



# External Mid-Term Evaluation of the Regional Technical Assistance Center for South Asia: SARTTAC

**Phase I (May 2017 – April 2022)**  
**(Volume I)**

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## List of Acronyms

<b>ADB</b>	Asian Development Bank
<b>APD</b>	IMF Asia and Pacific Department
<b>CA</b>	Capacity Assessment
<b>CD</b>	Capacity Development
<b>CEF</b>	Common Evaluation Framework
<b>C&amp;AG</b>	Comptroller and Auditor General
<b>CDMAP</b>	Capacity Development Management and Administration System
<b>CGA</b>	Controller General of Accounts
<b>CRM</b>	Compliance Risk Management
<b>CSO</b>	Central Statistics Office
<b>CADM</b>	Customs Administration
<b>DAC</b>	Development Assistance Committee
<b>DP</b>	Development Partner
<b>FAD</b>	Fiscal Affairs Department
<b>FFL</b>	Financial and Fiscal Law
<b>FMIP</b>	Financial Market Infrastructure and Payments
<b>FPAS</b>	Forecasting and Policy Analysis System
<b>FPWs</b>	Field Person Weeks
<b>FRBMA</b>	Fiscal Responsibility and Budget Management Act
<b>FSAP</b>	Financial Sector Assessment Program
<b>FSR</b>	Financial Sector Regulation and Supervision
<b>FX</b>	Foreign Exchange
<b>FY</b>	Financial Year
<b>GFS</b>	Government Finance Statistics
<b>GFSM</b>	Government Finance Statistics Manual
<b>GST</b>	Goods and Services Tax
<b>ICD</b>	IMF Institute for Capacity Development
<b>IMF</b>	International Monetary Fund
<b>LTX</b>	Long-Term Expert
<b>MCM</b>	IMF Monetary and Capital Markets Department
<b>MIRA</b>	Maldives Inland Revenue Authority
<b>MOF</b>	Ministry of Finance
<b>MOHFW</b>	Ministry of Health and Family Welfare
<b>MONOPS</b>	Monetary and Foreign Exchange Operations
<b>MPO</b>	Monetary Policy Operations
<b>MTFF</b>	Medium-Term Fiscal Framework
<b>MTM</b>	Monetary Transmission Mechanism
<b>OBS</b>	Open Budget Survey
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>PEFA</b>	Public Expenditure and Financial Accountability
<b>PFM</b>	Public Financial Management
<b>PIM</b>	Public Investment Management
<b>PIMA</b>	Public Investment Management Assessment
<b>PSDS</b>	Public Sector Debt Statistics
<b>RA</b>	Resident Advisors
<b>RAD</b>	Revenue Administration
<b>RBM</b>	Results-Based Management
<b>RBS</b>	Risk-Based Banking Supervision
<b>RCDC</b>	Regional Capacity Development Center
<b>RSN</b>	Regional Strategy Notes
<b>RSS</b>	Real Sector Statistics
<b>RTAC</b>	Regional Technical Assistance Center
<b>SAARC</b>	South Asian Association for Regional Cooperation
<b>SARTTAC</b>	South Asia Regional Training and Technical Assistance Center
<b>SC</b>	Steering Committee
<b>STA</b>	IMF's Statistics Department
<b>STX</b>	Short-Term Expert
<b>TA</b>	Technical Assistance
<b>TADAT</b>	Tax Administration Diagnostic Assessment Tool
<b>TADM</b>	Tax Administration
<b>UNESCO</b>	United Nations Educational, Scientific, and Cultural Organization
<b>VAT</b>	Value Added Tax

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# Executive Summary

The IMF successfully launched SARTTAC in August 2016 as the Fund's first integrated training and technical assistance center. It was officially opened in February 2017 with the first Steering Committee (SC) meeting, which was a commendable achievement considering the speed of the establishment. The evaluation results of the first phase of SARTTAC are generally positive, although there are areas for further improvement.

**Evaluation at the CD Level.** Good performance has been achieved during Phase I with respect to the DAC criteria:

**Relevance:** Positive steps have been taken to rely on *ex-ante* diagnostics of capacity gaps for preparing the annual workplan of CD activities, and to do resource reallocations supporting SARTTAC's gradual response to countries' needs following the start of the COVID-19 pandemic. However, gap assessments in technical capacities and national systems as well as progress reports should ideally be prepared and published on a more up-to-date basis. It may also be useful to organize further reallocations of resources by workstreams and countries, adapted to changing needs, and shifting the response to CD needs, as appropriate, through a new virtual delivery approach, and to focus the SARTTAC support more on new global topics.

**Coherence:** SARTTAC has confronted challenges to support the alignment of CD activities with other Government, IMF, and relevant donor TA interventions. Certain weaknesses were identified, arising from the lack of adequate coordination among certain government agencies and donor-supported Technical Assistance (TA) interventions, not addressed jointly by national authorities and relevant DPs and through Steering Committees (SC) and technical working groups.

**Effectiveness:** Strong performance is scored in this criterion, attributed mainly to the gradual introduction and effective use of the Results-Based Management (RBM) framework and its supporting monitoring tools (logframe, CD-PORT and its migration to CDMAP), as well as the increased efforts to redefine milestones that help to provide focus among SARTTAC staff, the SC, and their counterparts. In general, SARTTAC has done well in an important number of milestones but not enough in others. The RBM governance framework – output and outcome indicators, linkages to CD objectives, review of results, and user-friendliness – still needs to be strengthened. This view is partly justified by the need to reverse a trend toward increasing non-compliance with milestones and delays in meeting outcomes.

**Efficiency:** Cost savings have been built mainly from the move to virtual missions and necessary efforts to streamline the budget post-COVID-19, as well as

because of the lower uptake of TA due to countries' preference for in-person delivery. Recent under-executed budget in FY2021, which could suggest lower efficiency post-pandemic, are misleading. Following travel restrictions, total mission costs have been halved. But even with the introduction of remote meetings and webinars, that has not prevented a higher number of missions, while many more participants than planned have benefited from SARTTAC services. However, there is a need to review unit costs of STX hirings: this is the responsibility of Head Office CD departments.

**Impact:** Notable SARTTAC efforts were made to support a gradual and flexible response of CD services to meet the countries' needs after the start of COVID-19. However, this criterion had the lowest relative score, and it is unclear what role, if any was required, SARTTAC played in designing the fiscal consolidation and economic policy reform plans and other national development plans by its member countries. Looking ahead, as the scope of SARTTAC services expands and the risk of dispersion of their impact increases, attention should be paid addressing the lack of still clearly defined results that will reflect progress on the four global topics – governance, climate change, gender, and financial inclusion – and the institutional environment that will support their implementation.

**Sustainability:** Most notably, efforts were made to find and preserve skilled staff in counterpart institutions. Similarly, major efforts were made to empower counterpart teams in the mastering of tax administration and policy reforms and the adoption of global standards and modern practice and internal controls in budgeting, budget execution, accounting and reporting, monitoring of fiscal risks, and financial sector supervision. However, information gathered in interviews at the CD and entity levels suggests there are serious problems of sustainability. These problems were related to limited local absorption capacity and insufficient ownership. Key barriers to sustainability that must be tackled include short supply and high rotation of skilled staff, insufficient funding and long-standing political economy issues, which impede or hamper the continuity of TA benefits.

**Evaluation at the Entity Level.** Findings on strengths and areas for improvement regarding SARTTAC management and governance are:

**Strategic Guidance.** The strategic guidance of SARTTAC by the SC was assessed as broadly effective, supported by well-structured governance policies: well-prepared Steering Committee (SC) annual meetings, timely decisions on strategic matters, and regular engagement by the center Director with member countries and its

staff. Our Online Survey also found an overwhelmingly positive view across the three Groups of respondents about the relevance of TA and training and its fit to the strategic needs and priorities of the countries as 'Good' or 'Excellent'. Areas for improvement, with varying degrees of importance that deserve some attention, include: more frequent SC meetings, the SC's level of representation, and the possible participation of delegates from some counterpart agencies, such as Tax, Customs and Statistics. There is a general feeling among SC members that a semi-annual meeting would be beneficial, and that performance details should be included in the agenda.

**Application of the RBM System.** The Online Survey revealed mixed views about the effectiveness of the RBM framework. Approximately 60 percent of IMF staff (Backstoppers, LTXs and STXs) have a positive view of its effectiveness for timely monitoring and reporting of results; 50 percent of SC members shared this view. These results confirmed several shortcomings that prevail in the system, as pointed out in multiple interviews. Separate from the results from the Online Survey, we found the RBM framework to be a management tool that is capable of serving the measuring, planning, monitoring and reporting of CD project outcomes. However, there is still a need to address issues of consistency, verifiability and measurability of some outcomes and milestones. The RBM framework's user-friendliness could also be improved, in order to inform its required administrative and operational support in Capacity Development Management and Administration System (CDMAP).

**Internal Learning.** The quality of internal learning reflects best practices in three dimensions: knowledge transfer among Regional Capacity Development Centers (RCDCs), transition between outgoing and incoming Long-Term Experts (LTXs), and a new balance between in-person vs virtual missions. Regarding the first two dimensions, most SARTTAC-LTXs have either worked in other RCDCs as an LTX or as an STX: this is an asset, helping to ensure smooth transition whenever a LTX did not have prior advisory experience. Where appropriate, predecessors were contracted to onboard new LTXs. New LTXs also had access to End-of-Assignment reports and benefited from bilateral meetings with their predecessors and their backstoppers at HQ, as well as with the authorities to update their workplans and ensure they align with the priorities of the beneficiaries. Moreover, each IMF-CD Department holds annual outreach meetings with LTXs: these meetings also serve as a platform for peer learning and orientation on work processes and guidelines.

**Use of Local and Regional Experts.** This evaluation finds that the hiring of experts, based on the roster of the IMF network at HQ, appears to be smooth. In this regard, the center is effectively an IMF office and therefore its human resource (HR) systems involved are essentially those of the IMF. As in any international bureaucracy, these systems have their strengths and weaknesses, but

no serious problems were raised in the Evaluation Team's discussions at HQ, the center and with LTXs regarding the use of HR systems. Interviews suggest that in all cases, the STXs are drawn from the IMF database of consultants who have previously worked for SARTTAC or from the personal networks of the Resident Advisors (RA). The administrative staff at the center expressed no concerns about their management of documents and administrative processes for the hiring of experts

**Incorporation of Global Topics.** From the information gathered, it emerges that global topics are not entirely new for SARTTAC and the need for their prioritization is strongly shared by all members of the SC. However, work to introduce and customize these topics in every country is patchy and mainly at the diagnostic stage. National awareness of these topics seems limited. More problematically, the IMF roster of experts on these topics is perceived by donors as insufficient for meeting future high demand. Whereas an improved roster is an IMF issue, SARTTAC should pay attention to improving the level of ownership amongst CD recipients. It be helpful to have a mix of proper planning and sequencing of CD activities, with the assignment of a minimum of resources to carry on a strong outreach and communication effort.

**Donor Coordination.** Our information gathered in interviews suggested that this was an area in need of improvement, especially with those donors offering similar programs to SARTTAC, e.g. the World Bank and the Asian Development Bank.

**Exogenous shocks, resilience, and adaptability (including COVID-19).** The three Groups had a generally positive perception of SARTTAC's response to the pandemic.

**Evaluation Team has reached 11 cross-cutting conclusions and a related set of recommendations.** Further details on these conclusions and recommendations are presented in the last section of Chapters 2 and 3.



Table 1: Recommendations at the CD level

Level of priority	Recommendations at the CD Level
1	<b>Explore an increase of SARTTAC budget in Phase II and review the composition (new Resource Allocation formula) of budget allocations per workstream.</b> Consideration should be given to a budget increase that responds to deep-rooted and long-avowed structural issues and new, coherent, and changing priorities in country needs post-pandemic. PFM, TADM, and GFS/PSDS portfolios of CD activities should be prioritized and better streamlined, just focusing on areas that promise strong compliance. If required, consider dedicating more resources to accompanying beneficiary entities in the job of mainstreaming new skills and techniques acquired to the relevant national systems and processes, with a view to enabling the creation of more impactful outcomes.
1	<b>Update and regularly review the outcomes and milestones of the SARTTAC RBM logframe, introducing new ones, if justified (like those on global topics that will require new baselines and targets).</b> Pay more attention to the relevant TADAT and G-20 Data Initiative milestones in the RBM logframe and with a view to complying with global international guidelines and standards. A thorough exercise is justified by the high probability of having outdated outcomes combined with unrealistic milestones, thus overestimating the Authorities' capacity to meet them post-pandemic.
1	<b>Define new outcomes and milestones in the RBM framework that will justify the budget supporting the implementation of CD services in favor of the global topics.</b>
2	<b>Build on efficiency gains to reduce unit costs.</b> Workstreams should define an optimal mix between in-person and virtual missions. IMF Head Office should also review and adjust STX daily fees in their hiring policy to reduce their dispersion, while acknowledging the professional background and international salary scales that justify different levels of remuneration.
3	<b>Do <i>ex-ante</i> country-based local capacity assessments (CAs) upfront before engaging in CD activities. Also ensure a sufficient budget for peer-learning and follow-up supervisory missions to those CD activities whose initial positive compliance with milestones shows promising achievement of outcomes.</b> CAs can better inform <i>ex-ante</i> what can be done given the limited skill capacities, number of local staff and political economy constraints that may prevent implementation of TA recommendations.

Table 2: Recommendations at the Entity Level

Level of priority	Recommendations at the Entity Level
1	<b>Consider having bi-annual meetings of the SC, possibly retaining virtual meetings, and lift the level of SC membership of beneficiaries</b> (e.g. including Ministers, Governors).
1	<b>Increase support from existing donors and solicit other potential development partners for the financing of Phase II in order to expand SARTTAC activities to meet the needs of the beneficiary countries.</b>
1	<b>Given that a new <i>modus operandi</i> brought significant cost-savings, from now on work programs should be structured under a different format and assumptions, thus reflecting significant cost-savings per year</b> compared to previous years and customized to the needs of each country; however, it should be noted that countries tend to prefer in-person activities. There is a need to pursue a balanced approach in addressing country needs/balanced representation of in-country missions and TA distribution in the workplan.
2	<b>The SC or SARTTAC could act as a coordinator for donor coordination</b> , since WB and ADB are working in similar areas; it would be good to include them as observers in SC meetings. They work mainly on PFM and macro-economics.
2	<b>Additional CD topics requested by beneficiaries could be considered:</b> Green Finance, Climate Change and related mitigation issues, Financial Inclusion, Climate Finance – covering issues like climate risk taxonomy, disclosure norms, and data gaps, plus financial stress-testing of analogous trainings.



# 1. Background Information

## 1.1. Objectives and Scope of the Evaluation

1. This report presents the results of a Mid-Term Evaluation of Phase I of the Capacity Development (CD) activities of the IMF's South Asia Regional Training and Technical Assistance Center – serving Bangladesh, Bhutan, India, Maldives, Nepal and Sri Lanka.

2. The period of the evaluation covers CD activities that occurred from August 2016 to December 2020,<sup>1</sup> distinguishing the progress made between August 2016 and the end of 2019 as opposed to 2020 onwards, i.e. during the pandemic. This Mid-Term Evaluation is intended to inform SARTTAC future operations and the preparation for a second program phase.

3. While Section I presents SARTTAC program history and current state of play, Sections II and III of this report present an assessment of the extent to which SARTTAC has achieved its objectives under Phase I as guided by the updated 2020 version of the Common Evaluative Framework (CEF), i.e.:

- I. by evaluating SARTTAC performance at the CD level (looking at TA and training activities) according to the six OECD DAC criteria (Relevance, Coherence, Effectiveness, Efficiency, Impact and Sustainability) and their related evaluation questions initially presented in the ToR that have been refined during the evaluation period;
- II. by evaluating SARTTAC at the RCDC-entity level, according to the seven dimensions of its governance and operations: Strategic Guidance, Adequacy of its Institutional Set-up, Recruitment and Quality and its Network of Experts, Coordination with Donors, Flexibility to Shocks, Adequacy of New Topics, and Sustainability.

4. In addition, the Evaluation ToR asked the Evaluators to consider the following specificities for SARTTAC:

- As SARTTAC is a new center, the evaluation is expected to contribute to improving the center's implementation of the current RBM system, to establish a baseline for future evaluations.
- The evaluation will make sure that it covers all the different modalities of delivering CD, including workshops to the extent that their contribution to the targeted objectives could be assessed.
- Also, it is expected that this evaluation “supports learning to improve the performance of IMF CD and is expected to feed back into the future CD design and implementation”.<sup>2</sup>
- As the evaluation period lasted until December 2021, the evaluation was expected to assess the impact that the COVID-19 pandemic had on SARTTAC<sup>3</sup> activities and whether the adaptation measures that have been implemented have worked and could be considered as lessons learned.

## 1.2. SARTTAC Program History

### 1.2.1. Evolution of Objectives and Progress Made in Phase I

5. Phase I of the SARTTAC adopted an integrated approach to capacity development in six South Asian countries: Bangladesh, Bhutan, India, Maldives, Nepal, and Sri Lanka. Phase I of the SARTTAC program had a budget of US\$68.6 million covering its initial set-up cost and activities between August 2016 and April 2022. SARTTAC's overarching objectives are – through Technical Assistance (TA), training, and other capacity development efforts – to help these countries achieve: (1) inclusive and sustained growth and (2) make progress on the UN Sustainable Development Goals (SDGs) agenda.

<sup>1</sup> The evaluation period under the original ToR was from August 2017 to April 2020. However, considering the delays in launching the evaluation following the 2020 COVID-19 pandemic, the evaluation period was extended through December 2020 and, in some cases, April 2021 (end of the FY21).

<sup>2</sup> ToR §6

<sup>3</sup> This general objective has been recently added to the scope of the evaluation.

6. In line with the Fund's capacity development strategy, SARTTAC's Vision (as stated in its Phase I program document) and its approach included strategic goals to assist member countries to strengthen institutions and improve skills to design and implement sound economic policies that promote growth and reduce poverty. Training and (TA offered under SARTTAC operations) initially consisted of core areas of IMF's expertise, including:

- i. Macroeconomic and Financial Policies
- ii. Fiscal Management and Policies (Revenue Administration, Public Financial Management)
- iii. Monetary Policy and Operations
- iv. Financial Sector Regulation and Supervision
- v. Real Sector Statistics, Government Finance Statistics, and Public Sector Debt Statistics.

**7. SARTTAC as a fully integrated RCDC brought the following features to skills development and institution building.**

Efforts made by SARTTAC to blend the training with technical assistance, leveraging the unique design of the center, allowed it to deliver both the types of support and help Governments in the region to modernize their economic policies and institutions. Identifying capacity development requirements under the technical assistance programs and refinement of training needs as the reform program progresses helped to strengthen the skills of officials engaged in designing and implementing policies that promote macroeconomic stability, sustainable growth, and poverty reduction. SARTTAC also made efforts to customize the training tailored to the unique needs of South Asia's economies and provide in-country training to cohort of officials in a demand driven atmosphere to strengthen the capacity development process.

**8. SARTTAC's vision for the region was built on IMF's in-depth experience in delivering CD and experience of delivering well-targeted, efficient, and responsive IMFTA and training by RCDCs.**

- a. The objectives of SARTTAC were to assist member countries in their efforts to strengthen institutional and human capacities, to sustain strong economic performance and build resilience. The regional approach was expected to promote close coordination of the countries with development partners and to respond quickly to emerging needs.
- b. Integrating TA and training, and utilizing advances in information and communication technology, matched SARTTAC's goals to expand delivery of CD in order to support the implementation of technical advice.
- c. SARTTAC's CD activities are integrated with IMF surveillance and lending operations and they are coordinated with the activities of other CD providers to optimize its impact.

**9. The South Asia region's macroeconomic and financial challenges shaped SARTTAC's vision for skills development and institutional building.** While South Asian growth since the global financial crisis of 2008 has been impressive, helped by strong growth in India, poverty levels across the region have also remained high and have in fact increased. The region's countries made improvements to policy frameworks and steady implementation of product, labor, and financial market reforms, all of which had a positive impact on living standards, reduction in poverty, and greater integration with the global economy over the past two decades. Despite reasonably healthy growth rates, inflation has stayed at elevated levels in some countries and public finances in several revealed a vulnerability. Weak general government revenue is a major challenge in South Asia, as revenue-to-GDP ratios have remained subdued. Developing comprehensive fiscal statistics to support the policy dialogue was integral for reform measures.

**10. While a sound macroeconomic policy environment and robust institutional framework were seen as key elements of sustainable growth, the countries in the region were also keen on IMF's support in the following areas:**

- Improvement in domestic fiscal resource mobilization and better utilization of available physical social infrastructure, i.e. demography, health, intellectual capital, and physical infrastructure.
- Strengthening medium-term budget frameworks, expenditure allocation, cash and debt management, and management of fiscal risks.
- Strengthening supervisory capacity and regulating the financial system and strengthening monetary policy frameworks.
- Establishing macroeconomic stability and fostering conditions for sustainable, inclusive growth.
- Building statistical capacity as a sound basis for informed macroeconomic policy decision-making.

**11. The initial objectives of the SARTTAC program during Phase I can be summarized in five workstreams, as follows:**

➤ **Revenue Administration:** Enhanced tax collection, cost-effective administration and strengthened Compliance Risk management (CRM); and implementing or strengthening the administration of tax regimes, particularly Value Added Tax (VAT). The SARTTAC Revenue Administration (RAD) advisor's main role is to help implement the tax administration aspects of country-owned medium-term revenue strategies developed with this advice. Over-arching priorities are the implementation or strengthening of the administration of tax regimes, particularly Value Added Tax/Goods and Services Tax (VAT/GST), developing stronger HQ functions, better strategic and operational planning, improved basic management practices and use of performance monitoring methods. The areas of particular need are (1) development of an overall strategy to ensure all taxpayers are registered and can be tracked; (2) compliance by taxpayers is ensured by better filing and payment systems; (3) dispute resolution is timely and bolstered by clear lines of accountability and transparency; and (4) the tax administration system is efficient, delivering strong revenue performance at reasonable administrative costs

**Public Financial Management:** Development of comprehensive PFM reform strategies: medium-term fiscal and budget frameworks, effective cash and expenditure management, strengthened internal controls, enhanced accounting and financial reporting and transparency. SARTTAC's main focus would be on strengthening the core PFM functions in the member countries.. The priority areas would include: (i) strengthening budget formulation; (ii) developing modern payment and accounting systems and enhancing fiscal reporting; (iii) strengthening expenditure controls; (iv) consolidating cash balances, improving cash planning and moving towards more active cash management; and (v) aligning government accounting systems with international standards. Subject to interest and readiness, more advanced reforms – such as medium-term expenditure frameworks and accrual-based accounting – can be supported in relatively more advanced PFM systems, such as those in India, including in more advanced Indian states, and Sri Lanka.

➤ **Monetary and Exchange Operations:** The IMF assessment shows that monetary policy frameworks, instruments and operations vary substantially across SARTTAC member countries. SARTTAC aims at offering options for moving monetary policy frameworks forward, taking due account of country circumstances. In general, the approach is to develop forward-looking, and interest-rate focused operating frameworks in ways that are aligned with existing capacities at the central bank, as well as with the country's enabling environment. Specific attention would be spent on the modalities of executing monetary policies and deepening financial markets, so as to facilitate transmission. For some countries, it is relevant to focus on liquidity forecasting and the use of operational tools for managing liquidity.

➤ **Financial Sector Regulation and Supervision:** SARTTAC capacity development work would promote international best practices in financial sector regulation and supervision, and open financial systems to promote financial development and stability. The training would cover topics such as current issues in banking supervision and regulation, as well as financial development and integration. TA will continue to focus particular attention on the implementation of risk-based supervision, effective and modernized on- and off-site supervision, strengthened loan classification and provisioning processes, consolidated supervision, and robust stress-testing frameworks. TA will also ensure the appropriate regulatory and legislative framework is in place to support financial stability. Although banking supervision will be the principal focus of SARTTAC TA delivery initially, regulation and supervision of non-bank financial institutions is already relevant in some countries.

**7 Macroeconomic Statistics:** The countries in the region have already benefited from IMF's Statistics Department (STD) CDs to improve the compilation, production and dissemination of high-quality statistics. These statistics have been supportive to sound economic decision-making, by identifying economic vulnerabilities and risks, and enhancing transparency. SARTTAC CD in macroeconomic statistics builds on progress already achieved and addresses member countries' largest remaining CD needs. CD from the IMF's Statistics Department (STA) through SARTTAC will be geared toward further strengthening the methodological soundness and accuracy of macroeconomic statistics compilation as well as improving data dissemination. CD covered Real Sector Statistics (national accounts and price statistics) and Government Finance Statistics (GFS) and Public Sector Debt Statistics (PSDS). In providing CD, SARTTAC will collaborate with other development partners to ensure consistent advice, optimal sequencing of CD, and maximizing synergies among key players in the statistical area.

**7 General Macroeconomic and Financial Training:** In addition to more targeted and customized training that closely relates to TA, SARTTAC will deliver general macroeconomic and financial training. The goal here will be to complement the overall CD effort by helping develop a broader pool of qualified officials able to absorb TA and more generally design their own policies. This training will be based on courses the IMF currently offers, although specifically tailored to the region. The training will be aimed at country officials involved in macroeconomic and financial policy-making or related supporting activities.

**12. Overall, SARTTAC support was designed to contribute significantly to strengthening the adoption of good international practices, updated methodologies, principles, and regulatory frameworks that support greater transparency, improved reporting, and accountability across the region.** These factors are significantly important for investment and sustained economic growth, as well as to facilitate trade, support increased revenue collection, and improve the business climate and growth prospects.

### 1.2.2. State of Play

**13. At the end of FY21, and as a direct result of the pandemic, the SARTTAC program appeared to have had mixed results on several fronts, impacting issues like efficiency and effectiveness in program implementation.** Utilization of the SARTTAC budget, which declined considerably from 73.4 percent in FY19 to 52.7 percent in FY20, showed an improvement in FY21 to 61.7 percent, despite continuing restrictions related to COVID-19 (Table 3). Improvement in utilization of the SARTTAC budget in FY21, from a significant underspending in FY19, suggests people learned to live with the adverse situation and delivered the planned activities (i.e. increased efficiency in delivery). However, it should be remembered that the working budget for FY21 was slashed, due to its less-than-expected utilization in the previous year. However, positive compliance with milestones by workstreams decreased in general, with just a few exceptions (i.e. decreased effectiveness).

**14. Both the under-utilization of the SARTTAC budget in FY20 and its partial recovery in FY21 can be observed across the workstreams. (Table 3).** There was a high utilization of the working budget across the workstreams in FY19, however an apparent underperformance was demonstrated for PFM at 53.33 percent. Expenditure on training was also less than expected at 60 percent. In FY20, there was a considerable decline in utilization of the working budget for RA and FSR. However, the PFM performance at 68 percent was much higher than in the previous year (53 percent). Real Sector Statistics and GFS have a 67 percent execution record. The year FY21 showed some minor improvement in Banking and Training, whereas Monetary policy showed a worsening from 86 percent in 2020 to 67 percent in 2021. RSS and GFS lowered their performance rates from 67 percent to 44 percent and from 67 percent to 50 percent respectively. PFM and Revenue Administration are two lagging areas in terms of utilization of working budget. Almost all workstreams showed a worsening performance in FY21 compared to FY20, but it is not clear from information received and interviews why this should be the case, apart from prioritization of short-term needs over longer term benefits.

Table 3: Utilization working budget

Working budget (Mission USD)	Working Budget			Rate execution		
Sectors	FY 2019	FY 2020	FY 2021	FY 2019	FY 2020	FY 2021
Public Financial Management	3	2,8	2	53%	68%	45%
Revenue Administration	2.3	1.9	1.5	78%	74%	47%
Financial Supervision and Regulation	1	1	0.7	90%	70%	71%
Monetary Policy Operations	0.7	0.7	0.6	86%	86%	67%
Real Sector Statistics	1.1	1.2	0.9	73%	67%	44%
Government Finance Statistics	0.8	0.9	0.6	88%	67%	50%
Admin Project	2.4	2.6	2.4	88%	81%	79%
Training Project	2.5	2.7	1.9	60%	81%	84%
Governance and Evaluation	0	0.3	0.3	0%	0%	0%
Sub-Total TA Delivery	13.8	14.1	10.9	72%	74%	61%
Strategic Budget Reserve	0.3	0.3	0.2	0%	0%	0%
Trust Fund Management	1	1	0.8	70%	70%	63%
Grand Total	15.1	15.4	11.9	71%	72%	60%

Source: Cowater staff elaboration based on data provided by RTAC-SARTTAC Secretariat, SC Annual report.

**15. Overall, following the start of COVID-19, urgent CD activities were prioritized over medium-term objectives.** Virtual meetings permitted engagement with all member states to discuss policy responses, provide guidance and review CD priorities in light of the impact of the COVID pandemic on the member states' economies. Webinars have also been based on IMF notes specifically developed to answer the fiscal challenges that arose with the pandemic. As described in more detail in the following chapters, most workstreams have had a fairly positive response in redirecting resources to pressing COVID-19 needs. Good examples of this are:

- SARTTAC continued with CD events for senior officials and rolled out new training as planned in a virtual platform. The activities were revised, giving more emphasis to training events and webinars with fewer TA activities. Execution by sector was highest in those areas that were more focused on training delivery, with macroeconomic training leading the way.
- Actual Resource Distribution by Country and Sector in FY21 given in Table 4 shows that SARTTAC focused more on regional activities, which accounted for about one-third of the center's support in FPWs.
- While Bangladesh, India, and Maldives account for about half of the Field Person Weeks (FPWs), the other three countries account for about 24 percent and the remaining one-fourth was accounted for by regional activities. According to the SC report for FY21, in Maldives, delivery was aided by the less direct impact of lockdowns, notably TA, and in India the focus was on training activities.
- Looking at sectors (Table 7), engagement was generally the strongest in the largest areas of support provided by SARTTAC, namely Macroeconomic Training, Revenue Administration, and Public Financial Management. Together, these three account for about 385 activities out of a total of 574, which is 67 percent.

Table 4: Actual Resource Distribution by Country and Sector in FY21

Resource Distribution by Country and Sector in FY21 (In FPWs, unless otherwise indicated)
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	Total	Share of Total FPWs	Macroeconomics	RA	PFM	GFS/ PSDS	RSS	MONOPS	FSR
Bangladesh	40	7%	16	0	6	3	0	11	4
Bhutan	70	12%	14	20	16	0	4	11	5
India	107	19%	34	20	33	7	0	0	13
Maldives	114	20%	0	39	27	4	26	5	13
Nepal	33	6%	0	0	15	6	0	10	2
Sri Lanka	39	7%	16	0	4	0	8	9	2
Regional	173	30%	84	17	22	23	8	6	13
<b>Total</b>	<b>576</b>		<b>164</b>	<b>96</b>	<b>123</b>	<b>43</b>	<b>46</b>	<b>52</b>	<b>52</b>
<b>Share of Total FPWs</b>			<b>29%</b>	<b>17%</b>	<b>21%</b>	<b>7%</b>	<b>8%</b>	<b>9%</b>	<b>9%</b>

16. Progress on thematic areas at that time can be summarized as follows:

- Public Finance Management (PFM) had a strong start developing and coordinating a well-sequenced approach to TA delivery; but there were reservations about the fast pace and high intensity of some activities, which tested the absorptive capacity of some recipients.
- Tax Administration (TADM) also had achieved important outcomes in terms of strengthening counterpart institutions, but some planned activities were not implemented for reasons beyond SARTTAC's control and there were discussions about narrowing the scope of their program.
- Financial Supervision and Regulation (FSR) work started later than most topical areas and had slow traction. Some countries were receiving TA or implementing reforms without SARTTAC support.
- Monetary Policy Operations (MPO) work barely started in 2015 (prior to SARTTAC) and concentrated on designing a methodological approach to capacity building, for which it received a significant amount of budget resources.
- Real Sector Statistics (RSS) benefited from a tight focus on national accounts and price, thus getting early results on GDP rebasing and compliance of national accounts by some recipients.

## 2. Evaluation Results at the CD Level

16. The chapter is divided in three sections: (i) a first section presenting the methodology used to collect information supporting the evaluator judgments and scores; (ii) the evaluation findings and scores at the CD level; and (iii) the conclusions, recommendations and lessons learned.

### 2.1. Methodology

17. The proposed methodology at the CD level is detailed in Annex I. It aims to assess the degree to which the CD vehicles of the RCDCs have achieved their objectives, according to the five criteria of relevance, efficiency, effectiveness, sustainability, and impact by responding to and scoring based on a set of evaluation questions from the Common Evaluation Framework (CEF), refined during the Inception Phase (Table 1). The CEF of the IMF<sup>4</sup> provides further detail about how these criteria are defined in IMF CD evaluations.<sup>5</sup>

Table 5: Evaluation Matrix at the CD Level

DAC Criteria
<b>1. Relevance:</b> To what extent were the CD objectives derived from capacity gaps identified by the authorities, IMF surveillance/program, or other partners/institutions? Do the national authorities consider CD objectives among their priorities? To what extent was the design sensitive to the context in which it took place?
<b>2.</b> To what extent were the CD objectives and design successfully adapted to changing circumstances? Notably considering the recent impact on the COVID-19 crisis on delivering CD.
<b>3. Coherence: Internal:</b> What is the level of synergies and interlinkages between the CD project and other interventions carried out by the agency/government? Or with other IMF recommendations from surveillance, program.
<b>4. Coherence: External:</b> What is the level of consistency of the CD project with interventions by development partners? Including complementarities of SARTTAC with regional organizations (e.g. SAARC).
<b>5. Effectiveness:</b> To what extent were the CD outcomes and objectives, as defined by the RBM framework, achieved or likely to be achieved? To what extent were the observed direct results attributed to/happened, as a result of the CD?
<b>4. Efficiency:</b> Were the CD inputs converted to outputs, outcomes, and impact in the most cost-effective way possible? To what extent has an appropriate mix of inputs (national, regional, international) been utilized? To what extent were inputs converted to outputs cost-efficiently? And implemented to schedule?
<b>5. Impact:</b> To what extent has the CD project enhanced the country's macroeconomic and financial stability and supported inclusive growth?
<b>6.</b> To what extent has the CD project had any consequences on relevant Fund strategic priorities, such as climate change and inequality (economic, gender, and financial inclusion).
<b>7. Sustainability:</b> To what extent does preserving the net benefits of the CD project hinge on its continuation? What is the level of capacity of the recipient country's system to sustain the net benefits of the CD project over time?

18. This methodology relies on three sources of evidence that were used to generate the findings and scores presented under Section 2.2.: (i) a thorough desk review, (ii) two online Surveys, and (iii) a series of semi-structured interviews with key stakeholders:

- (i) The Desk Review aimed to provide factual evidence from strategic, programmatic, monitoring documents (including BP and TA reports as well as the RBM databases), but also financial data to report on the performance of SARTTAC in achieving its planned objective via the delivery of CD over the evaluation period.

<sup>4</sup><https://www.imf.org/en/Publications/Policy-Papers/Issues/2017/04/27/pp040717new-common-evaluation-framework-for-imf-capacity-development>

[www.imf.org/~media/files/Publications/PP/new-common-evaluation-framework-for-imf-capacity-development.ashx](http://www.imf.org/~media/files/Publications/PP/new-common-evaluation-framework-for-imf-capacity-development.ashx)

<sup>5</sup> Also see Table 1 ToR AFS p5; ToR AFW p5; ToR SARTTAC p5 and the Evaluation Matrix, for a more tailored version to be used in this evaluation Section 3.1.e) p18 of this proposal.



(ii) The online surveys targeted three groups of respondents: SARTTAC SC members, IMF staff supporting the delivery of TA and Trainings (including staff from HQ, SARTTAC), and TA beneficiaries. These surveys aimed at collecting quantitative and qualitative information on the perception of SARTTAC performance over the evaluation period. The participation rate for Groups 1, 2 and 3 was of 4 percent (an insignificant turnout of only four respondents), 33 percent (30 respondents) and 62 percent (56 respondents), respectively. A detailed analysis of the results is presented in Annex III.

(iii) The Evaluation Team also conducted 31 Semi-Structured Interviews with SARTTAC LTXs, STXs and IMF staff at headquarters (backstoppers and other staff from area and functional department) covering a total of 13 country objectives, i.e. nearly 60 percent of the total number of CD activities, in a sample of three countries: Bangladesh, India, and the Maldives. Prior to conducting the interviews, the Evaluators prepared background notes using relevant material extracted from the BPs and TA reports. After the interview, the Evaluators provided to the TL interview Notes that were later processed to extract evidence informing the evaluation results.

**19. All the information collected via the Desk Review and Semi-Structured interviews has been consolidated and classified at the country objective criteria level, within an app developed under Kobo that enables the generation of an evidence matrix that also supported our scoring system. This ranges from 1 to 4, with 1 being the lowest and 4 the highest rating. The score given for each criterion, domain and country was the average of the scores from each source of information.**

**20. The Evaluators also relied on the IMF Results-Based Management (RBM) system to score effectiveness, after mapping the sampled CD activities to the objectives of the RBM system in order to assign an alternative score to the effectiveness criterion.** To this end, the team first analyzed the mission reports corresponding to the activities and then linked the activities identified in each of the 67 mission reports (21 percent of the 313 missions identified in the SARTTAC CD tracking system) to the objectives included in the RBM system. It should also be noted that the RBM system was used differently according to the CD departments and the system does not show any comments associated with the scoring.<sup>6</sup>

21. The rating for Efficiency was based on the calculation made from the score given for Effectiveness and the number of days allocated for each mission. Cost or use of resources would have been better than the number of days used, but it was not possible to incorporate cost considerations because data provided were not disaggregated enough.

22. The ratings of the other criteria (relevance, coherence, impact, sustainability) were based on the assessments of the interviewees and of the analysis of the documentation and the survey results. Therefore, the lowest level of scoring applied was at the country-objective-criteria, later on aggregated by criteria and/or workstreams depending on the needs of the analysis. A detailed table of scores by workstream is provided in Section 2.2.1. below and a more detailed table presenting the score at the country-objective-criteria level is presented in Annex II.

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<sup>6</sup>It should be pointed out that the center started to use the RBM system only by the end of 2018. Moreover, the center did not have an advisor showing the staff how to use the system. Operational guidance did provide detailed operational guidelines for the implementation of the 2020 RBM Governance Framework, but it was drafted only in August 2020 and was not used by the center.

## 2.2. Findings

### 2.2.1. Overview of SARTTAC Scores

23. The overall CD performance has been rated as good, in particular taking into account the adaptation during the pandemic when the focus switched to the short-term needs of beneficiaries rather than longer term benefits. The change in delivery from in-person to remote clearly had a negative impact on the benefits, as in most business experiences where remote training and technical assistance became the norm. However, the requirement to concentrate purely on remote delivery has now given SARTTAC the possibility to balance between in-person delivery and remote delivery, and thereby possibly reduce the overall cost of delivery of CD programs.

**24. Overall, the scores suggest a moderately positive SARTTAC performance in the delivery of CD services (average rating of 2.56 out of 4) and in three of the six criteria (Relevance, Effectiveness and Sustainability) the performance is considered satisfactory.** Ratings were high for Relevance (3.49), and modest for Impact, Efficiency and Coherence (2.04, 2.24, and 2.42 respectively). These results are broadly consistent with the general perceptions obtained from the Online Survey: high praise for Relevance and Effectiveness, and worrying views about Impact and Coherence.

Table 6: Performance ratings per workstream – aggregated from the 13 sampled objectives (1-4 scale)

Workstreams	Relevance	Coherence	Effectiveness	Efficiency	Impact	Sustainability	TOTAL
MPO	4.00	2.00	2.50	2.50	2.00	3.00	2.67
FSR	2.50	2.50	2.50	2.50	2.00	2.50	2.42
PFM	4.00	2.93	2.50	2.00	2.00	2.50	2.66
TADM	3.43	2.67	2.67	2.22	2.22	2.67	2.65
GFS/PSDS	3.50	2.00	3.00	2.00	2.00	2.00	2.42
<b>Average</b>	<b>3.49</b>	<b>2.42</b>	<b>2.64</b>	<b>2.24</b>	<b>2.04</b>	<b>2.53</b>	<b>2.56</b>

Notes: Ratings are 1=Poor; 2=Modest; 3=Good; and 4=Excellent. No CD activities on Banking Supervision and Regulations (BSR), Financial Market Infrastructure and Payments (FMI), Money and Foreign Exchange (FX) Market Operations, and Financial and Fiscal Law (FFL) were sampled, as these were not statistically significant in terms of the SARTTAC budget.

**25. In terms of workstreams, Monetary Policy Operations (MPO), Public Financial Management (PFM), and Tax Administration (TADM) obtained the highest scores, while Government Finance Statistics/ Public Sector Debt Statistics (GFS/PSDS) and Financial Sector Regulation and Supervision (FSR) scored the lowest.** MPO and TADM have benefited from a mix of highly competent professional teams and technical work on strengthening the capacity of central banks to implement monetary policy and of tax authorities to implement VAT and/or income tax reforms in the three sampled countries. What is commendable is the effectiveness and readiness to assist the fiscal and planning authorities of the three sampled countries in enhancing macroeconomic forecasting and policy analysis capacity. GFS/PSDS and PFM, however, have generally been affected by a lagged and unequal pace in implementing medium-term agendas, regardless of the pandemic, including broadening of key fiscal statistics through the adoption of GFS and PSDS global standards and of comprehensive reforms in budget formulation and public investment management practices.

26. Overall performance varied across the region, **with some countries lagging behind others despite all receiving proportionally the same amount of training and other CD during 2018-2021.** Larger countries tend to score well in Relevance and Effectiveness, but low in the other DAC criteria. Coherence seems generally problematic, due to a lack of formal PFM coordination mechanisms used by the national authorities to promote an active dialogue between SARTTAC and other relevant DPs in areas of common interest (LTX, PFM, 06/21/21; LTX, PFM, 07/02/21; and LTX, GFS, 07/30/21). However, in spite of the high caliber of professionals trained in practically every selected workstream, national systems continue to run not fully compatible with international standards, concepts and frameworks. This hampers the quality of policy analysis as well as development planning and reporting.

10. Following the overall landscape over SARTTAC performance, detailed scores and key strengths and weaknesses are examined below.

### 2.2.2. Relevance

27. **The SARTTAC program's Relevance is rated as Excellent, with a score of 3.49.** Both the interviewees and results from the Online Survey support this rating. Indeed, the perceptions of the three groups of respondents were overwhelmingly positive for Relevance (89–100 percent). About two-thirds of all respondents rated as good or excellent the political receptivity of capacity building in general and of CD support by SARTTAC in particular – this factor was respectively rated 93 percent, 58 percent, and 48 percent by all groups together from India, Bangladesh, and the Maldives.<sup>7</sup>

28. **Key strengths and weaknesses.** A large majority of the CD sampled objectives were derived from capacity gaps and other diagnostic studies such as Public Expenditure and Financial Accountability (PEFA) assessments and studies on Budget Institutions, and Fiscal Transparency and Open Budget reports. Evidence is, nonetheless, scarce in terms of reform action plans. The diagnostics available have served to inform the SARTTAC program and the annual workplans, before being translated into specific CD requests by countries, and served to position SARTTAC not only as a CD provider for member countries, but as a genuine regional partner for quickly (wherever possible) addressing key weaknesses in priority technical areas. In this regard, SARTTAC has taken proactive and systematic steps in coordinating its work with IMF departments, while adjusting CDs' priorities to changing circumstances, like COVID-19. Examples of strengths and weaknesses validated through our interviews are included below, by workstream and CD objectives.

➤ **TADM (Tax Administration)/Strengthened revenue administration management and governance arrangements.** SARTTAC succeeded in complementing the efforts by national tax authorities through targeted training and technical assistance following (Tax Administration Diagnostics Assessment Tool (TADAT) assessments and scoping visits. These included SARTTAC supporting the implementation of VAT reforms, Compliance Risk Management (CRM) and audit techniques. Similarly, SARTTAC was able to assist in relevant areas such as TADAT assessment, taxpayer registration, and use of nudge communication technologies to improve voluntary compliance (IMF 2018, IMF 2019, and IMF 2020).

➤ **PFM (Public Financial Management)/Comprehensive, Credible and Policy-Based Budgeting.** Varied CD interventions in Public Financial Management (PFM) are considered on top of priorities according to reform action plans.<sup>8</sup> Amongst all, SARTTAC supported the enhancement of budget formulation and Public Investment Management (PIM) practices to ensure the strategic allocation of budget resources and the productivity of public investments, as diagnosis studies identified those as recurring weaknesses affecting rapid and inclusive economic growth (India PEFA, 2010; Bangladesh PEFA, 2016; and the Maldives PEFA, 2021). Shortcomings in budget documentation and the lack of credible Medium-Term Fiscal Frameworks/ Medium-Term Expenditure Framework (MTFFs/MTEFs) for budget formulation were also identified in a group of Indian states (IMF 2017a, IMF 2017b; IMF 2018a; and IMF 2019a). As a result, IMF resumed technical assistance in India after more than ten years, with SARTTAC now playing an active role supporting the modernization of budget institutions and ensuring efficiency at Union and state government levels (IMF 2014; and IMF 2020). Countries also benefited from regional conferences on gender responsive and climate change budgeting.

➤ **PFM (Public Financial Management)/Improved Budget, Execution and Expenditure Controls.** SARTTAC CD services in this area were derived from Public Expenditure and Financial Accountability (PEFA) assessments. This indicated that existing cash management practices, cash flow forecasting and commitment control systems across countries were generally ineffective, thus not enabling the budget institutions to exercise proper budget execution controls. Weaknesses reveal that the TA did not enable the accounting systems to adapt adequately to international concepts and frameworks,

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<sup>7</sup> Respondents from the three sampled countries to the online survey represented 52 percent of the total. Despite the high dispersion of the results, the overall rate is influenced positively by the high rates of perception observed in the two largest countries of the sample.

<sup>8</sup> See, for example, Bangladesh's PFM reform action plan 2018-2023, the Fourteenth Report of India's Second Administrative Reforms Commission (2009), and the Maldives PFM reform action plan 2020-2024.

and did not fully address the underlying issues of expenses being reported outside the budget system and without adequate commitment controls and risk management.

- **Strengthening identification, monitoring and management of fiscal risks:** Management of fiscal risks continued to be an important part of Public Financial Management (PFM) CD services in the member countries. In Maldives the focus was on how to manage fiscal risks from state-owned enterprises (SOEs). IMF SARTTAC missions helped the authorities to manage SOE fiscal risks, to establish risk mitigation strategies and measures, and to monitor the impact of these risks on the budget and long-term fiscal framework. In India, the involvement was more at sub-national level in terms of providing training and TA assistance within overarching PFM strengthening measures. Officials from states like Rajasthan, Himachal Pradesh and Punjab, Odisha, and Tamil Nadu attended the training programs on fiscal risk management. While states with advanced practices like Rajasthan and Orissa identified priority fiscal risks to be quantified in a fiscal risk statement, Odisha received considerable support in strengthening its budgeting practice along with establishing fiscal risk management strategy.
- **GFS/PSDS (Government Finance Statistics/Public Sector Debt Statistics).** This topic remains a major challenge, as governments in the region strive to improve fiscal policy analysis and planning and continue in their efforts to fight corruption and to gain increased public trust. Scope for improving the quality of GFS/PSDS), including transitioning to Government Finance Statistics Manual (GFSM) 2014, is supported by IMFTA in all three countries. Some countries remain a concern in their pursuit to comply with G-20 and/or other global/regional standards and thus to further improve fiscal governance and budget accountability (IMF 2014; and IMF 2020).
- **MPO (Monetary Policy).** The transition towards a Flexible Monitoring Targeting (FMT) framework was recognized and supported, even though a clear timeline for completion was not established. It was accepted by the immediate beneficiary that the CD objectives are a high priority, although it is not clear if this extended to other main stakeholders. However, an upgraded monetary policy framework was considered crucial for the beneficiary country's transition to a middle-income country, with the framework being transparent and predictable to achieve price stability. The design took into account various existing situations, e.g. the constraints of the current set-up of the National Savings Certificates, which hinders the development of government securities and interbank markets, thus distorting the monetary transmission mechanism (MTM). The CD objectives and design successfully adapted to the needs of the beneficiary, taking into account the usual constraints of key staff being released for the process. The support has continued during the pandemic, with regular trainings on financial programming incorporating theory and setting homework.
- **FSR (Financial Sector Regulation and Supervision for insurance companies).** The capacity gap was identified by the authorities, and the beneficiary country requested support from SARTTAC to strengthen the supervisory capacity of the insurance sector; the design recognized the context in which it took place.
- **FSR (Financial Sector Regulation and Supervision for Banking Supervision and Regulation).** The CD Objectives were derived from an IMF Monetary and Capital Markets Department (MCM) scoping mission to assist the beneficiary country in financial supervision and supervision, in particular moving towards a risk-based system as opposed to the previous CAMEL system, i.e. looking at future events rather than 14 focusing on the past and the present. The activity was planned as a multi-year TA and training program. It is not clear if this was seen as a priority, and it is likely that it would not have been requested. The design took account of the context, in particular the lack of senior management support or engagement in the early stages of the activity, with changes in the working group taking place. The beneficiary had not learned from previous experiences, and implementation faces difficulties, particularly the need for the working group to be given time to participate.

### 2.2.3. Coherence

29. **Overall Score.** The SARTTAC program's Coherence is rated as 'Modest' to 'Good', with a score of 2.42, based on the results of interviews. SARTTAC CD activities are aimed at supporting other interventions, either by the Government, IMF departments in their surveillance/program or development partners. In general, SARTTAC CD activities appear well-designed to support national

development priorities, but their implementation varies by country and its characteristics. According to responses to the Online Survey, officials from the three groups considered SARTTAC activities not to be aligned adequately to other CD interventions. This resulted in an overall average rate of good or excellent coherence in only 36 percent of the total responses; responses varied considerably across countries, in a range between 23 percent and 52 percent of officials in India offering good to excellent ratings.

**30. Key strengths and weaknesses.** In terms of CD program design, SARTTAC addressed medium-term priorities, like those referring to the formulation of a more credible fiscal strategy and the modernization of tax administration, budget practices, public investment management, and fiscal statistics, as well as short-term needs like those arising from COVID-19 and affecting public revenue. In their implementation, however, the Evaluation Team observed cases with weaknesses related to coordination among Government agencies and with other DPs playing an active role in the region. Broadly speaking, SARTTAC assistance is not designed to manage potential risks of overlap with other relevant DPs and inconsistent advice, and so it does not seek to ultimately achieve more optimal use of TA resources.

**31. Evidence shows weaknesses in internal and external coordination of reform actions, except for tax administration reform.** The information available suggests that Public Financial Management (PFM) reform steering committees met with prolonged delays, often with delays of more than one year during the pre-COVID years and more so afterwards,<sup>9</sup> with no presence of SARTTAC. Also, there is no proof of clear accountability of results and division of labor among government agencies. Moreover, DPs only rarely meet but only bilaterally and informally, to coordinate and take stock of lessons and share TA recommendations. On the other hand, internal coherence appears stronger with government agencies allowed to have more visibility on CD activities and overall progress of reforms in domestic revenue mobilization and PFM (Cotton, Andrews, Jackson, and Norkunas, IMF TA report, 2017). Other specific examples extracted from our interviews are explained below, by workstream and CD objectives.

➤ **TADM (Tax Administration)/Strengthened revenue administration management and governance arrangements.** At the start of SARTTAC operations, (Tax Administration Diagnostic Assessment Tool (TADAT) and World Customs Organization (WCO) missions were fielded, together with scoping missions: these determined that countries in the region would benefit from strategic guidance leading to tax and customs administration reforms. Synergies and interlinkages with key stakeholders and bilateral cooperation agencies were demonstrated, by broadening the CD activities by SARTTAC beyond the traditional tax authorities and cadres of civil service. For example, the expansion of operational management of certain tax authorities via “faceless transactions” by establishing a bilateral engagement with the Australian Taxation Office and the provision of training on IT risk management with Australia’s Queensland Office of State Revenue is a salient feature. SARTTAC also integrated its technical assistance and training activities to ensure consistency with the policy priorities raised in IMF surveillance.

➤ **GFS/PSDS (Government Finance Statistics Manual/Public Sector Debt Statistics).** Phase I, while ensuring consistency in the national accounts and fiscal statistics systems and concurring with the need to use the general government as the standard for purposes of regional/global comparison. For certain countries, internal coherence is challenging and while IMF Article IV consultation reports identify the joint progress by central statistics offices (CSOs) and central banks in certain key areas (e.g. implementation of 2008 System of National Accounts), certain anomalies affecting the integrity of fiscal statistics (e.g. scope of central government, definition of fiscal deficit) in accordance with GFS concepts and frameworks since 2014 (IMF, 2014; and IMF, 2021) remain largely unaddressed.

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<sup>9</sup> See, for example, relevant donors other than SARTTAC represented in the PFM steering committee of Bangladesh met only once during 2020-2021, or they hardly ever met in the Indian states.

- **MPO (Monetary Policy).** There is no information available on other interventions.
- **FSR (Financial Sector Regulation and Supervision for insurance Companies).** No information is available on other interventions, apart from this support appearing to be consistent with other support in these areas.
- **FSR (Financial Sector Regulation and Supervision for Banking Supervision and Regulation).** There are no other support activities in this area for this beneficiary, possibly because of its reluctance to be fully involved in the process.

## 2.2.4. Effectiveness

**32. Overall Score.** The effectiveness of SARTTACCD activities is judged as relatively ‘Good’ (2.64 out of 4) based on the results of interviews, an analysis of Milestone Compliance, and the Online Survey.

- Nine out of the 13 objectives sampled have milestones achievements (outputs) rating ‘Good’ to ‘Excellent’ (Table 10) and 53–93 percent of respondents of the three groups surveyed online were positive about Effectiveness.
- An analysis of Milestone Compliance, however, shows a mixed picture for the sampled countries: over 80 percent of milestones were fully or largely achieved in all but two workstreams pre-COVID 19, but those percentages fell across the board, and by more than half in some cases, post-pandemic (Figure 2). For all countries together, however, the milestones fully or largely achieved fell sharply to 33 percent of the total in FY 2020/21, from 65 percent in FY 2018/19.

## 33. Key Strengths and Weaknesses:

- The Evaluators noted a minority of objectives (1 out of 13) featuring ‘Modest’ scores for milestones (see Annex IV).

Table 7: Effectiveness: Milestone achievement ratings for sampled objectives – (1-4 scale)

Objective	Score <sup>10</sup>
1 = Comprehensive, credible, and policy-based budget preparation	2.75
2 = Improved budget execution and control	3.00
3 = Improved coverage and quality of fiscal reporting	3.00
4 = Strengthened identification, monitoring and management of fiscal risks	3.00
5 = Improved PFM laws and effective institutions	4.00
6 = Strengthened revenue administration management and governance	3.23
7 = Strengthened core tax administration functions	3.17
9 = To develop the capacity to of the authorities to implement FX operations efficiently	3.00
10 = To strengthen the capacity of the central bank to implement monetary policy effectively	2.33
13 = Strengthened compilation and dissemination of data on macroeconomic and financial statistics	3.26
<b>TOTAL (Average)</b>	<b>3.10</b>

Source: Annex IV.

Note: The average for the sampled countries excludes CD objectives 8, 11, and 12 as there is no data available for these objectives in the RBM framework

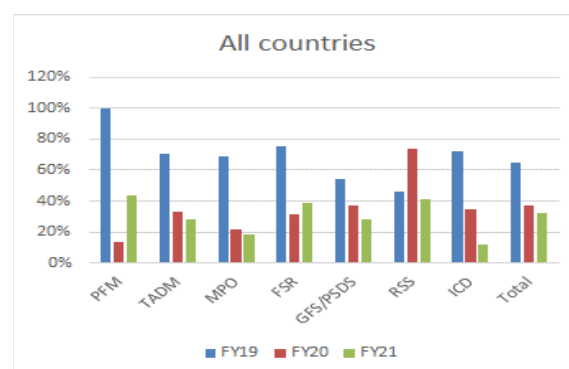
<sup>10</sup> Notes: Ratings are 1=Poor; 2=Modest; 3=Good; and 4=Excellent.



➤ Pre-COVID-19 SARTTAC compliance with Milestones was broadly positive, but a more recent declining trend post-COVID-19 is worrying. *Figure 2* presents the results for each workstream at aggregate levels and confirms that COVID-19 has had a significant negative impact on SARTTAC performance. While the number of activities post-pandemic increased, the milestone compliance declined.<sup>11</sup>

➤ *Amongst the three sampled countries, the rate of effectiveness of all milestones completed in the target year, fully or largely, was 70 percent by FY21. This represented a decline from 93 percent in FY18 and 72 percent in FY19 – the workstreams achieving the best rate of effectiveness in the first two years were Tax Administration (TADM) and Public Financial Management (PFM); conversely, those with the lowest rate of effectiveness in FY20 and FY21 were Monetary Policy Operations (MPO) and Government Finance Statistics/Public Sector Debt Statistics (GFS/PSDS).*

**Share of fully or largely achieved milestones per workstream (in % of total)**



Sources: Steering Committee, annual reports.

Figure 1: Share of fully or largely achieved milestones per workstream (in % of total)

34. Specific examples of effectiveness extracted from our interviews are explained below, by workstream and CD objectives.

➤ **TADM (Tax Administration)/Strengthened revenue administration management.** Effectiveness in terms of CD outcomes and objectives achieved, as defined by the Results-Based Management (RBM) framework, showed mixed results in the region. SARTTAC assistance to tax authorities became a catalyst for change in tax administration modernization, in terms of new sets of skills and capabilities and preparedness to deliver VAT reforms. However, there were fewer obvious achievements in terms of developing a strategic work program, operationalization of a work program, converting TA and training to demonstrable changes. In one of the three countries evaluated, most milestones for CD outcomes defined in the RBM framework show an advanced level of achievement. For example, the milestones defined for effective risk management, enhancing capacity to reform, effective implementation of new tax law, and effective audit and accuracy in reporting all show high ratings. As with the other countries, it is difficult to ascertain Effectiveness due to inadequate data points in the RBM framework. From the available data, it is evident that milestones describing to have established dialogue with the tax authorities get a high rating, whilst those measuring the status of reforms and extent implementation of reform advice received a low score. In all, the demand for training of tax officials has been overwhelming, which is a positive indication of the effectiveness of CD objectives.

➤ **PFM (Public Financial Management)/Credible, comprehensive, and policy-based budgeting.** SARTTAC has addressed effectively CD needs raised by Ministry of Finance (MOF) authorities, including: (1) training a cohort of budget and finance officials on macroeconomic and fiscal forecasting; (2) training on strategic top-down budgeting and the public investment management framework; (3) tailoring the link between the Medium-Term Expenditure Framework (MTEF) and the annual budget preparation; and (4) enhancing the annual budget documentation to make the budget more transparent and comprehensive. However, this has not produced major positive outcomes, such as a more credible medium-term budget framework and fiscal strategy statements and top-down budgeting tools.

➤ **PFM (Public Financial Management)/Improved coverage and quality of fiscal reporting.** Improvement of accounting and fiscal reporting has mainly been timid, despite the need for improved fiscal transparency and risk management since the issuing of fiscal rules and the start of

<sup>11</sup> The Evaluation Team did not explore whether new priorities, not contemplated under milestones, emerged and were met.



reforms in the budget and accounting systems more than 10 years ago. SARTTAC training started in 2018, targeting cadres of civil service and building drawing the need to address the underlying gaps in the national systems. Despite receiving a score of 3, and despite the completion of a cycle of three training sessions and subsequent follow-up missions presenting the possible benefits of reforms, certain key concepts and structures still have not been adjusted unequivocally in the region.

- **Government Finance and Public Sector Debt Statistics.** GFS/PSDS training has been predominant in the region, reaching compilers and providing follow-up technical assistance at national and sub-national levels of government. The institutionalization of GFS/PSDS, however, remains a work in progress, with collaboration from SARTTAC and Offices of the Comptroller and Auditor General. SARTTAC conducted three peripatetic missions and provided training in 2018 and 2019, and Technical Assistance (TA) was extended in subsequent years: the latter included follow-up missions in 2020 and 2021 to assist national authorities in finalizing the translation of the fiscal statistics and budget data into a Government Finance Statistics Manual (GFSM) 2014 framework.
- **MPO (Monetary Policy).** The Results-Based Management (RBM) report indicates that only one objective **has** been achieved and this relates to Foreign Exchange (FX) market reforms. All positive results can be attributed to the CD, as the beneficiary is not known for being particularly self-starting. Trainings have continued during the pandemic.
- **FSR (Financial Sector Regulation and Supervision for insurance companies).** The CD achieved its objective successfully. The Advisor recommended that SARTTAC follow up the implementation and provide additional guidance if needed. The procedures are being utilized by the beneficiary.
- **FSR (Financial Sector Regulation and Supervision for Banking Supervision and Regulation).** This CD project is not included in the Results-Based Management (RBM) framework. However, it is struggling to achieve its objective due to the lack of buy-in from the beneficiary's senior management. There have been virtually no direct results of the CD, as apparently no management time has been spent on carrying out activities suggested by the mission. This may have changed since the date of this report.

## 2.2.5. Efficiency

35. **Overall Score.** The efficiency of SARTTACCD activities is rated as 'Good' (2.2 out of 4) based on the responses of the Online Survey, the budget execution ratios, and the interviews. All three groups of the Online Survey already pointed to relatively high – 58 to 76 percent – (e.g. Highly Satisfactory or Satisfactory) ratings for the cost-efficiency of SARTTAC services.

36. **Key Strengths and Weaknesses.** Quality of budgetary resources used by SARTTAC, an important dimension of efficiency, is perceived as satisfactory across the region. The Online Survey revealed a satisfactory response to the COVID-19 pandemic in terms of efficiency and impact, with levels varying across countries from 43 to 56 percent.

37. **Another efficiency indicator in the budget execution ratio for delivery of CD services shows significant underruns post-COVID-19, coupled with operational savings. One unanswered question is whether the present amount of SARTTAC resources will suffice and whether its allocation will be adequate to address future needs, including any additional training for supporting the achievement of key outstanding outcomes.** Composition analysis of SARTTAC activities below shows that total resources utilized fell to 573 field person weeks (FPWs) in FY21, from 652 in FY20 – a reduction of 12.1 percent. Noticeably, the reduction equated to 25.5 percent when compared to the peak FY19 (32.8 percent when comparing total expenses in millions of US\$), as shown in Table 8.

Table 8: Total resources utilized by SARTTAC, Phase I

	FY18	FY19	FY20	FY21
Total FPWs original budget	N/A	929	929	732
Total FPWs actual	743	769	652	573
% change in FPWs, actual	N/A	+3.5%	-15.2%	-12.1%
% actual/original budget outturn	N/A	82.8%	70.1%	78.3%
Total budget, in millions of US\$	N/A	14.93	15.32	11.9
Total expenses, in millions of US\$	N/A	10.58	11.00	7.11
% change in total expenses	N/A	N/A	4%	-35.4%
% budget outturn	N/A	70.9%	71.8%	59.7%

Source: Steering Committee, annual reports.

➤ **Budget outturn:** Annual reductions showed large deviations when using the budget execution outturn as the basis of calculation. When using the original budget in US\$ terms, SARTTAC execution was 70.9 percent in FY19, 71.8 percent in FY20, and 59.7 percent in FY21. For the whole period covering FY19 to FY21, the data shows that SARTTAC spent US\$28.69 million of US\$42.15 million planned – that is 68.1 percent of the total.

Despite the reductions in total resources used, the last budget allocation pre-COVID-19 and the first post-pandemic period are fairly consistent by workstream (Figure 2).<sup>12</sup> Public Financial Management (PFM) inclusive of macro-fiscal analysis and training concentrated the largest share (50 percent), followed by Tax Administration (TADM) (16 percent), and Government Finance Statistics/Public Sector Debt Statistics (GFS/PSDS) (9 percent). Monetary Policy Operations (MPO) and Financial Sector Regulation and Supervision (FSR) averaged 9 percent and 7.5 percent, respectively (for more details see Annex VI). This shows that the national authorities and external donors prioritized the use of SARTTAC resources supporting the region's CD and reform efforts in the fiscal sector.

➤ **Training activities:** One salient feature in the development role of SARTTAC in the region is the fast-growing number of officials being trained – and this is happening despite the sharp cuts in the budget resources and Field Person Weeks (FPWs) allocated over the past three fiscal years. Reportedly, despite the challenges associated with the COVID pandemic, the number of officials trained through SARTTAC almost doubled to 2,500 in FY21, compared to FY20, largely driven by participation in webinars<sup>13</sup> – it is noteworthy that almost six out of ten officers trained in person originated from India alone. Most remarkable is that the number of officials benefiting from training almost tripled when compared to the baseline FY18, according to annual SC reports.

Table 9: Number of officials trained by SARTTAC, Phase I

	FY18	FY19	FY20	FY21				
				In-person		Webs	Total	
				Total	o/w India			
Revenue Administration	100	423	222	138	100	72%	7	145
Public Financial Management	141	256	252	210	106	50%	489	699
Financial Sector Supervision and Regulation	62	63	49	0			770	770
Monetary and Foreign Exchange Operations	27		12	0			164	164
Real Sector Statistics	238	160	180	61	18	30%	202	263
Government Finance Statistics/Public Sector Debt Statistics		369	204	145	80	55%	87	232
Institute of Capacity Development	327	297	379	227	125		0	227
Total	895	1,568	1,298	781	429	55%	1,719	2,500

Source: Steering Committee, annual reports.

Evidence also shows that the composition of training changed considerably across workstreams. Training in Tax Administration (TADM) and Government Finance Statistics/Public Sector Debt Statistics (GFS/PSDS) followed a downward trend over the past three financial years – from 27 percent of the total in FY19 to 6 percent in FY21, and from 24 percent of the total in FY19 to 9 percent in FY21, respectively. The allocation of training resources shifted rapidly to prioritize

<sup>12</sup> Breakdown of SARTTAC activities by workstream or sector is available only starting in FY 2019/2020.

<sup>13</sup> Almost 70 percent of total trainees in FY21 were served through webinars.

Public Financial Management (PFM) and Finance Sector Regulation and Supervision (FSR). In all, the fiscal sector was the main beneficiary of training, averaging almost 40 percent of the total during Phase I, according to annual Steering Committee (SC) reports.

A salient feature is found on SARTTAC's FY21 revised workplan. This gave more emphasis to training events and webinars and included fewer Technical Assistance (TA) activities, as compared to the original workplan. Macroeconomic training led the way, thanks to more focus on training delivery and earlier work done by IMF HQ and SARTTAC. Implementation of CD activities in PFM and TADM was also strong, because of the emphasis on addressing fiscal exigencies arising from the pandemic.

➤ **Allocations by countries:** Less balanced, however, are the budget allocations per country: they show a high variation by workstreams. Amongst the three sampled countries, which concentrate about two-thirds of total SARTTAC assistance, excluding regional activities, India remains the largest beneficiary country. It concentrates almost one-third of total Field Person Weeks (FPWs) and allocated mainly in Public Financial Management (PFM) and Macro-Fiscal Analysis and Training (63 percent of total), Tax Administration (TADM) (19 percent), Financial Sector Regulation and Supervision (FSR) (12 percent), and Government Finance Statistics/Public Sector Debt Statistics (GFS/PSDS) (6 percent). Noticeably, Maldives was the second largest recipient of SARTTAC assistance, which concentrated 28 percent of total Field Person Weeks (FPWs) in FY21 (from 12 percent in FY19). Bangladesh is the third-largest recipient of SARTTAC assistance, which concentrated 10 percent of total FPWs in FY21 (from 12 percent in FY19).

**38. There is also the question as to whether key workstreams are ultimately getting value-for money.** For example, Public Financial Management (PFM) and Government Finance Statistics (GFS) received large allocations yet seem to generally achieve timid results in return. Evidence shows four of the six Public Expenditure and Financial Accountability (PEFA) indicators (many of them outcomes) improving between 2014 and 2021 for Maldives, a country that has received strong SARTTAC support. Conversely, the extent of effort by the budget policy and management authorities of other countries has been for the most part modest, not compensating for the large amount of training and other CD work resources used, even in the context of the technical assistance provided by other development partners since the mid-nineties. See, for example, the sizable amount of Technical Assistance (TA) resources devoted to the two workstreams in the past five years, not matching their underperforming, that is, in terms of the Government Finance Statistics Manual (GFSM) 2014 and Public Sector Debt Statistics PSDS-11 standards adopted (IMF, 2019; IMF, 2020; and IMF, 2021) and of improving fiscal transparency, in line with global transparency standards. Public information shows that fiscal transparency in certain countries ranks within the world's bottom one third (OBS, 2012 and OBS, 2019).

**39. The interviews also revealed examples of different mixes of inputs for CD services, while still having room for improvement post-COVID.** To improve the achievement of outcomes, the modest rating for efficiency needs to be seen in the context of challenges faced by SARTTAC and the participating countries. While SARTTAC delivered the Technical Assistance (TA) and training, it utilized national and regional forums. SARTTAC also supported the training institutes in the largest countries and with collaboration from the IMF – Singapore Regional Training Institute (STI) to create a cadre of national experts to train tax officials. In addition to training officials of tax authorities, SARTTAC provided CD facilities to specialized cadres in the civil service in India to create an environment acceptable to tax reforms. The mix of national and international inputs driving the reform process was visible in one of three countries, where the tax authority made good progress by strengthening its strategic management and planning function with SARTTAC assistance.

## **2.2.6. Impact**

**40. Overall Score.** The impact of SARTTAC CD activities – including the extent to which the program addresses the global topics – is judged as 'Modest' (2.04 out of 4), based primarily on the results of

**the Online Survey and the Interviews.** Impact, therefore, obtained the least positive rating among all DAC criteria.

- Only 18 to 48 percent of beneficiaries from Group 3 reported a ‘Highly Satisfactory’ or ‘Satisfactory’ improvement in their countries’ situation. Much of the reason for this could be the intended association of SARTTAC programs with the countries’ response to the pandemic. Indeed, barely 15 to 33 percent of beneficiaries approved SARTTAC response to COVID-19.
- However, across all three groups of respondents, the degree of impact of SARTTAC support to capacity development in the region was considered good or excellent, in about 60 percent of the total responses; the extent of satisfaction varied from 61 percent and 45 percent for the SARTTAC support to up to 81 percent.
- All five workstreams, and 12 out of the 13 objectives sampled, have performance ratings on or below 2.5 (‘Modest’) based on the interviews and documented evidence consulted (Table 3 and Annex II).

41. **Key Strengths and Weaknesses.** As the driving factor behind the ratings for Impact, the Evaluation Team explored the underlying assumption (extracted from the interviews with beneficiaries) that SARTTAC CD services were delivered with a delay during 2020 in response to COVID-19 and only mildly contributed to alleviating the deteriorating fiscal situation.. The score for impact indicator of SARTTAC CD programs in the three sampled countries remained modest at 2. Most experts consulted in this assessment expressed positive views about the impact of SARTTAC’s program, for which there has been an overwhelming demand. While the tax-GDP ratio did not grow significantly during this period, several initiatives were taken for tax reforms in the region. Also, on the reduction of budget deficits and the public debt, the CD activities aimed at enhancing budget formulation. The spending efficiency measures, and commitment controls produced little or no impact either, according to World Economic Outlook and IMF Article IV documentation.

42. The role of SARTTAC has never been more opportune and impactful to support CD and economic reform efforts in the three sampled countries, especially those aimed towards implementing major legislative reforms in the tax system, enhancing the policy-based budget preparation, the public investment management and commitment controls systems, and/or spending in a more efficient and transparent manner. There is ample evidence to show that SARTTAC has provided useful guidance and shed light on how countries facing financial stress can better prioritize the budget resources and manage its public investment spending during the ongoing COVID crisis. But the high rates of effectiveness in most of CD work delivered by SARTTAC have not equaled the major impactful results since FY18. While the achievement of these objectives requires dedication and resolve by national authorities, these have been in the fiscal policy agenda in most countries of the region for almost the past two decades.

43. Essentially, there also no evidence suggesting the SARTTAC work has contributed significantly to allocating the budget resources in a more strategic manner – particularly in the health and education sectors. According to Ministry of Finance (MOF) sources, the budget allocation to the health and education sectors has been hovering around far less of what WHO and UNESCO suggest allocating. This low expenditure on health and education is not a new phenomenon and been so for many years, according to the World Bank.

44. **In our view, two other weaknesses help explain the low score:** A not always favorable institutional environment that favors a rapid translation of the benefits of CD activities and Technical Assistance (TA) recommendations into visible reforms, plus some degree of a lack of clearly defined outcome on the emerging global topics. Specific examples extracted from our interviews are offered below, by workstream and CD objectives.

- **PFM (Public Financial Management)/Strengthened Identification, monitoring, and reporting of fiscal risks.** Fiscal risk management is one of the critical elements of SARTTAC’s PFM intervention

in the region, at both national and sub-national levels of government. SARTTAC put considerable effort into assisting the management of fiscal risks at the national and sub-national levels of government and following up and providing further training over the years. The level of local effort has, nonetheless, been generally timid: this does not facilitate the knowledge gained and reporting frameworks and monitoring tools developed to percolate adequately to others in need as of today. Institutional change will take time, even though there has been an acknowledgement of requirement of PFM reforms to strengthened Identification, monitoring, and reporting of fiscal risks.

- **TADM (Tax Administration)/Strengthened revenue administration management:** SARTTAC played a crucial role in supporting tax authorities in several areas, including compliance risk management, implementation of VAT and income tax reforms, and capacity building of both federal and sub-national tax authorities. Demand for regional and in-country training continued to be high. A low score for impact criteria – assessed from ratings of outcomes and implementation of milestones – needs to be seen from the viewpoint of existing institutional environment in these countries: this environment impedes faster ownership implementation of desired reforms. Traditional practices continue to hold sway. While the implementation of Value Added Tax (VAT) is considered a significant development in indirect tax reforms, the tax authorities continue to cope with the challenges arising from modernization of tax administration both at union and states level. Similarly, in spite of considerable support from SARTTAC, the modernization of direct tax administration is a work in progress and the impact in strengthening CRM and VAT capabilities continues to be low. Although other tax authorities made progress, particularly in implementing new income tax laws, SARTTAC needs continued support in its revised action plan.
- **PFM (Public Financial Management)/Comprehensive, credible, and policy-based budget preparation.** Key achievements in milestones and completion of CD work planned in certain countries did not result in trained teams adapting the budget calendar and improving the quality of the budget formulation and fiscal strategy papers meaningfully. Despite the training delivered by SARTTAC, the responsible national authorities have not been able to carry out the Public Investment Management Assessment (PIMA) evaluation missions planned in the Results-Based Management (RBM) framework, and consequently the changes in the appraisal and selection of projects have not been produced to date. Based on the uneven achievement of CD outcomes and milestones in the Union and selected states, the CD project has not favorably impacted the quality of budget formulation system of the Federation. Nor has this project contributed to a more efficient spending of public resources, something that could have eventually enabled bringing fiscal deficits and public debt to lower levels since FY18.
- **MPO (Monetary Policy).** It is too early to judge. The CD does not have any impact on Climate Change or Inequality.
- **FSR (Financial Sector Regulation and Supervision on insurance companies).** The CD project has enhanced the beneficiary country's insurance sector's stability, the sector is fairly large.
- **FSR (Financial Sector Regulation and Supervision on Banking Supervision and Regulation).** The CD project has made little or no contribution to the country's macroeconomic and financial stability, again because of the beneficiary's lack of interest in the project. Since the date of this report, it would appear that interest in this area has increased with an understanding of the importance of Risk-Based Supervision.
- **Improved Government Finance (GFS) and Public Sector Debt Statistics (PSDS).** Fiscal statistics on the general government operations include state governments and, despite the training received across the countries, the national systems continue to omit data on the operations of extra-budgetary entities, social security funds, and local governments (IMF 2019). The CD interventions have not resulted in major improvements in the analytical usefulness of the presentation of the fiscal accounts from which GFS are derived, such as the classification of government expenditure between developmental/non-developmental and plan/non-plan spending. Despite the assistance provided by SARTTAC on improving fiscal statistics, the national systems have generally not been enhanced to meet fully the country's GFS commitments, e.g. under the G-20 Data Gaps Initiative, on reporting quarterly consolidated general government data by June 2021 (IMF 2021).

- The overall impact of technical assistance and training received from SARTTAC, although given a modest score, is the inculcation of a modern practice, which is getting increased attention in the region. The countries will need continued assistance from SARTTAC in terms of proper staff training to make a faster transition from an enforcement type tax administration to a modern consultative and collaborative agency in a digitally driven environment.

**45. The small impact associated with the emergence of global topics should come as no surprise, given their initial implementation stage among SARTTAC priorities.** So far, the Phase I program has defined outcome targets for each thematic area for the region as a whole. In preparation for Phase II, however, the move toward each of the global topics – climate change, gender, and financial inclusion – does not yet contain, with few exceptions, explicit outcomes targeted on a country-by-country basis: preliminary diagnostic studies are instead being finalized. These studies should be instrumental to define their baseline outcomes and milestones. The Evaluation Team believes this shortcoming should be addressed in Phase II and should be supported by the next development of the Results-Based Management (RBM) framework. However, a related question is whether SARTTAC resources are sufficiently adapted to the new and changing priorities of SARTTAC countries, and how these should modify the size and composition of the SARTTAC budget. These topics are explored in more detail in Chapter 3 of this report.

### 2.2.7. Sustainability

**46. Overall Score. The Sustainability of SARTTAC CD activities is judged as ‘Modest’ (2.53 out of 4) based on the results of interviews and the Online Survey.**

- Six out of the 13 objectives sampled have performance ratings of ‘Good’ to ‘Excellent’ (Annex II).
- 40 percent of respondents of Group 2 (LTX, STX and Backstoppers) considered the Sustainability of their CD services to be ‘Highly Satisfactory’ or ‘Satisfactory’.
- Overall, however, the Online Survey reveals that Groups 1 and 3 have more positive perceptions of the Sustainability of SARTTAC assistance to CD work in the region. Overall, all groups together rated the sustain

**47. Key Strengths and Weaknesses: Interviews revealed that political changes, uncertainty, lack of political commitment or inertia can affect TA Sustainability, in addition to delaying or impeding the achievement of outcomes.** In general, interviewees confirmed that adoption by the national authorities of global reporting standards is costly and politically sensitive, in light of the changes implied in the national accounting systems. The Sustainability of outcomes was also affected by the extent to which the modern practices, concepts, thresholds, and frameworks serving the SARTTAC training and other CD interventions will ultimately lead to shifts in fiscal policy and planning in some countries more than the others. Moreover, tax and customs reforms are subject not only to political risks but to management change-related risks, such as corruption-justified staff appointments. While Section 3 examines Sustainability from the angle of SARTTAC management, we include below other specific examples (taken from our interviews) on weaknesses that explain the low score. These examples are linked to workstream and CD objectives.

- **PFM (Public Financial Management)/Comprehensible, credible, and policy-based budgeting.** The role played by Ministry of Finance (MOF) and Comptroller General of Accounts (CGA) has been fundamental in improving fiscal policy dialogue and ensuring that the national and state authorities understand the benefits of the CD objectives, e.g. aimed at improving the quality of budget formulation and the allocation of budget resources for the creation of fiscal space and enabling a more rapid and inclusive GDP growth. However, there is a the track record proving that no major change took place in the government accounting and fiscal statistics systems during the period under review and prior to it. This indicates there is no sufficient buy-in at the political level to support the realization of transformation, as this may have implications in the overall direction of economic policy (interview with Robinson, July 2021).



- **TADM (Tax Administration)/Strengthened revenue administration.** Over the years, the IMF and SARTTAC have emerged as preferred Development Partners (DPs) in the CD activities. Countries benefited considerably from being exposed to modern practices and having their staff trained. The tax authorities in all three countries have been closely working with SARTTAC, though there have been delays in adopting reforms measures in several areas, such as international tax matters, compliance risk management, and others at sub-national government level. SARTTAC, through its national and regional training on tax administration, has created a trained cadre: this should be an influential factor, driving further future technical assistance.
- **MBO (Monetary Policy).** Once the beneficiary adopts the recommendations, they are likely to continue, and the country can sustain the net benefits of the CD project.
- **FSR (Financial Sector Regulation and Supervision for Insurance Companies).** The CD project has enhanced the country's insurance sector stability, which is important as the sector is fairly large.
- **FSR (Financial Sector Regulation and Supervision for Banking Regulation and Supervision).** Without regular follow-up of SARTTAC missions, the beneficiary is unlikely to put Risk-Based Banking Supervision (RBS) at the forefront of its priorities. Moreover, some of the officials involved in the project are likely to have been promoted to or moved into other departments, thus leading to a loss of any experience gained. The level of capacity of the beneficiary will not currently sustain the net benefits of the CD project, as the feeling within the beneficiary is that RBS is not needed.

## 2.3. Conclusions and Recommendations

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**This section presents the conclusions and recommendation of the Evaluation Team at the CD level.** They are presented as six 'major' cross-cutting conclusions, as follows.

48. **Conclusion 1:** SARTTAC is performing effectively in delivering CD services that respond to the countries' specific needs, thus justifying its plans to increase the scale of its services while adjusting the budget to conservative post-pandemic levels in Phase II.

49. **The overall operating performance of SARTTAC has been evaluated as positive, despite the extraordinary adverse effects caused by the pandemics.** The average score for SARTTAC services is 'Good' (2.56 out of 4) across the six DAC criteria. This positive assessment is explained by the permanent consultations by the center on the formulation of the annual workplans, the introduction of the Results-Based Management (RBM) framework, the strengthening of the administrative capacity at the center with steady continuity of staff, better coordination between backstoppers and LTXs, and the high quality of CD services.

50. **Our evaluation shows a majority of positive ratings with a minority of modest scores per criteria, workstream and countries.** 'Good' to 'Excellent' results are found for Relevance, Effectiveness and Sustainability; and 'Modest' for Impact, Efficiency and Coherence. In terms of workstreams, Monetary Policy Operations (MPO), Public Financial Management (PFM), and Tax Administration (TADM) scored the highest, while Government finance Statistics Manual/Public Sector Debt Statistics (GFS/PSDS) and Financial Sector Regulation and Supervision (FSR) obtained the lowest rates.

51. **Conclusion 2:** Despite a positive evaluation, SARTTAC is not doing enough to adequately measure performance and to ensure it is delivering value-for-money capacity development services in the region.

52. **The evaluation is positive in many respects, although it also identified areas for improvement.** Relevance, Effectiveness and Sustainability of CD services were rated positively (3.49, 2.64 and 2.53, respectively), and they underline a broadly appropriate scope of services provided by SARTTAC. However, the internal and external coherence of these services are not adequate: governance structures outside the control of SARTTAC prevent good coordination of the technical advice with other relevant DPs. Other areas for consideration include the decision to continue to move from in-person to virtual missions, to continue to support key demands particularly for CD in Public Financial



Management (PFM) and Government finance Statistics Manual/Public Sector Debt Statistics (GFS/PSDS) – despite their sub-optimal results generally scored, and the decision to further support the shift toward new global topics.

**53. CD services delivered by SARTTAC are quite relevant, because they addressed adequately key weaknesses identified by diagnostic studies of capacity gaps and scoping missions. CD services, however, could have benefited from a more genuine effort by the national authorities to coordinate CD services with other relevant interventions, either internally by the Government or by the IMF or external (donors).** Diagnostic studies have mainly informed the SARTTAC program and annual workplans have responded to priority CD needs identified in institutional capacities and national systems/processes, before translating them into specific CD requests by countries. Achieving coherence among many SARTTAC interventions has been rather challenging, in terms of ensuring proper coordination and inter-linked agendas in topics that are relevant to one IMF functional department and the others (Fiscal Affairs Department - FAD, and IMF's Statistics Department/Government Finance Statistics - STA/GFS).

**54. The one question over the Relevance and Effectiveness of SARTTAC services relates to the extent to which the past allocation of resources is sufficiently adapted to the post-COVID working environment and its changing needs.** In Phase I and pre-COVID-19, allocations by workstream were generally steady. This suggests a budget distribution pattern (implicit allocation formula) – confirmed by the center – in which the shares of resources among workstreams defined at the start of Phase I plays a significant role in setting the budget allocations of individual annual workplans. However, the period post-COVID-19 has brought a new landscape in terms of emerging priorities for SARTTAC countries. These priorities arise from short-term needs to support the economic growth rebound and fiscal consolidation, as well as SARTTAC decisions to increase support to underperforming CD activities and global topics, whose regional diagnostic studies are just being achieved.

**55. Recommendation 1. We propose that budget allocations per workstream should be reviewed on the basis of changing country needs post-pandemic and global topics, while preserving a highly relevant and coherent program of work. Further attention is required to fine-tune the SARTTAC agenda: the aim should include aligning the CD demands to the G20 Data Gaps Initiative agenda – which calls for a more active dialogue with government authorities and relevant SARTTAC donors in the Steering Committee.** This should in turn also improve Effectiveness, Efficiency, Impact, and Sustainability. Three additional specific recommendations are to (i) consider narrowing the Public Financial Management (PFM), and perhaps Tax Administration (TADM), portfolios, whose scope of support remains too broad and where SARTTAC's performance in key areas has not been stellar;<sup>14</sup> (ii) assign an initial proportion – say five percent – of the budget to training of trainers activities supporting sub-national governments, and pilot CD activities supporting global priorities; and (iii) leave a proportion of the budget – say 10 percent – unallocated at the start of every year, and assign this budget in the second quarter to any emerging projects with special needs or to projects and beneficiary entities that are ahead of schedule.

**56. Conclusion 3: The implementation of the Results-Based Management (RBM) framework, now supported by an evolving CD-PORT, is now well-established within SARTTAC; however the framework could be further improved for the monitoring of outcomes and milestones.** In the existing SARTTAC program document, baselines have been identified for some of the areas; however the information is not available in others, such as Revenue Administration, Monetary Policy Framework and Financial Sector Regulation. Moreover, the targets for each of the indicators for all the areas of support have also not been reflected. In Phase II of the SARTTAC, the RBM logframe performance

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<sup>14</sup> PFM work could just focus on three key areas: policy-based budgeting, public investment management, and commitment controls. GFS/PSDS work could firm up the agenda of compiling and disseminating general government operations and debt data in accordance with GFS and PSDS concepts and frameworks. Other areas supporting the improvement of fiscal reporting and monitoring of fiscal risks could be better aligned to the national efforts of improving the coverage and quality of fiscal statistics in line with GFS concepts and frameworks, while improving the coordination of these activities with other relevant interventions carried out by the World Bank, ADB, and EU in the Steering Committee.

measures must be based on objectives that are specific, measurable, attainable, realistic and time-based. Also lacking is a CD-PORT Manual that can guide system users on how to operate the CD-PORT and further explain the data governing the RBM framework. There is also a lack of an RBM Evaluation Framework that sets a clear and transparent scoring system, together with guidelines and a uniform Common Evaluation Framework (CEF) criterion with which to warrant a score 1, 2, 3 or 4, or NA. Lastly, the system lacks an alert feature: this management attribute is necessary to provide information on the proportion in the outcomes and milestones (outputs) achieved and the underlying causes of falling trends in performance post-COVID-19.

**57. The effectiveness of SARTTACD activities is judged as ‘Good’ (2.64 out of 4).** At the start of its operations, SARTTAC developed a logical framework for medium-term targets (outcomes) for each workstream and a set of CD objectives. Medium-term outcomes have generally responded to regional commitments in global rankings, like Public Expenditure and Financial Accountability (PEFA), Tax Administration Diagnostic Assessment Tool (TADAT), or Public Investment Management Assessment (PIMA) requirements. In addition, short-term milestones have been defined with Long-Term Expert (LTX) support and their progress has been regularly published in annual reports. In this evaluation, we noticed that performance on most outcomes during Phase I has been modest: their scores are lower than those for milestones and show no major change between the pre- and post-pandemic years (Annex IV). Indeed, despite SARTTAC support and the rapid increase in the number of officials trained, recent PEFA ratings for some SARTTAC countries are paradoxically lower than those set at the start of Phase I. The same applies to some tax-to-GDP and fiscal deficit-to-GDP ratios, budget allocations to health and education sectors, and corrections in the fiscal sector concepts and frameworks, which featured no breakthrough or showed deteriorating trends even before the outbreak of COVID-19.

**58. Moreover, compliance with milestones slowed post-COVID-19 for all workstreams, a worrying trend that needs to be reversed.** The extent of the slowdown or stalemate is significant, as this is not a new phenomenon, particularly regarding support to certain reform efforts in budget preparation and fiscal statistics. In 2021, the reduction was sometimes more than half across all countries in the region in general and the three sampled countries in particular. In absolute terms, Public Financial Management (PFM), Tax Administration (TADM), Monetary Policy Operations (MPO), and Government finance Statistics Manual/Public Sector Debt Statistics (GFS/PSDS), in decreasing order, have been the most affected workstreams.

**59. Recommendation 2. SARTTAC should carefully review the outcomes and milestones of the SARTTAC Results-Based Management (RBM) log-frames in Phase II.** A thorough review is justified, due to the existence of some outdated and ‘sticky’ outcomes (like those from Public Expenditure and Financial Accountability - PEFA) together with unrealistic milestones and an overestimate of the Authorities’ capacity to meet these milestones post-pandemic. This review task is urgent, due to the falling trends in milestones compliance. A review of this kind would be done in consultation with Authorities and donors responsible in certain CD activities, to ensure they have better ownership in setting the targets. A review like this should also clearly set the definition and methodological criteria of each indicator, as these criteria are essential for facilitating a regular and transparent monitoring of target results.

**60. Conclusion 4.** Efficiency of service delivery has not been optimal in terms of both outputs and outcomes, achieving only a larger number of staff trained though with fewer resources, at the cost of value for money. Furthermore, unit costs could still be further reduced through a rebalancing of the mix between in-person/virtual missions.

**61. The efficiency of SARTTACD activities is judged as ‘Modest’ (2.24 out of 4).** This score is based on respondents’ positive perceptions of the Online Survey, the high scores of participants in seminars, the responses from the Interviews, as well as the analysis of budget execution ratios.

**62.** The move to virtual meetings did not prevent SARTTAC from increasing the number of CD missions held and this move even increased the number of participants in its events.

63. **Recommendation 3.** SARTTAC should define criteria to reach an optimal mix between in-person and virtual missions. It should also adopt a more outcome-oriented direction in its interventions, so as to achieve a more optimal and strategic use of its budget resources. There is a trade-off, when trying to define an optimal mix: with virtual missions, activities increased at a lower cost, e.g. there were gains in efficiency. But compliance with milestones decreased, which may have resulted in losses in Effectiveness. That said, any unplanned CD activities post-COVID may have brought other positive results, which deserve to be studied.

64. **Conclusion 5.** Impact was the DAC criterion that obtained the lowest score (2.04 out of 4). Two reasons might explain such a rating: An institutional environment that is not always favorable for pursuing TA recommendations and meeting the CD objectives, plus the mainly preliminary work related to the emerging global topics.

65. **Our analysis showed there is little correlation between the extent of achievement of CD outcomes and milestones in the fiscal sector, the size of fiscal imbalances and tax-to-GDP responses, and rapid economic growth of the three sampled economies.** We also identified three possible reasons that could explain such a low score: (i) an institutional environment that is often not always favorable for fostering a rapid translation of the benefits of CD activities into visible outcomes and structural reforms, which are often difficult to achieve in a period of five years; (ii) the performance of some CD activities and delays in implementation that often affect the traction of others, positively or negatively, within a chain of activities that are fairly relevant to one workstream or another, which ultimately affects a change in national systems; and (iii) a lack of clarity about the incoming definition of outcomes and milestones for the new global topics – governance, climate change, gender, and financial inclusion. The small impact associated with the emergence of global topics among SARTTAC beneficiaries should come as no surprise, given their initial diagnostic stage among CD activities.

66. **Recommendation 4.** Define outcomes and milestones that will justify the budget allocated to CD services supporting the new global topics: governance, digitalization, climate change, gender, and financial inclusion. New baselines for these topics should also be defined.

67. **Conclusion 6.** With the third-best score (2.53 out of 4), Sustainability reflects mixed factors in member countries and recipient institutions that facilitate its achievement. While transformation in certain institutions and national regulatory systems has received ample and sustained political support, irrespective of high staff turnover or limited capacities, e.g. central banks, transformation in others has not led to profound and sustained reforms in the tax systems or to optimal management of fiscal balances due to political economy factors. In the absence of long-term roadmaps to fiscal consolidation and modernization of national systems, SARTTAC's role in this context has been more propitious in some countries than in others. This is mainly due to political parties sustainably making reforms in the financial sector and fiscal management. Lower ratings in larger countries tend to highlight the institutional drawbacks of the Regional Capacity Development Center (RCDC) delivery model or the complex political environment that conditions the implementation of key TA recommendations.

68. **The interviews identified multiple risks that affect the political environment, thus delaying or impeding sustained CD activities.** These risks are: (i) continuous political changes that affect institutions; (ii) political uncertainty; and (iii) a lack of political commitment to global standards, and vested interests.

69. **Recommendation 5.** While many factors are beyond SARTTAC's control to support Sustainability, SARTTAC could look for strategic partnerships with independent entities and project sponsors. These could for example include a Comptroller and Auditor General (C&AG), and strategic projects where complementary multi-year donor involvement might help to guarantee more buy-in and sustained implementation in entities with ample local capacity. Also, for certain relevant institutions with low absorption capacity, it could be useful to consider appointing Long-Term Experts (LTXs) *in situ*. IMF could also do *ex-ante* country-based local Capacity Assessment (CAs)

upfront, before engaging in new CD activities. This could involve assessing whether domestic resources are appropriately allocated; whether program officers appointed by national authorities are held accountable for results; and the political risk associated with certain interventions, plus possible ways to mitigate them. This extra proposal is revisited in more detail in Section 3 of this report.

### 3. Evaluation Results at the Entity Level

70. **This chapter conducts the evaluation at the entity level, i.e. at the regional center level.** It focuses on the processes of converting inputs to results, especially the value-added of having Regional Capacity Development Centers (RCDCs) located in the region that can provide continuing support to CD activities. While the technical quality of CD activities ultimately is the responsibility of IMF departments, including through backstopping, SARTTAC management ('the center') is an important determinant of the quality of CD activities in the region. SARTTAC, in common with other RCDCs, works closely with the Long-Term Experts (LTXs) and their relevant headquarters departments and in partnership with member countries in the programming, design and delivery of CD activities. For the program cycle, the center plays a joint key role with headquarters' departments, in order to confirm priorities, provide continuing engagement and to troubleshoot problems when they arise.

71. **The chapter is divided into three sections: (i) the methodology; (ii) the main findings; and (iii) the conclusions and recommendations.** In the methodology, we first present the specific evaluation questions addressed, the evaluation criteria used, and the sources of information or evidence. The second section provides the findings over several major dimensions: governance, management and organization, and the design and adaptability of CD activities. In the third section, while no ratings are provided to the questions, the findings are sufficient to generate selected and valuable recommendations.

#### 3.1. Methodology

73. **This is the proposed methodology for evaluating SARTTAC at the Regional Capacity Development Center (RCDC)-entity level,** according to the seven dimensions of its governance and operations: Strategic Guidance; Adequacy of its Institutional Set-up; Recruitment and Quality of the Network of Experts; Coordination with Donors; Flexibility to Shocks and Fragility; Adequacy to New Topics; and Sustainability. They are presented in the table below:

Table 10: Evaluation Matrix at the Entity Level

Investigation areas
<b>1. Strategic Guidance by the SC:</b> Has the Steering Committee (SC) been effective in providing strategic guidance and oversight of the Regional Capacity Development Center (RCDC) activities and contributing to setting priorities?
<b>2. Adequacy of the center's Institutional Set-up:</b> To what degree have the center's systems and institutional set-up allowed for retention of organizational memory adequacy, quality of administrative and operational support provided to advisors, including by their backstopping departments?
<b>3. Recruitment and Quality of the Network of Experts:</b> What contribution has the center made to build a robust network of local experts in the region, and to systematically identify and optimize the use of local and regional expertise?
<b>4. Coordination with Donors:</b> To what extent are the RCDC's activities effectively coordinated with the work of development partners operating in the same sectors? What level of coordination is in place with country representations of the partners?
<b>5. Flexibility to Shocks and Fragility:</b> How has the RCDC coped with conflict and fragilities in countries in the region? Have important exogenous events undermined the ability of the RCDC to achieve its objectives? If so, has the RCDC's response been adequate?
<b>6. Adequacy to New Topics:</b> To what extent have governance, gender, climate change and financial inclusion dimensions been taken into account in the program design of CD services (where relevant to the core expertise of the Fund)?
<b>7. Sustainability:</b> How has SARTTAC leveraged its design to integrate technical assistance and training? To what extent has the RCDC built sustainability into the training provided by implementing measures, in order to capitalize the acquired knowledge and development of training plans after providing CD?

4. **Three evaluations instruments or sources of evidence have been used to generate the findings, conclusions and recommendations: A Desk Review and Resource Allocation Analysis, Semi-Structured Interviews, and an Online Survey.** The last two sources of information allow the Evaluation Team to extract the views of the (a) SARTTAC-SC and donors, and (b) IMF staff at headquarters (backstoppers or functional departments) and RAs.

## 3.2. Findings

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74. **Below are the key summary comments in the various areas of discussion presented above. The findings presented below were selected on the basis of their utility for future programming. So they are based on the assertion of the success of IMF HQ and the Regional staff mobilized, in terms of launching and making this SARTTAC fully operational and capable of endorsing the role of a key regional CD provider in the region.**

### 3.2.1. Strategic Guidance by the Steering Committee

75. The Steering Committee (SC) is the principal decision-making body of the SARTTAC. The SC endorses the workplan of SARTTAC for the following year and reviews its operations at the end of the year. It also oversees the center's financial administration – funding and following the use of funds. Experienced and longer serving members said that SC has been effective in guiding the activities of the SARTTAC, although some members felt that more senior representation from the countries would enhance its role.

76. Generally, there is a good understanding of the role and mandate of the SC. There was a general feeling that there should be more regular meetings, at least semi-annually, and the SC should be more involved in strategic discussions. The SC members also believe that SARTTAC resources are allocated fairly and effectively between countries.

77. There was a feeling that the SC members should have more access to information on the performance of SARTTAC in its different activities. However, there was agreement that the SARTTAC reports provided are very clear and the management are very responsive to specific queries.

### 3.2.2. SARTTAC Institutional Set-up.

78. **The SARTTAC set-up is considered very good**, and there is complete satisfaction with the way it is managed. SARTTAC is unusual in several respects, as it integrates Training and Technical Assistance, which helps to bring the various work areas very close together. SARTTAC adapted very quickly to the changes required during the pandemic, with many missions being shifted from in-person to virtual.

79. SARTTAC's most important asset has been its experts. Hiring quality resident advisors in SARTTAC has been of utmost importance. Yet SARTTAC should build a broadened basis of short-term national experts with better knowledge of the political economy aspects of Technical Assistance (TA) in India, in particular.

### 3.2.3. Recruitment and Quality of the Network of Experts

80. **The evaluation found that the procedures to recruit new experts also appear to work relatively well.** Suggestions are often sought from the IMF functional departments, which drive the process of recruiting Long-Term Experts (LTXs). In all cases, Short-Term Expert (STX) candidates are certified on the basis of their expertise, and they are added to the IMF's roster of consultants by development departments. As in any international bureaucracy, the processes and systems for recruiting temporary experts have their strengths and weaknesses. The evaluation found no evidence of formal operating procedures developed for the recruitment of STXs. The STX network/roster is updated regularly within



SARTTAC, but only with a minimum of experts of local or regional origin and these experts are in short supply.

81. Local experts and training offered in national institutes are in short supply notably in Public Financial Management (PFM) and other workstreams, where there is a fast-growing demand. This remains a concern, given the size of India and several of its states, as SARTTAC can only work with a handful of qualified local experts and their numbers are insufficient. There is an urgent need to develop more local expertise and mentoring of qualified individuals through universities, in order to sustain the execution of training programs within SARTTAC. There is also a need for more specialized training of trainers from SARTTAC in collaboration with Ministry of Finance (MOF), Comptroller General of Accounts (CGA), and Comptroller and Auditor General (C&AG), e.g. a PFM program to reach out to a larger audience of local experts and potential trainers.

### 3.2.4. Coordination with Development Partners

82. **There is significant coordination with development partners**, but there is a broad consensus that closer coordination, may help to enhance overall results and provide sustainability in CD activities.

83. Donor coordination occurs primarily in three ways. Firstly, in the lead-up and during the annual Steering Committee (SC). Secondly, when workplans are shared and periodic meetings are held to discuss priority CD requirements. Thirdly, each Resident Advisor (RA) representing each workstream portfolio informs Development Partners (DPs) of planned missions and invites them to be briefed during or after the mission. Contacts are then maintained with individual DPs in each country. Overall, the approach taken is tailored to the needs and arrangements in place in each individual country. Where appropriate, group meetings are held to discuss specific matters. Meetings are often held at the opening and/or closure of CD missions. Long-Term Expert (LTX) debriefings also help in aligning Technical Assistance (TA) delivery among different DPs. In some countries, LTXs also participate in Committees that discuss TA delivery for specific countries. However, the CD program has not been designed to sufficiently coordinate relevant activities or to define the extent of collaboration/networking with donor agencies. The TA role of certain multilateral agencies, e.g. World Bank or ADB, was far more prominent during the years when IMF was absent. With the start-up of SARTTAC operations, the extent of collaboration with relevant DPs has been minimal and complex — particularly in Public Financial Management (PFM) and Tax Administration (TADM). This is due to the lack of a catalyst action from within national authorities. A catalyst action like this should be designed to coordinate an overall TA agenda for one or more years and eventually to confine certain specialized CD demands only within the scope of SARTTAC support.

84. It should also be recalled that the most effective Donor coordination is that made by beneficiary entities at the country level. Valuable lessons are found in other regions, e.g. West Africa and Eastern Africa, on the dialogue between IMF Regional Capacity Development Centers (RCDCs) and other Development Partners (DPs) through some form of Steering Committee (SC) or donor coordination committees. SARTTAC and other DPs do not actively support country-led efforts through information sharing and collaboration. However, the final responsibility must rest with country administrations to establish effective outreach mechanisms to coordinate the Technical Assistance (TA) requested from different providers. SCs do not generally act as facilitators of dialogue when the World Bank and Asian Development Bank work in similar areas; it would be useful to include these DPs as observers in SC meetings, as they work mainly on Public Financial Management (PFM) and macro-economics.

85. Donor coordination also appears to be irregular with regional bodies — the South Asian Association for Regional Cooperation (SAARC) is invited but does not attend Steering Committee meetings. Scarce evidence was found of initiatives being undertaken to engage with regional bodies on a regular basis: there were only irregular efforts to bolster collaboration and communication, share information and to seek out opportunities for joint training events, often in regional seminars.



86. The British High Commission as a donor has strategic expectations in the Steering Committee meetings, as it looks at tangible benefits from the CD activities undertaken by the SARTTAC in the region. Like the EU and other donors, the British High Commission works in the areas of economic development and state development programs. It expects information on the outcome of SARTTAC's CD activities. IMF Asia and Pacific Department (APD) role is more an outreach function with donors, so IMF Institute for Capacity Development (ICD) could possibly strengthen funding from other trust funds.

87. SARTTAC donor funds come mainly from India (70 percent of total), the EU and other SARTTAC countries. Other Asia donors like the UK, Korea and Australia provide limited funding. The proportion of funding from donors could be seen to impact priorities set by the Steering Committee. Consequently, strategic guidance by the Steering Committee would benefit from an urgent diversification of donor funding (e.g. USA, People's Republic of China) but complex.

### 3.2.5. Flexibility to Shocks and Fragility

88. The overall perception of the three Groups on SARTTAC's response to the pandemic was very positive. A total of 80 and 64 percent of respondents of Groups 2 and 3 respectively rated them as "Good" or "Excellent", followed by 50 percent in Group 1. SARTTAC's response to the challenges posed by COVID-19 was initially slow but then became progressively firm and steady.

89. Interviews revealed a general satisfaction with the rapid reaction to COVID-19. Delivery of CD/Training services was adapted well to exceptional COVID-19 circumstances in the region.

90. Within the orbit of SARTTAC, countries most affected by climate change and natural disasters have suffered severely from lower tourism revenue, which is their single largest source of economic growth and national development. In fragile countries from this region, public debt has thus seen a rapid upsurge, leading to successive financial crises. Over the past two decades, the solution therefore lies not only in technical assistance but in global assistance to address climate change. SARTTAC has responded rapidly within its limited expertise in climate change, financial inclusion, and other new global topics.

91. SARTTAC's assistance to fragile states, such as the Maldives, has increased over the past four years. Annual reports show a lot of flexibility from SARTTAC to serve the three sampled countries in addressing shocks and fragilities, although SARTTAC and IMF are still small players compared to the World Bank, Asian Development Bank, and USAID. However, SARTTAC has much to offer in terms of complementarity. Interviews with representatives of the Steering Committee and beneficiary entities show that SARTTAC played a very flexible role when responding to the rising needs of remote training, but this was not always easy to do. The training of trainers approach fostered by India's Ministry of Finance (MOF), Comptroller General of Accounts (CGA) and Comptroller and Auditor General (C&AG), from national to sub-national government levels, and from certain champion states' training institutes to the others was the right approach, led to valuable lessons, and is a solution requiring improvement and further attention.

92. A major consequence of the COVID-19 response – and perhaps a major lesson for SARTTAC for future shocks, resilience, and adaptability – is the unavoidable under-execution of planned activities. These are presented in Table 10 and can be summarized as follows:

- Five out of seven workstreams – exceptions being Macro-Economic Analysis, and Monetary and Foreign Exchange Operations – showed low execution (below 85 percent) at aggregate SARTTAC level. Financial Sector Regulation and Supervision (FSR), Government Finance Statistics/Public Sector Debt Statistics (GFS/PSDS), Public Financial Management (PFM), Real Sector Statistics (RSS) and Resident Advisors (RA) were the workstreams with lower than planned execution at aggregate level.
- As evidenced in Steering Committee (SC) annual reports, Public Financial Management (PFM) and Tax Administration (TADM) showed the lowest percentages of execution of activities at aggregate

level since 2020. According to Backstoppers, this was partly due to country-specific constraints. For instance, regarding Government Finance Statistics/Public Sector Debt Statistics (GFS/PSDS), only the Maldives could progress more incrementally over the past four years. This also applied to the Macro-Fiscal Analysis with close collaboration from the IMF Institute for Capacity Development (ICD), which could render better budget turnouts in Bangladesh, the Maldives and India. Financial Sector Regulation and Supervision (FSR) and Monetary and Foreign Exchange Operations (MONOPS) show weak levels of activity in Bangladesh and Nepal (Backstoppers, IMF Monetary and Capital Markets Department - MCM).

- 7 India and Sri Lanka achieved lower percentages of execution across all workstreams in FY20 – Bangladesh and Sri Lanka achieved among the lowest outturns in FY21. It seems likely that the difficult political and economic environments would have influenced negatively on the development of CD activities supported by SARTTAC. The Maldives is the country with the most robust SARTTAC budget outturns in FY20 and FY21, as noted in Section II.

Table 10: Summary of SARTTAC Activities in FY20 and FY21

Workstream (in FPW)	FY19	FY20	FY21		
	Execution	Planned		Execution	
	Annual Actual	Original plan	Revised Plan	Annual Actual	Execution rate (%)
Macroeconomic Analysis and Training	207	153	157	165	105%
Revenue Administration	98	133	112	95	85%
Public Financial Management	112	176	161	123	77%
Government Finance Statistics/Public Sector Debt Statistics	61	70	60	43	71%
Real Sector Statistics	76	74	58	47	81%
Monetary and Foreign Exchange Operations	61	66	32	5	155%
Financial Sector Supervision and Regulation	37	60	78	50	64%
<b>Total</b>	<b>652</b>	<b>732</b>	<b>658</b>	<b>528</b>	<b>87%</b>

### 3.2.6. Adequacy to New Topics (climate change, gender issues)

93. Information gathered finds that global topics are not entirely new for SARTTAC, and their recent prioritization is strongly shared by all members of the Steering Committee (SC), but work to introduce them is mainly at the initial stage.

94. SARTTAC donors admit that climate change has been discussed at Steering Committee (SC) level but not in much detail. However, discussions on support to gender-related training (e.g. gender budgeting) are in a more mature stage (Interview with EU representative).

95. New topics for SARTTAC assistance include a study of policy actions linked to COVID-19, and the financing of this study, plus other measures to combat the pandemic: these would be contemporary and offer learning opportunities to policy-makers. This topic could be covered in training that is related to financial stress testing or analogous training courses. Other interviews also suggested that, for a group of developing nations, a program on data gaps covering financial flows, shadow banking, financial inclusion and employment could be useful for all the member countries subscribed to SARTTAC.

96. A request has been made for more activities such as courses on anti-money laundering and climate change (focused on green budgeting/spending, climate-linked public investment and climate change adaptation). This would help SARTTAC to achieve the vision that aims to provide necessary training programs in line with the demand of member countries. A request for training on Financial Inclusion has been included for FY22.

97. Some of the issues discussed in the Steering Committee (SC) meetings:
- CD activities during COVID-19 pandemic and helping countries to manage fiscal distress.
  - Taking up a cyber-security program.
  - Wider macroeconomic stability policy.

### 3.2.7. Sustainability

98. Data gathered shows that Sustainability ultimately depends on a country's strong commitment to reform and limited absorption capacity. SARTTAC helps countries to minimize the risk of grant-money volatility to CD activities, but not all countries attach the same value and counterpart resources to their implementation and follow-up. One reason for this is the political economy of the specific reforms involved.

99. IMF backstoppers pointed out that there is a fundamental difference in the degree of commitment among the three sampled countries to comply with Technical Assistance (TA) recommendations and adopt its measures. This can be seen among countries that have an IMF program and countries that do not have one, or countries that receive the CD support but have low ownership of global standards and their benefits (Backstoppers, IMF). Interviewees also identified other risks to Sustainability:

- *Insufficient local absorption capacity.*
- *Limited supply of highly skilled staff combined with lowly skilled at Government Finance Statistics/Public Sector Debt Statistics (GFS/PSDS) guidelines and reforms in the tax system.* Some countries are short of fiscal sector statisticians, who are literate on GFS/PSDS concepts and frameworks.
- *High staff rotation and/or removal of key staff in certain positions and agencies.*
- *SARTTAC can accompany beneficiary entities in transforming the skills and practices acquired and the resources invested in training and achieving the expected outcomes in the relevant national systems and processes. Yet ultimately it is the national authorities that must drive the path to change and the achievement of actual impact.*
- *Lack of political support to long-term engagement, limited buy-in to highly sensitive reforms.*

### 3.2.8. SARTTAC Management and Organization

100. **Application of the Results-Based Management (RBM) System.** As indicated in Section I, the RBM framework is directed by lead IMF departments, with SARTTAC staff providing support to Long-Term Experts (LTXs) for its tracking and reporting in its log-frame. Here, the Online Survey investigated the Effectiveness of the RBM approach and found mixed results. The Online Survey showed that the RBM approach Effectiveness is scored at around 50 percent by Steering Committee (SC) members and 60 percent by IMF staff. The results confirmed multiple shortcomings, which still prevail in a system that is relatively recent.

101. **The Evaluation Team reviewed its composition and relevance, followed by its measurability, with an emphasis on:**

- The log-frame consistency with the planned intervention logic of SARTTAC, comparing what capacity gaps were identified and what objectives were set in the strategy vs the logframe.
- The log-frame verifiability of the log-frame in terms of the connection between objectives, workstreams and actual CD activities, implemented over the evaluation period.
- The log-frame measurability in terms of the quality of the data content.

102. **For consistency, we cross-referenced the data in the log-frame with the database on CD activities: this database underpins the briefing papers at the Inception Note.** This aimed to verify the extent to which projects and objectives were effectively associated with activities and the allocation of resources across countries. The analysis of the SARTTAC log-frame confirmed the consistency of

work done by workstreams being undertaken in the six countries covered by SARTTAC, some in collaboration with regional partners. These workstreams are directly associated with four IMF departments (Fiscal Affairs Department - FAD, Institute for Capacity Development - ICD, Monetary and Capital Markets Department - MCM, and Statistics Department - STA) and aim to achieve a total of 22 objectives region-wide. The analysis of the log-frame showed misclassification plus other errors and inconsistencies, and that the CD activities implemented are not necessarily linked with the logframe (Cowater, 2020, Inception Note). In response, such inconsistencies were cleaned up in the database, e.g. CD activities/missions linked to the wrong CD objectives.

**103. For verifiability, we also explored in the database which CD activities are not directly associated with objectives or workstreams.** As a result, we found that the database contained a total of 562 CD activities for all countries (237 CD activities for the three sampled countries) implemented during the evaluation period, amounting to 4,293 working days used. Major discrepancies noted in data received were some unclassified and misclassified activities as well as associated human resources (measured in workdays) delivered by the SARTTAC Center, and from HQ, and other countries within the region (Cowater, 2020, Inception Note). We excluded such activities from the sample in the working budget, which only focused on those implemented by each workstream in the three sampled countries.

**104. For measurability, appraising the adequacy of the logframe to measure results, the Evaluation Team collected multiple criticisms and found multiple issues that significantly delayed our work:**

105. The logframe as an instrument to measure the results of SARTTAC CD interventions was found to be a work in progress and needs strengthening. Logframe data was crucial for this assessment, particularly to examine the results of CD intervention. It was very helpful to collect data and information on country-wise and workstream-wise CD activities, the participation of experts, and duration and so on. But in many places, the result part was missing. In the interviews, most of the experts opined that SARTTAC is a young organization. They also said the result, in terms of outputs and outcomes, will take time to materialize: so it may not be advisable to connect those indicators to inputs and activities. It should be noted here that, for several CD activities, the deliverables were well defined, and the outputs and outcomes reflect the progress. It is very clear that the logframe assumes a crucial role in keeping track of progress of CD activities and taking policy decisions, for which the logframe should be strengthened further.

### 3.2.9. Internal learning and consolidation of best practices.

**106. The quality of internal learning reflects best practices in three dimensions: knowledge transfer among Regional Capacity Development Centers (RCDCs), transition between outgoing and incoming Long-Term Experts (LTXs), and a new balance between in-person vs virtual missions.** Regarding the first two, most SARTTAC-LTXs have either worked in other RCDCs as an LTX or as a Short-Term Expert (STX), which is an asset. To ensure a smooth transition whenever an LTX has not had prior advisory experience, predecessors (where appropriate) were contracted to onboard new LTXs. New LTXs also had access to End-of-Assignment reports and benefited from bilateral meetings with their predecessors and their backstoppers at HQ, as well as with the authorities to update their workplan and ensure this plan aligns with the priorities of the beneficiaries. Moreover, each IMF-CD Department holds annual outreach meetings with LTXs: these meetings also serve as a platform for peer learning and orientation on work processes and guidelines.

## 3.3. Conclusions and Recommendations

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**107. Conclusion:** There is general agreement that the Steering Committee (SC) is an effective body to monitor the activities of SARTTAC. However, the general feeling is that the SC is not involved in strategic planning, but responds purely to what is presented to the committee. There is also a desire to have more regular meetings, at least semi-annually, but shorter meetings. Shorter meetings are uncommon for normal meetings, so it may be better to stick to virtual meetings and to include reports

on performance against targets. There also seems to be a lack of representation from the top levels of the beneficiary institutions.

**108. Recommendation 1: Consider having bi-annual meetings of the Steering Committee (SC), possibly retaining virtual meetings, and make an effort to lift the level of SC membership of beneficiaries (e.g. including Ministers, Governors) as well as to include reports on performance against targets.**

**109. Conclusion:** The IMF is developing activities related to the incorporation of new topics (climate change, gender, and financial inclusiveness), but these activities are currently not being rolled out with the urgency apparently expected by the beneficiaries. The IMF is developing a core responsive action. Beneficiaries have also asked for complementary topics, as mentioned in the recommendations.

**110. Recommendation 2: Additional topics requested by beneficiaries could be considered: Green Finance, Climate Change and related mitigation issues, Financial Inclusion, Climate Finance – covering issues like climate risk taxonomy, disclosure norms, and data gaps; plus training on topics like financial stress testing.**

**111. Conclusion:** Coordination with development partners could be improved: SARTTAC could take on the role of coordinator in its field of activities, working closely with long-standing actors present in the region.

**112. Recommendation 3:** The Steering Committee (SC) or SARTTAC could act as a coordinator, since the World Bank and Asian Development Bank are working in similar areas: it would be useful to include them as observers in SC meetings, as they work mainly on Public Financial Management (PFM) and macro-economics.

**113. Conclusion:** Regarding the capacity of SARTTAC to be flexible to shocks and fragility, it is well recognized that SARTTAC can react fast when necessary. The most recent example of this is, of course, its reaction to COVID-19 where many missions were quickly changed to remote or virtual.

**114. Recommendation 4:** Given that a new *modus operandi* led to significant cost-savings, **work programs should in future be structured under a different format and assumptions.** This would result in significant cost-savings per year compared to previous years; these programs should **also be customized to the needs of each country.** There is a need to pursue a balanced approach in addressing country needs/balanced representation of in-country missions and Technical Assistance (TA) distribution in the workplan.

**115. Conclusion:** Sustainability has two strings: one is linked to the sustainability of SARTTAC itself, and the other is the continuing application of the benefits of Technical Assistance (TA) and Training by the beneficiaries. In the first case, this is a funding issue, and a Phase 2 is being prepared. Existing donors are apparently interested to continue funding, once they know the amounts required and they have received a proposal. In the second case (the beneficiary level), the areas addressed are based on beneficiaries' own requests: so it is unlikely that they will not continue to use the benefit of the upgrades in their operations.

**106. Recommendation 5: a proposal should be timely shared with donors to ascertain their financial support for a Phase 2.** The overall success of Phase 1 should help with getting more support from existing donors, and raise interest in other potential development partners. This must clearly be a priority for all stakeholders, and particularly for the IMF to coordinate.





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