).

International Monetary Fund, World Bank, 2011, "Financial Sector Assessment Program: Uganda" (Washington).

______________, 2013, "Financial Sector Assessment Program: Nigeria - Crisis Management and Crisis Preparedness Frameworks" (Washington)

Irwin, A., J. Lain, and T. Vishiwanath, 2021 "Using Data to Combat the Ongoing Crisis, and the Next, in Nigeria," World Bank Blogs, (Washington).

Mansoor, Ali, S. Issoufou, and D. Sembene, 2018, "Race to the Next Income Frontier: How Senegal and Other Low-Income Countries Can Reach the Finish Line" (Washington: International Monetary Fund).

Regional Technical Assistance Centre for West Africa 2, 2019, "Program Document for the Second Financing Phase, 2019-2024" (Ghana).

Regional Technical Assistance Centre for East Africa, 2020, "Annual Report 2020" (Dar es Salaam).

Regional Technical Assistance Centre for West Africa 2, various years, "Annual Report" (Ghana).

______________, various years, "Mid-Year Report" (Ghana).

______________, various years, "Annual Work Program" at Afritacwest.org (Ghana).

Takagi, Shinji, and others, 2018, "The IMF and Fragile States: Eight African Country Cases," IEO Background Paper No. BP/18-01/01 (Washington: International Monetary Fund).

World Bank, 2020, "Country Partnership for the Federal Republic of Nigeria for the Period FY21-FY25," World Bank (Washington).